AUSTRALIAN MARKETS WEEKLY

Wages likely turning with NSW & Vic improving

National Australia Bank

In this issue

- **Wages grew by just 0.5% q/q in the December quarter, with the annual pace of wages running at 1.9% y/y. When adjusted for inflation, there has been no growth in real wages since 2014. Low growth in wages has important implications for economic growth helping contribute to both the subdued pace of household consumption recently and likely better employment outcomes than otherwise.**
- **Will wages growth turn around? We delve into our own NAB Business survey to see what businesses are saying about their wages bill. The data reveals the quarterly rate of wages is growing at 1% in NSW and Vic (annualizes to 4%), while the weakness in wages is occurring in WA and QLD. The most recent data however points to a stabilisation in the wages bill in WA and QLD with a tentative tick-up off low levels. This narrative is also being picked up in average advertised salaries on SEEK, which have ticked higher in QLD and WA, while Vic and NSW continue mild trend increases.**
- **The past week has been fairly muted in terms of market moves. This week could see more volatility with a number of key events. Domestically the focus will be on Q4 GDP figures Wednesday and then on the Trade Balance on Thursday. Internationally the market is awaiting Trump's "phenomenal" tax plan, some details of which may emerge at his address to Congress on Tuesday. It is also a very heavy data week with the key watchpoints being the US Manufacturing ISM and PCE Deflator Wednesday, the Chinese Manufacturing and Non-Manufacturing PMIs also Wednesday, and a speech by the US Fed Chair on Friday.**
- **Contained within are our FX strategy team's revised forecasts for most G10 currency pairs for Q1 2017 through Q3, while leaving their year-end forecast largely intact. The forecast revisions are driven in large part by the contention that the US dollar is set to further struggle in coming months on a loss of confidence in the passage of meaningful fiscal policy changes before much later in the year, the pull-back in US bond yields, and an assumption the Fed waits until June until hiking rates. We now see the AUD/USD at 0.77 at end of Q1, 0.75 in Q2, 0.73 in Q3 and 0.70 in Q4.**

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Ask the Economists

Ask the FX Strategists

Ask the Interest Rate Strategists

Wages likely turning with NSW & Vic improving

Thinking about some of the challenges facing Australian policy makers – and arguably consumers - at the present time, the slow growth in wages looms large. This contributes to slow growth in consumer spending, low inflation and as Governor Lowe noted on Friday, extends the time taken to repay a mortgage all other things equal.

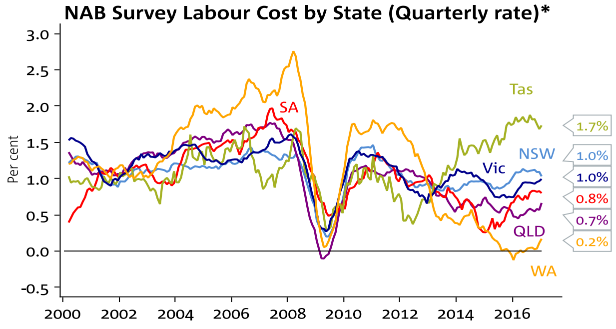
The latest Wage Price Index (chart 2), shows wages growth has slowed to around a 2% annual rate, which is only fractionally above zero in real terms (chart 3). Real wages have hardly grown for the past few years, something while negative for consumer spending directly, indirectly likely has sustained better overall employment outcomes for the economy and has helped improve Australia's competitiveness.

Key markets over the past week

	Last	% chg week		Last	bp / % chg week
AUD	0.7671	-0.2	RBA cash	1.50	0
AUD/CNY	5.28	0.2	3y swap	2.08	-6
AUD/JPY	86.0	-1.1	ASX 200	5,718	-1.3
AUD/EUR	0.726	0.2	Iron ore	90.5	0.1
AUD/NZD	1.066	-0.3	WTI oil	54.0	0.4

Source: Bloomberg

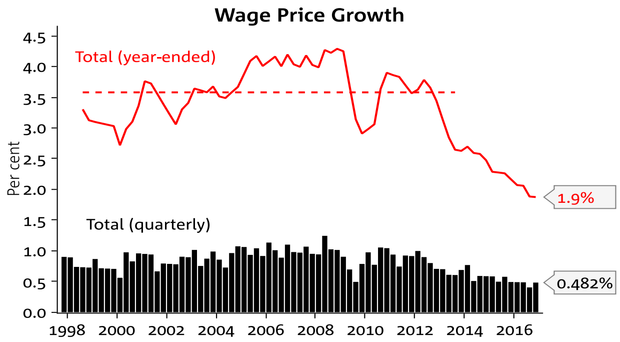
Chart 1: Wages turning up, driven by NSW/Vic



* 13-month centred moving average
Source: National Australia Bank

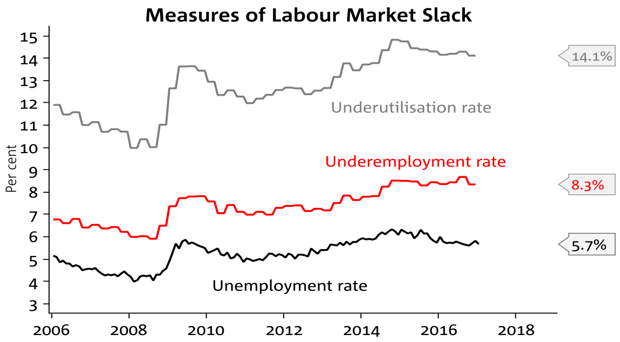
Ivan Colhoun, Chief Economist, Markets

Chart 2: Wage growth has slowed



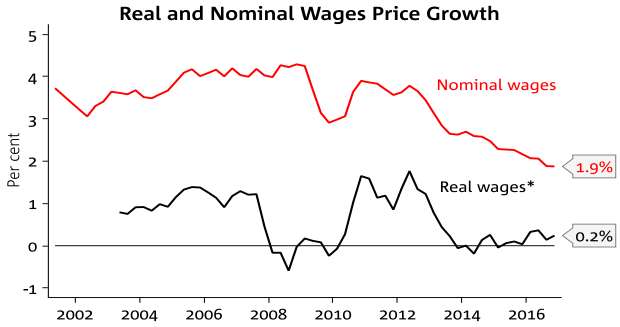
Source: National Australia Bank, ABS

Chart 5: High underemployment keeping wages low



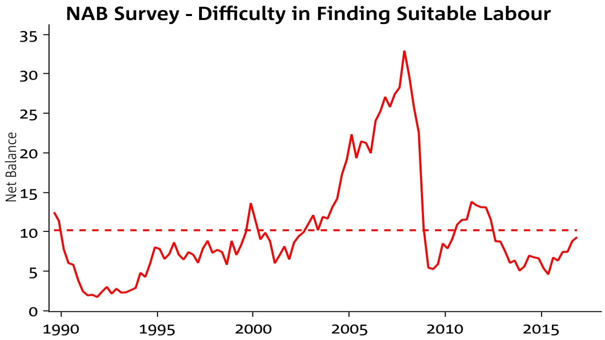
Source: National Australia Bank, ABS, RBA

Chart 3: No real wage growth since 2014



* Deflated using trimmed mean inflation
Source: National Australia Bank, ABS

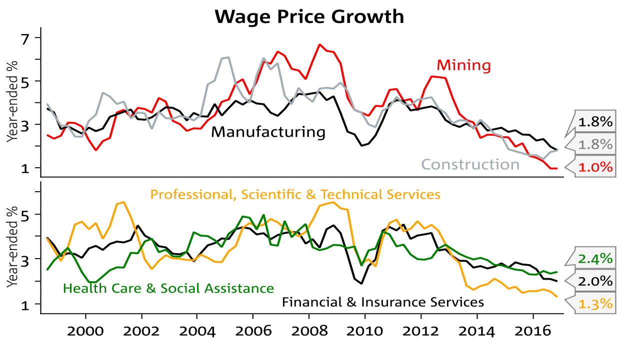
Chart 6: Difficulty finding labour back to average



Source: National Australia Bank

While part of the slowing in wages growth reflects the slowing in Mining and related activities (Construction, Scientific & Technical Services) that had previously contributed to keeping wages growth elevated, the slowdown was evident also across other sectors (chart 4).

Chart 4: Wages softer across the board



Source: National Australia Bank, Macrobond

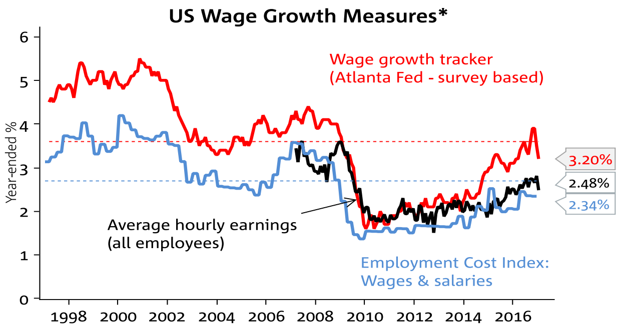
Reasons for the slowdown beyond the mining slowing include the somewhat elevated rate of unemployment and underemployment, the ease with which employers can source labour (thereby increasing the bargaining power of the employer), lower CPI increases, increased globalisation of labour and product markets and one might also posit, the drift away from including productivity gains in enterprise bargains.

Encouragingly, there are now a few signs that the low in wages growth may be close. The NAB Business Survey reports a slight improvement in the difficulty firms are reporting finding suitable labour (chart 6), while the average salary advertised on SEEK.com.au, Australia's largest online jobs portal and the labour cost component from the NAB Business Survey, have also trended moderately higher in recent quarters (chart 8).

The NAB Survey also shows a moderate rise in labour costs in most states over the past 6-12 months and importantly suggests downward pressure on labour costs in WA and QLD may be abating. SEEK data support the latter contention and broadly report that the improving trend for Average Advertised Salaries has been driven most noticeably by improvements in Victoria over the past 12 or so months.

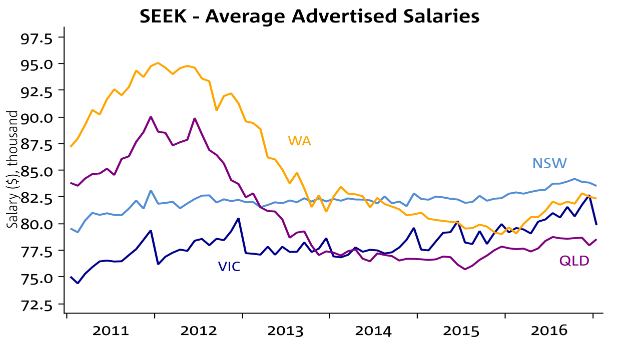
As the experience of the US reminds, the best way to bring about an increase in wages growth is to broadly achieve full-employment. After many years of elevated unemployment, the US is now broadly back at full employment and indicators of wages growth have started to increase (chart 7).

Chart 7: US wages on the rise



* Dotted lines represents long-run averages since 1997
Source: National Australia Bank, Macrobond

Chart 8: Advertised salaries on the rise



Source: National Australia Bank, SEEK

The past week

Internationally, markets were little changed on the week in a quiet data week. The implied probability for a US Fed rate hike in March rose to 48% according to OIS pricing, supported by comments from the Fed's Harker and Kaplan. Despite the likelihood of the US hiking rates rising in the week, US Treasury yields ended the week down with US Treasury Secretary Mnuchin downplaying the likelihood of any early fiscal policy change.

Domestically, the RBA looks like it is comfortable being on hold with the RBA Governor describing current market pricing of rates being on hold in 2017 as "reasonable". The RBA is currently balancing getting back to the Bank's inflation objective more quickly ("achieve rate of inflation over time of 2 point something") against "avoiding creating fragilities in household balance sheets".

Importantly, the trade-off will continue to be "review[ed] at future meetings", which suggests that while the RBA sees rates on hold as appropriate, the current bias is still lower albeit with a high bar to further easing. Underscoring this notion, the Governor noted that there is an internal debate on the trade-off within the Bank, but the Governor's focus is firmly on whether lower interest rates would add to balance sheet fragility.

For the Bank to ease further the balance of the trade-off would need to shift – that could occur if the unemployment rate started rising, inflationary expectations started shifting lower, or a surprisingly low inflation print happened.

Updated FX forecasts

Our FX strategy team have today revised their forecasts for most G10 currency pairs for Q1 2017 through Q3, while leaving their year-end forecast largely intact. The forecast revisions are driven in large part by the contention that the US dollar is set to further struggle in coming months on loss of confidence in the passage of meaningful fiscal policy changes before much later in the year, the pull-back in US bond yields, and assuming the Fed does not raise rates before June.

On AUD/USD, with commodities, global growth and risk sentiment all travelling much better than envisaged in our previous forecasts such that our fair value model estimate is currently pegged near 0.78, we have lifted our forecasts to now show 0.77 for end Q1 (from 0.73); to 0.75 for Q2 (from 0.73) and to 0.73 for Q3 (from 0.70). Our end-2017 forecasts remains at 0.70.

Given the across-the-board revisions to our US dollar forecasts, there are only minor changes to our AUD cross-rate forecasts. See table on p.5 for summary details. The full write-up of our forecasts changes in contained in today's editions of the Global FX Strategist. Let us know if you would like a copy.

This week

Wednesday's GDP is the centrepiece of the domestic data flow this week. NAB is expecting a 0.9% q/q outcome, a little ahead of the consensus of 0.7% q/q. Pre-GDP partials are out today (profits/inventories) and Tuesday (net exports and government spending), all of which have the potential to shift expectations for GDP. NAB will update its forecast for GDP on Tuesday following the partial data. There is also plenty of other data out this week, including the Trade Balance and Building Approvals on Thursday.

Internationally, it's a busy week with most focus on China and the US. The market awaits President Trump's "phenomenal" tax plan with details expected this week. Trump also gives his first joint session speech to Congress on Tuesday with attention tuned to whether policy priorities remain the same and whether there are any further details. Datawise, the US focus will be on the Manufacturing ISM and PCE Deflators Wednesday, followed by the Non-Manufacturing ISM Friday along with a speech by Fed Chair Yellen.

China also releases its usual suite of data with the official Manufacturing and Non-manufacturing PMIs on Wednesday (note the unofficial Caixin measures are released on Wednesday and Friday), while the Chinese People's Political Consultative Conference meets on Friday. For more detailed coverage of these releases, please see our '*What to Watch*' publication of Friday.

CALENDAR OF ECONOMIC RELEASES

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEDT
Monday, 27 February 2017								
NZ	Net Migration SA	Jan				6010	22.45	8.45
AU	Inventories SA QoQ/Company operating profits QoQ	4Q	0.8/13	0.5/8		0.8/1.0	1.30	11.30
NZ	New Residential Lending YoY	Jan				-2.4	3.00	13.00
EC	Business Climate Indicator	Feb		0.79		0.8	11.00	21.00
US	Durable Goods Orders/Core orders	Jan P		1.7/0.5		-0.5/0.7	14.30	0.30
US	Pending Home Sales MoM/YioY	Jan		1/		1.6/-2.0	16.00	2.00
US	Dallas Fed Manf. Activity	Feb		19.4		22.1	16.30	2.30
US	Fed's Kaplan (v) speaks in Oklahama						17.00	3.00
Tuesday, 28 February 2017								
NZ	Trade Balance NZD	Jan	+50	-25		-41	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Feb 26				113.7	23.30	9.30
JN	Industrial Production MoM/YoY	Jan P		0.4/4.3		0.7/3.2	0.50	10.50
JN	Retail Sales MoM	Jan		0.3/1		-1.7/0.6	0.50	10.50
NZ	ANZ Activity Outlook/Business Confidence	Feb		/		39.6/21.7	1.00	11.00
AU	HIA New Home Sales MoM	Jan				0.2	1.00	11.00
UK	GfK Consumer Confidence	Feb		-6		-5	1.10	11.10
UK	Lloyds Business Barometer	Feb				29	1.10	11.10
AU	Net Exports, % of GDP/Current Account Balance $Abn	4Q	0.2/-2	0.2/-4		-0.2/-11.0	1.30	11.30
AU	Government spending, QoQ (underlying)	4Q	0.0			-0.7	1.30	11.30
AU	Private Sector Credit MoM/YoY	Jan	0.5/5.6	0.5/5.6		0.7/5.6	1.30	11.30
NZ	Credit Aggregates, household YoY	Jan				8.7	3.00	13.00
JN	Small Business Confidence	Feb		48.5		48.3	6.00	16.00
EC	CPI Estimate/Core YoY	Feb		1.9/0.9		1.8/0.9	11.00	21.00
US	GDP Annualized QoQ	4Q S		2.1		1.9	14.30	0.30
CA	Industrial Product/Raw Materials Price MoM	Jan		0.5		0.4/6.5	14.30	0.30
US	Advance Goods Trade Balance	Jan		-66		-64.4 r	14.30	0.30
US	Wholesale Inventories MoM	Jan P		0.4		1.0	14.30	0.30
US	S&P CoreLogic CS 20-City MoM SA/YoY	Dec		0.7/5.3		0.9/5.3	15.00	1.00
US	Chicago Purchasing Manager	Feb		53		50.3	15.45	1.45
US	Conf. Board Consumer Confidence	Feb		111		111.8	16.00	2.00
US	Richmond Fed Manufact. Index	Feb		10		12.0	16.00	2.00
NZ	QV House Prices 3m, YoY	Feb				13.5	17.00	3.00
Wednesday, 1 March 2017								
US	Fed's Williams Speaks in Santa Cruz						21.30	7.30
NZ	Terms of Trade Index QoQ	4Q	4.6	4		-1.8	22.45	8.45
AU	AiG Perf of Mfg Index	Feb				51.2	23.30	9.30
AU	CoreLogic House Px MoM	Feb	0.6			0.7	0.00	10.00
US	Fed's Bullard (nv) Speaks in Washington						0.50	10.50
UK	BRC Shop Price Index YoY	Feb		-1.4		-1.7	1.10	11.10
AU	GDP SA QoQ/YoY	4Q	0.9/2.1	0.7/1.9		-0.5/1.8	1.30	11.30
JN	Nikkei Japan PMI Mfg	Feb F				53.5	1.30	11.30
CH	Manufacturing/Non-manufacturing PMI	Feb		51.2/		51.3/54.6	2.00	12.00
US	President Trump addresses joint session of Congress						3.00	13.00
JN	BoJ's Policy Board member Sato speaks in Tokushima							
CH	Caixin China PMI Mfg	Feb		50.8		51.0	2.45	12.45
AU	Commodity Index AUD/SDR YoY	Feb		/		120.9/55.7	6.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Feb F		57		57.0	9.55	19.55
GE	Unemployment Change (000's/Rate)	Feb		-10/5.9		-26.0/5.9	9.55	19.55
EC	Markit Eurozone Manufacturing PMI	Feb F		55.5		55.5	10.00	20.00
UK	Markit UK PMI Manufacturing SA	Feb		55.7		55.9	10.30	20.30
UK	Net Lending Sec. on Dwellings	Jan		3.6		3.8	10.30	20.30
GE	CPI EU Harmonized MoM/YoY	Feb P		0.6/2.1		-0.8/1.9	14.00	0.00
CA	Current Account Balance	4Q		-9.75		-18.3	14.30	0.30
US	Personal Income/Spending	Jan		0.3/0.3		0.3/0.5	14.30	0.30
US	PCE Deflator MoM/YoY	Jan		0.5/2		0.2/1.6	14.30	0.30
US	PCE Core MoM/YoY	Jan		0.3/1.74		0.1/1.7	14.30	0.30
US	Markit US Manufacturing PMI	Feb F		54.5		54.3	15.45	1.45
CA	Bank of Canada Rate Decision	Mar 1		0.5		0.5	16.00	2.00
US	ISM Manufacturing	Feb		56		56.0	16.00	2.00
US	Construction Spending MoM	Jan		0.6		-0.2	16.00	2.00
US	Fed's Kaplan speaks in Dallas						19.00	5.00
US	U.S. Federal Reserve Releases Beige Book						20.00	6.00
Thursday, 2 March 2017								
AU	Trade Balance	Jan	3640	3800		3511.0	1.30	11.30
AU	Building Approvals MoM/YoY	Jan	-2.7/-13.5	-0.5/-11.6		-1.2/-11.4	1.30	11.30
EC	Unemployment Rate	Jan		9.6		9.6	11.00	21.00
US	Challenger Job Cuts YoY	Feb				-38.8	13.30	23.30
US	Wards Total Vehicle Sales	Feb		17.7		17.5		
CA	GDP MoM/YoY	Dec		0.3/1.7		0.4/1.6	14.30	0.30
CA	Quarterly GDP Annualized	4Q		2		3.5	14.30	0.30
US	Initial Jobless Claims	Feb 25		245		244.0	14.30	0.30
Friday, 3 March 2017								
NZ	ANZ Job Advertisements MoM	Feb				-0.2	22.00	8.00
NZ	Crown Accounts	Jan 7m					22.00	8.00
NZ	Value of All Buildings SA QoQ	4Q	1.0	1.5		1.4	22.45	8.45
AU	AiG Perf of Services Index	Feb				54.5	23.30	9.30
JN	Jobless Rate/Jobs-to-applicants ratio	Jan		3/1.44		3.1/1.4	0.30	10.30
JN	Natl CPI/ex fresh food YoY	Jan		0.4/0		0.3/-0.2	0.30	10.30
NZ	ANZ Commodity Price	Feb				-0.1	1.00	11.00
US	Fed's Mester speaks on Leadership in New York						1.00	11.00
JN	Nikkei Japan PMI Services/Composite	Feb		/		51.9/52.3	1.30	11.30
NZ	RBNZ Assistant Governor McDermott Speaks (Not Public)						1.30	11.30
CH	Caixin China PMI Services/Composite	Feb		/		53.1/52.2	2.45	12.45
GE	Markit Germany Services/Composite PMI	Feb F		54.4/56.1		54.4/56.1	9.55	19.55
EC	Markit Eurozone Services/Composite PMI	Feb F		55.6/56		55.6/56.0	10.00	20.00
UK	Markit/CIPS UK Services/Composite PMI	Feb		54/55.6		54.5/55.5	10.30	20.30
EC	Retail Sales MoM/YoY	Jan		0.3/1.5		-0.3/1.1	11.00	21.00
US	Markit US Services/Composite PMI	Feb F		/		53.9/54.3	15.45	1.45
US	ISM Non-Manf. Composite	Feb		56.5		56.5	16.00	2.00
US	Fed's Evans (v) and Lacker (nv) Speak on Panel in New York						16.15	2.15
US	Fed Vice Chair Fischer Speaks in New York						18.00	4.00
US	Fed Chair Yellen Speaks at Executives Club in Chicago						19.00	5.00
Upcoming Central Bank Interest Rate Announcements								
Canada, BoC		2-Mar	0.5%	0.5%		0.5%		
Australia, RBA		7-Mar	1.50%	1.50%		1.50%		
Europe ECB		9-Mar	-0.4%	-0.4%		-0.4%		
US Federal Reserve		16-Mar	0.5-0.75%	0.5-0.75%		0.5-0.75%		
Japan, BoJ		16-Mar	-0.1%	-0.1%		-0.1%		
UK BOE		16-Mar	0.25%	0.25%		0.25%		
New Zealand, RBNZ		23-Mar	1.75%	1.75%		1.75%		

GMT: Greenwich Mean Time; AEDT: Australian Daylight Savings Time

FORECASTS

Economic Forecasts

	Annual % change				Quarterly % change															
					2015				2016				2017				2018			
Australia Forecasts	**2015**	**2016**	**2017**	**2018**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Household Consumption	2.7	2.8	2.5	2.1	0.6	0.6	0.9	0.8	0.8	0.5	0.4	0.9	0.7	0.5	0.6	0.6	0.5	0.6	0.5	0.4
Underlying Business Investment	-10.1	-11.7	-4.4	4.8	-3.3	-2.0	-5.6	-2.1	-3.4	-2.1	-4.5	-1.2	-1.0	-0.7	0.9	0.8	1.8	1.4	1.0	1.7
Residential Construction	10.0	9.0	2.8	-1.4	5.1	-1.2	3.6	1.8	4.1	2.6	-1.4	2.3	0.2	0.5	0.9	0.4	-0.8	-1.1	-1.0	-0.8
Underlying Public Spending	2.4	4.1	2.8	2.6	1.3	1.9	-0.9	1.8	0.7	2.8	-0.6	1.0	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7
Exports	6.1	6.7	7.3	6.4	3.4	-2.8	4.2	0.8	2.6	2.1	0.3	1.0	2.4	2.2	2.3	2.1	1.5	1.2	0.8	0.9
Imports	2.0	0.5	5.7	5.4	2.5	0.8	-1.6	0.5	-0.8	2.9	1.3	1.5	1.2	1.1	1.5	1.4	1.3	1.3	1.1	1.2
Net Exports (a)	0.8	1.2	0.4	0.2	0.1	-0.7	1.2	0.1	1.0	-0.1	-0.2	-0.1	0.3	0.2	0.2	0.2	0.0	0.0	-0.1	-0.1
Inventories (a)	0.1	0.1	-0.1	-0.1	0.6	-0.4	0.1	0.0	-0.1	0.2	0.2	0.0	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Domestic Demand - qtr%					0.5	0.5	-0.3	0.6	0.1	0.8	-0.5	0.8	0.5	0.4	0.6	0.6	0.6	0.6	0.5	0.5
Dom Demand - ann %	1.3	1.5	1.8	2.2	1.1	1.4	1.2	1.3	1.3	1.6	1.5	1.6	1.6	1.2	2.4	2.2	2.3	2.4	2.2	2.1
Real GDP - qtr %					**1.1**	**0.1**	**0.8**	**0.6**	**1.0**	**0.6**	**-0.5**	**0.9**	**0.6**	**0.6**	**0.9**	**0.7**	**0.6**	**0.5**	**0.4**	**0.5**
Real GDP - ann %	2.4	2.4	2.3	2.4	**2.5**	**2.0**	**2.4**	**2.6**	**2.5**	**3.1**	**1.8**	**2.1**	**1.7**	**1.7**	**3.1**	**2.8**	**2.9**	**2.7**	**2.2**	**2.0**
CPI headline - qtr %					0.2	0.7	0.5	0.4	-0.2	0.4	0.7	0.5	0.5	0.6	0.6	0.7	0.4	0.5	0.6	0.7
CPI headline - ann %	1.5	1.3	2.3	2.2	1.3	1.5	1.5	1.7	1.3	1.0	1.3	1.5	2.2	2.4	2.2	2.4	2.3	2.2	2.2	2.3
CPI underlying - qtr %					0.6	0.5	0.4	0.5	0.2	0.5	0.4	0.5	0.5	0.5	0.4	0.4	0.4	0.5	0.5	0.5
CPI underlying - ann %	2.2	1.6	1.9	1.9	2.4	2.3	2.2	2.0	1.6	1.6	1.6	1.6	1.9	2.0	2.0	1.9	1.8	1.8	1.9	2.0
Wages (Pvte WPI - ann %)	2.1	1.9	1.9	2.2	2.2	2.2	2.1	2.0	2.0	2.0	1.9	1.9	2.0	2.0	1.9	1.9	2.0	2.1	2.3	2.4
Unemployment Rate (%)	6.1	5.7	5.7	5.7	6.2	6.0	6.2	6.0	5.9	5.7	5.7	5.7	5.8	5.7	5.7	5.7	5.6	5.7	5.7	5.7
Terms of trade	-11.6	0.6	17.5	-1.8	-2.6	-4.3	-2.6	-3.7	-1.9	2.3	4.5	12.4	11.3	-5.6	-3.0	-3.4	-1.9	-1.8	-1.9	-1.5
G&S trade balance, $Abn	-36.7	-15.6	45.8	11.2	-4.8	-11.3	-9.0	-11.7	-8.4	-7.4	-4.7	4.9	16.5	12.0	10.0	7.4	5.8	3.9	1.7	-0.2
% of GDP	-2.2	-0.9	2.5	0.6	-1.2	-2.8	-2.2	-2.8	-2.0	-1.8	-1.1	1.1	3.7	2.6	2.2	1.6	1.3	0.9	0.4	0.0
Current Account (% GDP)	-4.8	-2.6	1.0	-1.0	-3.3	-5.1	-5.0	-5.6	-3.6	-3.8	-2.7	-0.4	2.1	1.1	0.6	0.1	-0.3	-0.7	-1.2	-1.6

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

Exchange Rate Forecasts

	27-Feb	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Majors						
AUD/USD	**0.7669**	0.77	0.75	0.73	0.70	0.69
NZD/USD	**0.7205**	0.72	0.71	0.70	0.67	0.68
USD/JPY	**113.87**	112	114	116	118	120
EUR/USD	**1.0623**	1.05	1.05	1.04	1.04	1.05
GBP/USD	**1.2501**	1.25	1.25	1.24	1.22	1.20
USD/CNY	**6.8844**	6.90	6.92	7.05	7.04	7.03
USD/CAD	**1.3094**	1.31	1.33	1.35	1.37	1.37
Australian Cross Rates						
AUD/JPY	**87.3**	86	86	85	83	83
AUD/EUR	**0.7219**	0.73	0.71	0.70	0.67	0.66
AUD/GBP	**0.6135**	0.62	0.60	0.59	0.57	0.58
AUD/NZD	**1.0644**	1.07	1.06	1.04	1.04	1.01
AUD/CNY	**5.2796**	5.31	5.19	5.15	4.93	4.85
AUD/CAD	**1.0042**	1.01	1.00	0.99	0.96	0.95
AUD/CHF	**0.7700**	0.75	0.72	0.77	0.74	0.73

Interest Rate Forecasts

	27-Feb	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Aust rates						
RBA Cash rate	**1.50**	1.50	1.50	1.50	1.25	1.25
3 month bill rate	**1.78**	1.75	1.75	1.50	1.50	1.50
3 Year Swap Rate	**2.08**	2.1	2.1	2.1	2.1	2.2
10 Year Swap Rate	**2.97**	3.0	3.0	3.0	3.0	3.0
Offshore Policy Rates						
US Fed funds	**0.75**	0.75	1.00	1.00	1.25	1.25
ECB deposit rate	**-0.40**	-0.40	-0.40	-0.40	-0.40	-0.40
BoE repo rate	**0.25**	0.25	0.25	0.25	0.25	0.25
BoJ excess reserves rate	**-0.10**	-0.10	-0.10	-0.10	-0.10	-0.10
RBNZ OCR	**1.75**	1.75	1.75	1.75	1.75	1.75
China 1yr lending rate	**4.35**	4.35	4.10	4.10	4.10	4.10
China Reserve Ratio	**17.0**	17.0	16.5	16.5	16.5	16.5
10 Year Benchmark Bond Yields						
Australia	**2.69**	2.75	2.80	2.75	2.70	2.70
United States	**2.33**	2.40	2.50	2.50	2.50	2.50
New Zealand	**3.21**	3.25	3.30	3.35	3.30	3.30

Sources: NAB Global Markets Research; Bloomberg; ABS

Global GDP

Dec year	2013	2014	2015	2016	2017	2018	20 Yr Avge
Australia	2.1	2.8	2.4	2.4	2.3	2.4	3.4
US	1.7	2.4	2.6	1.6	2.1	2.3	2.6
Eurozone	-0.3	1.1	1.9	1.7	1.9	1.8	1.5
UK	1.9	3.1	2.2	2.0	1.8	1.7	2.4
Japan	2.0	0.3	1.2	1.0	0.8	0.6	0.8
China	7.7	7.3	6.9	6.7	6.5	6.3	9.2
India	6.3	7.0	7.2	7.1	7.2	7.2	6.6
New Zealand	2.2	3.4	2.5	3.2	2.9	2.5	3.0
World	3.4	3.4	3.1	2.9	3.2	3.4	3.5
MTP Top 5	4.1	3.9	4.0	3.8	3.8	3.6	5.0

Commodity prices ($US)

	27-Feb	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
WTI oil	54.00	53	54	56	58	59
Gold	1257	1180	1170	1150	1140	1130
Iron ore	90.5	75	66	63	60	58
Hard cok. coal	162	285	215	180	150	125
Thermal coal	84	62	65	65	65	65
Copper	5918	5730	5670	5620	5620	5620
Aust LNG (*)		7.3	7.9	8.3	8.5	8.9

(*) Implied Australian LNG export prices.

CONTACT DETAILS

Market Economics

Ivan Colhoun
Chief Economist, Markets
+61 2 9237 1836
ivan.colhoun@nab.com.au

David de Garis
Senior Economist
+61 3 8641 3045
david.degaris@nab.com.au

Tapas Strickland
Economist
+61 2 9237 1980
tapas.strickland@nab.com.au

Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406
peter.jolly@nab.com.au

Group Economics

Alan Oster
Chief Economist
+61 3 8634 2927
alan_oster@national.com.au

Riki Polygenis
Head of Australian Economics
+61 3 8697 9534
riki.polygenis@nab.com.au