

Australia & New Zealand weekly.

Week beginning 18 May 2020

- Good news, for now, but huge challenge lies ahead.
- RBA: Minutes of May Monetary Policy Meeting and Governor Lowe to speak.
- Australia: Westpac-MI Leading Index, ABS COVID-19 special releases.
- RBNZ: Chief Economist Yuong Ha to speak.
- New Zealand: real retail sales.
- Federal Reserve: Minutes of April Policy Meeting & Chair Powell, Clarida to speak.
- US: building permits, housing starts, initial jobless claims, Markit PMIs.
- Euro Area: consumer confidence, Markit PMIs.
- Key economic & financial forecasts.

Information contained in this report current as at 15 May 2020.



Good news, for now, but huge challenge lies ahead

This week we have been heartened by the record 16.4% increase in the Westpac-Melbourne Institute Consumer Sentiment Index. Admittedly it has followed a record 17.7% fall in the Index in April.

But the Index is now only 7.6% below its average level for the period September to February before governments had imposed any restrictions. Of course, there was coverage of the COVID-19 crisis in the media in January and February but we did not detect any impact on household confidence levels (bearing in mind that Australia's bushfire emergency was also a factor early in the year).

Two aspects of the survey were particularly interesting.

Firstly, there was a 10.7% increase in the component of the Index – "outlook for the economy over the next five years". This component is now 50% higher than the average we saw in the last recession of 1989–1991. Deep recessions grind on for years and individuals lose hope for the future without any clear evidence that the economy is likely to recover. That feeling of despair and hopelessness is not apparent in this latest survey. Respondents believe they can see a process that will restore the economy to some sort of equilibrium driven largely by Australia's success in containing the spread of the virus.

Respondents understand that the sudden collapse in the economy has resulted from government policies designed to contain the virus. Reasonably, they are concluding that the restrictions will be gradually reversed with the dominant risk being a damaging second wave if restrictions are eased too quickly.

That message was exemplified in the survey results where confidence differed significantly between the two major states. Confidence surged by 23% in NSW, where some tentative early easing in restrictions has been announced and progress in containing the virus has improved significantly in recent weeks. However in Victoria, which has seen some recent outbreaks and less progress on easing, confidence was only up by 8%.

Secondly, we saw a 13% improvement in sentiment about job security over the next year. That lift largely offset the 17% deterioration we had seen over the two previous months. Again, although the immediate state of the jobs market is parlous, we see that households are looking ahead with renewed confidence.

We recognise that the progress around containment of the virus remains the most significant risk to the outlook for the economy.

But even if the health profile remains on a stable path of containment, another known risk looms as a daunting challenge to the economy.

JobKeeper Payment scheme a roaring success

Without doubt, the policy initiative that lifted the spirits of Australian households and businesses and protected Australia from a catastrophic increase in the unemployment rate and an associated surge in insolvencies, was the JobKeeper Payment scheme.

This policy has been targeted at keeping workers linked with their workplace. A business qualifies if it can provide evidence that revenue has fallen, or is expected to fall steeply on a year ago – by 30% for businesses with less than \$1bn in turnover and 50% for those with turnover above \$1bn.

The Payment of \$1,500 per fortnight is available from March 31 to September 27.

The Australian government estimated the cost of the Payment as \$130bn (around 6.5% of GDP), with the costing based on 6

million workers being covered. Note that the stimulus is highly concentrated in only six months of the year, although it does span two fiscal years.

Australia's total workforce is around 13 million. So the policy was designed to cover nearly 50% of the workforce.

I expect that the government would have been mindful of the potential shock to the economy at the time that the payments were scheduled to be withdrawn.

However it appeared to me that the government had factored considerable flexibility into the Payment, not really expecting that businesses covering nearly 50% of the workforce would qualify.

Stronger than expected take-up

Consider the employment numbers in various industry sectors, where it seems unlikely that a large share of entities would qualify for the scheme: agriculture 327k; mining 247k; manufacturing 894k; utilities 155k; construction 1,176k; telecommunications/media 210k; transport/postal 921k (of which air travel is around 100k); finance 450k; professional services 1,150k; government administration 450k. In the case of education (1,067k) and health services (1,725k) the government of course is a dominant factor.

Other sectors that would reasonably be expected to dominate the scheme are: (parts of) retail and wholesale trade (1680k); accommodation and food services (921k); real estate services (218k) and Arts and Recreation (254k).

The first shock that the crisis was more widespread for businesses came with the release of the Payroll figures from the ABS for the period March 18 to April 15.

It showed a wider impact on jobs than I had expected: agriculture – down 9.5%; construction down 6.5%; retail trade down 6%; professional services down 6%; government administration down 5%. On the other hand the big industries such as health (down 3%); education (down 0.2%); and utilities and finance (hardly affected) still indicated, to me, that the JobKeeper Payment would hardly cover nearly 50% of the workforce.

Consequently, I was surprised when the Treasurer announced in Parliament on Tuesday that the JobKeeper Payment had been taken up by 835k businesses covering 5.5 million employees. Yesterday he provided a verbal update that the number now exceeds the original 6 million target.

My expectations that there would be considerable 'slack' available in the Package to provide those businesses that were still under some pressure by end September with extended assistance have been severely jolted.

Striking a balance as the scheme rolls off will be tricky

With international travel restrictions and social distancing guidelines still likely to be firmly in place by the December quarter it seems certain that there will be a wide range of businesses that will require extended assistance.

Yesterday's ABS labour force report indicated that around 750k workers were described as employed although not having worked any hours. These are probably employees benefitting directly from the JobKeepers scheme.

The remaining workers under the scheme will be working some hours while others are likely to be working a full week.

Some businesses will therefore be benefitting from JobKeeper even though the employee would have been employed in any case.

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In that way we can see JobKeeper as a direct subsidy to businesses which without the subsidy might have failed. These businesses will be vulnerable to the unwinding of the scheme if their sales have not lifted sufficiently by September.

A reasonable test for businesses to continue to receive support past September could be whether the businesses were profitable over the year leading into the COVID-19 period and their revenue collapse was entirely due to the direct (and indirect) effects of the policies associated with the containment of COVID-19.

The government will need to ensure that the “one size fits all” policy that was hastily adopted does not allow zombie companies to be supported beyond September. There are numerous examples in other countries (consider Japan in the 1990s) where government stimulus at a time of economic crisis was exploited by unsound companies to stay in existence longer than they should have.

The biggest challenge will be to recognise that when economies experience a crisis they come out of the crisis with permanent structural change.

Some companies that were adequately profitable under the previous structure may never recover as the economy changes.

In the early stages the government should not be too quick to base decisions on forecasts of structural change – better to allow the economy to evolve before condemning good companies to insolvency.

For example, it could be assumed that social distancing will be a permanent aspect of the ‘new’ Australia. That forecast may be wildly wrong in the event of a vaccine or a widely available treatment for COVID-19.

Governments should also be aware that Australia’s net debt position is likely to reach around 35% of GDP if JobKeeper is immediately unwound. That still puts us in a very strong position on a global basis (the US likely to reach 125%) and should not be a constraint to supporting good businesses if more time is required.

Other expiring supports add to challenge

Banks will also be in similar positions of having to make some hard decisions. Banks have supported their customers and the economy by deferring interest payments on \$200bn of loans with a likely sunset timing of around that September period. The resumption of interest payments will also represent a headwind to businesses preparing to deal with the end of JobKeeper.

An associated difficulty for the government will be the JobSeeker Package. Recall that it has seen base payments increased to around \$1,100 per fortnight (almost double Newstart) with 1.4 million recipients. Any worker who lost the JobKeeper package and became unemployed could move to JobSeeker, with around a 25% reduction in payment.

A different approach may be required

But the government will be aware of the need to balance the social need to provide an acceptable living wage for the unemployed with the risk of pricing the unemployed out of the job market; forcing a permanent increase in the unemployment rate; and setting the foundations for generational unemployment.

Some respected ANU academics have suggested a grant/loan model to handle the scaled unwinding of JobKeeper. Businesses would be extended loans to maintain their wage payments with the repayment profile being determined by the revenue performance of the company. Loans are only repaid when the targeted revenue levels are achieved.

Such an arrangement would still require the lender (the government) to assess whether the borrower’s business model, which may have been sound before the crisis, could continue profitably in an economy that had changed structurally.

These are considerable challenges which have been so much more acute by the extraordinary take-up of the JobKeepers Payment.

On the base line assumption (which is the Westpac view) that the restrictions will be smoothly relaxed over the next four months the enormous challenge for the government will be maintaining the recovery in the face of a huge negative fiscal shock as JobKeeper is unwound.

Let us hope that the policy balance favours the ongoing support of viable businesses rather than a perceived need to withdraw supports, whatever the cost.

Bill Evans, Chief Economist

The week that was

This week we saw evidence of the economic benefit stemming from Australia's success in containing COVID-19's spread.

A month ago Westpac reported the largest ever fall in consumer sentiment, the [Westpac-MI index](#) falling 17.7% in April. In May however, that loss has been largely reversed, with sentiment rising 16.4%. The index is now only 7.6% below the average of September 2019 to February 2020, albeit still at a low level versus history. Clearly Australian consumers have taken heart from the success Australia has had in containing the virus. Notably, consumers are currently much more optimistic on the longer-term outlook than during the 1990s recession. Large jumps in year-ahead economic expectations and 'time to buy a major house item' further shows that consumers increasingly believe that the opening up of the economy (i.e. the start of the recovery) is in sight. As highlighted by [Chief Economist Bill Evans](#), "consumers can understand and envisage the recovery".

From our survey, there is also evidence that consumers believe the labour market will strengthen with the recovery in activity, May's decline in unemployment expectations effectively wiped out the March/April rise. However, when it comes, the recovery will be from a very weak starting point. Highlighting this, the [April labour force](#) survey reported the loss of 594k jobs in the month and a 1ppt rise in the unemployment rate to 6.2% despite a 2.5ppt decline in participation. There was also a sharp lift in the number of workers who are working less than they are willing and able to, underemployment rising almost 5ppts to 13.7% in the month. Combined with unemployment, this puts the share of the labour force currently underutilised at a historic high of 19.9%. Further outsized job losses will be seen in coming months.

While the labour market will improve in the second half and beyond, labour market slack will remain pervasive, [restricting incomes](#) and spending. A further headwind for spending is likely to come from wealth, both actual and expected. Highlighting this, house price expectations from the consumer sentiment survey failed to bounce meaningfully in May (+4.6%) after falling 50% in April. As outlined by [Chief Economist Bill Evans](#), material, active support from the Government will prove necessary for an extended period until the risks apparent in [current business conditions](#) abate, and confidence returns.

Over in New Zealand this week, stimulus was the focus with the announcement of a [material increase in asset purchases by the RBNZ](#) followed by a larger than anticipated fiscal stimulus package from the Government in [Budget 2020](#). Given the effect of the lockdown and the risks to the outlook, both domestic and global, our New Zealand team believe this is the right approach. In circumstances such as these, not doing enough is the far bigger risk.

In the US, following a strong run for equity markets, risks to the growth outlook came back to the fore this week. This was principally the result of comments made by senior officials over the spread of the virus in the US as well as its economic cost, respectively by Dr Anthony Fauci and FOMC Chair Jerome Powell. On both fronts, Westpac has much greater concern over the risks than the White House which is why we expect the US recovery to be so slow, a 1.1% gain in 2021 to follow a 6.0% GDP decline in 2020 in year-average terms. [The implications for the US dollar](#) are uncertain however as many other jurisdictions also continue to struggle with containment and stabilising their economies. Inevitably, we expect Asia will lead the way in this recovery owing to its success with containment as well as the region's underlying growth potential.

The above and other key themes from our May Market Outlook report are discussed in depth in our just released May [Market Outlook in Conversation podcast](#).

New Zealand: week ahead & data wrap

In response to the gale-force headwinds battering the economy, the past week saw significant further increases in both fiscal and monetary stimulus being rolled out.

First up was the RBNZ which, as expected, expanded its Long Term Asset Purchase programme from \$33bn to \$60bn. The scope of the programme has been expanded to include inflation-indexed bonds alongside the already-included NZ Government Bonds and local government debt. The RBNZ also mentioned that, should more stimulus be required in the future, purchasing foreign bonds was a possibility.

The RBNZ left the Official Cash Rate on hold. That also was as expected and followed the RBNZ's comments in March that the OCR would remain at 0.25% for twelve months. However, since making that statement, the economic outlook has continued to deteriorate. We think that the weakness in inflation and unemployment will mean the RBNZ is going to have to eventually cut the cash rate to negative territory and have pencilled in a cut to -0.50% in November.

The RBNZ's commentary was supportive of an eventual reduction in the cash rate. In fact, the RBNZ published an "unconstrained OCR forecast." This is the level of the OCR that would be necessary to achieve the RBNZ's goals in a theoretical world where the OCR could go as low as the RBNZ wanted. It is presumably what the RBNZ's models would spit out if they weren't 'told' that a negative OCR is not possible right now. That unconstrained OCR forecast was -2%. This does not mean the OCR will actually go that low, but it illustrates that the RBNZ is aware that much more stimulus is needed.

But while the eventual need for a negative cash rate is apparent, the timing of any cut is more uncertain. The minutes of the policy decision indicated that the RBNZ is open to a negative cash rate in the future provided it is operationally feasible. But for now, there are still some hurdles. Most notably, trading banks still need time to update their IT systems and legal documentation.

The RBNZ noted that a negative OCR is not currently possible, so it "reaffirmed its **forward guidance** that the OCR would remain at 0.25% until early-2021". That is rather soft – it certainly was not a promise or a commitment.

However, during the press conference, the RBNZ revealed that it has asked the banks to prepare for a negative OCR "by the end of the year." This suggests that while a negative OCR may still eventually be required, our forecast for a cut late this year might be a bit of a stretch. Instead, the RBNZ may prefer to wait until early in the new year. We will seek clarity around that comment and assess any further RBNZ communications before drawing any conclusions.

The day after the RBNZ's policy statement, the Government released its 'Rebuilding Together' Budget. And it was massive. The Government significantly expanded its COVID-19 economic support and recovery package, bringing it to a combined \$62bn or around 20% of annual GDP. Of that spending, around \$26bn had already been announced before the Budget, and plans for another \$16bn of spending was unveiled on the day. That leaves around \$20bn still to be allocated.

Major spending initiatives announced in the Budget include \$5.6bn of spending on health, a \$4bn support package for businesses (including an extension to the wage subsidy scheme), as well as increased spending on housing and infrastructure. A consistent theme running through the Government's spending plans was support for jobs and training.

The Government has chosen to go hard and go early in its response. On the whole we think this was the right thing to do. The economy needs support, and this big spend-up reduces the risk that COVID-19 causes permanent damage.

But this approach is not without its risks. New Zealand has long been staring down the barrel of massive increases in Government spending due to the ageing population. That means future governments will either have to spend less or tax more. Taking on more debt now puts us in an even weaker position to deal with this challenge. We, and most other economists, expect interest rates to remain low for some time. But if interest rates were to unexpectedly rise, the debts being taken on today could become a very heavy burden to future taxpayers.

The increases in Government spending announced in the Budget were much higher than we or the RBNZ were expecting. That could help to accelerate the recovery in the economy, and provides scope for a further expansion in the RBNZ's bond buying program if required. This also raises questions about whether further reductions in the OCR will be necessary.

On this front, we are more downbeat on the longer-term outlook for inflation than either the RBNZ or the Treasury. Weak activity – here and abroad – means that inflation in New Zealand is set to remain low for a long time. We have already seen inflation lingering below 2% for most of the past decade, and inflation expectations have been slipping down to low levels. Even with a ramp up in fiscal spending, it's likely that further stimulus will be required to get inflation back to 2% on a sustained basis.

Round-up of local data released over the last week

Date	Release	Previous	Actual	Mkt f/c
Mon 11	Apr retail card spending	-4.6%	-46.8%	-50.0%
Wed 13	RBNZ Official Cash Rate	0.25%	0.25%	0.25%
	RBNZ Large Scale Asset Purchases	\$33bn	\$60bn	\$60bn
Thu 14	Mar net migration	8280	9700	-
Fri 15	Apr REINZ house sales	-13.4%	-77.5%	-
	Apr REINZ house prices %yr	9.2%	8.5%	-
	Apr manufacturing PMI	53.7	26.1	-

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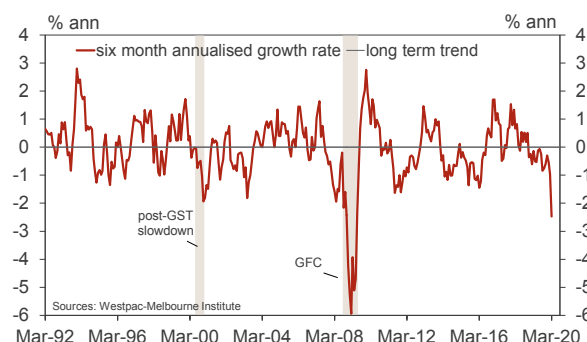
Data previews

Aus Apr Westpac-MI Leading Index

May 20, Last: **-2.47%**

- The Leading Index growth rate fell to -2.47% in March, a sharp drop consistent with a deepening economic impact from the Coronavirus pandemic. The March read was the most negative seen since the GFC, albeit still well above the extreme lows seen then and during recessions.
- The April read is set to be much weaker. There have been impressive rebounds in some components - the ASX 200 up 8.8% (vs -21.2% last month) and both the Westpac-MI Consumer Expectations Index and the Westpac-MI Unemployment Expectations Index more than reversing the deteriorations last month. And some other components have remained quite mixed - commodity prices down only slightly in AUD terms (-0.3%) and dwelling approvals down -4%. However, the update will be dominated by April's outsized decline in total hours worked - the 9.2% drop more than two and a half times larger than the biggest monthly variation seen in the forty years the data has been collected.

Westpac-MI Leading Index

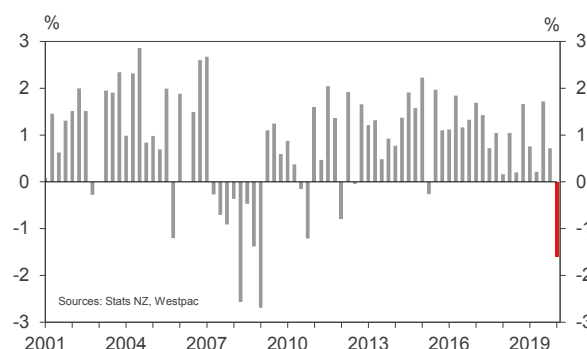


NZ Jan retail card spending

May 22, Last: **+0.7%, WBC f/c: -1.6%**

- Retail spending rose 0.7% in the December quarter. That followed a large 1.7% increase in September, which left us with a picture of firming spending growth through the back half of 2020.
- We expect that spending levels will drop by 1.6% in the March quarter. Monthly spending levels were essentially flat through January and February, before falling late in the quarter. During that time, efforts to contain the spread of COVID-19 and growing nervousness among households put the brakes on spending and saw many businesses prevented from trading for the last few days of the month. Areas like hospitality took a particularly large knock.
- Lockdown conditions only came into effect in late March. Spending will be much weaker in the June quarter.

NZ quarterly real retail sales



Key data & event risk for the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 18					
Aus	May 18 ABS household survey	-	-		- ABS special survey on job situation, lifestyle changes etc.
	May ABS economic measurement	-	-		- ABS special release on economic accounts (first issue).
NZ	Apr BusinessNZ PSI	52.0	-		- Likely to fall sharply vs Feb (survey not run in March).
Jpn	Q1 GDP	-1.8%	-1.1%		- To slip into recession, and a steeper fall likely in Q2.
Sing	Apr non-oil domestic exports %yr	17.6%	-5.0%		- Surge in March to unwind on low oil price and activity levels.
Thai	Q1 GDP %yr	1.6%	-3.8%		- Bank of Thailand has slashed its 2020 GDP forecast to -5.3%.
UK	May Rightmove house prices	-0.2%	-		- Housing market set to come under increasing pressure.
US	May NAHB housing market index	30	35		- Homebuilder confidence at lowest level in seven years.
	FOMC's Bostic	-	-		- To hold a discussion about the economy (04:00 AEST).
Tue 19					
Aus	May 2 ABS weekly payrolls	-	-		- Special release on impacts of COVID on jobs and wages.
	RBA minutes	-	-		- May provide a little more colour on views set out in SMP.
Jpn	Mar industrial production	-3.7%	-		- Final read. Prelim showed output was weak in all sectors.
Sing	Q1 GDP %yr	-2.2%	-2.3%		- Final read. A deeper shock expected for Q2.
Eur	May ZEW survey of expectations	25.2	-		- April saw a rebound from the collapse in March.
UK	Mar ILO unemployment rate	4.0%	4.6%		- Set to mark an abrupt turning point in labour market trend.
US	Apr building permits	-6.8%	-25.9%		- Both permits and housing starts are set to collapse...
	Apr housing starts	-22.3%	-21.9%		- ... amidst severe disruptions in April.
	Fed Chair Powell	-	-		- To testify before Senate Banking Committee (00:00 AEST)
	Fedspeak	-	-		- Kashkari (00:00 AEST) and Rosengren (04:00 AEST) to speak.
Wed 20					
Aus	Apr Westpac-MI Leading Index	-2.47	-		- To fall steeply, led by a deep contraction in hours worked.
NZ	GlobalDairyTrade auction	-0.8%	-		- WMP futures are pricing a 0% to 2% drop in auction prices..
Jpn	Mar machinery orders	2.3%	-6.8%		- Investment to weaken given the uncertain outlook.
Thai	Bank of Thailand policy decision	0.75%	0.50%		- BoT expected to provide policy easing.
Eur	Apr CPI	0.3%	0.3%		- Final read set to confirm soft price growth from the prelim.
	May consumer confidence	-22.7	-19.0		- Expected to fall to the lowest level in the survey's history.
UK	Apr CPI	0.0%	0.1%		- Price growth to remain stagnant.
US	FOMC Meeting Minutes	-	-		- Minutes for the April 29 FOMC Policy Meeting.
	FOMC's Bullard	-	-		- To take part in a discussion on the economy (02:00 AEST).
Can	Apr CPI %yr	0.9%	-		- Energy and transportation price growth have been weak.
Thu 21					
Aus	RBA Governor Lowe speaking	-	-		- 'The Regulators: Priorities Updated', online, 12.30 pm AEST.
NZ	RBNZ Chief Economist speaking	-	-		- Webinar on the May MPS by Chief Economist Yuong Ha.
Jpn	May Nikkei manufacturing PMI	41.9	-		- Japanese mfg and services sentiment ...
	May Nikkei Japan PMI Services	21.5	-		- ... is set to remain subdued for some time.
UK	May Markit manufacturing PMI	32.6	33.5		- Following a collapse in April, UK purchasing managers ...
	May Markit services PMI	13.4	15.0		- ... are expected to remain deeply pessimistic.
US	May Philly Fed index	-56.6	-40.0		- Expected to recover slightly from the 40yr low in April.
	Initial jobless claims	2981k	-		- Rate of job loss moderating, but remains at a high level.
	May Markit manufacturing PMI	36.1	37.8		- A gradual recovery looks likely ...
	May Markit services PMI	26.7	32.5		- ... from very weak levels.
	Apr leading index	-6.7%	-5.7%		- Labour market collapse has been a strong negative driver.
	Apr existing home sales	-8.5%	-18.4%		- Lockdowns in April will lead to a collapse in turnover.
	Fedspeak	-	-		- Williams (00:00), Clarida (03:00) and Chair Powell (04:30).
Fri 22					
NZ	Q1 real retail sales	0.7%	-	-1.6%	Confidence fell in Q1, lockdown started late in quarter.
Jpn	Apr CPI %yr	0.4%	0.2%		- Persistent problem of low inflation will only worsen ahead.
Europe	May Markit PMIs	-	-		- Flash services and mfg PMIs for Eurozone & Germany.
UK	Apr retail sales	-5.1%	-12.5%		- Expected to post a record monthly contraction.
	Apr public sector borrowing £bn	2.3	-		- Volume will increase as stimulus comes online.

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Economic & financial forecasts

Interest rate forecasts

Australia	Latest (15 May)	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Cash	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
90 Day BBSW	0.10	0.15	0.20	0.25	0.30	0.35	0.40	0.45
3 Year Bond	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3 Year Swap	0.21	0.35	0.35	0.40	0.40	0.45	0.50	0.55
10 Year Bond	0.91	0.75	0.80	0.85	0.90	1.00	1.10	1.20
10 Year Spread to US (bps)	28	15	15	15	15	20	20	20
US								
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	0.62	0.60	0.65	0.70	0.75	0.80	0.90	1.00
New Zealand								
Cash	0.25	0.25	0.25	-0.50	-0.50	-0.50	-0.50	-0.50
90 day bill	0.28	0.30	0.20	-0.20	-0.20	-0.20	-0.20	-0.10
2 year swap	0.12	0.20	0.10	0.00	0.00	0.00	0.10	0.20
10 Year Bond	0.64	0.75	0.80	0.80	0.85	0.90	1.00	1.10
10 Year spread to US	2	15	15	10	10	10	10	10

Exchange rate forecasts

	Latest (15 May)	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
AUD/USD	0.6454	0.62	0.64	0.66	0.68	0.68	0.69	0.70
NZD/USD	0.6013	0.59	0.61	0.61	0.63	0.64	0.65	0.66
USD/JPY	107.21	107	105	106	107	107	108	110
EUR/USD	1.0806	1.07	1.06	1.06	1.07	1.08	1.09	1.10
GBP/USD	1.2208	1.22	1.23	1.24	1.25	1.25	1.26	1.27
USD/CNY	7.1007	7.02	6.90	6.85	6.80	6.75	6.70	6.60
AUD/NZD	1.0775	1.05	1.05	1.08	1.08	1.06	1.06	1.06

Australian economic growth forecasts

	2019		2020					Calendar years			
	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	2018	2019	2020f	2021f
GDP % qtr	0.6	0.6	0.5	-0.7	-8.5	-0.6	5.2	-	-	-	-
%yr end	1.6	1.8	2.2	1.0	-8.2	-9.3	-5.0	2.2	2.2	-5.0	4.0
Unemployment rate %	5.2	5.2	5.2	5.2	8.8	8.9	7.6	5.0	5.2	7.6	6.3
CPI % qtr	0.6	0.5	0.7	0.3	-2.0	1.3	0.6	-	-	-	-
Annual change	1.6	1.7	1.8	2.2	-0.4	0.3	0.3	1.8	1.8	0.3	2.4
CPI trimmed mean: %qtr	0.4	0.4	0.5	0.5	0.0	0.3	0.3	-	-	-	-
% yr end	1.6	1.6	1.6	1.8	1.3	1.2	1.1	1.8	1.6	1.1	1.8

New Zealand economic growth forecasts

	2019		2020					Calendar years			
	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	2018	2019	2020f	2021f
GDP % qtr	0.0	0.8	0.5	-1.0	-16.0	13.0	1.5	-	-	-	-
Annual avg change	2.9	2.7	2.3	1.6	-2.8	-4.7	-6.3	3.2	2.3	-6.3	4.7
Unemployment rate %	4.0	4.1	4.0	4.2	9.5	8.5	7.7	4.3	4.0	7.7	7.1
CPI % qtr	0.6	0.7	0.5	0.8	-0.4	0.8	0.2	-	-	-	-
Annual change	1.7	1.5	1.9	2.5	1.6	1.6	1.3	1.9	1.9	1.3	1.0

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