Abel Tasman National Park, New Zealand

Weekly Economic Commentary.

Riding the (second) wave.

New Zealand is into its third week of heightened Covid Alert status, and the economic impacts are becoming evident. Those impacts are most pronounced in Auckland, but are being felt nationwide.

Nationwide retail spending has fallen by close to 20% since the Alert Level was dialled up again, with the biggest falls in areas linked to tourism and hospitality. Following the re-imposition of social distancing requirements, spending in areas like bars, restaurants and recreational activities has fallen more than 35%. There's also been a more general hit to spending levels, with all industries other than supermarkets reporting large declines.

Weakness in spending has been centred heavily in Auckland, where the Alert Level has been higher and spending is down 40% in recent weeks. That's taken retail spending in Auckland back to the levels we last saw in May, when the entire country was at Alert Level 3.

In areas outside of Auckland, the Alert Level has been raised to Level 2 and spending has fallen by around 6%. Spending in these regions has actually fallen to levels that are lower than those we saw last time they were at Level 2. Again, much of this weakness has been in the embattled hospitality sector which is wrestling with not only the loss of international tourists, but also the loss of holiday spending by Aucklanders.

The ramp up in the Alert Level has also rippled through other parts of the economy. Nationwide, the number of people on the Jobseeker benefit or Covid-related support payment rose by 2,700 in the first week of the higher Alert Level. The onset of the elevated Alert Level also saw a step down in both road traffic levels (down around 10%) and electricity usage.

We've calculated that during each week that Auckland was at Level 3 and the rest of New Zealand at Level 2, about $300m of economic activity was prohibited. That's equivalent to 0.5% of quarterly GDP. However, the actual economic cost will be lower, because some of that lost activity will be delayed rather than cancelled altogether.

The cost of dialling up the Alert Level again has been significant, but it has been more modest than the impact of the initial outbreak. That's because much of the economic damage wrought by Covid-19 stems from the loss of our international tourism and export education sectors. And with the borders already closed, the recent tightening in restrictions won't result in further significant damage to those sectors.

Our estimate of the economic cost of the elevated Alert Level is lower than estimates from other forecasters and the Government (for instance, the Treasury put the cost of the recent increases in restrictions at around $500m each week). The first lockdown proved to be far less damaging than anticipated, and we think that we should heed the lessons from that time when trying to estimate the impact of subsequent lockdowns. The economy rebounded surprisingly readily from the first lockdown. For instance, the value of consumer spending, the number of people employed, and the amount of electricity used quickly rebounded to pre-Covid levels, whereas we anticipated more lasting damage.

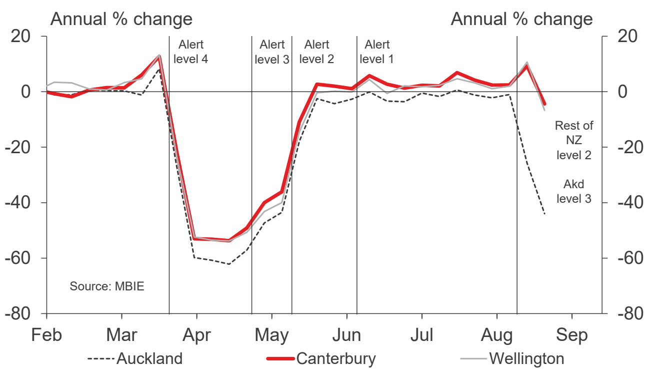
July's monthly employment indicator (MEI) from Stats NZ was a further illustration of the economy's surprising resilience after the first lockdown. It showed a 0.2% rise in filled jobs in July in seasonally adjusted terms. Filled jobs fell by 1.6% in April, when the country was in Alert Level 4 lockdown, but they had rebounded close to their pre-Covid level by June. That said, employment growth has not matched population growth, so unemployment must have risen. The MEI has a low profile, but we think it should be treated as the prime indicator of New Zealand's labour market. The indicator is drawn from income tax data, giving it a very high level of coverage and making it timely. In contrast, the Household Labour Force Survey covers a small percentage of the population, is subject to sizeable sampling errors, and is released with a considerable lag.

The surprising rebound in the economy after the first lockdown also illustrates the benefits of New Zealand's 'elimination' approach to the virus. In contrast to many other countries, our stricter lockdown stymied the spread of the virus. That meant we were able to roll back most health restrictions sooner, allowing many parts of the domestic economy to get back to 'normal' sooner.

The key question is how long the reinstated Covid-related restrictions will remain in place. From the start of this week, most parts of the country will remain at Alert Level 2. However, in Auckland the Alert Level will be eased to 'level 2.5,' meaning stricter social distancing requirements than in other regions. We estimate that at Alert Level 2, around 2 to 3% of normal domestic activity will be disrupted.

The Prime Minister has warned that the current outbreak could have a "long tail". The longer restrictions remain in place, the greater the risk of long-lasting economic scarring such as business closures and job losses. On that front, we've already seen a number of businesses shutting their doors in recent weeks, with smaller operators in the hospitality sector particularly hard hit. The demand for workers has been more resilient, with job ads holding up in recent weeks. However, the longer restrictions continue, the greater the risk of a further slowdown in hiring.

Weekly retail spending vs year ago

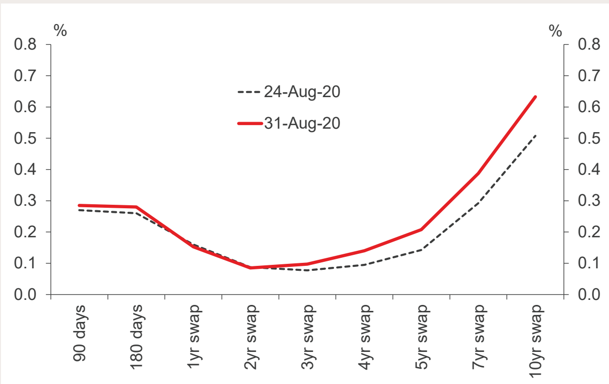


Fixed vs Floating for mortgages.

Fixed mortgage rates fell sharply over May and June, and have been stable since. There is perhaps some scope for a further decline in fixed mortgage rates, but it isn't guaranteed and it isn't large.

We are forecasting fairly stable interest rates this year, but early next year we expect that the RBNZ will lower the OCR to -0.5%. If that is correct, then both fixed and floating rates will fall next year.

NZ interest rates



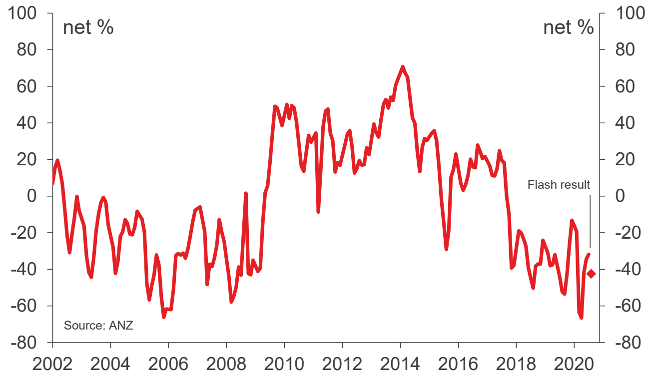
The week ahead.

NZ Aug ANZBO business confidence (final)

Aug 31, Last: –31.8, Flash: –42.4

- Business confidence and expectations for trading activity both ticked down in August's flash business confidence report. While off the lows reached during the Level 4 lockdown, business activity gauges remain at low levels.
- Since the flash report, the COVID Alert level has been dialled back up again. As a result, the final read is likely to be down on the flash result. However, the survey will only capture a fraction of the second lockdown and its full impact will not be evident until the next survey.

NZ business confidence

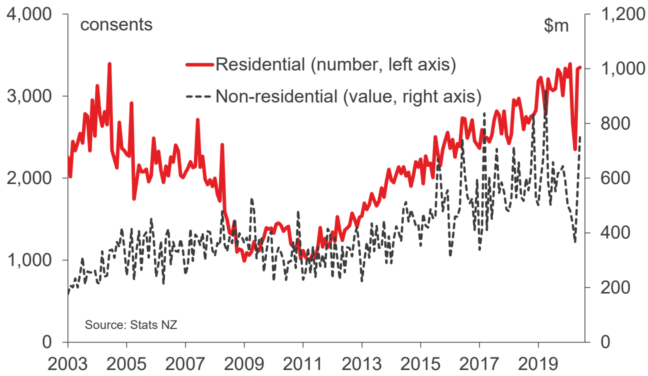


NZ Jul building consents

Sep 1, Last: +0.5%, WBC f/c: –10%

- The number of residential dwelling consents rose by 0.5% in June. Over the past 12 months, 37,600 new dwellings were consented. This signals a significant pipeline of work in spite of the recent COVID-related disruptions.
- We expect residential consent numbers will fall by 10% in July. June's figure was boosted by a large number of medium density/multi-unit consents. As such consents tend to be issued in lumps, we expect a pullback in July. Such a decline would still leave consent numbers at very elevated levels.
- Non-residential consents have picked up in recent months, underpinned by a rise in storage buildings. While consents for commercial buildings are volatile on a month-to-month basis, the are expected to trend down over the coming year. That is due to the downturn in economic conditions and low levels of confidence.

NZ building consents

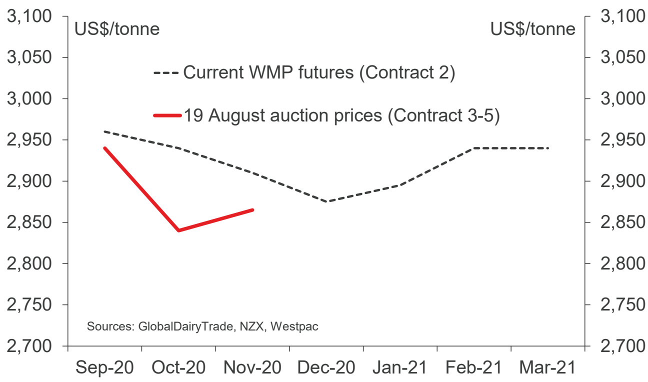


NZ GlobalDairyTrade auction, whole milk powder prices

Sep 2, Last: –2.2% chg, Westpac: +1.0%

- We expect that whole milk powder prices will lift a touch at this auction and thus begin to stabilise after a weak August. Prices slid 9.5% over August.
- The dairy futures market is also pointing to a price modest lift of around 1.5% as at the time of writing.
- Over coming months, we expect global dairy prices to drift lower as New Zealand production continues its seasonal rise and as the global recession weighs down dairy demand.

Whole milk powder prices



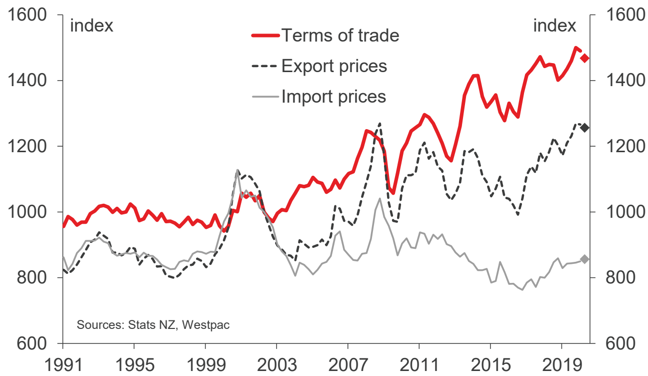
The week ahead.

NZ Q2 terms of trade

Sep 2, Last: -0.7%, WBC f/c: -1.5%
Mkt f/c: 0.6%, Range: -1.5% to 1.6%

- We expect that the terms of trade will fall 1.5% over Q2. Notably, though, the terms of trade still remains at a historically high level.
- Most of the fall is likely to stem from falling meat and dairy prices over the quarter. Both COVID and drought were weighing on prices at the time.
- Over coming quarters, we expect NZ's terms of trade to remain historically high. Agricultural export prices are proving resilient, while global (imported) inflation is soft.

NZ terms of trade

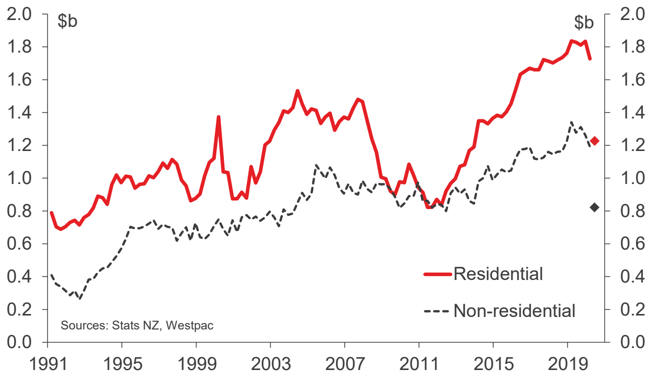


NZ Q2 building work put in place

Sep 4, Last –5.7%, WBC f/c: –30%

- Total construction activity fell by 5.7% in the March quarter with sizeable drops in both residential and non-residential construction. New Zealand's shift into Level 4 lockdown meant that there were four fewer working days over the quarter, constraining the amount of work that could occur, even with a large pipeline of planned projects.
- We're forecasting a 30% drop in construction in the June quarter spread across categories. New Zealand remained at Alert Level 4 lockdown through most of April, which kept construction activity on hold. While social distancing measures remained in place for much of the quarter, construction activity quickly picked up again as the Alert Level was rolled back.

NZ real building work put in place

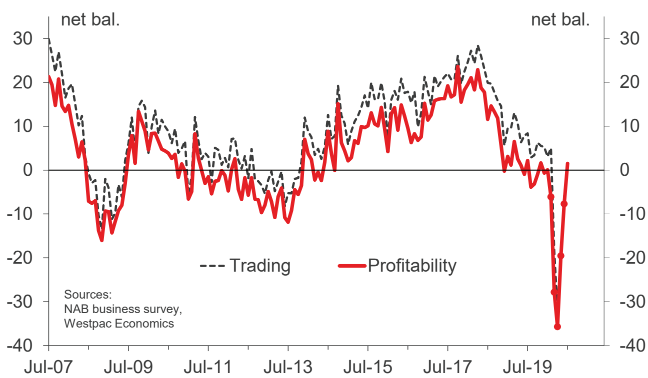


Aus Q2 company profits

Aug 31, Last: 1.1%, WBC f/c: –10%
Mkt f/c: -6.5%, Range: -14.5% to -1.5%

- Profits took a battering in the June quarter as the economy was shut-down temporarily in efforts to contain COVID-19.
- A double digit fall in profits for the quarter would not surprise – with our forecast for a fall of –10%.
- By way of context, during the GFC profits fell by almost 10% spread over the December 2008 and March 2009 quarters, then plunged by a further 11.2% in the June quarter 2009, centred on a 32% collapse in mining profits.
- For the June quarter 2020, mining profits were likely far more resilient – with commodity prices down by a modest –2.5%.
- Across the broader economy, profit results will vary significantly – with the potential for some devastating results in sectors impacted most by the shut-down – such as hospitality and recreation.

Aus trading conditions and profitability



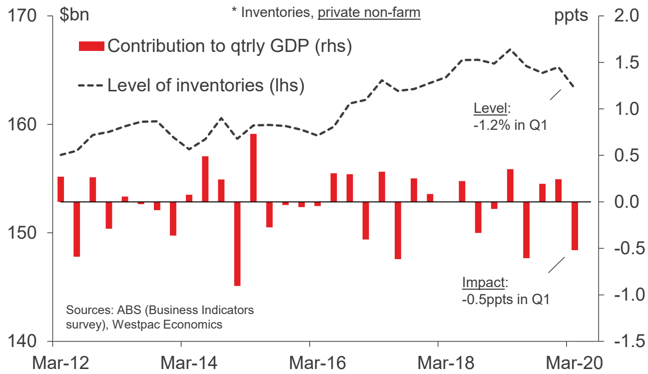
The week ahead.

Aus Q2 inventories

Aug 31, Last: –1.2%, WBC f/c: –0.8% (+0.1ppt cont'n)
Mkt f/c: -1.0%, Range: -5.0% to 1.0%

- The pandemic triggered a range of responses – one of which was a run-down of inventories.
- In Q1, panic buying at supermarkets emptied shelves. In other sectors, it was weak demand and closures that saw firms looking to trim stocks. All up, inventories fell by 1.2% in the quarter – in line with the largest falls in history and subtracting 0.5ppts from activity in the quarter.
- During Q2, we anticipate that inventories fell further – but at a slower rate. Panic buying was less prevalent allowing supermarkets to restock shelves. Across the broader economy weak demand and ongoing supply disruptions would tend to weigh on inventory levels.
- Our forecast for a decline of 0.8% would see inventories make a small positive contribution to growth in Q2, a +0.1ppt.

Aus inventories

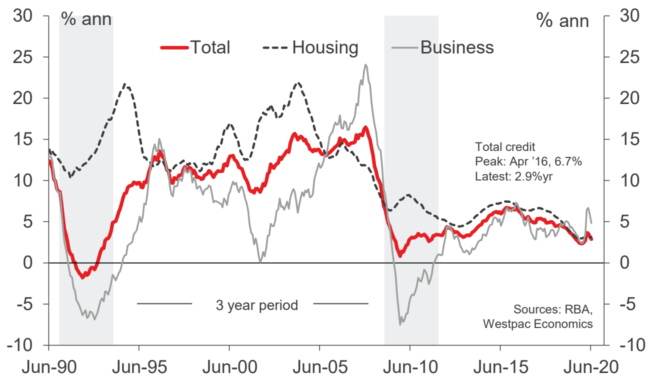


Aus Jul private credit

Aug 31, Last: –0.2%, WBC f/c: –0.2%
Mkt f/c: -0.1%, Range: -0.2% to 0.1%

- Credit to the private sector is contracting with further falls in prospect. Credit declined by 0.2% in both May and June – with a similar size fall likely in July. This is the first decline since June 2011 and the first back-to-back falls since 2009, during the GFC.
- Businesses are in survival mode – looking to cut non-essential spending and reduce borrowings. Credit to businesses contracted in both May and June, –0.6% and –0.8% respectively. Weakness is likely to extend for some time yet. Personal credit, 5% of total credit, fell by a record 10.5% over the past year. Here too, weakness is set to continue.
- Housing credit grew by only 3.1% over the past year, an historic low. New lending, which is down on levels pre-COVID, managed a partial rebound in July as restrictions were initially rolled back. However, the Melbourne lock-down will weigh on lending over coming months.

Aus credit

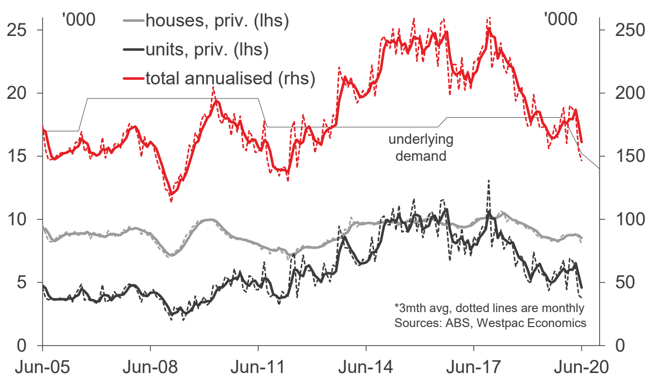


Aus Jun dwelling approvals

Sep 1, Last: –4.9%, WBC f/c: 3%
Mkt f/c: -1.0%, Range: -7.5% to 3%

- Dwelling approvals weakened sharply over the first half of the year, falling a further 4.9% in June to be down 22% since Dec.The latest monthly decline was broad-based, reflecting the full impact of COVID disruptions.
- However, July is likely to see a rise, with detached houses approvals in particular set to gain a boost from the Federal government's HomeBuilder scheme. The HIA reported a big jump in new home sales through July-Aug and while this does not related directly to detached house approvals month to month, that coupled with the reopening economy should be enough to get a rise in this segment that is large enough to more than offset a continued wind down in high rise activity (already at an 8yr low). We expect the net effect to generate a 3% rise in approvals overall. However, further weakness is likely beyond this near term boost as the COVID shock to incomes and population growth continues to percolate through to the housing sector.

Aus dwelling approvals



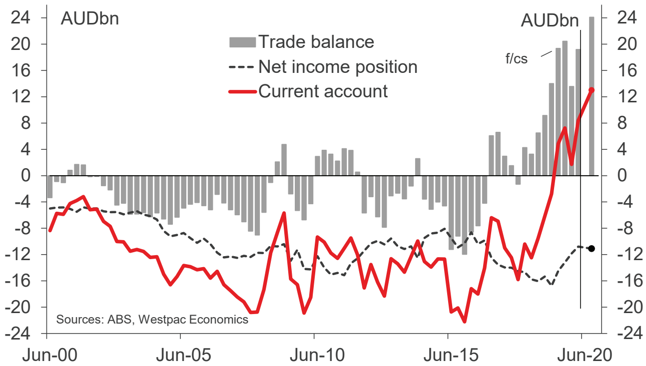
The week ahead.

Aus Q2 current account, AUDbn

Sep 1, Last: 8.4, WBC f/c: 13.0
Mkt f/c: 13.0, Range: 9.0 to 12.6

- Australia accumulated a current account surplus of $22bn over the past year, with four consecutive surpluses. Prior to that, the most recent surplus was back in June 1975.
- In Q1, the current account printed at $8.4bn, including a trade surplus of $19.2bn and a net income deficit of $10.8bn.
- Move forward to the June quarter and the current account position improved further – to a forecast $13.0bn.
- Key to the improvement, a sharp widening of the trade surplus, climbing to $24.1bn. That represents around 5% of GDP – a fresh record high.
- The net income deficit is a potential wildcard. We anticipate a broad consolidation, at $11.1bn. However, large swings on global markets, as well as the potential for revisions, could throw up some surprises.

Aus current account: Q2 f/c +$13bn

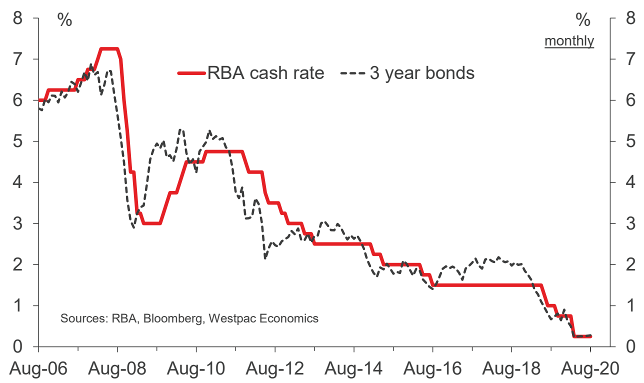


Aus Sep RBA policy decision

Sep 1, Last: 0.25%, WBC f/c: 0.25%
Mkt f/c: 0.25%, Range: 0.25% to 0.25%

- The RBA is expected to keep policy settings unchanged at its September meeting. The Bank is providing support to the economy through a range of stimulus policies and will continue to do so for the foreseeable future. The key elements have been: 1) lowering the cash rate to 0.25%; 2) targeting the 3 year government bond rate at 0.25%; 3) market operations, as needed, to provide ample liquidity to the banking system; 4) a Term Funding Facility for the banking system providing 3 year funding at 0.25%; and 5) Setting the rate paid on Exchange Settlement balances at the RBA at 10bps.
- Persistently poor economic outcomes – growth well below trend, high unemployment, and inflation below the bank's 2–3% target – mean the RBA will need to maintain these policies for an extended period and may come under pressure to do more in the future. For now though the bank is of the view that monetary policy is doing "what it can".

RBA cash rate and 3 year bonds

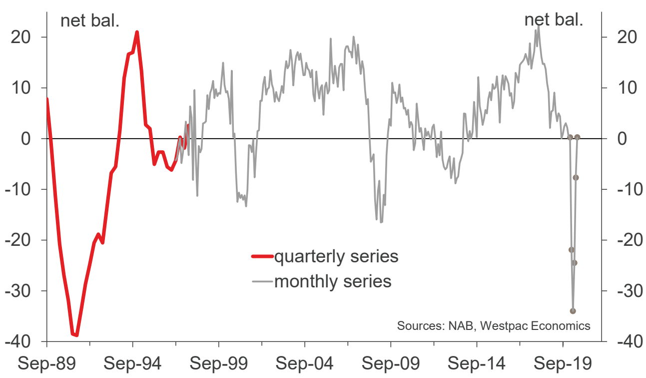


Aus Q2 GDP

Sep 2, Last: –0.3%qtr, 1.4%yr, WBC f/c: –6.0%qtr, –5.3%yr
Mkt f/c: -6.0%, Range: -7.5% to -3.0%

- The first half of 2020 was a tumultuous one, with the outbreak of the COVID pandemic. A partial lock-down, social distancing guidelines (escalated from mid-March) and travel restrictions significantly disrupted activity – triggering a severe economic recession.
- In Q1, output fell by 0.3% and hours worked declined by 0.9%.
- For Q2, we anticipate a 6.0% decline in output, with hours worked likely down by around 7.7%.
- The arithmetic is: domestic demand –7.3% and net exports +1.2ppts. Around demand: consumer spending –12%; housing –5.6%; real estate, –30%; business investment –1.3%; and public +1.5%.
- We acknowledge considerable risks around the Q2 forecast, with exceptionally large and uneven swings in activity.
- See our preview bulletin for additional detail.

Aus business conditions



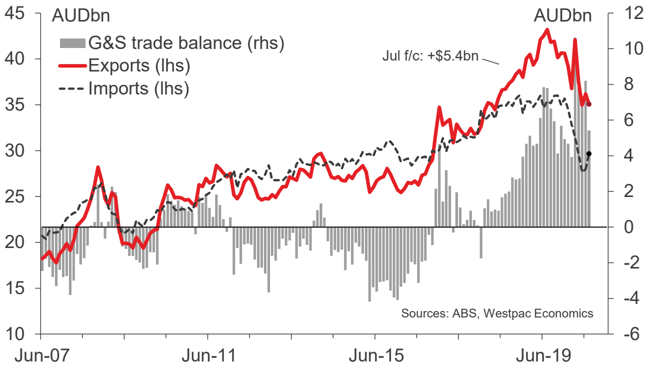
The week ahead.

Aus Jul trade balance, AUDbn

Sep 3, Last: 8.2, WBC f/c: 5.4
Mkt f/c: 5.0, Range: 3 to 8.9

- Australia is running sizeable trade surpluses.
- The net impact of the pandemic, over the first half of 2020, was to boost the surplus. Imports were down sharply on falling domestic demand and the closure of the international border (grounding overseas travel). Goods export volumes are down but not to the same degree and the iron ore price is up.
- For July, we expect some reversal of these trends, with the trade surplus forecast to narrow to $5.4bn, from $8.2bn.
- Export earnings are forecast to decline by around 3%, on lower volumes and prices. Coal and LNG are facing weaker demand and iron ore shipments are coming off a high base.
- Imports are expected to rebound, up from low levels, increasing by around 6%. Gains are in road vehicles, aircraft imports, fuel and gold.

Aus trade balance

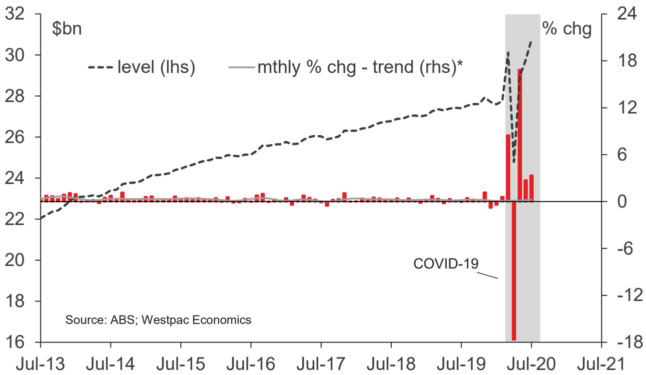


Aus Jul retail trade

Sep 4, Last: 2.7%, WBC f/c: 3.3%
Mkt f/c: 3.3%, Range: 3% to 3.6%

- Preliminary estimates showed a 3.3% rise in retail sales in July, up a remarkable 12.2%yr.
- Final estimates will include additional store-type and state detail. However, the ABS has already provided some colour indicating gains are being led by basic food and household goods and, by state, reopening rebounds in most states more than offsetting a decline in Victoria (–2% in July). This state divergence is set to widen markedly in August following the move to stage 4 restrictions in Melbourne and stage 3 restrictions across the rest of Victoria. Indeed, the early signs from our Westpac Card Tracker suggest retail sales nationally are likely to record a decline in the August month.
- Note that retail is currently a poor guide to wider spending as it misses some of the largest negative impacts from the COVID-19 crisis and is skewed towards segments that are benefitting from expenditure switching.

Aus monthly retail sales

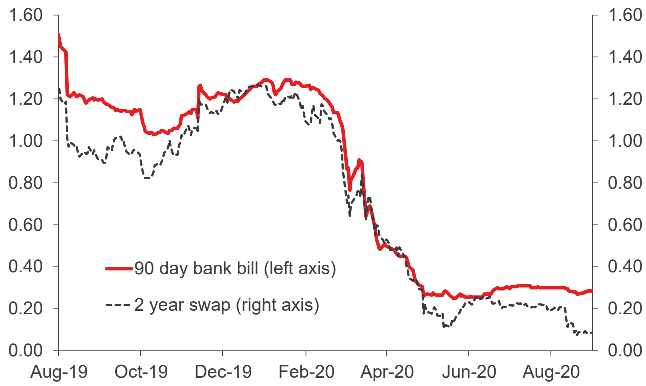


New Zealand forecasts.

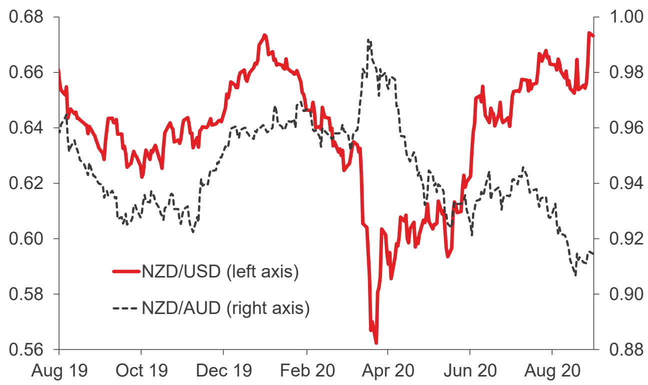
Economic forecasts	Quarterly				Annual			
	2020							
% change	Mar (a)	Jun	Sep	Dec	2018	2019	2020f	2021f
GDP (Production)	-1.6	-13.0	12.3	1.7	3.2	2.3	-4.7	5.9
Employment	1.0	-0.4	-3.8	-0.8	1.9	1.0	-4.0	2.8
Unemployment Rate % s.a.	4.2	4.0	6.5	7.0	4.3	4.1	7.0	6.4
CPI	0.8	-0.5	0.6	0.0	1.9	1.9	0.9	0.5
Current Account Balance % of GDP	-2.7	-2.3	-2.0	-2.1	-3.8	-3.0	-2.1	-3.5

Financial forecasts	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Cash	0.25	0.25	0.25	-0.50	-0.50	-0.50
90 Day bill	0.30	0.30	-0.10	-0.20	-0.20	-0.20
2 Year Swap	0.20	0.10	0.00	-0.10	-0.10	-0.10
5 Year Swap	0.30	0.25	0.25	0.25	0.25	0.35
10 Year Bond	0.70	0.75	0.75	0.75	0.80	0.80
NZD/USD	0.66	0.67	0.66	0.66	0.68	0.70
NZD/AUD	0.90	0.89	0.87	0.87	0.87	0.88
NZD/JPY	69.3	70.4	69.3	70.0	72.1	74.2
NZD/EUR	0.55	0.55	0.54	0.54	0.55	0.56
NZD/GBP	0.50	0.50	0.49	0.49	0.50	0.50
TWI	71.2	71.5	69.9	69.5	70.7	72.0

2 year swap and 90 day bank bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on 1 September 2020

Interest rates	Current	Two weeks ago	One month ago
Cash	0.25%	0.25%	0.25%
30 Days	0.27%	0.27%	0.27%
60 Days	0.28%	0.28%	0.29%
90 Days	0.29%	0.29%	0.30%
2 Year Swap	0.09%	0.14%	0.19%
5 Year Swap	0.21%	0.22%	0.28%

NZ foreign currency mid-rates as at 1 September 2020

Exchange rates	Current	Two weeks ago	One month ago
NZD/USD	0.6732	0.6543	0.6630
NZD/EUR	0.5656	0.5525	0.5629
NZD/GBP	0.5045	0.4995	0.5074
NZD/JPY	70.99	69.77	70.16
NZD/AUD	0.9145	0.9133	0.9295
TWI	72.42	71.23	72.33

Data calendar.

		Last	Market median	Westpac forecast	Risk/Comment
Mon 31					
NZ	Aug ANZ business confidence	–42.4	–	–	Flash August result showed a softening in confidence.
Aus	Q2 company profits	1.1%	-6.5%	–10%	Profits to plunge on sharp contraction in activity.
	Q2 inventories	–1.2%	-1.0%	–0.8%	Falling at a slower rate as hoarding eases. Add 0.1ppt in Q2.
	Jul private sector credit	–0.2%	-0.1%	–0.2%	Business credit contracting in wake of recession.
	Aug MI inflation gauge	0.9%	–	–	Inflation remains well below the 2-3% target.
Chn	Aug manufacturing PMI	51.1	51.1	–	Both PMIs continue to make progress albeit at a more ...
	Aug non–manufacturing PMI	54.2	54.2	–	... moderate pace. Comfortably above the 50 threshold.
US	Aug Dallas Fed index	–3.0	0.0	–	Industry across the regions have seen good gains.
	Fedspeak	–	–	–	FOMC's Clarida & Bostic.
Tue 01					
NZ	Jul building permits	0.5%	–	–10.0%	Pull back in multi–unit consents after June's large increase.
Aus	Aug CoreLogic home value index	–0.8%	–	–0.6%	COVID shock continues to filter though slowly to prices.
	Sept dwelling approvals	–4.9%	-1.0%	3%	Slumped in H1. Houses to see HomeBuilder boost in July.
	Q2 net exports, ppts cont'n	0.5	–	1.2	Import slump, –13%, outpaces export fall, –6%.
	Q2 current account balance, AUDbn	8.4	13.0	13.0	Trade surplus climbed to $24.1bn, up $5bn.
	Q2 public demand	1.5%	–	1.5%	Brisk growth – including health response to covid.
	Aug AiGf PMI	53.5	–	–	Manuf'g +2pts in July. Reversal on Victoria shut–down
	RBA policy decision	0.25%	0.25%	0.25%	Policy is supportive and to remain on hold.
Chn	Aug Caixin China PMI	52.8	52.5	–	Additional manuf'g perspective, also positive.
Asia	Aug Markit manufacturing PMI	–	–	–	For Malaysia, Indonesia, Korea, Taiwan and India.
Eur	Aug Markit manufacturing PMI	51.7	51.7	–	Production has been improving in leaps and bounds.
	Jul unemployment rate	7.8%	8.0%	–	Job loss concerns mounting as gov't support is reduced.
	Aug CPI %yr	–0.4%	–	–	Weak inflation will dominate future policy responses.
UK	Aug Markit manufacturing PMI	55.3	–	–	Supply chains getting boost from inventory rebuild.
US	Aug Markit manufacturing PMI	53.6	–	–	Growth in output and new orders, renewed uptick in emp.
	Aug ISM manufacturing	54.2	54.4	–	New orders rose sharply; food, bev. & alcohol best sector.
	Jul construction spending	–0.7%	1.1%	–	Missed market expect. last mth, led by falls in resid. (–1.5%)
	Fedspeak	–	–	–	FOMC's Brainard will speak.
Wed 02					
NZ	GlobalDairyTrade (WMP)	–2.2%	–	+1.0%	Dairy prices stabilising after weakness in August.
	Q2 terms of trade	–0.7%	0.6%	–1.5%	Terms of Trade down on meat and dairy price falls over Q2.
Aus	Q2 GDP	–0.3%	-6.0%	–6.0%	An unprecedented fall – due to lock–down/shut–downs.
Eur	Jul PPI %yr	0.7%	–	–	Costs rebound for energy, intermediate goods and capital.
US	Aug ADP employment change	167k	900k	–	Resurgence in COVID cases likely to impact.
	Jul factory orders	6.2%	3.8%	–	Transport equip. (+20.2%) drove surge in factory orders.
	Federal Reserve's Beige book	–	–	–	View of conditions across the regions.
	Fedspeak	–	–	–	FOMC's Williams and Meste.
Thu 03					
NZ	Aug ANZ commodity prices	–	–	–	Dairy prices slid over August on Covid concerns.
Aus	Jul trade balance, $bn	8.2	5.0	5.4	Exports moderate, imports rebound off lows.
	Aug AiG PCI	42.7	–	–	Construction industry slump eased in July, up 7.2pts.
Chn	Aug Caixin China PMI services	54.1	54	–	Services recovery strengthening.
Eur	Aug Markit services PMI	50.1	50.1	–	May be impacted by reimposition of int. travel restrictions.
	Jul retail sales	5.70%	1.70%	–	Consumer's appetite to spend making a return.
UK	Aug Markit services PMI	60.1	60.1	–	Full steam ahead for services, recovery is well underway.
US	Q2 productivity %yr	7.30%	7.30%	–	Final estimate to confirm jump from previous qtr (–0.3%).
	Initial jobless claims	1006k	–	–	Both initial and continuing claims still running at a high level.
	Jul trade balance US$bn	–50.7	–51.7	–	Global demand to see both exports and imports advance.
	Aug Markit service PMI	54.8	–	–	Well into expansionary territory now.
	Aug ISM non–manufacturing	58.1	57.2	–	Business activity and new orders are picking up.
	Fedspeak	–	–	–	FOMC's Evans will speak.

Data calendar.

		Last	Market median	Westpac forecast	Risk/Comment
Fri 04					
NZ	Building work put in place	–5.7%	–	–30.0%	Covid restrictions limited activity.
Aus	Jul retail sales	2.70%	3.30%	3.30%	Preliminary showed a solid gain. August looking soft.
	Aug AiG PSI (services)	44	–	–	+12.5pts in July, restrictions eased. Aug, hit by Melb lock–down.
US	Aug non–farm payrolls	1763k	1518k	1300k	Rise in new cases affected some industries.
	Aug unemployment rate	10.20%	9.90%	10.00%	Unemployment will remain elevated for some time.
	Aug average hourly earnings %mth	0.20%	0.00%	–	Employment slack to keep pressure on wage growth.

International forecasts.

Economic forecasts (Calendar years)	2016	2017	2018	2019	2020f	2021f
Australia						
Real GDP % yr	2.8	2.5	2.8	1.8	-4.1	2.3
CPI inflation % annual	1.5	1.9	1.8	1.8	0.7	2.1
Unemployment %	5.7	5.5	5.0	5.2	8.6	7.4
Current Account % GDP	-3.1	-2.6	-2.0	0.6	2.4	0.8
United States						
Real GDP %yr	1.6	2.4	2.9	2.3	-6.8	2.9
Consumer Prices %yr	1.4	2.1	2.4	1.9	0.7	1.4
Unemployment Rate %	4.9	4.4	3.8	3.7	9.7	7.3
Current Account %GDP	-2.3	-2.3	-2.3	-2.6	-2.5	-2.4
Japan						
Real GDP %yr	0.5	2.2	0.3	0.7	-5.0	1.0
Euro zone						
Real GDP %yr	1.9	2.5	1.9	1.2	-8.5	4.1
United Kingdom						
Real GDP %yr	1.9	1.9	1.3	1.4	-7.0	2.5
China						
Real GDP %yr	6.8	6.9	6.8	6.1	1.3	9.5
East Asia ex China						
Real GDP %yr	4.1	4.6	4.4	3.7	-2.0	5.4
World						
Real GDP %yr	3.4	3.9	3.6	2.8	-4.3	5.0
Forecasts finalised 7 August 2020						

Interest rate forecasts	Latest	Sep–20	Dec–20	Mar–21	Jun–21	Sep–21	Dec–21
Australia							
Cash	0.25	0.25	0.25	0.25	0.25	0.25	0.25
90 Day BBSW	0.09	0.10	0.15	0.20	0.25	0.30	0.35
10 Year Bond	1.02	0.90	0.90	0.95	1.05	1.20	1.35
International							
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	0.77	0.60	0.60	0.65	0.75	0.85	0.95

Exchange rate forecasts	Latest	Sep–20	Dec–20	Mar–21	Jun–21	Sep–21	Dec–21	Jun–22
AUD/USD	0.7307	0.73	0.75	0.76	0.76	0.78	0.80	0.80
USD/JPY	106.08	105	105	105	106	106	106	107
EUR/USD	1.1886	1.19	1.21	1.22	1.23	1.24	1.25	1.25
GBP/USD	1.3282	1.32	1.33	1.34	1.35	1.37	1.39	1.40
AUD/NZD	1.0942	1.11	1.12	1.15	1.15	1.15	1.14	1.14

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

Nathan Penny, Senior Agri Economist
+64 9 348 9114

Paul Clark, Industry Economist
+64 9 336 5656

Any questions email:
economics@westpac.co.nz

Past performance is not a reliable indicator of future performance. The forecasts given in this document are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts.

Disclaimer.

Things you should know

Westpac Institutional Bank is a division of Westpac Banking Corporation ABN 33 007 457 141 ('Westpac').

Disclaimer

This material contains general commentary, and market colour. The material does not constitute investment advice. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision. This information has been prepared without taking account of your objectives, financial situation or needs. This material may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure the information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of the information, or otherwise endorses it in any way. Except where contrary to law, Westpac and its related entities intend by this notice to exclude liability for the information. The information is subject to change without notice and none of Westpac or its related entities is under any obligation to update the information or correct any inaccuracy which may become apparent at a later date. The information contained in this material does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter a legally binding contract. Past performance is not a reliable indicator of future performance. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts.

Country disclosures

Australia: Westpac holds an Australian Financial Services Licence (No. 233714). This material is provided to you solely for your own use and in your capacity as a wholesale client of Westpac.

New Zealand: In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac or Westpac New Zealand Limited ("WNZL"). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address www.westpac.co.nz. For further information please refer to the Product Disclosure Statement (available from your Relationship Manager) for any product for which a Product Disclosure Statement is required, or applicable customer agreement. Download the Westpac NZ QFE Group Financial Advisers Act 2008 Disclosure Statement at www.westpac.co.nz.

China, Hong Kong, Singapore and India: This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients in Singapore of this material should contact Westpac Singapore Branch in respect of any matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore. Westpac Hong Kong Branch holds a banking license and is subject to supervision by the Hong Kong Monetary Authority. Westpac Hong Kong branch also holds a license issued by the Hong Kong Securities and Futures Commission (SFC) for Type 1 and Type 4 regulated activities. This material is intended only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance. Westpac Shanghai and Beijing Branches hold banking licenses and are subject to supervision by the China Banking and Insurance Regulatory Commission (CBIRC). Westpac Mumbai Branch holds a banking license from Reserve Bank of India (RBI) and subject to regulation and supervision by the RBI.

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.