EMBARGOED UNTIL: 11.30AM WEDNESDAY 15 FEBRUARY 2017

# THE FORWARD VIEW - AUSTRALIA

## FEBRUARY 2017

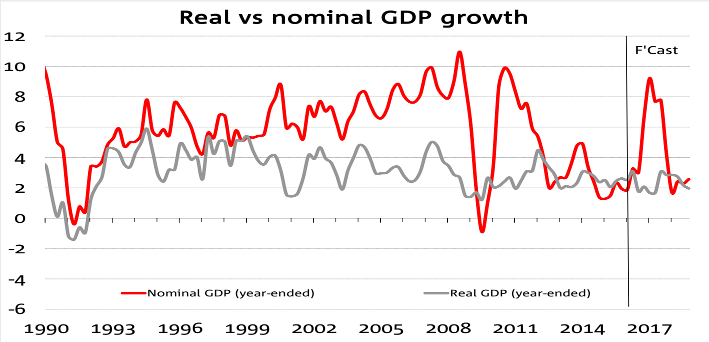
## *Stronger near-term momentum will keep RBA on hold, but 2018 still a worry*

- **Economic activity is likely to be solid as we enter 2017.** Real GDP in Q4 2016 is likely to print at a strong 0.9%q/q, following the 0.5% q/q contraction in the Q3. Meanwhile, business conditions have turned up in December and January, suggesting the soft patch through much of H2 2016 was a 'mid-cycle' loss of momentum as we had suspected. Through the remainder of 2017, quarterly growth outcomes are likely to be solid, with the drag from mining investment reducing, LNG exports adding strongly to growth and the global backdrop somewhat more supportive. This will see the year-ended pace of growth pick up to over 3% by Q3 2017, although the annual average pace of growth for 2017 will be lower at 2.3%.
- **This pick up in momentum will keep the RBA on the sidelines through much of 2017, and we no longer expect rate cuts around the middle of the year. We do however remain concerned about the economy's trajectory in 2018,** as the contribution from residential construction, LNG exports and temporarily higher commodity prices fade and household consumption remains constrained by weak labour income growth - our year-ended growth forecasts drop to 2% by Q4 2018. **We now expect a 25 basis point cut to the RBA's cash rate in November 2017 to 1.25%** - necessary to help prevent the unemployment rate from rising and underlying inflation from undershooting the bottom of the target in 2018.
- **Uncertainty remains around the labour market.** Employment growth slowed sharply in H2 2016, particularly in NSW according to the official data. Leading indicators of the labour market such as the employment index of the NAB business survey and job advertisements point to strengthening employment growth over the first half of 2017, although it is unclear whether this will be accompanied by lower unemployment given additions to labour supply. **At this stage we expect the unemployment rate to remain broadly unchanged near 5¾% through the remainder of the forecast horizon.**
- The AUD will be a key determinant of growth, inflation and monetary policy outcomes – our forecast of AUD/USD 0.70 by end-17 is dependent on further USD strength and commodity prices unwinding current strength.

## KEY FORECASTS

| | Calendar Year | | | |
|---|---|---|---|---|
| | 2015 | 2016-F | 2017-F | 2018-F |
| Domestic Demand (a) | 1.3 | 1.5 | 1.8 | 2.2 |
| **Real GDP (a)** | **2.4** | **2.4** | **2.3** | **2.4** |
| Terms of Trade (a) | -11.6 | 0.2 | 16.6 | -9.7 |
| Employment (a) | 2.0 | 1.5 | 1.2 | 1.4 |
| (b) | 6.0 | 5.7 | 5.7 | 5.7 |
| Headline CPI (b) | 1.7 | 1.5 | 2.4 | 2.3 |
| Core CPI (b) | 2.0 | 1.6 | 1.9 | 2.0 |
| RBA Cash Rate (b) | 2.00 | 1.50 | 1.25 | 1.25 |
| $A/US cents (b) | 0.73 | 0.75 | 0.70 | 0.69 |

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

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# CONTACT


Alan Oster, Group Chief Economist +61 (0)414 444 652

Riki Polygenis, Head of Australian Economics, +61 (0)475 986 285


# AUTHORS


Riki Polygenis

James Glenn, Senior Economist

Vyanne Lai, Economist

Amy Li, Economist

Phin Ziebell, Agri Economist

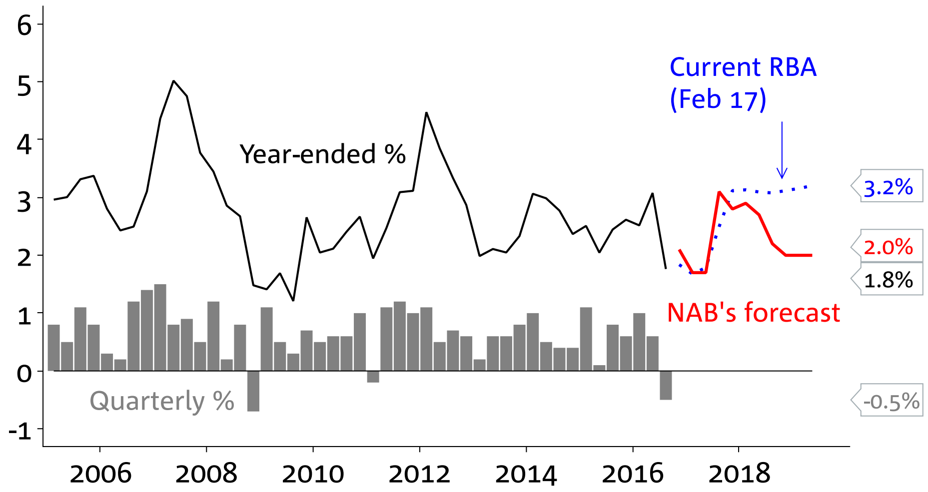

NAB Group Economics

# CHARTS OF THE MONTH

## *A pick up in momentum as we enter 2017, but 2018 outlook cloudy*

### REAL GDP GROWTH FORECASTS, RBA VERSUS NAB

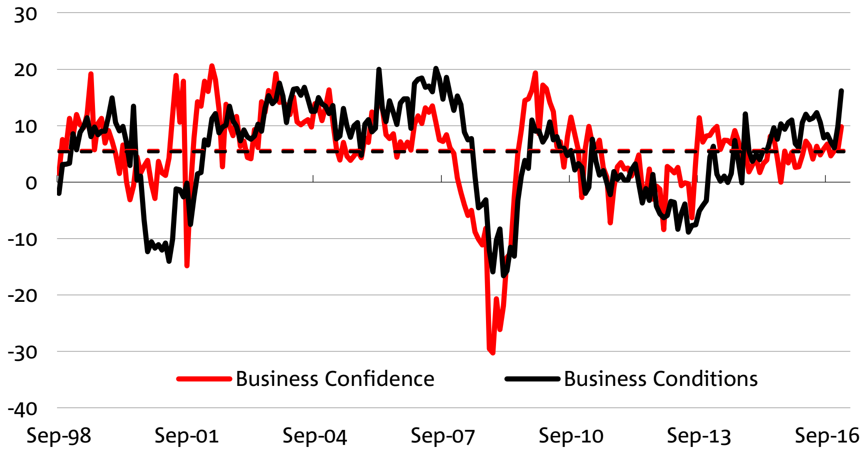
Year-ended % change




Source: National Australia Bank, ABS, RBA

### BUSINESS CONDITIONS AT MULTI-YEAR HIGHS

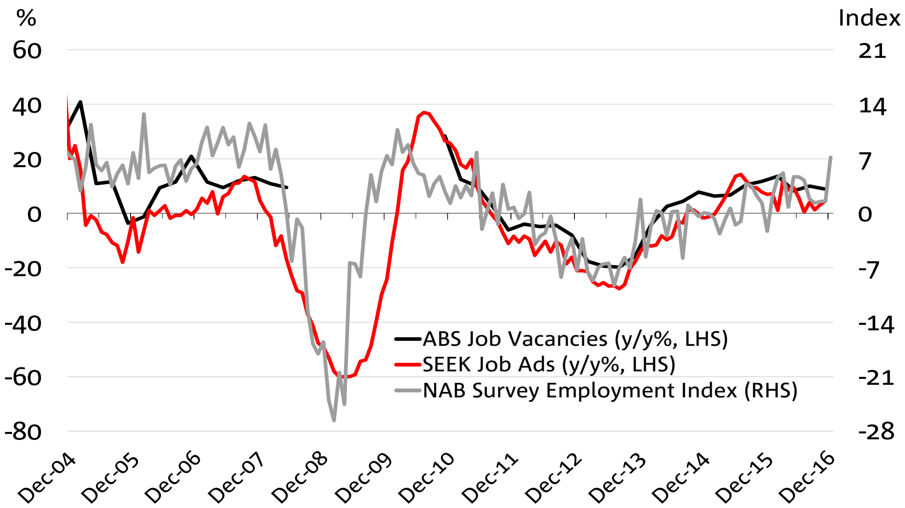
Net balance




* Dotted lines are the long-run averages.

### LEADING INDICATORS OF NEAR-TERM EMPLOYMENT HAVE TURNED UP

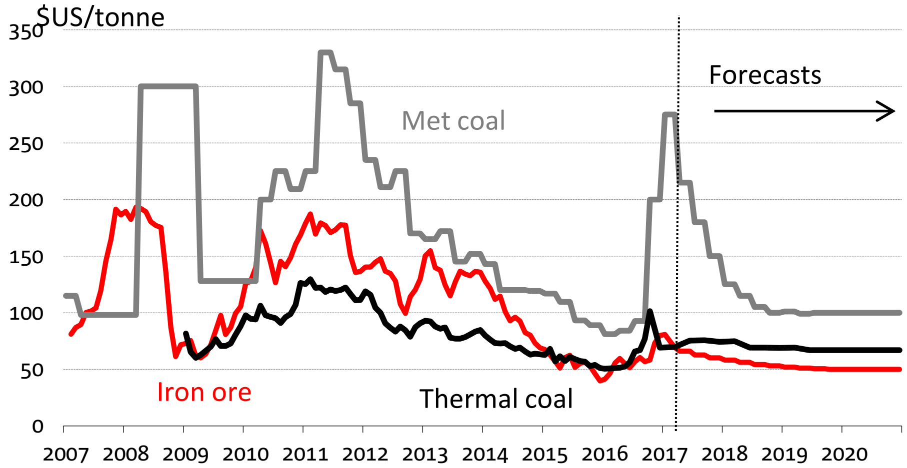
NAB employment index, measures of job vacancies




Source: ABS, SEEK, NAB Group Economics

### CURRENT TERMS OF TRADE BOOST WILL BE TEMPORARY

Iron ore, coal and LNG prices (quarterly)




Sources: NAB, ABS, Seek, Bloomberg



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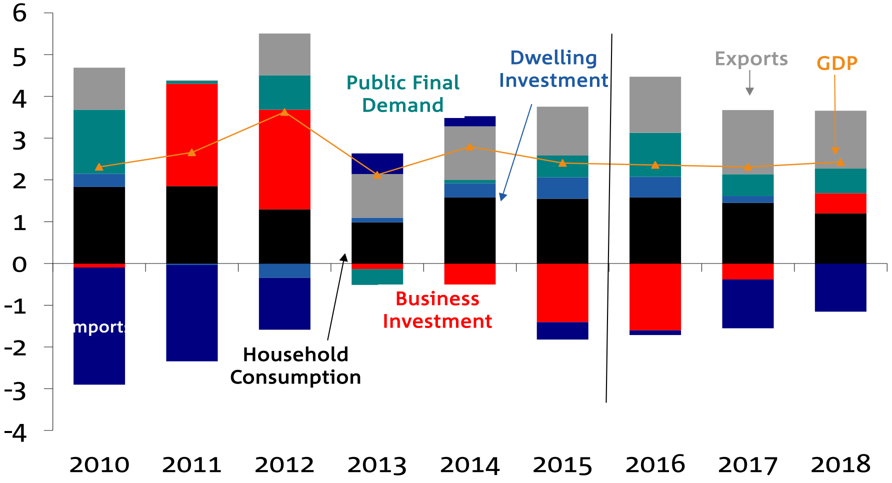
# OVERVIEW - AUSTRALIAN ECONOMIC OUTLOOK

## *2017 looking solid, but softening in 2018 will require a further cash rate cut*

### REAL GDP OUTLOOK

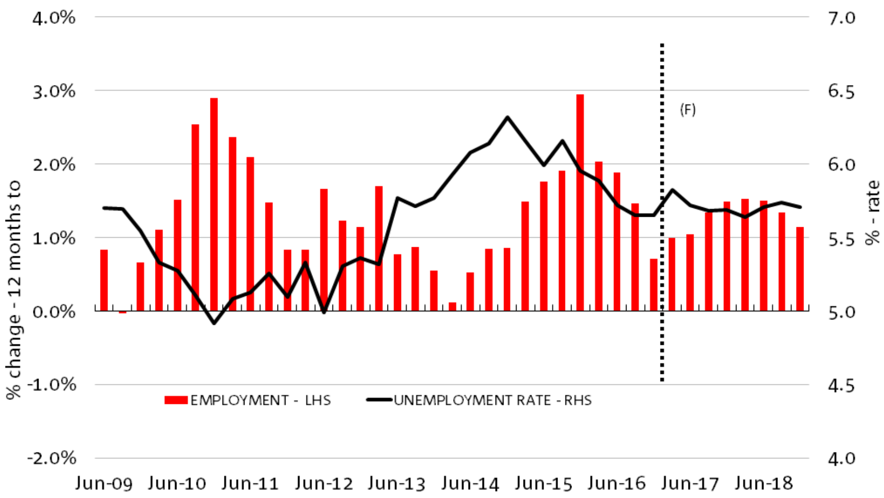
Annual average % change




Source: NAB, ABS

### UNEMPLOYMENT TO HOLD AT HIGHER THAN DESIRABLE LEVEL

Employment growth and unemployment rate




Sources: ABS, NAB

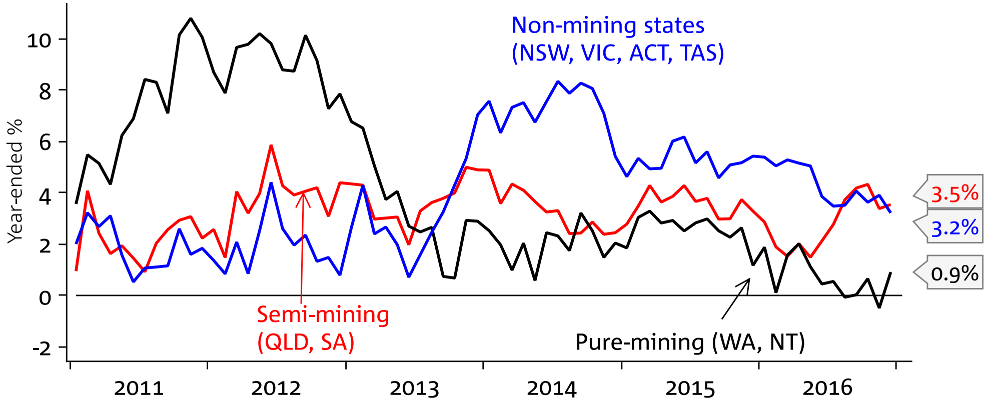
- Our preliminary forecasts for Q4 2016 suggest that real GDP will bounce back by 0.9% q/q, following the 0.5% q/q decline in Q3 2016 which was partly driven by temporary factors including weather-related disruptions to construction and exports. Some production however is likely to have been permanently lost, with annual average growth now likely to print at just 2.4% in 2016 and 2.3% in 2017.
- The annual average growth figures however mask significant variation in the quarterly and year-ended growth profile. Indeed strong quarterly outcomes are expected through 2017 as the drag from mining investment reduces, LNG exports add strongly to growth, residential construction remains strong and the global backdrop is somewhat more supportive (although there are clearly risks stemming from offshore). Indeed, our year-ended growth forecasts shoot up to around 3% by end-2017 from 1.8% in Q3-2016 (see chart p1). The recent pick up in high-frequency indicators such as business conditions support this contention, and recent survey measures of labour demand suggest a pick up in employment growth over the next 6 months, although these measures also suggest the weakness in the official employment data in H2 2016 was also overstated (see p7 for more details).
- Nominal GDP growth and national income will also be strong for much of 2017 amidst higher prices for iron ore and coal, although we don't believe they will be sustained longer-term (see chart p2) – this should support government revenue this financial year, offsetting the impact of soft wages growth and weak employment in H2 2016 on income tax revenue. Strong dwelling prices will also support state government revenue (despite our forecasts for moderation in house price growth and price falls in some apartment markets in 2017, see page 5).
- Despite this optimism about the near-term, our forecasts for 2018 are more concerning, and real GDP growth drops to 2% by the end of that year. By 2018, the contribution from LNG exports, temporarily higher commodity prices and residential construction all start to peter out. Household consumption meanwhile will (~57% of GDP) remain subdued, amidst ongoing spare capacity in the labour market (and we note that the RBA has recently revised down its consumption forecasts to be more in line with our thinking).
- Our models suggests higher unemployment in 2018 without further rate cuts. As such, while we are no longer expecting cuts from the RBA in mid-2017, we still believe monetary policy easing is warranted. This will not occur until late 2017 (pencilled in for November) given the RBA's 2018 growth forecasts remain much more optimistic for 2018 at this point. This should be sufficient to hold the unemployment rate near the current elevated level of around 5¾%.
- We continue to expect the AUD to depreciate through 2017 to a low of AUD/USD 0.70 in line with further anticipated USD strength and key commodity prices retracing.

# CONSUMER DEMAND AND INFLATION

## *Household spending growth losing momentum in large eastern states*

### RETAIL TURNOVER GROWTH HIGHLY VARIED BY STATE

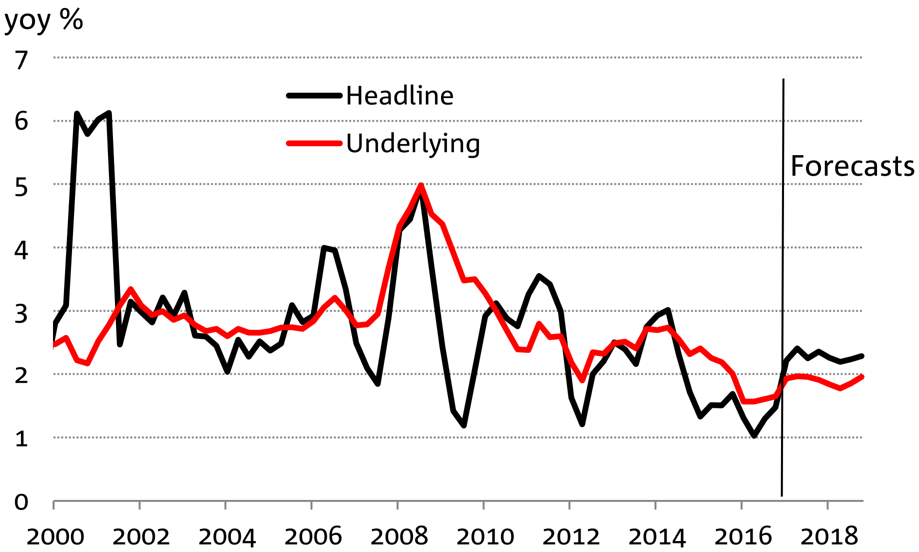
Year-ended growth (%)




Source: National Australia Bank, ABS

### NAB'S INFLATION FORECASTS

Year-ended rate, %




Sources: ABS; Thomson Reuters; Bloomberg; NAB Economics

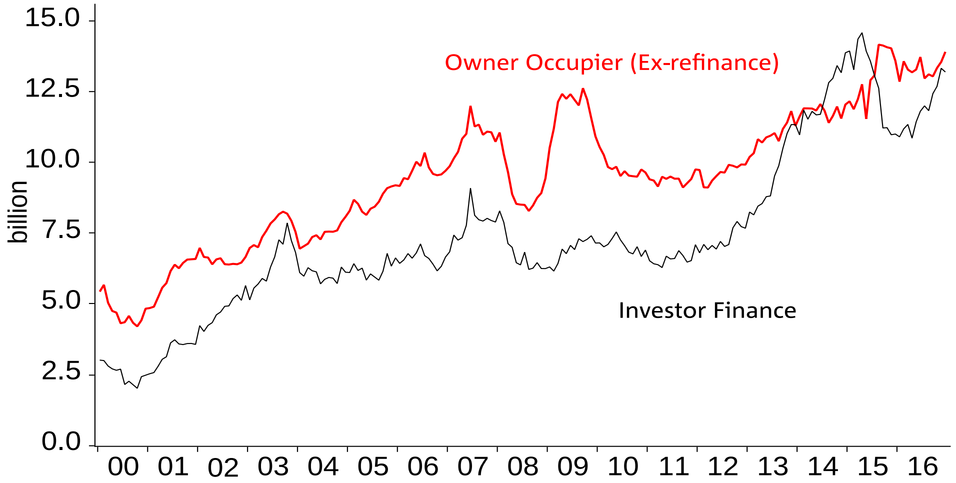
- According to the latest data, household spending activity has been mixed at the national level, with momentum in the large eastern states easing. This is not surprising given the recent moderation in labour market conditions more generally. Recent partial indicators were mostly subdued. The latest ABS retail trade data shows that retail turnover in December contracted marginally (-0.1% m/m against market expectations of 0.3%), although this could partly reflect the once-off effects of the liquidation sale and discounting by Masters hardware chain in the quarter. Meanwhile, retail trade in volume terms for the December quarter recorded a stronger result of 0.9%q/q, indicating the presence of significant price discounting.
- NAB's monthly Online Retail Sales Index for December showed a continuing slowing trend to 0.7%, from 0.9% in October and November. Meanwhile, the deterioration in retail conditions according to the NAB business survey is also not showing any sign of abating, with conditions in trend terms easing to -6 index points in January, the lowest level since late 2014. Weakness in retail conditions is particularly concerning given the importance of household consumption to the economic outlook (accounting for around 57% of GDP), and hence bears close watching in coming months.
- While continued weak wages growth and relatively high household debt levels will continue to weigh on consumer spending, low interest rates and growth in house prices should provide some partial support. We are forecasting real household consumption to grow moderately by 2.5% in 2017, before easing to 2.1% in 2018. We also note that the RBA's consumption forecasts have been revised down to be more consistent with ours, to grow in line with subdued household income growth with no further draw down in the savings ratio.
- Inflation remained low in Q4 but has shown signs of stabilising. The exchange rate pass-through from the lower AUD in recent years seems to have run its course, suggesting a more subdued tradables inflation outlook. While competitive pressures in the retail sector may wane over time, the timing is unclear. Wages growth remains low, pointing to continued weakness in non-tradables inflation. Increases in new housing supply are also expected to result in a period of low rent inflation. Encouragingly, broad based inflation measures from the January NAB Business Survey rose notably, although retail price inflation and retail business conditions remained very subdued. Our inflation outlook remains little changed, at below or just on 2% in 2017 and 2018, with headline inflation a little higher due to tobacco excise increases and higher fuel prices.

# THE HOUSING MARKET

## *Sydney and Melbourne still showing momentum. Construction cycle may soon peak*

### INVESTOR ACTIVITY PICKING-UP AGAIN

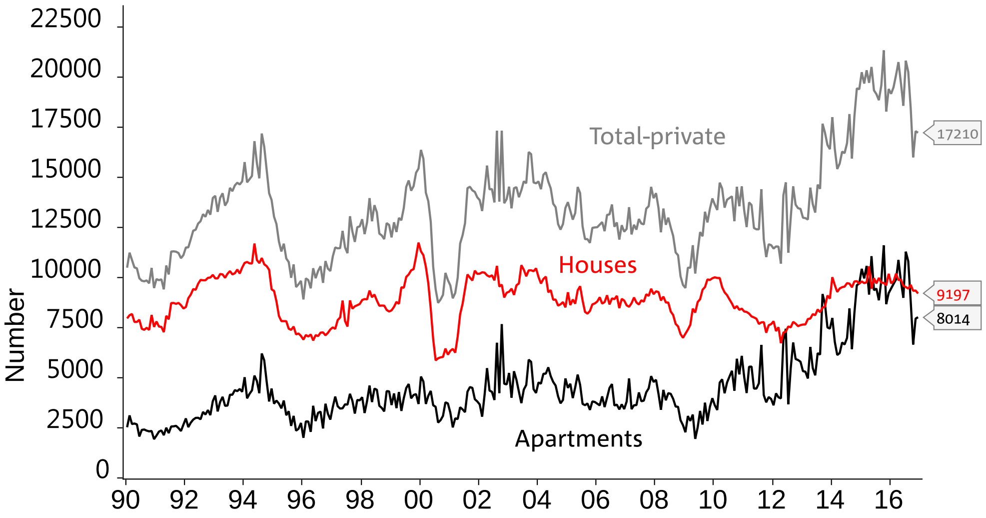
ABS housing finance; $ billion




NAB, Macrobond

### HIGH DENSITY APPROVALS DOWN, BUT NOT OUT

Private dwelling units approved




NAB, Macrobond

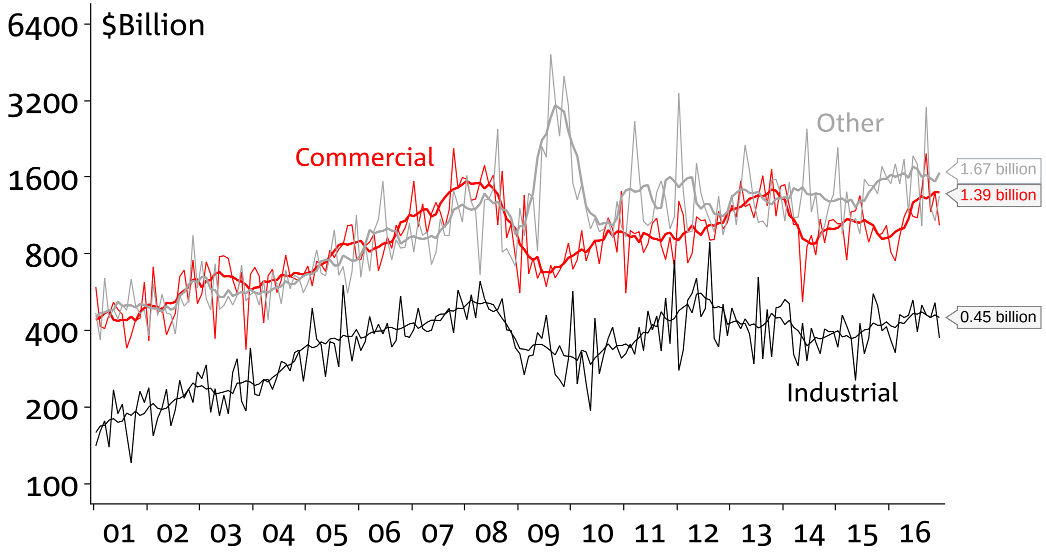
Sources: ABS; NAB Economics

- Housing markets finished 2016 on a strong note, and that momentum looks to have continued into 2017. That said, the lack of properties available on the market appears to be contributing to the strength just as much as (if not more than) underlying demand, while the long heralded oversupply risks are starting to become evident in certain markets. Hedonic **property prices** in Sydney and Melbourne posted solid growth in January, continuing the post-RBA rate cut rally, although price gains for Melbourne units have been relatively more subdued over the past year – reflecting those oversupply concerns. Similarly, unit prices in Brisbane fell in January and are actually down over the year. Sales volumes have remained well down on peak levels seen in recent years for these three markets, while auction volumes are still picking up from their seasonal low – but were down in early February relative to the same period last year. Nonetheless, auction clearance rates have been solid.
- Given the ongoing momentum in prices, an anticipated easing by the RBA later this year and a lack of properties entering the market, NAB have lifted property price expectations for this year. Our national forecasts for 2017 are 3.4% for houses and 0.8% for units (previously 0.4% and -1.6% respectively). While recent momentum suggests upside risk, we expect some moderation this year due to large additions to apartment supply, tighter credit controls for some buyers and increasingly stretched household balance sheets – although housing finance commitments continue to grow. Interestingly, investor activity seems to be picking up again, but if sustained, will soon be pushing up against regulator 'speed limits'.
- The pipeline of residential construction remains at record levels (largely driven by apartments), but there are signs that the contribution of **dwelling investment** to growth may soon peak – although we will likely see a rebound from the weather affected slowdown of Q3 2016. New medium-density approvals have come off sharply from their highs, although they are still at elevated levels and appear to have stabilised somewhat in recent months. Nonetheless, reports of apartment values coming in well below settlement prices in some parts of Melbourne and Brisbane could discourage additional developments. We have already seen the value of residential projects approved but not commenced increase rapidly, roughly doubling in the past 3 years, suggesting delays. Capacity constraints may be a further limiting factor for the construction industry as a whole, with capacity utilisation rates for residential construction rising considerably since 2012, according to the NAB Quarterly Business Survey. Overall, dwelling investment is expected to rise 2.8% in 2017, before turning modestly negative (-1.4%) in 2018.

# BUSINESS ACTIVITY, INVESTMENT AND CONSTRUCTION

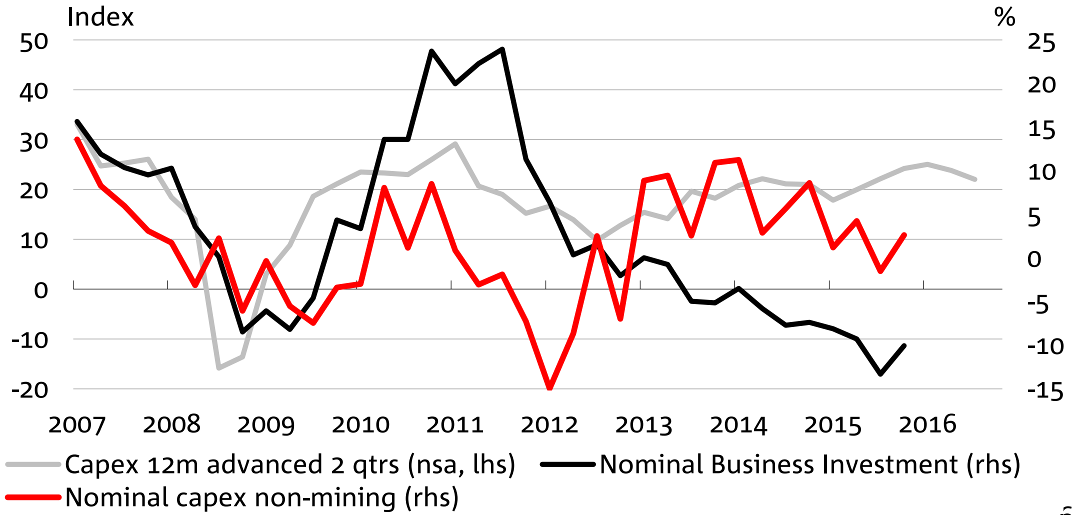
## *Business conditions rebound, but investment indicators are fairly mixed*

### NON-RESIDENTIAL BUILDING APPROVALS




### BUSINESS INVESTMENT & NAB SURVEY CAPEX PLANS

Index; year-ended growth




- The January *NAB Monthly Business Survey* was much more encouraging in regard to both business activity and firm's investment behaviour in January. That said, there is a confluence of seasonal factors influencing the result, suggesting outcomes over coming months need to be monitored closely. **Business conditions** jumped for the second straight month, hitting multi-year highs that are well above the long-run average. **Business confidence** also improved markedly in January, spurred on by the financial market enthusiasm since late last year. In conjunction with **capacity utilisation** rates, which have lifted again – unwinding much of the losses witnessed over 2016 – these outcomes suggest an operating environment that is much more conducive for business investment. Consequently, the Survey's indicator of **capital expenditure** spiked sharply higher in the month.
- However, another timely read from the value of **non-residential building approvals** suggest relatively subdued activity going into late 2016. Non-residential building approvals were virtually flat in December on a seasonally adjusted basis (+0.7%) after a 3.0% decline in November. Looking past the month-to-month volatility, the trend remained quite negative, down 5.6% m/m. That said, there have been some signs of life emerging in commercial building approvals. In particular approvals in retail/wholesale, offices and transport all picked-up somewhat during 2016. While there was some pull-back in retail/wholesale and offices in December, the overall trend has held up – although very weak business conditions in retail may constrain further construction activity for that segment in the near-term. Meanwhile, **imports of capital goods** have also weakened slightly in recent months (suggesting less investment).
- In terms of the outlook, signals have been relatively mixed. Expectations from the **NAB Quarterly Business Survey** for **capital expenditure in the next 12-months** has held up much better than other indicators, and suggests the loss of momentum in non-mining investment should be temporary. In contrast, the ABS Private Capital Expenditure Survey still indicates that the anticipated recovery in non-mining investment remains elusive, with firms expectations remaining flat at best. Additionally, it shows that mining firms expect to see more big declines in 2016-17.
- Business investment (around 12% of GDP) is forecast to decline by 11.8% in 2016 and 4.5% 2017. In 2018, business investment is forecast to increase by 4.8%.



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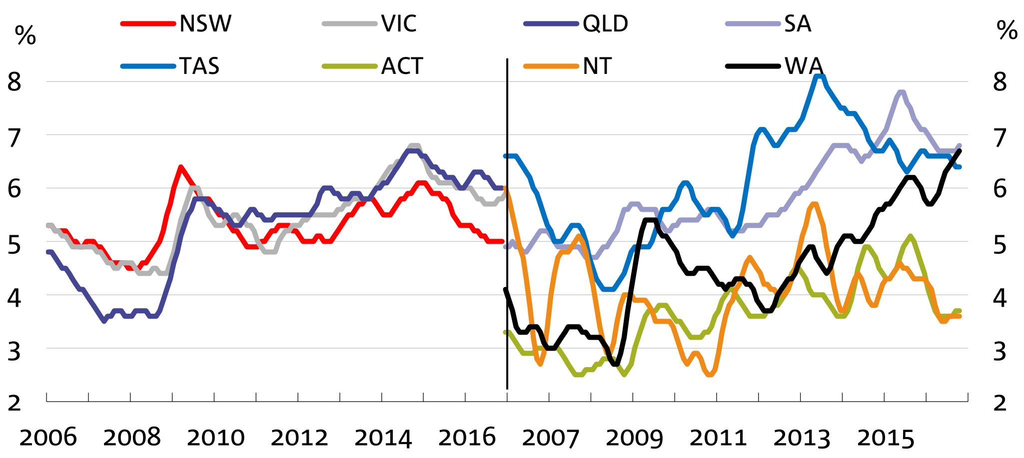
# LABOUR MARKET AND WAGES

## *Victorian employment growth strongest across jurisdictions*

### UNEMPLOYMENT LARGELY STABLE IN MOST STATES, CONTINUES TO TREND HIGHER IN WA

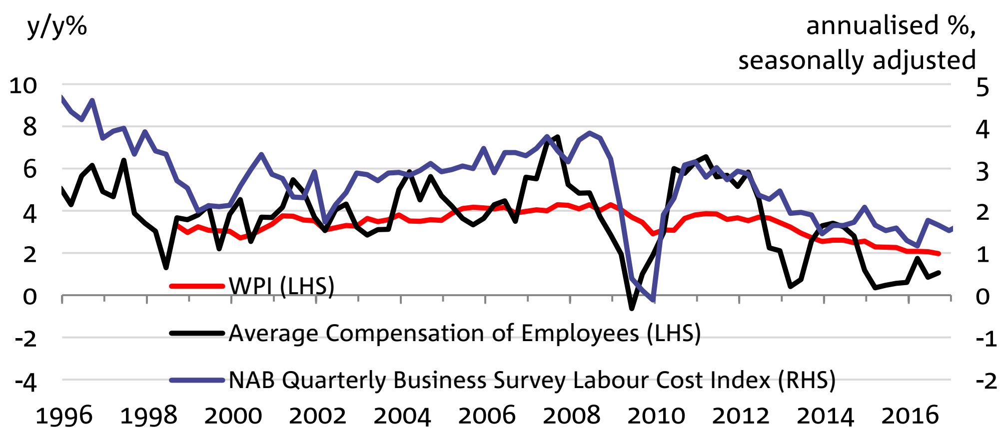
Trend unemployment rate (%)




Source: ABS, NAB Group Economics

### WAGE MEASURES GENERALLY REMAIN SOFT

NAB Quarterly Business Survey labour cost index, wage price index and average compensation of employees




Source: ABS, NAB Group Economics

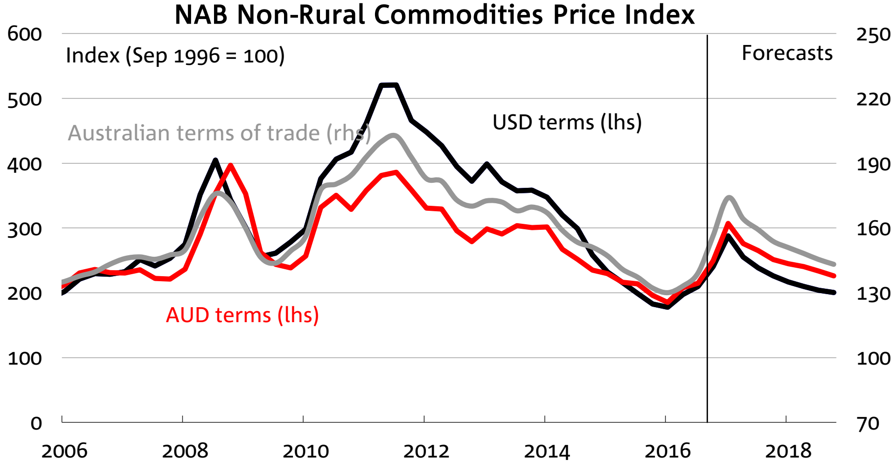
- In November and December, employment in trend terms rose by an average of 8.2k, which was below the replacement level that would keep the unemployment rate unchanged (around 15k per month). Employment growth (in year-on-year terms) has continued to ease to 0.7%, well down on the recent peak of 2.6% in December 2015. In seasonally adjusted terms, there appeared to be a slight gain in momentum in monthly jobs creation in Q4 2016, but a rebound in the participation rate saw the official unemployment rate tick higher to 5.8% in December from the recent low of 5.6% in October.
- All of the above signs suggest a gradually slowing labour market, with the continuous easing in NSW of particular concern, while weakness in the large mining states of QLD and WA persists. Meanwhile the Victorian labour market, aided by strong population growth and state final demand, is a remarkable exception among the larger states. VIC employment growth (3.4% y/y) continues to outstrip its population growth (2.1% y/y), although a rising participation rate has served to keep its unemployment rate at relatively high level of 6%. Among the smaller jurisdictions, employment growth in SA and ACT is gaining momentum, while that of NT and TAS is flat and negative respectively.
- That said, signals from leading indicators are mixed, leading us to believe that the labour market is perhaps not as weak as the official data suggest. The employment index in the NAB monthly business survey for January rose sharply to +7 after a soft patch in H2 last year, and is now well above the long-term average level, hinting at an annual job creation rate of around 240k (around 20k per month) in the next six months. Meanwhile, job vacancies have continued to increase steadily. SEEK data suggest that the pace of job ads growth has slowed in NSW in recent months, but skyrocketed in Victoria and also picked up in Queensland. **We expect the unemployment rate to remain largely steady in coming quarters, to be at 5.7% by end-17 and stabilising at that level afterwards.**
- Subdued employment gains in recent months and a high degree of spare capacity in the labour market point to a persistence of soft wages growth. The recent uptick in commodity prices and hence Australia's terms of trade is likely to lead to only limited pass-through to wages growth, given that resource companies have reduced their headcount significantly since the peak of the mining boom and are unlikely to incur much more business investment.

# NET EXPORTS, COMMODITIES AND THE TERMS OF TRADE

*Net exports to contribute significantly to GDP growth in 2017*

## SURGING COMMODITY PRICES

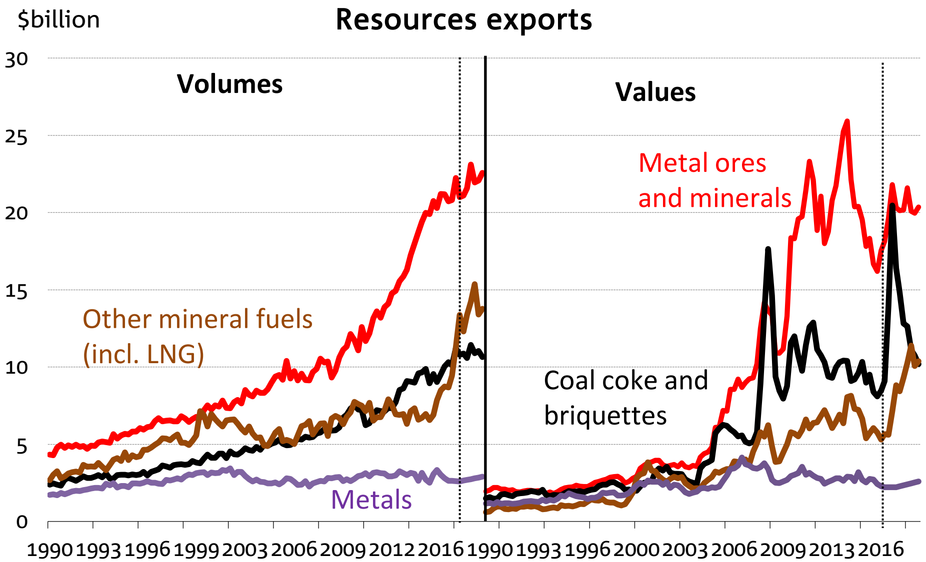
Bulk commodity prices and forecasts




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

## RESOURCES EXPORTS VOLUMES RISING STEADILY

Resources exports, volumes and values forecasts




- Net exports are expected to detract from GDP growth slightly in Q4 2016. Despite sharply higher export prices, export volumes only rose moderately, while imports rose more strongly, resulting in a small contraction in net exports in the quarter. In 2017, net exports are expected to contribute significantly to economic growth on the back of higher LNG exports. Growth in LNG will then ease back in 2018, resulting in net exports subtracting slightly from GDP growth as imports outpace exports.
- Higher bulk commodities and base metals prices have however boosted the terms of trade and government revenues considerably. The terms of trade are expected to peak in Q1 2017, before declining thereafter, but are expected to remain above their recent trough. The trade balance will shift into surplus in Q4 and the surplus will continue to widen into 2017 before declining again.
- A ramp-up in LNG exports will drive exports growth in 2017, before flattening off in 2018. APLNG, GLNG, Gorgon will reach export capacity in Q1 while Prelude Floating project will also start exporting. Higher coal prices have seen some production restarts, especially in Queensland where mines were shut previously during periods of low prices. However, as the price growth is not expected to be sustained, we do not forecast an increase in mining investment, therefore long-term export growth will be limited. Iron ore exports are also expected to continue to expand, but at a slower pace, with the Roy Hill mines slowly ramping up capacity.
- While imports rose solidly in Q4, growth in 2017 will be limited by subdued household consumption growth and a depreciating Australian dollar. The drag from falling investment will likely dissipate after late 2017, however a more subdued consumption growth forecast in 2018 will keep imports growth contained.
- ABARES' latest forecasts point to Australian wheat production at an all-time record 32.6 million tonnes this season. This will boost grain exports this year, although moribund prices will see more grain stored on farm. Summer has brought extremely volatile conditions to Australia's agricultural producers. While much of eastern Australia has baked in an extraordinary heatwave, Western Australia has suffered substantial flooding. We note that the Bureau of Meteorology forecasts raise the prospect of an El Nino event this winter. El Nino tends to cause hotter and dryer conditions across eastern and northern Australia, posing a risk to crop yields and livestock prices.



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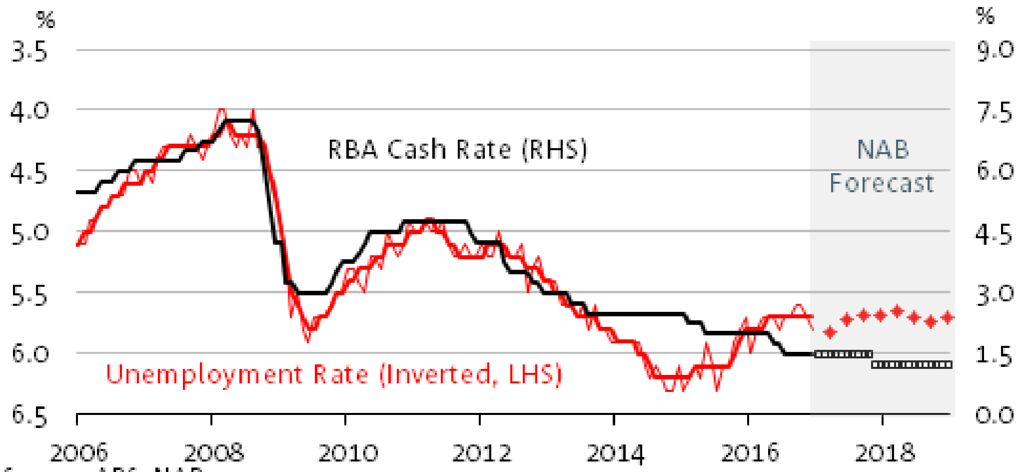
# MONETARY POLICY AND THE EXCHANGE RATE

## *Tighter monetary policy unlikely, cuts still on the cards despite AUD easing*

### FURTHER EASING LIKELY TO PREVENT RISING UNEMPLOYMENT

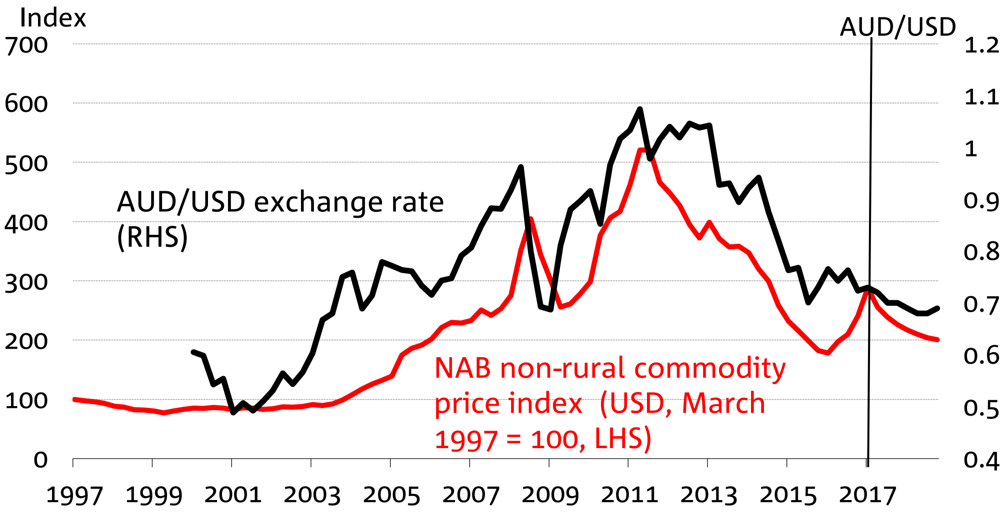
RBA Cash Rate and Unemployment rate




Source: ABS, NAB

### AUD TO HEAD BACK DOWN

NAB's AUD/USD and commodity price forecasts




Sources: ABS, NAB, Datastream

- The RBA's latest *Statement on Monetary Policy* suggested the central bank remains relaxed about the state of the economy at present, and is very much in wait and see mode. This is despite the unemployment rate remaining near the current elevated 5¾% level through the Bank's entire forecast period to mid-2019 and underlying inflation only returning to the bottom of the 2-3% target band in late-2017/early-2018.
- This is perhaps because financial stability risks appear to be a bigger focus for new Governor Phil Lowe. The RBA may have been uncomfortable with the surge in house prices in response to interest rate cuts in 2016, despite some restraint placed on the housing market through regulatory measures.
- That said, we remain more concerned about the economic outlook in 2018, and suggest that the RBA will be forced to cut later in 2017 as this impending softening becomes more apparent to the central bank. This will be necessary to prevent the unemployment rate from rising in 2018 and to prevent underlying inflation from heading back down below the 2-3% target band. As such, while our previous forecast for two rate cuts in May and August 2017 now look unlikely, we do expect one further 25bp cut to the cash rate in November 2017, taking it down to 1.25%.
- The path of the AUD will be a key determinant of growth, inflation and monetary policy outcomes. Our current forecasts remain for AUD/USD to head down to 0.70 by end-17 remain in tact, and are not wholly contingent on further RBA rate cuts, but rather a combination of higher US rates and therefore a stronger USD and lower commodity prices. The biggest risk to these currency forecasts relates to the USD, which we (and the market) will review once we have more clarity on US President Trump's fiscal and trade policy ambitions. While markets are currently optimistic given the prospect of tax cuts and infrastructure spending, much of this good news is already priced in, which may lead to some scope for disappointment. The timing of policy announcements will also be key in terms of how financial markets respond.

# DETAILED ECONOMIC FORECASTS

Australian economic and financial forecasts (a)

| | Fiscal Year | | | Calendar Year | | | |
|---|---|---|---|---|---|---|---|
| | 2015-16 F | 2016-17 F | 2017-18 F | 2015 | 2016-F | 2017-F | 2018-F |
| Private Consumption | 2.9 | 2.6 | 2.4 | 2.7 | 2.8 | 2.5 | 2.1 |
| Dwelling Investment | 10.8 | 4.9 | 1.6 | 10.0 | 9.0 | 2.8 | -1.4 |
| Underlying Business Investment | -12.3 | -9.5 | 1.5 | -10.1 | -11.8 | -4.5 | 4.8 |
| Underlying Public Final Demand | 3.5 | 3.5 | 2.7 | 2.4 | 4.1 | 2.8 | 2.6 |
| **Domestic Demand** | **1.4** | **1.5** | **2.3** | **1.3** | **1.5** | **1.8** | **2.2** |
| Stocks (b) | -0.1 | 0.2 | -0.2 | 0.0 | 0.1 | -0.1 | -0.1 |
| **GNE** | **1.3** | **1.6** | **2.1** | **1.3** | **1.6** | **1.8** | **2.2** |
| Exports | 6.7 | 6.0 | 8.2 | 6.1 | 6.7 | 7.4 | 6.3 |
| Imports | -0.3 | 4.4 | 5.5 | 2.0 | 0.5 | 5.7 | 5.4 |
| **GDP** | **2.7** | **1.8** | **2.9** | **2.4** | **2.4** | **2.3** | **2.4** |
| Nominal GDP | 2.4 | 6.6 | 4.0 | 1.8 | 3.7 | 7.2 | 2.2 |
| Federal Budget Deficit: ($b) | -37 | -34 | -23 | NA | NA | NA | NA |
| Current Account Deficit ($b) | 74 | -1 | 2 | 78 | 44 | -18 | 18 |
| ( -%) of GDP | 4.5 | -0.1 | 0.1 | 4.8 | 2.6 | -1.0 | 1.0 |
| Employment | 2.2 | 1.1 | 1.5 | 2.0 | 1.5 | 1.2 | 1.4 |
| Terms of Trade | -10.1 | 19.0 | -3.4 | -11.6 | 0.2 | 16.6 | -9.7 |
| Average Earnings (Nat. Accts. Basis) | 0.9 | 1.6 | 2.1 | 0.5 | 1.3 | 1.9 | 2.3 |
| **End of Period** | | | | | | | |
| Total CPI | 1.0 | 2.4 | 2.2 | 1.7 | 1.5 | 2.4 | 2.3 |
| Core CPI | 1.6 | 2.0 | 1.8 | 2.0 | 1.6 | 1.9 | 2.0 |
| Unemployment Rate | 5.7 | 5.7 | 5.7 | 6.0 | 5.7 | 5.7 | 5.7 |
| RBA Cash Rate | 1.75 | 1.50 | 1.25 | 2.00 | 1.50 | 1.25 | 1.25 |
| 10 Year Govt. Bonds | 1.98 | 2.80 | 2.95 | 2.88 | 2.77 | 2.70 | 2.95 |
| $A/US cents : | 0.74 | 0.72 | 0.68 | 0.73 | 0.72 | 0.70 | 0.69 |
| $A - Trade Weighted Index | 62.5 | 64.4 | 60.4 | 62.7 | 63.9 | 62.4 | 60.5 |

(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



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# COMMODITY PRICE FORECASTS

| | Unit | Spot 13/02/2017 | Actual Dec-16 | *Forecasts* *Mar-17* | *Jun-17* | *Sep-17* | *Dec-17* | *Mar-18* | *Jun-18* | *Sep-18* | *Dec-18* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| WTI oil | US$/bbl | 53 | 49 | 53 | 54 | 56 | 58 | 59 | 60 | 62 | 62 |
| Brent oil | US$/bbl | 57 | 51 | 55 | 56 | 58 | 60 | 61 | 62 | 64 | 64 |
| Tapis oil | US$/bbl | 57 | 52 | 56 | 57 | 59 | 61 | 62 | 63 | 65 | 65 |
| Gold | US$/ounce | 1223 | 1220 | 1180 | 1170 | 1150 | 1140 | 1130 | 1110 | 1090 | 1070 |
| Iron ore (spot) | US$/tonne | n.a. | 70 | 75 | 66 | 63 | 60 | 58 | 56 | 54 | 53 |
| Hard coking coal* | US$/tonne | n.a. | 200 | 285 | 215 | 180 | 150 | 125 | 115 | 105 | 100 |
| Semi-soft coal* | US$/tonne | n.a. | 130 | 210 | 157 | 129 | 108 | 91 | 83 | 76 | 72 |
| Thermal coal* | US$/tonne | 86 | 62 | 62 | 65 | 65 | 65 | 65 | 60 | 60 | 60 |
| Aluminium | US$/tonne | 1866 | 1710 | 1790 | 1780 | 1780 | 1780 | 1790 | 1800 | 1840 | 1880 |
| Copper | US$/tonne | 6083 | 5270 | 5730 | 5670 | 5620 | 5620 | 5620 | 5620 | 5620 | 5620 |
| Lead | US$/tonne | 2419 | 2130 | 2230 | 2240 | 2250 | 2260 | 2260 | 2260 | 2260 | 2260 |
| Nickel | US$/tonne | 10615 | 10770 | 9980 | 9880 | 9880 | 9880 | 9880 | 9880 | 9880 | 9880 |
| Zinc | US$/tonne | 2935 | 2510 | 2700 | 2730 | 2760 | 2770 | 2780 | 2800 | 2810 | 2820 |
| Aus LNG** | AU$/GJ | n.a. | 6.86 | 7.28 | 7.93 | 8.28 | 8.54 | 8.93 | 9.19 | 9.32 | 9.45 |

* 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

National Australia Bank

## Group Economics
Alan Oster
Group Chief Economist
+61 3 8634 2927

Jacqui Brand
Personal Assistant
+61 3 8634 2181

## Australian Economics and Commodities
Riki Polygenis
Head of Australian Economics
+(61 3) 8697 9534

James Glenn
Senior Economist – Australia
+(61 4)55 052 519

Vyanne Lai
Economist – Australia
+(61 3) 8634 0198

Amy Li
Economist – Australia
+(61 3) 8634 1563

Phin Ziebell
Economist – Agribusiness
+(61 4) 75 940 662

## Behavioural & Industry Economics
Dean Pearson
Head of Behavioural & Industry Economics
+(61 3) 8634 2331

Robert De Iure
Senior Economist – Behavioural & Industry Economics
+(61 3) 8634 4611

Brien McDonald
Senior Economist – Behavioural & Industry Economics
+(61 3) 8634 3837

Steven Wu
Economist – Behavioural & Industry Economics
+(613) 9208 2929

## International Economics
Tom Taylor
Head of Economics, International
+61 3 8634 1883

Tony Kelly
Senior Economist – International
+(61 3) 9208 5049

Gerard Burg
Senior Economist – Asia
+(61 3) 8634 2788

John Sharma
Economist – Sovereign Risk
+(61 3) 8634 4514

## Global Markets Research
Peter Jolly
Global Head of Research
+61 2 9237 1406

## Australia
**Economics**
Ivan Colhoun
Chief Economist, Markets
+61 2 9237 1836

David de Garis
Senior Economist
+61 3 8641 3045

Tapas Strickland
Economist
+61 2 9237 1980

**FX Strategy**
Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848

Rodrigo Catril
Currency Strategist
+61 2 9293 7109

**Interest Rate Strategy**
Skye Masters
Head of Interest Rate Strategy
+61 2 9295 1196

Alex Stanley
Senior Interest Rate Strategist
+61 2 9237 8154

**Credit Research**
Michael Bush
Head of Credit Research
+61 3 8641 0575

Simon Fletcher
Senior Credit Analyst – FI
+61 29237 1076

Andrew Jones
Credit Analyst
+61 3 8641 0978

**Distribution**
Barbara Leong
Research Production Manager
+61 2 9237 8151

## New Zealand
Stephen Toplis
Head of Research, NZ
+64 4 474 6905

Craig Ebert
Senior Economist
+64 4 474 6799

Doug Steel
Markets Economist
+64 4 474 6923

Kymberly Martin
Senior Market Strategist
+64 4 924 7654

Jason Wong
Currency Strategist
+64 4 924 7652

Yvonne Liew
Publications & Web Administrator
+64 4 474 9771

## Asia
Christy Tan
Head of Markets Strategy/Research, Asia,
+ 852 2822 5350

Julian Wee
Senior Markets Strategist, Asia
+65 6632 8055

## UK/Europe
Nick Parsons
Head of Research, UK/Europe,
and Global Co-Head of FX Strategy
+ 44207710 2993

Gavin Friend
Senior Markets Strategist
+44 207 710 2155

Derek Allassani
Research Production Manager
+44 207 710 1532




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