



Weekly Economic Commentary.

Return of the cash rate?

The Reserve Bank has left its monetary policy settings unchanged for now, to support the economy through its post-Covid recovery. But markets were surprised by the extent of OCR hikes that were projected in the coming years.

Last week's Monetary Policy Statement was similar in tone to recent Reserve Bank statements. The New Zealand economy has rebounded strongly from last year's Covid-19 lockdowns, but it remains below its full potential, and policy support will be needed for some time. The Official Cash Rate remains at a record-low 0.25%, and the unconventional policy measures that the RBNZ introduced last year remain in place.

However, we were surprised by the RBNZ's guidance on future monetary policy settings. For one, the RBNZ published a forward track for the OCR for the first time in a year. The fact that multiple policy tools have been in play has made it harder to convey the overall stance of monetary policy over the last year. In previous statements the RBNZ has instead published an 'unconstrained OCR', which is meant to reflect the combined impact of these policy tools in OCR-equivalent terms (and assuming that the OCR was able to go below zero). With economic conditions improving, the RBNZ's unconstrained OCR track would have eventually risen above

0.25% anyway, so it makes sense to go back to expressing the policy stance purely in OCR terms.

The RBNZ's projection suggested that OCR hikes could begin by the September quarter next year. That was in line with the views of many analysts, and with financial market pricing. Since then, markets have leapfrogged the RBNZ's projections and have started to price a hike as early as next May. That is, however, much earlier than our forecast of an early 2024 start to OCR hikes.

That's despite some activity and inflation forecasts that look quite similar to our own. It's widely accepted that the inflation rate will spike higher this year, but the RBNZ continues to regard this as due to temporary factors, and by the middle of next year it expects inflation to drop to as low as 1.5%. GDP slowed over the summer period, reflecting the absence of international tourists, but is expected to pick up strongly over the rest of this year.



The RBNZ now expects bottlenecks related to skills shortages due to lower numbers of migrant workers. New Zealand historically has been reliant on skilled overseas workers to fill specialist roles. The forecast for wage growth is expected to pick up substantially even as unemployment only falls at a very slow rate. This pickup in wage inflation is then expected to lead to an increase in demand and inflation generally which then requires tighter monetary policy.

We don't think the evidence supports such a change in view on the labour market. At the moment we see more spare capacity in the labour market as a whole, even if pressures are cropping up in particular sectors. As a result, it is likely that unemployment can fall further from current levels without exacerbating wage pressures.

What we believe are not driving the projected increases of the OCR are short term inflationary pressures and the Government's change in the RBNZ remit with regards to house prices. Short term inflationary pressures that are present are more driven by supply constraints, which the RBNZ usually looks through. In addition, everyone is aware that the inflation so far has been driven by low base effects. Although house prices have been rising, this is also not a reason for the RBNZ raising the OCR. The addition of sustainable house prices to the RBNZ's Remit is to consider how monetary policy affects house prices and it has not been added as a target for the RBNZ. In the statement, the RBNZ had noted that they were satisfied how changes to tax policies and migration are expected to dampen house price growth.

Another important release from the RBNZ were mortgage lending figures for April. This was important as it was the first full month since the Government announced changes to the tax treatment of property investors. The data showed that there was minimal change in the total volume of lending in seasonally adjusted terms. Looking at the details, the volume of loans lent to investors fell whereas owner occupiers rose. This indicates some early success with the government's goal of levelling the playing field between owner occupiers

and investors. It also illustrates the willingness of owner occupiers to replace investors and pay current market prices. The willingness of owner occupiers to purchase houses at these prices suggests upside risk to our forecast for house prices to flatten off over the rest of this year. In our view the Government's recent announcement is not the biggest hurdle the housing market faces, but rather when mortgage rates are expected to rise in coming years.

A big beneficiary of rising house prices has been retail sales, which was up 2.5% in the March quarter driven by continued strength in durables. Despite retail sales being much higher than the average market estimate, this did not materially change our outlook for the March quarter GDP as we were the only ones forecasting an increase. We also estimate that the retail survey result translates to 0.7% quarterly growth in GDP terms.

Current estimate for March quarter GDP sits at 0.0% but this could easily go either higher or lower. Recent indicators have been rather mixed, for example forestry indicated strong activity whereas mining was weak. We'll finalise our forecast in the next few weeks as more details arrive.

Dairy, which has been a recent engine for growth, also showed some strength. Fonterra announced an \$8.00/kg midpoint for next season, which is in line with our estimates. However, the provided range was quite wide, which was prudent given the price volatility that is inherent in global dairy markets. However, we were surprised when Fonterra downgraded the mid-point of their forecast for milk prices to \$7.60/kg from \$7.55/kg for the 2020/21 season. This suggests that Fonterra hasn't been able to lock in recent strong auction prices for this season's production.

Gregorius Steven, Economist

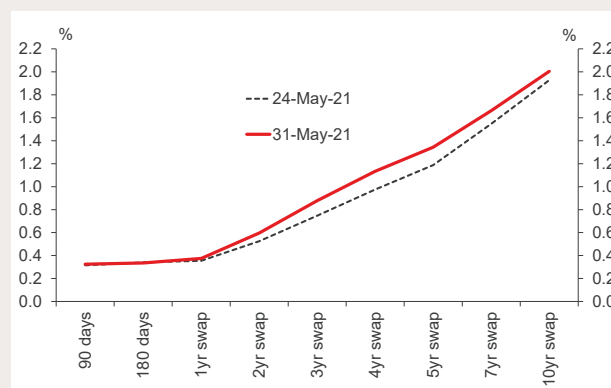
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Fixed vs floating for mortgages.

We expect that floating rates, and shorter fixed-term rates, will be stable over the coming months. Inflation is set to spike higher this year, but the Reserve Bank will not need to respond to this.

Longer-term interest rates are now rising in response to the improved economic outlook. Based on our forecasts, taking a longer-term fixed rate (three to five years) will still be less expensive for borrowers than taking a short-term rate now and refixing later. However, the advantage is narrowing.

NZ interest rates



The week ahead.

NZ May ANZBO business confidence (Final)

May 31, Last (Preliminary May): 7.0

- Business confidence and expectations of own activity continued to firm in May. Recent economic news has also been positive.
- The final release of the May business survey will give us a closer look at the breakdown of conditions across industries. Over the past month, economic conditions have been boosted by the establishment of the Trans-Tasman travel bubble. The Budget also came out since the preliminary result was released.
- Underlying inflation gauges will continue to be an area worth watching. Inflation expectations rose to 2.2% in the preliminary read, continuing the uptrend seen in recent months.

NZ business confidence

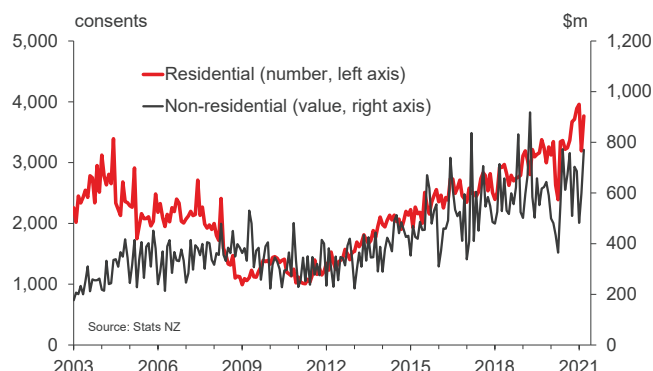


NZ Apr residential building consents

Jun 1, Last: +17.9%, Westpac f/c: -7.5%

- Residential consent issuance rose 18% in March taking annual issuance levels to an all time high. That been supported by a lift in medium density dwellings, along with continued firmness in consents for standalone homes.
- We expect that monthly issuance will ease by 7.5% in April. That's due to an expected pullback in the 'lumpy' apartment category after last month's strong rise. But underlying this is a picture of very solid demand in the residential construction sector. We expect that annual consent issuance will broach fresh record highs in April.

NZ building consents

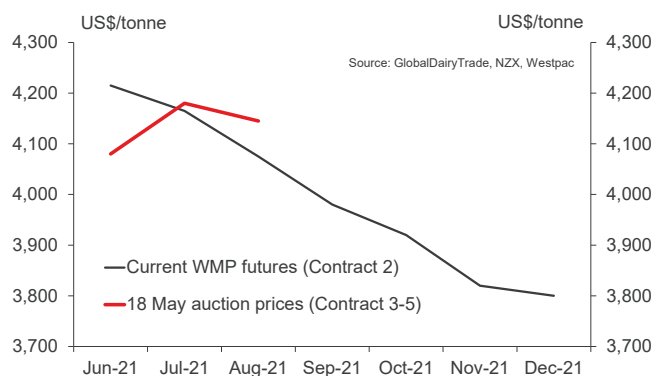


NZ GlobalDairyTrade auction, whole milk powder prices

Jun 2, Last: -0.2%, Westpac: No change

- We expect whole milk powder prices to largely track sideways at the upcoming dairy auction, continuing the flat trend of recent auctions (prices fell 0.2% in the previous auction).
- Our pick is roughly in line with current futures market pricing.
- With the New Zealand winter now upon us, we expect dairy auction prices to drift higher until the new season kicks off in earnest in the spring.

Whole milk powder prices



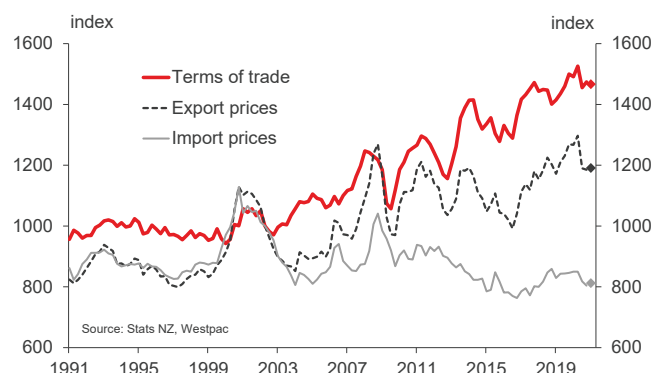
The week ahead.

NZ Q1 terms of trade

Jun 2, Last: 1.3%, Westpac: -0.5%

- We expect the terms of trade to dip a touch over the March quarter.
- We expect that the surge in oil prices over the quarter (of circa 20%) will be enough to offset rising export prices. Also, the spike in dairy export prices will not be reflected in trade data until the June quarter.
- However, we expect that over the remainder of 2021, surging dairy and other agricultural export prices will see New Zealand's terms of trade lift to record high levels.

NZ terms of trade

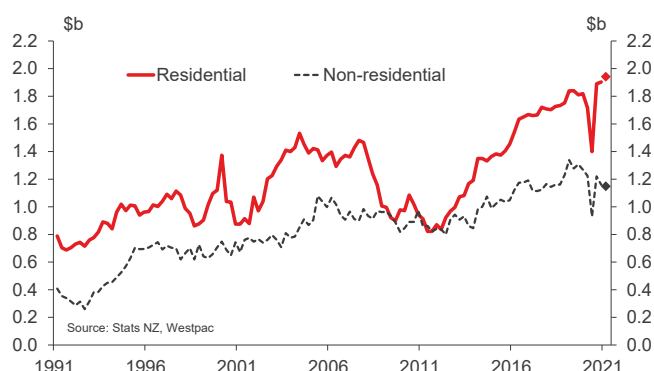


NZ Q1 building work put in place

Jun 4, Last: -1.5%, Westpac f/c: +1.0%

- Total construction activity fell by 1.5% in the December quarter. That was due to a 4.9% fall in non-residential construction. There was also a smaller than expected rise in residential building, up 0.7%.
- We're forecasting a further 1% rise in the March quarter. That's underpinned by an expected 2% rise in residential building work as the demand for new homes continues to surge. Non-residential building activity is expected to post another modest fall.
- The risks around our forecasts mainly relate to timing. Construction activity is on the rise. However, many construction firms have reported difficulties sourcing materials and staff in recent months. That may have put the brakes on building activity even as demand has surged.

NZ real building work put in place



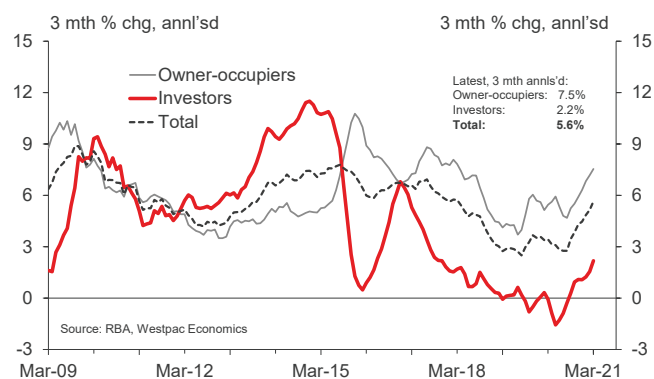
Aus Apr private credit

May 31, Last: 0.4% WBC f/c: 0.4%

Mkt f/c: 0.4%, Range: 0.3% to 0.4%

- Credit to the private sector is emerging from the period of softness associated with the covid recession. An improving trend is evident in 2021 and is set to continue as the economy reopens and is supported by substantial policy stimulus.
- Credit grew by 0.4% in the month of March. The annual pace slowed to 1.0%, representing the low point in the cycle and compares with the GFC cycle low of 0.8%yr.
- For April, we expect a 0.4% gain and annual growth of 1.4%.
- Housing credit grew by 0.54% in March with the sector in a strong upswing, responding to record low rates and government incentives.
- Business credit is turning the corner, posting a 0.3% gain in March to still be lower over the year, down by 2.6%. Businesses are optimistic and are taking advantage of generous tax incentives for investment spending.

Aus housing credit



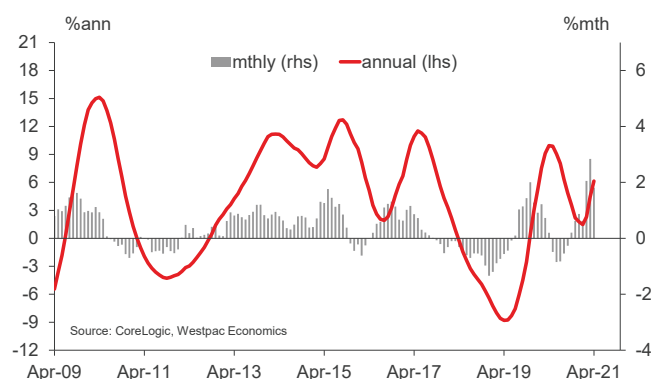
The week ahead.

Aus May CoreLogic home value index

Jun 1, Last: 1.8%, WBC f/c: 2.2%

- Australian house prices continued to surge strongly in April, albeit at a slower rate than the blistering pace seen in March. The CoreLogic home value index rose 1.8% to be up 9.5% from Sep's low – a strong gain by most measures but a moderation compared to March's blistering 2.8% gain. The surge is also notable for its breadth – over 85% of the 90-odd detailed sub-categories covered recording gains running at a double-digit annualised pace over the last six months and none recording declines.
- This strength has carried into May, the CoreLogic daily index pointing to another big 2.2% gain nationally, Sydney tracking towards a 3% rise.

Aus dwelling prices



Aus Apr dwelling approvals

Jun 1, Last: 17.4%, WBC f/c: -10.0%

Mkt f/c: -10.0%, Range: -21.0% to -2.0%

- Dwelling approvals posted another very strong surge in March, up 17.4% to the second highest monthly level since the early 1980s, up 47.4%yr with gains across most segments. That said, much of the surge undoubtedly comes back to the Federal government's HomeBuilder scheme which ended in March.
- This boost will unwind in coming months with approvals potentially falling very sharply. HIA new home sales plunged 54% in Apr after a 90% spike in March and wild moves in previous months. It remains highly uncertainty about how these extreme swings translate to dwelling approvals with no clear pattern so far other than moves in approvals being smaller. We expect approvals to show a 10% drop, assuming some 'smoothing' in this volatility but the pull-back could be decidedly steeper (a 10% fall will still leave approvals 35% above their pre-COVID level).

Aus dwelling approvals



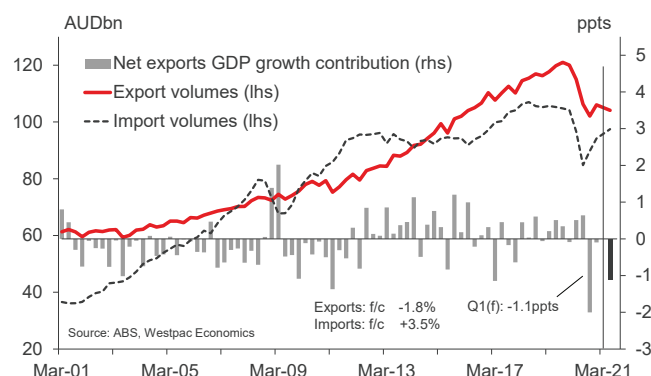
Aus Q1 net exports, ppts cont'n

Jun 1, Last: -0.1, WBC f/c: -1.1

Mkt f/c: -1.2, Range: -1.7 to 0.0

- For the 2020 year, net exports subtracted 0.8ppts, including a 2.1ppts drag over the second half of the year.
- The March quarter 2021, has seen a further sizeable subtraction, we estimate in the order of -1.1ppts.
- Imports continued their recovery in response to the bounce back in domestic demand, up around 3.5% in the quarter. That still leaves imports some 6½% below pre-covid levels.
- Exports, by contrast, disappointed, down by almost 2% in the quarter we estimate and some 13% below pre-covid levels. Mixed global demand, the closed national border impacting services and domestic supply disruptions denting resource shipments (weather and maintenance work) are headwinds.

Aus net exports



The week ahead.

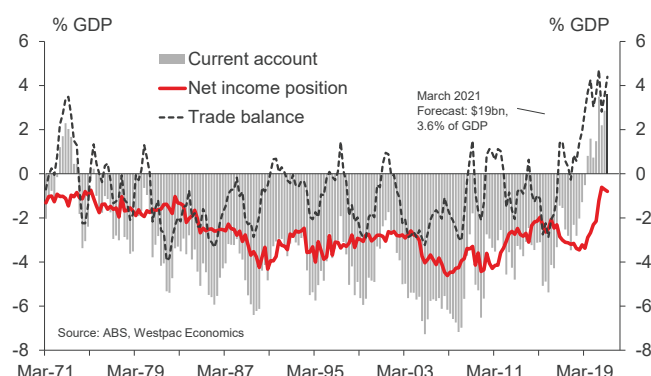
Aus Q1 current account, AUDbn

Jun 1, Last: 14.5, WBC f/c: 19.0

Mkt f/c: 17.7, Range: 16.0 to 20.9

- The current account surplus is forecast to widen from \$14.5bn in Q4 to \$21bn in Q1, representing around 3.6% of GDP.
- The trade surplus rose from around \$18bn to about \$23bn, a near historic high, boosted by a jump in the terms of trade, up by an estimated 8% to 8½%, on higher commodity prices.
- Alongside this, the net income deficit has shrunk to low levels, at \$3.6bn for Q4, well down from \$10bn plus a year earlier. We expect a broad consolidation in Q1, at about \$4bn.

Aus current account



RBA policy decision

Jun 1, Last: 0.1%, WBC f/c: 0.1%

Mkt f/c: 0.1%, Range: 0.1% to 0.1%

- The Reserve Bank Board meets on June 1. The minutes of the May meeting confirmed that the Board will decide on the next stage of its Yield Curve Control and Quantitative Easing policies at its July meeting. As such, the June meeting will be one of 'marking time' and discussing the recent run of data.
- The May minutes noted that recent data and financial conditions will be factors influencing the decisions in July. Westpac expects the Board to extend the QE policy by a further \$100 billion beginning in September and to switch the target bond in the YCC policy from April 2024 to Nov 2024.
- This view is based on the expectation that the Board will be committed to monetary stimulus (reducing QE or restricting YCC to the April bond are akin to tightening policy) for the remainder of 2021. Despite more promising signs around momentum there is still much to achieve the Bank's objectives of full employment and its inflation target.

RBA cash rate and 3 year bonds



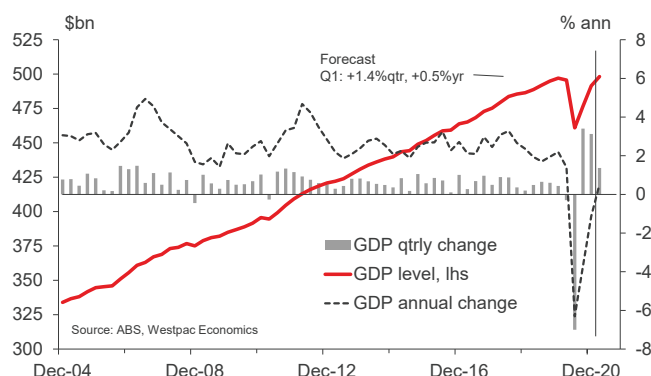
Aus Q1 GDP

Jun 2, Last: 3.1%qtr, -1.1%yr, WBC f/c: 1.4%qtr, 0.5%yr

Mkt f/c: 1.1%qtr, Range: 0.5%qtr to 1.8%qtr

- The recovery hit some turbulence early in 2021, after the strong rebound in Q3, 3.4%qtr, and Q4, 3.1%qtr, -1.1%yr.
- Our forecast is for activity to lift by 1.4% in Q1, supported by substantial policy stimulus, a further relaxation of covid restrictions, but buffeted by a few snap short lock-downs. Floods in NSW and Qld were a factor, denting coal exports.
- The arithmetic of our Q1 GDP forecast is: domestic demand +2.1%; total inventories +0.3ppts; and net exports -1.1ppts.
- Consumer spending is a key uncertainty – forecast to be up 1.6%. Retail, which was strong, fell in Q1, -0.5%, hit by the mini lock-downs. A strong showing from services is likely, particularly recreational and personal, as restrictions eased. The wrinkle, a lack of reliable partial indicators on services.

Aus GDP



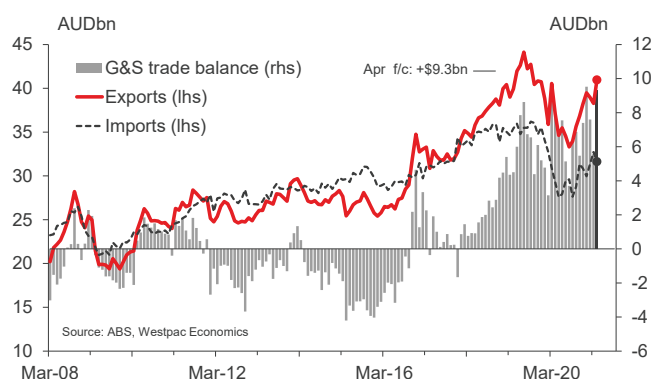
The week ahead.

Aus Apr trade balance, AUDbn

Jun 3, Last: 5.6, WBC f/c: 9.3
Mkt f/c: 8.0, Range: 5.0 to 10.0

- The trade surplus is forecast to widen to \$9.3bn in April, up from \$5.6bn for March, just short of January's record high, \$9.5bn.
- Notably, export earnings strengthened over the past year, boosted by higher commodity prices, particularly iron ore.
- The export uptrend likely resumed in April, up a forecast 7%, \$2.7bn, after a brief dip over the past two months. Commodity prices made further sizeable gains in the month, +3.4%, to be 12% higher than in December. Coal shipments resumed, after the hit from flooding across NSW and parts of Qld in March.
- Imports, after back-to-back strong gains, 4.7% and 4.3%, are expected to pull-back, -3.3%, -\$1.1bn. The underlying trend, goods imports are recovering as the economy reopens.

Aus trade balance

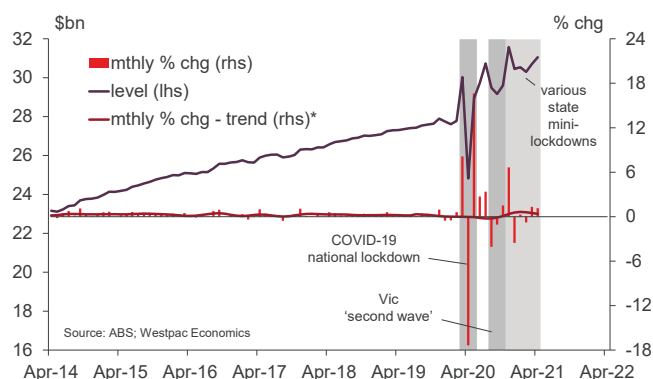


Aus Apr retail trade

Jun 3, Last: 1.3%, WBC f/c: 1.1%
Mkt f/c: 1.1%, Range: 0.1% to 1.2%

- Preliminary estimates showed another firm 1.1% gain in April following a 1.3% rise in March and a patchy start to the year. The gain was led by NSW and Vic, both up 2% with sales flat across the rest of Aus. By store-type, cafes and restaurants were a standout, recording a 2.5% rise.
- The final release may see slight revisions and will include the full survey detail – sales by storetype, state, firm size and online vs in store.
- Stepping back from the monthly moves, retail has had a soft, patchy start to 2021 with a string of 'mini lockdowns' affecting several states and signs that 'catch-up' spending may be starting to wane. The further relaxation of COVID restrictions (outside of periodic lockdowns) may also be starting to see a rotation of spending away from retail back to non-retail segments.

Aus monthly retail sales

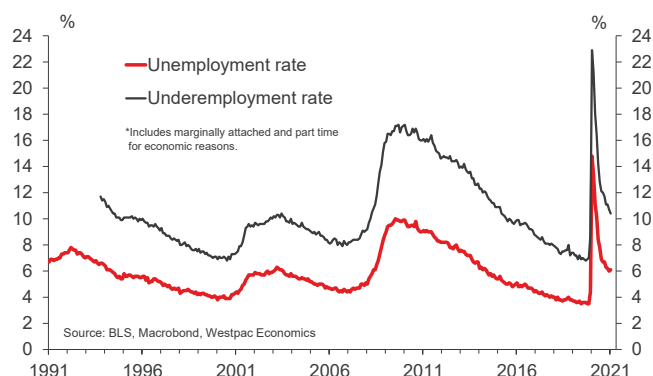


US May employment report

Jun 4, nonfarm payrolls last: 266k, WBC: 800k
Jun 4, unemployment rate: 6.1%, WBC: 6.0%

- The Apr nonfarm payrolls outcome stunned all market participants, coming in at roughly one quarter of the market consensus forecast. The supply of labour was clearly a factor; however, as the participation rate rose in the month, not the only one at play.
- We expect a strong rebound in employment in May with follow through in coming months. The US is still more than 8 million jobs shy of the level seen prior to the pandemic, and the economy is opening quickly as the vaccine drive takes effect. To our 800k call for May, there is arguably upside risk. This is also the case with respect to revisions to Apr.
- As more people come back to the labour market, the downtrend in the unemployment rate will slow. In May we only expect an incremental fall.

US jobs market

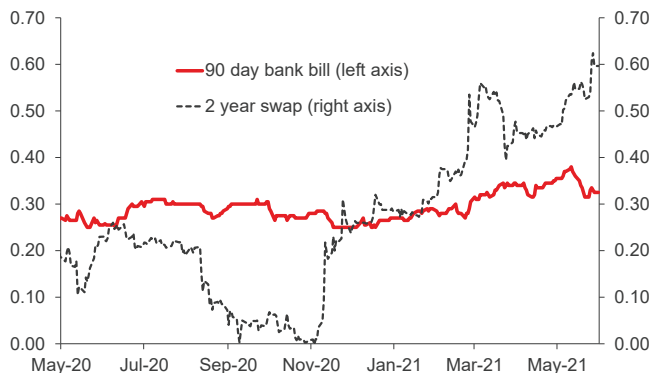


New Zealand forecasts.

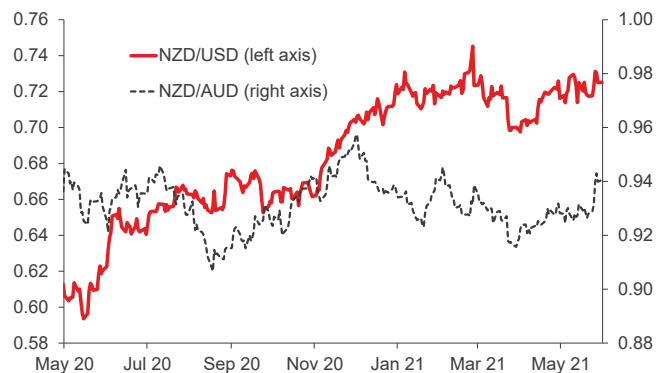
Economic forecasts	Quarterly				Annual			
	2020	2021						
% change	Dec (a)	Mar	Jun	Sep	2019	2020	2021f	2022f
GDP (Production)	-1.0	0.0	1.2	0.5	2.4	-2.9	4.2	4.4
Employment	0.6	0.5	0.1	0.4	1.2	0.8	1.4	2.1
Unemployment Rate % s.a.	4.9	4.7	4.7	4.6	4.1	4.9	4.5	4.1
CPI	0.5	0.8	0.5	0.8	1.9	1.4	2.4	1.4
Current Account Balance % of GDP	-0.8	-1.9	-2.9	-3.6	-3.3	-0.8	-3.7	-2.7

Financial forecasts	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
Cash	0.25	0.25	0.25	0.25	0.25	0.25
90 Day bill	0.35	0.35	0.35	0.35	0.35	0.35
2 Year Swap	0.45	0.45	0.45	0.50	0.55	0.60
5 Year Swap	1.10	1.15	1.20	1.25	1.30	1.35
10 Year Bond	1.75	1.80	1.90	2.00	2.10	2.20
NZD/USD	0.73	0.73	0.74	0.76	0.76	0.76
NZD/AUD	0.92	0.91	0.90	0.89	0.89	0.89
NZD/JPY	79.6	80.3	82.1	85.1	84.4	84.4
NZD/EUR	0.61	0.60	0.60	0.61	0.60	0.60
NZD/GBP	0.52	0.52	0.52	0.54	0.54	0.54
TWI	75.6	74.9	75.0	76.1	75.7	75.5

2 year swap and 90 day bank bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on 31 May 2021

Interest rates	Current	Two weeks ago	One month ago
Cash	0.25%	0.25%	0.25%
30 Days	0.27%	0.27%	0.26%
60 Days	0.30%	0.32%	0.31%
90 Days	0.33%	0.36%	0.36%
2 Year Swap	0.60%	0.55%	0.47%
5 Year Swap	1.34%	1.24%	1.07%

NZ foreign currency mid-rates as at 31 May 2021

Exchange rates	Current	Two weeks ago	One month ago
NZD/USD	0.7252	0.7238	0.7170
NZD/EUR	0.5947	0.5961	0.5958
NZD/GBP	0.5112	0.5136	0.5188
NZD/JPY	79.67	79.12	78.29
NZD/AUD	0.9403	0.9301	0.9293
TWI	75.33	75.36	74.96

Data calendar.

		Last	Market median	Westpac forecast	Risk/Comment
Mon 31					
NZ	May ANZ business confidence	7.0	-	-	Sentiment continuing to firm.
Aus	Apr private sector credit	0.4%	0.4%	0.4%	Improving - housing upswing & business has turned the corner.
	May MI inflation gauge	2.3%	-	-	Gained 0.8% in last 2 months lifting annual pace to 2.3%yr.
Chn	May non-manufacturing PMI	54.9	55.1	-	Recent stronger outcomes in services PMI indicate that...
	May manufacturing PMI	51.1	51.2	-	...the sector is catching up and the recovery is balancing out.
US	Memorial Day	-	-	-	Public holiday. Unofficial start of summer.
Tue 01					
NZ	Apr building permits	17.9%	-	-7.5%	Pullback after last month's large rise, annual still strong.
Aus	May CoreLogic home value index	1.8%	-	2.2%	Another strong price gain as boom continues.
	Apr dwelling approvals	17.4%	-10.0%	-10%	HomeBuilder rush to end. Approvals near 40yr highs in March.
	Q1 company profits	-6.6%	3.5%	3.5%	Up, economy rebounding but drag from policy taper.
	Q1 inventories	0.0%	0.4%	1.0%	Emerging inventory rebuild, after covid shock.
	Q1 net exports, ppts cont'n	-0.1	-1.2	-1.1	Sizeable drag, imports recover further, exports slip.
	Q1 current account balance, AUDbn	14.5	17.7	19.0	A record 8th consecutive surplus. Up on higher commodity prices.
	Q1 public demand	1.0	-	1.3	Expanding at a brisk clip, including health response to covid.
	RBA policy decision	0.1%	0.1%	0.1%	RBA to make calls on QE & YCC - but at the July meeting.
Chn	May Caixin China Mfg PMI	51.9	52.0	-	Sentiment upbeat, but signs of supply chain disruptions.
Eur	Apr unemployment rate	8.1%	8.1%	-	Relative health of labour market points to strong H2 rebound.
	May CPI %yr	1.6%	1.9%	-	Base effects to drive year-end figures; underlying pace muted.
US	Apr construction spending	0.2%	0.6%	-	Res. continues to be the source of strength; non-res. lagging.
	May ISM manufacturing	60.7	61.0	-	Eased off in Apr on slowing growth in new orders and output.
	May Dallas Fed index	37.3	36.5	-	Prices paid component has surged ahead in recent months.
	Fedspeak	-	-	-	FOMC's Quarles and Brainard to speak.
Wed 02					
NZ	GlobalDairyTrade auction (WMP)	-0.2%	-	0.0%	Dairy prices treading water at high levels.
	Q1 terms of trade	1.3%	-	-0.5%	Oil price surge leads terms of trade down temporarily.
Aus	Q1 GDP	3.1%	1.1%	1.4%	Recovery continues on reopening, but snap lock-downs a drag.
	RBA speak	-	-	-	RBA's Jones, Head of Economic Analysis, speaks in Canberra.
	RBA speak	-	-	-	RBA's Debelle, Bullock to appear before Senate Estimates.
Eur	Apr PPI %yr	4.3%	7.6%	-	Market will be watching PPI for signs of upstream pressures.
US	Federal Reserve's Beige book	-	-	-	To give an update on conditions across the Fed districts.
	Fedspeak	-	-	-	FOMC's Harker, and Evans, Bostic & Kaplan to speak.
Thu 03					
NZ	May ANZ commodity prices	-	-	-	Meat prices are coming to the agricultural export price party.
Aus	Apr trade balance, AUDbn	5.6	8.0	9.3	Surplus widens. Export uptrend resumes, imports off highs.
	Apr retail sales	1.1%	1.1%	1.1%	Preliminary estimates show firming after shaky start to 2021.
	May AiG PCI	59.1	-	-	Down 2.7pts from March record high - HomeBuilder program key.
Chn	May Caixin China PMI services	56.3	56.0	-	Services have printed 12 consecutive months of expansion.
US	May ADP employment change	742k	700k	650k	Out of sync with official measure.
	Initial jobless claims	406k	-	-	Continue to grind lower as labour market slack is absorbed.
	May ISM non-manufacturing	62.7	63.0	-	Brisk rebound on stimulus and vigorous consumer spending.
	Fedspeak	-	-	-	FOMC's Bostic, Harker and Quarles to speak.
Fri 04					
NZ	Q1 building work put in place	-1.5%	-	1.0%	Firmer residential activity offsetting cooling in non-res.
Aus	Apr housing finance approvals	5.5%	-	3%	Investors to lift strongly as owner occupiers slow.
Eur	Apr retail sales	2.7%	-1.0%	-	Success on vaccine/infection count will be supportive.
US	May non-farm payrolls	266k	663k	800k	Strength should return in May after shock Apr read.
	May unemployment rate	6.1%	5.9%	6.0%	Participation will get in way of U/E downtrend.
	May average hourly earnings %mth	0.7%	0.2%	0.3%	Likely to remain choppy month to month for a while yet.
	Apr factory orders	1.1%	0.5%	-	Showing robust growth, but weighed down by transport.
	Fed Chair Powell	-	-	-	To take part in BIS panel on climate with ECB's Lagarde.

International forecasts.


Economic Forecasts (Calendar Years)	2017	2018	2019	2020f	2021f	2022f
Australia						
Real GDP %/yr	2.4	2.8	1.9	-2.4	5.2	3.6
CPI inflation %/yr	1.9	1.8	1.8	0.9	2.2	1.8
Unemployment rate %	5.5	5.0	5.2	6.8	5.0	4.7
Current account % of GDP	-2.6	-2.1	0.7	2.5	3.5	1.9
United States						
Real GDP %/yr	2.3	3.0	2.2	-3.5	6.5	4.1
CPI inflation %/yr	2.1	2.4	1.9	1.2	2.9	2.1
Unemployment rate %	4.4	3.9	3.7	8.1	5.3	4.3
Current account % of GDP	-2.3	-2.3	-2.6	-2.5	-2.4	-2.4
Japan						
Real GDP %/yr	1.7	0.6	0.3	-4.8	2.7	2.1
Euro zone						
Real GDP %/yr	2.6	1.9	1.3	-6.6	4.2	4.0
United Kingdom						
Real GDP %/yr	1.7	1.3	1.4	-9.9	5.5	5.5
China						
Real GDP %/yr	6.9	6.7	5.8	2.3	10.0	5.7
East Asia ex China						
Real GDP %/yr	4.7	4.4	3.7	-2.4	4.8	4.9
World						
Real GDP %/yr	3.8	3.6	2.8	-3.3	5.9	4.5
Forecasts finalised 7 May 2021						

Interest rate forecasts	Latest	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Australia								
Cash	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
90 Day BBSW	0.04	0.05	0.07	0.09	0.10	0.10	0.10	0.10
10 Year Bond	1.70	1.85	1.95	2.10	2.20	2.30	2.40	2.50
International								
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	1.62	1.75	1.85	2.00	2.10	2.20	2.30	2.40

Exchange rate forecasts	Latest	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
AUD/USD	0.7746	0.79	0.80	0.82	0.85	0.85	0.85	0.85
USD/JPY	109.86	109	109	110	111	111	111	110
EUR/USD	1.2188	1.21	1.21	1.23	1.25	1.26	1.27	1.27
GBP/USD	1.4199	1.40	1.40	1.41	1.41	1.41	1.42	1.42
USD/CNY	6.3685	6.40	6.30	6.20	6.15	6.10	6.05	6.00
AUD/NZD	1.0652	1.08	1.10	1.11	1.12	1.12	1.12	1.12

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