



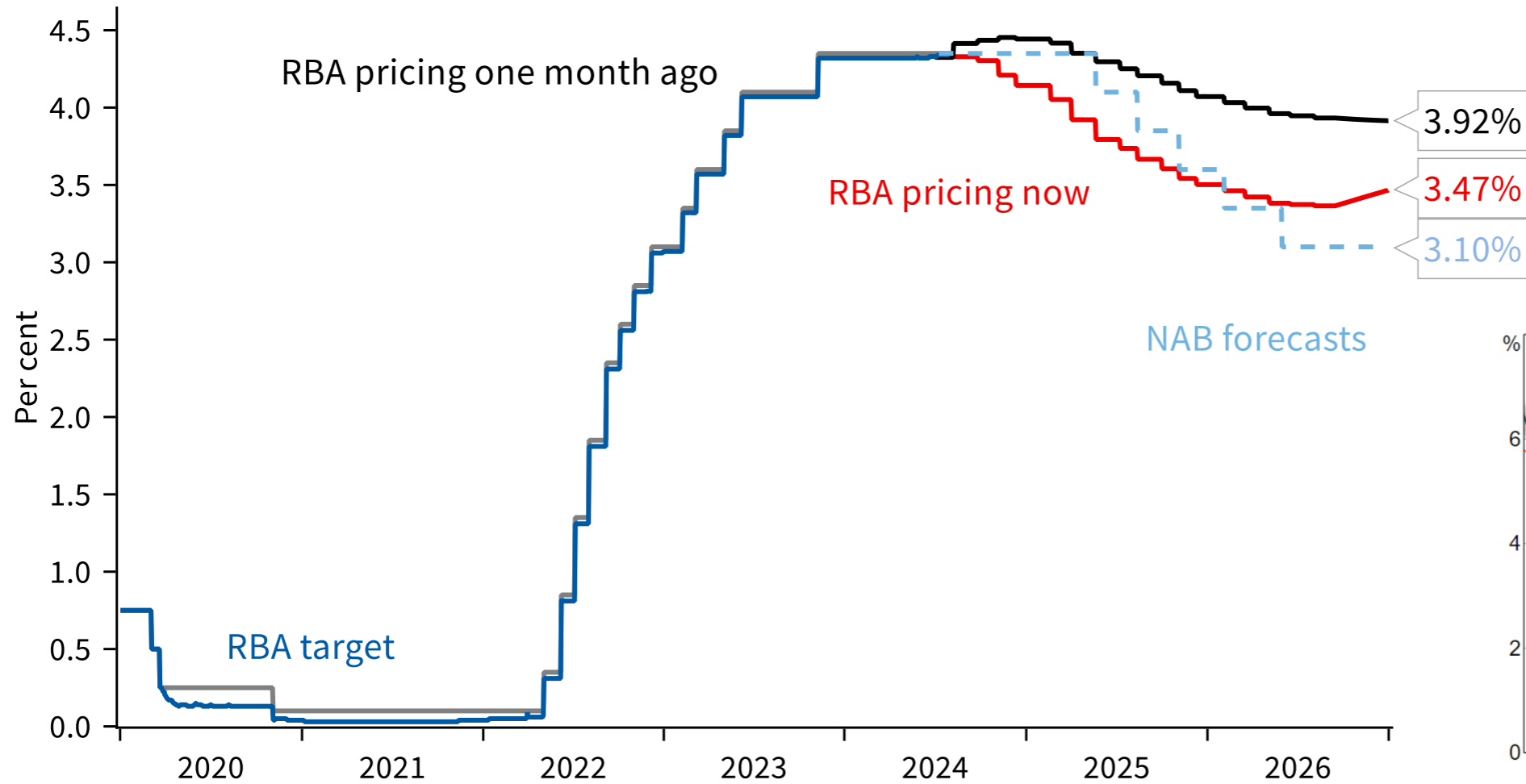
Global Financial and Economic Outlook

Tapas Strickland | Head of Market Economics, Markets

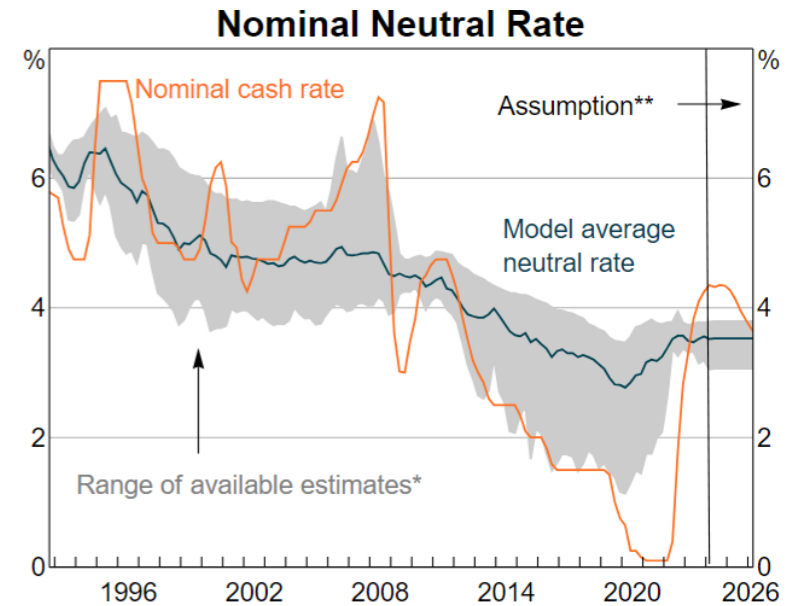
Market pricing for rates

Q2 CPI sees RBA pricing change sharply. NAB sees the first RBA rate cut in May 2025

RBA Cash Pricing



Source: National Australia Bank, Macrobond



* Range of central estimates corresponding to available models. Nominal neutral rates are defined using trend inflation expectation.

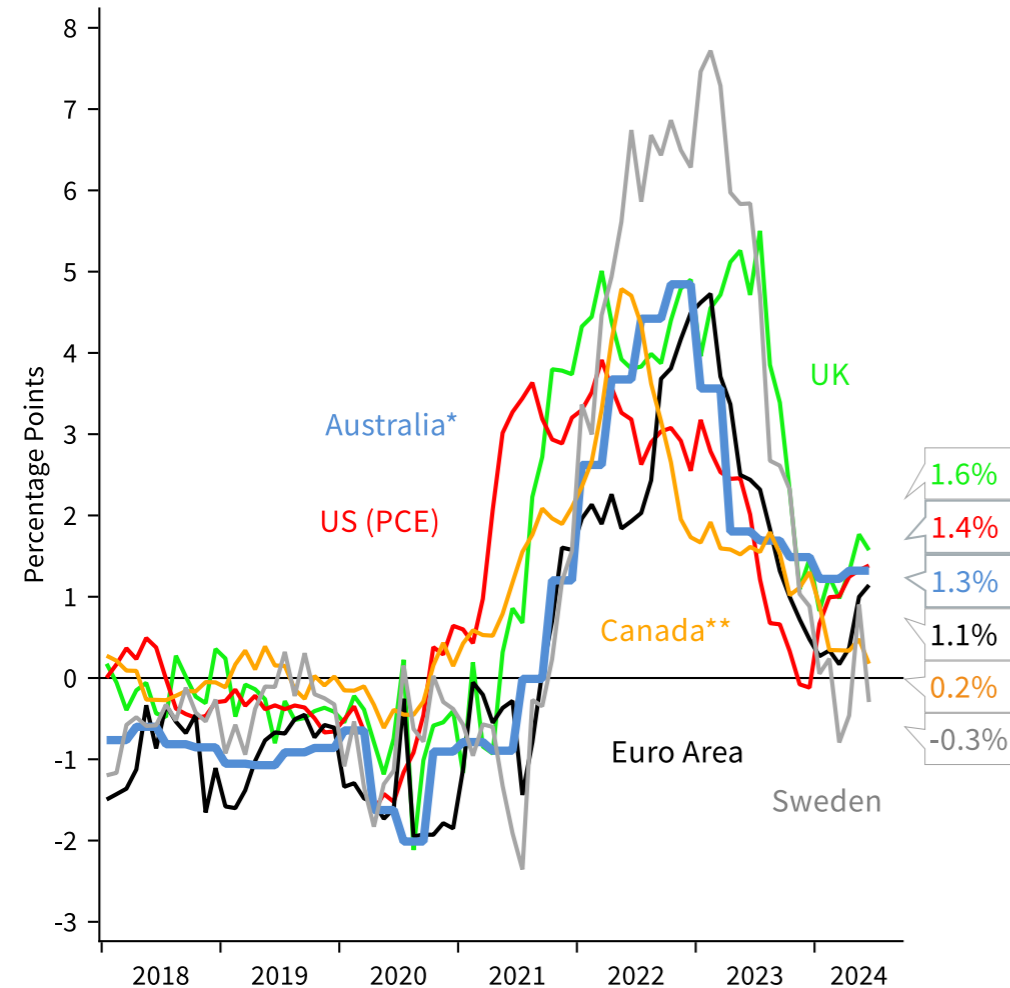
** The nominal cash rate assumption is based on market pricing for overnight indexed swaps (OIS) on June 24, 2024.

Sources: LSEG; RBA.

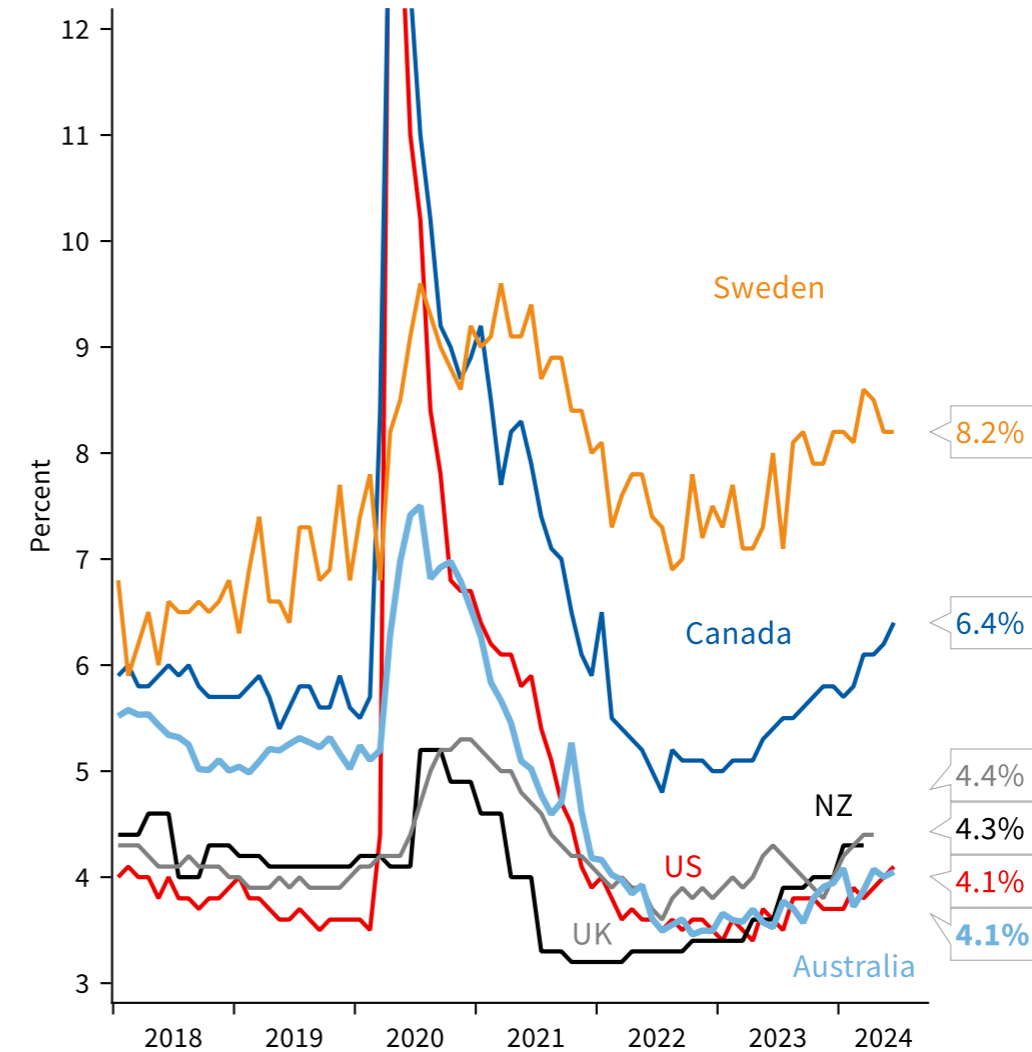
Inflation still sticky in Australia; labour market ok

CPI figures are mixed globally, while unemployment rate is still below pre-pandemic

6m Annualised Core Inflation Deviation from Target



Unemployment Rates in Selected Countries



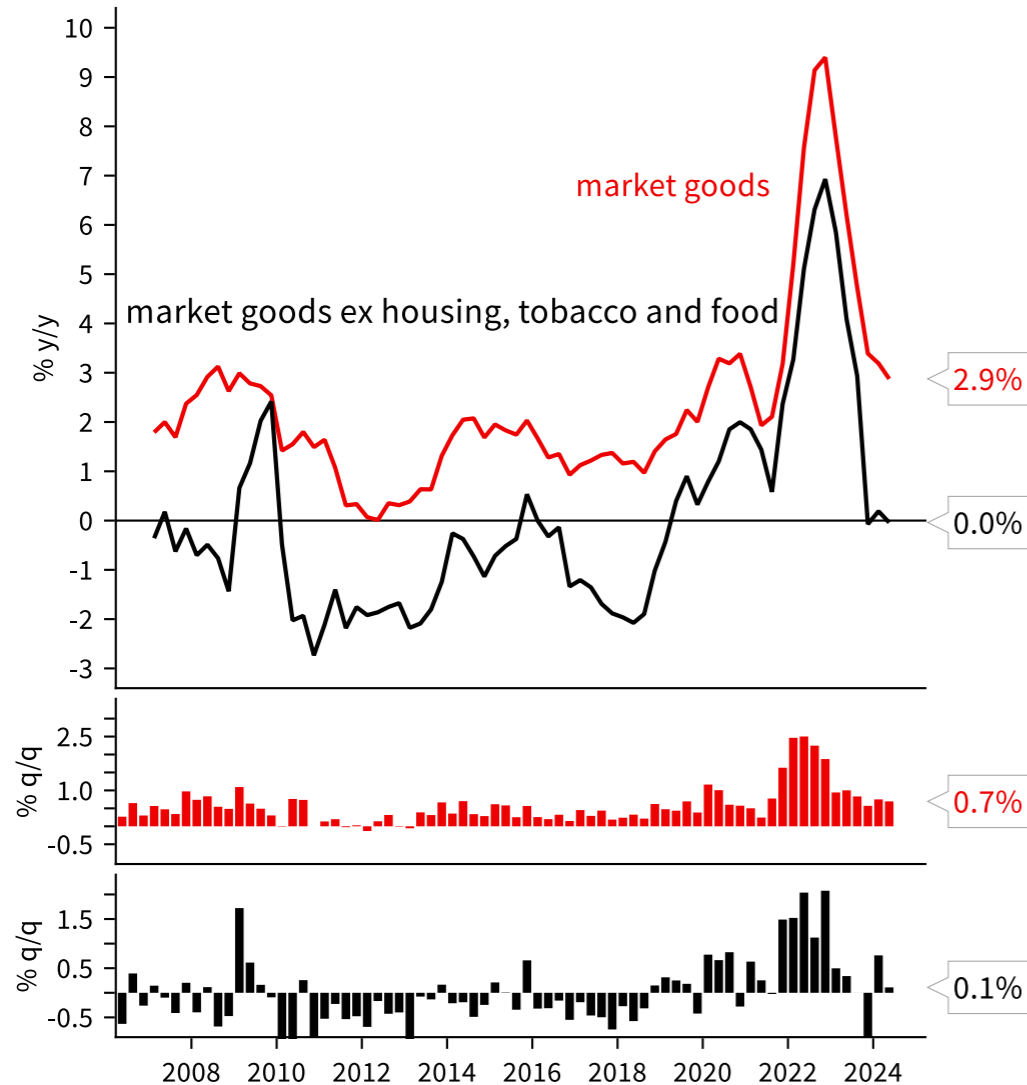
* Trimmed mean measure
 ** Average of Trimmed and Median
 Source: National Australia Bank, Macrobond

Source: National Australia Bank, U.S. Bureau of Labor Statistics (BLS), Statistics New Zealand, U.K. Office for National Statistics (ONS), Statistics Canada, Statistics Sweden (SCB), Australian Bureau of Statistics, Macrobond

What is driving inflation in Australia?

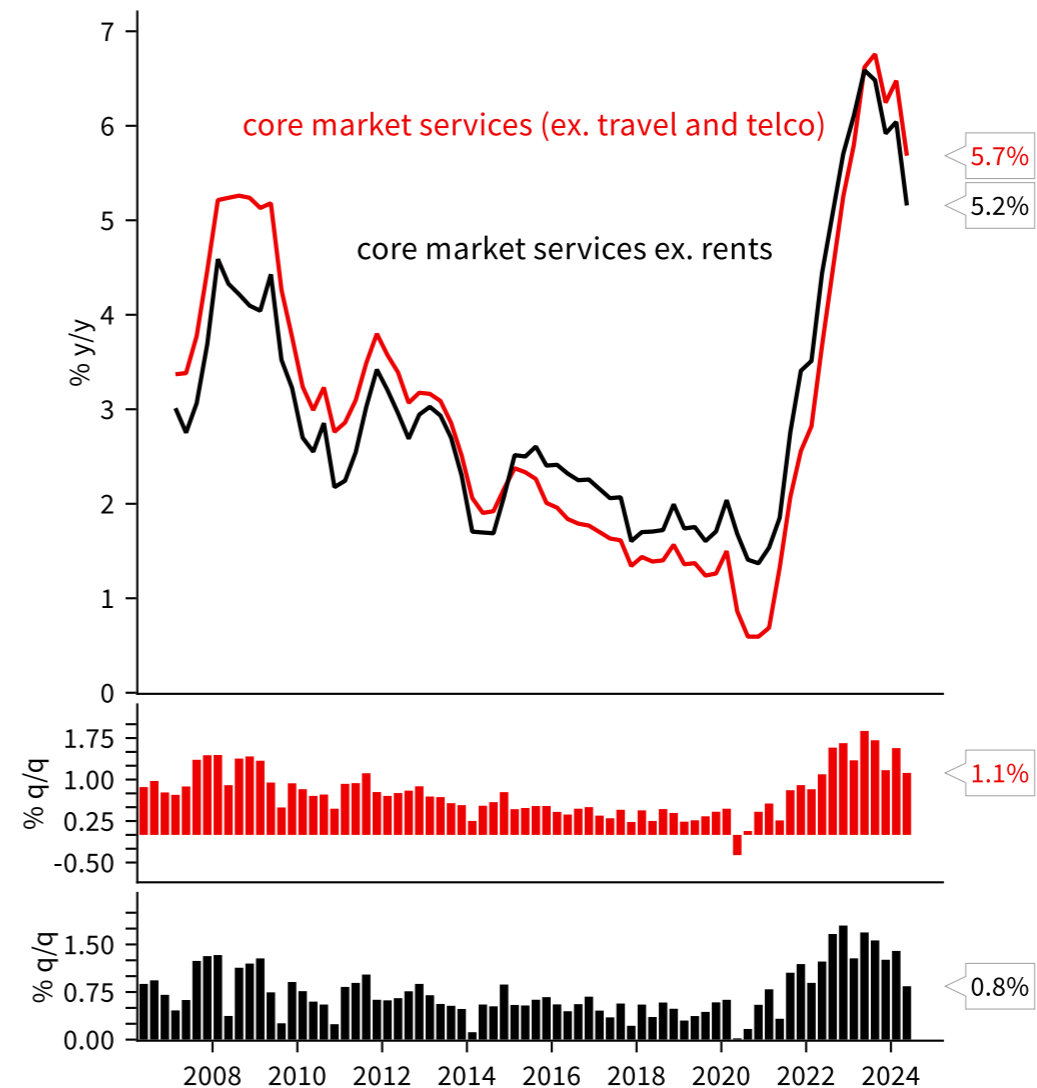
Markets services inflation remains elevated, and goods is not showing deflation as it did in the past

Market Goods Inflation*



Seasonally adjusted; calculated by NAB from ABS data and NAB forecasts
Source: National Australia Bank, ABS

Market Services Inflation

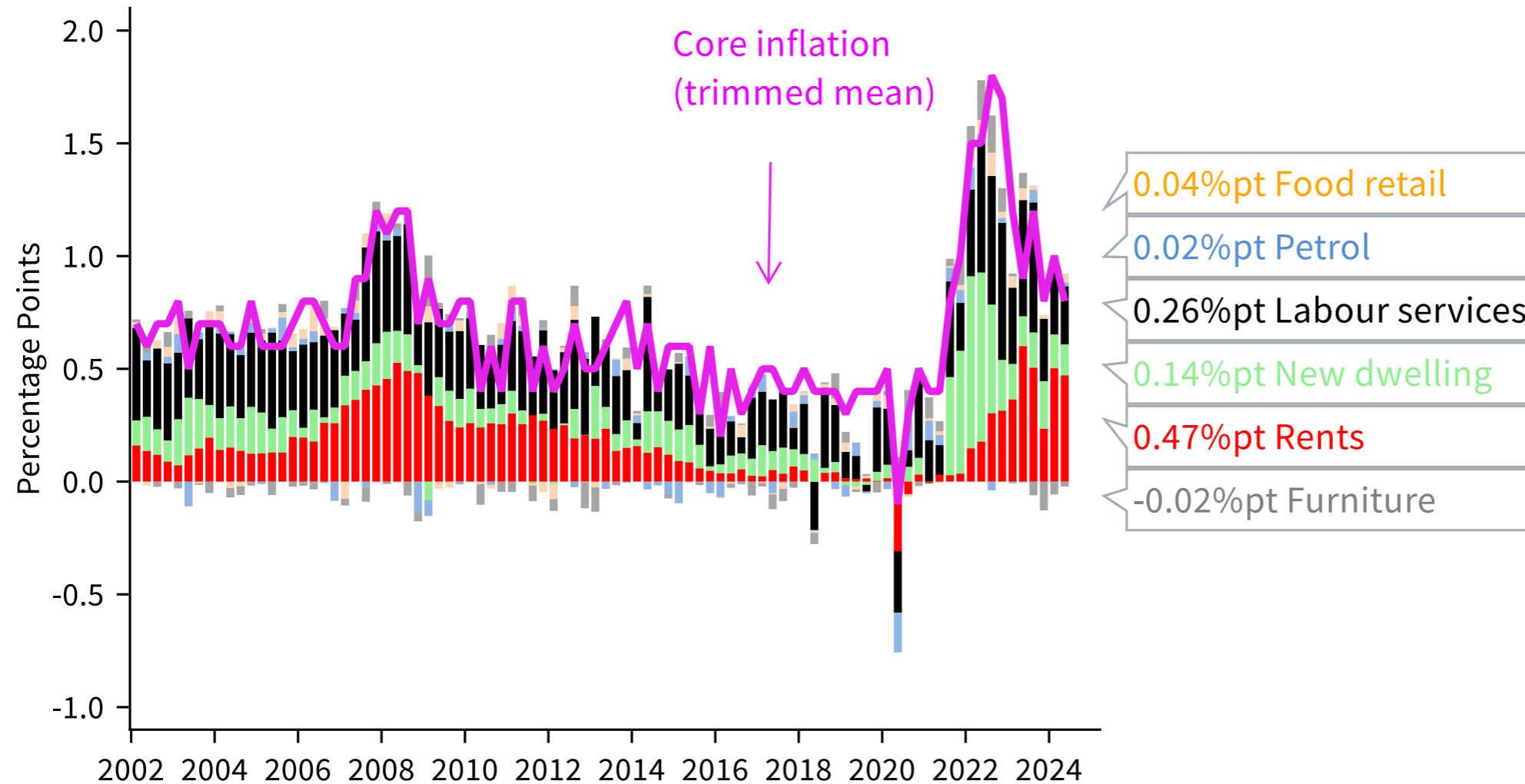


*Seasonally adjusted; calculated by NAB from ABS data and NAB forecasts
Source: National Australia Bank, ABS

What is driving inflation in Australia?

Another perspective is to see what is most correlated through time; shows housing is important

Six Components Driving Core Inflation



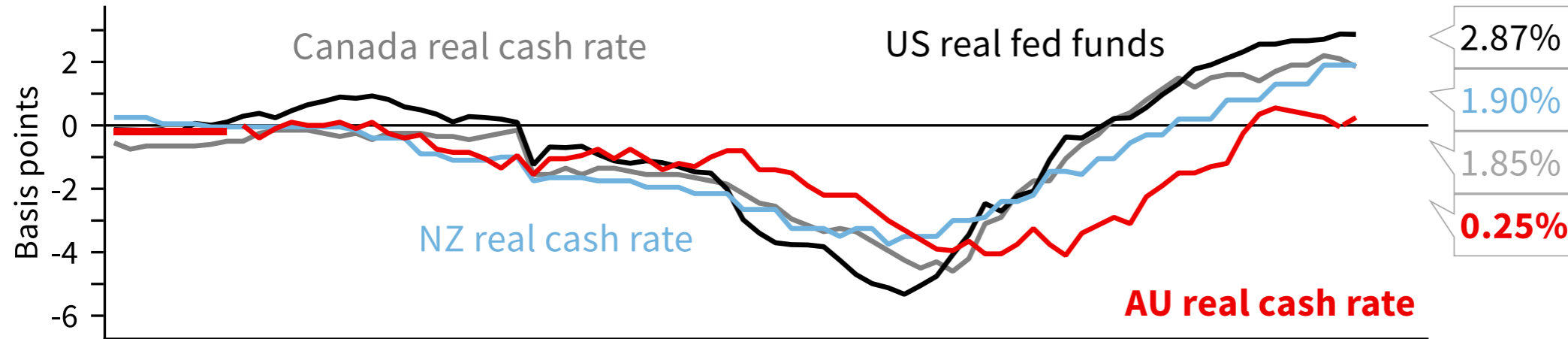
Source: National Australia Bank, Macrobond

Real rates differ worldwide

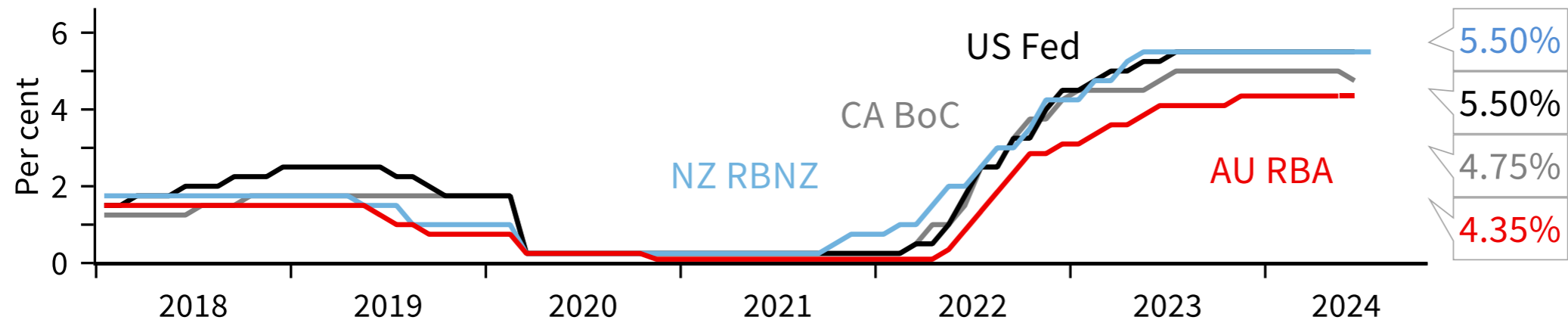
Australian real rates are just positive, meaning a hold for longer story

RBA - US - Canada - NZ - Cash Rate Comparison

Real cash rate*



Nominal cash rate



* Uses backward looking core CPI (Australia Trimmed Mean, US PCE excluding food and energy, NZ sectoral factor model)

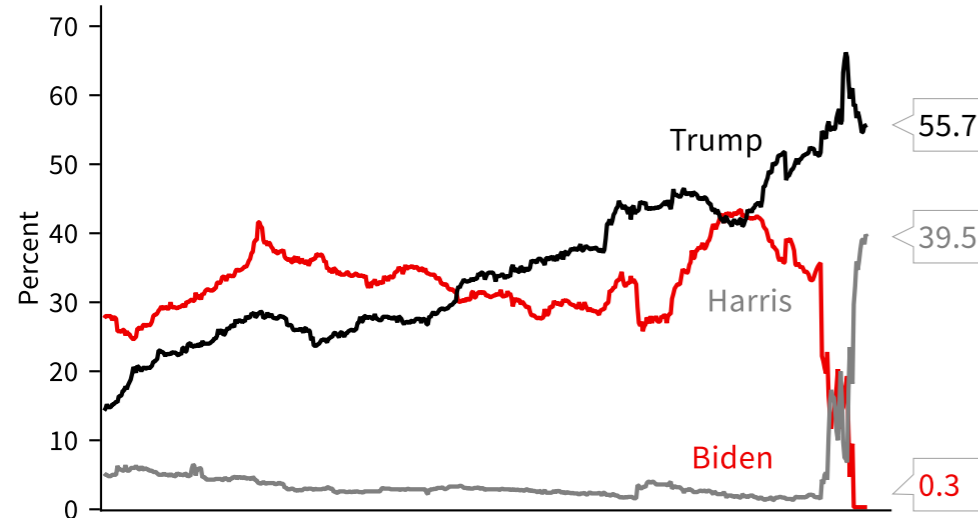
Source: National Australia Bank, Macrobond

Geopolitics: Middle East Tensions and US election

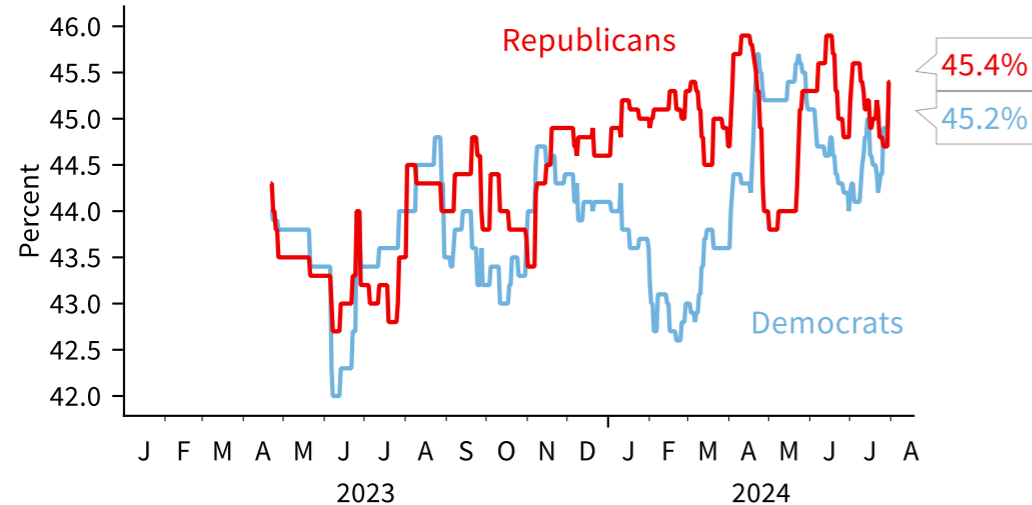
Freight rates important for heavy items such as furniture and household electronics

US Politics

Betting Odds for President

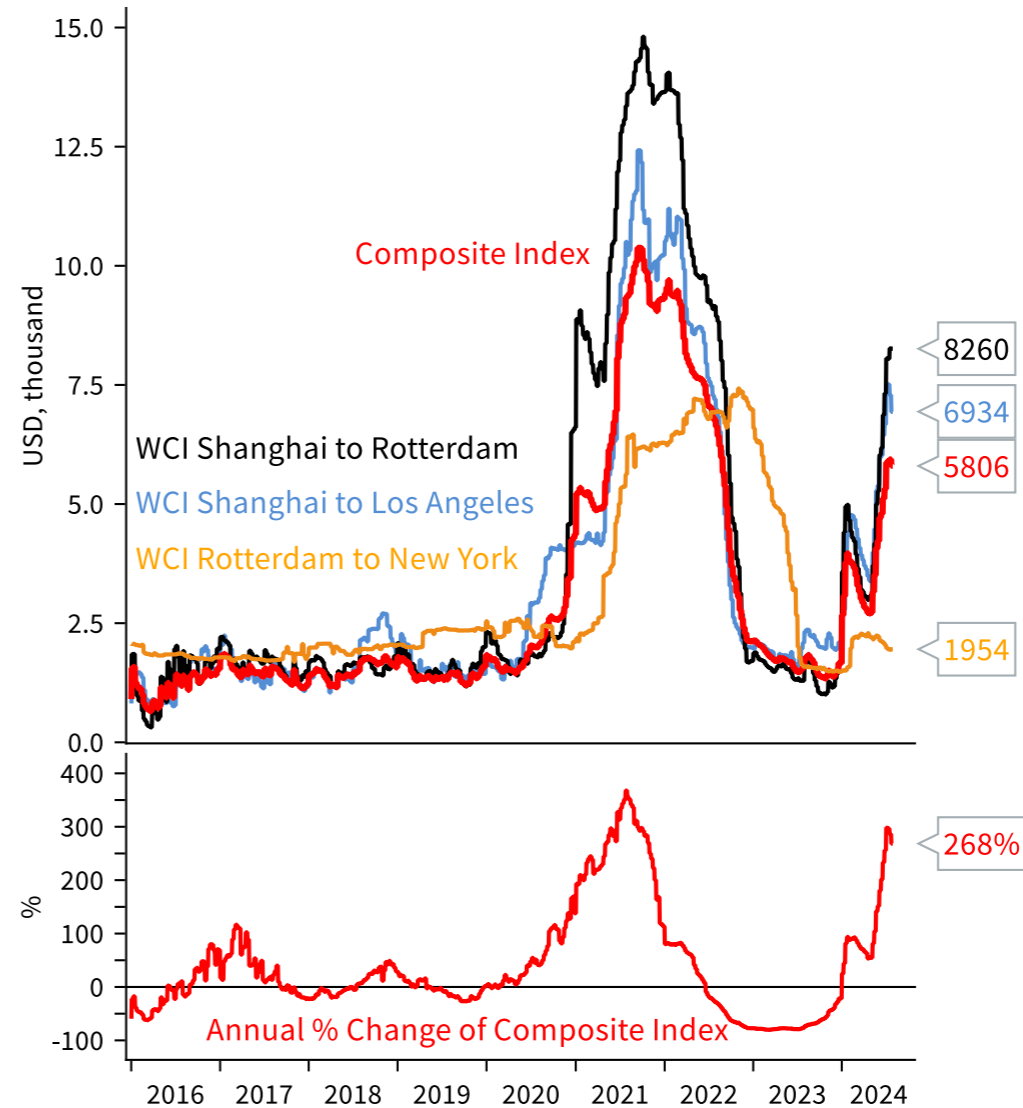


Poll for Generic Congressional Vote



Source: National Australia Bank, RealClearPolitics (RCP), Macrobond

Container Freight Cost per 40 foot container

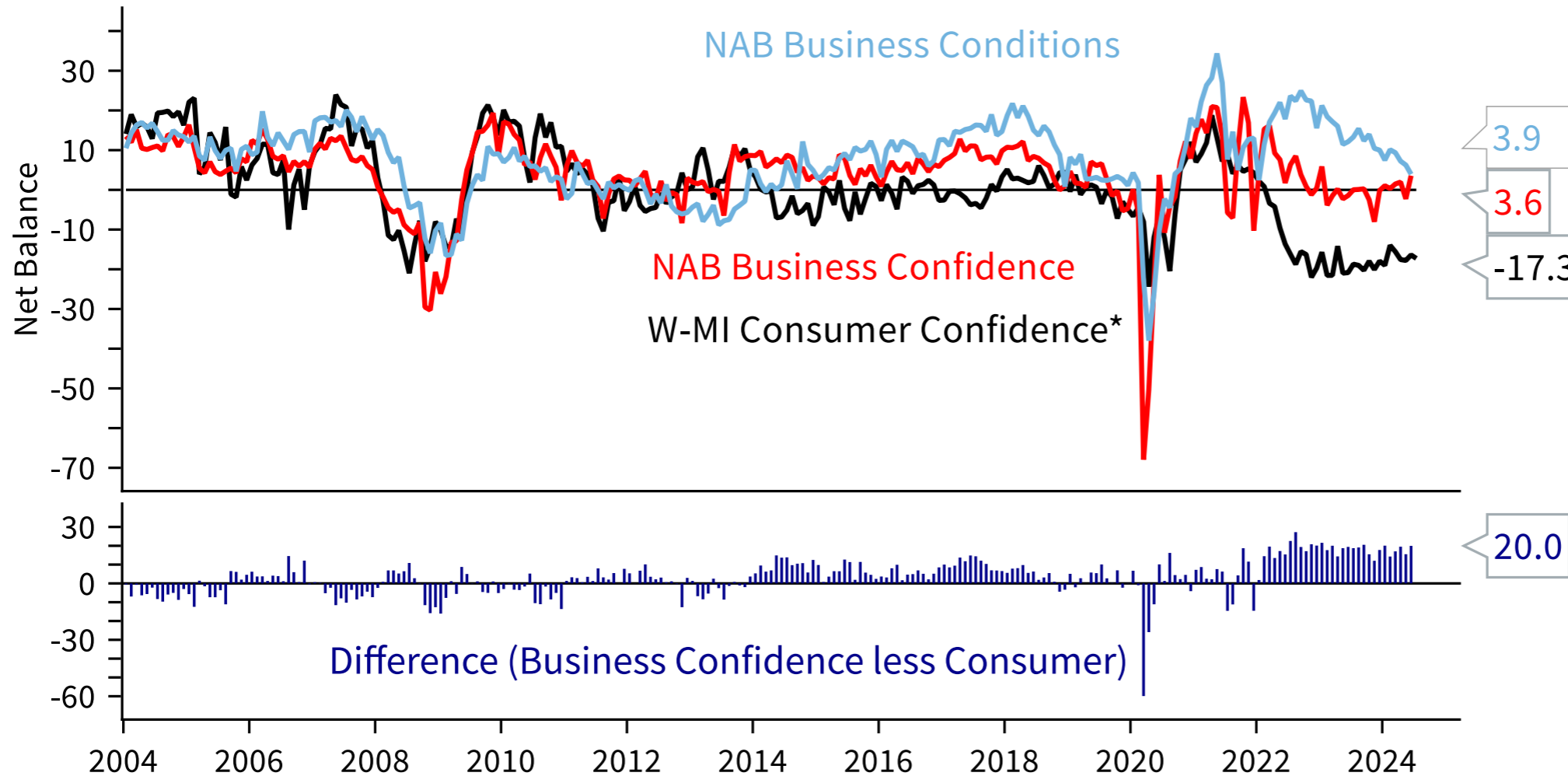


Source: National Australia Bank, Macrobond

Where is the economy right now

Business sector resilient, but consumers pessimistic

Business Confidence & Conditions v Consumer Confidence



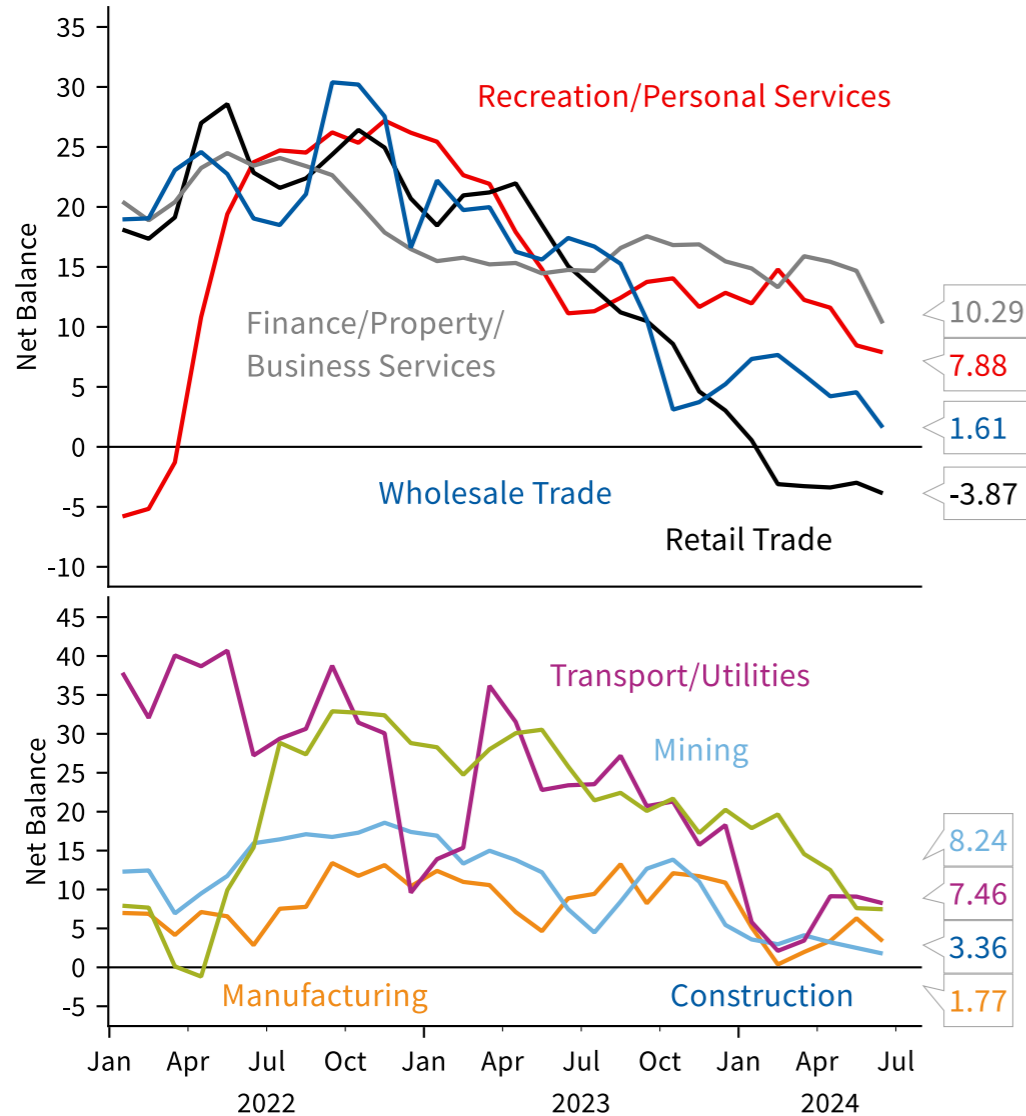
* Re-based to be less its breakeven level of 100

Source: National Australia Bank, Macrobond

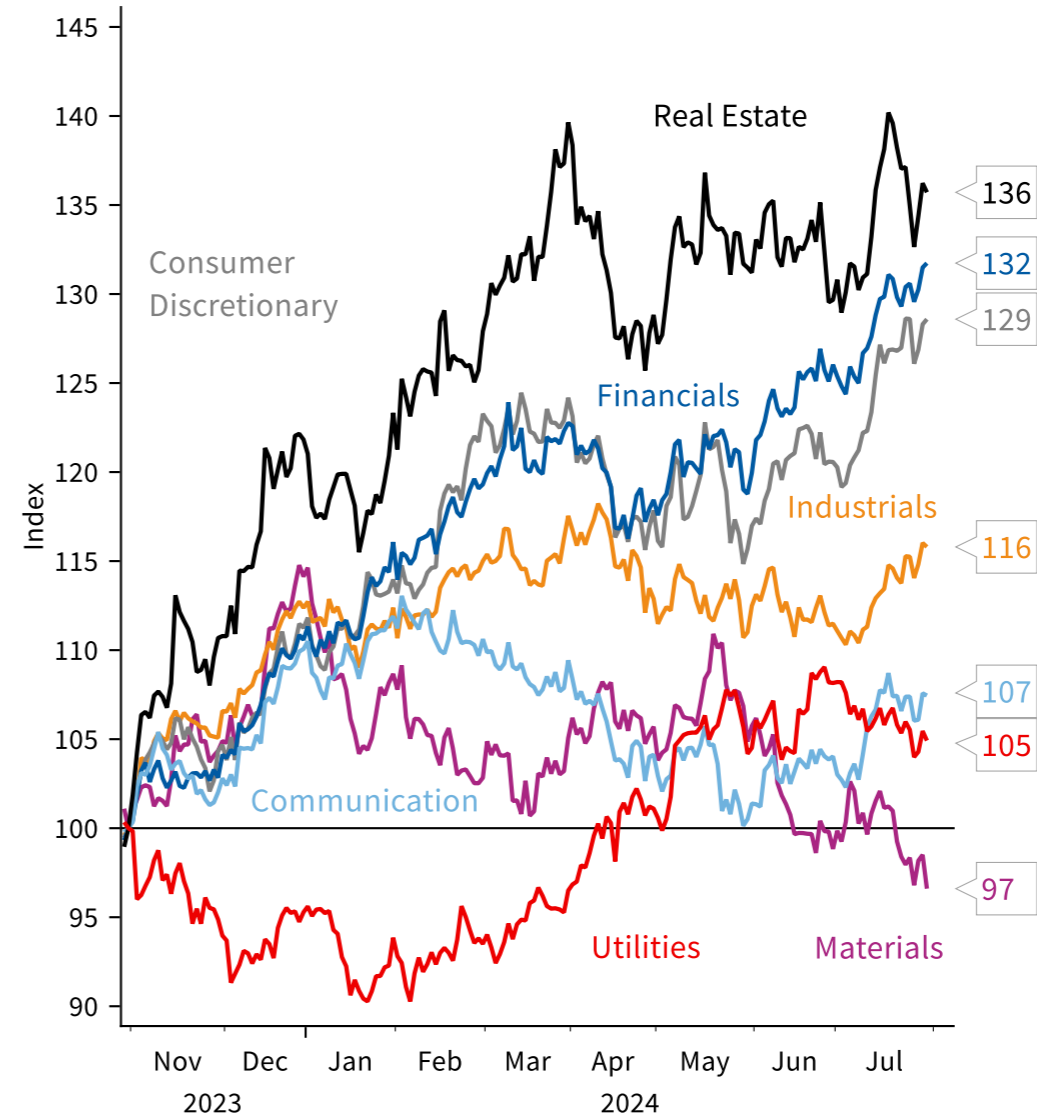
Pivot back to services; cost of living pressure

Conditions in services and transport positive, but other sectors not as much

NAB Business Survey - Conditions by Industry



ASX200 by Sector (30 Oct 2023 = 100)



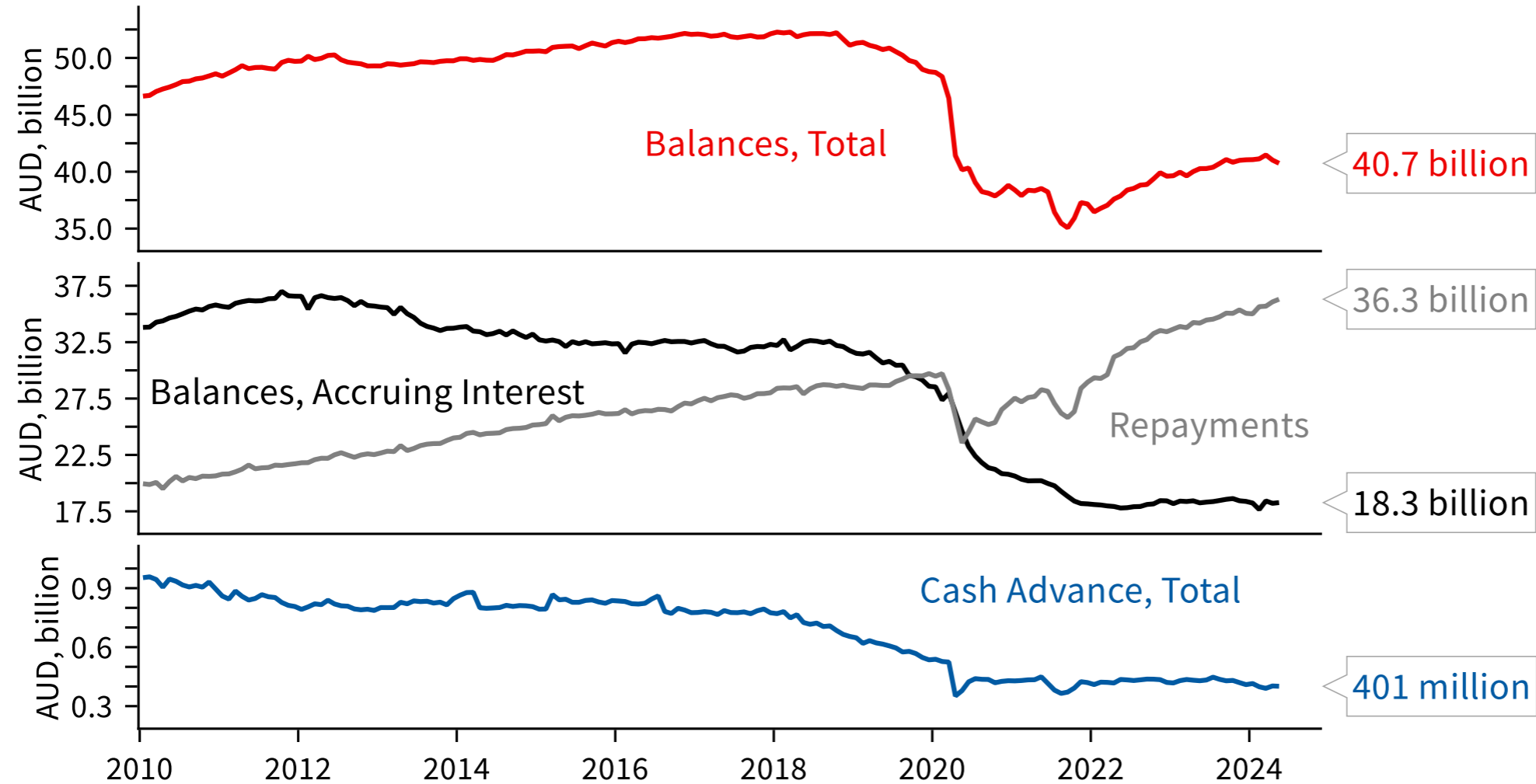
Source: National Australia Bank, National Australia Bank, Account in-house, Macrobond

Source: National Australia Bank, Macrobond

Arrears not showing pronounced lift

Outstanding credit card balances remain much lower than pre-pandemic

Credit & Charge Cards, Total, SA, AUD

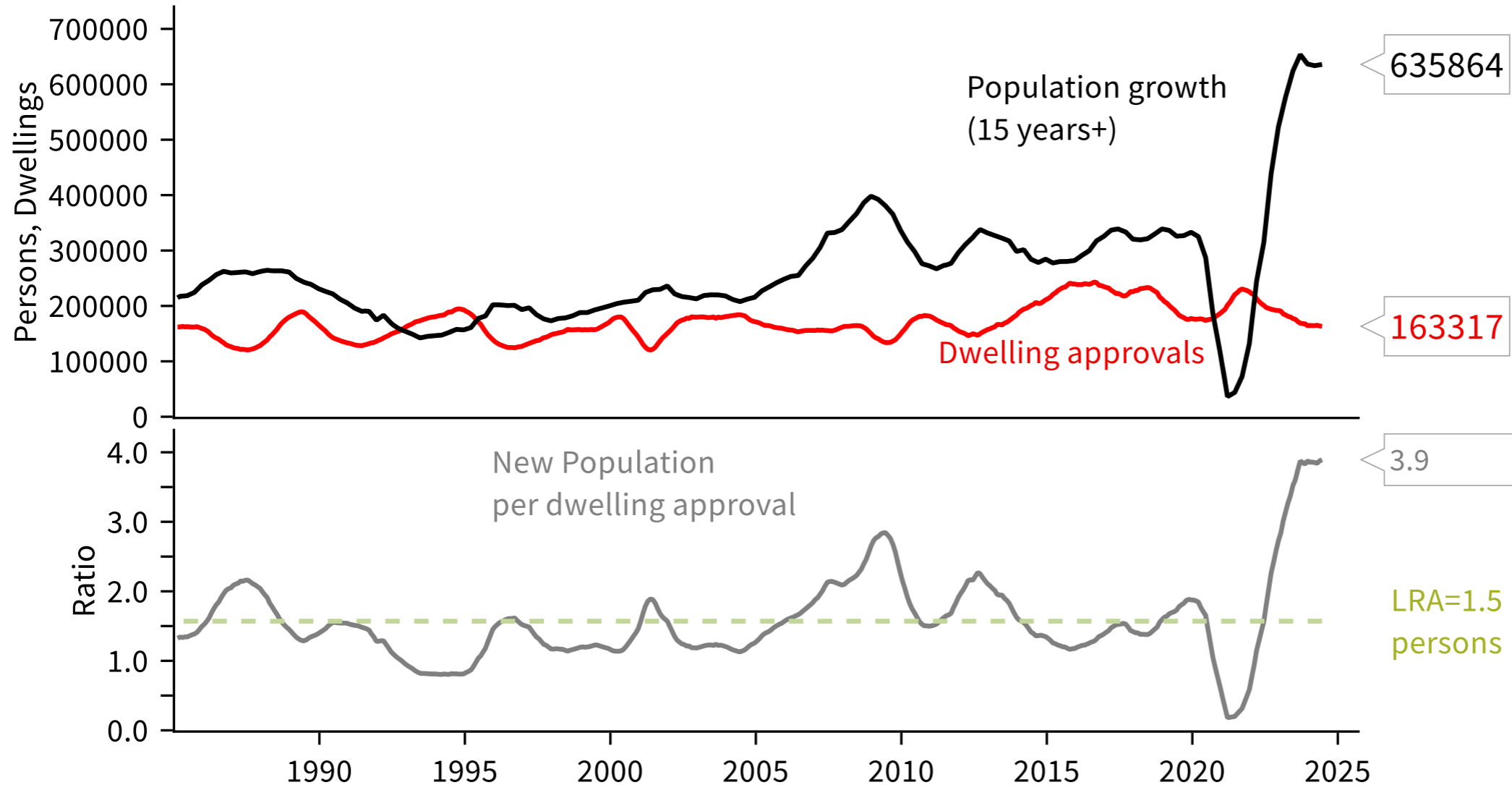


Source: National Australia Bank, Reserve Bank of Australia, Macrobond

Population relative to residential building

Australia's population increased by 640k over the past year!

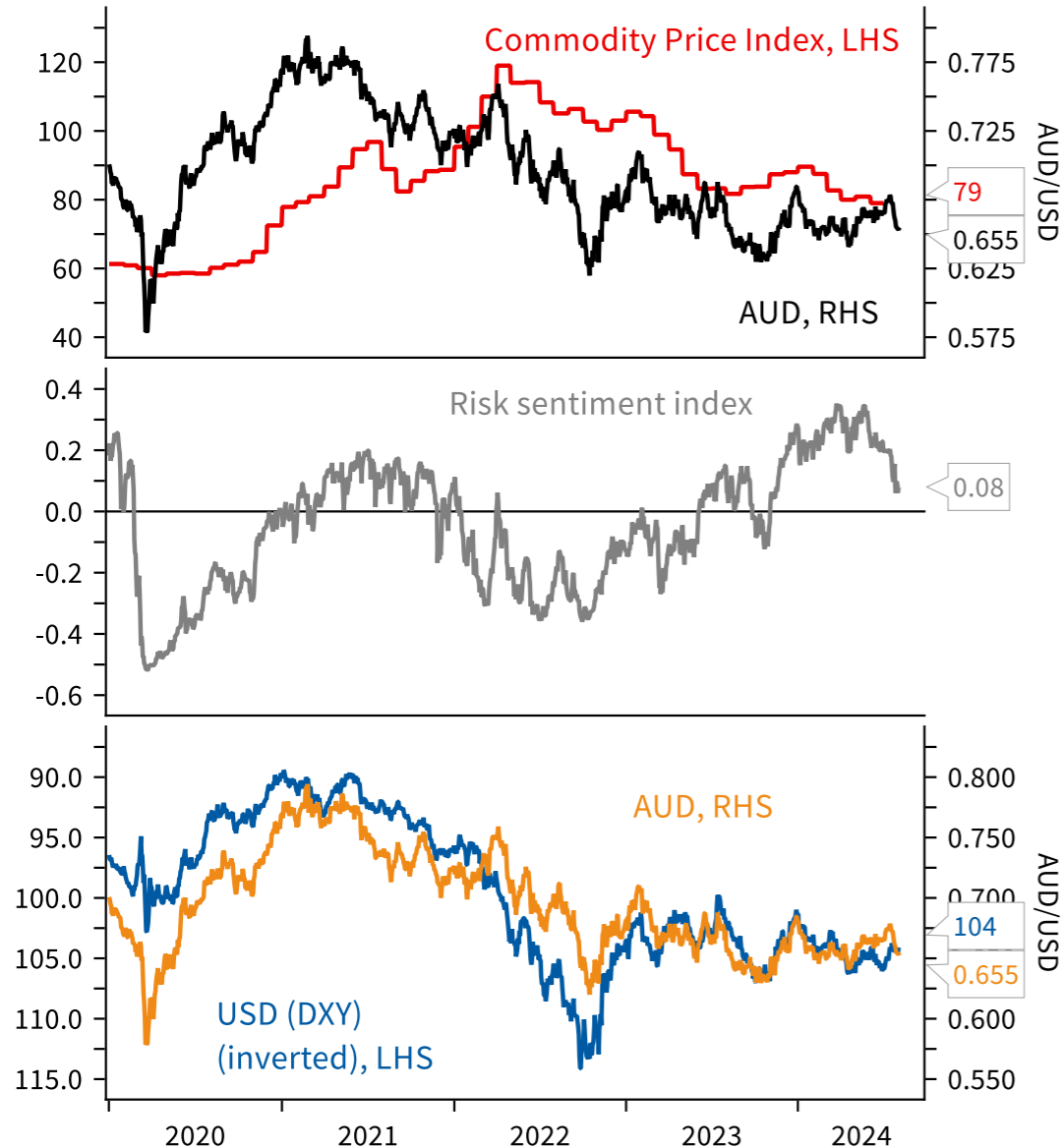
Building Approvals and Population Growth - Rolling Annual*



Source: National Australia Bank, Macrobond

AUD range-bound; Single biggest risk is if a future President Trump follows through with tariffs

Major Drivers of the AUD



Source: National Australia Bank, Macrobond

AUD/USD



Source: National Australia Bank, Bloomberg

- AUD/USD sitting 0.6545 (below where it was last webinar). Forecasts see AUD at 0.69 by end 2024 and 0.75 end 2025
- AUD has been unable to rally sustainably. Still hold call of when US Fed cuts rates, that should see the USD weaken
- BoJ hiked rates, at last supporting the Yen. See USD/JPY at 143 by end 2024 and 131 end 2025; (AUD/JPY around 99)
- (end 2024): AUD/EUR (0.62); AUD/GDP (0.53); AUD/CNY (4.93)

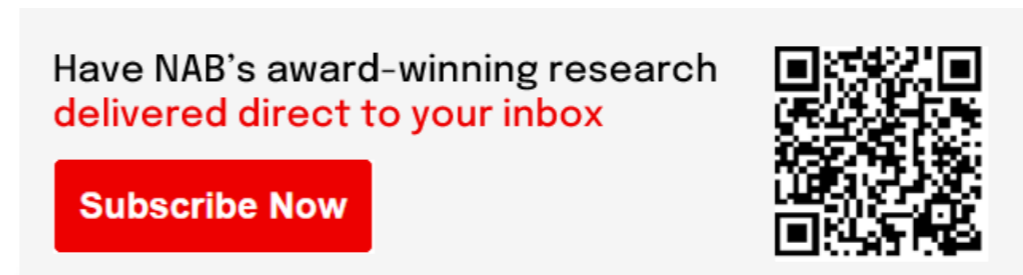
Detailed Forecasts

	% Growth q/q			% Growth y/y			
	Q4-23	Q1-24 (f)	Q2-24 (f)	2023	2024 (f)	2025 (f)	2026 (f)
GDP and Components							
Private Consumption	0.3	0.4	0.3	1.0	1.6	1.9	1.7
Dwelling Investment	-3.6	-0.5	0.1	-3.1	-0.7	1.7	2.5
Underlying Business Investment	1.4	-1.3	0.4	9.2	-0.9	1.9	1.7
Underlying Public Final Demand	0.4	0.6	0.5	4.6	2.1	1.6	1.4
Domestic Demand	0.3	0.2	0.4	2.8	1.6	2.1	2.0
Stocks (Cont. to GDP)	-1.0	1.0	-0.3	-0.9	0.2	0.0	0.0
Gross National Expenditure	0.0	1.0	0.1	1.8	2.0	2.3	2.0
Exports	-1.3	0.7	0.1	3.0	1.7	2.1	2.2
Imports	-3.5	5.1	0.0	4.9	6.1	2.1	1.6
Net Export (Cont. to GDP)	0.4	-0.9	0.0	-0.2	-0.9	0.1	0.2
Real GDP	0.3	0.1	0.1	1.6	1.1	2.3	2.2
Nominal GDP	1.6	1.4	1.5	4.5	5.6	3.9	3.6
Labour Market							
Employment	0.7	0.5	0.7	3.0	1.8	1.9	1.8
Unemployment Rate (Q-Ave, End of Period)	3.9	3.9	4.1	3.9	4.4	4.5	4.4
Wage Price Index (WPI)	1.0	0.8	0.9	4.2	3.8	3.4	3.2
Inflation and Rates							
Headline CPI	4.1	3.6	3.8	4.1	3.0	3.0	2.4
Trimmed-mean CPI	4.2	4.0	4.0	4.2	3.7	2.7	2.5
RBA Cash Rate (End of Period)	4.35	4.35	4.35	4.35	4.35	3.60	3.10
10 Year Govt. Bonds (End of Period)	3.96	3.98	4.33	3.96	4.20	4.00	-
\$A/US cents (End of Period)	0.68	0.65	0.66	0.68	0.69	0.75	-

Data are percentage growth rates over the quarter or year as noted, except where specified otherwise.

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