AUSTRALIAN MARKETS WEEKLY

Unemployment to head lower say labour market indicators

In this issue

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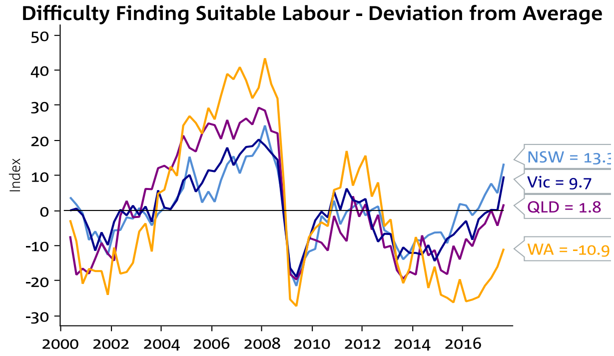
- Australia has seen the strongest year for job creation since August 2005 with 371.5k jobs created on net, while full-time job creation has been the strongest ever. Despite that, the unemployment rate has been surprisingly sticky and has only recently fallen to 5½%. Your scribe thinks this is about to change.
- In this *Weekly* we delve into indicators of unemployment and underemployment. These indicators all suggest the unemployment rate will head lower over the next six months. We investigate four separate measures: firms' difficulty in finding suitable labour out of the NAB Business Survey; job vacancies as a share of the labour force; consumers' unemployment expectations; and applications per job being advertised on SEEK.com.au
- The NAB Survey reveals firms are finding it the most difficult to find suitable labour since September 2008. This is significant with the measure having a close historical relationship with total labour underutilization (unemployment plus underemployment). Reported difficulty is suggestive of the unemployment rate falling to 5-5¼% over the next few quarters.
- Firms in NSW and Vic are having the most difficulty in finding suitable labour. Encouragingly, labour market conditions are turning in QLD and WA, albeit from low levels. Similar trends are being borne out in other unemployment indicators: consumer unemployment expectations have hit their lowest since June 2011 and are lowest in NSW; applications per ad on SEEK are flat to lower; and job vacancies are at a record high.
- Overall, these indicators support NAB's expectation of the unemployment rate being low enough by mid-2018 to give the RBA greater confidence in wages and inflation picking up. We think this would place the RBA in a position to remove some of the stimulus in place and we think the RBA will hike rates twice in the second half of next year. The risk from the unemployment indicators above is that the unemployment/underemployment falls more quickly than even NAB expects.
- For the week ahead, Aussie CPI on Wednesday will capture the domestic attention. NAB and the market expect a Headline 0.8% q/q outcome with slight downside risk given the possibility of a large fall in vegetable prices. The more important core measures are expected to remain at around 0.4/0.5% q/q, which would suggest inflation has bottomed given similar core figures over the past three quarters.
- Offshore, focus will be on the ECB meeting on Thursday given expectations for a tapering announcement. Focus then shifts to GDP figures with Q3 figures out for the US and the UK. US company reporting season also heats up.

Key markets over the past week

	Last	% chg week		Last	bp / % chg week
AUD	0.7825	-0.3	RBA cash	1.50	0
AUD/CNY	5.19	0.1	3y swap	2.16	2
AUD/JPY	89.0	1.0	ASX 200	5,905	1.0
AUD/EUR	0.665	-0.1	Iron ore	62.5	-0.1
AUD/NZD	1.123	2.6	WTI oil	52.1	-0.1

Source: Bloomberg

Chart of the week: Labour difficulty starting to rise



Source: National Australia Bank

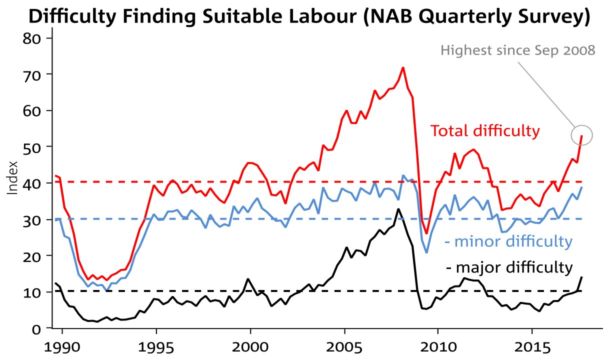
Tapas Strickland, Economist, Markets

Unemployment to head lower say labour market indicators

Of all of last week's data, what captured your scribe's attention was the Difficulty Finding Suitable Labour question out of the NAB Quarterly Business Survey. The survey found firms were finding it the most difficult to find suitable labour since September 2008 (Chart 1)!

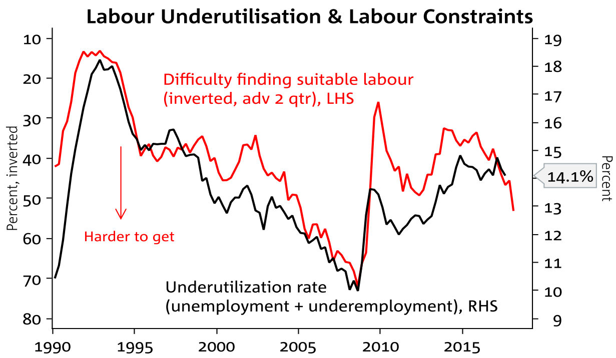
This is significant. The difficulty in finding suitable labour tends to lead total labour underutilisation (unemployment *plus* underemployment) by two quarters. At such levels, it suggests underutilisation could fall 1 percentage point over the next two quarters – splitting that evenly between unemployment and underemployment could mean the unemployment rate could be at 5-5¼% by mid-2018 (Chart 2). NAB's own forecasts have the unemployment rate at around 5¼% by mid-2018.

Chart 1: Difficulty finding labour highest since Sep 2008



Source: National Australia Bank

Chart 2: Difficulty finding labour leads unemployment



Source: National Australia Bank, ABS

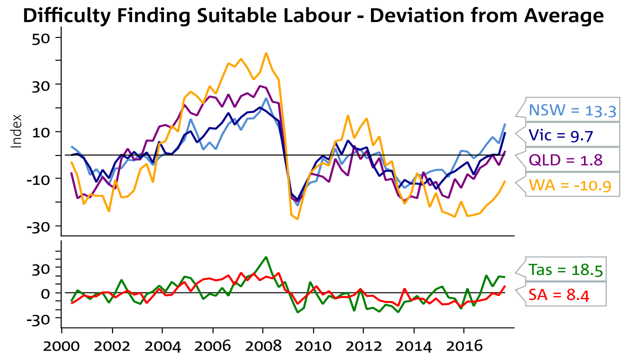
How likely is this to occur? To explore further and see whether a prospective tightening in the labour market is also being borne out in other data we look at four indicators of unemployment and underemployment. The four indicators we use are: the NAB quarterly business survey split into its state and industry components; job vacancies reported by firms; what consumers say about the unemployment outlook; and how many applications per job advertisement employers are receiving.

In short, all four of these measures suggest unemployment and underemployment will fall in the coming quarters — some more significantly than others.

Difficulty finding labour rising in all states

Splitting the NAB Business Survey by industry and state reveals firms in NSW and Vic are finding it the hardest to find suitable labour. Both of these states suggest firms have the greatest difficulty since 2008. Difficulty is also starting to rise in QLD, where while it is around its long-run average level, it has risen considerably since its low point in 2013. Encouragingly, the labour market in WA also appears to have reached a turning point in 2016, with firms reporting greater difficulty in finding suitable labour – though at levels well below their long run average.

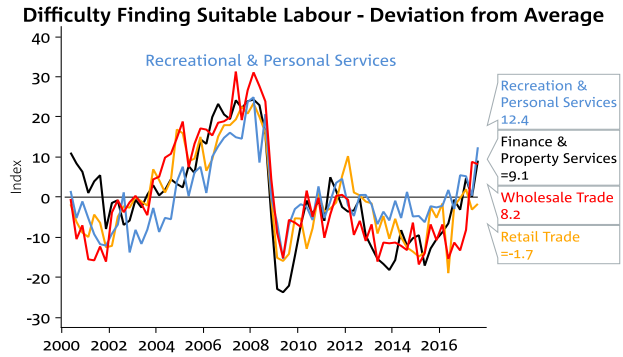
Chart 3: Firms' labour difficulty highest in NSW & Vic



Source: National Australia Bank

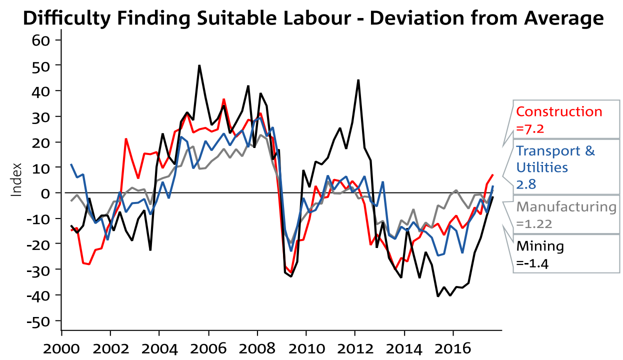
By industry, the most difficulty in finding suitable labour is occurring in the services side of the economy – principally firms in the Recreation and Personal Services and Finance & Property Services, as well as the

Chart 4: Service industries finding it hard to get labour



Source: National Australia Bank

Chart 5: Construction firms finding it harder, other not



Source: National Australia Bank

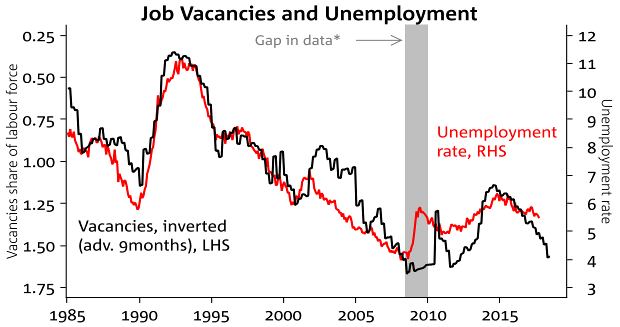
Construction sector. In contrast, only average difficulty is being reported by Retailers, Miners, Manufacturers, and Transport & Utilities (see charts 5 and 6).

Job vacancies are rising

Job vacancies are also a good indicator of the labour market. When vacancies are expressed as a share of the labour force it has a close relationship with the unemployment rate – when there are more jobs vacant there should be labour demand that can be filled by hiring those unemployed or underemployment. Vacancies overall tend to lead the unemployment rate by around 9 months – one caveat being the candidate-to jobs matching efficiency (aka Beveridge Curve) i.e. are those unemployed and underemployed suited to the jobs on offer?

The most recently reported job vacancies were for August, where vacancies rose 6.0% q/q and reached a record high of 203,700. Expressed as a share of the labour market, such a level is consistent with a lower unemployment rate. A rough eye ball suggests the unemployment rate could fall below 5% over the next year. This is a similar implication as to the difficulty finding labour out of the NAB Business Survey.

Chart 6: Vacancies suggest UR to head lower soon

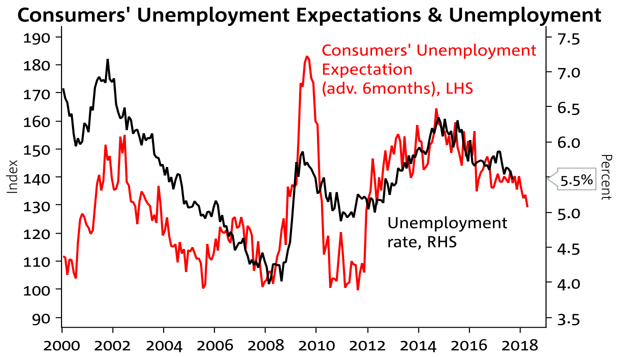


* The ABS did not collect vacancy data between May 2008 and November 2009. Numbers are estimates by the ABS during this period
Source: National Australia Bank, ABS

Consumers less fearful of unemployment

For an alternative perspective on the unemployment rate, instead of looking at firms we could ask consumers about their expectations for unemployment over the next year. Fortunately the Westpac-Melbourne Institute asks this question each month in their consumer survey. The most recent survey saw unemployment expectations fall to their lowest levels since June 2011.

Chart 7: Consumers expect lower unemployment ahead

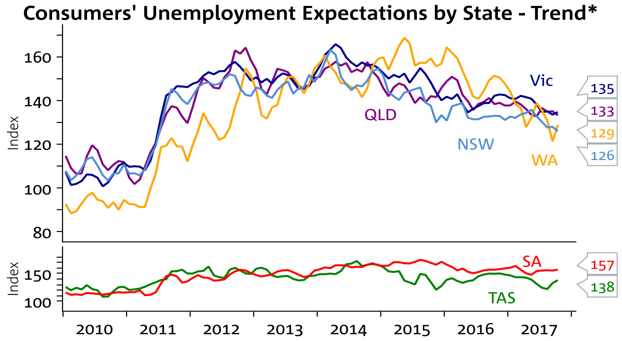


Source: National Australia Bank, ABS, W-MI

Unemployment expectations tend to lead movements in the official unemployment rate by around six months, so this too is suggestive of downward pressure on the unemployment rate. Indeed, all unemployment indicators are consistent with a 5-5¼% unemployment rate.

Delving into the state details reveals unemployment expectations are lowest in NSW in trend terms (similar to NAB's difficulty finding labour), followed surprisingly by WA. Importantly, unemployment expectations have fallen in all states in trend terms over the past year and are therefore suggestive of declining unemployment.

Chart 8: Unemployment expectations lowest in NSW



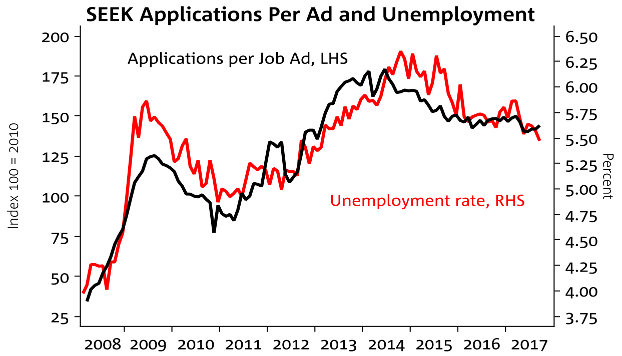
* Seasonally adjusted by NAB and presented as a 7-month moving average
Source: National Australia Bank, Macrobond

Applications per job ad indicate lower UR

The final indicator we look at is the number of applications being received per job ad being advertised on SEEK. Applications per ad generally move in line with the unemployment rate (if there are fewer applications per ad than previously that likely indicates a tightening labour market). Over the past year this indicator has been trending down, though has flattened out over the past few months – indicative of applications rising in line with the number of job ads and supportive of the recent rise in the participation rate.

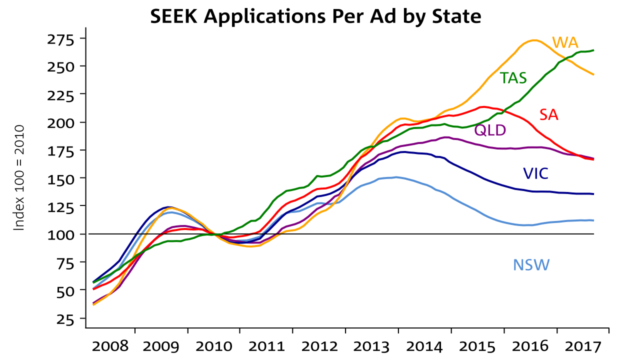
When split on a state basis, applications per ad are lowest in NSW and are as low as they were in 2011 – suggestive of a tightening labour market. In contrast, applications per add remain elevated relative to history in Vic and QLD, suggestive of rising labour market participation in these two states. Significantly, there appears to be a turning point occurring in the WA labour market with the number of applications per ad peaking at the end of 2016 – though a considerable degree of spare capacity still exists relative to history.

Chart 9: Applications per ad consistent with a lower UR



Source: National Australia Bank, ABS, SEEK

Chart 10: Aps per ad low in NSW, WA has turned



Source: National Australia Bank, SEEK

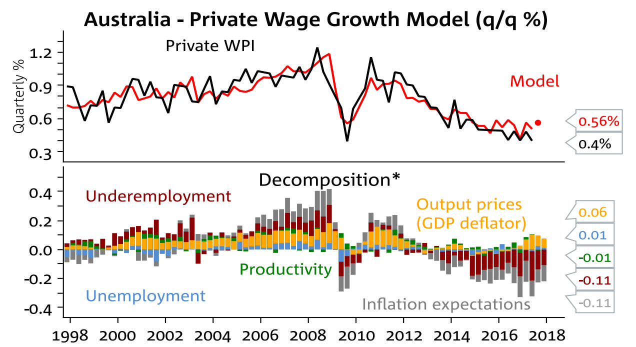
Conclusions

Our investigation of unemployment indicators suggest the unemployment rate is set to fall over the next two quarters. Three out of four indicators suggest the unemployment rate could fall to 5-5¼% by mid-2018. NAB's own forecasts have the unemployment rate at around 5¼% by mid-2018. An unemployment rate around this rate should give the RBA greater confidence in wages and inflation picking up.

Our own models of wages growth suggest labour market slack has been one of the main drivers behind subdued wages growth (Chart 11). The model is already suggestive of wages growth picking up to 0.56% q/q – annualising out to a 2.2% y/y pace and up from its current 1.9% pace. If unemployment and underemployment also fall, that suggests a further pick up in wages growth.

While a pick-up in wages growth remains to be seen, this type of modelling supports the view of as slack erodes, wages growth should lift. This would place the RBA in a position to remove some of the stimulus in place and NAB's forecasts sees the RBA hiking rates twice in the second half of next year.

Chart 11: As labour market slack erodes, wages will lift



* Decomposition excludes the constant term
Source: National Australia Bank, ABS, IMF

Week ahead

CPI on Wednesday is the main domestic focus. A hefty increase in electricity and gas prices are expected to lift Headline CPI by 0.8% q/q and 2.0% y/y. This is also the market consensus. Acting as some offset is a fall in petrol prices and decline in vegetable prices – a mild winter and early spring has led to bumper crops for tomatoes, broccoli, beans and zucchinis. There may be slight downside risks to the consensus and our forecasts if vegetable prices fall as far as indicated by wholesale prices; wholesale vegetable prices fell some 16% in Q3 which we have moderated to a 4% decline in the CPI.

Core inflation in contrast is expected to remains table with Trimmed Mean at 0.5% q/q and 2.0% y/y. The Weighted Median is likely a touch softer at 0.4% q/q and 1.9% y/y. While we do not expect a lift in the rate of core inflation, the important point is that inflation looks to have bottomed as the steady core figures over the past three quarters suggest. If so, inflation should then gradually lift as the labour market tightens. For further details, please see attached NAB's full preview note which was released last week.

As for international events, focus will on the ECB meeting on Thursday given expectations for a tapering announcement (a recent poll suggests the program could fall from the current €60bn a month to as low as €20bn a month). Focus then shifts to GDP figures with Q3 figures out for the US and the UK. For US GDP the market looks for a 2.5% outcome, down from last quarter's 3.1%. The Atlanta Fed GDP Now is similar and expects a 2.7% outcome. Speculation on the next US Fed chair is also likely to continue, with press reports suggesting Powell is the front runner, but Trump also stated Taylor and Yellen are also under consideration.

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CALENDAR OF ECONOMIC RELEASES

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEDT
Monday, 23 October 2017								
NZ	**Public Holiday**							
CH	Property Prices	Sep					2.30	12.30
JN	Leading Index CI	Aug F				106.8	6.00	16.00
EC	Govt Debt/GDP Ratio	2016				#N/A N/A	10.00	20.00
UK	CBI Business Optimism	Oct				5.0	11.00	21.00
UK	CBI Trends Total Orders/Selling Prices	Oct		/		7.0/18.0	11.00	21.00
CA	Wholesale Trade Sales MoM	Aug				1.5	13.30	23.30
US	Chicago Fed Nat Activity Index	Sep		-0.1		-0.3	13.30	23.30
CA	Bloomberg Nanos Confidence	Oct 20				57.9	15.00	1.00
EC	Consumer Confidence	Oct A		-1.1		-1.2	15.00	1.00
Tuesday, 24 October 2017								
CH	**19th People's Party Congress Wraps Up**							
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 22				112.4	23.30	9.30
JN	Nikkei Japan PMI Mfg	Oct P				52.9	1.30	11.30
GE	Markit/BME Germany Manufacturing/Services PMI	Oct P		60/55.6		60.6/55.6	8.30	18.30
GE	Markit/BME Germany Composite PMI	Oct P		57.7		57.7	8.30	18.30
EC	ECB Bank Lending Survey						9.00	19.00
EC	Markit Eurozone Manufacturing PMI	Oct P		57.7		58.1	9.00	19.00
EC	Markit Eurozone Services PMI	Oct P		55.8		55.8	9.00	19.00
EC	Markit Eurozone Composite PMI	Oct P		56.5		56.7	9.00	19.00
EC	Euro Area Second Quarter Government Deficit	Q2					10.00	20.00
EC	Euro Area Second Quarter Government Debt	Q2					10.00	20.00
US	Markit US Manufacturing/Services PMI	Oct P		53/55		53.1/55.3	14.45	0.45
US	Markit US Composite PMI	Oct P				54.8	14.45	0.45
US	Richmond Fed Manufact. Index	Oct		16		19.0	15.00	1.00
Wednesday, 25 October 2017								
AU	Skilled Vacancies MoM	Sep				0.3	1.00	11.00
AU	CPI QoQ	3Q	0.8/2.0	0.8/2		0.2/1.9	1.30	11.30
AU	CPI Trimmed Mean QoQ	3Q	0.5/2.0	0.5/2		0.5/1.8	1.30	11.30
AU	CPI Weighted Median QoQ	3Q	0.4/1.9	0.5/2		0.5/1.8	1.30	11.30
GE	IFO Business Climate	Oct		115		115.2	9.00	19.00
GE	IFO Current Assessment/Expectations	Oct		123.5/107.3		123.6/107.4	9.00	19.00
UK	UK Finance Loans for Housing	Sep				41807.0	9.30	19.30
UK	GDP QoQ/YoY	3Q A		0.3/1.5		0.3/1.5	9.30	19.30
UK	Index of Services MoM/3m rolling change	Aug		/		-0.2/0.5	9.30	19.30
US	MBA Mortgage Applications	Oct 20				3.6	12.00	22.00
US	Durable Goods Orders	Sep P		1.3		2.0	13.30	23.30
US	Cap Goods Orders Nondef Ex Air	Sep P		0.2		1.1	13.30	23.30
EC	European Commission Economic Forecasts						25 Oct - 7 Nov release	
US	FHFA House Price Index MoM	Aug		0.4		0.2	14.00	0.00
CA	Bank of Canada Rate Decision	Oct 25		1		1.0	15.00	1.00
US	New Home Sales, #/MoM	Sep		550/-1.8		560.0/-3.4	15.00	1.00
CA	Bank of Canada Releases October Monetary Policy Report						15.00	1.00
CA	BOC's Poloz and Wilkins Hold Press Conference in Ottawa						16.15	2.15
Thursday, 26 October 2017								
NZ	Trade Balance NZD	Sep		-900		-1235.0	22.45	8.45
JN	PPI Services YoY	Sep		0.8		0.8	0.50	10.50
AU	Import/Export Price Index QoQ	3Q		-1.8/-4		-0.1/-5.7	1.30	11.30
CH	Swift Global Payments CNY	Oct				1.9	2.00	12.00
GE	GfK Consumer Confidence	Nov		10.8		10.8	7.00	17.00
AU	RBA's Debelle Gives Speech in Sydney						8.45	18.45
UK	CBI Retailing/Total Distributives Reported Sales	Oct				42.0/44.0	11.00	21.00
EC	ECB Main Refinancing Rate/Marginal Lending Facility Rat	Oct 26		0/0.25		0.0/0.3	12.45	22.45
EC	ECB Deposit Facility Rate/Asset Purchase Target	Oct 26		-0.4/		-0.4/60.0	12.45	22.45
US	Wholesale Inventories MoM	Sep P				0.9	13.30	23.30
US	Initial Jobless Claims	Oct 21				222.0	13.30	23.30
US	Advance Goods Trade Balance	Sep		-64		-63.3	13.30	23.30
US	Retail Inventories MoM	Sep				-999998.0	13.30	23.30
US	Bloomberg Consumer Comfort	Oct 22				51.1	14.45	0.45
US	Pending Home Sales MoM/YoY	Sep		0.25/		-2.6/-3.1	15.00	1.00
US	Kansas City Fed Manf. Activity	Oct				17.0	16.00	2.00
Friday, 27 October 2017								
JN	Natl CPI/ex Fresh Food YoY	Sep		0.7/0.7		0.7/0.7	0.30	10.30
JN	Natl CPI Ex Fresh Food, Energy YoY	Sep		0.2		0.2	0.30	10.30
AU	PPI QoQ/YoY	3Q		/		0.5/1.7	1.30	11.30
CH	Industrial Profits YoY	Sep				24.0	2.30	12.30
EC	ECB Survey of Professional Forecasters						9.00	19.00
US	GDP Annualized QoQ	3Q A		2.5		3.1	13.30	23.30
CA	CFIB Business Barometer	Oct				56.9		
US	U. of Mich. Sentiment/5-10Y Inflation expectations	Oct F		101/		101.1/2.4	15.00	1.00
US	Baker Hughes U.S. Rig Count/Oil Rigs only	Oct 20		/		928.0/743.0	18.00	4.00
Upcoming Central Bank Interest Rate Announcements								
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%		
Australia, RBA		7-Nov	1.50%	1.50%		1.50%		
New Zealand, RBNZ		9-Nov				1.75%		

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

FORECASTS

Economic Forecasts

Australia Forecasts	Annual % change				Quarterly % change															
					2016				2017				2018				2019			
	2016	2017	2018	2019	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Household Consumption	2.7	2.4	2.0	2.4	0.9	0.4	0.3	1.1	0.5	0.7	0.4	0.5	0.4	0.5	0.5	0.6	0.6	0.6	0.6	0.6
Underlying Business Investment	-11.7	1.2	3.6	5.5	-3.4	-2.5	-4.6	1.3	2.2	0.8	0.5	0.4	0.9	1.3	0.9	1.7	1.2	1.1	1.8	1.6
Residential Construction	7.6	-1.8	0.9	-1.2	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	-0.4	-0.4	-0.9
Underlying Public Spending	4.8	3.8	3.2	4.0	0.8	2.3	0.3	1.1	0.5	1.8	0.3	0.8	0.8	0.8	0.8	0.9	1.1	1.1	1.1	1.1
Exports	7.3	5.1	6.7	3.1	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	0.7	0.6	0.8
Imports	0.0	6.5	4.4	4.8	-0.8	2.3	1.4	1.6	2.2	1.2	0.9	1.1	1.1	1.3	0.9	1.2	1.2	1.2	1.4	1.2
Net Exports (a)	1.5	-0.3	0.5	-0.3	1.1	-0.2	-0.1	0.3	-0.9	0.3	0.5	0.2	0.1	-0.1	0.0	-0.1	-0.1	-0.1	-0.2	-0.1
Inventories (a)	0.0	0.0	0.0	0.0	-0.1	0.3	0.1	-0.3	0.5	-0.6	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic Demand - qtr%					0.1	0.6	-0.3	1.2	0.6	1.0	0.4	0.6	0.5	0.6	0.6	0.7	0.7	0.7	0.8	0.7
Dom Demand - ann %	1.6	2.5	2.4	2.8	1.4	1.6	1.3	1.9	2.0	2.4	3.2	2.6	2.5	2.2	2.3	2.4	2.6	2.7	2.9	3.0
Real GDP - qtr %					**1.0**	**0.8**	**-0.4**	**1.1**	**0.3**	**0.8**	**0.9**	**0.8**	**0.7**	**0.6**	**0.5**	**0.7**	**0.6**	**0.6**	**0.7**	**0.6**
Real GDP - ann %	2.5	2.5	2.9	2.5	**2.6**	**3.2**	**1.9**	**2.4**	**1.8**	**1.8**	**3.2**	**3.0**	**3.3**	**3.1**	**2.7**	**2.5**	**2.5**	**2.4**	**2.6**	**2.5**
CPI headline - qtr %					-0.2	0.4	0.7	0.5	0.5	0.2	0.8	0.7	0.5	0.5	0.6	0.7	0.5	0.5	0.6	0.7
CPI headline - ann %	1.3	2.2	2.5	2.4	1.3	1.0	1.3	1.5	2.1	1.9	2.0	2.5	2.6	2.9	2.3	2.3	2.4	2.4	2.4	2.4
CPI underlying - qtr %					0.2	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.5	0.6	0.5	0.5	0.6
CPI underlying - ann %	1.5	2.0	2.0	2.2	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	2.2	2.2	2.3
Wages (Pvte WPI - qtr %					**0.5**	**0.4**	**0.5**	**0.4**	**0.5**	**0.4**	**0.5**	**0.4**	**0.5**	**0.4**	**0.8**	**0.7**	**0.6**	**0.6**	**0.6**	**0.6**
Wages (Pvte WPI - ann %)	1.9	1.9	2.0	2.4	2.0	1.9	1.9	1.8	2.0	1.9	1.9	1.8	1.8	1.8	2.1	2.4	2.5	2.6	2.4	2.2
Unemployment Rate (%)	5.7	5.6	5.3	5.2	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	5.2	5.2	5.1
Terms of trade	0.6	10.8	-1.5	-0.2	-1.9	2.5	4.7	10.5	5.6	-6.0	-1.8	-2.4	-3.8	-1.1	-0.8	-0.3	-0.3	-0.7	0.1	0.1
G&S trade balance, $Abn	-12.5	16.5	-10.7	-24.1	-8.1	-6.9	-3.7	6.2	7.4	3.1	3.8	2.2	-1.0	-2.4	-3.3	-3.9	-4.7	-5.9	-6.5	-6.9
% of GDP	-0.7	0.9	-0.6	-1.2	-2.0	-1.6	-0.9	1.4	1.7	0.7	0.8	0.5	-0.2	-0.5	-0.7	-0.8	-1.0	-1.2	-1.3	-1.4
Current Account (% GDP)	-2.6	-1.9	-3.5	-4.2	-3.6	-3.7	-2.6	-0.8	-1.1	-2.1	-2.0	-2.3	-3.2	-3.5	-3.7	-3.8	-3.9	-4.2	-4.3	-4.3

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

Exchange Rate Forecasts

	23-Oct	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Majors						
AUD/USD	0.7825	0.75	0.74	0.73	0.73	0.73
NZD/USD	0.6967	0.70	0.69	0.69	0.70	0.70
USD/JPY	113.77	116	118	118	118	120
EUR/USD	1.1770	1.17	1.18	1.20	1.22	1.20
GBP/USD	1.3197	1.33	1.30	1.31	1.28	1.26
USD/CNY	6.6324	6.67	6.64	6.64	6.62	6.65
USD/CAD	1.2621	1.26	1.27	1.30	1.31	1.33
USD/CHF	0.9845	0.98	0.98	0.97	0.96	0.98
Australian Cross Rates						
AUD/NZD	1.1232	1.07	1.07	1.06	1.05	1.04
AUD/JPY	89.0	87	87	86	86	88
AUD/EUR	0.6648	0.64	0.63	0.61	0.60	0.61
AUD/GBP	0.5929	0.56	0.57	0.56	0.57	0.58
AUD/CNY	5.1899	5.00	4.91	4.85	4.83	4.85
AUD/CAD	0.9876	0.95	0.94	0.95	0.96	0.97
AUD/CHF	0.7704	0.73	0.72	0.71	0.70	0.72

Interest Rate Forecasts

	23-Oct	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Australia Rates						
RBA Cash rate	1.50	1.50	1.50	1.50	1.75	2.00
3 month bill rate	1.70	1.75	1.75	1.75	2.00	2.25
3 Year Swap Rate	2.16	2.4	2.5	2.7	3.0	3.2
10 Year Swap Rate	2.95	3.2	3.3	3.4	3.6	3.7
Offshore Policy Rates						
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	1.75	2.00	2.25
China 1yr lending rate	4.35	4.35	4.35	4.35	4.35	4.35
China Reserve Ratio	17.0	16.5	16.0	16.0	16.0	16.0
10-year Benchmark Bond Yields						
Australia	2.80	3.00	3.05	3.05	3.30	3.40
United States	2.38	2.60	2.75	2.75	3.00	3.00
New Zealand	2.95	3.10	3.35	3.40	3.50	3.60

Sources: NAB Global Markets Research; Bloomberg; ABS

Global GDP

Dec year	2014	2015	2016	2017	2018	2019	20 Yr Avge
Australia	2.8	2.4	2.5	2.5	2.9	2.5	3.4
US	2.6	2.9	1.5	2.1	2.3	2.0	2.6
Eurozone	1.4	1.9	1.8	2.2	2.0	1.6	1.5
UK	3.1	2.3	1.8	1.5	1.4	1.6	2.4
Japan	0.2	1.1	1.0	1.5	1.0	0.7	0.8
China	7.3	6.9	6.7	6.7	6.5	6.3	9.2
India	7.0	7.5	7.9	6.8	7.4	7.6	6.6
New Zealand	3.4	2.5	3.0	2.5	2.9	2.7	3.0
World	3.5	3.3	3.2	3.4	3.6	3.4	3.5
MTP Top 5	4.0	4.1	3.8	4.0	3.8	3.5	5.0

Commodity prices ($US)

	23-Oct	Dec-17	Mar-18	Jun-18	Dec-18	Dec-19
WTI oil	52.09	51	52	54	58	60
Gold	1277	1270	1270	1280	1290	1300
Iron ore	62.5	62	60	62	60	60
Hard coking coal	181	160	140	120	100	101
Thermal coal	97	85	85	80	80	80
Copper	6930	6400	6340	6280	6280	6280
Aust LNG (*)	6.64	7.8	7.9	8.0	8.5	8.8

(*) Implied Australian LNG export prices.

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