Weekly Commentary

29 July 2019

Stone Store, Kerikeri

How low can they go?

We now expect the RBNZ to reduce the OCR in August and November this year, with a risk of a more aggressive cutting profile.

We have revised our expectations for rate cuts from the RBNZ. Previously we expected that the RBNZ would cut the Official Cash Rate to 1.25% at its upcoming August policy decision and would then pause. At the time, softening global economic conditions were on our mind, as well as the related easing in global monetary policy and upwards pressure on the NZ dollar. While we did see the possibility of a further cut beyond that time, we expected that firming domestic activity on the back of lower borrowing rates would stay the RBNZ's hand.

While we still expect the RBNZ to cut the OCR in August, we now expect that they will follow this up with another cut in November. That would take the OCR to a new record low of 1%.

Underlying this change in our forecast are signs that the New Zealand economy has continued to soften. We estimate that annual GDP growth has slowed from a little over 3% through 2018 to around 2.7% in early 2019. And while that's far from recessionary, its still a fairly modest rate of expansion given the continued rapid pace of population growth. In fact, in per capita terms, annual GDP growth has now fallen to 0.9% - its slowest pace in eight years.

Regular readers will know that we predicted the slowdown that has occurred since 2016. We've previously highlighted that the Canterbury rebuild would gradually wind down, net migration would slow, and the cooling housing market would dampen household spending. However, with interest rates at low levels and fiscal spending ramping up, we had expected to see a bit more momentum in economic activity through mid-2019. Instead, recent economic indicators point to quarterly GDP growth running at only around 0.5% - just barely above the rate of population growth:

- In the **household sector**, spending growth has been very sluggish through the first part of the year. That's in part due to ongoing softness in housing markets in some parts of the country. High petrol prices have also syphoned funds out of households' wallets, offsetting some of the increases in Government spending.
- We're also seeing headwinds in the **business sector**. While it's easy to dismiss low business confidence as a reaction to the political back drop, businesses are also highlighting tough trading conditions. That includes strong competition and sluggish demand growth. Businesses have also reported increases in both operating and compliance costs, but haven't been able to pass those increases through to output prices. That's squeezed profitability and has dampened plans for investment spending.
- This cooling in economic conditions now looks like it's passing through to the **labour market**. The official government series of job ads flatlined from November last year, and has actually fallen in the past couple of months. Our own count of job ads listed on TradeMe has fallen far more sharply. This is tentative data, so we're taking it with a grain of salt, but it suggests that unemployment could rise over the quarters ahead.

How low can they go?

- In addition to a softening in domestic conditions, there are also some cracks appearing in the **export sector**. While some sectors like horticulture are still booming, dairy auction prices fell 8% over May and June, prompting us to lower our farmgate milk price forecast to $6.90/kg (previously $7.20). And over the past month, there has been a 25% drop in export log prices. Forestry accounts for only 9% of our merchandise exports, but it is disproportionately important for the economic cycle due to its impact on employment.

Topping all that off, the trade-weighted exchange rate has risen about 3% over the past month, and is now about 1.5% higher than the RBNZ was expecting.

Since its introduction earlier this year, the RBNZ's Monetary Policy Committee has been responsive to signs of softening in economic conditions. Going into the August policy decision, the above developments mean that they will be facing a softer picture for activity and the labour market than they had expected. That's in addition to the lingering softness in inflation. As a result, we expect that the MPC will cut the OCR in August and will signal that they may cut the cash rate further. We expect that the RBNZ's published forecasts will show the OCR dropping to 1.1%, implying a good chance (but not a certainty) of another cut.

Most likely, the RBNZ will follow this up with another cut in November, when the MPC has the benefit of the full quarterly analysis undertaken by Bank staff. However, there is a chance that they could act sooner, at the September OCR Review. A possible catalyst for an earlier OCR cut could be adverse news on the labour market. And if the RBNZ did cut in September due to rising unemployment, then there's a chance that they could go even further by cutting the OCR to 0.75% in November. However, at this stage we view earlier or more aggressive OCR cuts as a risk scenario – our central forecast is an OCR low of 1% delivered in November.

This lower for longer outlook for the cash rate is supporting a 'risk on' environment in New Zealand. Investors' search for yield has resulted in weak deposit growth at banks, while share market prices have risen very sharply (particularly for dividend-paying stocks). We expect that this same search for yield will support a rise in house prices over the coming year, reinforcing our forecast for 7% house price inflation over the year ahead.

Fixed vs Floating for mortgages

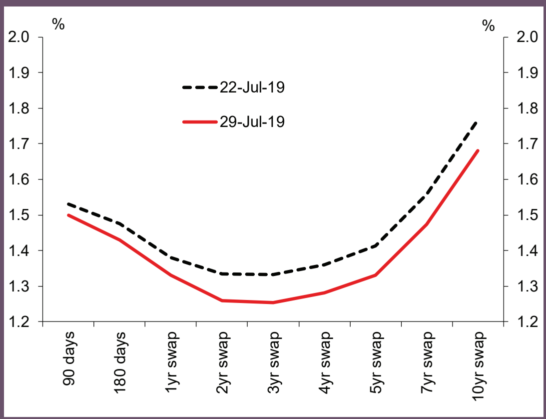
We expect the Reserve Bank will lower the OCR in August and November. If that is correct, both floating and fixed mortgage rates may fall over the coming month or two. However, mortgage rates could rise again in the early 2020s.

Based on our OCR forecasts, three-year fixed mortgage rates seem the best value on offer today. However, opportunities to fix at an even lower rate might emerge over the coming month or two. Today's one- and two year rates are also fairly good value, with neither strongly preferred to the other.

Four- and five-year fixed rates are higher than where we expect shorter-term rates to go over the relevant timeframe, but longer-term fixed rates do offer insurance against the risk of future interest rate increases.

Floating mortgage rates are normally expensive for borrowers, but they may be the preferred option for those who require flexibility in their repayments.

NZ interest rates



The week ahead

NZ Jun dwelling consents

Jul 30, Last: +13.2%, WBC f/c: -10%

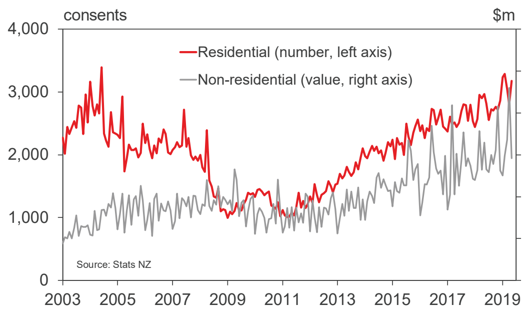
- Residential dwelling consent issuance was much stronger than expected in May, rising by 13%. That was underpinned by a very large increase in consents for multi-unit dwellings like townhouses.
- We're forecasting a 10% pullback in consent numbers in June. That's due to an expected easing in consents for multi-unit dwellings which tend to be issued in lumps.
- Even with the anticipated pullback in the June month, annual consent issuance is expected to linger around multidecade highs. But while consent issuance is elevated and is expected to remain so for some time, it does appear to be flattening off. This likely portends a peak in the construction cycle over the year ahead.

NZ Jun ANZ Business confidence

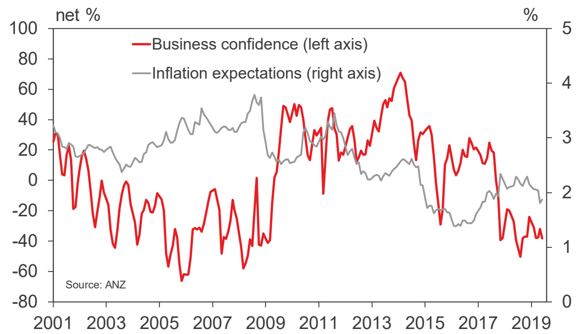
Jul 31, Last -38.1

- Monthly business confidence fell in June, returning to the very low levels it reached in late-2017. Firms' impressions of their own business activity remain also fell a touch in June. And while these aren't as depressed as broader business confidence, they do remain weak.
- Firms are particularly concerned about margin squeeze as they are caught in the middle between rising prices and a limited ability to pass these increases onto their customers. Sluggish demand is also a concern. There is little reason to expect these dynamics changed significantly in July.
- We expect the sustained weakness in confidence to increasingly weigh on firms hiring and investment decisions this year.

NZ building consents



NZ business confidence and inflation expectations



UK Bank of England Bank Rate Decision

Aug 1, Last: 0.75%, WBC f/c: 0.75%, Mkt: 0.75%

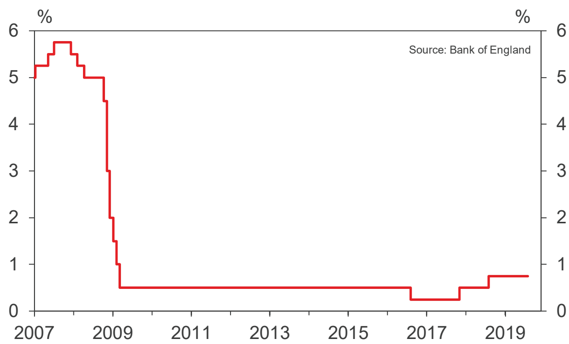
- At its June policy decision, the BOE left the bank rate on hold and maintained its very modest (and Brexit dependent) tightening bias.
- We expect that the Bank Rate will again be left on hold at the BOE's upcoming meeting.
- The key focus will be on the BOE's rhetoric in the accompanying statement. Up to now, the BOE's stance has assumed an orderly exit from the EU. However, the chances of such an outcome have continued to decline, especially following the change in Prime Minister. As result, we expect a softening in the BOE's rhetoric. That would also be consistent with the increased dovishness of comments from Carney and other MPC members.

Aus Jun dwelling approvals

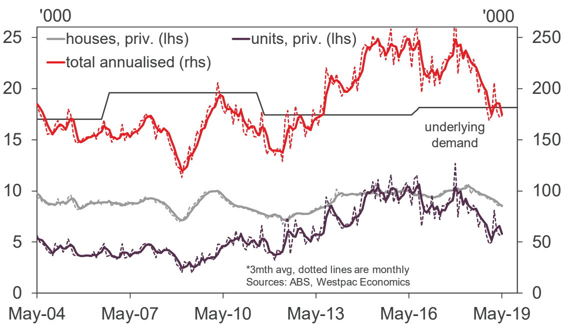
Jul 30, Last: 0.7%, WBC f/c: –1.0%
Mkt f/c: 0.2%, Range: -3.0% to 2.0%

- Dwelling approvals have shown signs of levelling out in recent months after recording a 30% drop in 2018. Total approvals rose 0.7% in May but have been choppy month to month. The detail from the latest month suggests there is still residual weakness coming through, total approvals ex high rise down an estimated –0.8% for the latest month and still trending lower.
- We suspect the June update will again be a mixed bag. The headline is likely to show a dip as high rise approvals fall back from recent gains. However, the weakness in non high rise approvals should start to moderate going by construction-related finance approvals. On balance, we expect total approvals to be down about 1% in the month but with the mix a key point of interest.

Bank of England Bank Rate



Dwelling approvals



The week ahead

Aus Q2 CPI

Jul 31, Last: 0.0%, WBC f/c: 0.5%
Mkt f/c: 0.5%, Range: 0.3% to 0.8%

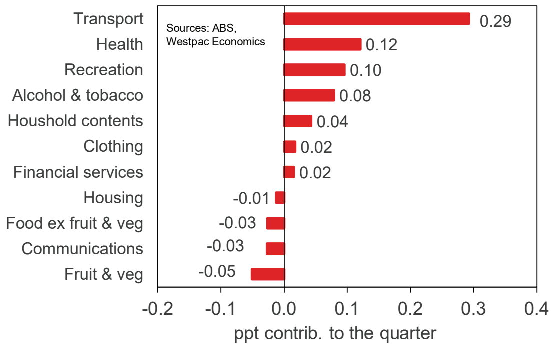
- Westpac is forecasting a 0.5% rise in the June quarter CPI lifting the annual pace to 1.5%yr from 1.3%yr
- The June quarter tends to be a seasonally soft quarter with the seasonally adjusted CPI forecast to rise 0.7%. The trimmed mean is forecast to rise 0.33%qtr/1.5%yr and the weighted median is forecast to rise 0.30%qtr/1.1%yr.
- In Q2 fresh fruit & vegetables will drag food prices down 0.4%qtr.
- Auto fuel has an 11% surge, alcohol & tobacco rise modestly while clothing & footwear also have a positive quarter. Health costs bump up as rising medical & hospital services more than offset falling pharmaceuticals while there is an unseasonal gain in domestic holiday travel.

Aus Jun private credit

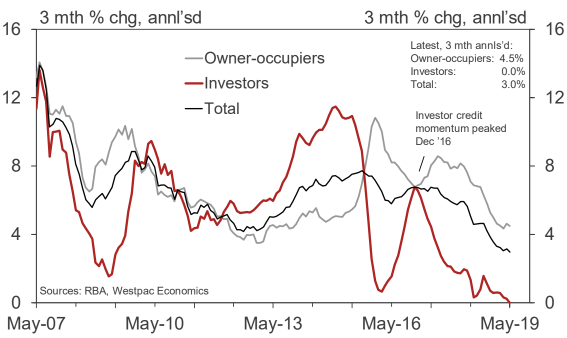
Jul 31, Last: 0.2%, WBC f/c: 0.3%
Mkt f/c: 0.3%, Range: 0.2% to 0.8%

- In April and May, credit grew by 0.2%, with housing increasing at a weak pace and business flat over the period.
- For June, we expect credit growth of 0.3%, supported by a return to growth in the business segment.
- Housing credit growth is weak at an historic low of 3.7%yr and 3.0% annualised for the 3 months to May. Another soft read is likely in June as new lending fell further last month. RBA rate cuts in June and July should see the emergence of some improvement.
- Business credit grew by 4.5% over the past year as investment trended higher. New lending to businesses spiked in May, emerging from the recent soft spot, pointing to a lift in credit.

Contributions 2019Q2 CPI 0.5%qtr forecast



Housing credit: weak ahead of RBA rate cuts



Aus Aug CoreLogic home value index

Aug 1, Last: –0.1%, WBC f/c: flat

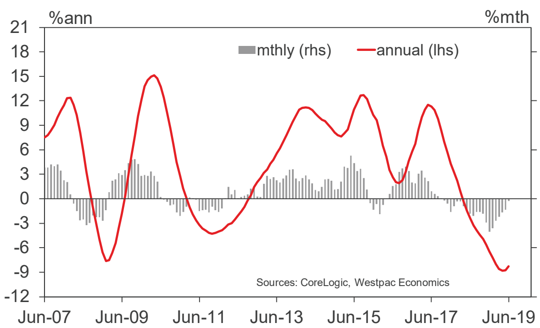
- The correction in Australian dwelling prices that began in late 2017 appears to have ended in mid-2019. The CoreLogic home value index dipped 0.1% in June to be down 8.0%yr – still weak but marking the first month to month improvement in the annual growth rate since its peak at +11.3%yr in mid 2017. Sydney and Melbourne both recorded their first monthly price gains since the correction began although prices continued to slip elsewhere.
- July has seen a further stabilisation. The daily index points to a flat outcome nationally, again with slight gains in Sydney and Melbourne but a mixed bag across the other capitals (a notable lift in Brisbane but slippage elsewhere). The picture is consistent with a continued improvement in auction markets and a clear lift in housing-related sentiment.

Aus Q2 import price index

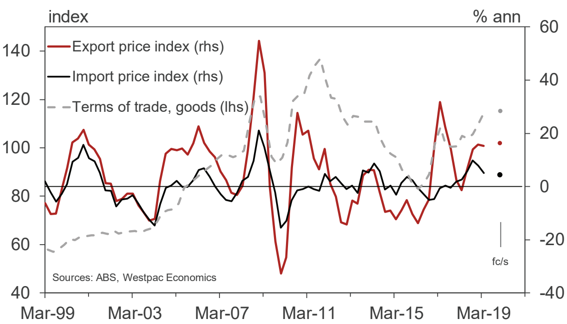
Aug 1, Last: -0.5%, WBC f/c: 2.4%
Mkt f/c: 1.8%, Range: 0.7% to 2.5%

- The cost of imported goods increased over the past year as the Australian dollar weakened.
- In the March quarter, the import price index was 5.2% above the level of a year earlier, despite a 0.5% dip in the quarter. Over the year, the dollar fell by more than 5% on a TWI basis and declined by almost 10% against the US dollar.
- For June, import price index rose by a forecast 2.4% to be 4.4% above the level of a year ago.
- A lower currency and higher fuel prices combined to make imports more expensive in the June quarter. The dollar fell by 0.8% on a TWI basis and was 1.7% lower against the US dollar. Singapore gasoline prices moved sharply higher.

Australian dwelling prices



Import & export goods prices



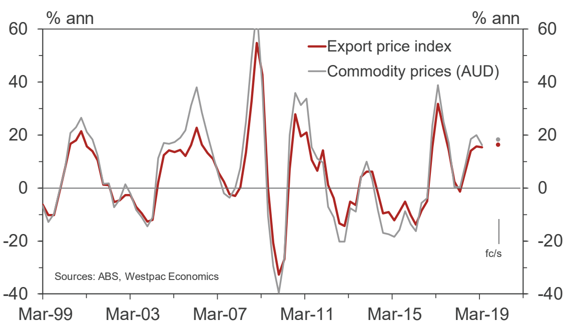
The week ahead

Aus Q2 export price index

Aug 1, Last: 4.5%, WBC f/c: 2.8%
Mkt f/c: 2.8%, Range: 2.3% to 4.0%

- From early 2016, Australia's export prices have trended sharply higher, advancing on higher commodity prices.
- In the March quarter 2019, the export price index rose by 4.5%qtr, 15.3%yr.
- For the June quarter, the index is forecast to rise by 2.8%. This is largely on the back of a further spike in the price of iron ore following the supply disruptions in Brazil. The lower dollar also boosted export prices in the period.
- The terms of trade for goods, on these estimates, increased by around 0.5% in the quarter.
- As to prices for services, an update will be available with the release of the Balance of Payments on September 3.

Commodity prices & export price index

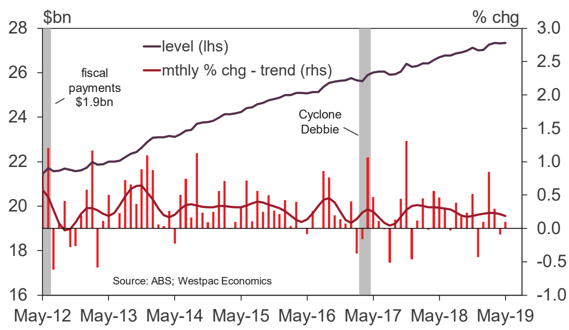


Aus Jun retail trade

Aug 2, Last: 0.1%, WBC f/c: 0.1%
Mkt f/c: 0.3%, Range: 0.0% to 0.5%

- Annual spending growth slowed to 2.4%yr, the weakest pace since the start of 2018 and well below the long run average of 4%. The sub-category and state detail was mixed: household goods and NSW notable weak spots but sales remain firm across other discretionary categories and in Vic, with a notable lift in the resource states.
- Conditions look to have again been soft in June. Consumer sentiment remained stuck around neutral, despite the RBA cutting rates 25bps in the month. Wealth effect drags are also likely to still be operating. Retail responses to private sector business surveys were again very weak in June although some other partials based on card usage were a touch firmer. On balance we expect June to show another 0.1% sales gain.

Monthly retail sales

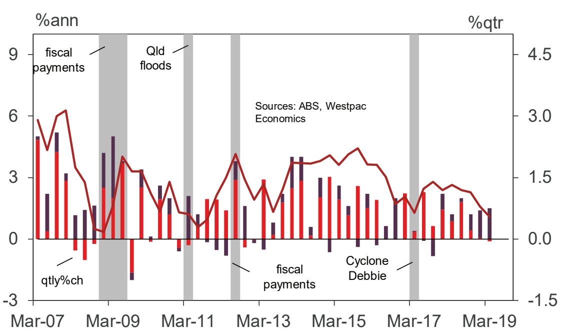


Aus Q2 real retail sales

Aug 2, Last: –0.1%, WBC f/c: 0.3%
Mkt f/c: 0.3%, Range: -0.1% to 0.5%

- Real retail sales dipped 0.1% in Q1, following a flat result in Q4. Annual growth slowed to 1.1%yr but with a cumulative gain of just 0.2% over the three quarters to March.
- Nominal sales are tracking towards a 0.5% gain for the quarter – a touch softer than Q1's 0.7% rise. However, the Q2 CPI detail (out on July 31) is expected to show retail prices up 0.2% vs a 0.7% gain in Q1 with fresh food retracing some of the previous surge. That would see a slightly better outturn for volumes in Q2 with a 0.3% gain although annual growth will still slow to a very weak 0.5%yr. That would be the slowest pace since the GFC.

Quarterly retail volumes and prices

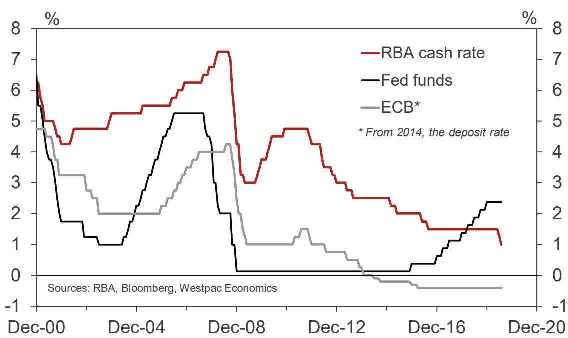


US Jul FOMC meeting

Jul 30–31, federal funds rate mid, last: 2.375%, WBC f/c: 2.125%

- Rate cut expectations for the FOMC have been running hot in recent months as market participants doubted the ability of the US economy to weather global and fiscal uncertainties.
- While some market participants continue to argue the case for a 50bp cut at the Jul meeting, we instead see a 25bp cut. Market pricing has converged on a similar view following recent comments by officials and after the announcement of a draft agreement on the debt ceiling and government spending to 2021.
- Looking ahead, we expect one further cut from the FOMC by year end, after which the Committee will be on hold. For the market's view of four cuts to mid-2020 (including Jul) to prove correct, the household sector will have to be hit by current and/or future uncertainties. If the status quo is maintained on trade and fiscal policy, this is unlikely.

FOMC to deliver insurance cuts



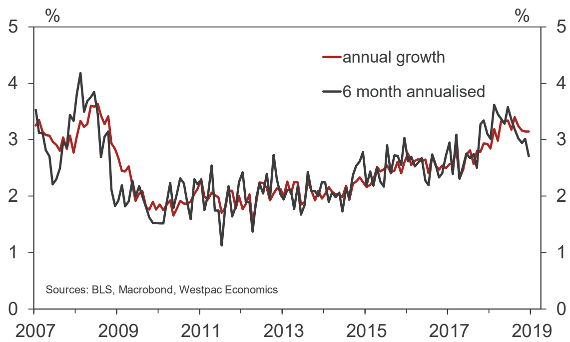
The week ahead

US Jul employment report

Aug 2, nonfarm payrolls, Last: 224k, WBC f/c: 180k
Aug 2, unemployment rate, Last: 3.7%, WBC f/c: 3.7%
Aug 2, hourly earnings, Last 0.2%, WBC f/c: 0.3%

- Following the weak May outcome, nonfarm payrolls came storming back in Jun, rising 224k. Despite a 11k downward revision to Apr and May, the 3-month average pace is strong at 171k. We expect Jul will deliver a similar gain circa 180k, thanks to continued strength in the services sector.
- Turning to the unemployment rate, a sustaining of Jun's 3.7% level is expected, although it is possible it will edge down to 3.6% instead, as the market expects. Participation, as always, will be key here.
- Hourly earnings has slowed materially since Feb. The recent outcomes seem too weak given job and activity data, and so we expect a stronger 0.3% gain in Jul. Note that the Q2 ECI is also due 31 Jul, providing a contrast to hourly earnings.

Hourly earnings has weakened materially

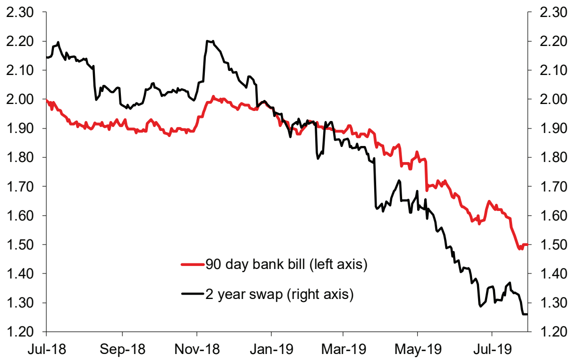


New Zealand forecasts

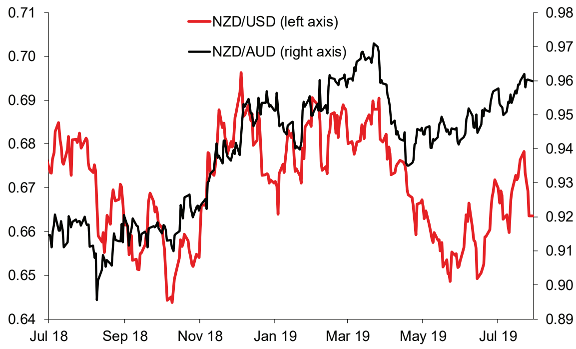
Economic Forecasts	Quarterly				Annual			
	2019							
% change	Mar (a)	Jun	Sep	Dec	2018	2019f	2020f	2021f
GDP (Production)	0.6	0.4	0.6	0.8	2.9	2.3	3.0	2.4
Employment	-0.2	0.8	0.3	0.3	2.3	1.3	2.0	1.8
Unemployment Rate % s.a.	4.2	4.3	4.3	4.2	4.3	4.2	3.9	3.7
CPI	0.1	0.6	0.7	0.3	1.9	1.7	1.9	2.1
Current Account Balance % of GDP	-3.6	-3.4	-3.4	-3.4	-3.8	-3.4	-3.4	-3.6

Financial Forecasts	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Cash	1.25	1.00	1.00	1.00	1.00	1.00
90 Day bill	1.30	1.15	1.15	1.15	1.15	1.15
2 Year Swap	1.25	1.20	1.20	1.25	1.30	1.40
5 Year Swap	1.40	1.40	1.40	1.45	1.55	1.65
10 Year Bond	1.45	1.45	1.45	1.50	1.55	1.65
NZD/USD	0.65	0.65	0.65	0.66	0.66	0.66
NZD/AUD	0.96	0.96	0.98	0.99	0.99	0.99
NZD/JPY	68.9	68.3	69.6	71.0	72.4	73.0
NZD/EUR	0.57	0.57	0.58	0.58	0.59	0.59
NZD/GBP	0.52	0.52	0.52	0.52	0.51	0.51
TWI	71.8	71.6	72.0	72.5	72.4	72.1

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on 29 July 2019

Interest Rates	Current	Two weeks ago	One month ago
Cash	1.50%	1.50%	1.50%
30 Days	1.51%	1.62%	1.67%
60 Days	1.50%	1.60%	1.65%
90 Days	1.50%	1.60%	1.65%
2 Year Swap	1.26%	1.36%	1.35%
5 Year Swap	1.33%	1.47%	1.44%

NZ foreign currency mid-rates as at 29 July 2019

Exchange Rates	Current	Two weeks ago	One month ago
NZD/USD	0.6635	0.6688	0.6726
NZD/EUR	0.5961	0.5934	0.5920
NZD/GBP	0.5359	0.5323	0.5296
NZD/JPY	72.10	72.21	72.81
NZD/AUD	0.9598	0.9532	0.9566
TWI	73.12	73.30	73.44

Data calendar

		Last	Market median	Westpac forecast	Risk/Comment
Mon 29					
UK	Jun net mortgage lending £bn	3.1	3.5	–	Softness in the housing market has dampened credit growth.
	Jul Nationwide house prices	0.1%	0.2%	–	Due this week. Brexit uncertainty still weighing on prices.
US	Jul Dallas Fed index	–12.1	–5	–	Regional surveys highly volatile at present.
Tue 30					
NZ	Jun building permits	13.2%	–	–10.0%	Expected to fall back after May's lump of multi-unit consents.
Aus	Jun dwelling approvals	0.7%	0.2%	–1.0%	High rise/non high rise mix will be of most interest.
Eur	Jul economic confidence	103.3	103.0	–	Business confidence continuing to soften...
	Jul business climate indicator	0.17	0.15	–	... across a number of survey measures.
US	Jun personal income	0.5%	0.3%	–	Wage growth looks to be coming under pressure...
	Jun personal spending	0.4%	0.3%	–	... though recent growth in spending has been strong.
	Jun core PCE %yr	1.6%	1.7%	–	Underlying inflation tending to 2.0%yr.
	May S&P/CS home price index	0.0%	0.2%	–	House price growth has moderated, but still solid.
	Jun pending home sales	1.1%	0.4%	–	Existing sales remain soft. Supply the main issue.
	Jul consumer confidence index	121.5	125.0	–	Consumer mood remains buoyant.
Wed 31					
NZ	Jul ANZ business confidence	8.0%	–	–	Pressure on margins and soft demand weighing on sentiment.
Aus	Q2 CPI	0.0%	0.5%	0.5%	Headline increase largely driven by fuel...
	Q2 CPI %yr	1.3%	1.5%	1.5%	... seeing the annual pace lift to 1.5%...
	Q2 core CPI, %yr	1.6%	1.5%	1.5%	... while core pressures remain subdued.
	Jun private credit	0.2%	0.3%	0.3%	Soft read but off lows, business up on a spike in new lending.
Chn	Jul manufacturing PMI	49.4	49.6	–	Manufacturing under considerable pressure...
	Jul non-manufacturing PMI	54.2	54.0	–	... while services rely on consumer and modest investment.
Eur	Jun unemployment rate	7.5%	7.5%	–	Has continued to trend down on domestic demand despite...
	Q2 GDP	0.4%	0.2%	0.2%	... external sectors still weighing on output...
	Jul core CPI %yr	1.2%	1.1%	–	... and uncertainty around outlook holding down prices.
UK	Jul GfK consumer sentiment	–12	–13	–	Political uncertainty likely to weigh on confidence.
US	Jul ADP employment change	102k	150k	–	Jun was a very poor lead for payrolls. Likely to strengthen.
	Q2 employment cost index	0.7%	0.7%	0.7%	More stable but softer than hourly earnings.
	Jul Chicago PMI	49.7	51.8	–	Modest growth continuing.
	FOMC policy decision, midpoint	2.375%	2.125%	2.125%	Cut expected. Press conference guidance the focus.
Thu 01					
Aus	Jul AiG PMI	49.4	–	–	Manuf'g -3.3pts in June. Mixed of late on housing weakness.
	Jul CoreLogic home value index	–0.1%	–	flat	Housing market looks to have stabilised around mid-year.
	Q2 import price index	–0.5%	1.8%	2.4%	Imports costs up on lower dollar, higher fuel prices.
	Q2 export price index	4.5%	2.8%	2.8%	Export prices led higher by iron ore & up on the lower AUD.
Chn	Jul Caixin China PMI	49.4	49.7	–	... manufacturers under considerable pressure...
Eur	Jul Markit manufacturing PMI final	46.4	–	–	... especially in Europe...
UK	Jul Markit manufacturing PMI	48.0	48.0	–	... with the UK also subdued.
	BoE policy decision	0.75%	0.75%	0.75%	Likely to see a dovish tilt in the BOE's rhetoric.
US	Initial jobless claims	206k	–	–	Very low.
	Jul Markit manufacturing PMI final	50.0	–	–	Conditions for manufacturers continue to deteriorate...
	Jul ISM manufacturing	51.7	52.0	–	... as trade uncertainty persists, and USD remains strong.
	Jun construction spending	–0.8%	0.5%	–	Non-residential business investment weak and at risk.
Fri 02					
NZ	Jul ANZ consumer confidence	122.6	–	–	Households spending has softened through mid-2019.
Aus	Jun retail sales	0.1%	0.3%	0.1%	Conditions remain very weak for retail although food price ...
	Q2 real retail sales	–0.1%	0.3%	0.3%	... decline gives slightly better vol-price mix for Q2 vs Q1.
Eur	Jun retail sales %yr	1.3%	–	–	Consumption has remained resilient.
US	Jul non-farm payrolls	224k	160k	180k	Services sector continuing to provide robust support.
	Jul unemployment rate	3.7%	3.7%	3.7%	Unemployment rate to remain broadly stable ahead.
	Jul average hourly earnings %yr	3.1%	3.2%	3.2%	Recent outcomes look too weak to persist.
	Jun factory orders	–0.7%	0.6%	–	Durables provided an upside surprise in Jun.
	Jun trade balance US$bn	–55.5	–54.2	–	Pull-forward has ended.

International forecasts

Economic Forecasts (Calendar Years)	2015	2016	2017	2018	2019f	2020f
Australia						
Real GDP % yr	2.5	2.8	2.4	2.8	1.8	2.4
CPI inflation % annual	1.7	1.5	1.9	1.8	1.8	1.6
Unemployment %	5.8	5.7	5.5	5.0	5.4	5.6
Current Account % GDP	-4.7	-3.1	-2.6	-2.1	-0.3	-1.2
United States						
Real GDP %yr	2.9	1.6	2.2	2.9	2.4	1.8
Consumer Prices %yr	0.1	1.4	2.1	2.4	1.8	1.9
Unemployment Rate %	5.3	4.9	4.4	3.9	3.5	3.5
Current Account %GDP	-2.3	-2.3	-2.3	-2.6	-2.5	-2.4
Japan						
Real GDP %yr	1.2	0.6	1.9	0.8	0.7	0.4
Euro zone						
Real GDP %yr	2.1	2.0	2.4	1.8	1.2	1.4
United Kingdom						
Real GDP %yr	2.3	1.8	1.8	1.4	1.4	1.4
China						
Real GDP %yr	6.9	6.7	6.8	6.6	6.1	6.0
East Asia ex China						
Real GDP %yr	3.8	4.0	4.6	4.3	4.0	4.0
World						
Real GDP %yr	3.4	3.4	3.8	3.6	3.3	3.4
Forecasts finalised 5 July 2019						

Interest Rate Forecasts	Latest	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Australia							
Cash	1.00	1.00	0.75	0.50	0.50	0.50	0.50
90 Day BBSW	1.04	1.00	0.85	0.70	0.70	0.70	0.70
10 Year Bond	1.23	1.20	1.20	1.10	1.10	1.10	1.10
International							
Fed Funds	2.375	2.125	1.875	1.875	1.875	1.875	1.875
US 10 Year Bond	2.07	2.00	2.00	2.00	2.00	2.00	2.00
ECB Deposit Rate	−0.40	−0.50	−0.50	−0.50	−0.50	−0.50	−0.50

Exchange Rate Forecasts	Latest	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
AUD/USD	0.6944	0.68	0.68	0.66	0.66	0.67	0.67
USD/JPY	108.63	106	105	107	108	109	110
EUR/USD	1.1149	1.14	1.14	1.13	1.13	1.12	1.12
GBP/USD	1.2447	1.26	1.25	1.26	1.27	1.29	1.30
AUD/NZD	1.0434	1.05	1.04	1.02	1.01	1.01	1.01

Contact the Westpac economics team

Dominick Stephens, Chief Economist +64 9 336 5671

Michael Gordon, Senior Economist +64 9 336 5670

Satish Ranchhod, Senior Economist +64 9 336 5668

Anne Boniface, Senior Economist +64 9 336 5669

Paul Clark, Industry Economist +64 9 336 5656

Any questions email: economics@westpac.co.nz

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