

# AUSTRALIAN MARKETS WEEKLY



*Jobs boom seeing some emerging rises in advertised salaries*

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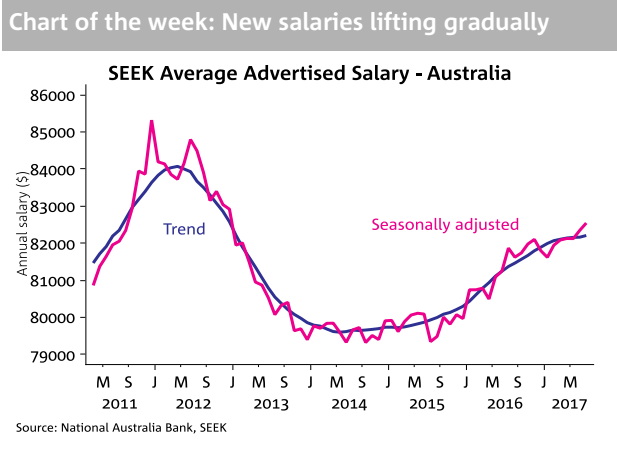
- The unemployment/wages nexus is very uncertain at the moment with wages growth not lifting around the world despite tightening labour markets. For now central banks are still holding the faith on traditional linkages between unemployment and wages. Are they wrong? NAB research suggests not with wage indicators starting to turn higher, albeit slowly.
- In this *Weekly* we delve into the industries driving Australia’s recent jobs boom and find wages indicators (advertised salaries) are starting to lift. Growth in advertised salaries is strongest in the industries with strong job creation.
- Over the past 12 months, Australia has created 324.8k jobs in trend terms. Just four industries have driven 91% of the job creation in the past year: Healthcare & social assistance (+117.0k); Construction (+83.3k); Education & training (+49.1k); and Accommodation & food services (+46.5k). A traditional read on the jobs/wages nexus would prompt one to think wages should be lifting in these sectors.
- Are they? Using average advertised salaries on SEEK.com.au – what we consider to be a measure of wages pressure – we find advertised salaries are starting to lift slowly for Construction (particularly sub-sectors of design & architecture, real estate & property, and trades & services), Education & Training, and Hospitality. Average advertised salaries are yet to lift significantly for Healthcare related sectors, perhaps indicative of still ongoing spare capacity (underemployment) and the sector drawing in more job seekers from outside of the labour force/industry.
- Supporting a slightly more positive wages outlook, our earlier modelling of wages suggests a tentative turnaround is near. That modelling found underemployment and lower inflation expectations can almost fully account for subdued nominal wages growth to date. The model now points to a modest uplift in wages growth due to lower labour market slack from the slight decline in underemployment (now 8.6% from 8.9% in February), and higher inflation expectations.
- For the week ahead, the only local data of market interest is Friday’s RBA Credit report for August. There are two RBA speeches, though these may come and go without too much market fanfare. RBA Assistant Governor (Financial Stability) Michelle Bullock is on a panel while RBA Deputy Governor Guy Debelle is speaking at a Bank of England conference.
- Offshore, it’s quiet for major data, Japanese and US inflation and China’s PMIs (at the end of the week) the highlights. There’s a deluge of speeches though, including Yellen, Draghi, Carney, Lagarde, Poloz, and more.

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	0.7953	-0.7	RBA cash	1.50	0
AUD/CNY	5.25	0.2	3y swap	2.21	-1
AUD/JPY	89.3	0.3	ASX 200	5,682	-0.2
AUD/EUR	0.667	-0.4	Iron ore	63.6	-11.9
AUD/NZD	1.088	-0.7	WTI oil	50.6	0.6

Source: Bloomberg



In this *Weekly* we delve into the industries driving Australia's recent jobs boom and find evidence that wage indicators are starting to lift slowly. The key inference is that the traditional relationship between unemployment and wages growth is still alive, a pointer that the RBA will hold its faith that a gradual tightening in the labour market will lead to higher wages growth in time.

**Employment growth strong**

Australia's recent strength in employment growth is being driven by just four industries: Construction; Healthcare & Social Assistance; Education & Training; and Accommodation & Food services. Over the past year, these industries combined have been responsible for 91% of Australia's employment growth despite only comprising 38% of total employment in the economy (Table 1). These sectors, along with Professional Scientific & Technical Services have also driven employment growth since 2009 (Chart 1 and Chart 2).

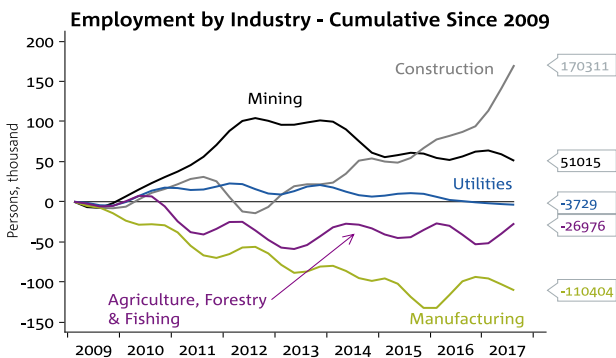
At the same time there continues to be job losses in Mining (-5.4k) and Manufacturing (-11.2k) over the year, while job shedding has started to emerge in Public Administration & Safety (-24.2k) and in Administration & Support Services (-38k).

**Table 1: Four sectors drive 91% of employment growth**

Employment by Industry - Aug 2017				
	Employment Level (trend)		Employment (trend) y/y	
	'000	% of total	'000	%
<b>Goods production</b>				
Mining	221.1	1.8	-5.4	-2.4
Manufacturing	897.2	7.3	-11.2	-1.2
Construction	1154.5	9.4	83.3	7.8
Utilities	127.4	1.0	-4.5	-3.4
<b>Goods distribution</b>				
Retail trade	1252.1	10.2	20.8	1.7
Wholesale trade	389.6	3.2	14.1	3.7
Transport, postal & warehousing	635.0	5.2	21.8	3.6
<b>Business services</b>				
Professional services	1013.4	8.3	-7.0	-0.7
Finance & insurance	424.6	3.5	-3.1	-0.7
Information media & telco	213.6	1.7	12.0	5.9
Rental, hiring & real estate services	209.5	1.7	-5.8	-2.7
Admin & support services	394.1	3.2	-38.0	-8.8
<b>Household services</b>				
Accommodation & food services	896.3	7.3	46.5	5.5
Education & training	994.2	8.1	49.1	5.2
Healthcare & social assistance	1631.0	13.3	117.0	7.7
Arts & recreation services	233.9	1.9	8.1	3.6
Other services	496.4	4.0	17.5	3.7
<b>Agriculture</b>	323.0	2.6	14.1	4.6
<b>Public admin &amp; safety</b>	766.4	6.2	-24.2	-3.1
<b>Total</b>	<b>12279.6</b>	<b>100.0</b>	<b>324.8</b>	<b>2.7</b>

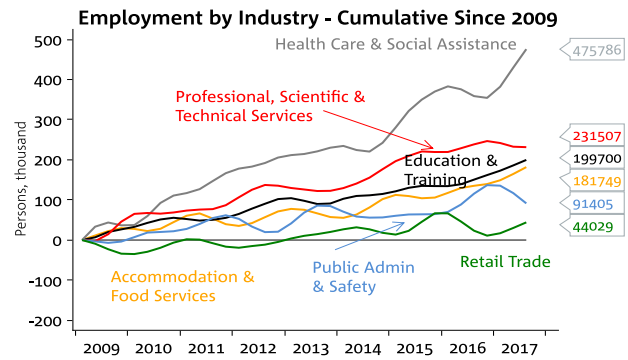
Source: National Australia Bank; ABS

**Chart 1: Employment in construction growing strongly**



Source: National Australia Bank, ABS

**Chart 2: Health, Education & Accommodation also strong**



Source: National Australia Bank, ABS

**Wages are starting to lift in industries that are tighter**

The key question for markets is, will strong jobs growth in these four industries lead to any lift in wages growth? And if so, does this give us hope that aggregate wages growth will lift as the labour market tightens?

We use average advertised salaries from SEEK to look into this issue. SEEK data is available monthly and well ahead of official ABS statistics. While the data is not comparable to ABS wages, it does give some indication of emerging wages pressures or lack thereof; advertised salaries are likely to lift where there is strong employment demand relative to applicant numbers.

**Chart 3: Advertised salaries by industry**

**SEEK - Average Advertised Salaries 3m/3m\***

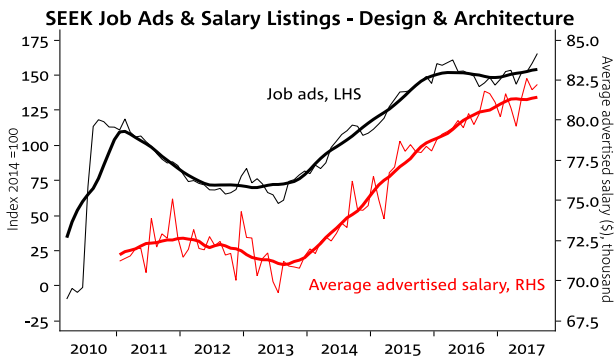


\* Red denotes sectors where employment growth has been strongest  
Source: SEEK, National Australia Bank

The data shows average advertised salaries are rising the most in sub-sectors of Construction (SEEK sub-sectors of Real Estate & Property, Design & Architecture, Engineering and Construction, and Hospitality). These are coloured red in Chart 3, while other increases are also mostly skewed towards industries with higher job ads growth.

Chart 4 shows that as the number of job ads have risen in design & architecture, so have average advertised salaries. This is also emerging in tourism and real estate and property. Reassuringly, this suggests the traditional link between employment/unemployment and wages growth is still alive.

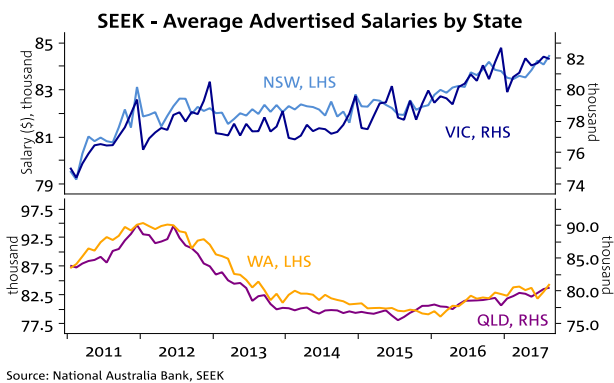
Chart 4: Rise in job ads consistent with higher salaries



The one exception is Healthcare & Medical, where despite strong job growth to date, advertised salaries are declining slightly. This may indicate ongoing spare capacity in the industry (through underemployment – around one in ten workers) or is drawing in more job seekers from other industries and perhaps also from those outside of the labour force.

There is also a state dimensions to the SEEK data with average advertised salaries trending higher in the non-mining states of Vic and NSW, but lower in QLD and WA. Importantly though, QLD and WA have started to turn and should be no longer dragging on aggregate wages growth. Eliminating the drag from QLD and WA could alone see aggregate average compensation of employees lift by 0.7% points.

Chart 5: Mining/non-mining divide – NSW/Vic higher

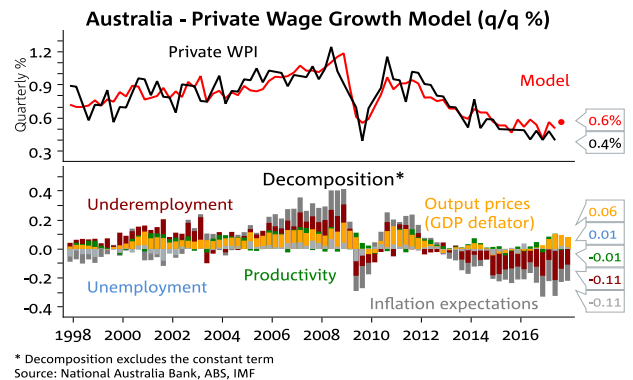


**Our models also suggest wages growth should rising**

Our previous research on modelling wages growth has pointed to the importance of underemployment

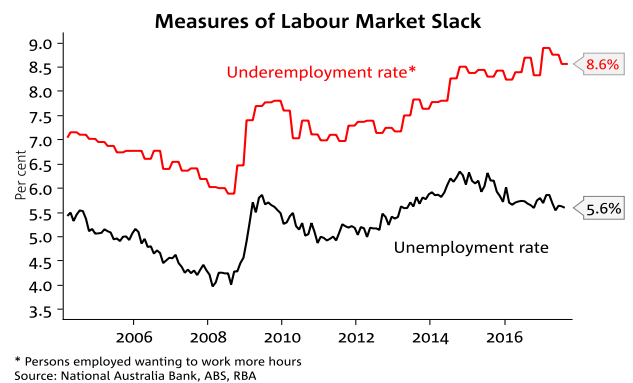
and inflation expectations in wage developments. (Please email [Tapas.Strickland@nab.com.au](mailto:Tapas.Strickland@nab.com.au) if you would like a copy of that research). The model is now pointing to a lift in wages growth with less of a drag coming from underemployment and from inflation expectations.

Chart 6: Wages model up on lower underemployment



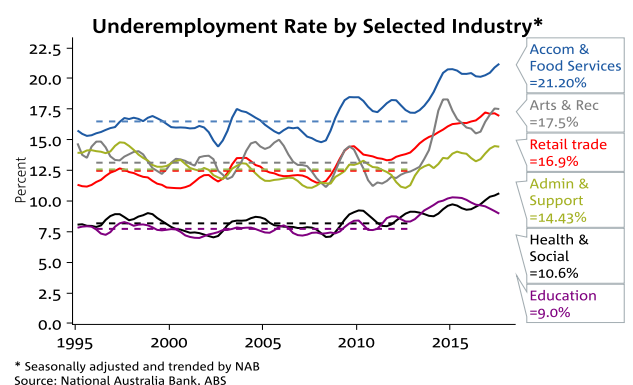
Underemployment has now fallen for two consecutive quarters and is now at 8.6%, down from the peak of 8.9% in February. Industry details suggest the decline in underemployment has been mostly broad-based with notable declines in Construction, Manufacturing and Education.

Chart 7: Underemployment edging down



Nevertheless, there still exists considerable underemployment in the Accommodation and Food Services industry (21% of workers or one in five employees) and Retail Trade (16.9%) with no real turnaround in these sectors. It is likely that further

Chart 8: Underemployment still high in retail & accom

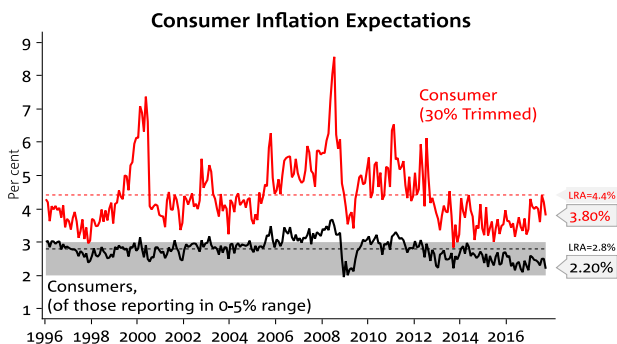


inroads into underemployment in these sectors will be needed before we see wages growth accelerate in a significant way.

Recent strength in job ads in the Tourism sector suggests there are reasons to be hopeful for Accommodation, though Retail will continue to be challenged by the rise in online sales along with a relatively subdued consumer (see chart 8, previous page).

Inflation expectations have also been heading higher, driven by higher electricity prices and a stabilisation in fuel prices. This should in time feed through to wages as labour slack falls.

Chart 9: Consumer inflation expectations higher



\* Dotted lines represent post 1996 averages  
Source: National Australia Bank, Melbourne Institute

**Conclusions**

The unemployment/wages nexus is very uncertain at the moment with wages growth not lifting around the world despite tightening labour markets. For Australia at least, early evidence suggests that the low point in wages growth is passing. Strong employment growth in some industries is now translating through to higher average advertised salaries, suggesting the traditional relationship between unemployment and wages growth still exists. A more theoretical model of wages growth is also pointing to a lift. Overall that suggests the RBA is likely to continue to hold its faith that a gradual tightening in the labour market will lead to higher wages growth in time.

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**Week Ahead**

Locally, the only data of market interest is Friday’s RBA Credit report for August. There are two RBA speeches, though these may come and go without too much market fanfare. RBA Assistant Governor (Financial Stability) Michelle Bullock is on a panel while RBA Deputy Governor Guy Debelle is speaking at a Bank of England “20 years on” independence from Government conference on Thursday evening AEDT, speaking on “Central Bank Independence In Retrospect”, also possibly of less immediate market sensitivity.

Offshore, it’s quiet for major data, Japanese and US inflation on Friday and China’s PMIs (on Friday and Saturday) the highlights. There’s a deluge of speeches though, including Yellen, Draghi, Carney, Lagarde, Poloz, and much more. The RBNZ has its rate announcement on Thursday and is odds on to leave rates on hold.

# CALENDAR OF ECONOMIC RELEASES

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEST
<b>Monday, 25 September 2017</b>								
NZ	Daylight saving started in NZ	24 Sept						
NZ	Fonterra announces Full Year Financial Results							
JN	Nikkei Japan PMI Mfg	Sep P				52.2	1.30	10.30
JN	Leading Index CI	Jul F				105.0	6.00	15.00
JN	BOJ Kuroda make a speech in Osaka						6.30	15.30
EC	ECB Vice President Constancio speaks in Frankfurt						8.00	17.00
EC	ECB's Mersch Speaks at Lisbon Conference on Risk Management						8.15	17.15
GE	IFO Business Climate	Sep		116		115.9	9.00	18.00
GE	IFO Current Assessment/Expectations	Sep		124.7/108		124.6/107.9	9.00	18.00
US	Fed's Dudley Speaks on Workforce Development						13.30	22.30
US	Chicago Fed Nat Activity Index	Aug		-0.25		0.0	13.30	22.30
EC	ECB President Draghi speaks in Brussels						14.00	23.00
CH	Conference Board Leading Economic Index	Aug					14.00	23.00
US	Dallas Fed Manf. Activity	Sep		11.5		17.0	15.30	0.30
EC	ECB's Coeure is chairing a panel in Frankfurt						15.45	0.45
US	Fed's Evans Speaks on Economy and Monetary Policy						17.40	2.40
<b>Tuesday, 26 September 2017</b>								
AU	RBA's Bullock Participates in Panel in Sydney						22.15	7.15
NZ	Trade Balance NZD	Aug	-1170	-825		85.0	22.45	7.45
US	Fed's Kashkari Speaks at Townhall in Grand Forks, North Dakota						23.30	8.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Sep 24				114.8	0.30	9.30
JN	BOJ Minutes of July 19-20 Meeting						0.50	9.50
NZ	ANZ Activity Outlook/Business Confidence	Sep		/		38.2/18.3	1.00	10.00
AU	NAB Consumer Spending	Q2					2.30	11.30
NZ	New Residential Lending YoY	Aug				-23.8	3.00	12.00
EC	ECB's Praet chairs speech in Frankfurt						13.00	22.00
US	S&P CoreLogic CS 20-City MoM SA/YoY	Jul		0.2/5.7		0.1/5.7	14.00	23.00
US	Fed's Mester Moderates Session NABE						14.30	23.30
US	New Home Sales, #/MoM	Aug		587.5/2.9		571.0/-9.4	15.00	0.00
US	Conf. Board Consumer Confidence	Sep		120		122.9	15.00	0.00
US	Richmond Fed Manufact. Index	Sep		13		14.0	15.00	0.00
US	Fed's Brainard Speaks on Labor Market Disparities						15.30	0.30
US	Fed's Bostic Speaks to the Atlanta Press Club						17.30	2.30
US	Fed Chair Janet Yellen Delivers Keynote at NABE Conference						17.00	2.00
US	Fed's Bostic Speaks to the Atlanta Press Club						17.30	2.30
<b>Wednesday, 27 September 2017</b>								
CH	Industrial Profits YoY	Aug				16.5	2.30	11.30
AU	NAB Consumer Anxiety	Q2					2.30	11.30
JN	Small Business Confidence	Sep		49.5		49.0	6.00	15.00
JN	Machine Tool Orders YoY	Aug F				36.3	7.00	16.00
UK	CBI Retailing/Total Dist Reported Sales	Sep		8/		-10.0/2.0	11.00	20.00
US	Durable Goods Orders/Core Orders	Aug P		1/0.3		-6.8/1.0	13.30	22.30
US	Pending Home Sales MoM/YoY	Aug		-0.5/		-0.8/-0.5	15.00	0.00
CA	BoC Governor Stephen Poloz speaks						16.45	1.45
CA	BoC Governor Poloz press conference						17.55	2.55
US	Fed's Bullard Speaks on Economy and Monetary Policy						18.30	3.30
US	Fed's Brainard Speaks at Minority Banker Forum						19.00	4.00
<b>Thursday, 28 September 2017</b>								
NZ	RBNZ Official Cash Rate	Sep 28	1.75	1.75		1.8	21.00	6.00
US	Fed's Rosengren to Speak to Money Marketeers in New York						0.00	9.00
CH	Swift Global Payments CNY	Aug				2.0	2.00	11.00
AU	Job vacancies	Aug				1.5	2.30	11.30
GE	GfK Consumer Confidence	Oct		11		10.9	7.00	16.00
EC	ECB's Praet speaks in Berlin						9.00	18.00
UK	Carney Speaks at BOE Independence Conference, London						9.15	18.15
AU	RBA's Debelle Speaks on "Central Bank Independence in Retrospect" at BOE Conference, London						10.00	19.00
EC	Business Climate Indicator	Sep		1.12		1.1	10.00	19.00
CH	BoP Current Account Balance	2Q F				52.9	10.15	19.15
EC	ECB's Lautenschlaeger speaks in Vienna						12.10	21.10
GE	CPI EU Harmonized MoM/YoY	Sep P		0.1/1.8		0.2/1.8	13.00	22.00
US	GDP Annualized QoQ	2Q T		3.1		3.0	13.30	22.30
US	Initial Jobless Claims	Sep 23		270		259.0	13.30	22.30
US	Advance Goods Trade Balance	Aug		-65.1		-63.9	13.30	22.30
US	Wholesale Inventories MoM	Aug P		0.4		0.6	13.30	22.30
US	Fed's Fischer Speaks at BOE Independence Conference, London						15.00	0.00
US	Fed's George Speaks on Economy and Monetary Policy						14.45	23.45
US	Kansas City Fed Manf. Activity	Sep		14		16.0	16.00	1.00
US	Fed's Bostic to Speak about Careers in Economics						18.30	3.30
<b>Friday, 29 September 2017</b>								
NZ	Building Permits MoM	Aug				-0.7	22.45	7.45
UK	GfK Consumer Confidence/Lloyds Business Barometer	Sep		-11		-10.0/17.0	0.10	9.10
JN	Jobless Rate/Job-to-Applicant Ratio	Aug		2.8/1.53		2.8/1.5	0.30	9.30
JN	Overall Household Spending YoY	Aug		1		-0.2	0.30	9.30
JN	Natl CPI YoY	Aug		0.6		0.4	0.30	9.30
JN	BOJ Summary of Opinions at Sept.20-21 Meeting						0.50	9.50
JN	Retail Sales MoM/YoY	Aug		-0.7/2.3		1.1/1.9	0.50	9.50
JN	Industrial Production MoM/YoY	Aug P		1.8/5.2		-0.8/4.7	0.50	9.50
AU	Private Sector Credit MoM/YoY	Aug	0.4/5.4	0.5/5.5		0.5/5.3	2.30	11.30
CH	Caixin China PMI Mfg	Sep		51.5		51.6	2.45	11.45
NZ	Credit Aggregates, Household YoY	Aug				7.1	3.00	12.00
GE	Unemployment Change (000's)/Claims Rate (%)	Sep		-5/5.7		-5.0/5.7	8.55	17.55
UK	Current Account Balance	2Q		-15.85		-16.9	9.30	18.30
UK	Net Lending Sec. on Dwellings/Mortgage Approvals	Aug		3.6/67		3.6/68.7	9.30	18.30
UK	GDP QoQ/YoY	2Q F		0.3/1.7		0.3/1.7	9.30	18.30
UK	Index of Services MoM/3mYoY	Jul		0.1/0.7		0.4/0.5	9.30	18.30
EC	CPI Estimate/Core YoY	Sep		1.6/1.2		1.5/1.2	10.00	19.00
UK/IMF	IMF's Lagarde Speaks at BOE Conference, London						11.30	20.30
UK	BOE's Broadbent Speaks at Conference in London						13.30	22.30
US	Personal Income/Spending	Aug		0.2/0.1		0.4/0.3	13.30	22.30
US	PCE Deflator MoM/YoY	Aug		0.3/1.5		0.1/1.4	13.30	22.30
US	PCE Core MoM/YoY	Aug		0.2/1.4		0.1/1.4	13.30	22.30
CA	GDP MoM/YoY	Jul		0.1/3.9		0.3/4.3	13.30	22.30
CA	Industrial Product Price/Raw Materials Price Index MoM	Aug				-1.5/-0.6	13.30	22.30
US	Chicago Purchasing Manager	Sep		58.7		58.9	14.45	23.45
US	U. of Mich. Sentiment/5-10y Inflation expectations	Sep F		95.3/		95.3/2.6	15.00	0.00
EC/UK	ECB's Draghi, BOE's Carney in dialog in London						15.15	0.15
US	Fed's Harker Speaks at Fintech Event on Consumers and Banking						16.00	1.00
US	Baker Hughes U.S. Rig Count/Oil Rig Count	Sep 29		/		935.0/744.0	18.00	3.00
<b>Saturday, 30 September 2017</b>								
CH	Manufacturing PMI	Sep		51.7/		51.7/53.4	2.00	11.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
New Zealand, RBNZ		28-Sep	1.75%	1.75%		1.75%		
Australia, RBA		3-Oct	1.50%	1.50%		1.50%		
Europe ECB		26-Oct	-0.4%	-0.4%		-0.4%		
Canada, BoC		26-Oct				1.00%		
Japan, BoJ		31-Oct	-0.1%	-0.1%		-0.1%		
US Federal Reserve		2-Nov	1.00-1.25%	1.00-1.25%		1.00-1.25%		
UK BOE		2-Nov				0.25%		

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

# FORECASTS

		Annual % change								Quarterly % change											
		2015	2016	2017	2018	2015				2016				2017				2018			
Australia Forecasts						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Household Consumption	2.7	2.7	2.4	2.1	0.7	0.6	1.0	0.6	0.9	0.4	0.3	1.1	0.5	0.7	0.4	0.5	0.5	0.5	0.6	0.6	0.6
Underlying Business Investment	-10.0	-11.7	1.3	4.3	-3.4	-2.0	-4.9	-2.3	-3.4	-2.5	-4.6	1.3	2.2	0.8	0.6	0.7	0.9	1.4	1.8	1.4	1.4
Residential Construction	10.1	7.6	-1.8	0.9	5.0	-1.5	5.0	0.7	4.0	1.1	-0.9	1.9	-3.7	0.2	0.8	0.4	0.3	0.0	-0.2	-0.2	-0.2
Exporting Public Spending	2.6	4.8	3.8	3.2	1.3	1.6	-0.7	2.4	0.8	2.3	0.3	1.1	0.5	1.8	0.3	0.8	0.8	0.8	0.8	0.8	0.9
Exports	6.1	7.3	5.1	6.7	3.5	-3.1	4.9	0.2	3.0	1.5	1.0	2.8	-2.2	2.7	3.5	1.8	1.5	0.9	0.9	0.8	0.8
Imports	2.0	0.0	6.5	4.7	2.4	0.6	-0.8	0.0	-0.8	2.3	1.4	1.6	2.2	1.2	1.0	1.2	1.1	1.3	1.2	1.1	1.1
Net Exports (a)	0.7	1.5	-0.3	0.4	0.2	-0.8	1.1	0.0	1.1	-0.2	-0.1	0.3	-0.9	0.3	0.5	0.1	0.1	-0.1	-0.1	-0.1	-0.1
Inventories (a)	0.1	0.0	0.0	0.0	0.7	-0.3	-0.1	0.0	-0.1	0.3	0.1	-0.3	0.5	-0.6	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Domestic Demand - qtr%					0.5	0.4	-0.1	0.6	0.1	0.6	-0.3	1.2	0.6	1.0	0.4	0.6	0.6	0.6	0.7	0.7	0.7
Dom Demand - ann %	1.3	1.6	2.6	2.5	1.1	1.4	1.3	1.4	1.4	1.6	1.3	1.9	2.0	2.4	3.2	2.6	2.6	2.3	2.5	2.6	2.6
Real GDP - qtr %					1.0	0.1	0.9	0.6	1.0	0.8	-0.4	1.1	0.3	0.8	1.0	0.8	0.7	0.5	0.6	0.6	0.6
Real GDP - ann %	2.4	2.5	2.5	2.9	2.5	2.0	2.5	2.6	2.6	3.2	1.9	2.4	1.8	1.8	3.3	3.0	3.3	3.0	2.7	2.5	2.5
CPI headline - qtr %					0.2	0.7	0.5	0.4	-0.2	0.4	0.7	0.5	0.5	0.2	1.2	0.7	0.5	0.5	0.6	0.7	0.7
CPI headline - ann %	1.5	1.3	2.2	2.5	1.3	1.5	1.5	1.7	1.3	1.0	1.3	1.5	2.1	1.9	2.4	2.5	2.6	2.9	2.3	2.3	2.3
CPI underlying - qtr %					0.6	0.5	0.4	0.4	0.2	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.5	0.5
CPI underlying - ann %	2.2	1.5	2.0	2.0	2.4	2.2	2.2	2.0	1.6	1.5	1.5	1.6	1.9	1.9	2.0	2.0	2.0	1.9	2.0	2.1	2.1
Wages (Pvte WPI - ann %)	2.1	1.9	1.9	2.0	2.2	2.2	2.1	2.0	2.0	1.9	1.9	1.8	2.0	1.9	1.9	1.8	1.8	1.8	2.1	2.4	2.4
Unemployment Rate (%)	6.0	5.7	5.6	5.3	6.1	6.0	6.2	5.9	5.8	5.8	5.6	5.6	5.9	5.6	5.6	5.4	5.3	5.3	5.3	5.3	5.3
Terms of trade	-11.6	0.6	9.1	-1.4	-2.0	-4.2	-2.9	-4.1	-1.9	2.5	4.7	10.5	5.6	-6.0	-6.4	0.6	-3.2	-2.1	0.1	-0.3	-0.3
G&S trade balance, \$Abn	-36.7	-12.5	10.4	-17.1	-4.4	-11.0	-9.1	-12.1	-8.1	-6.9	-3.7	6.2	7.4	3.1	-0.6	0.5	-2.2	-4.6	-4.9	-5.5	-5.5
% of GDP	-2.2	-0.7	0.6	-0.9	-1.1	-2.7	-2.2	-3.0	-2.0	-1.6	-0.9	1.4	1.7	0.7	-0.1	0.1	-0.5	-1.0	-1.0	-1.2	-1.2
Current Account (% GDP)	-4.7	-2.6	-2.2	-3.9	-3.2	-5.1	-5.0	-5.6	-3.6	-3.7	-2.6	-0.8	-1.1	-2.1	-3.0	-2.7	-3.5	-4.0	-4.0	-4.1	-4.1

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

## Exchange Rate Forecasts

	25-Sep	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
<b>Majors</b>						
AUD/USD	0.7953	0.75	0.74	0.73	0.73	0.73
NZD/USD	0.7292	0.70	0.69	0.69	0.70	0.70
USD/JPY	112.36	116	118	118	118	120
EUR/USD	1.1920	1.17	1.18	1.20	1.22	1.20
GBP/USD	1.3504	1.33	1.30	1.31	1.28	1.26
USD/CNY	6.5901	6.67	6.64	6.64	6.62	6.65
USD/CAD	1.2349	1.26	1.27	1.30	1.31	1.33
USD/CHF	0.9707	0.98	0.98	0.97	0.96	0.98

Australian Cross Rates						
	25-Sep	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
AUD/NZD	1.0906	1.07	1.07	1.06	1.05	1.04
AUD/JPY	89.4	87	87	86	86	88
AUD/EUR	0.6672	0.64	0.63	0.61	0.60	0.61
AUD/GBP	0.5889	0.56	0.57	0.56	0.57	0.58
AUD/CNY	5.2411	5.00	4.91	4.85	4.83	4.85
AUD/CAD	0.9821	0.95	0.94	0.95	0.96	0.97
AUD/CHF	0.7720	0.73	0.72	0.71	0.70	0.72

## Interest Rate Forecasts

	25-Sep	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
<b>Australia Rates</b>						
RBA Cash rate	1.50	1.50	1.50	1.50	1.75	2.00
3 month bill rate	1.72	1.75	1.75	1.75	2.00	2.25
3 Year Swap Rate	2.22	2.3	2.6	2.7	3.0	3.2
10 Year Swap Rate	2.96	3.2	3.5	3.5	3.6	3.7
<b>Offshore Policy Rates</b>						
US Fed funds	1.25	1.50	1.75	2.00	2.00	2.25
ECB deposit rate	-0.40	-0.40	-0.40	-0.40	-0.30	0.00
BoE repo rate	0.25	0.25	0.50	0.50	0.50	0.50
BoJ excess reserves rate	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
RBNZ OCR	1.75	1.75	1.75	2.00	2.25	2.50
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
<b>10-year Benchmark Bond Yields</b>						
Australia	2.78	2.95	3.20	3.20	3.30	3.40
United States	2.25	2.75	3.00	3.00	3.00	3.00
New Zealand	3.00	3.10	3.35	3.40	3.50	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	2.5	2.9	3.4
US	1.7	2.6	2.9	1.5	2.1	2.3	2.6
Eurozone	-0.2	1.4	1.9	1.8	2.2	2.0	1.5
UK	1.9	3.1	2.2	1.8	1.5	1.4	2.4
Japan	2.0	0.2	1.1	1.0	1.5	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	6.8	7.4	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	3.6	3.5
MTP Top 5	4.1	4.0	4.1	3.8	4.0	3.8	5.0

## Commodity prices (\$US)

	25-Sep	Dec-17	Mar-18	Jun-18	Dec-18
WTI oil	50.63	51	52	54	58
Gold	1292	1240	1260	1270	1290
Iron ore	63.6	60	58	60	60
Hard coking coal	205	140	120	110	100
Thermal coal	97	85	85	65	65
Copper	6430	6180	6120	6060	6060
Aust LNG (*)	6.51	7.8	7.9	8.0	8.5

(\*) Implied Australian LNG export prices.

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