



AUSTRALIAN MARKETS WEEKLY

Inflation – what does the latest CPI tell us?

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- The Q3 CPI came in a little below expectations, with core rates of inflation of 0.3/0.4% q/q and a headline rate of 0.6% q/q. Economists had expected around 0.4/0.5% and 0.8% q/q rates respectively. These outcomes left y/y inflation rates around the 1.8-1.9% mark for the various headline and core inflation measures, which was a little below the lower edge of the RBA’s 2-3% inflation target.
- In this *Weekly* we delve into what is driving the subdued inflation outcomes in Australia. As RBA Deputy Governor Guy Debelle reminded us, “it is very important to understand the starting point for the forecast – as well as how one arrived at the starting point – to successfully forecast the future”!
- We investigate trends within the 87 items of the CPI basket. We find that around 40% of the CPI basket has been falling in price over the past year. This mainly reflects falling prices for food, globally traded manufactured goods such as clothing and furniture, and the long-term price decline in technology products.
- This leads us to conclude in a general sense that it will be relatively hard for Australian inflation to pick up too much in coming years, barring: (i) an acceleration in the global component of inflation; or (ii) a tightening in the Australian labour market, which sees a decline in unemployment and underemployment lead to some pick-up in wages growth.
- What does it all mean for the RBA? In the near term, the low Q3 CPI likely rules out a move to increase interest rates early in 2018, not that NAB expected such a move in any case. This does not necessarily mean that the Bank will not adjust monetary policy next year. It however will mean that indicators of labour market spare capacity and wages trends will tend to be more important drivers of monetary policy decisions over the next 6-18 months than CPI outcomes. NAB continues to expect that the RBA will begin to reduce some of the support it is providing to the Australian economy in the form of low interest rates next year and is forecasting a half a percent increase in rates in the second half of 2018.
- For the week ahead, Friday’s September Retail Trade Report is the one to watch, NAB’s own Cashless Retail Index pointing to a strong 0.5% bounce-back. Other Australian data out this week includes Credit Statistics on Tuesday, followed by Building Approvals and Trade Balance on Thursday.
- Offshore it’s a busy week with the Bank of England expected to hike rates on Thursday (markets are 80% priced). The US has its key PCE deflators Monday, ISM Manufacturing and FOMC on Wednesday, then Payrolls on Friday. China’s manufacturing PMI also gets released on Tuesday. The market is also expecting an announcement from President Trump this week on who the next Fed Chair will be.

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

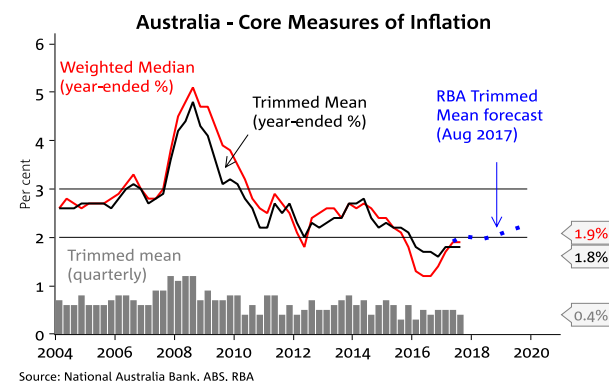
- [Ask the Economists](#)
- [Ask the FX Strategists](#)
- [Ask the Interest Rate Strategists](#)

Key markets over the past week

	Last	% chg week		Last	bp / % chg week
AUD	0.7675	-1.7	RBA cash	1.50	0
AUD/CNY	5.10	-1.5	3y swap	2.07	-9
AUD/JPY	87.2	-1.5	ASX 200	5,666	0.5
AUD/EUR	0.661	-0.5	Iron ore	60.1	-3.8
AUD/NZD	1.120	0.0	WTI oil	54.0	3.9

Source: Bloomberg

Chart of the week: CPI a touch softer than expected



- There has been a good deal of cyclical nature in tradables inflation (36% of the CPI), albeit about a very low level of price inflation in recent years.

Chart 5: Traded and non-traded goods inflation

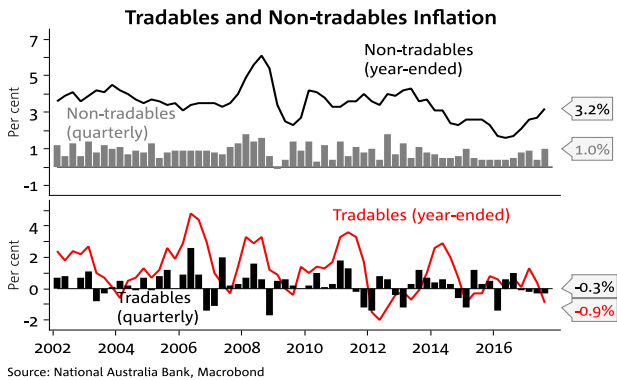
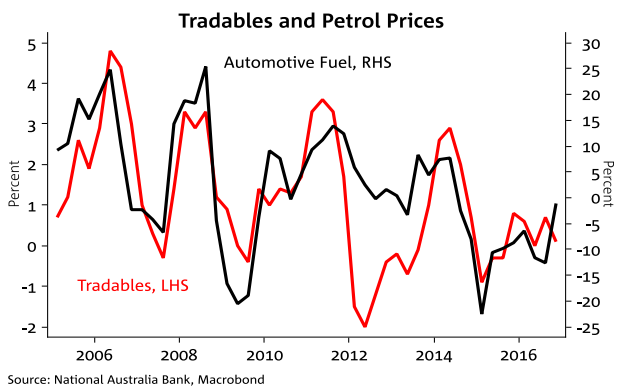


Chart 6 reveals that much of the cyclical nature of tradables inflation reflecting variations in oil/petrol prices in the CPI, though there is also a significant decline in tradables inflation in 2013-14, which is not due to oil/petrol prices. Interestingly, this is also around the time that non-tradables inflation moderated. Other central banks, the BoC most recently and the RBNZ previously, have noted that in recent years there has been a very significant common global inflation component explaining developments in individual country's CPIs. Replicating this analysis for Australia finds a global inflation component can explain round 53% of headline inflation and 24% of core inflation.

Chart 6: Tradables inflation linked to oil prices



Our previous work has looked at the moderation in non-tradables inflation and found that this moderation has been explained by two major developments – a slowdown in both rents and wages – with the biggest

Table 1: Capital City Inflation

	Per cent change	
	September Qtry %	Annual
All groups CPI	0.6	1.8
Sydney	0.7	1.9
Melbourne	0.5	2.2
Brisbane	0.4	1.5
Adelaide	1.1	1.8
Perth	0.5	0.8
Hobart	0.3	2.0
Darwin	0.6	0.6
Canberra	0.9	2.1

Source: National Australia Bank, ABS

slowdown noticeable in the mining regions, which has produced an unusual divergence in inflation rates between the states (see table above).

The very significant influence of rents on Australian inflation – and on core inflation – likely continues to be under-appreciated. Rents have around a 6.7% weight in the headline CPI and a 9.6% weight in the core CPI. Chart 8 shows the very significant decline in rents that has occurred in Perth and Darwin in the wake of the mining slowdown/recession. This downturn – and the broader flow-on effects in these states/territories – has produced significantly lower annual rates of inflation in these two cities which make up around 15% of the national CPI. The falls of around 7-8% y/y reduce headline inflation by nearly half a percent in these regions and core inflation by 0.6-0.7 percentage points, and individually reduce the national CPI by around 0.1% points.

Chart 7: Core CPI heavily influenced by rents

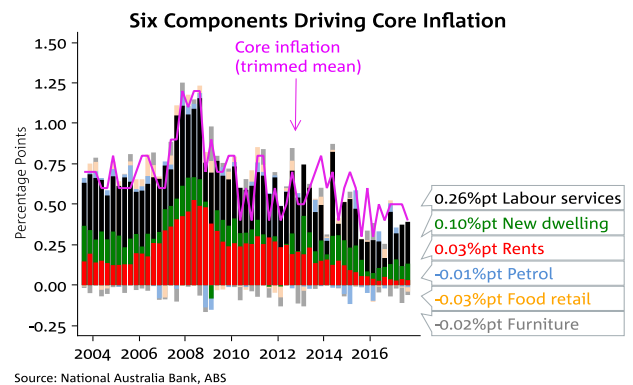
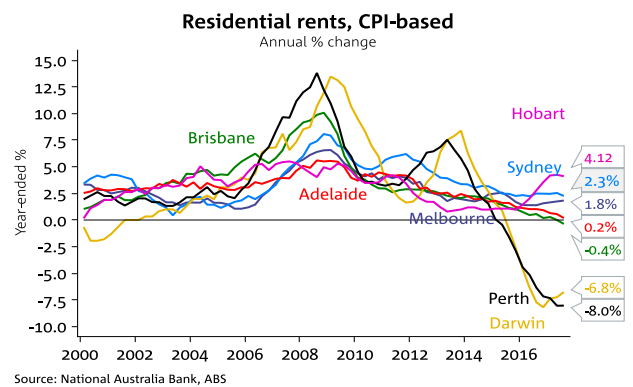


Chart 8: Rents falling in Darwin and Perth

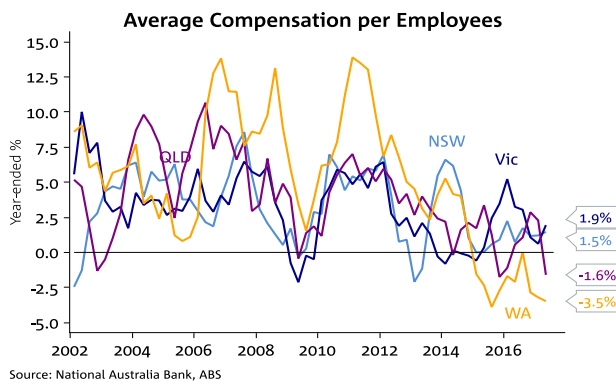


Rents however have also moderated in all other capital cities over this time period, likely reflecting a combination of lower interest rates and lower headline CPI rates. More recently rents have begun to decline in Brisbane, reflecting increasing vacancy rates, which in turn reflect the large (and likely somewhat excessive) supply of apartments being completed in that city over the next 12-18 months. Thankfully, both overseas and interstate migration to Queensland has begun to pick up in recent quarters, which should provide some offset to this oversupply and residential building approvals have also moderated in BNE over much of the past 15 or so months. That said, the course of Brisbane rents and vacancy rates will be a very important component to monitor over coming quarters in relation to the overall

Australian CPI as Brisbane has a weight in the CPI similar to Perth and Darwin combined and some further declines in rent seem likely.

This particular influence – and the likely track of rents more generally – will likely remain a headwind for the RBA’s reach of its 2-3% inflation target in the immediate future, however, it’s worth distinguishing between the mining-related demand-driven weakness in rents witnessed in Perth and Darwin and the excess-supply related rental weakness evident in Brisbane. As Chart 9 below shows, wages developments have also had an important mining cycle element to them, the negative influence of which should be beginning to moderate as mining business conditions improve.

Chart 9: Compensation very weak in QLD and WA



Forecasting the CPI

Having spent some time establishing the reasons for current sub-target inflation, it’s worth considering how these factors might play out in the next 12-24 months, which is the timeframe that the RBA can reasonably hope to forecast. Some general observations and conclusions can be made:

- Grocery price deflation/supermarket price wars and IT and communications price falls seem likely to generally persist;
- Rents in Brisbane are likely to be a drag on the CPI in coming quarters offsetting any improvement in rental conditions in Perth and Darwin;
- Cycles in petrol prices are important for tradables inflation – this quarter, it’s more likely that petrol prices will rise, but a more protracted period of oil price rises is not generally expected.

This leads us to conclude in a general sense that it will be relatively hard for Australian inflation to pick up too much in coming years, barring: (i) an acceleration in the global component of inflation; or (ii) a tightening in the Australian labour market, which sees a decline in unemployment and underemployment lead to some pick-up in wages growth. Again, thankfully, there are some encouraging signs on both of these fronts with measures of job advertising and on the difficulty finding suitable labour, both beginning to suggest some improvement in Australian labour market conditions. The degree to which the mining regions of Australia bounce back, will also be important to monitor.

Internationally, producer prices are increasing in line with the recent tick up in commodity prices (Chart 10) and this should feed into domestic inflation in time (Chart 11).

Chart 10: Global prices are on the rise

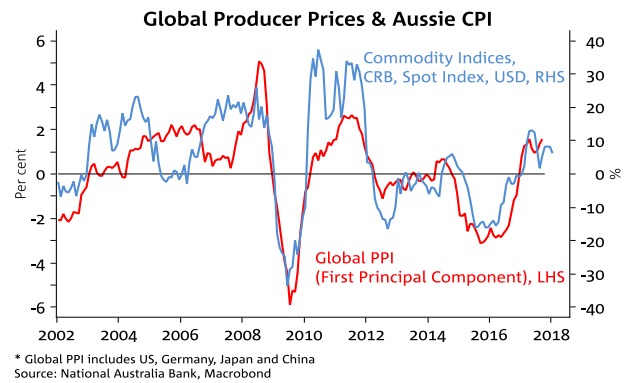
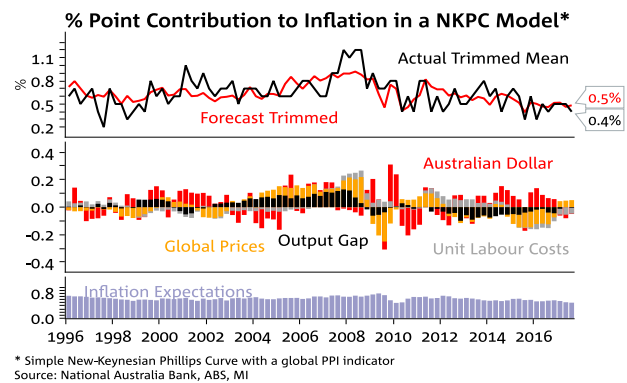


Chart 11: Labour costs need to rise to get inflation up



Implications for monetary policy

The low Q3 CPI outcome and more importantly the likelihood that many of the reasons for the low outcome will likely persist on a 12-18 month outlook suggests that significantly strengthening inflation is not likely to be a concern for the RBA in the next 6-12 months. In the near term, the low Q3 CPI likely rules out a move to increase interest rates early in 2018, not that NAB expected such a move in any case.

This does not necessarily mean that the Bank will not adjust monetary policy next year. It however will mean that indicators of labour market spare capacity and wages trends will tend to be more important drivers of monetary policy decisions over the next 6-18 months than CPI outcomes. NAB continues to expect that the RBA will begin to reduce some of the support it is providing to the Australian economy in the form of low interest rates next year and is forecasting a half a percent increase in rates in the second half of 2018.

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CALENDAR OF ECONOMIC RELEASES

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEDT
Monday, 30 October 2017								
JN	Retail Sales MoM/YoY	Sep		0.8/2.3		-1.7/1.7	23:50	10:50
UK	Net Consumer Credit/Mortgage approvals	Sep		1.5/66		1.6/66.6	9:30	20:30
EC	Business Climate Indicator	Oct		1.4		1.3	10:00	21:00
US	Personal Income/Spending	Sep		0.4/0.9		0.2/0.1	12:30	23:30
US	PCE Deflator MoM/YoY	Sep		0.4/1.6		0.2/1.4	12:30	23:30
US	PCE Core MoM/YoY	Sep		0.1/1.3		0.1/1.3	12:30	23:30
GE	CPI EU Harmonized MoM/YoY	Oct P		0.1/1.7		0.0/1.8	13:00	0:00
CA	Bloomberg Nanos Confidence	Oct 27			57.7		14:00	1:00
US	Dallas Fed Manf. Activity	Oct		21		21.3	14:30	1:30
Tuesday, 31 October 2017								
NZ	Building Permits MoM	Sep				10.2	21:45	8:45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 29				113.3	22:30	9:30
JN	Jobless Rate/Job-ro-Applicant Ratio	Sep		2.8/1.53		2.8/1.5	23:30	10:30
JN	Overall Household Spending YoY	Sep		0.6		0.6	23:30	10:30
JN	Industrial Production MoM/YoY	Sep P		-1.6/2		2.0/5.3	23:50	10:50
NZ	ANZ Activity Outlook/Business Confidence	Oct		/		29.6/0.0	0:00	11:00
AU	HIA New Home Sales MoM	Sep				9.1	0:00	11:00
UK	GfK Consumer Confidence	Oct		-10		-9.0	0:10	11:10
UK	Lloyds Business Barometer	Oct				23.0	0:10	11:10
AU	Private Sector Credit MoM/YoY	Sep	0.5/5.7	0.5/5.6		0.5/5.5	0:30	11:30
CH	Manufacturing/Non-manufacturing PMI	Oct		52/		52.4/55.4	1:00	12:00
NZ	Credit Aggregates, Household YoY	Sep				6.7	2:00	13:00
JN	BOJ Policy Balance Rate	Oct 31		-0.1		-0.1		
JN	Vehicle Production YoY	Sep				5.6	4:00	15:00
JN	Small Business Confidence	#N/A Field Not Applicable				49.4	#VALUE!	#VALUE!
JN	BOJ Kuroda speaks at press conference after MPM						6:30	17:30
EC	ECB's Visco, Finance Minister Padoan at World Saving Day Event						9:15	20:15
EC	GDP SA QoQ/YoY	3Q A		0.5/2.3		0.6/2.3	10:00	21:00
EC	CPI Estimate YoY/Core CPI	Oct		1.5/1.1		1.5/1.1	10:00	21:00
EC	Unemployment Rate	Sep		9		9.1	10:00	21:00
CA	GDP MoM/YoY	Aug		0.1/3.5		0.0/3.8	12:30	23:30
CA	Industrial Product Price/Raw Materials Price MoM	Sep		0.5/0.4		0.3/1.0	12:30	23:30
US	Employment Cost Index	3Q		0.7		0.5	12:30	23:30
US	S&P CoreLogic CS 20-City MoM SA/YoY	Aug		0.4/5.9		0.4/5.8	13:00	0:00
US	Chicago Purchasing Manager	Oct		60		65.2	13:45	0:45
US	Conf. Board Consumer Confidence	Oct		121		119.8	14:00	1:00
Wednesday, 1 November 2017								
NZ	Employment Change QoQ/YoY	3Q	0.7	0.8/2.5		-0.2/3.1	21:45	8:45
NZ	Unemployment Rate	3Q	4.7	4.7		4.8	21:45	8:45
NZ	Pvt Wages Ex/Incl Overtime QoQ	3Q	0.7	0.7/0.6		0.4/0.4	21:45	8:45
AU	CBA Australia PMI Mfg	Oct				53.8	22:00	9:00
AU	AIG Perf of Mfg Index	Oct				54.2	22:30	9:30
AU	CoreLogic House Px MoM	Oct				0.1	23:00	10:00
UK	BRC Shop Price Index YoY	Oct				-0.1	0:10	11:10
JN	Nikkei Japan PMI Mfg	Oct F				52.5	0:30	11:30
CH	Caixin China PMI Mfg	Oct		51		51.6	1:45	12:45
JN	BOJ Nakaso speaks at FinTech Forum						5:00	16:00
AU	Commodity Index AUD/SDR YoY	Oct		/		120.8/18.3	5:30	16:30
UK	Markit UK PMI Manufacturing SA	Oct		55.9		55.9	9:30	20:30
CA	MLI Leading Indicator MoM	Sep				0.2	11:00	22:00
US	ADP Employment Change	Oct		200		135.0	12:15	23:15
CA	Markit Canada Manufacturing PMI	Oct				55.0	13:30	0:30
US	Markit US Manufacturing PMI	Oct F		54.5		54.5	13:45	0:45
US	ISM Manufacturing/Prices Paid	Oct		59.4/67.3		60.8/71.5	14:00	1:00
US	Construction Spending MoM	Sep		-0.2		0.5	14:00	1:00
NZ	QV House Prices YoY	Oct				4.3	16:00	3:00
US	FOMC Rate Decision (Lower/Upper Bound)	Nov 1		1/1.25		1.00/1.25	18:00	5:00
Thursday, 2 November 2017								
NZ	ANZ Job Advertisements MoM	Oct				0.4	21:00	8:00
AU	Trade Balance	Sep	1600	1200		989.0	0:30	11:30
AU	Building Approvals MoM/YoY	Sep	1.1	-1/-2.4		0.4/-15.5	0:30	11:30
JN	Consumer Confidence Index	Oct		43.6		43.9	5:00	16:00
GE	Unemployment Change (000's/Rate)	Oct		-10/5.6		-23.0/5.6	8:55	19:55
GE	Markit/BME Germany Manufacturing PMI	Oct F		60.5		60.5	8:55	19:55
EC	Markit Eurozone Manufacturing PMI	Oct F		58.6		58.6	9:00	20:00
UK	Markit/CIPS UK Construction PMI	Oct		48.5		48.1	9:30	20:30
US	Challenger Job Cuts YoY	Oct				-27.0	11:30	22:30
UK	Bank of England Bank Rate	Nov 2		0.5		0.3	12:00	23:00
UK	BOE Asset Purchase/Corporate Bond Target	Nov		435/10		435.0/10.0	12:00	23:00
US	Initial Jobless Claims	Oct 28		235		233.0	12:30	23:30
US	Nonfarm Productivity/Unit Labour Costs	3Q P		2.5/0.4		1.5/0.2	12:30	23:30
US	Wards Total Vehicle Sales	Oct		17.5		18.5		
US	Bloomberg Consumer Comfort	Oct 29				51.0	13:45	0:45
Friday, 3 November 2017								
AU	CBA Australia PMI Services/Composite	Oct		/		53.2/53.1	22:00	9:00
US	Fed's Bostic Speaks in Chicago about Government Statistics						22:15	9:15
AU	AIG Perf of Services Index	Oct				52.1	22:30	9:30
AU	Retail Sales MoM/ex inflation QoQ	Sep	0.5/0.1	0.4/0		-0.6/1.5	0:30	11:30
CH	Caixin China PMI Services/Composite	Oct		/		50.6/51.4	1:45	12:45
UK	Markit/CIPS UK Services/Composite PMI	Oct		53.3/53.8		53.6/54.1	9:30	20:30
US	Change in Nonfarm Payrolls/Unemployment Rate	Oct		310/4.2		-33.0/4.2	12:30	23:30
US	Average Hourly Earnings MoM/YoY	Oct		0.2/2.7		0.5/2.9	12:30	23:30
US	Labor Force Participation Rate/Underemployment Rate	Oct		63.1/		63.1/8.3	12:30	23:30
US	Trade Balance	Sep		-43.25		-42.4	12:30	23:30
US	ISM Non-Manf. Composite	Oct		58.5		59.8	14:00	1:00
US	Factory Orders/Ex Trans	Sep		1.2/		1.2/0.4	14:00	1:00
CA	Net Change in Employment/Unemployment Rate	Oct		15.5		10.0	12:30	23:30
CA	Participation Rate	Oct				65.6	12:30	23:30
CA	Int'l Merchandise Trade	Sep		-2.95		-3.4	12:30	23:30
US	Markit US Services/Composite PMI	Oct F		55.9/		55.9/55.7	14:45	1:45
US	Fed's Kashkari Speaks on Housing and Finance						16:15	3:15
EC	ECB's Coeure Speaks in Washington						21:15	8:15
Upcoming Central Bank Interest Rate Announcements								
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%	1.75%		1.75%		
Canada, BoC		7-Dec				1.00%		
Europe ECB		14-Dec	-0.4%	-0.4%		-0.4%		

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

FORECASTS

Economic Forecasts					Quarterly % change															
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
Australia Forecasts																				
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	0.6	0.7	0.5	0.5	0.6	0.7	0.5	0.5	0.6	0.7
CPI headline - ann %	1.3	2.1	2.5	2.4	1.3	1.0	1.3	1.5	2.1	1.9	1.8	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	0.4	0.5	0.5	0.5	0.6	0.5	0.6	0.5	0.5	0.6
CPI underlying - ann %	1.5	1.9	2.0	2.2	1.6	1.5	1.5	1.6	1.9	1.9	1.9	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

	30-Oct	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Majors						
AUD/USD	0.7672	0.75	0.74	0.73	0.73	0.73
NZD/USD	0.6850	0.70	0.69	0.69	0.70	0.70
USD/JPY	113.67	116	118	118	118	120
EUR/USD	1.1611	1.17	1.18	1.20	1.22	1.20
GBP/USD	1.3138	1.33	1.30	1.31	1.28	1.26
USD/CNY	6.6455	6.67	6.64	6.64	6.62	6.65
USD/CAD	1.2826	1.26	1.27	1.30	1.31	1.33
USD/CHF	0.9977	0.98	0.98	0.97	0.96	0.98

Australian Cross Rates						
	30-Oct	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
AUD/NZD	1.1200	1.07	1.07	1.06	1.05	1.04
AUD/JPY	87.2	87	87	86	86	88
AUD/EUR	0.6608	0.64	0.63	0.61	0.60	0.61
AUD/GBP	0.5840	0.56	0.57	0.56	0.57	0.58
AUD/CNY	5.0984	5.00	4.91	4.85	4.83	4.85
AUD/CAD	0.9840	0.95	0.94	0.95	0.96	0.97
AUD/CHF	0.7654	0.73	0.72	0.71	0.70	0.72

Interest Rate Forecasts

	30-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	1.69	1.75	1.75	1.75	2.00	2.25
3 Year Swap Rate	2.06	2.4	2.5	2.7	3.0	3.2
10 Year Swap Rate	2.89	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	2.72	3.00	3.05	3.05	3.30	3.40
United States	2.40	2.60	2.75	2.75	3.00	3.00
New Zealand	2.99	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 Avg
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)

	30-Oct	Dec-17	Mar-18	Jun-18	Dec-18	Dec-19
WTI oil	53.94	51	52	54	58	60
Gold	1272	1270	1270	1280	1290	1300
Iron ore	60.1	62	60	62	60	60
Hard coking coal	182	160	140	120	100	101
Thermal coal	99	85	85	80	80	80
Copper	6809	6400	6340	6280	6280	6280
Aust LNG (*)	6.51	7.8	7.9	8.0	8.5	8.8

(*) Implied Australian LNG export prices.

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