Week beginning 14 December 2020

- AUD on track for US80¢ and higher in 2022, while RBA mull more QE.
- NZ: Q3 GDP, Q3 current account, Q4 Westpac–MM Consumer Confidence, Half Year Economic & Fiscal Update.
- China: retail, industrial production, fixed investment.
- UK: BoE policy decision.
- US: FOMC policy decision, retail, housing updates, industrial production, PMIs.
- Key economic & financial forecasts.

Information contained in this report current as at 11 December 2020.
AUD on track for USD 80c and higher in 2022, while RBA mulls more QE

At its December meeting the Reserve Bank Board decided to maintain the policy settings it adopted at the November Board meeting. The Governor reaffirmed that “the Board is not expecting to increase the cash rate for at least three years”.

Over the course of the next few months, as we move to the next Board meeting on February 2, the Board may need to significantly revise its forecasts. Westpac has revised up its growth forecasts for 2020 and 2021 from -3% and 2.8% to -2% and 4% respectively. We expect the RBA will make similar adjustments which are also likely to see its unemployment forecasts move towards Westpac’s of 6% by end 2021 and 5.2% in 2022. That would see the unemployment rate close to the pre-pandemic level of around 5%.

Faster than forecast falls in the unemployment rate in 2021 and 2022 would certainly invite speculation in the market about the RBA’s policy direction. The decision to peg the 3 year bond rate target at the cash rate is the strongest form of forward guidance – much bolder than we see from other central banks that engage in forward guidance.

On the face value of the RBA’s current forecasts, Westpac’s view that the RBA will be required to adjust the target rate on the 3 year bond around mid 2022, seems reasonable but, as discussed, the risks around the forecasts will see significant market speculation around this issue through 2021.

We also learned from Deputy Governor Debelle’s speech last week that the 3 year rate is more significant for the private sector than the longer maturities (say 5-10 years). This implies that the sequence of any unwinding of the policy package from the November Board meeting is likely to be: QE first; followed by yield curve control; followed by adjusting the cash rate.

In the near term the Governor’s confirmation that “the Board will keep the bond purchase program under review, particularly in light of the evolving outlook for jobs and inflation … is prepared to do more if necessary” raises the real prospect that the $100bn program, which is targeted to be completed by June, will be extended. If yield curve control is not adjusted until mid-2022 there is scope for the RBA to extend its QE program in the second half of 2020.

For 2021, yield curves will steepen as global bond rates respond to the global recovery while central banks anchor short rates.

Since the Board announced its suite of policies on November 3 the AUD has risen from USD0.716 to USD0.75, hitting our long held year-end target right on time. As noted in the Governor’s decision statement the policy response contributes to “a lower exchange rate than otherwise.” Reasonably, the Governor attributes the depreciation of the US dollar and appreciation of the Australian dollar to a vaccine-related “improvement in risk sentiment”.

The steady rise in the AUD since mid-year, when it was trading around USD0.68 has been due to rising iron ore prices (up from around US$80/t to US$145/t); ongoing momentum in China as the government seeks to restore positive growth for the year; Australia’s success in containing the virus; a boost to global optimism with the advent of successful vaccines; and positive surprises around Australia’s recovery and lift in consumer and business confidence since the recession.

There is understandable uncertainty about iron ore prices but the other factors seem set to roll into 2021 supporting our long-held USD0.80 target for AUD by end 2021.

Nearly all cycles in the AUD are long (2–4 years) and are generally linked to global growth and China’s growth and policy cycle in particular.

So 2021 seems a safe bet. The question is whether this momentum can extend into 2022. With the AUD having bottomed out in March 2020, a ‘normal’ two year plus cycle sees the upswing lasting well into 2022. Policy tightening in China and the developed world seems an unlikely prospect through most of 2022 so we can comfortably rule out an abrupt downward adjustment to the AUD.

For now, we are comfortable to project the upward momentum in AUD into 2022 reaching a high of USD0.82 before flattening off in the second half although there are clear upside risks to this scenario.

Bill Evans, Chief Economist

AUD fair value: actual versus fitted

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The week that was

This week, there has been a strong focus on confidence.

Our Westpac–MI consumer sentiment survey saw another strong result in December, the headline index rising 4.1% to a 10-year high, 48% above its April 2020 low. This result highlights how different this recession is to Australia's GFC downturn and the 1990's recession, when uncertainty lingered for an extended period. Households' immediate and medium-term views on the economy are now also both at decade highs, though consumers' views on their own finances as well as their willingness to spend on major household items is a little more circumspect, around long-run average levels instead of materially above. House price expectations strengthened further in December to be just 5% below their pre-pandemic highs, 15% above long-run average levels. However, the 'time to buy a dwelling' index pulled back in December to sit only a little above average, potentially highlighting a shift in the consumer mindset regarding affordability.

Following the release of this update, Chief Economist Bill Evans discussed the significance of the consumer to our upwardly revised growth view for 2021. He went on to consider the implications of recent trade tensions between Australia and China, an important topic given China's recently announced restrictions against wine, lamb and timber imports from Australia, among others.

Turning to business confidence and conditions, the November NAB survey delivered a robust result on both fronts. Business conditions jumped to its strongest reading since March 2019 as the economy continued to re-open; confidence performed better still, reaching its highest level since mid-2018 as a result of the domestic recovery and progress in vaccine development and testing. Underlying the business conditions result, trading conditions and profitability both surged, but employment continued to lag. Arguably business is yet to be convinced over the sustainability and strength of the recovery, a necessary requirement for them to expand capacity.

Moving offshore, this week's key event was the ECB's December meeting. As expected, the Governing Council increased the size of the Pandemic Emergency Purchase Program (PEPP) by EUR500bn to EUR1.85trn and extended its life by a further 9 months to "at least" March 2022. Funding for the banking system will additionally be supported by four more LTRO's in 2021 under the new PELTRO program and improved terms on the exiting TLTRO's planned. The intent behind these initiatives is to keep financial conditions highly accommodative for an extended period to drive a robust recovery in activity and, in time, inflation. Though GDP is expected to rebound well in 2021-2023 (the ECB forecasts growth of 3.9%; 4.2%; and 2.1% respectively), by the end of the period inflation is still only seen at 1.4%, 0.6pts below the 2.0%yr target. This is not a desirable result for the ECB, raising questions over the scale and duration of stimulus required, and also whether 2.0%yr inflation is achievable on a sustained basis. For the Euro and financial market risk appetite, how the ECB guide expectations over their pursuit of 2.0%yr inflation will be critical in 2021 and beyond.

Turning to the US, this week has been a quiet one for data. Still the data that has been received clearly highlighted the challenge the US FOMC faces in returning inflation to its own 2.0%yr target. At November, headline CPI inflation printed at 1.2%yr and core inflation 1.6%yr. Initial claims moreover signalled concern over current momentum, rising for the third week in four. Until GDP recovers the ground lost in 2020 and momentum sustains a pace well above trend, the remaining labour market slack from the recession will not be eroded; only after it is can wages growth and, consequently, consumer inflation consistently print at or above 2.0%yr as the FOMC intends.

Later today our December/January Market Outlook will be released on Westpac IQ. This publication will highlight all of our key views for 2021, both with respect to the global economy and financial markets.
New Zealand: week ahead & data wrap

Pre-Christmas cheer

Next week brings several important economic releases ahead of the Christmas break. In particular, the September quarter national accounts and the Government’s half-year fiscal update are expected to highlight the New Zealand economy’s rapid bounceback from the Covid-19 lockdown.

We expect a 13% rise in September quarter GDP, following a 12.2% drop in the June quarter. The speed of the rebound from lockdown conditions highlights a point that we’ve been making lately: elimination of the virus is immensely beneficial to the economy. In that respect, successful lockdowns (the key word being successful) are much less costly than was initially feared. Indeed, the temporary increase in Covid alert levels in August and September, in response to a mystery outbreak had a relatively muted impact. The restrictions appear to have mostly delayed spending rather than preventing it.

Our forecast of the September quarter would see GDP about 2% below where it was at the end of last year, before the Covid shock. If we consider trend growth over that time, that puts the economy about 4-5% below where it would have been in the absence of Covid. That’s about the size of the hole left by the loss of international travel while the country’s borders remain closed. In other words, the rest of the domestic economy is already operating at something close to full speed.

That said, the experience has differed greatly across industries. Some areas are more or less back at pre-Covid levels, either because of a quick rebound (e.g. construction) or because they were deemed essential and were able to keep operating through the Covid restrictions (e.g. agriculture, food manufacturing). The worst-performing sectors are those most obviously linked to the border closure has also halted outbound tourism, so Kiwis have

Round-up of local data released over the last week

<table>
<thead>
<tr>
<th>Date</th>
<th>Release</th>
<th>Previous</th>
<th>Actual</th>
<th>Mkt f/c</th>
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</thead>
<tbody>
<tr>
<td>Thu 10</td>
<td>Nov card spending</td>
<td>9.0%</td>
<td>0.1%</td>
<td>-</td>
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<tr>
<td>Fri 11</td>
<td>Nov manufacturing PMI</td>
<td>52.4</td>
<td>55.3</td>
<td>-</td>
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<tr>
<td></td>
<td>Nov food price index</td>
<td>-0.7%</td>
<td>-0.9%</td>
<td>-</td>
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<tr>
<td></td>
<td>Oct REINZ house prices %yr</td>
<td>13.3%</td>
<td>15.3%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Oct REINZ house sales</td>
<td>-2.6%</td>
<td>1.3%</td>
<td>-</td>
</tr>
</tbody>
</table>

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Data previews

Aus Q4 AusChamber–Westpac business survey

Dec 15, Last: 42.8

- The Australian Chamber–Westpac Survey of Industrial Trends, Australia’s longest running business survey dating from 1966, provides a timely update on manufacturing and insights into economy-wide trends. The Q4 survey was conducted from November 9 to December 1.
- In Q3, the Actual Composite improved to 42.8 after falling dramatically to 24.0 in the June quarter, associated with the initial lock-down in response to covid. The manufacturing sector has been greatly impacted by the disruptions and the downturn.
- Whilst the sub-50 read in September suggested that conditions were contracting, new orders and output were declining at a slower pace.
- The emerging rebound from the initial lock-down experienced set-backs, with Victoria going into a second lock-down. However, by November, the pace of the reopening was beginning to pick up.

Aus Nov Westpac–MI Leading Index

Dec 16, Last: 3.25%

- The Leading Index growth rate rose from -0.47% in September to +3.25% in October – marking the first positive, above trend, growth rate since 2018 and the strongest gain since the early 1980s. That is consistent with the economy recovering from its COVID recession although the outright strength reflects the severity of the preceding contraction more than the overall condition of the economy.
- The Nov update is likely to show a similar result. It will include particularly positive updates on: the ASX200 (up 10%); dwelling approvals (up a further 3.8% after a 16% spike last month); and around the labour market – the Westpac–MI Unemployment Expectations Index dropping -16.2% (a big improvement) and total hours worked up another 1.2%. Other components have remained supportive as well.

Aus Nov employment, '000 chg

Dec 17, Last: 178.8, WBC f/c: 75
Mkt f/c: 40, Range: -10 to +100

- Total employment surged 178.8k (1.4%) in October, significantly larger than Westpac’s and the market’s -30k forecast and still much larger than the top of the market forecast of +30k. Employment is now just 1.7% less than what it was in March 2020, a rather surprising recovery in employment.
- Victoria did stand out with a 81.6k gain in employment but NSW added 36.4k, Qld added 25.3k and WA added 15.3k.
- Victoria remains a long way behind in the recovery with the economy only being reopened in November. As such we expect the Victorian recovery to continue to at least December if not into the first quarter of 2021.
- Even allowing for some pull back in the other states, a solid 75k rise is easily achievable. In fact it is possible that the reopening has had a positive flow–on to other states supporting further gains there as well.

Westpac jobs index*

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Data previews

Aus Nov unemployment rate
Dec 17, Last: 7.0%, WBC f/c: 7.0%
Mkt f/c: 7.0%, Range: 7.3% to 6.5%

- October unemployment lifted 0.1ppt to 7.0% due to a strong rebound in participation from 64.9% to 65.8%. This significant jump in participation drove a 204.3k surge in the labour force and took participation back to within range of the pre-COVID peak of 66.2%. This is not something we expected to see so soon but in all fairness, we have been arguing that participation has been very dynamic so it should not be surprising that a strong rise in employment was associated with a strong gain in participation.

- In October Victoria participation leapt from 63.0% to 65.0% which saw the unemployment rate rise 0.7ppt to 7.4% despite the very robust gain in employment. Yet it is still well below pre-COVID levels so has plenty of room to rise.

- We are looking for Victoria to drive the participation rate higher so our 75k forecast gain in employment will only be enough to hold unemployment flat at 7.0%.

Aus Federal budget, Mid-Year Economic and Fiscal Outlook
Dec tbc, 2020/21: -$213.7bn, 11% of GDP

- The Federal government’s MYEFO may be released sometime this week. The government currently expects the budget deficit to peak at $213.7bn in 2020/21, up from $85bn in 2019/20, then moderate to $112bn in 2021/22, $88bn in 2022/23 and $67bn in 2023/24.

- MYEFO will see an upgrade of the economic forecasts with upside surprises in activity; commodity prices (iron ore is at US $150/t spot vs the $55/t fob Budget assumption); and the labour market (reducing the cost of the JobSeeker program).

- These developments suggest the economy in 2020/21 will potentially be 3% larger than anticipated in the October 6 Budget – boosting revenues and reducing expenses, in the order of $10 to $15bn. We expect the nominal GDP growth forecast for 2020/21 to be upgraded from -1.75% to around 1.5% and there is also upside to the 2021/22 forecast of 3.25%.

- We assess that the government’s budget deficit forecast for 2020/21 will be trimmed, lowered from $213.7bn currently, to be approaching $200bn (10% of GDP).

NZ Q4 Westpac McDermott Miller Consumer Confidence
Dec 15, Last: 95.1

- At the time of our last survey of New Zealand households in September, economic confidence was lingering at low levels. Activity in some parts of the economy was still well below its pre-Covid level and joblessness was rising. There was also a flare up in infections around the time of the September survey which resulted in activity restrictions being reimposed.

- Since the September survey, restrictions on activity have eased and economic activity has strengthened. We’ve also seen increasingly positive news about the development of a vaccine.
Data previews

NZ GlobalDairyTrade auction, whole milk powder prices
Dec 16, Last: +5.0% chg, Westpac: +1.0%

- We expect whole milk powder prices will lift a touch at the upcoming dairy auction. Prices jumped 5% at the last auction, as commodity markets were buoyed by Covid vaccine news.
- Our pick is largely consistent with current futures market pricing.
- Dairy markets are starting to anticipate more normal economic activity and dairy demand next year. With little room for supply to respond, the upshot is that prices are likely to move higher in the short term.

Whole milk powder prices

nz current account balance, % of GDP
Dec 16, Last: -1.9%, Westpac: -0.8%

- We expect the current account deficit to narrow over the September quarter to just 0.8% of GDP. If this proves correct, the deficit would be the smallest since 2001.
- Imports remain well below pre-Covid levels. Meanwhile, goods exports continue to hold up well.
- The balance of services improved slightly in the September quarter, after a sharp deterioration in June. Tourism and education have been hit hard by the border closure, but exports of business services picked up as the country moved out of lockdown.

NZ Half-Year Economic and Fiscal Update
Dec 16

- The Treasury’s economic forecasts to date have been notably downbeat. However, we expect that the HYEFU will bow to the mounting evidence that the economy has bounced back readily from the Covid-19 lockdown.
- That will mean a stronger expected tax take, smaller (but still large) operating deficits, and a lower borrowing requirement over the next few years.
- We expect the bond programme to be reduced by at least $5bn over each of the next two years.

NZ fiscal position

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Data previews

NZ Q3 GDP

Dec 17, Last -12.2%, Westpac f/c: +13.0%, Mkt f/c: +13%, Range: +7.3% to +14.0%

- New Zealand’s economy has bounced back in the September quarter following the easing of Covid-related activity restrictions. Our forecasts suggest that GDP is almost back to where it was at the end of last year, before the Covid shock.
- Conditions have varied greatly across sectors. Areas such as retail, primary industries, construction and professional services are now back at pre-Covid levels or even higher. In contrast, sectors linked to international travel remain down significantly on last year.
- The September quarter GDP release will include a range of revisions going back several years. The biggest change will come from incorporating the 2018 Census results, which revealed a larger population (and hence more growth in recent years) than previously assumed.

NZ Dec ANZBO business confidence

Dec 18, Last: –6.9

- Business confidence rose through November and is now back above the levels we saw prior to the outbreak of Covid-19. While the strengthening in business conditions has been widespread, it has been stronger among builders and manufactures. In contrast, some retailers and businesses in services sectors are reporting that activity is recovering more gradually.
- We expect that there will be some further increase in business confidence through December. There has been continued positive news regarding vaccine development in recent weeks. There has also been continued strength in the housing market and household spending.
- We’ll also be keeping an eye on the survey’s inflation and pricing gauges which have been firming.

US Dec FOMC meeting

Dec 15–16, federal funds rate, last: 0.125%, WBC: 0.125%

- The December FOMC meeting comes at a time of immense uncertainty for the US. Since the last meeting in November, the daily new case count has continued to make new highs, currently circa 220k; available capacity at hospitals continues to dwindle; and authorities in many states are responding with new restrictions, albeit to varying degrees.
- Against this immediate reality stands the promise of a strong recovery from 2021, made possible by rapid vaccine deployment.
- Even if the economy rebounds strongly in 2021, given the current degree of slack and following many years of inflation disappointment, there is clearly a justification for the FOMC to increase accommodation in December. It is much easier to pull back on stimulus than to make up for lost time.

For the US, 2%yr inflation a long way off

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### Key data & event risk for the week ahead

#### Mon 14

<table>
<thead>
<tr>
<th></th>
<th>Last</th>
<th>Market median</th>
<th>Westpac forecast</th>
<th>Risk/Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aus 2020/21 Federal budget update, $bn</td>
<td>-213.7</td>
<td>-</td>
<td>-200</td>
<td>Date tbc. Upside surprises on economy to trim deficit, see textbox.</td>
</tr>
<tr>
<td>NZ Nov BusinessNZ PSI</td>
<td>51.4</td>
<td>-</td>
<td>-</td>
<td>Business conditions have been firming.</td>
</tr>
<tr>
<td>Oct net migration</td>
<td>808</td>
<td>-</td>
<td>-</td>
<td>Set to remain low due to continued border restrictions.</td>
</tr>
<tr>
<td>Jpn Q4 Tankan large manufcrs index</td>
<td>-27</td>
<td>-16</td>
<td>-</td>
<td>Japan will lag global recovery by a considerable margin.</td>
</tr>
<tr>
<td>Eur Oct industrial production</td>
<td>-0.4%</td>
<td>1.8%</td>
<td>-</td>
<td>Demand expected to be hit by restrictions at year end.</td>
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#### Tue 15

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<tbody>
<tr>
<td>Aus RBA speak</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- Kears, Head of Financial Stability, at 11:40am</td>
</tr>
<tr>
<td>RBA minutes</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>In &quot;watch–and–wait&quot; mode, after delivering Nov stimulus.</td>
</tr>
<tr>
<td>Q4 AusChamber–Westpac survey</td>
<td>42.4</td>
<td>-</td>
<td>-</td>
<td>Business conditions improving as economy reopens.</td>
</tr>
<tr>
<td>Weekly Payrolls W.E. 25th Nov</td>
<td>0.1%</td>
<td>-</td>
<td>-</td>
<td>Collapse in small business payrolls been key to soft prints.</td>
</tr>
<tr>
<td>NZ Q4 WBC–MM Consumer Confidence</td>
<td>95.1</td>
<td>-</td>
<td>-</td>
<td>Household conditions have firmed since the Sept survey.</td>
</tr>
<tr>
<td>Chn Nov industrial production ytd %yr</td>
<td>1.8%</td>
<td>2.2%</td>
<td>-</td>
<td>China will continue to outperform...</td>
</tr>
<tr>
<td>Nov retail sales ytd %yr</td>
<td>4.3%</td>
<td>5.0%</td>
<td>-</td>
<td>... rest of world as broad-based support for activity...</td>
</tr>
<tr>
<td>Nov fixed asset investment ytd %yr</td>
<td>1.8%</td>
<td>2.6%</td>
<td>-</td>
<td>... remains intact.</td>
</tr>
<tr>
<td>UK Oct ILO unemployment rate</td>
<td>4.8%</td>
<td>5.2%</td>
<td>-</td>
<td>The furlough programme will provide support until March.</td>
</tr>
<tr>
<td>US Dec Fed Empire state index</td>
<td>6.3</td>
<td>7.5</td>
<td>-</td>
<td>Restrictions’ impact continues to grow...</td>
</tr>
<tr>
<td>Nov industrial production</td>
<td>1.1%</td>
<td>0.3%</td>
<td>-</td>
<td>... vaccine deployment won’t help until months into 2021.</td>
</tr>
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#### Wed 16

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<tbody>
<tr>
<td>Aus Nov Westpac–MI Leading Index</td>
<td>3.25%</td>
<td>-</td>
<td>-</td>
<td>Nov update to include positive developments, see textbox.</td>
</tr>
<tr>
<td>NZ GlobalDairyTrade – WMP</td>
<td>5.0%</td>
<td>-</td>
<td>1.0%</td>
<td>Dairy prices lifting on vaccine news.</td>
</tr>
<tr>
<td>Q3 current account balance</td>
<td>-1.9%</td>
<td>-0.9%</td>
<td>-0.8%</td>
<td>Current account deficit narrowing as imports remain weak.</td>
</tr>
<tr>
<td>Half Year Economic &amp; Fiscal Update</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Stronger economic forecasts and reduced borrowing.</td>
</tr>
<tr>
<td>UK Nov CPI</td>
<td>0.0%</td>
<td>-</td>
<td>-</td>
<td>Inflation pressures absent.</td>
</tr>
<tr>
<td>US Nov retail sales</td>
<td>0.3%</td>
<td>-0.2%</td>
<td>-</td>
<td>Has slowed dramatically in recent months.</td>
</tr>
<tr>
<td>Dec Markit manufacturing PMI</td>
<td>56.7</td>
<td>55.8</td>
<td>-</td>
<td>Restrictions to weigh on manufacturing...</td>
</tr>
<tr>
<td>Dec Markit service PMI</td>
<td>58.4</td>
<td>55.0</td>
<td>-</td>
<td>... and, to a greater degree, on services.</td>
</tr>
<tr>
<td>Oct business inventories</td>
<td>0.7%</td>
<td>0.6%</td>
<td>-</td>
<td>Restocking to be a positive into 2021.</td>
</tr>
<tr>
<td>Dec NAHB housing market index</td>
<td>90</td>
<td>88</td>
<td>-</td>
<td>Housing outlook very positive.</td>
</tr>
<tr>
<td>FOMC policy decision, midpoint</td>
<td>0.125%</td>
<td>0.125%</td>
<td>0.125%</td>
<td>Further easing warranted on risks and inflation.</td>
</tr>
<tr>
<td>Fed Chair Powell</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>To hold post-FOMC meeting press conference (06:30 AEDT).</td>
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#### Thu 17

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<tbody>
<tr>
<td>Aus Nov employment, '000</td>
<td>178.8</td>
<td>39k</td>
<td>75k</td>
<td>Victoria will drive a solid bounce in employment but the...</td>
</tr>
<tr>
<td>Nov unemployment rate</td>
<td>7.0%</td>
<td>7.0%</td>
<td>7.0%</td>
<td>... the other state had a strong rebound in participation.</td>
</tr>
<tr>
<td>NZ Q3 GDP</td>
<td>-12.2%</td>
<td>11.3%</td>
<td>13.0%</td>
<td>Bounce back after activity restrictions were lifted,</td>
</tr>
<tr>
<td>Eur Nov CPI</td>
<td>-0.3%</td>
<td>-0.3%</td>
<td>-</td>
<td>Inflation pressures absent.</td>
</tr>
<tr>
<td>UK BoE policy decision</td>
<td>0.10%</td>
<td>0.10%</td>
<td>-</td>
<td>Easing likely in coming months despite vaccines.</td>
</tr>
<tr>
<td>US Dec Phily Fed index</td>
<td>26.3</td>
<td>20.0</td>
<td>-</td>
<td>Regional conditions mixed; near-term risks growing,</td>
</tr>
<tr>
<td>Initial jobless claims</td>
<td>853k</td>
<td>-</td>
<td>-</td>
<td>Have risen in three of past four weeks.</td>
</tr>
<tr>
<td>Nov housing starts</td>
<td>4.9%</td>
<td>-0.2%</td>
<td>-</td>
<td>Housing outlook very positive...</td>
</tr>
<tr>
<td>Nov building permits</td>
<td>0.0%</td>
<td>1.0%</td>
<td>-</td>
<td>... labour market and rates to drive further gains.</td>
</tr>
</tbody>
</table>

#### Fri 18

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<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>NZ Dec ANZ consumer confidence</td>
<td>106.9</td>
<td>-</td>
<td>-</td>
<td>Has been trending higher, still at low levels.</td>
</tr>
<tr>
<td>Nov trade balance $m</td>
<td>-501</td>
<td>250</td>
<td>250</td>
<td>Stronger exports after an October drop.</td>
</tr>
<tr>
<td>Dec ANZ business confidence</td>
<td>-6.9</td>
<td>-</td>
<td>-</td>
<td>Business conditions have been firming in recent months.</td>
</tr>
<tr>
<td>Jpn Nov CPI %yr</td>
<td>-0.4%</td>
<td>-0.8%</td>
<td>-</td>
<td>Inflation pressures absent.</td>
</tr>
<tr>
<td>Ger Dec IFO business climate survey</td>
<td>90.7</td>
<td>89.0</td>
<td>-</td>
<td>Business hopeful current uncertainty will prove brief.</td>
</tr>
<tr>
<td>UK Dec GfK consumer sentiment</td>
<td>-33</td>
<td>-</td>
<td>-</td>
<td>Consumers focused on labour market and COVID’s spread.</td>
</tr>
<tr>
<td>Nov retail sales</td>
<td>1.2%</td>
<td>-4.2</td>
<td>-</td>
<td>Restrictions impacting spending into year end.</td>
</tr>
</tbody>
</table>
Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.
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