

AUSTRALIAN MARKETS WEEKLY

Initial V-shape recovery, at least according to high-frequency data



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Tracking Australia's recovery through high-frequency data

- The Australian economy likely bottomed in mid-April according to several high frequency data sets that we track. NAB internal data (published last Thursday) also reports the recovery is wide-spread across Australia's states and territories.
- In this Weekly we delve into the high-frequency data in detail to try to answer what is the shape of the recovery currently underway, and how sustainable this recovery is, given fears over a 2nd wave of infections (particularly evident in the US and Iran).
- We find Australia's recovery so far could be described as a "v-shape in growth terms", but at this stage is still likely to be a "u-shape in levels" given border restrictions will largely be in place until a vaccine is available – optimistic best-case scenario is for late this year, and the global economy is likely to remain soft given varying success in containing the virus.
- Amongst the high-frequency data, the movement of people has picked up, the rate of new COVID-19 infections remains very low and consumer confidence has rebounded strongly. Spending is lifting with NAB seeing a broad pick-up across its transactional data since mid-April and restaurant and hotel bookings are rising from very low levels (chart below). Encouragingly, job ads are also rising, while the labour market appears to have troughed according to weekly payrolls.
- At this stage it is unclear how much of the rise in activity reflects pent-up demand, or a genuine return to more normal levels of activity. Studies of prior pandemics suggest precautionary savings rise for a prolonged period (40 years!, [see link](#)), though given low virus numbers in Australia the behavioural impact may not be as large as in other countries. Amid the uncertainty, high frequency data will continue to be monitored as well as the path of the virus (and vaccine trials) given it is the path of the virus that will ultimately dictate the recovery.

The week ahead

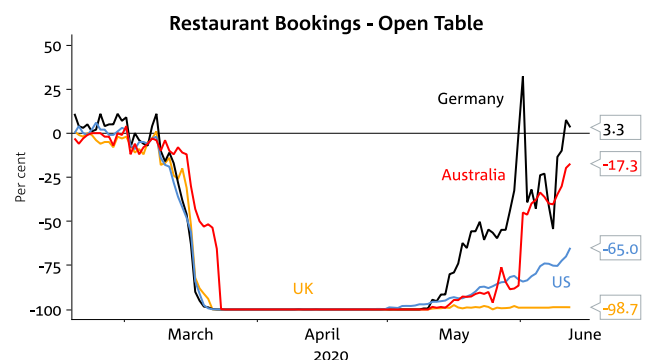
- Australia:** A big week with employment on Thursday and prelim-retail sales on Friday – both for May, though the more important piece may be ABS weekly payrolls on Tuesday to see whether the labour market is starting to recover as indicated by a pick-up in job advertising. Consensus looks for unemployment to rise to 7.0% (from 6.2%) and for employment to fall by 75k after last month's -594k. As for retail sales, a strong rise is likely given the easing of lockdown restrictions. The RBA Minutes are also on Tuesday.
- International:** **CH:** activity indicators today for May were just out with a disappointing rise in retail sales despite sharp rebound in the Caixin Services PMI. **BoE/BoJ/SNB:** the three central banks meet, while EU leaders will get together and discuss the proposed €750bn recovery fund. **US:** virus count numbers under focus amid fears of a 2nd wave of infections. Powell speaks on Tuesday and retail sales for May are also out.

Key markets over the past week

| | Last | % chg week | | Last | bp/% chg week |
|---------|--------|------------|-----------|-------|---------------|
| AUD | 0.6836 | -2.3 | RBA cash | 0.14 | 0 |
| AUD/CNY | 4.84 | -2.1 | 3y swap | 0.27 | -2 |
| AUD/JPY | 73.4 | -3.1 | ASX 200 | 5,848 | -2.4 |
| AUD/EUR | 0.608 | -1.9 | Iron ore | 102 | -0.2 |
| AUD/NZD | 1.062 | -0.7 | Brent oil | 38.7 | -8.4 |

Source: Bloomberg

Chart of the week: Initial V-shape recovery?

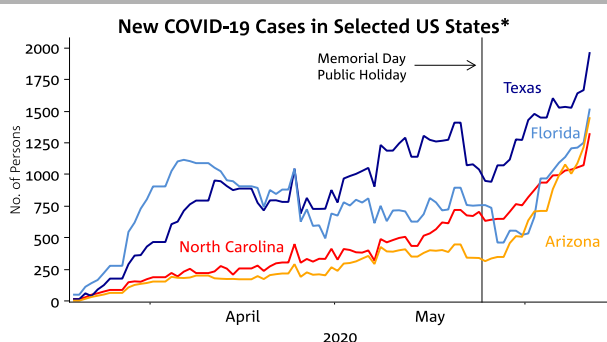


Source: National Australia Bank, OpenTable

Markets in review

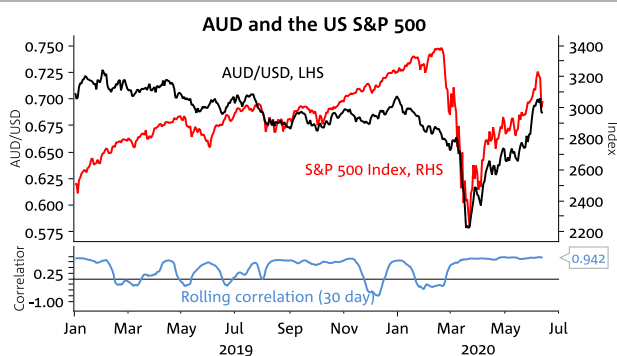
Risk sentiment soured mid last week following a sombre risk assessment by the US Fed Chair and worries over a 2nd wave of infections in the US (Chart 1). New COVID-19 cases have soared in Texas, Arizona, Florida and North Carolina and questions are being asked about the capacity of the healthcare system to cope and whether there is a need to re-impose containment measures. The US Administration's handling of the virus as well as recent protests have seen President Trump's re-election chances plummet to 42% according to PredictIT, Democrats now have a 58% chance of making a clean sweep of the presidency, house and senate.

Chart 1: US infections on the rise after re-opening



Stocks fell sharply over the week (S&P -4.8%), though the S&P500 is still up 35.9% since its late March lows (and only 10% off its pre-virus highs). Bonds rallied with US 10yr yields -19.8bps to 0.70%, supported by the Fed's forecasts and dots, which see inflation undershooting the target despite rates being unchanged into 2022. The drop in stocks saw some safe-haven bid return for the USD after its steady fall over the past three weeks. This saw the AUD on the backfoot – and it continues to move very much in sync with equities. After it hit a high of 0.7063 on Wednesday, the \$A is now currently 0.6829. In contrast, iron ore remains above \$100 a tonne amid fears of Brazilian supply disruptions from COVID-19.

Chart 2: AUD still tracking equities/risk sentiment



Not market moving but of relevance to the medium-term outlook was China's travel alert to Australia for education and tourism amid heightened bilateral tensions. The alerts are unlikely to have an immediate impact given the international border is currently closed, but should they persist they could have a large impact given Chinese education and tourism account for around 0.8% of GDP.

Tracking Australia's recovery via high-frequency data

This week, we discuss the high frequency data that NAB has been looking at to track the recovery out of lockdown, and what the data might be telling us about the shape of the recovery and how sustainable the recovery may be. This type of data is increasingly being utilised given the lag of traditional hard (e.g. GDP) and soft (e.g. survey) data. Indeed, part of the reason for the sharp rally in risk sentiment over the past six weeks despite dire GDP and employment prints has been the positive signals sent by high-frequency data and the virus coming under control.

Broadly speaking, there are six types of high-frequency data that we have been tracking, and which have been signalling a sharp pick-up in activity since lows around mid-April:

- **Health data - virus case numbers:** the ultimate cause of the current recession that we are in, has been the public reaction to the virus as well as the containment measures that were put in place to control the spread of the coronavirus. As the virus has come under control in most advanced economies, containment measures have been gradually lifted earlier than expected and this has allowed activity to resume. The WHO and various governments publish virus count numbers daily, with the new infection rate being the most important figure to follow
- **Geo-location data:** companies including Apple, Google and CityMapper have made their data available, which gives insight into the movement of people and the time spent in specific geographic locations. As lockdowns were eased, this these data are giving insight into the degree to which individuals are willing to re-engage with the world outside of their home (e.g. at work, in retail establishments and use of public transport). Governments also have vast troves of data in this area, as do toll road companies (e.g. Transurban) and shopping centre owners.
- **Consumption-related data:** a key unknown following the pandemic has been consumers' willingness to resume pre-pandemic activity. While geolocation data is one way to gain insight into this, consumer confidence measures provide additional insight with views around finances, the economy and spending intentions. We have been looking closely at the ANZ-Roy Morgan Weekly and Westpac-MI Monthly, as well as other data such as restaurant and hotel bookings by OpenTable and Siteminder. Of course the Government's JobKeeper and JobSeeker support packages are likely to have been an important factor supporting consumer confidence, so a key issue is whether the underlying economy has recovered sufficiently to allow the removal of these schemes, or whether they should be tapered and/or extended in certain sectors.
- **Labour market data:** Official employment data have previously only been available monthly in Australia. Recently the ABS has been making available weekly payrolls figures, which are providing a very timely read on the labour market, while a separate smaller

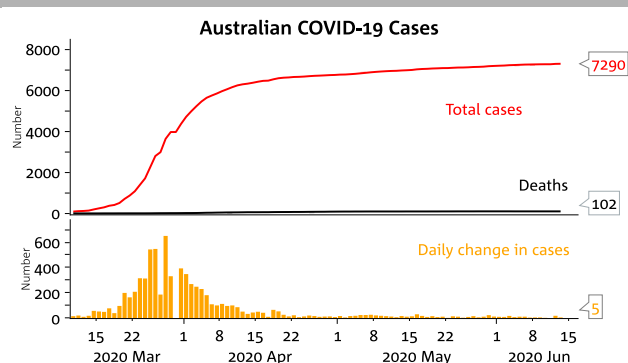
scale household survey on the impact of COVID-19 is also providing insight into employment trends. Job advertisers SEEK and Indeed have also been publishing frequent updates on the trends in job advertising across their platforms.

- **Port data (for the external sector):** A key unknown currently is not only the uncertainty in Australia, but also the impact of the virus on the demand for Australia's commodities. We have been looking closely at weekly shipping for China, Japan and South Korea to gauge commodity demand. Port data is available via Bloomberg through the AHOY function.
- **NAB's customer transactions data:** NAB has been publishing fortnightly updates on consumer spending trends across its customer base, alongside regular publications such as monthly cashless retail sales and the online retail index. As one of the four major banks in Australia, trends across NAB's customer base should be generally reflective of what is occurring across the Australian economy.
- There are also numerous other high-frequency datapoints including daily house prices and weekly auction clearance rates which are well known and are not covered in this Weekly.

Virus case numbers

Virus case numbers are arguably the most important statistic of all to track as they drive the behaviour of consumers and the containment and social distancing restrictions put in place by governments to control the spread of the virus (Chart 3). Australia's "suppression" strategy has been immensely successful and has allowed an earlier than expected easing in restrictions, which is allowing activity to pick up.

Chart 3: Very low virus count even as restrictions ease



Last Friday, the National Cabinet flagged a further easing in restrictions (again faster than expected). Revised guidelines replace indoor gathering caps with a one person per 4sqm rule (effectively giving large venues the ability to open with 25% capacity), and outdoor gatherings will no longer be capped and will be replaced with the 4sqm rule along with the 1.5m social distancing guideline (see [PM's Statement, 12 June 2020](#)). Even with international border restrictions in place, a trial of allowing foreign students into the country was also announced under a mandatory quarantine period, which would allow our education export sector to recover sooner than expected.

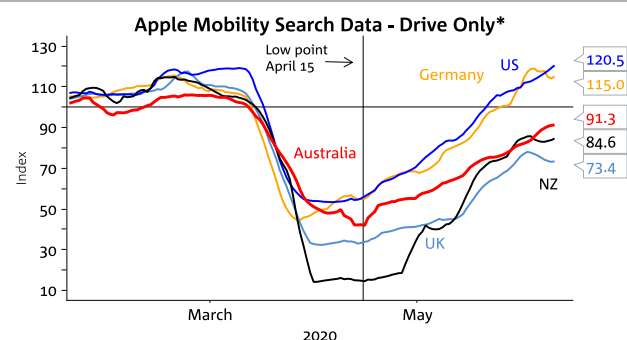
It will be important to continue to track virus numbers in Australia and around the world. Any sustained pick-up would likely see the pace of easing of restrictions slowed (and even in some cases, reimposed), while similarly a 14-day consecutive period of no community transmission could see all social distancing guidelines lifted, similar to New Zealand's experience. If this were to occur, then a further sharp pick-up in activity could be expected. The rate of new infections around the world is also important to track as an indicator of the extent to which global growth may continue to be a drag on Australian growth.

Geolocation and search

With lockdowns easing across the world, geolocation and search data is being used to see how willing individuals are to interact with the world outside of their home. Companies including Apple, Google and CityMapper have made their data available, while shopping centre and toll road companies have been publishing regular updates on traffic across their businesses.

The key insights from these data is that activity likely troughed around the world in mid-April. Since then, searches for driving directions have picked up according to Apple (Chart 4). In places such as Germany and the US, driving search activity is now on par where it was prior to the pandemic, and in Australia it is not far from pre-pandemic levels.

Chart 4: Driving activity picking up since mid April



Some of the rise in search activity for driving routes reflects a pick-up in preferences for driving given both the restrictions and concerns around public transport usage (Chart 5). Use of public transport is still 60% below normal, suggesting significant working from home and challenges for many CBD-based services. Reduced petrol consumption data also suggests on average shorter distance trips.

Chart 5: Public transport searches still weak, but up

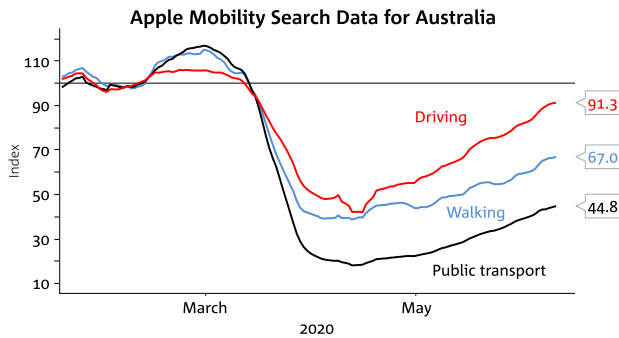
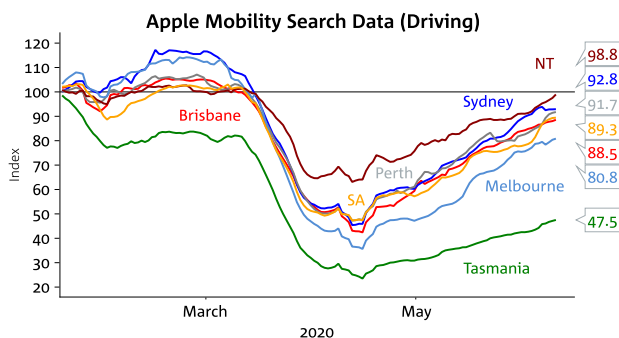


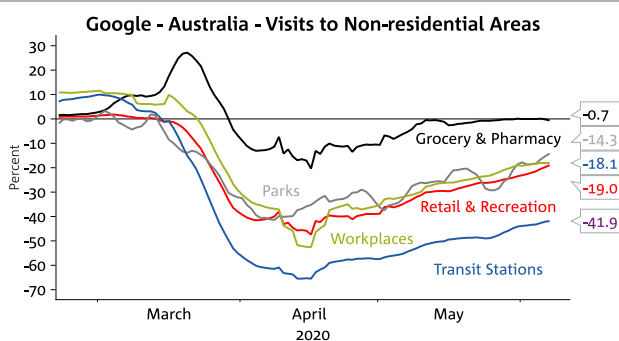
Chart 6: Melbourne and Tas lagging the recovery a little



Amongst the capital cities, Melbourne has lagged the pick-up in activity given Victoria has had a slower path to easing restrictions than in other states (Chart 6). Tasmania is also lagging, given the importance of interstate tourism. The Northern Territory on the other hand is leading the way, after very few coronavirus infections.

Google, which is publishing data on the numbers of visits to non-residential areas is also showing a pick-up in visits to workplaces and to retail and recreation places (Chart 7). Shopping centre owners also report foot traffic has picked up – GPT recently reported traffic was now 85% of what it was this time last year with 90% of stores open (GPT ASX Announcement 9 June 2020).

Chart 7: More visits to non-residential areas



Consumption-related data

A key unknown following the pandemic has been consumers' willingness to resume pre-pandemic activity. While geolocation data is one way to gain insight, consumer confidence measures can provide additional granularity with insight into views around finances, the economy and spending intentions.

We have been looking closely at the ANZ-Roy Morgan Weekly and Westpac-MI Monthly measures as a gauge. Consumer confidence in Australia troughed at the end of March according to the ANZ-Roy Morgan measure and has been rising steadily since (Chart 8). Using the long-run history of the Westpac-MI Monthly measure, the bounce in confidence is one of the sharpest for any downturn and may suggest consumers might be less scarred by the pandemic than was feared (Chart 9).

Chart 8: Confidence bounced from beginning of April

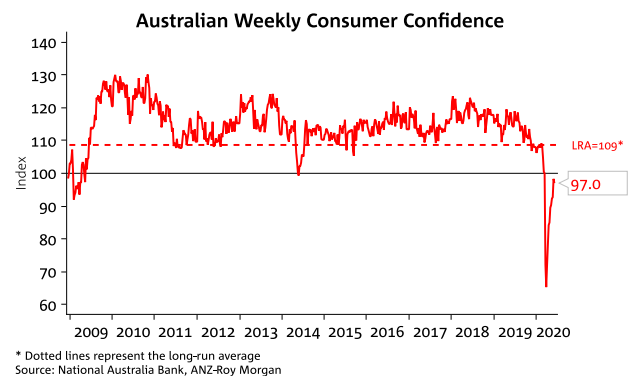
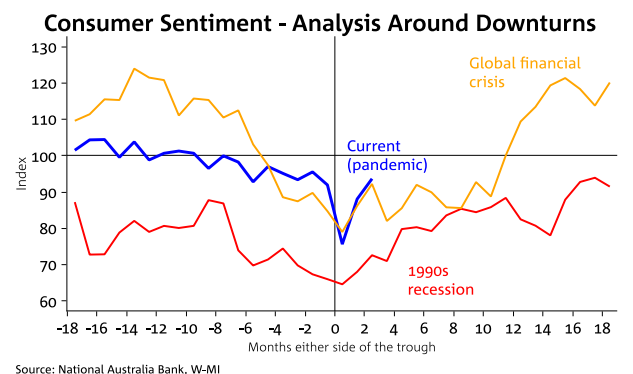
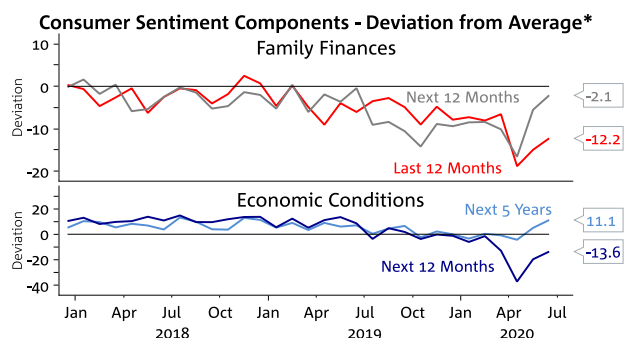


Chart 9: Sharp rebound in sentiment contrast to 1990s



A key factor behind the rise in confidence has been the virus coming under control and the earlier than expected easing in restrictions. This has seen expectations for family finances and for the economy rebound sharply and unemployment expectations fall (Chart 10). The government's JobKeeper and JobSeeker programs have also been contributing factors, by offsetting some of the income shock associated with unemployment and underemployment. A key question for Australia going forward will be whether the eventual phasing out of these programs start to impact on the recovery seen in consumer confidence, or whether the pick-up in activity is able to sustain enough momentum.

Chart 10: Future expectations rebound sharply



We have also been looking at bookings for restaurants and hotels as an indicator of consumers' willingness to resume pre-pandemic activities and levels of activity. Restaurants and Hotels involve greater interaction with people and can proxy consumers' willingness to resume pre-pandemic activity. Open Table, a restaurant booking platform has been making their data available and has seen a surge in bookings in Australia and Germany as containment restrictions have been eased (Chart 11). Table limit numbers may mean overall activity is overstated with a greater need to pre-book dining, with there also likely to be some elements of pent-up demand.

Chart 11: Restaurant books on the rise

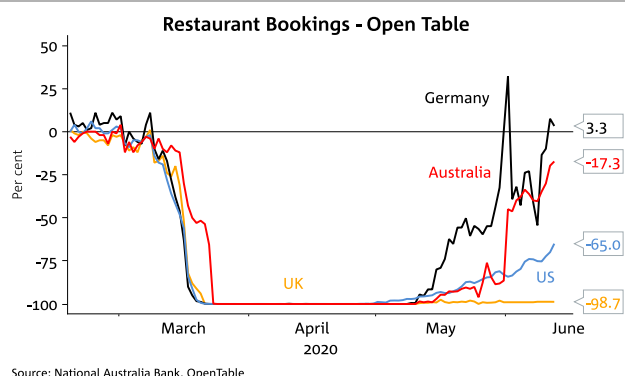
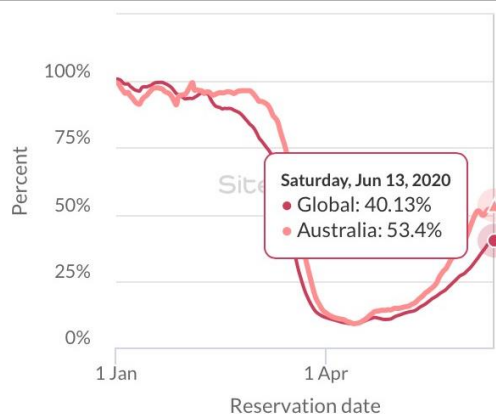


Chart 12: Hotel bookings also rising

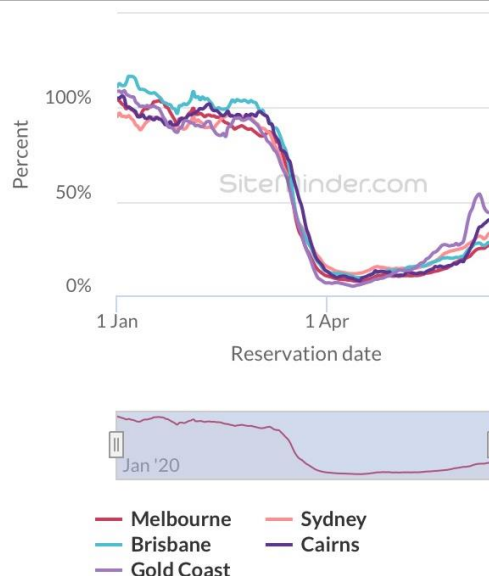


Source: <https://www.siteminder.com/world-hotel-index/data/>

With interstate travel bans gradually being lifted, bookings for accommodation have also been rising

according to the World Hotel Index (Chart 12), though many of these are for future dates, meaning current activity levels remain very low. Encouragingly the key domestic tourist destinations such as Cairns and the Gold Coast are seeing a sharp pick up in bookings, though levels still remain well below this time last year (Chart 13). An easing of interstate border restrictions will also likely help underpin a recovery in the domestic tourism market. However, with the international border likely to remain closed to many nations for an extended period, the resumption of significant international tourism appears to be at least six months away.

Chart 13: Hotel books for Cairns and Gold Coast rise



Source: <https://www.siteminder.com/world-hotel-index/data/>

Labour market statistics

Official employment data has only been available monthly until now in Australia. Recently the ABS has been making available weekly payrolls figures (published fortnightly) which is providing a very timely read on the labour market, while a separate smaller scale household survey on the impact of COVID-19 is also providing insight into wider labour market trends.

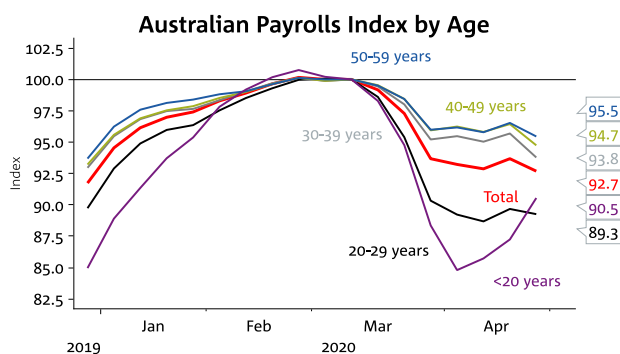
The ABS payrolls data cover around 99% of large-and medium sized businesses and around 70% of small businesses. While these data don't line up exactly with employment statistics due to persons having multiple jobs (and thus multiple payrolls), they are much broader than the monthly survey, though they do not measure self-employment.

The data show the number of jobs in Australia has fallen 7.3% compared to pre-virus levels, but importantly there have been broadly stable payrolls prints over the past few weeks (Chart 14). Interestingly the stability in Payrolls is coming from an increase in jobs for those aged <20 years and may reflect the JobKeeper scheme that saw many services jobs initially lost, along with the expectations of restrictions being eased. Wage data attached to payrolls show aggregate wage losses have been around 5.4% compared to pre-virus levels,

indicating job losses have been concentrated in lower paid industries/rolls in aggregate.

We will be watching the payrolls data closely in coming weeks to see how quickly employment returns as containment restrictions have been lifted. The next update is tomorrow (Tuesday) and this is arguably a more important release than the May Labour Force series as the latter reflects data from the first half of May, while the latter is for the last week of May when a tentative recovery in activity occurred. We would be expecting that hours worked in the official data will trough in May and begin to recover in the June figures.

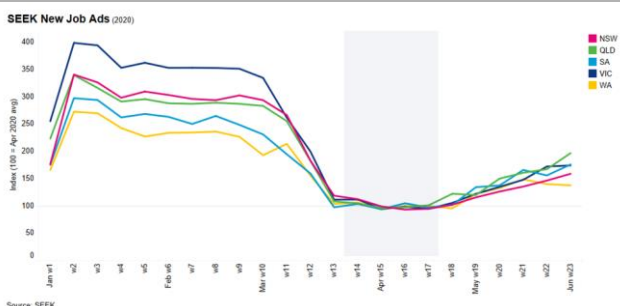
Chart 14: Worst likely over for the labour market



Source: National Australia Bank, ABS

One indication that jobs are returning is that job advertisers SEEK and Indeed have been reporting a recovery in job ads volumes since mid-April (Chart 15). SEEK most recently reported that in the fortnight ended 7 June, job advertising was up 60.6% compared to the average for April (the low). The pick-up in job advertising has been somewhat surprising as we had thought it would lag the recovery given JobKeeper aims to keep workers attached to their workplace and it has only been a relatively short period of time of separation.

Chart 15: Seek job ads are turning higher again



Source: SEEK

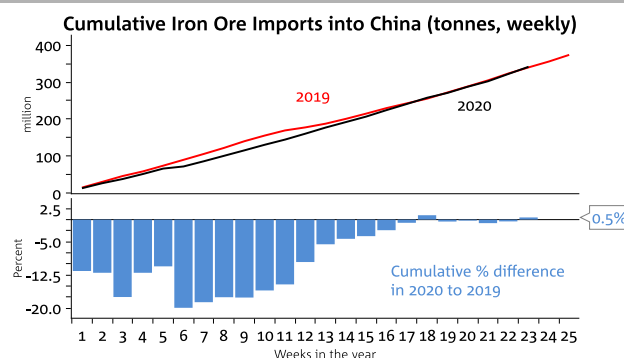
Port and shipping data

A key unknown for the Australian economy is the impact of the virus globally for Australia's key commodity exports. We have been looking closely at weekly shipping for China, Japan and South Korea to gauge commodity demand and have noted volumes to China and South Korea are broadly tracking 2019 levels. A more worrying sign is data for Japan, which is tracking below 2019 levels.

Given China's importance to Australia, we have also been tracking various gauges of high-frequency data in China, ranging from air pollution to traffic congestion. All these

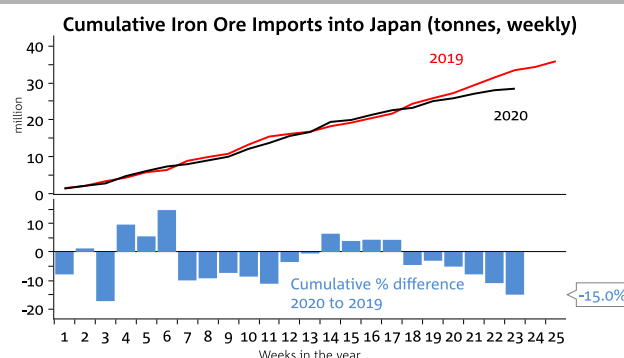
measures suggest the industrial side of the Chinese economy is tracking closely to 2019 levels (Chart 18). Other indicators though suggest the services side of the economy is lagging somewhat.

Chart 16: Iron ore into China tracking 2019 levels



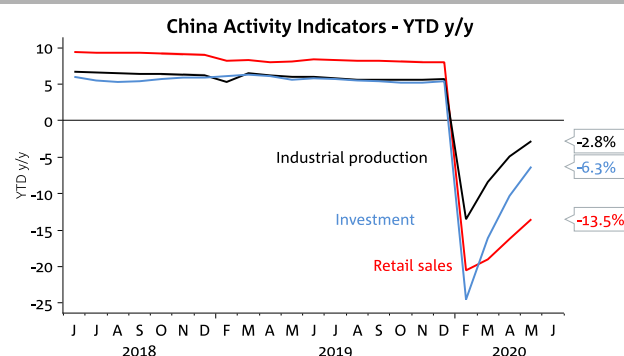
Source: National Australia Bank, Bloomberg

Chart 17: Iron ore into Japan running below 2019 levels



Source: National Australia Bank, Bloomberg

Chart 18: Strong industrial rebound in China



Source: National Australia Bank, Macrobond

NAB's customer transactions

NAB has been publishing fortnightly updates on trends in its customers' transactions, alongside regular publications such as monthly cashless retail sales and the online retail index. As one of the four major banks in Australia, trends in the spending of NAB's customer base should be generally reflective of what is occurring across the Australian economy.

Across NAB's book, consumer spending has lifted from the lows seen in late April. Total consumer spending is now down just 2.8% from its pre-pandemic level (Chart 18). The pick-up in spending has been broad-based amongst the states (Chart 19). This mirrors NAB's Cashless Retail Sales index, which is pointing to a sharp rebound in retail activity for May (Chart 21).

Chart 19: Spending has recovered, down just -2.8%

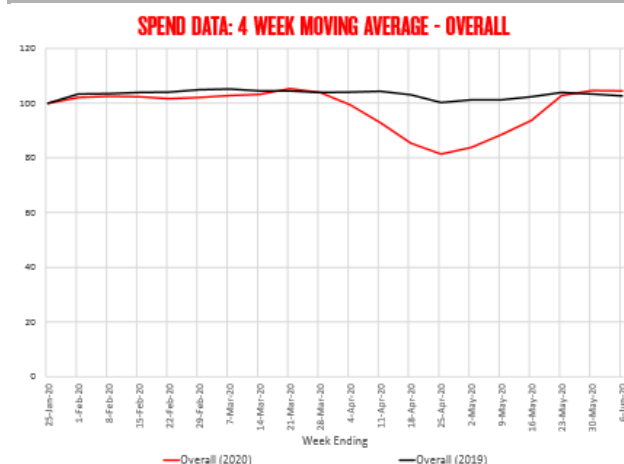


Chart 20: Spend pickup broad based amongst the states

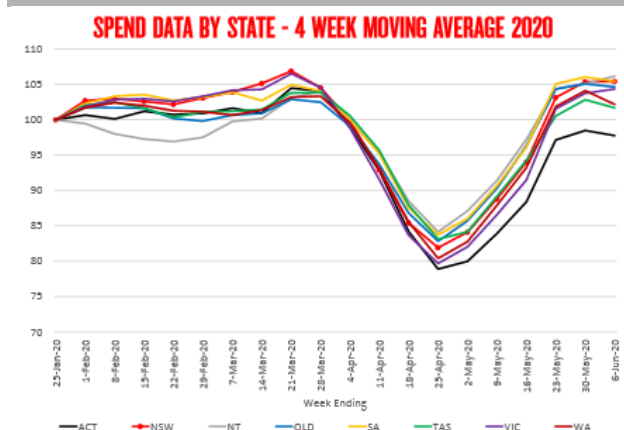


Chart 21: Mapping NAB's data to retail shows a rebound

Chart 2: ABS and forecast ABS retail trade data, s.a



Table 1: Industry split of the pick-up; food bouncing

NAB CONSUMPTION-BASED SPENDING* BY INDUSTRY SECTOR & SELECTED INDUSTRIES
(4 weeks ending 6 June 2020)

| | % change since same time last year** | % change since the start of year** | % change since previous week** |
|---|--------------------------------------|------------------------------------|--------------------------------|
| Accommodation & Food Services | -35.9% | -41.5% | 5.6% |
| Administrative & Support Services (Incl. Travel Agents) | -82.7% | -82.3% | 14.9% |
| Arts & Recreation Services | -10.7% | -17.5% | -1.2% |
| Construction | 12.5% | 33.3% | 1.2% |
| Education & Training | -10.1% | 10.5% | -2.0% |
| Electricity, Gas & Water & Waste Services | -0.5% | 14.5% | -1.3% |
| Healthcare & Social Assistance | -25.6% | -5.8% | 9.4% |
| Information, Media & Telecommunications | 1.7% | -1.3% | -1.6% |
| Professional, Scientific & Technical Services | 12.9% | 46.7% | 2.2% |
| Rental, Hiring & Real Estate Services | -14.2% | -13.9% | 2.4% |
| Retail Trade | 12.7% | 12.0% | -1.1% |
| Transport, Postal & Warehousing | -44.6% | -42.9% | 0.7% |
| TOTAL | -4.1% | -2.8% | 0.2% |
| Best Performers (Sub-Division) | | | |
| - Gambling Activities | 62.7% | 50.7% | -4.0% |
| - Internet Publishing & Broadcasting | 41.6% | 43.2% | -3.3% |
| - Building Cleaning, Pest Control & Other Support Serv. | 28.8% | 30.4% | 3.2% |
| - Motor Vehicle & Motor Vehicle Parts Retailing | 25.6% | 34.5% | 2.6% |
| - Construction Services | 24.4% | 47.4% | 0.8% |
| - Waste Collection, Treatment & Disposal Services | 22.6% | -13.1% | -7.3% |
| - Other Store-Based Retailing | 17.7% | 16.9% | -1.3% |
| Worst Performers (Sub-Division) | | | |
| - Motion Picture & Sound Recording Activities | -96.6% | -97.7% | 11.0% |
| - Administrative Services | -85.3% | -85.2% | 18.6% |
| - Rail Transport | -82.7% | -82.2% | 8.5% |
| - Air & Space Transport | -81.9% | -82.7% | -9.1% |
| - Heritage Activities | -78.6% | -86.3% | 35.4% |
| - Creative & Performing Arts Activities | -73.1% | -72.2% | 6.2% |
| - Accommodation | -66.4% | -73.1% | 19.7% |
| - Sports & Recreation Activities | -66.4% | -67.9% | 13.7% |

By industry sectors, retail spending is picking up tentatively across the board. There has been a notable increase in spending on accommodation and food and also in healthcare as containment measures ease. As for sectors that did better than others in the pandemic, just 5 sectors enjoyed higher spending levels since the start of 2020, led by Professional, Scientific & Technical Services (46.7%) and Construction (33.3%). Retail spending is also up around 12% over these timeframes.

Conclusions

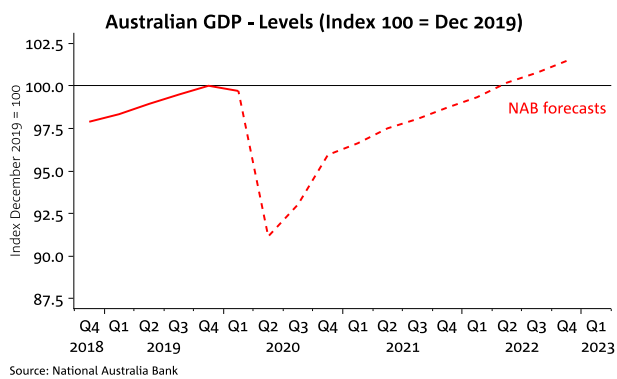
Activity is picking up reasonably significantly from the extremely low containment related levels across Australia according to the high-frequency data. The pick-up reflects the better-than-expected control of the virus and has been a pleasant surprise for policy makers, including the RBA and Treasury, with the RBA Governor recently noting the economy was tracking between the Bank's May Statement on Monetary Policy baseline and optimistic scenarios. The Treasury has also revised down its forecast peak unemployment rate from around 10% to 8% (though we would continue to recommend hours worked as the key labour indicator to follow).

A key reason for the pick-up has been the gradual easing of containment restrictions as the coronavirus has come under control. Accordingly, *V-shaped growth rates* are likely to be recorded over coming months for the overall economy and for most, but not all, sectors. However, while we are confident v-shaped growth will occur in the near term, it may take a number of years for the level of GDP to return to pre-pandemic levels due to the need for international border restrictions until a vaccine is available. The path for a vaccine is highly uncertain, and while in the best-case scenario a suitable vaccine may be found in a few months, it will still take many more months for the vaccine to be made available in any significant size. NAB's central view is that while much stronger growth will be recorded in Q3 and Q4, the level

of GDP will not return to pre-pandemic levels until mid-2022.

An important debate also remains the sustainability of the pick-up and to what extent may slow once government support packages are removed. This will depend on the extent to which the underlying economy continues to recover as restrictions are removed and is reliant on the virus remaining very well controlled. NZ, which has already been able to remove social distancing restrictions, will be worth following in coming months, as it is likely to be a few months ahead of Australia in the recovery stakes.

Chart 21: Activity to bounce, but full recovery takes time



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CALENDAR OF ECONOMIC RELEASES

| Country | Economic Indicator | Period | Forecast | Consensus | Actual | Previous | GMT | AEDT |
|--|--|----------|----------|-----------|--------|----------|------------|-------|
| Monday 15 June 2020 | | | | | | | | |
| NZ | REINZ House Sales YoY | May | | -- | | -78.5 | 20.00 | 7.00 |
| NZ | Performance Services Index | May | | -- | | 25.9 | 21.30 | 8.30 |
| NZ | Food Prices MoM | May | | -- | | 1 | 21.45 | 8.45 |
| NZ | Net Migration SA | Apr | | -- | | 9700 | 21.45 | 8.45 |
| AU | ABS household survey on COVID | late May | | -- | | -- | 0.30 | 11.30 |
| CH | Fixed Assets Ex Rural YTD YoY | May | | -6 | | -10.3 | 1.00 | 12.00 |
| CH | Retail Sales YoY | May | | -2 | | -7.5 | 1.00 | 12.00 |
| CH | Industrial Production YoY | May | | 5 | | 3.9 | 1.00 | 12.00 |
| US | Empire Manufacturing | Jun | | -28.8 | | -48.5 | 11.30 | 22.30 |
| US | Fed's Kaplan speaks | Jun | | -- | | -- | 14.00 | 1.00 |
| US | Fed's Daly speaks | Jun | | -- | | -- | 15.30 | 2.30 |
| Tuesday 16 June 2020 | | | | | | | | |
| NZ | Westpac Consumer Confidence | 2Q | | -- | | 104.2 | 20.00 | 7.00 |
| AU | House Price Index QoQ | 1Q | | 2.5 | | 3.9 | 0.30 | 11.30 |
| AU | ABS payrolls | late May | | -- | | -- | 0.30 | 11.30 |
| AU | RBA minutes | June | | -- | | -- | 0.30 | 11.30 |
| JN | BOJ Policy Balance Rate | Jun 16 | -0.1 | -0.1 | | -0.1 | around 2pm | |
| UK | ILO Unemployment Rate 3Mths | Apr | | 4.5 | | 3.9 | 5.00 | 16.00 |
| GE | CPI YoY | May F | | 0.6 | | 0.6 | 5.00 | 16.00 |
| UK | Jobless Claims Change | May | | -- | | 856.5 | 5.00 | 16.00 |
| GE | ZEW Survey Current Situation | Jun | | -80 | | -93.5 | 8.00 | 19.00 |
| US | Retail Sales Advance MoM | May | | 7.4 | | -16.4 | 11.30 | 22.30 |
| US | Industrial Production MoM | May | | 3 | | -11.2 | 12.15 | 23.15 |
| US | Fed Chair Powell testifies before senate | | | -- | | -- | 13.00 | 0.00 |
| US | Fed's Clarida speaks on outlook | | | -- | | -- | 19.00 | 6.00 |
| Wednesday 17 June 2020 | | | | | | | | |
| NZ | BoP Current Account Balance NZD | 1Q | | -- | | -2.657 | 21.45 | 8.45 |
| AU | Westpac Leading Index MoM | May | | -- | | -1.5 | 23.30 | 10.30 |
| UK | CPI YoY | May | | 0.6 | | 0.8 | 5.00 | 16.00 |
| EC | CPI YoY | May F | | 0.1 | | 0.3 | 8.00 | 19.00 |
| US | Housing Starts | May | | 1100 | | 891 | 11.30 | 22.30 |
| CA | CPI YoY | May | | -- | | -0.2 | 11.30 | 22.30 |
| US | Fed Chair Powell appears before house financial services panel | | | -- | | -- | 15.00 | 2.00 |
| US | Fed's Mester speaks on Fed's response to COVID-19 | | | -- | | -- | 19.00 | 6.00 |
| Thursday 18 June 2020 | | | | | | | | |
| NZ | GDP YoY | 1Q | | 0.3 | | 1.8 | 21.45 | 8.45 |
| NZ | GDP SA QoQ | 1Q | | -1.1 | | 0.5 | 21.45 | 8.45 |
| AU | Participation Rate | May | 63.3 | 63.7 | | 63.5 | 0.30 | 11.30 |
| AU | Employment Change | May | -70 | -75 | | -594.3 | 0.30 | 11.30 |
| AU | Unemployment Rate | May | 6.5 | 7 | | 6.2 | 0.30 | 11.30 |
| UK | Bank of England Bank Rate | Jun 18 | 0.1 | 0.1 | | 0.1 | 10.00 | 21.00 |
| US | Philadelphia Fed Business Outlook | Jun | | -27.4 | | -43.1 | 11.30 | 22.30 |
| Friday 19 June 2020 | | | | | | | | |
| EZ | European leaders meet to discuss the recovery fund | | | | | | 19 June | |
| JN | Natl CPI YoY | May | | 0.2 | | 0.1 | 22.30 | 9.30 |
| UK | Retail Sales Inc Auto Fuel YoY | May | | -18.4 | | -22.6 | 5.00 | 16.00 |
| CA | Retail Sales MoM | Apr | | -- | | -10 | 11.30 | 22.30 |
| US | Fed's Rosengren speaks on outlook | | | -- | | -- | 13.15 | 0.15 |
| US | Fed's Quarles speaks on stress testing | | | -- | | -- | 15.00 | 2.00 |
| US | Fed Chair Powell joins Mester for community event | | | -- | | -- | 16.00 | 3.00 |
| Upcoming Central Bank Interest Rate Announcements | | | | | | | | |
| Japan, BoJ | | Jun 16 | -0.10 | -0.10 | | -0.10 | | |
| UK, BOE | | Jun 18 | 0.10 | 0.10 | | 0.10 | | |
| New Zealand, RBNZ | | Jun 24 | 0.25 | 0.25 | | 0.25 | | |
| Australia, RBA | | Jul 7 | 0.25 | 0.25 | | 0.25 | | |
| Canada, BoC | | Jul 15 | 0.25 | 0.25 | | 0.25 | | |
| Europe, ECB | | Jul 16 | -0.50 | -0.50 | | -0.50 | | |
| US, Federal Reserve | | Jul 29 | 0/0.25 | 0/0.25 | | 0/0.25 | | |

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

FORECASTS

| Economic Forecasts | | | | | | | | | | | | | | | | | | | | |
|--------------------------------|-----------------|-------|-------|------|--------------------|------|------|------|------|-------|------|------|------|------|------|------|------|------|------|------|
| | Annual % change | | | | Quarterly % change | | | | | | | | | | | | | | | |
| | | | | | 2019 | | | | 2020 | | | | 2021 | | | | 2022 | | | |
| Australia Forecasts | 2019 | 2020 | 2021 | 2022 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Household Consumption | 1.4 | -7.8 | 2.8 | 3.2 | 0.4 | 0.3 | 0.1 | 0.5 | -1.1 | -11.4 | 1.5 | 3.2 | 1.5 | 1.0 | 0.6 | 0.8 | 0.6 | 1.0 | 0.7 | 0.8 |
| Underlying Business Investment | -1.7 | -22.3 | -11.6 | 7.9 | 0.8 | -0.2 | -1.7 | -1.5 | -1.0 | -21.2 | -7.2 | -6.1 | -1.8 | 4.3 | 2.7 | 1.7 | 1.4 | 2.0 | 1.3 | 2.0 |
| Residential Construction | -6.9 | -14.4 | -4.4 | 12.8 | -1.7 | -3.5 | -0.7 | -4.1 | -1.7 | -7.6 | -5.4 | -3.4 | -0.5 | 1.6 | 2.9 | 3.6 | 3.6 | 3.2 | 2.5 | 1.8 |
| Underlying Public Spending | 4.9 | 4.7 | 3.8 | 3.1 | 1.1 | 1.7 | 1.8 | 0.4 | 1.5 | 1.1 | 1.0 | 1.0 | 0.9 | 0.9 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| Net Exports (a) | 0.9 | 2.9 | -1.1 | -0.9 | 0.2 | 0.6 | 0.1 | -0.1 | 0.5 | 3.6 | -0.5 | -0.7 | -0.3 | -0.3 | -0.2 | -0.3 | -0.2 | -0.3 | -0.2 | -0.2 |
| Inventories (a) | -0.2 | -0.8 | 1.3 | 0.0 | 0.0 | -0.4 | 0.1 | 0.2 | -0.2 | -2.4 | 1.6 | 1.3 | 0.1 | 0.1 | -0.1 | 0.0 | 0.0 | 0.1 | -0.1 | 0.0 |
| Domestic Demand (q/q %) | — | — | — | — | 0.3 | 0.4 | 0.4 | 0.2 | -0.5 | -8.7 | 0.2 | 1.4 | 1.0 | 1.2 | 0.9 | 1.0 | 0.9 | 1.1 | 0.9 | 0.9 |
| Dom Demand (y/y %) | 1.3 | -6.2 | 1.4 | 4.0 | 1.2 | 1.3 | 1.2 | 1.3 | 0.5 | -8.6 | -8.8 | -7.7 | -6.3 | 3.8 | 4.6 | 4.2 | 4.1 | 4.0 | 3.9 | 3.9 |
| Real GDP (q/q %) | — | — | — | — | 0.5 | 0.6 | 0.6 | 0.5 | -0.3 | -8.6 | 2.1 | 3.1 | 0.7 | 0.9 | 0.6 | 0.7 | 0.6 | 0.9 | 0.6 | 0.7 |
| Real GDP (y/y %) | 1.8 | -4.3 | 2.9 | 2.8 | 1.7 | 1.6 | 1.8 | 2.2 | 1.4 | -7.9 | -6.5 | -4.1 | -3.1 | 7.0 | 5.4 | 2.9 | 2.8 | 2.7 | 2.8 | 2.8 |
| CPI headline (q/q %) | — | — | — | — | 0.0 | 0.6 | 0.5 | 0.7 | 0.3 | -2.0 | 1.6 | 0.7 | 0.4 | 0.2 | 0.3 | 0.3 | 0.1 | 0.2 | 0.5 | 0.8 |
| CPI headline (y/y %) | 1.6 | 0.7 | 1.6 | 1.2 | 1.3 | 1.6 | 1.7 | 1.8 | 2.2 | -0.4 | 0.6 | 0.5 | 0.6 | 2.9 | 1.6 | 1.3 | 1.0 | 0.9 | 1.1 | 1.6 |
| CPI underlying (q/q %) | — | — | — | — | 0.2 | 0.4 | 0.4 | 0.4 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.2 | 0.2 | 0.1 | 0.1 | 0.2 | 0.4 | 0.6 |
| CPI underlying (y/y %) | 1.4 | 1.8 | 1.4 | 0.8 | 1.4 | 1.4 | 1.5 | 1.4 | 1.7 | 1.7 | 1.8 | 1.8 | 1.8 | 1.6 | 1.2 | 0.9 | 0.5 | 0.5 | 0.7 | 1.2 |
| Private wages (q/q %) | — | — | — | — | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Private wages (y/y %) | 2.3 | 1.8 | 1.2 | 2.0 | 2.4 | 2.3 | 2.2 | 2.2 | 2.1 | 1.9 | 1.6 | 1.3 | 1.1 | 1.0 | 1.3 | 1.5 | 1.8 | 2.0 | 2.0 | 2.0 |
| Unemployment Rate (%) | 5.1 | 7.3 | 7.5 | 6.4 | 5.1 | 5.1 | 5.2 | 5.2 | 5.2 | 6.8 | 8.6 | 8.4 | 8.3 | 7.7 | 7.2 | 6.9 | 6.7 | 6.5 | 6.3 | 6.2 |
| Terms of trade | 5.1 | -2.9 | -1.0 | 0.9 | 3.3 | 1.4 | 0.2 | -5.2 | 2.9 | -2.9 | 0.3 | -0.5 | -1.3 | 0.6 | 1.3 | 0.6 | -0.1 | -0.1 | -0.1 | -0.1 |
| Current Account (% GDP) | 0.6 | 3.7 | 2.8 | 1.9 | -0.6 | 1.0 | 1.4 | 0.3 | 1.7 | 5.2 | 4.5 | 3.6 | 3.0 | 2.8 | 2.7 | 2.6 | 2.3 | 2.0 | 1.8 | 1.1 |

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

| Exchange Rate Forecasts | | | | | | |
|-------------------------|--------|--------|--------|--------|--------|--------|
| | 15-Jun | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 |
| Majors | | | | | | |
| AUD/USD | 0.684 | 0.70 | 0.72 | 0.74 | 0.74 | 0.75 |
| NZD/USD | 0.64 | 0.64 | 0.66 | 0.67 | 0.68 | 0.69 |
| USD/JPY | 107.5 | 109 | 109 | 109 | 109 | 108 |
| EUR/USD | 1.12 | 1.13 | 1.15 | 1.17 | 1.18 | 1.19 |
| GBP/USD | 1.25 | 1.27 | 1.30 | 1.32 | 1.33 | 1.35 |
| USD/CNY | 7.08 | 7.10 | 7.05 | 6.95 | 6.85 | 6.80 |
| USD/CAD | 1.36 | 1.41 | 1.39 | 1.37 | 1.35 | 1.30 |
| USD/CHF | 0.95 | 0.97 | 0.96 | 0.96 | 0.95 | 0.95 |

| | | | | | | |
|------------------------|------|------|------|------|------|------|
| Australian Cross Rates | | | | | | |
| AUD/NZD | 1.06 | 1.09 | 1.09 | 1.10 | 1.09 | 1.09 |
| AUD/JPY | 73.5 | 76 | 78 | 81 | 81 | 81 |
| AUD/EUR | 0.61 | 0.62 | 0.63 | 0.63 | 0.63 | 0.63 |
| AUD/GBP | 0.55 | 0.55 | 0.55 | 0.56 | 0.56 | 0.56 |
| AUD/CNY | 4.84 | 4.97 | 5.08 | 5.14 | 5.07 | 5.10 |
| AUD/CAD | 0.93 | 0.99 | 1.00 | 1.01 | 1.00 | 0.98 |
| AUD/CHF | 0.65 | 0.68 | 0.69 | 0.71 | 0.70 | 0.71 |

| Interest Rate Forecasts | | | | | | |
|--------------------------|--------|--------|--------|--------|--------|--------|
| | 15-Jun | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-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 | 0.25 | 0.30 | 0.30 | 0.35 |
| 3 Year Swap Rate | 0.27 | 0.25 | 0.30 | 0.30 | 0.30 | 0.30 |
| 10 Year Swap Rate | 0.87 | 0.90 | 1.05 | 1.18 | 1.28 | 1.38 |
| 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 |
| BoE repo rate | 0.10 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| BoJ excess reserves rate | -0.10 | -0.20 | -0.20 | -0.20 | -0.20 | -0.20 |
| RBNZ OCR | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| 10-year Bond Yields | | | | | | |
| Australia | 0.88 | 0.95 | 1.05 | 1.15 | 1.25 | 1.35 |
| United States | 0.70 | 0.70 | 0.80 | 0.90 | 1.00 | 1.10 |
| New Zealand | 0.80 | 0.88 | 1.03 | 1.28 | 1.38 | 1.63 |

Sources: NAB Global Markets Research; Bloomberg; ABS

| Global GDP | | | |
|----------------|------|------|------|
| | 2019 | 2020 | 2021 |
| Australia | 1.8 | -4.3 | 2.9 |
| United States | 2.3 | -6.8 | 5.3 |
| Eurozone | 1.2 | -7.5 | 5.7 |
| United Kingdom | 1.4 | -8.4 | 6.4 |
| Japan | 0.7 | -6.3 | 3.2 |
| China | 6.1 | 1.0 | 9.8 |
| India | 5.3 | -1.5 | 8.0 |
| New Zealand | 2.3 | -8.3 | 4.2 |
| World | 3.0 | -3.7 | 6.2 |

| Commodity prices (\$US) | | | | | | |
|-------------------------|--------|--------|--------|--------|--------|--------|
| | 15-Jun | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 |
| Brent oil | 38.2 | 38 | 43 | 48 | 52 | 58 |
| Gold | 1732 | 1690 | 1700 | 1710 | 1710 | 1720 |
| Iron ore | na | 81 | 80 | 78 | 75 | 73 |
| Hard coking coal* | 111 | 145 | 148 | 151 | 147 | 145 |
| Thermal coal | 53 | 62 | 65 | 67 | 63 | 61 |
| Copper | 5762 | 5100 | 5300 | 5400 | 5500 | 5750 |
| Aus LNG** | 10 | 7 | 7 | 7 | 8 | 8 |

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

** Implied Australian LNG export prices

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