AUSTRALIA & NEW ZEALAND WEEKLY.

Week beginning 29 April 2024

Editorial: Slow grind on disinflation, RBA on hold.

Australia: retail sales, private credit, housing updates (prices, finance, dwelling approvals), goods trade balance.

NZ: Q1 labour force statistics, building permits, ANZ business confidence.

China: NBS PMIs, Caixin manufacturing PMI.

Eurozone: Q1 GDP, CPI, unemployment rate.

US: FOMC policy decision, Q1 ECI, ISM PMIs, nonfarm payrolls, unemployment rate, average hourly earnings, trade balance, factory orders.

Key economic & financial forecasts.

INFORMATION CONTAINED IN THIS REPORT CURRENT AS AT 26 APRIL 2024.

WESTPAC INSTITUTIONAL BANK

Slow grind on disinflation, RBA on hold

Inflation continued to unwind in the March quarter, but not quite as much as expected. Headline CPI and the key trimmed mean measure both printed at 1.0% in the quarter; for more see the analysis from Westpac Economics' Justin Smirk. This compares with Westpac Economics' expectation of 0.8% for both measures (see the preview).

This brings headline inflation on a year-ended basis firmly into the 3s, in striking distance of the RBA's 2–3% target range, but the key trimmed mean measure is still at 4%. The RBA does not publish a full quarterly profile for its inflation forecasts. However, based on its view for the year-ended to June quarter (3.3% year-ended for headline and 3.6% for trimmed mean) and our own view of the likely quarterly outcome, we assess the March release as implying a somewhat slower trajectory of disinflation than the RBA would like.

The RBA might also be sensitive to the lack of progress in disinflation through the March quarter evidenced in the (year-ended) monthly CPI indicator. Recall, however, that under the current setup for the indicator, the first month of the quarter is concentrated in goods categories, while services categories are concentrated in months 2 and 3 of the quarter. A flat monthly profile through the quarter is therefore exactly what one should expect when services inflation is sitting well above goods inflation, even though both components are declining. This is because the year-to-month-1 and year-to-month-3 inflation rates involve different baskets of components with different current inflation rates.

With an extra week between the CPI release and the Board meeting than the usual schedule, the RBA staff will have plenty of time to work through some of these nuances to form a considered view of the current inflation pulse. (This will include a somewhat higher assumed path for interest rates over the forecast horizon.)

The release continues the general pattern of unwinding upstream pressures and soft domestic demand driving some parts of the inflation basket lower. Tradables inflation is back to pre-pandemic norms. Services inflation declined but remains high. The overall shape of the outcome was qualitatively similar to our expectations.

There were, however, a range of upside surprises in the detail. The biggest surprises were nonetheless not in areas that would suggest that inflation is being driven by strong demand. Car prices were up unexpectedly, consistent with the renewed increase in delivery times. Strength in pharmaceutical prices and insurance costs are also not suggesting an inflation driven by consumer demand.

By contrast, inflation in bellwether indicators of domestic demand pressures such as meals out and takeaway and 'other household services' (excluding hairdressing & personal grooming) are back near pre-pandemic norms over the past couple of quarters. Dining out has a much larger weight in the CPI basket than some of the more resilient categories such as vet bills and the previously mentioned hairdressing & personal grooming services. It is important not to cherry-pick the more alarming categories; as noted, broader measures of services and non-tradables inflation are declining. The question is whether the pace of disinflation is within the Board's tolerance levels.

The main other upside surprise in the recent data flow has been the labour market, where unemployment has stayed a bit lower, and employment growth a bit stronger than earlier expected. Against that, the employment-to-population ratio is down noticeably over the past year and job vacancies as a share of the labour force are unwinding as quickly as they rose, especially in the private sector. Recall that population growth is decelerating, leaving metrics such as employment growth more subject to revision than usual. In these circumstances, ratio measures are a better guide to near-term trends than growth measures.

While the Board is watching labour market developments closely, it is not trying to achieve the required disinflation primarily by weakening the labour market. Labour costs are elevated but they are not the main driver of the inflation surge. They are also like to slow from here. Growth in the leading edge of wages determination – individual arrangements – has already slowed. In addition, the Fair Work Commission is unlikely to deliver as large an increase in the minimum wage as it did last year.

Accordingly, we assess that the RBA will keep rates steady at its upcoming meeting. It will probably continue to be cautious about services inflation and domestic price pressures more broadly for a few months yet. We therefore do not expect any change to the messaging about not ruling anything in or out for another few months. It is possible that the Board tilts to a more hawkish tone at the May meeting. That would, however, leave it open to the same issue it faced after the November 2023 rate hike, with the upside surprise on the September quarter CPI followed by a material downside surprise in the December quarter data.

Given the slower progress on disinflation this quarter and the lower starting point for labour market slack, we now expect the first rate cut to occur after the November meeting, rather than September as previously expected. As always, this view is data-dependent and there are risks on both sides of a November timing.

Luci Ellis, Chief Economist Westpac Group

THE WEEK THAT WAS

In Australia, the Q1 CPI printed 1.0% (3.6%yr) for headline inflation and 1.0% (4.0%yr) for underlying trimmed mean inflation, meaningfully higher than consensus and likely the RBA's view too, based on our assessment of its June 2024 forecast (3.3%yr headline, 3.6%yr trimmed mean). The latest update is consistent with an ongoing moderation in consumer inflation, aided in large part by global disinflationary forces within tradables, but the detail did reveal some upside surprises in the quarter.

Electricity prices were not as weak as anticipated (–1.7% vs. –3.4% forecast), though it is worth emphasising that the Government's Energy Bill Relief Fund remains an effective tool in shielding households from much worse outcomes. Additionally, the increase in pharmaceutical prices (7.1% vs. 4.7% forecast) and financial/insurance premiums (2.0% vs. 1.4% forecast) were stronger than expected, while car prices also surprisingly lifted (1.0% vs. –0.6%). The upside surprises were generally not in categories that point to strong domestic demand, however.

As detailed by Chief Economist Luci Ellis in her note mid-week, evidence of a slower-than-expected pace of disinflation during the opening quarter have coincided with a firmer set of data prints on the labour market over recent months. The balance of risks points to the RBA Board retaining a cautious perspective over the next few months, as new information on the labour market, prices and economic growth are closely scrutinised for signs of upside risk to the inflation outlook.

All-in-all, we still anticipate that there will be no change to the RBA's policy stance in May; however, we now expect policy to remain on hold for longer, with the first rate cut now forecast to occur in November rather than September. Thereafter, and assuming no further upside surprises to inflation, the RBA will have scope to lessen the contractionary setting of monetary policy at an incremental and measured pace. We expect 25bps of rate cuts per quarter through to Q4 2025, to a terminal rate of 3.10%.

Also critical to the medium-term economic outlook will be developments around fiscal policy. For an in-depth analysis on the national fiscal outlook ahead of the Federal Budget update in May, see our latest update published earlier today on WestpacIQ.

Offshore, the focus was on the US activity data showcasing a resilient economy. GDP expanded at an annualised rate of 1.6% in Q1, and while the headline result undershot expectations, the detail suggests this is not reflective of a weak domestic economy. Personal consumption rose 2.5% with services rising 4.0% – the fastest rise in services since 2021. A sharp rise in imports, centred on services, drove the weakness in the quarter. Excluding trade, GDP came in within expectations. Strong growth was accompanied by strong prices – the PCE ex. food and energy rose 3.7%yr and implies a 0.4%mth rise in core PCE out later today. This would mark a reacceleration in PCE inflation after two months of deceleration. All together, the US economy is in a strong position with consumption supporting inflation.

Durable goods orders rose 2.6%mth in March and 0.2%mth stripping out the volatile transportation and defence categories. Together with the tepid non-residential investment data from GDP, the outlook for growth in manufacturing and investment remains clouded by high borrowing costs. Recent data will likely prompt a more hawkish tone from the FOMC to temper inflation expectations, noting that it will take time for restrictive policy to cool inflation.

Week ahead & data wrap

Squeeze on household finances continues

The pressure on household finances remains significant. Although the Official Cash Rate has remained on hold, borrowers continue to roll on to higher interest rates. And while inflation is dropping back, we're still seeing large increases in prices, especially for necessities like housing. A key issue for households in the year ahead is that the heat is now coming out of the labour market. Employment growth has already slowed, and the coming year will see higher unemployment along with a downturn in wage growth. There will certainly be tough conditions for many families over the coming year, with household spending likely to be weak. However, for the economy overall the downturn is likely to be manageable, with debt levels remaining serviceable.

The latest update on New Zealand households' finances showed that, while the growth in debt levels has slowed, the average household is now carrying around 15% more debt than they did prior to the pandemic. However, while debt levels have increased in absolute terms in recent years, so did households' ability to service that debt. The low interest rates in recent years saw the share of household incomes being spent on debt servicing costs falling to low levels. At the same time, low interest rates also fuelled rapid GDP growth, along with strong growth in employment levels and earnings. Average disposable incomes have risen 18% since 2020. As a result, the level of household-debt-to-disposable-income has fallen from 173% in 2022 to 166% now. That's the lowest it's been since 2015. It's also well below the levels we saw during the 2008/09 financial crisis when many New Zealand households and businesses faced significant financial stress as economic activity turned down.

As interest rates have pushed higher since 2021, economic growth has stalled and the pressure on households' finances has mounted. Accounting for when households fixed their mortgages, the average mortgage rate that households are paying has already risen from a low of 3.2% in 2022 to 6% now.

Even though we don't expect any further OCR hikes from the RBNZ in the current cycle, there is still some modest further tightening in financial conditions to come as borrowers continued to roll off earlier low fixed rates. Those increases in borrowing costs will be much more modest than the very large increases that we saw over the past year, with the average mortgage rate expected to climb by a further 30 basis points over the next 12 months (around 90% of all mortgages in New Zealand are fixed for a period, and close to two-thirds will come up for repricing over the coming year).

Recent years have also seen large increases in living costs more generally, with the Consumers Price Index rising by 20% since the start of 2020. That's eroded all households purchasing power. It's been particularly tough for those households on lower incomes as much of the rise in living costs relates to necessities, like housing rents (up 17% since 2020), food (up 23%) and utilities/property services (up 18%).

Key to how those tougher financial conditions will affect the economy more generally will be the strength of the labour market. At this stage, the labour market remains in good health, with unemployment still very low at just 4%.

However, the heat is coming out of the jobs market, with employment growth slowing below the rate of population growth in recent months. In our recent discussions with businesses across the country, many reported that they have scaled back their plans for hiring, and some have been shedding staff. Against that backdrop and with GDP growth set to remain moribund over the coming year, we expect next week's labour market figures will show that unemployment has already risen to 4.2% in the early part of 2024 (as discussed in our preview here). Furthermore, we expect that unemployment will rise to around 5% by the end of this year.

As the jobs market slows, wage growth is also likely to drop back. Consistent with that, businesses are already reporting some easing in wage pressures, along with a fall in staff turnover as workers have become increasingly concerned about job security.

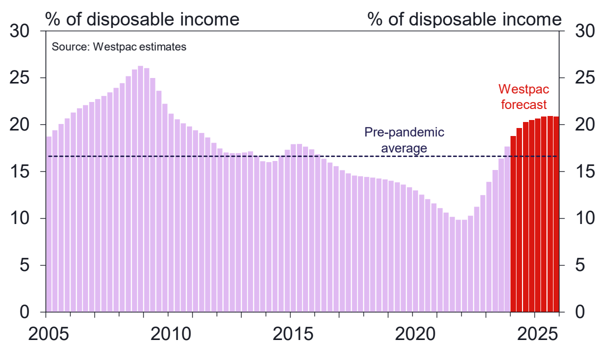
With still strong financial pressures and a downturn in the labour market, many households have already put the brakes on their spending. In per capita terms, nominal spending levels have been flat for a year now. And adjusting for price changes, the amount of goods that New Zealand households have been taking home fell by 3% over the past year. With the labour market to weaken further, and consumers sentiment also likely to remain subdued, we expect continued weakness in household spending over the coming year, underpinning our forecasts for weak GDP growth over 2024.

While the coming year will be challenging for many families, the downturn is likely to be manageable for the overall economy. The slowdown currently in train follows rapid growth in the wake of the pandemic that saw the economy becoming increasingly stretched, resulting in intense inflation pressures. We're now moving back into a position of better balance. Looking at the jobs market specifically, the expected rise in unemployment is from a very low level and it is expected to be a relatively modest slowdown compared to previous downturns (for instance, in the wake of the Global Financial Crisis unemployment peaked at 6.7%).

Crucially, the increase in households' debt servicing burden looks likely to remain manageable, even with the expected weakening in the labour market. While some borrowers have faced large increases in interest costs, the rise in the average mortgage rate has been from record low levels. As a share of households' disposable incomes, debt servicing costs are returning to around their pre-pandemic averages. In addition, savings rates have increased in recent years, which will help some households to smooth their spending.

Satish Ranchhod, Senior Economist

Spending on interest costs (households with mortgages)



Round-up of local data released over the last week

Date	Release	Previous	Actual	Westpac f/c
Wed 24	Mar trade balance $mn	-315	588	-402

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.

DATA PREVIEWS

Aus Feb private sector credit (%mth)

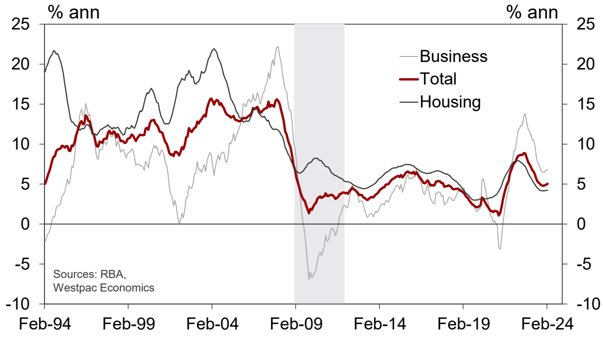
Apr 30, Last: 0.5%, WBC f/c: 0.4%
Mkt f/c: 0.4%, Range: 0.3% to 0.6%

Having slowed markedly in the later portion of 2022 and into 2023, credit to the private sector has been expanding at a modest pace, at 5.0%yr. It has held broadly steady around this rate for the past seven months.

For March, we expect credit growth to print 0.4% (5.2%yr), slightly lower than the January and February outcome, but in line with the results from October to December.

Housing credit grew 0.4% (4.2%yr) in February. Of note, revised figures suggest that the decline in new lending over November to January – following the RBA's rate hike – was much milder than initially estimated, revised up from –7.9% to –3.4%. Meanwhile, business credit has proven to be more resilient, February's outcome of 0.6% leaving annual growth up 6.8%yr.

Credit growth holds at a modest 5%yr



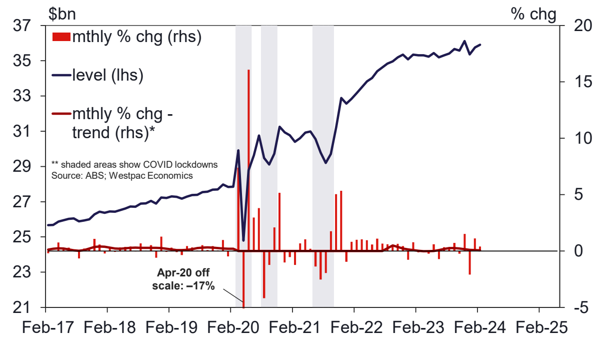
Aus Mar retail trade (%mth)

Apr 30, Last: 0.3%, WBC f/c: 0.4%
Mkt f/c: 0.2%, Range: –0.2% to 0.8%

Retail sales posted a soft 0.3% gain in March, after a choppy monthly profile through Oct–Feb. Annual growth lifted to 1.6%yr but underlying trend growth still looks to be weak (about flat in trend terms). The Feb month also included a slight boost from the blockbuster Taylor Swift tour, retailers reporting a lift in clothing and accessory sales and a rise in hospitality in affected states.

Our **Westpac Card Tracker** suggests retail conditions improved a touch over the first few months of the year, quarterly growth ticking back into small positives. Overall we expect official retail sales to show a 0.4% gain in the March month, lifting quarterly nominal growth to 0.5%qtr. Note that this preliminary release only includes monthly nominal sales figures at an aggregate level. The final survey release on May 7 will include more detail including estimates of Q1 real retail sales. These are likely to be flat or up slightly for the quarter.

Monthly retail sales



Aus Apr CoreLogic home value index (%mth)

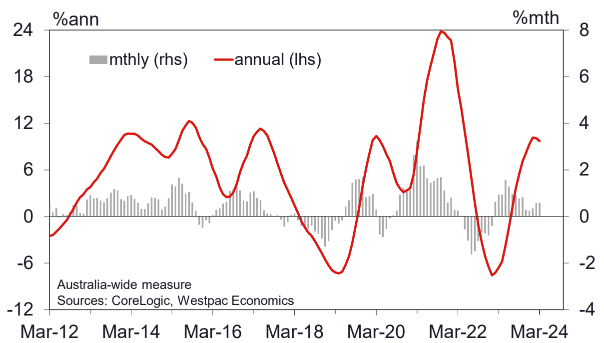
May 1, Last: 0.6%, WBC f/c: 0.6%

The CoreLogic home value index, covering the eight major capital cities, rose 0.6% in March matching the Feb gain and continuing the slightly improved monthly pace compared to the average 0.3% gain through Nov–Jan. Notably, monthly moves have not shown the same improvement in seasonally adjusted terms with gains in Feb–March instead slightly softer than those in Dec–Jan, casting doubt on the extent to which momentum may be improving. Annual price growth dipped to 9.7%yr from just over 10%yr in the previous two months.

The detail is showing a clear 'two-speed' pattern with much slower gains in Sydney and Melbourne – the latter stalled flat in recent months – and stronger rises in Brisbane, Adelaide and Perth.

The CoreLogic daily index points to another 0.6% gain over the March month. Auction market activity has been slightly softer in recent weeks but is mainly reflective of conditions in Sydney and Melbourne.

Australian dwelling prices



DATA PREVIEWS

Aus Mar goods trade balance ($bn)

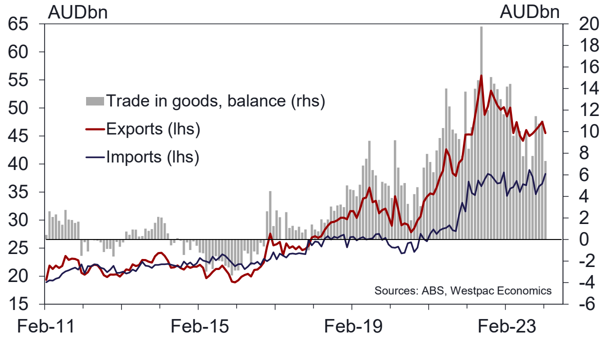
May 2, Last: 7.3, WBC f/c: 7.4
Mkt f/c: 7.4, Range: 5.1 to 9.5

In February, Australia's trade surplus for goods weakened materially, narrowing from $10.1bn (revised lower from $11.0bn) to $7.3bn, the second-smallest surplus since March 2021.

The surprise was centred on imports, up 4.8% ($1.7bn) in the month, largely driven by a spike in core goods imports excluding transport equipment, up 8.0% ($1.9bn). Exports were also soft, as expected, down –2.2% (–$1.0bn), following disruptions to iron ore exports from Cyclone Lincoln.

For March, we anticipate the goods trade balance to be little-changed, widening modestly to $7.4bn. We have factored in a fall in exports of –2.2% (–$1.0bn), incorporating a sharp moderation in commodity prices. The import side is expected to be softer still, down –3.0% (–$1.1bn), a partial pull-back from February's rise.

Australia's trade in goods balance



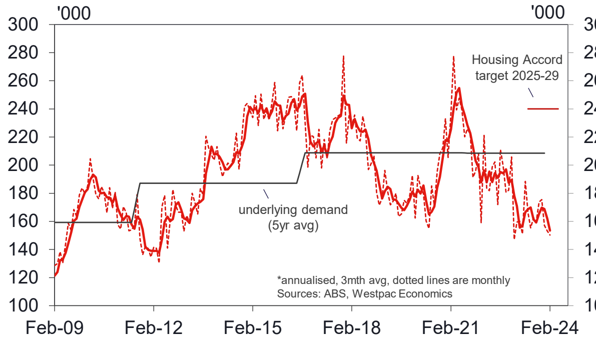
Aus Mar dwelling approvals (%mth)

May 2, Last: –1.9%, WBC f/c: 2.5%
Mkt f/c: 3.0%, Range: 0.4% to 7.5%

Dwelling approvals declined 1.9% in Feb, the third successive monthly fall suggesting activity is making another leg lower, approvals having bumped around a weak level through most of 2023. That said, the detail was less conclusive, with weakness centred on units (approvals in this segment dropping to a 12yr low) and partially offset by a surge in detached house approvals (+10.7%) from what looks to have been an abnormal seasonal drop in Jan.

The March approvals update will provide an important clarification of underlying trends. HIA new home sales suggest the rise in detached house approvals sustained into March. Unit approvals will again be the big swing factor. A small rebound from Feb's 12-year low would be consistent with 2.5% rise in total approvals.

Dwelling approvals



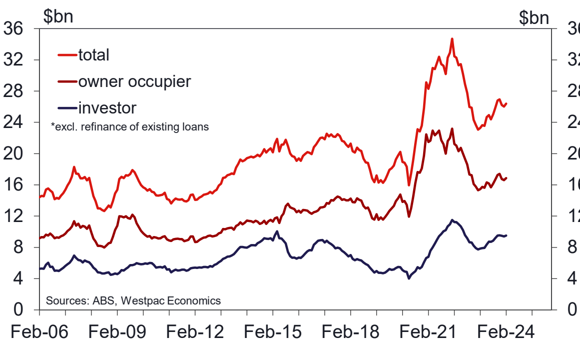
Aus Mar housing finance approvals (%mth)

May 3, Last: 1.5%, WBC f/c: 4.0%
Mkt f/c: 1.0%, Range: –1.4% to 4.0%

The value of new housing finance approvals rose 1.5% in Feb with revisions significantly softening the estimated pull back over Nov–Jan. Approvals are still up solidly on a year ago (+13.3%yr). That said, gains are still fairly sluggish with conditions notably softer in Vic.

The March update is expected to show a solid 4% rise with both prices and turnover lifting in the first few months of the year and construction-related activity also a little firmer. More broadly, our recently released **Home Ownership survey** shows would-be buyers are pushing back purchase plans but upgraders are more likely to be active near term and investors more inclined to be purchasing towards year-end. This may be on the expectation that interest rates may be starting to move lower by then.

New finance approvals by segment: value



DATA PREVIEWS

NZ Mar monthly employment indicator (%mth)

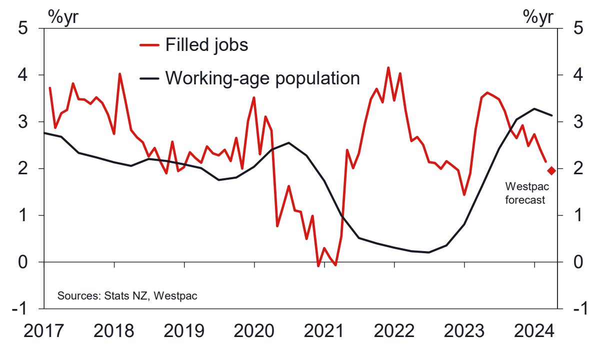
Apr 29, Last: +0.3%. Westpac f/c: +0.2%

The monthly employment indicator is drawn from income tax data, making it a comprehensive record of the number of people in work. While there are conceptual differences, it generally does a good job of predicting the more widely followed quarterly household survey measure of employment.

Job growth has slowed since mid-2023. While still growing, it has now fallen behind the pace of population growth, which continues to be boosted by record net inward migration. Surveys suggest that businesses are no longer struggling to find more workers, and job advertisements have fallen below pre-COVID levels.

The weekly data snapshots so far suggest another modest lift in jobs in March.

NZ monthly filled jobs growth



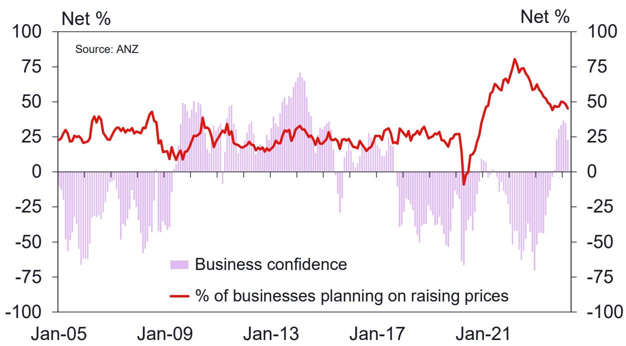
NZ Apr ANZ business confidence

Apr 30, Last: 22.9

After an initial burst of optimism at the end of last year (coinciding with the election of a centre-right government), business confidence has slipped back in the last two months as the reality of a slowing economy has set in again. In March a net 7% of businesses reported that their trading activity had declined over the past year, with particular weakness in the retail, construction and manufacturing sectors.

The survey's price and inflation gauges remain a key focus. Expectations of inflation for the year ahead fell to 3.8% in March, the lowest reading since October 2021. There was also an easing in the number of businesses expecting to raise their prices, though this remains high and had been rising again in previous months. We expect that most of the responses in the April survey will have pre-dated the March quarter CPI release, where the headline inflation rate fell from 4.7% to 4.0%.

NZ ANZBO business confidence



NZ Q1 labour market surveys

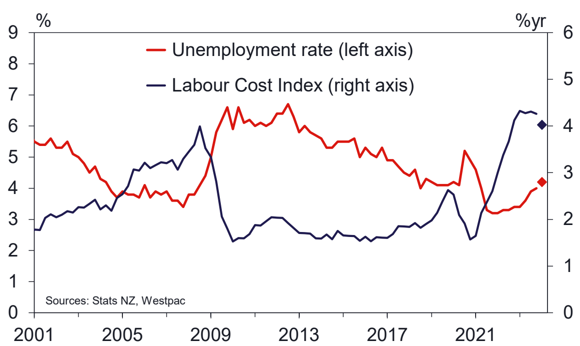
May 1, Unemployment rate, Last: 4.0%, Westpac f/c: 4.2%
May 1, Labour Cost Index (all sectors), Last: 1.1%, Westpac f/c: 0.7%

We expect a further rise in the unemployment rate in the March quarter, from 4.0% to 4.2%. This would still be a low level by historical standards, but is a meaningful lift from the record low of 3.2% that was set two years ago.

Record net migration continues to drive strong population growth, providing a boost to both labour supply and demand. But at the same time, high interest rates are clearly weighing on activity. The net result is that employment is still rising modestly, but not fast enough to absorb the growth in the labour force.

Labour shortages have become far less prevalent over the last year, due to both the increased availability of migrant workers and the softening in the economy. We expect the pace of wage growth to have slowed in the March quarter, though remaining above what would be consistent with the RBNZ's 2% inflation target.

NZ labour market indicators



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DATA PREVIEWS

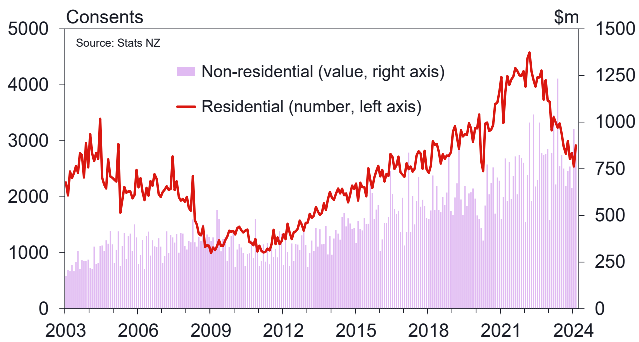
NZ Mar building consents

May 2, Last: +14.9%. Westpac f/c: –5.0%

February saw a bounce in residential consent issuance, with consent numbers rising 15%. However, that bounce in monthly consent numbers was centred on the volatile medium-density components and followed a particularly weak January result. The result took us back to trend, and that trend is firmly down.

We estimate that consents fell 5% in March, with some of February's bounce in the more volatile consent categories likely to be reversed. In annual terms, we expect consent numbers to slip below 36,000 for the first time since 2019.

NZ building consents



US Apr/May FOMC meeting

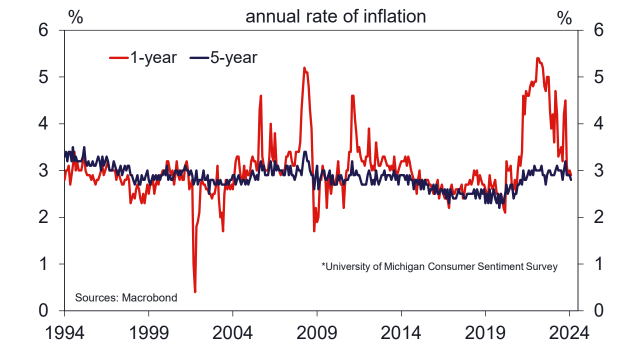
May 1, Last 5.375%, Mkt f/c: 5.375%, WBC f/c: 5.375%

FOMC members have made clear they believe there to be too much uncertainty over the inflation outlook to cut interest rates at this meeting. However, the press conference will be closely scrutinised for any guidance on how much more information is necessary for members to be comfortable with the trajectory of the economy, and consequently a less restrictive stance of monetary policy.

Coming after Q1 GDP, March PCE and the Q1 ECI, there will be a lot of new data for the Committee to assess and Chair Powell to use to inform in the press conference.

With an update of their forecasts not due until the June meeting, a major change in tone is unlikely. Still, their view on the balance of risks will be very helpful in gauging the FOMC's potential reaction function.

Comfort over inflation outlook critical



US Apr nonfarm payrolls

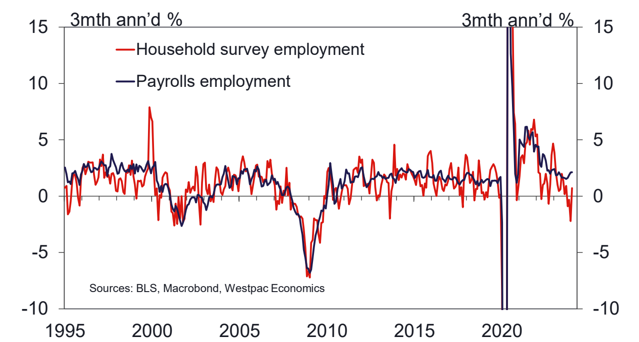
May 3, Nonfarm Payrolls, Last 303k, Mkt f/c: 250k, WBC f/c: 225k
May 3, Unemployment Rate, Last 3.8%, Mkt f/c: 3.8%, WBC f/c: 3.9%

Nonfarm payrolls has shown strength month after month. March was no exception, with 303k new jobs and a 22k upward revision to the prior two months. Over the year and on a 6-month annualised basis, nonfarm payrolls is well in excess of population growth, indicating a tightening in the labour market.

Yet this is not the story shown by other measures. Household employment has only experienced limited growth over the past year. Albeit qualitative, the Beige Book reports a similar finding and the business surveys a reduction in demand.

The full suite of labour market outcomes therefore need to be assessed for Apr, along with the scale of revisions. This month also offers the opportunity to assess wage momentum. Of late it has been easing. This trend needs to continue to give the FOMC more confidence in the inflation outlook.

Employee and job count diverging



For the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 29					
NZ	Mar employment indicator %mth	0.3%	–	0.2%	Jobs growth is now falling behind population growth.
Eur	Apr economic confidence	96.3	–	–	Eagerly awaiting rate hikes, consumers and business alike.
US	Apr Dallas Fed index	–14.4	–11.3	–	Outcomes are diverging across the regions.
Tue 30					
Aus	Mar retail sales %mth	0.3%	0.2%	0.4%	Slight improvement in nominal sales in early 2024.
	Mar private sector credit %mth	0.5%	0.4%	0.4%	Slightly softer gain expected; in line with Oct-Dec outcomes.
NZ	Apr ANZ business confidence	22.9	–	–	Activity gauges have eased. Pricing gauges down, but still firm.
Jpn	Mar jobless rate	2.6%	2.5%	–	Conditions remains tight and supportive for wages growth.
	Mar industrial production	–0.6%	3.3%	–	Weak quarter overall, consistent with underlying softening.
Chn	Apr NBS manufacturing PMI	50.8	50.3	–	Composition for manufacturing looking more constructive…
	Apr NBS non-manufacturing PMI	53.0	52.2	–	… the improvement in the employment sub-index being key…
	Apr Caixin manufacturing PMI	51.1	–	–	… to the outlook for households' confidence recovery.
Eur	Apr CPI %yr	2.4%	2.4%	–	Goods disinflation continues to do the heavy lifting.
	Q1 GDP %qtr	0.0%	0.2%	–	Economy stagnating under the weight of high rates.
US	Q1 employment cost index	0.9%	1.0%	0.9%	Labour income gains are easing, albeit very gradually.
	Feb S&P/CS home price index	0.1%	0.1%	–	Near-term momentum depends critically on turnover.
	Apr Chicago PMI	41.4	45.0	–	Proving to be a highly volatile indicator of late.
	Apr consumer confidence index	104.7	104.1	–	Highly sensitive to views on the employment outlook.
Wed 01					
Aus	Apr CoreLogic home value index	0.6%	–	0.6%	Price gains continuing but now clearly a '2-speed' market.
NZ	Q1 employment %qtr	0.4%	0.3%	0.4%	Employment still on the rise despite the slowing economy…
	Q1 unemployment rate	4.0%	4.3%	4.2%	… but not enough to absorb the growth in the labour force.
	Q1 LCI wage inflation (pvte, ordry time)	1.0%	0.8%	0.7%	Wage pressures easing from their highs.
US	Mar JOLTS job openings	8756k	8725k	–	Vacancies-to-unemployed not far off pre-pandemic levels.
	Apr ISM manufacturing	50.3	50.1	–	Employment sub-index points to downside risk for jobs.
	FOMC policy decision, midpoint	5.375%	5.375%	5.375%	Suite of quarterly activity and price data to inform guidance.
Global	Apr S&P Global manufacturing PMI	–	–	–	Final estimate for Japan, UK and US.
Thu 02					
Aus	Mar goods trade balance $bn	7.3	7.4	7.4	Likely to remain little-changed following Feb narrowing.
	Mar dwelling approvals	–1.9%	3.0%	2.5%	Already weak but may be taking a new leg lower.
NZ	Mar building permits	14.9%	–	–5.0%	Financial pressures and soft housing market remain a drag.
US	Mar trade balance $bn	–68.9	–69.0	–	External support to growth fades as deficit widens.
	Mar factory orders	1.4%	1.6%	–	March gain to round out an otherwise soft quarter.
	Initial jobless claims	207k	–	–	To remain at a relatively low level.
Fri 03					
Aus	Mar housing finance	1.5%	1.0%	4.0%	Established market relatively buoyant early in the year…
	Mar owner occupier finance	1.6%	–	3.8%	… construction-related activity also a touch firmer…
	Mar investor finance	1.2%	–	4.0%	… upgraders leading gains, investors poised to move later.
Eur	Mar unemployment rate	6.5%	–	–	Holding firmly at a historic low.
US	Apr non-farm payrolls	303k	250k	225k	Payrolls sees strength where other indicators do not…
	Apr unemployment rate	3.8%	3.8%	3.9%	… while April's update is unlikely to fully resolve this tension…
	Apr average hourly earnings %mth	0.3%	0.3%	0.3%	… it offers another chance to assess wages' downtrend…
	Apr ISM non-manufacturing	51.4	52.0	–	… and other indicators of employment's momentum.
Global	Apr S&P Global services PMI	–	–	–	Final estimate for UK and US.

Forecasts

Interest rate forecasts

Australia	Latest (26 Apr)	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Cash	4.35	4.35	4.35	4.10	3.85	3.60	3.35	3.10
90 Day BBSW	4.41	4.37	4.12	3.92	3.67	3.47	3.30	3.30
3 Year Swap	4.33	3.95	3.85	3.75	3.65	3.60	3.55	3.50
3 Year Bond	4.14	3.75	3.65	3.55	3.45	3.40	3.35	3.30
10 Year Bond	4.52	4.05	3.95	3.85	3.90	3.90	3.95	4.00
10 Year Spread to US (bps)	–17	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	4.69	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	5.20	4.95	4.75	4.50	4.40	4.15	4.10	4.00
10 Year Bond	5.02	4.70	4.65	4.60	4.50	4.40	4.35	4.25
10 Year spread to US	33	70	75	80	65	50	40	25

Exchange rate forecasts

Australia	Latest (26 Apr)	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
AUD/USD	0.6525	0.68	0.69	0.70	0.71	0.72	0.72	0.73
NZD/USD	0.5935	0.63	0.64	0.64	0.64	0.65	0.65	0.65
USD/JPY	156.04	148	145	141	137	133	130	127
EUR/USD	1.0725	1.11	1.13	1.14	1.15	1.16	1.17	1.17
GBP/USD	1.2504	1.27	1.28	1.29	1.30	1.30	1.31	1.31
USD/CNY	7.2463	7.10	7.00	6.90	6.80	6.70	6.60	6.50
AUD/NZD	1.0946	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	1.0	0.6	0.9	0.8	–	–	–	–
annual chg	6.0	5.4	4.1	3.6	3.1	2.8	3.0	7.8	4.1	3.0	2.7
Trimmed mean	0.9	1.2	0.8	1.0	0.6	0.9	0.7	–	–	–	–
annual chg	5.8	5.1	4.2	4.0	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	4.2	4.6	4.9	5.1	3.4	4.0	5.1	5.2
CPI % qtr	1.1	1.8	0.5	0.6	0.6	1.0	0.4	–	–	–	–
Annual change	6.0	5.6	4.7	4.0	3.6	2.8	2.7	7.2	4.7	2.7	2.3

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