EMBARGOED UNTIL: 11.30AM WEDNESDAY 9 AUGUST 2017

THE FORWARD VIEW - AUSTRALIA

AUGUST 2017

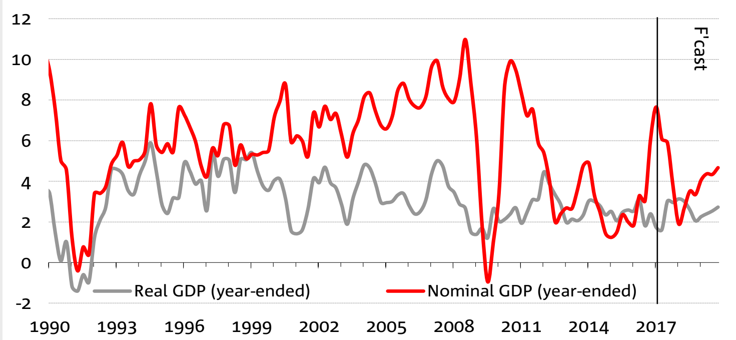
National Australia Bank

No imminent return to "neutral"

- **The aggregate outlook for the Australian economy remains somewhat bland**, despite solid activity in non-mining sectors outside of retail. While there will be some oscillation in the through-the-year growth rate as LNG exports and dwelling construction ramps up (in H2 2017) and then taper off over the course of 2018, **the broad thrust remains for annual average growth to remain between 2½% - 2¾% until 2019. Our early estimate of GDP in Q2 is for growth of 0.6% q/q (1.6% y/y)**, with even stronger rates expected for Q3 and Q4 as LNG exports ramp up further.
- **We have revised up our employment forecasts in the near-term** based on strength in partial indicators (such as NAB Survey employment), which will see some downward pressure on the unemployment rate through the remainder of 2017. Employment growth then eases a little through 2018, as economic growth loses momentum.
- A combination of strong employment growth and favourable discounting appears to have supported the retail sector in Q2, although momentum did slow in the month of June according to the ABS Retail Trade series and the new NAB Cashless Retail Index. Retail business conditions fell sharply in the month of July however. As such, **the gap between the activity of consumers and businesses is yet to be resolved,** while spending by both could suffer in the near term as energy prices surge.
- **Meanwhile, the housing market appears to have regathered some momentum, particularly for detached houses in Melbourne and to a lesser extent Sydney.** While strong population growth will provide support in some states, headwinds including strong supply growth, affordability constraints, limits of foreign demand and the impact of macroprudential measures are expected to slow the market in time, particularly for apartments.
- Despite the RBA's discussion of the neutral cash rate **there is no urgency in starting to return to neutral (the point at which monetary policy is neither expansionary or contractionary)**. Spare capacity in both the economy and the labour market provides lots of time for the RBA to remain in "watch and see" mode. While the RBA continues to forecast a pickup in GDP growth to a mid-point of 3¼% by 2019 (stronger than our forecasts), the outlook for wages and inflation is more uncertain (both in Australian and globally), and price/wages measures in the NAB survey slowed this month. Any return to "neutral" will be slow and cautious amidst high private sector debt levels which makes the economy more sensitive to interest rate changes. Ongoing strength in the AUD will also delay rate hikes by suppressing both growth and inflation. We continue to expect no change to the cash rate until 2019, with some risk of an earlier hike if current strength in employment is sustained.

	Calendar Year				
	2015	2016	2017-F	2018-F	2019-F
Domestic Demand (a)	1.3	1.5	2.3	2.4	2.6
Real GDP (a)	**2.4**	**2.5**	**2.3**	**2.7**	**2.5**
Terms of Trade (a)	-11.7	-0.3	9.0	-8.6	-1.8
Employment (a)	2.0	1.5	1.9	1.7	1.3
Unemployment Rate (b)	5.9	5.6	5.4	5.4	5.3
Headline CPI (b)	1.7	1.5	2.8	2.4	2.4
Core CPI (b)	2.0	1.6	1.8	2.2	2.3
RBA Cash Rate (b)	2.00	1.50	1.50	1.50	2.00
$A/US cents (b)	0.73	0.72	0.70	0.70	0.73

(a) annual average growth, (b) end-period, (c) through the year inflation



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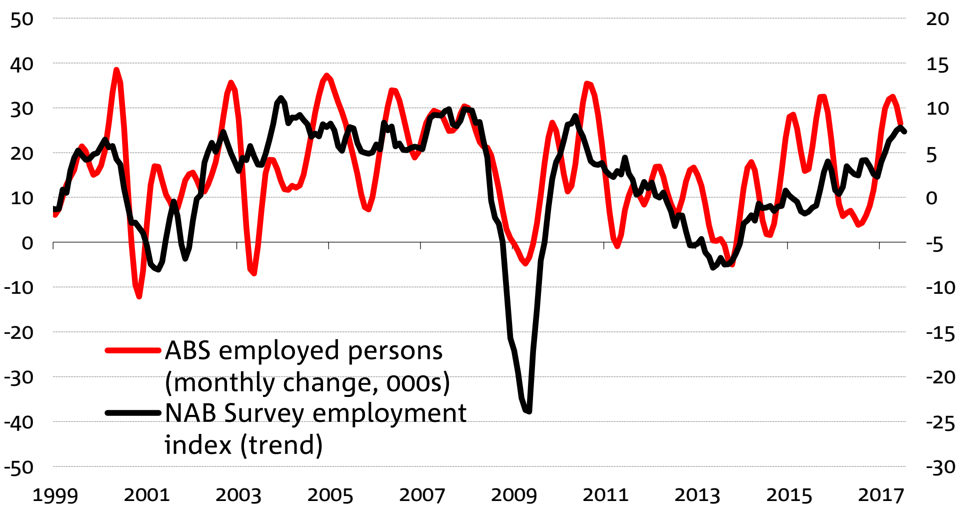
CHARTS OF THE MONTH

Labour market a little healthier, but outlook for wages/inflation more uncertain

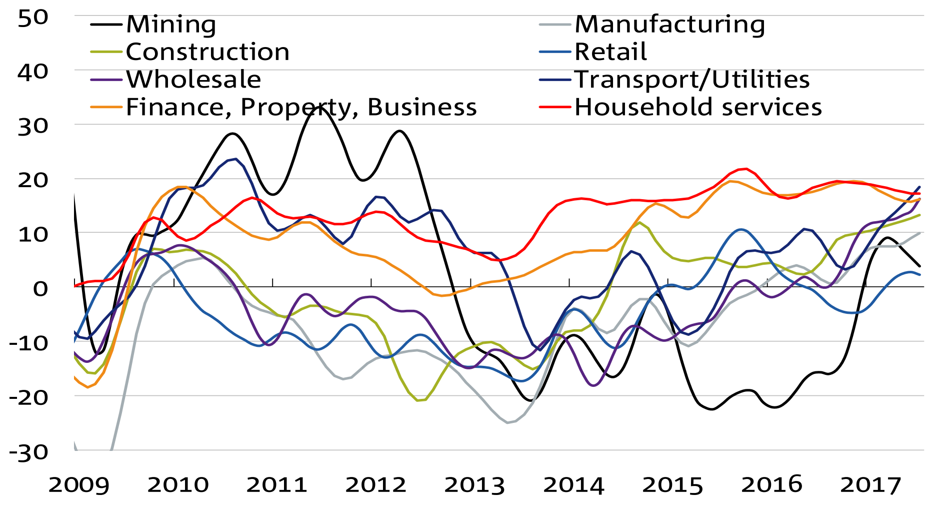
LEADING INDICATORS POINT TO FURTHER EMPLOYMENT STRENGTH

ABS employment versus NAB Survey employment index



A MORE SYNCHRONISED NON-MINING RECOVERY, EXCEPT IN RETAIL

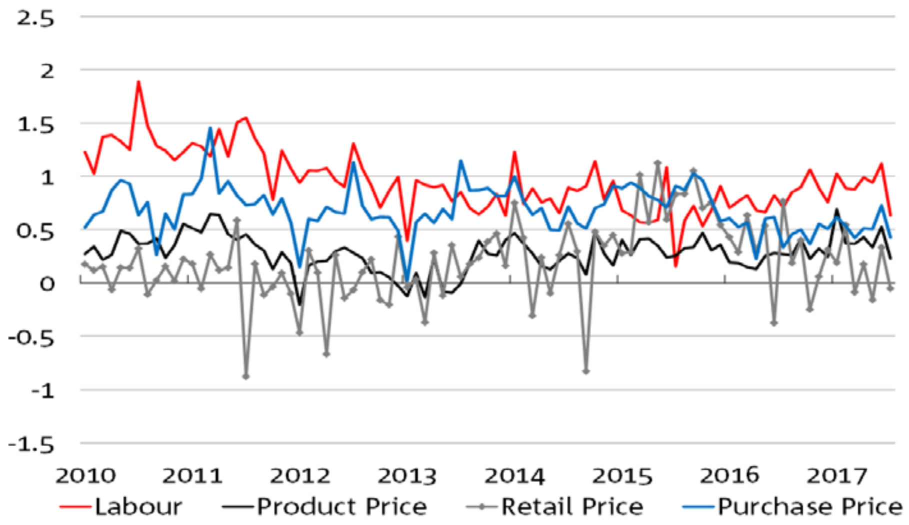
Net balance, trend



* 13 period Henderson trend

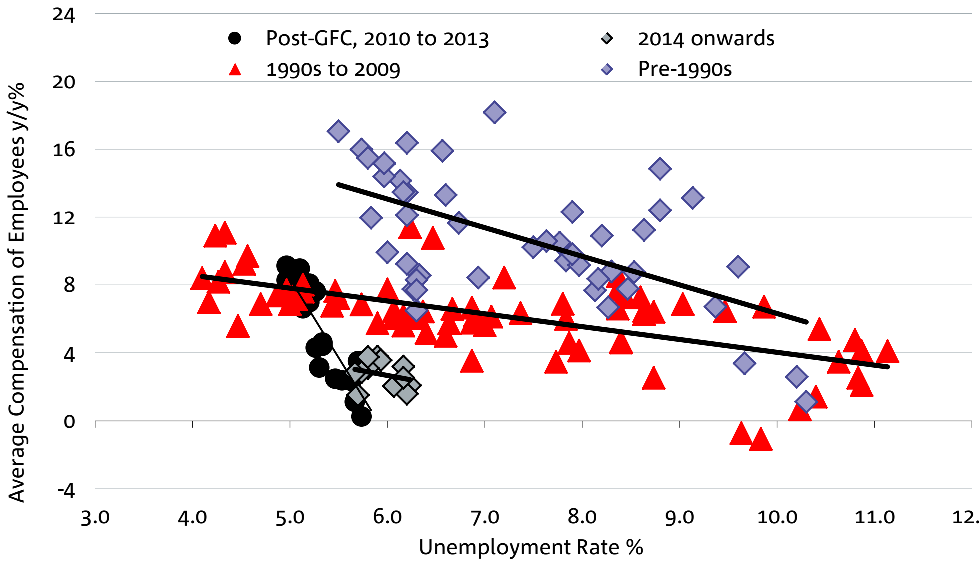
NAB SURVEY PRICE AND WAGES MEASURES SUGGEST LITTLE PICK UP

Costs & prices (% change at a quarterly rate)



THE AUSTRALIAN PHILLIPS' CURVE – FLATTENING AND FALLING OF LATE

Unemployment versus the wage bill



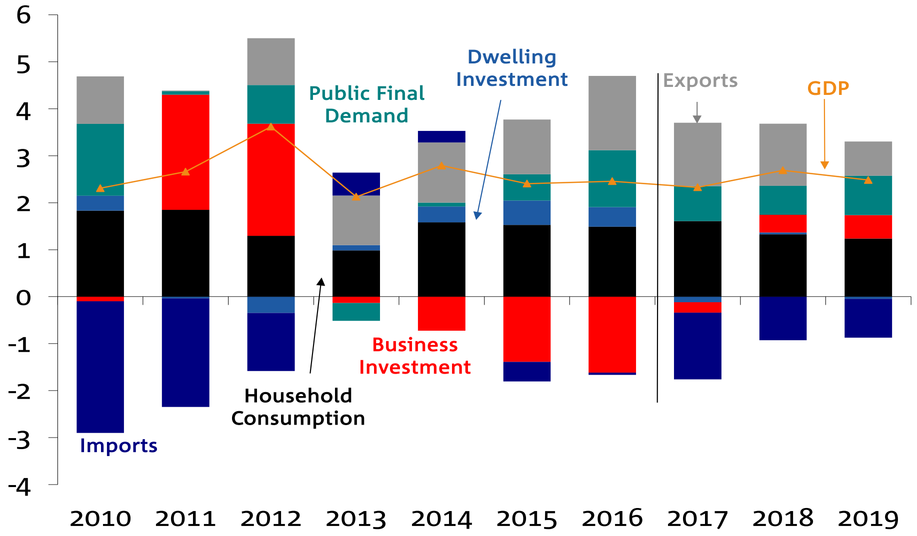
Sources: ABS, NAB

OVERVIEW - AUSTRALIAN ECONOMIC OUTLOOK

Oscillating around a rather "bland" outlook

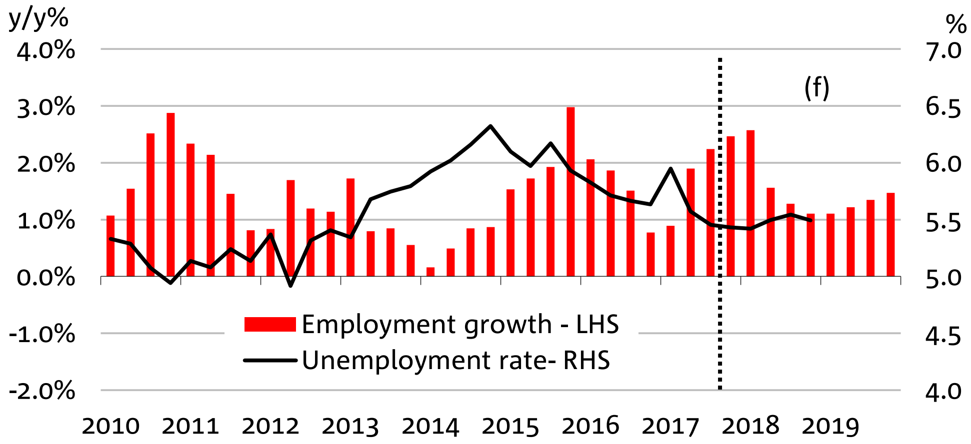
GROWTH OUTLOOK SUBDUED, DESPITE VOLATILITY IN Y/Y GROWTH

Annual average % change



UNEMPLOYMENT PATH A FRACTION LOWER

Employment growth and unemployment rate



Source: ABS, NAB Group Economics

- Our estimate for GDP growth in Q2 has been revised up slightly to 0.6% q/q. This is despite Cyclone Debbie - which hit in late March - disrupting coal exports in particular in April, although there was a strong rebound later in the quarter, implying a relatively neutral contribution from net exports in Q2. That said, year-ended growth drops a little further to 1.6% y/y in Q2, following weak growth of 0.3% q/q in Q1.
- While conditions are mixed across geographies, the slow recovery through the non-mining economy has become a little more synchronised, with business conditions strong in most industries outside of retail. This reflects competitive pressures facing retailers, but also divergence between conditions faced by households and businesses. While stronger employment gives hope that this will resolve itself in a positive manner (and retail trade volumes did improve in Q2), weak growth in household incomes will remain a constraint, and there is considerable uncertainty as to whether this softening in wages growth is cyclical or structural in nature, and hence will be reversed. In the near-term at least, higher energy and utility prices may limit both households and business spending (and retail business conditions dropped sharply in July), while high house prices continue to be a double-edged sword for consumers.
- Looking forward, real GDP growth is expected to pick up through H2 2017 as LNG exports and dwelling construction add to growth in 2017, which will raise annual average growth to 2.3% for the calendar year. In 2018 and 2019, real GDP is expected to revert to growth of 2.7% and 2.5% respectively - this is lower than Australia's historical average, but more in line with (now lower) estimates of potential growth (~2.5%-2.75% compared with ~3.25% pre-GFC). Key drivers of the forecasts include:
  - Subdued growth in household spending amidst low (though very gradually improving) household income growth (as low wages growth and high household debt levels remain a constraint), and strong price growth for utilities.
  - Residential construction remaining at a high level until early 2018 before flattening off, based on high level of approvals in the pipeline.
  - LNG exports adding significantly to growth in H2 2017 before flattening off.
  - The adjustment in mining investment appears now largely complete. Moderate cyclical recovery in non-mining investment is forecast, with total business investment rising 3.6% and 4.8% in real terms respectively in 2018 and 2019.
  - Infrastructure spending driving strong rates of growth in government investment.
  - The unemployment rate revised slightly lower – easing to 5.4% by end-17, inching up in 2018, and then down slightly to 5.3% by end-19 as GDP growth picks up again.
  - Core inflation will rise only gradually to the bottom of the RBA's 2-3% target band by mid-late 2018.
  - The RBA remains on hold until 2019, with some risk of an earlier move.

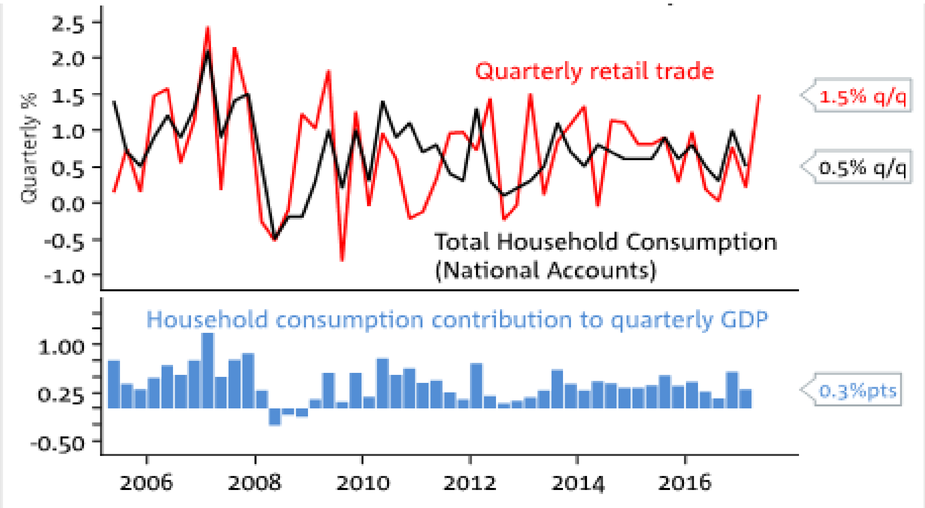
Sources: ABS, NAB

CONSUMER DEMAND AND INFLATION

Consumer spending faces long-term headwinds; underlying inflation subdued

RETAIL STRENGTHENS IN Q2… WILL IT BE SUSTAINED?

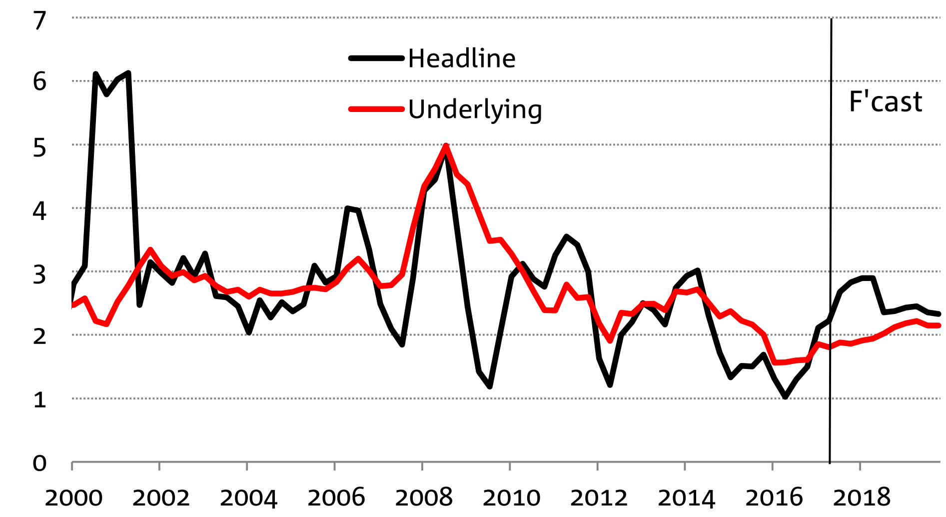
Retail versus household consumption



Source: National Australia Bank, ABS

UNDERLYING INFLATION SUBDUED

Consumer price inflation, y/y % change



Sources: ABS; NAB Economics

- A confluence of stronger employment growth and price discounting appears to have supported retail sales in Q2 – the ABS estimated a rise in volumes of 1.5%, while prices declined 0.1% q/q, which will support total household consumption in Q2 (our early forecast is 1.0% q/q and 2.9% y/y). In June, the value of retail sales rose 0.3%, following robust of 1.0% and 0.6% m/m in April and May. NAB's new Cashless Retail Index, also implied a slowing in June, easing to 5.6% y/y from 8.7% in May. Into Q3, energy price hikes will likely weigh on discretionary spending, while foreign competition will ramp up over time. Indeed, retail conditions in the NAB Monthly Business Survey dropped sharply in July (to -3 index points), although remains positive in trend terms (at +3), with margin pressure (with growth in final prices lower than purchase and labour cost prices) weighing on profitability.
- More broadly, the outlook for consumer spending is muted . Solid employment will be supportive in 2017, as will some temporary pick up in wages growth as minimum wage increase flows through, although high energy prices will offset some of this positive on discretionary spending. **Real household consumption growth is then forecast to slow to 2¼% in 2018 and 2019 in line with subdued growth in wages and household incomes.** With little certainty as to whether slow wages growth remains temporary (cyclical) or more permanent (structural), expectations of future income growth are low. This is suppressing the wealth effect from high house prices for those who own property, while implying that it will take longer to pay off a mortgage for those who have borrowed. Meanwhile, high house prices require higher savings for those hoping to buy. Alarmist commentary around the risks of a large correction in house prices is also likely to be hindering consumer confidence, despite our view that any housing market correction will be manageable.
- Headline inflation was a lower than expected at 0.2% q/q and 1.9% y/y in Q2. Anticipated rises in fruits and vegetables prices as a result of Cyclone Debbie did not eventuate, helping to keep inflation contained. So did discounting in the retail sector leading to the end of the financial year. Q3 headline inflation is expected to be higher, due to increases in energy prices from 1 July and the tobacco excise from 1 September, offset somewhat by lower petrol prices. The outlook for underlying inflation remains subdued. Although the labour market has improved lately, wage growth remains low, weighing on non-tradables inflation. Retail competition, especially with the entry of some big global competitors, is also keeping price growth contained. The increases in dwelling stock are also helping to keep rent growth limited. Overall we are forecasting headline inflation of below 2% till mid 2018, before picking up somewhat, with headline inflation higher.

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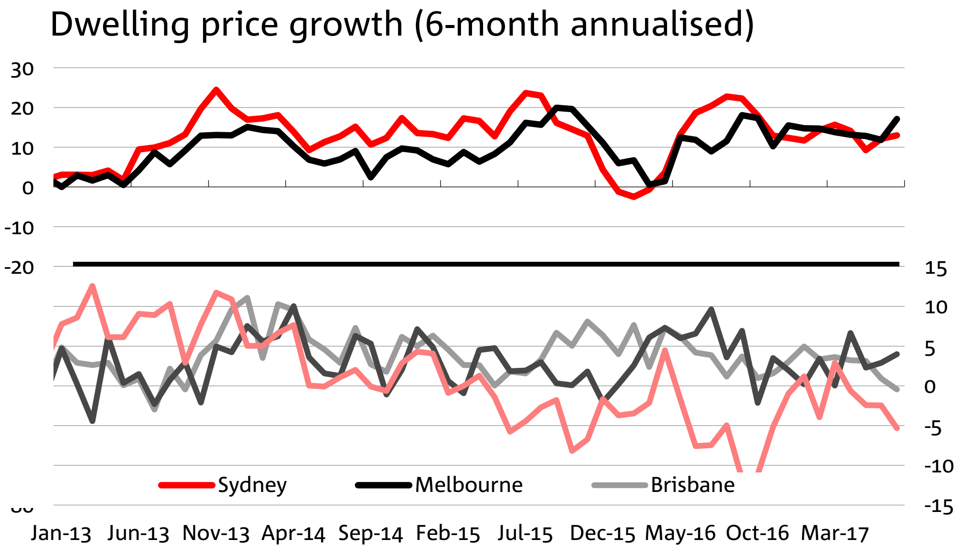
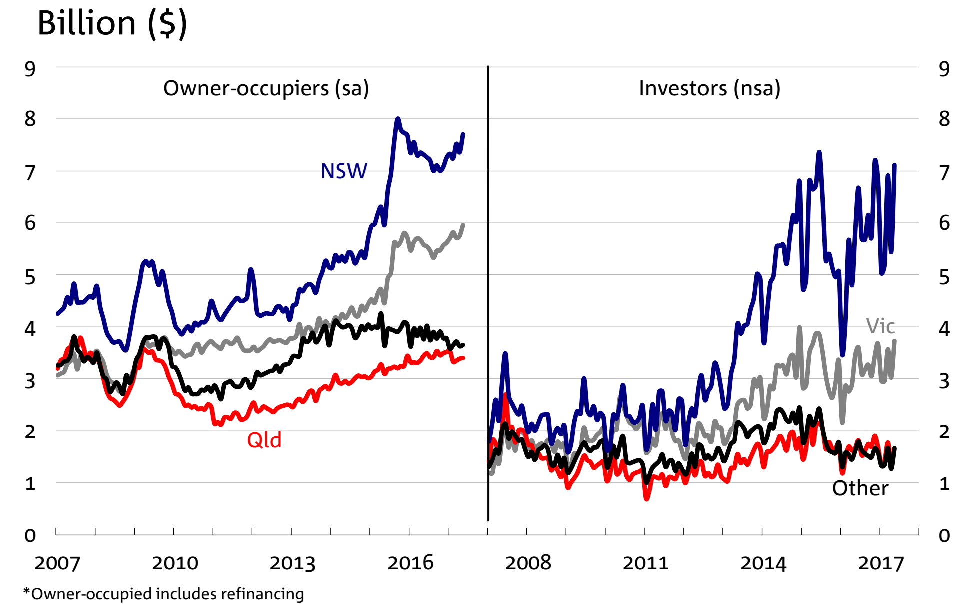
THE HOUSING MARKET

Cooling phase for the housing market may have been delayed

IS THE MELBOURNE MARKET HEATING UP AGAIN?



HOUSING FINANCE APPROVALS BY STATE



Sources: ABS; CoreLogic

- Despite expectations for a cooler housing market, there are signs that conditions may actually have regained momentum (especially in Melbourne). CoreLogic's hedonic price measure for 8 capital cities rose by a solid 1.5% in July (down from 1.8% in June), but Melbourne dwelling prices jumped 3.1%, to be up nearly 16% over the year. That said, the divergence in house price (17.2% y/y) and unit price (4.6% y/y) growth remains apparent, reflecting supply and financing concerns. The same is also true in Brisbane, although overall market conditions have been much more subdued there, with dwelling prices rising just 2.2% over the year to July. Meanwhile, Sydney prices rose by a more modest (but still solid) 1.4% in the month and 12.4% over the year. It is possible that seasonal factors contributed to some of the gains in prices for July, as well as demand side policy for first home buyers – although the magnitude of their effects is difficult to quantify. Market performance in Adelaide has been relatively steady, but momentum appears to be deteriorating again in Perth (chart).
- Auction clearance rates also show tight conditions in Melbourne, trending higher in recent weeks, and sitting slightly above last year's levels. Clearance rates have been somewhat more subdued in Sydney, with volumes remaining relatively solid. In terms of housing finance – a fairly timely measure of demand – prudential measures have dampened investor credit growth (slowing from around 0.7-0.8% m/m in late 2016, to around 0.4% m/m recently), although that has been largely offset by solid growth in owner occupier credit. Monthly growth in total housing credit has stayed fairly steady since the start of the year. Surprisingly, housing finance data show that investor loans in NSW and Victoria, while volatile, have held up at fairly elevated levels (chart) – we had expected a more significant slowdown following prudential measures.
- Market conditions vary significantly across the country, but prudential tightening, rising housing supply (in some markets), affordability constraints and modest wages growth (which looks set to continue), overwhelmingly suggest cooling housing markets going forward. Our national house price forecasts for 2017 is 5%, and 4.3% in 2018. Unit prices are forecast to rise 3% in 2017, but will fall modestly in 2018 (-0.3%). (For details, see our NAB Residential Property Survey).
- New building approvals saw a surprisingly strong rebound in June, largely driven by medium density approvals, which appears to have arrested the negative trend. Growth was driven mainly by NSW, although Victoria also rose. While approvals for detached dwelling have seen a positive trend, we do expect medium density approvals to resume their decline – our prediction is that the housing construction cycle will soon peak. **Dwelling investment is expected to be down in 2017 (revised down due to recent weak outcomes), before growing modestly in 2018 and turning negative in 2019 (0.7% and -0.9% respectively).**

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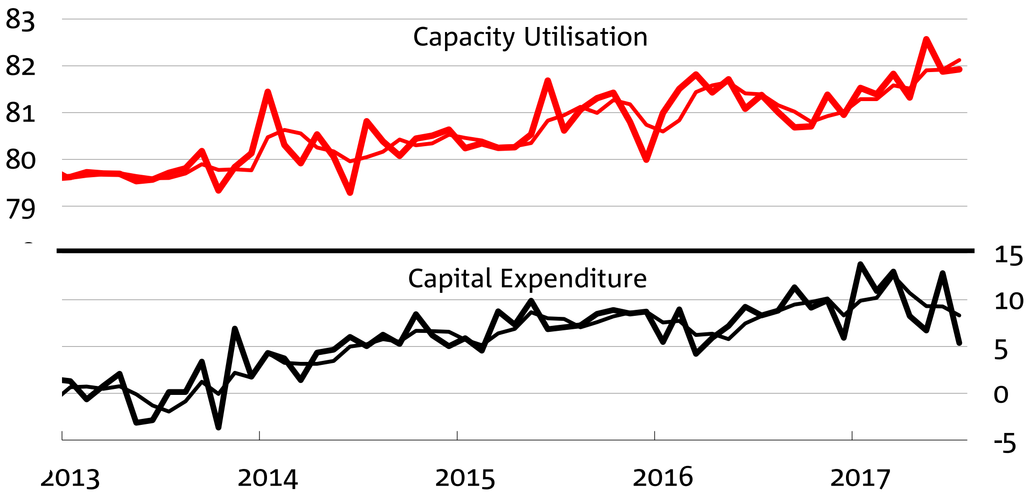
BUSINESS ACTIVITY, INVESTMENT AND CONSTRUCTION

Business sector remains upbeat, with positive spill-overs for the labour market

NAB MONTHLY SURVEY INVESTMENT INDICATORS*

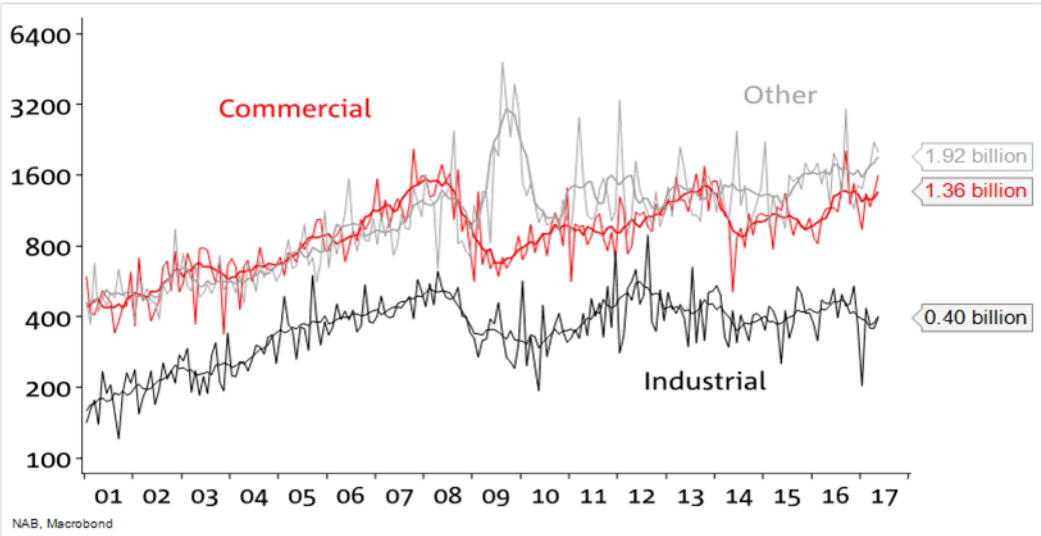
% of capacity; Net balance



* Light lines represent the 3mma

NON-RESIDENTIAL BUILDING APPROVALS

$ billions



- The July NAB Monthly Business Survey showed a continuation of the strong run enjoyed by the business sector. **Business conditions** rose to their highest level since early 2008, while confidence also strengthened. Despite that, **capacity utilisation** rates were unchanged, although at elevated levels, while the Survey's indicator of **capital expenditure**, dropped sharply.
- Very strong outcome for profitability and trading conditions indicate that demand conditions are actually quite good for Australian firms at present. That is clearly having some positive spill-overs for the rest of the economy – especially in terms of job creation. The erosion of spare capacity should also prompt business to undertake additional investment, but while firms in the NAB Survey are pointing to positive capex levels, the trend appears to have turned down recently – a concern given our expectation for further improvement in non-mining investment.
- Firms are continuing to report some difficulty obtaining credit, but despite that, business credit rebounded strongly in June, although it was only up by a fairly modest 4.4% y/y.
- Encouragingly, while the value of **non-residential building approvals** eased back in June (down 2.6%), strong growth in previous months means the trend was up in the month, up 12.7% y/y. Looking through the monthly volatility, much of the recent strength has been driven by office approvals, and retail/wholesale buildings. Meanwhile, the value of capital goods imports rose sharply in June (up 13.2%), to be 21.3% higher over the year, suggesting strong demand for machinery and equipment. The recent completion of LNG platforms may also boost capital imports in coming months.
- Data collected by the Federal Chamber of Automotive Industries showed a fourth record month of auto sales for 2017 in July, with business sector SUV sales up 15.2% y/y and fleet sales up 16.5%. The Light Commercial Market was up 0.8% y/y, while the Heavy Commercial Vehicle Market rose 14.5% y/y.
- Leads on the longer-term outlook for business investment are mixed. Expectations in the **NAB Quarterly Business Survey** for **capital expenditure in the next 12-months** have held up, but the outlook for non-mining investment in the ABS Private Capex remains stubbornly subdued – although to what degree depends on how the data are adjusted for prediction bias.
- Underlying business investment (around 12% of GDP) is forecast to fall in 2017 (-0.9%). In 2018 and 2019, business investment growth is forecast to improve to 3.6% and 4.8% respectively.

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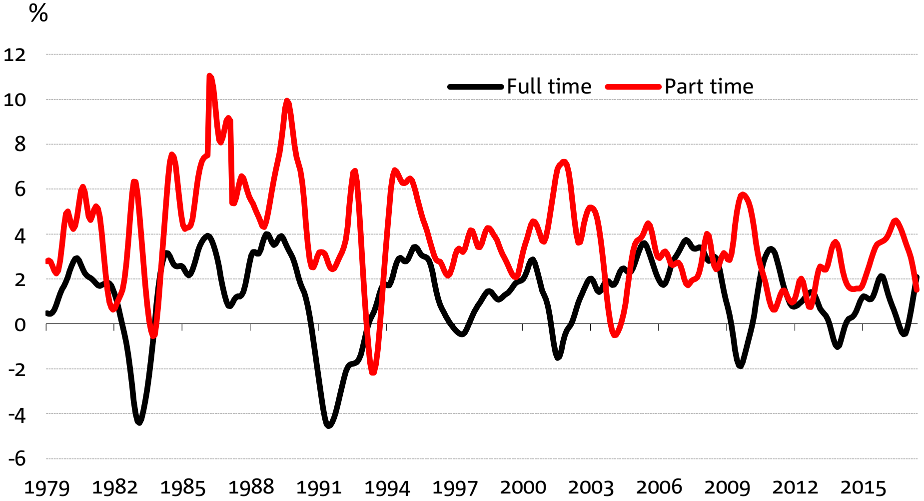
LABOUR MARKET AND WAGES

Further improvement in the labour market expected in 2017

FULL TIME EMPLOYMENT GROWTH CATCHING UP

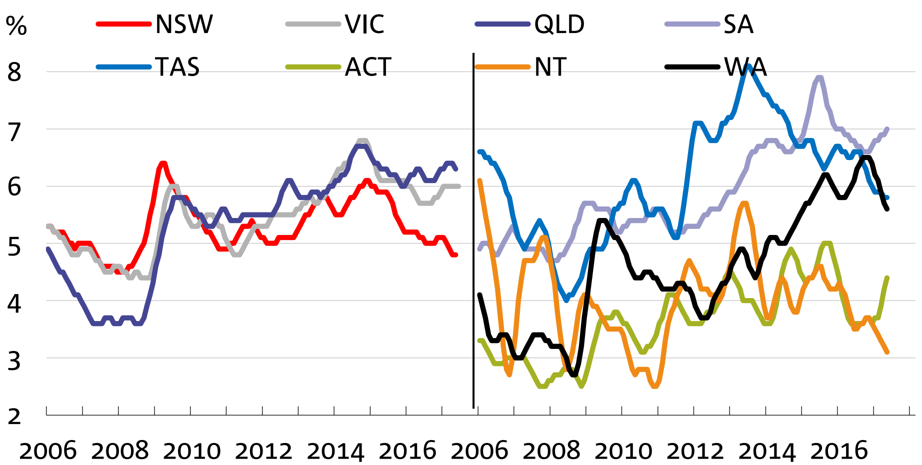
Employed persons, trend, % YoY



Source: ABS

UNEMPLOYMENT RATE FELL IN MOST STATES

Unemployment rate by state, trend



Source: ABS, NAB Economics

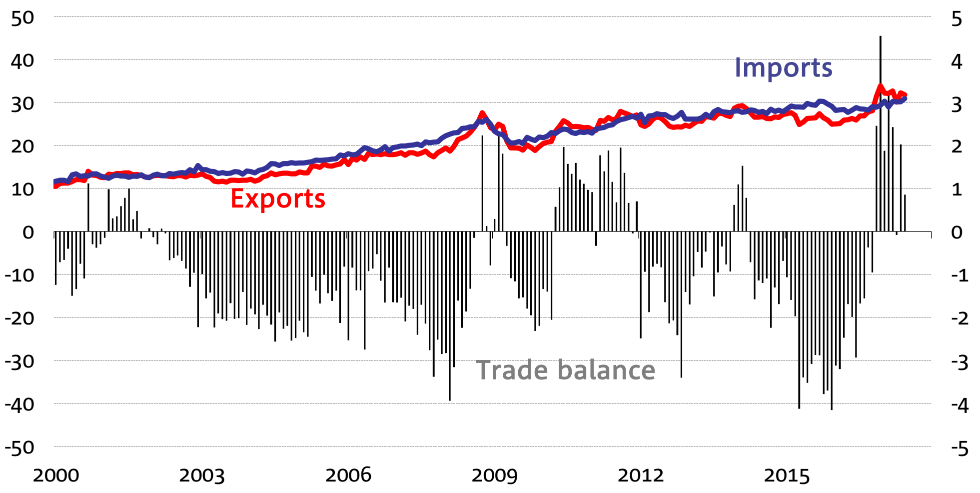
- We have revised our unemployment rate forecasts modestly lower, in light of strong official readings in recent months and consistent strength in leading indicators such as the employment component of the NAB Monthly Business Survey . We had previously forecast unemployment rate to decline to 5.7% by the end of the year, and it has now been revised down to 5.4%. Employment growth is however expected to slow into 2018 as the slowdown in economic activity (particularly construction) weighs on the labour market, with the unemployment rate moving broadly sideways, before improving a little by the end of 2019 as GDP growth picks up again.
- The June ABS employment report showed that employment rose by another 14K in June in seasonally adjusted terms, after three months of solid growth. The trend monthly employment gain was +26k, which saw trend unemployment rate decline to 5.6% from 5.7%.
- Leading indicators also point to continued improvement. The employment conditions index in the July NAB Monthly Business Survey remained steady at +7 index points, which is well above the long-run average. This tends to lead the official data by approximately six months and points to an annual job creation rate of around 240K (or about 20K per month), sufficient to see the unemployment rate push lower. The ABS job vacancies data and SEEK job ads for June also point to improved employment conditions.
- Employment growth is now more broad-based across the states, although NT employment has been on the decline. Victorian employment growth seems to have slowed down a bit from a high level, while improvements in SA and NSW employment growth are encouraging. Both QLD and WA seem to have put the worst of the mining job losses behind them too.
- Despite the decline in the unemployment rate and encouraging increases in full-time employment, underemployment remains prevalent in the Australian labour market. The rate of underemployment remains high at close to 9% (with total underutilisation at 14.4%).
- With this spare capacity in the labour market, wages growth remains subdued, although there will be some boost in coming quarters as the national minimum wage increase of 3.3% flows through – this is a larger increase than in previous years and will directly impact ¼ of employees (15% of the national wage) and indirectly support wages of another 1/5th of employees according to the RBA.

NET EXPORTS, COMMODITIES AND THE TERMS OF TRADE

Net exports might have made flat contribution to GDP growth in Q2

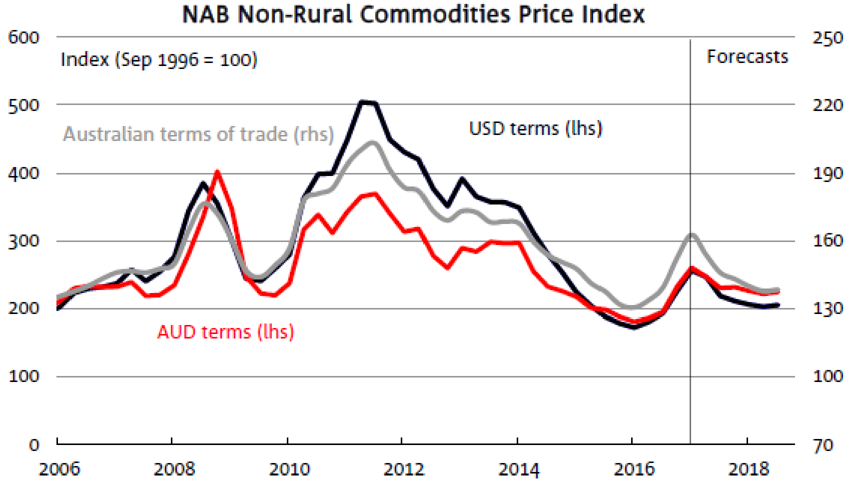
TRADE BALANCE

Monthly, values, $bn



COMMODITIES PRICES RETREATING

Index, September 1996 = 100



source: ABARES, ABS, Bloomberg, Thomson Datastream, NAB

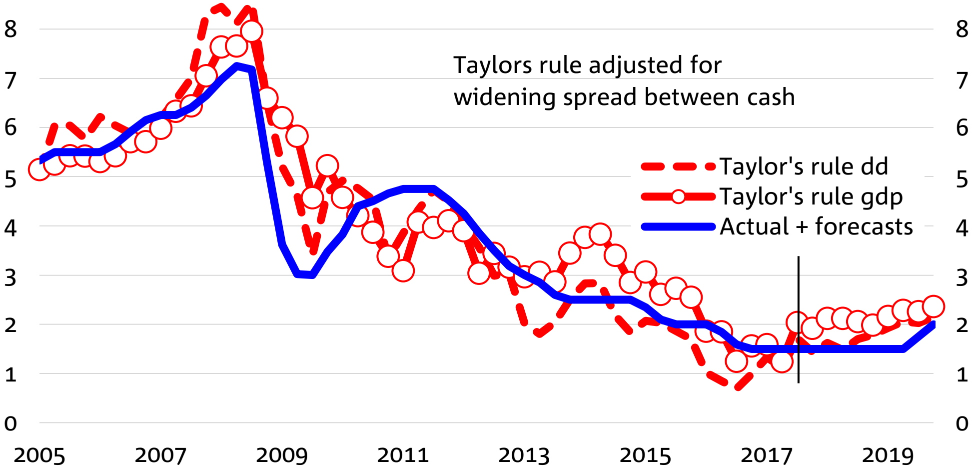
- With the trade numbers released up to June, we are now able to estimate quarterly trade volumes for Q2. It is estimated that net exports made a flat to small positive contribution to GDP growth in Q2. Exports volumes look to have increased by around 1.8% q/q while imports look to have risen 2.2%. Goods exports are estimated to have increased by 1.6% while goods imports look up 1.8%. Services exports and imports are both expected to have risen strongly in Q2. Net exports are expected to make a greater contribution to GDP growth in Q3 and Q4 on the back of increased LNG exports, before flattening off in 2018.
- The trade balance narrowed to $856 million in June, from $2.02 billion in May. Declines in iron ore and coal prices, and a surge in aircraft imports and telecommunications equipment contributed to the narrower surplus.
- The Wheatstone LNG project in WA is expected to start production in Q3, adding to exports growth. Offsetting that somewhat will be the imports of the huge Prelude floating LNG platform and the Ichthys platform, possibly in July. Since these large scale LNG projects are prone to production delays, there is some downside risk to our exports forecasts.
- NAB's non-rural commodity price index is expected to drop 3.9% q/q in Q3 2017 (in US dollar terms), reflecting a further pull-back in bulk commodity prices from their 2016 rally. Iron ore is making the largest contribution to the quarterly decline, despite recent improvements in spot prices, while the peak in steel production is expected to limit any upside going forward. In annual average terms, prices are forecast to rise by 22% in 2017, following very modest price declines on average in 2016. In light of these commodity price projections, NAB is forecasting the Australian terms of trade to decline in Q2 2017, following the sharp increase seen in Q1, and maintain a gradual decline thereafter. In annual average terms, the terms of trade are forecast to rise around 9% for 2017, but will be down 6% over the year for December 2017.
- The outlook for Australian agricultural commodities is highly dependent on the progress of the season (which has been very patchy so far this winter). This is particularly an issue for Western Australian, South Australian and New South Wales grain growers as well as Queensland graziers. Rainfall will be a major driver of grain yields and livestock slaughter (and therefore livestock prices) over the coming months. The latest Bureau of Meteorology 3-month outlook points to below average rainfall for much of the country, although most of Queensland and Tasmania are forecast to see closer to average conditions. The last few days have seen decent falls across parts of Australia, but follow-up rain is needed for decent yields in many areas.

MONETARY POLICY AND THE EXCHANGE RATE

RBA's neutral rate discussion has few implications near-term

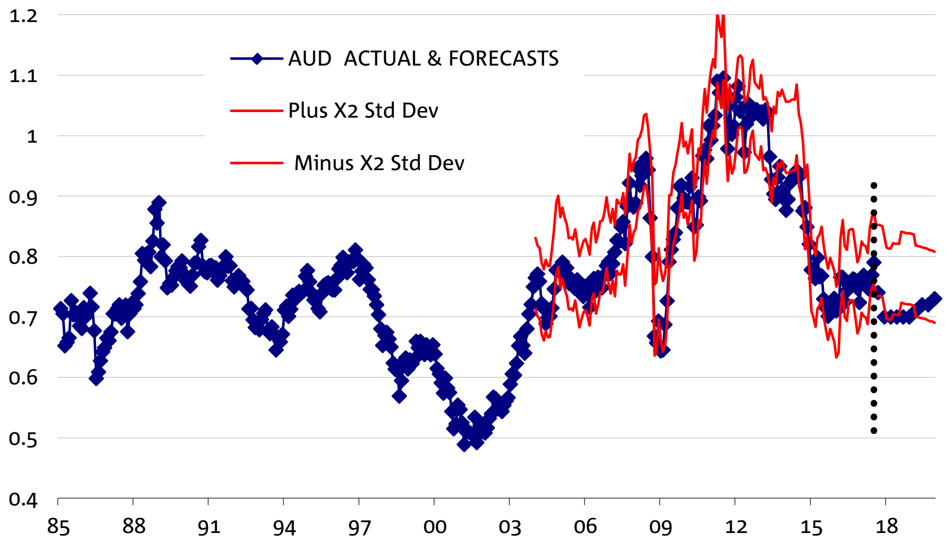
AUSTRALIAN CASH RATE AND TAYLOR RULE

% p.a.



AUD STILL EXPECTED TO LOSE SUPPORT LATER THIS YEAR

NAB's AUD/USD and commodity price forecasts



Sources: ABS, NAB, Datastream

- The RBA kept the cash rate unchanged at 1.5% for the 12th consecutive month in August. While this was not unexpected, discussion about Australia's current "neutral" cash rate (the point at which monetary policy is neither expansionary or contractionary via its impact on savings/investment decisions) in the July Board Minutes saw some wild movements in market pricing for hikes. The RBA's Deputy Governor Debelle and Governor Lowe subsequently hosed down the significance of the discussion for the near-term policy outlook in the following weeks, with markets now pricing one 25bp hike in a year's time.
- The RBA's estimate of the neutral rate (now ~1%p.a real, ~3.5%p.a. nominal) is a little higher than our own. In either case however, there is no urgency in returning to neutral, as the economy would ideally be running at above potential for a time in order to absorb current spare capacity. As the RBA has stated quite clearly, the RBA did not ease as far as other central banks, and there is no compulsion to hike in lockstep with others either.
- Such "neutral" rate estimates also assume that inflation will and can return to the middle of the 2-3% target, and hence a more traditional positive relationship between employment and wages. With the RBA itself pondering over whether the flattening of the Phillips Curve' (see page 2) is temporary or a more structural phenomenon, there remains significant downside risk to the RBA's forecasts for wages and inflation.
- We also expect the RBA's forecasts for growth to be somewhat disappointed. While the latest Statement on Monetary Policy foreshadows a slightly slower return to 3¼% growth (now not expected until 2018-19 due to unexpected AUD strength), our forecasts are much softer at around 2½% at this point. We do not anticipate any hikes until 2019, although there is some risk of an earlier hike if current strength in the labour market is sustained beyond 2017. That said, there is now little possibility of a cut, despite the higher AUD complicating the outlook. Some reacceleration of detached house prices, despite measures to cool investor and foreign demand, will not sit comfortably at the RBA.
- The AUD has continued to strengthen to just shy of US0.80 cents at the time of writing. This largely reflects surprising USD weakness (thanks to a "Trump discount factor" and lower rate expectations for the US Fed). However, we are yet to revise our forecasts for AUD depreciation into year-end to USD 0.70 owing to an expected USD revival (driven perhaps by a large policy "win", lower commodity prices and some reversal in the current very low risk aversion. The risk to our AUD forecasts however is clearly to the upside.

DETAILED ECONOMIC FORECASTS

Australian economic and financial forecasts (a)

	Fiscal Year				Calendar Year				
	2015-16 F	**2016-17 F**	**2017-18 F**	**2018-19 F**	**2015**	**2016**	**2017-F**	**2018-F**	**2019-F**
Private Consumption	2.9	2.5	2.8	2.1	2.7	2.6	2.8	2.3	2.2
Dwelling Investment	10.5	1.4	-0.1	-0.3	10.1	7.6	-2.0	0.7	-0.9
Underlying Business Investment	-12.2	-7.4	2.5	4.5	-9.9	-11.6	-0.9	3.6	4.8
Underlying Public Final Demand	4.0	3.8	2.6	3.1	2.6	4.6	2.7	2.7	3.7
Domestic Demand	**1.4**	**1.7**	**2.6**	**2.4**	**1.3**	**1.5**	**2.3**	**2.4**	**2.6**
Stocks (b)	-0.1	0.3	-0.1	0.0	0.0	0.1	0.1	-0.1	0.0
GNE	**1.4**	**1.9**	**2.5**	**2.4**	**1.3**	**1.6**	**2.4**	**2.3**	**2.6**
Exports	6.7	7.0	7.7	3.5	6.0	7.9	6.4	6.0	3.2
Imports	-0.3	4.7	5.6	3.8	2.0	0.2	6.9	4.3	3.8
GDP	**2.7**	**1.9**	**3.0**	**2.3**	**2.4**	**2.5**	**2.3**	**2.7**	**2.5**
Nominal GDP	2.4	5.7	3.5	3.8	1.8	3.6	5.8	2.9	4.4
Federal Budget Deficit: ($b)	-37	-34	-23	-22	NA	NA	NA	NA	NA
Current Account Deficit ($b)	74	26	56	73	77	45	36	67	79
(-%) of GDP	4.5	1.5	3.1	3.9	4.7	2.6	2.0	3.7	4.1
Employment	2.2	1.3	2.3	1.2	2.0	1.5	1.9	1.7	1.3
Terms of Trade	-10.1	14.1	-6.7	-3.3	-11.7	-0.3	9.0	-8.6	-1.8
Average Earnings (Nat. Accts. Basis)	0.9	0.3	2.0	2.1	0.5	0.8	1.0	2.2	2.1
End of Period									
Total CPI	1.0	2.2	2.9	2.5	1.7	1.5	2.8	2.4	2.4
Core CPI	1.6	1.8	2.0	2.3	2.0	1.6	1.8	2.2	2.3
Unemployment Rate	5.7	5.6	5.5	5.4	5.9	5.6	5.4	5.4	5.3
RBA Cash Rate	1.75	1.50	1.50	1.50	2.00	1.50	1.50	1.50	2.00
10 Year Govt. Bonds	1.98	2.60	3.05	2.90	2.88	2.77	2.85	2.90	3.00
$A/US cents :	0.74	0.77	0.70	0.71	0.73	0.72	0.70	0.70	0.73
$A - Trade Weighted Index	62.5	65.5	61.9	62.0	62.7	63.9	61.6	61.9	62.4

(a) Percentage changes represent average annual growth, except for cash and unemployment rates. The latter are end June. Percentage changes for CPI represent through the year inflation.

(b) Contribution to GDP growth

COMMODITY PRICE FORECASTS

		Spot	Actual	*Forecasts*						
	Unit	07/08/2017	Jun-17	*Sep-17*	*Dec-17*	*Mar-18*	*Jun-18*	*Sep-18*	*Dec-18*	*Mar-19*
WTI oil	US$/bbl	49	49	50	51	52	54	56	58	60
Brent oil	US$/bbl	52	52	52	53	54	56	58	60	62
Tapis oil	US$/bbl	54	52	53	54	55	57	59	61	63
Gold	US$/ounce	1259	1260	1240	1240	1260	1270	1290	1290	1300
Iron ore (spot)	US$/tonne	n.a.	64	62	60	58	60	62	60	60
Hard coking coal*	US$/tonne	n.a.	195	160	140	120	110	105	100	101
Semi-soft coal*	US$/tonne	n.a.	142	114	101	87	79	76	72	73
Thermal coal*	US$/tonne	85	85	85	85	85	65	65	65	65
Aluminium	US$/tonne	1946	1910	1920	1930	1910	1890	1890	1890	1890
Copper	US$/tonne	6384	5670	6150	6180	6120	6060	6060	6060	6060
Lead	US$/tonne	2340	2160	2300	2310	2310	2310	2310	2310	2310
Nickel	US$/tonne	10361	9240	10070	10120	9920	9720	9720	9720	9720
Zinc	US$/tonne	2848	2590	2800	2820	2830	2840	2860	2870	2870
Aus LNG**	AU$/GJ	n.a.	7.66	7.29	7.77	7.90	8.03	8.28	8.54	8.80

* Data reflect NAB estimates of US$/ tonne FOB quarterly contract prices (thermal coal is JFY contract). Actual data represent most recent final quarterly contract price.
** Implied Australian LNG export prices

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