WEEKLY ECONOMIC COMMENTARY

15 Jul 2024 | **Westpac Economics Team** | **westpac.co.nz/economics** | economics@westpac.co.nz

Easing on the way... but when?

Surprisingly, the RBNZ's July OCR *Review* was markedly less hawkish than May. The RBNZ's growth forecasts seem to have been significantly downgraded and crucially the RBNZ seems more confident that annual inflation will be below 3% quite soon. The recent QSBO survey likely crystalised the downside risks to the growth and inflation outlooks that were evident in other high frequency indicators. The RBNZ's abrupt change in messaging at the July *Review* suggests a non-trivial risk of policy easing before long. Our central expectation remains that the RBNZ will begin easing policy in February next year. But an earlier move is very feasible and will be data dependent.

What caused the marked change in the RBNZ's tone in the July OCR Review?

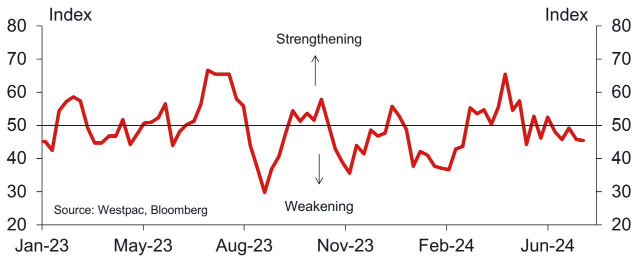
Like most commentators and financial market participants, we were very surprised by the marked change in tone in this week's July OCR *Review*. The economy has looked to be steadily weakening relative to the RBNZ's May *Statement* view. Hence, we expected the RBNZ would soon begin to moderate the very hawkish tone conveyed in the May *Statement*. But we didn't expect as large a shift so soon given in May the RBNZ seemed particularly hawkish and had pushed out the timing of the first policy easing until August 2025. We thought it more likely the RBNZ's view would begin to evolve in the August *Statement* and converge towards our own longstanding view that easing could begin early in 2025.

But the July OCR *Review* message was much less hawkish than that. **We discussed the main features of the July OCR Review in our review**. In summary, the commentary in the press statement and record of meeting pointed to a more optimistic outlook for inflation this year and a less optimistic outlook for activity, with the latter now said to be "declining" based on high-frequency indicators. And most jarring of all was the final paragraph of the press statement: "The Committee agreed that monetary policy

Key views

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

Westpac New Zealand Data Pulse Index



Key data and event outlook

Date	Event
17 Jul 24	NZ CPI, June quarter
31 Jul 24	FOMC Meeting (Announced 1 Aug NZT)
6 Aug 24	RBA Monetary Policy Decision & SMP
7 Aug 24	Labour market statistics, June quarter
8 Aug 24	RBNZ Survey of Expectations, June quarter
14 Aug 24	RBNZ OCR Review & Monetary Policy Statement
15 Aug 24	NZ Selected price indexes, July
12 Sep 24	NZ Selected price indexes, August
18 Sep 24	FOMC Meeting (Announced 19 Sep NZT)
19 Sep 24	NZ GDP, June quarter
24 Sep 24	RBA Monetary Policy Decision
1 Oct 24	NZIER QSBO survey, September quarter
9 Oct 24	RBNZ OCR Review
11 Oct 24	NZ Selected price indexes, September

will need to remain restrictive. *The extent of this restraint will be tempered over time consistent with the expected decline in inflation pressures*" (our emphasis in italics). This latter discussing of future policy easing was not expected at this review and was surprising as the RBNZ likely understood markets would amplify the point and push even harder for a much earlier move in the OCR.

So, what has led to such an abrupt change in the RBNZ's tone? We think that the RBNZ has been sufficiently shaken by the flow of data and business commentary since the May meeting to move totally away from their previous tightening bias.

The path for activity has been reassessed.

We suspect the latest QSBO business survey was key as it echoed earlier indications from the ANZ Business Outlook survey and from the Business NZ PMIs. Collectively these surveys suggest that GDP likely contracted in the June quarter, in contrast with the RBNZ's forecast of modest growth, with little indication of a pick-up in the second half of the year.

The QSBO also pointed to a further easing of pressures in the labour market and associated indicators of productive capacity. This confirmed the reading from our own Employment Confidence Survey and an emerging downtrend in filled jobs, as measured by the Monthly Employment Indicator and the even more timely weekly filled jobs data (taken from tax data).

Inflation looks more likely to be below 3% in 2024.

Importantly, the QSBO also confirmed the significant step lower in firms' pricing intentions that had been reported in the May and June editions of the ANZ Business Outlook survey. These now suggest inflation will soon returning to the inflation target range. This data, combined with the latest monthly CPI indicators, has likely been the key driver of the RBNZ's increased confidence that headline inflation will return to within the target range "in the second half of this year" (in May the RBNZ forecast inflation below 3% "by the end of 2024").

The return of inflation to the 1-3% target range would be an important milestone for the RBNZ. The RBNZ's relatively hawkish stance since late 2023 has been entirely driven by concerns that inflation would take too long to adjust lower. It seems that the RBNZ's optimism has significantly increased which is giving them room to shift strategy towards considering easing.

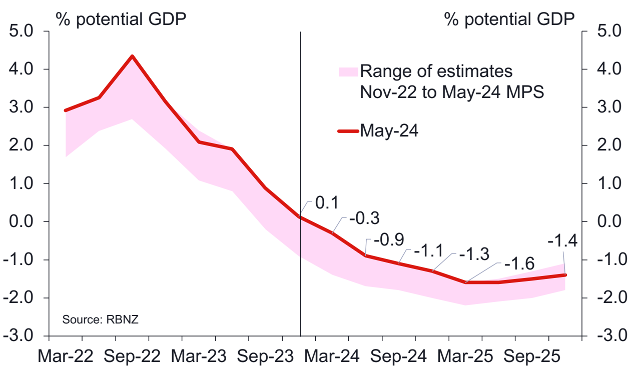
Why did the RBNZ make this change in July, and not wait until August?

The abrupt shift in tone at the July *Review* raises significant questions about the RBNZ's current view of the OCR profile and the likely timing of the first policy easing. It's almost certain that the RBNZ's OCR profile is much flatter and shows earlier easing than before. The key question is how large their adjustment is relative to the 60% chance of a further 25 bp hike in interest rates and an initial easing at the August 2025 *Statement* that was previously forecast.

We suspect their adjustment is relatively large as otherwise we doubt that the RBNZ would have felt the need to make such a significant change to its policy stance this week, especially with important inflation and labour market data looming.

Referring to the RBNZ's past forecasts of the OCR through 2024 and 2025 could help provide a benchmark for how large the reassessment might be. With the May *Statement* view being stale, some potential options to consider are the RBNZ's forecasts back in February 2024 (when they expressed a relatively dovish view compared to market expectations) and May 2023 (when the RBNZ thought the tightening cycle was over and the next move in the OCR would likely be lower). The chart below summarizes the RBNZ's past OCR forecasts.

Range of RBNZ Output gap estimates since end 2022



These benchmarks might provide a range within the RBNZ could be sitting now while awaiting the key CPI and labour market data ahead. A move back to their February view (removing the May hawkish sojourn) would imply easing around February 2025 (Westpac's current forecast). Total easing through 2025 would add up to around 50-75 points.

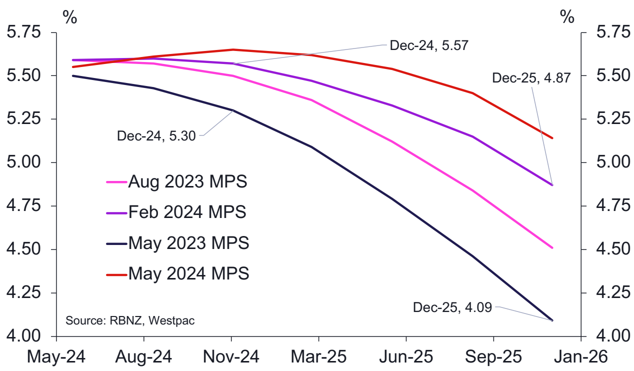
A move back to May 2023 could provide a relatively dovish alternative. The overall inflation forecasts are not much different (perhaps a tad higher) than what we face today (although the markedly higher non-tradables profile would suggest caution in extrapolating the expected fall in inflation too far ahead). That scenario showed a chance of an easing in October 2024 and a likely easing in November 2024.

The decision to change course in the July *Review* likely means that the RBNZ now sees some possibility that incoming data could make a compelling case for policy easing before the end of this year. That would be consistent with the RBNZ lying somewhere within the range of where it has been in May 2023 and February 2024.

The RBNZ is almost certainly giving some weight to the possibility that near-term growth outlook could be considerably weaker than forecast in May, with significant downside consequences for the medium-term inflation outlook. Hence the RBNZ probably felt it needed to begin moving away from its very hawkish May view sooner rather than later. This would allow for a less jarring change of tone in August or October should downside risks continue to build.

It's likely the RBNZ's forward estimates of the output gap will be revised lower from the relatively high-water mark reached in May. The May 2023 output gap profile marked the low tide mark in the chart below and could be consistent with a mark down in GDP of 0.5-1.0% range through the balance of 2024 (and perhaps a 0.25-0.5% increase in forecasts of the unemployment rate).

RBNZ OCR forecast profiles since May 2023



But we doubt that the changes in the risks in the activity outlook alone would have justified such a dovish tilt. The RBNZ's growth forecasts had already been marked down a lot in May and were not especially optimistic. Rather it's the additional confidence they seem to have on the inflation outlook – and particularly the near-term inflation profile – that seems particularly prominent. The weaker growth expectations help increase confidence that medium term inflation will move towards 2% - which likely remains a core goal of the RBNZ. But it's that confidence that inflation will nudge below 3% relatively soon that will be giving them the confidence to move earlier. And it probably explains why the RBNZ's language focuses on "tempering" restriction as opposed to pumping the accelerator to boost growth. This latter point is likely important in understanding the pace and extent of the easing profile once started.

What scenarios could see the RBNZ tempering restriction in the next 6 months?

Here we discuss some more specific data hurdles we think need to be crossed to begin reducing restriction, recognizing that there are also other key indicators (both domestic and abroad) that will impinge on the assessment of the domestic policy outlook:

- For easing to begin in **August**, we would likely need to have seen the following:
  - A significant broad-based downside surprise in the Q2 CPI on 17 July (WBC forecast 0.6% qoq/3.5% yoy). The surprise would need to be sufficient to give confidence that future quarterly CPI outcomes will soon sit close to historic norms. This implies a need to see significant downside surprise in the non-tradables component of the CPI (WBC forecast 0.8% qoq/5.3% yoy) that is itself broad-based and consistent with excess capacity flowing through to lower core inflation pressures; and
  - A significant upside surprise (perhaps close to 5%) in the unemployment rate in the Q2 labour market data on 7 August (WBC forecast 4.6%), and clear signs that wage inflation is dissipating more quickly than expected (WBC forecast 3.5% annual total private sector LCI); and
  - Further evidence that Q2/Q3 GDP growth is significantly weaker than current forecasts (WBC -0.2 qoq perhaps with some downside risks).
- A first easing to occur at the **October** meeting, would likely require:
  - The RBNZ to have foreshadowed some probability of an October easing at the August *Statement* and a much larger probability of a November easing; and
  - A moderate downside surprise in the Q2 CPI on 17 July, including the non-tradables component. This should be sufficient to suggest some additional and ongoing progress in reduced core inflation pressures; and
  - A significant upside surprise in the unemployment rate in the Q2 labour market data on 7 August, and clear signs that wage inflation is dissipating more quickly than had been expected; and
  - Confirmation of a marked decline in activity in the Q2 GDP report on 20 September (WBC forecast -0.2 qoq – perhaps with downside risks); and
  - More evidence of weak activity, expanding spare capacity and easing inflation indicators in the Q3 QSBO on 1 October; and
  - Signs that tax cuts in late July aren't significantly increasing economic momentum or reducing excess capacity unduly.
- For a first easing to occur at the **November** meeting, we would likely need to have seen the following:
  - Sufficient broad-based weakness in the Q2 and Q3 CPIs (17 July and 17 October), including in the non-tradables component of the CPI that suggest

that inflation is clearly on track to move close to the midpoint of the target in 2025 (WBC Q3 forecasts 1.1% qoq total/1.4% qoq non-tradables); and

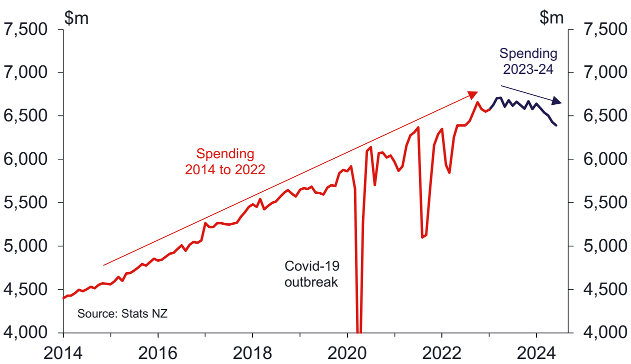
- A moderate upside surprise in the unemployment rate in the Q2 and Q3 labour market data on 7 August and 6 November respectively (WBC Q3 forecast 4.9%), and signs that wage inflation is dissipating more quickly than had been expected; and
- Confirmation of a decline in activity in the Q2 GDP report on 20 September; and
- More evidence of weak activity, expanding spare capacity and easing inflation indicators in the Q3 QSBO on 1 October; and
- Signs that tax cuts in late July were not leading to a greater lift in household spending than the RBNZ had expected.

- For the first easing to occur at the **February 2025** meeting, we would expect to see something like our current *Economic Overview* outlook to evolve with a focus on the inflation outlook in particular.

Last week's data.

In the household sector, last week we saw seen a deepening downturn in spending. Retail sales were down 0.6% in June. That was the fifth consecutive monthly fall and leaves spending down 5% over the past year. Weakness in spending has been a result of skyrocketing living costs over the past few years, as well as the related increases in interest rates. The resulting squeeze on households' spending power has been compounded by the softening in the labour market and low levels of consumer confidence. Looking forward, income tax cuts may give spending a boost through the back half of the year. However, with lingering pressure on household budgets and the labour market continuing to weaken, we expect spending will remain soggy for some time.

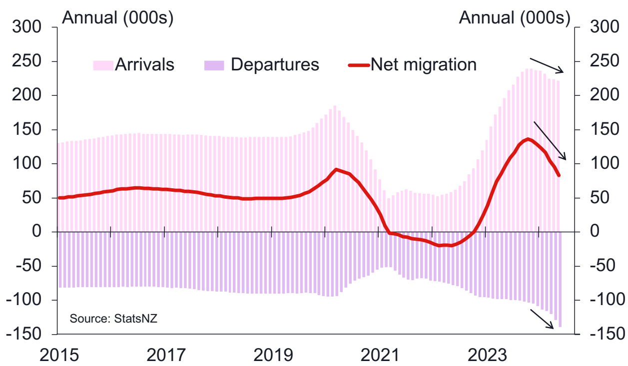
Retail spending dropping back



Similarly in the business sector, the latest Business NZ manufacturing PMI pointed to considerable weakness in activity in June. The headline PMI fell to 41.1 – outside of the pandemic lockdowns, that's the weakest level since the Global Financial Crisis in 2008/09. In the details, hiring is dropping back and forward orders have plummeted. A similarly downbeat picture was provided by the ANZ Truckometer, with the Heavy Traffic Index slumping 5.2% in June following a large decline in May.

Meanwhile, net migration has continued to slow, with an estimated net inflow of 1,400 people in May. That's down from around 5,000 a month in the previous few months, and a far cry from the net gain of almost 14,000 people in May last year. That saw the annual balance ease further to a net gain of just under 83,000 people, compared to a peak of 136,000 last year. The slowdown in net migration is being driven by both sides. Arrivals remain at historically high levels, but they are down from the peak seen early last year. Meanwhile, departures of New Zealanders have been trending higher. The monthly migration figures need to be treated with caution. Even so, migration looks to be cooling faster than previously assumed, and we expect it will continue to cool over the months ahead.

NZ net migration continuing to drop



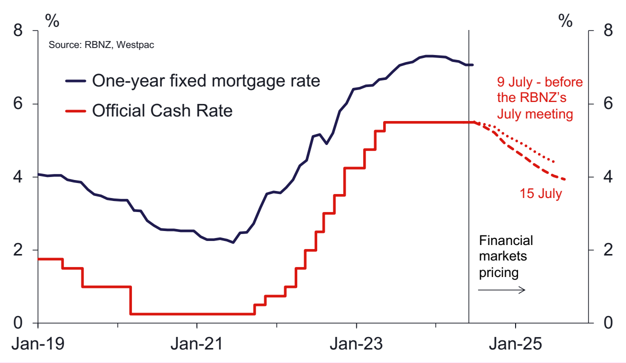
Finally, June's update on consumer prices pointed to continued firmness in rents, but softness in some discretionary spending areas, like holiday transport and accommodation, as well as takeaway food. We expect that this week's June quarter CPI report (out Wednesday) will show that overall consumer prices were up 0.6% in the June quarter. That would see the annual inflation rate slowing from 4% in the year to March to 3.5% in the year to June. While there continues to be 'stickiness' in some domestic prices (like insurance costs), underlying inflation pressures are easing. The key focus is how rapid and widespread that easing is, with prices in the services sector a key area to watch. **You can read our full preview of the June CPI here**.

Kelly Eckhold, Chief Economist

Chart of the week.

Over the past 18 months, increasing numbers of borrowers have been shifting on to shorter periods when re-fixing their mortgages. That reflected expectations that Official Cash Rate cuts would be coming in short order. To date, those expectations have been disappointed – lingering strength in domestic inflation has meant that the RBNZ maintained a hawkish stance over the past year. The related pressure on domestic borrowing rates has added to the pressure on many households' finances and has contributed to the ongoing softness in the housing market. However, following the dovish shift in the RBNZ's policy statement last week, financial markets pricing for OCR cuts has been pulled forward sharply and some banks have already cut their fixed mortgage rates. Attention is now turning to this week's CPI. A softer result would reinforce market expectations for earlier rate cuts, and that would likely flow through to additional downward pressure on borrowing rates.

Mortgage rates and the Official Cash Rate

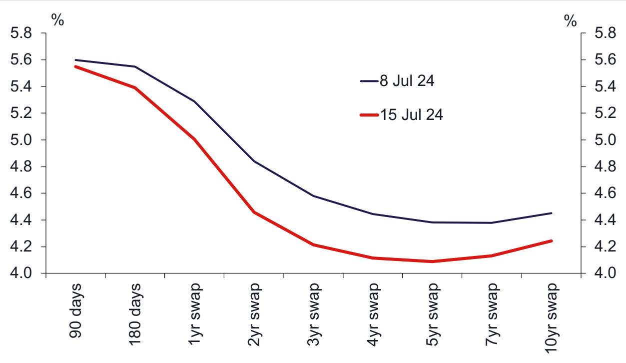


Fixed versus floating for mortgages.

The RBNZ left the OCR on hold in July. However, there was a dovish shift in the accompanying commentary, indicating that the RBNZ is now looking at rate cuts sooner than previously signalled. We are forecasting the first OCR cut in February, but market pricing is consistent with cuts coming as soon as October.

Some fixed mortgage rates have fallen in the wake of the RBNZ's July policy statement. For borrowers who favour certainty, fixing for as long as two years could be attractive at current rates. However, for borrowers with more flexibility, fixing for a shorter term could be advantageous with the potential for downward pressure on mortgage rates over the coming months.

NZ interest rates



Global wrap

North America.

The key events in the US over the past week were the release of the June inflation reports and Fed Chair Powell's congressional testimony. The headline CPI fell 0.1%m/m, led by lower energy prices. More importantly, the core CPI surprised to the downside for a second consecutive month, with a modest 0.1% increase causing the annual inflation rate to fall to 3.3%. Of special note was a slowdown in shelter inflation, which hitherto has kept core inflation elevated. While the headline PPI was hotter than expected in June, healthcare services – used in constructing the core PCE deflator – were subdued. Speaking ahead of the inflation reports, Powell opined that the US was "no longer an overheated economy", telling the Senate Banking Committee that "We are well aware that we now face two-sided risks,". Given last week's favourable inflation news, the market is now almost fully priced for a 25bp rate cut at the September FOMC meeting (in line with Westpac's view).

There are several Fed speakers scattered across the coming week. Fed Chair Powell will be back in the limelight today, and any comments on the latest inflation data will be pounced upon by markets. On the data front, Tuesday's retail sales report for June will be of significant interest, especially given the softer readings of late, while industrial production and housing starts reports will follow on Wednesday.

Europe.

Following a quiet week, the focus in the euro area this week will be Thursday's ECB meeting, albeit the Bank is widely expected to maintain current policy settings. On Tuesday, the ECB's Q2 Bank Lending Survey will cast light on credit conditions in the euro area. In the UK, GDP increased a larger than expected 0.4%m/m in May, lifting annual growth to 1.4%. Looking ahead, Wednesday's June CPI report, Thursday's labour market data and Friday's June retail sales report will all have a bearing on what decision the BoE reaches at next month's meeting (market pricing currently slightly favours a 25bp rate cut).

Asia-Pacific.

Last week both inflation and import data cast doubt on the strength of the Chinese economy, with producer prices down 0.8%y/y (despite a lift in commodity prices in recent months) and consumer prices up just 0.2% y/y. Today will bring the release of China's Q2 GDP report and key domestic activity indicators for June. In Japan, Friday's June CPI report will be the key focus this week. Closer to home, Thursday will bring Australia's labour force report for June. Here Westpac expects a 20k gain in employment and a steady unemployment rate of 4.0%.

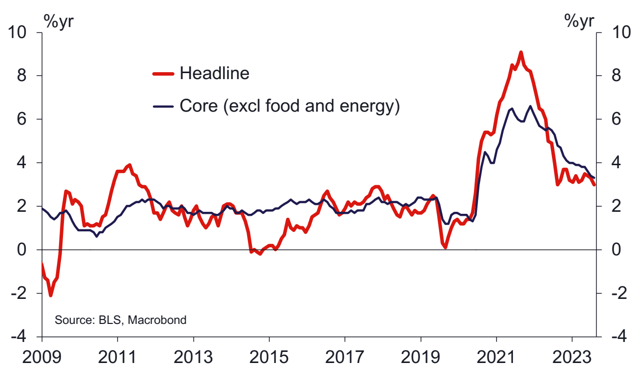
Trading partner real GDP (calendar years)

	Annual average % change			
	2023	2024	2025	2026
Australia	2.0	1.3	2.2	3.1
China	5.2	5.2	5.0	4.8
United States	2.5	2.5	1.5	1.6
Japan	1.9	0.4	1.0	0.9
East Asia ex China	3.3	4.2	4.2	4.1
India	7.8	6.9	6.7	6.5
Euro Zone	0.4	0.6	1.5	1.3
United Kingdom	0.1	0.6	1.3	1.3
NZ trading partners	3.4	3.4	3.4	3.4
World	3.2	3.3	3.3	3.2

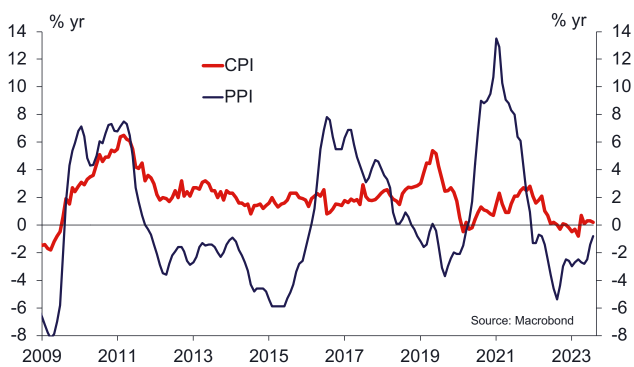
Australian & US interest rate outlook

	12 Jul	Sep-24	Dec-24	Dec-25
Australia				
Cash	4.35	4.35	4.10	3.10
90 Day BBSW	4.46	4.42	4.19	3.30
3 Year Swap	4.17	4.10	4.00	3.50
3 Year Bond	4.07	3.90	3.80	3.30
10 Year Bond	4.34	4.30	4.25	4.00
10 Year Spread to US (bps)	13	-10	-5	0
US				
Fed Funds	5.375	5.125	4.875	3.875
US 10 Year Bond	4.21	4.40	4.30	4.00

US CPI inflation



Chinese inflation



Financial markets wrap

Interest rates.

NZ swap rates fell sharply last week, driven mostly by a surprising shift in stance by the RBNZ, with softer inflation data in the US contributing. The 2yr fell from 4.87% to 4.48% - the lowest rate since September 2022.

From here, there is potential for further downside since economic data momentum in NZ and overseas is generally weakening. There will be a critical update in NZ this week – Q2 CPI on Wednesday – which will determine whether market pricing falls further or not. Currently, markets are pricing a 50% chance the RBNZ will cut the OCR at the next meeting on 14 August, with over two cuts priced by November. We continue to forecast the first cut in February 2025, but the risk distribution around that date has clearly shifted forward.

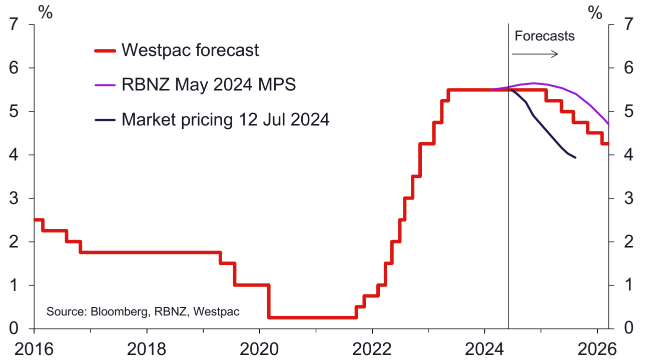
Foreign exchange.

NZD/USD was stung by the RBNZ's dovish pivot last week, but USD movement has again started to dominate. US data has also been weak, leaving NZD/USD in a 0.6050-0.6155 range.

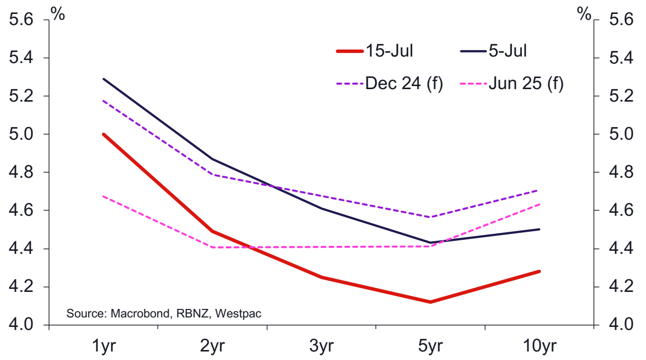
There remains upside potential during the month ahead, since markets are becoming more confident the Fed will start cutting in September. That is likely to be earlier than the RBNZ, and yield spreads are likely to become more supportive. We target 0.6200.

NZD weakness post-RBNZ has been more evident in the other crosses, such as NZD/AUD. A hawkish RBA combined with a newly dovish RBNZ, as well as longer term fundamentals such as Australia's superior current account and fiscal positions, argue for further downside, below 0.9000 during the month ahead.

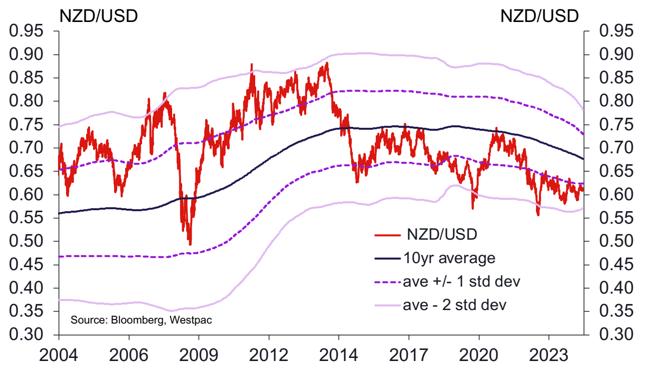
Official Cash Rate forecasts



Swap rates



NZD/USD vs rolling 10yr average



FX recent developments

	Historical data				F'cast
	Spot	3mth range	5yr range	5yr avg	Dec-24
USD	0.611	0.586-0.620	0.555-0.743	0.647	0.61
AUD	0.902	0.900-0.929	0.873-0.992	0.931	0.91
EUR	0.561	0.552-0.573	0.517-0.637	0.582	0.55
GBP	0.471	0.471-0.484	0.464-0.544	0.505	0.48
JPY	96.4	90.4-98.6	61.3-98.6	79.7	96.4

The week ahead

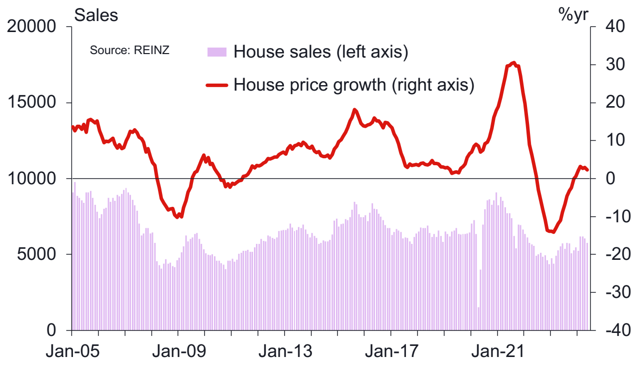
New Zealand REINZ June house sales

Jul 15, Sales, Last: –5.2% mth, +6.8% annual
Prices, Last: –0.3% mth, +2.3% annual

New Zealand's housing market remained subdued in May. Sales fell for the third month in a row after a surge in activity at the start of the year, while prices have effectively been tracking sideways since last September.

We expect the current softness in the market will eventually give way to a period of stronger activity, underpinned by population growth and policy changes to support investor demand. It may be later this year before we see a meaningful drop in fixed-term mortgage rates, with the RBNZ expected to hold the OCR until 2025.

REINZ house prices and sales



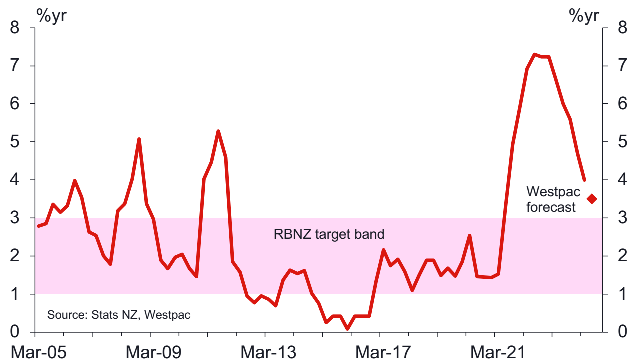
New Zealand Q2 CPI

Jul 17, Quarterly – Last: +0.6%, Westpac f/c: +0.6%, Mkt: +0.4%
Annual – Last: +4.0%, Westpac f/c: +3.5%, Mkt: +3.4%

We estimate that New Zealand consumer prices rose by 0.6% in the June quarter. That would see the annual inflation rate dropping to 3.5%, down from 4.0% in the March quarter. Our forecast is close to the RBNZ's forecast from their May Monetary Policy Statement.

We expect to see continued strength in domestic inflation. In contrast, tradables prices have been cooling in response to the downturn in domestic spending and are likely to soften further this quarter. A key area to watch will be services sector prices which have been rising at a solid pace, but are now starting to cool.

Consumers Price Index

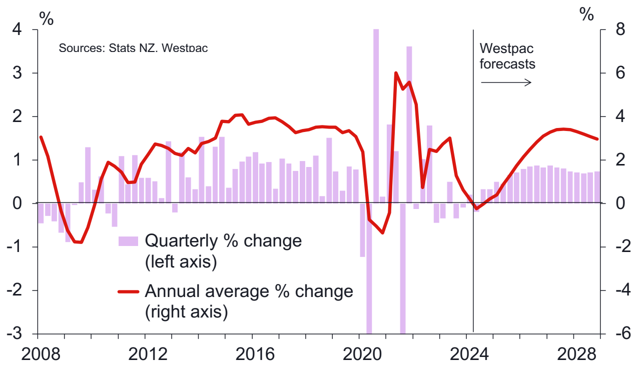


Economic and financial forecasts

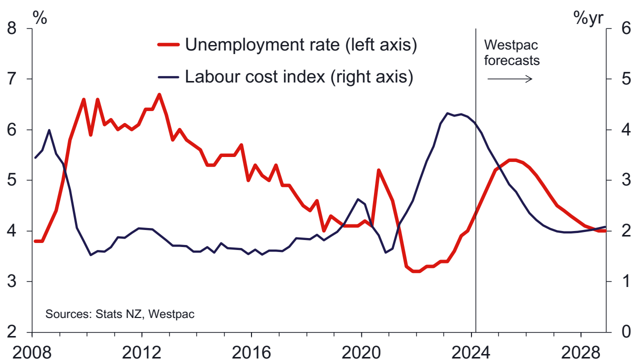
Economic indicators	Quarterly % change				Annual % change			
	Mar-24	Jun-24	Sep-24	Dec-24	2023	2024	2025	2026
GDP (production)	0.2	-0.2	0.3	0.3	0.6	0.2	1.7	3.2
Consumer price index	0.6	0.6	1.1	0.4	4.7	2.7	2.2	2.2
Employment change	-0.2	0.2	0.1	0.1	2.7	0.1	0.9	1.8
Unemployment rate	4.3	4.6	4.9	5.2	4.0	5.2	5.4	4.7
Labour cost index (all sectors)	0.9	0.9	0.8	0.8	4.3	3.4	2.5	2.0
Current account balance (% of GDP)	-6.8	-6.4	-5.9	-5.3	-6.9	-5.3	-4.6	-4.3
Terms of trade	5.1	4.0	2.2	0.6	-10.7	12.3	0.7	2.3
House price index	0.5	0.0	0.5	1.0	0.6	2.0	6.1	5.1

Financial forecasts	End of quarter				End of year			
	Mar-24	Jun-24	Sep-24	Dec-24	2023	2024	2025	2026
OCR	5.50	5.50	5.50	5.50	5.50	5.50	4.50	3.75
90 day bank bill	5.66	5.63	5.60	5.50	5.65	5.50	4.50	3.85
2 year swap	4.91	5.01	5.00	4.80	5.28	4.80	4.15	4.00
5 year swap	4.40	4.53	4.65	4.55	4.85	4.55	4.30	4.25
10 year bond	4.69	4.74	4.90	4.80	5.09	4.80	4.50	4.35
TWI	71.6	71.4	70.8	71.1	70.8	71.1	72.4	70.9
NZD/USD	0.61	0.61	0.60	0.61	0.60	0.61	0.65	0.65
NZD/AUD	0.93	0.92	0.91	0.91	0.93	0.91	0.91	0.89
NZD/EUR	0.56	0.56	0.55	0.55	0.56	0.55	0.57	0.57
NZD/GBP	0.48	0.48	0.47	0.48	0.49	0.48	0.49	0.50

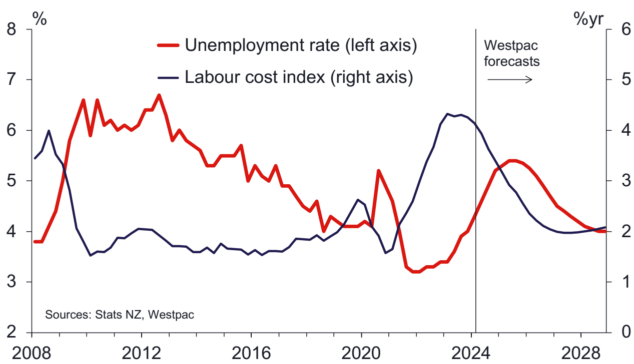
GDP growth



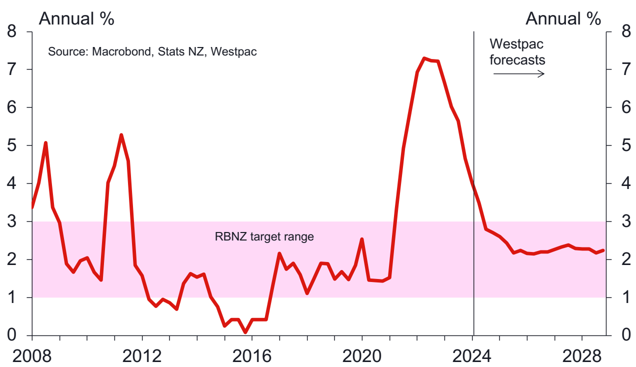
House prices



Unemployment and wage growth



Consumer price inflation



Data calendar

		Last	Market median	Westpac forecast	Risk/Comment
Mon 15					
NZ	Jun REINZ House Price Index, %yr	2.3	–	–	The housing market remains in a stalemate...
	Jun REINZ House Sales, %yr	6.8	–	–	... while high borrowing costs keep buyers on the sideline.
	Jun BusinessNZ PSI, pts	43.0	–	–	Services have turned down sharply in recent months.
Chn	Q2 GDP, %yr	5.3	5.0	–	Growth likely eased moving into mid-year as concerns...
	Jun Retail Sales, ytd %yr	4.1	4.0	–	... over housing continue to weigh heavily on consumers...
	Jun Industrial Production, ytd %yr	6.2	6.0	–	... leaving China's robust industrial capacity and trade...
	Jun Fixed Asset Investment, ytd %yr	4.0	3.8	–	... as key supports to economic activity in the interim.
Eur	May Industrial Production, %mth	–0.1	–1.0	–	Auto struggles see IP weaken.
US	Jul Fed Empire State Index, pts	–6	–8	–	To remain volatile around a weak level.
	FOMC Chair Powell	–	–	–	Interview at the Economic Club of Washington.
	Fedspeak	–	–	–	Daly.
Tue 16					
Eur	Jul ZEW Survey of Expectations, pts	51.3	–	–	Optimism over growth prospects continues to strengthen.
	May Trade Balance, €bn	19.4	–	–	Slow demand from developed markets add risk to outlook
	Q2 ECB Bank Lending Survey	–	–	–	Credit demand weak amid restrictive financial conditions.
US	Jun Retail Sales, %mth	0.1	–0.2	–	Growth to decelerate to or below trend this year.
	Jun Import Price Index, %mth	–0.4	–	–	Renewed focus on rising shipping costs.
	May Business Inventories, %mth	0.3	0.3	–	Steady inv-to-sales points to apt order book management.
	Jul NAHB Housing Market Index, pts	43	43	–	Homebuilders have little cause for optimism.
	Fedspeak	–	–	–	Kugler.
Wed 17					
NZ	Jul 17 GlobalDairyTrade Auction, %chg	–6.9	–	–	Futures prices have eased further since the last auction.
	Q2 CPI, %qtr	0.6	0.4	0.6	Slow easing in domestic inflation, tradable prices soft.
	Q2 CPI, %yr	4.0	3.4	3.5	Downtrend in headline and core continuing.
Aus	Jun Westpac-MI Leading Index, %ann	–0.24	–	–	Momentum looking patchier again.
UK	Jun CPI, %yr	2.0	1.9	–	Services remain sticky despite at-target headline.
US	Jun Housing Starts, %mth	–5.5	1.8	–	Borrowing costs remain a headwind for builders...
	Jun Building Permits, %mth	–2.8	–0.3	–	... front-end risks around the pipeline linger.
	Jun Industrial Production, %mth	0.7	0.3	–	Production continues to hold broadly flat year-on-year.
	Jul Federal Reserve's Beige Book	–	–	–	An update on economic conditions across the regions.
	Fedspeak	–	–	–	Barkin.
Thu 18					
Aus	Jun Employment Change, 000's	39.7	20.0	30.0	Employment broadly tracking in line with population g'th...
	Jun Unemployment Rate, %	4.0	4.1	4.0	... and will soon move below, seeing U/E tick higher in 2024.
	Jul RBA Bulletin	–	–	–	Quarterly publication providing insights on the economy.
Eur	Jul ECB Policy Decision (Deposit), %	3.75	3.75	3.75	Policy easing will ensue at a measured pace.
UK	May ILO Unemployment Rate, %	4.4	4.4	–	Labour market tightness is gradually fading...
	May Average Weekly Earnings, %yr	5.9	–	–	... real income trends will remain key.
US	Jul Phily Fed Index, pts	1.3	2.9	–	Conditions remain subdued across the regions.
	Jun Leading Index, %mth	–0.5	–0.3	–	Data inputs speak to risks around the outlook.
	Jul 13 Initial Jobless Claims, 000's	222	–	–	Holding around relatively low levels.
Fri 19					
Jpn	Jun CPI, %yr	2.8	2.8	–	Closely inspecting for signs of a virtuous wage-price cycle.
UK	Jul GfK Consumer Sentiment, pts	–14	–	–	Consumers' deeply pessimistic attitude is fading...
	Jun Retail Sales, %mth	2.9	–	–	... providing an impetus for a recovery in spending.
US	Fedspeak	–	–	–	Daly, Bowman, Williams, Bostic.

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