

Markets Research

What to Watch



Week of 15 July 2024

Comment ([jump to section](#))

- In this article we highlight a recent speech by BoE Chief Economist Pill on inflation persistence and central bank frameworks, which may have some relevance for how the RBA may interpret Q2 CPI on 31 July
- Key will be judging whether inflation persistence is due to decaying second round effects in which greater faith can be placed in forecasts seeing inflation back to target, or whether persistence reflects a more permanent change to price, wage and margin setting behaviour

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

- A very quiet week domestically with only the NAB Business Survey and the W-MI Consumer Survey of note
- Offshore, the most important piece of data was US CPI for June which came in cooler than expected. A September rate cut is now fully priced and there is now a cumulative 62bps of cuts priced by the end of the year
- Across the Ditch, the RBNZ while keeping rates on hold, signalled a pronounced shift in the way they are viewing the economy. Our BNZ colleagues shifted their RBNZ rate cut call to Nov 2024 (from Feb 2025)

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

- For Australian Employment (Thursday), we pencil in stable unemployment at 4.0% on a 25k employment gain but wouldn't be surprised by 4.1%. (Consensus +20/4.1)
- BNZ looks for 0.6% q/q in NZ Q2 CPI (Wednesday)
- In the US, an interview with Fed Chair Powell Monday is among ample opportunity to hear FOMC participants reaction to the low CPI data
- US Retail Sales is Thursday, the Beige Book is Wednesday, while the Republican National Convention and Earnings will also garner attention.
- The ECB is seen on hold on Thursday
- UK CPI (Wednesday), employment and wages (Thursday) and Retail Sales (Friday) could move the needle on the close-run 1 August BoE decision
- China Q2 GDP (Monday) should show a slowdown from Q1, while expectations are low from the Third Plenum (Monday through Thursday)
- Japan (Friday) and Canada (Wednesday) also get June CPI data.

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

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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	4.51	-0.5	9.9
AU 3y swap	4.17	-7.2	38.5
AU 3yr yield	4.06	-9.2	45.7
AU 10yr yield	4.34	-7.3	37.5
US 10yr yield	4.21	-7.0	32.9
AU-US 10yr spread	12.5	-0.3	4.6
Commodities		%	%
Iron ore	108	-2.4	-16.1
Coal (thermal)	133.8	-2.0	-8.6
Brent oil	85.6	-1.1	12.8
Gold	2407.4	0.6	16.7
FX			
AUD/USD	0.6770	0.3	-0.6
USD (DXY)	104.44	-0.4	3.1
AUD/NZD	1.1100	-1.1	-2.9
AUD crosses			
AUD/JPY	107.66	0.8	-10.8
AUD/CNY	4.9177	-0.2	-1.5
AUD/EUR	0.6229	0.0	-0.9
AUD/GBP	0.5242	0.5	2.1
Equities			
ASX 200	7954.4	1.7	4.8
ASX Resources	5722.6	-0.8	-9.9
ASX Financials	7815.4	2.6	16.3
US S&P 500	5584.5	0.9	17.1

Source: Bloomberg

Comment – inflation persistence

In this article we highlight a recent [speech](#) by BoE Chief Economist Pill on inflation persistence and central bank frameworks, which may have some relevance for how the RBA may interpret the signals coming from Australia's Q2 CPI on 31 July. That CPI print being seen as pivotal given the August RBA meeting is seen as live for a rate hike, though at NAB we see the RBA on hold.

As for inflation persistence, Chief Economist Pill noted that it is simply not enough to observe developments, but rather *“we need to explain why there is greater persistence in current inflation dynamics than our standard model framework would imply, even after we have taken account of the extent of slack in the economy”*.

This is clearly relevant for Australia with GDP growth having been below trend at 1.1% y/y, but at the same time unemployment has been a little disconnected with still strong employment growth and an unemployment rate that has been broadly stable at around 4.0%. An evident output gap remains given core inflation is above target and survey measures of capacity utilisation are well above average.

Pill explores two arguments to current inflation persistence:

- (1) It may *“reflect decaying second round effects in price and wage inflation following the big external shocks associated with the pandemic...”*. It could be that the half life of those second-round effects is just taking a little longer to play out, but are still broadly consistent with conventional models and frameworks and those models can still be relied upon. For example, in Australia the indexation of certain government related prices; Alternatively
- (2) It may *“represent a more permanent change to price, wage and margin setting behaviour, perhaps associated with changes in the pay structure, different competitive dynamics in the markets for labour, product and services, or with high degrees of real income resistance”*. It could be that for any given slack or shock, the nominal dynamics in price/wage/margin setting behaviour may be stronger than pre-pandemic. E.g: firms may not have felt they had pricing power prior to the pandemic, but feel they do now and can better optimise pricing. A structural shortage of housing may continue to pressure rents/new dwelling construction costs, geopolitical fragmentation may impact historical goods deflation, economy may have to make room for green transition/government spending.

How does policy respond to inflation persistence? In the first scenario, the challenge is whether to let persistence to play out given conventional models and frameworks still allow you to forecast inflation heading back to target, or whether to act to bring inflation down more quickly if inflation expectations/compensation look to be shifting. The RBA's preference is clearly to hold for longer.

Under the second scenario though, policy makers would have little choice but to have (more, or protracted) restrictive policy to weigh against incipient inflationary dynamics, in order to have assurance of getting inflation back to target.

Tapas Strickland, NAB

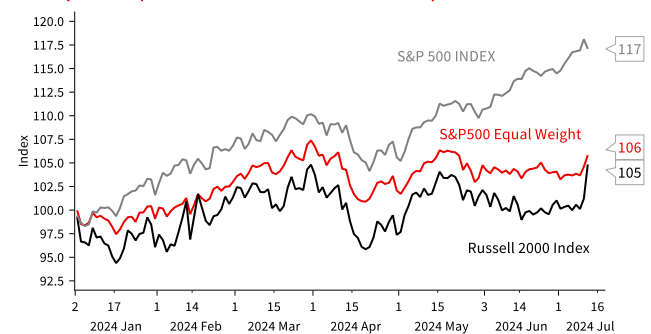
Week in review

It has been a very quiet week domestically with only the NAB Business Survey and the W-MI Consumer Survey of note. In the NAB Survey, business conditions fell back to slightly below long-run average, while capacity utilisation remains above average. Neither report was particularly market moving with markets instead waiting for Q2 CPI on 31 July ahead of the RBA in August (see [NAB Business Survey](#)).

Offshore, the most important piece of data was US CPI for June which came in cooler than expected. Core was 0.1% m/m vs. 0.2% expected, with the prior month also being benign. A September rate cut is now fully priced, up from 78% prior to the data. And there is now a cumulative 62bps of cuts priced by the end of the year.

Fed Chair Powell's Testimony on Tuesday and Wednesday gave little indication on the timing of possible rate cuts, but importantly also highlighted that the labour market was *“not a source of broad inflationary pressure for the economy”*. Soft landing hopes remain strong with a rotation being seen from large cap tech (which dominates the S&P 500) to smaller caps as seen in the equal weight S&P500 (SPW) and Russell 2000.

US Equities (re-indexed 1 Jan 2024 = 100)



The BOJ seemingly used the fall in the USD and yields post the CPI as an opportunity to intervene at least twice in the past 24 hours. USD/JPY now stands at 159.17 and prior to the US CPI it was 161.62.

Across the Ditch, the RBNZ, while keeping rates on hold, signalled a pronounced shift in the way they are viewing the economy. Gone was the discussion of rate hikes. Instead, every RBNZ meeting is being seen live for a cut. Our BNZ colleagues shifted their RBNZ rate cut call to Nov 2024 (from Feb 2025). Key paragraph with the pronounced shift was:

“Members agreed that there is now more evidence of excess productive capacity emerging, with measures of capacity utilisation and difficulty finding labour easing materially. The Committee noted that recent higher frequency indicators suggest that near-term growth in business activity has weakened...Members discussed the risk that this may indicate that tight monetary policy is feeding through to domestic demand more strongly than expected.” (see [RBNZ Statement](#)).

Politics remains topical, but with only fleeting impacts. Following the French 2nd round where no party bloc gained a majority, French-German 10yr spreads are at 66bps, still down from a peak of 82bps; note prior to elections it was around 50bps. Meanwhile, US President Biden's bid to be the Democratic nominee remains uncertain. Regardless, betting markets have Republicans winning the election.

Tapas Strickland, NAB

Week Ahead in Brief

In **Australia** the RBA stays quiet again, but the data calendar gets more interesting. While a distant second to Q2 CPI on 31 July in terms of consequence for the RBA's August 6 forecast update and monetary policy decision, Thursday's labour market data should confirm that the labour market is not providing the same unhelpful surprises relative to recent RBA forecasts as the inflation data.

Slow recent growth and cooling labour demand suggest trend employment growth around 40k should moderate over coming months, and we pencil in a 25k gain in June. It's a close-run thing whether that would see the unemployment rate tick higher to 4.1%, but for choice we pencil in stable unemployment rate at 4.0% amid an ongoing gradual rise in the unemployment rate in trend terms. The RBA in May forecast unemployment of 4.0% in Q2 and 4.2% by year end.

Across the Ditch in **NZ** following the RBNZ's dovish pivot last week, focus turns to Q2 CPI (Wednesday). BNZ picks a 0.6% q/q increase, driving annual inflation to 3.5%, from 4.0%. That projection is close to the estimate published in the RBNZ's May MPS, of 0.6% q/q and 3.6% y/y. There will be interest in non-tradeables, where the Bank was picking 5.3% y/y, and other core measures. Any downward surprise would fuel speculation that the RBNZ could beginning cutting rates as soon as the next meeting in August.

In **Europe** the ECB meets Thursday, but we are aligned with markets in not expecting any policy shifts following what was deemed a hawkish first cut in this cycle. Markets price just 1 bp of easing for July, but 21bps by the September meeting, which is where we see the ECB next cutting rates.

From the **UK**, inflation data (Wednesday), labour market and earnings data (Thursday) and Retail Sales (Friday) come ahead of what is shaping up as a close-run decision from the BoE on 1 August.

In the **US**, after PPI tonight Tuesday's June Retail Sales are expected to fall, driven by fuel and car sales, while core measures show a modest gain. Fed Chair Powell will be interviewed by David Rubenstein at the Economic Club of Washington DC (Monday), the Beige Book is published (Wednesday) and plenty of other FOMC participants are scheduled, including heavy hitters Waller (Wednesday) and Williams (Friday). The Republican National Convention takes place Monday through Thursday, and US earnings include BofA, Morgan Stanley, Goldman Sachs, Netflix and TSMC.

Inflation data for **Canada** (Tuesday) comes as markets are 72% prices for a follow up cut at the Bank of Canada's 24 July meeting. Canada also gets retail sales Friday. Core measure are expected to follow the timelier Tokyo read and tick higher in Japanese inflation data (Friday).

In **China**, Q2 GDP (Monday) is expected to slow from the pace of growth in Q1, released alongside June monthly activity indicators including retail sales and industrial production. Even still expectations are low for much resembling support for near-term growth momentum out of the 5-yearly Third Plenum, beginning Monday, and the PBoC is expected to leave the 1-yr MLF rate on hold (also Monday).

Taylor Nugent, NAB

Important Events Preview

Selection of key data. full calendar below.

Monday 15

NZ Performance of Services Indicator

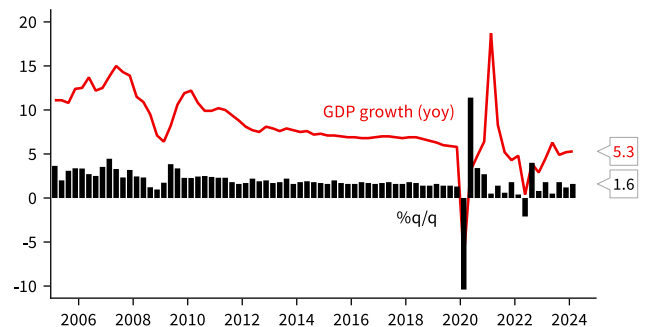
CH Q2 GDP, 1-yr MLF, Third Plenum

Consensus is for Q2 GDP growth to slow to 1.0% q/q from 1.6% in Q1. That would see the y/y rate ease to 5.0% from 5.3% as some of the support from the earlier tailwind of services and travel spending following reopening fades. The numbers will also be a more comprehensive check on whether momentum has been sufficient to keep the 5% growth target alive. More timely indications from the June Services PMIs point to shaky momentum heading into H2. Alongside the GDP number are June monthly outcomes for industrial production, retail sales and fixed asset investment.

The PBoC is expected to leave the 1-yr MLF rate unchanged at 2.5%

The Third Plenum, a 5-yearly four day gathering of China's top leadership, takes place Monday through Thursday. The forum sets the direction for policy, but expectations are low for much to support short-term momentum, focus instead on President Xi's longer term growth drivers.

Economic growth (%)



Source: National Australia Bank, China National Bureau of Statistics (NBS), Macrobond

US Fed's Powell Interview; Goldmans; NY Empire

Chair Powell is interviewed by David Rubenstein at the Economic Club of Washington DC. Powell in Congressional testimony this week called the May inflation result 'very good.' On that basis he should sound buoyed by the even lower June outcome. The June FOMC median dot for one cut this year at this stage looks dated, with markets now essentially fully priced for a September cut and 40% priced for a third cut by year-end. The July meeting still looks too soon to turn around an FOMC primed for caution after the string of upside surprises earlier in the year, but Powell could start to be a bit more explicit about cut timing.

Tuesday 16

US Retail Sales, BofA & Morgan Stanley

Lower gas prices and disruptions to auto sales point to a decline in headline retail sales, early consensus is

for -0.4% m/m. the core control group should fare better at +0.2% m/m after +0.4% in May. Broader consumption looks to be tracking around 0.4% q/q in Q2, a similar pace to Q1.

CA June CPI

June Canadian CPI comes ahead of the Bank of Canada’s 24 July meeting, where markets are currently 72% priced for a follow up cut. The annual headline rate, at 2.9% y/y in May, not show much progress this month, but base effects turn supportive from July and the BoC will be looking at the core measures to greenlight further easing.

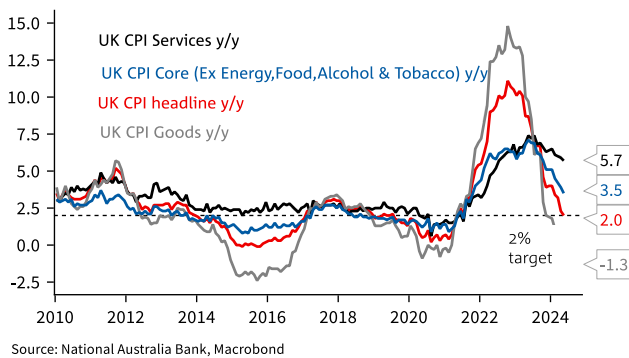
Wednesday 17

NZ Q2 CPI

BNZ picks a 0.6% q/q increase, driving annual inflation down to 3.5, from 4.0% in Q1. That projection is closely aligned with the estimate published in the RBNZ’s May MPS, of 0.6% q/q and 3.6% y/y, although that figure is now somewhat dated. There will be interest in the non-tradeables component, where the Bank was picking 5.3% y/y, and other core measures. Any downward surprise would fuel speculation that the RBNZ could beginning cutting rates as soon as the next meeting in August.

UK June CPI; King’s speech

UK headline inflation is expected to ease marginally to 1.9% y/y, taking it temporarily below the target rate. Core inflation is expected to ease 1/10th to 3.4%, while services inflation is also expected to ease moderately and remain elevated at 5.6%. As such the latter will reinforce for some of the hawks a view they need more time before lowering Bank Rate. The MPC is set for a crunch decision in August when it unveils new forecasts. We continue to see the BoE easing then but concur it will be a close decision.

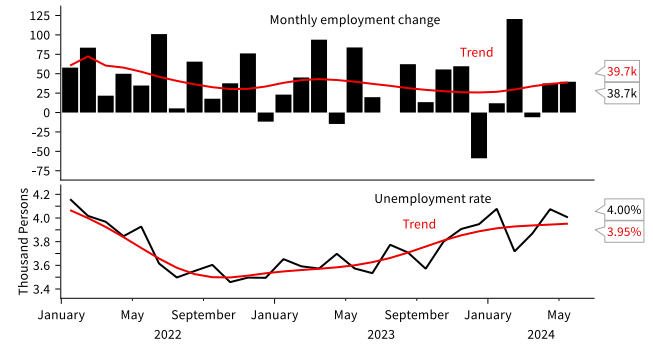


unemployment rate fall back to 4.0% on a +40k employment gain that reflected some catch up after there were more people than usual waiting to start a job in April.

Beyond the month-to-month volatility, trend employment growth is +39k, enough to keep pace with strong population growth. We expect recent subdued activity growth and indications of cooling labour demand to be reflected in a moderation in trend employment gains over the next few months and an unemployment rate continuing to edge higher, but by less than a tenth per month.

For the RBA’s part, Q2 outcomes look broadly in line with their May forecast, and they see an unemployment rate only 2 tenths higher at 4.2% by year end. The labour market remains tighter than they expected 6-12 months ago, but it is not outpacing their recent forecasts, in contrast to inflation.

Australian Employment



EZ ECB Meeting

The ECB Governing Council meets but we are aligned with markets in not expecting any policy shifts following what was deemed a hawkish first cut in this cycle. There the ECB provided no guidance on future easing. Since that point wage data has come in a little hotter. Markets price just 1 bp of easing, by 21bps by the September meeting, which is where we see the ECB next cutting rates alongside a reduction in the MRO rate.

UK May Ave Weekly Earnings/ Jun Labour Market Data

UK average earnings are expected to record a modest decline, with headline earnings including bonuses at 5.8% 3M y/y, while ex-bonus earnings are seen pulling back to 5.7% 3M y/y from 6.0%. Other labour market data have shown a loosening with lower employment and job openings, higher unemployment and higher jobless claims.

EZ Final June CPI

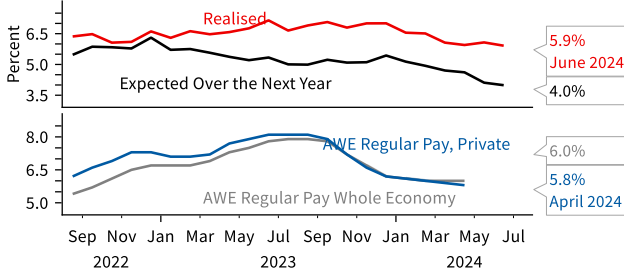
US Housing Starts, Industrial Production

Thursday 18

AU Unemployment

We pencil in +25k employment growth and an unemployment rate stable at 4.0%, though we wouldn’t be surprised to see a 4.1%. The May outcome saw the

UK: DMP Wages, actual, expected; ONS average earnings



Source: National Australia Bank, BoE Decision Makers' Panel, Macrobond

US Jobless Claims, Netflix & TSMC, Trump speech

Jobless Claims still worth watching closely after they fell back more than expected to 222k from 239k. Difficulties with seasonally adjusting around this time of year is likely to add to volatility. Meanwhile the first of the big tech names report with Netflix, and TSMC may give a guide to Nvidia and other US large tech. Former President Trump is also giving a speech as he officially accepts the Republican nomination on the final night of the GOP convention.

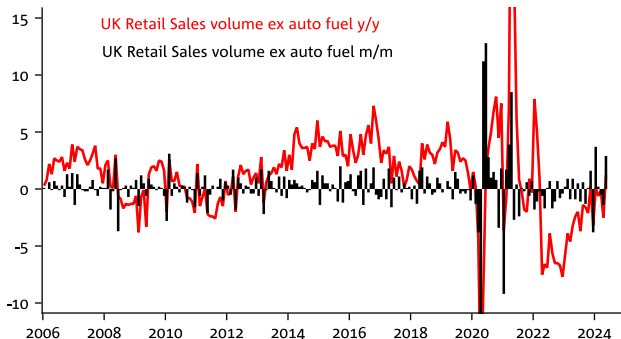
Friday 19

JN June CPI

Core CPI measures are expected to follow the Tokyo measure's lead and tick higher in June. Ex fresh food seen at 2.7% from 2.5% and ex fresh food and 2.2% from 2.1%, while the headline is seen stable at 2.8%. Reuters reports that the BoJ will 'roughly maintain view inflation to stay around 2%' despite trimming this year's growth forecast. Friday's data, along with the timelier July Tokyo read on 26 July, come ahead of the 31 July meeting and forecast update, where markets are about 50% priced for a 10bp rate increase.

UK June Retail Sales

June retail sales in the UK should reveal a reasonable increase on account of the improvement in the weather that has hampered spending footfall and construction activity (no consensus available at the time).



Source: National Australia Bank, Macrobond

Weekly Calendar of Economic Releases

Date	Time	Country	Event	Period	Consensus	NAB	Previous
Monday, 15 July	7:00 AM	NZ	REINZ House Sales YoY	Jun	--		6.8%
	8:30 AM	NZ	Performance Services Index	Jun	--		43.00
	11:20 AM	CH	1-Yr Medium-Term Lending Facility Rate	Jul 15	2.5%		2.5%
	12:00 PM	CH	GDP YoY	2Q	5.0%		5.3%
	12:00 PM	CH	GDP SA QoQ	2Q	1.1%		1.6%
	12:00 PM	CH	Industrial Production YoY	Jun	5.0%		5.6%
	12:00 PM	CH	Retail Sales YoY	Jun	3.4%		3.7%
	10:30 PM	US	Empire Manufacturing	Jul	-8.0		-6.0
	2:30 AM	US	Fed's Powell Interviewed by David Rubenstein	--	--		--
	6:35 AM	US	Fed's Daly Speaks in Q&A on Economy, Tech	--	--		--
Tuesday, 16 July	2:30 PM	JN	Tertiary Industry Index MoM	May	0.1%		1.9%
	7:00 PM	GE	ZEW Survey Expectations	Jul	42		47.5
	7:00 PM	GE	ZEW Survey Current Situation	Jul	-73		-73.80
	10:30 PM	US	Retail Sales Advance MoM	Jun	-0.2%		0.1%
	10:30 PM	US	Retail Sales Control Group	Jun	0.2%		0.4%
	10:30 PM	CA	CPI YoY	Jun	2.8%		2.9%
Wednesday, 17 July	8:45 AM	NZ	CPI YoY	2Q	3.5%		4.0%
	8:45 AM	NZ	CPI QoQ	2Q	0.5%		0.6%
	4:00 PM	UK	CPI MoM	Jun	0.1%		0.3%
	4:00 PM	UK	CPI YoY	Jun	1.9%		2.0%
	4:00 PM	UK	CPI Core YoY	Jun	--		3.5%
	7:00 PM	EC	CPI YoY	Jun F	2.5%		2.5%
	7:00 PM	EC	CPI MoM	Jun F	0.2%		0.2%
	9:00 PM	US	MBA Mortgage Applications	Jul 12	--		-0.2%
	10:30 PM	US	Housing Starts	Jun	1300		1277.0
	11:15 PM	US	Industrial Production MoM	Jun	0.3%		0.7%
	11:35 PM	US	Fed's Waller Speaks on Economic Outlook	--	--		--
	4:00 AM	US	Federal Reserve Releases Beige Book	--	--		--
Thursday, 18 July	11:30 AM	AU	Employment Change	Jun	20	25	39.7
	11:30 AM	AU	Unemployment Rate	Jun	4.1%	4.0%	4.0%
	11:30 AM	AU	Participation Rate	Jun	66.8%	66.7%	66.8%
	4:00 PM	UK	Weekly Earnings ex Bonus 3M/YoY	May	5.7%		6.0%
	4:00 PM	UK	ILO Unemployment Rate 3Mths	May	4.4%		4.4%
	4:00 PM	UK	Claimant Count Rate	Jun	--		4.3%
	4:00 PM	UK	Jobless Claims Change	Jun	--		50.40
	10:15 PM	EC	ECB Deposit Facility Rate	Jul 18	3.75		3.75
	10:30 PM	US	Initial Jobless Claims	Jul 13	235		222.0
	10:45 PM	EC	ECB President Christine Lagarde Holds Press Conference	--	--		--
	12:00 AM	US	Leading Index	Jun	-0.3%		-0.5%
	Friday, 19 July	9:30 AM	JN	Natl CPI YoY	Jun	2.8%	
4:00 PM		UK	Retail Sales Inc Auto Fuel MoM	Jun	--		2.9%
10:30 PM		CA	Retail Sales MoM	May	-0.2%		0.7%
12:40 AM		US	Fed's Williams Speaks on Panel on Monetary Policy	--	--		--
3:00 AM		US	Fed's Bostic Gives Closing Remarks	--	--		--
Upcoming Central Bank Interest Rate Announcements						NAB	Current
	Aug 6	Australia, RBA				4.35	4.35
	Aug 1	UK, BOE				5.00	5.25
	Jul 31	US, Federal Reserve (Upper Bound)				5.50	5.50
	Aug 14	New Zealand, RBNZ				5.50	5.50
	Jul 24	Canada, BoC				4.75	4.75
	Jul 18	Europe, ECB				3.75	3.75
	Jul 31	Japan, BoJ (Upper Bound)				0.20	0.10

Sydney Time. Dates reflect 24 hours from 7am

July 2024 Economic Calendar

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
30 CH Manufacturing PMI Jul	01 JN Tankan Large Mfg Index 2Q JN Jibun Bank Japan PMI Mfg Jun F AU Melbourne Institute Inflation MoM Jun CH Caixin China PMI Mfg Jun EC HCOB Eurozone Manufacturing PMI Jun F UK S&P Global UK Manufacturing PMI Jun F GE CPI YoY Jun P US S&P Global US Manufacturing PMI Jun F US ISM Manufacturing Jun	02 NZ Building Permits MoM Jun EC CPI MoM Jun P CA S&P Global Canada Manufacturing PMI Jun US JOLTS Job Openings Jun	03 AU Retail Sales MoM May AU Building Approvals MoM May CH Caixin China PMI Services Jun EC HCOB Eurozone Services PMI Jun F US ADP Employment Change Jun US Trade Balance May US Initial Jobless Claims Jun 29 US Durable Goods Orders May F US ISM Services Index Jun	04 AU Trade Balance May GE Factory Orders MoM May	05 GE Industrial Production SA MoM May FR Industrial Production MoM May CA Unemployment Rate Jun US Change in Nonfarm Payrolls Jun US Unemployment Rate Jun	06
07	08 JN Labor Cash Earnings YoY May JN BoP Current Account Balance May	09 AU Westpac Consumer Conf SA MoM Jul AU NAB Business Conditions Jun	10 JN PPI YoY Jun CH PPI YoY Jun CH CPI YoY Jun NZ RBNZ Official Cash Rate Jul 10 US Wholesale Inventories MoM May F	11 NZ Food Prices MoM Jun JN Core Machine Orders MoM May GE CPI YoY Jun F UK Monthly GDP (MoM) May US CPI MoM Jun US Initial Jobless Claims Jun 29	12 NZ BusinessNZ Manufacturing PMI Jun JN Industrial Production MoM May F FR CPI YoY Jun F US PPI Final Demand MoM Jun CH Trade Balance Jun US U. of Mich. Sentiment Jul P	13
14	15 CH 1-Yr Medium-Term Lending Facility Rate Jul 15 CH GDP YoY 2Q CH Industrial Production YoY Jun CH Retail Sales YoY Jun US Empire Manufacturing Jul	16 JN Tertiary Industry Index MoM May GE ZEW Survey Expectations Jul US Retail Sales Advance MoM Jun CA CPI NSA MoM Jun CA CPI YoY Jun	17 NZ CPI QoQ 2Q UK CPI YoY Jun EC CPI YoY Jun F US Housing Starts Jun US Industrial Production MoM Jun	18 AU Employment Change Jun AU Unemployment Rate Jun UK ILO Unemployment Rate 3Mths May UK Jobless Claims Change Jun EC ECB Deposit Facility Rate Jul 18	19 JN Natl CPI YoY Jun UK Retail Sales Inc Auto Fuel MoM Jun CA Retail Sales MoM May	20
21	22 NZ Trade Balance NZD Jun CH 5-Year Loan Prime Rate Jul 22	23	24 JN Jibun Bank Japan PMI Mfg Jul P EC HCOB Eurozone Manufacturing PMI Jul P UK S&P Global UK Manufacturing PMI Jul P US MBA Mortgage Applications Jun 28 US Wholesale Inventories MoM May F CA Bank of Canada Rate Decision Jul 24 US S&P Global US Manufacturing PMI Jul P US New Home Sales Jun	25 GE IFO Business Climate Jul US GDP Annualized QoQ 2Q A US Durable Goods Orders May F US Initial Jobless Claims Jun 29	26 JN Tokyo CPI Ex-Fresh Food YoY Jul US Personal Income Jun US Personal Spending Jun US Core PCE Price Index MoM Jun US U. of Mich. Sentiment Jul P	27
28	29 UK Mortgage Approvals Jun	30 JN Jobless Rate Jun AU Retail Sales MoM Jun AU Building Approvals MoM Jun FR GDP QoQ 2Q P EC Consumer Confidence Jul P EC GDP SA QoQ 2Q A GE CPI YoY Jun F US JOLTS Job Openings Jun US Conf. Board Consumer Confidence Jul	31 NZ Building Permits MoM Jun JN Industrial Production MoM May F NZ ANZ Business Confidence Jul CH Manufacturing PMI Jul AU CPI YoY 2Q EC CPI MoM Jun F US ADP Employment Change Jun US Employment Cost Index 2Q JN BOJ Target Rate (Upper Bound) Jul 31 US FOMC Rate Decision (Upper Bound) Jul 31	01	02	03

Source: National Australia Bank, Bloomberg

Forecasts Table

For NAB Economics Latest Forecast Update, see: [Subdued growth but signs consumers holding up](#)

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	0.2	0.5	0.0	0.3	0.4	0.2	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.5	0.5	0.5	
Dwelling Investment	-0.2	0.6	0.2	-3.6	-0.5	-1.0	-0.5	0.5	0.4	0.8	0.6	0.7	0.8	0.7	0.7	0.7	
Underlying Bus. Investment	4.5	2.2	0.9	1.4	-1.3	0.2	0.1	1.1	0.9	0.7	0.8	0.7	1.0	1.0	1.0	1.2	
Public Final Demand	0.7	2.3	1.3	0.4	0.6	0.7	0.7	0.7	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
Domestic Final Demand	0.7	1.1	0.6	0.3	0.2	0.3	0.5	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	
(% y/y)	2.7	2.8	3.0	2.8	2.3	1.5	1.4	1.8	2.2	2.4	2.5	2.4	2.3	2.4	2.4	2.5	
Inventories	(contr)	0.1	-1.0	0.3	-0.3	0.7	-0.3	-0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Exports	(contr)	-0.4	0.5	-0.7	0.4	-0.9	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Domestic Product	0.6	0.4	0.2	0.3	0.1	0.1	0.4	0.6	0.7	0.5	0.6	0.5	0.6	0.6	0.6	0.6	
(% y/y)	2.3	1.9	2.1	1.6	1.1	0.8	1.0	1.3	1.9	2.3	2.5	2.4	2.2	2.3	2.3	2.4	
Labour Market																	
Employment	0.7	0.9	0.6	0.7	0.5	0.7	0.2	0.3	0.5	0.5	0.5	0.7	0.5	0.4	0.5	0.4	
Unemployment Rate	(%)	3.6	3.6	3.7	3.9	3.9	4.1	4.4	4.5	4.5	4.5	4.5	4.4	4.3	4.3	4.3	4.3
WPI Wages	(% y/y)	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	(% y/y)	1.2	0.9	1.2	0.8	1.0	1.0	0.8	0.7	0.7	0.6	0.6	0.7	0.6	0.6	0.6	0.6
(% y/y)	6.5	5.8	5.1	4.2	4.0	4.0	3.7	3.6	3.3	3.0	2.8	2.7	2.6	2.6	2.5	2.5	
CPI Headline	(% y/y)	1.4	0.8	1.2	0.6	1.0	1.0	0.4	0.7	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	3.8	3.0	3.1	2.8	2.5	3.0	3.0	2.9	2.8	2.5	2.5	

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

Exchange Rate Forecasts						
	11-Jul	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Majors						
AUD/USD	0.677	0.67	0.69	0.71	0.72	0.74
NZD/USD	0.61	0.61	0.62	0.64	0.65	0.66
USD/JPY	159.1	146	143	140	137	134
EUR/USD	1.09	1.09	1.11	1.13	1.14	1.16
GBP/USD	1.29	1.28	1.30	1.31	1.32	1.34
USD/CNY	7.26	7.20	7.15	7.10	7.00	6.90
USD/CAD	1.36	1.36	1.35	1.34	1.33	1.32
USD/CHF	0.90	0.89	0.87	0.86	0.85	0.84

Global GDP				
	2023	2024	2025	2026
Australia	2.0	1.0	2.2	2.3
United States	2.5	2.3	1.4	1.8
Eurozone	0.6	0.8	1.2	1.4
United Kingdom	0.1	0.8	0.8	1.2
Japan	1.8	-0.2	0.7	0.7
China	5.2	4.5	4.8	4.5
India	7.7	6.6	6.2	6.4
New Zealand	0.6	0.2	2.5	3.1
World	3.2	3.0	3.0	3.1

Australian Cross Rates						
	11-Jul	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
AUD/NZD	1.11	1.10	1.11	1.11	1.11	1.12
AUD/JPY	107.7	98	99	99	99	99
AUD/EUR	0.62	0.61	0.62	0.62	0.63	0.64
AUD/GBP	0.52	0.52	0.53	0.54	0.55	0.55
AUD/CNY	4.92	4.82	4.93	5.01	5.04	5.11
AUD/CAD	0.92	0.91	0.93	0.94	0.96	0.98
AUD/CHF	0.61	0.60	0.60	0.61	0.61	0.62

Interest Rate Forecasts						
	11-Jul	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Australian Rates						
RBA cash rate	4.35	4.35	4.35	4.35	4.10	3.85
3 month bill rate	4.46	4.38	4.33	4.19	3.92	3.64
3 Year Swap Rate	4.17	3.95	3.80	3.70	3.60	3.45
10 Year Swap Rate	4.49	4.50	4.40	4.40	4.35	4.25
Offshore Policy Rates						
US Fed funds	5.50	5.25	5.00	4.50	4.25	4.00
RBNZ OCR	5.50	5.50	5.25	5.00	4.50	4.00
10-year Bond Yields						
Australia	4.34	4.25	4.20	4.20	4.15	4.05
United States	4.21	4.25	4.10	4.00	3.90	3.80
New Zealand	4.50	4.75	4.60	4.60	4.50	4.40

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