WESTPAC WEEKLY ECONOMIC COMMENTARY

What's it take to slay the inflation dragon?

28 February 2022

Kākābeak/ngutukākā

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The Reserve Bank of New Zealand surprised markets with a hawkish lurch at its first policy meeting of the year. We're forecasting a series of interest rate hikes, with the cash rate to move into 'tight' territory by the end of this year. However, with the housing market cooling and Omicron spreading across the country, we expect that the RBNZ will move in measured 25 basis point steps, rather than large bounds.

As expected, the Reserve Bank of New Zealand increased the Official Cash Rate by 25 basis points to 1.00% at its February policy decision and signalled a series of further interest rate hikes over the coming years. However, we were surprised by just how hawkish the central bank has become.

The RBNZ has lifted its projection for the OCR and now expects a peak of 3.4% in 2024. That's up substantially from the peak of 2.6% assumed in their previous review in November, and higher than even our top-of-the-range forecast of 3%. The Monetary Policy Committee emphasised that the February decision was finely balanced between a 25 or a 50 basis point move, and that the option of a larger move remains on the table for future reviews if required.

The key factor underlying the RBNZ's hawkish lurch are signs that inflation pressures are bubbling over. The annual inflation rate hit a three-decade high of 5.9% at the end of last year, and we expect that it will lift higher in the early part of 2022 to a level of 6.3%. At the same time, surveys of inflation expectations have been pushing higher, and that is a particularly big worry for the RBNZ. If high expectations start feeding into prices and wages, it can result in a much more protracted period of high inflation. And that could mean the RBNZ has to raise the OCR by even more to rein in inflation pressures.

In part, the rise in inflation has been due to offshore cost pressures, including ongoing disruptions to global manufacturing and shipping. However, domestic demand is also playing a major role in boosting prices. Strong demand is giving businesses in sectors like construction greater scope to pass on cost increases, rather than taking a hit on margins. It also means that inflation pressures are likely to endure even when the current supply-side cost pressures eventually ease. That's particularly important for the RBNZ as a key reason for the strength in domestic demand is the current very low level of interest rates.

We agree that there's a substantial amount of work still to be done over the next couple of years to bring inflation pressures back into check. In fact, the RBNZ's forecasts for inflation and activity are very similar to our own. But as we note in our recent *Economic Overview*,[1] some of the steam has already started to come out of the New Zealand economy, and the risks around demand pressures and the inflation outlook are starting to become more two-sided. Consequently, even though we're forecasting a series of OCR hikes, we're not ready to jump on board with the extent of increases that are factored into the RBNZ's projections. Instead, we're continuing to forecast that the OCR will rise to a peak of 3% next year.

A key reason why we differ from the RBNZ is what's happening in the housing market. We've always put more weight than the RBNZ does on the role that interest rates play in house price cycles. And on this front, we're already getting evidence that current mortgage rates (along with the recent tightening in lending conditions) are having a cooling effect on the housing market. Since November sale prices have fallen by around 2% and sales numbers are now running at below pre-pandemic levels.

We've long forecast a cooling in the housing market in response to higher interest rates. However, the pullback that we've seen in recent months has been sooner than even we expected. That's important as the housing market is a key influence on households' wealth and their willingness to spend, and ultimately the extent of demand-side inflation pressures. That in turn could affect the extent of OCR hikes that will be needed to keep inflation in check. With mortgage rates set to continue rising, we're forecasting house prices will fall by 5% over the course of this year, with a similar fall expected in 2023.

Given our differing views on the peak in the OCR track, that raises the question of tactics. While the RBNZ has emphasised its willingness to move in larger steps, we still think their goal can be achieved in a series of measured 25bp hikes. Further evidence of a slowing in the housing market over coming months is likely to cool some of the urgency for bigger moves.

In addition, the near-term outlook for activity has been muddied by the rapid rise in Omicron infections. In light of the experience overseas, it's likely that we're in for a period of high worker absenteeism. We're also likely to see disruptions to the availability of some goods, as well as general nervousness among businesses and households that is likely to weigh on demand, especially in the hospitality sector. There may well be some price rises for hard-to-get items in these circumstances, but this should not be mistaken for 'inflation', in the sense of an ongoing process of generalised price increases.

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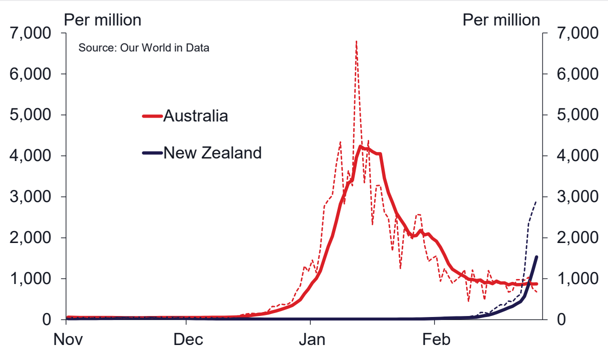
Chart of the week

Countries where the Omicron wave began earlier give us an idea about what to expect here. Relative to the size of the population, New Zealand's case numbers are now similar to where Australia was at the start of January. That month was marked by widespread worker absenteeism, (related) shortages of goods on shelves, and severe strain on hospitals. On the positive side, the wave had clearly peaked by the end of the month, and although daily case numbers remain relatively high, consumer spending has seen a strong rebound.

Confirmed Covid cases per capita (7-day average)

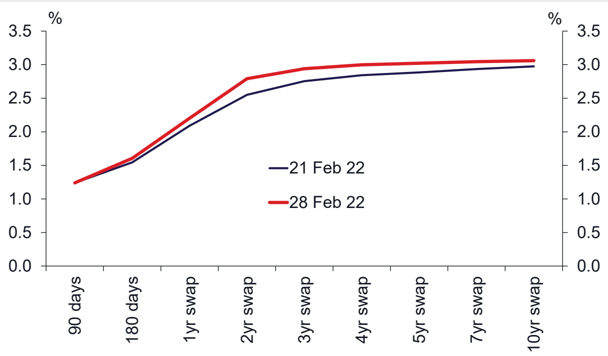


Fixed vs floating for mortgages

Wholesale interest rates are now largely in line with our forecast of a 3% cash rate by mid-2023. That suggests there is no longer an advantage to fixing for longer terms.

While the one-year mortgage rate is likely to rise further in the next couple of years, fixing and rolling for this term is likely to produce a lower borrowing cost on average over the next few years. Longer fixed terms are more suited to those who want certainty in their repayments.

NZ interest rates



1 https://www.westpac.co.nz/assets/Business/tools-rates-fees/documents/economic-updates/2022/Other/Economic-Overview-February-2022-Westpac-NZ.pdf

The week ahead

NZ Feb ANZBO business confidence

Feb 28, Last: -23.2

Business confidence trended down through the latter part of last year as businesses grappled with a number of challenges. That included ongoing disruptions to global supply chains, shortages of staff and strong increases in operating costs. Those challenges were compounded by headwinds stemming from the Delta outbreak in September.

We expect that confidence levels will drop again in the early part of 2022. Businesses are continuing to grapple with numerous headwinds, and those have been compounded by the Omicron outbreak.

We also expect that cost pressures will remain elevated for some time yet. The number of businesses who have signalled they are planning on raising prices is already elevated.

NZ business confidence

NZ GlobalDairyTrade auction, whole milk powder prices

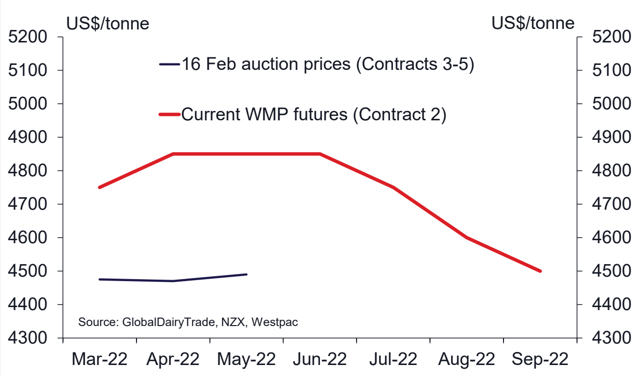
Mar 2, Last: +4.2%, Westpac: 3%

We expect whole milk powder prices (WMP) to lift a further 3% at the upcoming dairy auction. The lift would be on top of the circa 16% lift to date this year.

Our pick is slightly more modest than futures market pricing, where a lift of around 6% is expected.

Very weak New Zealand dairy production has given dairy prices fresh impetus this year. January production was over 6% down on January 2021. We expect this weakness to continue and to support a lift in prices in the short term.

Whole milk powder prices



NZ Jan residential building consents

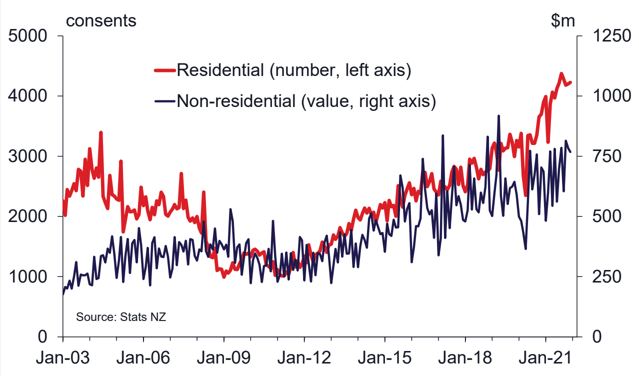
Mar 2, Last: +0.6%, Westpac f/c: Flat

Residential consent issuance rose 0.6% in December. Under the surface, there has been an ongoing shift from stand-alone houses towards medium density dwellings, like townhouses and apartments.

Monthly consent issuance has held at elevated levels since June, with around 4,200 new consents being issued each month. We expect that will remain the case in January. Strength has been broad based, with issuance particularly strong in Auckland.

While consent issuance remains elevated, shortages of staff and materials are providing a brake on the pace of building, with start and completion times stretching out. Those same factors have also contributed to increases in build costs.

NZ building consents



The week ahead

NZ Q4 Terms of Trade

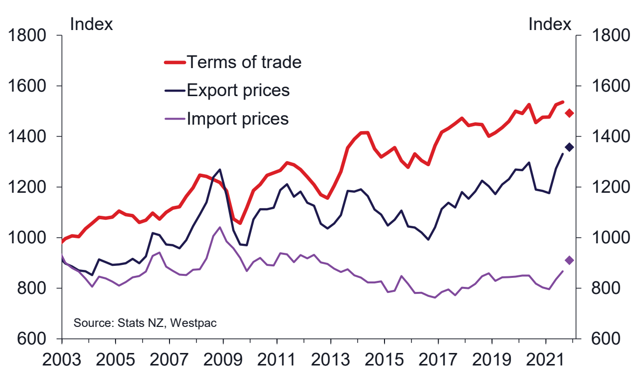
Mar 2, Last: +0.7%, Westpac: -3%

We expect the Terms of Trade to fall by around 3% over the December 2021 quarter.

The driver of this fall is a lift in import prices, including the surge in oil prices over the quarter. Meanwhile, export prices have also lifted, but not by enough to offset the rise in import prices.

Looking over 2022, we expect the Terms of Trade to rebound, with global dairy prices surging already so far over 2022. Indeed, the Terms of Trade may set fresh record highs later in 2022.

NZ terms of trade



Aus Jan retail trade

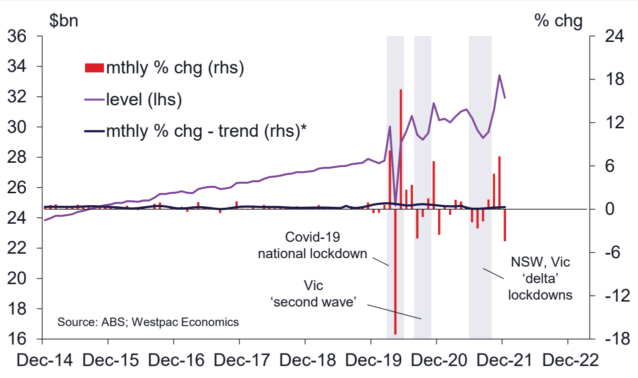
Feb 28, Last: –4.5%, WBC f/c: –1.0%
Mkt f/c: 0.4%, Range: –3.0% to 2.0%retail trade

Retail sales pulled back in Dec, cycling an extraordinary post-delta 'catch-up' splurge that drove sales to record highs in Nov. Total sales declined 4.4% but were still 7.6% above their Sep level and 2.5% above the pre-delta level in May.

Importantly, the Dec update had little or no impact from the omicron outbreak late in the month. A range of data now shows this triggered a 'voluntary lockdown' amongst consumers in early Jan as people avoided activity with high virus risks.

Our Westpac Card Tracker suggests total spending declined about 3% in the month. However, the hit to retail looks to have been milder, partially offset by a switching effect boost to basic food. Overall we expect retail to register a 1% decline. February is already shaping as a robust rebound, albeit again more muted for retail.

Monthly retail sales



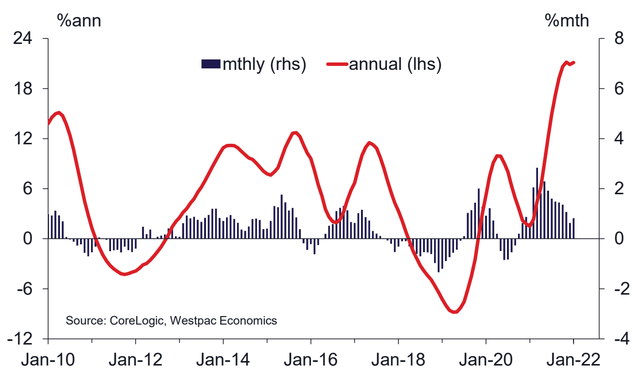
Aus Feb CoreLogic home value index

Mar 1, Last: 0.8%, WBC f/c: 0.3%

Dwelling prices rose 0.8% in Jan, lifting a touch from the 0.6% rise in Dec but still well below the 1-2% monthly gains seen through the rest of 2021. Annual price growth nudged up to 21.3%yr but is set to slow materially as the strong burst in the first half of last year cycles out of calculations.

Daily measures point to a softer gain in Feb – tracking a 0.3% rise for the full month. Notably, Sydney and Melbourne look to have both dipped very slightly but other capitals posted further gains, with more strong rises in the case of Brisbane and Adelaide. Turnover will also be of some interest given a soft-ish January and a further weakening in buyer sentiment but other lead indicators showing pre-sale activity remains very strong.

Australian dwelling prices



The week ahead

Aus Q4 current account, $bn

Mar 1, Last: 23.9, WBC f/c: 13.5
Mkt f/c: 14.4, Range: 13.0 to 19.1

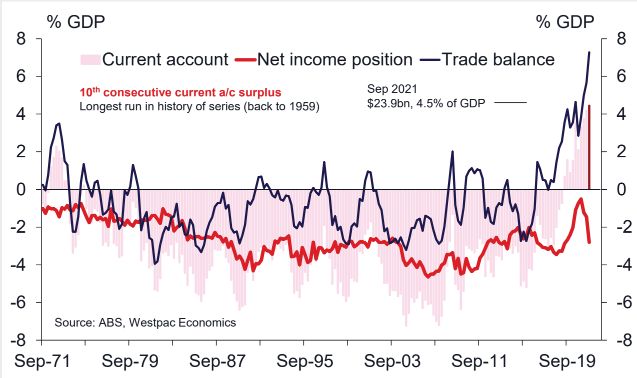
Australia's current account was in surplus to the tune of $23.9bn, 4.4% of GDP, in the September quarter. That was a record high, and the 10th consecutive quarterly surplus – a record run. Higher commodity prices boosting export earnings has been a key to these results.

For the December quarter, the current account surplus is expected to narrow to a still sizeable $13.5bn, 2.4% of GDP.

The trade surplus moderated to $29bn in the quarter, down from $39bn in Q3 (since revised to $37bn). Notably, export earnings were weaker, on both lower volumes and lower prices.

The net income deficit, having been at extraordinary and surprisingly low levels, jumped from $6.6bn in June to $14.3bn in September, and we anticipate a December print of $14.8bn.

Current a/c: surplus climbed to $23.9bn in Q3



Aus RBA policy decision

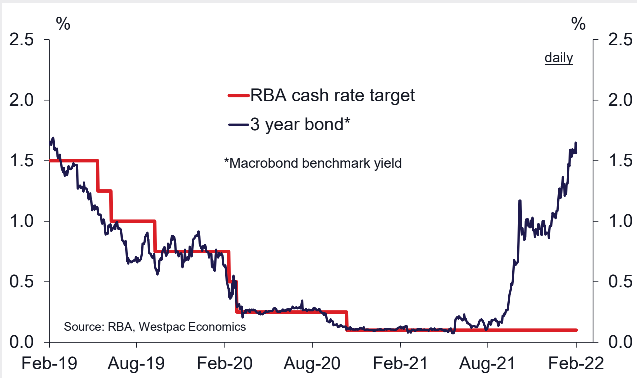
Mar 1, Last: 0.1%, WBC f/c: 0.1%
Mkt f/c: 0.1%, Range: 0.1% to 0.1%et

At this meeting, the cash rate will be held at the record low of 0.1%. The focus will be on any shift in language in the decision statement. Westpac expects the tightening cycle to begin this August.

Inflation is now back in the target band and the unemployment rate, at 4.2%, is likely to move below 4% for the first time since 1974. However, the RBA has stated that it will not lift rates until inflation is "sustainably" within the target band – which requires a lift in wages growth from relatively subdued levels.

The recent wage update met expectations and may be interpreted as supporting the RBA's patient approach. We anticipate that by August, with the benefit of two further readings on inflation as well as updates on unemployment and wages, the case will be made for the tightening cycle to commence.

RBA cash rate and 3 year bonds



Aus Q4 GDP

Mar 2, Last: –1.9%, WBC f/c: +2.8%
Mkt f/c: +3.0%, Range: +1.9% to +3.6%

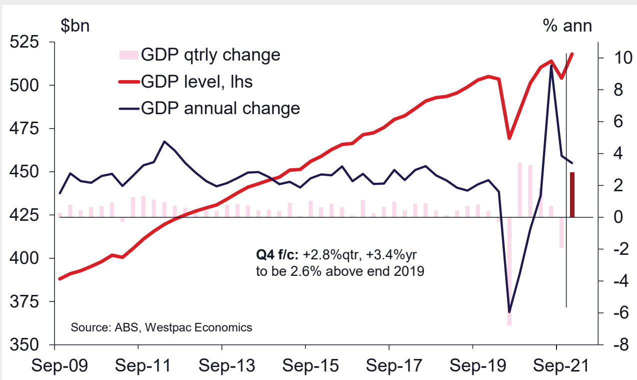
The Australian economy contracted in three of the past seven quarters, impacted by covid disruptions. This includes a -1.9% for the September quarter due to the delta lockdowns in NSW and Victoria.

During the December quarter, conditions bounced back as restrictions were eased, with output up a forecast 2.8%.

The arithmetic of our Q4 GDP forecast is: domestic demand +3.2%; total inventories +0.6ppts; and net exports -1.0ppt. Consumer spending is a forecast +5%; home building -2.7%; business investment broadly flat; and public demand +2%.

The Labour Force survey reported hours worked up 2.4% in the period, following a 3.2% fall for Q3.

Australian economy: Q4 reopening bounce



The week ahead

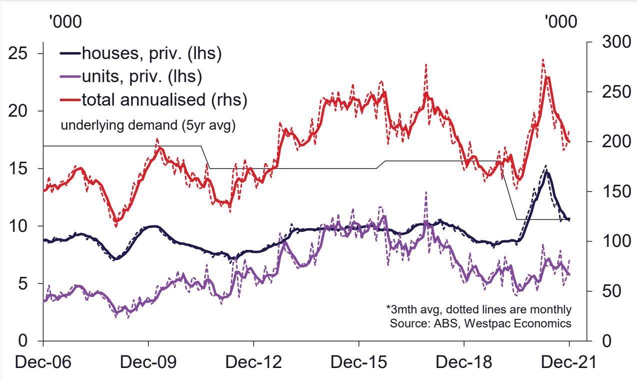
Aus Jan dwelling approvals

Mar 3, Last: 8.2%, WBC f/c: –4.0%
Mkt f/c: –3.0%, Range: –5.4% to 3.0%

Dwelling approvals had a mixed finish to 2021, posting a better than expected 8.2% rise in the final month of the year but with the detail showing softness outside of a narrowly-based rise in 'units' that is more likely to be noise than the beginning of a sustained lift.

New home sales suggests non high rise approvals should firm from here with the drag from the unwinding HomeBuilder pull forward coming to an end. However, units will likely dominate in Jan as the Dec spike reverses. On balance total approvals are expected to be down 4% overall but the detail outside of high rise may look a lot better.

Dwelling approvals



Aus Jan trade balance, $bn

Mar 3, Last: 8.4, WBC f/c: 10.4
Mkt f/c: 9.3, Range: 7.5 to 10.4

The trade surplus peaked in July at a record high of $13.3bn. Since then, the iron ore price retreated from its lofty highs and imports strengthened as the economy reopened.

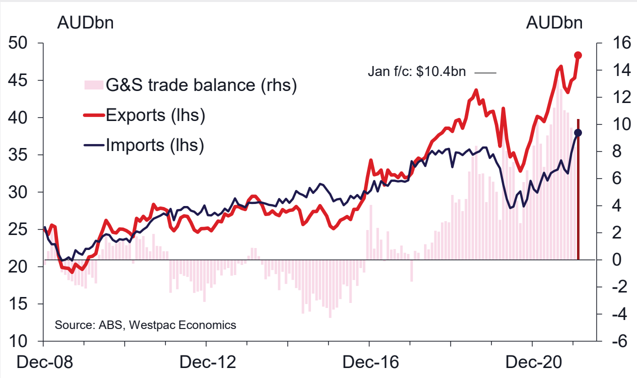
The December surplus printed at $8.4bn, with imports up 5.0% in the month, following an 8.3% jump, while export earnings advanced 0.7%.

For January, we anticipate a widening of the surplus to $10.4bn.

Export earnings, having weakened since June / July likely started the year on a stronger note, up a forecast $3.0bn, +6.7%. Iron ore, as well as coal will drive the gains, reflecting a combination of higher prices and volumes.

Imports we suspect will extend their uptrend. We've factored in a rise of $1.0bn, 2.7%, reflecting the higher cost of global fuel, as well as a rise in volumes.

Australia's trade balance



US Feb employment report

Mar 4 nonfarm payrolls,
Last: 467k, WBC f/c: 350k, Mkt f/c: 400k
Mar 4, unemployment rate,
Last: 4.0%, WBC f/c: 3.9%, Mkt f/c:3.9%

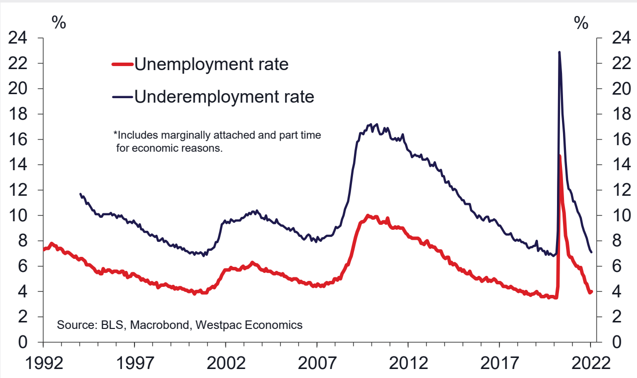
The US labour market is historically tight and, following the release of annual revisions last month, clearly has momentum.

Having averaged gains of 551k per month over the 12 months to January, a more modest (but still strong) gain circa 350k is expected in February. If participation is able to lift in the month, the risks favour a stronger gain for employment.

While the economy is supply constrained, the unemployment rate will remain the best indicator of labour market strength. Progress to near the historic low of 3.5% is expected during 2022 even with higher participation.

If instead participation holds down as risks related to Covid-19 recede, a push towards a 3.0% unemployment rate is possible.

US' 'maximum employment' achieved

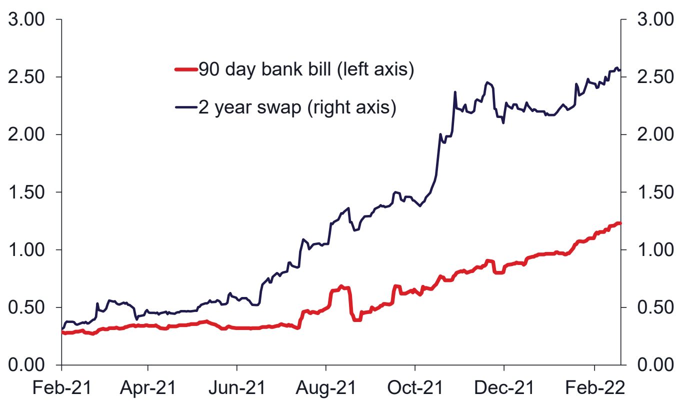


New Zealand forecasts

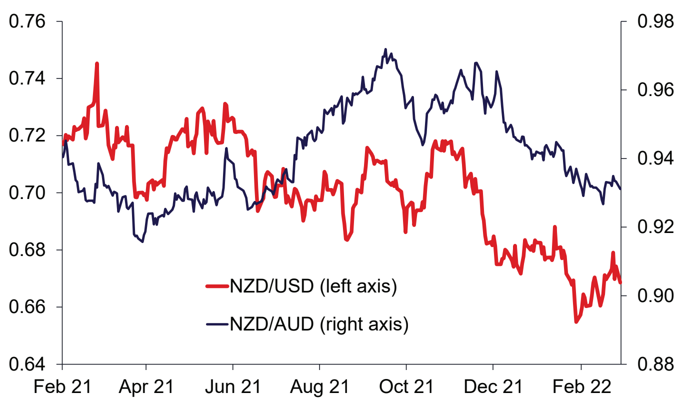
Economic forecasts	Quarterly				Annual			
	2021		2022					
% change	Sep (a)	Dec	Mar	Jun	2020	2021f	2022f	2023f
GDP (Production)	-3.7	0.5	0.9	2.6	-1.9	4.9	3.0	4.7
Employment	1.9	0.1	0.5	0.1	0.6	3.7	0.9	1.0
Unemployment Rate % s.a.	3.3	3.2	3.1	3.0	4.9	3.2	3.0	3.3
CPI	2.2	1.4	1.2	1.0	1.4	5.9	3.5	2.8
Current Account Balance % of GDP	-4.5	-5.5	-5.8	-6.6	-0.8	-5.5	-6.8	-6.3

Financial forecasts	Mar–22	Jun–22	Sep–22	Dec–22	Mar–23	Jun–23	Sep–23	Dec–23
Cash	1.00	1.50	2.00	2.25	2.50	2.75	3.00	3.00
90 Day bill	1.40	1.90	2.20	2.45	2.70	2.95	3.10	3.10
2 Year Swap	2.55	2.75	2.90	2.95	3.00	3.00	2.95	2.90
5 Year Swap	2.80	2.95	3.05	3.10	3.15	3.15	3.15	3.10
10 Year Bond	2.80	2.85	2.90	3.00	3.00	3.00	3.00	2.95
NZD/USD	0.65	0.65	0.66	0.68	0.69	0.70	0.71	0.71
NZD/AUD	0.93	0.93	0.93	0.93	0.92	0.92	0.92	0.91
NZD/JPY	75.4	75.4	77.2	79.3	81.4	82.6	83.9	84.5
NZD/EUR	0.59	0.60	0.61	0.62	0.62	0.63	0.62	0.62
NZD/GBP	0.48	0.47	0.48	0.49	0.50	0.51	0.52	0.53
TWI	70.1	70.1	70.7	71.9	72.5	73.1	73.4	73.6

2 year swap and 90 day bank bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on 28 February 2022

Interest rates	Current	Two weeks ago	One month ago
Cash	1.00%	0.75%	0.75%
30 Days	1.04%	1.00%	0.85%
60 Days	1.14%	1.11%	0.98%
90 Days	1.24%	1.21%	1.10%
2 Year Swap	2.79%	2.55%	2.44%
5 Year Swap	3.02%	2.90%	2.76%

NZ foreign currency mid-rates as at 28 February 2022

Exchange rates	Current	Two weeks ago	One month ago
NZD/USD	0.6686	0.6605	0.6573
NZD/EUR	0.5980	0.5838	0.5886
NZD/GBP	0.5010	0.4886	0.4891
NZD/JPY	77.07	76.05	75.91
NZD/AUD	0.9311	0.9302	0.9323
TWI	71.95	71.01	70.95

Data calendar

		Last	Market median	Westpac forecast	Risk/Comment
Mon 28					
NZ	Feb ANZ business confidence	–23.2	–	–	Rising costs and Omicron concerns weighing on confidence.
Aus	Jan retail sales	–4.4%	0.4%	–1.0%	Mild drag from Omicron 'voluntary lockdown'.
	Q4 company profits	4.0%	2.0%	6.5%	Economic rebound + some ongoing Delta payments.
	Q4 inventories	–1.9%	flat	–0.3%	Fall at a slower rate on reopening (risks to downside – Omicron).
	Jan private sector credit	0.8%	0.7%	0.6%	Robust rise. Business unlikely to repeat recent oversized gains.
	Feb MI inflation gauge, %yr	3.0%	–	–	Material inflation pressures set to extend into 2022.
US	Jan wholesale inventories	2.2%	–	–	Stocks are being replenished as supply chain allows.
	Feb Chicago PMI	65.2	62.0	–	Supply issues and Omicron are ongoing issues.
	Feb Dallas Fed index	2	–	–	Will provide a timely update on manufacturing in Texas.
	Fedspeak	–	–	–	Bostic to speak.
Tue 01					
Aus	Feb CoreLogic home value index	0.8%	–	0.3%	Slowdown becoming clear, esp. in Sydney and Melbourne.
	Jan housing finance	4.4%	0.3%	5.0%	Surge in value of turnover points to more robust gains ...
	Jan owner occupier finance	5.3%	–	4.5%	... own occupier likely to lag on flat construction ...
	Jan investor finance	2.4%	–	5.5%	... investor loans outperforming slightly.
	Q4 current account, $bn	23.9	14.4	13.5	Narrows on smaller trade surplus, weaker export earnings.
	Q4 real net exports, ppts con't	1.0	–0.9	–1.0	Disruptions see export volumes falling faster than imports.
	Q4 public demand	3.3	–	1.6	Brisk growth. Q3 was particularly strong, led by Delta response.
	RBA policy decision	0.1%	0.1%	0.1%	Focus will be on any shift in language.
Chn	Feb manufacturing PMI	50.1	49.9	–	Covid-19 and seasonality...
	Feb non-manufacturing PMI	51.1	50.8	–	... hit growth at start-of-year...
	Feb Caixin China PMI	49.1	49.1	–	... but the underlying strength of the economy is clear.
Eur	Feb Markit manufacturing PMI	58.4	58.4	–	Final estimate for the month.
UK	Jan net mortgage lending £bn	3.6	4.0	–	Softer lending indicates cooling housing demand.
	Feb Markit manufacturing PMI	57.3	57.3	–	Final estimate for the month.
US	Feb Markit manufacturing PMI	57.5	–	–	Final estimate for the month.
	Jan construction spending	0.2%	–0.5%	–	Spending supported by strength in home building.
	Feb ISM manufacturing	57.6	58.0	–	Manufacturing strong despite Omicron disruptions.
	Fedspeak	–	–	–	Bostic to speak.
Wed 02					
NZ	GlobalDairyTrade auction prices (WMP)	4.2%	–	3.0%	Global dairy prices set to continue hot start to 2022.
	Jan building permits	0.6%	–	0.0%	Monthly issuance holding at firm levels.
	Q4 terms of trade	0.7%	–	–3.0%	Surging import prices outpacing lifting export prices.
Aus	Q4 GDP	–1.9%	3.0%	2.8%	Reopening bounce, from Delta lockdowns, led by NSW.
Eur	Feb CPI %yr	5.1%	5.3%	–	Energy inflation remains a key driver.
UK	Feb Nationwide house prices	0.8%	–	–	House price g'th to cool over 2022 as rates continue to rise.
US	Feb ADP employment change	-301k	310k	–	Set to rebound from Omicron decline in Jan.
	Federal Reserve's Beige book	–	–	–	Current economic conditions across the Fed districts.
	Fedspeak	–	–	–	Powell testifies before House Panel. Evans and Bullard.
Thu 03					
NZ	Feb ANZ commodity prices	1.0%	–	–	Hot start to 2022 for dairy and thus overall commodity prices.
Aus	Jan dwelling approvals	8.2%	–3.0%	–4.0%	Unit spike to unwind. Ex units should be firmer.
	Jan trade balance $bn	8.4	9.3	10.4	X'pt earnings likely stronger; M'pt costs to lift.
Chn	Feb Caixin China PMI services	51.4	50.8	–	Weak demand and high input costs have slowed growth.
Eur	Feb Markit services PMI	55.8	55.8	–	Final estimate for the month.
	Jan unemployment rate	7.0%	7.0%	–	Labour market in robust health; slack remains with Omicron.
UK	Feb Markit services PMI	60.8	60.8	–	Final estimate for the month.
US	Q4 productivity	6.6%	6.7%	–	Small upward revision expected for final estimate.
	Initial jobless claims	232k	–	–	Set to remain at a very low level.
	Feb Markit services PMI	56.7	–	–	Final estimate for the month.
	Feb ISM non-manufacturing	59.9	60.9	–	Robust strength in services despite Omicron.
	Jan factory orders	–0.4%	0.5%	–	Capital investment set to rise over 2022...
	Jan durable goods orders	–	–	–	... inventories remain below pre-pandemic level.
	Fedspeak	–	–	–	Powell testifies before Senate Panel. Logan also speaks.
Fri 04					
NZ	Feb ANZ consumer confidence	97.7	–	–	Omicron and high inflation likely to dampen sentiment.
Eur	Jan retail sales	–3.0%	1.4%	–	Set to rebound after Dec fall due to Omicron.
US	Feb non-farm payrolls	467k	400k	350k	Employment gains to continue at healthy pace...
	Feb unemployment rate	4.0%	3.9%	3.9%	.... pushing unemployment rate lower...
	Feb average hourly earnings	0.7%	0.5%	0.5%	... and supporting robust wage gains.
	Fedspeak	–	–	–	Williams to speak.

International forecasts

Economic Forecasts (Calendar Years)	2018	2019	2020	2021f	2022f	2023f
Australia						
Real GDP %yr	2.8	2.0	-2.2	4.4	4.4	4.0
CPI inflation %yr	1.8	1.8	0.9	3.5	3.3	3.5
Unemployment rate %	5.0	5.2	6.8	4.7	3.8	3.9
Current account % of GDP	-2.1	0.7	2.6	3.7	1.3	-3.1
United States						
Real GDP %yr	3.0	2.2	-3.5	5.7	3.4	2.5
CPI inflation %yr	2.4	1.9	1.2	5.1	5.2	2.5
Unemployment rate %	3.9	3.7	8.1	5.4	3.9	3.6
Current account % of GDP	-2.3	-2.6	-2.5	-2.4	-2.4	-2.4
Japan						
Real GDP %yr	0.6	0.3	-4.8	2.3	2.7	1.5
Euro zone						
Real GDP %yr	1.9	1.3	-6.6	4.9	4.1	2.5
United Kingdom						
Real GDP %yr	1.3	1.4	-9.9	7.0	4.5	2.0
China						
Real GDP %yr	6.7	5.8	2.3	8.1	5.7	5.6
East Asia ex China						
Real GDP %yr	4.4	3.7	-2.4	3.9	4.7	4.7
World						
Real GDP %yr	3.6	2.8	-3.3	5.4	4.4	3.6

Forecasts finalised 4 February 2022

Interest rate forecasts	Latest	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Australia									
Cash	0.10	0.10	0.10	0.25	0.50	0.75	1.00	1.25	1.50
90 Day BBSW	0.08	0.10	0.10	0.35	0.60	0.95	1.20	1.45	1.70
10 Year Bond	2.23	2.20	2.40	2.40	2.50	2.50	2.40	2.30	2.20
International									
Fed Funds	0.125	0.375	0.875	1.125	1.375	1.625	1.875	1.875	1.875
US 10 Year Bond	1.95	2.00	2.30	2.40	2.50	2.50	2.40	2.30	2.20

Exchange rate forecasts	Latest	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
AUD/USD	0.7177	0.70	0.70	0.71	0.73	0.75	0.76	0.77	0.78
USD/JPY	115.29	116	117	117	118	118	119	119	119
EUR/USD	1.1210	1.13	1.11	1.12	1.13	1.14	1.15	1.15	1.16
GBP/USD	1.3406	1.36	1.37	1.38	1.38	1.38	1.37	1.37	1.36
USD/CNY	6.3168	6.35	6.30	6.30	6.25	6.20	6.15	6.15	6.10
AUD/NZD	1.0716	1.08	1.08	1.08	1.08	1.09	1.09	1.09	1.10

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