

AUSTRALIAN MARKETS WEEKLY

Australia to ease containment restrictions



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Analysis – Australia to ease containment restrictions

- Australia has achieved significant success in its “elimination/suppression” strategy in dealing with the coronavirus. Some containment measures are starting to be relaxed, mainly at the state level. A more comprehensive timetable for the relaxation of measures is expected to be unveiled on Friday when the National Cabinet of Australia meets.
- PM Morrison has stressed a key requirement for relaxing measures is widespread take-up of the government’s mobile phone app which is used in contact tracing. While uptake will be important, it is still likely the National Cabinet will unveil a timetable for a gradual easing of restrictions given the low number of new coronavirus cases in Australia.
- New Zealand has laid out a rough roadmap which Australia may mirror, although the PM has already said he would like to restart community and organised sport and recreation, subject to restrictions. Restaurants and pubs would be later, along with domestic travel. International travel would likely be last, except perhaps with NZ.
- How quickly activity bounces back from a gradual lifting of restrictions remains to be seen. It will be important for governments to restore confidence as Apple geolocation data suggest Australians have behaved similarly to countries with more restrictive lockdowns. This point is brought home by Sweden, which did not adopt formal containment measures, but where activity is contracting at the same rate as other advanced economies.

The week ahead – RBA decision & Statement on Monetary Policy, AU and US payrolls

- **Australia.** The National Cabinet meets Friday and is widely expected to announce a timetable for easing health restrictions – see the above discussion. On Tuesday, the RBA should keep policy unchanged as it monitors the extent of economic damage from the pandemic, with the ABS reporting the latest estimate of Australian payrolls. On Friday, the RBA publishes its Statement on Monetary Policy where it will outline different scenarios for the economic outlook rather than provide the usual point forecasts. **NZ:** Wednesday’s labour market reports will cover Q1 and should show very little impact from COVID-19.
- **CH:** On Thursday, the Caixin services PMI likely rose in line with the official non-manufacturing PMI, while the trade balance should deteriorate. **US:** Record-high jobless claims point to a grim 22m fall in non-farm payrolls on Friday, with unemployment expected to increase to a multidecade high of 16%. **UK:** The government decides on 7 May whether to ease lockdown measures (we think unlikely, or not significantly). The BoE meets the same day and we do not expect significant policy changes.

Key markets over the past week

	Last	% chg week		Last	bp/% chg week
AUD	0.6378	-1.3	RBA cash	0.14	0
AUD/CNY	4.55	0.8	3y swap	0.27	-5
AUD/JPY	68.1	-1.8	ASX 200	5,320	-1.9
AUD/EUR	0.582	-2.4	Iron ore	78	-0.1
AUD/NZD	1.061	-0.8	Brent oil	26.3	31.7

Source: Bloomberg

Australia to ease containment restrictions

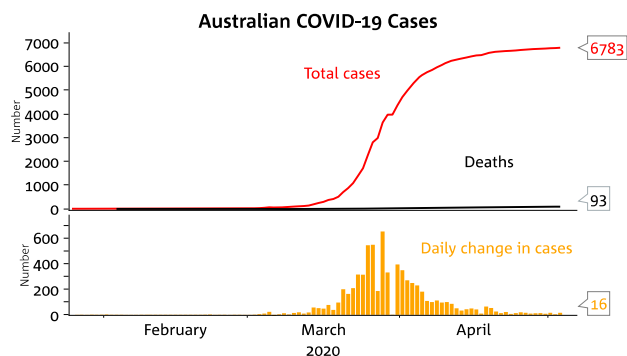
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Australia's success in containing the virus

The world-wide number of confirmed SARS-COV-2 infections looks like it has started to peak, with new daily infections falling after having peaked in late March. The number of infections is likely understated because many emerging economies are not undertaking widespread testing, but the improvement in most advanced economies has seen several countries outline plans for a gradual lifting of containment measures.

Australia has pursued a "suppression/elimination" strategy in dealing with the virus rather than taking a "controlled transmission" approach and has been notably more successful in limiting the outbreak than other advanced countries. So successful in fact that Australia has achieved similar results to the elimination strategy that New Zealand has pursued, but with a less restrictive lockdown.

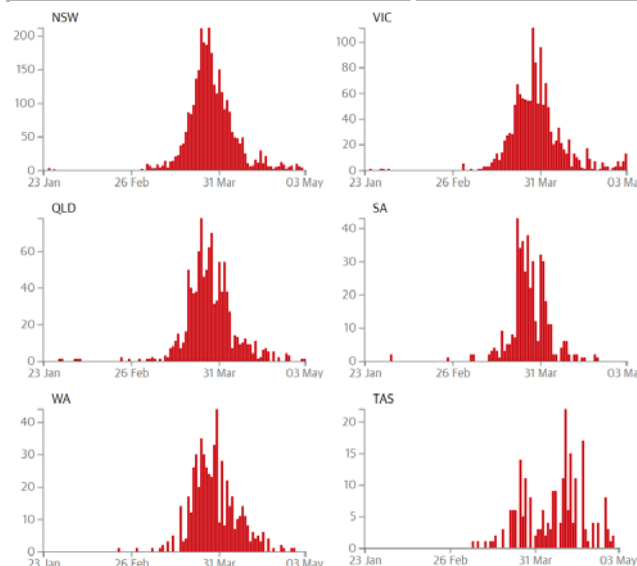
Chart 1: New coronavirus cases have fallen sharply



Source: National Australia Bank, WHO

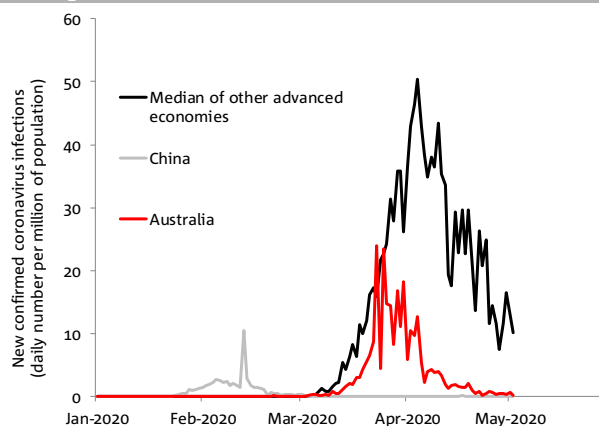
There has been a sharp slowdown in the national rate of new infections over the past few weeks and most states and territories have experienced days with no new infections (Chart 2).

Chart 2: Several states have seen days of no new cases



Source: The Guardian, National Australia Bank

Chart 3: Australia has had a lower new infection rate



Source: Our World in Data, National Australia Bank

Australia imposed less stringent health restrictions than some other advanced countries

Australia's coronavirus response was co-ordinated by a National Cabinet that included the prime minister, state premiers and territory chief ministers. Importantly,

though, each state and territory varied how they implemented restrictions, with some going beyond National Cabinet recommendations.

- **Social distancing.** Cabinet strongly advised people not to leave home unless for essential reasons, but implementation has varied greatly by state.
- **Closure of public events/public spaces.** Gatherings are limited to two people with small exemptions for families, funerals and weddings. Enforcement of this rule has also varied greatly by state.
- **Closing the national border to non-residents and banning overseas travel for residents.** There is a 14-day mandatory detention of returning citizens, residents and family members.
- **Mixed restrictions on interstate travel.** Some states have introduced 14-day self-isolation for essential travel and otherwise closed their borders. WA has also restricted travel between regions in the state.
- **Closing non-essential business.** This mainly affected the hospitality and entertainment industries, although other businesses also decided to close given the revenue impact from social distancing guidelines and from consumers self-isolating.

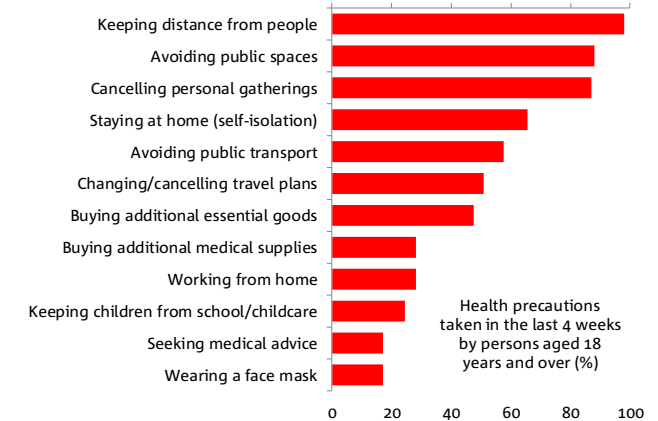
Comparing Australia’s restrictions with other countries, the main differences are:

- **There was no national ban on classroom teaching.** In practice, this was subverted by universities and private schools adopting online learning, along with most public schools. There is also no ban on childcare centres and the government has temporarily made childcare free, which will have a large effect on the CPI (subtracting 1.2pp in Q2 and adding 1.2pp when the policy ends in Q3).
- **Manufacturing and construction were classed as essential businesses.** These two industries were commonly closed in other advanced economies, either in part or full. Mining was also deemed an essential business, although is only a minor industry in nearly all other countries.
- **Tougher national border restrictions.** Other countries closed their national borders, but some exempted either key workers and/or travellers from some countries, at least for a time.

The reasons for Australia’s relative success in containing the virus are not straightforward, particularly when restrictions have varied in their application by state and territory. Comparing countries is difficult, but it seems likely that the closure of the international border played a key role because imported infections have significantly exceeded community transmission.

Another factor is that Australians have adopted social distancing with zeal. A recent ABS survey found 98% of people were practicing social distancing and 88% were avoiding public spaces. When social distancing was first implemented, an adoption rate of 80% was thought necessary for success.

Chart 4: Social distancing has been widely adopted by Australians



Note: As at 1-6 April 2020.
Source: Australian Bureau of Statistics, National Australia Bank

Other explanations posited include climate with some US researchers finding lower transmission of the virus in hotter and humid climates. The results though have been widely rejected and the renewed spread of the virus in Singapore and Ecuador works against this theory.

Success in containing the virus should soon see the government outline a roadmap for relaxing measures

The National Cabinet is set to review containment measures on Friday 8 May and some restrictions have recently been eased.

- Some elective surgeries are now allowed. Surgeries are gradually restarting, subject to capacity in each jurisdiction.
- Some states/territories have relaxed restrictions on staying at home and allowed larger public gatherings.
- Some local councils have re-opened beaches to swimming and surfing.

This week’s review of containment measures reflects Australia’s unexpected success in limiting the spread of the virus. Initial government modelling had suggested that infection rates could peak around August, with the prime minister repeatedly emphasising that containment measures would be in place for at least six months.

At Friday’s meeting, cabinet is widely expected to decide on a timetable for lifting measures, where the prime minister has said an easing of restrictions requires:

- Effective testing.
- Contact tracing, assisted by a mobile phone application.
- Assurance that the health system can cope with a surge in cases if control measures fail, including necessary supply of equipment.
- Better modelling of the characteristics and transmission of the virus.

Contact tracing is a key requirement for easing restrictions to reduce the risk of a second wave

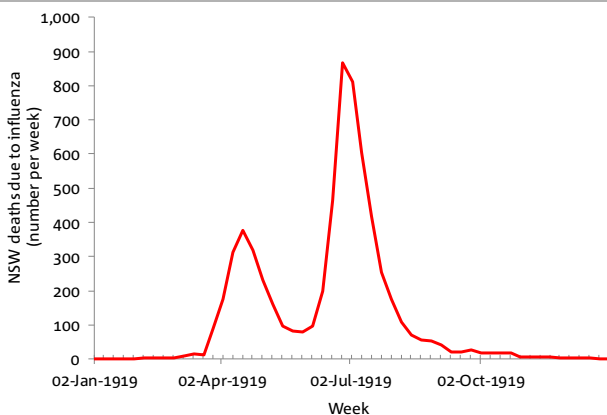
The prime minister has said the degree to which National Cabinet can confidently ease restrictions “really does depend on ... how much ... coverage” there is with the

Department of Health's "COVIDSafe" mobile phone application.

The Commonwealth had previously said that at least 40% of the population – or 10.3 million people – needed to use the app to ensure it was effective. Currently, 4.5 million people have downloaded the application, equalling 18% of the population. There is no longer a formal target on usage, but the PM has said there needs to be "millions more" downloads.

Contact tracing is important given past epidemics and pandemics show the risk of additional waves of infection. For example, the significantly more severe Spanish flu pandemic of 1918-19 saw two waves in Australia. A study of Australia's experience by Cursen and McCracken (2006) notes a first wave of the virus hit in mid-March to late May 1919. A second wave swept through in June and July which was more virulent than the first and caused more deaths ([see link for details](#)). A similar second wave was experienced around the world and some countries, such as the UK, experienced three waves.

Chart 5: Spanish flu saw two waves of infection in Australia in 1919



Source: Government of New South Wales, National Australia Bank

There have been many studies done of pandemic waves, particularly in the US. Worryingly, while they find containment measures are effective, a second wave of infections is possible once containment is relaxed unless a vaccine is available (for example, [see Hatchett, Lipsitch and Mecher 2006](#)).

Running counter to the second wave theory is the world's experience with the SARS-CoV epidemic in 2002-03, a similarly highly-infectious coronavirus that unexpectedly dissipated in response to containment measures. However, two key differences between that epidemic and now are: (1) the worldwide spread of SARS-CoV-2; and (2) the fact that SARS-CoV-2 cases are highly infectious prior to showing symptoms, whereas SARS-CoV patients were most infectious when they were very ill (and usually hospitalised by that time).

The PM also wants schools to reopen to allow parents to return to work

Another focus is on resuming classroom teaching in schools to make it easier for parents to return to work, but plans vary greatly by state.

- In terms of public schools, Victoria plans to continue online learning in the current term unless there is a

change in state medical advice. New South Wales will resume classroom teaching where possible from 11 May, while Queensland is staggering the return.

- In contrast, private schools have been offered a bring-forward of Commonwealth funding if they re-open in term two and half their students return to classrooms by 1 June.

This speaks to the broader issue of the need for government to restore confidence to encourage people to return to the workforce as the risk from the pandemic eases. This is important given that economic modelling of pandemics suggests many people will be reluctant to rejoin the workforce out of concern over the virus.

What measures could be eased and on what timeline?

Internationally, several advanced economies have wound back restrictions, with a few, including New Zealand, unveiling broad plans for easing measures subject to continuing improving trends. Most countries are allowing some easing of measures so most businesses can re-open in May, but with social distancing remaining in place along with restrictions on the number of people allowed to gather in one place (Table 1). Importantly, the path to easing measures is contingent on the path of the virus, with China showing that restrictions sometimes need to be reimposed.

Table 1: Gradual Easing in Containment Measures

	Easing so far	Prospective Easing
	Easing measures	
Austria	Shops under 400 sq m (4,300 sq ft) in size are allowed to reopen, along with hardware stores and garden centres. (14/04/2020)	May 1: Larger shops, shopping centres and hairdressers are due to reopen mid-May: restaurants and hotels could reopen if health conditions allow,
France		May 11: Each of France's 96 mainland departments will get a Red, Amber and Green rating, with varying levels of restrictions. In Green zones: non-essential shops to open, but not bars and restaurants. 1m social distancing i. Masks and social distancing on public transport. Public gatherings up to 10 allowed. Travel within a 100k limit. Childcare to reopen with 10 children max in each group. Primary schools to open. May 18: Secondary schools will open.
Italy	In some areas bookshops and clothing stores can open, a ban on exercising more than 200m away from home has been lifted. (14/04/2020) Veneto opened takeaway shops, and allowed residents to travel freely one week before a national lifting of restrictions. (27/04/2020)	May 4: Majority of Italy's industrial and manufacturing activity will restart, including construction sites. Travel within region permitted. Parks and gardens will reopen. Masks on public transport. Funerals allowed. Certificates confirming intentions are still required when going out. May 18: Museums, galleries, libraries and retailers will reopen. Sports teams can resume group training. June 1: Bars, restaurants and hairdressers to reopen. Takeaway businesses could be earlier. September: School to resume.
Spain	Some Spanish businesses, including construction and manufacturing, were allowed to resume. (13/04/2020)	May 11 / Phase 1: Bars can open outdoor areas limited to 1/3 of their capacity. Hotels can open with 1/3 capacity. Places of worship will also open with 1/3 capacity. Smaller shops can open for appointment, but commercial centres will not. Phase 2: 1/3 of indoor seats at restaurants, cinemas theatres and exhibitions allowed. Phase 3: Relax criteria except for social distancing of 2m. Phase 4: A "new normal". Movement between provinces can now occur. September: School to resume.
Germany	April 20: Shops of up to 800 square metres in size, as well as bookshops, bike stores and car dealerships,	May 4: schools to gradually re-open; hairdressers May 3: social distancing could be lifted Aug 31: large events - concerts and festivals could re-open
New Zealand	April 27: Moving to level 3 restrictions from level 4. Allows similar to movement to what is in Australia, but importantly 500k people can go back to work	May 11: Likely move to level 2 restrictions, most businesses can re-open. Social distancing eased with 100 indoors and 500 outdoors allowed.

Source: National Australia Bank, various media outlets

New Zealand's plans to ease restrictions are the most advanced, recently moving to "Level 3" restrictions that are broadly on a par with Australia's current level. New Zealand is currently deciding on the rules under "Level 2" restrictions, which requires no evidence of community transmission, at least a day with no new cases, and effective contact tracing.

Moving to Level 2 would see a meaningful opening up of the New Zealand economy. At that point, most businesses can open with appropriate social distancing measures in place. Gatherings of up to 100 people indoors and 500 outdoors would be allowed, again subject to physical distancing and contact tracing. However, domestic travel requirements are still being decided.

Social distancing would remain in place and people would be advised to avoid non-essential inter-regional air travel. People at high risk of severe illness – such as older people and those with existing medical conditions – are encouraged to stay at home where possible and take additional precautions when leaving home.

In our view, Australia might adopt broadly similar policies to New Zealand given similar virus tracks and similar cultures and with both countries closing their international border. Also reinforcing Australia and New Zealand's close ties, NZ PM Ardern is briefing Australia's Cabinet on Tuesday.

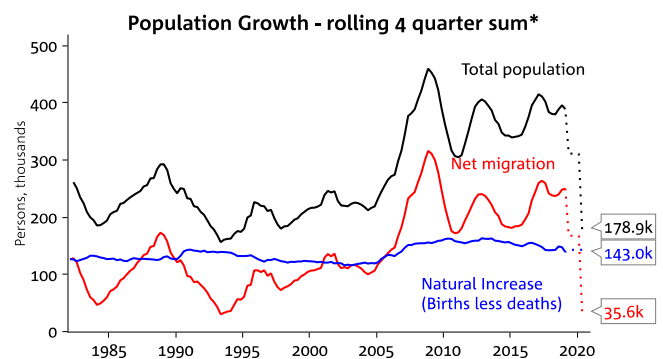
Australia's prime minister has already said that cabinet would consider both the timetable for reopening and is discussing with industry the "mitigations" that need to be in place to make workplaces safe. PM Morrison has also said he wants to restart community and organised sport and recreation. This would be subject to restrictions around numbers and whether inside or outdoors and large mass gatherings would still be banned. Religious gatherings would be allowed at a later date. Restriction on large gatherings could remain in place for some time with Germany retaining limits until at least the end of August in its plans.

The prime minister has also said he would like to open restaurants and pubs and restart domestic travel, although this would also be linked to contact tracing and social distancing measures.

Importantly, the ban on international travel is likely to be the last measure that is lifted, with the prime minister noting the "obvious" risks. That said, travel might be allowed with New Zealand. This suggests that international tourism would be out of action for some time yet.

Net migration – and presumably international students – would also be further down the government's list, with the prime minister expecting a 35% fall in net migration in 2019-20 and a further 50% fall in 2020-21. Feeding those numbers into population projections suggests population growth will fall to 1.2% in 2020 and to 0.7% in 2021. Migration restrictions will also affect tourism exports which account for about 3% of GDP versus international tourism at about 1%.

Chart 7: Population growth is set to fall shortly



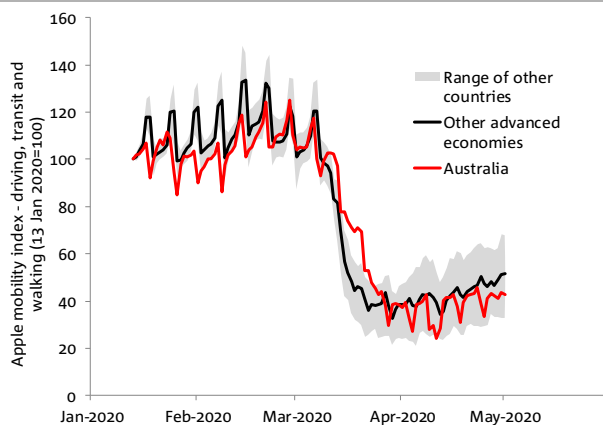
* Forecasts derived from the government's comments on net migration
Source: National Australia Bank, ABS

The need to restore confidence

Aside from outlining a timetable and providing detail on relaxing containment measures, it will be critical for the government to restore both household and business confidence to ensure a sustained recovery. The government and Reserve Bank have delivered an unprecedented easing of macroeconomic policy, but confidence has been severely dented by the nature of the pandemic, the hit to the economy and extreme uncertainty about the outlook.

This can be seen in Apple geolocation data tracking the movement of people around the globe. Apple’s mobility index measures driving, walking and use of trains and buses. The index fell very sharply in Australia in March and remains low, indicating most Australians are staying home. However, the size of the fall is very similar to the typical experience of other advanced economies, even though different countries have had different health containment measures.

Chart 7: Australians have behaved like households in other advanced economies

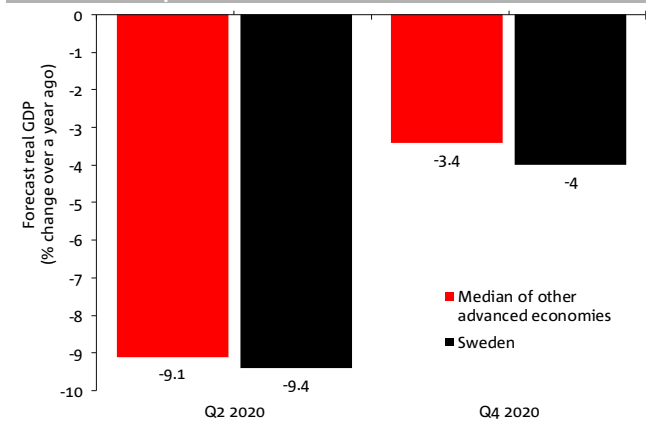


Source: Apple, National Australia Bank

This suggests that public perceptions of the pandemic itself is just as important as health containment measures in determining how households behave. This point is even clearer when examining Sweden, which did not adopt any formal containment measures. The Sveriges Riksbank warning the economy is in crisis with consensus forecasts showing the same massive fall in Sweden’s GDP as other advanced economies.

Encouragingly, the rollback of containment measures marks the beginning of the recovery in economic activity. This is not to say that Q2 GDP and unemployment numbers won’t be horrific – unemployment benefit claims already suggest that Australia’s unemployment rate is nearing 11%. As activity reopens, employment can be expected to increase and unemployment to eventually fall. The key will be the extent of any subsequent waves of infection and whether further lockdowns or containment measures need to be re-established, as well as household and business confidence.

Chart 8: Sweden’s economy is contracting even though it did not adopt containment measures



Source: Bloomberg, National Australia Bank

Tapas Strickland

CALENDAR OF ECONOMIC RELEASES

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEST
Friday 01 May 2020								
US	Construction Spending MoM	Mar		-3.5		-1.3	13.00	0.00
US	ISM Manufacturing	Apr		36		49.1	13.00	0.00
Monday 04 May 2020								
CH, JN	Public holiday							
AU	Melbourne Institute Inflation YoY	Apr		--		1.5	0.00	11.00
AU	ANZ Job Advertisements MoM	Apr		--		-10.3	0.30	11.30
AU	Building Approvals MoM	Mar	-23	-15		19.9	0.30	11.30
GE	Markit/BME Germany Manufacturing PMI	Apr F		34.4		34.4	6.55	17.55
EC	Markit Eurozone Manufacturing PMI	Apr F		33.6		33.6	7.00	18.00
US	Durable Goods Orders	Mar F		--		-14.4	13.00	0.00
US	Factory Orders	Mar		-9.2		0	13.00	0.00
Tuesday 05 May 2020								
CH, JN	Public holiday							
AU	AiG Perf of Construction Index	Apr		--		37.9	21.30	8.30
NZ	Building Permits MoM	Mar		--		4.7	21.45	8.45
NZ	ANZ Commodity Price	Apr		--		-2.1	0.00	11.00
AU	Payrolls			--		--	0.30	11.30
AU	RBA Cash Rate Target	May 5	0.25	0.25		0.25	3.30	14.30
US	Trade Balance	Mar		-41		-39.9	11.30	22.30
US	Markit US Services PMI	Apr F		--		27	12.45	23.45
US	ISM Non-Manufacturing Index	Apr		37.5		52.5	13.00	0.00
Wednesday 06 May 2020								
JN	Public holiday							
NZ	QV House Prices YoY	Apr		--		6.1	16.00	3.00
NZ	Employment Change QoQ	1Q		-0.2		0	21.45	8.45
NZ	Unemployment Rate	1Q		4.5		4	21.45	8.45
NZ	Average Hourly Earnings QoQ	1Q		0.6		0.1	21.45	8.45
AU	Retail Sales MoM	Mar	8	8		0.5	0.30	11.30
AU	Retail Sales Ex Inflation QoQ	1Q	1.5	1.8		0.5	0.30	11.30
GE	Factory Orders MoM	Mar		-10		-1.4	5.00	16.00
GE	Markit Germany Services PMI	Apr F		15.9		15.9	6.55	17.55
EC	Retail Sales MoM / YoY	Mar		-11.3 / 5		0.9 / 3	8.00	19.00
US	ADP Employment Change	Apr		-20000		-27	11.15	22.15
Thursday 07 May 2020								
CH	Trade Balance	Apr		15.8		19.9		7 May
CH	Exports YoY	Apr		-9.5		-6.6		7 May
CH	Imports YoY	Apr		-10		-0.9		7 May
AU	AiG Perf of Services Index	Apr		--		38.7	21.30	8.30
AU	Trade Balance	Mar	7000	6400		4361	0.30	11.30
CH	Caixin China PMI Services	Apr		50.5		43	0.45	11.45
NZ	2Yr Inflation Expectation	2Q		--		1.93	2.00	13.00
GE	Industrial Production WDA YoY	Mar		-8		-1.2	5.00	16.00
UK	Bank of England Bank Rate	May 7	0.1	0.1		0.1	10.00	21.00
UK	BOE Asset Purchase Target	May		--		435	10.00	21.00
Friday 08 May 2020								
UK	Public holiday							
AU	RBA Statement on Monetary Policy			--		--	0.30	11.30
CA	Housing Starts	Apr		--		195.174	11.15	22.15
US	Change in Nonfarm Payrolls	Apr		-22000		-701	11.30	22.30
US	Unemployment Rate	Apr		16		4.4	11.30	22.30
US	Average Hourly Earnings YoY	Apr		3.3		3.1	11.30	22.30
CA	Unemployment Rate	Apr		20		7.8	11.30	22.30
CA	Net Change in Employment	Apr		-5000		-1010.7	11.30	22.30
CA	Hourly Wage Rate Permanent Employees YoY	Apr		--		6.1	11.30	22.30
US	Wholesale Inventories MoM	Mar F		--		-1	13.00	0.00
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		May 5	0.25	0.25		0.25		
UK, BOE		May 7	0.10	0.10		0.10		
New Zealand, RBNZ		May 13	0.25	0.25		0.25		
Canada, BoC		Jun 3	0.25	0.25		0.25		
Europe, ECB		Jun 4	-0.50	-0.50		-0.50		
US, Federal Reserve		Jun 10	0/0.25	0/0.25		0/0.25		
Japan, BoJ		Jun 16	-0.10	-0.10		-0.10		

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

FORECASTS

Economic Forecasts															
	Annual % change			Quarterly % change											
	2019	2020	2021	2019				2020				2021			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Australia Forecasts															
Household Consumption	1.4	-6.6	-0.1	0.4	0.3	0.1	0.4	-0.1	-6.6	-5.6	2.8	1.1	0.7	1.1	1.1
Underlying Business Investment	-2.0	-18.1	-7.7	0.6	-0.4	-1.8	-1.5	-3.9	-15.3	-4.0	1.2	-3.5	1.7	-0.6	0.9
Residential Construction	-7.1	-13.0	5.3	-2.0	-3.5	-1.2	-3.4	-2.0	-7.5	-5.3	2.7	1.3	4.4	4.8	3.9
Underlying Public Spending	4.9	4.0	3.8	1.1	1.7	2.0	0.1	0.8	1.1	1.0	1.0	1.0	0.9	0.8	0.8
Net Exports (a)	1.1	2.6	-1.3	0.4	0.5	0.0	0.1	0.1	2.3	1.3	-1.0	-0.2	-0.3	-0.4	-0.4
Inventories (a)	-0.2	-0.6	0.8	-0.1	-0.3	0.2	0.2	-0.2	-1.7	0.6	1.8	-0.4	0.1	0.0	0.0
Domestic Demand (q/q %)	--	--	--	0.3	0.4	0.4	0.1	-0.2	-5.3	-3.5	2.2	0.8	1.1	1.1	1.2
Dom Demand (y/y %)	1.2	-5.0	0.9	1.2	1.2	1.2	1.3	0.8	-5.0	-8.7	-6.9	-5.9	0.5	5.3	4.3
Real GDP (q/q %)	--	--	--	0.5	0.6	0.6	0.5	-0.3	-7.0	-1.2	4.4	1.5	0.9	0.7	0.8
Real GDP (y/y %)	1.8	-4.3	3.5	1.7	1.6	1.8	2.2	1.4	-6.3	-7.9	-4.4	-2.7	5.6	7.6	3.9
CPI headline (q/q %)	--	--	--	0.0	0.6	0.5	0.7	0.3	-1.9	0.5	0.7	0.2	0.2	0.0	0.3
CPI headline (y/y %)	1.6	0.3	0.7	1.3	1.6	1.7	1.8	2.2	-0.4	-0.3	-0.3	-0.5	1.6	1.1	0.6
CPI underlying (q/q %)	--	--	--	0.3	0.4	0.4	0.5	0.5	0.4	0.4	0.2	0.2	0.1	-0.2	0.0
CPI underlying (y/y %)	1.6	1.7	0.7	1.5	1.6	1.6	1.6	1.8	1.7	1.7	1.5	1.2	0.9	0.4	0.2
Private wages (q/q %)	--	--	--	0.5	0.5	0.5	0.5	0.5	0.3	0.3	0.3	0.3	0.3	0.5	0.5
Private wages (y/y %)	2.3	1.7	1.2	2.4	2.3	2.2	2.2	2.1	1.9	1.6	1.3	1.1	1.0	1.3	1.5
Unemployment Rate (%)	5.1	10.0	8.7	5.1	5.1	5.2	5.1	5.2	11.7	11.5	11.6	10.8	8.9	7.8	7.3
Terms of trade	5.2	-11.7	-2.2	3.3	1.5	0.2	-5.3	-2.9	-5.0	-2.6	-2.6	1.1	2.0	-0.1	-0.1
Current Account (% GDP)	0.5	0.5	-0.3	-0.4	0.9	1.3	0.2	-0.4	0.9	1.8	0.0	0.0	0.0	-0.4	-0.8

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

Exchange Rate Forecasts

	4-May	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Majors						
AUD/USD	0.638	0.62	0.64	0.68	0.69	0.70
NZD/USD	0.60	0.59	0.60	0.62	0.64	0.65
USD/JPY	106.7	109	109	109	109	109
EUR/USD	1.10	1.08	1.10	1.12	1.13	1.14
GBP/USD	1.24	1.23	1.27	1.30	1.32	1.33
USD/CNY	7.06	7.00	6.90	6.85	6.80	6.80
USD/CAD	1.41	1.43	1.41	1.39	1.37	1.35
USD/CHF	0.96	0.98	0.97	0.96	0.96	0.95

Global GDP

	2019	2020	2021
Australia	1.8	-4.3	3.5
United States	2.3	-6.6	6.7
Eurozone	1.2	-6.5	6.0
United Kingdom	1.4	-6.1	6.2
Japan	0.8	-5.0	3.9
China	6.1	1.0	9.8
India	5.3	2.0	7.6
New Zealand	2.2	-6.5	1.9
World	3.0	-2.6	6.3

Australian Cross Rates

AUD/NZD	1.06	1.05	1.07	1.09	1.08	1.07
AUD/JPY	68.1	68	70	74	75	76
AUD/EUR	0.58	0.57	0.58	0.60	0.61	0.61
AUD/GBP	0.51	0.50	0.50	0.52	0.52	0.52
AUD/CNY	4.50	4.34	4.42	4.62	4.69	4.73
AUD/CAD	0.90	0.89	0.90	0.94	0.95	0.94
AUD/CHF	0.61	0.61	0.62	0.65	0.66	0.66

Interest Rate Forecasts

	4-May	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Australian Rates						
RBA cash rate	0.25	0.25	0.25	0.25	0.25	0.25
3 month bill rate	0.10	0.20	0.20	0.25	0.30	0.30
3 Year Swap Rate	0.28	0.34	0.30	0.30	0.30	0.30
10 Year Swap Rate	0.88	0.88	1.00	1.08	1.18	1.28
Offshore Policy Rates						
US Fed funds	0.25	0.25	0.25	0.25	0.25	0.25
ECB deposit rate	-0.50	-0.60	-0.60	-0.60	-0.60	-0.60
RBNZ OCR	0.25	0.25	0.25	0.25	0.25	0.25
10-year Bond Yields						
Australia	0.84	0.80	0.95	1.05	1.15	1.25
United States	0.61	0.60	0.70	0.80	0.90	1.00
New Zealand	0.71	0.88	0.88	1.03	1.28	1.38

Sources: NAB Global Markets Research; Bloomberg; ABS

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