Paparoa National Park, New Zealand

# Weekly Economic Commentary.

## No easy answers.

**Rising house prices, and the resulting political and social fallout, have been an unintended consequence of the Reserve Bank's interest rate cuts. But that doesn't mean the RBNZ is going to change course – its decisions will continue to be guided by the outlook for inflation and employment in the wake of the Covid-19 shock. In that respect, while activity continues to rebound strongly, we are still convinced that substantial monetary stimulus over an extended period is warranted.**

Last week we saw the unusual step of the Minister of Finance writing to the RBNZ Governor, expressing concern about the role that low interest rates have played in boosting house prices. The Minister proposed a change to the monetary policy Remit that would require the RBNZ to avoid 'unnecessary instability' in house prices when setting monetary policy.

Importantly, this would not make house prices another target for the RBNZ. Its primary focus, which is written into the legislation, would remain on inflation and employment. What could change, however, is that the RBNZ may take a more gradual path to meeting those targets. The RBNZ has taken a 'least regrets' approach so far this year – it has erred on the side of more aggressive monetary stimulus, judging the cost of overshooting its inflation and employment targets would be less than the cost of an undershoot. The proposed change to the Remit could mean a more balanced approach.

The RBNZ for its part has held the line, reiterating that its responsibility is for inflation and employment. And that's what will guide our thinking as we review our OCR forecasts. We have been forecasting cuts in April, May and August next year, taking it to a low of -0.5%. That timing now looks less likely, although the case for further easing is by no means off the table.

It's certainly true that the economy has come through the Covid-19 shock much better than was initially feared. We've consistently been at the less bearish end of the forecasting spectrum, and even we have been surprised by the strength of the rebound.

There was further evidence of that last week, with a whopping 28% rise in retail spending over the September quarter, taking it well above pre-Covid levels. It's likely that there was an element of catch-up spending after the Covid lockdown in the previous quarter, with particularly strong sales of cars and durable goods. That does raise the risk that GDP could slow and even go backwards in the December quarter, as spending drops back to more sustainable levels. Nevertheless, the retail data highlights the ongoing resilience of the consumer.

Although activity has rebounded strongly, we are still not completely convinced that medium-term inflation is on track. The non-tourism part of the economy may be doing well, but the closure of the international borders has created a huge hole in demand. Surveyed inflation expectations remain lower than what would be consistent with the RBNZ's target. There is evidence of price increases for some items due to supply chain disruptions, but this doesn't appear to be widespread and will probably prove temporary.

To complicate matters further, the recent rise in the exchange rate and wholesale interest rates amounts to a de facto tightening of monetary policy. While in part this has been happening for positive reasons, such as the better than expected news on vaccine development, it actually takes the RBNZ further away from meeting its inflation target.

We'd also point out that although increasing the RBNZ's focus on house prices might change the timing of OCR cuts in the short term, it would make very little difference to the level of interest rates (or house prices) over a longer timeframe. The fact is that central banks can't cheat nature. Falling interest rates are a global phenomenon, caused by deep fundamentals like the global return on capital and global savings patterns. In the long run, central banks have to deliver the level of interest rates that economic conditions warrant.

We've seen several occasions, both here and overseas, where central banks have taken their eyes off their inflation targets in pursuit of some side goal. The end result is always the same: by pursuing gradualism in the near term, they have ended up having to raise or lower interest rates by even more than they hoped.

Where the RBNZ has been more sensitive to the impact of rising house prices has been in the financial stability sphere. Ahead of last week's *Financial Stability Report*, it had already announced that it will reintroduce limits on high loan-to-value ratio (LVR) mortgage lending by March next year. The limits were temporarily removed in April as part of the RBNZ's measures to support the economy through the Covid shock.

The RBNZ has said that it plans to restore the LVR limits to their pre-Covid settings. That would mean a hard 70% LVR limit on investor loans, and a 'speed limit' on owner-occupier loans where only 20% of lending could be at an LVR above 80%.

Reimposing these limits is sensible from a financial stability point of view, but we expect that the direct impact on house prices would be only modest. That's consistent with studies of previous changes to LVR restrictions. We also note that the housing market was already gaining momentum by late last year, under these same LVR settings, before Covid struck.

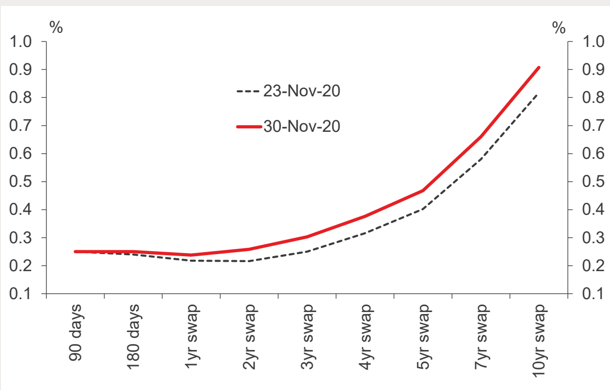
While it's tempting to pin the rise in house prices on a particular group of buyers, the lending data compiled by the RBNZ suggests otherwise. New mortgage lending has rebounded strongly since the Covid lockdown, and in October was at its highest on record going back to 2014. But over that time there has been equally strong growth in both high-LVR and low-LVR lending. And within the high-LVR bracket, the growth has been driven by both investors and first-home buyers. It might prove tricky to clamp down on the latter, given that the Labour Government has expressed strong concern about any measures that could shut first-home buyers out of the market.

## Fixed vs Floating for mortgages.

There could be a small decline in floating mortgage rates in the near future, because the Reserve Bank will soon introduce its Funding for Lending Programme (FLP) for banks. However, the near-term outlook for fixed mortgage rates is uncertain. The FLP argues for lower rates, but a recent sharp lift in wholesale interest rates argues in the other direction.

Next year we do expect a drop in fixed mortgage rates, because we expect wholesale interest rates to drop away again. If our view proves correct, then shorter-term fixed rates, such as six months or one year, will prove to be the best value for borrowers.

**NZ interest rates**



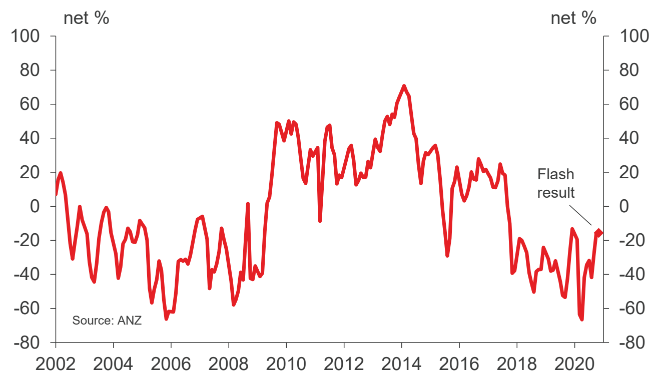
# The week ahead.

## NZ Nov ANZBO business confidence (final)

**Nov 30, Last: -15.7, flash result for Nov: -15.6**

- The early release of the November Business Outlook survey indicated that business conditions have remained steady. Overall, the survey has been consistent with the themes we have been highlighting: While Covid-related headwinds remain a drag in sectors like international tourism, domestically focused activity is proving to be resilient.
- The news flow in recent weeks has pointed to a continued firming in economic conditions, and we expect that business confidence will continue to edge higher from what are still low levels.
- It will be worth keeping an eye on the survey's inflation and pricing gauges. With a firming in activity, the recent softness in prices looks like it's starting to fade.

### NZ business confidence

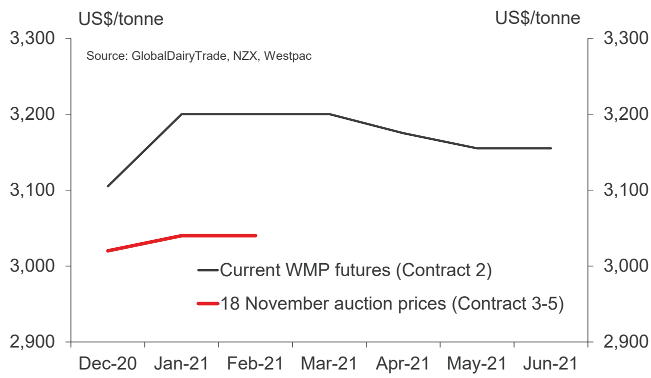



## NZ GlobalDairyTrade auction, whole milk powder prices

**Dec 2, Last: +1.8%, Westpac f/c: +1%**

- We expect whole milk powder prices to be slightly higher at this auction. Prices rose 1.8% at the last auction.
- Our pick is on the bearish side of futures market pricing, which is pointing to a circa 3% lift.
- Global dairy prices are proving relatively resilient this year as evidenced by our 2020/21 milk price forecast upgrade to $7.00/kg in October. The strength or otherwise of New Zealand production, though, remains a swing factor.

### Whole milk powder prices

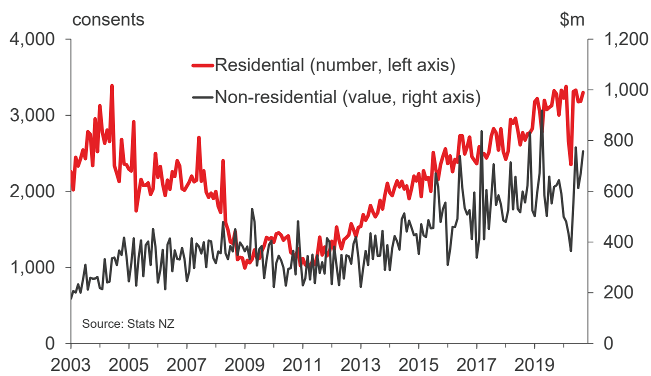



## NZ Oct residential building consents

**Dec 3, Last: +3.6%, Westpac f/c: -5%**

- The number of residential dwelling consents rose by 3.6% in September. Over the past year, 37,725 new dwellings were consented. We haven't seen that sort of strength in consent numbers since the 1970s.
- We expect that consent numbers will fall by 5% in October. That follows a large number of apartment consents in September, which tend to be issued in lumps. That would still leave annual issuance at very high levels, signalling a strong construction pipeline as we head into the new year.
- While Covid disruptions clouded the outlook for building earlier in the year, strong house price growth and tightness in many regions are supporting continued firmness in home building.

### NZ building consents



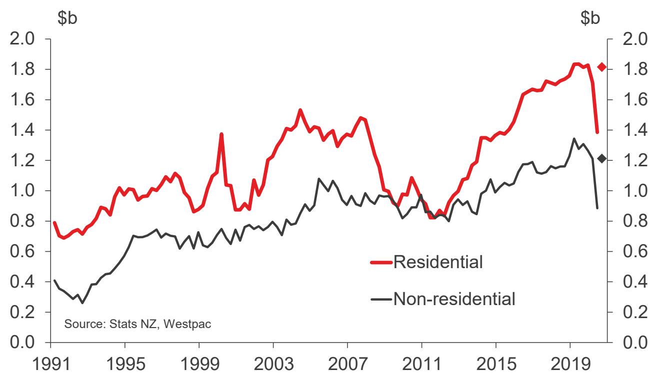
# The week ahead.

## NZ Q3 building work put in place

**Dec 4, Last -22.4%, WBC f/c: +33%**

- Total construction activity fell by 22% in the June quarter. Covid related restrictions resulted in significant delays. That saw residential building activity dropping by 19% and non-residential activity falling by 27%.
- We're forecasting a 33% rise in the September quarter, with bounce backs in both residential and non-residential work following the easing in Covid-related restrictions on activity. That would take building activity back around the levels we saw prior to the outbreak.
- The risks for building activity are to the upside, due to possible catch up activity. However, construction activity was elevated before the outbreak. Furthermore, there have been reports of difficulty sourcing staff and materials that may provide some brake on activity.

### NZ real building work put in place

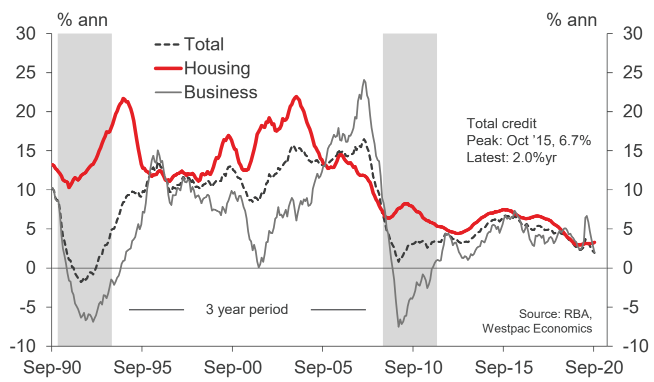



## Aus Oct private credit

**Nov 30, Last: +0.05%, WBC f/c: 0.1%**
**Mkt f/c: 0.1%, Range: 0.0% to 0.2%**

- Credit to the private sector was broadly flat in September, up by only 0.05%, after moving lower in each of the previous four months (down by a cumulative -0.5%).
- These trends are not surprising with the economy navigating a severe recession, leading to a sharp jump in spare capacity and increased uncertainty.
- Business credit is down by 2.7% over the past five months, while personal credit has crashed, down 5.5% over 5 months.
- The one positive, the interest rate sensitive housing sector is responding to cheap credit.
- For October, we anticipate a rise of 0.1% in total credit, with expanding housing credit just outweighing further declines in business and personal.

### Credit: annual growth slows to 2%

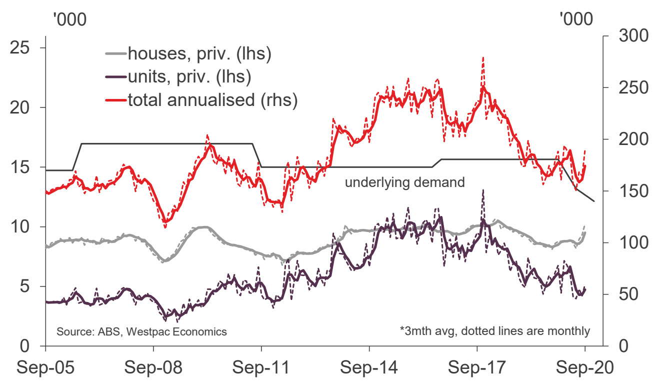



## Aus Oct dwelling approvals

**Dec 1, Last: 15.4%, WBC f/c: –3.0%**
**Mkt f/c: -3.0%, Range: -5.0% to 5.0%**

- Dwelling approvals surged strongly in Sep with no discernible impact from Vic's second wave lockdown and what looks to have been a big boost both from reopening and the Federal Government's HomeBuilder scheme. Total dwelling approvals jump 15.4%, with detached houses – normally a stable component – up 9.7%.
- Vic's 'second wave' lockdown may yet impact but with other states well into re-opening rebounds, housing markets lifting and the HomeBuilder scheme still giving a boost, approvals are likely to remain relatively well supported.
- On balance we expect the Oct update to see approvals retrace 3% but hold on to much of Sep's gain.

### Dwelling approvals



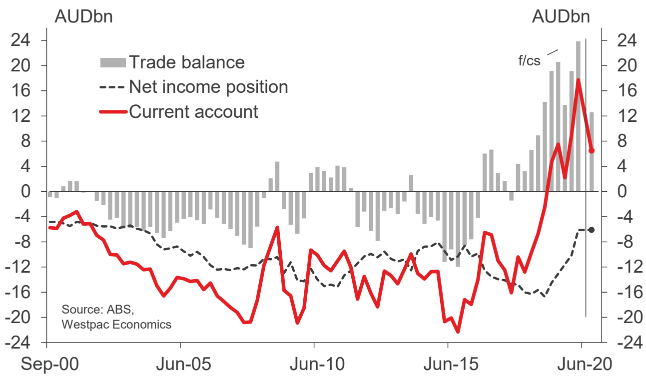
# The week ahead.

## Aus Q3 current account, AUDbn

**Dec 1, Last: 17.7, WBC f/c: 6.5**
**Mkt f/c: 7.1, Range: 3.0 to 10.0**

- The great trading nation of Australia is running current account surpluses - and has been since June 2019.
- The September quarter will mark the 6th consecutive current account surplus.
- Our point forecast is for the surplus to narrow from a record high of $17.7bn (3.7% of GDP) in the June quarter to $6.5bn.
- The trade surplus likely shrank by a whopping $11.3bn - narrowing from $23.9bn to around $12.6bn as imports flooded in and as exports sank further on weak demand.
- The net income deficit is likely to remain relatively low, having printed at $6.1bn for Q2 - well down from $16.7bn back at the start of 2019.

### Current account: Q3 f/c +$6.5bn

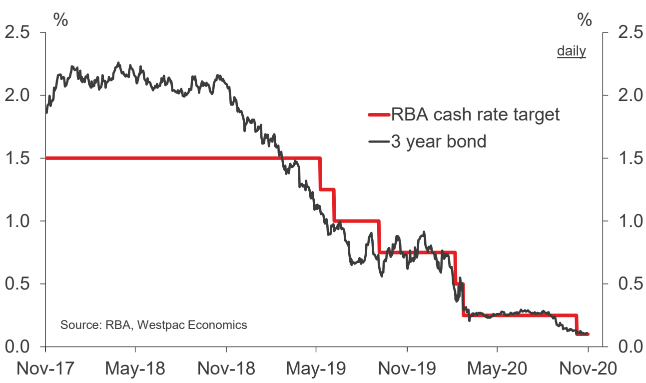



## Aus RBA policy decision

**Dec 1, Last: 0.10%, WBC f/c: 0.10%**
**Mkt f/c: 0.10%, Range: 0.10% to 0.10%**

- The RBA cut its key rate targets to 0.10% – viewed as the effective lower bound – and adopted a more aggressive quantitative easing at its Nov meeting. Minutes and a subsequent speech from the Governor also outlined a significant pivot in the Board's approach: emphasising outcomes over forecast outcomes in its decision-making process; placing primary importance on the labour market; acknowledging the influences of policy developments abroad; and noting that quantities are now a key aspect of policy.
- The RBA is now back in 'watch and wait' mode. We are unlikely to see any additional moves given November's momentous changes but the Board will reiterate its changed approach and that it remains prepared to do more if needed.

### RBA cash rate and 3 year bonds

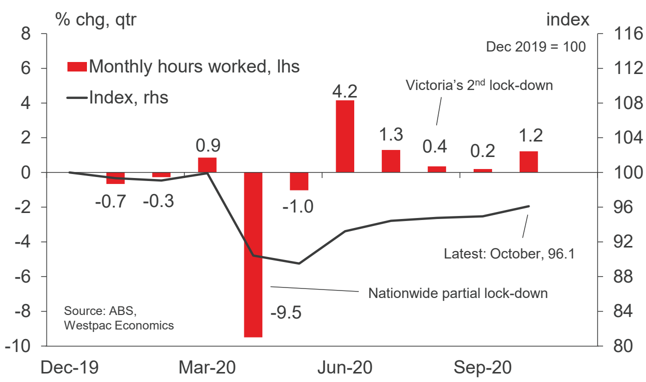



## Aus Q3 GDP

**Dec 2, Last: -7.0%qtr, -6.3%yr, WBC f/c: 3.0%qtr, -3.9%yr**
**Mkt f/c: 2.4%qtr, Range: 0.5%qtr to 4.1%qtr**

- The covid pandemic and government imposed restrictions to contain the virus triggered a severe recession over the first half of 2020 - with output a -0.3% for Q1 and a -7.0% for Q2.
- The second half of the year sees the virus under control locally (but only after a 2nd lock-down in Victoria) and restrictions being reversed - allowing consumers to return to the shops in greater numbers.
- For Q3, we expect output to expand by 3.0%, associated with a 4% lift in hours worked (which fell by 9.8% in Q2).
- The arithmetic is: domestic demand +3.4%; total inventories +1.4ppts; and net exports -1.7ppts. Consumer spending is a forecast +6.0%; home building +0.5%; business investment -3%; and public demand +1.2%.
- We acknowledge considerable risks around the Q3 forecast, with exceptionally large and uneven swings in activity.

### Hours worked: covid restrictions key in 2020



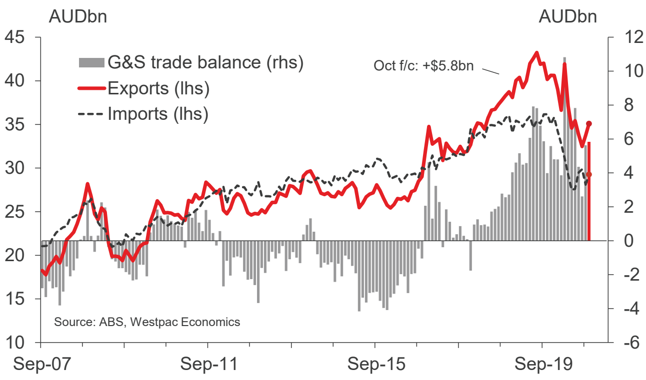
# The week ahead.

## Aus Oct trade balance, AUD

**Dec 3, Last: 5.6, WBC f/c: 5.8**
**Mkt f/c: 5.8, Range: 2.1 to 7.3**

- Australia is running trade surpluses, albeit with considerable volatility in these troubled and turbulent times.
- The surplus began the year at about $5bn, doubled to $10.8bn in March (supported by rising iron ore prices and aided by lower imports) and then dipped to $2.6bn in August.
- September saw something of a normalisation, with the surplus returning to $5.6bn. For October we expect little change, at a forecast $5.8bn.
- Imports are advancing as supply lines are restored and as the domestic economy reopens, triggering a lift in demand from earlier lows. Imports are forecast to expand by around 3.5%.
- Exports are also expected to advance by about 3.5%, emerging from a soft spot. The world economy made gains over the second half of the year, boosting demand and prices for Australian exports.

### Australia's trade balance

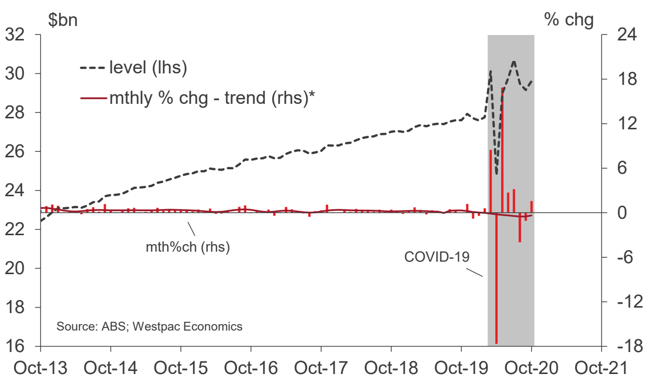



## Aus Oct retail trade

**Dec 4, Last: –1.1%, WBC f/c: 1.6%**
**Mkt f/c: 1.6%, Range: 1.2% to 1.8%**

- Preliminary estimates showed a 1.6% rise in retail sales in Oct following a 1.1% decline in Sep and a 4% fall in Aug as Vic entered lockdown. The gain in Oct was a little surprising, sales in Vic reported surging more than 5% despite restrictions not being fully relaxed until Nov.
- Final estimates will shed more light on the gain, including the picture across store-type and states, as well as online sales and sales by business size. Note that early suggests November has seen a very strong gain, our Westpac Card Tracker pointing to a monthly rise in the 4-5% range.

### Monthly retail sales

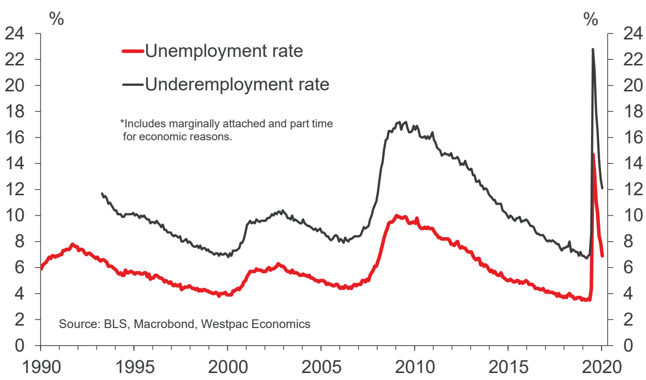



## US Nov employment report

**Dec 4, nonfarm payrolls, last: 638k, WBC: 450k**
**Dec 4, unemployment rate, last 6.9%, WBC 6.9%**

- Following the strong rebound seen in the September quarter, the US economic recovery looks to have lost its way in the December quarter.
- Consumer spending growth has abruptly slowed and gains for business investment remain modest. Housing continues to show great strength, but is not capable of offsetting weakness elsewhere. We also have to recognise that, while we wait for the deployment of the vaccines, the new case count continues to rise rapidly, forcing authorities to respond.
- The above points to a further deceleration in job growth in November which will persist in December and likely early-2021. The biggest risk is that the unemployment rate downtrend stalls out a long way from maximum employment, creating a lasting impediment to wages growth.

### US full employment still a long way off

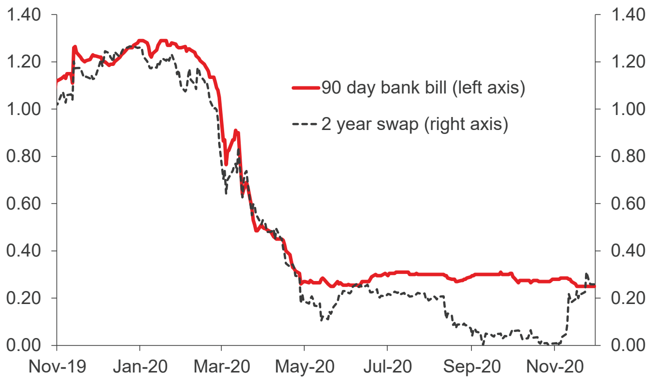


# New Zealand forecasts.

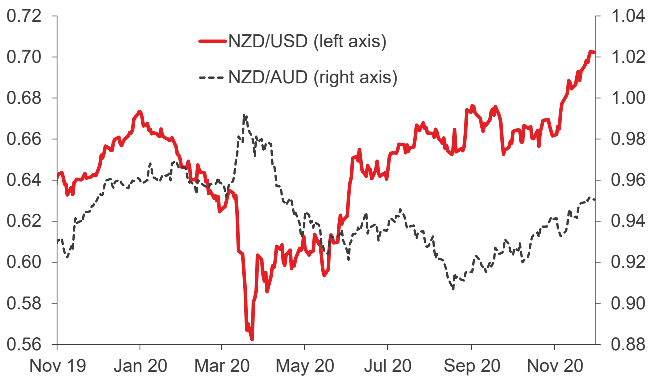
| Economic forecasts | Quarterly | | | | Annual | | | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | | | 2021 | | | | |
| % change | Jun (a) | Sep | Dec | Mar | 2019 | 2020f | 2021f | 2022f |
| GDP (Production) | -12.2 | 12.0 | 1.0 | 1.3 | 2.3 | -4.2 | 6.1 | 3.0 |
| Employment | -0.3 | -0.8 | -0.6 | 0.1 | 1.2 | -0.7 | 1.7 | 3.4 |
| Unemployment Rate % s.a. | 4.0 | 5.3 | 6.0 | 6.2 | 4.1 | 6.0 | 6.0 | 5.2 |
| CPI | -0.5 | 0.7 | 0.0 | 0.1 | 1.9 | 1.0 | 0.6 | 1.6 |
| Current Account Balance % of GDP | -1.9 | -1.4 | -1.7 | -2.4 | -3.4 | -1.7 | -4.1 | -4.0 |

| Financial forecasts | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Jun-22 |
|---|---|---|---|---|---|---|
| Cash | 0.25 | 0.25 | -0.25 | -0.50 | -0.50 | -0.50 |
| 90 Day bill | 0.25 | 0.05 | -0.30 | -0.40 | -0.40 | -0.40 |
| 2 Year Swap | 0.20 | 0.00 | -0.10 | -0.20 | -0.20 | -0.15 |
| 5 Year Swap | 0.40 | 0.25 | 0.15 | 0.10 | 0.10 | 0.20 |
| 10 Year Bond | 0.80 | 0.80 | 0.80 | 0.80 | 0.90 | 1.10 |
| NZD/USD | 0.70 | 0.71 | 0.71 | 0.71 | 0.71 | 0.71 |
| NZD/AUD | 0.93 | 0.93 | 0.91 | 0.90 | 0.89 | 0.89 |
| NZD/JPY | 72.8 | 74.6 | 75.3 | 75.3 | 75.3 | 76.0 |
| NZD/EUR | 0.59 | 0.59 | 0.59 | 0.58 | 0.57 | 0.57 |
| NZD/GBP | 0.53 | 0.54 | 0.55 | 0.55 | 0.55 | 0.55 |
| TWI | 74.1 | 74.6 | 74.0 | 73.5 | 72.9 | 72.6 |

## 2 year swap and 90 day bank bills




## NZD/USD and NZD/AUD




## NZ interest rates as at market open on 30 November 2020

| Interest rates | Current | Two weeks ago | One month ago |
|---|---|---|---|
| Cash | 0.25% | 0.25% | 0.25% |
| 30 Days | 0.27% | 0.27% | 0.27% |
| 60 Days | 0.26% | 0.27% | 0.28% |
| 90 Days | 0.25% | 0.27% | 0.28% |
| 2 Year Swap | 0.26% | 0.18% | 0.01% |
| 5 Year Swap | 0.47% | 0.36% | 0.11% |

## NZ foreign currency mid-rates as at 30 November 2020

| Exchange rates | Current | Two weeks ago | One month ago |
|---|---|---|---|
| NZD/USD | 0.7022 | 0.6841 | 0.6623 |
| NZD/EUR | 0.5871 | 0.5786 | 0.5683 |
| NZD/GBP | 0.5275 | 0.5192 | 0.5124 |
| NZD/JPY | 72.96 | 71.64 | 69.23 |
| NZD/AUD | 0.9505 | 0.9414 | 0.9424 |
| TWI | 74.27 | 72.86 | 71.49 |

# Data calendar.

| | | Last | Market median | Westpac forecast | Risk/Comment |
|---|---|---|---|---|---|
| **Mon 30** | | | | | |
| NZ | Nov ANZ business confidence (final) | –15.6 | – | – | Final result likely to hold around pre–Covid levels. |
| Aus | Oct private sector credit | 0.1% | 0.1% | 0.1% | Housing emerging uptrend, business & personal declining. |
| Chn | Nov manufacturing PMI | 51.4 | 51.5 | – | Domestic and external demand supporting mfg... |
| | Nov non–manufacturing PMI | 56.2 | 56.0 | – | ...and services were boosted by longer golden week. |
| UK | Oct net mortgage lending £bn | 4.8 | 4.5 | – | Volumes continue to recover; approvals at a 13yr high. |
| US | Nov Chicago PMI | 61.1 | 59.2 | – | New orders & production sub–indices signal expansion. |
| | Oct pending home sales | –2.2% | 1.0% | – | Thin supply/high asking prices contributed to Sep's fall. |
| | Nov Dallas Fed index | 19.8 | 14.5 | – | Recovered to be above pre–Covid levels in Oct. |
| **Tue 01** | | | | | |
| Aus | Nov CoreLogic home value index | 0.2% | – | 0.6% | Reopening rebounds gained momentum into year end. |
| | Weekly Payrolls w/e Nov 14 | – | – | – | Timely indicator but did not capture Oct's big jobs gain. |
| | Oct dwelling approvals | 15.4% | –3.0% | –3.0% | Partial unwind of Oct's big gain but still at firm level. |
| | Q3 net exports, ppts cont'n | 1.0 | –1.7 | –1.7 | Import volumes partial rebound, exports slide continued. |
| | Q3 current account balance, $bn | 17.7 | 7.1 | 6.5 | Down from record high as trade surplus narrows. |
| | Q3 public demand | 2.1% | – | 1.2% | A sizeable increase, albeit down from highs of Q1 and Q2. |
| | Nov AiG PMI | 56.3 | – | – | Manufacturing index up 9.6pts in Oct, led by NSW & Vic. |
| | RBA policy decision | 0.10% | 0.10% | 0.10% | In "watch & wait" mode, assessing impact of Nov package. |
| Chn | Nov Caixin Mfg PMI | 53.6 | 53.5 | – | Mfg continues to post a steady recovery. |
| Eur | Nov CPI %yr | –0.3% | –0.2% | – | Anaemic inflation should prompt ECB response in Dec. |
| US | Nov ISM manufacturing | 59.3 | 57.6 | – | Oct read touched highest level in two years. |
| | Oct construction spending | 0.3% | 0.8% | – | Strong residential construction offset by declining non–res. |
| | Fedspeak | – | – | – | Chair Powell, Brainard, Daly & Evans to speak. |
| **Wed 02** | | | | | |
| NZ | GlobalDairyTrade auction | 1.8% | – | 1.0% | Prices largely flat around current firm levels. |
| | Q3 terms of trade | 2.5% | –3.8% | –4.0% | Down on temporary export price weakness. |
| Aus | RBA Governor Lowe speaking | – | – | – | Testimony before Parliament Economic Committee. |
| | Q3 GDP | –7.0% | 2.4% | 3.0% | Activity lifts from lows as covid restrictions eased, allowing |
| | Q3 GDP %yr | –6.3% | –4.5% | –3.9% | consumers to return to the shops in greater numbers. |
| Eur | Oct unemployment rate | 8.3% | 8.5% | – | Labour market softening; policy remains supportive. |
| US | Nov ADP employment change | 365k | 500k | 430k | Initial claims point to downside risks. |
| | Federal Reserve's Beige book | – | – | – | Employment gains mentioned in Sep may start unwinding. |
| | Fedspeak | – | – | – | Chair Powell & Williams. |
| **Thu 03** | | | | | |
| NZ | Oct building permits | 3.6% | – | –5.0% | Moderation after last month's lift in apartment consents. |
| | Nov ANZ commodity prices | 1.9% | – | – | Dairy prices broadly unchanged for the month. |
| Aus | Oct housing finance | 5.9% | 2.0% | 2.0% | Ex Vic reopening rebounds consolidate, Vic reopening starts. |
| | Oct owner occupier finance | 6.0% | 2.8% | 2.8% | Owner occupiers leading the resurgence to date... |
| | Oct investor finance | 5.2% | – | 1.2% | ... but investor activity should start to lift a little as well. |
| | Oct trade balance $bn | 5.6 | 5.8 | 5.8 | Export earnings and imports both advancing – solid gains. |
| | Nov AiG PCI | 52.7 | – | – | Construction +7.5pts on housing. > 50 1st time since Aug 2018. |
| Chn | Nov Caixin China PMI services | 56.8 | 56.2 | – | Services to benefit from resurgence of household spend. |
| Eur | Oct retail sales | –2.0% | 0.5% | – | Consumer recovery will be stifled by lockdowns. |
| US | Initial jobless claims | 778k | – | – | Consecutive increases concerning. |
| | Nov ISM non–manufacturing | 56.6 | 56.0 | – | COVID and capacity constraints have hindered recovery. |
| **Fri 04** | | | | | |
| NZ | Q3 building work put in place | –22.4% | 31.5% | 33.0% | Construction has rebounded following the lockdown. |
| Aus | Oct retail sales | –1.1% | 1.6% | 1.6% | Preliminary figures showed solid gain. Vic up 5%+. |
| US | Nov non–farm payrolls | 638k | 500k | 450k | Slowing employment growth to see... |
| | Nov unemployment rate | 6.9% | 6.8% | 6.9% | ...U/E downtrend stall a long way from max employ. |
| | Nov average hourly earnings %mth | 0.1% | 0.1% | 0.1% | Wages will remain weak for an extended period. |
| | Oct trade balance US$bn | –63.9 | –64.8 | – | Deficit has progressively widened since the onset of Covid. |
| | Oct factory orders | 1.1% | 0.8% | – | Investment in limbo against the uncertain backdrop. |
| | Fedspeak | – | – | – | FOMC's Bowman on Banking and Fintech. |

# International forecasts.

| Economic Forecasts (Calendar Years) | 2017 | 2018 | 2019 | 2020f | 2021f | 2022f |
|---|---|---|---|---|---|---|
| **Australia** | | | | | | |
| Real GDP %yr | 2.4 | 2.8 | 1.8 | -3.3 | 2.3 | 3.4 |
| CPI inflation %yr | 1.9 | 1.8 | 1.8 | 0.6 | 1.6 | 2.1 |
| Unemployment rate % | 5.5 | 5.0 | 5.2 | 7.5 | 7.5 | 6.6 |
| Current account % of GDP | -2.6 | -2.1 | 0.6 | 2.0 | -0.8 | -3.0 |
| **United States** | | | | | | |
| Real GDP %yr | 2.3 | 3.0 | 2.2 | -3.6 | 3.1 | 2.2 |
| CPI inflation %yr | 2.1 | 2.4 | 1.9 | 1.1 | 1.8 | 1.9 |
| Unemployment rate % | 4.4 | 3.9 | 3.7 | 8.4 | 6.8 | 5.8 |
| Current account % of GDP | -2.3 | -2.3 | -2.6 | -2.5 | -2.4 | -2.4 |
| **Japan** | | | | | | |
| Real GDP %yr | 2.2 | 0.3 | 0.7 | -5.8 | 2.2 | 1.7 |
| **Euro zone** | | | | | | |
| Real GDP %yr | 2.6 | 1.8 | 1.3 | -8.3 | 3.1 | 3.0 |
| **United Kingdom** | | | | | | |
| Real GDP %yr | 1.9 | 1.3 | 1.5 | -11.3 | 5.7 | 5.0 |
| **China** | | | | | | |
| Real GDP %yr | 6.9 | 6.8 | 6.1 | 1.7 | 10.0 | 5.6 |
| **East Asia ex China** | | | | | | |
| Real GDP %yr | 4.7 | 4.4 | 3.7 | -2.9 | 4.9 | 4.7 |
| **World** | | | | | | |
| Real GDP %yr | 3.8 | 3.5 | 2.8 | -3.8 | 5.3 | 4.0 |
| Forecasts finalised 6 November 2020 | | | | | | |

| Interest rate forecasts | Latest | Dec–20 | Mar–21 | Jun–21 | Sep–21 | Dec–21 | Jun–22 | Dec–22 |
|---|---|---|---|---|---|---|---|---|
| **Australia** | | | | | | | | |
| Cash | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 |
| 90 Day BBSW | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.06 | 0.10 |
| 10 Year Bond | 0.90 | 0.85 | 0.95 | 1.05 | 1.15 | 1.25 | 1.50 | 1.70 |
| **International** | | | | | | | | |
| Fed Funds | 0.125 | 0.125 | 0.125 | 0.125 | 0.125 | 0.125 | 0.125 | 0.125 |
| US 10 Year Bond | 0.86 | 0.80 | 0.90 | 1.00 | 1.10 | 1.20 | 1.40 | 1.50 |

| Exchange rate forecasts | Latest | Dec–20 | Mar–21 | Jun–21 | Sep–21 | Dec–21 | Jun–22 | Dec–22 |
|---|---|---|---|---|---|---|---|---|
| AUD/USD | 0.7376 | 0.75 | 0.76 | 0.78 | 0.79 | 0.80 | 0.80 | 0.78 |
| USD/JPY | 103.97 | 104 | 105 | 106 | 106 | 106 | 107 | 107 |
| EUR/USD | 1.1924 | 1.19 | 1.20 | 1.21 | 1.22 | 1.24 | 1.25 | 1.25 |
| GBP/USD | 1.3371 | 1.32 | 1.34 | 1.36 | 1.38 | 1.39 | 1.40 | 1.40 |
| USD/CNY | 6.5788 | 6.60 | 6.55 | 6.50 | 6.45 | 6.40 | 6.30 | 6.20 |
| AUD/NZD | 1.0510 | 1.07 | 1.07 | 1.10 | 1.11 | 1.13 | 1.13 | 1.11 |

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