

AUSTRALIAN MARKETS WEEKLY

RBA – watching world, labour market & consumption



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- The Semi-Annual Testimony to the House Standing Committee on Economics provided further detail on the RBA's thinking on the economy and monetary policy.
- The Bank's core view remains a positive one for the Australian economy, with growth of 3%, inflation of 2% and unemployment of 5%. This is not a negative view, but a less positive outlook than existed six months ago. NAB sees slower GDP growth (2.5%) but broadly similar inflation and unemployment outcomes.
- The RBA is monitoring an accumulation of downside risks. Globally these relate to a more significant slowing of the Chinese economy than was previously expected, and various political risks (including Brexit, US/China trade and technology tensions; the rise of populism; and strains in a number of western European countries).
- The outlook for consumption was largely responsible for the recent downgrade to the growth outlook. The Bank sees slow income growth as the dominant feature, rather than falling house prices. It remains closely focused on labour market outcomes, pursuing a strategy of low and stable interest rates which tightens the labour market, causing wages to pick-up, sustaining consumption and lifting inflation. The Governor sees evidence of this strategy working, with wages having picked up a little.
- Domestically, the Bank is assessing developments in the housing market through the lens of the impact on the outlook on growth, inflation and unemployment, rather than in relation to any particular level of house prices. Indeed, the Bank sees relatively small negative wealth effects in Sydney and Melbourne. And importantly, it characterises developments in housing as "largely the working through of shifts in supply and demand for housing due to structural factors" [NAB: structural factors are not usually easily addressed with monetary policy adjustments!].
- The RBA sees no interest rate rise as likely this year but an increase possible at some stage next year if the central scenario plays out. If consumption growth is weaker, wage growth doesn't pick-up and the housing adjustment weighs on consumption more than expected, the Bank may need to consider lower rates. There was also a theoretical discussion of QE – not something the Bank thinks likely to be necessary any time soon. There was no mention of a 1% cash rate as when QE might kick in – it would depend on the dynamics pertaining as rates were further reduced.
- Markets continue to price the risk that any near-term move in interest rates is more likely to be a reduction, which seems appropriate to us. There should be **strong focus on consumption and income growth in next week's national accounts**. This week's focus will be on advance US Q4 GDP (Thursday) and the ISM (Friday), Chinese official PMIs (Thursday) and the latest Brexit vote on Wednesday evening Australian time.
- In Australia, we'll get an update on the relative trends in housing construction compared to other forms of construction (important to see how much infrastructure spending offsets the housing slowdown), together with latest capex plans for 2018-19 and 2019-20 (expected to remain modestly positive). Credit growth is expected to show another modest +0.3% m/m increase. For full details refer *What to Watch*.

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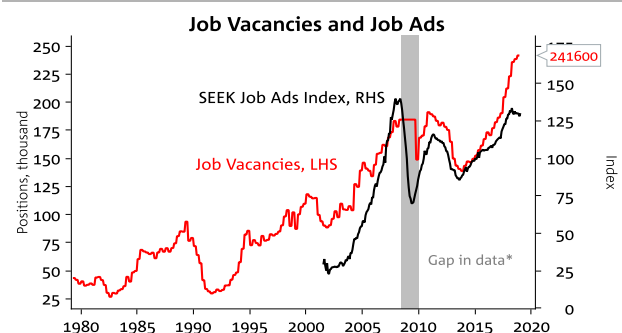
[Rate Strategists](#)

Key markets over the past week

	Last	% chg week		Last	bp/% chg week
AUD	0.7139	-0.2	RBA cash	1.50	0
AUD/CNY	4.79	-0.7	3y swap	1.74	-8
AUD/JPY	79.0	-0.1	ASX 200	6,167	1.7
AUD/EUR	0.630	-0.2	Iron ore	85	-1.1
AUD/NZD	1.040	-0.1	WTI oil	57.3	4.5

Source: Bloomberg

Chart of the week: job ads OK, weaker than vacancies



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

Ivan Colhoun, Chief Economist, Markets and Global Head of Research

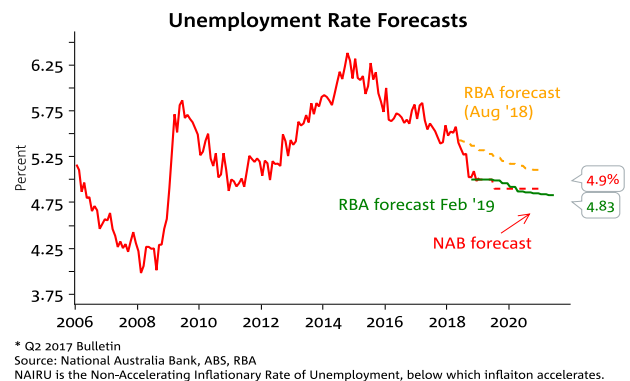
RBA – watching the world, labour market and consumption

The past few weeks has had numerous RBA communications culminating in Friday’s Semi-Annual Testimony of senior members of the RBA’s staff to the House of Representatives Standing Committee on Economics. This testimony provided some further important insight into the Bank’s thinking – and the set of circumstances that would result in a change in interest rates. Paraphrased here is a selection of the key new insights from the testimony:

- Downward revisions to the consumption outlook were the chief reasons for the downgrade to growth outlook. The RBA sees ongoing weak income growth as the primary story for this development, with housing prices a secondary story. In relation to consumption, “it’s been quite hard for us to tell what’s going on there, because we’ve had a strong quarter, a weak quarter, a strong quarter, a weak quarter. We’re going to be looking very carefully at the next set of national accounts, which are out fairly soon, to see what consumption is doing. There have also been substantial revisions to the history of consumption in the national accounts”.
- The RBA sees the wealth effects from declining house prices as relatively small, with most people in Sydney and Melbourne still sitting on substantial capital gains.
- The “concept” of QE was discussed, though again from a theoretical and risk-management perspective, rather than as something that is seriously being contemplated as likely to occur in the near future. The level of interest rates at which QE would be used would depend on the circumstances the Bank found itself in – and the particular dynamics that occurred as the RBA cut interest rates further. [NB, previous communications had suggested that a 1% cash rate level might have been the floor, though this level was not commented upon]. It was stressed that the current forecasts of the RBA do not suggest the RBA will find itself using QE any time soon. It was also noted that other adjustments would be likely to occur such as conventional interest rate reductions, fiscal policy easing and depreciation of the \$A.
- The reported banning of Australian coal imports at some Chinese ports was still an emerging story at the time of the testimony. Like NAB’s initial assessment, the Governor suggested the quantum of coal impacted was relatively small (only around two months of Australian supply to China) and quite possibly reflected moves by China to manage the profitability of its domestic steel industry and/or pollution. Were it to signal a broader deterioration in the underlying political relationship, that would be undesirable (and presumably more significant), but this was not clear at this time.
- The RBA’s central scenario for the economy remains a positive one: growth of around 3%, inflation of 2% and unemployment of 5%. That said, the outlook is not as positive as seemed likely six months ago – but it is still a positive outlook. The very low rates of unemployment in NSW and Victoria around 4-4.25% and 4.25-4.5% respectively (levels not seen since

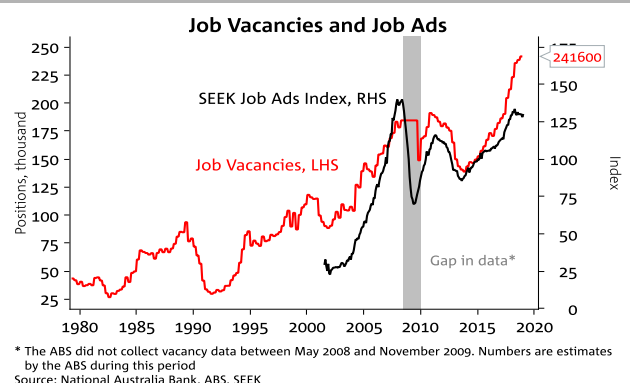
the 1970s) were mentioned on a number of occasions – as was the Bank’s expectation that unemployment was expected to continue to fall.

Chart 2: Ongoing low unemployment a key



- The outlook for income/wages growth is a key factor for the RBA, as this will be crucial in sustaining consumer spending. The Bank’s strategy has been to keep interest rates low and stable for a long period of time, hope the labour market tightens and that wages begin to rise. The Governor sees evidence of that strategy working – and upcoming income tax cuts will also help to boost income. [NAB: this highlights the importance of labour market indicators, including the employment question from the NAB business survey (which has eased a little recently), ABS job vacancies, which the RBA notes are at record highs and SEEK job ads, which have broadly plateaued at relatively elevated levels recently. We would caution that some changes to survey methodology mean the ABS job vacancies survey may be over-stating labour market strength a little.]

Chart 2: Job ads OK but weaker than job vacancies



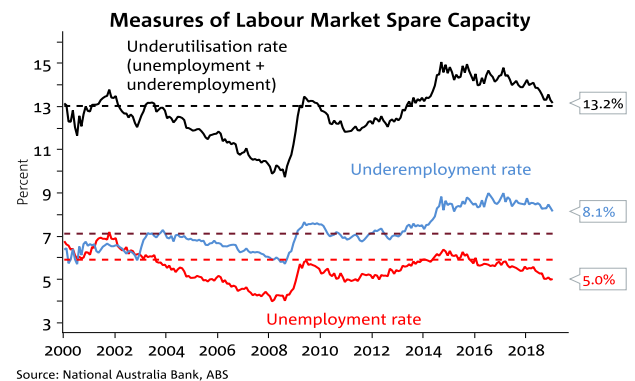
- The questioning around housing revealed (unsurprisingly) that house prices were not the direct focus of monetary policy. The Bank’s policy responses will be determined by the impact of housing market developments on growth, inflation and unemployment. On this front, while we agree that there seems little negative wealth effect from lower house prices in Sydney and Melbourne to date, NAB’s forecasts for the outlook for dwelling construction are nearly twice as large as the RBA’s

over the next two years, suggesting downside risks to the RBA’s residential construction forecasts. And we continue to be more cautious than the RBA on the outlook for consumption, suggesting some further downside risk to the RBA’s GDP forecasts.

- The Bank sees most of the developments in house prices as reflecting demand and supply, rather than APRA’s measures on investor lending, noting that demand grew very rapidly with the surge in population growth (the latter approximately doubling), while the supply response was relatively slow – especially in Sydney, due in part to zoning and land release policies. Indeed, the Governor’s opening remarks to the Committee reveal that to a certain extent, the RBA is viewing housing market adjustments as structural. (NAB: structural adjustments are not well suited to addressing with monetary policy). Importantly, the RBA does not see the adjustment to the housing market derailing the economy).
- The Governor noted that in Sydney, there may be a few too many apartments, but if you look at Sydney as a whole, I don’t think we’ve built too many dwellings.
- On the global outlook, the summary was: (i) the central scenario also remains a reasonable one, with global growth, despite some recent downgrades, being around average, not below average; (ii) the accumulation of downside risks is of more concern; (iii) the RBA is broadly monitoring two risks: the slowdown in China, which was characterised as probably having been a bit more than Chinese authorities had been expecting; and political risks (China/US trade and technology tensions; Brexit; the rise of populism and strains in some western European economies).
- The (monetary) policy outlook is now more evenly balanced – at one stage the Governor suggested evenly balanced – between the next move in interest rates being up and the next move being down. It’s unlikely that rates will go up this year – because the inflation outlook is so benign, but if the central scenario comes to pass, then at some point next year, it may well be appropriate to increase interest rates. “It’s also possible that we end up with weaker consumption growth, wage growth doesn’t pick up, the housing adjustment weighs on spending more than we think, and we need to consider lower rates.
- The NAIRU, which was previously assessed as being around 5% (with a wide band) is now seen as being around 4.5% (again with a wide band). There was quite some questioning from the Committee on underemployment, which the Governor provided some useful statistics on, including: (i) one-third of the labour market works part-time; (ii) most part-time employees wish to work part-time; (iii) but one-quarter of the one-third of employees (ie. one-twelfth) would like to work more hours. The preference of these workers would be to work an extra two days per week. [NAB: Chart 3 shows the trend in unemployment and underemployment – the latter now also published monthly by the ABS. This cycle, underemployment has been relatively sticky, compared to the decline experienced in

unemployment, but importantly underemployment has now begun to trend lower. This trend could be expected to continue if unemployment remains low or falls further].

Chart 3: Underemployment now also declining



- The Governor explained a common sense view of the trade-off between inflation being a little low relative to target for a period compared to unemployment developments. “But what I have been concerned about is the labour market. And whenever the country is generating jobs and the unemployment rate’s coming down, having inflation a bit low is not particularly problematic”. He was also supportive of Australia’s more gradual approach to annual 3-3.5% minimum wage adjustments compared to other countries’ more dramatic increases, though frequently, those countries were catching up from very low levels of minimum wages.

The bottom line is the RBA for now is sticking with its constructive, central view of Australian economic growth and unemployment and a gradual lift in inflation, while monitoring a range of factors that could conspire to throw that central scenario off course. While these factors have so far acted mainly to trim a more positive outlook back to a still positive outlook, many of these downside risks remain in force, including slower global growth and geopolitical issues, though there may be some relief on the Brexit and US/China trade front in the offing.

Domestically, income growth and consumer spending remains the key – with ongoing strength in the labour market a key underpinning to the Bank’s strategy of a wages pick-up and an orderly adjustment in the housing market.

NAB’s forecasts are a little weaker on consumer spending and housing construction than those of the RBA, but similar for unemployment to remain low at around or a little below 5%. That’s why we conclude: Interest rates are unlikely to move higher this year, but there are increased risks of a cut. How the leading indicators of the labour market in particular turn out will be important in this regard. The latest SEEK job ads data report that job ads have broadly levelled out at elevated levels with weakness in construction and retail ads broadly matched by ongoing strength in ads in Mining, Government & Defence, Health, Education and Trades of Services.

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CALENDAR OF ECONOMIC RELEASES

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEDT
Monday, 25 February 2019								
NZ	Retail Sales Ex Inflation QoQ	4Q	0.7	0.5		0	21.45	8.45
UK	BOE's Carney, FCA's Bailey, U.S.'s Giancarlo Press Conference						10.00	21.00
US	Chicago Fed Nat Activity Index	Jan		0.15		0.27	13.30	0.30
US	Wholesale Inventories MoM	Dec P		0.3		0.3	15.00	2.00
US	Dallas Fed Manf. Activity	Feb		4.9		1	15.30	2.30
US	Fed's Clarida Speaks with Community Leaders in Dallas						16.00	3.00
Tuesday, 26 February 2019								
NZ	RBNZ Deputy Governor Bascand speaks on Bank Capital Review						23.30	10.30
GE	GfK Consumer Confidence	Mar		10.8		10.8	7.00	18.00
UK	BOE's Carney, Ramsden, Vlieghe, Haskel at Parliament Committee						10.00	21.00
US	Housing Starts / Building Permits	Dec		1253/1290		1256/1328	13.30	0.30
US	Richmond Fed Manufact. Index	Feb		4		-2	15.00	2.00
US	Powell testifies Before Senate Banking Panel						15.00	2.00
US	Conf. Board Consumer Confidence	Feb		124		120.2	15.00	2.00
Wednesday, 27 February 2019								
GE	Retail Sales MoM / YoY	Jan		1.9/1.2		-4.3/-2.1	27 Feb to 3 Mar	
NZ	Trade Balance NZD	Jan	-936	-300			21.45	8.45
AU	Construction Work Done	4Q	-1	0.5		-2.8	0.30	11.30
JN	BOJ Kataoka makes a speech in Takamatsu						1.30	12.30
EC	M3 Money Supply YoY	Jan		4		4.1	9.00	20.00
EC	Consumer Confidence	Feb F		-7.4		-7.4	10.00	21.00
US	MBA Mortgage Applications	22 Feb				3.6	12.00	23.00
CA	CPI NSA MoM / YoY	Jan		0.2/1.5		-0.1/2	13.30	0.30
CA	CPI Core- Common YoY%	Jan		1.9		1.9	13.30	0.30
US	Wholesale Inventories MoM	Dec F		0.3		0.3	15.00	2.00
US	Powell to deliver Semi-Annual Testimony to House Panel						15.00	2.00
US	Factory Orders / Durable Goods Orders	Dec		0.6/		-0.6/1.2	15.00	2.00
Thursday, 28 February 2019								
JN	Industrial Production MoM / YoY	Jan P		-2.5/1.3		-0.1/-1.9	23.50	10.50
JN	Retail Sales MoM	Jan P		-0.9		0.9	23.50	10.50
NZ	ANZ Business Confidence	Feb				-24.1	0.00	11.00
AU	Private Capital Expenditure	4Q	0.5	1		-0.5	0.30	11.30
AU	Private Sector Credit MoM / YoY	Jan	0.3/4.3	0.3/4.3		0.2/4.3	0.30	11.30
CH	Manufacturing PMI	Feb		49.5		49.5	1.00	12.00
CH	Non-manufacturing PMI	Feb		54.5		54.7	1.00	12.00
JN	BOJ Suzuki makes a speech in Mito						4.00	15.00
GE	CPI Saxony MoM / YoY	Feb		/		-1/1.4	8.00	19.00
GE	CPI MoM / YoY	Feb P		0.5/1.5		-0.8/1.4	13.00	0.00
US	Fed's Clarida Remarks at Economic Policy Conference						13.00	0.00
US	Initial Jobless Claims	23 Feb		222		216	13.30	0.30
US	GDP Annualized QoQ	4Q A		2.4		3.4	13.30	0.30
US	GDP Price Index / Core PCE	4Q A		1.7/1.6		1.8/1.6	13.30	0.30
US	Fed's Bostic Speaks on the Economic and Housing Landscape						13.50	0.50
US	Chicago Purchasing Manager	Feb		57.5		56.7	14.45	1.45
US	Fed's Harker Discusses Economic Outlook						16.00	3.00
US	Fed's Kaplan to Speak in Q&A in San Antonio						18.00	5.00
Friday, 1 March 2019								
NZ	ANZ Consumer Confidence Index	Feb				121.7	21.00	8.00
AU	AiG Perf of Mfg Index	Feb				52.5	21.30	8.30
NZ	Overseas Trade Indexes	Q4	-1.9			-0.3	21.45	8.45
NZ	Building Permits MoM	Jan				5.1	21.45	8.45
AU	CoreLogic House Px MoM	Feb				-1.2	23.00	10.00
JN	Job-To-Applicant Ratio / Jobless Rate	Jan		1.63/2.4		1.63/2.4	23.30	10.30
JN	Tokyo CPI YoY / Ex Fresh Food YoY	Feb		0.4		0.4	23.30	10.30
JN	Capital Spending YoY	4Q		4.5		4.5	23.50	10.50
US	Fed's Mester Speaks on Women in Economics						0.00	11.00
JN	Nikkei Japan PMI Mfg	Feb F				48.5	0.30	11.30
US	Powell speaks on Economic Developments and Longer-Term Challenges						1.15	12.15
CH	Caixin China PMI Mfg	Feb		48.7		48.3	1.45	12.45
JN	Vehicle Sales YoY	Feb				2.3	5.00	16.00
AU	Commodity Index SDR YoY	Feb				6.9	5.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Feb F		47.6		47.6	8.55	19.55
GE	Unemployment Change (000's) / Unemployment Claims Rate SA	Feb		-5/5		-2/5	8.55	19.55
EC	Markit Eurozone Manufacturing PMI	Feb F		49.2		49.2	9.00	20.00
UK	Markit UK PMI Manufacturing SA	Feb		52		52.8	9.30	20.30
EC	Unemployment Rate	Jan		7.9		7.9	10.00	21.00
EC	CPI Estimate YoY	Feb		1.5		1.4	10.00	21.00
CA	Quarterly GDP Annualized	4Q		1		2	13.30	0.30
CA	GDP MoM / YoY	Dec		0/1.4		-0.1/1.7	13.30	0.30
US	PCE Core MoM / YoY	Dec		0.2/1.9		0.1/1.9	13.30	0.30
CA	Markit Canada Manufacturing PMI	Feb				53	14.30	1.30
US	Markit US Manufacturing PMI	Feb F		53.7		53.7	14.45	1.45
US	ISM Manufacturing	Feb		55.6		56.6	15.00	2.00
US	U. of Mich. Sentiment	Feb F		95.8		95.5	15.00	2.00
US	Fed's Bostic Remarks at Luncheon at Economic Policy Conference						17.50	4.50
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		5-Mar	1.5%	1.5%		1.5%		
Canada, BoC		6-Mar	1.75%	1.75%		1.75%		
Europe, ECB		7-Mar	-0.4%	-0.4%		-0.4%		
Japan, BoJ		15-Mar	-0.1%	-0.1%		-0.1%		
US, Federal Reserve		20-Mar	2.25-2.5%	2.25-2.5%		2.25-2.5%		
UK, BOE		21-Mar	0.75%	0.75%		0.75%		
New Zealand, RBNZ		27-Mar	1.75%	1.75%		1.75%		

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

FORECASTS

Economic Forecasts					Quarterly % change																			
Annual % change					2017				2018				2019				2020							
	2017	2018	2019	2020	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Australia Forecasts																								
Household Consumption	2.4	2.5	2.1	2.4	0.4	0.8	0.6	1.1	0.3	0.9	0.3	0.4	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Underlying Business Investment	3.7	1.6	3.8	5.7	3.3	0.3	3.7	0.4	0.8	-0.8	-2.5	1.6	1.3	1.7	2.2	1.2	1.2	1.3	1.0	1.7	1.2	1.3	1.0	1.7
Residential Construction	-2.4	4.7	-7.7	-8.6	-3.8	0.2	-1.3	0.3	3.8	1.9	1.0	-2.5	-2.6	-3.1	-3.0	-2.3	-2.2	-1.9	-2.1	-0.9	-2.2	-1.9	-2.1	-0.9
Underlying Public Spending	4.5	4.3	4.1	4.5	1.1	1.4	1.0	1.1	1.4	0.5	1.5	0.6	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Exports	3.5	5.1	3.7	2.5	-1.9	2.8	0.8	-1.5	4.3	1.2	0.1	-0.4	1.8	1.5	1.0	0.6	0.5	0.5	0.4	0.6	0.5	0.5	0.4	0.6
Imports	7.7	3.8	1.6	3.7	3.0	0.2	3.3	0.6	1.9	0.5	-1.5	0.5	0.5	0.8	1.0	0.9	0.9	0.9	0.8	1.1	0.9	0.9	0.8	1.1
Net Exports (a)	-0.8	0.3	0.5	-0.2	-1.0	0.5	-0.5	-0.5	0.5	0.2	0.3	-0.2	0.3	0.2	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Inventories (a)	-0.1	0.1	-0.1	0.0	0.4	-0.7	0.3	0.1	0.1	0.1	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic Demand - qtr %					0.7	0.9	0.8	0.8	0.8	0.7	0.3	0.4	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7
Dom Demand - ann %	2.9	2.9	2.0	2.5	2.2	2.5	3.5	3.2	3.4	3.2	2.7	2.2	1.8	1.7	2.1	2.3	2.4	2.5	2.4	2.6	2.4	2.5	2.4	2.6
Real GDP - qtr %					0.4	0.8	0.6	0.5	1.0	0.9	0.3	0.4	0.8	0.7	0.6	0.5	0.5	0.6	0.5	0.7	0.5	0.6	0.5	0.7
Real GDP - ann %	2.4	2.9	2.4	2.2	2.2	2.1	2.8	2.4	3.0	3.1	2.8	2.6	2.3	2.2	2.6	2.7	2.4	2.2	2.1	2.2	2.4	2.2	2.1	2.2
CPI headline - qtr %					0.5	0.2	0.6	0.6	0.4	0.4	0.4	0.5	0.2	0.6	0.6	0.8	0.5	0.6	0.6	0.7	0.5	0.6	0.6	0.7
CPI headline - ann %	1.9	1.9	1.9	2.6	2.1	1.9	1.8	1.9	1.9	2.1	1.9	1.8	1.5	1.8	2.0	2.2	2.6	2.6	2.6	2.5	2.6	2.6	2.6	2.5
CPI underlying - qtr %					0.5	0.6	0.3	0.5	0.5	0.4	0.3	0.4	0.5	0.6	0.5	0.6	0.6	0.6	0.5	0.5	0.6	0.6	0.5	0.5
CPI underlying - ann %	1.9	1.8	1.9	2.3	1.7	1.9	1.9	1.9	2.0	1.8	1.7	1.7	1.6	1.8	2.0	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Wages (Pvte WPI - qtr %)					0.5	0.5	0.5	0.5	0.6	0.5	0.5	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Wages (Pvte WPI - ann %)	1.9	2.1	2.5	2.7	1.8	1.8	1.9	1.9	2.0	2.1	2.1	2.3	2.3	2.4	2.5	2.6	2.6	2.7	2.7	2.8	2.6	2.7	2.7	2.8
Unemployment Rate (%)	5.6	5.3	4.9	4.9	5.9	5.6	5.5	5.4	5.5	5.6	5.1	5.1	5.0	4.9	4.9	4.9	4.9	4.8	4.8	4.9	4.9	4.8	4.9	4.9
Terms of trade	12.1	1.3	-1.1	-0.1	5.3	-5.9	-0.1	-0.1	3.1	-1.1	0.9	2.4	-3.8	0.3	-1.9	0.9	0.6	-0.3	-0.9	0.1	0.6	-0.3	-0.9	0.1
G&S trade balance, \$Abn	9.6	23.1	22.1	16.6	6.7	3.3	0.9	-1.2	4.2	3.9	6.6	8.4	5.5	6.7	4.6	5.3	5.5	4.8	3.3	3.0	5.5	4.8	3.3	3.0
% of GDP	0.5	1.2	1.1	0.8	1.5	0.7	0.2	-0.3	0.9	0.8	1.4	1.7	1.1	1.4	0.9	1.1	1.1	0.9	0.6	0.6	1.1	0.9	0.6	0.6
Current Account (% GDP)	-2.6	-2.2	-2.4	-2.7	-1.6	-2.4	-2.9	-3.4	-2.3	-2.6	-2.2	-1.8	-2.4	-2.2	-2.6	-2.5	-2.4	-2.6	-2.8	-2.9	-2.4	-2.6	-2.8	-2.9

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

Exchange Rate Forecasts					
	25-Feb	Mar-19	Jun-19	Sep-19	Dec-19
Majors					
AUD/USD	0.7139	0.71	0.70	0.73	0.75
NZD/USD	0.6865	0.68	0.67	0.69	0.70
USD/JPY	110.70	113	113	110	108
EUR/USD	1.1333	1.17	1.18	1.20	1.23
GBP/USD	1.3058	1.35	1.40	1.43	1.45
USD/CHF	1.0000	0.98	0.98	0.99	0.97
USD/CAD	1.3136	1.31	1.31	1.27	1.27
USD/CNY	6.7137	6.88	6.82	6.68	6.60
Australian Cross Rates					
AUD/NZD	1.0399	1.04	1.04	1.06	1.07
AUD/JPY	79.0	80	79	80	81
AUD/EUR	0.6299	0.61	0.59	0.61	0.61
AUD/GBP	0.5467	0.53	0.50	0.51	0.52
AUD/CNY	4.7929	4.88	4.77	4.88	4.95
AUD/CAD	0.9378	0.93	0.92	0.93	0.95
AUD/CHF	0.7139	0.70	0.69	0.72	0.73

Interest Rate Forecasts					
	25-Feb	Mar-19	Jun-19	Sep-19	Dec-19
Australia Rates					
RBA Cash rate	1.50	1.50	1.50	1.50	1.50
3 month bill rate	1.89	1.95	1.90	1.90	1.90
3 Year Swap Rate	1.74	1.85	1.85	1.95	2.05
10 Year Swap Rate	2.29	2.60	2.60	2.70	2.80
Offshore Policy Rates					
US Fed funds	2.50	2.50	2.50	2.50	2.50
ECB deposit rate	-0.40	-0.40	-0.40	-0.20	0.00
BoE repo rate	0.75	0.75	1.00	1.00	1.25
BoJ excess reserves rate	-0.10	-0.10	-0.10	-0.10	-0.10
RBNZ OCR	1.75	1.75	1.75	1.75	2.00
China 1yr lending rate	4.35	4.35	4.35	4.35	4.35
China Reserve Ratio	13.5	13.0	12.5	12.0	12.0
10-year Benchmark Bond Yields					
Australia	2.08	2.40	2.40	2.50	2.60
United States	2.65	2.80	2.80	3.00	3.00
New Zealand	2.17	2.85	3.10	3.20	3.30

Sources: NAB Global Markets Research; Bloomberg; ABS

Global GDP							
	2015	2016	2017	2018	2019	2020	20 Yr Avg
Dec year							
Australia	2.5	2.6	2.4	2.9	2.4	2.2	3.4
US	2.9	1.6	2.2	2.9	2.1	1.8	2.6
Eurozone	2.0	1.9	2.5	1.9	1.7	1.6	1.5
UK	2.3	1.8	1.7	1.3	1.6	1.5	2.4
Japan	1.4	1.0	1.7	0.8	1.2	0.9	0.8
China	6.9	6.7	6.9	6.6	6.3	6.0	9.2
India	8.2	7.1	6.7	7.4	7.1	7.2	6.6
New Zealand	3.5	4.0	2.8	2.9	2.6	2.6	3.0
World	3.5	3.3	3.7	3.7	3.5	3.5	3.5
MTP Top 5	4.1	3.8	4.2	4.0	3.7	3.5	5.0

Commodity prices (\$US)					
	25-Feb	Mar-19	Jun-19	Sep-19	Dec-19
Brent oil	67.1	60	65	65	70
Gold	1329	1300	1320	1330	1350
Iron ore	85.0	84	82	78	76
Hard coking coal	211	200	193	178	170
Thermal coal	94	95	93	98	95
Copper	6504	6100	6250	6400	6300
Aust LNG (*)	16.1	14.0	11.3	11.6	11.4

(*) Implied Australian LNG export prices.

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