6 July 2020

# AUSTRALIAN MARKETS WEEKLY

*JobKeeper and JobSeeker, what happens come September?*

National Australia Bank

## In this issue



## JobSeeker and JobKeeper – what will happen come September?

- What happens after the JobKeeper and JobSeeker schemes end in September? Will the economy fall off a cliff? is one of the most frequently asked questions by clients.
- A formal review of the JobKeeper and JobSeeker schemes has just been completed by Treasury Secretary Kennedy. The results of that review are set to be released as part of the government's upcoming Economic Statement on Thursday 23 July. The Economic Statement will also include formal economic forecasts for the next two years.
- Well-sourced media over the past fortnight have suggested the JobKeeper scheme will be wound back along with a paring back of the JobSeeker supplement. Whether the JobKeeper scheme will be allowed to completely expire, or a gradual phasing out via tweaking turnover thresholds and continuing to support some industries is unclear.
- We would argue for a phased tapering of JobKeeper and greater targeting to businesses that are still in the hibernation phase. The quicker than expected easing of restrictions (bar Victoria) has seen a sharp pick-up in economic activity driven partly by pent-up demand. Victoria's virus resurgence though warns the pandemic is ongoing and that the "bridge to recovery" may be of an unknown length and may need to be extended. Specific industry sectors exposed to international travel are also unlikely to come out of hibernation until border restrictions are gradually eased.
- A loss of household income is a natural consequence of reduced government support (from extraordinary levels) at a time of elevated unemployment. That though does not need to derail the recovery if containment restrictions continue to be eased and business activity picks up as we have seen recently in the high frequency data. In this respect the recent resurgence of the virus in Victoria is worrying, as this will reverse some of the gains in that state. It is hoped that new lockdowns will bring the virus back under control in the next few weeks. This is a crucial short-term issue for the Australian economic outlook and a key test of the test and trace strategy.

### The week ahead

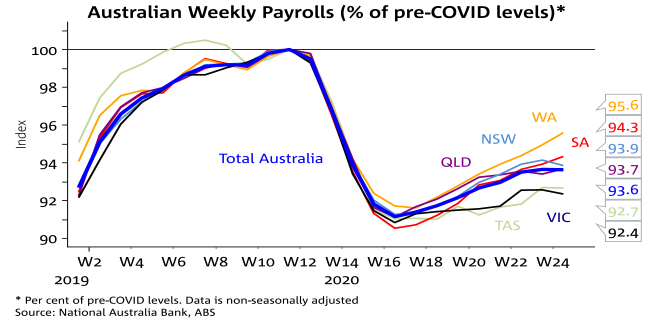
- **Australia:** Victorian COVID-19 numbers and the RBA meeting on Tuesday are the key highlights in a quiet week. Melbourne's suburban lockdowns were extended to two further postcodes, the border between NSW and Victoria will close from tomorrow, though other restrictions outside of Victoria continue to be eased. As for the RBA, the meeting is a likely non-event with rates on hold as it assesses the pace of recovery. We will also be watching out for the possibility of China levying additional tariffs with tariffs on milk powder reportedly being considered amid elevated tensions.
- **International: CH:** the CPI/PPI is on Thursday, while international reaction to the new Hong Kong security law and any impact on the US-China phase one trade deal will also be closely watched. **US:** virus count numbers and high frequency data under scrutiny to see whether the pace of recovery is starting to slow. Thursday's jobless claims will also be viewed in this light with some states halting and/or reversing recent re-opening

### Key markets over the past week

| | Last | % chg week | | Last | bp/% chg week |
|---|---|---|---|---|---|
| AUD | 0.6975 | 1.8 | RBA cash | 0.13 | 0 |
| AUD/CNY | 4.91 | 1.1 | 3y swap | 0.23 | -1 |
| AUD/JPY | 75.1 | 1.6 | ASX 200 | 6,015 | 3.4 |
| AUD/EUR | 0.618 | 1.2 | Iron ore | 97 | 2.5 |
| AUD/NZD | 1.063 | -0.6 | Brent oil | 43.3 | 3.9 |

Source: Bloomberg

### Chart of the week: VIC experiencing the weakest recovery



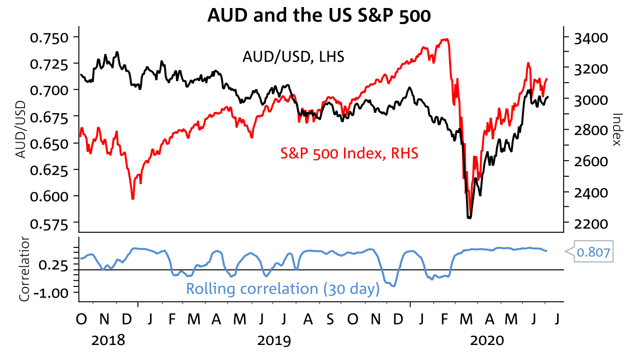


**Tapas Strickland, Director, Market Economics**

## Markets in review

Risk sentiment remains resilient despite the recent surge in new coronavirus cases in the US and geopolitical tensions surrounding China's formal enactment of the Hong Kong Security Bill. The S&P500 rose 4.0% last week and is up 39.9% from its March low (and only 7.6% off its pre-virus peak). However, since mid-June stocks have been moving broadly sideways. The AUD has also continued to move largely in sync with equities, up 1.1% on the week to 0.6975 with our FX strategists seeing it trading within a broad 0.6750-0.7050 range. Yields were also broadly steady last week with the Fed continuing to push back on speculation that is was considering yield curve control.

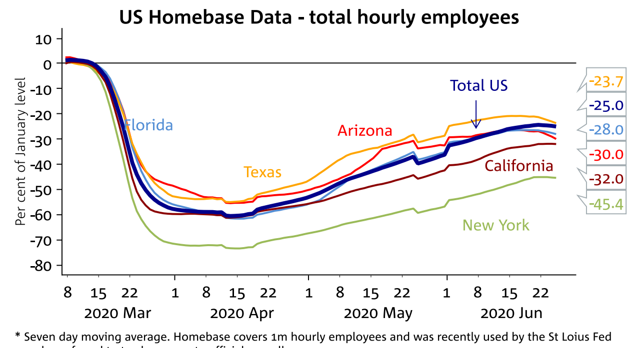
**Chart 1: AUD consolidates along with stocks**




Source: National Australia Bank, Bloomberg

"V-shaped" recovery data prints continue to support the view that activity generally bounces back sharply once containment measures are eased (see prior Weekly: "Initial V-shape recovery, at least according to high-frequency data"). Notable prints last week were the Chinese PMIs, US ISM and US Payrolls. The virus resurgence, however, does threaten this narrative with high frequency data showing a slowing in the pace of re-hiring in the US (Chart 2). Spain is also seeing a pick-up in the virus in specific areas with two regions re-imposing some restrictions. While risk sentiment to date has been largely unaffected, the road could get bumpier if more signs emerge the pace of the recovery is starting to slow.

**Chart 2: Virus resurgence is slowing US re-hiring**




* Seven day moving average. Homebase covers 1m hourly employees and was recently used by the St Loius Fed and was found to track aggregate official payrolls
Source: National Australia Bank, Homebase

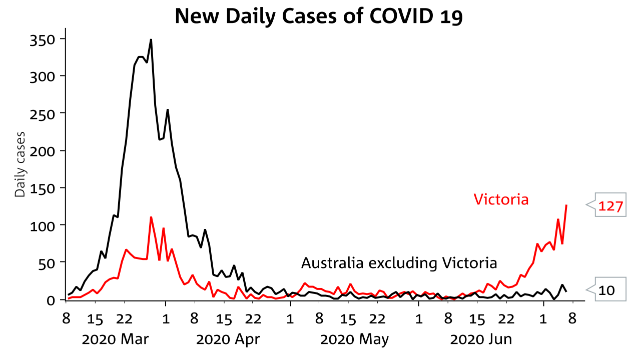
For now, equity markets appear to be willing to be forward looking enough to the point in time where a vaccine and/or effective treatment for the virus is available given the "bridge" that has been built by extensive policy support (note there are 18 vaccines at the human trial stage with two at or close to stage-3 trials). A virus resurgence (and/or a slowing in the pace of recovery) such as currently seems to be occurring in Victoria, would likely require the extension of policy support. It is no surprise then that one of the top questions being asked by clients in Australia is: *What happens after the JobKeeper and JobSeeker schemes end in September? Will the economy fall off a cliff?* That question we aim to address in this Weekly.

## Victoria's virus resurgence

Victoria, Australia's 2nd largest state (accounting for around a quarter of GDP) has experienced a considerable uptick in new coronavirus cases by Australian standards over the past two weeks. This has resulted in the reimposition of stage-3 lockdowns in some suburbs of Melbourne. 12 postcodes comprising more than 300,000 people (around 5% of Melbourne's population) are now under significant restrictions with residents only allowed to leave home for essential supplies, work, care giving and exercise. The impact is likely to be broader than this figure as other Melbournians turn more cautious.

The number of new COVID-19 cases hit a record daily rate of 127 yesterday and it was announced today that NSW and Victoria have agreed to close the state border from tomorrow, something that did not occur earlier in the crisis, when NSW also had higher rates of infection. Outside of Victoria, restrictions continue to be eased given very low case numbers (Chart 3).

**Chart 3: VIC sees a rise in cases, but not seen elsewhere**




Source: National Australia Bank, government sources gathered by covid19data.com

Victoria's quick implementation of lockdowns and willingness to extend restrictions further hopefully should see the virus come back under control. The mean incubation period of the virus though is 5-14 days, meaning we may not see the effects of recent actions for some weeks. It is conceivable that after 4-6 weeks restrictions start to be eased again in Melbourne providing the new lockdowns prove effective, though it's important to recognise that this time only partial lockdowns are being implemented.

Why the virus has made a resurgence only in Victoria is less clear. Breaches of hotel quarantine have been cited: "at least a significant number, and potentially more, of the outbreaks in the north of the city are attributable via genomic sequencing to staff members in hotel quarantine breaching well-known, and well understood infection control protocols".

Assuming virus control is re-established (which we assume is highly likely given the government's willingness to impose restrictions), the key question is whether the rise in infections will have a more lasting impact on confidence in Victoria (and possibly in other states). There is the potential that some vulnerable businesses may not be able to withstand the impact of another downturn in activity that will likely result from the targeted lockdowns given consumers may self-contain in non-lockdown areas as well.

The Victorian set back also has the potential to slow the emerging recovery in the Australian economy given Victorian Gross State Product is around 24% of the total Australian economy. The setback also comes a few weeks ahead of 23 July, where the Government is set to announce how current fiscal support packages are to be wound back.

## JobSeeker and JobKeeper – what happens come September?

JobKeeper and JobSeeker have been the two main planks in the government's "bridge to recovery" amidst the pandemic. Around 3.3m Australians are receiving JobKeeper (a scheme to maintain employment by paying businesses to keep their employees $1,500 a fortnight), while 1.6m are receiving the JobSeeker Coronavirus Supplement (a $550 additional payment on top of base JobSeeker unemployment benefits of around $510.80-$612 a fortnight depending on the individual's circumstances). Both schemes have set end dates of 27 September – the schemes being designed to be temporary forms of assistance only during the pandemic. In part, the temporary nature of the support has been designed to ensure no structural deterioration of the budget balance and hence will help sustain Australia's AAA credit rating.

With the legislated end dates approaching, the government has undertaken a review of both programs, conducted by Treasury Secretary Kennedy, with that review now in the hands of the government. The outcome of the review and the government's plans for the two programs are set to be unveiled in an Economic Statement on Thursday 23 July. Even before the review the government has re-imposed the requirement to look for work whilst on JobSeeker from 9 June with recipients expected to attend an appointment with an employment services provider (see mutual obligation requirement).

### What press leaks suggest

Well-sourced press reports suggest the government is intending on winding back JobKeeper and also paring back the size of the JobSeeker Coronavirus Supplement. Better than assumed health outcomes mean activity is rebounding more quickly than expected in most states (before the recent – and important – reversal in Victoria). This effectively gives the government the option to tweak the eligibility of the scheme to enable a gradual phasing out support, along with more targeted assistance to sectors that are yet to re-open. At the same time, the media is reporting that the October 6 budget will contain further targeted spending measures to support recovery.

The PM is also on the record as saying JobSeeker is too generous and anecdotally acting as a disincentive to seek re-employment ("we are getting a lot of anecdotal feedback from small businesses, even large businesses…Some of them are finding it hard to get people to come and take the shifts because they're on these higher levels of payment"). There is also a debate within the Coalition as to whether to raise the JobSeeker base and cut the supplement, or keep the base the same and reduce the supplement. How much the total JobSeeker payment will be reduced is uncertain – currently the total JobSeeker payment (including supplement) is set at around 76% of the minimum wage.

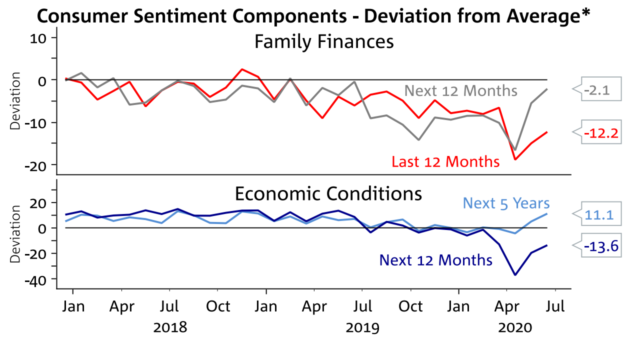
As for JobKeeper, whether the scheme will be allowed to expire come September, or a gradual phasing out occurs via the tweaking of turnover thresholds and eligible industries remains unclear. We would argue for a phased tapering of JobKeeper appropriate to the degree of recovery in the economy, plus greater targeting to businesses that are still in the hibernation phase. Victoria's virus resurgence warns the pandemic is ongoing and that the "bridge to recovery" strategy may mean the JobKeeper and JobSeeker Supplement may need to be extended contingent on the pace of recovery and virus developments (both favourable and unfavourable). Specific industry sectors most exposed to international travel are also unlikely to come out of hibernation until border restrictions are gradually eased.

### Length of hibernation is key

Treasury Secretary Kennedy who has led the yet to be published review into the two programs, helped design the government's initial JobKeeper and JobSeeker response. Both programs were foreshadowed to some extent in his co-authored 2006 paper "A primer on the macroeconomic effects of an influenza pandemic". In that paper, the key policy implications were "*quickly re-establishing consumer and investor confidence*" and "*Governments might also consider policies that help viable businesses through the worst of the pandemic — in particular those businesses, such as restaurants, that are likely to be most severely affected by a pandemic. Lastly, there may be an important role for governments in stimulating growth….*" Such policies would thus enable people to quickly resume economic activity once the pandemic begins to dissipate, while broader fiscal stimulus policies once the pandemic is under control would help stimulate economic activity.

The linking of the length of JobKeeper and JobSeeker to the expected hibernation period for businesses was made more explicit by the PM when announcing the JobKeeper package back in March: "*keeping the connection between the employer and the employee and keeping people in their jobs even though the business they work for may go into hibernation and close down for six months…..When the economy comes back, these businesses will be able to start again…*" (PM Morrison Mar 2020).

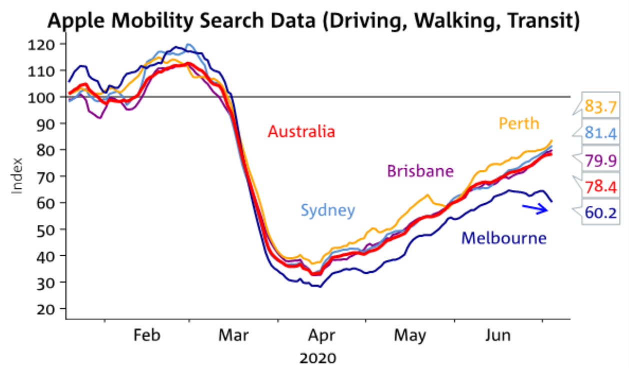
## Chart 4: Consumer confidence has rebounded




* Published index less its long-run average
Source: National Australia Bank, W-MI

The data continue to suggest that the peak of a very small first wave of the pandemic has passed in Australia. The resurgence of the virus in Victoria is problematic and certainly bears close watching given the very limited spread in the first wave. It is to be hoped that the re-imposition of selected lockdowns will bring the virus under control again with restrictions in Victoria possibly being eased again after a further 4-6 weeks. Overall consumer confidence has bounced back relatively well, likely reflecting the earlier than expected control of the virus and associated easing of restrictions, together with the generous support packages provided by the government (Chart 4). High frequency data continue to show an uptick in activity across all states and territories except for Victoria more recently (Chart 5). Importantly the recent resurgence in the virus does not appear to be spilling over the rest of the economy – at least where mobility is concerned.

## Chart 5: Activity picking up across Australia, except Vic




*Smoothed using a weekly moving average
Source: National Australia Bank, Apple

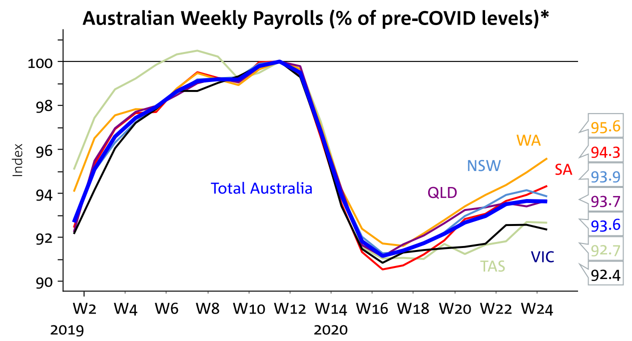
The likely changes to JobKeeper and JobSeeker should be seen in this light with government assistance turning from supporting hibernation to assisting the recovery. A more targeted approach is also needed to assist those industries and regions still in hibernation.

### Withdrawal doesn't necessarily mean a cliff

There is a degree of circularity in the argument that the scaling back of assistance will see a significant negative impact on the economy at the beginning of Q4. To the extent, sections – perhaps even large parts - of the economy are recovering, the removal of support should be sustainable, while more obviously, if the economy is not broadly recovering, then the government will need to alert to this situation, so as not to precipitate a significant slowing, with on-going support likely to be necessary for those sectors remaining in hibernation. The recent "v-shaped" data prints seen in both Australia and overseas are encouraging on this front with the possibility that the initial spurt of activity partly driven by pent-up demand and supported by government transfer payments will drive an inventory rebuild with surveys and anecdotes suggesting retail inventories have been run down – also partly due to supply chain disruptions.

Encouragingly, employment is now starting to recover with the ABS's mid-June COVID-19 survey finding 64.6% of respondents now have employment, up from a low of 63.4% in early April – equivalent to around 140k people returning to employment since the peak of the pandemic impact. The ABS weekly payrolls series (a measure of jobs, not employment) now suggests around 30% of the jobs initially lost during the pandemic have returned, with WA -which has eased restrictions the most seeing 50% of all jobs having now returned (Chart 6). Wages though appear to be lagging the recovery with total wage payments only recovering 15% of their fall so far and pointing to significant compositional changes in employment.

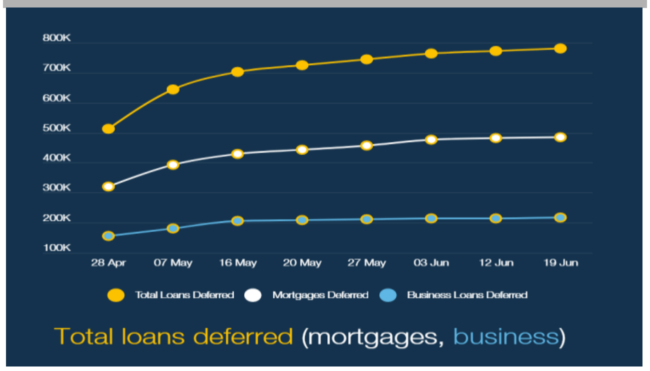
## Chart 6: Jobs recover where restrictions are eased




* Per cent of pre-COVID levels. Data is non-seasonally adjusted
Source: National Australia Bank, ABS

At that same time, principal and interest extensions on loans by banks are also due to expire around the time JobKeeper is wound back. The ABA reports that around 1 in 14 mortgages have repayments deferred, though banks are seeing repayments restarting for around 20% of those who had initially deferred. Further decisions on the approach to loan deferrals will be made closer to the end of September with APRA and banks said to be guided by what happens during the check in period with borrowers.

## Chart 7: 1 in 14 mortgages deferred repayments



# CALENDAR OF ECONOMIC RELEASES

| Country | Economic Indicator | Period | Forecast | Consensus | Actual | Previous | GMT | AEST |
|---|---|---|---|---|---|---|---|---|
| Monday 06 July 2020 | | | | | | | | |
| EC | Retail Sales MoM | May | | -- | | -11.7 | 8.00 | 19.00 |
| US | Markit US Services PMI | Jun F | | 47 | | 46.7 | 12.45 | 23.45 |
| US | ISM Non-Manufacturing Index | Jun | | 50 | | 45.4 | 13.00 | 0.00 |
| Tuesday 07 July 2020 | | | | | | | | |
| AU | AiG Perf of Services Index | Jun | | -- | | 31.6 | 21.30 | 8.30 |
| AU | RBA Cash Rate Target | Jul 7 | 0.25 | 0.25 | | 0.25 | 3.30 | 14.30 |
| GE | Industrial Production WDA YoY | May | | -21.2 | | -25.3 | 5.00 | 16.00 |
| Wednesday 08 July 2020 | | | | | | | | |
| NZ | QV House Prices YoY | Jun | | -- | | 7.7 | 16.00 | 3.00 |
| JN | BoP Current Account Balance | May | | 1088.2 | | 262.7 | 22.50 | 9.50 |
| Thursday 09 July 2020 | | | | | | | | |
| NZ | ANZ Truckometer Heavy MoM | Jun | | -- | | 86.9 | 21.00 | 8.00 |
| JN | Core Machine Orders YoY | May | | -17.1 | | -17.7 | 22.50 | 9.50 |
| NZ | ANZ Business Confidence | Jul P | | -- | | -34.4 | 0.00 | 11.00 |
| AU | Owner-occupier home loan value MoM | May | | -5 | | -5 | 21.30 | 8.30 |
| CH | PPI YoY | Jun | | -3.2 | | -3.7 | 0.30 | 11.30 |
| CH | CPI YoY | Jun | | 2.6 | | 2.4 | 0.30 | 11.30 |
| CA | Housing Starts | Jun | | 185 | | 193.453 | 11.15 | 22.15 |
| US | Wholesale Inventories MoM | May F | | -1.2 | | -1.2 | 13.00 | 0.00 |
| Friday 10 July 2020 | | | | | | | | |
| NZ | REINZ House Sales YoY | Jun | | -- | | -46.6 | 10 to 14 May | |
| CH | Money Supply M2 YoY | Jun | | 11.1 | | 11.1 | 10 to 15 May | |
| CH | New Yuan Loans CNY | Jun | | 1800 | | 1480 | 10 to 15 May | |
| JN | PPI YoY | Jun | | -2.3 | | -2.7 | 22.50 | 9.50 |
| CA | Hourly Wage Rate Permanent Employees YoY | Jun | | 9 | | 10 | 11.30 | 22.30 |
| US | PPI Final Demand MoM | Jun | | 0.4 | | 0.4 | 11.30 | 22.30 |
| CA | Unemployment Rate | Jun | | 12.45 | | 13.7 | 11.30 | 22.30 |
| CA | Net Change in Employment | Jun | | 550 | | 289.6 | 11.30 | 22.30 |
| US | PPI Final Demand YoY | Jun | | -0.2 | | -0.8 | 11.30 | 22.30 |
| Upcoming Central Bank Interest Rate Announcements | | | | | | | | |
| Australia, RBA | | Jul 7 | 0.25 | 0.25 | | 0.25 | | |
| Japan, BoJ | | Jul 15 | -0.10 | -0.10 | | -0.10 | | |
| 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 | | |
| UK, BOE | | Aug 6 | 0.10 | 0.10 | | 0.10 | | |
| New Zealand, RBNZ | | Aug 12 | 0.25 | 0.25 | | 0.25 | | |

**GMT: Greenwich Mean Time; AEST: Australian Eastern Standard 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 | 0.5 | 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 | 1.5 |

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

## Exchange Rate Forecasts

| | 6-Jul | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 |
|---|---|---|---|---|---|---|
| **Majors** | | | | | | |
| AUD/USD | 0.697 | 0.70 | 0.72 | 0.74 | 0.74 | 0.75 |
| NZD/USD | 0.66 | 0.64 | 0.66 | 0.67 | 0.68 | 0.69 |
| USD/JPY | 107.6 | 109 | 109 | 109 | 109 | 108 |
| EUR/USD | 1.13 | 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 | 7.03 | 7.10 | 7.05 | 6.95 | 6.85 | 6.80 |
| USD/CAD | 1.35 | 1.41 | 1.39 | 1.37 | 1.35 | 1.30 |
| USD/CHF | 0.94 | 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 | 75.0 | 76 | 78 | 81 | 81 | 81 |
| AUD/EUR | 0.62 | 0.62 | 0.63 | 0.63 | 0.63 | 0.63 |
| AUD/GBP | 0.56 | 0.55 | 0.55 | 0.56 | 0.56 | 0.56 |
| AUD/CNY | 4.90 | 4.97 | 5.08 | 5.14 | 5.07 | 5.10 |
| AUD/CAD | 0.94 | 0.99 | 1.00 | 1.01 | 1.00 | 0.98 |
| AUD/CHF | 0.66 | 0.68 | 0.69 | 0.71 | 0.70 | 0.71 |

## Interest Rate Forecasts

| | 6-Jul | 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 | 0.23 | 0.25 | 0.30 | 0.30 | 0.30 | 0.30 |
| 10 Year Swap Rate | 0.86 | 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 | 0.92 | 0.95 | 1.05 | 1.15 | 1.25 | 1.35 |
| United States | 0.69 | 0.70 | 0.80 | 0.90 | 1.00 | 1.10 |
| New Zealand | 0.99 | 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)

| | 6-Jul | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 |
|---|---|---|---|---|---|---|
| Brent oil | 43.3 | 45 | 49 | 53 | 55 | 55 |
| Gold | 1777 | 1725 | 1725 | 1750 | 1775 | 1800 |
| Iron ore | na | 93 | 87 | 85 | 90 | 80 |
| Hard coking coal* | 116 | 115 | 120 | 125 | 140 | 135 |
| Thermal coal | 56 | 55 | 59 | 59 | 61 | 62 |
| Copper | 6024 | 5750 | 6000 | 6250 | 6500 | 6750 |
| Aus LNG** | 10 | 7 | 7 | 7 | 8 | 8 |

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

*** Implied Australian LNG export prices*

# CONTACT DETAILS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