

AUSTRALIAN MARKETS WEEKLY

What do job ads tell us about the Australian economy?



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- The Aussie opens its seventh week hugging 0.74. The USD/CNY closed last week at 6.8133, its highest since June 2017, opening higher today, the CNY's weakness a thorn in the side of the AUD. China releases its July PMIs tomorrow (expected to be still solid), while locally the main market interest will be Friday's retail sales, NAB looking for a softer-than-expected 0.1% m/m print (Mkt +0.3% m/m).
- After the weekend's by-elections, where the Labor Party retained its four seats, the press is now speculating whether the Coalition will shelve its proposed company tax cuts and re-configure its tax policy toward greater personal income tax cuts.
- Offshore, last week closed with strong US GDP growth at 4.1% for Q2, after 2.2% in Q1, another sign of continuing strong growth through the middle of the year. The market this week looks ahead to the release of the big three July monthly indicators: the PCE deflators, expected to reveal core inflation steady at 2.0% (out Tuesday), then the ISM Manufacturing report (expected to be still solid, out Wednesday), then Friday's payrolls, market expecting another near 200K outcome. Gains of this magnitude are sufficient across time to see lower US unemployment. In turn, this supports expectations of a continuing lift in the Fed funds rate, though markets will watch the ISM reports for any signs that trade tensions are impacting firms' hiring and investment plans.
- The Fed is tipped to leave rates steady at this week's meeting but hike at the next (September 27) continuing along their gradual rate rise path. Elsewhere, the Bank of England is expected to lift rates and then remain on hold, after signalling only 1-2 hikes per year. There'll be intense interest in tomorrow's BoJ meeting, interest in whether the Bank will adjust their policy to endorse somewhat higher 10y JGB yields (from zero to 0.1%). The RBA meets tomorrow week with another month of on hold odds on.
- This week we look in detail at some of the trends in SEEK job ads and what they tell us about the trends in the various state economies. We also delve into what they say about the state of various industry cycles that have been important in understanding the overall trend for the Australian economy in recent years. In this respect, think the importance of the mining, housing and infrastructure cycles.
- We are monitoring the recent easing in overall job ads and also ads in property and residential construction, however, the latter are broadly balanced by stronger mining job ads, which are expected to continue lifting. In addition, other cyclical sectors remain reasonable, suggesting no particular reason to fear a turn in overall labour demand at the present time.

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

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[Ask the FX Strategists](#)

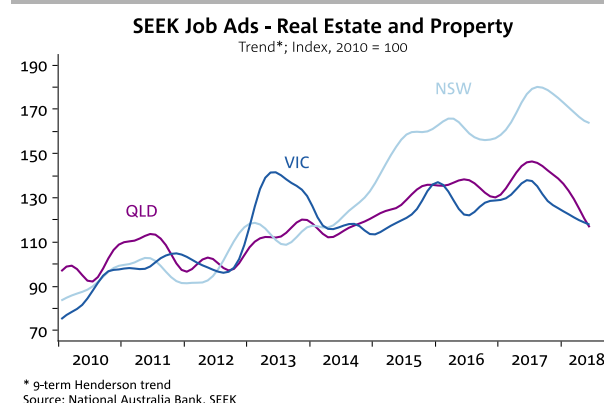
[Ask the Interest Rate Strategists](#)

Key markets over the past week

| | Last | % chg week | | Last | bp / % chg week |
|---------|--------|------------|----------|-------|-----------------|
| AUD | 0.7403 | -0.1 | RBA cash | 1.50 | 0 |
| AUD/CNY | 5.05 | 0.6 | 3y swap | 2.16 | -6 |
| AUD/JPY | 82.1 | -0.2 | ASX 200 | 6,264 | 0.6 |
| AUD/EUR | 0.635 | 0.4 | Iron ore | 67.49 | 3.6 |
| AUD/NZD | 1.089 | 0.1 | WTI oil | 68.9 | 1.5 |

Source: Bloomberg

Chart 1: Real Estate and Property Job Ads have turned



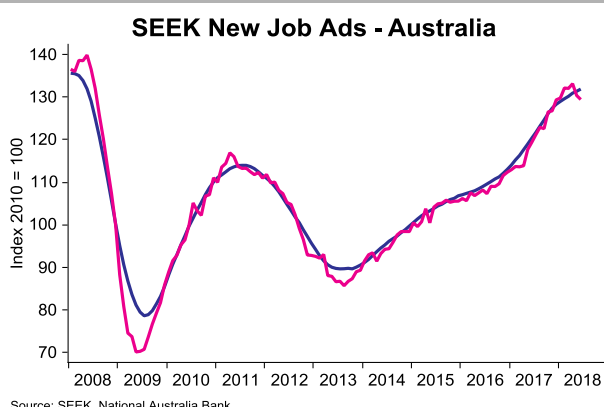
SEEK job ads tell us a lot about the different cycles in the Australian economy

SEEK's detailed job ads series provide a wealth of information about the relative economic performance of the various states of Australia. SEEK's industry-level job ads data provide insight into the varying cyclical performance across the economy, an important feature of the overall Australian economic cycle in recent years. Think how housing took over from mining and how infrastructure spending seems to be helping offset slowing housing activity.

The economic cycle and relative state performance

Chart 2 shows that trend growth in job ads has slowed recently, due to falls in job ads in each of the past two months. We will watch future months' job ads closely as historically three months in a row of declining (or rising job ads after a down cycle) has often signalled a change in trend for labour demand, which would likely be very important for the Australian economy and financial markets. There are reasons not to be overly concerned at this stage as some of the fall last month reflects issues with the Page-Up recruitment portal (which reduced job ads 0.5-1% in June), while problems with seasonal adjustment around Easter, may also be part of the story. However, as we will also see, the industry data reveal a moderation in Real Estate & Property-related advertising in the three largest states, likely in part associated with the tightening in lending standards enacted by APRA.

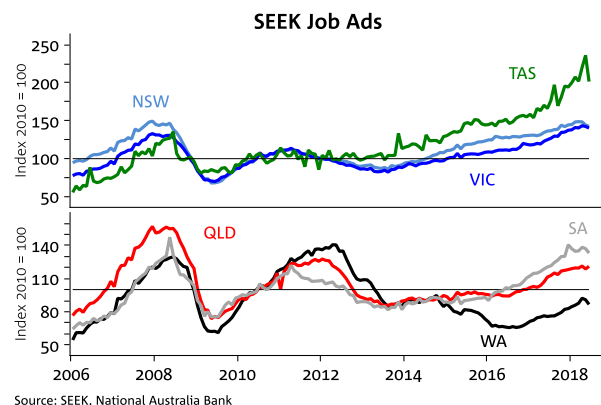
Chart 2: Job ads softer in recent months; trend positive



State job ads provide a good insight into the more than usually diverse cycles among the state economies over much of the past ten years. The mining boom and then bust has been the primary determinant of divergences in the state economic cycles. Such after effects are arguably still evident in relative weakness in job ads growth and levels of advertising in QLD and WA. WA in particular sees job ads only getting back to 2014 levels and still well below either of the mining boom peaks. (Interestingly, the construction phase of the mining boom produced an even stronger peak for job ads in WA than the initial commodity price boom). QLD, on the other hand, is approaching the same level of job ads as in 2012, the secondary mining boom peak, though growth in job ads has moderated in recent times.

At the same time, growth in the predominantly non-mining states of NSW, Victoria and Tasmania has been driving overall labour market outcomes in recent times, with levels of job advertising broadly back to pre-GFC peaks. SA's trends have been similar, even though this state also appeared to have some mining cycle influences in its labour market). (Chart 3).

Chart 3: Watching NSW; WA and QLD still lagging



Industry-level job ads data provide some greater insight into recent national and state level job ads developments along with individual sector developments. Chart 4 shows a continuing recovery in labour demand in Mining, Resources & Energy, reflecting the recovery evident over the past two years as commodity prices have risen. Indeed, Mining has shown the fastest growth of job ads of any industry over the past year. Demand for labour in the sector, however, remains much lower than at the peak of the mining construction boom but is its pre-GFC peak. With several new mine projects getting off the ground in WA (BHP, RIO and Fortescue have recently announced new iron ore mines), it's likely that job ads in mining will continue to recover in the months ahead, further supporting recovery in overall levels of job advertising in WA.

Chart 4: Mining recovering but not at boom levels

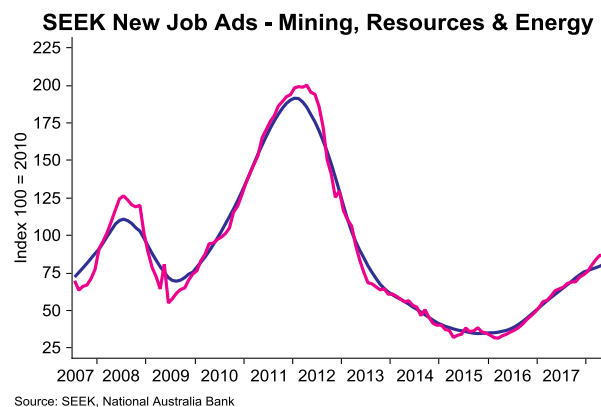


Chart 5: Mining recovering "equally" in WA and QLD

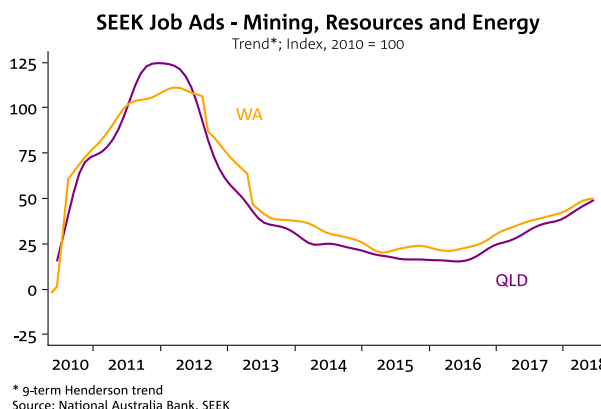


Chart 5 suggests that labour demand for mining roles is recovering broadly at the similar rates in QLD and WA.

At the same time, trends in some of the residential property-linked sectors are beginning to show signs of easing. As charts 6, 7 and 8 show, ads for Real Estate & Property have weakened since around mid-2017, while Design & Architecture job ads have also softened in recent times. The easing has been evident in each of the big three states, suggesting a macro impact, most likely the further tightening of lending standards in the middle of last year. As such, job ads are confirming the likely easing of residential property-related activity. However, it's important to note that at this stage, the trends for increased hiring in Mining broadly offsets softer labour demand in these two residential property-related areas.

Chart 6: Real estate ads easing since mid 2017

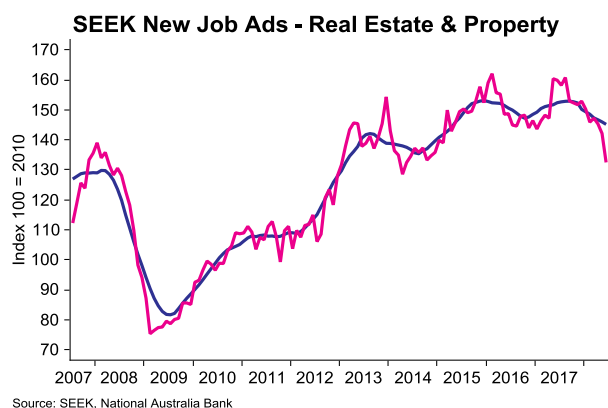


Chart 7: Design & Architecture ads similarly soften

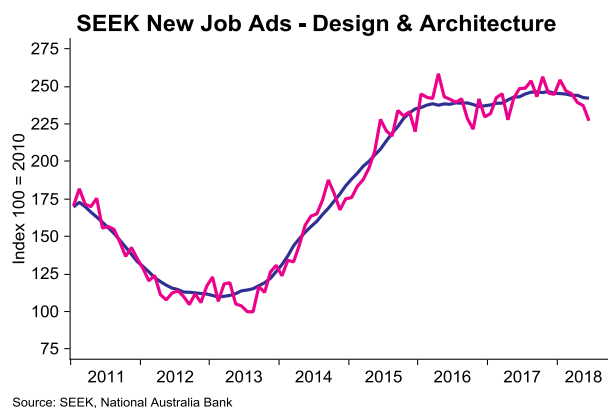
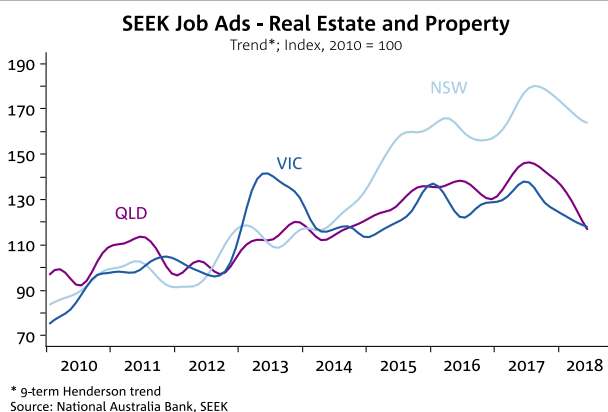


Chart 8: The big states affected at the same time



What does the slowdown in housing mean for the overall construction industry? Our next charts show that job ads in Construction and Engineering have levelled off in recent times, perhaps suggesting that the pick-up in infrastructure spending is balancing out the easing in labour demand related to residential construction. At the same time, it's quite likely that the pick-up in mining labour demand could also be expected to provide some lift in demand for Engineering and Construction roles given past relationships evident in job advertising.

Chart 9: Residential and Infrastructure demand offset?

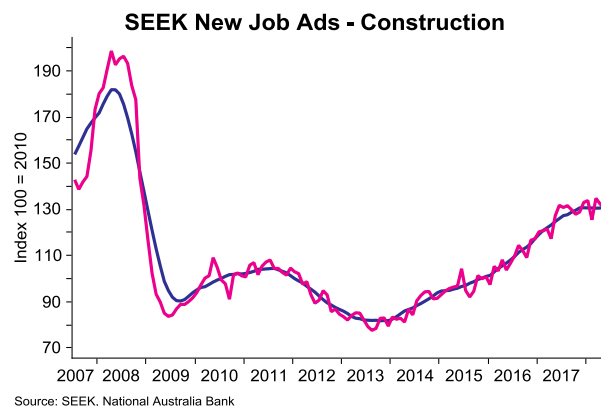
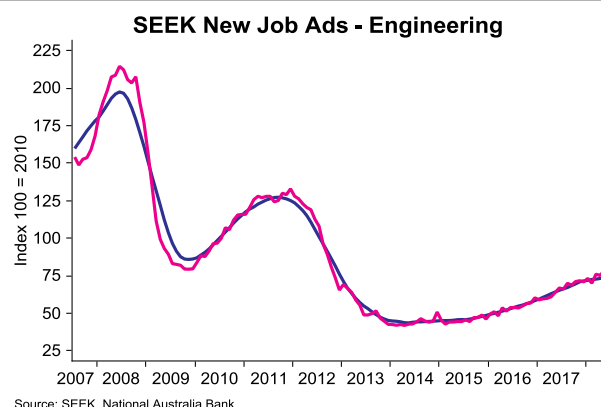


Chart 10: Ditto – should rise if mining recovery persists



One important debating point in the economics fraternity is the extent to which the slowing in housing construction (and house prices) might drag on other sectors of the economy. We have tended to expect relatively mild “spill-over” effects as the slowing is somewhat sector-specific, rather than reflecting the impact of slowing general macroeconomic conditions (such as rising unemployment) or economy-wide significantly tighter monetary policy. Some support for this contention is provided by the continuing strength in job ads for Trade & Services and Manufacturing, Transport & Logistics, both of which have tended to be reasonable indicators of the broader mining and economic cycle in recent times.

Chart 11: Cyclical sector still strong

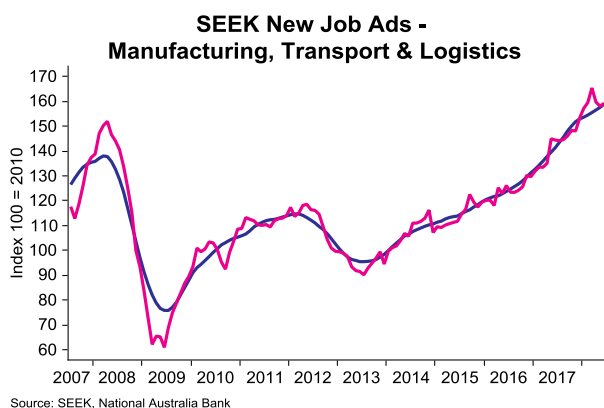
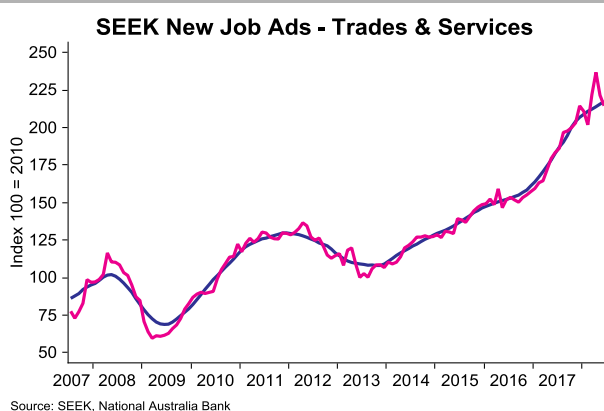


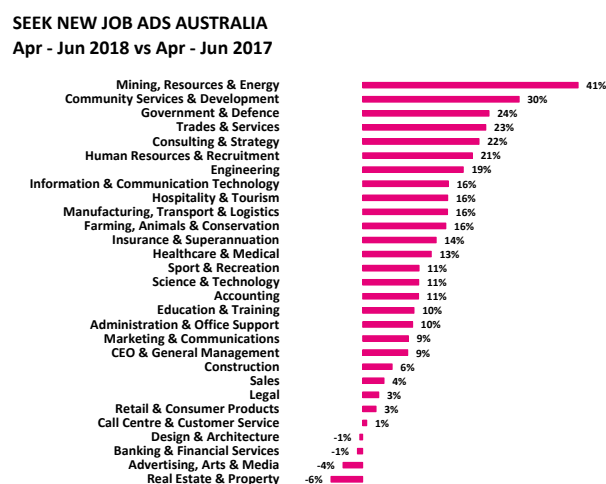
Chart 12: Ditto



In terms of other cyclical pointers from the SEEK industry job ads data, demand for many government and/or population-driven roles remains strong (namely, Healthcare & Medical, Education & Training, Government & Defence, Community Services & Development) as does demand for labour in Farming, Animals & Conservation.

The weakest sectors for labour demand seem to be Retail and a collective of white-collar industries that to various degrees have been or may be affected by technological disruption (eg Banking & Finance, Accounting, Administration & Office Support, Legal, Accounting and Insurance & Superannuation).

Chart 13: Continuing sectoral divergences



Source: SEEK

Conclusion – monitoring recent developments but not overly concerned for now

The main conclusion from this deeper dive into SEEK job advertising data is that the data broadly reinforces our understanding of the main cyclical developments in the different sectors of the economy.

Mining is now recovering, housing construction and property is easing, while other cyclical sectors are holding up, in part supported by government spending and ongoing strong population growth. We'll be watching the trend in job ads closely over coming months given the two recent monthly falls, but for now do not anticipate this will mark a turning point in aggregate labour demand, even if there are continuing sectoral divergences in the economy.

The above charts are sourced from a detailed monthly report on Australia's labour market produced jointly by SEEK and NAB. Customers of NAB (or SEEK) interested in being added to the mailing list, please email ivan.colhoun@nab.com.au.

CALENDAR OF ECONOMIC RELEASES

| Country | Economic Indicator | Period | Forecast | Consensus | Actual | Previous | GMT | AEST |
|---|--|----------|----------|-----------|--------|-----------|---------------------|-------|
| Monday, 30 July 2018 | | | | | | | | |
| JN | Retail Trade YoY | Jun | | 1.7 | | 0.6 | 22.50 | 9.50 |
| GE | CPI Saxony MoM/YoY | Jul | | / | | 0.1/2.1 | 6.00 | 17.00 |
| UK | Mortgage Approvals | Jun | | 65.5 | | 64.5 | 7.30 | 18.30 |
| EC | Consumer Confidence | Jul F | | -0.6 | | -0.6 | 8.00 | 19.00 |
| GE | CPI MoM/YoY | Jul P | | 0.4/2.1 | | 0.1/2.1 | 11.00 | 22.00 |
| GE | CPI EU Harmonized MoM/YoY | Jul P | | 0.4/2.1 | | 0.1/2.1 | 11.00 | 22.00 |
| GE | Retail Sales MoM/YoY | Jun | | 1/1.5 | | -2.1/-1.6 | 30 July to 3 August | |
| US | Dallas Fed Manf. Activity | Jul | | 31 | | 36.5 | 13.30 | 0.30 |
| Tuesday, 31 July 2018 | | | | | | | | |
| NZ | Building Permits MoM | Jun | | | | 7.1 | 21.45 | 8.45 |
| JN | Jobless Rate | Jun | | 2.3 | | 2.2 | 22.30 | 9.30 |
| JN | Industrial Production MoM/YoY | Jun P | | -0.3/0.6 | | -0.2/4.2 | 22.50 | 9.50 |
| NZ | ANZ Business Confidence | Jul | | | | -39 | 0.00 | 11.00 |
| CH | Manufacturing PMI | Jul | | 51.3 | | 51.5 | 0.00 | 11.00 |
| CH | Non-manufacturing PMI / Composite PMI | Jul | | 55/ | | 55/54.4 | 0.00 | 11.00 |
| AU | Building Approvals MoM/YoY | Jun | 2/-4.5 | 1/-6 | | -3.2/3.1 | 0.30 | 11.30 |
| AU | Private Sector Credit MoM/YoY | Jun | 0.4/4.6 | 0.3/4.5 | | 0.2/4.8 | 0.30 | 11.30 |
| JN | BOJ Outlook Report/ Monetary Policy Statement | | | | | | 31 July | |
| JN | BOJ Policy Balance Rate | 31 July | | -0.1 | | -0.1 | 31 July | |
| JN | Vehicle Production YoY | May | | | | 3.8 | 3.00 | 14.00 |
| JN | Housing Starts YoY | Jun | | -2.5 | | 1.348 | 4.00 | 15.00 |
| GE | Unemployment Change (000's)/ Unemployment Rate | Jul | | -10/5.2 | | -15/5.2 | 6.55 | 17.55 |
| EC | Unemployment Rate | Jun | | 8.3 | | 8.4 | 8.00 | 19.00 |
| EC | CPI Estimate YoY / Core CPI YoY | Jul | | 2/1 | | 2/0.9 | 8.00 | 19.00 |
| EC | GDP SA QoQ/YoY | 2Q A | | 0.4/2.2 | | 0.4/2.5 | 8.00 | 19.00 |
| CA | Industrial Product Price MoM | Jun | | 0.2 | | 1 | 11.30 | 22.30 |
| CA | GDP MoM/YoY | May | | 0.3/2.3 | | 0.1/2.5 | 11.30 | 22.30 |
| US | PCE Core MoM/YoY | Jun | | 0.1/2 | | 0.2/2 | 11.30 | 22.30 |
| US | Chicago Purchasing Manager | Jul | | 61.8 | | 64.1 | 12.45 | 23.45 |
| US | Conf. Board Consumer Confidence | Jul | | 126.5 | | 126.4 | 13.00 | 0.00 |
| Wednesday, 1 August 2018 | | | | | | | | |
| NZ | QV House Prices YoY | Jul | | | | 5.7 | 16.00 | 3.00 |
| AU | AiG Perf of Mfg Index | Jul | | | | 57.4 | 21.30 | 8.30 |
| NZ | Unemployment Rate | 2Q | 4.4 | 4.4 | | 4.4 | 21.45 | 8.45 |
| NZ | Employment Change QoQ/YoY | 2Q | 0.4 | 0.4/3.6 | | 0.6/3.1 | 21.45 | 8.45 |
| NZ | NZ Private Labour Cost Index | 2Q | 0.7 | 0.6 | | 0.3 | 21.45 | 8.45 |
| AU | CoreLogic House Px MoM | Jul | | | | -0.2 | 23.00 | 10.00 |
| JN | Nikkei Japan PMI Mfg | Jul F | | | | 51.6 | 23.30 | 10.30 |
| CH | Caixin China PMI Mfg | Jul | | 50.9 | | 51 | 0.45 | 11.45 |
| JN | Vehicle Sales YoY | Jul | | | | -7.3 | 4.00 | 15.00 |
| AU | Commodity Index SDR YoY | Jul | | | | 6.6 | 5.30 | 16.30 |
| EC | Markit Eurozone Manufacturing PMI | Jul F | | 55.1 | | 55.1 | 7.00 | 18.00 |
| UK | Markit UK PMI Manufacturing SA | Jul | | 54.2 | | 54.4 | 7.30 | 18.30 |
| US | MBA Mortgage Applications | 27 July | | | | -0.2 | 10.00 | 21.00 |
| US | ADP Employment Change | Jul | | 185 | | 177 | 11.15 | 22.15 |
| CA | Markit Canada Manufacturing PMI | Jul | | | | 57.1 | 12.30 | 23.30 |
| US | Markit US Manufacturing PMI | Jul F | | 55.5 | | 55.5 | 12.45 | 23.45 |
| US | Construction Spending MoM | Jun | | 0.3 | | 0.4 | 13.00 | 0.00 |
| US | ISM Manufacturing | Jul | | 59.3 | | 60.2 | 13.00 | 0.00 |
| US | FOMC Rate Decision (Lower Bound/Upper Bound) | 1 August | | 1.75/2 | | 1.75/2 | 17.00 | 4.00 |
| Thursday, 2 August 2018 | | | | | | | | |
| JN | Monetary Base YoY | Jul | | | | 7.4 | 22.50 | 9.50 |
| AU | Trade Balance | Jun | 1300 | 900 | | 827 | 0.30 | 11.30 |
| EC | PPI MoM/YoY | Jun | | 0.3/3.5 | | 0.8/3 | 8.00 | 19.00 |
| UK | Bank of England Bank Rate | 2 August | | 0.75 | | 0.5 | 10.00 | 21.00 |
| UK | BOE Asset Purchase Target | Aug | | 435 | | 435 | 10.00 | 21.00 |
| UK | Bank of England Inflation Report | | | | | | 10.00 | 21.00 |
| US | Initial Jobless Claims | 28 July | | 220 | | 217 | 11.30 | 22.30 |
| US | Factory Orders | Jun | | 0.7 | | 0.4 | 13.00 | 0.00 |
| Friday, 3 August 2018 | | | | | | | | |
| NZ | ANZ Job Advertisements MoM | Jul | | | | -1.6 | 21.00 | 8.00 |
| JN | BOJ Minutes of Policy Meeting | | | | | | 22.50 | 9.50 |
| JN | Nikkei Japan PMI Services | Jul | | / | | 51.4/52.1 | 23.30 | 10.30 |
| AU | Retail Sales MoM/ Ex inflation QoQ | Jun | 0.1/0.7 | 0.3/0.8 | | 0.4/0.2 | 0.30 | 11.30 |
| CH | Caixin China PMI Services/ Composite PMI | Jul | | / | | 53.9/53 | 0.45 | 11.45 |
| JN | BOJ holds FinTech Forum | | | | | | 4.00 | 15.00 |
| UK | Markit/CIPS UK Composite PMI | Jul | | 54.9 | | 55.2 | 7.30 | 18.30 |
| EC | Retail Sales MoM/YoY | Jun | | 0.4/1.4 | | 0/1.4 | 8.00 | 19.00 |
| US | Trade Balance | Jun | | -46.1 | | -43.1 | 11.30 | 22.30 |
| US | Change in Nonfarm Payrolls | Jul | | 193 | | 213 | 11.30 | 22.30 |
| US | Unemployment Rate | Jul | | 3.9 | | 4 | 11.30 | 22.30 |
| US | Average Hourly Earnings MoM/YoY | Jul | | 0.3/2.7 | | 0.2/2.7 | 11.30 | 22.30 |
| US | ISM Non-Manf. Composite | Jul | | 58.6 | | 59.1 | 13.00 | 0.00 |
| Upcoming Central Bank Interest Rate Announcements | | | | | | | | |
| Japan, BoJ | | 31-Jul | -0.1% | -0.1% | | -0.1% | | |
| US, Federal Reserve | | 1-Aug | 1.75-2% | 1.75-2% | | 1.75-2% | | |
| UK, BOE | | 2-Aug | 0.75% | 0.75% | | 0.5% | | |
| Australia, RBA | | 7-Aug | 1.5% | 1.5% | | 1.5% | | |
| New Zealand, RBNZ | | 9-Aug | 1.75% | 1.75% | | 1.75% | | |
| Canada, BoC | | 5-Sep | 1.5% | 1.5% | | 1.5% | | |
| Europe, ECB | | 13-Sep | -0.4% | -0.4% | | -0.4% | | |

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

FORECASTS

Economic Forecasts

| | Annual % change | | | | Quarterly % change | | | | | | | | | | | |
|--------------------------------|-----------------|------|------|-------|--------------------|------|------|------|------|------|------|------|------|------|------|------|
| | 2016 | 2017 | 2018 | 2019 | 2016 | | | | 2017 | | | | 2018 | | | |
| | | | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Australia Forecasts | | | | | | | | | | | | | | | | |
| Household Consumption | 2.9 | 2.7 | 2.5 | 2.5 | 0.9 | 0.6 | 0.5 | 0.8 | 0.3 | 1.0 | 0.6 | 1.0 | 0.3 | 0.5 | 0.6 | 0.6 |
| Underlying Business Investment | -11.8 | 3.0 | 3.3 | 6.6 | -3.4 | -2.6 | -5.6 | 2.2 | 3.1 | 0.0 | 3.7 | -0.5 | -0.1 | 1.3 | 1.6 | 0.9 |
| Residential Construction | 8.7 | -2.2 | -1.4 | -2.6 | 4.3 | 1.7 | -0.7 | 2.4 | -3.2 | 0.3 | -2.1 | -0.1 | 0.9 | -1.1 | -0.6 | -0.7 |
| Underlying Public Spending | 5.2 | 4.5 | 4.8 | 4.3 | 1.8 | 1.9 | 1.1 | 0.6 | 1.0 | 1.3 | 1.4 | 1.2 | 1.5 | 0.8 | 0.9 | 1.0 |
| Exports | 6.8 | 3.5 | 4.4 | 4.9 | 2.1 | 1.4 | 0.8 | 3.4 | -1.9 | 2.9 | 0.7 | -1.5 | 2.4 | 1.1 | 1.5 | 1.4 |
| Imports | 0.2 | 7.8 | 4.2 | 4.4 | -0.8 | 2.1 | 0.9 | 2.5 | 3.1 | -0.1 | 2.6 | 1.6 | 0.5 | 0.7 | 0.9 | 0.8 |
| Net Exports (a) | 1.2 | -1.0 | -0.1 | 0.0 | 0.9 | -0.2 | 0.0 | 0.1 | -1.1 | 0.6 | -0.4 | -0.7 | 0.3 | 0.1 | 0.1 | 0.1 |
| Inventories (a) | 0.1 | -0.1 | 0.0 | -0.1 | 0.0 | 0.4 | 0.2 | -0.4 | 0.4 | -0.5 | 0.1 | 0.0 | 0.2 | -0.1 | -0.1 | 0.0 |
| Domestic Demand - qtr% | | | | | 0.1 | 0.6 | -0.1 | 1.1 | 0.7 | 0.9 | 0.9 | 0.8 | 0.6 | 0.6 | 0.7 | 0.6 |
| Dom Demand - ann % | 1.9 | 3.0 | 2.8 | 3.0 | 1.5 | 1.8 | 1.7 | 2.5 | 2.3 | 2.6 | 3.6 | 3.3 | 3.2 | 2.8 | 2.6 | 2.5 |
| Real GDP - qtr % | | | | | 0.9 | 0.9 | -0.2 | 1.1 | 0.3 | 1.0 | 0.5 | 0.5 | 1.0 | 0.5 | 0.7 | 0.7 |
| Real GDP - ann % | 2.6 | 2.2 | 2.9 | 3.0 | 2.7 | 3.3 | 2.0 | 2.4 | 1.8 | 2.0 | 2.8 | 2.4 | 3.1 | 2.6 | 2.8 | 3.0 |
| CPI headline - qtr % | | | | | -0.2 | 0.4 | 0.7 | 0.5 | 0.5 | 0.2 | 0.6 | 0.6 | 0.4 | 0.7 | 0.4 | 0.7 |
| CPI headline - ann % | 1.3 | 1.9 | 2.2 | 2.2 | 1.3 | 1.0 | 1.3 | 1.5 | 2.1 | 1.9 | 1.8 | 1.9 | 1.9 | 2.4 | 2.2 | 2.3 |
| CPI underlying - qtr % | | | | | 0.2 | 0.5 | 0.3 | 0.5 | 0.4 | 0.6 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| CPI underlying - ann % | 1.6 | 1.8 | 2.0 | 2.1 | 1.6 | 1.6 | 1.5 | 1.5 | 1.7 | 1.8 | 1.9 | 1.9 | 2.0 | 1.9 | 2.0 | 2.0 |
| Wages (Pvte WPI - qtr %) | | | | | 0.5 | 0.5 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 |
| Wages (Pvte WPI - ann %) | 1.9 | 1.8 | 2.1 | 2.5 | 2.0 | 2.0 | 1.9 | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 | 1.9 | 2.0 | 2.1 | 2.2 |
| Unemployment Rate (%) | 5.7 | 5.6 | 5.4 | 5.0 | 5.8 | 5.8 | 5.7 | 5.7 | 5.9 | 5.6 | 5.5 | 5.4 | 5.5 | 5.5 | 5.4 | 5.3 |
| Terms of trade | 0.6 | 12.3 | -0.4 | -0.8 | -1.9 | 2.4 | 4.0 | 11.3 | 5.4 | -6.0 | -0.1 | 0.4 | 3.3 | -1.4 | -3.4 | -0.2 |
| G&S trade balance, \$Abn | -14.3 | 10.2 | 8.4 | -11.2 | -8.7 | -7.4 | -4.3 | 6.0 | 6.4 | 3.4 | 1.4 | -1.0 | 4.1 | 3.2 | 0.4 | 0.8 |
| % of GDP | -0.8 | 0.6 | 0.4 | -0.6 | -2.1 | -1.8 | -1.0 | 1.4 | 1.4 | 0.8 | 0.3 | -0.2 | 0.9 | 0.7 | 0.1 | 0.2 |
| Current Account (% GDP) | -3.1 | -2.5 | -2.7 | -3.7 | -3.8 | -3.9 | -3.4 | -1.4 | -1.6 | -2.4 | -2.6 | -3.2 | -2.3 | -2.4 | -3.0 | -2.9 |

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

Exchange Rate Forecasts

| | 30-Jul | Sep-18 | Dec-18 | Mar-19 | Jun-19 | Sep-19 |
|---------------|--------|--------|--------|--------|--------|--------|
| Majors | | | | | | |
| AUD/USD | 0.7403 | 0.73 | 0.75 | 0.75 | 0.75 | 0.75 |
| NZD/USD | 0.6796 | 0.69 | 0.70 | 0.70 | 0.71 | 0.71 |
| USD/JPY | 110.93 | 109.0 | 110.0 | 108.0 | 106.0 | 104.0 |
| EUR/USD | 1.1660 | 1.15 | 1.18 | 1.22 | 1.22 | 1.25 |
| GBP/USD | 1.3110 | 1.32 | 1.38 | 1.45 | 1.47 | 1.53 |
| USD/CHF | 0.9941 | 1.02 | 1.00 | 0.98 | 0.98 | 0.97 |
| USD/CAD | 1.3064 | 1.32 | 1.28 | 1.26 | 1.25 | 1.25 |
| USD/CNY | 6.8133 | 6.50 | 6.40 | 6.30 | 6.23 | 6.23 |

Australian Cross Rates

| | 30-Jul | Sep-18 | Dec-18 | Mar-19 | Jun-19 | Sep-19 |
|---------|--------|--------|--------|--------|--------|--------|
| AUD/NZD | 1.0893 | 1.06 | 1.07 | 1.07 | 1.06 | 1.06 |
| AUD/JPY | 82.1 | 80 | 83 | 81 | 80 | 78 |
| AUD/EUR | 0.6349 | 0.63 | 0.64 | 0.61 | 0.61 | 0.60 |
| AUD/GBP | 0.5647 | 0.55 | 0.54 | 0.52 | 0.51 | 0.49 |
| AUD/CNY | 5.0439 | 4.75 | 4.80 | 4.73 | 4.67 | 4.67 |
| AUD/CAD | 0.9671 | 0.96 | 0.96 | 0.95 | 0.94 | 0.94 |
| AUD/CHF | 0.7359 | 0.74 | 0.75 | 0.74 | 0.74 | 0.73 |

Interest Rate Forecasts

| | 30-Jul | Sep-18 | Dec-18 | Mar-19 | Jun-19 | Sep-19 |
|------------------------|--------|--------|--------|--------|--------|--------|
| Australia Rates | | | | | | |
| RBA Cash rate | 1.50 | 1.50 | 1.50 | 1.50 | 1.75 | 1.75 |
| 3 month bill rate | 1.97 | 1.95 | 1.95 | 1.95 | 2.15 | 2.15 |
| 3 Year Swap Rate | 2.15 | 2.15 | 2.35 | 2.50 | 2.80 | 3.00 |
| 10 Year Swap Rate | 2.81 | 2.95 | 3.20 | 3.30 | 3.60 | 3.70 |

Offshore Policy Rates

| | 30-Jul | Sep-18 | Dec-18 | Mar-19 | Jun-19 | Sep-19 |
|--------------------------|--------|--------|--------|--------|--------|--------|
| US Fed funds | 2.00 | 2.25 | 2.50 | 2.75 | 3.00 | 3.25 |
| ECB deposit rate | -0.40 | -0.40 | -0.40 | -0.40 | -0.40 | -0.20 |
| BoE repo rate | 0.50 | 0.50 | 0.75 | 0.75 | 1.00 | 1.00 |
| 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 | 15.5 | 16.0 | 16.0 | 16.0 | 16.0 | 16.0 |

10-year Benchmark Bond Yields

| | 30-Jul | Sep-18 | Dec-18 | Mar-19 | Jun-19 | Sep-19 |
|---------------|--------|--------|--------|--------|--------|--------|
| Australia | 2.63 | 2.80 | 3.00 | 3.05 | 3.30 | 3.40 |
| United States | 2.95 | 3.10 | 3.25 | 3.25 | 3.50 | 3.50 |
| New Zealand | 2.72 | 2.95 | 3.10 | 3.20 | 3.45 | 3.60 |

Sources: NAB Global Markets Research; Bloomberg; ABS

Global GDP

| Dec year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 20 Yr Avge |
|-------------|------|------|------|------|------|------|------------|
| Australia | 2.5 | 2.6 | 2.2 | 2.9 | 2.9 | 2.6 | 3.4 |
| US | 2.9 | 1.5 | 2.3 | 2.8 | 2.3 | 1.7 | 2.6 |
| Eurozone | 2.1 | 1.8 | 2.6 | 2.1 | 2.0 | 1.8 | 1.5 |
| UK | 2.3 | 1.9 | 1.8 | 1.5 | 1.7 | 1.6 | 2.4 |
| Japan | 1.4 | 0.9 | 1.7 | 0.9 | 1.0 | 0.7 | 0.8 |
| China | 6.9 | 6.7 | 6.9 | 6.5 | 6.3 | 6.0 | 9.2 |
| India | 8.2 | 7.1 | 6.7 | 6.8 | 7.2 | 6.9 | 6.6 |
| New Zealand | 3.5 | 4.0 | 2.8 | 2.9 | 2.9 | 2.7 | 3.0 |
| World | 3.5 | 3.2 | 3.8 | 3.8 | 3.7 | 3.5 | 3.5 |
| MTP Top 5 | 4.1 | 3.7 | 4.2 | 3.9 | 3.7 | 3.1 | 5.0 |

Commodity prices (\$US)

| | 30-Jul | Sep-18 | Dec-18 | Mar-19 | Jun-19 | Sep-19 | Dec-19 |
|------------------|--------|--------|--------|--------|--------|--------|--------|
| Brent oil | 69.0 | 74 | 72 | 70 | 68 | 67 | 68 |
| Gold | 1222 | 1310 | 1340 | 1360 | 1370 | 1380 | 1400 |
| Iron ore | 67.5 | 61 | 60 | 58 | 60 | 62 | 63 |
| Hard coking coal | 182 | 155 | 150 | 155 | 145 | 140 | 130 |
| Thermal coal | 115 | 90 | 93 | 85 | 80 | 75 | 77 |
| Copper | 6285 | 6725 | 6825 | 6875 | 6950 | 7050 | 6900 |
| Aust LNG (*) | 13.5 | 12.6 | 12.3 | 11.9 | 11.6 | 11.4 | 11.3 |

(*) Implied Australian LNG export prices.

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