EMBARGOED UNTIL: 11.30AM WEDNESDAY 11 OCTOBER 2017

THE FORWARD VIEW - AUSTRALIA

OCTOBER 2017

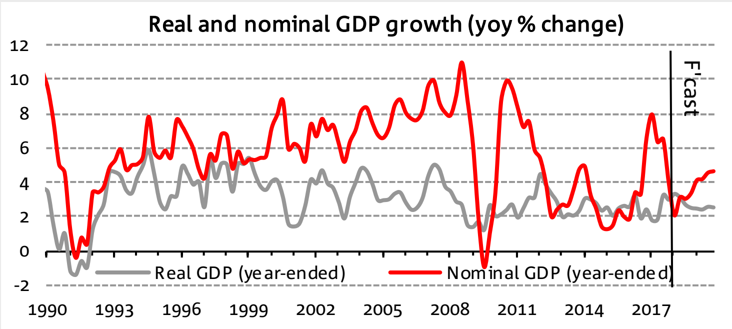
National Australia Bank

Balancing multiple objectives, as business remains strong and consumers cautious

- **The forecast outlook is essentially unchanged, following revisions to our expectations for the labour market and the RBA cash rate last month.** We are pencilling in two 25bp rate hikes from mid-2018, with employment now expected to be strong enough to give the RBA enough confidence in its forecasts for an eventual lift in wages growth and inflation by that point.
- **That said, we remain more cautious about the economic outlook than the central bank**, mindful of the potential hurdles to growth such as impending peaks in dwelling construction and LNG exports, and a struggling household sector amidst low wages growth, higher energy prices and elevated underemployment and household debt.
- **For now, buoyant business activity is a positive signal for both investment and employment. Stronger conditions have become more synchronised across industries and states and territories.** That said, confidence has dipped in the past two months, and large increases in energy costs are a growing risk for a range of industries, particularly for intensive users of natural gas such as mining, manufacturing and electricity & water supply (see chart page 2). While domestic gas prices may respond somewhat to forced redirection of gas for domestic use, the best we can hope for is for domestic prices to align with Australian contracted export prices – which while lower than the global spot price, would represent a three-fold increase in domestic prices from just 2 years ago and risks to supply would likely remain. **Q3 and to some extent Q4 inflation figures are also likely to be higher as utility prices for consumer surge.**
- **Employment continues to accelerate, with a welcome pick up in full-time jobs.** This should help local economies affected by the auto manufacturing closures in coming months, although location/skill mismatches will see some communities struggle.
- **Evidence of consumer caution continues, despite the acceleration in employment**. Retail sales dropped a hefty 0.6% in August, as foreshadowed by NAB's new Cashless Retail Index. Retail conditions in the business survey have also dropped back into negative territory (in trend terms), suggesting a combination of soft consumer demand and margin compression.
- **Sydney's housing market is finally showing signs of cooling**, as evidenced by lower price growth and auction clearance rates. **Melbourne's house prices growth remains rapid however**, while there is strong performance in Hobart, Canberra and to a lesser extent, Adelaide. While the RBA has signalled that rate rises remain some way off (and that there are risks to hiking prematurely), policymakers are somewhat uncomfortable with current housing market conditions, with further macro-prudential measures to cool housing credit a possibility.

	Calendar Year				
	2015	2016	2017-F	2018-F	2019-F
Domestic Demand (a)	1.3	1.6	2.5	2.4	2.8
Real GDP (a)	**2.4**	**2.5**	**2.5**	**2.9**	**2.5**
Terms of Trade (a)	-11.6	0.2	10.1	-9.1	-1.6
Employment (a)	2.1	1.6	2.0	2.0	1.3
Unemployment Rate (b)	5.9	5.6	5.4	5.3	5.1
Headline CPI (b)	1.7	1.5	2.5	2.3	2.4
Core CPI (b)	2.0	1.6	2.0	2.1	2.3
RBA Cash Rate (b)	2.00	1.50	1.50	2.00	2.50
$A/US cents (b)	0.73	0.72	0.75	0.73	0.76

(a) annual average growth, (b) end-period, (c) through the year inflation



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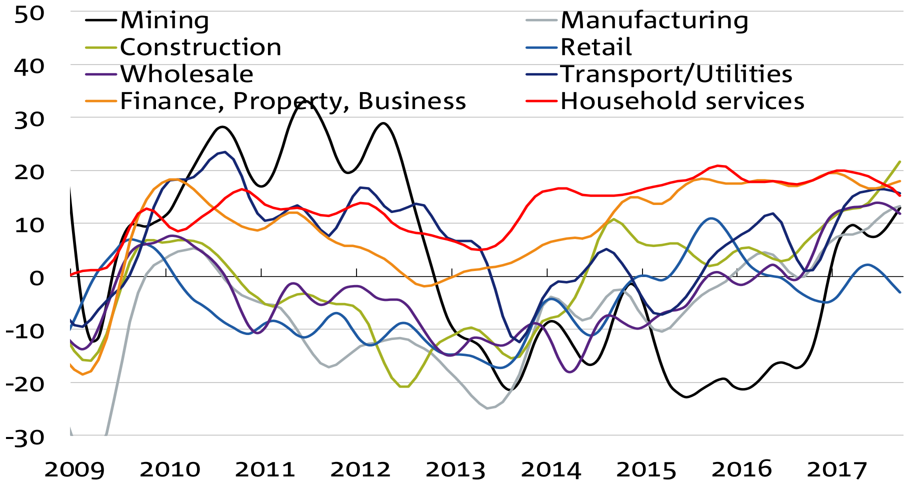
CHARTS OF THE MONTH *A more synchronised business recovery, but consumers aren't joining the party. Higher energy costs will be a test for both.*

BUSINESS CONDITIONS BY INDUSTRY

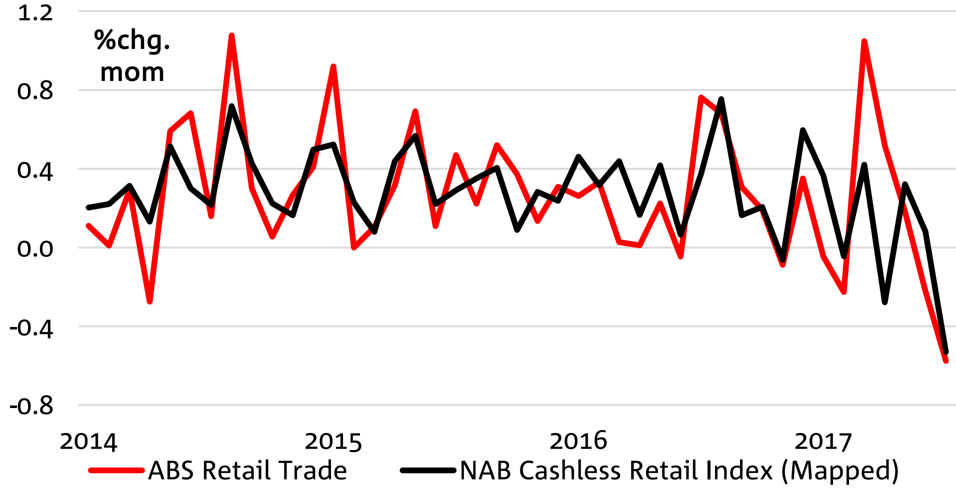
Net balance, 13 period Henderson trend



* 13 period Henderson trend

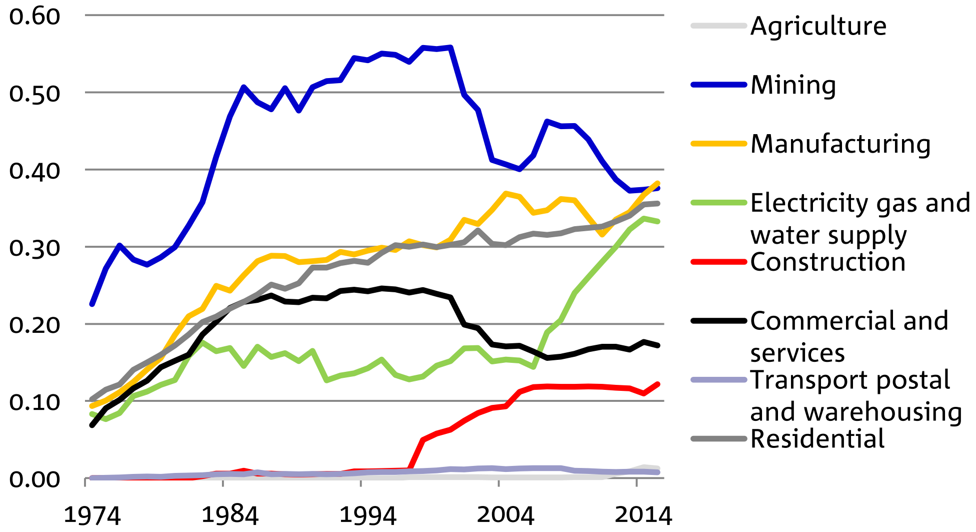
NAB CASHLESS RETAIL VERSUS ABS CASHLESS RETAIL

Monthly % change



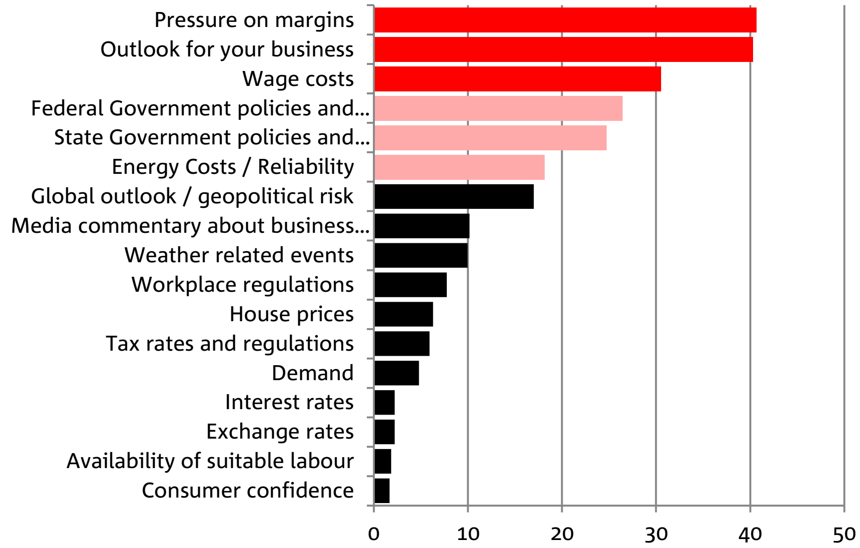
LNG INTENSITY BY INDUSTRY

Natural gas as share of total energy use (in PJ)



MOST INFLUENTIAL ISSUES AFFECTING BUSINESS CONFIDENCE

Share of respondents (%)



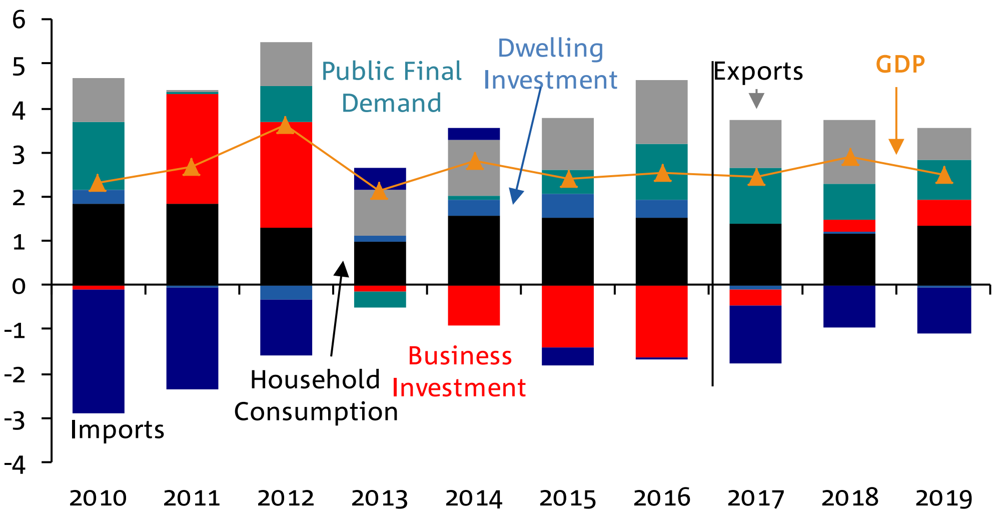
Sources: ABS, NAB Group Economics

OVERVIEW - AUSTRALIAN ECONOMIC OUTLOOK

Growth stronger near term, then settling towards potential at 2½% by 2019

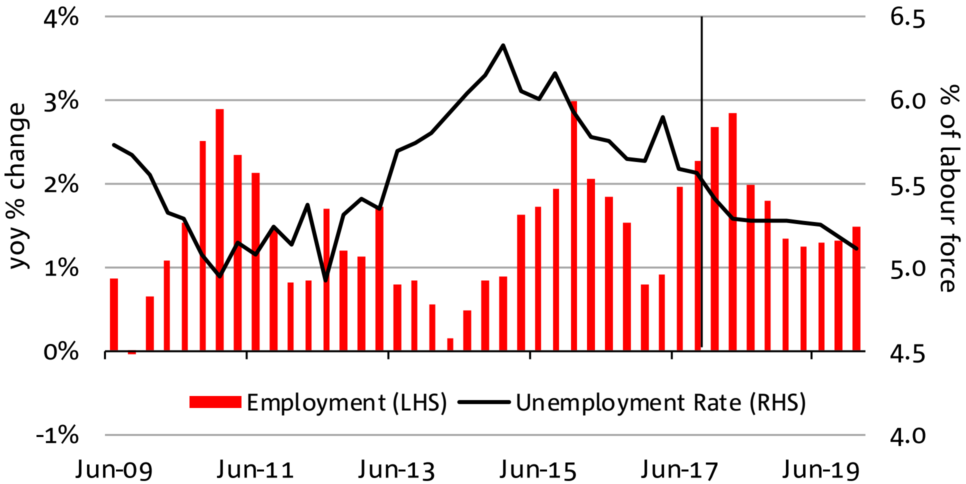
GROWTH HIGHER NEAR-TERM, THEN MODERATES TO ~2½%

Annual average % change



EMPLOYMENT STRONG; UNEMPLOYMENT RATE TO EDGE DOWN

Employment growth and unemployment rate



Sources: ABS, NAB

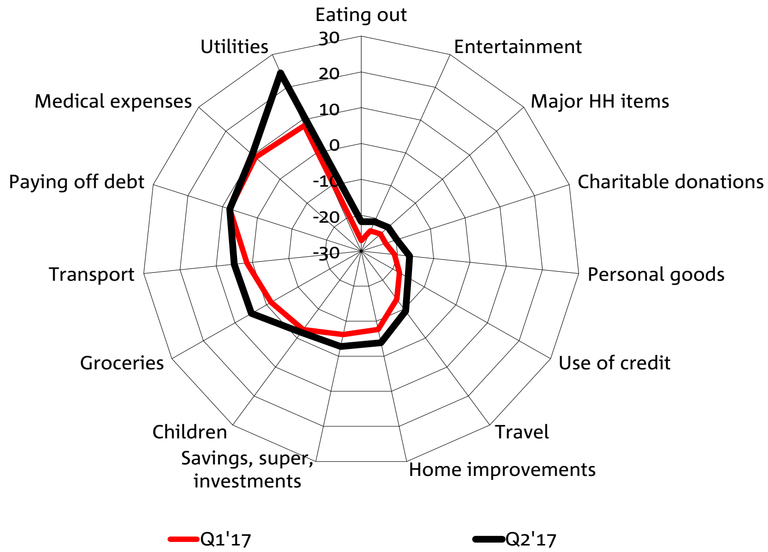
- Real GDP growth is forecast to remain strong in quarterly terms in Q3 and Q4 (at 0.9% and 0.8% respectively) following a bounce-back in Q2 (0.8% q/q) after Q1 was hit by weather effects (0.3% q/q). This will largely be driven by a strong contribution from net exports (particularly in Q3) as LNG exports continue to surge and coal and iron ore exports return to normal, while household spending will continue to remain subdued. This will see the year-ended rate of growth increase to 3% by year-ended, and then up to 3.3% in the first quarter of 2018.
- Growth will tail off somewhat through 2018 and 2019 in quarterly terms as LNG exports and dwelling construction peak at high levels and no longer contribute to growth. The year-ended rate of growth however will not drop below 3% until H2 2018, easing to 2½% by the end of 2019. Growth in annual average terms does not jump around quite as much, increasing from 2.5% in 2017 to 2.9% in 2018 and then easing back down to 2.5% in 2019.
- Through this period, a moderate cyclical upswing in business investment and strong government infrastructure spending are forecast to support economic growth (although the latter will slow in terms of its contribution to growth in 2019) . Mining investment will continue to tail off, although the worst of the declines are now behind us.
- Household consumption meanwhile will remain anaemic, despite some gradual pickup through 2018 and 2019 as wages growth gradually recovers. High household debt levels, job insecurity due to elevated underemployment and rising energy costs will remain a headwind to spending (~55% of GDP) (page 4).
- Employment growth is forecast to remain strong through the remainder of 2017 and into early 2018, as foreshadowed by leading indicators (page 7). This should be sufficient to drive the unemployment rate down to 5.4% by year-end (from 5.6% at present), to 5¼% by mid-18 and then down to just above 5% by end-19.
- The RBA is expected to start hiking rates in mid-lo-late 2018, with a series of two rate hikes of 25bp foreshadowed for August and November, followed by a further two hikes in mid and late 2019. This would see the cash rate increase 100bp to 2.5%, which would still be supportive of economic activity (page 9).
- The AUD is forecast to ease to AUD/USD0.75 by year-end, a target which is on track following recent depreciation to below AUD/USD0.78 (page 9).
- Risks to the view include a failure of the AUD to depreciate gradually as we anticipate. A loss of momentum in the labour market, evidence that wages growth is not responding, or evidence of household distress would also be reason for pause.

CONSUMER DEMAND AND INFLATION

Consumer spending faces long-term headwinds; underlying inflation subdued

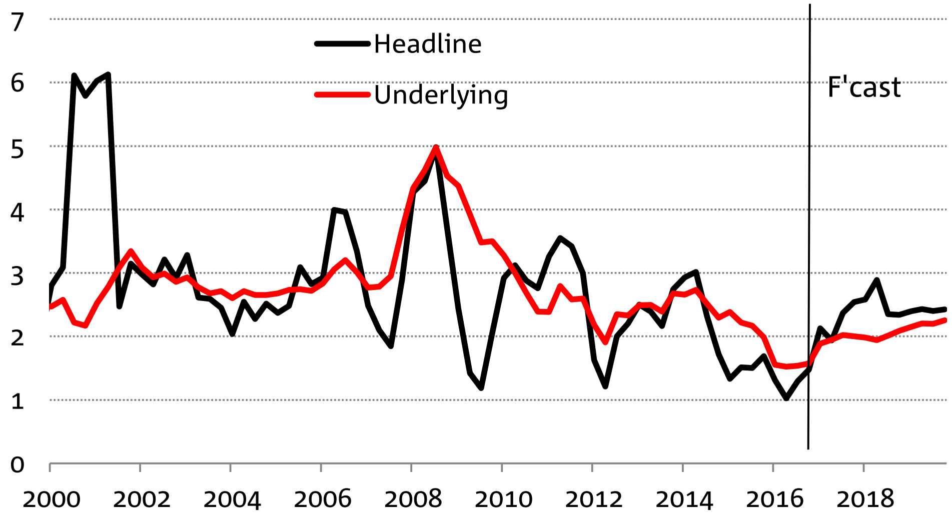
HOUSEHOLD SPENDING BEHAVIOURS

Spending more/Spending less – net balance



HEADLINE INFLATION TO RISE IN Q3

Consumer price inflation, y/y % change



Sources: ABS; NAB Economics

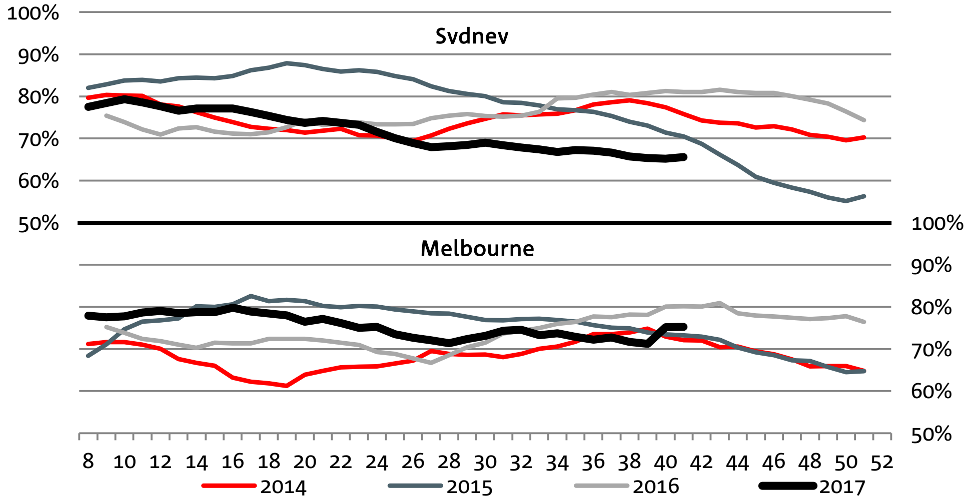
- High frequency indicators of consumer spending continue to be weak. The official ABS measure of retail sales contracted by 0.6% mom in August, as foreshadowed by NAB's new Cashless Retail Sales Index released two weeks earlier. Weakness was broad-based across store types and across states, consistent with NAB's data. Retail sales in July were also revised down to -0.2% mom (from a flat outcome). Also worrying is renewed weakness in business conditions for the retail sector, which has retreated back into negative territory and remains the worst performing industry.
- The catalyst for the large fall in retail sales in August is unclear. This may have partly reflected a shift towards online spending, with NAB's Online Retail Index strong in August, although this cannot fully explain the magnitude of the decline (online makes up 7% of NAB's cashless retail index and 3% of the ABS index). Energy prices have risen, there has been more talk of rising interest rates, geopolitical tensions ramped up in August and house price growth slowed in Sydney. Households are also operating against a backdrop of low household income growth - strength in employment notwithstanding - as well as high underemployment and household debt and higher energy prices.
- These factors are all expected to limit any upswing in consumer spending through the forecast horizon. That said, somewhat more backward looking data for Q2 suggested small improvement in spending for non-essentials. This was evident in NAB's Household Spending Behaviours data (see chart on left), although there was an increase in spending on utilities.
- Some temporary factors including the surge in energy prices and the annual increase in tobacco excise are expected to push headline inflation higher in Q3 and to a lesser extent Q4. Energy price increases in Q3 are estimated to add around 0.4 ppts to headline inflation, with the increase in tobacco excise adding 0.1 ppts in Q3 and 0.2 ppts in Q4. These increases are also likely to creep into higher underlying inflation, especially in Q3, although enduring momentum in underlying inflation is likely to remain subdued as wages growth recovers only gradually. Weak consumer spending will also continue to limit pricing power for businesses (although there was some rebound in the retail price measure in the NAB business survey to 0.3% from -0.1% q/q in August). Rent inflation will also be low due to increases in the housing stock. Overall, underlying inflation is expected to pick up towards the end of 2018 and early 2019 as the economy improves and the labour market continues to tighten. As well some imported price inflation is expected with the forecast deprecation AUD and second-round effects from higher energy prices.

THE HOUSING MARKET

We are seeing mixed conditions across the housing market

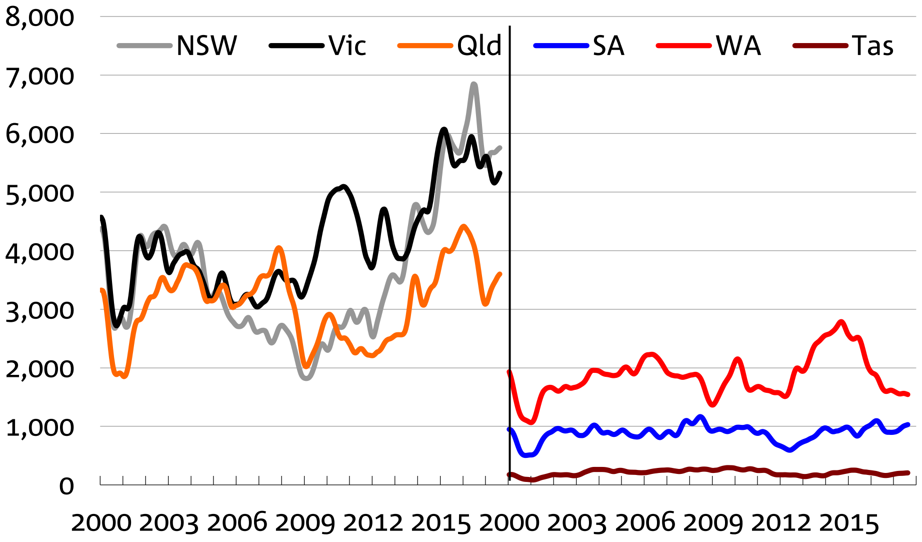
MIXED SIGNALS ON MOMENTUM IN THE HOUSING MARKET

Auction clearance rates (%, 4 week moving average)



RESIDENTIAL BUILDING APPROVALS BY STATE (TREND)

Private dwelling units approved



Sources: ABS; CoreLogic

- Momentum has slowed in the housing market, although conditions vary considerably across locations – even between the major east coast cities. Annualised dwelling price growth has slowed modestly to 8.5% y/y in September, down from this year's high of 11.4%. Much of the trend has be driven by softer growth in Sydney, which has slowed from 17.1% y/y to 10.5% y/y in that time. It is not clear if that signals the long anticipated shift in the Sydney property market, but other indicators are also pointing to softer conditions (see below). In contrast, prices in Melbourne have seen solid growth, holding around 12-13% y/y for most of 2017. Elsewhere, there is very fast price growth in Hobart (15% y/y), while Canberra (9.3% y/y) and Adelaide (5% y/y) are doing well. The big divergence between house and apartment prices in Brisbane continues, while prices in Perth and Darwin continue to fall, albeit at a slower annual pace.
- Auction clearance rates show a similar disconnect between the Melbourne and Sydney markets. Clearance rates have eased in Sydney, and are now a fair way below where they have been at this point in recent years (Chart). In contrast, clearance rates in Melbourne are down on last years level, but still above where they were in prior years.
- Despite some softer trends, the number of housing finance approvals (owner-occupier) appear to be picking up again, including in NSW – although the value of investor finance approvals have been coming down following the introduction of tighter prudential measures on lenders. We are also seeing a rise in first home buyer activity in most markets, with many state governments introducing government incentives.
- Overall, our outlook for prices has not changed much, although the composition is shifting. In particular, the Sydney market looks to have slowed a little more than expected, with some offset coming from resilient prices in Melbourne – apartment prices have also held up a little better than expected in most markets. Further out, prudential tightening, rising housing supply (in some markets), affordability constraints and modest wages growth, still point to softer conditions. **Our national house price forecasts for 2017 is 5%, and 4.3% in 2018. Unit prices are forecast to rise 3% in 2017, but will fall modestly in 2018 (-0.3%). Updated forecasts by capital city will be released with our NAB Residential Property Survey later this week.**
- Residential building approvals rose modestly in August, and the trend has been showing positive growth recently (with a surprise improvement coming from Queensland). While building approvals have held up a little better than expected, they are still well down over the year (-15½%) and we still expect the downward trend to resume at some point given some of the challenges facing the market. **Dwelling investment is expected to be down in 2017, before growing modestly in 2018 and turning negative in 2019 (0.9% and -1.2%), with limited impact on economic growth given its small share of GDP.**

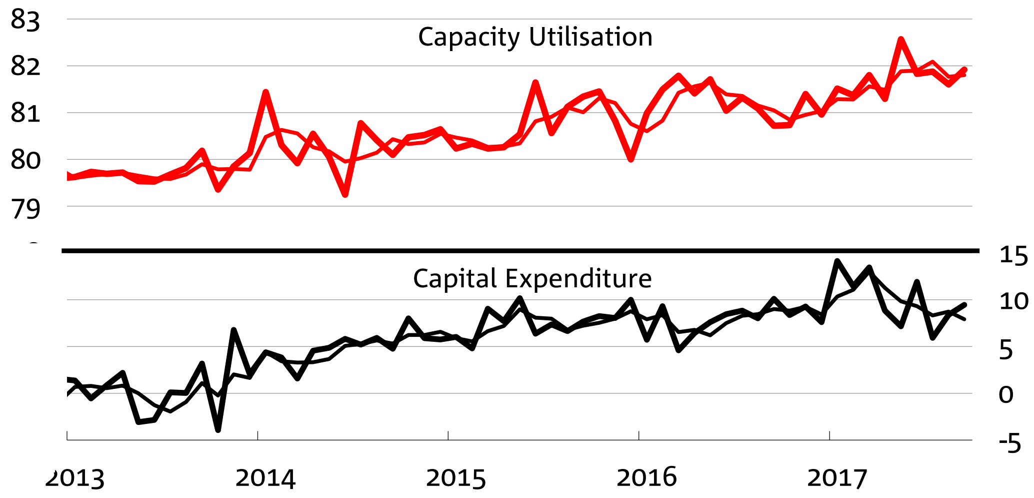
National Australia Bank

BUSINESS ACTIVITY, INVESTMENT AND CONSTRUCTION

Leading indicators are upbeat, but will firms remain cautious?

NAB MONTHLY SURVEY INVESTMENT INDICATORS*

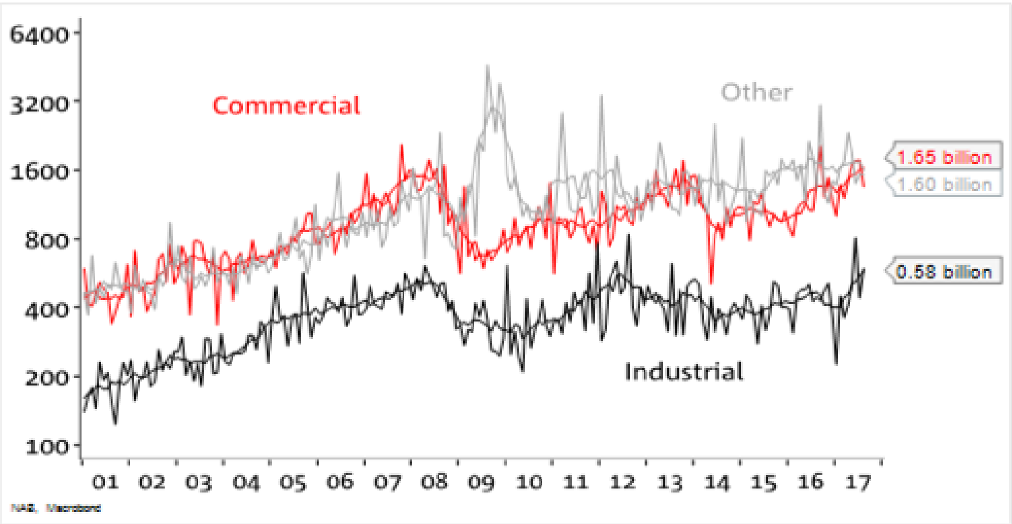
% of capacity; Net balance



* Light lines represent the 3mma

NON-RESIDENTIAL BUILDING APPROVALS

$ billions

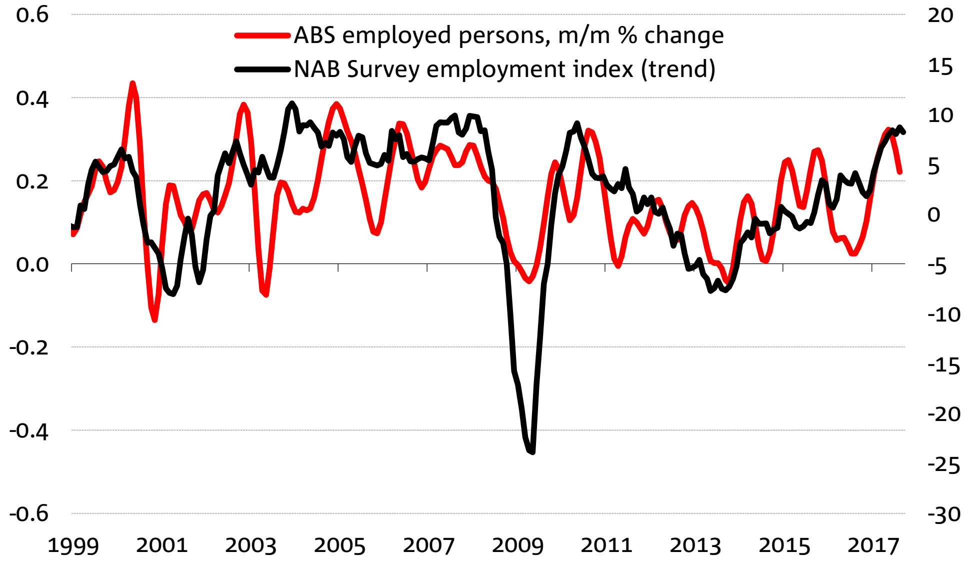


- Outcomes in the September NAB Monthly Business Survey were generally upbeat. Business conditions remain rock steady at levels close to their multi-year highs, but business confidence rose only modestly after a big fall last month. Encouragingly, **capacity utilisation** rates rebounded a little and are still elevated, while the Survey's indicator of **capital expenditure** improved.
- Consistently good outcomes in the NAB Survey point to a relatively strong business sector. However, these have not passed through to investment quite as expected, signalling ongoing risk aversion and a preference to use profits for balance sheet repair. Along those lines, firms noted in the survey that their demand for credit declined over the past 3 months, despite an apparent improvement in the availability of credit – although the Survey's index of **borrowing conditions** has been negative since early 2016, meaning that on balance, more firms found it more difficult to borrow than easier. Official data show that **business credit** growth has been holding up at acceptable levels, although at 4.5% y/y in August, that is still soft by historical standards.
- The value of non-residential building approvals fell sharply in August, although the overall trend is still positive; down 15.7% m/m in August (seasonally adjusted), but 10.5% higher y/y. In terms of some other timely indicators, following a solid Q2, the value of capital goods imports have eased in Q2 (falling 2.7% in August, but remaining 15% higher over the year) – suggesting high (but easing) levels of machinery and equipment investment. However, capital imports may see some volatility from the import of large LNG platforms.
- Car sales during September were lower than at the same time last year. However, commercial vehicles segments are generally still seeing growth, with light commercial vehicle sales up 8.1% on last year and heavy commercial vehicles sales up 15.4%. Note that the closure of auto manufacturing plants in Australia may have an influence on investment and business confidence (particularly in Victoria and South Australia).
- Leads on the longer-term outlook for business investment showed more positive signs lately, with the ABS Private Capex survey pointing to stronger non-mining investment in FY18 (chart) – more consistent with solid 12-month ahead expectations in the NAB Quarterly Business Survey. There is also a large pipeline of infrastructure projects that is expected to keep public investment elevated, although the growth rate may have peaked.
- **Underlying business investment (around 12% of GDP) is forecast to be modestly higher in 2017 (1.1%), accelerating to 3.6% and 5.5% respectively in 2018 and 2019.**

LABOUR MARKET AND WAGES

Signs of labour market tightening however little wages growth

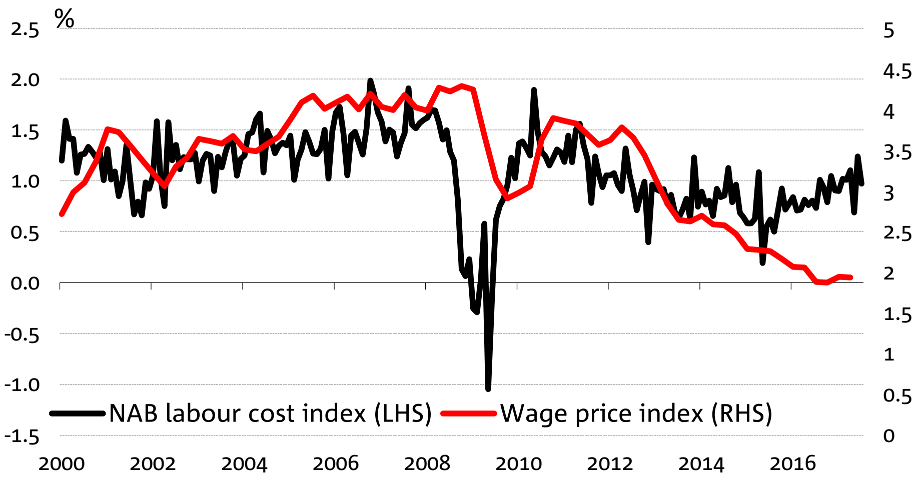
NAB SURVEY POINTS TO IMPROVING EMPLOYMENT CONDITIONS



Source: ABS

WAGES SUBDUED, ALTHOUGH NAB WAGE BILL MEASURE CREEPING UP

YoY %



Source: ABS, NAB Economics

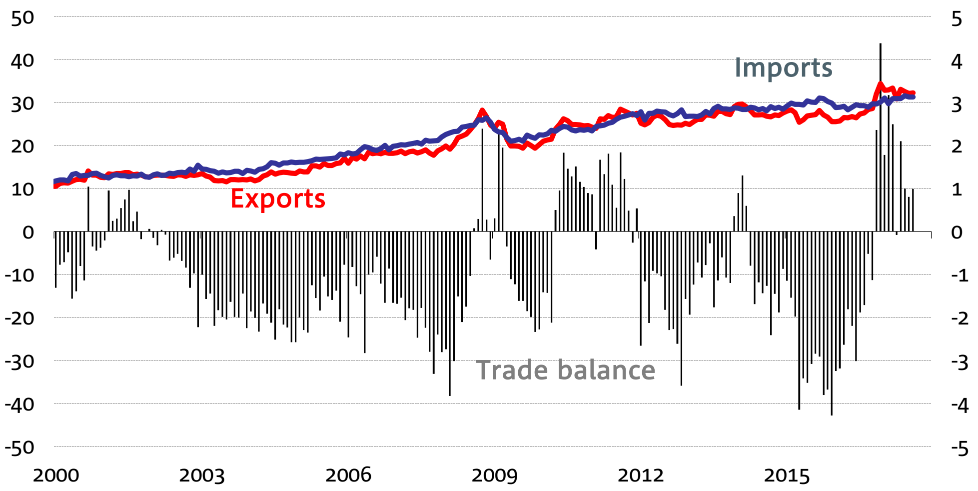
- Employment grew by another 54k in August in seasonally adjusted terms, the 11th consecutive monthly gain. The participation rate continued to rise strongly, and is now at 65.3%, the highest level since Sept 2012. Despite the strong gain in employment, the unemployment rate steadied at 5.6% due to the increase in labour force participation.
- The improvement has been broad-based across states. The three biggest states all recorded significant job gains in August. WA also seems to have emerged from the worst of the mining job losses, although NT has been weakening recently.
- Full time employment has picked up speed, which is encouraging. However, underemployment remains high at 14.1%, despite falling 0.2ppt in the three months to August), and will continue to keep a lid on wages growth.
- The official ABS figures cited above seem to catching up with the leading indicators which have been suggesting stronger employment growth for some time. The September NAB survey employment conditions eased somewhat, to +7 points from a post GFC high of +10 points in August, but remained well above long run average. A reading at this level is consistent with an annual job creation rate of around 240k (around 20k per month), sufficient to see the unemployment rate push lower. The NAB result is also consistent with other leading indicators including ABS job vacancies and SEEK job ads, which have been pointing to further tightening in the labour market. We expect the labour market to continue to improve, with the unemployment edging lower to 5.4% at the end of this year.
- Despite the recent improvements in the labour market, wages growth remains weak. The NAB Business Survey's measure of labour cost inflation (a wage bill measure) has been relatively subdued, but appears to be trending higher. It is currently at 1% quarter on quarter. Wage pressures are strongest in mining and construction (at 2.8% and 1.3%) while weakest in retail (0.1%). The discrepancies across industries might mean the expected pickup in wages growth will start in certain industries before flowing onto the rest of the economy. Recent policy changes are also expected to affect different industries differently. The cut to penalty rates will negatively affect wages for people in the lower paid services industries, although the 3.3% lift to the minimum wage should add provide some offset. Overall, wages growth is expected to lift gradually over coming years, as the unemployment rate edges down.

NET EXPORTS, COMMODITIES AND THE TERMS OF TRADE

LNG to drive exports growth as coal and iron ore exports return to normal

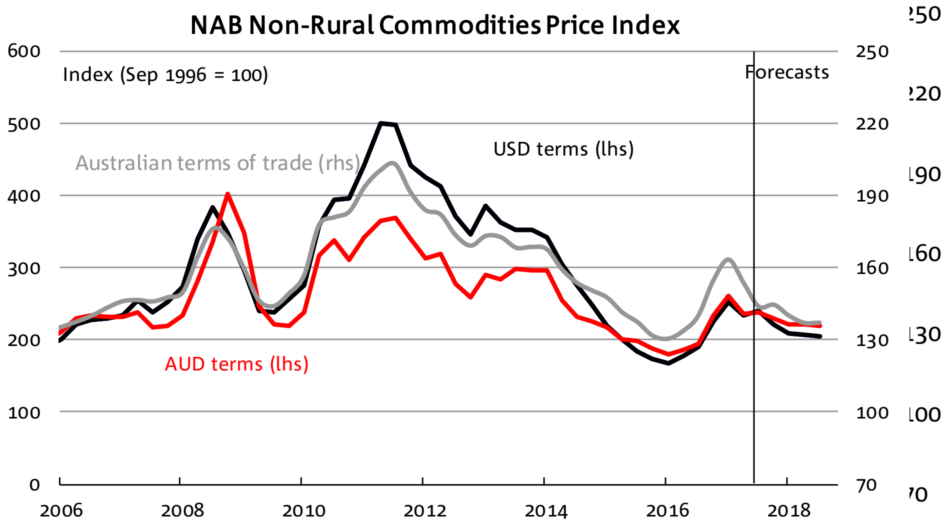
TRADE BALANCE

Monthly, values, $bn



COMMODITIES PRICES RETREATING

NAB Rural Commodity Price Index



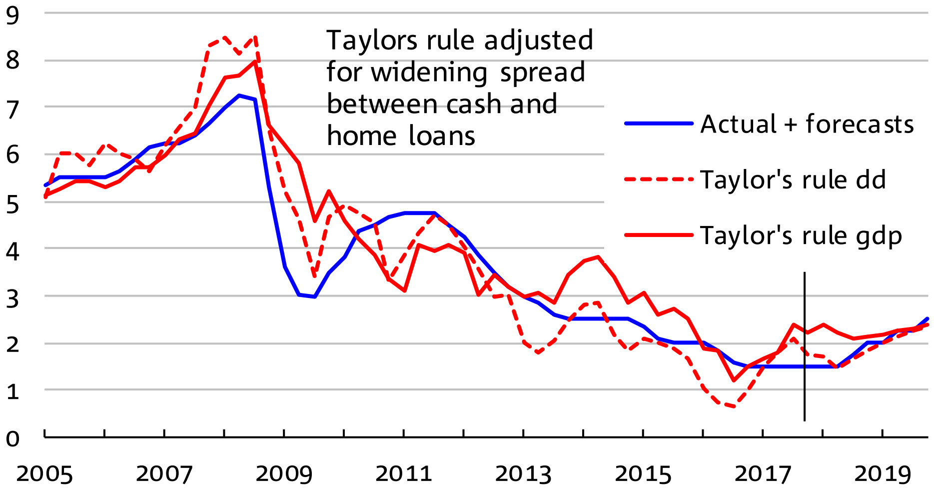
source: ABARES, ABS, Bloomberg, Thomson Datastream, NAB

- Following a weather affected Q2, net exports are expected to recover and add 0.5 ppts to GDP growth in Q3, as coal and iron ore exports return to normal and LNG exports continue to ramp up. Increases in LNG exports will continue to drive net exports growth before flattening off in 2018.
- The trade surplus improved slightly in August to be around $990 million. Goods exports and imports values were little changed from July while services trade continued to improve. Iron ore exports recovered in August following rail maintenance at Port Hedland in July. Coal exports values were lower, with mixed results for coking versus thermal coal. LNG exports were slightly lower over the month. With Queensland production recovered from Cyclone Debbie, coal exports are expected to return to normal levels. Iron ore exports are expected to grow slowly as well going forward.
- LNG will be the biggest driver of export growth going forward. With the continuing ramping up of production, LNG exports are expected to be around 6% higher q/q in Q3. Export volumes are expected to peak towards end 2018, however recent low LNG prices have seen companies operating at below nameplate capacity and export volumes could be lower than expected or ramping up at a slower speed. With the forecast depreciation of the AUD, services exports especially tourism exports are expected to strengthen. For imports, consumption and intermediate imports are expected to improve as household consumption growth picks up while capital imports will likely slow.
- The NAB non-rural commodity price index is expected to recover somewhat in Q3, largely driven by the small gain in iron ore prices in July, which have since fallen back. Base metal prices also strengthened during the quarter and are expected to show some further strength in Q4 as Chinese capacity curtailments support market sentiment. That however will be more than offset by the normalisation in iron ore prices, which is expected to drive the commodity price index lower from Q4. The index is expected to be 2.8% higher in Q3 q/q before falling 7.6% in Q4 q/q, to be 1.3% lower than a year ago by December 2017 in USD terms. The over the year decline is expected to be similar in AUD terms, at around 1.4%. The terms of trade are expected to be 5.4% lower q/q in Q4, before declining further in 2018.
- In September, the NAB Rural Commodities Index fell 2.2%, reflecting weak cattle prices. On the other hand, domestic grain prices strengthened, reflecting a premium in a season where conditions are wildly varied between regions. This month we have again cut our wheat production forecast, this time to 18.7 million tonnes – the lowest in a decade.

MONETARY POLICY AND THE EXCHANGE RATE *RBA does not want to risk tightening too early; AUD/USD target of 0.75 by end year on track*

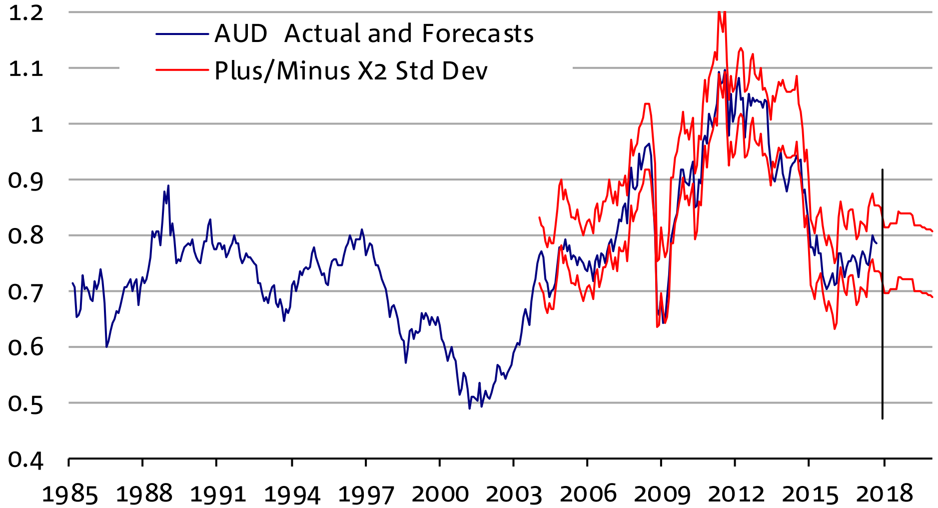
AUSTRALIAN CASH RATE AND TAYLOR RULE

% p.a.



UPSIDE RISKS TO CURRENT AUD FORECASTS

Fair value model, AUD/USD



Source: RBA, Bloomberg, NAB Economics

- On balance, we remain comfortable with our view that the easing cycle has come to an end, but that tightening won't commence until mid-2018. Our forecasts published last month, for 2 sets of 25bp increases in August and November 2018, remain in tact. Two further hikes also anticipated for 2019. This would take the cash rate back to 2.5%, a level well below the RBA's current estimate of "neutral" (3.5% nominal, 1% real), suggesting monetary policy will remain stimulatory at that point.
- The RBA kept the cash rate on hold in October as expected. The bank noted the improved outlook for non-mining business investment and current strength in employment (key reasons for our change of view last month). Wages growth, however, is likely to remain low for a while yet. A new set of forecasts from the RBA is due on 10 November, with the unemployment rate forecast a critical one to watch. We expect the RBA will have to revise down their unemployment (and implicitly the underutilisation rate) forecast downwards.
- In contrast, RBA Board Member Ian Harper has publicly warned about the dangers of hiking too early. In lamenting slow wage growth/household income he said "if it lost momentum, [this] might be the basis for some sort of policy action". He also noted that the level of the Australian dollar also remains an inhibitor to growth even after recent falls, stating that "you wouldn't want to be jumping the gun and tightening too quickly".
- Meanwhile, the RBA has noted the softening in Sydney house prices, but is likely to remain concerned about the pace of housing price growth in Melbourne, Hobart, Canberra and to a lesser extent Adelaide. Given the concerns expressed by Ian Harper, further macro-prudential tightening is a more likely possibility.
- The Aussie dollar has depreciated by ~2 cents over the past month vis-à-vis the USD to 0.78 at the time of writing. While this has partly reflected USD strength, the AUD has underperformed relative to the size of the USD move, and has also fallen against every other major currency with the exception of the Japanese yen. This has largely reflected weakness in industrial metals and bulk commodity prices, while risk appetite measures have actually improved and been a source of support for the AUD. we expect to see further progress towards our AUD/USD year end target of 0.75 in coming weeks - assuming no quick reversal of the downward move in commodity prices, no major set-back to the December Fed hike odds, and/or tax reform optimism in the US. Donald Trump's decision about the next Fed Chair to take over from Janet Yellen could also lead to some volatility near term.

DETAILED ECONOMIC FORECASTS

Australian economic and financial forecasts (a)

	Fiscal Year				Calendar Year				
	2015-16 F	2016-17 F	2017-18 F	2018-19 F	2015	2016	2017-F	2018-F	2019-F
Private Consumption	2.9	2.4	2.2	2.2	2.7	2.7	2.4	2.0	2.4
Dwelling Investment	10.5	1.6	0.0	-0.4	10.1	7.6	-1.8	0.9	-1.2
Underlying Business Investment	-12.2	-6.6	3.7	4.7	-9.9	-11.7	1.1	3.6	5.5
Underlying Public Final Demand	4.1	4.6	3.4	3.4	2.6	4.8	3.8	3.2	4.0
Domestic Demand	**1.4**	**1.9**	**2.6**	**2.5**	**1.3**	**1.6**	**2.5**	**2.4**	**2.8**
Stocks (b)	-0.1	0.2	-0.1	0.0	0.0	0.1	0.0	0.0	0.0
GNE	**1.4**	**2.1**	**2.5**	**2.5**	**1.3**	**1.7**	**2.5**	**2.4**	**2.8**
Exports	6.7	5.4	7.6	4.0	6.0	7.3	5.1	6.7	3.1
Imports	-0.3	4.5	5.1	4.5	2.0	0.0	6.5	4.4	4.8
GDP	**2.7**	**2.0**	**3.2**	**2.5**	**2.4**	**2.5**	**2.5**	**2.9**	**2.5**
Nominal GDP	2.4	6.0	3.9	3.7	1.8	3.8	6.2	2.9	4.4
Federal Budget Deficit: ($b)	-37	-34	-23	-22	NA	NA	NA	NA	NA
Current Account Deficit ($b)	74	29	50	73	77	45	34	65	81
(-%) of GDP	4.5	1.6	2.8	3.9	4.7	2.6	1.9	3.5	4.2
Employment	2.2	1.3	2.4	1.4	2.1	1.6	2.0	2.0	1.3
Terms of Trade	-10.1	14.7	-5.2	-4.6	-11.6	0.2	10.1	-9.1	-1.6
Average Earnings (Nat. Accts. Basis)	1.1	0.3	1.5	2.1	0.6	1.1	0.5	2.1	2.3
End of Period									
Total CPI	1.0	1.9	2.9	2.4	1.7	1.5	2.5	2.3	2.4
Core CPI	1.5	1.9	1.9	2.2	2.0	1.6	2.0	2.1	2.3
Unemployment Rate	5.8	5.6	5.3	5.2	5.9	5.6	5.4	5.3	5.1
RBA Cash Rate	1.75	1.50	1.50	2.25	2.00	1.50	1.50	2.00	2.50
10 Year Govt. Bonds	1.98	2.60	3.20	3.40	2.88	2.77	2.95	3.40	3.50
$A/US cents :	0.74	0.77	0.73	0.75	0.73	0.72	0.75	0.73	0.76
$A - Trade Weighted Index	62.5	65.5	62.3	64.0	62.7	63.9	64.2	62.4	64.2

(a) Percentage changes represent average annual growth, except for cash and unemployment rates. The latter are end June. Percentage changes for CPI represent through the year inflation.

(b) Contribution to GDP growth

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COMMODITY PRICE FORECASTS

	Unit	Spot 06/10/2017	Actual *Sep-17*	*Forecasts* *Dec-17*	*Mar-18*	*Jun-18*	*Sep-18*	*Dec-18*	*Mar-19*	*Jun-19*
WTI oil	US$/bbl	49	50	51	52	54	56	58	60	62
Brent oil	US$/bbl	57	52	53	54	56	58	60	62	64
Tapis oil	US$/bbl	58	53	54	55	57	59	61	63	65
Gold	US$/ounce	1272	1280	1270	1270	1280	1290	1290	1300	1320
Iron ore (spot)	US$/tonne	n.a.	72	62	60	62	61	60	60	60
Hard coking coal*	US$/tonne	n.a.	189	160	140	120	105	100	101	99
Semi-soft coal*	US$/tonne	n.a.	135	115	101	87	76	72	73	71
Thermal coal*	US$/tonne	98	85	85	85	80	80	80	80	65
Aluminium	US$/tonne	2131	2010	2100	2080	2060	2060	2060	2060	2060
Copper	US$/tonne	6617	6350	6400	6340	6280	6280	6280	6280	6280
Lead	US$/tonne	2517	2330	2490	2490	2490	2490	2490	2490	2490
Nickel	US$/tonne	10515	10540	10000	10000	10000	10000	10000	10000	10000
Zinc	US$/tonne	3298	2960	3020	3040	3050	3070	3080	3080	3080
Aus LNG**	AU$/GJ	n.a.	8.50	8.00	7.45	7.67	7.92	8.17	8.30	8.43

* Data reflect NAB estimates of US$/ tonne FOB quarterly contract prices (thermal coal is JFY contract). Actual data represent most recent final quarterly contract price.
** Implied Australian LNG export prices

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