

AUSTRALIAN MARKETS WEEKLY

The coronavirus and the Australian economy



In this issue

The coronavirus and the Australian economy	2
Trends in infection rates	2
How to think about this shock?	2
The SARS experience	2
The impact on Australia to date	3
Policy responses	4
Conclusion	5
Calendar of economic releases	6
Forecasts	7

Analysis – the coronavirus and Australia

- Markets are now monitoring the spread of coronavirus outside China. The Federal Reserve has issued a statement of intent to deploy its policy tools to support the US economy and NAB expects the RBA to cut interest rates tomorrow and again in April.
- The virus can be thought of as a mixture of demand and supply-side influences. Containment actions have impacted both demand and production supply chains, with a significant impact on the Australian economy, with over 50 companies (many ASX listed) warning of earnings impacts or uncertainties. This will likely impact on hiring intentions and capital expenditure plans, at least in the short term.
- Fiscal policy is expected also to play a role in combating the impact on activity. Measures to buttress the cash flows of impacted businesses would seem useful in such a shock to avoid job losses.
- The SARS experience is a useful guide for how activity might evolve, though this outbreak is already more widespread globally. And China is a much larger and more important part of the global economy – and export markets – now than it was in 2002/03. That said, when the virus was contained in 2002/03, activity did recover relatively sharply, though it was nearly a year before the previous level of tourism arrivals was regained.

The week ahead – coronavirus concerns, RBA rate cut, Q4 GDP and non-farm payrolls

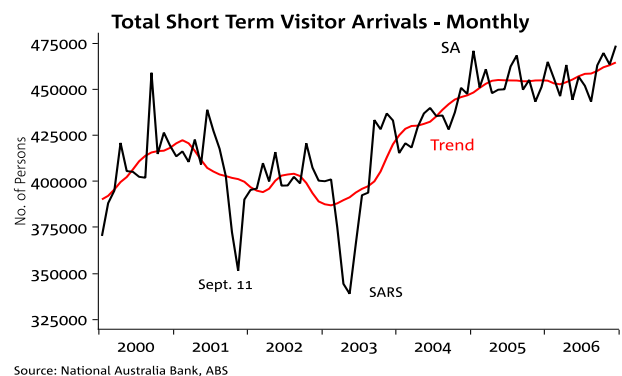
- **AU and NZ.** We expect the Reserve Bank will cut the cash rate to 0.5% on Tuesday, amid growing economic impacts from the coronavirus outbreak, with a follow up cut in April to 0.25%. Predating the epidemic, Q4 GDP is likely to be weak at 0.3% q/q/1.8% y/y (RBA & mkt: 0.4%), with the likelihood that Q1 GDP will now print negative. January retail sales and trade may show some weakness from COVID-19, but the larger impact will be seen in February data. In NZ, Q4 GDP partials are out, although the focus is on COVID-19.
- **Global.** COVID-19 is the focus with new cases outside of China rising. In China, data released over the weekend and this morning has shown sharply weaker official and Caixin manufacturing PMIs, highlighting the major impact containment measures and the flow-on reaction of the population have had on the Chinese economy. Markets will look to US data for any early signs of spillover, with ISMs tonight and payrolls on Friday. The US primaries are ramping up to super-Tuesday, following Joe Biden's landslide win in South Carolina. Super Tuesday will have a big bearing on whether Bernie Sanders remains the front-runner for the Democrat nomination.

Key markets over the past week

	Last	% chg week		Last	bp/% chg week
AUD	0.6525	-1.2	RBA cash	0.75	0.0
AUD/CNY	4.55	-2.1	3y swap	0.51	-0.1
AUD/JPY	70.5	-3.6	ASX 200	6328	-9.3
AUD/EUR	0.590	-3.0	Iron ore	81.9	-2.0
AUD/NZD	1.046	0.4	Brent oil	50.6	-9.3

Source: Bloomberg

Chart of the week: arrivals took 11 mths to recover



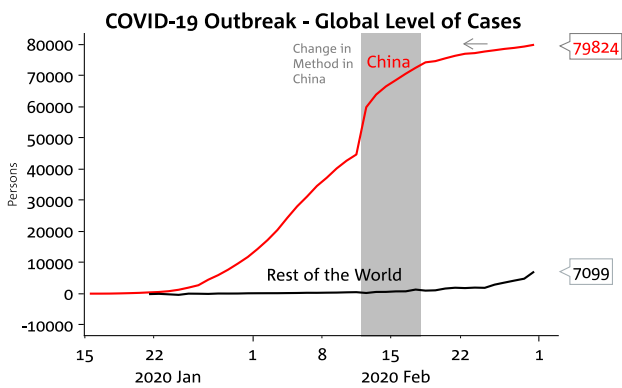
The coronavirus and the Australian economy

As the number of cases of coronavirus in countries outside of China grows more quickly and the reported growth in the number of cases in China has begun to slow, we look at some of the implications for the Australian economy and markets, along with the options for Australian policy makers. An important disclaimer: these are the observations of economists, not medical professionals. The observations are based on figures compiled by Bloomberg from government health sources.

Trends in infection rates

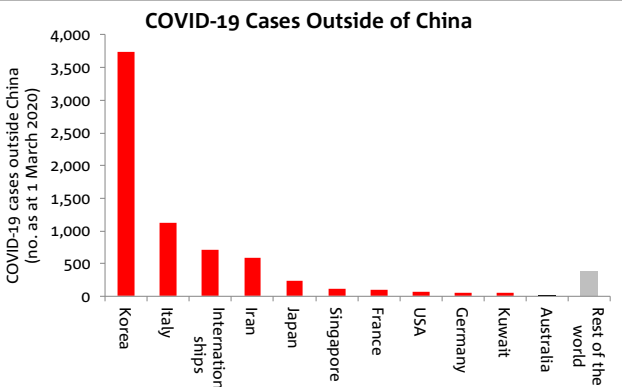
Markets have been making their assessments based on trends in infection rates, both within China and across countries. There was some brief relief when the rate of new infection began to slow in China, however, this has been replaced by increased concern with the spread of the virus outside of China, particularly in Japan, South Korea, Italy and Iran. Importantly for Australia, Japan and South Korea are Australia’s number two and three export markets after China.

Chart 1: Cases outside of China growing



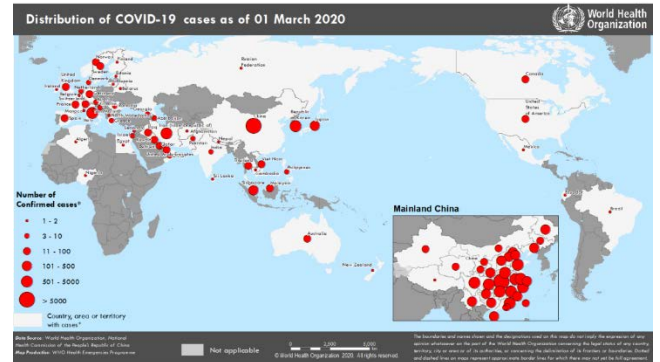
Source: National Australia Bank, Bloomberg, China National Health Commission

Chart 2: Korea, Italy, Iran and Japan seeing most cases



Source: National Australia Bank, WHO

Chart 3: Global spread of COVID-19 evident



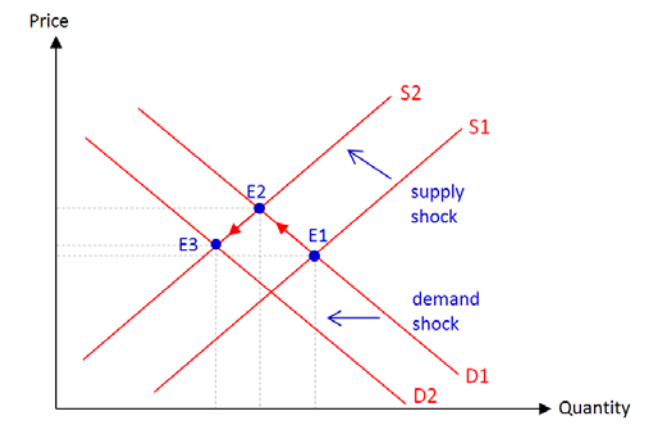
Source: WHO

How to think about this shock?

Economists would classify the coronavirus and related containment efforts as a mixture of supply-side and demand-side shocks. A supply-side shock has the effect of reducing output and raising prices (technically there is a shift of the aggregate supply curve to the left, meaning less of a given product can be supplied at any given price). At the same time, the reaction of the public and containment efforts has added a second-round demand-side shock into the picture as well (less demand for certain – but not all – goods and services at any given price), which reinforces the reduction in output, but should act to lessen the impact on prices from the supply-side shock. While the construction of the chart below implies little change in prices, the ultimate impact on inflation depends on the relative size of the two shocks.

In layman’s terms, think of the inability of Chinese factories to produce output due to internal worker travel bans affecting global supply chains and production as the supply-side influence, while the travel bans and hit to consumer and business confidence can be considered second-round demand-side influences. Demand for some medical-related products would of course be boosted – and perhaps in time, demand for Australia and NZ’s clean food products could also rise .

Chart 4: COVID-19 is both a supply and demand shock



The SARS experience

Economists have been using SARS as something of a road-map to gauge how the coronavirus might affect economies and the travel and tourism industries. This will likely be useful, however, there are several important differences between then and now. Some of the differences are:

- The Chinese economy is a much larger share of the global economy than it was in 2002/03;
- China is a much larger export market for Australia than it was over fifteen years ago;
- The total number of SARS cases is already dwarfed by coronavirus cases – and the coronavirus has spread more significantly internationally;
- The containment efforts put in place – and the reaction of the public – has been more significant for activity than occurred during the SARS experience, meaning the short-term impacts on growth in China and globally have been much larger. During SARS, which of course was centred in HK, Chinese growth still slowed from 2.9% q/q to 0.9% q/q before rebounding the following quarter to 3.7% q/q. HK GDP recorded -0.1% in Q1 2003; -2.4% in Q2 2003 and +6.1% in Q3 2003. The Chinese PMI for February released over the weekend reveals more companies reporting a contraction in output and new orders than at the peak of the Global Financial Crisis, suggesting the slowing in activity in Q1 in China is likely to have been even larger than the SARS experience.
- SARS was far more deadly, with a fatality rate of about 10% versus an estimated 2% rate for COVID-19.

Chart 5: China is now more important

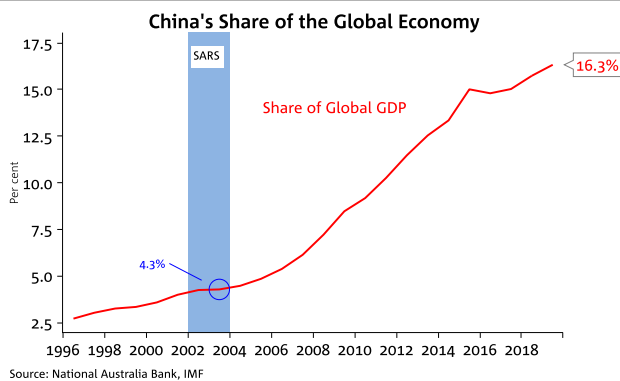


Chart 6: China is Australia's number 1 export partner



Chart 7: Chinese GDP growth should rebound after Q1

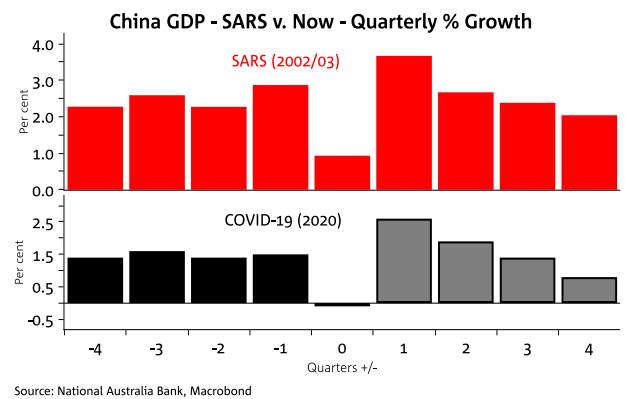
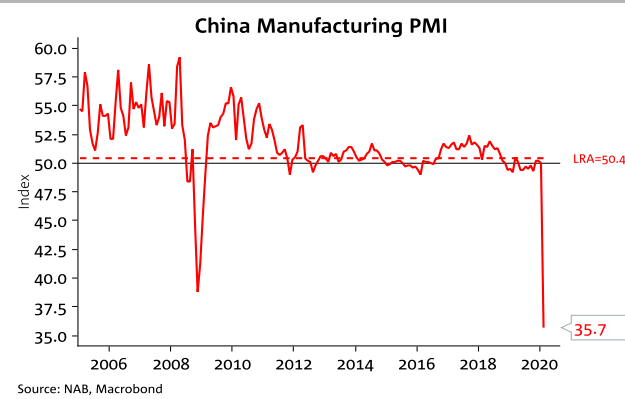


Chart 8: PMI shows a significant growth hit in February



The impact on Australia to date

Our initial analysis of the virus outbreak noted that the tourism and education sectors were likely to be significantly impacted because of travel bans, with related flow-on to retail given Chinese tourists are very high spending. There were likely to be flow-on impacts to oil prices and the \$A, given the reduction in travel and impact to Chinese growth and commodity demand. In the event, the flow-on effects have been broader and larger than these initial assessments. Indeed, we have tracked over 50 companies (many ASX-listed) that have issued statements related to earnings impacts or operating uncertainties from the coronavirus.

Most, but not all in the list (Table 1, following page) have been negative updates, though some simply note uncertainties related to supply-chains if the situation were to persist. The AIG February survey released this morning reported: "Coronavirus is negatively impacting the exports of Australian manufactured goods, particularly consumable items into China, while the 'heavy' manufacturing sectors are reporting supply chain difficulties because of factory shutdowns in China." These warnings suggest a significant demand impact on the Australian economy, which the Government and RBA will likely be forced to respond to in the near term.

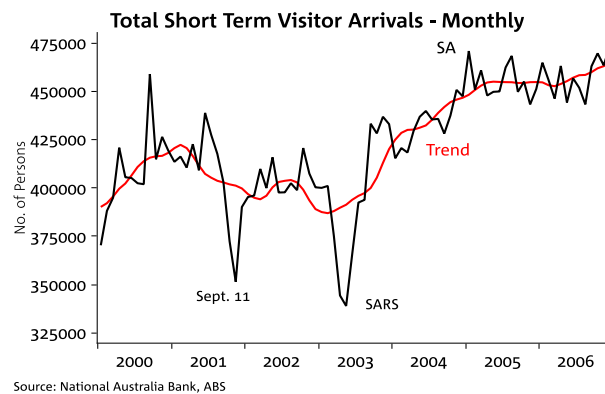
Table 1: Companies reporting profit/supply chain impacts

Sector	Company Name
Consumer Discretionary	Accent Group
	AP Eagers
	Beacon Lighting Group
	Corporate Travel Management
	Crown Resorts
	Flight Centre
	G8 Education
	Helloworld Travel Limited
	JB Hi-Fi
	Jeanswest
	Kogan.com Ltd
	Sealink
	Super Retail Group
	The Star Entertainment Group
Webjet	
Wesfarmers	
Consumer Staples	a2 Milk Company
	Blackmores
	Bubs Australia
	Costa Group
	Geraldton Fishermen's Co-operative
	Pental
	Synlait Milk
	Treasury Wine Estates
Woolworths	
Financials	Argo Investments
Health Care	Ansell
	Cochlear
	Ramsay Health Care
Industrials	Atlas Arteria
	Aurizon Holdings
	Australia Post
	Monadelphous
	Qantas/Jetstar
	Qube
	Reliance Worldwide Corporation
	Seek
	Sydney Airport
	Virgin Australia
Information Technology	Altium
	WiseTech Global Limited
Materials	Adelaide Brighton
	Amcor
	BHP
	BlueScope Steel
	Fortescue Metals Group
	Galaxy Resources
	Pilbara Minerals
	Rio Tinto
	Real Estate
Cromwell Property Group	
LendLease Group	
Servcorp	
Vicinity Centres	

Sources: AFR, SMH, The Australian

It's worth also pointing out that things are extremely fluid and the official data are lagging the evolution of the situation by a considerable margin. Indeed, already some companies have started to report that Chinese demand and activity has started to improve, which should lead to a sharp bounce back in the Chinese PMI in March, by the nature of its construction as a "net balance" indicator. That said, for the most part, it will be important to track the recovery in the level of economic activity in various sectors. As the chart below shows, while tourist arrivals to Australia fell for six consecutive months during the SARS crisis before beginning to recover, it was a total of eleven months before total tourism arrivals re-gained pre-SARS levels.

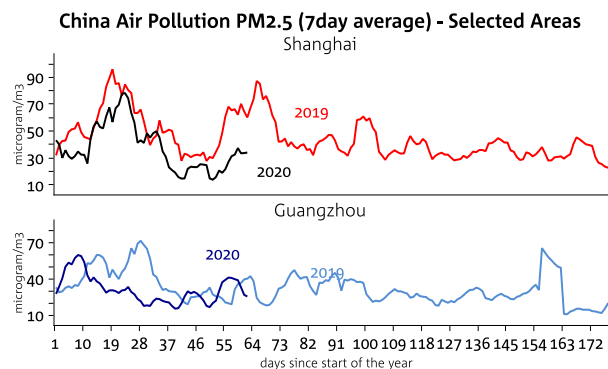
Chart 9: Arrivals took 11 mths to exceed pre SARS levels



Source: National Australia Bank, ABS

We have also been tracking the evolution of Chinese pollution (and congestion) to gauge the extent to which Chinese production is recovering following the relaxation of restrictions on travel for migrant workers and this and other "unusual" indicators can help track this "return to work" effect. That said, it could be case that this reopening sees the virus spread more quickly in other parts of China, which is another risk that markets will monitor.

Chart 10: Air pollution reflecting some recovery in China



Source: National Australia Bank, Bloomberg

Policy responses

What are the appropriate policy responses for this type of shock? Of course, the first policy response has been the medical response (travel bans, curtailment of migrant worker travel, quarantining etc) to prevent spread of the disease. While it's an obvious statement, when these restrictions begin to be lifted as is now occurring in China, this will naturally produce some lift in activity as factories return to work

The effects of the shock are similar to a policy-induced economic downturn, though of course the source of the shock is quite different in nature. Nevertheless, the impact of the shock will likely be similar in terms of reducing cash flows, reducing demand for labour in affected industries, delaying capital expenditure plans etc. It would seem appropriate that Australian authorities consider a mix of monetary, liquidity and (rather than or) fiscal policy responses to counter the supply-side and demand-side influences of the virus:

- Liquidity actions to ensure that banking systems keep operating/credit keeps flowing – longer-term repo operations would make sense in this regard;
- Rate cuts to support demand – in some countries these could be reversed once the crisis passes, as occurred in Australia after the GFC. NAB now expects the RBA to cut the cash rate tomorrow to 0.5% (with some risk of a larger 50bps cut), with a further 25bps cut likely in April and for the Fed to cut rates at least 25bps in March. With the RBA then having rates at its nominated “lower bound” of 0.25%, the attention of the markets will turn to the possibility of Quantitative Easing, though this will of course depend on the success of other actions discussed above and below – and the course of infection rates, control of the virus. Again, it would seem that fiscal policy in particular is better placed to assist to this type of shock though one must acknowledge the risk of QE has risen significantly in the past month.;
- Actions by government authorities to provide cash flow relief to companies impacted by the downturn. This would seem to be very important in the context of this type of crisis: lower interest rates can assist a little with cash flow and the \$A, but other actions to support businesses and consumers would likely be more useful, eg. the QLD government has announced some delays to payroll tax payments. The Federal government could also allow deferral of GST and other tax payments for some time – and no doubt will allow the automatic stabilisers of the budget to work even though this will delay the long-desired return to surplus. It’s interesting that the response of China’s and Hong Kong’s governments have included lowered rates for small business, encouragement of rent forgiveness by landlords and fiscal stimulus (China) and cash handouts to consumers (HK); and
- Fiscal policy support targeted to companies particularly impacted eg funding for tourism advertising, though of course this would be best spent after the crisis has passed and travel demand begins to recover.

Conclusion

The impact of the virus is likely to be very significant on the Australian economy and markets, indeed considerably larger (and more sudden) than either the US-China trade war or this summer’s terrible bushfires. The effect is quite varied by sector and at this stage largely reflects the flow-on impacts of containment efforts in China and globally, and the reactions of consumers and businesses in many countries to limit risk of infection. There will be some improvement in activity as the Chinese economy returns to work – as is now be occurring. But uncertainty will remain for the Australian economy as we enter our winter season in case there is a more significant outbreak of coronavirus here.

It’s likely that fiscal and monetary policy responses will both be deployed – a focus on sustaining cash flows of sound businesses and access to credit will be important. The situation remains fast moving – and the response of various markets during the GFC seems a reasonable template to follow. Equities, commodities and the \$A are sold off as the situation evolves negatively – with interest rate markets rallying on the expectation of central bank easing. Assuming the crisis eventually passes – but crucially depending on how deep and how prolonged the outbreak is – we’d expect markets and activity to eventually reverse/rebound relatively sharply. That will of course depend on either the development of a successful vaccine, a slowing and then decline in the number of infections globally.

CALENDAR OF ECONOMIC RELEASES

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEDT
Monday 02 March 2020								
AU	AiG Perf of Mfg Index	Feb		--		45.4	21.30	8.30
NZ	Overseas Trade Index	4Q	0.8	--		1.9	21.45	8.45
AU	Melbourne Institute Inflation YoY	Feb		--		1.8	0.00	11.00
JN	Jibun Bank Japan PMI Mfg	Feb F		--		47.6	0.30	11.30
AU	Company Operating Profit QoQ	4Q	-3	-1		-0.8	0.30	11.30
AU	Inventories SA QoQ	4Q	-0.4	-0.1		-0.4	0.30	11.30
AU	ANZ Job Advertisements MoM	Feb		--		3.8	0.30	11.30
CH	Caixin China PMI Mfg	Feb		46.3		51.1	1.45	12.45
AU	Commodity Index SDR YoY	Feb		--		-3.6	5.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Feb F		47.8		47.8	8.55	19.55
EC	Markit Eurozone Manufacturing PMI	Feb F		49.1		49.1	9.00	20.00
US	Markit US Manufacturing PMI	Feb F		50.8		50.8	14.45	1.45
US	Construction Spending MoM	Jan		0.7		-0.2	15.00	2.00
US	ISM Manufacturing	Feb		50.5		50.9	15.00	2.00
Tuesday 03 March 2020								
AU	Building Approvals MoM / YoY	Jan	2.5	--		-0.2 / 2.7	0.30	11.30
AU	BoP Current Account Balance	4Q	-1	2.5		8	0.30	11.30
AU	Net Exports of GDP	4Q	0.3	0.2		0.2	0.30	11.30
AU	RBA Cash Rate Target	Mar 3	0.75	0.75		0.75	3.30	14.30
EC	CPI Core YoY	Feb P		1.2		1.1	10.00	21.00
EC	CPI Estimate YoY	Feb		1.2		1.4	10.00	21.00
EC	Unemployment Rate	Jan		7.4		7.4	10.00	21.00
Wednesday 04 March 2020								
NZ	Dairy auction		-5	--		2.9		early am
AU	AiG Perf of Construction Index	Feb		--		41.3	21.30	8.30
NZ	Building Permits MoM	Jan		--		9.9	21.45	8.45
NZ	ANZ Commodity Price	Feb	-4	--		-0.9	0.00	11.00
AU	GDP SA QoQ	4Q	0.3	0.4		0.4	0.30	11.30
AU	GDP YoY	4Q	1.8	2		1.7	0.30	11.30
CH	Caixin China PMI Services	Feb		49.3		51.8	1.45	12.45
GE	Markit Germany Services PMI	Feb F		53.3		53.3	8.55	19.55
EC	Retail Sales YoY	Jan		0.8		1.3	10.00	21.00
US	ADP Employment Change	Feb		170		291	13.15	0.15
US	Markit US Services PMI	Feb F		49.5		49.4	14.45	1.45
CA	Bank of Canada Rate Decision	Mar 4	1.75	1.75		1.75	15.00	2.00
US	ISM Non-Manufacturing Index	Feb		55.5		55.5	15.00	2.00
Thursday 05 March 2020								
AU	Trade Balance	Jan	4600	4775		5223	0.30	11.30
US	Durable Goods Orders	Jan P		-1.4		2.4	15.00	2.00
Friday 06 March 2020								
AU	AiG Perf of Services Index	Feb		--		47.4	21.30	8.30
NZ	Building work put in place		moderate increase			0.4	21.45	8.45
AU	Retail Sales MoM	Jan	0.2	0		-0.5	0.30	11.30
CH	Exports YoY / Imports YoY	Feb		--		7.6 / 16.3	13.00	0.00
CH	Trade Balance	Feb		--		46.79	13.00	0.00
US	Change in Nonfarm Payrolls	Feb		195		225	13.30	0.30
US	Unemployment Rate	Feb		3.5		3.6	13.30	0.30
US	Average Hourly Earnings YoY	Feb		3		3.1	13.30	0.30
CA	Unemployment Rate / Change in employment	Feb		--		5.5 / 34.5	13.30	0.30
US	Trade Balance	Jan		-48.8		-48.9	13.30	0.30
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		Mar 3	0.50	0.75		0.75		
Canada, BoC		Mar 4	1.75	1.75		1.75		
Europe, ECB		Mar 12	-0.50	-0.50		-0.50		
Japan, BoJ		Mar 19	-0.10	-0.10		-0.10		
US, Federal Reserve		Mar 18	1.25/1.5	1.5/1.75		1.5/1.75		
New Zealand, RBNZ		Mar 25	1.00	1.00		1.00		

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

FORECASTS

Economic Forecasts																				
	Annual % change				Quarterly % change															
	2018	2019	2020	2021	2018				2019				2020				2021			
Australia Forecasts	2018	2019	2020	2021	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Household Consumption	2.7	1.4	1.0	1.9	0.5	0.8	0.3	0.4	0.3	0.3	0.1	0.4	-0.1	0.3	0.6	0.5	0.4	0.5	0.5	0.6
Underlying Business Investment	1.3	-3.2	-5.4	3.8	1.0	-1.0	-1.4	-0.4	0.9	-1.2	-2.9	-2.3	-2.5	0.1	0.4	1.1	1.0	1.3	1.0	1.2
Residential Construction	4.7	-7.4	-7.6	5.1	3.4	2.5	0.4	-3.0	-1.6	-3.7	-1.7	-3.7	-1.8	-2.2	0.2	0.9	1.6	2.2	2.1	2.0
Underlying Public Spending	4.4	4.8	4.4	3.8	1.4	-0.5	2.0	0.7	1.0	1.7	1.7	0.8	0.8	1.1	1.0	1.0	1.0	0.9	0.8	0.8
Net Exports (a)	0.9	1.5	-0.1	-0.3	0.6	0.0	0.4	-0.1	0.4	0.5	0.2	0.3	0.1	0.0	-0.1	-0.1	0.0	-0.1	-0.1	-0.1
Inventories (a)	0.1	-0.3	0.0	0.1	-0.1	0.3	-0.3	0.1	-0.1	-0.4	0.1	-0.1	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Domestic Demand (q/q %)	-	-	-	-	0.9	0.3	0.5	0.1	0.3	0.3	0.2	0.0	-0.2	0.3	0.7	0.8	0.7	0.8	0.8	0.8
Dom Demand (y/y %)	2.9	1.0	0.8	2.9	3.7	3.3	2.6	1.8	1.2	1.2	0.9	0.8	0.4	0.4	0.9	1.6	2.5	2.9	3.0	3.0
Real GDP (q/q %)	-	-	-	-	0.9	0.7	0.3	0.2	0.5	0.6	0.4	0.3	-0.1	0.4	0.7	0.7	0.6	0.7	0.7	0.7
Real GDP (y/y %)	2.7	1.7	1.3	2.7	3.1	3.2	2.5	2.1	1.7	1.6	1.7	1.8	1.2	1.0	1.2	1.7	2.4	2.8	2.7	2.7
CPI headline (q/q %)	-	-	-	-	0.4	0.4	0.4	0.5	0.0	0.6	0.5	0.7	0.4	0.4	0.5	0.6	0.5	0.5	0.6	0.7
CPI headline (y/y %)	1.9	1.6	2.1	2.2	1.9	2.1	1.9	1.8	1.3	1.6	1.7	1.8	2.3	2.1	2.1	2.0	2.1	2.2	2.3	2.4
CPI underlying (q/q %)	-	-	-	-	0.5	0.5	0.4	0.4	0.2	0.4	0.4	0.4	0.4	0.4	0.5	0.4	0.5	0.5	0.5	0.5
CPI underlying (y/y %)	1.8	1.4	1.7	2.0	1.9	1.8	1.8	1.8	1.5	1.4	1.4	1.4	1.6	1.6	1.8	1.8	1.8	1.9	2.0	2.1
Private wages (q/q %)	-	-	-	-	0.5	0.6	0.5	0.6	0.5	0.5	0.5	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Private wages (y/y %)	2.1	2.3	2.5	2.8	1.9	2.1	2.1	2.3	2.4	2.3	2.2	2.2	2.3	2.5	2.6	2.6	2.7	2.7	2.8	2.8
Unemployment Rate (%)	5.3	5.2	5.5	5.6	5.5	5.6	5.1	5.0	5.1	5.2	5.4	5.2	5.3	5.3	5.6	5.7	5.6	5.6	5.6	5.6
Terms of trade	1.8	5.1	-7.3	-1.8	3.3	-1.2	0.7	2.6	3.3	1.4	0.3	-5.5	-1.9	-1.9	0.0	-1.9	-0.3	0.2	0.2	0.6
Current Account (% GDP)	-2.1	0.7	-0.3	-1.0	-2.1	-2.6	-2.1	-1.3	-0.4	0.9	1.6	0.6	0.3	-0.2	-0.3	-0.9	-1.0	-1.0	-1.1	-1.0

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

Exchange Rate Forecasts						
	2-Mar	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Majors						
AUD/USD	0.653	0.69	0.70	0.71	0.71	0.72
NZD/USD	0.62	0.65	0.66	0.67	0.67	0.67
USD/JPY	108.0	109	108	110	108	108
EUR/USD	1.11	1.16	1.16	1.17	1.17	1.18
GBP/USD	1.28	1.35	1.35	1.33	1.36	1.38
USD/CNY	6.98	7.00	6.90	6.85	6.85	6.80
USD/CAD	1.34	1.30	1.30	1.31	1.32	1.32
USD/CHF	0.96	0.96	0.96	0.96	0.96	0.95

Australian Cross Rates						
	2-Mar	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
AUD/NZD	1.05	1.06	1.06	1.06	1.06	1.07
AUD/JPY	70.5	75	76	78	77	78
AUD/EUR	0.59	0.59	0.60	0.61	0.61	0.61
AUD/GBP	0.51	0.51	0.52	0.53	0.52	0.52
AUD/CNY	4.55	4.83	4.83	4.86	4.86	4.90
AUD/CAD	0.87	0.90	0.91	0.93	0.94	0.95
AUD/CHF	0.63	0.66	0.67	0.68	0.68	0.68

Interest Rate Forecasts						
	2-Mar	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Australian Rates						
RBA cash rate	0.75	0.25	0.25	0.25	0.25	0.25
3 month bill rate	0.57	0.40	0.40	0.40	0.40	0.40
3 Year Swap Rate	0.51	0.50	0.45	0.35	0.45	0.55
10 Year Swap Rate	0.94	1.02	1.02	0.92	1.02	1.12
Offshore Policy Rates						
US Fed funds	1.75	1.50	1.50	1.50	1.50	1.50
ECB deposit rate	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
BoE repo rate	0.75	0.75	0.75	0.75	0.75	0.75
BoJ excess reserves rate	-0.10	-0.30	-0.30	-0.30	-0.30	-0.30
RBNZ OCR	1.00	1.00	1.00	1.00	1.00	1.00
China 1yr lending rate	4.35	4.10	4.10	4.10	4.10	4.10
China Reserve Ratio	12.5	12.0	12.0	12.0	12.0	12.0
10-year Bond Yields						
Australia	0.75	0.90	0.90	0.80	0.90	1.00
United States	1.07	1.80	1.80	1.80	1.90	2.00
New Zealand	0.97	1.05	1.10	1.30	1.45	1.70

Sources: NAB Global Markets Research; Bloomberg; ABS

Global GDP				
	2018	2019	2020	2021
Australia	2.7	1.7	1.3	2.7
United States	2.9	2.3	1.8	1.9
Eurozone	1.9	1.2	1.0	1.4
United Kingdom	1.3	1.4	1.0	1.4
Japan	0.3	1.1	0.4	1.0
China	6.6	6.1	5.5	5.8
India	7.4	5.1	6.2	7.1
New Zealand	3.2	2.2	1.7	2.3
World	3.6	3.0	3.0	3.5

Commodity prices (\$US)						
	2-Mar	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Brent oil	50.6	58	60	62	62	62
Gold	1600	1540	1560	1580	1580	1590
Iron ore	na	76	72	68	71	69
Hard coking coal*	162	152	150	148	151	147
Thermal coal	67	68	65	70	70	66
Copper	5617	5725	5750	5850	5900	5950
Aus LNG**	10	10	11	11	11	11

* FOB quarterly contract prices (thermal coal is JFY contract)

** Implied Australian LNG export prices

CONTACT DETAILS

Market Economics

Kieran Davies
Chief Markets Economist
+61 2 9237 1406
kieran.davies@nab.com.au

Tapas Strickland
Senior Economist
+61 2 9237 1980
tapas.strickland@nab.com.au

Kaixin Owyong
Economist, Markets
+61 3 8641 3203
kaixin.owyong@nab.com.au

Markets Research

Ivan Colhoun
Global Head of Research
+61 2 9293 7168
ivan.colhoun@nab.com.au

Group Economics

Alan Oster
Chief Economist
+61 3 8634 2927
alan.oster@nab.com.au

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.