Australian Economic Perspectives

Economy adjusting via weaker wages (not jobs)

Economics

Australia

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Wage rates drop to record low 2.3% y/y, but jobs growth pick up to 1½% y/y

Australia is experiencing a large negative income shock from the collapsing terms of trade. With interest rates already at record lows, and planned fiscal consolidation ahead, the last key channel to absorb this hit & maintain competitiveness is an offsetting fall in the 'real TWI' – via some combination of nominal currency depreciation and/or slower 'real wages'. However, after a prolonged mining boom led to both currency appreciation & faster inflation than our trading partners, the 'real TWI' in 2013 spiked to near a record high level. Since then, driven by nominal AUD depreciation, the real TWI fell significantly. But with the AUDUSD recently rebounding to USD0.81, the real TWI is still well above average. Some help should come later this year via US Fed rate hikes, dragging the AUD lower towards USD0.70, and providing support that is 'necessary' (as the RBA recently argued) for the Australian economy.

But for now, with the nominal AUD higher than hoped (& poor productivity), it is 'real wages' that are doing the adjusting via 'wage rates', with the WPI dropping more than expected to a record low 2.3% y/y in Q1. This is unusually diverging from jobs growth, which has picked up over the past year to a decent 1½% y/y. Positively, this labour market flexibility has slowed the rise in unemployment, and is avoiding the negative feedback loop that occurs when unemployment spikes. Nonetheless, weak wages are still dragging on household incomes. But providing some offset in 2015 is the RBA's 50bp of rate cuts plus lower petrol prices, together adding 1%pt+ to real household income, a targeted fiscal package likely to boost retail sales, and the solid uptrend of household wealth suggesting a further fall in the savings rate. Together, these support our above market view of solid 3% y/y real consumer growth for 2015.

Week ahead: *The RBA minutes are unlikely to add much post the SoMP, albeit focus will be on any clues of a more explicit easing bias, or stronger AUD comments. Lowe & Edey speak. Apr goods imports update trade, Apr car sales may retrace after strength while consumer confidence could bounce. Offshore, Fed minutes are due. We see stronger US housing starts and mfg PMI, but weak core CPI. The BOJ should hold.*

Data week 18th – 22nd May

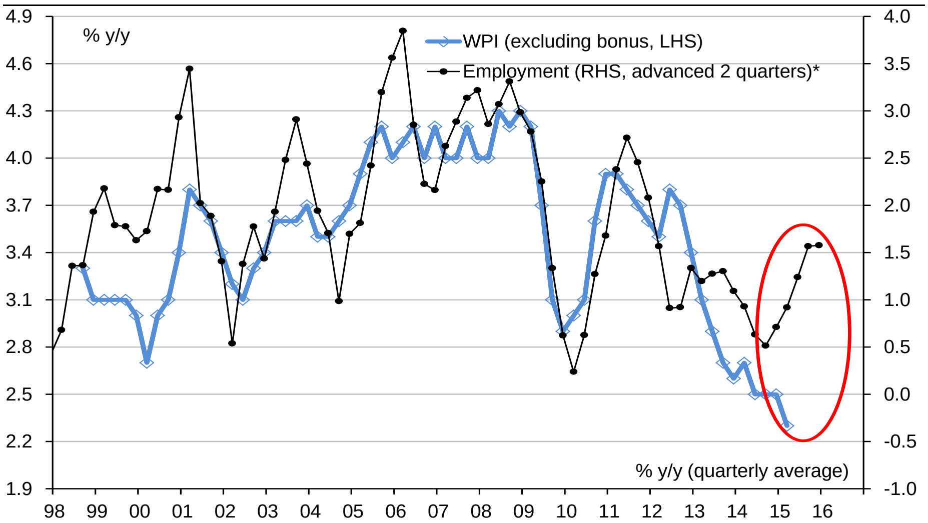
Monday
Car sales (Apr)
RBA Lowe speech

Tuesday
Goods imports (Apr)
RBA minutes (May)

Wednesday
WMI consumer sentiment (May)
DEEWR skilled vacancies (Apr)
RBA Lowe on panel

Thursday
RBA Edey Speech

Figure 1: Wage rates drop to record low 2.3% y/y, contrasts jobs pickup to 1½%



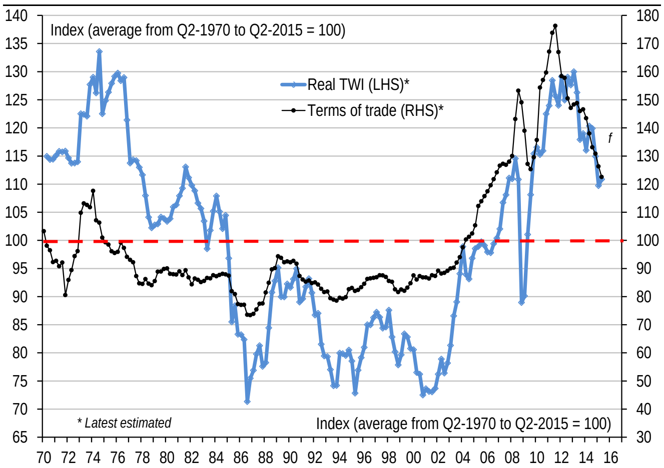
Source: ABS, UBS

www.ubs.com/economics

Economy adjusting via weaker wages (not jobs)

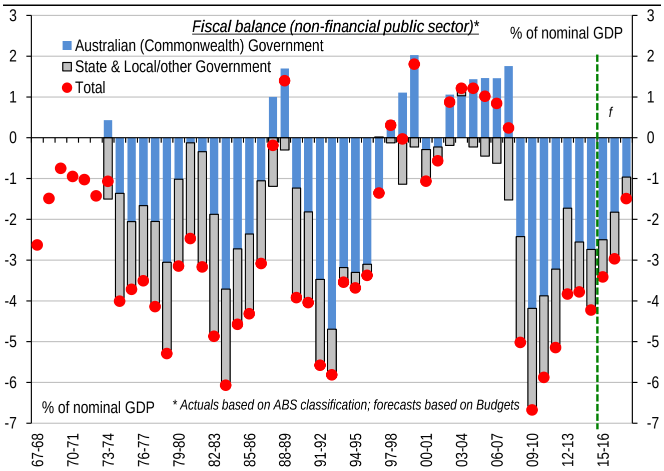
Australia is experiencing a large negative income shock from the ~30% collapse in the terms of trade since a record peak in Q311 (Figure 2). To absorb the hit & keep the economy competitive, there are three key macro shock absorbers – rates, Budget, and currency. However, with the RBA already cutting the cash rate to a record low of 2%, and fiscal policy planning a significant consolidation averaging ~1%pt of GDP in the next 3 years ahead (Figure 3), the remaining key channel to absorb the hit is an offsetting fall in the 'real TWI' – via a combination of nominal currency depreciation and/or slower growth in 'real wages'.

Figure 2: The 30% collapse in the terms of trade dragged the real TWI, but it remains well above average



Source: RBA, ABS, UBS

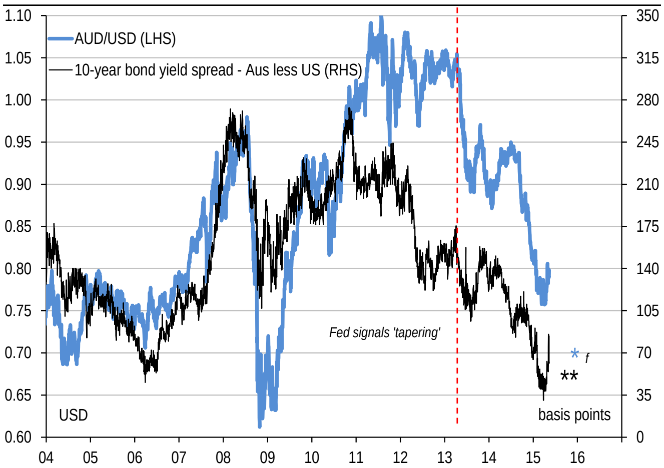
Figure 3: Fiscal policy planning significant consolidation averaging almost 1%pt of GDP in the 3 years ahead



Source: ABS, RBA, Australian Government, UBS

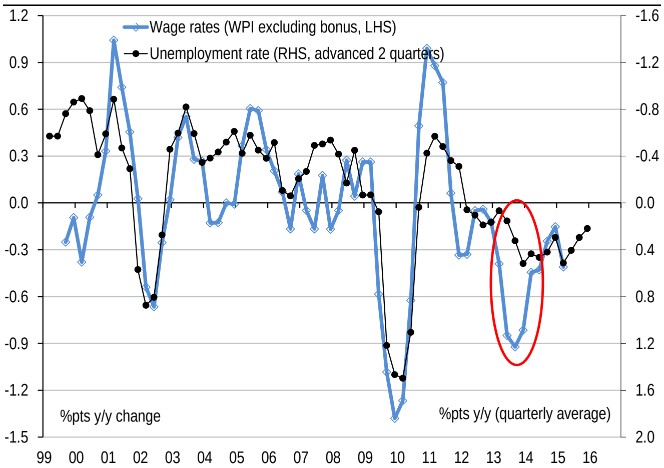
However, after the prolonged mining boom through the 2000s led to both nominal currency appreciation & faster headline inflation than our trading partners, the 'real TWI' in 2013 spiked to near a record high level that was a massive 30% above its post-1970s long-run average. Since then, driven by nominal AUD depreciation, the real TWI fell a significant 15%. But with the AUD/USD recently rebounding to a level above 0.80USD, the real TWI is still now well above average (by ~11%). Nonetheless, looking forward, our US economists still see the Fed hiking US rates later this year, which we expect to narrow the 10-year bond yield spread and drag down the AUD to 0.70 (Figure 4), & provide a support that is 'necessary' (as the RBA recently argued) for the Australian economy.

Figure 4: Fed hikes expected to lower bond spread & AUD



Source: Datastream, UBS

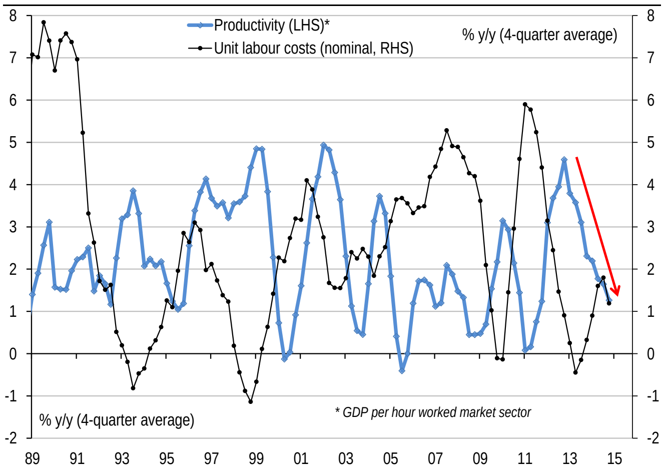
Figure 5: Wage rates were weaker than UR rise suggested



Source: ABS, UBS

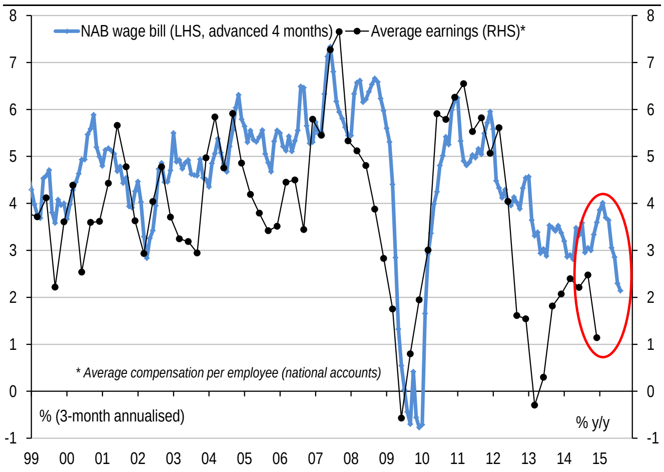
But with the AUD higher than hoped, & slow productivity (Fig 6), we are nonetheless seeing some adjustment via slower real wage growth. Importantly, much of this adjustment is coming from weaker nominal wages, which have dropped more than expected to a record low 2.3% y/y in Q1 (with a broad slowing beyond just mining), and is occurring despite a pick-up (rather than a more typical slowing) in jobs growth over the past year to a decent 1½% y/y (Fig 1). Hours-worked have also recently strengthened. Of course, this suggests wages growth may soon lift.

Figure 6: Weak wages cap ULC, but productivity also slow



Source: ABS, UBS

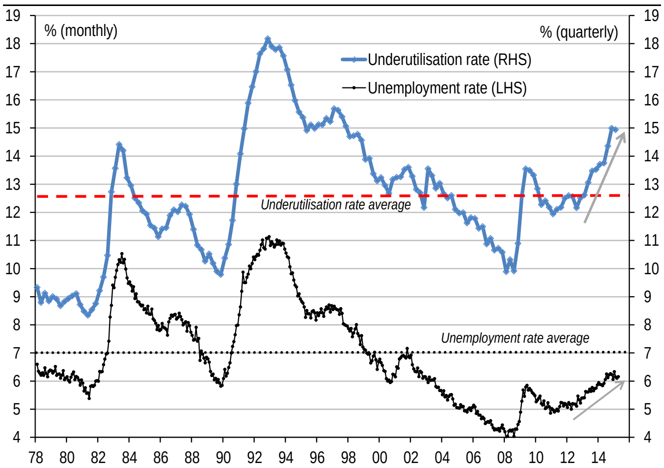
Figure 7: Survey wage bills imply ongoing weak income



Source: ABS, NAB, UBS

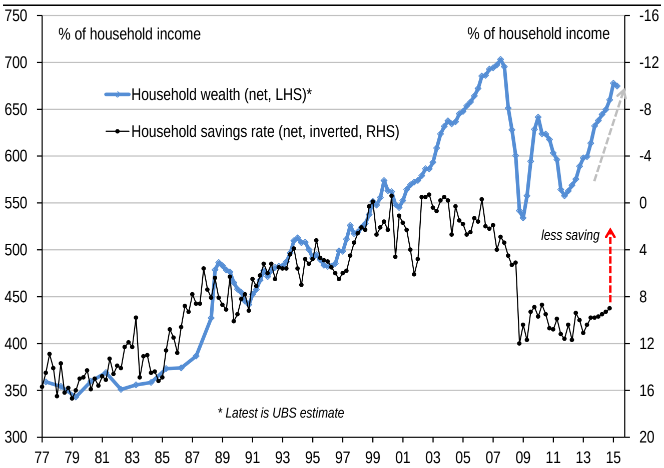
Positively, this jobs market flexibility has slowed the rise in unemployment, avoiding the negative feedback loop when unemployment spikes. This trend was already evident in 13/14, when wage rates dropped more than its historic relationship with a relatively modest rise of unemployment (Fig 5). There is also a large degree of labour market spare capacity evident by the broader underutilisation rate at 14.9% which is far above average (in contrast to the UR at 6.2% which is below average, Fig 8). Still, the consequent weakness in wage rates is dragging total household income, evident by business surveys of wage bills implying ongoing weak average earnings (Fig 7). But providing some offset in 2015 is the RBA's 50bp of rate cuts, plus lower petrol prices adding 1%pt+ to real household income, a targeted fiscal package likely to boost retail sales, as well as the solid uptrend of household wealth suggesting a further fall in the savings rate, which together support our consumer view of solid 3% y/y real growth (Fig 9).

Figure 8: The broadest measure of the labour market is the underutilisation rate, which suggest 'spare capacity'



Source: ABS, UBS

Figure 9: Rise in household wealth suggest a lower savings rate, which supports consumption



Source: ABS, RBA, UBS

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	2.9	2.5	2.4	2.9	3.3	2.6	2.4	2.6
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	2.10	2.20	2.50	2.60	2.70
- 10-year Commonwealth Bonds (%)		3.51	2.81	2.34	2.80	2.80	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 2.5% y/y, while 2016 of 2.8% y/y is also under Consensus of 3.0% 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 followed-up their February 25bp cut, with a further 25bp in May, taking the cash rate to our long-standing forecast of 2.0% for 1H15. While the market continues to price the cash rate modestly below 2%, and the RBA will likely maintain a mild easing bias until mid-second half 2015, we continue to expect 2% will be the trough in the cash rate for this cycle. This depends on some US Fed tightening this year, an AUD moving lower to USD70-75 and some pick-up in non-mining business capex plans over coming quarters, to augment the rebalancing underway in the consumer and housing sectors. We see it as unlikely the RBA will cut the cash rate lower unless it perceives Australia's growth is heading significantly below 2%, and the risks of a recession have materially risen.

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-15, and 3.0% end-16.

- **Australian 10-years:** Aussie 10-years had rallied more than their offshore peers as the market re-priced RBA cuts for 1H15. But post the RBA's May cut, Aussie 10-years have underperformed as global yields have begun to rise again. Aussie 10-years remain expensive, relative to our models (Figure B), and we look for yields to move higher. We see renewed out-performance against global yields ahead, 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. Post the RBA's 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, rising to 3.0% end-16.

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

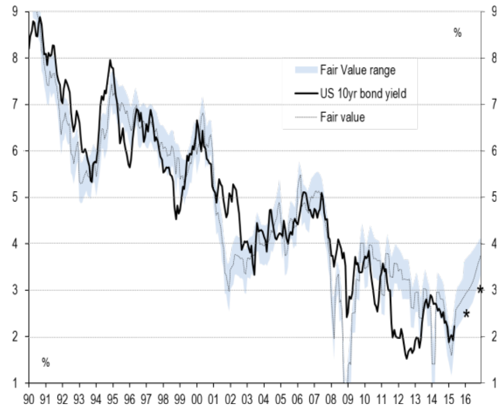


Figure B: Australian 10-year bond yield

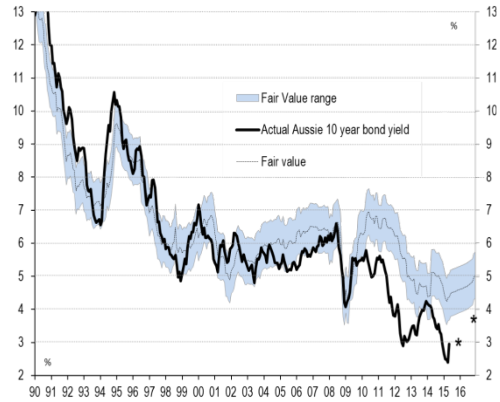


Figure C: Australian 3-year bond yield

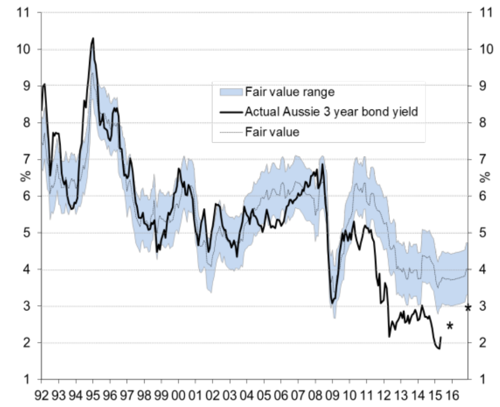
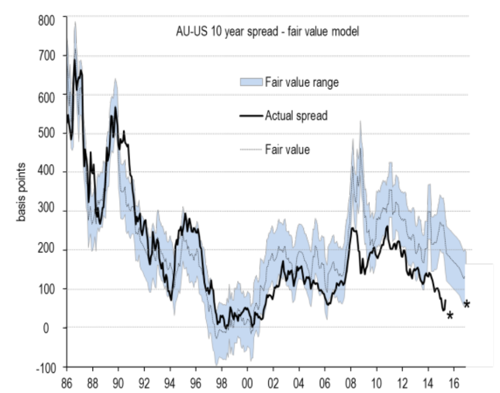


Figure D: AU-US 10-year bond yield spread



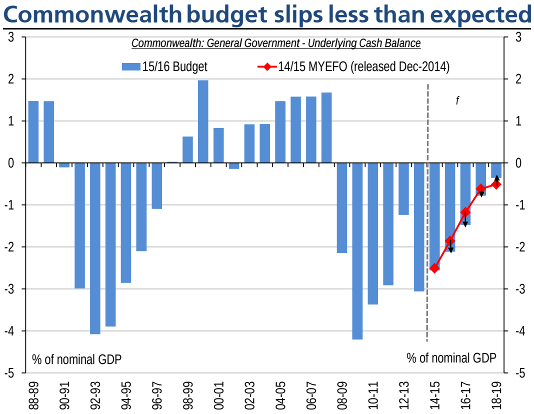
Week in Review: 11th – 15th May

The Commonwealth Budget deficit was only modestly worse, deteriorating to $41bn in 14/15 (2.6% of GDP) & the 15/16 deficit narrows to $35.1bn (2.1% of GDP), with a $9bn cumulative slippage over the 5 years to 18/19, which was less than expected. Data was mixed. Q1 wages slowed to a record low, and Apr NAB business conditions retraced, while business confidence remained flat. However, Mar home loans rebounded after slumping. The WA budget deteriorated sharply.

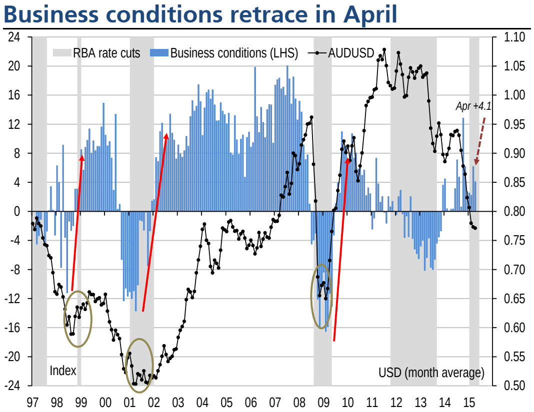
Offshore, US Apr retail sales disappointed, suggesting a weak start to Q2, while the fall in Apr PPI indicated continued weak inflation pressures. CH Apr IP bounced less than expected, Apr loans growth dropped and property starts remain negative. However, EU Q1 GDP picked up largely as expected, but led by France. Mar UK unemployment dropped to a six year low, while the BOE remained on hold as expected, but their inflation report slashed 2015 GDP growth forecasts.

Over the week to noon, the AUD jumped 2.2% to 0.806 (on the back of US dollar weakness), the 10-year bond yield rose 8bp to 2.93% and the ASX200 recovered 0.7% to 5718.

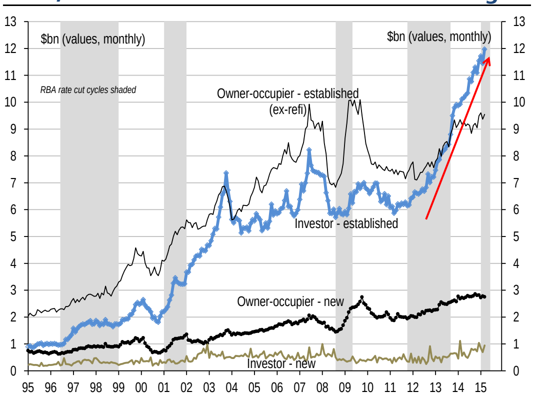
Commonwealth budget slips less than expected



Business conditions retrace in April



March home loans rebound to record high level; established investors continue to surge



Source: ABS, ANZ, Commonwealth Treasury, NAB, RBA, UBS

- The **Commonwealth budget**, despite downgrades to growth and commodity prices, revealed significantly less slippage than widely expected. After a revised deficit of $41.1bn (2.6% of GDP) for 14/15 – only fractionally worse than MYEFO's $40.4bn – the 15/16 deficit narrows to $35.1bn (2.1%), only slightly wider than MYEFO's $31.2bn. Across the out-years, the deficit profile is about ¼%pt worse than the 14/15 MYEFO, but still sees the budget on track for a 19/20 surplus, unchanged from the 14/15 budget plans.
- The **WA** budget showed a sharp deterioration, with the non-financial public sector deficit widening from $2.8bn (1.1%of GSP) in 13/14, to $4.0bn (or 1.6%) in 14/15 and $5.6bn (2.3%) in 15/16. The cumulative downgrade across the 4-years to 17/18 was $5.3bn vs the last Budget.
- March **home loan values** (ex-refi) jumped 3.8% m/m (UBS: +2.5%) to a record high level, offsetting a 2.4% m/m fall in Feb and more than doubling the y/y rate to 11.7% (from 5.3% in Feb). The rise was driven by investors (+6.4% after -3.3%, +20.9% y/y) and (less so) by owner-occupiers (+1.3% after -1.5%, +3.3% y/y). Total construction loan values rebounded after retracing from a post-GFC high (+8.0% m/m after -5.7%). Meanwhile, the first home-owner share of loans dropped further to a near record low of 8.7%. The number of owner-occupier loans rose 1.6% m/m (UBS & mkt: +1.0%). Elsewhere, **total finance commitments** rose 1.4% in March, largely reversing last month's 1.8% fall.
- NAB's survey of **business conditions** eased in April as we expected to +4.1 (UBS: 'down' based on weaker PMIs, mkt: nf) – to be near average (+4.5 since 1997). But **confidence** edged up slightly (+3.0, after +2.7, UBS: 'flat'); albeit it still remains a bit below average.
- The Q1 **wage price index** (excluding bonus) rose less than expected (UBS & mkt: +0.6%) at just 0.5% q/q, dropping to a record low 2.3% y/y. Wages including bonus (nsa) weakened further to a new record low of 0.2% q/q and 2.5% y/y. Private (excluding bonus) was weaker than the total (+0.4% q/q) with public rising 0.5% q/q.

Week Ahead: 18th – 22nd May

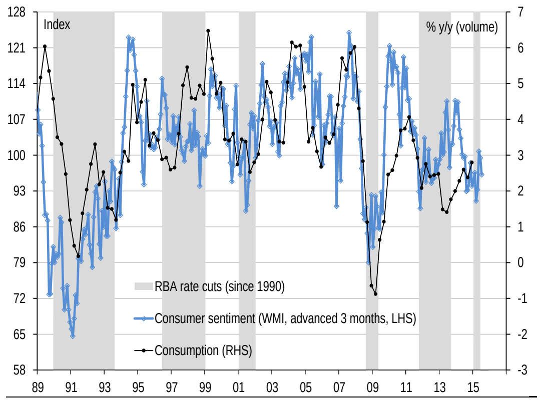
The RBA's May minutes (Tue) are released. Focus will be on any clues of a more explicit easing bias, or stronger AUD comments, though we see the market being disappointed again. Meanwhile, Lowe (Mon) & Edey (Thu) speak. Apr car sales (Mon) likely retraced after recent strength; Apr goods imports (Tue) update the trade position & Apr skilled vacancies (Wed) give a lead on jobs growth. May consumer sentiment (Wed) may bounce on the small business package in the Budget.

Offshore, Fed minutes (Wed) are released. US housing data dominates, with the May housing mkt index (Mon) seen edging higher, while Apr housing starts (Tue) & existing home sales (Thu) likely strengthened. We expect a soft Apr CPI (Fri), but May PMI mfg (Fri) may rise. Elsewhere, the 2nd est. of JP Q1 GDP (Wed) is seen steady, while May CH & EU PMI mfg (Wed) updates sentiment. EU Apr CPI (Tue) should confirm a deflation exit; BOE minutes are out & the BOJ is seen 'on hold'.

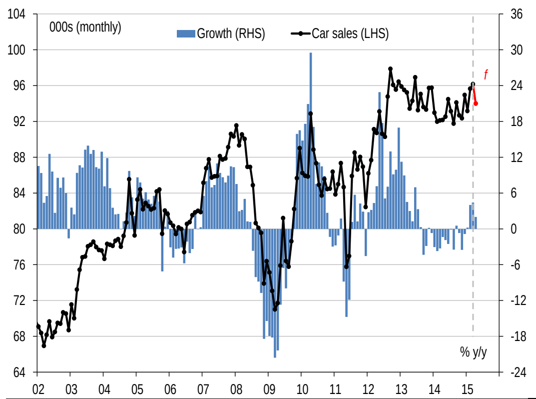
Date	Time (AEDT)	Data/Event	UBS	Market*	Previous
18-May	9:30	RBA Deputy Governor Lowe speech	-	-	-
18-May	11:30	Car sales (Apr)	'down'	nf	+0.5%
19-May	11:30	Goods imports (Apr)	nf	nf	-3.6%
19-May	11:30	RBA minutes (May)	-	-	-
20-May	9:15	RBA Deputy Governor Lowe panel moderation	-	-	-
20-May	10:30	Westpac/Melbourne Institute consumer sentiment (May)	'up'	nf	-3.2%
20-May	11:00	Department of employment skilled vacancies (Apr)	nf	nf	+1.9%
21-May	8:50	RBA Assistant Governor Edey speech	-	-	-

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

Consumer sentiment may bounce in May on lower rates and the small business package



Vfacts data suggest car sales should retrace in April after rising to a near record high level



Source: ABS, RBA, UBS, Westpac/Melbourne Institute

RBA minutes (May)

The RBA releases the minutes of the May Board meeting (where they cut the cash rate by 25bp to 2.00%). The market will look for any comments suggesting a more explicit easing bias (like more rate cuts "may be appropriate"), or stronger comments on the extent the AUD is seen over-valued, but may be disappointed again. The minutes pre-date the more detailed SoMP, where the RBA already trimmed the growth and core inflation outlook.

WMI consumer sentiment (May)

The Westpac/Melbourne Institute consumer sentiment index retraced further in April, down 3.2% m/m after -1.3%, together retracing much of the 8.0% bounce in February post the RBA's 25bp cut. However in May, we expect a combination of this week's Budget announcement of a small business package, and a 25bp rate cut by the RBA to a record low of 2.00%, to see consumer sentiment bounce in May.

Car sales (Apr)

Industry data (Vfacts) suggest car sales should be down ~2% m/m in April, retracing after strength in recent months, which saw sales rising to a near record high. This sees the y/y rate moderate to a still solid ~2% in April after +4.4% in March.

Economic Calendar

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
------- 11 May -------	------- 12 May -------	------- 13 May -------	------- 14 May -------	------- 15 May -------
AU NAB BIZ CONDITIONS (Apr) Act: 4.1, Pre: 6.1 AU NAB BIZ CONFIDENCE (Apr) Act: 3.0, Pre: 2.7 NZ ELECTRONIC CARDS (Apr) Act: -1.1%, Pre: +1.3% BOE DECISION (May) Act: no change, Pre: 0.50%	COMMONWEALTH BUDGET (15/16) AU HOME LOAN VALUES (Mar) Act: +3.8%, Pre: -2.4% AU HOME LOAN O/O NO. (Mar) Act: +1.6%, Pre: +1.1% r NZ REINZ HOUSE PRICES (Apr) Act: +0.5%, Pre: +2.1% r UK IP (Mar) Act: +0.5%, Pre: +0.1%	AU WAGE PRICE INDEX (Q1) Act: +0.5%, Pre: +0.6% NZ FOOD PRICE INDEX (Apr) Act: -0.3%, Pre: +0.1% US RETAIL SALES (Apr) Act: +0.1%, Pre: +0.7% r CH IP (Apr, y/y) Act: +5.9%, Pre: +5.6% EU IP (Mar) Act: -0.3%, Pre: +1.0% r EU GDP (Q1 a) Act: +0.4%, Pre: +0.3% UK UNEMPLOYMENT RATE (Mar) Act: 5.5%, Pre: 5.6% BOE INFLATION REPORT (May)	WA BUDGET (2015/16) NZ PMI MFG (Apr) Act: 51.8, Pre: 54.6 r NZ RETAIL VOLUME (Q1) Act: +2.7%, Pre: +1.9% r US PPI (Apr) Act: -0.4%, Pre: +0.2% CH TOTAL LOANS (Apr) Act: 1050bn, Pre: 1182bn	AU FINANCE COMMITMENT (Mar) Act: +1.4%, Pre: -1.8% r US IP (Apr) UBS: -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) UBS: 'down', Pre: +0.5% RBA LOWE SPEECH NZ PSI SERVICES (Apr) Mkt: nf, Pre: 57.6 US HOUSING MARKET INDEX (May) UBS: 57, Pre: 56 JP IP (Mar f) Mkt: nf, Pre: -0.3% (Mar p)	AU GOODS IMPORTS (Apr) Mkt: nf, Pre: -3.6% RBA MINUTES (May) NZ PPI (Q1) UBS: 0.0%, Pre: -0.1% NZ RBNZ SURVEY EXPECT (Q2) US HOUSING STARTS (Apr) UBS: +12.3%, Pre: +2.0% EU CPI (Apr f, y/y) UBS: 0.0%, Pre: 0.0% (Apr p) UK CPI (Apr) UBS: +0.4%, Pre: +0.2%	AU WMI CONS. CONF. (May) UBS: 'up', Pre: -3.2% AU SKILLED VACANCIES (Apr) Mkt: nf, Pre: +1.9% RBA LOWE ON PANEL JP GDP (Q1 p) UBS: +0.4%, Pre: +0.4% (Q4) FED MINUTES (May) BOE MINUTES (May)	RBA EDEY SPEECH NZ TOURIST ARRIVALS (Apr) Mkt: nf, Pre: -3.6% NZ ANZ-RM CONS. CONF. (May) Mkt: nf, Pre: 128.8 NZ CREDIT CARD BILLS (Apr) Mkt: nf, Pre: +0.6% US EXISTING HOMES SALES (Apr) UBS: +1.2%, Pre: +6.1% US PMI MFG (May p) UBS: 54.2, Pre: 54.1 (Apr p) CH HSBC PMI MFG (May p) Mkt: nf, Pre: 48.9 (Apr f) EU PMI MFG (May p) Mkt: 51.7, Pre: 52.0 (Apr f) NZ BUDGET (2015)	US CPI (Apr) UBS: +0.1%, Pre: +0.2% US CORE CPI (Apr) UBS: +0.1%, Pre: +0.2% GE IFO (May) Mkt: 108.0, Pre: 108.6 BOJ DECISION (May) UBS: no change, 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 ON PANEL 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) / IP (Apr p) Pre: +2.2% / -0.3% (Mar p)
------- 1 June -------	------- 2 June -------	------- 3 June -------	------- 4 June -------	------- 5 June -------
AU PMI MFG (May) Pre: 48.0 AU CL-RP DWELLING PRICES (Apr) Pre: +0.8% AU RESI-BUILDING APPS (Apr) Pre: +2.8% AU PROFITS / INVENTORIES (Q1) Pre: -0.2% / -0.8% AU RBA $A COMMOD PRICE (Apr) Pre: -3.6% US INCOME / SPENDING (Apr) Pre: +0.0% / +0.4%	AU CURRENT ACCOUNT (Q1) Pre: -$9.6bn AU NET EXPORTS (Q1) Pre: +0.7%pts RBA DECISION (June) Pre: 2.00% NZ TERMS OF TRADE (Q1) UBS: +2.0%, Pre: -1.9% EU CPI (May y/y) Pre: -0.1% (Apr p)	AU PSI SERVICES (May) Pre: 49.7 AU GDP (Q1) Pre: +0.5% NZ ANZ COMMODITY PRICE (May) Pre: -7.4% US TRADE BALANCE (Apr) Pre: -$51.4bn FED BEIGE BOOK (May) ECB DECISION (June) Pre: 0.05%	AU TRADE BALANCE (Apr) Pre: -$1322mn AU RETAIL SALES (Apr) Pre: +0.3% NZ BUILDING WORK (Q1) UBS: +2.0%, Pre: +0.3% BOE DECISION (June) Pre: 0.50%	AU PCI CONSTRUCTION (May) Pre: 47.0 US NON-FARM PAYROLLS (May) Pre: +223k US UNEMPLOYMENT RATE (May) Pre: 5.4% EU GDP (Q1 p) Pre: +0.4% (Q1 a)

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

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