

AUSTRALIAN MARKETS WEEKLY



Labour market outlook to improve

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- In this week’s Weekly we look at the forward-looking indicators of the labour market ahead of the Statistician’s release of key labour market data of Wages (Wednesday) and Employment/Unemployment (Thursday).
- Forward-looking indicators suggest improvement in the labour market is likely over coming months. The NAB Business Survey is consistent with employment growing by around 20k a month for the next three months. This pace should also be enough to put downward pressure on the unemployment rate.
- Nevertheless, a clear gap has emerged between the official employment figures and leading indicators (Chart 1). It is not clear what has driven this divergence. Some of the gap likely reflects the notion of “payback” from the period in late 2015, when reported employment growth ran well ahead of the leading indicators. Structural change is also likely playing a role with the weakness in employment over the past year largely being concentrated in the retail sector. The ABS reports 60k retail jobs have been shed in the past year, roughly equivalent to 5% of total retail employment. Excluding the retail sector, total employment increased by around 200k in the past year – around the pace suggested by leading indicators.
- Such a divergence has clearly worried the RBA. It is worth highlighting that the April Board Minutes noted that “although forward-looking indicators of labour demand continued to suggest an increase in employment growth...this had been true for some time without leading to an improvement in labour market conditions” and that the labour market (along with housing) “warranted careful monitoring over coming months”.
- Strong employment figures last month have probably helped alleviate the RBA’s concerns for now. Governor Lowe noted in May “Encouragingly, employment growth has been a bit stronger of late and the forward-looking indicators suggest ongoing growth in employment.” Nevertheless, trends in the labour market will be key to the outlook for Australian interest rate expectations. (Also for the government’s medium-term budget deficit projections, which rely on a forecast significant improvement in wages growth.)
- Our FX strategy team has today revised the near-term forecasts for the AUD and NZD slightly lower. In the case of AUD this follows the break below the range that has held since early January amid better USD performance and the recent sharp falls in commodity prices. In the case of the NZD, the RBNZ evidently sees things different to the market and we’ve lost faith in NZD recovering to any great extent over the short term. On AUD/USD we now forecast 0.73 for end June (was 0.75) and 0.71 (from 0.73) for end-September – the end-2017 forecast remains at 0.70.

To contact NAB’s market experts, please click on one of the following links:

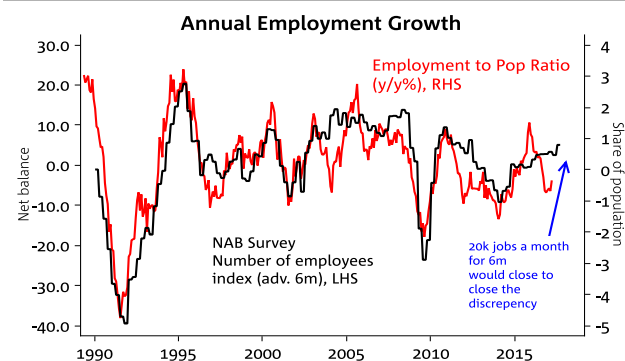
- [Ask the Economists](#)
- [Ask the FX Strategists](#)
- [Ask the Interest Rate Strategists](#)

Key markets over the past week

	Last	% chg week		Last	bp / % chg week
AUD	0.7397	0.1	RBA cash	1.50	0
AUD/CNY	5.10	0.1	3y swap	1.94	-12
AUD/JPY	83.9	0.3	ASX 200	5,866	-0.7
AUD/EUR	0.677	0.1	Iron ore	61.4	-0.6
AUD/NZD	1.076	0.6	WTI oil	48.5	4.5

Source: Bloomberg

Chart of the week: indicators suggest more jobs likely



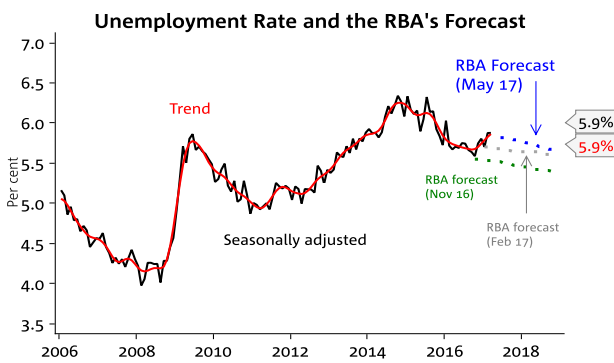
Source: National Australia Bank

What do the forward indicators say?

Forward-looking indicators of the labour market can be split into three categories: surveys of businesses; surveys of consumers; and hard data that leads the jobs market such as job ads.

All three categories are suggestive of continued improvement in the labour market in the period ahead which should to give the RBA a degree of confidence in the labour market. The RBA Governor reinforced this notion in his [Household Debt, Housing Prices and Resilience speech](#) in May, noting: “encouragingly, employment growth has been a bit stronger of late and the forward-looking indicators suggest ongoing growth in employment”. Nevertheless, with there being a divergence between the leading indicators of employment and jobs growth in recent times, this will be an important area to watch.

Chart 1: Unemployment rising against RBA forecasts

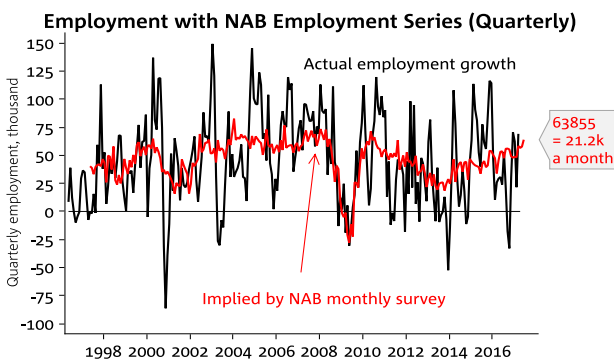


Source: National Australia Bank, ABS, RBA

Business surveys

The NAB business survey is Australia’s longest running business survey with a time-span that dates back to the late 1980s. The survey’s employment sub-index has a historically strong correlation with official employment growth (Chart, front page). In the past year, a divergence has opened up which has led many to question whether the forward-looking indicators are giving an accurate read of the labour market – or alternatively whether the official figures are understating the recent pace of jobs growth, this being a possibility given well known sampling issues in the labour force survey that underpins the official jobs numbers.

Chart 2: NAB Monthly survey suggests 21k jobs a month

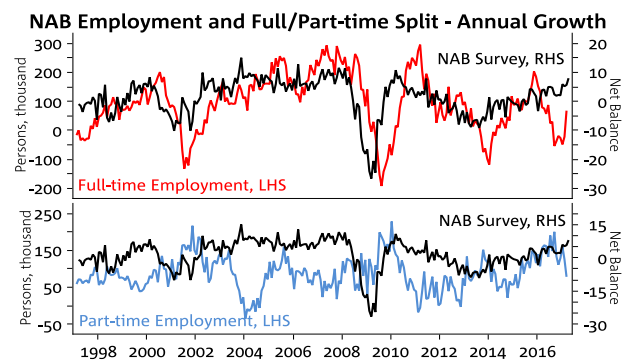


Source: National Australia Bank, ABS

Fortunately the gap that had emerged has now started to close following last month’s bumper jobs figures where employment rose 60.9k in the month. Looking forward, our estimates suggest the divergence would be fully closed if 20k jobs a month were generated for six months. Coincidentally, the NAB survey is also suggesting employment growth of around 20k jobs a month for the next three months (Chart 2).

The survey can also tell us a bit about the likely full/part time split with the NAB survey correlating more closely with full-time employment than part-time employment (Chart 3). (This could intuitively make sense if firms are answering the survey in full-time equivalent numbers). Regressing the relationships, the survey is suggesting full-time jobs growth will strengthen to average around 15k m/m, while part-time jobs growth will average around 6k m/m (Chart 3).

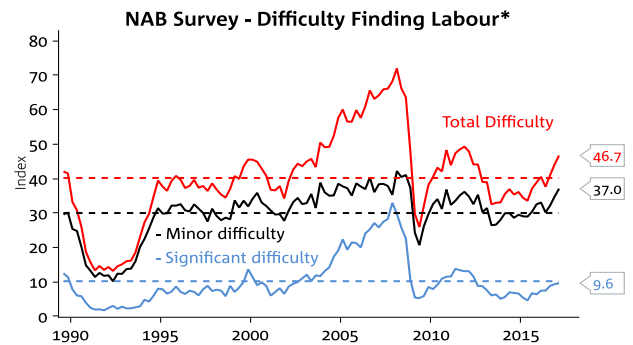
Chart 3: NAB survey gives a better read on full-time jobs



Source: National Australia Bank, ABS

There are also some signs in the NAB survey that the labour market is slowly tightening. More firms in the survey are citing the difficulty in finding suitable labour as either a “minor” or “significant” constraint on business (Chart 4). This difficulty in finding labour question has historically had a good relationship with the estimated degree of spare capacity in the labour market - given by the underutilisation rate (underutilisation includes both the unemployment rate and the underemployment rate) – and suggests the labour market will tighten over coming months (Chart 5).

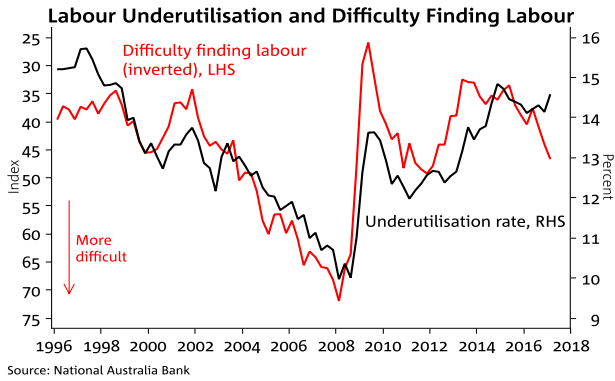
Chart 4: More difficulty finding suitable labour



* Dotted lines represent long-run average
Source: National Australia Bank

The increased difficulty in finding suitable labour also tends to argue against the recent uptick in underutilisation, which has in turn been driven by an

Chart 5: Difficulty finding labour hints at tightening

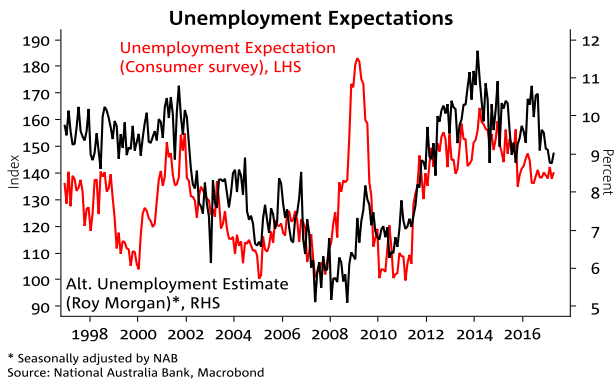


increase in unemployment. We look for the latter to be reversed in coming months.

Consumer Survey measures

Consumer surveys are also suggesting a labour market that is more likely to tighten. The Monthly Westpac-MI Consumer Sentiment survey asks consumers about their unemployment expectations over the next 12 months with the trend in this measure having been down since 2014. Over the past year, the measure has been broadly moving sideways, but importantly has not suggested a drift higher in the unemployment rate which has happened over the past couple of months (Chart 7).

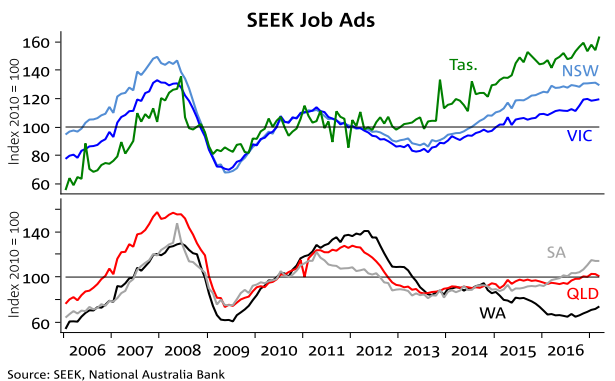
Chart 6: Unemployment indicators trending down



Hard data – job ads

Globally, there has been some divergence between what the ‘soft’ data of surveys has been implying and what the

Chart 7: SEEK job ads on the rise – also in WA and QLD

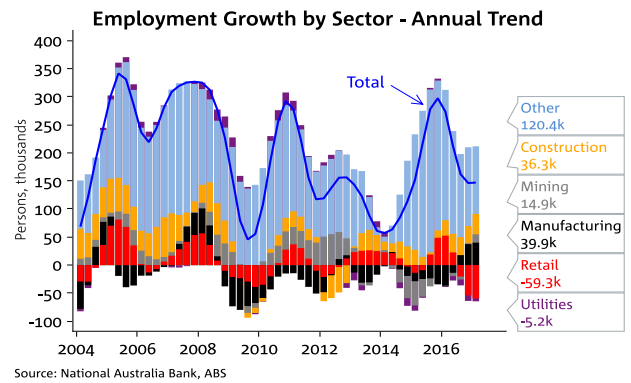


hard data has been delivering. Encouragingly for the labour market, of the available hard leading indicators, these too have been trending more positively recently. Job ads on SEEK have lifted strongly in Vic and SA, and encouragingly they are now also improving in QLD and WA – some signal that the bottom of the mining investment unwind may also be approaching (Chart 7).

Structural changes

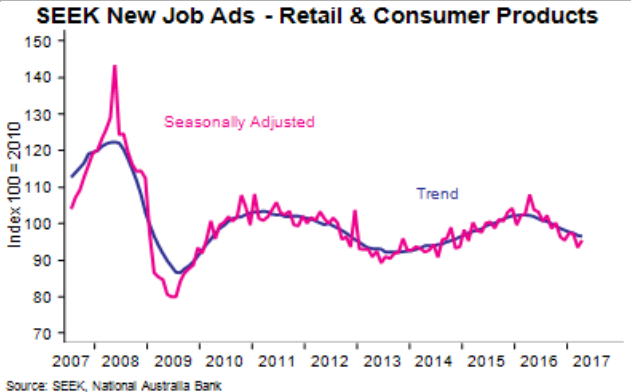
Structural changes in the economy may be also playing a role in creating a divergence between the leading indicators of employment and actual employment counts. Breaking down employment growth over the past 12 months reveals the weakness in employment growth has sourced from the retail sector (Chart 8).

Chart 8: Retail has lost 5% of employment over past year



The retail sector employs around 1.2m people (11% of total employment), and around 60k jobs were shed in the past 12 months. Excluding the retail sector, employment growth would have averaged around 200k – around where the leading indicators have suggested for the past 12 months. Further employment weakness in the retail sector could be likely with SEEK reporting job ads in the retail sector have been trending down since mid-2016, while retailers continue to report difficult business conditions in the NAB survey.

Chart 9: Job ads falling in the retail sector



The past week

The NAB Survey for April reported a further rise in Business Conditions (to the highest level since the GFC) and a noticeable lift in Business Confidence, the Survey taken in late April, before the Budget. Last week’s Budget came and went with little major market impact. Two of

the three major ratings agencies confirmed Australia's AAA rating; S&P is yet to make any statement. The Budget continues to forecast an underlying cash surplus by 2020-21, the Budget framed around a continued lift in infrastructure spending and some assumed pick up in wages growth, the latter works looks very optimistic at the present time. Australian Retail Sales were soft in March, possibly affected by Cyclone Debbie at the end of the month with sales in Queensland down 1.3%. The Australian dollar has continued to trade at the lower end of its recent range.

Offshore, the USD has opened this week with something of a whimper held back by key US data on Friday. US Retail Sales growth for April didn't quite meet expectations, though there were some offsetting positive revisions to recent months. The US CPI was more underwhelming, headline CPI coming in at a headline rate of 2.2%, down from 2.4%, while the "core" rate (the rate that excludes food and energy) eased from 2.0% to 1.9%, a steady rate had been tipped. US Consumer Sentiment remained strong though consumers' 5-10 year inflationary expectations from this survey fell back to 2.3%, the lowest rate in the 37 years of this measure. Markets continued to price in another US rate rise in June, but are now only 50/50 on another by year end. The USD and US Treasury yields eased. NAB continues to forecast two more Fed rate hikes this year (in June and September).

This week

Locally, this week's triple dose of reports on the health of the consumer will be under focus, starting Wednesday with WMI monthly Consumer Sentiment survey and Q1 Wages, followed Thursday by the ABS Labour Force report that should see some further gains in employment, in a trend sense if not the monthly actual sample survey result! It will also be important to see if the recent slightly uptrend in the unemployment rate – which is at odds with the leading indicators – begins to reverse as we expect.

These are important releases given the current focus on growth in consumer income and spending. The RBA also releases its May Board Minutes tomorrow, but these are unlikely to reveal much new given the Governor's recent comments and the release earlier this month of the quarterly Statement on Monetary Policy.

Offshore, today's Chinese activity reports were on the softer-than-expected side, industrial production missing the most, growth back down to 6.5% y/y after 7.6% y/y in March, consistent with a weaker than expected Manufacturing PMI for April but also possibly influenced by the changed timing of Easter. It's a less busy week now ahead for offshore economic reports, with some focus on UK data (labour market, retail sales). There are also some key central bank speakers, including ECB President Draghi who is speaking on Thursday.

For full details please see our *What to Watch* publication (please email Tapas.Strickland@nab.com.au if you would like to subscribe to this publication).

CALENDAR OF ECONOMIC RELEASES

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEST
Monday, 15 May 2017								
CH	Foreign Direct Investment YoY CNY	Apr				6.7	Due this week	
CH	New Yuan Loans CNY	May		/		1100/1390	Overdue	
NZ	Performance Services Index	Apr				59.0	23.30	8.30
NZ	Retail Sales Ex Inflation QoQ	1Q	0.7	0.9		0.8	23.45	8.45
UK	Rightmove House Prices MoM/YoY	May		/		1.1/2.2	0.10	9.10
AU	Home Loans/Investment Lending MoM	Mar	0.9	0/		-0.5/-5.9	2.30	11.30
CH	Industrial Production YoY/YTD YoY	Apr		7/6.9		7.6/6.8	3.00	12.00
CH	Retail Sales YoY/YTD YoY	Apr		10.8/10.2		10.9/10.0	3.00	12.00
CH	Fixed Assets Ex Rural YTD YoY	Apr		9.1		9.2	3.00	12.00
JN	Machine Tool Orders YoY	Apr P				22.8	7.00	16.00
EC	Bundesbank's Dombret speak at Banking Union conference in Frankfurt						9.50	18.50
EC	ECB's Nouy speaks at Banking Union conference in Frankfurt						10.50	19.50
US	Empire Manufacturing	May		7.3		5.2	13.30	22.30
CA	Existing Home Sales MoM	Apr				1.1	14.00	23.00
CA	Bloomberg Nanos Confidence	May 12				59.0	15.00	0.00
US	NAHB Housing Market Index	May		68		68.0	15.00	0.00
US	Total Net/Long term TIC Flows	Mar		/		19.3/53.4	21.00	6.00
Tuesday, 16 May 2017								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	May 14				112.3	0.30	9.30
AU	New Motor Vehicle Sales MoM/YoY	Apr		/		1.9/-3.0	2.30	11.30
AU	RBA May Rate Meeting Minutes						2.30	11.30
NZ	Household Inflation Expectations, 1 year median	2Q				2.0	4.00	13.00
JN	Tertiary Industry Index MoM	Mar		0.1		0.2	5.30	14.30
UK	CPI MoM/YoY	Apr		0.4/2.6		0.4/2.3	9.30	18.30
UK	CPI Core YoY	Apr		2.3		1.8	9.30	18.30
UK	PPI Input NSA MoM/YoY	Apr		0/17		0.4/17.9	9.30	18.30
UK	PPI Output NSA MoM/YoY	Apr		0.2/3.4		0.4/3.6	9.30	18.30
UK	PPI Output Core NSA MoM/YoY	Apr		0.2/2.5		0.3/2.5	9.30	18.30
UK	House Price Index YoY	Mar		5.3		5.8	9.30	18.30
EC	Trade Balance SA	Mar		18.7		19.2	10.00	19.00
GE	ZEW Survey Current Situation/Expectations	May		82		80.1	10.00	19.00
EC	ZEW Survey Expectations	May				26.3	10.00	19.00
EC	GDP SA QoQ/YoY	1Q P		0.5/1.7		0.5/1.7	10.00	19.00
US	Housing Starts, #/MoM	Apr		1260/3.7		1215.0/-6.8	13.30	22.30
US	Building Permits, #/MoM	Apr		1270/0.2		1260.0/3.6	13.30	22.30
US	Industrial Production MoM/Capacity utilisation	Apr		0.4/76.3		0.5/76.1	14.15	23.15
US	Manufacturing (SIC) Production	Apr		0.4		-0.4	14.15	23.15
US	ECB's Nowotny Speaks in Vienna						16.30	1.30
NZ	Global Dairy Auction, GDT-weighted price index (early AM, NZT)			broadly steady		3.6		
Wednesday, 17 May 2017								
NZ	PPI Input/Output QoQ	1Q		/		1.0/1.5	23.45	8.45
NZ	Concrete production	1Q					23.45	8.45
JN	Machine Orders MoM/YoY	Mar		2.5/1.2		1.5/5.6	0.50	9.50
AU	Westpac Consumer Conf Index/MoM	May		/		99.0/-0.7	1.30	10.30
AU	Wage Price Index QoQ/YoY	1Q	0.5/1.9	0.5/1.9		0.5/1.9	2.30	11.30
JN	Industrial Production MoM/YoY	Mar F		/		-2.1/3.3	5.30	14.30
UK	Jobless Claims Change	Apr				25.5	9.30	18.30
UK	Average Weekly Earnings/ex bonus 3M/YoY	Mar		2.4/2.1		2.3/2.2	9.30	18.30
UK	Employment Change 3M/3M/Unemployment rate 3M	Mar		21/4.7		39.0/4.7	9.30	18.30
EC	Construction Output MoM/YoY	Mar		/		6.9/7.1	10.00	19.00
EC	CPI MoM/YoY	Apr		0.4/1.9		0.8/1.5	10.00	19.00
EC	CPI Core YoY	Apr F		1.2		1.2	10.00	19.00
CA	Manufacturing Sales MoM	Mar				-0.2	13.30	22.30
US	NY Fed's Household Debt and Credit report	1Q					16.00	1.00
CH	FX Net Settlement - Clients CNY	Apr				-48.3		
Thursday, 18 May 2017								
NZ	Net Migration SA	Apr				6,100	23.45	8.45
JN	GDP SA QoQ/saar QoQ	1Q P		0.5/1.7		0.3/1.2	0.50	9.50
JN	GDP Deflator YoY	1Q P		-0.7		-0.1	0.50	9.50
NZ	ANZ Consumer Confidence Index/MoM	May		/		121.7/-2.8	2.00	11.00
AU	Consumer Inflation Expectation	May				4.1	2.00	11.00
AU	RBA FX Transactions Market	Apr				1248	2.30	11.30
CH	China Property Prices	Apr					2.30	11.30
AU	Employment Change/Unemployment Rate	Apr	10/5.8	5/5.9		60.9/5.9	2.30	11.30
AU	Participation Rate	Apr		64.7		64.8	2.30	11.30
NZ	Credit Card Billings	Apr				0.8	4.00	13.00
US	Fed's Bullard to Brief Press With Bank of England's Forbes						5.00	14.00
UK	Retail Sales Ex/Incl Auto Fuel MoM	Apr		1/2.6		-1.5/2.6	9.30	18.30
UK	Retail Sales Inc Auto Fuel MoM	Apr		1.1/2.1		-1.8/1.7	9.30	18.30
CA	Int'l Securities Transactions	Mar				38.8	13.30	22.30
US	Initial Jobless Claims	May 13		240		236	13.30	22.30
US	Philadelphia Fed Business Outlook	May		18.5		22.0	13.30	22.30
EC	ECB's Lautenschlaeger speaks in Berlin						13.45	22.45
EC	ECB's Nowotny speaks in Vienna						13.50	22.50
US	Leading Index	Apr		0.4		0.4	15.00	0.00
EC	ECB's Draghi speaks in Tel Aviv						18.00	3.00
US	Fed's Mester Speaks on Economy and Monetary Policy						18.15	3.15
Friday, 19 May 2017								
NZ	Net Migration SA	Apr				6100	23.45	8.45
NZ	Credit Card Spending MoM/YoY	Apr		/		0.8/7.1	4.00	13.00
EC	ECB Current Account SA	Mar				37.9	9.00	18.00
EC	EU's Dombrovskis speaks at ECB-EU Conference in Brussels						9.00	18.00
EC	ECB's Praet (Chf Economist) moderates panel at Conference in Brussels						10.00	19.00
UK	CBI Trends Total Orders/Selling Prices	May		4/29		4.0/29.0	11.00	20.00
EC	ECB's Constancio speaks at Conference in Brussels						13.00	22.00
CA	Retail Sales/ex autos MoM	Mar		0.4/0.2		-0.6/-0.1	13.30	22.30
CA	CPI NSA MoM/YoY	Apr		0.5/1.7		0.2/1.6	13.30	22.30
CA	CPI Core- Common/Trim YoY%	Apr		1.4/		1.3/1.4	13.30	22.30
CA	CPI Core- Median YoY%	Apr				1.7	13.30	22.30
US	Fed's Bullard to Speak about U.S. Economy and Monetary Policy						14.15	23.15
EC	Consumer Confidence	May A		-3		-3.6	15.00	0.00
EC	EU Commission's Guersens speaks at Conference in Brussels						15.15	0.15
Upcoming Central Bank Interest Rate Announcements								
Canada, BoC		25-May	0.5%	0.5%		0.5%		
Australia, RBA		6-Jun	1.50%	1.50%		1.50%		
Europe, ECB		8-Jun	-0.4%	-0.4%		-0.4%		
UK, BOE		15-Jun	0.25%	0.25%		0.25%		
US, Federal Reserve		15-Jun	0.75-1.00%	0.75-1.00%		0.75-1.00%		
Japan, BoJ		16-Jun	-0.1%	-0.1%		-0.1%		
New Zealand, RBNZ		22-Jun	1.75%	1.75%		1.75%		

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard Time

FORECASTS

Economic Forecasts		Annual % change				Quarterly % change															
	2015	2016	2017	2018	2015			2016			2017			2018							
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Australia Forecasts																					
Household Consumption	2.7	2.7	2.1	2.0	0.7	0.6	1.0	0.6	0.9	0.5	0.4	0.9	0.4	0.5	0.5	0.6	0.4	0.5	0.5	0.5	0.5
Underlying Business Investment	-10.1	-11.2	0.8	4.9	-3.2	-1.9	-5.5	-2.4	-3.4	-2.3	-5.3	2.1	0.7	1.3	1.2	1.0	1.0	1.5	1.2	1.6	1.6
Residential Construction	10.0	7.9	2.1	-1.1	4.8	-1.2	4.3	1.5	3.7	1.9	-1.3	1.2	0.6	0.6	0.4	0.0	-0.3	-0.9	-0.5	-0.8	-0.8
Underlying Public Spending	2.4	4.6	3.2	2.8	1.2	1.8	-1.0	2.1	0.5	2.7	0.2	1.3	0.3	0.9	0.5	0.8	0.7	0.7	0.7	0.7	0.7
Exports	6.0	7.6	4.0	5.9	3.7	-2.9	4.6	-0.1	3.3	2.2	1.0	2.2	-0.8	-0.9	4.5	2.4	0.8	0.8	0.7	1.0	1.0
Imports	2.0	0.4	5.0	3.8	2.7	0.9	-1.3	0.0	-0.8	2.9	1.2	1.4	0.7	1.4	1.1	1.0	0.8	0.9	0.9	0.9	0.9
Net Exports (a)	0.7	1.4	-0.2	0.4	0.2	-0.8	1.2	0.0	1.1	-0.1	0.0	0.2	-0.3	-0.5	0.7	0.3	0.0	0.0	0.0	0.0	0.0
Inventories (a)	0.1	0.1	-0.1	0.0	0.7	-0.3	-0.1	0.0	0.0	0.3	0.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic Demand - qtr%					0.5	0.5	-0.2	0.5	0.1	0.7	-0.4	1.2	0.4	0.7	0.6	0.6	0.5	0.6	0.5	0.6	0.6
Dom Demand - ann %	1.3	1.6	2.2	2.3	1.1	1.4	1.2	1.3	1.4	1.6	1.4	2.1	1.9	1.8	2.8	2.3	2.3	2.3	2.2	2.2	2.2
Real GDP - qtr %					1.1	0.2	0.7	0.5	1.1	0.8	-0.5	1.1	0.3	0.3	1.2	0.9	0.5	0.6	0.5	0.6	0.6
Real GDP - ann %	2.4	2.5	2.0	2.7	2.5	2.0	2.4	2.5	2.5	3.1	1.9	2.4	1.6	1.1	2.8	2.7	2.9	3.2	2.5	2.2	2.2
CPI headline - qtr %					0.2	0.7	0.5	0.4	-0.2	0.4	0.7	0.6	0.4	0.4	0.6	0.7	0.5	0.5	0.6	0.7	0.7
CPI headline - ann %	1.5	1.3	2.0	2.2	1.3	1.5	1.5	1.7	1.3	1.0	1.3	1.5	2.1	2.1	2.0	2.0	2.1	2.2	2.2	2.2	2.2
CPI underlying - qtr %					0.6	0.5	0.4	0.5	0.2	0.5	0.4	0.5	0.4	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5
CPI underlying - ann %	2.2	1.6	1.8	1.9	2.4	2.2	2.2	2.0	1.6	1.6	1.6	1.6	1.9	1.8	1.9	1.8	1.8	1.8	1.9	2.0	2.0
Wages (Pvte WPI - ann %)	2.1	1.9	1.9	1.9	2.2	2.2	2.1	2.0	2.0	2.0	1.9	1.8	2.0	2.0	1.9	1.8	1.8	1.8	1.9	2.0	2.0
Unemployment Rate (%)	6.1	5.7	5.7	5.6	6.2	6.0	6.2	6.0	5.9	5.7	5.6	5.7	5.7	5.8	5.7	5.7	5.6	5.6	5.6	5.6	5.6
Terms of trade	-11.6	0.0	13.1	-1.6	-2.5	-4.5	-2.1	-4.2	-1.9	2.1	5.2	9.0	4.9	-0.4	-3.0	-2.1	-2.2	-1.3	-1.3	-1.5	-1.5
G&S trade balance, \$Abn	-36.8	-14.6	24.6	4.6	-4.7	-11.4	-8.6	-12.0	-8.4	-7.4	-3.5	4.7	7.9	5.5	5.9	5.3	3.2	1.8	0.4	-0.9	-0.9
% of GDP	-2.3	-0.9	1.4	0.2	-1.2	-2.8	-2.1	-2.9	-2.0	-1.8	-0.8	1.1	1.8	1.2	1.3	1.2	0.7	0.4	0.1	-0.2	-0.2
Current Account (% GDP)	-4.7	-2.6	-0.5	-1.7	-3.3	-5.2	-4.8	-5.6	-3.6	-3.7	-2.4	-0.9	0.0	-0.6	-0.6	-0.7	-1.3	-1.6	-1.9	-2.2	-2.2

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

Exchange Rate Forecasts

	15-May	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Majors						
AUD/USD	0.7397	0.73	0.71	0.70	0.70	0.70
NZD/USD	0.6872	0.68	0.67	0.67	0.68	0.68
USD/JPY	113.35	114	116	118	120	120
EUR/USD	1.0929	1.10	1.11	1.13	1.15	1.15
GBP/USD	1.2908	1.31	1.29	1.27	1.26	1.25
USD/CNY	6.8998	6.92	6.96	6.97	7.00	7.05
USD/CAD	1.3680	1.33	1.35	1.37	1.37	1.38

Australian Cross Rates

AUD/JPY	83.8	83	82	83	84	84
AUD/EUR	0.6768	0.66	0.64	0.62	0.61	0.61
AUD/GBP	0.5731	0.56	0.55	0.55	0.56	0.56
AUD/NZD	1.0764	1.07	1.06	1.04	1.03	1.03
AUD/CNY	5.1038	5.05	4.94	4.88	4.90	4.94
AUD/CAD	1.0119	0.97	0.96	0.96	0.96	0.97
AUD/CHF	0.7405	0.71	0.68	0.74	0.71	0.68

Interest Rate Forecasts

	15-May	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Aust rates						
RBA Cash rate	1.50	1.50	1.50	1.50	1.50	1.50
3 month bill rate	1.74	1.75	1.75	1.75	1.75	1.75
3 Year Swap Rate	1.94	2.1	2.3	2.3	2.6	2.6
10 Year Swap Rate	2.81	3.0	3.2	3.2	3.4	3.4
Offshore Policy Rates						
US Fed funds	1.00	1.25	1.50	1.50	1.75	2.00
ECB deposit rate	-0.40	-0.40	-0.40	-0.40	-0.30	-0.20
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	0.90
RBNZ OCR	1.75	1.75	1.75	1.75	1.75	2.00
China 1yr lending rate	4.35	4.10	4.10	4.10	4.10	4.10
China Reserve Ratio	17.0	16.5	16.5	16.5	16.5	16.5
10 Year Benchmark Bond Yields						
Australia	2.58	2.75	2.90	2.90	3.10	3.05
United States	2.33	2.50	2.75	2.75	3.00	3.00
New Zealand	2.92	3.30	3.35	3.30	3.30	3.60

Sources: NAB Global Markets Research; Bloomberg; ABS

Global GDP

Dec year	2013	2014	2015	2016	2017	2018	20 Yr Avg
Australia	2.1	2.8	2.4	2.5	2.0	2.7	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	1.8	1.8	1.7	2.4
Japan	2.0	0.2	1.2	1.0	1.1	0.8	0.8
China	7.7	7.3	6.9	6.7	6.5	6.3	9.2
India	6.2	6.9	7.5	7.5	7.4	7.2	6.6
New Zealand	2.2	3.4	2.5	3.1	2.7	2.5	3.0
World	3.4	3.4	3.1	3.0	3.3	3.5	3.5
MTP Top 5	4.1	3.9	4.0	3.8	3.8	3.7	5.0

Commodity prices (\$US)

	15-May	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
WTI oil	48.62	54	56	58	59	60
Gold	1231	1210	1220	1230	1240	1260
Iron ore	61.4	65	61	60	58	60
Hard cok. coal	175	210	160	140	120	110
Thermal coal	74	81	81	81	81	65
Copper	5539	5610	5550	5550	5550	5550
Aust LNG (*)	5.71	7.9	8.3	8.5	8.9	9.2

(*) Implied Australian LNG export prices.

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