

Markets Research

What to Watch



Week of 03 June 2024

Comment ([jump to section](#))

- Over the past week, Tapas has been on the road visiting NAB's diverse range of clients from regional areas such as Port Macquarie and Taree, and capital cities such as Brisbane and Sydney
- Amongst clients exposed to the upper income/wealth quintiles, there had been little signs of a slowdown in activity. It appears a K-shaped economy
- Elsewhere, while there were some signs of slowing, one got the impression capacity constraints, and hence output gap, might be larger than what the RBA assumes

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

- Domestically, it was the Monthly CPI Indicator which printed hotter than expected that moved markets (3.6% y/y vs. 3.4% expected).
- It is a partial indicator and we will have to wait until next month for a better read on services, which is reflective of domestic inflationary pressures.
- Offshore there wasn't much to guide markets given the holiday shortened week in the UK and US. Global yields rose

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

- In Australia, the award wage outcome is expected Monday morning, Q1 GDP data is Wednesday, and the RBA's Hauser speaks Friday.
- NAB pencils in a soft 0.0% q/q outcomes for Q1 GDP. Final partials on Tuesday will firm up estimates.
- We haven't heard much from the RBA's Hauser since he started as Deputy Governor, so his 'fireside chat' on Friday will be interesting.
- From central banks, the ECB (Thursday) is set to deliver a well telegraphed cut, while the BoC (Wednesday) is a closer run thing, a cut 65% priced.
- US Payrolls looms large on the US calendar on Friday, expected to show a similar pace of gains to April's +175k. Fed speakers go quiet ahead of 12 June FOMC
- Final PMIS are released, while the more established US ISMs, especially the Services ISM (Wednesday), will be watched for whether it supports the surprising reacceleration in the S&P Global flash PMI.
- There are also a few key elections to watch with results from India's marathon election due Saturday, and Mexico goes to the polls on Sunday.

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

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Key Markets

	Latest	% change	
		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	4.40	1.0	-0.8
AU 3y swap	4.18	4.1	40.5
AU 3yr yield	4.04	5.7	43.1
AU 10yr yield	4.40	9.0	44.4
US 10yr yield	4.54	7.9	66.5
AU-US 10yr spread	-14.5	1.1	-22.1
Commodities		%	%
Iron ore	116	-4.2	-11.0
Coal (thermal)	142.4	-0.2	-2.7
Brent oil	81.6	-0.6	6.8
Gold	2344.0	0.4	13.6
FX			
AUD/USD	0.6635	0.1	-2.6
USD (DXY)	104.83	-0.3	3.5
AUD/NZD	1.0831	0.0	-0.5
AUD crosses			
AUD/JPY	103.99	0.1	-7.6
AUD/CNY	4.8043	0.0	0.8
AUD/EUR	0.6132	-0.3	0.7
AUD/GBP	0.5215	-0.2	2.6
Equities			
ASX 200	7667.5	-0.8	1.0
ASX Resources	5864.0	-2.0	-7.7
ASX Financials	7249.6	-0.8	7.9
US S&P 500	5235.5	-1.3	9.8

Source: Bloomberg

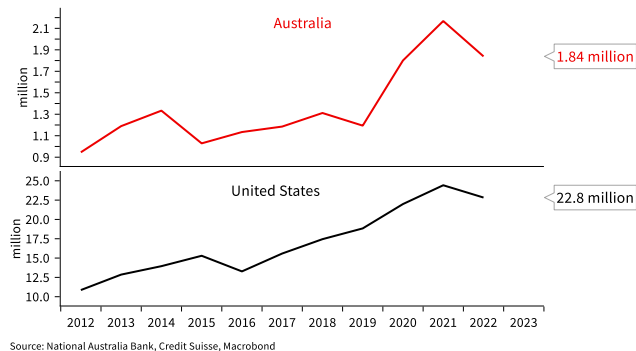
Opinion – K shaped economy

Over the past week I have been on the road visiting NAB’s diverse range of clients from regional areas such as Port Macquarie and Taree, and capital cities such as Brisbane and Sydney. The message from the client base was that activity levels were still reasonable, consumers were finding money to spend, and firms were finding it difficult to source labour.

While there were some signs of slowing, one got the impression that capacity constraints, and hence the output gap might be larger than what the RBA assumes. A larger output gap would mean it would take longer to return inflation to the mid-point of the 2-3% target (currently pegged by mid-2026), even with below trend growth.

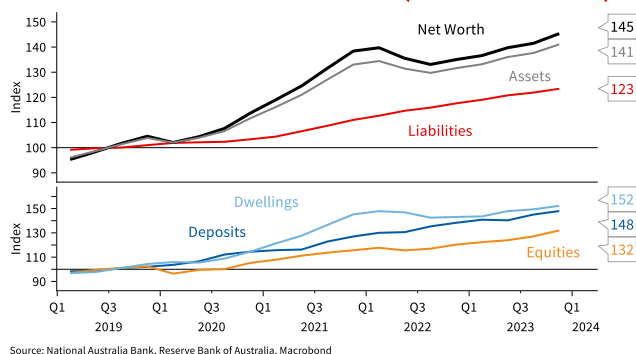
Amongst clients more exposed to the upper income/wealth quintiles, there had been little signs of a slowdown in activity. Capacity constraints were clearly evident for these firms. Looking at household assets, it is incredible to think that there are almost one million more adults with net wealth greater than US\$1m since the pandemic.

Adults with Over 1 Million Wealth (USD)



Indeed, looking at the net wealth of the Australian household sector, it has grown by 45 per cent since the pandemic, with a 41% growth in the value of assets held far outpacing a 23% growth in liabilities. Within asset categories, the total value of dwelling assets has increased by 52%, deposits by 48% and equities by 32%.

Australia, Household Balance Sheets (Indexed 2019 = 100)



It is easy to see why for firms exposed to upper income / wealth quintiles, that they have seen little slowdown in activity. It appears a K-shaped economy. For households who are in the upper income/wealth quintiles, net wealth has increased, they have been relatively insulated from rate increases and have accommodated a rise in prices.

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Week in review

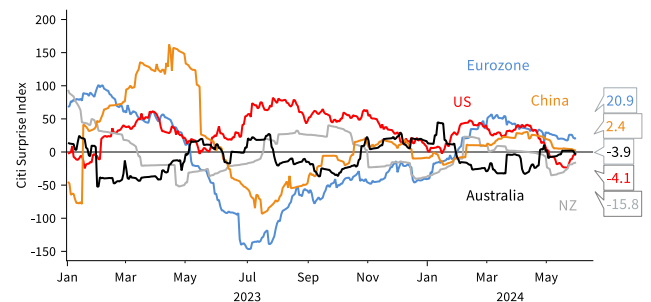
Domestically, it was the Monthly CPI Indicator which printed hotter than expected that moved markets (3.6% y/y vs. 3.4% expected). The first month is goods-heavy, but the data did reinforce that there has been little further disinflationary progress on goods, while the housing components continue to suggest capacity constraints.

Although there are very few services indicators in the first month, the aggregate services measure was 4.0% y/y, little changed on last month (see [AUS: CPI Indicator hotter than expected, goods show less disinflation progress and fruit rose sharply](#)). We will have to wait until next month for a better read on services, which is better reflective of domestic inflationary pressures.

For the RBA, they did not take the full signal from the hotter Q1 CPI, which suggests if Q2 CPI surprises materially as well, it would certainly challenge their inflation path and markets should price in a low probability of an August hike in case that eventuates. As for Q2 CPI, trimmed mean could print around 0.9% q/q, the RBA had pencilled in 0.8%.

Offshore there wasn’t much to guide markets given the holiday shortened week in the UK and US. Global yields rose with the US 10yr yield up 7.1bps to 4.54%, while recent debt auctions were on the softer side. Meanwhile US dataflow continues to be on the soft side, though that doesn’t mean the US economy is weakening with the Atlanta Fed’s GDP Now Q2 estimate sitting at 3.5% as of 24 May.

Citi Economic Surprise Indexes*



US Fed talk did not encourage a near term chances of a cut, while a few presidents noted that policy may not be as restrictive as they earlier thought. Kashkari stated: “I’m not ruling out potential interest rate increases from here” if inflation failed to fall. The clear preference from the FOMC though seems to be holding for longer and in that vein markets now only price 35bps of easing over the rest of 2024 with a full rate cut not priced until December.

Across the pond, the ECB still looks prime to cut rates, but a run of better-than-expected data suggests we should not expect an aggressive cycle. Indeed, the EZ unemployment rate just hit its lowest level since the bloc was created at 6.4%. The rise in yields and disappointing earnings from Sales Force saw equities fall with the S&P500 down -1.3% for the week. Ditto for the ASX which is currently -0.6% for the week. There has been little movement in the AUD, +0.1% to 0.6634.

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Week Ahead in Brief

A very busy week ahead in **Australia**. Q1 GDP data headlines locally on Wednesday, alongside RBA's Hauser on Friday and the outcome of FWC's award and minimum wage decision expected Monday. Note Monday is a public holiday in WA.

For Q1 GDP, NAB expects 0.0% q/q and 1.0% y/y which would be another quarter of very soft growth, with consumption and business investment broadly flat. See [NAB GDP Preview: Following a slow end to 2023, a slow start to 2024](#). Balance of Payments and final GDP partials on Tuesday will help firm up estimates. Consensus is at 0.2% q/q.

The FWC expert Panel is scheduled to hand down the award and minimum wage increase for this year on Monday at 10:30. We expect an increased around 4%, which we think would be broadly consistent with RBA forecasts. There is a risk a tail of increases skews higher if the FWC does look to address any identified historical undervaluation in award rates, which would be additive to aggregate wages growth.

Also in Australia is a 'fireside chat' on the Australian Economic Outlook with the recently appointed RBA Deputy Governor Hauser on Friday. We haven't heard much from Hauser since he started in the role, so it will be interesting to glean his level of comfort with the current policy stance and the approach of the Board this cycle.

It's a quieter week in NZ with no major data releases, but a couple of releases including trade and building work will help guide Q1 GDP.

Offshore, from central banks we have the **ECB** (Thursday) set to deliver a well telegraphed cut, and the **BoC** (Wednesday) a closer run thing, with analyst split 17-10 in favour of a cut. Markets and analysts are in agreement, with a cut 98% priced for the ECB and 65% priced for the BoC. Markets are not pricing in an aggressive rate cut cycle to follow.

In the **US**, Payrolls on Friday looms large ahead of the FOMC next Wednesday (12 June). Early consensus looks for +180k, near the 175k in April and confirming a step down from the pace of growth in Q1, and an unemployment rate stable at 3.9%. Ahead of Payrolls is JOLTs data (Tuesday) and ADP Payrolls (Wednesday). Also watched closely will be the ISMs following the better-than-expected PMIs, with Manufacturing on Monday and Services on Wednesday.

The **China** Manufacturing PMI today contained some warning signs of a loss of momentum, but the Caixin PMIs (Manufacturing Monday, Services Wednesday) are expected to be more positive. May Trade data is on Friday.

In **Europe**, an announcement from the European Commission on provisional tariffs on Chinese electric cars had been expected on 5 June, but will reportedly be delayed until after the European Parliament election on 9 June. In the UK it is a quiet week ahead of the BoE later in June (20 June)

Elsewhere, there is a Mexican presidential election (Sunday), the results of the Indian election are likely to be known (Saturday), and an online OPEC+ meeting, expecting to see an extension of output cuts into the second half of the year.

Taylor Nugent, NAB

Important Events Preview

Selection of key data; full calendar below

Monday 3

AU National Wage Case, WA Public Holiday

The Fair Work Commission Expert Panel is scheduled to hand down their decision on minimum and award wage increases at 10:30am. We expect an outcome around 4%.

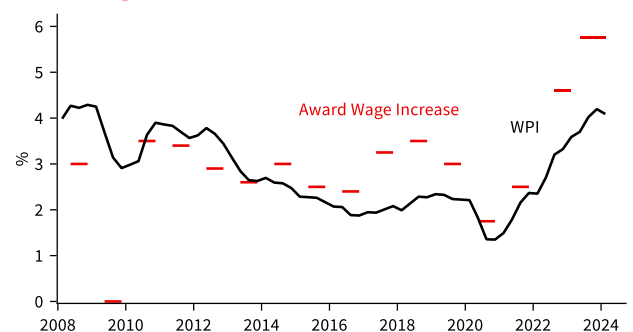
Award wages account for around 12% of the wage bill and around a fifth of employees. Award wages are set by the Fair Work Commission, considering relative living standards, the needs of the low paid, the performance and competitiveness of the economy, gender equality and job security. Equality and job security were added in 2022.

The Commission noted last year that the 5.75% increase did not maintain the real value of awards, and that that could be made up for in future reviews in a lower inflation environment. It also noted the Panel was capable of addressing "potential gender undervaluation underlying modern award minimum wage rates applying to female-dominated industries and occupations." It is possible we see larger increases for awards in female-dominated industries.

In the budget, Treasury assumed an outcome in line with the Government's submission recommending that "the Fair Work Commission ensures the real wages of Australia's low-paid workers do not go backwards." The RBA hasn't been explicit, but an outcome around 4% would be broadly consistent with their forecasts.

Larger increases or additional increases to pockets of awards aimed at correcting historical pay imbalances have the potential to temper the outlook for wage moderation. It would though have to be a material surprise to impact the RBA's thinking, given they have pointed to evidence of wages growth having peaked and some evidence of moderation in those parts of the basket that are most sensitive to labour market conditions.

Award Wage increases and WPI



Source: National Australia Bank, Australian Bureau of Statistics

CH Caixin Manufacturing PMI

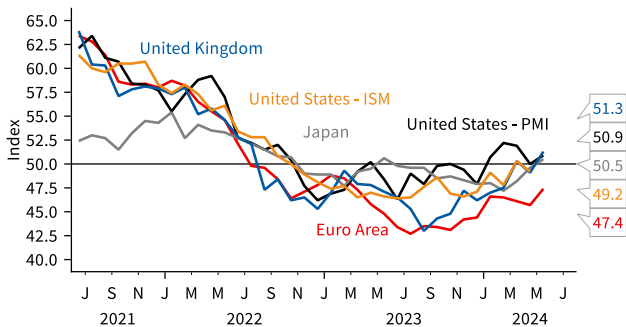
In focus after the official PMIs today showed a fall in the composite back to 51 from 51.7 on the back of a surprisingly large fallback in the manufacturing PMI to 49.5. Sentiment may have taken a hit on the back of new US tariffs.

EZ/UK/US Final Manufacturing PMIs

US ISM Manufacturing

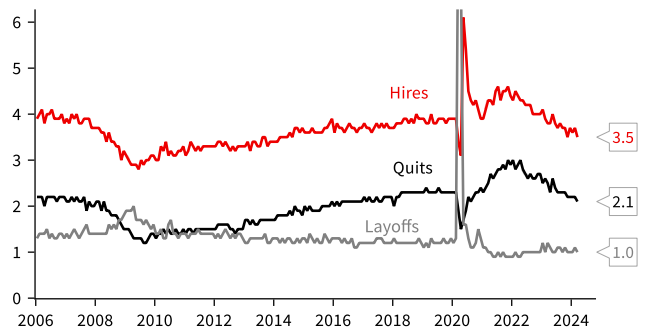
Will be watched closely given the lift in the S&P PMIs. Consensus sits at 49.7 from 49.2.

Manufacturing PMIs



Source: National Australia Bank, S&P Global, Institute for Supply Management (ISM), Macrobond

Labour market flows (rate)



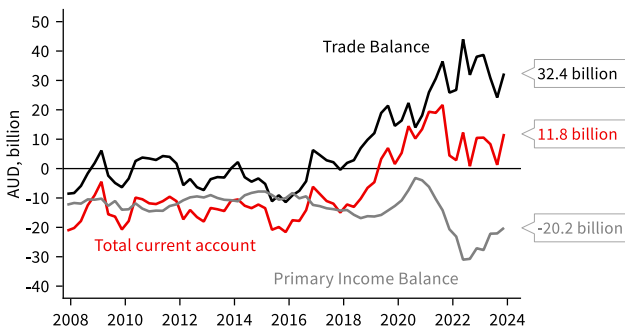
Source: National Australia Bank, U.S. Bureau of Labor Statistics (BLS), Macrobond

Tuesday 4

AU BoP, Business Indicators/Public Finance

The final pre-GDP partials are all out on Tuesday. For net exports NAB pencils in a -0.7ppt subtraction from Q1 growth. For inventories NAB pencils in a much smaller decline in private inventories, which will add to growth, on public side we expect a small positive contribution from public final demand. Also out of the business indicators survey is information on private sector wage bill growth, profits and real total sales.

Current Account Balance (Level)



Source: National Australia Bank, Macrobond

US JOLTS

JOLTS data for April are expected to show ongoing gradual moderation in the level of openings, consistent with the message out of Indeed Ads data. While openings remain elevated relative to pre-pandemic, turnover indicators out of the JOLTS survey have been pointing to a materially rebalanced labour market. The quits rate was 2.1% in March, below its 2019 level. Hires and quits have both slowed, keeping net payrolls growth resilient with layoffs remaining historically low.

Wednesday 5

AU Q1 GDP

NAB sees a +0.0% q/q (1.0% y/y) GDP print for Q1 2024 (consensus 0.2% q/q). That would be another quarter of very soft growth, with consumption and business investment broadly flat, dwelling investment slightly lower and volatile outcomes for inventories and trade. We expect soft growth to persist in Q2, before easing pressures on household income support growth in H2 – though just how much remains uncertain and will be key.

For our full GDP preview, see [Following a slow end to 2023, a slow start to 2024](#)

CH Caixin Services PMI

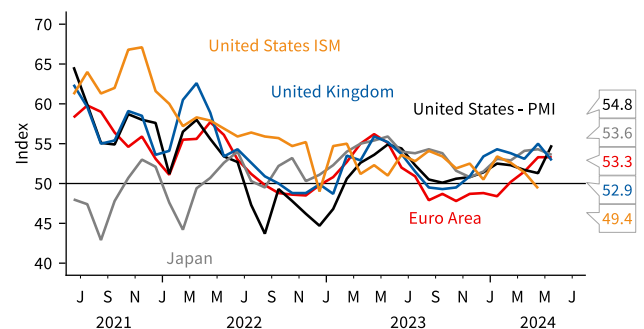
While the official composite PMI speaks to a loss of momentum, it was Manufacturing (and to a lesser extent construction) led. The official Services PMI actually rose to 50.5 from 50.3. The Caixin version has been stronger still, expected at 52.6 from 52.5 when it prints on Wednesday.

EZ/UK/US Final Services PMIs

US Services ISM

The US Services ISM will be closely watched to see whether it replicates the sharp rise in the S&P PMI version which rose to 54.8 from 51.3. Consensus for the Services ISM sits at 51.0 from 49.4.

Services PMIs



Source: National Australia Bank, S&P Global, Institute for Supply Management (ISM), Macrobond

CA Bank of Canada

The BoC is getting ready to start easing policy with its required 'further declines' in favoured core inflation falling into line with a recent 2.75% annual print, down from 3.05%. While this was the fourth consecutive

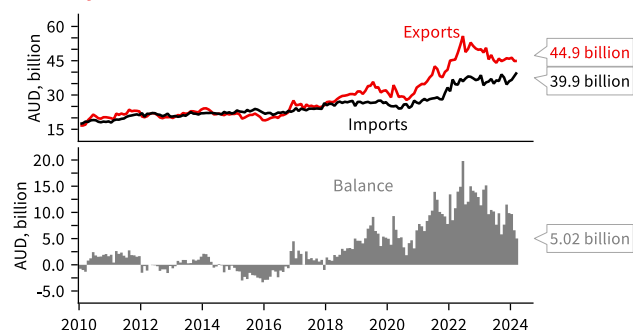
monthly decline there remains a question over whether the BoC is sufficiently confident that required inflation declines will be sustained for it to move at the 5 June meeting. A cut then is priced at 66%. Regardless of the outcome, we continue to see the BoC easing policy in a gradual manner with three cuts of 25bps to 4.25% by the end of the year, though like with the ECB and the BoE, such a path will continue to be questioned should the Fed not be in a position to ease in 2024.

Thursday 6

AU Goods Trade Balance

The goods trade balance fell back to \$5.0bn in March on a sharp lift in imports. That was reasonably broad-based but was led by a surge in computing and similar equipment. We pencil in small widening to \$5.5bn in April.

Monthly Trade in Goods and Services



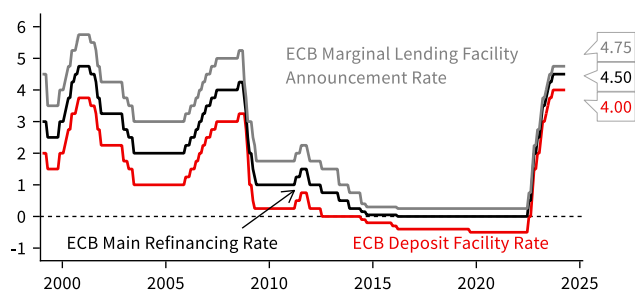
Source: National Australia Bank, ABS

EZ ECB Policy Meeting

The ECB has long talked itself into a 25bp rate cut at its June meeting and so delivery will come as no surprise. The big question is what follows viz-a-viz the path for further monetary easing and how will the ECB communicate its decision? The June cut will be justified by sufficient progress made on inflation moving down closer to the 2% target and new staff forecasts to support this. However, incoming data reveals – as elsewhere – that the closer to target, the harder it is getting and services prices are sticky. Indeed, data out Friday 31 May (after this publication goes to press) will likely show preliminary May headline HICP nudging back up from 2.4% y/y to 2.5% or 2.6%, with core prices unchanged at 2.7%.

Services prices have been drifting sideways around 3.7% for a while. Latest quarterly wage data surprised to the upside at 4.7% (back to the cycle peak) and there is sufficient uncertainty on energy, geopolitics and the US rate cycle to suggest the ECB will be non-committal on future easing, following a data-dependent approach. This will be backed up by clear division between ECB doves and hawks and is consistent with our unchanged view of the next ECB easing coming in September (20bps priced over and above a June easing, with the July meeting priced at just 3bps above a June cut). This being the case the EUR will emerge relatively unscathed from the meeting.

ECB policy rates



Source: National Australia Bank, Macrobond

Friday 7

AU RBA's Hauser

RBA Deputy Governor Andrew Hauser appears in a 'fireside chat' with Sky News Business Editor Ross Greenwood. He will discuss "the state of Australia's economy, monetary policy, and the global fight against inflation" The RBA's Chief Economist Sarah Hunter had little of substance to say this past Thursday, but Hauser remains a relatively unknown quantity in his approach to public communication, or indeed his level of comfort with the RBA's approach.

The RBA is looking for a path back to target by 2026 and has a remarkable tolerance for cumulative misses in the meantime.

The risks to their Q2 CPI trimmed mean forecast of 0.8% are firmly to the high side, but nothing in the activity or labour market data flow indicates they are wrong to assess they are making progress reducing excess demand. The question now is how steadfast will they be holding their nerve on the assessment of the outlook for inflation given uncertainty about the extent of the output gap. The May meeting and SoMP suggests a high bar for them to think they have policy in the wrong place. Will Hauser's appearance suggest a similar level of comfort?

US Payrolls

Early consensus is +180k, similar to the +175k published in April. That would give greater comfort the reacceleration in jobs gains in December to March is not sustaining and is consistent with ongoing but only gradual cooling in the US labour market. While there is large uncertainty about the level of migration, at the moment payrolls growth in the 150-200k range over time look to be broadly consistent with a stable unemployment rate. The early consensus is for stable unemployment at 3.9%.

This is the last Payrolls report ahead of the June FOMC meeting ending Wednesday 12 June, the same day as the May CPI report. Markets price about 35bp of cuts this year. Evidence of softening in the labour market would make it easier for the Fed to feel comfortable edging away from restrictive settings.

Weekly Calendar of Economic Releases

Date	Time	Country	Event	Period	Consensus	NAB	Previous
Monday, 3 June	9:50 AM	JN	Capital Spending YoY	1Q	12.0%		16.4%
	10:30 AM	JN	Jibun Bank Japan PMI Mfg	May F	--		50.5
	11:00 AM	AU	Melbourne Institute Inflation MoM	May	--		0.1%
	11:45 AM	CH	Caixin China PMI Mfg	May	51.60		51.4
	5:50 PM	FR	HCOB France Manufacturing PMI	May F	--		46.7
	5:55 PM	GE	HCOB Germany Manufacturing PMI	May F	--		45.4
	6:00 PM	EC	HCOB Eurozone Manufacturing PMI	May F	--		47.4
	6:30 PM	UK	S&P Global UK Manufacturing PMI	May F	--		51.3
	11:30 PM	CA	S&P Global Canada Manufacturing PMI	May	--		49.4
	11:45 PM	US	S&P Global US Manufacturing PMI	May F	--		50.9
12:00 AM	US	ISM Manufacturing	May	49.65		49.2	
Tuesday, 4 June	11:30 AM	AU	Net Exports of GDP	1Q	-0.7%		0.6%
	11:30 AM	AU	BoP Current Account Balance	1Q	5.85		11800.0
	11:30 AM	AU	Inventories SA QoQ	1Q	0.6%		-1.7%
	11:30 AM	AU	Company Operating Profit QoQ	1Q	-0.8%		7.4%
	5:55 PM	GE	Unemployment Change (000's)	May	5.00		10.0
	12:00 AM	US	JOLTS Job Openings	Apr	8300.00		8488.0
	12:00 AM	US	Factory Orders	Apr	0.6%		0.8%
12:00 AM	US	Durable Goods Orders	Apr F	0.7%		0.7%	
Wednesday, 5 June	9:30 AM	JN	Labor Cash Earnings YoY	Apr	1.8%		1.0%
	9:30 AM	JN	Scheduled Full-Time Pay - Same Base YoY	Apr	--		2.1%
	11:30 AM	AU	GDP SA QoQ	1Q	0.2%		0.2%
	11:30 AM	AU	GDP YoY	1Q	1.2%		1.5%
	11:45 AM	CH	Caixin China PMI Services	May	52.60		52.5
	4:45 PM	FR	Industrial Production MoM	Apr	--		-0.3%
	5:50 PM	FR	HCOB France Services PMI	May F	--		49.40
	5:55 PM	GE	HCOB Germany Services PMI	May F	--		53.9
	6:00 PM	EC	HCOB Eurozone Services PMI	May F	--		53.3
	6:30 PM	UK	S&P Global UK Services PMI	May F	--		52.90
	9:00 PM	US	MBA Mortgage Applications	May 31	--		-5.7%
	10:15 PM	US	ADP Employment Change	May	175.00		192.0
	11:45 PM	CA	Bank of Canada Rate Decision	Jun 5	4.75		5.0
11:45 PM	US	S&P Global US Services PMI	May F	--		54.80	
12:00 AM	US	ISM Services Index	May	50.95		49.4	
Thursday, 6 June	11:30 AM	AU	Home Loans Value MoM	Apr	1.50		3.10
	11:30 AM	AU	Trade Balance	Apr	5400.00		5024.0
	4:00 PM	GE	Factory Orders MoM	Apr	0.5%		-0.4%
	10:15 PM	EC	ECB Main Refinancing Rate	Jun 6	4.25		4.5
	10:15 PM	EC	ECB Deposit Facility Rate	Jun 6	3.75		4.0
	10:30 PM	US	Trade Balance	Apr	-69.80		-69.4
	10:30 PM	US	Initial Jobless Claims	May 25	217.00		219.0
	10:45 PM	EC	ECB President Christine Lagarde Holds Press Conference	--	--		--
Friday, 7 June	1:00 PM	AU	RBA's Hauser-Fireside Chat	--	--		--
	4:00 PM	GE	Industrial Production SA MoM	Apr	--		-0.4%
	5:00 PM	SZ	Foreign Currency Reserves	May	--		720372.7
	7:00 PM	EC	GDP SA QoQ	1Q F	0.3%		0.3%
	7:00 PM	EC	GDP SA YoY	1Q F	0.4%		0.4%
	10:30 PM	CA	Net Change in Employment	May	--		90.4
	10:30 PM	CA	Unemployment Rate	May	--		6.1%
	10:30 PM	US	Change in Nonfarm Payrolls	May	180.00		175.0
	10:30 PM	US	Unemployment Rate	May	3.9%		3.9%
	10:30 PM	US	Average Hourly Earnings MoM	May	0.3%		0.2%
	--	CH	Exports YoY	May	5.0%		1.5%
--	CH	Trade Balance	May	--		72.4	
Upcoming Central Bank Interest Rate Announcements						NAB	Current
	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	
	Jul 10	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

June 2024 Economic Calendar

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
02	03	04	05	06	07	08
	CH Caixin China PMI Mfg May EC HCOB Eurozone Manufacturing PMI May F UK S&P Global UK Manufacturing PMI May F US S&P Global US Manufacturing PMI May F US ISM Manufacturing May	AU BoP Current Account Balance 1Q US JOLTS Job Openings Apr US Durable Goods Orders Apr F	JN Labor Cash Earnings YoY Apr AU GDP SA QoQ 1Q EC HCOB Eurozone Services PMI May F US MBA Mortgage Applications May 31 US ADP Employment Change May CA Bank of Canada Rate Decision Jun 5 US ISM Services Index May	AU Trade Balance Apr EC ECB Deposit Facility Rate Jun 6 US Trade Balance Apr US Initial Jobless Claims May 25	GE Industrial Production SA MoM Apr EC GDP SA QoQ 1Q F CA Unemployment Rate May US Change in Nonfarm Payrolls May US Unemployment Rate May CH Trade Balance May	
09	10	11	12	13	14	15
CH (09 Jun - 15 Jun) Money : May	JN GDP SA QoQ 1Q F	AU NAB Business Conditions May UK Jobless Claims Change May US NFIB Small Business Optimism May	JN PPI YoY May CH PPI YoY May CH CPI YoY May GE CPI YoY May F UK Monthly GDP (MoM) Apr US MBA Mortgage Applications May 31 US CPI MoM May US FOMC Rate Decision (Upper Bound) Jun 12	AU Unemployment Rate May US PPI Final Demand MoM May	NZ BusinessNZ Manufacturing PMI May NZ Food Prices MoM May JN Industrial Production MoM Apr P FR CPI YoY May P JN BOJ Target Rate (Upper Bound) Jun 14 US U. of Mich. Sentiment Jun P	
16	17	18	19	20	21	22
CH Industrial Production YoY May CH Retail Sales YoY May US Empire Manufacturing Jun	AU RBA Cash Rate Target Jun 18 GE ZEW Survey Expectations Jun EC CPI YoY May F US Retail Sales Advance MoM May US Industrial Production MoM May	UK CPI YoY May US MBA Mortgage Applications May 31 CA Bank of Canada Releases Summary of D --	NZ GDP SA QoQ 1Q CH 5-Year Loan Prime Rate Jun 20 SZ SNB Policy Rate Jun 20 NO Deposit Rates Jun 20 UK Bank of England Bank Rate Jun 20 US Housing Starts May	JN Natl CPI YoY May JN Jibun Bank Japan PMI Mfg May F UK Retail Sales Inc Auto Fuel MoM May EC HCOB Eurozone Manufacturing PMI May F UK S&P Global UK Manufacturing PMI May F US S&P Global US Manufacturing PMI May F US Existing Home Sales May		
23	24	25	26	27	28	29
NZ Trade Balance NZD May GE IFO Business Climate Jun	AU Westpac Consumer Conf SA MoM Jun CA CPI YoY May US Conf. Board Consumer Confidence Jun	US New Home Sales May	NZ ANZ Consumer Confidence Index Jun JN Retail Sales YoY Apr AU Job Vacancies QoQ May SW Riksbank Policy Rate Jun 27 US GDP Annualized QoQ 1Q S US Durable Goods Orders Apr F US Initial Jobless Claims May 25	JN Jobless Rate Apr JN Tokyo CPI Ex-Fresh Food YoY May JN Industrial Production MoM Apr P AU Private Sector Credit MoM Apr UK GDP QoQ 1Q F FR CPI YoY May P CA GDP MoM Mar US Personal Spending Apr US PCE Core Deflator MoM Apr US U. of Mich. Sentiment Jun P		

Source: National Australia Bank, Bloomberg

Forecasts Table

For NAB Economics Latest Forecast Update, see: [Inflation still too high despite slow demand growth](#)

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	0.2	0.3	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Dwelling Investment	-0.5	0.7	0.6	-3.8	-1.8	-2.2	-1.1	0.0	1.6	1.4	1.6	1.6	1.3	1.2	0.9	0.7
Underlying Bus. Investment	4.3	2.5	0.7	0.7	-0.5	0.3	0.6	0.5	0.6	0.5	0.6	0.8	0.9	1.0	1.0	1.1
Public Final Demand	0.8	2.0	1.5	0.4	0.5	0.5	0.7	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	0.3	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6
(% y/y)	2.3	2.3	2.3	2.3	1.7	1.1	1.0	1.4	1.9	2.1	2.2	2.2	2.3	2.3	2.3	2.3
Inventories	(contr) 0.3	-1.2	0.3	-0.3	0.5	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	-0.7	-0.1	-0.1	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	0.0	0.3	0.6	0.6	0.5	0.5	0.5	0.6	0.6	0.5	0.6	0.5
(% y/y)	2.5	2.1	2.1	1.5	1.0	0.9	1.2	1.6	2.1	2.3	2.2	2.2	2.2	2.2	2.3	2.2
Labour Market																
Employment	0.7	0.9	0.6	0.7	0.5	0.7	0.3	0.3	0.5	0.5	0.6	0.6	0.4	0.4	0.4	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	4.3	4.3	4.3	4.3	4.3
WPI Wages	0.9	1.0	1.2	1.0	0.8	0.9	1.1	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
(% y/y)	3.6	3.7	4.0	4.2	4.1	4.0	3.9	3.8	3.8	3.8	3.5	3.4	3.4	3.3	3.3	3.2
Inflation																
CPI Trimmed Mean	1.2	0.9	1.2	0.8	1.0	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.6
(% y/y)	6.5	5.8	5.1	4.2	4.0	3.8	3.4	3.4	3.1	2.9	2.8	2.8	2.7	2.6	2.5	2.5
CPI Headline	1.4	0.8	1.2	0.6	1.0	0.9	0.6	0.6	0.7	0.7	0.9	0.7	0.6	0.6	0.6	0.6
(% y/y)	7.0	6.0	5.4	4.1	3.6	3.7	3.0	3.0	2.7	2.6	2.9	3.0	2.9	2.8	2.5	2.5

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

Exchange Rate Forecasts						
	23-May	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Majors						
AUD/USD	0.660	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	157.0	150	146	143	140	137
EUR/USD	1.08	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	7.24	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	0.92	0.91	0.89	0.87	0.86	0.85

Australian Cross Rates						
	23-May	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
AUD/NZD	1.08	1.08	1.10	1.11	1.11	1.11
AUD/JPY	103.7	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	4.78	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						
	23-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	4.34	4.25	4.08	3.88	3.69	3.44
3 Year Swap Rate	4.13	4.10	3.95	3.80	3.70	3.60
10 Year Swap Rate	4.49	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	4.31	4.30	4.25	4.20	4.20	4.15
United States	4.47	4.50	4.25	4.10	4.00	3.90
New Zealand	4.78	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

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