

# Markets Research

# What to Watch



## Week of 20 May 2024

### Comment: China property fix ([jump to section](#))

- Developments in China suggest authorities are contemplating a drastic restructuring of the property sector and listed property stocks increased sharply over the past week
- The latest proposal is for the inventory of unsold homes to be put onto government books with local state-owned enterprises being asked to purchase inventory from distressed developers at steep discounts
- Officials contemplating more drastic support for the beleaguered property sector should help a Chinese recovery. Such action would be AUD and commodity supportive. An important area to watch

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

- Global yields fell following a US CPI print that did not come in hotter than expected, bucking the trend of the prior three months. Equities rallied with the S&P500 making fresh record highs.
- In Australia, it was a big week with the Federal Budget, Q1 WPI and Labour Force. In the end it was the unemployment rate that was the most market moving which saw a sharp surprising rise (4.1% vs. 3.9% expected)
- Markets now price around a 50% chance of an RBA rate cut by December 2024, well up on a 0% chance being priced last week.

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

- It is a lull in the Australian calendar, with only the RBA Minutes and Consumer Confidence (Tuesday) of any note
- RBNZ (Wednesday) is expected to be on hold with little change to its previous messaging
- In the US, FOMC Minutes and Nvidia earnings (both Wednesday) feature, with plenty of Fed speakers throughout the week.
- Flash Global PMIs (Thursday). Will they continue to suggest some of the US outperformance is narrowing amid ongoing European recovery?
- UK April CPI (Wednesday) should dip back to around 2% on energy price falls. Japan CPI is also expected to slow in y/y terms on Friday.
- Canadian April CPI (Tuesday) also worth a look given the paring back of BoC June rate cut pricing which now stands at around 50%
- The G7 finance ministers meet from Thursday.

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

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## Key Markets

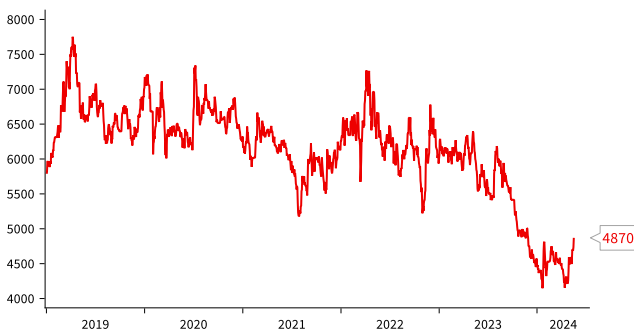
	% change		
	Latest	week	YTD
<b>Cash rates</b>		<i>bps</i>	<i>bps</i>
RBA Cash Rate	4.35	0.0	0.0
US Fed Funds	5.50	0.0	0.0
RBNZ Cash Rate	5.50	0.0	0.0
<b>Rates</b>			
AU BBSY 3m	4.40	-3.7	-1.3
AU 3y swap	4.04	-16.3	25.8
AU 3yr yield	3.85	-12.0	24.0
AU 10yr yield	4.20	-11.9	24.8
US 10yr yield	4.37	-12.7	49.0
AU-US 10yr spread	-16.6	0.8	-24.2
<b>Commodities</b>		%	%
Iron ore	117	1.1	-10.9
Coal (thermal)	143.5	-1.0	-2.0
Brent oil	83.5	0.9	9.3
Gold	2377.1	0.7	15.2
<b>FX</b>			
AUD/USD	0.6662	0.9	-2.2
USD (DXY)	104.62	-0.6	3.2
AUD/NZD	1.0901	0.6	-1.1
<b>AUD crosses</b>			
AUD/JPY	103.79	-0.9	-7.4
AUD/CNY	4.8139	-0.8	0.6
AUD/EUR	0.6135	0.0	0.6
AUD/GBP	0.5263	0.1	1.7
<b>Equities</b>			
ASX 200	7822.1	0.9	3.0
ASX Resources	6010.8	1.5	-5.4
ASX Financials	7374.1	0.7	9.8
US S&P 500	5297.1	1.6	11.1

Source: Bloomberg

## Comment: China property fix

In this brief comment we highlight a few developments in China that suggests authorities are contemplating a drastic restructuring of the property sector. Such a restructure could help address the slump in the property sector that has been weighing on the economy. It is worth noting here that listed property stocks increased sharply over the past week.

### Shanghai Stock Exchange Property Index

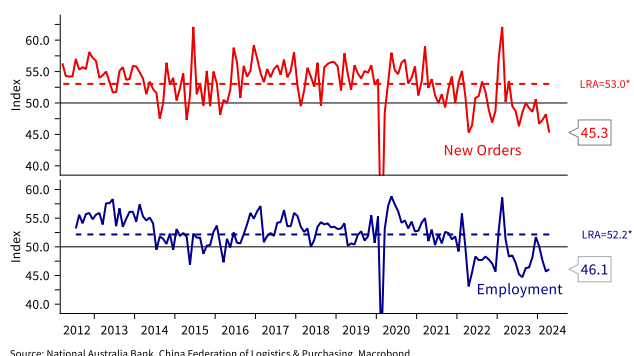


The latest proposal is for the inventory of unsold homes to be put onto government books with local state-owned enterprises being asked to purchase inventory from distressed developers at steep discounts using loans provided by state banks. Some of the acquired properties would then be converted into affordable housing.

This could be analogous to how developed governments overcame their own glut of unsold homes that built up following the GFC. First isolate problematic housing from the rest of the financial system (a nationalised bad bank vs. good bank model), force recognition of losses, auction off unsold homes, and provide support to the rest of the economy.

For Chinese developers, officials are likely to extend the whitelist of supported development projects. There is a renewed focus on affordable properties as well as renovating run-down inner-city areas. In many local governments buying curbs for speculation have been scrapped.

### China Construction PMI Selected Sub-Indexes



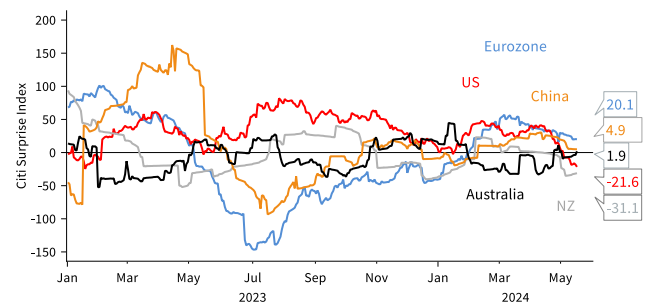
Of course, that is not to downplay the challenges in the property sector and the latest construction PMI in China did look awful. Importantly though, it looks like officials are contemplating more drastic support and recognition of losses, which should help a Chinese recovery. Such action would be AUD/commodity supportive.

Tapas Strickland, NAB

## Week in review

Global yields fell following a US CPI print that did not come in hotter than expected, bucking the trend of the prior three months. This increased the probability that inflation will be behaved enough for the Fed to contemplate rate cuts as early as September. Markets price an 85% chance of a September cut with a cumulative 46bps priced by end 2024. Note US data in general is now disappointing expectations. Equities rallied with the S&P500 making fresh record highs.

### Citi Economic Surprise Indexes\*



In Australia, it was a big week with the Federal Budget, Q1 WPI and Labour Force. In the end it was the jobs data that was the most market moving with the unemployment rate seeing a sharp surprising rise (4.1% vs. 3.9% expected). Markets now price a 50% chance of a rate cut by December 24, well up on a 0% chance being priced last week.

Details revealed there was an unusual number of people classed as unemployed who were waiting to start a job, which suggests some of the rise should reverse next month (see [AUS: Unemployment edges above 4% as employment growth remains robust](#)). In trend terms the unemployment rate at 4.0% and trend employment growth of 30.9k, suggesting ongoing, but gradual easing in the labour market.

As for Q1 WPI, it rose 0.8% q/q and 4.1% y/y (vs. 0.9/4.2 consensus). There was a noticeable fall back in the share of people receiving a pay rise, which may suggest a shift in pay review timing. Pay rises in the private sector (for those who received a pay rise) was 4.4%. (see [AUS: Wages growth slows, supporting RBA's assessment wages pressure is past its peak](#))

The Federal Budget was not market moving as usual. While the Budget is net stimulatory, the estimated 2024-25 deficit at -1.0% of GDP (or -\$28.3bn) is not aggressively adding further to inflationary pressure. Another way to look at this is to see how much spending plans are changed from the prior December MYEFO estimate – here there is an additional \$9.5bn in net policy spend (see [AUS: Federal Budget in Brief](#)).

The Budget though did include a few measures that will impact on headline inflation. Energy bill relief via \$300 payments will subtract 0.5ppt from CPI in Q3 2024. Including WA/QLD payments sees cumulative impact of around 0.7ppt relative to the RBA's May SoMP forecasts. Higher rent assistance will subtract about 7bps. Giving households money this way temporarily lowers measured CPI, but won't help a sustained return to at target inflation (see [AUS: Budget to impact CPI, but RBA should look through](#)).

Tapas Strickland, NAB

## Week Ahead in Brief

A much quieter week ahead in **Australia**. RBA May Minutes on Tuesday are likely to add little on top of the post-Meeting press conference and forecast update contained in the SoMP. Governor Bullock said in the press conference that the board considered a hike when opting to leave rates on hold as widely expected. We might get a bit more discussion of the consideration and assessment of risks.

It is also a quiet week on the data calendar, with Consumer Confidence on Tuesday the only release of note before the data calendar picks up again the week after with the monthly CPI indicator and retail sales as well as a couple of pre-GDP investment partials ahead of Q1 GDP on 5 June.

Our BNZ colleagues expect the **RBNZ** to hold the OCR at 5.50% on Wednesday and wouldn't be disapproving if the RBNZ were to repeat its previous messaging. Near-term inflation has printed above the Bank's expectations and some details were unfavourable, but core inflation is still falling, and annual CPI inflation is still on track to be within the target band by Q3 this year. NZ also sees Q1 real retail sales (Thursday), and consumer confidence and trade (Friday)

It is also a quieter week for data flow offshore, with flash PMIs on Thursday the headliner, alongside Eurozone wage settlements and April CPI for UK, Japan and Canada. We can expect some headlines out of the meeting of G7 finance ministers from Thursday, and Nvidia reports earnings on Wednesday.

In the **US**, FOMC minutes on Wednesday could give clearer sense of the discussion in May that culminated in Powell's characterisation that there was still a level of comfort rates would ultimately prove sufficiently restrictive and the next move was likely to be down.

We have already heard a lot of FOMC participants and will hear a lot more through next week. Powell is one of a number of FOMC participants giving commencement speeches next week, while Governor Waller discusses the outlook on Wednesday and gives a keynote in Reykjavik on Friday.

Global Flash PMIs on Wednesday will be looked to for further confirmation that the relative outperformance of US activity may be closing on the back of some cooling from strong growth in the US and some pick up from weak growth elsewhere. Also of some note in **Europe** is Q1 negotiated wage outcomes on Thursday, but it would take a big surprise to knock the ECB away from its well telegraphed June cut.

A drop in energy prices should help **UK** inflation drop to around 2% in April data on Wednesday, while in the background slower progress is expected to continue in core and services measures. May CPI is out the day before the BoE's June meeting.

**Japan's** CPI on Friday is expected to cool to 2.4% from 2.7% in April, while the excluding fresh food and energy number is seen slowing to 2.4% from 2.9% which would be its lowest since October 2022. Finally, **Canadian** CPI on Tuesday is worth a look given the paring of BoC June rate cut pricing.

Taylor Nugent, NAB

## Important Events Preview

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

### Monday 20

No data of note

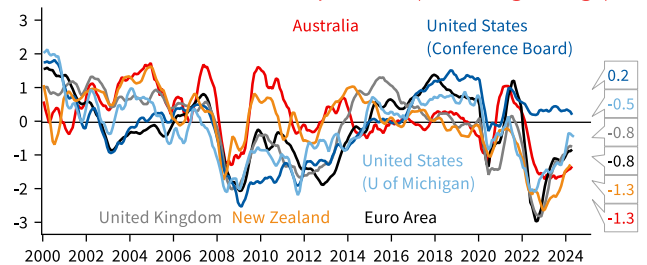
### Tuesday 21

#### AU Consumer Confidence

Westpac-Melbourne Institute May consumer confidence is a week later than usual so the survey period overlaps the budget. Consumer confidence threatened to move sustainably away from its depressed levels with a sharp rise back in February, but March and April each saw small declines.

#### Consumer Confidence by Country

Standard deviations from mean post 1985 (5m moving average)



Source: National Australia Bank, Melbourne Institute of Applied Economic & Social Research, European Commission (DG ECFIN), GfK UK, Conference Board, Westpac New Zealand, University of Michigan, Macrobond

#### AU RBA May Minutes

In the new set up with the post meeting press conference, the potential to learn much new from the RBA meeting minutes is more limited. The Minutes might flesh out how the Board viewed the balance of risks and the discussion of whether a rate rise was appropriate a little more, but we are unlikely to learn too much new. At the post meeting press conference, Governor Bullock said:

*"The Board did discuss the option of raising interest rates. It discussed the option of keeping interest rates where they were. As I said, on balance the Board felt that at the moment, staying where they are was appropriate. We think that policy is currently restrictive. That doesn't rule out that we mightn't have to raise rates but it doesn't mean we will have to raise rates."*

#### CA April CPI

The BoC's preferred core inflation measures are expected to be within the BoC's 1-3% band in y/y terms (Core Trimmed 2.9%; Core Median 2.7%). The key question is if the BoC is confident enough in the inflation outlook to begin cutting rates as early as June. A softer than expected print would certainly build that confidence. Markets currently price a 50% chance of a June rate cut, with the first cut not fully priced until July.

## Wednesday 22

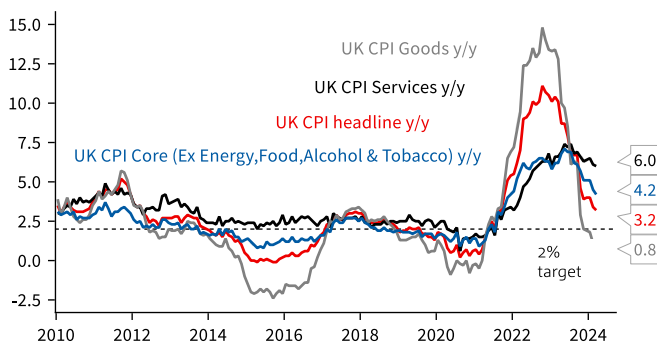
### NZ RBNZ & MPS

The RBNZ Monetary Policy Statement (MPS) is due for release on Wednesday with the accompanying press conference an hour later. Our BNZ colleagues expect the Bank to hold the OCR at 5.50% and wouldn't be disapproving if the RBNZ were to repeat its previous messaging. Near-term inflation has printed above the Bank's expectations and some details were unfavourable, but core inflation is still falling, and annual CPI inflation is still on target to be within the target band by Q3 this year. The real economy is underperforming the RBNZ's forecasts, and the unemployment rate has tracked a touch higher than the central bank anticipated. Overall, the inflation and growth deviations from the Bank's expectations have been small and with known unknowns like the details of the Government's Budget (out the following week), we think the RBNZ will stick to the same story it delivered in February and April. If the Bank wants to send a little signal about how it sees things evolving, then a small nudge in its interest rate track would be a good way to do this but we're not sure anything will happen in this space either.

### UK April CPI

While no Bloomberg consensus was available at the time of writing, UK headline CPI is widely expected to drop from 3.2% in March to around 2% in April. The impact of a lower energy price cap will be the main downward driver, with lower core and services prices expected too. The latter is expected to fall from 6% to 5.5%. In the headline we see the risk skewed modestly to the upside from things like higher petrol prices, but if this measure does not quite touch 2% in this release, we expect it to at the next on 19 June – a day ahead of the next BoE rate meeting. The BoE has acknowledged evidence of 'persistent inflation' is receding, but wages remain sticky.

### UK CPI



Source: National Australia Bank, Bloomberg

### US FOMC Minutes

Powell in the wake of the May FOMC didn't take the bait to put hikes seriously on the table, preferring to signal a hike is unlikely and the rates held at their current level would prove sufficiently restrictive. The minutes could give clearer sense of the discussion that helped support that assessment, but we have heard from a lot of FOMC participants already.

## Thursday 23

### NZ Q1 Retail Sales Volumes

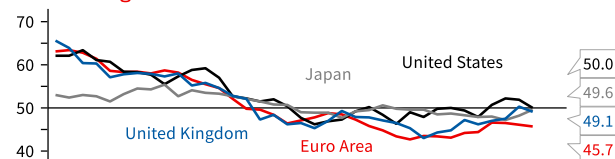
Q1 real retail sales are expected to remain weak after 8 consecutive quarterly declines. We have pencilled in a small 0.1% q/q decline that would see real sales down 3.3% y/y.

### EZ/JN/UK/US Preliminary PMIs

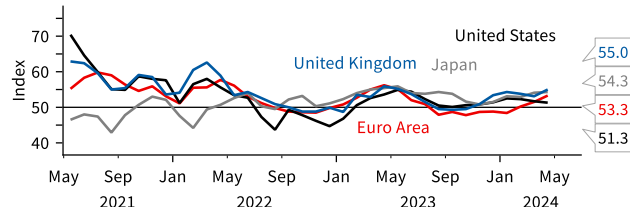
The increase in pace of expansion in EZ and UK services sector PMI activity in recent months suggests perhaps we should be expecting some stabilisation to catch a breath. UK services activity rose back up through 50 in November to reach a cycle high of 55 in April; a level above all its peers. In the EZ services activity has been more of a recent revival, breaking above 50 in February to 53.3 in March. Confidence is rising as real incomes improve as inflation declines. In the US services activity on this measure has slowed to the 50 breakeven recently and below that on the larger-sample ISM measure. Manufacturing activity in all has rolled over after a multi-month improvement and while it remains close to 50 in the US and UK, European manufacturing remains deep in recession, dragged down by weak readings in Germany and France in particular.

### S&P Global PMIs

#### Manufacturing



#### Services



Source: National Australia Bank, S&P Global, Macrobond

### EZ ECB Q1 Negotiated Wages

EZ wages peaked at 4.69% in Q3, easing to 4.46% in Q4 2023. We expect this measure to ease to around 4¼% in Q1 2024. The move is glacial, in part due to the collective bargaining process. Other, more timely measures of wage settlements suggest pay is rising between 3.75% and 4.25%. Only an unexpected move higher would cause some on the ECB Governing Council to question its apparent commitment to a June rate cut to 3.75%.

## Friday 24

### JN CPI

Japan inflation is seen cooling to 2.4% from 2.7% in April, while the excluding fresh food and energy number is seen slowing to 2.4% from 2.9% which would be its lowest since October 2022. The post-pandemic inflation surge continues to fall away, but the BoJ's forecast embeds an expectations inflation will settle around, rather than continuing to slip below, their 2% target.

## Weekly Calendar of Economic Releases

Date	Time	Country	Event	Period	Consensus	NAB	Previous
<b>Monday, 20 May</b>	5:30 AM	US	Fed's Powell Delivers Commencement Speech	--	--	--	--
	11:15 AM	CH	5-Year Loan Prime Rate	May 20	3.95		3.95
	11:15 AM	CH	1-Year Loan Prime Rate	May 20	3.45		3.45
	2:30 PM	JN	Tertiary Industry Index MoM	Mar	-0.1%		1.5%
	8:00 PM	SW	Riksbank Governor Erik Thedeen speech	--	--		--
	10:45 PM	US	Fed's Bostic Gives Welcome Remarks	--	--		--
	11:00 PM	US	Fed's Barr Gives Keynote Remarks	--	--		--
<b>Tuesday, 21 May</b>	10:30 AM	AU	Westpac Consumer Conf SA MoM	May	--		-2.4%
	11:30 AM	AU	RBA Minutes of May Policy Meeting	--	--		--
	6:00 PM	EC	Yellen, ECB's Lagarde, Germany's Lindner Speak	--	--		--
	10:30 PM	CA	CPI NSA MoM	Apr	0.5%		0.6%
	10:30 PM	CA	CPI YoY	Apr	2.7%		2.9%
	11:00 PM	US	Fed's Barkin Gives Welcome Remarks	--	--		--
	11:00 PM	US	Fed's Waller Discusses US Economy	--	--		--
	11:05 PM	US	Fed's Williams Gives Opening Remarks	--	--		--
<b>Wednesday, 22 May</b>	3:00 AM	UK	BOE's Bailey speaks	--	--		--
	9:50 AM	JN	Core Machine Orders MoM	Mar	-1.8%		7.7%
	12:00 PM	NZ	RBNZ Official Cash Rate	May 22	5.50		5.5
	12:00 PM	NZ	RBNZ Monetary Policy Statement	--	--		--
	4:00 PM	UK	CPI MoM	Apr	--		0.6%
	4:00 PM	UK	CPI YoY	Apr	--		3.2%
	4:00 PM	UK	CPI Core YoY	Apr	--		4.2%
	9:00 PM	US	MBA Mortgage Applications	May 17	--		0.5%
	12:00 AM	US	Existing Home Sales	Apr	4.16		4.2
<b>Thursday, 23 May</b>	4:00 AM	US	FOMC Meeting Minutes	May 1	--		0.0
	8:45 AM	NZ	Retail Sales Ex Inflation QoQ	1Q	-0.4%		-1.9%
	10:30 AM	JN	Jibun Bank Japan PMI Mfg	May P	--		49.6
	5:15 PM	FR	HCOB France Composite PMI	May P	--		50.5
	5:15 PM	FR	HCOB France Manufacturing PMI	May P	--		45.3
	5:15 PM	FR	HCOB France Services PMI	May P	--		51.3
	5:30 PM	GE	HCOB Germany Manufacturing PMI	May P	--		42.5
	6:00 PM	EC	HCOB Eurozone Manufacturing PMI	May P	--		45.7
	6:30 PM	UK	S&P Global UK Manufacturing PMI	May P	--		49.1
	9:30 PM	UK	BOE Chief Economist Huw Pill Speaks on Panel	--	--		--
	10:30 PM	US	Initial Jobless Claims	May 11	220.0		222.0
	11:45 PM	US	S&P Global US Manufacturing PMI	May P	50.2		50.0
<b>Friday, 24 May</b>	12:00 AM	US	New Home Sales	Apr	680.0		693.0
	8:45 AM	NZ	Trade Balance NZD	Apr	--		587.6
	9:30 AM	JN	Natl CPI YoY	Apr	2.4%		2.7%
	9:30 AM	JN	Natl CPI Ex Fresh Food, Energy YoY	Apr	2.4%		2.9%
	4:00 PM	UK	Retail Sales Inc Auto Fuel MoM	Apr	--		0.0%
	4:00 PM	UK	Retail Sales Inc Auto Fuel YoY	Apr	--		0.8%
	5:00 PM	EC	ECB's Schnabel Speaks	--	--		--
	7:15 PM	IC	ECB's Vasle & Muller, Serbia's Tabakovic Speak on Panel	--	--		--
	7:15 PM	EC	Bundesbank's Nagel, Germany's Lindner Speak at G-7 in Stresa	--	--		--
	10:30 PM	US	Durable Goods Orders	Apr P	-0.7%		0.9%
	11:35 PM	US	Fed's Waller Gives Keynote Address	--	--		--
<b>Upcoming Central Bank Interest Rate Announcements</b>	12:00 AM	US	U. of Mich. Sentiment	May F	67.40		67.4
						<b>NAB</b>	<b>Current</b>
	Jun 18	Australia, RBA				4.35	4.35
	Jun 20	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 GE 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
<b>GDP</b>																
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
<b>Labour Market</b>																
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	1.2	1.0	0.8	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	4.0	4.2	4.1	4.0	3.9	3.8	3.9	3.9	3.6	3.6	3.6	3.6	3.6	3.6
<b>Inflation</b>																
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	3.4	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	0.9	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	3.2	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

	16-May	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
<b>Majors</b>						
AUD/USD	0.666	0.65	0.67	0.69	0.71	0.72
NZD/USD	0.61	0.60	0.61	0.62	0.64	0.65
USD/JPY	155.8	150	146	143	140	137
EUR/USD	1.09	1.07	1.09	1.11	1.13	1.14
GBP/USD	1.27	1.25	1.28	1.30	1.31	1.32
USD/CNY	7.23	7.24	7.20	7.15	7.10	7.00
USD/CAD	1.36	1.37	1.36	1.35	1.34	1.33
USD/CHF	0.91	0.91	0.89	0.87	0.86	0.85

### 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

### Australian Cross Rates

	16-May	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
AUD/NZD	1.09	1.08	1.10	1.11	1.11	1.11
AUD/JPY	103.8	98	98	99	99	99
AUD/EUR	0.61	0.61	0.61	0.62	0.62	0.63
AUD/GBP	0.53	0.52	0.52	0.53	0.54	0.55
AUD/CNY	4.81	4.71	4.82	4.93	5.01	5.04
AUD/CAD	0.91	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

	16-May	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
<b>Australian Rates</b>						
RBA cash rate	4.35	4.35	4.35	4.10	3.85	3.60
3 month bill rate	4.35	4.25	4.08	3.88	3.69	3.44
3 Year Swap Rate	4.04	4.10	3.95	3.80	3.70	3.60
10 Year Swap Rate	4.41	4.55	4.50	4.40	4.40	4.35
<b>Offshore Policy Rates</b>						
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
<b>10-year Bond Yields</b>						
Australia	4.20	4.30	4.25	4.20	4.20	4.15
United States	4.37	4.50	4.25	4.10	4.00	3.90
New Zealand	4.60	4.90	4.75	4.60	4.60	4.50

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