

Markets Research

What to Watch



Week of 6 May 2024

Comment: Fiscal matters ([jump to section](#))

- Government spending is one of the reasons activity has surprised globally despite substantial monetary tightening. In some countries, that is occurring when the output gap is still positive – US and NZ
- A key question for markets should be whether bloated government spending will be reined in. We are doubtful.
- Political discourse appears to have shifted to a greater role of government. With important elections in 2024-early 2025 (US Nov 2024; UK by Jan 2025; AUS by May 2025) it could be large deficits remain

Past Week ([jump to section](#))

- Speculation Japan intervened twice this week to support the Yen. To the extent Yen weakness was putting pressure on Chinese authorities to depreciate the Yuan, a firmer Yen should help stabilise the AUD
- Markets rally in the glow of the FOMC where Powell said it was “unlikely” the next move would be a hike. Instead, policy focus is on how long to keep policy restrictive before then cutting rates
- Diverging policy paths priced for the ECB and Fed. Markets broadly fully priced for a June ECB rate cut, in contrast the US Fed is only priced to cut rates from November, while for the RBA it is not until September 2025!

Week ahead ([jump to section](#))

- The RBA (Tuesday) is expected to be on hold. Low unemployment and hot inflation should see a tilt back towards a tightening bias after what many interpreted was a neutral bias at the March meeting
- Soft activity growth and a tighter for longer forecast assumption are some offset for the RBA’s inflation forecasts, but the reluctant hikers are once again challenged by the data. Also note ANZ and WBC report this week.
- The BoE (Thursday) is seen on hold. Markets though almost fully price a cut by August. Note it is a Bank Holiday on Monday. Elsewhere in Europe the Riksbank (Wednesday) meets with markets pricing 47% chance of a cut
- US data calendar is light, with UMich Sentiment (Friday). There are, a few Fed speakers. with the Fed’s Williams (Monday) the most notable, and the Senior Loan Officers Survey (Monday).
- China back from holidays (as is Japan). Caixin Services PMI (Monday) and Trade (Thursday), while Xi visits Europe – trade/investment relations
- Canadian Employment (Friday) is the final labour market update ahead of the 5 June meeting, where a cut is two-thirds priced.

Important Events Preview ([jump to section](#))

Contents

Week of 6 May 2024	1
Comment: Fiscal matters	2
Week in review	2
Week Ahead in Brief	3
Important Events Preview	3
Weekly Calendar of Economic Releases	5
May 2024 Economic Calendar	6
Forecasts Table	7

Key Markets

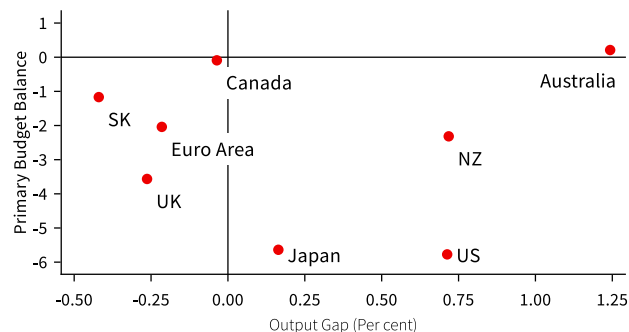
	% change		
	Latest	week	YTD
Cash rates		<i>bps</i>	<i>bps</i>
RBA Cash Rate	4.35	0.0	0.0
US Fed Funds	5.50	0.0	0.0
RBNZ Cash Rate	5.50	0.0	0.0
Rates			
AU BBSY 3m	4.46	-0.5	5.0
AU 3y swap	4.24	-7.6	46.0
AU 3yr yield	4.04	-10.1	42.9
AU 10yr yield	4.41	-11.0	45.5
US 10yr yield	4.58	-12.3	70.2
AU-US 10yr spread	-17.1	1.3	-24.7
Commodities		%	%
Iron ore	117	-0.5	-11.2
Coal (thermal)	147.8	14.3	0.9
Brent oil	83.9	-4.9	9.7
Gold	2301.8	-1.5	11.6
FX			
AUD/USD	0.6575	0.6	-3.5
USD (DXY)	105.26	-0.6	3.9
AUD/NZD	1.1016	-0.2	-2.1
AUD crosses			
AUD/JPY	100.57	2.9	-4.5
AUD/CNY	4.7614	-0.5	1.7
AUD/EUR	0.6126	-0.2	0.8
AUD/GBP	0.5239	-0.2	2.1
Equities			
ASX 200	7633.5	0.8	0.6
ASX Resources	5811.7	-0.6	-8.5
ASX Financials	7207.3	1.2	7.3
US S&P 500	5064.2	0.3	6.2

Source: Bloomberg

Comment: Fiscal matters

In this comment we note that government spending is one of the reasons activity has surprised globally despite substantial monetary tightening. In some countries, that is occurring when the output gap is still positive – namely US and NZ – which is likely keeping inflation pressures elevated.

Output Gap and the Fiscal Deficit

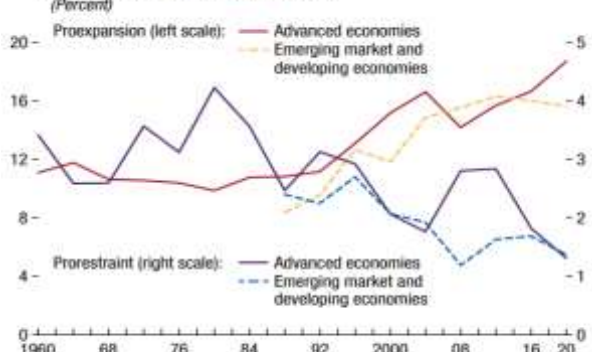


Source: National Australia Bank, International Monetary Fund (IMF), Macrobond

Back in Australia, much has been made of the small budget surplus, but even still government spending is occurring in a capacity constrained economy. The IMF World Economic Outlook estimated Australia’s output gap was greater than that of the US or NZ. Examples include government infrastructure spending competing with private construction, and or demands on health/social care underpinning labour demand.

A key question for markets should be whether bloated government spending will be reigned in. We are doubtful. Political discourse appears to have shifted to a greater role of governments – population ageing may be one factor here as well as the pandemic. In the US, Republicans and Democrats seem to have policies that perpetuate the sizeable deficit.

1. Rise of Expansionary Fiscal Discourse (Percent)



Sources: Cao, Dabla-Norris, and Di Gregorio (forthcoming); Manifesto Project Database;

With important elections in 2024-early 2025 (US Nov 2024; UK by Jan 2025; AUS by May 2025) it could be large deficits remain. Population ageing and outright shrinking populations in Asia are also likely to put strains on budget balances going forward, as well as impacting potential growth outside of well-known productivity concerns.

For further details, please see our note on the IMF Fiscal Monitor - [Fiscal deficits are still high relative to 2019](#).

Tapas Strickland, NAB

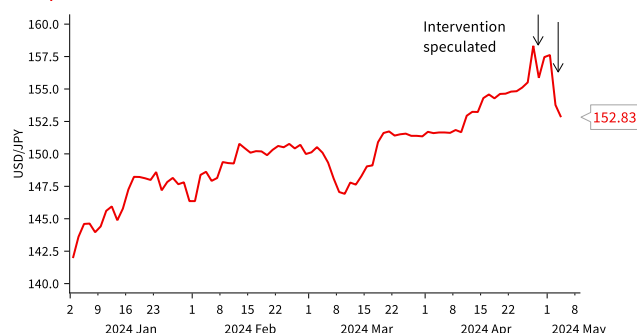
Week in review

Four key events saw a volatile week for financial markets. Domestically, Australian Retail Sales printed to the downside (-0.4% m/m vs. 0.2% consensus), with market pricing for an RBA hike pared following the data, with a further paring following Wednesday’s FOMC meeting (see [AUS: Retail sales trend is tracking sideways](#)). RBA pricing now sees 8.5bps worth of tightening by September 2024, with a first cut not until September 2025.

The other two key events were speculation that Japanese authorities intervened twice to support the Yen – some US\$57bn having been spent to defend it according to Bloomberg estimates, and a hotter-than-expected US Employment Cost Index (1.2% q/q vs. 1.0% consensus). The wash up was that the USD fell over the week (DXY -0.6%), while the AUD (+0.8%) outperformed slightly.

USD/JPY meanwhile fell by a sharp -3.5% to 152.87 after briefly touching 160.17. To the extent that Yen weakness was putting pressure on Chinese authorities to depreciate the Yuan (given a loss of export competitiveness to Japan), a firmer Yen should help stabilise the AUD. Whether JPY stability can be maintained will be focal point given macro conditions do not support a hawkish monetary stance.

USD/JPY



Source: National Australia Bank, Bloomberg

As for the US FOMC, it was Chair Powell’s disregard of a further hike that gave markets a positive glow – “So I think it’s unlikely that the next policy rate move will be a hike. I’d say it’s unlikely. You know, our policy focus is really what I just mentioned, which is how long to keep policy restrictive” (see [Powell May 2024 Press Conference Transcript](#)). At the same meeting the Fed also slowed the speed of QT with the cap on Treasuries now \$25bn from up to \$60bn.

Yields fell with the US 10yr yield -12.3bps to 4.58%. Those moves were broadly seen in Aussie markets with the AU 10yr -11.5bps to 4.41%. Equities were also positive over the week with the ASX200 +0.7% and the S&P500 +0.3%. The other big mover was oil with some reduction in the degree of geopolitical tensions, as well as a large inventory build in the US – Brent is -4.8% on the week to \$84.00.

Finally, European inflation data was broadly as expected, highlighting diverging paths for the ECB and Fed. Markets are broadly fully priced for a June ECB rate cut, and almost price two more by the end of the year (70.4bps in total). In contrast, the US Fed is only priced to cut rates from November, while for the RBA it is not until September 2025!

Tapas Strickland, NAB

Week Ahead in Brief

It is generally a quiet week, but there are a couple of key events to watch out for. Locally, the **RBA (Tuesday)** decision and forecast update dominate and is likely to strike a noticeably different tone to the **BoE (Thursday)**, while markets a split as to whether the **Riksbank (Wednesday)** will cut rates. Earnings continue – WBC & ANZ for Australia.

All but one of 21 forecasts in the Bloomberg survey expect the RBA on hold. While we also expect a hold, a tilt back towards a tightening bias after what many interpreted was a neutral bias at the March meeting is likely. The substance of the SoMP forecasts and communication should reflect a risk profile that feels less balanced than the RBA's characterisation in March.

The RBA will need to revise higher their near-term inflation outlook and lower their near-term unemployment outlook. But activity growth remains slow and new forecasts will be conditioned on higher for longer policy (given the shift in market pricing since February), so our central case remains that the RBA will continue to assess they are making progress towards their goals even as recent data flow should challenge their comfort policy settings are sufficiently restrictive. NAB continues to expect that the RBA will hold rates until November when we have pencilled in the first cut.

There is little on the domestic data calendar. Q1 retail volumes on Tuesday are expected to confirm a small decline in retail spending.

NZ is also quiet, Crown Financial Statements on Tuesday are the last update before the 30 May budget, while Friday's PMI for April will be watched after it slumped to 47.1 in March.

Elsewhere in the **UK**, the BoE's May meeting remains too early to start cutting, but Market pricing currently sees June as a 40% chance and are over 90% priced for a cut by August. The May meeting also sees updated forecasts in the Monetary Policy Report. Q1 GDP data for the UK is on Friday, and Monday is a bank holiday.

In the **US**, the data calendar is light, with University of Michigan consumer sentiment on Friday the highlight. With Powell continuing to frame the current juncture as how long to hold, rather than meaningfully entertaining the risk of a hike, the full calendar of post-FOMC fed speak will be instructive for whether there is broad agreement with Powell's characterisation that the FOMC believes over time policy will prove sufficiently restrictive. A fireside chat with New York's Williams on Monday stands out. The Senior Loan officers survey is also on Monday.

China sees the Caixin services PMI (Monday) and trade data (Thursday), while geopolitics will also be in focus for trade and investment implications with President Xi on a five day tour of **Europe** from Sunday, his first EU visit in 5 years. Credit numbers are due in the week from Thursday. The final PMIs and ECB April Minutes (Friday) headline a very quiet calendar in Europe.

Canadian Employment data are on Friday.

Taylor Nugent, NAB

Important Events Preview

Australian events and a selection of key offshore data; full calendar below

Monday 6

CH Caixin Services PMI

Official PMIs and the Caixin Manufacturing PMI were released last Tuesday. They slowed after March's strong increase but not enough to suggest the cyclical rebound has run out off puff just yet. The Caixin Manufacturing PMI was a bit more positive than its official version, but the official Services PMI fell to 50.3 from 52.4, expectation are for the Caixin version to hold up better, staying above 52.

US Fed's Williams in a fireside chat

US Fed's Senior Loan Officers Survey

Tuesday 7

AU Retail Sales Volumes

Nominal retail sales slid in March to eke out only 0.2% q/q in nominal terms. Our mapping from CPI suggests the retail deflator rose 0.6% q/q, implying a volumes fall of 0.4% q/q. That decline would be consistent with our expectation for flat to marginally positive consumption growth in Q1. Note retail sales reflects only about a third of household consumption and is heavily skewed towards goods spending. Of note, cafes, restaurants and takeaway food services, a rare services spending indicator in today's release, was 1.0% higher q/q, consistent with positive growth in volume terms.

AU RBA & SoMP

In contrast to most of the RBA's advanced economy peers, the RBA's stripes as a reluctant hiker leave the near-term risks from May to August to a hike rather than a cut even at this late stage of the tightening phase. That said, NAB does not expect the RBA to hike and continues to see the RBA on hold until November, a view we have held since we dropped our earlier expectation for an additional hike to 4.6% in January, partly in recognition of the RBA's reluctance to take out additional insurance that inflation would return to target in an acceptable time frame.

Even still, the RBA's successive shift to a more neutral stance over the past few meetings was premature. Labour market cooling and progress on inflation haven't gone the RBA's way as quickly as they had expected in February, but below trend growth will continue to give the RBA enough confidence they are making progress reducing excess demand to stay on hold.

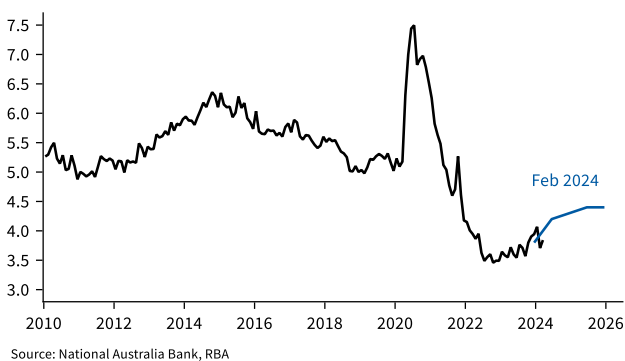
In March, the substantive guidance was the Board is 'not ruling anything in or out.' Before that, February communicated it was 'a further increase' that couldn't be ruled out. We would expect a sentiment more like February than March, though with market pricing having moved materially to entertain only one cut out to the end of 2025, the RBA won't feel pressured to sound overly hawkish. The RBA under Bullock has also been more

circumspect about forward guidance, and so may prefer to keep their options more fully open.

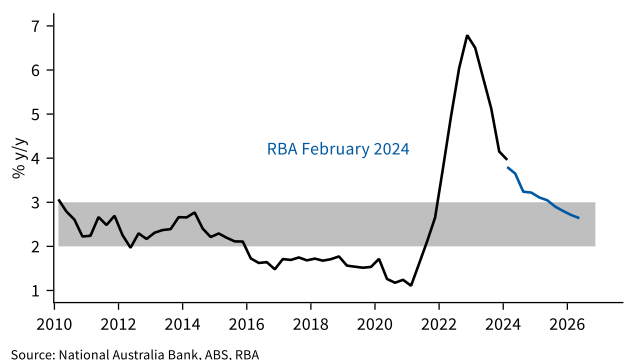
Regardless, with a full SoMP and forecast update to digest alongside the 2:30 announcement, and a presser from 3:30, the framing there should prove more revealing about the RBA's comfort things remain on track.

The RBA will need to revise higher their near-term inflation outlook and lower their near-term unemployment outlook at the May meeting. Further out, the paring of market pricing for cuts over the past three months, and a slew of market economists delaying cut expectations, means the 'hybrid path' underlying the forecasts will imply tighter-for-longer policy that can weigh on their growth outlook and mute the passthrough to their mid 2026 inflation forecast of 2.6%.

Unemployment Rate Forecasts



Underlying Inflation Forecasts



rate cuts, markets have trimmed their expectations for the BoE too with almost two cuts priced for end Dec. Our view remains for three cuts starting in August (22bps priced) but the risks are skewed to fewer all the while the Fed is seen staying on hold. We expect the BoE decision to be another 8:1 vote with dove Dhingra calling for a cut.

The BoE will release its Inflation Report with new projections for CPI and GDP as well as unemployment. In February the BoE forecast CPI dropping to 2% in Q2 on the then market path and to 1.9% in Q2 on unchanged rates. We remain of the view UK CPI will drop to between 1% and 2% over the next few months and as such we expect the new BoE inflation track to also ease a little in the coming quarters, but likely push back above 2% in 2025.

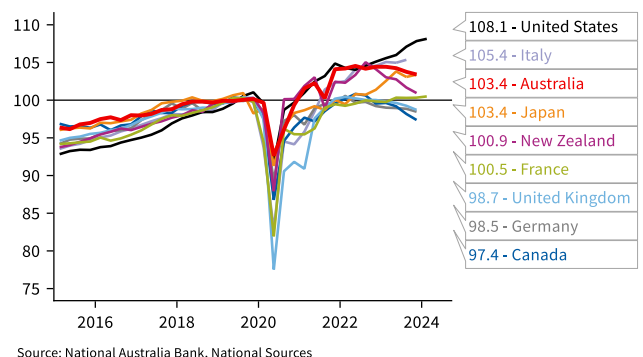
In February the BoE introduced new language that the restrictive stance of monetary policy was 'bearing down on inflationary pressures' (as well as weighing on economic activity and leading to a looser labour market. It noted then that the stance of monetary policy could remain restrictive even Bank Rate were reduced.

Friday 10

UK EQ1 Preliminary GDP

Q1 preliminary GDP is expected to pick up and pull the UK out of its H2, 2023 technical recession. The consensus view for GDP is +0.4% q/q after -0.3% in Q4, taking y/y growth to 0% from -0.2%.

GDP per Capita by Country



Wednesday 8

SE Riksbank

The Riksbank at their March meeting left the door wide open to a cut in May or June. The Swedes may well be next among G10 central banks to follow the Swiss to cut. but may be reticent to move too far ahead of the ECB. Markets are 47% priced for a cut on Wednesday. Should the Riksbank cut, it would again highlight Europe is at the vanguard of a prospective easing cycle – with monetary policy divergence to persist until late 2024.

Thursday 9

CH Trade Balance

UK Bank of England

The BoE is universally expected to hold rates steady once again at 5.25%. Alongside the pullback in pricing of US

CA April Employment

Friday's employment report is the final labour market update ahead of the Bank of Canada's 5 June meeting, which is very much live and a cut is currently 2 thirds priced by markets. Expectations are for the April data to confirm a labour market that has softened materially, no longer posing much of a threat to the inflation outlook and providing a balancing concern for the BoC to its inflation objective. The unemployment rate is seen up another tenth, to 6.2%, well off its trough of 5.0% in mid 2022 and above levels prevailing prior to the pandemic.

US University of Michigan Consumer Sentiment

Weekly Calendar of Economic Releases

Date	Time	Country	Event	Period	Consensus	NAB	Previous
Monday, 6 May	11:00 AM	AU	Melbourne Institute Inflation MoM	Apr	--		0.1%
	11:45 AM	CH	Caixin China PMI Services	Apr	52.5		52.7
	5:50 PM	FR	HCOB France Services PMI	Apr F	--		50.50
	5:50 PM	FR	HCOB France Composite PMI	Apr F	--		49.90
	6:00 PM	EC	HCOB Eurozone Composite PMI	Apr F	--		51.4
	2:50 AM	US	Fed's Barkin Speaks on Economic Outlook	--	--		--
	3:00 AM	US	Fed's Williams Participates in Fireside Chat	--	--		--
	Tuesday, 7 May	10:30 AM	JN	Jibun Bank Japan PMI Services	Apr F	--	
11:30 AM		AU	Retail Sales Ex Inflation QoQ	1Q	-0.3%		0.3%
2:30 PM		AU	RBA Cash Rate Target	May 7	4.35		4.35
2:30 PM		AU	RBA-Statement on Monetary Policy	--	--		--
4:00 PM		GE	Factory Orders MoM	Mar	-0.2%		0.2%
5:00 PM		SZ	Foreign Currency Reserves	Apr	--		715624.5
7:00 PM		EC	Retail Sales MoM	Mar	--		-0.5%
1:30 AM		US	Fed's Kashkari Participates in Fireside Chat	--	--		--
Wednesday, 8 May	4:00 PM	GE	Industrial Production SA MoM	Mar	-1.0%		2.1%
	5:30 PM	SW	Riksbank Policy Rate	May 8	--		4.0
	9:00 PM	US	MBA Mortgage Applications	May 3	--		-2.3%
	12:00 AM	US	Wholesale Inventories MoM	Mar F	-0.3%		-0.4%
Thursday, 9 May	9:30 AM	JN	Labor Cash Earnings YoY	Mar	1.4%		1.4%
	9:50 AM	JN	BOJ Summary of Opinions (April MPM)	--	--		--
	9:00 PM	UK	Bank of England Bank Rate	May 9	5.3%		5.3%
	9:30 PM	UK	BOE Governor Press Conference	--	--		--
	10:15 PM	EC	ECB's Cipollone Speaks	--	--		--
	10:15 PM	EC	ECB's Guindos Speaks	--	--		--
	10:30 PM	US	Initial Jobless Claims	Apr 27	211.00		208.00
	11:00 PM	UK	BOE decision maker panel survey	--	--		--
	--	CH	Exports YoY	Apr	3.0%		-7.5%
	--	CH	Trade Balance	Apr	81.35		58.55
	--	CH	(09 May - 15 May) Money Supply M2 YoY	Apr	--		8.3%
2:15 AM	UK	BOE Chief Economist Huw Pill Q&A	--	--		--	
Friday, 10 May	8:30 AM	NZ	BusinessNZ Manufacturing PMI	Apr	--		47.1
	9:50 AM	JN	BoP Current Account Balance	Mar	3440.65		2644.2
	4:00 PM	UK	GDP QoQ	1Q P	0.4%		-0.3%
	4:00 PM	UK	GDP YoY	1Q P	--		-0.2%
	4:00 PM	UK	Industrial Production MoM	Mar	--		1.1%
	4:00 PM	UK	Manufacturing Production MoM	Mar	--		1.2%
	5:00 PM	EC	ECB's Cipollone Speaks	--	--		--
	9:15 PM	UK	BOE's Huw Pill speaks	--	--		--
	9:30 PM	EC	ECB Publishes Account of April Policy Meeting	--	--		--
	10:30 PM	CA	Net Change in Employment	Apr	17.50		-2.2
	10:30 PM	CA	Unemployment Rate	Apr	6.2%		6.1%
--	NZ	(10 May - 14 May) REINZ House Sales YoY	Apr	--		8.0%	
12:00 AM	US	U. of Mich. Sentiment	May P	77.00		77.2	
Saturday, 11 May	11:30 AM	CH	PPI YoY	Apr	-2.3%		-2.8%
	11:30 AM	CH	CPI YoY	Apr	0.1%		0.1%
Upcoming Central Bank Interest Rate Announcements						NAB	Current
	May 7	Australia, RBA			4.35	4.35	
	May 9	UK, BOE			5.25	5.25	
	Jun 12	US, Federal Reserve (Upper Bound)			5.50	5.50	
	May 22	New Zealand, RBNZ			5.50	5.50	
	Jun 5	Canada, BoC			5.00	5.00	
	Jun 6	Europe, ECB			3.75	4.00	
	Jun 14	Japan, BoJ (Upper Bound)			0.10	0.10	

Sydney Time. Dates reflect 24 hours from 7am

May 2024 Economic Calendar

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
28	29	30	01	02	03	04
			NZ Unemployment Rate 1Q JN Jibun Bank Japan PMI Mfg Apr P UK S&P Global UK Manufacturing PMI Apr P US ADP Employment Change Apr US S&P Global US Manufacturing PMI Apr P US JOLTS Job Openings Mar US ISM Manufacturing Apr US FOMC Rate Decision (Upper Bound) May 1	NZ Building Permits MoM Mar JN BOJ Minutes of March Meeting -- AU Trade Balance Mar AU Building Approvals MoM Mar EC HCOB Eurozone Manufacturing PMI Apr P US Trade Balance Mar US Initial Jobless Claims Apr 20 US Factory Orders Mar US Durable Goods Orders Mar P	NO Deposit Rates May 3 US Change in Nonfarm Payrolls Apr US Unemployment Rate Apr US ISM Services Index Apr	
05	06	07	08	09	10	11
	AU Melbourne Institute Inflation MoM Apr CH Caixin China PMI Services Apr FR HCOB France Services PMI Apr P	AU Retail Sales Ex Inflation QoQ 1Q AU RBA Cash Rate Target May 7 AU RBA-Statement on Monetary Policy --	GE Industrial Production SA MoM Mar SW Riksbank Policy Rate May 8 US MBA Mortgage Applications Apr 19	JN Labor Cash Earnings YoY Mar UK Bank of England Bank Rate May 9 US Initial Jobless Claims Apr 20 CH Exports YoY Apr CH Trade Balance Apr	NZ BusinessNZ Manufacturing PMI Apr JN BoP Current Account Balance Mar UK GDP QoQ 1Q P CA Unemployment Rate Apr US U. of Mich. Sentiment Apr F	CH PPI YoY Apr CH CPI YoY Apr
12	13	14	15	16	17	18
	NZ Performance Services Index Apr NZ Food Prices MoM Apr AU NAB Business Conditions Apr	JN PPI YoY Apr GE CPI YoY Apr P GE CPI EU Harmonized YoY Apr P UK ILO Unemployment Rate 3Mths Mar GE ZEW Survey Expectations May US PPI Final Demand MoM Apr	CH 1-Yr Medium-Term Lending Facility Rate May 15 AU Wage Price Index YoY 1Q FR CPI EU Harmonized YoY Apr P FR CPI YoY Apr P EC GDP SA QoQ 1Q A US MBA Mortgage Applications Apr 19 US CPI MoM Apr US Empire Manufacturing May US Retail Sales Advance MoM Apr	AU RBA's Hunter-Speech -- JN GDP SA QoQ 1Q P AU Unemployment Rate Apr JN Industrial Production MoM Mar P US Housing Starts Apr US Initial Jobless Claims Apr 20 US Industrial Production MoM Apr	CH Industrial Production YoY Apr CH Retail Sales YoY Apr EC CPI YoY Apr F	
19	20	21	22	23	24	25
	JN Tertiary Industry Index MoM Mar	AU Westpac Consumer Conf SA MoM May AU RBA Minutes of May Policy Meeting -- CA CPI YoY Apr	JN Core Machine Orders MoM Mar NZ RBNZ Official Cash Rate May 22 UK CPI YoY Apr US MBA Mortgage Applications Apr 19 US Existing Home Sales Apr	JN Jibun Bank Japan PMI Mfg Apr P FR HCOB France Manufacturing PMI Apr P FR HCOB France Services PMI Apr P EC HCOB Germany Manufacturing PMI Apr P EC HCOB Eurozone Manufacturing PMI Apr P UK S&P Global UK Manufacturing PMI Apr P US Initial Jobless Claims Apr 20 US S&P Global US Manufacturing PMI Apr P US New Home Sales Mar	NZ Trade Balance NZD Mar JN Natl CPI YoY Mar UK Retail Sales Inc Auto Fuel MoM Mar US Durable Goods Orders Mar P US U. of Mich. Sentiment Apr F	
26	27	28	29	30	31	01
	GE IFO Business Climate Apr	AU Retail Sales MoM Mar US Conf. Board Consumer Confidence Apr	US MBA Mortgage Applications Apr 19 GE CPI YoY Apr P US Federal Reserve Releases Beige Book --	NZ Building Permits MoM Mar AU Building Approvals MoM Mar US GDP Annualized QoQ 1Q S US Initial Jobless Claims Apr 20	JN Jobless Rate Mar JN Tokyo CPI Ex-Fresh Food YoY Apr JN Industrial Production MoM Mar P AU Private Sector Credit MoM Mar CH Manufacturing PMI Apr FR CPI YoY Apr P FR GDP QoQ 1Q P EC CPI MoM Apr P CA Quarterly GDP Annualized 1Q US PCE Core Deflator MoM Mar	

Forecasts Table

For NAB Economics Latest Forecast Update, see: [Labour market strong, housing supply falling behind](#)

Australian Economic Forecasts																
	2023				2024				2025				2026			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP																
Household Consumption	0.1	0.1	-0.2	0.1	0.1	0.3	0.5	0.5	0.5	0.4	0.4	0.5	0.5	0.5	0.5	0.5
Dwelling Investment	-0.5	0.7	0.6	-3.8	-2.4	-2.2	-1.1	0.0	1.6	1.4	1.5	1.6	1.3	1.1	0.9	0.7
Underlying Bus. Investment	4.3	2.5	0.7	0.7	-0.7	-0.3	0.1	0.5	0.5	0.6	0.6	0.9	0.8	0.8	0.9	1.1
Public Final Demand	0.8	2.0	1.5	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Domestic Final Demand	0.6	0.9	0.6	0.1	0.1	0.2	0.4	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
(% y/y)	2.3	2.3	2.3	2.3	1.7	1.0	0.8	1.2	1.7	2.1	2.2	2.3	2.3	2.4	2.4	2.4
Inventories	(contr) 0.3	-1.2	0.3	-0.3	0.2	0.1	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Exports	(contr) -0.5	0.8	-0.6	0.6	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Domestic Product	0.6	0.5	0.3	0.2	0.2	0.3	0.6	0.6	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.6
(% y/y)	2.5	2.1	2.1	1.5	1.2	1.1	1.4	1.7	2.1	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Labour Market																
Employment	0.7	0.9	0.6	0.7	0.5	0.3	0.3	0.3	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.4
Unemployment Rate	(%) 3.6	3.6	3.7	3.9	3.9	4.1	4.3	4.5	4.5	4.5	4.4	4.4	4.4	4.3	4.3	4.3
WPI Wages	0.9	1.0	1.3	0.9	0.9	0.9	1.1	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
(% y/y)	3.6	3.7	4.1	4.2	4.2	4.1	3.9	3.9	3.9	3.9	3.6	3.6	3.6	3.6	3.6	3.6
Inflation																
CPI Trimmed Mean	1.2	0.9	1.2	0.8	1.0	0.8	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6
(% y/y)	6.5	5.8	5.1	4.2	4.0	3.8	3.3	3.3	2.9	2.8	2.7	2.6	2.6	2.5	2.5	2.5
CPI Headline	1.4	0.8	1.2	0.6	1.0	0.8	0.8	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6
(% y/y)	7.0	6.0	5.4	4.1	3.6	3.6	3.1	3.3	3.1	3.0	2.8	2.8	2.6	2.5	2.5	2.5

Source: ABS, NAB Economics. Quarterly percent change unless specified

Exchange Rate Forecasts

	2-May	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Majors						
AUD/USD	0.658	0.65	0.67	0.69	0.71	0.72
NZD/USD	0.60	0.60	0.61	0.62	0.64	0.65
USD/JPY	153.0	150	146	143	140	137
EUR/USD	1.07	1.07	1.09	1.11	1.13	1.14
GBP/USD	1.26	1.25	1.28	1.30	1.31	1.32
USD/CNY	7.24	7.24	7.20	7.15	7.10	7.00
USD/CAD	1.37	1.37	1.36	1.35	1.34	1.33
USD/CHF	0.91	0.91	0.89	0.87	0.86	0.85

Australian Cross Rates

	2-May	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
AUD/NZD	1.10	1.08	1.10	1.11	1.11	1.11
AUD/JPY	100.6	98	98	99	99	99
AUD/EUR	0.61	0.61	0.61	0.62	0.62	0.63
AUD/GBP	0.52	0.52	0.52	0.53	0.54	0.55
AUD/CNY	4.76	4.71	4.82	4.93	5.01	5.04
AUD/CAD	0.90	0.89	0.91	0.93	0.94	0.96
AUD/CHF	0.60	0.59	0.60	0.60	0.61	0.61

Interest Rate Forecasts

	2-May	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Australian Rates						
RBA cash rate	4.35	4.35	4.35	4.10	3.85	3.60
3 month bill rate	4.41	4.25	4.08	3.88	3.69	3.44
3 Year Swap Rate	4.24	4.10	3.95	3.80	3.70	3.60
10 Year Swap Rate	4.63	4.55	4.50	4.40	4.40	4.35
Offshore Policy Rates						
US Fed funds	5.50	5.50	5.25	5.00	4.50	4.25
RBNZ OCR	5.50	5.50	5.50	5.25	5.00	4.50
10-year Bond Yields						
Australia	4.41	4.30	4.25	4.20	4.20	4.15
United States	4.58	4.50	4.25	4.10	4.00	3.90
New Zealand	4.81	4.90	4.75	4.60	4.60	4.50

Global GDP

	2023	2024	2025	2026
Australia	2.1	1.3	2.2	2.3
United States	2.5	2.4	1.3	1.8
Eurozone	0.5	0.3	1.0	1.5
United Kingdom	0.1	0.3	0.8	1.2
Japan	1.9	0.3	0.6	0.6
China	5.2	4.5	4.8	4.5
India	7.7	6.6	6.2	6.4
New Zealand	0.6	0.3	2.7	3.0
World	3.3	2.9	3.0	3.1

Contacts

Markets Research

Skye Masters

Head of Research, Markets
+61 2 9295 1196
skye.masters@nab.com.au

Markets Economics

Tapas Strickland

Head of Market Economics
+61 2 9237 1986
tapas.strickland@nab.com.au

Taylor Nugent

Senior Economist
+61 3 8619 1008
taylor.nugent@nab.com.au

Foreign Exchange

Ray Attrill

Head of FX Strategy
+61 2 9293 7170
ray.attrill@nab.com.au

Rodrigo Catril

Senior FX Strategist
+61 2 9293 7109
rodrigo.h.catril@nab.com.au

Fixed Income

Kenneth Crompton

Senior Interest Rate Strategist
+61 2 9293 7132
Kenneth.crompton@nab.com.au

Michael Bush

Head of Credit Research
+61 3 8641 0575
michael.d.bush@nab.com.au

Evy Noble

Analyst, Credit Research
+61 2 7226 7336
evy.noble@nab.com.au

London/Europe

Gavin Friend

Senior Markets Strategist
+44 207 710 1588
gavin.friend@eu.nabgroup.com

Group Economics

Alan Oster

Group Chief Economist
+61 414 444 652
alan.oster@nab.com.au

Gareth Spence

Head of Australian Economics
+61 436 606 175
gareth.spence@nab.com.au

Brody Viney

Senior Economist
+ 61 452 673 400
brody.viney@nab.com.au

Tony Kelly

Senior International Economist
+61 477 746 237
antony.kelly@nab.com.au

Important Notice

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

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