14 August 2017

AUSTRALIAN MARKETS WEEKLY

Looking for improvement in SA, QLD, and WA

In this issue

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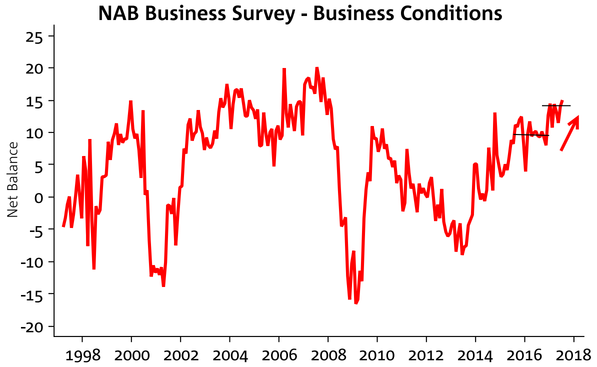
- **In this weekly, we focus on trends in the SA, QLD and WA economies. These economies have been primarily responsible for the improvement in the NAB Business Survey that has been in evidence over the past 6-8 months, with each impacted to varying degrees by the extended downturn in mining investment.**
- **The trends suggest improvement in the QLD and SA economies and stabilization in WA. The NAB survey suggests some further improvement is likely in QLD and SA over coming months – economies that together account for 25% of Australian GDP.**
- **The RBA Governor last week suggested that the next move in Australian interest rates was more likely to be up than down, but not for some time.**
- **Just when that is will likely depend on both the progress of inflation back to the target and the pace at which the unemployment rate declines –the latter will determine the extent to which wages growth strengthens.**
- **The Governor suggested the Bank does not expect the economy to be back at full employment (around 5%) over the next two and a half years suggesting only gradual rate rises if the Bank's forecasts are realized. The Governor also noted that the RBA will be calibrating policy in light of the additional debt loads of the Australian economy – also suggesting gradual increases in rates when they begin.**
- **Over the past week, continued sabre-rattling between President Trump and North Korea has seen equity markets weaken and long end bond markets get a small bid. The US$ was slightly stronger for a while – and the $A correspondingly weaker – however, another soft core US inflation reading saw markets become less convinced that the next Fed hike will occur in December (a 25-30% chance is now only factored).**
- **This Week: A busy week for the local calendar. After tomorrow's RBA Minutes (less eagerly awaited after the quarterly Statement and Governor Lowe testimony last week), Wages Wednesday and Employment/Unemployment Thursday are both market sensitive releases. NAB also releases its Cashless Retails Sales Index (Wed).**
- **The wages data will be closely watched to see whether the low point in wages growth has been reached, a 0.5% q/q outcome likely enough to provide such assurance. NAB looks for a stronger than consensus 25K employment growth and a modest drop in the unemployment rate to 5.5%.**
- **Offshore, after today's raft of Chinese activity releases for July and Japanese GDP, there'll be interest particularly in US Retail Sales tomorrow and Wednesday's FOMC Minutes for discussion of inflation trends and firm plans to commence the unwind of its balance sheet "relatively soon". The September 20 meeting is in the market's sights in relation to the latter.**

Key markets over the past week

	Last	% chg week		Last	bp / % chg week
AUD	0.7904	0.0	RBA cash	1.50	0
AUD/CNY	5.25	-1.6	3y swap	2.03	-1
AUD/JPY	86.3	-1.5	ASX 200	5,706	-1.2
AUD/EUR	0.668	-0.3	Iron ore	75.2	1.4
AUD/NZD	1.080	0.6	WTI oil	48.8	-1.1

Source: Bloomberg

Chart of the week: Improved business conditions



Source: National Australia Bank, Macrobond

Ivan Colhoun, Chief Economist, Markets

David de Garis, Director, Economics

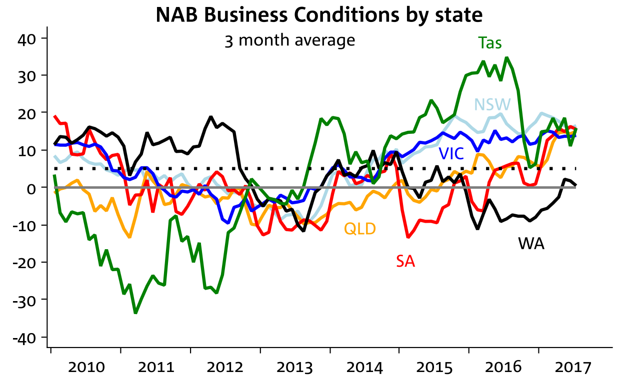
Improving business conditions driven by SA, QLD and WA

Businesses have reported improved business conditions over the past six to eight months, pushing the NAB Business Survey to well-above average levels of +15 in July, up from +8-10 in the second half of 2016 (chart of the week). On a state basis, improvement has been reported in South Australia, Queensland and Western Australia, all states that have been impacted to varying degrees by the extended mining downturn (chart 1).

The RBA assesses that the transition to lower levels of mining investment is now "almost complete". The NAB business survey broadly supports this assessment with SA and QLD having returned to reasonable levels of business conditions over the past 6-8 months, and while business conditions in WA have also improved substantially, this has only been to around flat levels of business conditions. The predominantly non-mining states of NSW, Victoria and Tasmania have all reported sustained elevated levels of business conditions over this period.

This suggests we should be on the lookout for an improvement in other macroeconomic indicators in SA and QLD and some stabilisation in WA – perhaps in that order as that sequencing broadly applied to respective mining downturns in each state. SA was hit first by the cancellation of the Olympic Dam project, QLD hit next by the downturn in coal prices and WA last – and deepest – by the downturn in iron ore and oil and gas prices.

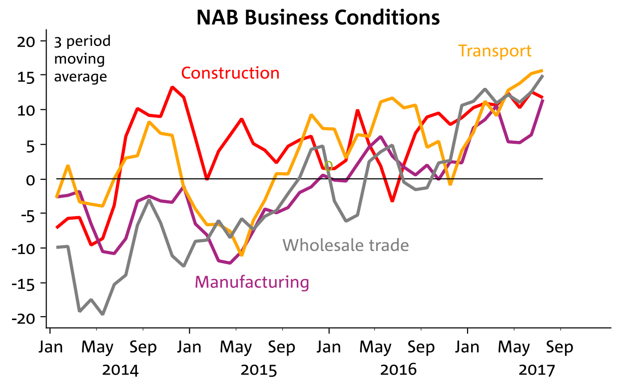
Chart 1: Improvement sourced from SA, QLD and WA



Source: National Australia Bank, Macrobond

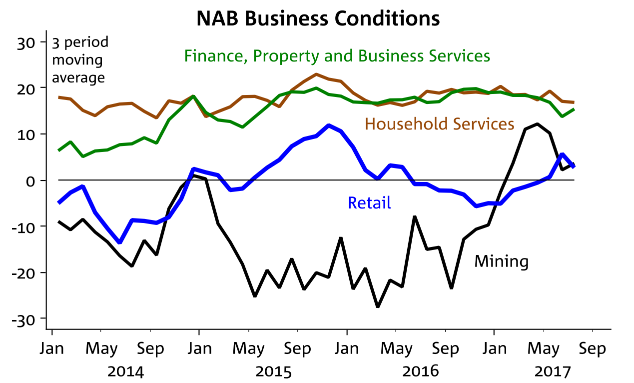
By industry (charts 2 and 3), the improvement in business conditions has been relatively broad based. Household Services and Finance, Property and Business Services have continued to enjoy elevated levels of business conditions, while improvements have been experienced across all of mining, retail, transport, manufacturing, construction and wholesale trade. As the charts show, despite the improvements, mining and retail remain the weakest sectors of the economy at the present time.

Chart 3: Broad-based improvement in conditions



Source: National Australia Bank, Macrobond

Chart 4: Mining and retail improved but still weakest

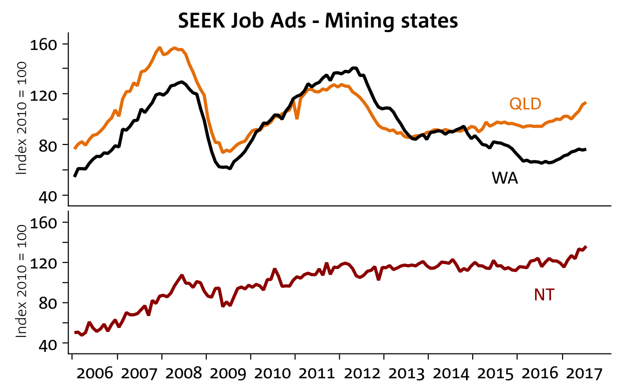


Source: National Australia Bank, Macrobond

Any evidence of improvement in SA, QLD and stabilisation in WA?

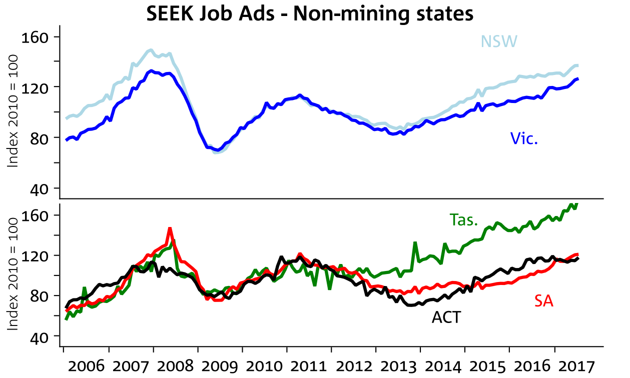
Charts 4 and 5 examine the trend in job advertising across the country. There does seem to be a reasonable recovery in job advertising underway in QLD over the past six months, which is important given QLD accounts for just under one fifth of Australian GDP and employment. Job advertising in WA has improved from mid-2016, but remains at low levels and has been mainly stable in recent months. South Australia experienced a strengthening in job advertising from mid-2016.

Chart 4: Job ads recovering in QLD, stable/up in WA



Source: SEEK, National Australia Bank

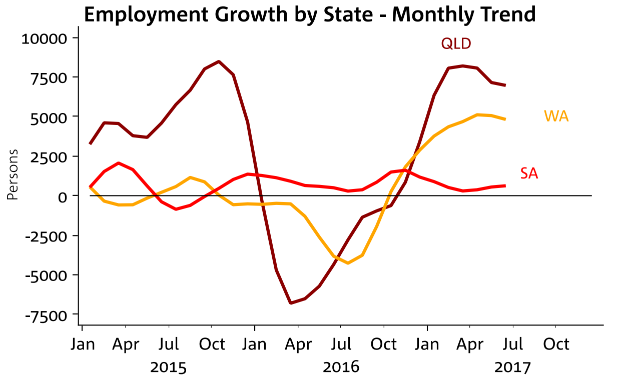
Chart 5: Job ads recovering in SA



Source: SEEK, National Australia Bank

Looking at the trend in employment growth in these three states, the latest trend data report that employment is growing in each state, most strongly in QLD, slowly but steadily in SA, while WA has reportedly seen a relatively significant jump in employment in recent months. We'd be inclined to believe the better indication in QLD, but doubt to an extent, the veracity of the WA signal at this stage. That said, the RBA has been pleased by the broadening in employment growth in recent months.

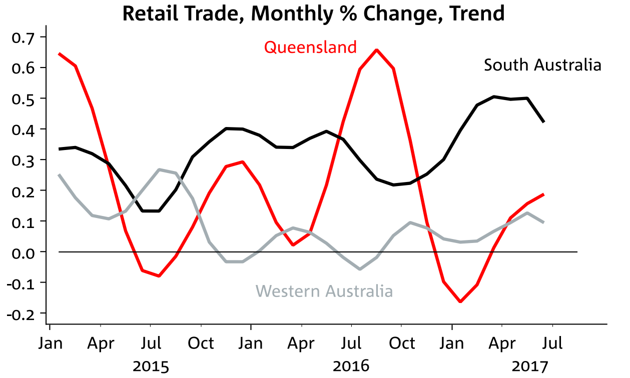
Chart 6: Employment recovering in QLD, WA and SA



Source: National Australia Bank, Macrobond

On the retail sales front, South Australia appears to be experiencing stronger growth in recent months, more in keeping with the trend in the stronger non-mining states of NSW, Victoria and Tasmania. In WA, retail sales growth may have improved fractionally in recent months – stabilisation is probably a more appropriate characterisation, while QLD data have been quite volatile in recent times, but seem to be recording modest growth at worst.

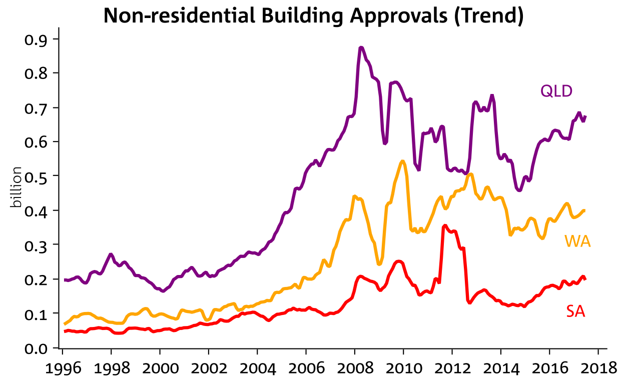
Chart 7: Retail sales trends mixed



Source: National Australia Bank, Macrobond

Our final chart (chart 8), looks at approvals for non-residential construction, which have improved considerably in QLD and SA and have picked up a little in WA.

Chart 8: Non-residential construction improving



Source: National Australia Bank, ABS

On balance, the data support the suggestion of the NAB Survey that the QLD and SA economies have begun to improve and the WA economy to stabilise. These trends are important as these states account for a combined 40% of the economy and 38% of employment. Any improvement would therefore be evident in the national statistics.

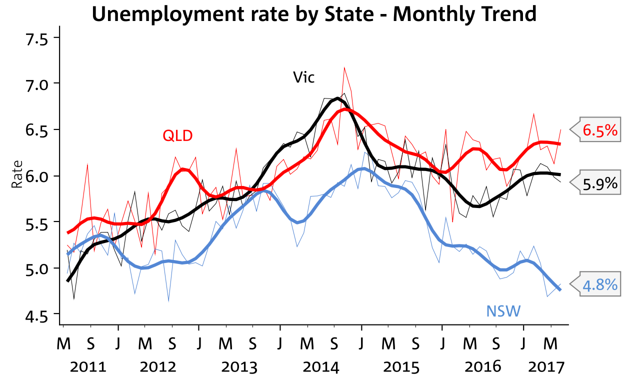
As noted on the front page, the RBA's thinking on the economy has evolved such that the Governor on Friday expressed the view that the next move in Australian interest rates is more likely to be up, but not for some time yet. How quickly the economy progresses towards full employment is likely to determine the timing and pace of interest rate rises, with the Governor also noting in his testimony that the Bank would take account of Australia's additional household debt levels when moving interest rates. All other things being equal, this would suggest gradual interest rate increases when they occur.

In describing full employment, the Governor nominated a 5% level of unemployment and also revealed that the Bank did not currently forecast that the unemployment rate would get back to the 5% full-employment level within its 2.5 year forecast horizon.

QLD and SA currently have the highest unemployment rates in Australia at 6.5% and 6.6% respectively and will be key determinants in when Australia reaches full employment. WA's unemployment is perhaps surprisingly dropping, despite the state experiencing the weakest business conditions of any state. This in part reflects interstate migration from WA to Victoria (this is likely keeping Victoria's unemployment rate somewhat elevated relative to Victoria's strong economic and business conditions).

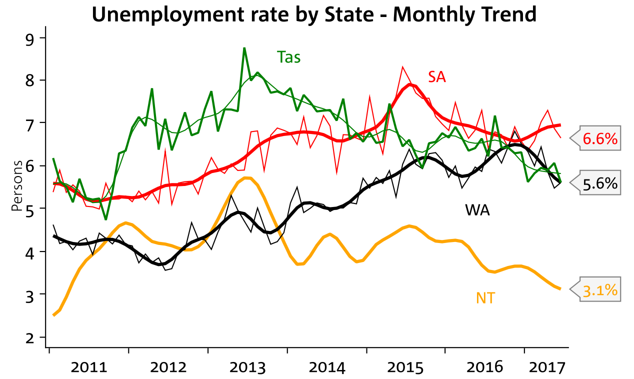
NSW is arguably already close to full employment, with an unemployment rate of 4.8%. Investors should therefore be watching developments in NSW first for evidence as to the extent of any cyclical improvement in wages growth in coming years.

Chart 9: Non-residential construction improving



Source: National Australia Bank, Macrobond

Chart 10: Non-residential construction improving



Source: National Australia Bank, Macrobond

Week ahead: key labour market releases, Chinese activity, US Retail Sales and FOMC Minutes

As for local economic releases, the Australian labour market will be in the limelight this week for what it says about wages growth and employment/unemployment. Wednesday's Wage Price Index report for the June quarter will be closely watched to see whether the low point in wages growth has been reached. A 0.5% q/q result would be sufficient to provide some assurance in this regard. Note that the recent minimum wage decision will not appear until the September quarter report, but will be reflected in next quarter's data with around a 0.7% q/q rise then likely, with the minimum wage decision likely providing a ¼%pt boost.

For employment on Thursday, NAB sees upside risks to the +20k m/m consensus increase for July, with still strong forward indicators and a positive bias this month from sample rotation. The unemployment rate is expected to ease to 5.5% from 5.6%. Also this week, there are two RBA speeches with the RBA's Assistant Governor (Economic) Dr Ellis (effectively the RBA's chief economist) speaking at a macroeconomics workshop on Thursday. NAB also releases its latest Cashless Retail Sales Index for July on Wednesday.

Offshore, today's raft of Chinese activity data will be important background for local markets, with Industrial Production, Retail Sales, and Fixed Assets Investment growth reports for July. In the US, July Retail Sales (Tuesday) and the FOMC Minutes (Wednesday) are the clear highlights. Retail Sales are expected to rebound from last month's weak outcome (+0.4% m/m expected from -0.2%). The FOMC Minutes for the July Meeting will be closely scrutinised for the discussion on inflation trends. The market is also looking for further confirmation that the September 20 FOMC meeting remains in the frame for the Fed to formally start to unwind its balance sheet.

Please see our *What to Watch* publication– sent out on Friday – for more detail of the week's events or let us know if you'd like to be included on the email list.

Ivan.Colhoun@nab.com.au

David.deGaris@nab.com.au

CALENDAR OF ECONOMIC RELEASES

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEST
Monday, 14 August 2017								
CH	Foreign Direct Investment YoY CNY	Jul				2.3	18 Aug release	
NZ	Performance Services Index	Jul				58.6	23.30	8.30
NZ	Retail Sales Ex Inflation QoQ	2Q		0.7		1.5	23.45	8.45
AU	RBA's Kent Gives Speech in Sydney						0.35	9.35
JN	GDP SA QoQ	2Q P		0.6		0.3	0.50	9.50
JN	GDP Annualized SA QoQ	2Q P		2.5		1.0	0.50	9.50
CH	Industrial Production YoY/YTD YoY	Jul		7.1/6.9		7.6/6.9	3.00	12.00
CH	Retail Sales YoY/YTD YoY	Jul		10.8/10.5		11.0/10.4	3.00	12.00
CH	Fixed Assets Ex Rural YTD YoY	Jul		8.6		8.6	3.00	12.00
EC	Industrial Production SA MoM/YoY	Jun		-0.5/2.8		1.3/4.0	10.00	19.00
CA	Teranet/National Bank HPI MoM/YoY	Jul		/		2.6/14.2	13.30	22.30
CA	Teranet/National Bank HP Index	Jul				216.5	13.30	22.30
CA	Bloomberg Nanos Confidence	Aug 11				60.5	15.00	0.00
Tuesday, 15 August 2017								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Aug 13				113.7	0.30	9.30
AU	New Motor Vehicle Sales MoM	Jul				1.2	2.30	11.30
AU	RBA Aug. Rate Meeting Minutes						2.30	11.30
JN	Industrial Production MoM	Jun F		/		1.6/4.9	5.30	14.30
JN	Capacity Utilization MoM	Jun				-4.1	5.30	14.30
GE	GDP SA QoQ/YoY	2Q P		0.7/1.9		0.6/1.7	7.00	16.00
UK	CPIH YoY	Jul		2.7		2.6	9.30	18.30
UK	CPI MoM/YoY	Jul		0/2.7		0.0/2.6	9.30	18.30
UK	CPI Core YoY	Jul		2.5		2.4	9.30	18.30
UK	PPI Input NSA MoM/YoY	Jul		0.4/6.9		-0.4/9.9	9.30	18.30
UK	House Price Index YoY	Jun		4.3		4.7	9.30	18.30
US	Import Price Index MoM/YoY	Jul		0.1/0.2		-0.2/-0.2	13.30	22.30
US	Empire Manufacturing	Aug		10		9.8	13.30	22.30
US	Retail Sales Advanc/Ex Autos and Gas MoM	Jul		0.4/0.4		-0.2/-0.1	13.30	22.30
US	Retail Sales Control Group	Jul		0.4		-0.1	13.30	22.30
CA	Existing Home Sales MoM	Jul				-6.7	14.00	23.00
US	NAHB Housing Market Index	Aug		64		64.0	15.00	0.00
US	Business Inventories	Jun		0.4		0.3	15.00	0.00
US	Total Net/Net Long term TIC Flows	Jun		/		57.3/91.9	21.00	6.00
Wednesday, 16 August 2017								
AU	Westpac Leading Index MoM	Jul				-0.1	1.30	10.30
AU	Wage Price Index QoQ/YoY	2Q		0.5/1.9		0.5/1.9	2.30	11.30
NZ	Non Resident Bond Holdings	Jul				61.5	4.00	13.00
UK	Jobless Claims Change/Average Weekly earnings 3M YoY	Jul		/1.8		5.9/1.8	9.30	18.30
UK	ILO Unemployment Rate/Employment 3Mths	Jun		4.5/97		4.5/175.0	9.30	18.30
EC	GDP SA QoQ/YoY	2Q P		0.6/2.1		0.6/2.1	10.00	19.00
CA	Int'l Securities Transactions	Jun				29.5	13.30	22.30
US	Housing Starts #/MoM	Jul		1220/0.4		1215.0/8.3	13.30	22.30
US	Building Permits #/MoM	Jul		1249/-2		1254.0/7.4	13.30	22.30
CH	FX Net Settlement - Clients CNY	Jul				-92.3		
US	FOMC Meeting Minutes	Jul 26					19.00	4.00
Thursday, 17 August 2017								
NZ	PPI Input QoQ	2Q				0.8	23.45	8.45
NZ	PPI Output QoQ	2Q				1.4	23.45	8.45
JN	Trade Balance Adjusted	Jul		196.3		81.4	0.50	9.50
NZ	ANZ Consumer Confidence Index/MoM	Aug		/		125.4/-1.9	2.00	11.00
AU	Employment Change/Unemployment rate	Jul		20/5.6		14.0/5.6	2.30	11.30
AU	RBA FX Transactions Market	Jul				1100.0	2.30	11.30
AU	RBA's Ellis Gives Speech in Canberra							
UK	Retail Sales Ex Auto Fuel MoM/YoY	Jul		0.1/1.2		0.9/3.0	9.30	18.30
UK	Retail Sales Inc Auto Fuel MoM/YoY	Jul		0.2/1.4		0.6/2.9	9.30	18.30
EC	Trade Balance SA	Jun		20.25		19.7	10.00	19.00
EC	CPI MoM/YoY	Jul		-0.5/1.3		0.0/1.3	10.00	19.00
EC	CPI Core YoY	Jul F		1.2		1.2	10.00	19.00
EC	ECB account of the monetary policy meeting						12.30	21.30
CA	Manufacturing Sales MoM	Jun		-1		1.1	13.30	22.30
US	Initial Jobless Claims	Aug 12		240		244.0	13.30	22.30
US	Continuing Claims	Aug 5				1951.0	13.30	22.30
US	Philadelphia Fed Business Outlook	Aug		18.25		19.5	13.30	22.30
US	Industrial Production MoM	Jul		0.3		0.4	14.15	23.15
US	Bloomberg Consumer Comfort	Aug 13				51.4	14.45	23.45
US	Bloomberg Economic Expectations	Aug				47.0	14.45	23.45
US	Leading Index	Jul		0.3		0.6	15.00	0.00
US	Fed's Kaplan (voter) speaks in Texas						18.00	3.00
Friday, 18 August 2017								
CH	Property Prices	Jul					2.30	11.30
EC	ECB Current Account SA	Jun				30.1	9.00	18.00
EC	Construction Output MoM/YoY	Jun		/		-0.7/2.6	10.00	19.00
CA	CPI NSA MoM/YoY	Jul		0/1.2		-0.1/1.0	13.30	22.30
CA	CPI Core- Common/Trim YoY%	Jul		/		1.4/1.2	13.30	22.30
CA	CPI Core- Median YoY%	Jul				1.6	13.30	22.30
US	U. of Mich. Sentiment/5-10 Yr Inflation expectations	Aug P		94/		93.4/2.6	15.00	0.00
US	Fed's Kapaln (voter) speaks in Dallas						15.15	0.15
US	Baker Hughes U.S. Rig Count/Oil rigs	Aug 18		/		949.0/768.0	18.00	3.00
UK	CBI Trends Total Orders/Selling Prices	Aug		/		10.0/9.0	17-26 Aug release	
Upcoming Central Bank Interest Rate Announcements								
New Zealand, RBNZ		10-Aug	1.75%	1.75%		1.75%		
Australia, RBA		5-Sep	1.50%	1.50%		1.50%		
Canada, BoC		6-Sep				0.75%		
Europe ECB		7-Sep	-0.4%	-0.4%		-0.4%		
UK BOE		14-Sep				0.25%		
US Federal Reserve		21-Sep	1.00-1.25%	1.00-1.25%		1.00-1.25%		
Japan, BoJ		21-Sep	-0.1%	-0.1%		-0.1%		

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

FORECASTS

Economic Forecasts

	Annual % change				Quarterly % change															
					2015				2016				2017				2018			
Australia Forecasts	**2015**	**2016**	**2017**	**2018**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Household Consumption	2.7	2.6	2.8	2.3	0.6	0.6	0.9	0.6	0.8	0.5	0.3	1.0	0.5	1.0	0.6	0.8	0.4	0.5	0.5	0.5
Underlying Business Investment	-10.0	-11.5	-0.7	3.6	-3.2	-1.8	-5.1	-2.6	-3.4	-2.1	-4.9	1.3	0.4	0.7	-0.2	1.5	0.2	1.5	1.6	0.7
Residential Construction	10.1	7.6	-2.0	0.7	4.9	-1.3	4.8	0.7	4.0	1.4	-1.2	1.9	-4.4	1.5	0.2	0.2	0.4	-0.3	-0.1	-0.2
Underlying Public Spending	2.6	4.6	2.7	2.7	1.1	1.9	-0.8	2.3	0.5	2.9	-0.3	0.9	0.5	0.7	0.5	0.8	0.7	0.7	0.7	0.7
Exports	6.0	7.9	6.4	6.1	3.3	-2.9	4.8	0.3	2.7	2.0	1.4	3.7	-1.6	2.1	3.6	2.3	0.8	0.7	0.7	0.9
Imports	2.0	0.2	6.9	4.3	2.1	1.1	-1.2	0.1	-0.8	3.4	0.8	1.9	1.6	2.2	1.0	1.4	0.7	1.0	1.1	0.8
Net Exports (a)	0.7	1.5	-0.1	0.4	0.2	-0.8	1.2	0.0	1.1	-0.3	0.1	0.4	-0.7	0.0	0.6	0.2	0.0	-0.1	-0.1	0.0
Inventories (a)	0.1	0.1	0.1	-0.1	0.7	-0.3	-0.1	0.0	-0.1	0.3	0.2	-0.4	0.5	-0.3	-0.1	0.1	-0.1	0.0	0.0	0.0
Domestic Demand - qtr%					0.5	0.6	-0.1	0.6	0.1	0.8	-0.5	1.1	0.3	0.9	0.5	0.8	0.5	0.6	0.6	0.5
Dom Demand - ann %	1.3	1.5	2.3	2.4	1.1	1.4	1.3	1.4	1.4	1.6	1.2	1.8	1.7	1.9	2.9	2.6	2.7	2.3	2.5	2.2
Real GDP - qtr %					**1.0**	**0.2**	**0.9**	**0.5**	**0.9**	**0.7**	**-0.4**	**1.1**	**0.3**	**0.6**	**1.0**	**1.0**	**0.4**	**0.5**	**0.6**	**0.5**
Real GDP - ann %	2.4	2.5	2.3	2.7	**2.5**	**2.0**	**2.5**	**2.6**	**2.5**	**3.1**	**1.8**	**2.4**	**1.7**	**1.6**	**3.0**	**2.9**	**3.1**	**3.0**	**2.6**	**2.0**
CPI headline - qtr %					0.2	0.7	0.5	0.4	-0.2	0.4	0.7	0.6	0.4	0.5	1.2	0.7	0.5	0.5	0.7	0.8
CPI headline - ann %	1.5	1.3	2.5	2.7	1.3	1.5	1.5	1.7	1.3	1.0	1.3	1.5	2.1	2.2	2.7	2.8	2.9	2.9	2.4	2.4
CPI underlying - qtr %					0.6	0.5	0.4	0.5	0.2	0.5	0.4	0.5	0.4	0.4	0.5	0.5	0.5	0.5	0.6	0.6
CPI underlying - ann %	2.2	1.6	1.8	2.0	2.4	2.2	2.2	2.0	1.6	1.6	1.6	1.6	1.9	1.8	1.9	1.8	1.9	2.0	2.0	2.2
Wages (Pvte WPI - ann %)	2.1	1.9	1.9	2.1	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	2.2	2.5
Unemployment Rate (%)	6.0	5.7	5.6	5.4	6.1	6.0	6.2	5.9	5.8	5.7	5.7	5.6	5.9	5.6	5.4	5.4	5.4	5.5	5.5	5.4
Terms of trade	-11.7	0.1	9.7	-1.1	-2.0	-4.3	-2.8	-4.1	-1.9	2.5	4.3	9.5	6.6	-5.4	-5.1	-1.4	-3.1	-1.1	0.6	-0.9
G&S trade balance, $Abn	-36.6	-12.6	16.4	-11.1	-4.4	-11.2	-9.0	-12.1	-8.0	-7.3	-3.4	6.1	9.2	4.0	1.8	1.4	-1.6	-3.0	-2.8	-3.6
% of GDP	-2.2	-0.7	0.9	-0.6	-1.1	-2.8	-2.2	-2.9	-1.9	-1.7	-0.8	1.4	2.1	0.9	0.4	0.3	-0.4	-0.7	-0.6	-0.8
Current Account (% GDP)	-4.7	-2.6	-2.0	-3.7	-3.2	-5.1	-5.0	-5.6	-3.5	-3.8	-2.6	-0.8	-0.7	-2.0	-2.5	-2.6	-3.4	-3.7	-3.7	-3.8

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

Exchange Rate Forecasts

	14-Aug	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
Majors						
AUD/USD	**0.7904**	0.73	0.70	0.70	0.70	0.70
NZD/USD	**0.7315**	0.71	0.68	0.68	0.68	0.69
USD/JPY	**109.24**	114	118	120	120	122
EUR/USD	**1.1825**	1.17	1.15	1.17	1.18	1.20
GBP/USD	**1.3006**	1.28	1.27	1.28	1.28	1.26
USD/CNY	**6.6636**	6.81	6.82	6.81	6.81	6.80
USD/CAD	**1.2674**	1.33	1.37	1.35	1.34	1.33
USD/CHF	**0.9628**	0.97	0.96	1.06	1.01	0.97
Australian Cross Rates						
AUD/NZD	**1.0805**	1.03	1.03	1.03	1.03	1.01
AUD/JPY	**86.3**	83	83	84	84	85
AUD/EUR	**0.6684**	0.62	0.61	0.60	0.59	0.58
AUD/GBP	**0.6077**	0.57	0.55	0.55	0.55	0.56
AUD/CNY	**5.2669**	4.97	4.77	4.77	4.77	4.76
AUD/CAD	**1.0018**	0.97	0.96	0.95	0.94	0.93
AUD/CHF	**0.7610**	0.71	0.67	0.74	0.71	0.68

Interest Rate Forecasts

	14-Aug	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
Australia Rates						
RBA Cash rate	**1.50**	1.50	1.50	1.50	1.50	1.50
3 month bill rate	**1.69**	1.75	1.75	1.75	1.75	1.75
3 Year Swap Rate	**2.03**	2.0	2.3	2.6	2.6	2.5
10 Year Swap Rate	**2.81**	2.9	3.1	3.4	3.4	3.3
Offshore Policy Rates						
US Fed funds	**1.25**	1.25	1.50	1.75	2.00	2.00
ECB deposit rate	**-0.40**	-0.40	-0.40	-0.40	-0.40	-0.30
BoE repo rate	**0.25**	0.25	0.25	0.50	0.50	0.50
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	2.00	2.25
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	**2.60**	2.65	2.85	3.10	3.05	2.95
United States	**2.19**	2.50	2.75	3.00	3.00	3.00
New Zealand	**2.81**	2.90	3.10	3.35	3.40	3.50

Sources: NAB Global Markets Research; Bloomberg; ABS

Global GDP

Dec year	2013	2014	2015	2016	2017	2018	20 Yr Avge
Australia	2.1	2.8	2.4	2.5	2.3	2.7	3.4
US	1.7	2.6	2.9	1.5	2.0	2.3	2.6
Eurozone	-0.2	1.3	1.9	1.7	2.1	1.9	1.5
UK	1.9	3.1	2.2	1.8	1.6	1.4	2.4
Japan	2.0	0.2	1.1	1.0	1.2	1.0	0.8
China	7.7	7.3	6.9	6.7	6.7	6.5	9.2
India	6.1	7.0	7.5	7.9	7.3	7.2	6.6
New Zealand	2.2	3.4	2.5	3.1	2.5	3.0	3.0
World	3.4	3.5	3.3	3.2	3.4	3.5	3.5
MTP Top 5	4.1	4.0	4.1	3.7	3.9	3.8	5.0

Commodity prices ($US)

	14-Aug	Sep-17	Dec-17	Mar-18	Jun-18	Dec-18
WTI oil	48.83	50	51	52	54	58
Gold	1288	1240	1240	1260	1270	1290
Iron ore	75.2	62	60	58	60	60
Hard coking coal	195	160	140	120	110	100
Thermal coal	96	85	85	85	65	65
Copper	6384	6150	6180	6120	6060	6060
Aust LNG (*)	6.66	7.3	7.8	7.9	8.0	8.5

(*) Implied Australian LNG export prices.

CONTACT DETAILS

Market Economics

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

David de Garis
Director, Economics
+61 3 8641 3045
david.degaris@nab.com.au

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

Markets Research

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

Group Economics

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

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