

Australian Markets Weekly

The economy's rotation and the tourist dollar

- RBA watching international developments closely; far from panicking about the current state and momentum in the domestic economy with signs of the economy's emerging rotation
- RBA pleased with the overall improvement in Australia's labour market, even making due allowance for the volatile monthly labour force survey
- In this note, we examine how the tourist industry is participating in the economy's rotation
- Australia's international tourism balance is improving thanks to surging visitor arrivals, benefitting especially from the step-up in the outbound Chinese visitor market
- Signs are also emerging that Australians are tilting their holidaying somewhat towards domestic destinations, evident in airport traffic and regional SEEK job advertising trends
- Week ahead: Thursday labour force likely on statistical grounds to spring another positive surprise. China returns after the Chinese-New Year period, the US has a swathe of data and Fed speakers, while European leaders will be meeting later this week to discuss Brexit and the refugee crisis

Volatile markets, the impact of oil and employment all being closely watched

Last Friday's Parliamentary testimony from RBA Governor Stevens was another reminder that although the Reserve Bank is watching international market and economic events very closely, they are far from panicking about the current state and momentum in the domestic economy, the economy's rotation having been encouraging. The hurdle for any near-term further cut in interest rates remains on the high side, with the RBA seeing a distinct improvement in Australia's labour market over the past 12 months, even aside from the monthly distortions from the monthly labour force survey. In that respect, the Bank is watching the unemployment rate as a better guide of labour market health than the monthly change in in employment. We continue to expect the RBA to remain on hold.

Markets remain volatile with equities falling sharply at the start of the week, with losses pared on Friday boosted by a rebound in bank stocks and a jump in oil prices. Despite the jump in oil, oil was 2% lower over the week with little respite expected bar co-ordinated action by OPEC to limit supply.

Key markets over the past week

| | Last | % chg week | | Last | bp / % chg week |
|---------|--------|------------|----------|-------|-----------------|
| AUD | 0.7155 | 1.0 | RBA cash | 2.00 | 0 |
| AUD/CNY | 4.66 | 0.2 | 3y swap | 2.09 | 6 |
| AUD/JPY | 81.3 | -0.8 | ASX 200 | 4,814 | -3.2 |
| AUD/EUR | 0.637 | 0.7 | Iron ore | 43.7 | -4.6 |
| AUD/NZD | 1.074 | 0.6 | WTI oil | 29.2 | -1.5 |

Source: Bloomberg

Chart 1: Tourism exports increasing strongly

Travel exports, imports and net balance (\$bn)



Source: National Australia Bank, Macrobond.

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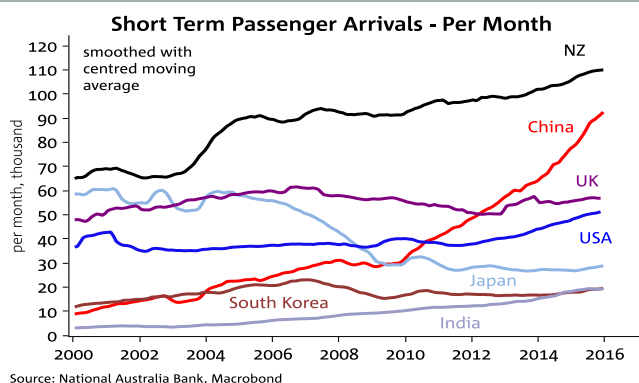
The economy's rotation and the tourist dollar

The cyclical decline of the resources industry has increased the reliance of the economy on other sectors for growth momentum. This note focuses on some recent trends in the tourism industry, digging into what airport and the job advertising market suggest.

Australia's net international tourism balance has been improving since 2013. Estimates from the balance of payments reveal that in December 2015, Australia's net international travel balance (exports less imports) had risen to \$1.03 billion, up from \$0.67 billion the previous December and \$0.31 billion in December 2013.

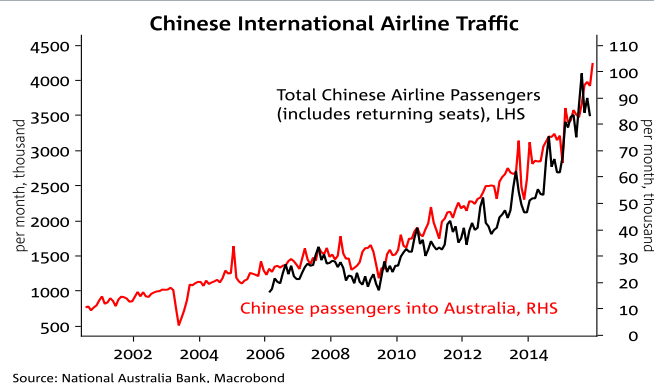
Over 2015, travel exports rose 11.3% to \$39.5 billion after growth of 9.4% the year before. Over the same period, travel imports (what Australian visitors spend offshore on short-term visits) was broadly static at just below \$30 billion now, down 1.2% in 2014 but up 2.1% in 2015. Tourism exports represented 88% of total farm exports last year, and exceeded both coal and LNG exports. Australia's net international tourism balance has improved by around ½% of GDP, to a surplus of 0.6% of GDP 2015, a useful contribution at a time of plunging resource export commodity prices.

Chart 2: Tourism up strongly driven by China & India



It would be easy to ascribe the improvement in Australia's international tourism balance as simply the flow-on effects of the decline in the Australian dollar, helping to rebalance the economy by adding more to the net export story from the non-mining economy. While the Australian dollar has certainly assisted, there are other factors also at work. On the travel exports side, the fastest growth in tourist arrivals in recent years has been from Chinese and Indian visitor markets. Australia is not unique in this regard with Chinese citizens vastly increasing their consumption of international travel in a wide variety of markets. The Chinese Civil Aviation Administration reports that 3.5m passengers a month flew on international routes (including returning passengers), compared to 100,000 a month that entered Australia.

Chart 3: Chinese citizens increasing international travel



Travel from China and India still appears to be in a quite rapid step-up phase of growth, aided by income growth in both economies. It's also been fortuitous that the step-up in the inbound Chinese visitor market has come at a time of CNY/AUD appreciation, providing Chinese visitors with some increased purchasing power.

While the ramp up in visitors from China and India has been the standout growth story, there has also been evident growth in visitor numbers from North America (up 18.6% since 2013), a reflection of the better state of the US labour market and consumer spending growth, and from Southeast Asia (up 19.5%), while visitor numbers from Europe have been relatively flat. NAB is forecasting not much change in momentum for 2016 and 2017 from each of these source markets.

Domestic travellers holidaying a little more at home

The other side of the Australian tourism market is where Australian travellers are holidaying. On that score, while arrivals have been growing quickly these past two years, travel imports (spending by Australian's overseas) has been relatively static, in part from subdued growth in wage and other incomes as well as the depreciation of the Australian dollar that has made offshore travel more expensive. Nevertheless, international travel to NZ, the US and the UK remains strong with travel also picking up strongly to Japan.

Chart 4: Australians still holidaying overseas

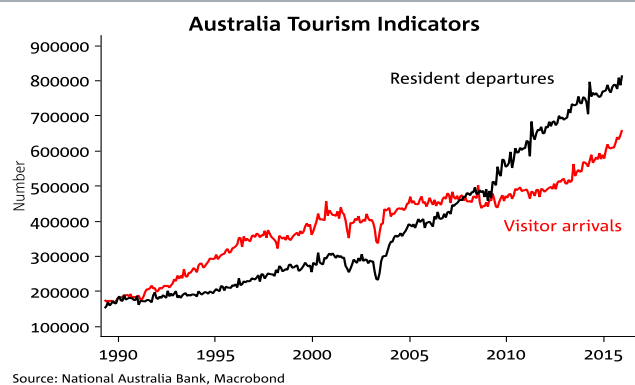
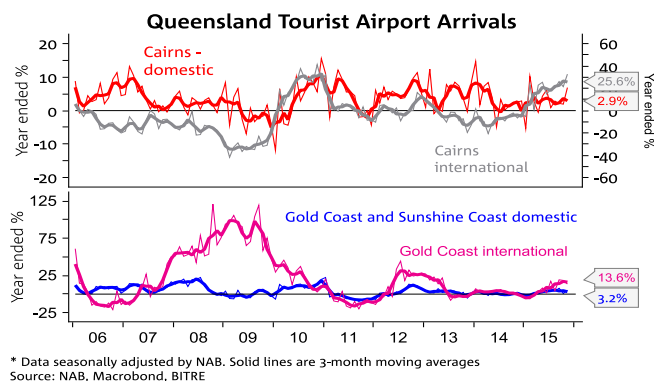
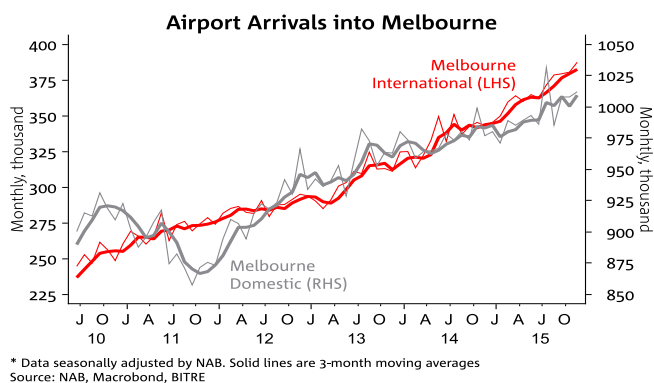


Chart 5: International tourists growing faster than domestic



The top-line improvement in the net tourism balance is also reflected in signs of a pickup in domestic airport arrivals into tourism-centred airports, such as Far North Queensland and into the Gold Coast-Sunshine Coast. Airport arrivals allow us to look at specific regional characteristics. In smooth trend terms, annual growth in domestic visitor arrivals into Cairns was 2.9% over the year to November, while arrivals into the Gold Coast and Sunshine Coast (combined) rose 3.2%. Such growth rates are a little ahead of growth in other broader measures of consumer spending. As some reference, retail volumes grew 2.5% over the year to December quarter while there was 2.7% growth in overall household consumer spending over the year to the September quarter. This adds some evidence to an emerging tilt in spending by Australian travellers toward domestic destinations.

Chart 6: International tourists surging

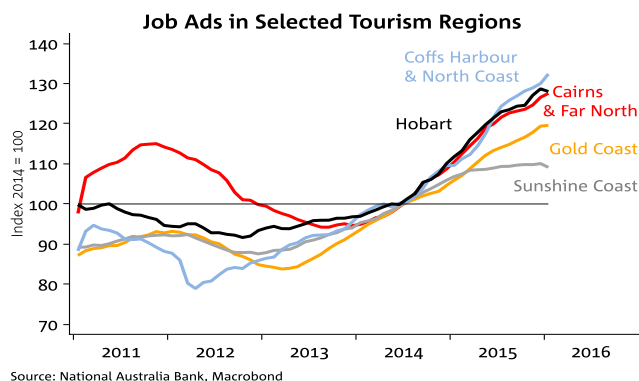


While growth in domestic arrivals into Queensland's tourism airports is growing a little faster than average consumer spending, what has been evident is a material acceleration of international arrivals into Cairns, up 25.6% in trend terms through November 2015. The general growth in visitor arrivals overall has also benefited the likes of Melbourne airport where international visitor numbers have also been growing at a faster clip in recent times.

Implications of the pick-up in tourism for jobs

Labour demand has been picking up strongly in key tourism areas. NAB has partnered with SEEK (Australia's job advertising site) and SEEK data shows the number of ads being posted in key tourism regions has increased sharply. This is particularly evident for Cairns, Hobart and Coffs Harbour where advertising has grown by around 30% on 2014 levels. SEEK Job Ads across all sectors and locations have increased by 12% compared to 2014.

Chart 7: Job ads picking up strongly in tourist regions



The improvement in the tourism sector is also seeing increased investment into new hotel construction, with significant projects underway (including in Sydney, Brisbane, and Hobart, and Cairns).

The week ahead

For the local calendar this week, the headline act is of course Thursday's January labour force report. As we wrote in Friday's *What to Watch*, sample rotation effects will likely again dominate this survey, again quite possibly with an upside bias to employment as a lower employment intensity sample rotation group from eight months ago drops out of the survey. NAB therefore expects faster than consensus monthly growth in employment of 22,000 (the market is expecting 13,000), but with an unchanged unemployment rate of 5.8%, the latter tends to be less affected by such sample effects.

Offshore, it's a US holiday tonight with a slab of US data then due this week and six Fed speakers scheduled. China comes back after its New Year break while in Europe there will be major focus on ECB President Draghi's testimony to the European Parliament tonight and, later in the week, the EU Leaders' Summit where the possibility of "Brexit" (the mooted exit of the UK from the European Union for anyone that hasn't seen this term) and the refugee crisis will be discussed.

Calendar of Economic Releases

| Country | Economic Indicator | Period | Forecast | Consensus | Actual | Previous | GMT | AEDT |
|--|---|--------|----------------|----------------|--------|----------------|-------|-------|
| Monday, 15 February 2016 | | | | | | | | |
| US | Presidents' Day holiday | | | | | | | |
| NZ | REINZ House Sales YoY | Feb | | | | 4.3 | 22.05 | 9.05 |
| NZ | Performance Services Index | Jan | | | | 58.9 | 21.30 | 8.30 |
| JN | GDP Annualized SA QoQ | 4Q P | | -0.8 | -1.4% | 1 | 23.50 | 10.50 |
| AU | New Motor Vehicle Sales MoM/YoY | Jan | | | | -0.5/2.2 | 0.30 | 11.30 |
| CH | Trade Balance (\$USbn) | Jan | | 60.6 | | 60.09 | 2.00 | 13.00 |
| CH | Exports/Imports YoY | Jan | | -1.8/-3.6 | | -1.4/-7.6 | 2.00 | 13.00 |
| CH | Agg Financing CNY (to be released by 15 Feb) | Jan | | 2200 | | 1820 | 2.00 | 13.00 |
| CH | New Yuan Loans CNY | Jan | | 1900 | | 597.8 | 2.00 | 13.00 |
| CH | Foreign Direct Investment YoY CNY | Jan | | -5.9 | | -5.8 | 2.00 | 13.00 |
| NZ | Non Resident Bond Holdings | Jan | | | | 67.4 | 2.00 | 13.00 |
| JN | Industrial Production MoM/YoY | Dec F | | / | | -1.4/-1.6 | 4.30 | 15.30 |
| JN | Tertiary Industry Index MoM | Dec | | -0.1 | | -0.8 | 4.30 | 15.30 |
| EC | Trade Balance NSA | Dec | | 27.5 | | 23.6 | 10.00 | 21.00 |
| EC | ECB's Draghi Speaks in EU Parliament Committee in Brussels | | | | | | 14.00 | 1.00 |
| EC | ECB's Nowotny gives keynote at book presentation in Vienna | | | | | | 17.00 | 4.00 |
| Tuesday, 16 February 2016 | | | | | | | | |
| NZ | Retail Sales Ex Inflation QoQ | 4Q | 1.0 | 1.5 | | 1.6 | 21.45 | 8.45 |
| AU | ANZ Roy Morgan Weekly Consumer Confidence Index | Feb 14 | | | | 111.4 | 22.30 | 9.30 |
| AU | RBA Feb. Meeting Minutes | | | | | | 0.30 | 11.30 |
| NZ | 2Yr Inflation Expectation | 1Q | | | | 1.85 | 2.00 | 13.00 |
| UK | CPI MoM | Jan | | -0.7 | | 0.1 | 9.30 | 20.30 |
| GE | ZEW Survey Current Situation/Expectations | Feb | | 55 | | 59.7/10.2 | 10.00 | 21.00 |
| EC | ZEW Survey Expectations | Feb | | 22.7 | | | 10.00 | 21.00 |
| CA | Manufacturing Sales MoM | Dec | | 0.75 | | 1 | 13.30 | 0.30 |
| US | Fed's Harker Speaks on Economy at University of Delaware | | | | | | 13.30 | 0.30 |
| US | Empire Manufacturing | Feb | | -10.5 | | -19.37 | 13.30 | 0.30 |
| CA | Existing Home Sales MoM | Jan | | | | -0.6 | 14.00 | 1.00 |
| US | Fed's Harker Speaks on Economy at University of Delaware | | | | | | 14.00 | 1.00 |
| UK | BoE's Brazier speaks in London on Financial Stability | | | | | | 14.30 | 1.30 |
| US | NAHB Housing Market Index | Feb | | 60 | | 60 | 15.00 | 2.00 |
| US | Fed's Kashkaris speaks on lessons learned from the Financial Crisis | | | | | | 15.30 | 2.30 |
| US | Fed's Rosengren Speaks at Colby College | | | | | | 0.00 | 11.00 |
| NZ | Dairy auction (GDT price index), early AM NZ time | | ~-10% | | | -7.4% | | |
| Wednesday, 17 February 2016 | | | | | | | | |
| US | Net Long-term TIC Flows | Dec | | | | 31.4 | 21.00 | 8.00 |
| Nz | Finance Minister English testifies in Parliament on half year Budget/Economy update | | | | | | 21.45 | 8.45 |
| AU | Westpac Leading Index MoM | Jan | | | | -0.3 | 23.30 | 10.30 |
| JN | Machine Orders MoM | Dec | | 4.7/-2.8 | | -14.4/1.2 | 23.50 | 10.50 |
| US | Fed's Rosengren Speaks at Colby College | | | | | | 0.00 | 11.00 |
| UK | Jobless Claims Change | Jan | | -3 | | -4.3 | 9.30 | 20.30 |
| US | Housing Starts/MoM | Jan | | 1175/2.3 | | 1149/-2.5 | 13.30 | 0.30 |
| US | Building Permits/MoM | Jan | | 1200/-0.3 | | 1232/-3.9 | 13.30 | 0.30 |
| US | PPI Final Demand MoM | Jan | | -0.2 | | -0.2 | 13.30 | 0.30 |
| CA | Int'l Securities Transactions | Dec | | | | 2.58 | 13.30 | 0.30 |
| US | Industrial Production MoM | Jan | | 0.35 | | -0.4 | 14.15 | 1.15 |
| US | Manufacturing (SIC) Production | Jan | | 0.3 | | -0.1 | 14.15 | 1.15 |
| US | U.S. Fed Releases Minutes from Jan. 26-27 FOMC Meeting | | | | | | 19.00 | 6.00 |
| US | Fed's Bullard speaks about US economic outlook and monetary policy | | | | | | 23.00 | 10.00 |
| Thursday, 18 February 2016 | | | | | | | | |
| NZ | ANZ Job Advertisements MoM | Jan | | | | 1.1 | 21.00 | 8.00 |
| NZ | PPI Input/Output QoQ | 4Q | | | | 1.6/1.3 | 21.45 | 8.45 |
| JN | Trade Balance Adjusted | Jan | | 62.1 | | 36.637 | 23.50 | 10.50 |
| NZ | ANZ Consumer Confidence Index/MoM | Feb | | | | 121.4/2.3 | 0.00 | 11.00 |
| AU | Employment Change | Jan | 22 | 13 | | -1 | 0.30 | 11.30 |
| AU | Unemployment Rate | Jan | 5.8 | 5.8 | | 5.8 | 0.30 | 11.30 |
| AU | RBA FX Transactions Market | Jan | | | | 1175 | 0.30 | 11.30 |
| US | Fed's Bullard Speaks to CFA Society St. Louis | | | | | | 1.00 | 12.00 |
| CH | CPI YoY | Jan | | 1.9 | | 1.6 | 1.30 | 12.30 |
| CH | PPI YoY | Jan | | -5.4 | | -5.9 | 1.30 | 12.30 |
| JN | BoJ's Ishida speaks in Fukuoka | | | | | | 1.30 | 12.30 |
| AU | RBA's Edey Speaks to Sydney Investor Forum ("The current risk environment") | | | | | | 1.00 | 12.00 |
| UK | BoE's Cunliffe speaks on a panel in Brussels | | | | | | 8.55 | 19.55 |
| EC | ECB Current Account SA | Dec | | | | 26.4 | 9.00 | 20.00 |
| EC | ECB account of the monetary policy meeting | | | | | | 12.00 | 23.00 |
| CA | Wholesale Trade Sales MoM | Dec | | 0.2 | | 1.8 | 13.30 | 0.30 |
| US | Philadelphia Fed Business Outlook | Feb | | -3 | | -3.5 | 13.30 | 0.30 |
| US | Initial Jobless Claims | Feb 13 | | 275 | | 269 | 13.30 | 0.30 |
| US | Leading Index | Jan | | -0.2 | | -0.2 | 15.00 | 2.00 |
| US | Fed's Williams speaks on outlook | | | | | | 20.30 | 7.30 |
| Friday, 19 February 2016 | | | | | | | | |
| NZ | Crown Financial Statements | Dec | | | | | 21.00 | 8.00 |
| JN | All Industry Activity Index MoM | Dec | | -0.3 | | -1 | 4.30 | 15.30 |
| UK | Retail Sales Ex Auto Fuel MoM | Jan | | 0.7 | | -0.9 | 9.30 | 20.30 |
| UK | Public Finances (PSNCR) | Jan | | | | 8.1% | 9.30 | 20.30 |
| EC | ECB's Constancio speaks in New York | | | | | | 13.30 | 0.30 |
| US | Fed's Mester to Speak at Global Interdependence Center | | | | | | | |
| US | CPI MoM/YoY | Jan | | -0.1/1.3 | | -0.1/0.7 | 13.30 | 0.30 |
| US | CPI Ex Food and Energy MoM/YoY | Jan | | 0.2/2.1 | | 0.1/2.1 | 13.30 | 0.30 |
| CA | Retail Sales MoM | Dec | | -0.8 | | 1.7 | 13.30 | 0.30 |
| CA | CPI NSA MoM | Jan | | -0.1 | | -0.5 | 13.30 | 0.30 |
| EC | Consumer Confidence | Feb A | | -6.6 | | -6.3 | 15.00 | 2.00 |
| Upcoming Central Bank Interest Rate Announcements | | | | | | | | |
| Australia, RBA | | 1-Mar | 2.00% | 2.00% | | 2.00% | | |
| New Zealand, RBNZ | | 10-Mar | 2.50% | 2.50% | | 2.50% | | |
| Europe ECB | | 10-Mar | | | | 0.05% | | |
| Canada, BoC | | 10-Mar | | | | 0.50% | | |
| Japan, BoJ | | 15-Mar | -0.1% to +0.1% | -0.1% to +0.1% | | -0.1% to +0.1% | | |
| UK BOE | | 17-Mar | | | | 0.50% | | |
| US Federal Reserve | | 17-Mar | | | | 0.25-0.50% | | |

GMT: Greenwich Mean Time; AEDT: Australian Eastern Daylight Saving Time

Forecasts

Economic Forecasts

| Annual % change | | | | Quarterly % change | | | | | | | | | | | | |
|--------------------------------|------|-------|-------|--------------------|------|------|------|------|-------|------|-------|-------|-------|-------|-------|--|
| | | | | 2014 | | | | 2015 | | | | 2016 | | | | |
| Australia Forecasts | 2014 | 2015 | 2016 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | |
| Household Consumption | 2.7 | 2.6 | 3.0 | 0.5 | 0.7 | 0.6 | 0.8 | 0.5 | 0.6 | 0.7 | 0.8 | 0.9 | 0.7 | 0.6 | 0.5 | |
| Underlying Business Investment | -5.0 | -10.8 | -10.3 | -1.8 | -2.7 | 0.1 | -1.5 | -4.3 | -2.0 | -5.5 | -3.5 | -2.8 | -0.9 | -2.3 | -1.1 | |
| Residential Construction | 7.4 | 9.1 | 5.6 | 4.1 | 1.8 | -1.5 | 4.0 | 4.6 | 0.4 | 0.9 | 3.3 | 1.5 | 0.8 | 0.9 | -0.4 | |
| Underlying Public Spending | -0.7 | 2.1 | 2.0 | 0.2 | -1.3 | -1.1 | 0.2 | 1.1 | 2.2 | -0.9 | 1.8 | -0.4 | 0.6 | 0.6 | 0.6 | |
| Exports | 6.7 | 6.4 | 9.0 | 3.3 | -0.4 | 2.6 | 1.5 | 3.7 | -3.3 | 4.6 | 1.9 | 2.5 | 2.1 | 2.3 | 2.4 | |
| Imports | -1.6 | 0.9 | 0.8 | -2.5 | 3.1 | -1.0 | -1.7 | 3.0 | 0.1 | -2.4 | 0.5 | 0.4 | 1.0 | 0.6 | 0.6 | |
| Net Exports (a) | 1.7 | 1.2 | 1.8 | 1.2 | -0.7 | 0.8 | 0.7 | 0.2 | -0.8 | 1.5 | 0.3 | 0.5 | 0.3 | 0.4 | 0.5 | |
| Inventories (a) | 0.1 | 0.1 | -0.1 | -0.1 | 0.7 | 0.3 | -0.9 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 | 0.0 | |
| Domestic Demand - qtr% | | | | 0.3 | 0.0 | -0.2 | 0.5 | 0.2 | 0.6 | -0.5 | 0.7 | 0.2 | 0.5 | 0.3 | 0.3 | |
| Dom Demand - ann % | 1.1 | 0.9 | 1.3 | 1.8 | 1.4 | 0.5 | 0.6 | 0.5 | 1.1 | 0.8 | 1.0 | 1.0 | 0.9 | 1.7 | 1.4 | |
| Real GDP - qtr % | | | | 0.9 | 0.5 | 0.4 | 0.4 | 0.9 | 0.3 | 0.9 | 0.6 | 0.7 | 0.8 | 0.6 | 0.7 | |
| Real GDP - ann % | 2.6 | 2.3 | 2.7 | 3.0 | 2.7 | 2.5 | 2.2 | 2.1 | 1.9 | 2.5 | 2.7 | 2.5 | 3.0 | 2.7 | 2.8 | |
| CPI headline - qtr % | | | | 0.6 | 0.5 | 0.5 | 0.2 | 0.2 | 0.7 | 0.5 | 0.4 | 0.3 | 0.7 | 0.8 | 0.9 | |
| CPI headline - ann % | 2.5 | 1.5 | 1.9 | 2.9 | 3.0 | 2.3 | 1.7 | 1.3 | 1.5 | 1.5 | 1.7 | 1.5 | 1.6 | 1.9 | 2.8 | |
| CPI underlying - qtr % | | | | 0.6 | 0.6 | 0.4 | 0.6 | 0.7 | 0.5 | 0.3 | 0.5 | 0.6 | 0.7 | 0.7 | 0.7 | |
| CPI underlying - ann % | 2.5 | 2.2 | 2.2 | 2.7 | 2.7 | 2.5 | 2.3 | 2.4 | 2.3 | 2.2 | 2.0 | 1.9 | 2.0 | 2.4 | 2.6 | |
| Wages (Pvte WPI -ann %) | 2.5 | 2.2 | 2.5 | 2.5 | 2.4 | 2.5 | 2.5 | 2.3 | 2.2 | 2.1 | 2.1 | 2.2 | 2.4 | 2.6 | 2.7 | |
| Unemployment Rate (%) | 6.0 | 6.0 | 5.7 | 5.8 | 6.0 | 6.2 | 6.2 | 6.2 | 5.9 | 6.2 | 5.8 | 5.8 | 5.8 | 5.7 | 5.6 | |
| Terms of trade | -7.4 | -12.2 | -10.2 | -1.7 | -4.5 | -3.3 | -1.5 | -2.8 | -4.3 | -2.3 | -7.2 | -3.5 | 0.7 | 0.3 | -0.8 | |
| G&S trade balance, \$Abn | -9.4 | -35.6 | -46.9 | 2.2 | -4.5 | -4.3 | -2.8 | -4.7 | -10.9 | -7.4 | -12.5 | -13.7 | -12.5 | -10.8 | -10.0 | |
| % of GDP | -0.6 | -2.2 | -2.8 | 0.5 | -1.1 | -1.1 | -0.7 | -1.2 | -2.7 | -1.8 | -3.1 | -3.4 | -3.0 | -2.6 | -2.3 | |
| Current Account (% GDP) | -3.0 | -4.6 | -5.5 | -2.4 | -3.5 | -3.3 | -2.9 | -3.3 | -5.1 | -4.4 | -5.7 | -6.0 | -5.6 | -5.2 | -5.0 | |

Source: NAB Group Economics; (a) Contributions to GDP growth

Exchange Rate Forecasts

| | 15-Feb | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 |
|---------------|--------|--------|--------|--------|--------|--------|
| Majors | | | | | | |
| AUD/USD | 0.7149 | 0.67 | 0.66 | 0.68 | 0.69 | 0.69 |
| NZD/USD | 0.6655 | 0.62 | 0.60 | 0.61 | 0.61 | 0.61 |
| USD/JPY | 113.77 | 120 | 120 | 121 | 121 | 123 |
| EUR/USD | 1.1223 | 1.09 | 1.07 | 1.06 | 1.07 | 1.07 |
| GBP/USD | 1.4522 | 1.42 | 1.39 | 1.36 | 1.39 | 1.39 |
| USD/CNY | 6.5148 | 6.60 | 6.70 | 6.75 | 6.80 | 6.80 |
| USD/CAD | 1.3811 | 1.47 | 1.47 | 1.46 | 1.46 | 1.44 |

Australian Cross Rates

| | 15-Feb | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 |
|---------|--------|--------|--------|--------|--------|--------|
| AUD/JPY | 81.3 | 80 | 79 | 82 | 83 | 85 |
| AUD/EUR | 0.6370 | 0.61 | 0.62 | 0.64 | 0.64 | 0.64 |
| AUD/GBP | 0.4923 | 0.47 | 0.47 | 0.50 | 0.50 | 0.50 |
| AUD/NZD | 1.0742 | 1.08 | 1.10 | 1.11 | 1.13 | 1.13 |
| AUD/CNY | 4.6574 | 4.42 | 4.42 | 4.59 | 4.69 | 4.69 |
| AUD/CAD | 0.9873 | 0.98 | 0.97 | 0.99 | 1.01 | 0.99 |
| AUD/CHF | 0.7000 | 0.65 | 0.66 | 0.69 | 0.72 | 0.74 |

Interest Rate Forecasts

| | 15-Feb | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 |
|--------------------------------------|--------|--------|--------|--------|--------|--------|
| Aust rates | | | | | | |
| RBA Cash rate | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| 3 month bill rate | 2.29 | 2.25 | 2.25 | 2.25 | 2.25 | 2.50 |
| 3 Year Swap Rate | 2.09 | 2.2 | 2.3 | 2.4 | 2.6 | 3.0 |
| 10 Year Swap Rate | 2.65 | 3.1 | 3.4 | 3.4 | 3.4 | 3.8 |
| Offshore Policy Rates | | | | | | |
| US Fed funds | 0.50 | 0.50 | 0.75 | 1.00 | 1.25 | 1.50 |
| ECB deposit rate | -0.30 | -0.30 | -0.30 | -0.30 | -0.30 | -0.30 |
| BoE repo rate | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 | 1.00 |
| BoJ excess reserves rate | -0.10 | -0.10 | -0.10 | -0.10 | -0.10 | -0.10 |
| RBNZ OCR | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 |
| China 1yr lending rate | 4.35 | 4.10 | 3.85 | 3.85 | 3.85 | 0.00 |
| China Reserve Ratio | 17.5 | 17.0 | 16.5 | 16.0 | 16.0 | -- |
| 10 Year Benchmark Bond Yields | | | | | | |
| Australia | 2.50 | 3.0 | 3.3 | 3.3 | 3.4 | 3.6 |
| United States | 1.75 | 2.4 | 2.8 | 2.8 | 2.8 | 3.0 |
| Europe/Germany | 0.26 | 0.9 | 1.0 | 1.2 | 1.2 | 0.0 |
| UK | 1.41 | 2.2 | 2.3 | 2.4 | 2.4 | 2.8 |
| New Zealand | 3.03 | 3.6 | 3.9 | 3.8 | 3.8 | 4.0 |

Sources: NAB Global Markets Research; Bloomberg; ABS

Global GDP

| Dec year | 2013 | 2014 | 2015 | 2016 | 2017 | 20 Yr Ave |
|-------------|------|------|------|------|------|-----------|
| Australia | 2.0 | 2.6 | 2.3 | 2.7 | 3.0 | 3.4 |
| US | 1.5 | 2.4 | 2.4 | 2.2 | 2.3 | 2.6 |
| Eurozone | -0.2 | 0.9 | 1.4 | 1.7 | 1.9 | 1.5 |
| UK | 2.2 | 2.9 | 2.2 | 2.2 | 2.2 | 2.4 |
| Japan | 1.6 | -0.1 | 0.6 | 1.1 | 0.9 | 0.8 |
| China | 7.7 | 7.3 | 6.9 | 6.7 | 6.5 | 9.2 |
| India | 6.4 | 7.1 | 7.5 | 7.6 | 7.4 | 6.6 |
| New Zealand | 2.3 | 3.3 | 2.2 | 1.8 | 2.0 | 3.0 |
| World | 3.3 | 3.3 | 2.9 | 3.0 | 3.3 | 3.5 |

Commodity prices (\$US)

| | 15-Feb | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 |
|----------------|--------|--------|--------|--------|--------|--------|
| WTI oil | 29.23 | 32 | 34 | 36 | 39 | 40 |
| Gold | 1224 | 1050 | 1030 | 1010 | 990 | 980 |
| Iron ore | 44 | 42 | 44 | 42 | 41 | 40 |
| Hard cok. coal | 89 | 82 | 84 | 85 | 83 | 85 |
| Thermal coal | 51 | 68 | 62 | 62 | 62 | 62 |
| Copper | 4507 | 4500 | 4510 | 4520 | 4540 | 4590 |
| Japan LNG | 9.4 | 5.5 | 5.8 | 6.2 | 6.8 | 6.7 |

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