

Australian Economic Perspectives

Foreign buying a key driver of (new) housing boom

Economics

Australia

FIRB approved investment in housing doubled y/y in 13/14 to record \$34.7bn

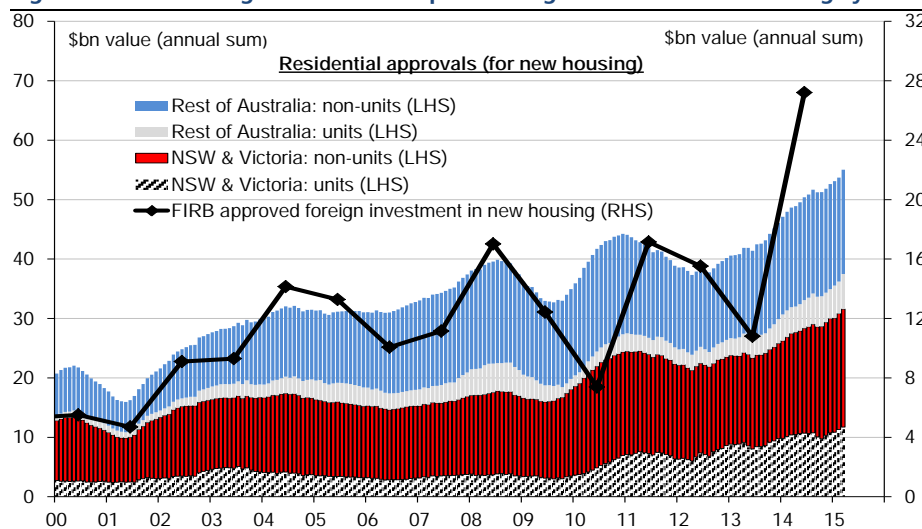
The value of FIRB approved applications for foreign investment in housing doubled (+102% y/y) in 13/14 to a record high \$34.7bn. Within this, the majority 78% share was directed to new housing at \$27.2bn (spiking 152% y/y) – of which a 79%+ share was concentrated in NSW and Victoria alone. While it's unknown what proportion of these (gross) approvals actually 'transact' – when compared to ABS residential building approvals of \$50.4bn – the FIRB data implies the 'foreign share' of new housing investment recently surged to a record high ratio, well above its long-run average.

Importantly, more recent Government policy changes introduced new fees on foreign investment. In Feb-15, the Federal Government announced a nation-wide application fee of \$5k for properties priced <\$1mn, or \$10k if >\$1mn. This week, the Victorian Government announced an additional 3% stamp duty for foreigners plus a 0.5% land tax surcharge. However, we expect these policies are likely to only modestly diminish the otherwise strong underlying foreign demand for Australian housing – given the key drivers likely remain a desire for diversification & prospective capital gains.

Overall, we still forecast 2015 dwelling commencements to hit a record high of 200k. Notably, the uptrend of ABS approvals to a record 230k suggests upside risk; but in contrast suggesting less buoyancy is the drop in 'time to buy a dwelling' sentiment to below its average level. Importantly, we find cycles of foreign investment in housing historically had a remarkably close coincident relationship with swings in the trend of ABS building approvals – albeit foreign investment in 13/14 spiked well above the normal ratio, meaning it is an increasingly key driver of Australia's (new) housing boom.

Week ahead: The 15/16 Commonwealth Budget is likely to deteriorate again. Data wise, apart from strong Mar home loans, the tone should be relatively soft with weak Q1 wages, lower Apr NAB biz conditions & flat biz confidence. The WA Budget is due. Offshore, we expect Apr US retail sales to rise modestly but IP should fall, while Apr CH IP may rebound & EU Q1 GDP should be better. The BOE should remain on hold.

Figure 1: Lift in foreign investment a positive sign for Australia's housing cycle



Source: ABS, FIRB, UBS

Scott Haslem

Economist

scott.haslem@ubs.com

+61-2-9324 3663

George Tharenou

Economist

george.tharenou@ubs.com

+61-2-9324 3520

Data week 11th – 15th May

Monday

NAB business survey (Apr)

Tuesday

Commonwealth Budget (2015/16)

Home loans (Mar)

Wednesday

Wage price index (Q1)

Thursday

Western Australia Budget (2015/16)

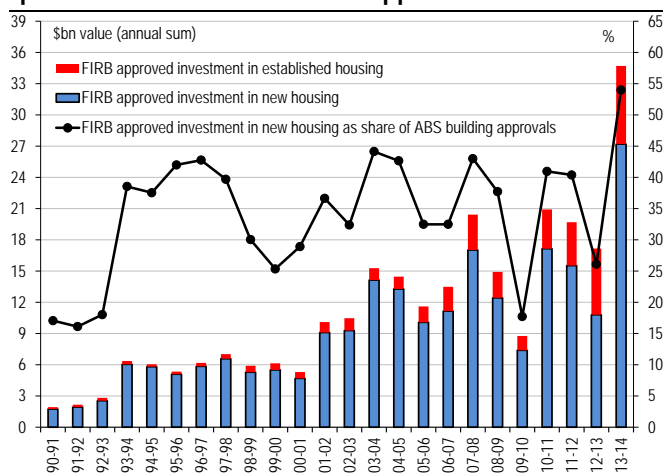
Friday

Finance commitments (Mar)

Foreign buying key driver of (new) housing boom

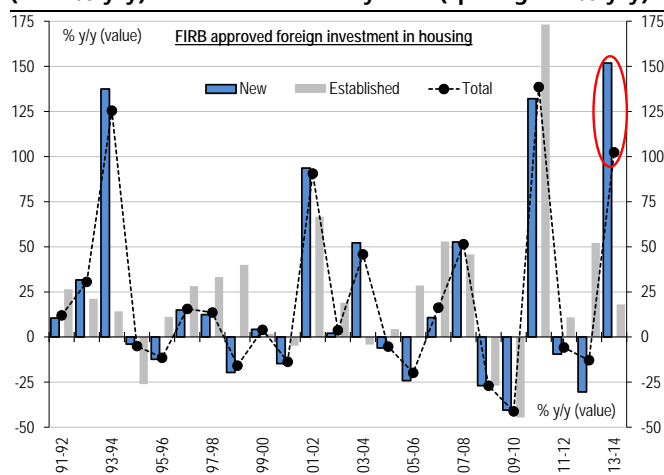
The value of applications approved by the Foreign Investment Review Board (FIRB) for foreign investment in Australia's housing market doubled (+102% y/y) in 13/14 to a record high level of \$34.7bn. Within this, the majority (78%) remains directed to new housing at \$27.2bn (up an even stronger 152% y/y, Figures 1-4); while established (i.e. existing) housing at \$7.5bn had a much smaller 22% share (and increased a less strong 18% y/y, albeit also to a record high level).

Figure 2: FIRB approved investment in new housing spiked to a record share of ABS approvals in 13/14



Source: FIRB, ABS, UBS

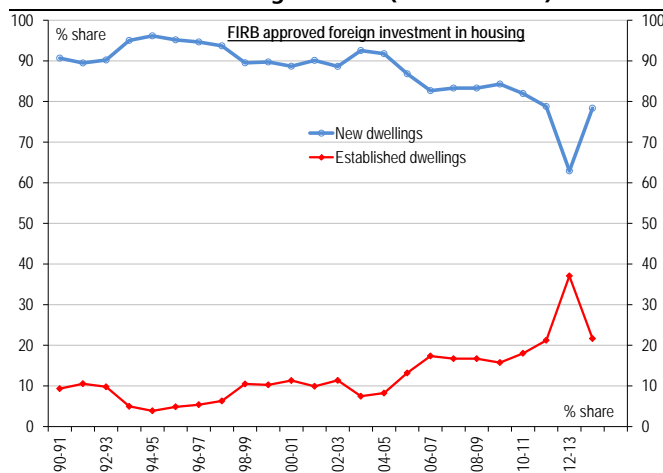
Figure 3: FIRB approved investment in housing doubled (+102% y/y) in 13/14 – driven by new (spiking 152% y/y)



Source: FIRB, ABS, UBS

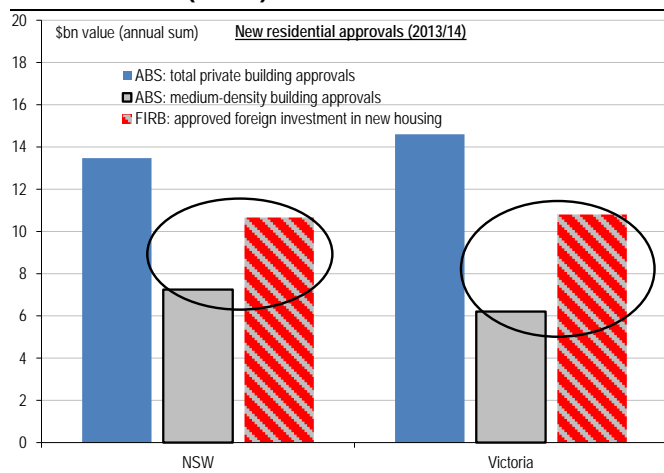
This \$34.7bn of FIRB approved foreign investment compares with ABS data on the value of residential buildings for new housing approved (by local Australian councils/Governments) of \$50.5bn in 13/14 (+22% y/y). This implies that the 'foreign share' of new housing investment last year surged to a record high of 54%, to well above its long-run ~40% average (Figure 2 again). So while Australia has a long history of foreign investment in housing, there was a material uplift recently. However, we argue this ratio has to overstate the reality of foreigners share, given FIRB data is only available for 'applicants approved', but 'actual investment' transacted is unknown. More recently, the 9 months of ABS approvals up to Mar-15 are annualising at \$56.7bn for 14/15 (up a further 12% y/y, Figure 1), strongly suggesting foreign investment has increased further in 14/15.

Figure 4: Majority of foreign housing investment remains directed to new housing in 13/14 (at 78% share)



Source: FIRB, UBS

Figure 5: Majority of foreign investment in new housing is in NSW & Vic (79%+) in 13/14... similar to 12/13

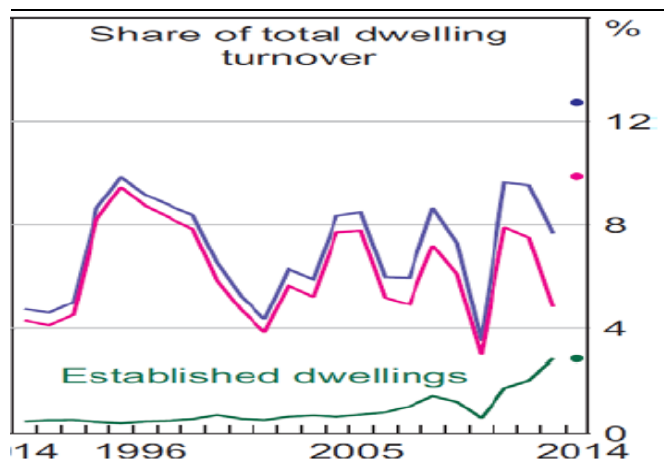


Source: FIRB, ABS, UBS

Notably, the majority of FIRB approved foreign investment in 13/14 for new housing remains directed to NSW (\$10.7bn) and Victoria (\$10.8bn) – which combined accounts for at least a 79% share of the Australian total (Figure 5). This implies foreign investment is a very large proportion ($\frac{3}{4}+$) of ABS approvals in these States, albeit it also has to be overstated given not all FIRB approvals translate to actual transactions. RBA research (see "*Foreign Investment in Residential Real Estate*"; Gauder, Houssard, and Orsmon; 2014) also found foreign investment appears most concentrated in medium-density & high-density (rather than free-standing) dwellings, particularly inner-city Sydney & Melbourne – which suggests to us a disproportionate boost in these markets. Meanwhile, FIRB also show the largest single country source of foreign investment in 13/14 into total real estate (which includes both residential & commercial) is now China at \$12.4bn, which is a 16.6% share. Hence, any potential changes to Chinese property policies should be closely watched looking forward.

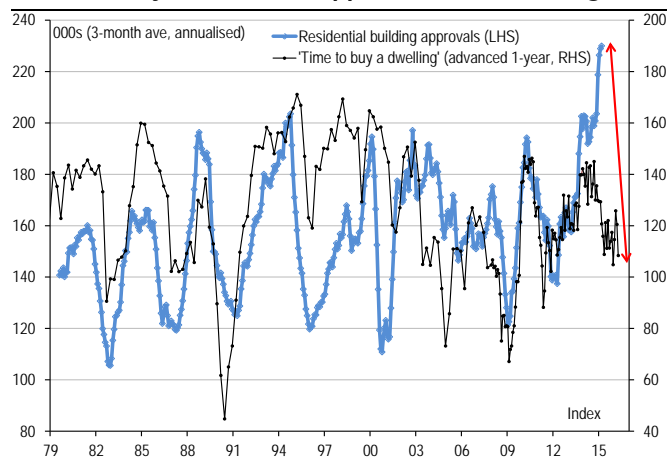
More broadly as an aside, RBA analysis shows for the total housing market (i.e. new & established), FIRB-approved foreign investment spiked to a record ~13% share of turnover, up sharply from an ~8% average historical trend (Figure 6).

Figure 6: Foreign investment share of total housing turnover lifted to a record ~13% in 13/14



Source: RBA, FIRB, Core Logic-RPData, UBS; dots in 13/14 are 9 months to Mar-14

Figure 7: The drop in 'time to buy a dwelling' sentiment is contrasted by the boom of approvals to a record high



Source: ABS, Westpac, Melbourne Institute, UBS

Importantly, Government policy changes more recently introduced new fees on foreign investment. In Feb-15, the Federal Government announced an application fee of \$5k for properties priced under \$1mn, or \$10k if priced above \$1mn. This week, the Victorian Government announced foreigners will be charged an additional 3% stamp duty from mid-2015, plus an extra 0.5% land tax surcharge from 2016 on property owners who are not permanent residents. However, we expect these policies are likely to only modestly diminish the otherwise strong underlying foreign demand for Australian housing – given that the key drivers likely remain a desire for diversification and prospective capital gains.

Overall, we still forecast dwelling commencements to hit a record high year of 200k in 2015. Notably, the recent uptrend of ABS approvals to a record high trend level of 230k suggests upside risk to our forecast; but in contrast suggesting less buoyancy into 2016 is the drop in a consumer survey of 'time to buy a dwelling' sentiment to below its average level (Figure 7). Importantly, we find cycles of foreign investment in housing historically had a remarkably close coincident relationship with trends of ABS building approvals – albeit 13/14 foreign investment spiked well above the normal ratio, meaning that foreign investment is an increasingly key driver of Australia's (new) housing boom (Figure 1)..

Australian Economic Outlook

Calendar Year (average % y/y change)					Fiscal Year (average % y/y change)			
	2013	2014	2015 (f)	2016 (f)	2012/13	2013/14	2014/15 (f)	2015/16 (f)
REAL:								
GDP	2.1	2.7	2.2	2.8	2.5	2.5	2.2	2.6
Private Consumption	1.7	2.5	3.0	3.0	1.9	2.2	2.8	3.1
Dwelling Investment	0.2	7.9	5.7	2.3	-3.8	5.1	5.9	5.4
Business Investment *	-3.7	-4.8	-4.6	-3.1	5.0	-4.9	-5.0	-4.6
- Machinery & equipment *	-12.0	-4.3	0.4	-0.4	-3.2	-12.6	2.5	-1.9
- Non-residential construction *	-0.2	-7.1	-9.4	-7.0	10.8	-2.2	-10.6	-8.8
Domestic Final Demand	0.6	1.3	1.2	1.8	1.6	1.0	0.9	1.5
- Private Final Demand *	0.5	1.3	1.5	1.7	2.3	0.9	1.2	1.6
- Public Final Demand *	0.2	0.7	0.0	2.2	-0.9	1.5	-0.2	1.3
Stocks (%pts contribution)	-0.4	0.0	0.0	0.2	-0.1	-0.3	0.1	0.0
GNE	0.0	1.2	1.1	2.0	1.4	0.7	1.0	1.6
Exports	6.2	6.7	6.4	7.4	6.0	5.8	6.5	7.7
Imports	-1.8	-1.7	-0.1	3.9	0.7	-1.9	-1.8	2.9
Net Exports (%pts contribution)	1.6	1.7	1.4	0.9	1.0	1.6	1.7	1.1
Nominal GDP	3.3	3.2	1.5	4.0	2.2	4.1	1.5	2.8
OTHER KEY INDICATORS								
Headline CPI	2.4	2.5	1.7	2.8	2.3	2.7	1.7	2.5
RBA 'underlying' CPI **	2.5	2.5	2.4	2.7	2.4	2.6	2.3	2.6
Wage Price Index	2.8	2.6	2.6	2.9	3.3	2.6	2.5	2.8
Employment	1.0	0.8	1.5	1.7	1.2	0.7	1.3	1.5
Unemployment Rate (quarterly, % at year-end)	5.8	6.2	6.2	5.9	5.6	5.9	6.2	6.1
Dwelling Commencements (000s)	168	198	200	185	162	182	206	193
Current Account Balance (% of GDP)	-3.3	-2.8	-3.5	-3.6	-3.9	-3.0	-3.0	-3.8
QUARTERLY								
	Sep-14	Dec-14	Mar-15 (f)	Jun-15 (f)	Sep-15 (f)	Dec-15 (f)	Mar-16 (f)	Jun-16 (f)
GDP (% q/q)	0.4	0.5	0.5	0.6	0.7	0.8	0.6	0.7
(% y/y)	2.7	2.5	1.9	2.0	2.3	2.6	2.7	2.8
	Sep-14	Dec-14	Mar-15	Jun-15 (f)	Sep-15 (f)	Dec-15 (f)	Mar-16 (f)	Jun-16 (f)
Headline CPI (% q/q, nsa)	0.5	0.2	0.2	0.4	1.1	0.5	0.8	0.4
(% y/y, nsa)	2.3	1.7	1.3	1.3	1.9	2.2	2.8	2.9
RBA 'underlying' CPI * (% q/q, sa)	0.3	0.6	0.7	0.6	0.6	0.7	0.7	0.8
(% y/y, sa)	2.4	2.2	2.4	2.2	2.5	2.6	2.6	2.8
FINANCIAL MARKETS (at end qtr)								
	Sep-14	Dec-14	Mar-15	Jun-15 (f)	Sep-15 (f)	Dec-15 (f)	Mar-16 (f)	Jun-16 (f)
- Cash (%)	2.50	2.50	2.25	2.00	2.00	2.00	2.00	2.00
- 90 Day Bills (%)	2.71	2.78	2.21	2.10	2.10	2.10	2.10	2.10
- 3-year Commonwealth Bonds (%)	2.73	2.15	1.74	2.00	2.20	2.50	2.60	2.70
- 10-year Commonwealth Bonds (%)	3.51	2.81	2.34	2.70	2.70	3.00	3.10	3.20
- S&P/ASX 200 (Index)	5293	5411	5892	5800	5800	5900	6000	6050
Exchange Rates (end qtr):								
AUD/USD	0.87	0.82	0.76	0.75	0.73	0.70	0.70	0.70
AUD/EUR	0.69	0.68	0.71	0.65	0.66	0.67	0.66	0.65
AUD/JPY	95.8	97.9	91.4	87.8	87.7	87.5	88.4	89.3
TWI	68.9	66.5	63.3	63.7	62.4	60.8	61.0	61.2

Source: ABS, Datastream, RBA, UBS estimates * new – adjusted for asset transfers ** 3-core average, sa

UBS Australian Forecasts: What & Why?

Forecasts vs. Consensus

- Our forecast for real GDP growth of 2.2% y/y in 2015 is well below Consensus of 2.6% y/y, while 2016 of 2.8% y/y is also clearly under Consensus of 3.1% y/y.

Latest forecast changes

- On 17 April we trimmed 2016 GDP growth to 2.8% y/y (was 3.0%) – given likely ongoing falls of business investment.

Key growth drivers

- Lower rates & AUD over the past year should continue to support domestic activity, as the economy rebalances away from falling mining capex. Real consumption should rise to 3% y/y, helped by lower (petrol) prices, better household wealth & a pick-up in housing (where we target dwelling commencements of 200k in 2015).
- The export supply pick-up, post the mining capex boom, should add further to real growth amid a lower AUD; while weak capex also restrains imports.
- A stabilisation in unemployment should reflect the pick-up of growth in more labour intensive retail, housing & tourism sectors (on a lower AUD) – despite the loss of mining jobs. An unemployment rate that is peaking should support the lift in confidence needed to see real consumption strengthen to a 3% y/y pace.
- Weaker nominal income growth, from a slower China & falling commodity prices, plus fiscal repair & lower wage growth, will constrain GDP to 'at or below' trend in the next couple of years. The composition of GDP will likely have more '(net) exports' but less domestic demand.

Key inflation drivers

- Underlying inflation should moderate in 1H15 towards 2¼% y/y. This will be driven by lower petrol prices (which should see headline CPI drop towards 1¼% y/y), as well as the repeal of the carbon tax, modest domestic demand and low wages.
- Further ahead, underlying CPI rises towards 2½% by end-15, as the economy strengthens, unemployment peaks and imported inflation begins to rise due to the sharp AUD depreciation. Prior disinflationary forces (carbon tax repeal & petrol) will also likely ebb.

Monetary & fiscal policy outlook

- RBA – global disinflation amid the slump in commodity prices (particularly oil) – plus weakness in domestic indicators like confidence & commencements – gives the RBA scope to hold rates at a record low of 2%. But we think sticky core CPI (and likely AUD depreciation expected ahead), limits the RBA's scope to ease further.

- Government – we see fiscal policy as a mild drag on growth in the period ahead, as the Federal Coalition attempts to return the budget to structural balance.

Key forecast risks

- Downside: A delay of US Fed hikes into 2016, lifting the AUD over USD0.80, would likely undermine the still fragile lift in domestic activity & business conditions. A deeper China property downturn could further sharply lower commodity prices & export income. The weaker nominal income environment, ongoing fiscal drag, and negative offshore news could see consumers become more cautious, working against the modest fall in the saving rate needed to deliver a 3% real consumer. These scenarios could see the RBA choose to trim rates further.
- Upside: AUD <USD0.70 would provide more stimulus to the domestic economy, as could more RBA rate cuts. A pick-up in China, EU & Japan could support business confidence. Consumer debt appetite could strengthen further, driving stronger spending & non-mining capex.

Key growth signposts

- The AUD sustaining its depreciation towards our USD0.70 target, supporting the rebalancing of growth.
- A recovery in business and consumer confidence, which has softened over recent months.
- A peak in the unemployment rate, which is key to easing elevated job insecurity & boosting consumer confidence.

Positions on key controversies

- Consumer caution – we do not expect consumers to return to the leverage-keen environment of the 2000s. But we do expect some lift in confidence & real consumption – amid RBA rate cuts – despite still high unemployment and ongoing soft wages growth.
- Terms of trade – a much weaker trend for commodity prices will mean the pick-up in Australia's growth will be more export volume led, with a more sluggish domestic recovery. However, that does not ensure a recession.

Market trends

Monetary policy: RBA to hold at 2%

- **Cash:** The RBA downgraded their CPI outlook, due to near-term growth risks and likely sustained global disinflation impulse from oil prices. This adds to renewed uncertainties about the global outlook, and threatens the recent correction lower in the AUD from downward pressure in global yields, as the ECB (& likely BoJ) embark on additional QE. Overall, after the RBA delivered our forecast of 50bp of rate cuts to 2.00% in 1H15, we expect rates on hold for a prolonged period of time ahead. This reflects our view that sticky core CPI limits their scope to ease, coupled by our US team view of Fed tightening starting this year, which should drive a depreciation in the AUD that the RBA clearly still desires.

Aussie 10-years – target 3% end-2015

- **US 10-years:** Despite the end of US Fed tapering, US 10-year yields have remained around 2%, helped lower by QE by the ECB & BoJ (Figure A). While patchy global growth will limit the extent that US 10-years rise, we continue to see improving US activity and Fed rate hikes in 2H15 lifting US Treasuries to 2.5% by end-2015, and 3.0% end 2016.
- **Australian 10-years:** Aussie 10-years had rallied more than their offshore peers, as the market has re-priced RBA cuts for 1H15. Aussie 10-years remain expensive, relative to our models (Figure B), and we look for yields to move higher. We see some out-performance against global yields near-term, due to a more mixed growth outlook, weighed by weak capex, a slower China & falling commodity prices. We target 3.0% for end-15.

Australian 3-years – target a rise back towards 2.5%

- **Australian 3-years:** The prior rally had sent Aussie 3-years well below the cash rate. After a RBA rate cut to 2.0%, US Fed tightening and better economic performance in 2H15 should see 3-years rise back toward 2.5% by the end of 2015.

Yield Curve – risk of bear-steepening from here

- **Yield curve:** The curve has flattened to our model's 50-70bp range, even as the short-end has rallied. From here, we see a risk the curve re-steepens, as the short-end has rallied sharply, but long-end yields move higher in 2015 on global trends. We target 50bp by end-15.

Aussie – US 10-year spread – should tighten again

- **Australian-US spread:** The Aussie-US spread has recently widened on the shift in market expectations towards a view that the RBA is close to done on their easing cycle (after -25bp in May). But with the Fed likely to 'out-hike' the RBA over the coming couple of years, we look for spread compression, tightening by end-2015 as the US Fed begins its rate hike cycle in 2H15.

Source for text and charts: Bloomberg, Datastream, UBS

* UBS forecasts for end 2015 & 2016

Figure A: US 10-year bond yield

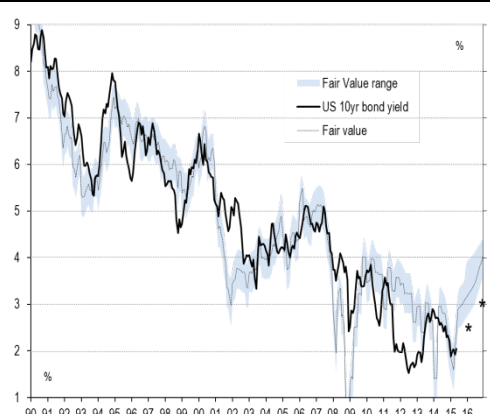


Figure B: Australian 10-year bond yield

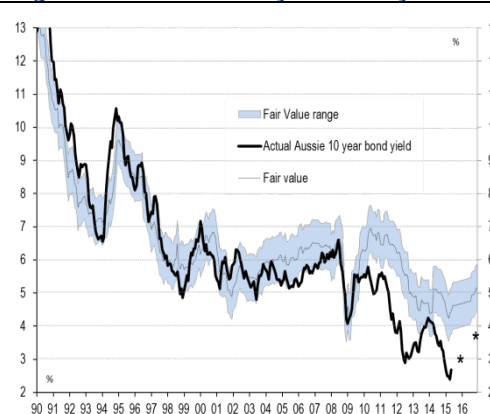


Figure C: Australian 3-year bond yield

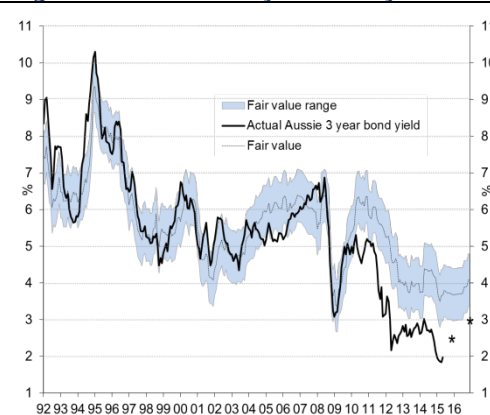
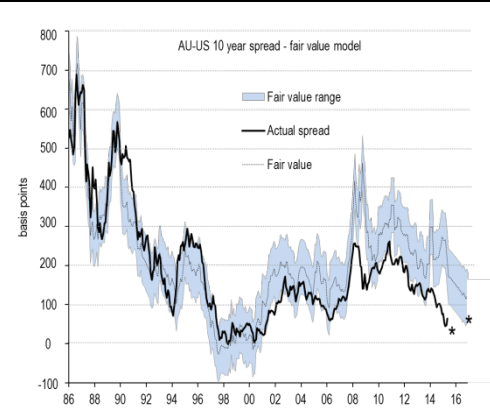


Figure D: AU-US 10-year bond yield spread



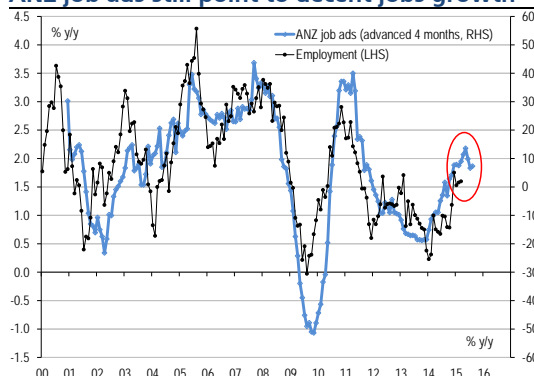
Week in Review: 4th – 8th May

Data was mixed with positive news concentrated in housing. Q1 ACCI business conditions had the biggest decline in 7 years; the Apr PSI & PCI fell into contraction & Apr unemployment ticked higher on negative jobs growth. But Mar resi approvals hit a record high & Mar HIA new home sales also reached a cycle high. Mar retail sales slowed, but still indicated solid Q1 consumption. The RBA cut as expected leaving the SoMP to trim GDP & core CPI, and indicate a mild easing bias.

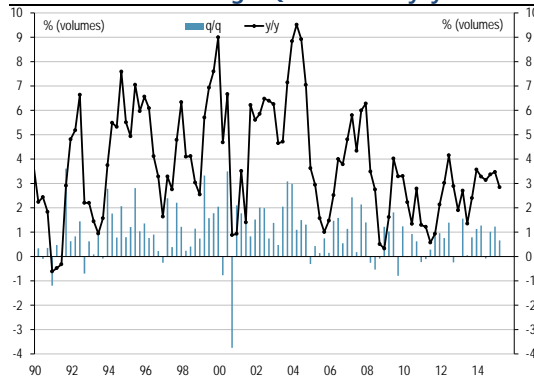
Offshore, ahead of a bounce in payrolls tonight, Fed Chair Yellen highlighted 'potential dangers' in equity valuations, which are 'quite high'. The Mar US trade deficit widened as imports jumped suggesting Q1's weak GDP print may be revised into negative. ADP private payrolls were soft but the non-mfg ISM rose to 57.8 in Apr, consistent with faster growth. Elsewhere, EU and UK PMI composite remained in solid expansion and the CH trade surplus widened. The UK election was held.

Over the week to noon, the AUD remained largely flat at 0.789 but the 10-year bond yield rose 17bp to 2.85% (as global yields continued to move higher) and the ASX200 fell 2.2% to a three month low of 5680.

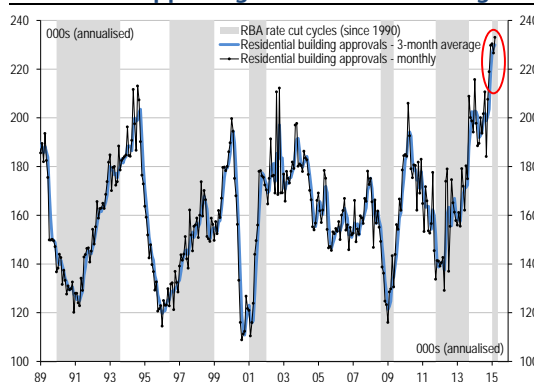
ANZ job ads still point to decent jobs growth



Retail slowed through Q1 with the y/y at 2.8%



Residential apps surge to a new record high



Source: ABS, ANZ, RBA, UBS

- The **RBA** cut the cash rate by 25bp to a new record low of 2.00% - broadly in line with market pricing (~¾ chance of -25bp). The RBA's media release elevated offshore central banks, noting the Fed 'is expected to start increasing its policy rate later this year'. The RBA also added that monetary policy was eased 'to reinforce recent encouraging trends in household demand'. On the AUD, the RBA added further depreciation was 'necessary'. The RBA's May **SoMP** cut the GDP outlook across the profile as we expected but dovishly also trimmed the core CPI outlook – indicating a mild easing bias.
- **Victoria's** State budget showed their public non-financial sector deficit widened to -\$1.5bn (-0.4% of GSP) in 2014/15 from -\$1.1bn (-0.3% of GSP) in 2013/14.
- The Q1 **ACCI business expectations** measure of conditions slumped the most in 7 years to hit a six year low of 40.2 (after 46.9).
- **Residential building approvals** rebounded 2.8% m/m in March to a new record high of 233k (after an average 203k in 2014 & 179k in 2013), continuing stronger-than-expected results (UBS: -4%, mkt: -2%). Non-resi bounced 8.0% m/m after Feb's 42.9% slump.
- **HIA new home sales** jumped 4.4% m/m in March, the largest m/m gain since Feb 14, bringing the y/y higher to 7.7% (after 3.2%).
- The **trade deficit** narrowed \$287mn in March, broadly as expected, to \$1322mn from a revised \$1609mn (was \$1256mn). Exports fell 1.5% (and -4.1% y/y), the first fall in 4 months, dragged by lower commodity prices and imports slumped (-2.4% m/m but +2.3% y/y).
- Mar **retail sales** (values) rose a less than expected 0.3% – a tick above UBS (+0.2%). Notably, the y/y accelerated to 4.5% – the best since Nov 14. Q1 volumes were up a solid 0.7% q/q, but the 2.8% y/y rate is the slowest since Q313. Retail should add to Q1 GDP.
- **Employment** was worse than expected, down 3k m/m in April (UBS & mkt: +5k), bringing the y/y pace lower to 1.5% (after 1.6%). The unemployment rate reversed March's fall and ticked higher to 6.2%. Elsewhere, **ANZ job ads** lifted 2.3% m/m in April, the 10th gain in 11 months, bringing the y/y higher to 7.3% (after 6.6%).
- The April **PSI & PCI** both retraced into a contraction, with services falling to 49.7 after 50.2 and construction to 47.0 after 50.1.

Week Ahead: 11th – 15th May

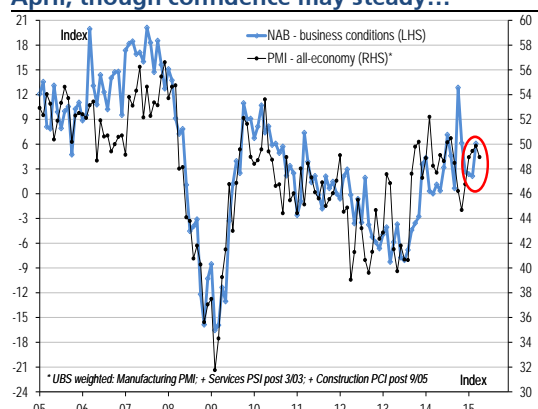
Tuesday's 15/16 Federal Budget is the highlight, and likely to show another deterioration. On the data front, this week looks set to be softer. Weak PMIs suggest NAB business conditions (Mon) could fall, but confidence may steady & industry data points to a rebound in Mar home loans (Tue). The wage price index (Wed) will likely slow further to a new record y/y low & Mar lending (Fri) should suggest a peak in credit growth. The WA Budget (Thu) is out.

Offshore, US data should continue to disappoint. We expect soft Apr US retail sales (Wed), another fall in Apr IP (Fri), and a further easing of consumer confidence (Fri) seems likely. Elsewhere, UK Mar IP (Tue) should remain flat, and Mar unemployment (Wed) may tick lower. But CH Apr IP (Wed), CPI (Sat) and total loans (Sun) may surprise higher. EU Mar IP (Wed) is out and we expect solid Q1 GDP (Wed) growth. The BOE should hold (Mon) & update its inflation report (Wed).

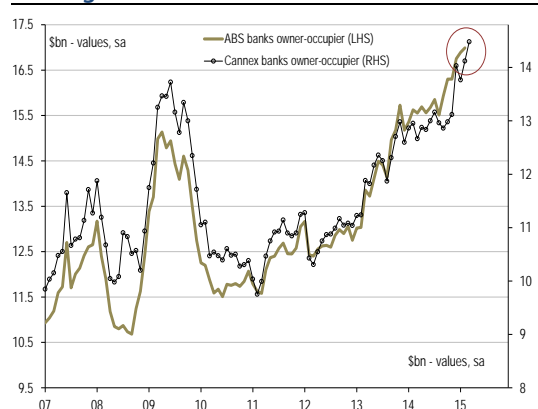
Date	Time (AEDT)	Data/Event	UBS	Market*	Previous
11-May	11:30	NAB business conditions (Apr)	'down'	nf	6.1
11-May	11:30	NAB business confidence (Apr)	'steady'	nf	2.5
12-May	11:30	Home loans, total value ex refs (Mar)	+2.5%	nf	-2.4%
12-May	11:30	Home loans – owner-occupier number (Mar)	+1.0%	+1.0%	+1.2%
12-May	19:30	Commonwealth budget (2015/16)	-\$39.2bn	-\$40.0-	-\$31.2bn
13-May	11:30	Wage price index (Q1)	+0.6%	+0.6%	+0.6%
14-May	-	Western Australia budget (2015/16)	-	-	-
15-May	11:30	Finance commitments (Mar)	nf	nf	-1.3%

Source: ABS, Bloomberg, RBA, Reuters, Dow Jones * Market may not be final

Business conditions could retrace lower in April, though confidence may steady...



Cannex data suggests a rise in new housing lending in March



Source: ABA, ABS, AIG, Cannex, CBA, NAB, PWC, UBS

NAB business survey (Apr)

NAB business conditions jumped last month after falling every month since Oct 14. However, our all economy PMI suggests conditions could retrace modestly in April; but we look for stable confidence, albeit downside risk remains on uncertainty surrounding the May budget.

Federal Budget (2015/16)

Treasurer Hockey will bring down the 2015/16 Budget on Tuesday, 12 May. This budget feels like it will be more than the usual balancing act. In one sense, the Government is trying not to startle households (as they did last year), but still retain 'a reform agenda'. There is also a need not to lean too hard on the economy, yet ensure Australia's AAA rating remains intact. We expect total additional slippage of \$41bn over the 5 years to 18/19, specifically with an underlying cash deficit of -\$39bn in 2015/16.

Home loans (Mar)

Industry data suggests a solid jump in the number of owner-occupiers in March (+1.0% m/m). After last month's retraction in lending, a correction should see stronger total values, up 2.5% m/m and 8.8% y/y.

Wage price index (Q1)

The wage price index continues to trend lower, with the y/y hitting 2.5% in Q414. Despite moderate jobs growth and a stabilisation in the unemployment rate, weak domestic demand and a soft trend in business survey indicators suggests that wage rates in Q1 grew by a subdued 0.6% q/q and 2.4% y/y, a new record low.

Economic Calendar

MONDAY ----- 4 May -----	TUESDAY ----- 5 May -----	WEDNESDAY ----- 6 May -----	THURSDAY ----- 7 May -----	FRIDAY ----- 8 May -----
AU ACCI BIZ EXPECT (Q1) Act: 42.4, Pre: 44.3 AU ANZ JOB ADS (Apr) Act: +2.3%, Pre: -1.3% r AU RESI BUILDING APPS (Mar) Act: +2.8%, Pre: -1.6% r NZ ANZ COMMODITY PRICE (Apr) Act: -7.4%, Pre: +4.6% CH HSBC PMI MFG (Apr f) Act: 48.9, Pre: 49.2 (Apr p) EU PMI MFG (Apr f) Act: 52.0, Pre: 51.9 (Apr p)	RBA DECISION (May) Act: -25bp to 2.00%, Pre: 2.25% VIC BUDGET (2015/16) AU PSI SERVICES (Apr) Act: 49.7, Pre: 50.2 AU TRADE BALANCE (Mar) Act: -\$1322mn, Pre: -\$1609mn r US TRADE BALANCE (Mar) Act: -\$51.4bn, Pre: -\$35.9bn US NON-MFG ISM (Apr) Act: 57.8, Pre: 56.5	AU RETAIL SALES – VALUES (Mar) Act: +0.3%, Pre: +0.7% AU RETAIL – VOLUMES (Q1) Act: +0.7%, Pre: +1.2% r AU HIA NEW HOME SALES (Mar) Act: +4.4%, Pre: +1.1% NZ EMPLOYMENT / UR (Q1) Act: 0.7%/5.8%, Pre: 1.2%/5.8% r NZ LABOUR COST INDEX (Q1) Act: +0.3%, Pre: +0.6% US ADP PRIVATE PAYROLLS (Apr) Act: +169k, Pre: +175k r YELLEN SPEECH EU / UK PMI COMPOSITE (Apr) Act: 53.9/ 58.4 , Pre: 53.5 / 58.7 r	AU PCI CONSTRUCTION (Apr) Act: 47.0, Pre: 50.1 AU EMPLOYMENT (Apr) Act: -2.9k, Pre: +37.7k AU UNEMPLOYMENT RATE (Apr) Act: 6.2%, Pre: 6.1% UK ELECTION	RBA SOMP (May Qtr) US PAYROLLS (Apr) UBS: +265k, Pre: +126k US UNEMPLOYMENT RATE (Apr) UBS: 5.4%, Pre: 5.5% CH TRADE BALANCE (Apr, USD) Mkt: 34.25bn, Pre: 3.08bn CH CPI (Apr y/y, due 9th) Mkt: +1.6%, Pre: +1.4% CH TOTAL LOANS (Apr, due 10th) Mkt: 1300bn, Pre: 1181.6bn CA UNEMPLOYMENT RATE (Apr) Mkt: nf, Pre: 6.8%
----- 11 May -----	----- 12 May -----	----- 13 May -----	----- 14 May -----	----- 15 May -----
AU NAB BIZ CONDITIONS (Apr) UBS: 'down', Pre: 6.1 AU NAB BIZ CONFIDENCE (Apr) UBS: 'flat', Pre: 2.5 NZ ELECTRONIC CARDS (Apr) Mkt: nf, Pre: +1.3% BOE DECISION (May) UBS: +0.50%, Pre: +0.50%	COMMONWEALTH BUDGET (15/16) AU HOME LOAN VALUES (Mar) UBS: +2.5%, Pre: -2.4% AU HOME LOAN O/O NO. (Mar) UBS: +1.0%, Pre: +1.2% NZ REINZ HOUSE PRICES (Apr) Mkt: nf, Pre: +6.7% UK IP (Mar) UBS: +0.0%, Pre: +0.1%	AU WAGE PRICE INDEX (Q1) UBS: +0.6%, Pre: +0.6% NZ FOOD PRICE INDEX (Apr) Mkt: nf, Pre: +0.1% US RETAIL SALES (Apr) UBS: +0.3%, Pre: +0.4% CH IP (Apr, y/y) UBS: +6.4%, Pre: +5.6% EU IP (Mar) / GDP (Q1 a) UBS: nf/+0.5%, Pre: +1.1%/+0.3% UK UNEMPLOYMENT RATE (Mar) UBS: 5.5%, Pre: 5.6% BOE INFLATION REPORT (May)	WA BUDGET (2015/16) NZ PMI MFG (Apr) Mkt: nf, Pre: 54.5 NZ RETAIL TRADE – VOLUME (Q1) UBS: +1.5%, Pre: +1.7% US PPI (Apr) UBS: +0.1%, Pre: +0.2%	AU FINANCE COMMITMENT (Mar) Mkt: nf, Pre: -1.3% US IP (Apr) Act: -0.2%, Pre: -0.6% US UM CONS. CONF. (May p) UBS: 95.0, Pre: 95.9 (Apr p)
----- 18 May -----	----- 19 May -----	----- 20 May -----	----- 21 May -----	----- 22 May -----
AU CAR SALES (Apr) Pre: +0.5% RBA LOWE SPEECH NZ PSI SERVICES (Apr) Pre: 57.6 US HOUSING MARKET INDEX (May) Pre: 56 JP IP (Mar f) Pre: -0.3%	AU GOODS IMPORTS (Apr) Pre: -3.6% RBA MINUTES (May) NZ PPI (Q1) UBS: -0.5%, Pre: -0.4% NZ RBNZ SURVEY EXPECT (Q2) US HOUSING STARTS (Apr) Pre: +2.0% EU CPI (Apr f, y/y) Pre: +0.0% (Apr p) UK CPI (Apr) Pre: +0.2%	AU WMI CONS. CONF. (May) Pre: -3.2% AU SKILLED VACANCIES (Apr) Pre: +0.4% RBA LOWE PANEL MODERATION JP GDP (Q1 p) Pre: +0.4% FED MINUTES (May) BOE MINUTES (May)	RBA EDEY SPEECH NZ TOURIST ARRIVALS (Apr) Pre: -3.6% NZ ANZ-RM CONS. CONF. (May) Pre: 128.8 NZ CREDIT CARD BILLS (Apr) Pre: +0.6% US EXISTING HOMES SALES (Apr) Pre: +6.1% CH HSBC PMI MFG (May p) Pre: 48.9 (Apr f) NZ BUDGET (2015)	US CORE CPI (Apr) Pre: +0.2% US PMI MFG (May p) Pre: 54.2 (Apr p) GE IFO (May) Pre: 108.6 BOJ DECISION (May) Pre: 0.0% – 0.1%
----- 25 May -----	----- 26 May -----	----- 27 May -----	----- 28 May -----	----- 29 May -----
US HOLIDAY US markets closed	NZ TRADE BALANCE (Apr) UBS: \$100mn, Pre: \$631mn US DURABLE GOODS (Apr) Pre: -0.2% US NEW HOME SALES (Apr) Pre: -11.4% US FHFA HOUSE PRICES (Mar) Pre: +0.7% US S&P/CS HOME PRICES (Mar) Pre: +0.4%	AU CONSTRUCTION DONE (Q1) Pre: -0.2% RBA LOWE SPEECH BOC DECISION (May) Pre: 0.75%	AU CAPEX (Q1) Pre: -2.2% AU CAPEX INTENT (15/16 2nd est.) Pre: \$109.8bn AU CAPEX INTENT (14/15 6th est.) Pre: \$152.7bn TAS BUDGET (2015/16) US PENDING HOMES SALES (Apr) Pre: +1.1% UK GDP (Q1 p) Pre: +0.3% (Q1 a)	AU HIA NEW HOME SALES (Apr) Pre: +4.4% AU CREDIT (Apr) Pre: +0.5% RBA EDEY PANEL PARTICIPATION NZ DWELLING CONSENTS (Apr) Pre: +11.0% NZ ANZ OWN ACTIVITY (May) Pre: 41.3% NZ HOUSEHOLD CLAIMS (Apr) Pre: +0.5% US GDP (Q1 p) Pre: +0.2% (Q1 a) US UM CONS. CONF. (May f) Pre: 95.9 (Apr p) JP CORE CPI (Apr) / JP IP (Apr p) Pre: +2.2% / -0.3% (Mar p) CA GDP (Q1) Pre: +2.1%
UBS: UBS Forecast Pre: Previous Release Act: Actual Mkt: Market a: advanced r: revised p: preliminary f: final nf: no forecast Note: Dates subject to change				

Global Economics & Macro Strategy Analysts

Global Economics			
Andrew Cates	+44 20 756 81401	andrew.cates@ubs.com	Senior Global Economist
Paul Donovan	+44 20 7568 3372	paul.donovan@ubs.com	Senior Global Economist
George Magnus	+44 20 756 83322	george.magnus@ubs.com	Senior Economic Advisor
Sophie Constable	+44 20 7568 3105	sophie.constable@ubs.com	Economist / Global Database Manager
Global Asset Allocation			
Ramin Nikisa	+44 20 7567 6861	ramin.nakisa@ubs.com	Senior Global Asset Allocation Strategist
North America			
Maury Harris	+1 212 713 2472	maury.harris@ubs.com	Chief Economist, US
Drew Matus	+1 212 713 4448	drew.matus@ubs.com	Deputy Chief Economist, US & Canada
Samuel Coffin	+1 203 719 1252	samuel.coffin@ubs.com	Economist, US
Kevin Cummins	+1 203 719 1676	kevin.cummins@ubs.com	Economist, US
Jessy Moya	+1 212 713 2471	jessy.moya@ubs.com	Administrative Assistant, US Equity Research
Asia			
Duncan Wooldridge	+852 2971 6046	duncan.wooldridge@ubs.com	Chief Economist, Asia & Japan
Daiju Aoki	+81 352 087454	daiju.aoki@ubs.com	Economist, Japan
Tao Wang	+852 2971 7525	wang.tao@ubssecurities.com	Head of China Economic Research
Donna Kwok	+852 371 23160	donna.kwok@ubs.com	Senior Economist, China
Ning Zhang	+852 3 971 8135	ning.zhang@ubs.com	Economist, China
Jennifer A Zhong	+86 10 5832 8324	jennifer-a.zhong@ubs.com	Associate, China
Harrison Hu	+86 10 5832 8847	harrison.hu@ubssecurities.com	Economist, China
Amy Tang	+852 2971 8461	amy.tang@ubs.com	Statistician, Asian Economics
Edward Teather	+65 6495 5965	edward.teather@ubs.com	Senior Economist, ASEAN & India
Silvia Liu	+852 2971 8121	silvia.liu@ubs.com	Economist, Hong Kong & Taiwan
Australasia			
Scott Haslem	+61 2 9324 3663	scott.haslem@ubs.com	Chief Economist, Australasia
George Tharenou	+61 2 9324 3520	george.tharenou@ubs.com	Senior Economist, Australia
Robin Clements	+64 3 358 9150	robin.clements@ubs.com	Senior Economist, New Zealand
Europe & Emerging EMEA			
Reinhard Cluse	+44 20 7568 6722	reinhard.cluse@ubs.com	Chief Economist, Europe & EMEA
David Tinsley	+44 20 7567 4652	david.tinsley@ubs.com	Economist, UK
Martin Lueck	+49 69 1369 8280	martin.lueck@ubs.com	Economist, Germany & Italy
Gyorgy Kovacs	+44 20 7568 7563	gyorgy.kovacs@ubs.com	Chief Economist, Emerging EMEA
Anna Zadornova	+44 20 7567 4212	anna.zadornova@ubs.com	Economist, Russia, CIS
Jennifer Aslin	+44 20 7568 6585	jennifer.aslin@ubs.com	Associate Economist, EMEA
Latin America			
Rafael de la Fuente	+1 203 719 7127	rafael.delafuente@ubs.com	Chief Economist, Latin America
Guilherme Loureiro	+55 11 276 76621	guilherme.loureiro@ubs.com	Senior Economist, Brazil
Thiago Carlos	+55 11 3014 7429	thiago.carlos@ubs.com	Economist, Brazil
Mariano Szafowal Samowerskyj	+54 11 43 160311	mariano.szafowal@ubs.com	Economist, Argentina
Peter McCarthy	+52 555 282 7732	peter.mccarthy@ubs.com	Economics Associate, Mexico
Fixed income, credit and currency strategy			
Daniel Waldman	+1 2037194281	daniel.waldman@ubs.com	Head of G10 FX Strategy
Bhanu Baweja, CFA	+44 20 7568 6833	bhanu.baweja@ubs.com	Global Head of EM Cross Asset Strategy
Geoffrey Yu	+44 20 7568 0605	geoffrey.yu@ubs.com	G10 FX strategist
Michael Schumacher	+1 203 719 9004	michael.schumacher@ubs.com	Global Head of Interest Rate Strategy
Andrew Lilley	+61 2 932 42618	andrew.lilley@ubs.com	Interest Rates Strategist, Australia & NZ
Matt Mish	+1203 719 1242	matthew.mish@ubs.com	Head of US Credit Strategy
Justin Knight	+44 20 7568 8450	justin.knight@ubs.com	Head of European Rates Strategy

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