



Australian Markets Weekly

A weekly outlook for Australia, key global economies and markets

21 December 2015

Slower population growth halted for now

As the last *Weekly* for the year, we would like to offer our best wishes to our readers for the festive season. We have also enclosed with this *Weekly* an extended calendar through to the first week of January. We will recommence publication of the Australian Markets Weekly on Monday 11 January.

We draw attention in this *Weekly* to the importance of growth in the population to the economy and how population growth has slowed in recent years. We also observe that this slowing in population growth halted in the June quarter, though it is not yet clear whether this is a temporary halt to the slowing trend or heralds the prospect of a stabilisation in population growth or a gradual turnaround in population growth.

With the Fed having increased rates for the first time in 9½ years last week, the market will be paying close attention to the US data flow in the weeks and months ahead, to gauge when the Fed might next move. The next FOMC meeting is January 29 and the market is not pricing in a material prospect of another hike at that meeting. That seems logical given the Fed's stated "gradual" strategy for rate moves.

The next hike is not priced until mid-2016, by which time the FOMC will have met in January, on 16 March, 27 April, and 15 June. The market as of today has only priced two rate hikes by the end of 2016, less than the FOMC's central tendency forecast published in last week's official forecasts, which see a fed funds rate at the end of 2016 of 1.4% (ie four rate hikes) and compares to NAB's expectation of three rate hikes for 2016. The timing and extent of Fed moves will of course be data dependent. NAB expects the next rate increase in March, with further moves in July and October.

It was a little surprising to see the AUD steadier on Friday night in what was a "risk-off" session with higher market volatility, a factor that is usually fundamentally negative for the Aussie. A bounce in commodity prices – including iron ore, but not oil – and a generally softer US dollar both offered support, though for the week as a whole, the AUD ended lower against most currencies. NAB continues to expect the AUD to trade toward US\$0.68 in H1 2016.

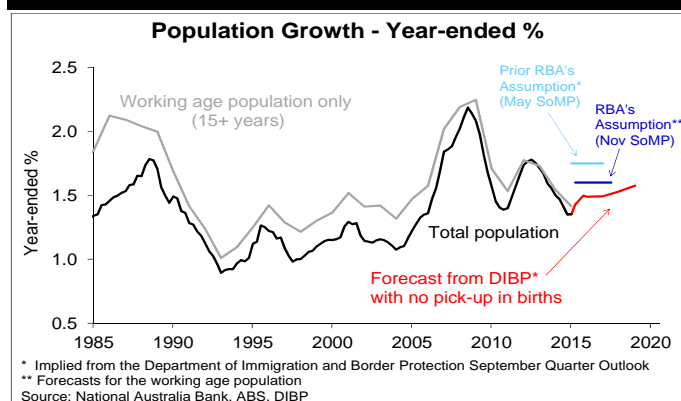
In this context, we note that FX market positioning data as reflected in IMM/CFTC data released Friday (for the week ended Tuesday 15 December – 24 hours before the Fed announcement) shows overall net US dollar long positioning having been scaled back significantly after only a small reduction in the prior (ECB) week. On the other side of the ledger, short positions in the JPY, AUD and CHF were pared back, with short positioning in the AUD for example cut to 10.5K contracts from 33.6K the previous week, back much closer to a net square position.

As we move into holiday season, the scheduled Australian data and event flow is now much lighter. There are some important data this week but not locally, the next market sensitive Australian data RBA credit due next week, followed in the first week of the New Year by the release of building approvals, trade and retail sales reports.

The US data flow this week is also light in the first part of the week with the key US personal spending/PCE deflators report and durable goods orders likely the pick for this week, but not out until Wednesday.

In this final *Weekly* for 2015, we tease out some implications of the slower population growth that's been evident in recent times. Population growth however showed no further slowing in June 2015, the latest available quarterly population data.

Chart 1: Population growth at 1.35% equal lowest since 2006



Factors affecting population growth

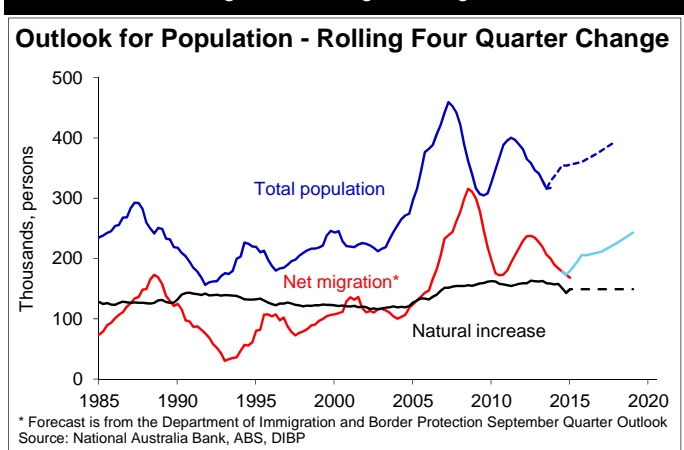
Australia's population growth has slowed in recent years, growing according to the last week's June quarter 2015 Demographic Statistics by 1.35% y/y, well down from higher rates of population growth during the mining investment boom (eg 1.8% through 2012 (Chart 1)), but still a relatively elevated rate of growth compared to most advanced nations and the longer-term rates of growth. There was a hint of stabilisation in the June quarter, which recorded the same annual growth as in the year to March.

Key markets over the past week

	Last	% chg week		Last	bp / % chg week
AUD	0.7170	-1.0	RBA cash	2.00	0
AUD/CNY	4.65	-0.2	3y sw ap	2.24	-5
AUD/JPY	87.0	-0.4	ASX 200	5,103	3.5
AUD/EUR	0.660	0.2	Iron ore	40.1	4.7
AUD/NZD	1.065	-0.5	WTI oil	34.5	-5.0

Source: Bloomberg

Chart 2: Lower immigration driving slower growth

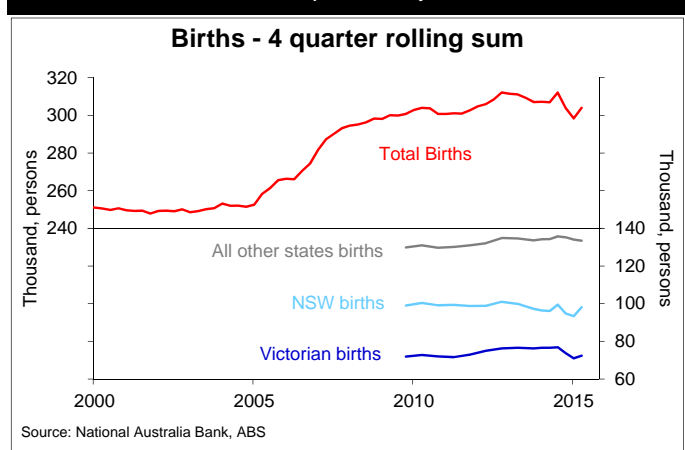


The big swing factor driving slower population growth has been the reduction in net immigration that continued through to mid-year. A net 168K persons (permanent/long-term arrivals less departures) came to Australia in the year to June, down from the 237k net arrivals in 2012 when the mining investment boom was in full flight (Chart 2). While population growth forecasts have already been scaled back this year, this latest demography report already opens the possibility that the RBA's November Statement on Monetary Policy assumptions of 1.6% growth in the working age population for 2016 and 2017 is looking a little optimistic¹. Incorporating the Department of Immigration and Border Protection's (DIBP) recently-released forecasts of net migration, together with an assumption of little change in the rate of natural population increase, suggests population growth will grow between 1.3% to 1.5% through to 2020.

Also contributing to the decline in population recently – until the June quarter – was a decrease in the rate of natural population increase (births less deaths). The number of births has been declining recently (Chart 3), though they did rise in June. To the extent that economic factors play a role, the overall decline in births in recent years likely reflected slower economic growth, some deterioration in housing affordability and constrained income growth.

With economic activity and employment conditions now picking up in the eastern states through last year, it will be interesting to gauge whether this stabilisation in the economy will also come with any increase in the birth rate over the next year or two.

Chart 3: Births have ticked up driven by NSW but trend is down



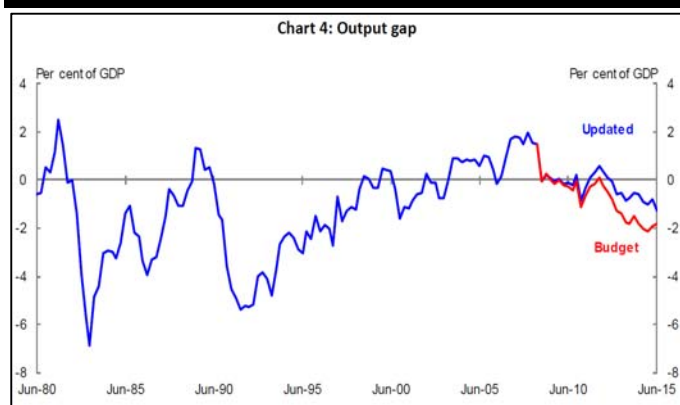
Implications of slowing population growth

A slowing in population has several implications:

- Slower population growth (if sustained) lowers potential economic growth over time. This flows from the fact that GDP growth is equivalent to growth in the labour supply and the hard to measure productivity growth. Reflecting slower population growth, the RBA and Treasury recently downgraded their estimates of potential growth to around 2.75% - down from the 3-3.25% previously assumed (for details see [Treasury's impact of population and labour force revisions](#)). Current official assessments of potential growth have working age population growing at 1.5% for Treasury and 1.6% for the RBA. As we noted above, working age population growth in Q2 was 1.4%. It is therefore conceivable that potential growth may be revised even lower.
- A slower rate of working-age population growth also means that the economy's actual growth rate is growing closer to its potential. This has been evident in both the RBA's Statement on Monetary Policy (SoMP) and the Federal Budget where the forecasts for the unemployment rate and the output gap have both been lowered this year. Treasury recently published its estimates of the output gap, the difference between actual and potential output, with the estimates now at around 1% of GDP, compared to almost 2% estimated seven months earlier in the May Budget. Less spare capacity means less need for further stimulus, either fiscal or monetary, to close a now lower output gap and also a lower than previously forecast unemployment rate.

¹ The working-age population has been increasing at a somewhat faster rate than the total population owing to some rise in workforce participation, the working age population rising 1.42% the year to June ahead of the 1.35% increase in the population.

Chart 4: Official estimates of the output gap have been halved



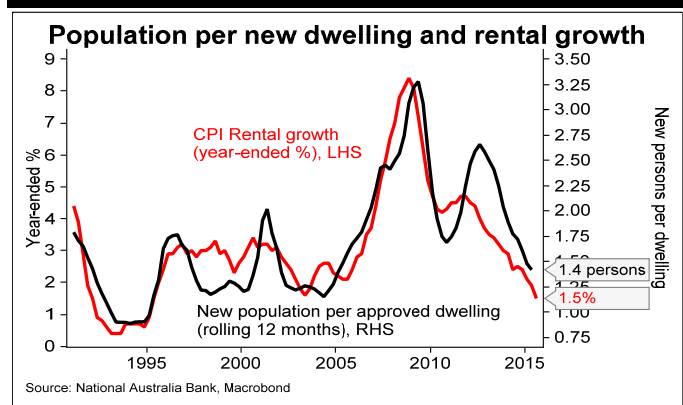
Source: The Federal Treasury

- With population growth lower, monthly employment growth also does not need to be as strong each month to keep a lid on the unemployment rate. NAB estimates that only 14-15K jobs a month are needed to keep the unemployment rate from rising, down from the 15-18K previously and well below the official current 25K monthly trend rise. The unemployment rate is already surprising on the low side of the RBA's November forecasts, in which the Bank anticipated a stable unemployment rate around 6.00-6.25% and no decline in unemployment before end 2016.
- Lastly, slower population growth will also translate to slower future growth in underlying demand for dwellings and lower growth in some other elements of domestic demand such as consumption and non-mining business investment. Currently dwelling supply is rising, while population growth is slowing, which is acting to put downward pressure on rents (Chart 5). With rents comprising 6.7% of the CPI basket, this is also contributing to subdued non-tradeables inflation.

Implications for the States

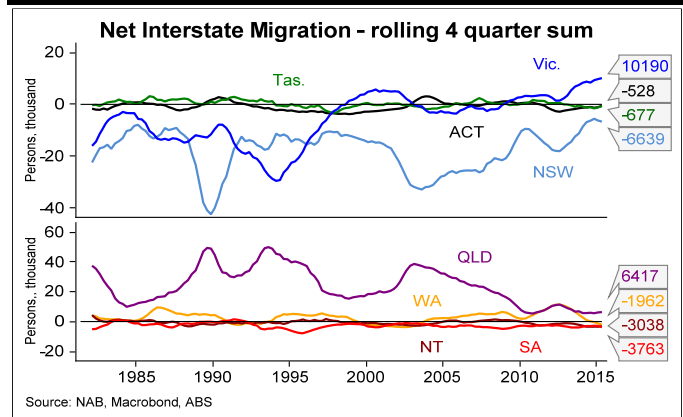
- With the downturn in resource-related job opportunities in the West and other mining regions, there has been a net exodus of people to the east. A net 2,000 people moved from WA to other states in the year to June 2015, a turnaround from the net 10,800 arrivals in 2012, a turnaround that has also come with the pull-back in fly-in/fly-out resource industry workforce.
- With growth rotating to the eastern states, Victoria has seen interstate immigration rise to 10,200 net arrivals in the year to June 2015, up from just 2,300 in 2012. In NSW, net outflows were negligible having recently peaked in 2012 when job opportunities in the mining states were abundant (Chart 6). The movement of people is also helping to re-balance State/Territory labour markets, a point also noted by the RBA: "people leaving the mining sector hav[ing] skills that have made it possible for them to find jobs in the construction industry" and acting to contain wage pressures in the construction industry (see [RBA speech](#)).

Chart 5: Slower population growth will weigh on rents



Source: National Australia Bank, Macrobond

Chart 6: People leaving mining states to NSW and Victoria



Source: NAB, Macrobond, ABS

Of course, currently slower rates of population growth may or may not continue over the period ahead. Better-than-expected rates of economic and jobs growth in Australia could conceivably encourage more residents to not move overseas – to the extent that such factors play a part in the decision to move – and at the same time encourage more international arrivals to seek job and business opportunities in Australia. This is in addition to the discretion that the government of the day has to either boost or restrict rates of migration flows. Variable economic circumstances at home can also influence the net birth rate of the population.

For now, population growth has slowed moderately (particularly in the mining regions of WA, the NT and Queensland), providing some likely slowdown in the rate of the potential growth of the economy. Net interstate migration flows towards the Eastern states are also helping to rebalance labour markets across the country.

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Calendar of Economic Releases (two weeks commencing 21 December)

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEDT
Monday, 21 December 2015								
NZ	WMM Consumer Confidence (release pending)	Q4				106.0		
NZ	Net Migration SA	Nov				6210	21.45	8.45
UK	CBI Reported Sales	Dec		21		7	11.00	22.00
NZ	Credit Card Spending MoM	Nov				1.5/7.8	2.00	13.00
JN	All Industry Activity Index MoM	Oct		0.9		-0.2	4.30	15.30
JN	Cabinet Office Monthly Economic Report for December						7.00	18.00
Tuesday, 22 December 2015								
US	Chicago Fed Nat Activity Index	Nov				-0.04	13.30	0.30
CA	Bloomberg Nanos Confidence	Dec 18				55.3	15.00	2.00
EC	Consumer Confidence	Dec A		-5.9		-5.9	15.00	2.00
NZ	Westpac Consumer Confidence	4Q				106	0.00	11.00
UK	GfK Consumer Confidence	Dec		1		1	0.50	11.50
CH	Conference Board China November Leading Economic Index						2.00	13.00
JN	Small Business Confidence	Dec		49		49.9	5.00	16.00
GE	GfK Consumer Confidence	Jan		9.3		9.3	7.00	18.00
UK	Public Finances (PSNCR)	Nov				-4	9.30	20.30
UK	Central Government NCR	Nov				-0.1	9.30	20.30
UK	Public Sector Net Borrowing	Nov		11.75		7.5	9.30	20.30
UK	PSNB ex Banking Groups	Nov		12		8.2	9.30	20.30
US	GDP Annualized QoQ	3Q T		1.9/2.9		2.1/3	13.30	0.30
US	FHFA House Price Index MoM	Oct		0.4		0.8	14.00	1.00
US	Existing Home Sales	Nov		5.34/-0.19		5.36/-3.4	15.00	2.00
US	Richmond Fed Manufact. Index	Dec		-1		-3	15.00	2.00
Wednesday, 23 December 2015								
NZ	Trade Balance	Nov	-640	-809.5		-963	21.45	8.45
NZ	Credit, Household YoY	Nov				7.2	2.00	13.00
UK	GDP QoQ/YoY	3Q F		0.5/2.3		0.5/2.3	9.30	20.30
UK	Current Account Balance	3Q		-21.9		-16.8	9.30	20.30
US	Personal Spending	Nov		0.3		0.1	13.30	0.30
US	PCE deflator MOM/YoY	Nov		0/0.4		0.1/0.2	13.30	0.30
US	PCE core deflator MOM/YoY	Nov		0.1/1.3		0/1.300004	13.30	0.30
CA	GDP MoM/YoY	Oct				-0.5	13.30	0.30
CA	Retail Sales MoM	Oct				-0.5	13.30	0.30
US	Durable Goods Orders	Nov P		-0.2		2.9	13.30	0.30
US	New Home Sales, #/MoM	Nov		505/2		495/10.7	15.00	2.00
US	U. of Mich. Sentiment	Dec F		92		91.8	15.00	2.00
Thursday, 24 December 2015								
AU	Conf. Board Leading Index MoM	Oct					23.00	10.00
US	Initial Jobless Claims	Dec 12		275		271	13.30	0.30
Friday, 25 December 2015								
Christmas Day								
JN	Jobless Rate	Nov		3.2		3.1	23.30	10.30
JN	Overall Household Spending YoY	Nov		-2.2		-2.4	23.30	10.30
JN	Natl CPI YoY	Nov		0.3		0.3	23.30	10.30
JN	PPI Services YoY	Nov		0.4		0.5	23.50	10.50
CH	Industrial Profits YoY	Nov				-4.6	1.30	12.30
JN	Leading Index CI	Oct F				102.9	5.00	16.00
Monday, 28 December 2015								
Boxing Day holiday observed (Aust, NZ)								
JN	Industrial production MoM/YoY	Nov P		/		1.4/-1.4	23.50	10.50
JN	Retail Sales MoM	Nov				1.1	23.50	10.50
CH	Leading Index	Nov				98.36	2.00	13.00
US	Dallas Fed Manf. Activity	Dec		-8		-4.9	15.30	2.30
Tuesday, 29 December 2015								
US	Advance Goods Trade Balance	Nov		-61.5		-58.411	13.30	0.30
US	S&P/CS 20 City MoM/YoY	Oct		/		0.61/5.45	14.00	1.00
CA	Bloomberg Nanos Confidence	Dec 18				55.3	15.00	2.00
US	Consumer Confidence Index	Dec		93		90.4	15.00	2.00
Wednesday, 30 December 2015								
AU	NAB Consumer Behaviour Survey (new)	Q4					0.30	11.30
EC	M3 Money Supply YoY	Nov		5.1		5.3	9.00	20.00
US	Pending Home Sales MoM/YoY	Nov		0.3/		0.2/2.1	15.00	2.00
Thursday, 31 December 2015								
AU	Private Sector Credit MoM/YoY	Nov	0.7/6.9	0.6/6.8		0.7/6.7	0.30	11.30
CH	Swift Global Payments CNY	Nov				1.92%	1.00	12.00
US	Initial Jobless Claims	Dec 12		275		271	13.30	0.30
US	ISM Milwaukee	Dec				45.34	14.00	1.00
US	Chicago Purchasing Manager	Dec		50.3		48.7	14.45	1.45
Upcoming Central Bank Interest Rate Announcements								
UK BOE		14-Jan				0.50%		
Canada, BoC		20-Jan				0.50%		
Europe ECB		21-Jan				0.05%		
US Federal Reserve		27-Jan	0.25-0.50%			0.25-0.50%		
New Zealand, RBNZ		28-Jan	2.50%	2.50%		2.50%		
Japan, BoJ		29-Jan	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
Australia, RBA		2-Feb	2.00%	2.00%		2.00%		

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

Key Data Releases (week beginning 4 January)

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEDT
Monday, 4 January 2016								
AU	AiG Perf of Mfg Index	Dec				52.5	22.30	9.30
AU	CoreLogic RP Data House Px MoM	Dec				-1.5	23.00	10.00
CH	Manufacturing PMI	Dec				49.6	1.00	12.00
CH	Non-manufacturing PMI	Dec				53.6	1.00	12.00
JN	Nikkei Japan PMI Mfg	Dec F				52.5	1.35	12.35
AU	Commodity Index AUD/YoY	Dec				75.6/-22	5.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Dec F				53	8.55	19.55
EC	Markit Eurozone Manufacturing PMI	Dec F				53.1	9.00	20.00
UK	Mortgage Approvals	Nov				69.6	9.30	20.30
UK	Markit UK PMI Manufacturing SA	Dec				52.7	9.30	20.30
GE	CPI MoM/YoY	Dec P		/		0.1/0.4	13.00	0.00
US	Markit US Manufacturing PMI	Dec F				51.3	14.45	1.45
CA	Bloomberg Nanos Confidence	Dec 18				55.3	15.00	2.00
US	Construction Spending MoM	Nov		0.5		1	15.00	2.00
US	ISM Manufacturing	Dec		49.5		48.6	15.00	2.00
Tuesday, 5 January 2016								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jan 3				115.4	22.30	9.30
GE	Unemployment Change (000's)/Rate	Dec		/		-13/6.3	8.55	19.55
UK	Markit/CIPS UK Construction PMI	Dec				55.3	9.30	20.30
EC	CPI/Core CPI YoY	Dec		/		0.1/0.9	10.00	21.00
CA	Industrial Product Price MoM	Nov				-0.5	13.30	0.30
CA	Raw Materials Price Index MoM	Nov				0.4	13.30	0.30
US	ISM New York	Dec				60.7	14.45	1.45
NZ	Dairy Auction, early AM NZT					1.9%		
Wednesday, 6 January 2016								
US	Wards Total Vehicle Sales	Dec				18.12	20.00	7.00
AU	AiG Perf of Services Index	Dec				48.2	22.30	9.30
CH	Westpac-MNI Consumer Sentiment	Dec				113.1	1.45	12.45
GE	Markit Germany Services PMI	Dec F				55.4	8.55	19.55
EC	Markit Eurozone Services PMI	Dec F				53.9	9.00	20.00
UK	Markit/CIPS UK Services PMI	Dec				55.9	9.30	20.30
US	ADP Employment Change	Dec		190		217	13.15	0.15
US	Durable Goods Orders	Nov P		-0.2		2.9	13.30	0.30
US	Trade Balance	Nov		-44		-43.89	13.30	0.30
CA	Int'l Merchandise Trade	Nov				-2.76	13.30	0.30
US	Markit US Services PMI	Dec P		55.9		56.1	14.45	1.45
US	ISM Non-Manf. Composite	Dec		56		55.9	15.00	2.00
US	Factory Orders	Nov				1.5	15.00	2.00
US	U.S. Fed Releases Minutes from Dec. 15-16 FOMC Meeting						19.00	6.00
Thursday, 7 January 2016								
AU	Trade Balance	Nov	-3000	-2970		-3305	0.30	11.30
AU	Building Approvals MoM/YoY	Nov	-1.7	-3/3.9		3.9/12.3	0.30	11.30
AU	NAB Online Retail Sales Index MoM/YoY	Nov				-0.6%/5.8%	0.30	11.30
GE	Factory Orders MoM/YoY	Nov		/		1.8/-1.4	7.00	18.00
CH	Foreign Reserves	Dec				3438.28	8.00	19.00
GE	Markit Germany Construction PMI	Dec				52.5	8.30	19.30
EC	Business Climate Indicator	Dec				0.36	10.00	21.00
EC	Unemployment Rate	Nov				10.7	10.00	21.00
EC	Retail Sales MoM/YoY	Nov		/		-0.1/2.5	10.00	21.00
US	Challenger Job Cuts YoY	Dec				-13.9	12.30	23.30
US	Initial Jobless Claims	Dec 12		275		271	13.30	0.30
US	Bloomberg Consumer Comfort	Dec 13				40.1	14.45	1.45
Friday, 8 January 2016								
AU	AiG Perf of Construction Index	Dec				50.7	22.30	9.30
AU	Retail Sales MoM	Nov	0.7	0.4		0.5	0.30	11.30
JN	Labor Cash Earnings YoY	Nov				0.7	1.30	12.30
JN	Leading Index CI	Oct F				102.9	5.00	16.00
AU	Foreign Reserves	Dec				68.208	5.30	16.30
GE	Industrial Production MoM/YoY	Nov		/		0.2/0	7.00	18.00
UK	Trade Balance	Nov				-4140	9.30	20.30
US	Change in Nonfarm Payrolls/Unemployment	Dec		200/5		211/5	13.30	0.30
CA	Employment/Unemployment	Dec		/		-35.7/7.1	13.30	0.30
CA	Building Permits MoM	Nov				9.1	13.30	0.30
US	Wholesale Trade Sales MoM	Nov				0	15.00	2.00
US	JOLTS Job Openings	Nov				5383	15.00	2.00
US	Consumer Credit	Nov				15.982	20.00	7.00
Upcoming Central Bank Interest Rate Announcements								
UK BOE		14-Jan				0.50%		
Canada, BoC		20-Jan				0.50%		
Europe ECB		21-Jan				0.05%		
US Federal Reserve		27-Jan	0.25-0.50%			0.25-0.50%		
New Zealand, RBNZ		28-Jan	2.50%	2.50%		2.50%		
Japan, BoJ		29-Jan	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
Australia, RBA		2-Feb	2.00%	2.00%		2.00%		

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Forecasts

Economic Forecasts

	Annual % change			Quarterly % change											
	2014	2015	2016	2014			2015			2016					
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Australia Forecasts															
Household Consumption	2.7	2.6	2.9	0.5	0.7	0.6	0.8	0.5	0.6	0.7	0.7	0.7	0.7	0.6	0.7
Underlying Business Investment	-5.0	-10.4	-8.3	-1.8	-2.7	0.1	-1.5	-4.3	-2.0	-5.5	-1.6	-2.1	-1.2	-1.3	-1.2
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	8.4	3.3	-0.4	2.6	1.5	3.7	-3.3	4.6	2.0	2.0	2.0	2.3	2.4
Imports	-1.6	1.0	1.1	-2.5	3.1	-1.0	-1.7	3.0	0.1	-2.4	0.9	0.3	0.9	0.8	0.7
Net Exports (a)	1.7	1.2	1.6	1.2	-0.7	0.8	0.7	0.2	-0.8	1.5	0.3	0.4	0.3	0.4	0.4
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	0.9	0.2	0.4	0.4	0.4
Dom Demand - ann %	1.1	0.9	1.4	1.8	1.4	0.5	0.6	0.5	1.1	0.8	1.2	1.1	1.0	1.9	1.4
Real GDP - qtr %				0.9	0.5	0.4	0.4	0.9	0.3	0.9	0.7	0.6	0.6	0.7	0.7
Real GDP - ann %	2.6	2.4	2.7	3.0	2.7	2.5	2.2	2.1	1.9	2.5	2.8	2.5	2.9	2.6	2.7
CPI headline - qtr %				0.6	0.5	0.5	0.2	0.2	0.7	0.5	0.9	0.8	0.7	0.8	0.9
CPI headline - ann %	2.5	1.6	3.0	2.9	3.0	2.3	1.7	1.3	1.5	1.5	2.2	2.8	2.9	3.2	3.1
CPI underlying - qtr %				0.6	0.6	0.4	0.6	0.7	0.5	0.3	0.7	0.7	0.7	0.7	0.6
CPI underlying - ann %	2.5	2.3	2.6	2.7	2.7	2.5	2.3	2.4	2.3	2.2	2.3	2.3	2.5	2.9	2.8
Wages (Pvte WPI -ann %)	2.5	2.2	2.2	2.5	2.4	2.5	2.5	2.3	2.2	2.1	2.1	2.3	2.2	2.1	2.1
Unemployment Rate (%)	6.0	6.1	6.1	5.8	6.0	6.2	6.2	6.2	5.9	6.2	6.0	6.2	5.9	6.2	6.0
Terms of trade	-7.4	-11.7	-11.3	-1.7	-4.5	-3.3	-1.5	-2.8	-4.3	-2.3	-4.9	-5.1	-0.7	-0.4	-0.6
G&S trade balance, \$Abn	-9.4	-34.0	-52.9	2.2	-4.5	-4.3	-2.8	-4.7	-10.9	-7.4	-10.9	-13.9	-13.8	-13.0	-12.2
% of GDP	-0.6	-2.1	-3.2	0.5	-1.1	-1.1	-0.7	-1.2	-2.7	-1.8	-2.7	-3.4	-3.3	-3.1	-2.9
Current Account (% GDP)	-3.0	-4.5	-5.8	-2.4	-3.5	-3.3	-2.9	-3.3	-5.1	-4.4	-5.3	-6.0	-6.0	-5.7	-5.5

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

Exchange Rate Forecasts

	21-Dec	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Majors						
AUD/USD	0.7161	0.68	0.69	0.70	0.70	0.71
NZD/USD	0.6738	0.61	0.61	0.61	0.60	0.60
USD/JPY	121.20	122	123	124	125	127
EUR/USD	1.0867	1.05	1.05	1.06	1.07	1.07
GBP/USD	1.4914	1.51	1.48	1.45	1.44	1.43
USD/CNY	6.4801	6.50	6.60	6.65	6.70	6.72
USD/CAD	1.3938	1.47	1.47	1.46	1.46	1.44

Australian Cross Rates

	21-Dec	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
AUD/JPY	86.8	83	85	87	88	90
AUD/EUR	0.6590	0.65	0.66	0.66	0.65	0.66
AUD/GBP	0.4802	0.45	0.47	0.48	0.49	0.50
AUD/NZD	1.0628	1.12	1.14	1.16	1.17	1.18
AUD/CNY	4.6404	4.42	4.55	4.66	4.69	4.77
AUD/CAD	0.9981	1.00	1.01	1.02	1.02	1.02
AUD/CHF	0.7103	0.66	0.69	0.71	0.74	0.76

Interest Rate Forecasts

	21-Dec	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	2.36	2.25	2.25	2.25	2.25	2.50
3 Year Swap Rate	2.22	2.2	2.3	2.4	2.6	3.0
10 Year Swap Rate	2.98	3.2	3.4	3.4	3.4	3.8
Offshore Policy Rates						
US Fed funds	0.50	0.75	1.00	1.25	1.25	1.50
ECB refi rate	0.05	0.05	0.05	0.05	0.05	0.05
BoE repo rate	0.50	0.50	0.50	0.75	0.75	1.00
BoJ overnight call rate	0.08	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	0.0
10 Year Benchmark Bond Yields						
Australia	2.76	3.1	3.3	3.3	3.4	3.6
United States	2.21	2.5	2.8	2.8	2.8	3.0
Europe/Germany	0.55	0.9	1.0	1.2	1.2	0.0
UK	1.83	2.2	2.3	2.4	2.4	2.8
New Zealand	3.52	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 Avg
Australia	2.0	2.6	2.4	2.7	3.0	3.4
US	1.5	2.4	2.5	2.4	2.3	2.6
Eurozone	-0.2	0.9	1.4	1.7	1.9	1.5
UK	2.2	2.9	2.4	2.3	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	3.0	3.2	3.3	3.5

Commodity prices (\$US)

	21-Dec	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
WTI oil	34.48	46	49	52	55	58
Gold	1065	1030	1010	980	960	930
Iron ore	40	42	44	42	41	40
Hard cok. coal	89	82	84	85	83	85
Thermal coal	52	68	62	62	62	62
Copper	4690	4670	4690	4700	4720	4770
Japan LNG	9.4	10.1	10.6	11.0	11.4	11.2

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