

Markets Research

What to Watch



Week of 16 December 2024

Note: this is the last What to Watch for the year. We wish our readers a fun and safe festive season. We will resume publication on Friday 3 January 2025. As always feedback welcome.

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

- RBA was less concerned about upside inflation risk on Tuesday.
- But a fall in the unemployment rate Thursday shows slow growth has not translated into labour markets spare capacity.
- On net, RBA pricing is back where it was a week ago.
- Globally, the ECB cut 25bp, and US inflation data didn't stand in the way of a FOMC cut next week.

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

- Australia has a quiet lead into the festive season with only second tier data, though budget updates are expected in the week from the Commonwealth (MYEFO) and from some states (NSW and perhaps a few others).
- A busy week for central banks with the US Fed (Wednesday), BoJ (Thursday), BoE (Thursday), Norges bank (Thursday) and Riksbank (Thursday) all meeting.
- The US Fed is widely expected to cut rates by 25bps, but more focus on the path for 2025 and an updated neutral rate estimate given a still strong economy and the prospect of tariffs and tax cuts.
- The BoJ is expected to hold rates if media reports are to be believed with January now seen as the most likely meeting date for further normalisation. The BoE is also expected to hold rates steady, as is the Norgesbank. In contrast the Riskbank is expected to cut rates by 25bps.
- Europe sees the PMIs (Monday) as well as UK Unemployment (Tuesday) and CPI (Wednesday). In the US, the PMI read is also likely to garner more focus than usual to see whether it follows the alternative ISM lower.
- China's monthly activity indicators (Monday) see the usual Retail Sales, Industrial Production and FAI. With stimulus notions in the air, it is hard to see this data being overly market moving.
- In NZ Q3 GDP (Thursday) and the ANZ Business Survey (also Thursday) are likely to garner attention. Consensus for GDP is for a contraction of -0.4% q/q and -0.4% y/y.

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

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Key Markets

	% change		
	Latest	week	YTD
Cash rates			
RBA Cash Rate	4.35		
US Fed Funds	4.75		
RBNZ Cash Rate	4.25		
Rates			
		bps	bps
AU BBSY 3m	4.51	3.4	10.3
AU 3y swap	3.82	3.0	4.2
AU 3yr yield	3.86	4.6	24.8
AU 10yr yield	4.30	7.9	34.4
US 10yr yield	4.32	16.5	43.9
AU-US 10yr spread	-1.9	-8.6	-9.5
Commodities			
		%	%
Iron ore	104	0.8	-14.5
Coal (thermal)	132.5	-0.6	-9.5
Brent oil	73.3	3.1	-1.4
Gold	2687.6	2.1	30.3
FX			
AUD/USD	0.6357	-0.5	-6.7
USD (DXY)	107.04	0.9	5.6
AUD/NZD	1.1034	-0.7	-2.3
AUD crosses			
AUD/JPY	97.08	-1.3	-1.1
AUD/CNY	4.6260	0.3	4.7
AUD/EUR	0.6076	-0.5	1.6
AUD/GBP	0.5020	-0.1	6.6
Equities			
ASX 200	8273.6	-1.7	9.0
ASX Resources	5328.9	-0.1	-16.1
ASX Financials	8720.8	-2.4	29.8
US S&P 500	6051.3	-0.4	26.9

Source: Bloomberg

Week in Review

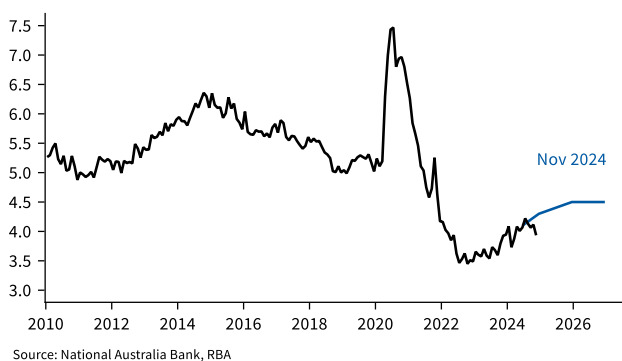
The RBA's dovish shift on Tuesday showed their concern about upside risk to inflation had faded. That opened the path to a February cut a bit wider, but the data flow was still going to have to make a compelling case given the RBA's only modestly restrictive starting point.

On Thursday, November labour market data was stronger than expected. The unemployment rate fell 2 tenths to 3.9%, it's lowest since March and comfortably undershooting the RBA's November forecasts. ([AUS: Unemployment falls to 3.9%, showing little urgency for the RBA to adjust policy](#))

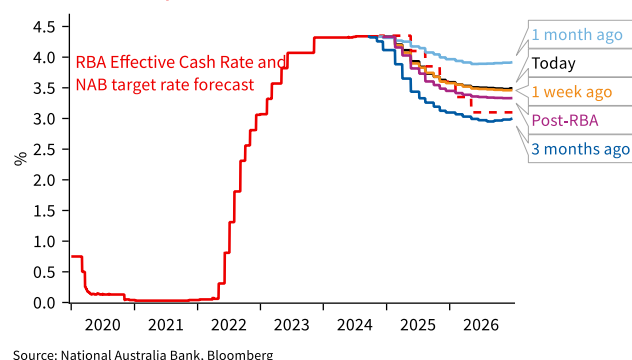
The RBA has rightly taken some comfort from the fact that the still-tight labour market has not proven particularly wage-inflationary, but yesterday's labour market data continues to show that sluggish growth is not translating into spare capacity in the labour market.

The combination of the two suggests that the RBA may be viewing the labour market as closer to balance than they had earlier assessed, but also that it is not obviously cooling further as they had been forecasting. In market pricing at least, the net result is a profile of cut pricing little changed from where it was at the start of the week

RBA Unemployment Rate Forecasts



RBA Market Expectations



Globally, the ECB cut 25bp as expected ([ECB: Not As Dovish As Markets Had Thought, But The Hunt For Neutral Is On](#)), and US CPI and PPI data did not stand in the way of a December FOMC cut, seeing market pricing pen in 25bp from the Fed next week. Even so, longer end yields are higher over the week, with US 10yr yields up 17bp and back above 4.3%, while German bund yields are 10bp higher at 2.2%.

China's Politburo also hinted at more stimulus, with the use of the term "moderately loose" to define monetary policy in 2025, the first time since the aftermath of the GFC in 2009.

Week Ahead

Australia has a quiet lead into the festive season with mostly second tier data, though budget updates are expected sometime in the week from the Commonwealth (MYEFO) and from some states (NSW and perhaps a few others).

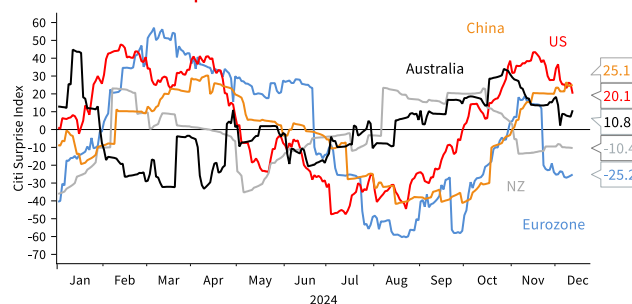
Westpac Consumer Sentiment (Tuesday) is probably the most notable of the data to see whether the rebound in sentiment is sustained. Others include Credit (Friday) and the RBA Minutes (the following Tuesday, 24 December).

A busy week for central banks with the **US Fed (Wednesday), BoJ (Thursday), BoE (Thursday), Norges bank (Thursday) and Riksbank (Thursday)** all meeting. The US Fed is widely expected to cut rates by 25bps, but more focus on the path for 2025 and an updated neutral rate estimate given a still strong economy and the prospect of tariffs and tax cuts.

The **BoJ** is expected to hold rates if media reports are to be believed with January now seen as the most likely meeting date for further normalisation. The **BoE** is also expected to hold rates steady, as is the **Norgesbank**. In contrast the **Riksbank** is expected to cut rates by 25bps.

Europe sees the PMIs (Monday) as well as UK Unemployment (Tuesday) and CPI (Wednesday). EZ services activity is expected to remain below the 50 breakeven with consensus at 49.5. That contrasts sharply with the US Services PMI at 56.1 and in general US data flow has continued to surprise, in contrast with Europe (see chart below). In politics, a no-confidence vote in the German government is likely, paving the way to fresh elections in February 2025.

Citi Economic Surprise Indexes*



* The surprise indices measure data surprises relative to market expectations. A positive reading means that data releases have been stronger than expected and a negative reading means that data releases has been worse than expected
Source: National Australia Bank, Macrobond

In the **US**, the PMI read is also likely to garner more focus than usual to see whether it follows the alternative ISM lower. The strong lift in the small business NIFB survey suggests it shouldn't. Also in the US is Retail Sales (Tuesday), the last data print before the FOMC decision on Wednesday. Later in the week is the PCE figures (Friday). North of the border **Canada** has its November CPI (Tuesday).

China's monthly activity indicators (Monday) see the usual Retail Sales, Industrial Production and FAI. With stimulus notions in the air, it is hard to see this being overly market moving. Note official PMIs are published on New Years Eve.

Finally in **NZ** Q3 GDP (Thursday) and the ANZ Business Survey (also Thursday) are likely to garner attention. Consensus for GDP is for a contraction of -0.4% q/q and -0.4% y/y.

Important Events Preview

Selection of key data. full calendar below.

Monday 16

CH Retail Sales, Industrial Production, FAI

November data may read as dated given Chinese authorities have flagged further stimulus to come, especially in the context of trade/tariff uncertainty in 2025. Consensus sees retail sales lifting to 5.0% y/y from 4.7%. Industrial production is expected to be little changed at 5.3% y/y and FAI at 3.5% y/y.

NZ Selected Price Indicators

EZ German no-confidence vote

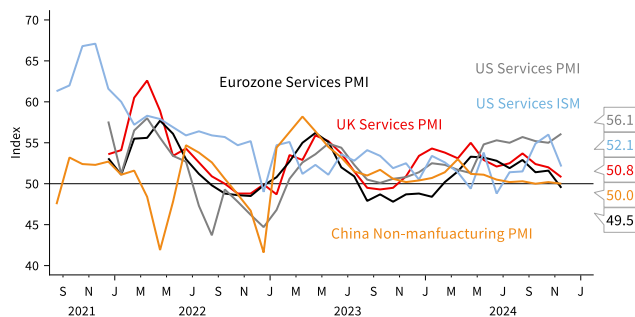
A no-confidence vote in German Chancellor Scholz's minority government is scheduled Monday. It is widely expected he will lose the vote with the President then dissolving parliament and paving the way for snap elections scheduled for 23 February 2025.

EZ/UK/US Global PMIs

European services activity is expected to remain below the 50 breakeven with the consensus at 49.5. That contrasts sharply with the US Services PMI at 56.1. The US read is also likely to garner more focus than usual to see whether it follows the alternative ISM lower. The strong lift in the small business NIFB survey suggests it shouldn't.

On the manufacturing side, reports are that freight activity is picking up in the US which could see the US Manufacturing PMI lift above 50 from its current 49.7. The consensus for Europe though is for the Manufacturing PMI to remain subdued at 45.6.

Global Services PMIs



Source: National Australia Bank, Institute for Supply Management (ISM), China Federation of Logistics & Purchasing, Account in-house, Bloomberg, Macrobond

US Empire Fed Manufacturing

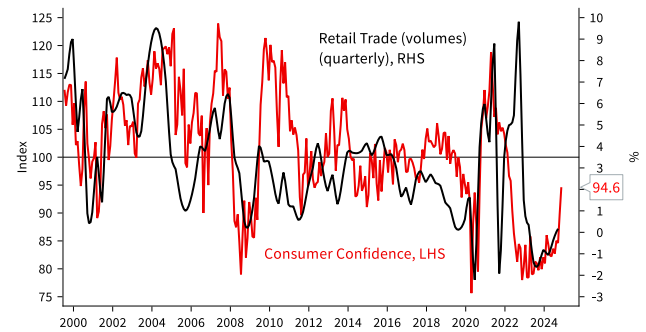
Tuesday 17

AU Westpac Consumer Confidence

Consumer confidence has lifted sharply over the past few months and has correlated with the pickup seen in retail sales over recent months. The lift in overall confidence also saw a fall back in unemployment expectations to its lowest since April 2023.

(see our prior coverage [AUS: Consumer sentiment lifts; forward looking components in positive territory](#))

Consumer Confidence vs Retail Sales



Source: National Australia Bank, W-MI, Macrobond

NZ HYEFU

BNZ expect the economic pressures to be reflected in the HYEFU figures showing a small surplus in 2028/29, a year later than was projected in the Budget. The forecast 2024/25 deficit may be nudged higher from Budget's 3.1% of GDP, to around 3.5%.

EZ German IFO and ZEW surveys

The German IFO is less market moving these days given the PMIs are generally published the day prior.

UK Unemployment, Jobless Claims

Average earnings are expected to continue to tick gradually lower in October. Whole economy regular wages (ex-bonus) eased to 4.8% 3m y/y in September, the same as those in the private sector, a measure the BoE watches closely. We expect wage settlements to start to ease a little more quickly in 2025 as firms start to factor in higher employment costs from the recent Budget. The ILO measure of unemployment spiked to 4.3% in Sep, but the data continue to suffer from low survey returns.

US Retail Sales, Industrial Production, Tsy 20yr \$13bn

Retail sales for November is the last data point before Wednesday's FOMC decision. Consensus sees the core control measure at 0.4% m/m from -0.1% previously. On Treasury auctions worth noting the \$13bn in 20yr bond re-opening; 20yr part of the curve being less popular.

CA CPI (November)

Consensus sees the core measures ticking back a tenth with trimmed at 2.5% y/y and median at 2.4% y/y.

Wednesday 18

NZ BoP

EZ CPI (final)

UK CPI (November)

UK inflation for November will see headline CPI continue its rebound from a cycle low of 1.7% in September and 2.3% in October to 2.6% y/y in the November release. Base effects, particularly in the goods sector, higher energy tariffs and VAT on tobacco will all combine to continue pushing prices above the 2% target. In addition,

core and services inflation are also likely to add 2/10ths and 1/10th respectively to 3.5% y/y and 5.1%. It will likely be some months and well into 2025 before all measures peak and start to decline again. This a central factor in the BoE’s gradual approach to cutting interest rates.

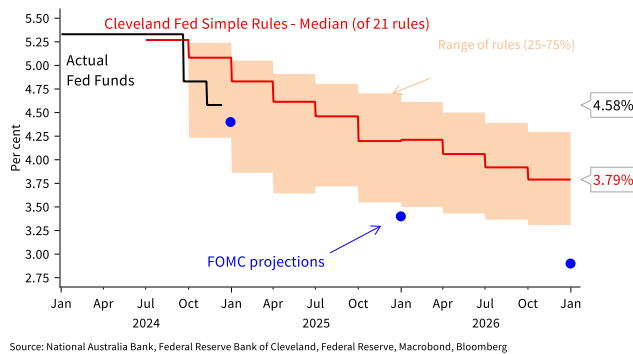
US FOMC & Presser (Cut), Housing Starts/Permits

The US Fed is widely expected to cut rates by 25bps, and this would also be in line with the FOMC’s September dot plot for 2024. That dot though was very evenly split, so there is an outside chance of dissent.

Where the Fed goes in 2025 is much less certain given a resilient economy and the prospect of tariffs and tax cuts. The September dot plot had pencilled in 100bps of cuts in 2025 to 3.4% vs. current market pricing of 57bps of cuts to 3.8%.

Simple Taylor rules such as those compiled by the Cleveland Fed point to an even more moderate cutting cycle. A simple median of 21 rules gives an appropriate Fed Funds Rate for 2025 of 4.2% and for 2026 of 3.8%.

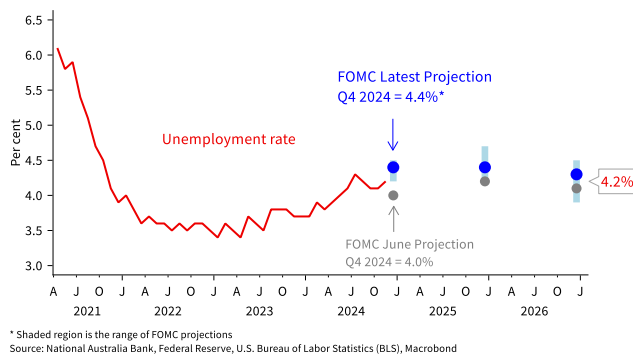
US Taylor Rules vs. FOMC Median Dot Plot



The US economy is still growing at an above trend rate. The Atlanta Fed GDP Now for Q4 is 3.3% vs. the FOMC longer-run estimate of 1.8%. The labour market is not softening as sharply as feared. The unemployment rate at 4.2% is below the FOMC’s Q4 2024 ave. of 4.4%. Core inflation is also a touch higher than projections.

In that context there is some talk around whether neutral rates have risen. The FOMC longer-run median dot had pegged this at 2.9% with a range of 2.4-3.8%. Expect that range to lift with a few officials noting that the Fed may not be far off neutral.

US Unemployment Rate vs. Fed Projections



NZ Q3 GDP, ANZ Business Survey

Q3 GDP is due Thursday. BNZ have long expected a contraction in the quarter, with their estimate finalising at -0.4% q/q.

Market estimates have progressively been toned down over recent weeks, as partial data have come in softer than some expected. A week ago, many were expecting -0.2% q/q. But early polls now show consensus at -0.3%. The RBNZ, in its November MPS, forecast -0.2%.

However, despite all the focus on the quarterly outturn, we caution that there will be significant revisions included in this release, with real GDP being revised up significantly for March years 2023 and 2024 (cumulating to the tune of 1.9%).

JN BoJ Decision (Hold)

As much as the data is making the case for a December hike, reading the BoJ tea leaves, it is clear the Bank has a preference to wait a little bit longer. One Reuters’ article citing sources was explicit, noting:

“... is leaning toward keeping interest rates steady”. And “Japan isn’t in a situation where imminent rate hikes are needed,’. ‘With inflation benign, it can afford to spend time scrutinising various data’”. (Reuters: [BOJ leaning toward keeping rates steady next week, sources say](#)).

Looking to 2025 it is important to note that the BoJ has scheduled a speech and press briefing by Deputy Governor Himino right before the Bank’s 24 January meeting. The speech has been deemed as unusual given there is no record of speeches before the first meeting of the year in over a decade. We now see the Bank hiking in January with the policy rate ending 2025 at 0.75%.

NO Norges Bank (Hold)

The Norges Bank has signalled its rate cutting cycle is unlikely to start until 2025. Markets do not price a full cut until the March meeting.

SK Riksbank (Cut)

A 25bps rate cut to 2.5% this week is only 50% priced, with markets reacting to latest higher than forecast inflation data. However, economists are united the Riksbank will deliver a further 25bps easing.

UK BoE (Hold)

The BoE is universally expected to keep rates unchanged at 4.75% at its December policy meeting. We have long forecast the BoE will cut just twice in 2024 from a peak of 5.25% but will pick up the pace a little in 2025, with 4 x 25bp cuts in Feb, May, Aug and Nov to 3.75%. The BoE has been very clear that it continues to believe a gradual approach to removing policy restraint remains appropriate. At this meeting there will be no new economic forecasts or press conference, with just the Minutes of the meeting released at the same time as the decision. We anticipate an 8:1 decision with dove Dhingra dissenting.

US Jobless Claims, Philly Fed

Friday 20

NZ Trade Balance

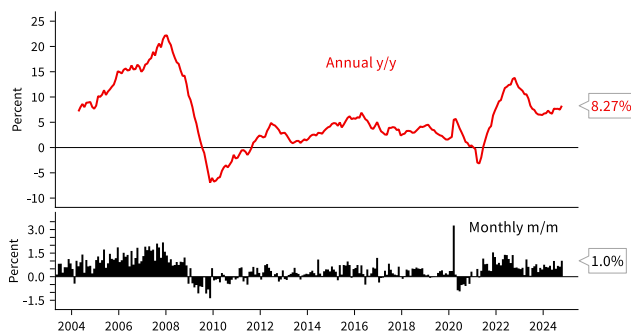
AU Credit

Credit stats are rarely market moving, but we resumed coverage earlier in the year given the citing of strong credit growth by the RBA for why “*there had been a modest easing*” in financial conditions.

Consensus sees another solid 0.6% m/m outcome, but it is the business credit line that continues to garner the most interest, up 1.0% m/m and 8.3% y/y. Notably the annual growth rate is now the strongest since the mining boom outside of the post-pandemic rebound.

(see our prior coverage [AUS: Business credit growth strongest since mining boom outside of the pandemic](#))

Non-Financial Business Credit



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

JN CPI (November)

Consensus sees the core-core measure (excl. energy and fresh food) lifting to 2.4% y/y from 2.3%.

CH Loan Prime Rates

No change expected to either 1yr or 5yr rate.

UK Retail Sales

US PCE, Uni Michigan Consumer Sentiment

The last major data piece of the year. Core PCE inflation is expected to be 0.2% y/y and 2.9% y/y.

Monday 23

US Conference Board Consumer Confidence

Tuesday 24 (Christmas Eve)

AU RBA December Minutes

The Minutes are unlikely to add much to the debate given we have heard from both the RBA Governor and Deputy Governor recently. The dovish tilt at the December meeting widened the path to a February cut, but the data flow still needs to make the case given the RBA’s only modestly restrictive starting point.

The fall back in the unemployment rate to 3.9% should challenge the degree of confidence the Board has in the

inflation outlook. As below trend growth is not translating into spare capacity in the labour market, and may be challenging from a productivity view.

That should leave little urgency for the RBA to adjust policy settings. We expect inflation data will look a little better than the RBA feared in Q4, but our central case is that it will take a little longer for the RBA to gain enough comfort to cut (RBA inclined to look through subsidy-buffed Q4 CPI). NAB expects a first cut in May.

(see our prior coverage [AUS: RBA’s Bullock says the change in language was deliberate – presser update](#) and [AUS: Unemployment falls to 3.9%, showing little urgency for the RBA to adjust policy](#))

US Durables

Wednesday 25 (Christmas Day)

Thursday 26 (Boxing Day)

US Jobless Claims

Friday 27

JN Tokyo CPI, Jobless Rate

Monday 30

US Chicago PMI

Tuesday 31 (New Years Eve)

CH Official PMIs

Wednesday 1 January (New Years Day)

CH Official PMIs

Thursday 2 January

CH Caixin Manufacturing PMI

EZ/US Global PMIs

Weekly Calendar of Economic Releases

Date	Time	Country	Event	Period	Consensus	NAB	Previous
Monday, 16 December	8:30 AM	NZ	Performance Services Index	Nov	--		46.0
	8:45 AM	NZ	Food Prices MoM	Nov	--		-0.9%
	6:30 PM	EC	ECB's Lagarde Speaks	--	--		--
	7:15 PM	FR	HCOB France Manufacturing PMI	Dec P	--		43.1
	7:30 PM	GE	HCOB Germany Manufacturing PMI	Dec P	--		43.0
	8:00 PM	EC	HCOB Eurozone Manufacturing PMI	Dec P	45.60		45.2
	8:30 PM	UK	S&P Global UK Manufacturing PMI	Dec P	--		48.0
	12:30 AM	US	Empire Manufacturing	Dec	5.75		31.2
	1:45 AM	US	S&P Global US Manufacturing PMI	Dec P	--		49.7
Tuesday, 17 December	10:30 AM	AU	Westpac Consumer Conf SA MoM	Dec	--		5.3%
	6:00 PM	UK	ILO Unemployment Rate 3Mths	Oct	--		4.3%
	6:00 PM	UK	Claimant Count Rate	Nov	--		4.7%
	6:00 PM	UK	Jobless Claims Change	Nov	--		26.7
	8:00 PM	GE	IFO Business Climate	Dec	--		85.7
	9:00 PM	GE	ZEW Survey Expectations	Dec	--		7.4
	9:00 PM	GE	ZEW Survey Current Situation	Dec	--		-91.4
	12:30 AM	US	Retail Sales Advance MoM	Nov	0.5%		0.4%
	12:30 AM	CA	CPI YoY	Nov	1.9%		2.0%
	1:15 AM	US	Industrial Production MoM	Nov	0.2%		-0.3%
Wednesday, 18 December	7:00 AM	NZ	Westpac Consumer Confidence	4Q	--		90.8
	8:45 AM	NZ	BoP Current Account Balance NZD	3Q	-10.40		-4.8
	6:00 PM	UK	CPI YoY	Nov	2.6%		2.3%
	9:00 PM	EC	CPI YoY	Nov F	2.3%		2.3%
	11:00 PM	US	MBA Mortgage Applications	Dec 13	--		5.4%
	12:30 AM	US	Housing Starts	Nov	1344.00		1311.0
	6:00 AM	US	FOMC Rate Decision (Upper Bound)	Dec 18	4.50		4.8
	8:45 AM	NZ	GDP SA QoQ	3Q	-0.3%		-0.2%
	7:30 PM	SW	Riksbank Policy Rate	Dec 19	--		2.8
	8:00 PM	NO	Deposit Rates	Dec 19	4.50		4.5
11:00 PM	UK	Bank of England Bank Rate	Dec 19	4.8%		4.8%	
--	JN	BOJ Target Rate	Dec 19	0.25		0.3	
12:30 AM	US	GDP Annualized QoQ	3Q T	2.8%		2.8%	
12:30 AM	US	Initial Jobless Claims	Dec 7	220.00		242.0	
2:00 AM	US	Leading Index	Nov	-0.1%		-0.4%	
2:00 AM	US	Existing Home Sales	Nov	4.09		4.0	
Friday, 20 December	8:00 AM	NZ	ANZ Consumer Confidence Index	Dec	--		99.8
	8:45 AM	NZ	Trade Balance NZD	Nov	--		-1544.0
	10:30 AM	JN	Natl CPI YoY	Nov	2.9%		2.3%
	6:00 PM	UK	Retail Sales Inc Auto Fuel MoM	Nov	--		-0.7%
	12:30 AM	US	Personal Income	Nov	0.4%		0.6%
	12:30 AM	US	Personal Spending	Nov	0.5%		0.4%
	12:30 AM	US	Core PCE Price Index MoM	Nov	0.2%		0.3%
	2:00 AM	US	U. of Mich. Sentiment	Dec F	--		74.0
Monday, 23 December	6:00 PM	UK	GDP QoQ	3Q F	--		0.1%
	12:30 AM	CA	GDP MoM	Oct	--		0.1%
	2:00 AM	US	Conf. Board Consumer Confidence	Dec	--		111.7
Tuesday, 24 December	11:30 AM	AU	RBA Minutes of Dec. Policy Meeting	--	--		--
	12:30 AM	US	Durable Goods Orders	Nov P	--		0.3%
	2:00 AM	US	New Home Sales	Nov	--		610.0
Wednesday, 25 December	11:00 PM	US	MBA Mortgage Applications	Dec 13	--		5.4%
Thursday, 26 December	4:00 PM	JN	Housing Starts YoY	Nov	--		-2.9%
	12:30 AM	US	Initial Jobless Claims	Dec 7	220.00		242.0
Friday, 27 December	10:30 AM	JN	Jobless Rate	Nov	--		2.5%
	10:30 AM	JN	Job-To-Applicant Ratio	Nov	--		1.3%
	10:30 AM	JN	Tokyo CPI Ex-Fresh Food YoY	Dec	--		2.2%
	10:50 AM	JN	Industrial Production MoM	Oct F	--		3.0%
	12:30 PM	CH	Industrial Profits YTD YoY	Nov	--		-4.3%
	12:30 AM	US	Wholesale Inventories MoM	Nov P	0.2%		0.2%
Monday, 30 December	11:30 AM	JN	Jibun Bank Japan PMI Mfg	Dec P	--		49.0
	1:45 AM	US	MNI Chicago PMI	Dec	--		40.2
Tuesday, 31 December	12:30 PM	CH	Manufacturing PMI	Dec	--		50.3%
Wednesday, 1 January	11:00 PM	US	MBA Mortgage Applications	Dec 13	--		5.4%
Thursday, 2 January	12:45 PM	CH	Caixin China PMI Mfg	Dec F	--		51.5
	7:50 PM	FR	HCOB France Manufacturing PMI	Dec P	--		43.1
	7:55 PM	GE	HCOB Germany Manufacturing PMI	Dec P	--		43.0
	8:00 PM	EC	HCOB Eurozone Manufacturing PMI	Dec P	45.60		45.2
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	1:30 AM	CA	S&P Global Canada Manufacturing PMI	Dec	--		52.0
	1:45 AM	US	S&P Global US Manufacturing PMI	Dec P	--		49.7
Friday, 3 January	7:55 PM	GE	Unemployment Change (000's)	Dec	--		7.0
	8:30 PM	UK	Mortgage Approvals	Nov	--		68.3
Upcoming Central Bank Interest Rate Announcements							Current
		Feb 18	Australia, RBA				4.35
		Dec 19	UK, BOE				4.75
		Dec 18	US, Federal Reserve (Upper Bound)				4.75
		Feb 19	New Zealand, RBNZ				4.00
		Jan 29	Canada, BoC				3.25
		Dec 12	Europe, ECB				3.00
		Dec 19	Japan, BoJ				0.40

Sydney Time. Dates reflect 24 hours from 7am

Forecasts Table

For NAB Economics Latest Forecast Update, see: [Back to the future for RBA policy outlook](#)

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	0.4	0.5	-0.1	0.2	0.6	-0.3	0.0	0.1	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.5
Dwelling Investment	0.2	0.6	-0.2	-3.2	1.0	0.7	1.2	0.1	0.2	0.2	0.2	0.2	0.3	0.4	0.5	0.6
Underlying Bus. Investment	4.5	2.3	1.1	1.3	-0.7	-0.4	-0.6	-0.1	0.7	0.4	0.7	0.7	0.7	0.6	0.6	0.6
Public Final Demand	0.7	1.6	1.7	0.1	0.8	0.9	2.4	0.8	0.8	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Domestic Final Demand	0.8	1.1	0.6	0.2	0.6	0.2	0.7	0.4	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.6
(% y/y)	2.9	2.9	3.0	2.7	2.4	1.6	1.7	1.9	1.8	2.1	2.1	2.3	2.3	2.4	2.4	2.4
Inventories	(contr) 0.1	-1.3	0.4	-0.1	0.7	-0.3	-0.4	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Exports	(contr) -0.5	0.5	-0.3	0.1	-1.3	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	0.5	0.3	0.5	0.2	0.2	0.2	0.3	0.3	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.6
(% y/y)	2.7	2.0	2.1	1.5	1.1	1.0	0.8	1.0	1.4	1.8	2.0	2.2	2.2	2.3	2.3	2.3
Labour Market																
Employment	0.8	0.9	0.5	0.7	0.4	0.6	0.9	0.5	0.2	0.3	0.4	0.4	0.4	0.4	0.5	0.4
Unemployment Rate	(%) 3.6	3.6	3.7	3.9	3.9	4.1	4.1	4.2	4.4	4.5	4.5	4.5	4.5	4.4	4.4	4.3
WPI Wages	1.0	0.8	1.3	1.1	0.8	0.8	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
(% y/y)	3.7	3.6	4.0	4.3	4.1	4.1	3.7	3.5	3.5	3.6	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	0.9	0.8	0.6	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.6
(% y/y)	6.5	5.8	5.1	4.2	4.0	4.0	3.5	3.3	3.0	2.8	2.7	2.7	2.7	2.6	2.5	2.4
CPI Headline	1.4	0.8	1.2	0.6	1.0	1.0	0.2	0.4	0.7	0.7	0.9	0.6	0.6	0.6	0.6	0.6
(% y/y)	7.0	6.0	5.4	4.1	3.6	3.8	2.8	2.6	2.3	2.0	2.7	3.0	2.9	2.8	2.5	2.4

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

Exchange Rate Forecasts

	12-Dec	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
Majors						
AUD/USD	0.636	0.65	0.64	0.66	0.67	0.69
NZD/USD	0.58	0.58	0.57	0.59	0.60	0.62
USD/JPY	152.8	155	155	153	150	144
EUR/USD	1.05	1.04	1.05	1.06	1.07	1.08
GBP/USD	1.27	1.27	1.27	1.28	1.28	1.29
USD/CNY	7.27	7.25	7.40	7.30	7.25	7.20
USD/CAD	1.42	1.43	1.44	1.41	1.39	1.37
USD/CHF	0.89	0.89	0.89	0.88	0.87	0.87

Global GDP

	2023	2024	2025	2026
Australia	2.0	1.0	1.8	2.3
United States	2.9	2.7	1.9	2.1
Eurozone	0.5	0.6	1.0	1.5
United Kingdom	0.3	0.9	0.9	1.2
Japan	1.7	-0.1	1.0	0.7
China	5.2	4.7	4.6	4.4
India	7.7	6.6	6.2	6.4
New Zealand	0.7	-0.2	1.7	3.1
World	3.3	3.1	3.1	3.2

Australian Cross Rates

AUD/NZD	1.10	1.12	1.12	1.13	1.13	1.12
AUD/JPY	97.2	101	99	101	101	99
AUD/EUR	0.61	0.63	0.61	0.62	0.63	0.64
AUD/GBP	0.50	0.51	0.50	0.52	0.52	0.53
AUD/CNY	4.63	4.71	4.74	4.82	4.86	4.97
AUD/CAD	0.91	0.93	0.92	0.93	0.93	0.95
AUD/CHF	0.57	0.58	0.57	0.58	0.59	0.60

Interest Rate Forecasts

	12-Dec	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
Australian Rates						
RBA cash rate	4.35	4.35	4.10	3.85	3.60	3.35
3 month bill rate	4.46	4.26	4.01	3.76	3.54	3.32
3 Year Swap Rate	3.82	3.75	3.65	3.55	3.45	3.35
10 Year Swap Rate	4.32	4.38	4.28	4.25	4.00	4.00
Offshore Policy Rates						
US Fed funds	4.75	4.25	4.00	3.75	3.50	3.50
RBNZ OCR	4.25	4.00	3.50	3.00	2.75	2.75
10-year Bond Yields						
Australia	4.29	4.40	4.30	4.30	4.05	4.05
United States	4.32	4.30	4.25	4.25	4.00	4.00
New Zealand	4.42	4.50	4.45	4.45	4.30	4.30

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