THE FORWARD VIEW - AUSTRALIA

NOVEMBER 2017

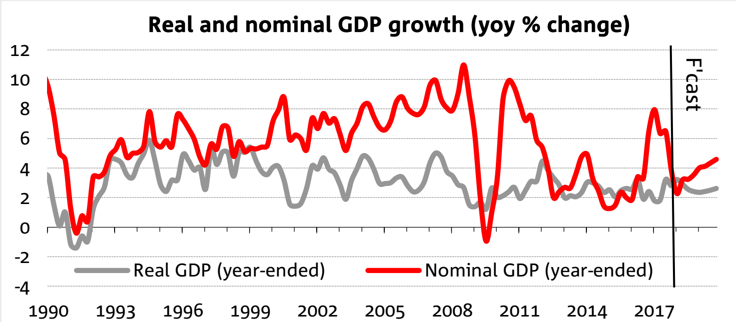
National Australia Bank

Watching the labour market and wages

- Incoming data continues to sit comfortably with the tenor and direction of our economic forecasts. Overall, **we are quietly confident that improving prospects for infrastructure construction and non-mining business investment will help sustain economic growth at a steady (but moderate) rate**, despite some obstacles ahead for the economy as dwelling construction and LNG exports peak. This is particularly the case as buoyant conditions become broad-based across the business sector, with the NAB business survey showing well-above average business conditions across all industries (except retail) and reaching a record high in October. Overall, real **GDP growth is forecast to strengthen in coming quarters to 3.2% y/y by Mar-18, ease to 2.4% by Dec-18 before picking up slightly to 2.6% by end-19. These forecasts are a little lower than the latest forecasts from the RBA of above 3%.**
- **The disconnect between a more upbeat business sector and more cautious household sector slowly resolves itself via the business sector gradually investing more and increasing employment and/or working hours.** The pace of household consumption growth however will depend in large part on the extent of improvement in household income and therefore wages. We are (even more) cautious on both fronts than the RBA, given high household debt levels, mounting evidence that the retail sector is struggling, and modelling work which suggests that low productivity growth will limit upside on wages growth, even as spare labour market capacity gradually reduces. That said, the RBA has become more direct in identifying wages growth as a key source of risk to its forecasts for consumer spending and inflation, and has revised down its average earnings forecasts.
- **Our inflation forecasts have been revised down slightly to incorporate the impact of new weights from the ABS.** There are generally lower weights for items rising more quickly than the aggregate (eg. tobacco, housing and health), and higher weights for items rising more slowly (eg. food, clothing & footwear and communications). This will subtract ~0.2ppt from our headline CPI forecasts over the coming year, and a little less than ~0.1ppt from core inflation. Overall **we expect core inflation to pick up to 2% by end-18, and 2.2% by end-19.** This is a touch above the RBA's latest forecasts of a gradual rise to just 2% by Jun-19, although **our forecasts are underpinned by a forecast AUD depreciation to USD0.75 by end-17 and USD0.73 by mid-18.**
- The RBA remains comfortably on hold, with few hints of a move in either direction. **We retain our expectation for two 25bp hikes in the second half of 2018,** subject to more progress being made on reducing unemployment and/or underemployment, and wages growth showing some (at least tentative) signs of picking up.

	2015	2016	2017-F	2018-F	2019-F
Domestic Demand (a)	1.3	1.6	2.6	2.4	2.8
Real GDP (annual average)	**2.4**	**2.5**	**2.4**	**2.8**	**2.5**
Real GDP (year-ended to Dec)	**2.6**	**2.4**	**2.8**	**2.4**	**2.6**
Terms of Trade (a)	-11.6	0.2	10.3	-7.4	-2.0
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	2.1	2.3	2.4
Core CPI (b)	2.0	1.5	1.9	2.1	2.2
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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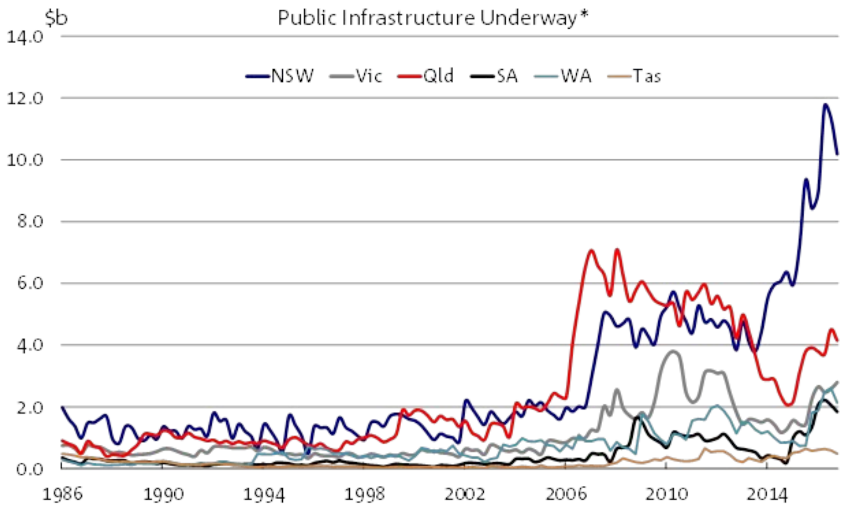
CHARTS OF THE MONTH *Infrastructure and non-mining business investment to support growth; outlook for wages/inflation subdued*

INFRASTRUCTURE CONSTRUCTION BOOMING, ESPECIALLY IN NSW

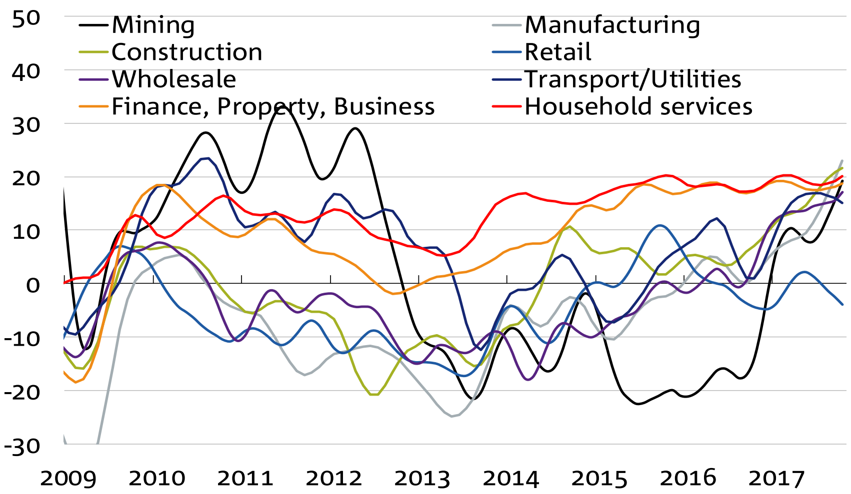
Public infrastructure underway, $bn *



*The value of work yet to be done on commenced public projects (transport, water, energy, telecoms)
Source: ABS, NAB Economics

ABOVE-AVERAGE BUSINESS CONDITIONS EVERYWHERE EXCEPT RETAIL

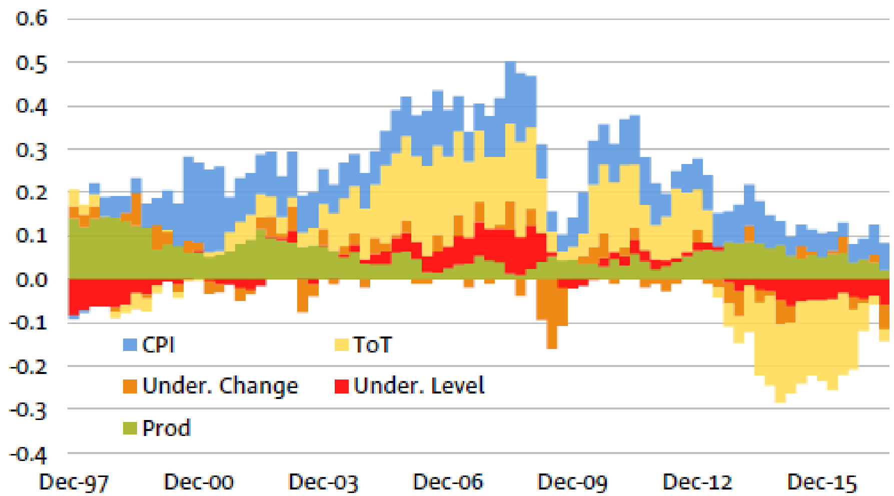
NAB Business Conditions by Industry, net balance*



* 13 period Henderson trend

FADING TOT DRAG MAY LIFT WAGES, BUT PRODUCTIVITY A CONSTRAINT

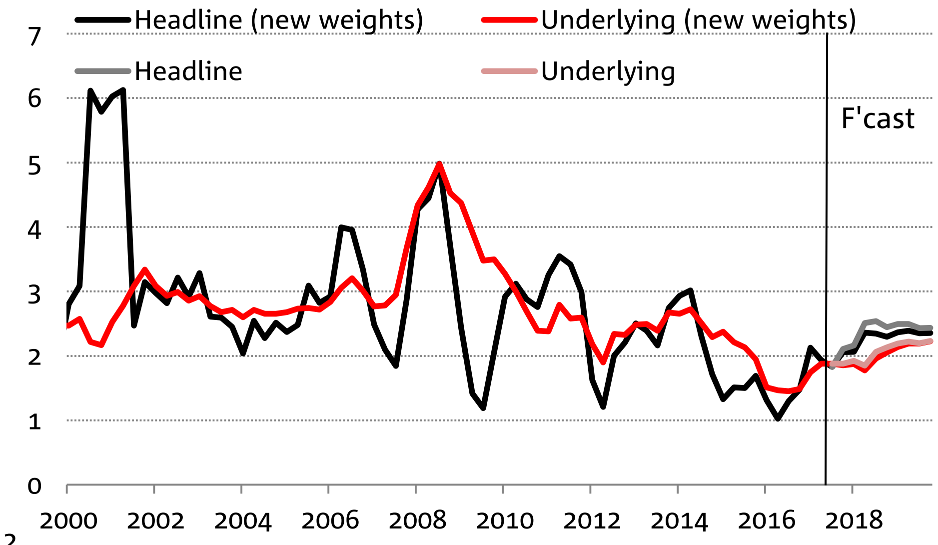
WPI model composition (ppt contribution to quarterly growth)*



* constant term not shown. For underutilisation, chart shows contribution less average historical contribution. Source: NAB

CPI RE-WEIGHTING TO SUBTRACT A LITTLE FROM INFLATION

y/y % change. pre and post-reweighting



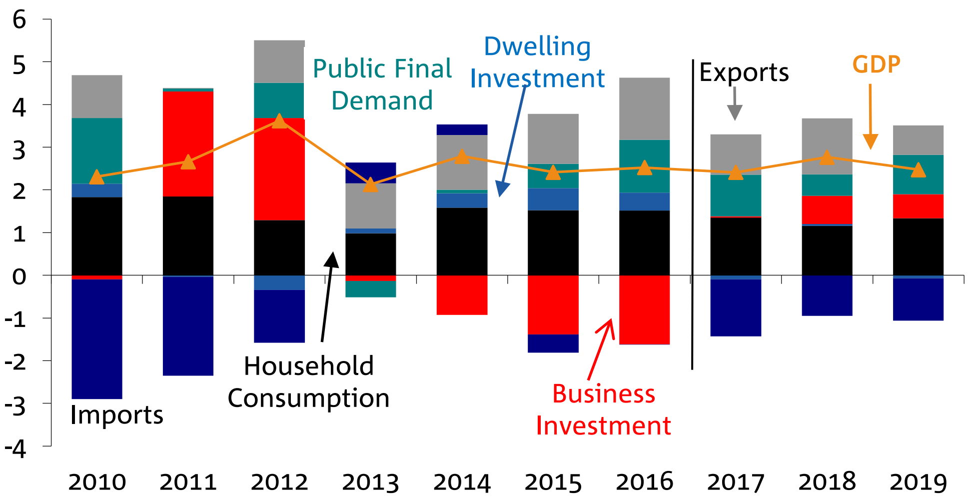
Sources: ABS, NAB Group Economics

OVERVIEW - AUSTRALIAN ECONOMIC OUTLOOK

A solid but moderate growth outlook with little wages/inflation pressure

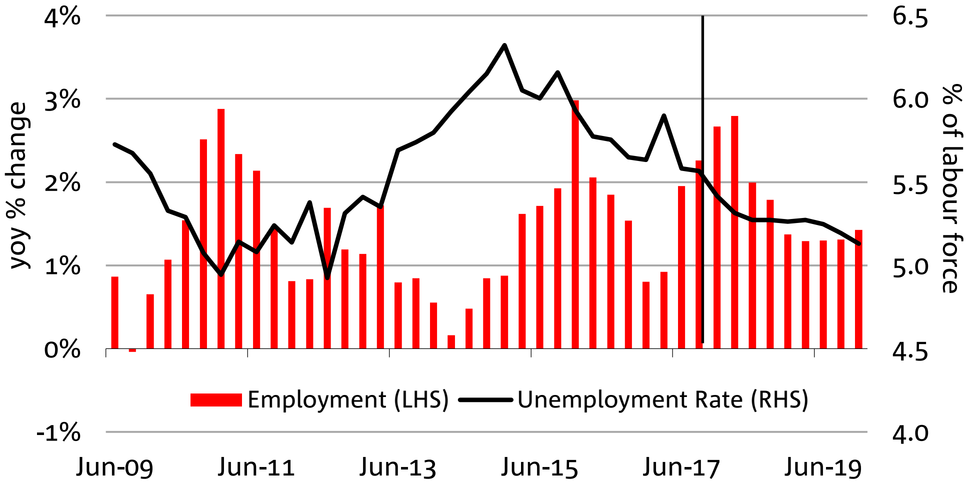
GROWTH HIGHER NEAR-TERM, THEN MODERATES TO ~2½%

Annual average % change



UNEMPLOYMENT RATE TO DECLINE GRADUALLY

Employment growth and unemployment rate



Sources: ABS, NAB

We are gradually becoming more confident that infrastructure spending and non-mining business investment should help the Australian economy navigate the challenges of peaking LNG exports and dwelling construction. While growth will slow after reaching a peak of 3.2% y/y in Mar-18, our forecasts for 2.4% y/y in Dec-18 and 2.6% in Dec-19 are in keeping with our estimates of potential growth for the Australian economy of ~2½%.

While population growth remains strong, productivity gains will be harder to achieve. Subdued productivity growth is also weighing on the outlook for wages growth (and hence inflation) according to our latest modelling work which finds that labour market underutilisation, inflation, productivity growth and the terms of trade explain wages growth in Australia. For Australia, modelling suggests that wages growth should already be picking up due to a fading headwind from earlier declines in the terms of trade, but this is yet to be seen in the data and may (in our view) perhaps because mining-related businesses do not see the recent improvement in the terms of trade in Q3 as permanent (and indeed commodity prices have now started to come off). Overall, this analysis suggests a gradual uplift in wages growth going forward.

Key tenets of our economic forecasts are:

- Recovery in non-mining investment (though less pronounced than in upswings)
- Strong government investment as infrastructure spending picks up
- Modest household consumption growth, with low wages growth constraining household income, notwithstanding further growth in employment
- A very gradual pickup in wages growth and inflation

Key assumptions/forecasts underpinning the macro view:

- A more supportive global economic backdrop -- the cyclical recovery has become more well-entrenched and broad-based, although we do not expect further acceleration from here and growth in China is expected to gradually slow.
- AUD/USD depreciating to USD0.75 by end-17 and USD0.73 by mid-18.
- RBA to implement two 25bp rate hikes in H2 2018 (August and November), followed by two further 25bp hikes in 2019 (May and August). This would take the cash rate to 2.5%, still below the RBA's approximation of neutral (~3.5%).

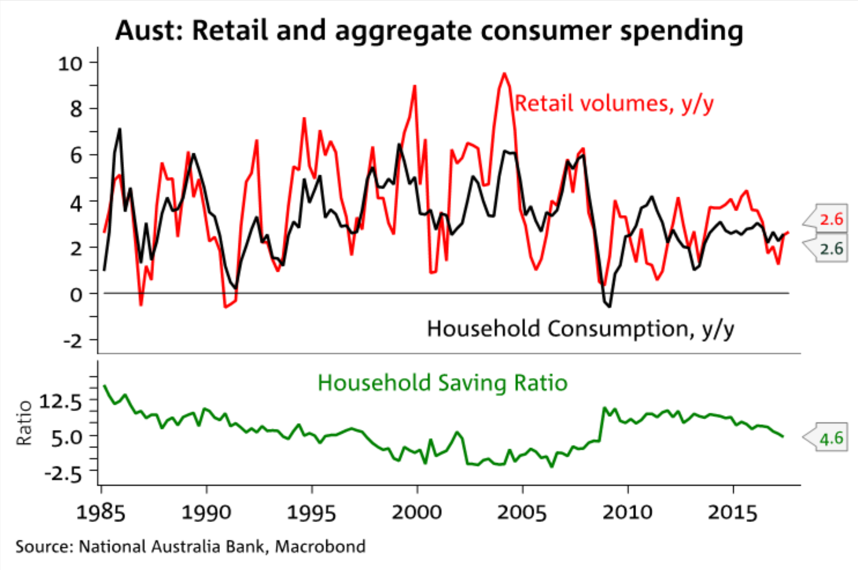
Key risks include but are not limited to:

- A failure of wages growth to pick up gradually as forecast in Australia and offshore, weighing on inflation and consumer spending. Automation and digital disruption are driving greater downward pressure on employment and/or prices of consumer goods & services than anticipated.
- A more pronounced slowdown in China with flow-on implications to commodity prices, the terms of trade and Australian exports (particularly resources exports, but also services trade).
- Financial instability as the Fed shrinks its balance sheet and hikes rates.
- 3Geopolitical risks such as in North Korea, and political uncertainty in Australia.

CONSUMER DEMAND AND INFLATION

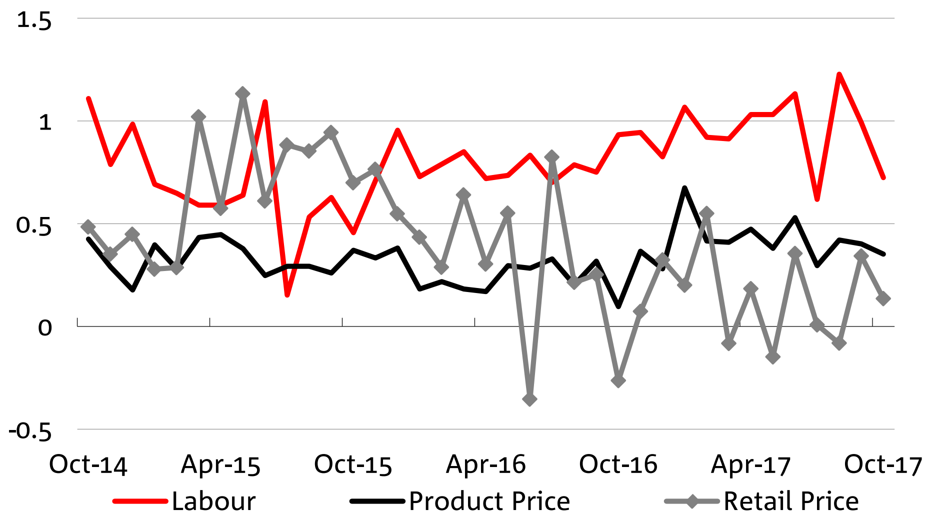
Retail conditions challenging; re-weighting weighs on CPI forecasts

QUARTERLY RETAIL SALES WEAK



NAB SURVEY PRICE MEASURES DROP BACK IN OCTOBER

% change at a quarterly rate



Sources: ABS; NAB Economics

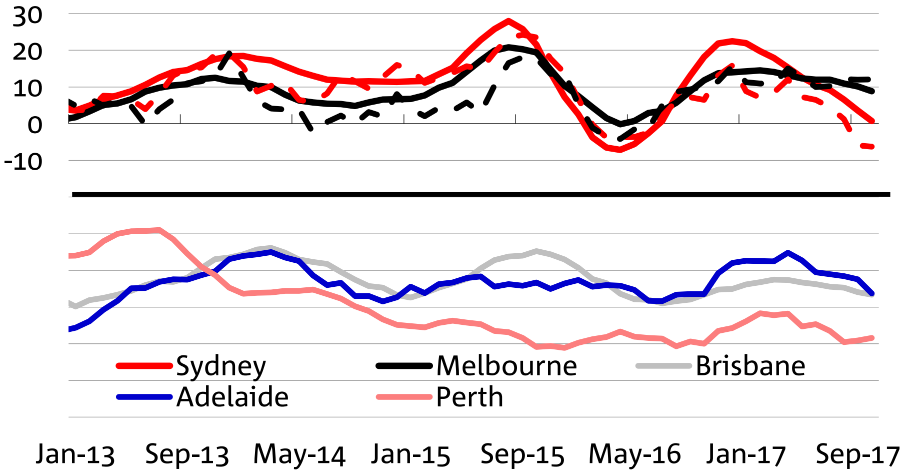
- Conditions remain challenging for Australia's retail sector. The welcome boost in Q2 proved to be temporary, with retail trade volumes rising just 0.1% q/q in Q3 following a 1.5% bounce in Q2, while the value of sales fell 0.3% in the quarter suggesting further deflation in the sector. We are now forecasting household consumption growth of just 0.4% q/q in Q3, with growth in services spending a little more resilient than retail (though still subdued).
- In the month of September, the value of retail sales was flat, following a 0.5% m/m fall in August. This was below the 0.6% rebound signalled by NAB's Cashless Retail Sales Index. While a changed seasonal pattern due to the release of the new iPhone in November this year compared to a September release in previous years may have played a role, falls were also evident in other areas of household goods, clothing & footwear and recreational goods. Further, NAB's Online Retail Index fell 0.6% m/m. Business conditions in retail rose modestly out of negative territory to +0, but were well below the above-average conditions in all other industry groups.
- Household consumption is forecast to grow by a modest 2.1% in 2017 and 2018, before a small improvement to 2.5% in 2019 (real). Despite rapid employment growth, we are reticent to forecast a return towards pre-GFC rates of growth unless we see evidence of a stronger pickup in wages growth (see pages 3 and 7). High household debt levels also appear to be driving consumer caution. Recent RBA commentary indicates that consumer spending and household incomes remain a key area of risk to the central banks' (somewhat more optimistic) outlook.
- Q3 inflation was weaker than expected. Headline inflation was 0.6% q/q due to a sharp fall in vegetable prices and smaller-than-expected rises in utility prices. Core inflation was low at 0.35% q/q and 1.85% y/y. New CPI weights from Q4 will see inflation lower than otherwise, as the new weights for items that have been falling in prices are generally higher (eg. food, clothing & footwear and communications) and vice versa (eg. tobacco, housing and health have lower weights). This has subtracted ~0.2ppt from our headline CPI forecasts over the coming year, and a little less than ~0.1ppt from core inflation. A move to annual re-weighting will also reduce some upward bias in the CPI beyond that. Underlying inflation will remain low for some time, reflecting the slow growth in wages and strong competitive pressures, especially in retail. Rent inflation will also be low due to increases in the housing stock. Reads on inflation and labour costs from the NAB Business Survey were on the softer side this month. Overall underlying inflation is forecast to pick up to 2% by end-18, and 2.2% by end-19 y/y. This is a touch stronger than the RBA's latest forecasts of a gradual rise to just 2% by Jun-19 (although our forecasts assume some AUD depreciation, page 9).

THE HOUSING MARKET

The housing market is cooling largely as expected, but construction holding up

MOST MARKETS ARE LOSING PRICE MOMENTUM

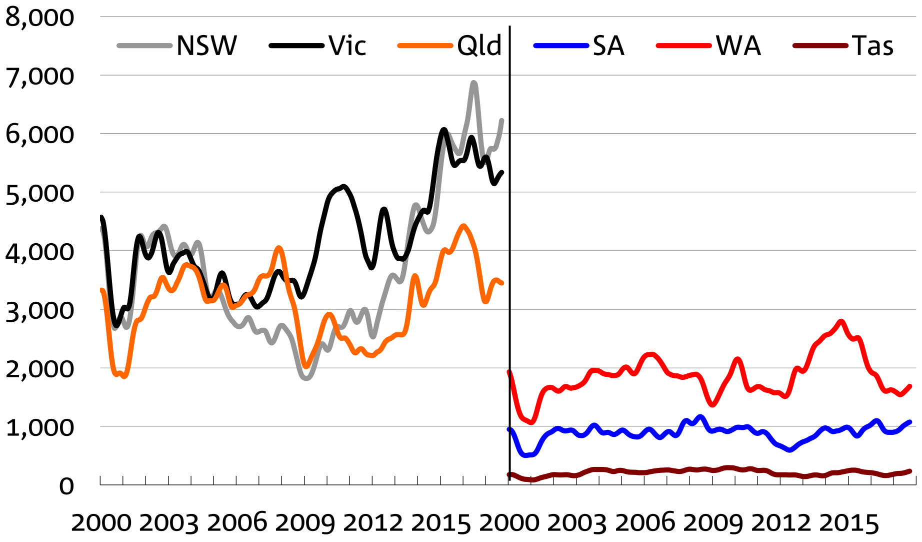
Dwelling price growth (%, 6-month annualised)



* Solid lines are hedonic prices. Dotted lines represent simple median prices.

RESIDENTIAL BUILDING APPROVALS BY STATE (TREND)

Private dwelling units approved



Sources: ABS; CoreLogic

- There were more broad-based signs in the last month that the housing market is cooling down quickly, although Sydney is still where much of the pull-back has taken place. Annual national dwelling price growth has slowed further to 7% y/y in October, having peaked at 11.4% earlier this year. Momentum in the Sydney market has fallen considerably, with annual growth dropping back into single digits (7.7%) for the first time this year, while 6-month annualised growth (a better measure of the current market pulse) has dropped from a high of over 20% in late 2016 to just 0.7% in October. Brisbane and Adelaide have seen similar trends, albeit not to the same extent, and prices in Perth are still falling – although Perth prices have risen in the past 2 months (m/m). Melbourne appears to have bucked the trend, having maintained relatively steady growth – although annual growth has also eased modestly (to 11% y/y) – with support likely coming from very high rates of population growth. That said, auction clearance rates in Melbourne have dipped recently and are well below 2016 levels. Meanwhile, Sydney clearance rates are at multi-year lows (for this time of year).
- The number of housing finance approvals (owner-occupier) fell in September, although they are still up a solid 11.8% over the year. Investor finance approvals also fell in the quarter (down 6.2% m/m), and are lower than the same time last year – reflecting the introduction of tighter prudential measures on lenders. The number of first home buyer approvals also fell, but are up nearly a third over the year.
- Our outlook for prices is unchanged, with the market expected to cool further as tighter funding conditions, capital controls and rising housing supply continue to bite. Sydney will lead the slowdown, while Melbourne prices are forecast to hold up comparatively better with the support of solid population growth – although record levels of dwelling completions present a challenge. Wages growth is also expected to remain modest in Australia, meaning affordability will remain a lingering issue in certain markets. **Our national house price forecasts for 2017 is 4.7% (albeit with some upside risk), 3.4% in 2018 and 2.5% in 2019. Unit prices are forecast to rise 4.7% in 2017, with modest growth (0.5%) in 2018 and a slight decline (-0.3%) in 2019.**
- Private residential building approvals rose again in September, and while they are still down from their peaks, approvals appear to have been broadly flat over the year. Much of the recent lift has come from NSW, particularly for medium density approvals. This is counter to our expectation of further declines in Australian approvals, although we do still expect the downward trend to resume, especially as market reports still point to a slowdown in off-the-plan apartment sales.
- **Dwelling investment is expected to be down in 2017, before growing modestly in 2018 and turning negative in 2019 (0.7% and -1.3%), with limited impact on economic growth given its small share of GDP.**

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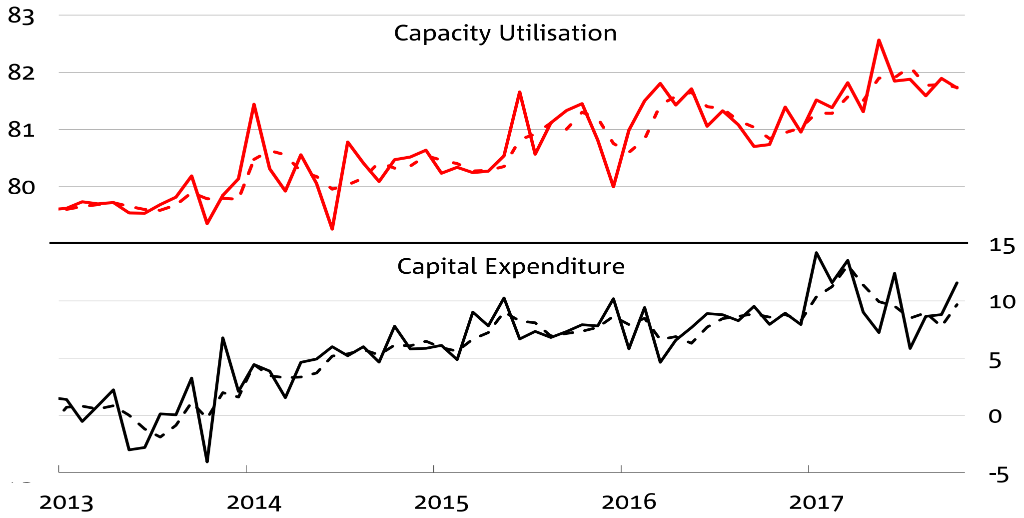
BUSINESS ACTIVITY, INVESTMENT AND CONSTRUCTION

Business sector still performing very well. Evident in investment indicators

NAB MONTHLY SURVEY INVESTMENT INDICATORS*

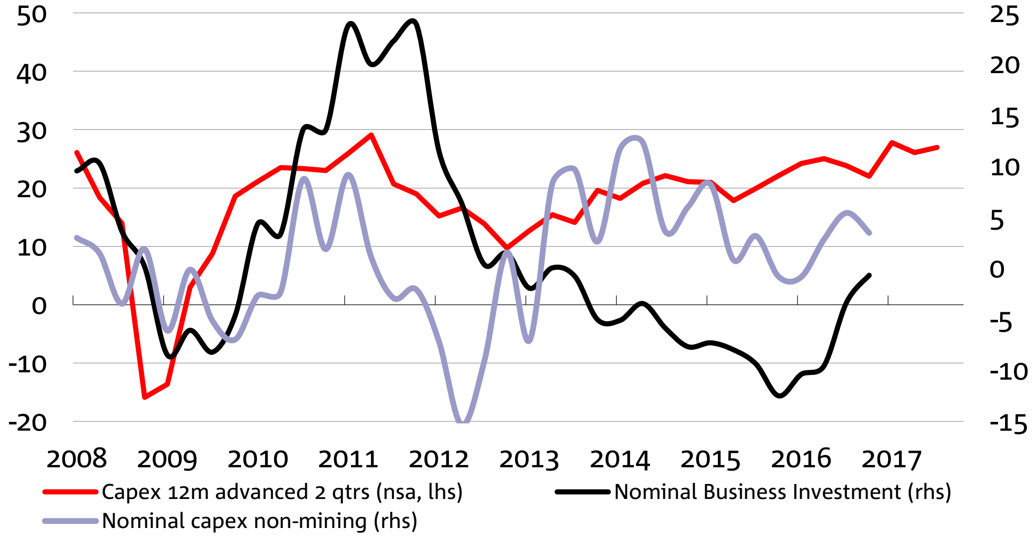
% of capacity; Net balance



* Dotted lines represent the 3mma

BUSINESS INVESTMENT AND CAPEX PLANS FROM NAB BUSINESS SURVEY

% y/y; index



- The read on business conditions was extremely strong in the October NAB Monthly Business Survey, with manufacturing posting a strong result despite the recent closure of auto manufacturing plants. The conditions index jumped to a record high in the month, and while confidence is not quite as buoyant, it is holding up above long-run average levels. Despite record business conditions, **capacity utilisation** eased slightly, although **capital expenditure** has rebounded to solid levels – perhaps signalling some shift away from a focus on balance sheet repair.
- Firms noted in the survey that their demand for credit declined over the past 3 months, despite indicating a fairly significant improvement in the availability of credit – although the Survey's index of **borrowing conditions** remains modestly negative – meaning that on balance, more firms found it more difficult to borrow than easier – and has not been in positive territory at all this year. Official data showed a deceleration in **business credit** growth to just 0.1% m/m in September, while annual growth eased to 4.3% y/y, which is quite soft by historical standards and down from last years peak (7.3%).
- In another encouraging sign on business investment, the value of non-residential building approvals rebounded sharply in September, extending the overall positive trend seen this year; up 22.4% m/m in September (seasonally adjusted) and 15.3% higher y/y in trend terms. Meanwhile, monthly data on the value of capital goods imports picked up in Q3 (rising more than 7% in Q3, to be almost 20% higher over the year) – suggesting high levels of machinery and equipment investment. However, capital imports may see some volatility from the import of large LNG platforms.
- According to the Federal Chamber of Automotive Industries, car sales reached a new high for October, with demand for light commercials remaining strong – business purchases of light commercials were up 19.1% y/y. Heavy commercial vehicles sales were also up a solid 13.7 y/y%.
- 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 (1.4%), accelerating to 4.2% and 5.2% respectively in 2018 and 2019.**

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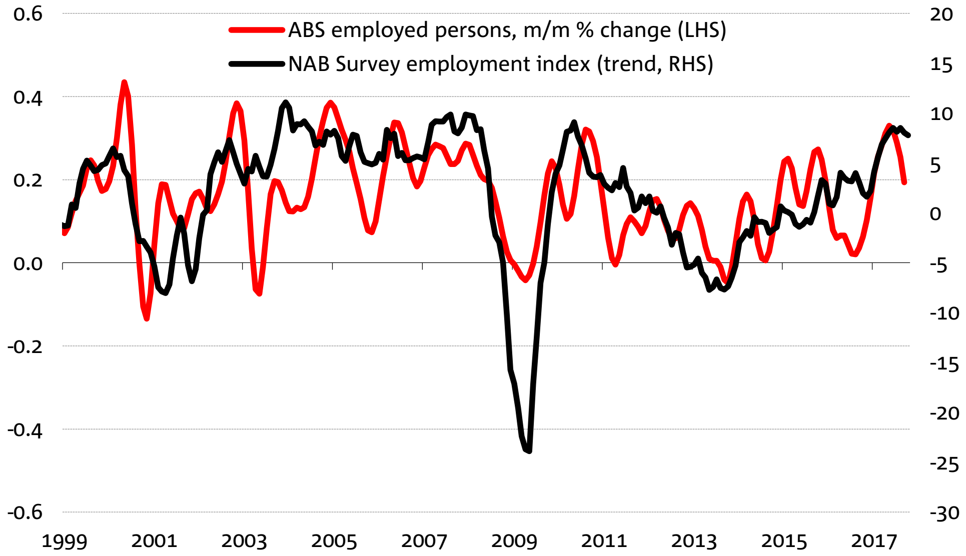
LABOUR MARKET AND WAGES

Further strengthening of the labour market however still little signs of wages growth

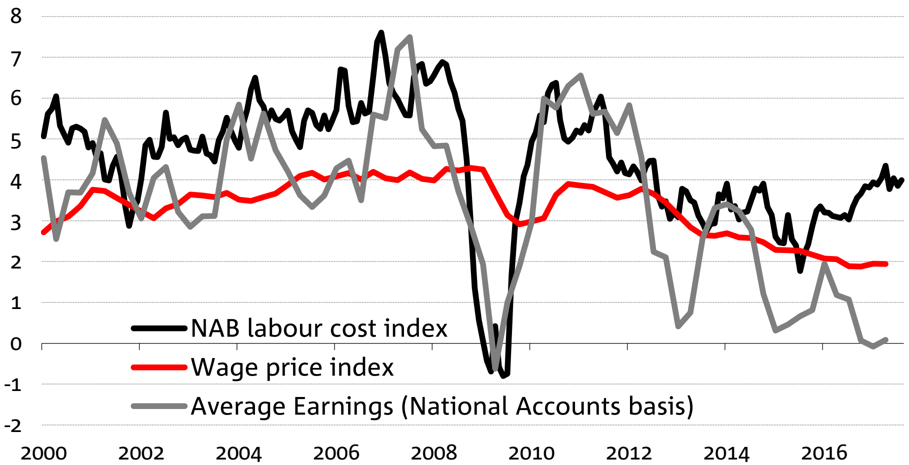
NAB SURVEY POINTS TO IMPROVING EMPLOYMENT CONDITIONS



Source: ABS

WAGES SUBDUED, ALTHOUGH NAB WAGE BILL MEASURE CREEPING UP

y/y % change



Source: ABS, NAB Economics

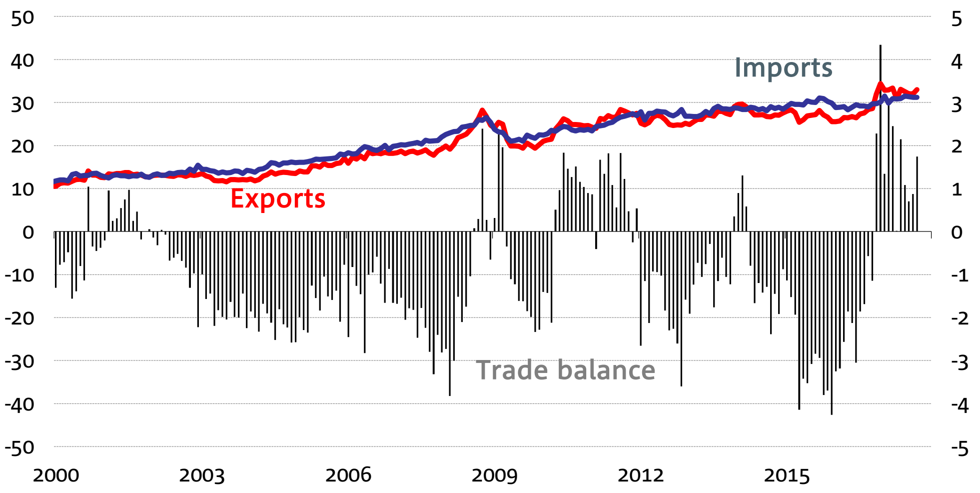
- The labour market continues to improve. Employment grew by another 20k in September, increasing for the 12th consecutive month. With the participation rate holding steady at 65.2%, the unemployment rate declined further to 5.5%. Both full time and part time employment grew, increasing by 6k and 14k respectively. Full-time employment growth has been particularly strong this year, with average gains of 25.4K per month compared with average gains of 8.2K per month for part-time employment. Despite this, the latest reading for underemployment eased 0.2ppt but remained high at 8.6% in the three months to August, with total labour underutilisation at 14.1%.
- The two biggest states continued to lead, while a strong gain in WA employment in the month was also encouraging. On the contrary, Queensland employment contracted in September following multiple months of strong gains. While month-to-month employment growth can be volatile, it is believed that the worst of the mining job losses are now behind us, although NT continues to experience declining employment.
- Leading indicators including the NAB Business Survey continue to point to further tightening in the labour market ahead. The employment conditions index was unchanged at +7 points in October, a level well above the long-run average for the series. This outcome points to an annual job creation rate of around 240k (20k per month), which is sufficient to see the unemployment rate continue to push lower. NAB expects the unemployment rate to decline to 5.3% by end 2018. Other indicators including ABS job vacancies and SEEK job ads have also been pointing to further strength in the labour market.
- Wages growth has been subdued despite the strength in the labour market. The wage price index only grew by 0.4% in Q2 and our estimates suggest Q3 growth will be a better but still subdued 0.7% q/q (released today). The recent increase in minimum wage since the 1 July is expected to contribute to some strength, although that will be partly offset by the cut to penalty rates. Although it declined somewhat in October, the NAB Business Survey labour cost index (a wage bill measure) has been trending higher, particularly in wholesale, manufacturing and mining. Overall we expect to see some lift in wages growth over time as the labour market spare capacity is gradually eliminated, although poor productivity growth if sustained may limit the pickup (see page 3). It is also noteworthy that the RBA has recently revised down its forecasts for average earnings (presumably bringing them more in line with our forecasts) due to a greater impact from shifting industry composition to lower-paid industries than expected.

NET EXPORTS, COMMODITIES AND THE TERMS OF TRADE

Net exports to add to growth in Q3 and Q4

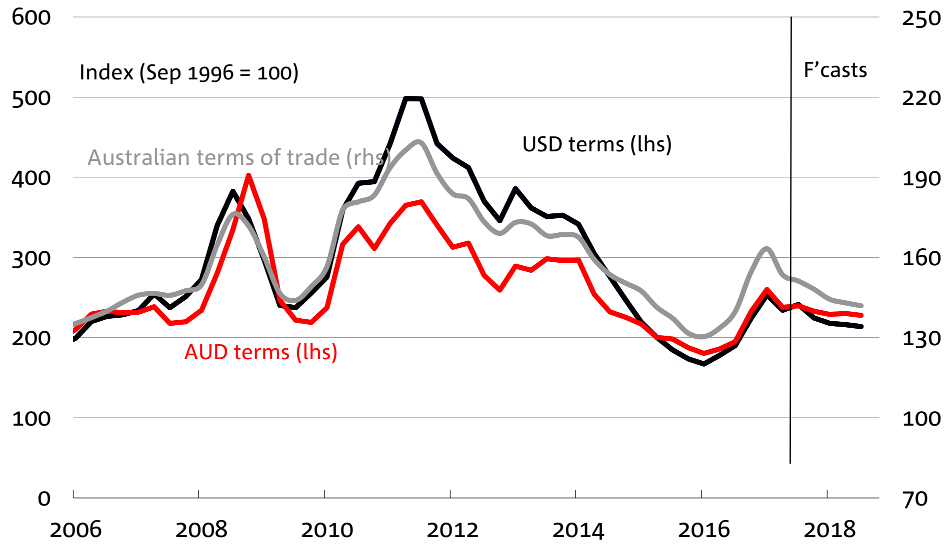
TRADE BALANCE

Monthly, values, $bn



COMMODITIES PRICES RETREATING

NAB Rural Commodity Price Index



- Net exports are expected to have added 0.3 ppts to GDP growth in Q3, as LNG exports continue to ramp up and the temporary impacts of weather disruptions in Q2 have dissipated. Total export volumes are likely to have increased by over 3% q/q in Q3, with imports volumes up by around 2% q/q. Net exports are expected to continue contributing positively to GDP growth in Q4 2017 and Q1 2018 before flattening off later in 2018 as LNG exports peak at a high level, although the timing of the peak is harder to predict.
- The trade surplus widened further in September, to be a better-than-expected $1.7 billion. Further improvements in the trade surplus might be harder to achieve in Q4, given recent declines in iron ore prices and scheduled maintenance at the Curtis Island LNG project.
- The ramping up of LNG exports will continue to drive exports growth. The first shipment from the Wheatstone LNG project departed in late October. Exports are also expected to start at the Prelude Floating project in Q4. The commissioning of the Ichthys project in the NT is expected in 2018. While significant LNG shipments are expected to drive exports growth, downside risks remain. Depressed global oil prices and consequently LNG prices have seen companies operating at below nameplate capacity. Therefore, export volumes could be lower than expected or are ramping up at a slower speed. With the AUD forecast to depreciation (see page 9), 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 was 3% higher q/q in Q3, mostly driven by the temporary surge in iron ore prices in July but also helped by higher oil and base metals prices. Forecast weakness in iron ore prices will drive the commodity price index lower in Q4 2017 and in 2018. We forecast the index to fall by 7% q/q in Q4 in USD terms, to end the year unchanged from Q4 2016 levels. Further weakness in 2018 will likely see it to be 5.4% lower by Q4 2018 compared to a year ago. In AUD terms, similar falls are expected, with a 2.9% q/q decline expected in Q4 and more declines in 2018.
- The NAB Rural Commodities Index rose 2.1% in October, its first monthly gain since May. This improvement largely reflects strengthening cattle prices. On the other hand, domestic grain prices fell, reflecting global fundamentals and the expectation of a better sorghum. Domestic grain remains at a premium, although we expect this to dissipate in the new year. This month we have held our wheat production forecast at 18.7 million tonnes – the lowest in a decade.

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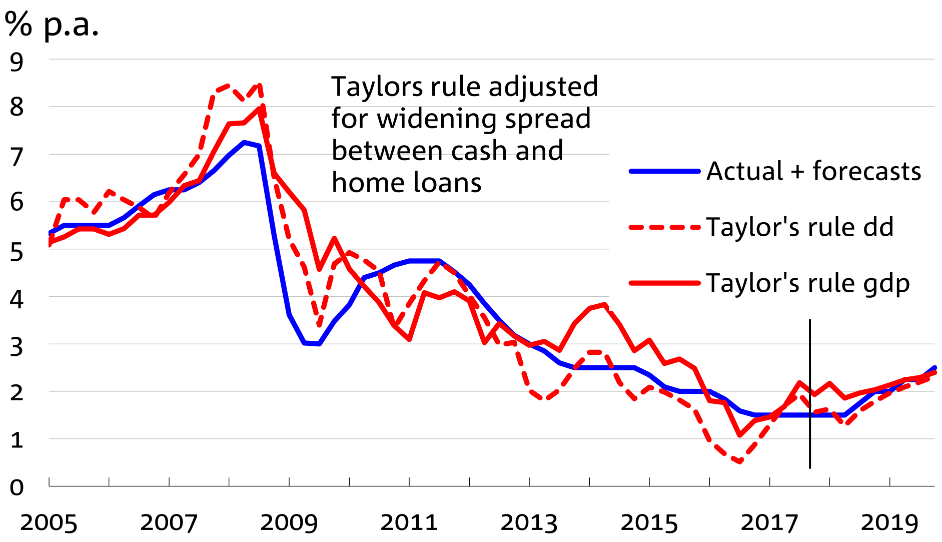
MONETARY POLICY AND THE EXCHANGE RATE

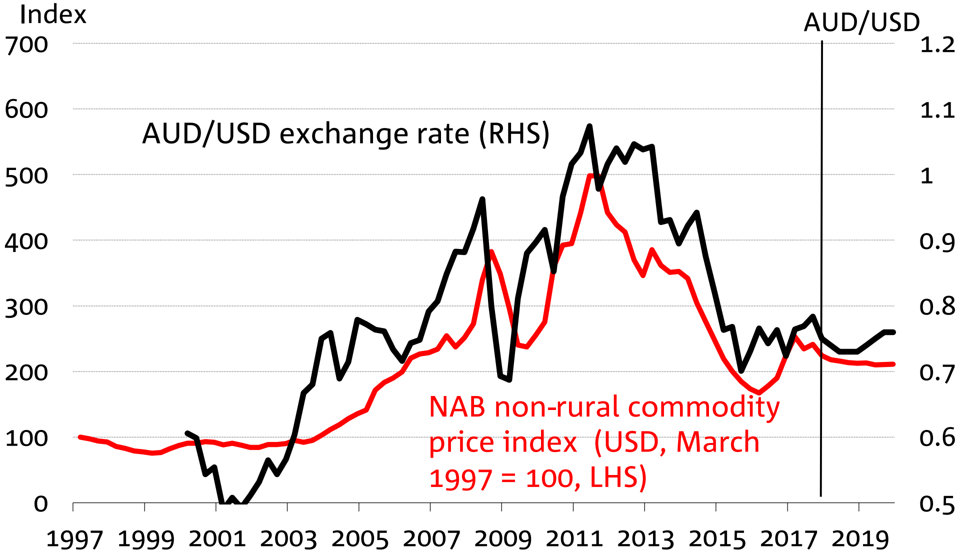
RBA comfortably on hold for now; AUD edging down as forecast

AUSTRALIAN CASH RATE AND TAYLOR RULE



RATE DIFFERENTIAL AND COMMODITY PRICES TO WEIGH ON AUD/USD

AUD/USD versus NAB non-rural commodity price index



Source: RBA, Bloomberg, NAB Economics

- The RBA is not signalling a change to the cash rate in either direction at present. The latest Statement on Monetary Policy revealed a central bank that is more optimistic about the global economy and remaining upbeat about the domestic economy, but also cautious about the degree of spare capacity evident in Australia's labour market and how this will feed through to wages (and therefore consumer spending and inflation).
- Clearly, the RBA will need to see progress in terms of lower unemployment and/or underemployment, as well as some (at least tentative) evidence of a pick up in wages growth before it considers moving the cash rate from emergency lows. At this stage, we remain comfortable with our forecast that this will occur gradually in time, and for the RBA to hike the cash rate twice by 25bp in H2 2018 (August and November) and a further two times in 2019 (May and August). This would take the cash rate to 2.5%, from the current 1.5%, a setting which would still be considered stimulatory at below the RBA's current estimate of neutral (~3.5%).
- The RBA is also monitoring conditions in the housing market closely, as well as household balance sheets. For the time being, the RBA will be comforted by the slowdown in prices evident in the Sydney market, but may remain worried about the pace of housing price growth in Melbourne, Hobart, Canberra and to a lesser extent Adelaide, although we do expect price growth in these cities to slow, especially for apartments.
- We hold to the view that AUD/USD can close out the year nearer 0.75, which will likely require at least a modest extension of the Sep-Oct USD rally, something we continue to expect. It's no co-incidence that AUD/USD move lower has stalled alongside the cessation of the USD uptrend. Yield differentials remain quite pivotal to our view of how AUD/USD plays out in coming months, as well as an expectation that key bulk commodity prices will edge down. Assuming the Fed moves in December, then one additional tightening in H1 2018 will see the fed funds rate above the RBA cash rate.

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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	0.3	-0.7	10.1	7.6	-1.6	0.7	-1.3
Underlying Business Investment	-12.2	-6.6	4.5	4.7	-9.9	-11.7	1.4	4.2	5.2
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**	**2.7**	**2.5**	**1.3**	**1.6**	**2.6**	**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**	**2.6**	**2.5**	**1.3**	**1.7**	**2.6**	**2.4**	**2.8**
Exports	6.7	5.4	6.5	4.0	6.0	7.3	4.5	6.1	3.1
Imports	-0.3	4.5	5.2	4.3	2.0	0.0	6.5	4.5	4.6
GDP	**2.7**	**2.0**	**3.0**	**2.4**	**2.4**	**2.5**	**2.4**	**2.8**	**2.5**
Nominal GDP	2.4	6.0	3.9	3.7	1.8	3.8	6.1	3.1	4.3
Federal Budget Deficit: ($b)	-37	-34	-23	-22	NA	NA	NA	NA	NA
Current Account Deficit ($b)	74	29	50	69	77	45	35	62	77
(-%) of GDP	4.5	1.6	2.7	3.7	4.7	2.6	2.0	3.3	4.0
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	-4.0	-3.9	-11.6	0.2	10.3	-7.4	-2.0
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	2.4	2.4	1.7	1.5	2.1	2.3	2.4
Core CPI	1.5	1.9	1.8	2.2	2.0	1.5	1.9	2.1	2.2
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	Actual Sep-17	Dec-17	Mar-18	Forecasts Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
WTI oil	US$/bbl	57	50	52	54	56	57	58	58	58
Brent oil	US$/bbl	64	53	58	60	62	63	64	64	64
Tapis oil	US$/bbl	65	54	59	61	63	64	65	65	65
Gold	US$/ounce	1279	1280	1260	1270	1280	1290	1300	1310	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	97	85	85	85	80	80	80	80	65
Aluminium	US$/tonne	2089	2010	2140	2120	2100	2100	2100	2100	2100
Copper	US$/tonne	6861	6350	6800	6730	6660	6660	6660	6660	6660
Lead	US$/tonne	2514	2330	2490	2470	2440	2420	2400	2400	2400
Nickel	US$/tonne	12432	10540	11700	11700	11760	11820	11880	11880	11880
Zinc	US$/tonne	3242	2960	3260	3280	3290	3310	3320	3320	3320
Aus LNG**	AU$/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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