WEEKLY ECONOMIC COMMENTARY

11 Nov 2024 | **Westpac Economics Team** | **westpac.co.nz/economics** | economics@westpac.co.nz

Trump 2.0

The US 2024 election saw the return of President Trump. It also saw the Republican party winning a majority in the Senate, and they look likely to get a majority in the House of Representatives as well. The exact policies that the new administration will enact are yet to be determined and are likely to be less extreme than some of the more bombastic claims made during the campaign. But the direction of travel is clear. US domestic fiscal policy is set to become more expansionary and, crucially for New Zealand, the landscape for global trade will be rockier. There will also be impacts on financial conditions that could be important for New Zealand.

Fiscal policy.

In terms of US domestic policy, Trump has stated that he will enact expansionary fiscal policy mainly through tax cuts in a range of areas. Even with the potential increase in revenue from tariffs, Trump's plan is likely to mean larger increases in US debt and related increases in US government borrowing costs. The result is higher bond yields across the whole US curve, and we expect that to pass through to higher Government bond yields here in New Zealand.

Trade.

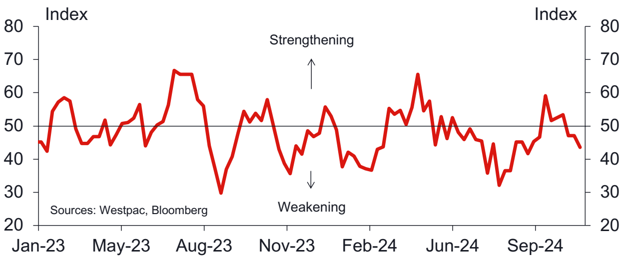
On the trade front, the centre piece of Trump's platform has been tariffs of 10% to 20% on all imported goods, and potentially much larger tariffs on imports from China (possibly up to 60%).

The imposition of tariffs would clearly mean a tougher environment for many New Zealand exporters. The US is New Zealand's second largest market for goods exports – in the year to September the US took close to $9bn of our exports, accounting for around 13% of our total exports. Our major exports to the US include meat products, as well as dairy and beverages (including wine).

Key views

	Last 3 months	Next 3 months	Next year
Global economy	→	→	↗
NZ economy	↘	→	↑
Inflation	↘	→	→
2 year swap	→	→	↗
10 year swap	↗	→	↗
NZD/USD	→	→	↘
NZD/AUD	↘	↘	↘

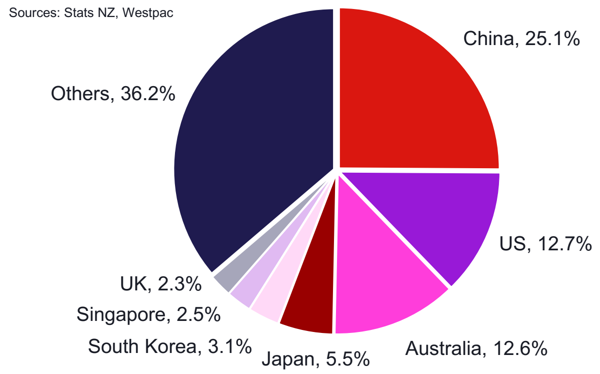
Westpac New Zealand Data Pulse Index



Key data and event outlook

Date	Event
11 Nov 24	RBNZ Survey of Expectations, September quarter
14 Nov 24	NZ Selected price indexes, October
27 Nov 24	RBNZ OCR Review & Monetary Policy Statement
5 Dec 24	Govt financial statements, 4 months to October
10 Dec 24	RBA Monetary Policy Decision
16 Dec 24	NZ Selected price indexes, November
17 Dec 24	Half-Year Economic and Fiscal Update
18 Dec 24	FOMC Meeting (Announced 19 Dec NZT)
19 Dec 24	NZ GDP, September quarter
14 Jan 25 (tbc)	QSBO business survey, December quarter
16 Jan 25	NZ Selected price indexes, December
22 Jan 25	NZ CPI, December quarter
29 Jan 25	FOMC Meeting (Announced 30 Jan NZT)
5 Feb 25	Labour market statistics, December quarter

Share of total merchandise exports, year ended September 2024



The exact impact of tariffs on New Zealand's export earnings will depend on a range of factors. In addition to the level of tariffs themselves, the type of good and consumer preferences will play a role. For goods where there is strong competition from US producers or where consumers are very price sensitive (such as beef used in the US fast food industry), there's likely to be only limited scope to pass on tariff increases to consumers. That would mean increased pressure on New Zealand producers' margins. In contrast, for some items like higher quality wines sold at restaurants, there may be scope to pass on a portion of the tariff increase. But even in such cases, higher tariffs would still dent export earnings.

The impact of a tightening in US trade policy on New Zealand would also depend on how other countries are affected. Of particular importance will be the impact on the Chinese economy, which has already been struggling with weak demand and which could face a much more aggressive tightening in US trade policies than in other regions. China is our largest trading partner, and if tougher US trade policies dent growth there, we could see related weakness in the prices for some of our exports, like dairy products.

There is also the risk that we see retaliatory trade policies as we did during the first Trump presidency when China introduced its own tariff increases in response to those imposed by the US. That sort of tit-for-tat trade war would have a negative impact on global growth, meaning downside risk for our export earnings.

Even if we are not subject to tariffs ourselves, or if they are less severe than has been signalled, the landscape for global trade has clearly become a lot rockier. Trump's protectionist focus was evident during his first term in office, as evident in his withdrawal from the TPP in 2017. That approach means that negotiating improved access to US markets is likely to now be tougher.

Foreign relations.

Compounding the uncertainty around the trade outlook, there are also likely to be changes in US foreign policy, including with regards to the extent of US involvement in the conflicts in Ukraine and the Middle East. Related to this, the incoming president has signalled he wants NATO members to increase their spending on defence. Changes to US policy on these fronts could affect economic stability in some key regions and could have important impacts on commodity markets, including the price of oil.

US monetary policy.

Overall, the mix of policies under the Trump administration is likely to be reflationary (though will take a while to come through given that it will likely be well into 2025 before they are enacted).

Increases in fiscal spending will add to US domestic demand. At the same time, the imposition of tariffs will likely mean higher prices for many goods that the US imports, with related increases in businesses' operating costs and consumer prices. While the ultimate impact of those policies will depend on a range of factors (like the strength of demand and the USD), we're likely to see stronger inflation over the next few years than would have otherwise been the case.

That stronger medium-term inflation outlook will have important implications for the stance of US monetary policy, with the Fed likely to be more cautious about the extent and pace of rate reductions over the coming year. We have not shifted our view of the near-term path for the Fed funds rate – we continue to expect the Fed funds rate to reach its low point of 3.375% (midpoint) in the third quarter of 2025. In contrast, we do think the outlook further out has shifted from our earlier expectations. We already expected the Fed funds rate to bottom out at a higher rate than implied by the FOMC 'dot plot', consistent with our view about the longer-run global interest rate structure. That view seems even more likely given recent developments. Further, we now think it likely that the Fed will start hiking rates in the second half of 2026, in response to rising inflationary pressures.

New Zealand monetary conditions.

Shifts in US policy could affect New Zealand monetary policy and financial conditions through a range of channels. Reflationary policies in the US and the related pressure on US interest rates could mean downward pressure on the NZD. Consistent with that, we have revised down our forecast for the NZD/USD in the wake of the US election. We now expect the NZD to average around US 59 cents over 2025 and US 60 to 61cents over 2026 (previously we assumed the NZD would track around US 64 cents). That lower outlook for the NZD signals stronger imported cost pressures than would otherwise be the case.

At the same time, the outlook for export earnings is likely to be weaker, especially if the tightening in US trade policies materially dents growth in economies like China. We could also see other countries 'dumping' exports previously destined for the US on to global markets, which could dampen tradables inflation in New Zealand.

It's the balance between those factors that will be important for the RBNZ – while downwards pressure on the NZD could add to inflation, the downside risks for export earnings and economic growth will be an important offset. Overall, we continue to expect another large 50bp rate cut from the RBNZ at next week's policy meeting. But heading into 2025, the balancing act for the MPC has now become more complex. That reinforces our expectations that the RBNZ's approach to policy easing over the new year will be more cautious, measured and data dependent.

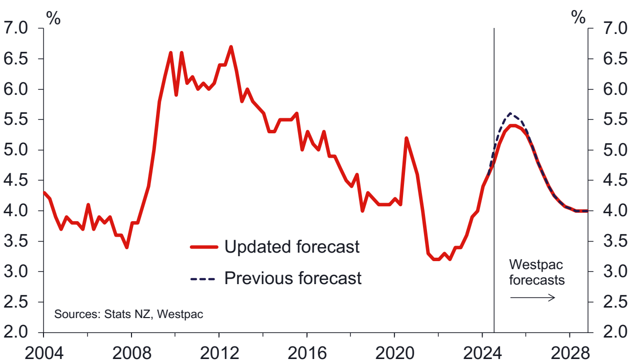
Satish Ranchhod, Senior Economist

Back to school.

Turning to developments in New Zealand, the September labour market surveys didn't provide much new to chew on ahead of the Reserve Bank's last policy review of the year. Fewer people were in employment, as already signalled by the higher-frequency data, and wage pressures are now clearly easing off. The measured unemployment rate rose by less than expected, though the surprise was due to more people opting out of the labour force altogether.

As we discussed in our review note, **we've shaded down our forecast for the peak in the unemployment rate** to 5.4%, from 5.6% previously. The latest survey adds to the evidence that labour force participation has played a greater than usual role in this cycle, absorbing some of the variation in employment and dampening the highs and lows in the measured unemployment rate.

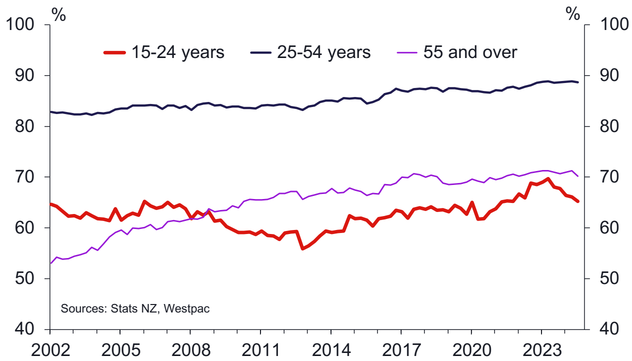
Unemployment rate



This effect has largely occurred among young people, and especially teenagers. In the initial post-Covid period, the economy was running hot and the demand for workers was strong, but the border closure meant that employers couldn't look to migrants to meet that demand. Instead, many young people were drawn into the workforce to fill those roles – often at the expense of their studies. Teen employment rose by 24% over 2021-22, and youth participation reached its highest level in decades.

But by 2023, the border had been reopened and net migration was surging to record highs, at the same time that higher interest rates were starting to cool the economy. As a result, the previous dynamic has since been going in reverse – young people have seen the sharpest job losses. And while many of them are ending up in the ranks of the unemployed, a substantial number are also opting out of the active labour force, either returning to or remaining in study. We don't expect this shift to reverse in the near future.

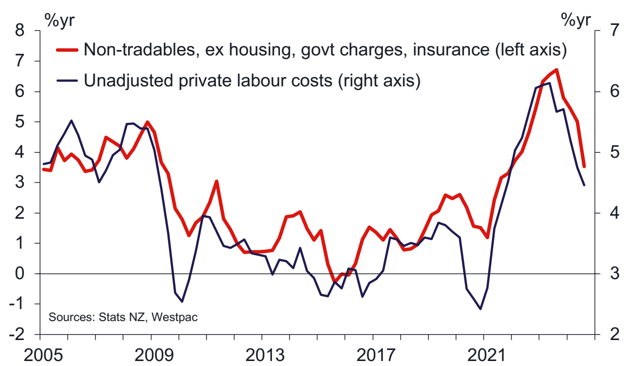
Participation rates by age group



The bottom line is that the downward revision to our unemployment rate forecast is largely cosmetic; it doesn't convey anything about the degree of slack in the labour market that we expect to see in the years ahead. Those people who have exited the labour force in recent times will be available to re-enter it when job prospects improve again (indeed, young people who are currently studying will be entering the workforce in a couple of years anyway).

For the RBNZ, the key takeout from these surveys is what they suggest in terms of future inflation pressures. And while the unemployment rate didn't rise by as much as they expected, wage growth has continued to ease in the way that they were looking for. The Labour Cost Index rose by 0.6% for the June quarter, slightly below the 0.7% increase that we and the RBNZ were forecasting. Outside of collective pay agreements in the public sector, which have been phased in over a couple of years, wage growth in recent quarters has been moving closer to something that's more consistent with 2% overall inflation.

Domestic inflation easing along with wage growth



Overall, we don't think the labour market surveys will alter the RBNZ's thinking at its *Monetary Policy Statement* on 27 November. We see another 50bp cut as the most likely move, which would be firmly in line with market pricing; the bigger issue is what they will signal in terms of the pace of easing over next year. We'll be releasing our RBNZ preview next week.

The other notable event on Wednesday (at least locally) was the 4.7% rise in prices at the latest GlobalDairyTrade auction, giving a combined gain of 12% over the last three months. We're wary of extrapolating too far from this – global milk supplies are quite strong at the moment, other than in parts of Europe that are dealing with an outbreak of the bluetongue virus. And the strength of Chinese buying may be more about stockpiling rather than any sustained lift in demand. Even so, there are clearly mounting upside risks to our forecast of a $9.00/kg farmgate milk price for this season (and Fonterra has just increased its forecast range to a midpoint of $9.50). Coming off a tough year where sharply higher costs meant that the average dairy farmer was operating below breakeven, the outlook for this year's milk price provides scope for a substantial catch-up in spending and investment.

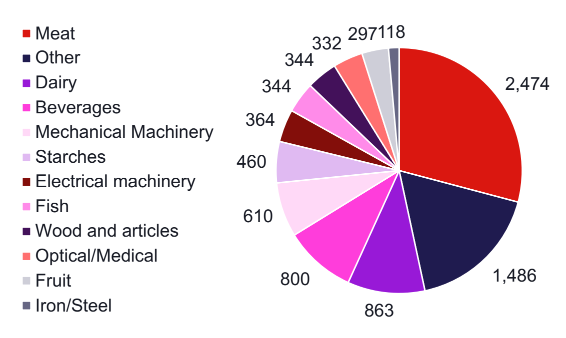
Finally, we had the Government financial statements for the three months to September, our first snapshot of the new fiscal year. Tax revenue was in line with the Treasury's forecast, while core Crown spending was only slightly higher than expected (though there was a substantial overspend for Health New Zealand, a non-core entity). Our assessment at this stage is that, despite the partial pre-funding that was done in the last fiscal year, the government might still need to do the full $38bn of issuance that was forecast for this year in Budget 2024. The Government will provide an update on its bond issuance programme with the release of the Half-Year Economic and Fiscal Update on 17 December. We'll get one more month of results before then, at which point we'll provide a formal forecast update.

Michael Gordon, Senior Economist

Chart of the week.

During the campaign, President Trump said that if elected he would impose broad-based tariffs of 10-20% on imports into the US, as well as specific tariffs on imports from China. The US is New Zealand's second largest trading partner, purchasing $8.5bn of New Zealand's exports over the past year – trade would be subject to a tax of $1.7bn if a full 20% tariff were to be implemented – a worst-case scenario. The pie chart below shows the sectors most exposed if a blanket tariff was to be imposed. The meat industry has the largest exposure, with $2.5bn of product – including $1.7bn of beef – exported each year. Other significant exposures include dairy (mostly whey and cheese), beverages (mostly wine) and fruit (mostly kiwifruit and apples).

NZ exports to the US ($m, year to September)

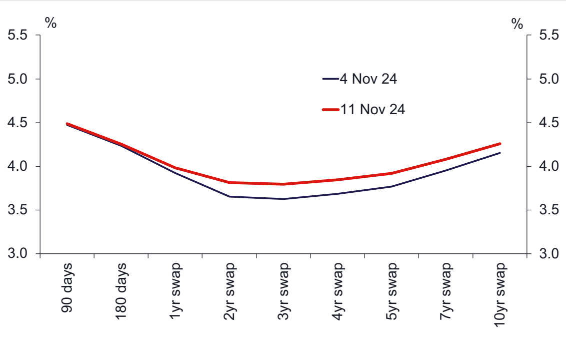


Fixed versus floating for mortgages.

The RBNZ followed up August's 25bp cut in the OCR with a supersized 50bp cut at its October policy review. We expect another 50bp cut at the November review, with further, but more gradual, cuts in 2025.

A significant amount of OCR easing is already factored into longer-term mortgage rates. This suggests that it's now more attractive to fix for longer periods than it has been for a while – perhaps even for terms as long as two to three years. Mortgage rates for shorter terms of up to a year are substantially higher now but are likely to fall in the coming months towards current longer term fixed rates.

NZ interest rates



Global wrap

US.

As expected, the FOMC cut the funds rate 25bp at its November meeting. While noting the continuing progress on inflation, commentary on the labour market was a little mixed compared to the Fed's previous missive. Fed Chair Powell noted that the outcome of the election did not alter the near-term outlook for monetary policy and that the impact of new initiatives would be considered only as the details become more certain. The FOMC next meets in December, and we expect another 25bp cut. However, that meeting will be more than a month before the new administration takes office. US data over the past week was generally positive. Most notably the Michigan consumer sentiment survey was stronger than expected, and expectations for year-ahead inflation continued to ease back. Following today's holiday, the calendar includes updates on the CPI (Tuesday) and retail sales (Friday). There will also be a number of Fed speakers throughout the week, including Chair Powell on Thursday.

Europe and the UK.

The Bank of England cut its policy rate by 25bp to 4.75% last week in an 8-1 decision. While the MPC is continuing to gradually ease policy, they remain concerned about domestic inflation and wage pressures, with inflation now expected to take longer to return to target. Forward guidance continued to note that policy will need to remain restrictive to bring inflation back to target. Sweden's Riksbank also cut its policy rate by 50bp to 2.75% and noted that "the policy rate needs to be cut somewhat faster than was assessed in September." By contrast, Norway's Norges Bank remained on hold at 4.50%, and noted rates will likely stay on hold "to the end of 2024 with the depreciation of the krone and increases in business costs likely to limit the fall in inflation".

Asia-Pacific.

The RBA left the cash rate on hold in November, noting that although headline inflation had fallen, core inflation was still too high. On balance, developments since the last policy meeting have not materially altered the RBA's perspective, and the Board again noted that they are "not ruling anything in or out" for the time being. We expect the RBA will remain on hold until February, with measured cuts of 25bps per quarter from there. Across in China both the CPI and PPI were soft (even adjusting for the fall in food prices), highlighting the underlying weakness in demand. This week's data calendar includes the latest updates on the Australian labour market (Thursday) and Chinese activity indicators for October (Friday).

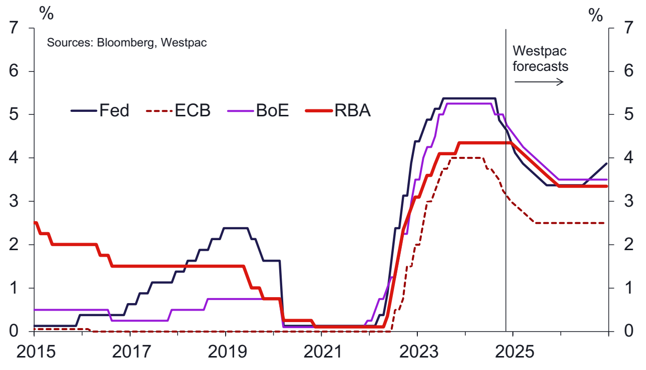
Trading partner real GDP (calendar years)

	Annual average % change			
	2023	**2024**	**2025**	**2026**
Australia	2.0	1.3	2.2	2.4
China	5.2	5.0	4.8	4.5
United States	2.9	2.7	1.8	1.7
Japan	1.9	0.1	1.1	0.9
East Asia ex China	3.3	4.2	4.1	4.1
India	7.8	7.0	6.8	6.5
Euro Zone	0.4	0.6	1.5	1.5
United Kingdom	0.1	1.0	1.3	1.4
NZ trading partners	3.3	3.2	3.3	3.2
World	3.2	3.3	3.3	3.2

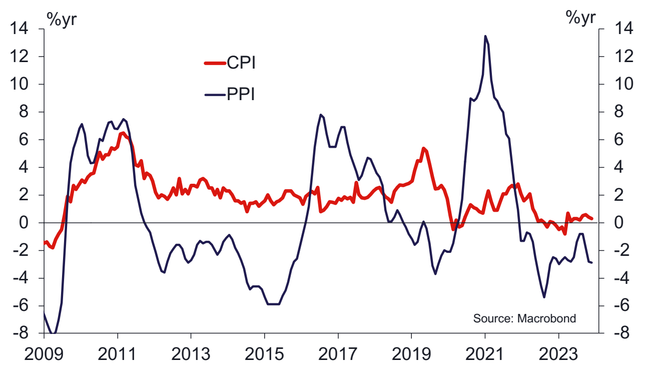
Australian & US interest rate outlook

	8 Nov	Dec-24	Mar-25	Dec-25
Australia				
Cash	4.35	4.35	4.10	3.35
90 Day BBSW	4.42	4.42	4.19	3.50
3 Year Swap	4.04	4.00	3.90	3.80
3 Year Bond	4.07	3.95	3.80	3.65
10 Year Bond	4.56	4.50	4.45	4.55
10 Year Spread to US (bps)	23	20	15	5
US				
Fed Funds	4.625	4.375	3.875	3.375
US 10 Year Bond	4.33	4.30	4.30	4.50

Global central bank policy rates



Chinese inflation



Financial markets wrap

Interest rates.

NZ swap rates have risen over the past few days, a lagged catch up to the rise in US yields, in turn reflecting the expected and actual US election outturn. The 2yr swap formed a base at 3.50% in October – the lowest level since 2022, and that level should hold during the weeks ahead, with potential for a test of 4.00% during the month ahead.

Event risk this week comes mainly from the US (which has CPI data and plenty of Fedspeak) and Australia (which has labour data). In NZ, there's a stream of second tier data, which will be watched by the markets, particularly the monthly CPI price indicator. The next major NZ event will be the RBNZ MPS on 27 November.

Markets continue to pare pricing for RBNZ easing, which in October had become quite stretched. A 50bp cut at the 27 November MPS is still confidently expected, but the chances of a 75bp cut are now seen as low. Further, the OCR cycle low is now priced to be around 3.25% (from 3.00% previously). The RBNZ had forecast a 3.00% low, and markets will be very interested in the new projection released in two weeks' time. We forecast a 50bp cut in November continue to expect a 3.50% low-point for the cycle.

Foreign exchange.

NZD/USD fell 5c in October, and there's potential for even lower to 0.5850 during the month ahead.

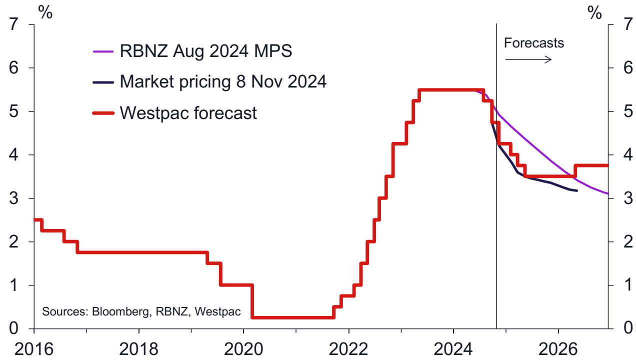
The impact of the US election will likely be a major determinant of US dollar direction. Although the Trump administration will not take effect until January, markets are forward looking and will price the impact of signalled policies. Overall, we'd expect this to be USD-positive, although there will be bouts of risk-seeking which is USD-negative.

NZ-US yield spreads continue to trend lower and should remain a headwind for NZD/USD. It is now costly to be long NZD/USD.

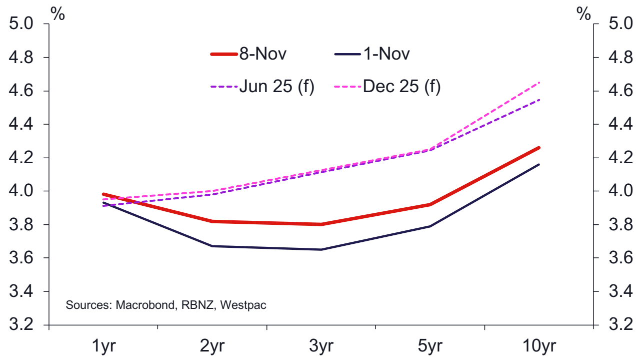
NZ exporters will be eyeing trade under 0.5900 as levels to consider hedging receipts.

NZ-AU yield spreads are also negative, and have helped depress NZD/AUD. The RBA last week reaffirmed its slightly hawkish stance, so that the dovish RBNZ-hawkish RBA contrast should remain intact during the month ahead at least, weighing on the cross. Against that, though, we are reminded of Trump's trade war during his first term, which hurt the AUD more than the NZD. We remain bearish NZD/AUD for the month ahead, targeting 0.89, but cautiously so.

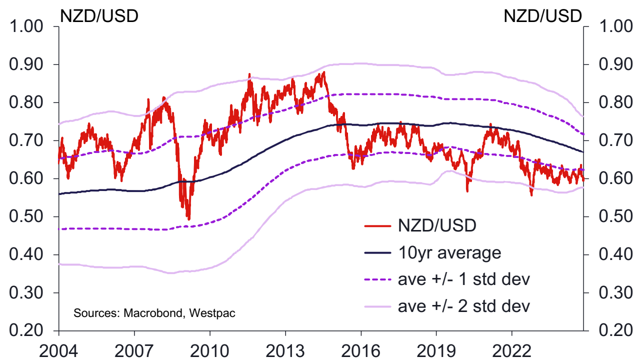
Official Cash Rate forecasts



Swap rates



NZD/USD vs rolling 10yr average



FX recent developments

	Historical data				F'cast
	Spot	**3mth range**	**5yr range**	**5yr avg**	**Dec-24**
USD	0.597	0.593-0.636	0.555-0.743	0.645	0.59
AUD	0.906	0.902-0.925	0.873-0.992	0.929	0.89
EUR	0.558	0.544-0.569	0.517-0.637	0.581	0.55
GBP	0.463	0.458-0.476	0.456-0.535	0.502	0.46
JPY	91.3	86.5-92.1	61.3-98.6	81.1	90.3

The week ahead

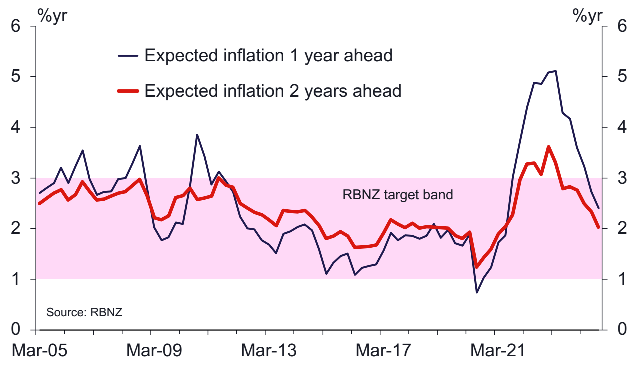
Q4 RBNZ Survey of Expectations

Nov 11, Expected inflation two years ahead, last: 2.03%

Inflation has fallen sharply in recent months and is now back close to 2%. That's seen a related fall in inflation expectations, with most measures in the RBNZ's Survey of Expectations at low levels. We expect that inflation expectations will remain low in the December quarter survey.

Businesses' pricing behaviour and inflation expectations are a key focus for the RBNZ. The RBNZ looks at a range of surveys and the importance of this particular measure has waned over time. However, it still provides useful colour on economic conditions.

RBNZ Survey of Expectations



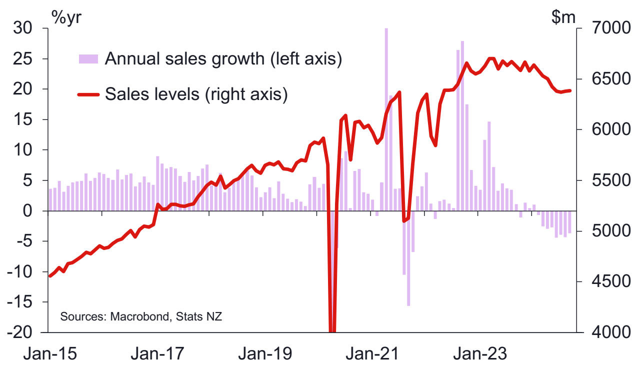
Oct retail card spending

Nov 12, Last: Flat, Westpac forecast: +0.2%

After trending down through the first half of the year, the downturn in retail spending looks like it's now been arrested. Retail spending levels were flat in September, following a modest rise of 0.2% in August. That stabilisation follows tax cuts in late July and the RBNZ's OCR cuts. But while spending levels have stopped falling, they are yet to show a material rise.

We're picking another modest 0.2% rise in October. A more meaningful lift is likely in the new year as the impact of lower interest rates flows through the economy.

Monthly retail card spending

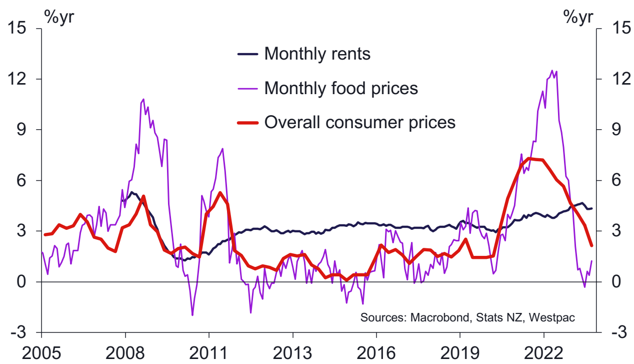


Oct selected price indices

Nov 14

Stats NZ's monthly price data covers around 45% of the CPI. Many of the prices that are covered are volatile and not typically the focus of monetary policy. However, we'll be watching for signs that price pressures in discretionary areas (like hospitality) are easing. It will also be worth watching what happens to rents (which are one of the largest components of domestic inflation). We're picking a 0.3% rise in rents in line with recent trends. However, we're increasingly hearing comments that pressures on this front are easing. We're also expecting a 0.3% fall in food prices related to the seasonal fall in fresh produce prices.

Selected consumer prices



The week ahead

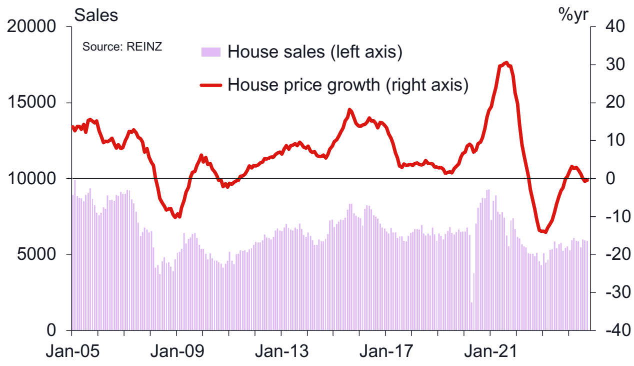
Oct REINZ house prices and sales

Nov 14 (TBC), Prices Last: –0.4%yr; Sales Last: –1.1%yr

The New Zealand housing market showed early signs of stirring in September. While the number of sales was steady, prices increased modestly for the first time in five months.

The sizeable fall in mortgage rates over recent months should continue to revive interest among potential buyers. However, given the existing logjam of unsold homes on the market, we don't expect to see a meaningful lift in prices until next year.

REINZ house prices and sales

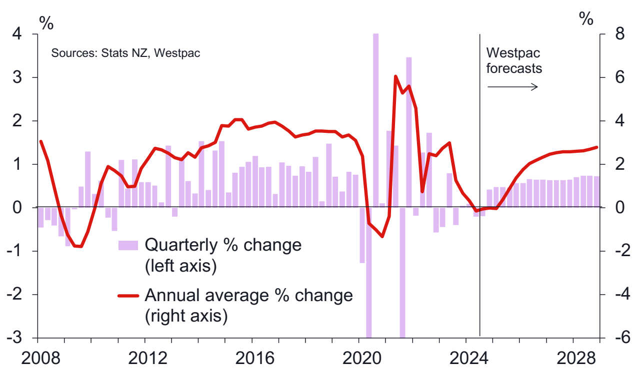


Economic and financial forecasts

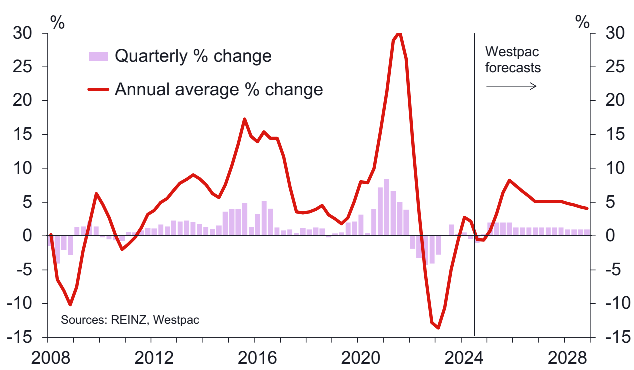
Economic indicators	Quarterly % change				Annual % change			
	Jun-24	Sep-24	Dec-24	Mar-25	2023	2024	2025	2026
GDP (production)	-0.2	-0.2	0.3	0.4	0.7	0.0	1.5	2.8
Consumer price index	0.4	0.6	0.4	0.5	4.7	2.1	2.0	2.1
Employment change	0.2	-0.5	-0.3	-0.1	2.8	-1.0	0.2	2.1
Unemployment rate	4.6	4.8	5.1	5.3	4.0	5.1	5.4	4.6
Labour cost index (all sectors)	1.2	0.6	0.7	0.5	4.3	3.5	2.0	1.8
Current account balance (% of GDP)	-6.7	-6.3	-5.7	-5.0	-7.1	-5.7	-3.9	-4.5
Terms of trade	2.0	2.0	4.9	1.4	-10.7	14.8	0.8	1.1
House price index	-0.4	-1.0	0.2	2.0	-0.6	-0.6	8.2	5.1

Financial forecasts	End of quarter				End of year			
	Jun-24	Sep-24	Dec-24	Mar-25	2023	2024	2025	2026
OCR	5.50	5.25	4.25	4.00	5.50	4.25	3.50	3.75
90 day bank bill	5.63	5.31	4.25	3.80	5.65	4.25	3.60	3.85
2 year swap	5.01	4.06	3.80	3.80	5.28	3.80	3.95	4.00
5 year swap	4.53	3.81	3.85	3.90	4.85	3.85	4.15	4.25
10 year bond	4.74	4.31	4.55	4.55	5.09	4.55	4.70	4.85
TWI	71.4	70.9	69.3	67.9	70.8	69.3	66.8	67.6
NZD/USD	0.61	0.61	0.59	0.59	0.60	0.59	0.59	0.61
NZD/AUD	0.92	0.91	0.89	0.88	0.93	0.89	0.85	0.85
NZD/EUR	0.56	0.56	0.55	0.54	0.56	0.55	0.54	0.55
NZD/GBP	0.48	0.47	0.46	0.45	0.49	0.46	0.45	0.46

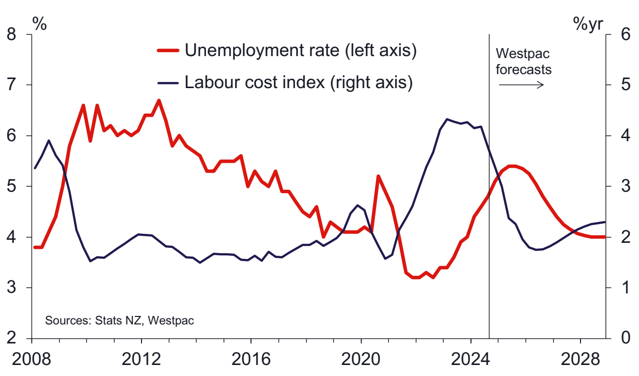
GDP growth



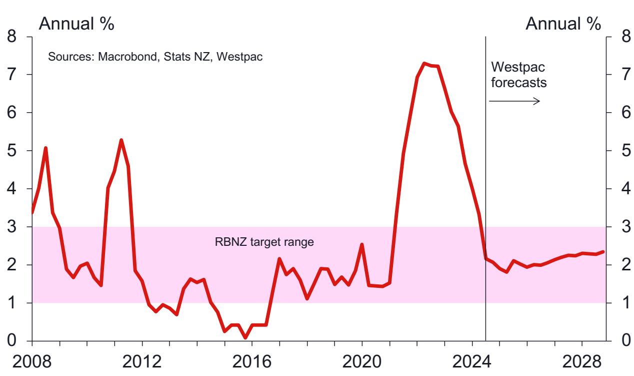
House prices



Unemployment and wage growth



Consumer price inflation



Data calendar

		Last	Market median	Westpac forecast	Risk/Comment
Mon 11					
NZ	Q4 RBNZ Inflation Expectations, %yr	2.0	–	–	Inflation expectations to remain close to 2%.
Jpn	Sep Current Account Balance, ¥bn	3803.6	3437.1	–	Stronger Yen in the month suggest some downside risks.
US	Veterans Day	–	–	–	Bond markets closed, stock markets remain open.
Tue 12					
NZ	Oct Retail Card Spending, %mth	0.0	–	0.2	Spending starting to turn higher.
Aus	Nov Westpac-MI Consumer Sentiment, index	89.8	–	–	Pessimism showed promising signs of lifting in October.
	Oct NAB Business Conditions, index	7	–	–	Conditions has likely troughed but confidence remains weak.
Eur	Nov ZEW Survey Of Expectations, index	20.1	–	–	Likely to remain consistent with subdued growth outlook.
UK	Sep ILO Unemployment Rate, %	4	–	–	Might tick higher reversing the decline of the previous month.
	Sep Average Weekly Earnings, %yr	3.8	–	–	Wage growth on a broad downward trajectory.
US	Oct NFIB Small Business Optimism, index	91.5	91.8	–	Lingering uncertainty keeping optimism low.
	Oct Senior Loan Officer Opinion Survey	–	–	–	Survey of largest banks in the US.
	Fedspeak	–	–	–	Waller speaks at a banking conference.
Wed 13					
NZ	Sep Net Migration, no.	1840	–	–	Net flows easing as job prospects weaken.
Aus	Q3 Wage Price Index, %qtr	0.8	0.9	0.8	Smallest minimum wage increase in 3yrs to limit wage inflation.
Eur	Sep Industrial Production, %mth	1.8	–	–	Remains subdued in the face of weak global demand.
US	Oct CPI, %mth	0.2	0.2	0.2	Shelter category is easing, but other prices might offset it.
	Fedspeak	–	–	–	Logan, Schmid, Musalem are Harker scheduled to speak
Thu 14					
NZ	Oct REINZ House Sales, %yr	–1.1	–	–	Lower interest rates are reviving buyer interest…
	Oct REINZ House Prices, %yr	–0.4	–	–	…which in time will translate into rising prices.
	Oct Selected Price Indices – food, %mth	0.5	–	–0.3	Seasonal fall in fresh produce prices.
	Oct Selected Price Indices – rents, %mth	0.3	–	0.3	Pressures easing, but only gradually.
Aus	RBA Governor Bullock	–	–	–	Panel participation at ASIC Annual Forum.
	Nov MI Inflation Expectations, %yr	4	–	–	Remains on a downward trend.
	Oct Employment Change, 000s	64.1	25	20	Labour market still tight and easing only gradually.
	Oct Unemployment Rate, %	4.1	4.1	4.2	Labour supply strength outstrips robust labour demand.
Eur	Q3 GDP, %qtr	0.4	–	–	Second estimate likely to confirm 0.4% growth.
UK	Q3 GDP, %ann	0.5	–	–	Notable slowdown after strong growth in H1 2024.
US	Oct PPI, %mth	0	0.2	–	Broadly consistent with at-target goods inflation.
	FOMC Chair Powell	–	–	–	Speaking at an event in Dallas.
	Initial Jobless Claims	221	222	–	Likely to normalise after the effects of the hurricanes.
Fri 15					
NZ	Oct Manufacturing PMI, index	46.9	–	–	Current conditions remain soft.
Jpn	Q3 GDP, %qtr	0.7	0.1	–	Growth to slow down after a recovery in Q2.
Chn	Oct Retail Sales, %yr ytd	3.3	3.4	–	Evidence of stimulus measures boosting consumer spending…
	Oct Industrial Production, %yr ytd	5.8	5.7	–	…and industrial production…
	Oct Fixed Asset Investment, %yr ytd	3.4	3.5	–	…as confidence picks up.
UK	BoE Speaker	–	–	–	BoE Governor Bailey speaks at the Mansion House event.
US	Nov Fed Empire State Manufacturing, index	–11.9	3.5	–	Might reflect uncertainty around the US election period.
	Oct Retail Sales, %mth	0.4	0.3	–	Spending might struggle to maintain previous momentum.
	Oct Import Price Index, %mth	–0.4	-0.1	–	Signs how USD appreciation affecting domestic prices.
	Oct Industrial Production, %mth	–0.3	-0.2	–	A broadly flat trend is set to continue.
	Sep Business Inventories, %mth	0.3	0.2	–	Increased somewhat in recent months.
	Fedspeak	–	–	–	Williams speaks at the NY Fed event.

CONTACT

Westpac Economics Team | **westpac.co.nz/economics** | economics@westpac.co.nz

Kelly Eckhold, Chief Economist | +64 9 348 9382 | +64 21 786 758 | kelly.eckhold@westpac.co.nz

Satish Ranchhod, Senior Economist | +64 9 336 5668 | +64 21 710 852 | satish.ranchhod@westpac.co.nz

Darren Gibbs, Senior Economist | +64 9 367 3368 | +64 21 794 292 | darren.gibbs@westpac.co.nz

Michael Gordon, Senior Economist | +64 9 336 5670 | +64 21 749 506 | michael.gordon@westpac.co.nz

Paul Clark, Industry Economist | +64 9 336 5656 | +64 21 713 704 | paul.clark@westpac.co.nz

Imre Speizer, Market Strategist | +64 9 336 9929 | +64 21 769 968 | imre.speizer@westpac.co.nz

DISCLAIMER

UK: The contents of this communication, which have been prepared by and are the sole responsibility of Westpac Banking Corporation London and Westpac Europe Limited. Westpac (a) has its principal place of business in the United Kingdom at Camomile Court, 23 Camomile Street, London EC3A 7LL, and is registered at Cardiff in the UK (as Branch No. BR00106), and (b) authorised and regulated by the Australian Prudential Regulation Authority in Australia. Westpac is authorised in the United Kingdom by the Prudential Regulation Authority. Westpac is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. Westpac Europe Limited is a company registered in England (number 05660023) and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

This communication is being made only to and is directed at (a) persons who have professional experience in matters relating to investments who fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (b) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this communication or any of its contents. The investments to which this communication relates are only available to and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such investments will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely upon this communication or any of its contents. In the same way, the information contained in this communication is intended for "eligible counterparties" and "professional clients" as defined by the rules of the Financial Conduct Authority and is not intended for "retail clients". With this in mind, Westpac expressly prohibits you from passing on the information in this communication to any third party. In particular this communication and, in each case, any copies thereof may not be taken, transmitted or distributed, directly or indirectly into any restricted jurisdiction. This communication is made in compliance with the Market Abuse Regulation (Regulation(EU) 596/2014).

Investment recommendations disclosure.

The material may contain investment recommendations, including information recommending an investment strategy. Reasonable steps have been taken to ensure that the material is presented in a clear, accurate and objective manner. Investment Recommendations for Financial Instruments covered by MAR are made in compliance with Article 20 MAR. Westpac does not apply MAR Investment Recommendation requirements to Spot Foreign Exchange which is out of scope for MAR.

Unless otherwise indicated, there are no planned updates to this Investment Recommendation at the time of publication. Westpac has no obligation to update, modify or amend this Investment Recommendation or to notify the recipients of this Investment Recommendation should any information, including opinion, forecast or estimate set out in this Investment Recommendation change or subsequently become inaccurate.

Westpac will from time to time dispose of and acquire financial instruments of companies covered in this Investment Recommendation as principal and act as a market maker or liquidity provider in such financial instruments.

Westpac does not have any proprietary positions in equity shares of issuers that are the subject of an investment recommendation.

Westpac may have provided investment banking services to the issuer in the course of the past 12 months.

Westpac does not permit any issuer to see or comment on any investment recommendation prior to its completion and distribution.

Individuals who produce investment recommendations are not permitted to undertake any transactions in any financial instruments or derivatives in relation to the issuers covered by the investment recommendations they produce.

Westpac has implemented policies and procedures, which are designed to ensure conflicts of interests are managed consistently and appropriately, and to treat clients fairly.

The following arrangements have been adopted for the avoidance and prevention of conflicts in interests associated with the provision of investment recommendations.

(i) Chinese Wall/Cell arrangements;

(ii) physical separation of various Business/Support Units;

(iii) and well defined wall/cell crossing procedures;

(iv) a "need to know" policy;

(v) documented and well defined procedures for dealing with conflicts of interest;

(vi) steps by Compliance to ensure that the Chinese Wall/Cell arrangements remain effective and that such arrangements are adequately monitored.

U.S: Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission ("CFTC") as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. Westpac Capital Markets, LLC ('WCM'), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 ('the Exchange Act') and member of the Financial Industry Regulatory Authority ('FINRA'). This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. All disclaimers set out with respect to Westpac apply equally to WCM.

Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person under the rules of FINRA, any other U.S. self-regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

Westpac Banking Corporation.