

# Australian Economic Perspectives

## Is Australia already in 'recession'?

### Economics

#### Australia

#### GDP could contract ahead (with domestic demand & 'real income' already flat)

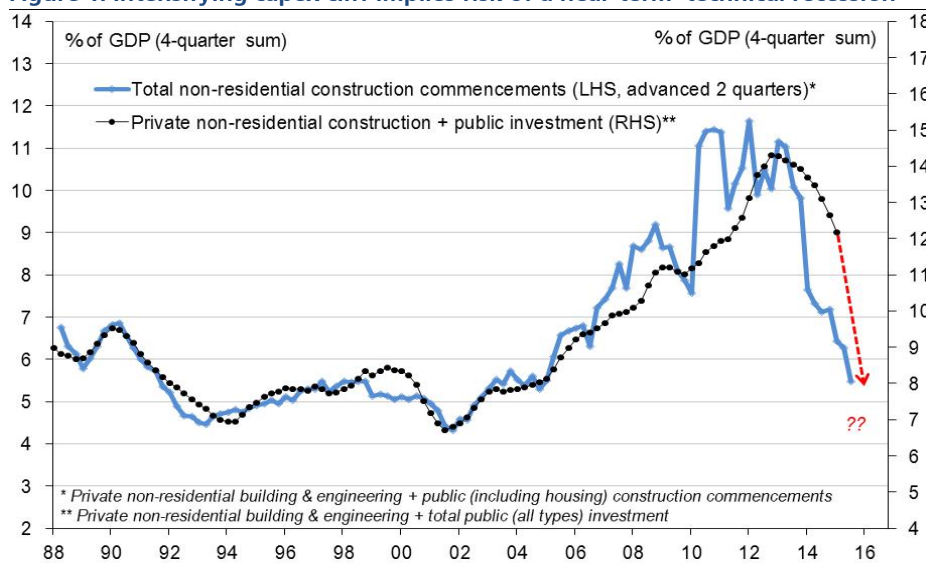
Q1-15 real GDP surprised on the upside (0.9% q/q, 2.3% y/y), but was boosted by a (partly weather-related) surge in exports (5% q/q), & large contribution from inventories (0.3%pts), amid flat domestic demand. Looking ahead, Q2 data suggest some payback, as exports retraced, inventories should drag, and [capex remains recessionary](#). Our base-case Q2 GDP forecast of 0.2% q/q (1.9% y/y) is below consensus, but capex survey data suggests some chance of a negative print, which would raise the risk of a technical recession ahead (i.e. 2 consecutive quarters of negative real GDP).

Indeed, Q2 nominal GDP is likely to fall q/q (-0.3%, +0.7% y/y), the weakest since the GFC – hit by a [collapsing terms of trade](#), [record low wages](#) & ~flat profits. Hence, the broadest measure of 'income' – Real Net National Disposable Income (i.e. real GDP adjusted for terms of trade & foreign ownership) – is in recession (after Q1's -0.2% y/y).

But even negative GDP would arguably be a 'phantom recession'. Rather than a broad downturn across housing & consumption, it more reflects the timing of an intensifying (private & public) capex cliff now, ahead of the big boost from LNG exports ramping up in 2016. Although unemployment already hit a 13-year high of 6.3% and there is some risk [jobs follow the capex cliff](#), hiring intentions remain solid & imply unemployment should not spike enough to see a 'negative feedback loop' on asset prices & [banks](#). That said, worries about [China](#) & market volatility could weaken confidence. This risk matters because amid weak wages & a [record spike in debt](#), [consumption](#) is reliant on confidence (& record low interest rates) to drive a further drop in the household savings rate. Hence overall, the risks to GDP (2.2% in 2015 & 2.6% in 2016), RBA cash rate (2% ahead), Budget balance, & AUD (0.70USD end-15) remain to the downside.

**Week ahead:** The RBA should stay on hold. Q2 GDP may rise just 0.2% q/q (but could be negative). Profits & public demand likely fell, while inventories & net exports drag, seeing the CAD widen. July credit, resi apps & retail sales may rise, but trade deficit widens, while Aug home prices moderate. Offshore, faster Aug US payrolls may tick down the UR. EU CPI is due & the ECB should hold. Global PMIs/ISMs update growth.

**Figure 1: Intensifying capex cliff implies risk of a near-term 'technical recession'**



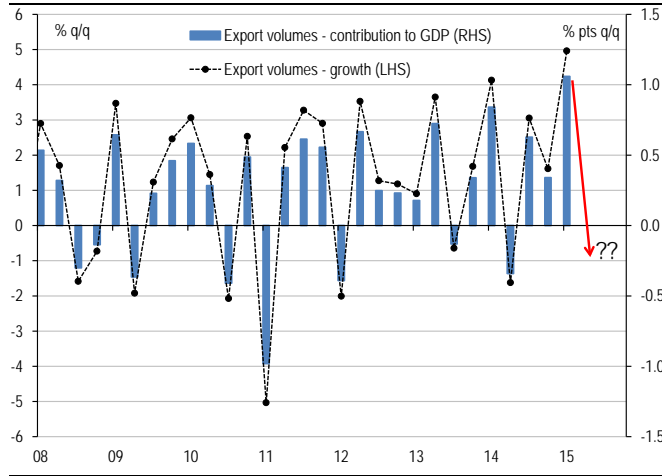
Source: ABS, UBS

#### Data week 31<sup>st</sup> August – 4<sup>th</sup> September

<b>Monday</b>
HIA new home sales (Jul)
Credit (Jul)
Company profits (Q2)
Private inventories (Q2)
<b>Tuesday</b>
Residential building approvals (Jul)
Manufacturing PMI (Aug)
CL-RP data dwelling prices (Aug)
RBA decision (Aug)
RBA \$A commodity prices (Aug)
CAD (Q2)
Net exports contribution to GDP (Q2)
Public demand (Q2)
<b>Wednesday</b>
GDP (Q2)
<b>Thursday</b>
Trade balance (Jul)
Retail sales – values (Jul)
Services PSI (Aug)
<b>Friday</b>
Visitor arrivals (Jul)

## Is Australia already in recession?

**Figure 2: Export volumes surged 5.0% q/q in Q1-2015 (contributing 1¼%pts q/q), but are likely to fall in Q2**



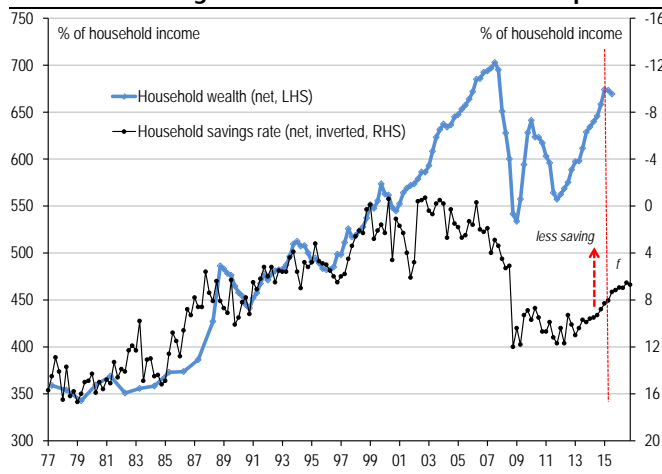
Source: ABS, UBS

**Figure 4: The terms of trade collapsed ~33% since Q3-2011, a massive ongoing drag on the economy (& budget)**



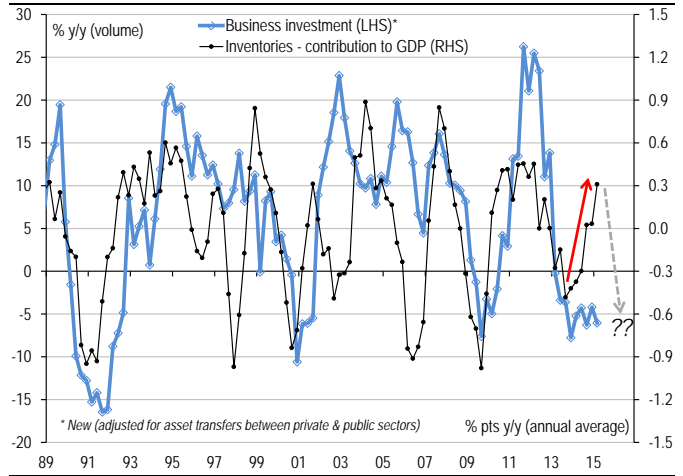
Source: ABS, UBS

**Figure 6: To support growth, a further fall in the household savings rate is needed to drive consumption...**



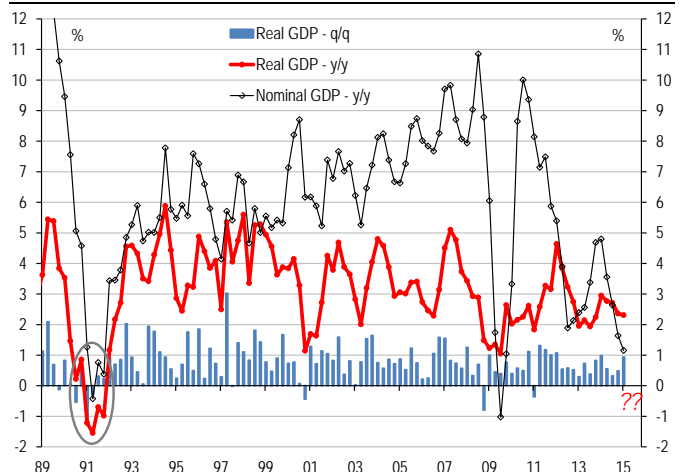
Source: ABS, RBA, UBS

**Figure 3: Slump in business investment normally also sees firms cut inventories – implying the risk of a big GDP drag**



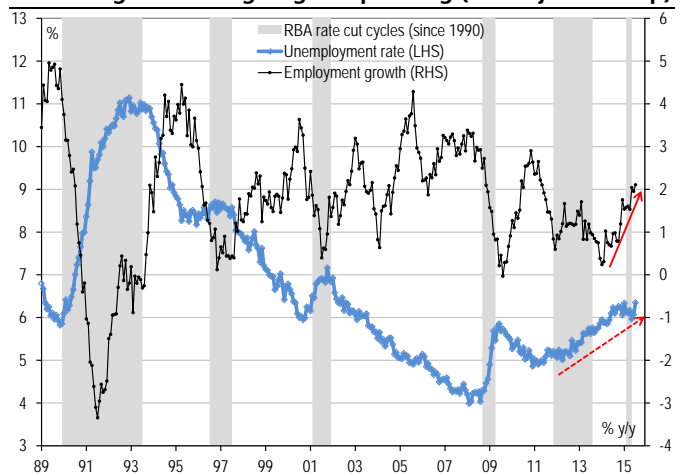
Source: ABS, UBS

**Figure 5: Real GDP lifted a surprisingly strong 0.9% q/q (2.3% y/y) in Q1, but some payback seems likely in Q2**



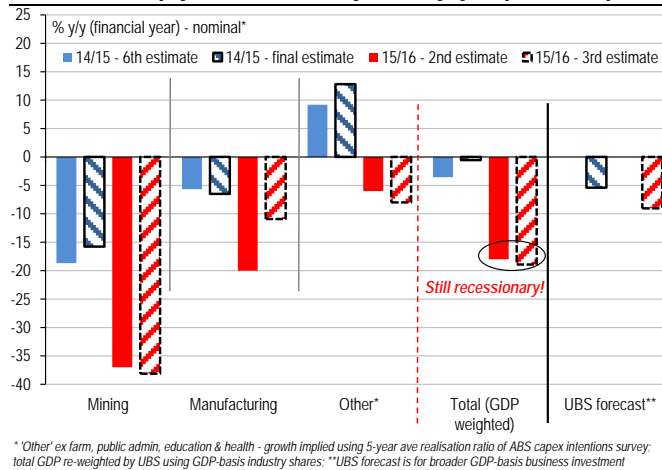
Source: ABS, UBS

**Figure 7: ... But with unemployment at a 13-year high, weak wages are weighing on spending (albeit jobs are up)**



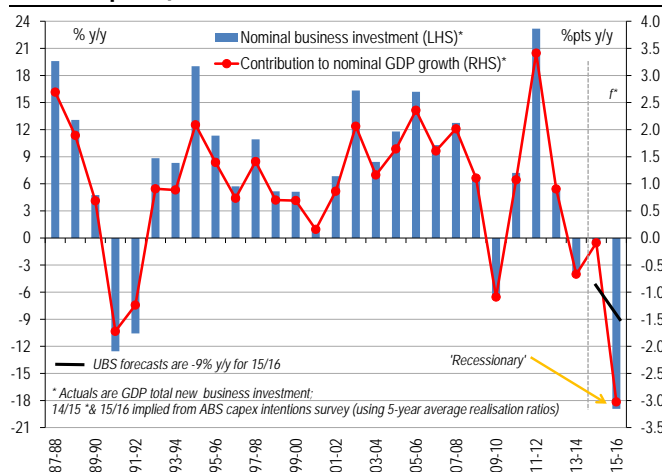
Source: ABS, RBA, UBS

**Figure 8: Regardless of the Q2 GDP outcome, 15/16 capex intentions imply a 'recessionary' 19% y/y capex slump**



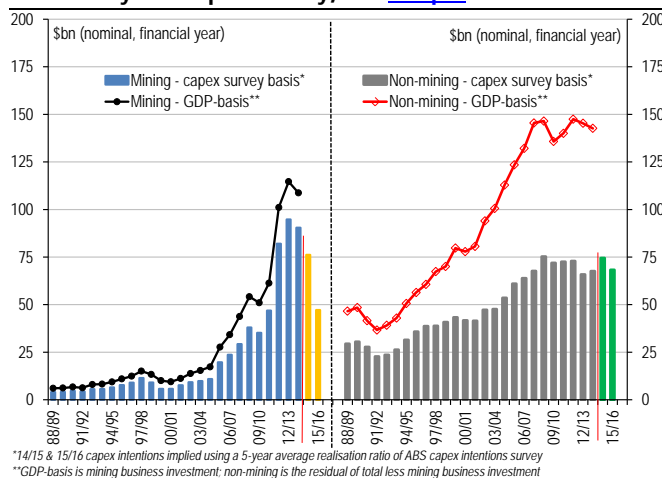
Source: ABS, UBS

**Figure 10: Overall, the capex survey implies a massive ~3%pts y/y drag from GDP (albeit likely partly offset by lower imports)**



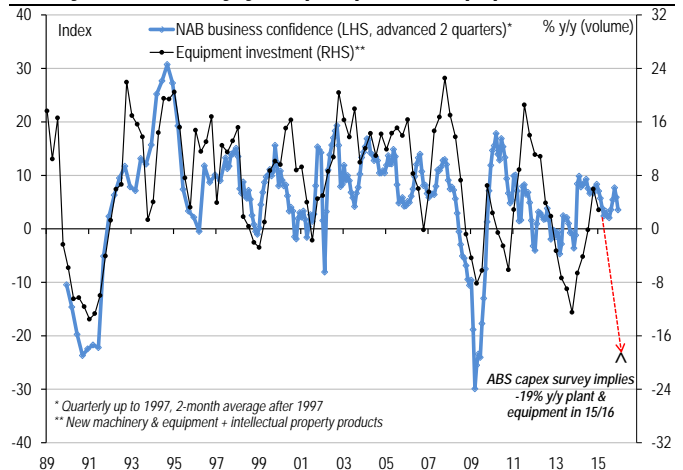
Source: ABS, UBS

**Figure 12: While non-mining investment is only partly covered by the capex survey, the 'scope' is similar**



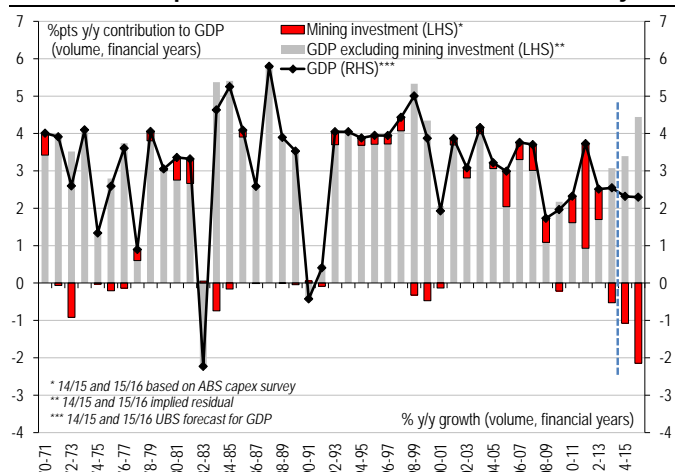
Source: ABS, UBS

**Figure 9: Despite positive business confidence, the capex survey sees a 19% y/y drop in plant & equipment in 15/16**



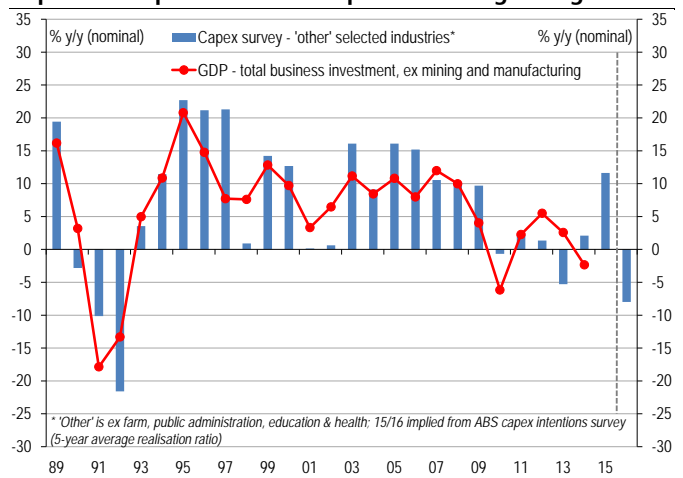
Source: ABS, NAB, UBS

**Figure 11: There is downside risk to our GDP forecast of 2¼% y/y in 15/16, as a likely collapse in mining investment requires a boom in the rest of the economy**



Source: ABS, UBS

**Figure 13: Slump in capex intentions survey of "other" implies a drop in GDP-basis capex ex-mining & mfg**



Source: ABS, UBS

# Australian Economic Outlook

	Calendar Year (%y/y change)				Fiscal Year (%y/y change)			
	2013	2014	2015 (f)	2016 (f)	2012/13	2013/14	2014/15 (f)	2015/16 (f)
<b>REAL:</b>								
GDP	2.1	2.7	2.2	2.6	2.5	2.5	2.3	2.3
Private Consumption	1.7	2.5	2.6	2.5	1.9	2.2	2.6	2.6
Dwelling Investment	0.4	7.9	13.0	7.0	-3.8	5.3	9.2	11.8
Business Investment *	-3.8	-5.0	-8.1	-8.1	5.0	-5.2	-6.1	-8.8
- Machinery & equipment *	-12.0	-3.6	-2.2	-6.1	-3.2	-12.6	2.6	-6.5
- Non-residential construction *	-0.3	-7.8	-14.5	-13.0	10.8	-2.9	-12.7	-14.0
Domestic Final Demand	0.6	1.2	0.8	0.8	1.6	1.0	0.8	0.8
- Private Final Demand *	0.5	1.2	1.1	0.7	2.3	0.8	1.1	0.9
- Public Final Demand *	0.2	0.7	-0.2	1.1	-0.9	1.6	-0.3	0.7
Stocks (%pts contribution)	-0.4	0.0	0.0	0.0	-0.1	-0.3	0.2	0.0
GNE	0.0	1.1	0.8	0.8	1.4	0.7	1.0	0.8
Exports	6.2	6.8	8.0	6.3	6.0	5.8	7.9	6.5
Imports	-1.8	-1.6	1.2	-2.0	0.7	-1.8	-0.2	-0.5
Net Exports (%pts contribution)	1.6	1.7	1.4	1.8	1.0	1.5	1.7	1.5
<b>Nominal GDP</b>	3.3	3.1	1.3	3.7	2.2	4.1	1.5	2.3
<b>OTHER KEY INDICATORS</b>								
Headline CPI	2.4	2.5	1.8	2.2	2.3	2.7	1.7	2.2
RBA 'underlying' CPI **	2.4	2.5	2.3	2.3	2.4	2.6	2.3	2.3
Wage Price Index	2.9	2.5	2.3	2.7	3.3	2.6	2.4	2.5
Employment	1.0	0.8	1.8	1.4	1.2	0.7	1.4	1.7
Unemployment Rate (quarterly, % at year-end)	5.8	6.2	6.3	6.5	5.7	6.0	6.1	6.5
Dwelling Commencements (000s)	168	199	210	200	163	181	213	200
Current Account Balance (% of GDP)	-3.3	-2.8	-3.6	-2.7	-3.9	-3.0	-3.1	-3.6
<b>QUARTERLY</b>								
	Mar-15	Jun-15 (f)	Sep-15 (f)	Dec-15 (f)	Mar-16 (f)	Jun-16 (f)	Sep-16 (f)	Dec-16 (f)
GDP (% q/q)	0.9	0.2	0.7	0.6	0.6	0.7	0.8	0.9
(% y/y)	2.3	1.9	2.3	2.3	2.0	2.5	2.6	3.0
	Mar-15	Jun-15	Sep-15 (f)	Dec-15 (f)	Mar-16 (f)	Jun-16 (f)	Sep-16 (f)	Dec-16 (f)
Headline CPI (% q/q, nsa)	0.2	0.7	1.0	0.4	0.5	0.2	1.0	0.3
(% y/y, nsa)	1.3	1.5	2.0	2.2	2.6	2.1	2.1	2.0
RBA 'underlying' CPI * (% q/q, sa)	0.7	0.5	0.6	0.6	0.6	0.6	0.6	0.6
(% y/y, sa)	2.4	2.2	2.4	2.4	2.2	2.3	2.4	2.4
<b>FINANCIAL MARKETS (at end qtr)</b>								
	Mar-15	Jun-15	Sep-15 (f)	Dec-15 (f)	Mar-16 (f)	Jun-16 (f)	Sep-16 (f)	Dec-16 (f)
- Cash (%)	2.25	2.00	2.00	2.00	2.00	2.00	2.00	2.00
- 90 Day Bills (%)	2.21	2.14	2.10	2.10	2.10	2.10	2.10	2.10
- 3-year Commonwealth Bonds (%)	1.74	2.02	2.10	2.10	2.10	2.10	2.20	2.30
- 10-year Commonwealth Bonds (%)	2.34	3.03	2.80	2.90	3.00	3.10	3.25	3.40
- S&P/ASX 200 (Index)	5892	5459	5700	5800	5900	6000	6100	6200
<b>Exchange Rates (end qtr):</b>								
AUD/USD	0.76	0.77	0.73	0.70	0.70	0.70	0.70	0.70
AUD/EUR	0.71	0.69	0.67	0.67	0.66	0.65	0.64	0.64
AUD/JPY	91.4	94.0	90.5	87.5	88.4	89.3	90.1	91.0
TWI	63.3	63.8	62.9	61.4	61.9	62.3	62.8	62.0

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 remains below Consensus of 2.4% y/y, while 2016 of 2.6% y/y is also still under Consensus of 2.9% y/y.

## Latest forecast changes

- On 20 August we trimmed real GDP forecasts by 0.1%pts to 2.2% in 2015 and 2.6% in 2016 (with Q2-15 cut to just 0.2% q/q and 1.9% y/y). Domestic demand was cut to 0.8% in both years following more evidence of a worsening 'capex cliff', with consumption constrained by ongoing record low wages growth. However, providing some offset, net exports should contribute more strongly – as export volumes keep booming, and imports drop (on weaker capex).

## Key growth drivers

- Ongoing record low interest rates will drive a housing boom which adds solidly to growth ahead, with dwelling commencements lifting to a record 210k in 2015.
- Real consumption is driven by rising household wealth, dragging down the savings rate, a pick-up in housing-related consumption, and the lower AUD seeing a fading drag from net tourism departures.
- 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.
- Better employment growth 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. While the unemployment rate remains elevated, it should not spike further, and hence we should avoid a negative feedback loop to asset prices and the real economy.
- Weak nominal GDP growth: slowing to a 'recessionary' 1.3% in 2015, before bouncing moderately to 3.7% in 2016. This reflects a slower China and lower commodity prices resulting in a (mining) capex cliff, plus fiscal repair & slower wages, which constrains GDP to 'below' trend in coming years. The composition of GDP will also have more '(net) exports', but much less domestic demand.

## Key inflation drivers

- Headline CPI should remain low in 2015 at 1.8%, but then bounces in 2016 to 2.2% on a lower AUD – albeit still below the mid-point of the RBA's 2-3% target.
- Further ahead, for underlying CPI, very low wages and weak domestic demand (as well as global trends) should be dragging down inflation. However, poor productivity, stickiness of domestic prices and a lower AUD is expected to hold core inflation near its current 2¼% y/y.

## Monetary & fiscal policy outlook

- RBA – global disinflation amid the slump in commodity prices (particularly oil) – plus 'recessionary' indicators like capex commencements and the ABS capex intentions survey raises the risk the RBA cuts again. But we think sticky core CPI (and likely AUD depreciation expected ahead) limits the RBA's willingness to ease further.
- Government – we see fiscal policy as an increasing drag on growth in the period ahead, as the Federal Coalition attempts to return the budget to structural balance.

## Key forecast risks

- Downside risk: A delay of US Fed hikes into 2016, causing the AUD to fail to adjust as 'necessary', would likely undermine the still fragile lift in some parts of domestic activity and business conditions. Meanwhile, a deeper China property downturn could further sharply lower commodity prices and export income. The weaker nominal income environment, ongoing fiscal drag, record debt leveraging, and negative offshore news, could see consumers become more cautious given that a drop in the household savings rate is needed to deliver decent consumption growth. These scenarios could see the RBA trim the cash rate again.
- Upside risk: 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 depreciating towards our USD0.70 target, which would support the rebalancing of growth.
- A recovery in business and consumer confidence, which has been mixed recently.
- A peak in the unemployment rate, which is key to easing still elevated job insecurity (as well as boosting consumer confidence).

## Positions on key controversies

- Consumer caution – we expect some stabilisation in confidence and real consumption growth – amid record low interest rates dragging down the household savings rate – despite still high unemployment and ongoing weak wages growth.
- Terms of trade – a much lower level for commodity prices will mean Australia's growth will be more led by export volumes, with a more sluggish domestic economy. However, that does not ensure a recession.

# Market trends

## Monetary policy: RBA to hold, but risk of easing

- **Cash:** The RBA cut a cumulative 50bp to a record low of 2.0% in 1H-2015. The market continues to price the cash rate only modestly below 2%, as the RBA recently effectively dropped their easing bias. We continue to expect the RBA to hold at 2% as a base case, but this depends on the US Fed tightening this year, an AUD moving lower to USD0.70 and some pick-up in capex plans over coming quarters, to augment the rebalancing underway in the consumer and housing sectors. More broadly, the RBA only seems willing to cut again if the core inflation outlook is lower.

## Australian 10-years – to keep outperforming the US

- **US 10-years:** US 10-year yields have fallen amid mixed signs from the Fed and global growth concerns. However, our US team continue to see improving US activity and Fed rate hikes in 2H-2015 lifting US yields to 2.5% by end-2015, and 3.0% by end-2016.
- **Australian 10-years:** Australian 10-years have rallied amid the global move. While Australian 10-years remain expensive relative to our model, our US team expectation of higher yields means that we expect Australia should follow that direction. However, we see ongoing Australian out-performance ahead, due to a relatively weaker domestic growth outlook, and the RBA staying at a record low (in contrast to Fed rate hikes). Hence, we target 2.9% for end-15 and 3.4% for end-16.

## Australian 3-years – capped by the RBA

- **Australian 3-years:** The rally in Australian 3-years has seen yields below the RBA cash rate. However, US Fed tightening ahead should see Australian 3-years yields rise to above the RBA's 2% cash rate, but remain capped by the RBA staying at a cycle low for a prolonged time.

## Curve – steady RBA and Fed hikes to steepen curve

- **Yield curve:** The 3-10s curve has recently flattened. But from here, we look for a modestly steeper trend, given Australia's long-end yield is dragged up by the Fed hiking, but the shorter end is constrained by the RBA holding at a record low.

## Aussie – US 10-year spread – should tighten further

- **Australian-US spread:** The Australian-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. But likely Fed rate hikes ahead will increasingly diverge from an on-hold RBA over the coming couple of years. Specifically, we look for a further spread compression to 40bp by end-2015.

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

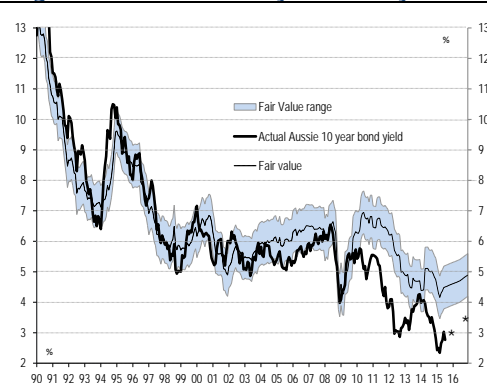


Figure C: Australian 3-year bond yield

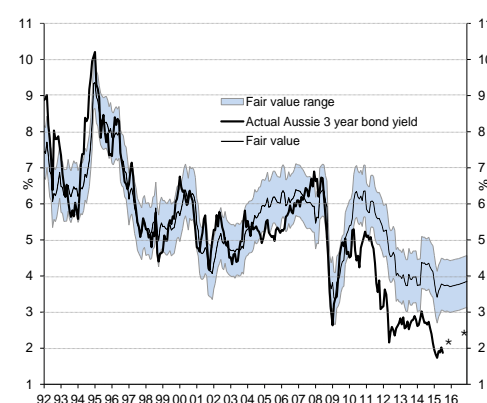
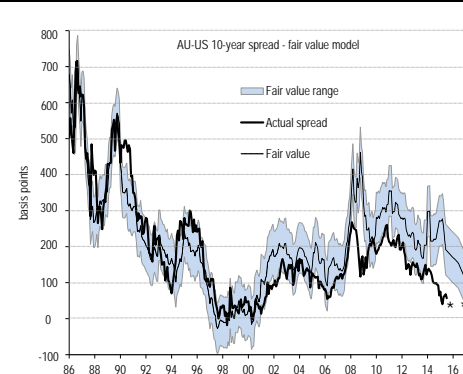


Figure D: AU-US 10-year bond yield spread





## Week in Review: 24<sup>th</sup> – 28<sup>th</sup> August

RBA Stevens speech called for further structural reform. Q2 [construction work done](#) rose 1.6% q/q (largely due to the [ABS's](#) treatment of engineering activity). In contrast, the capex survey, which provides a better GDP-basis preview, fell 4.0% q/q, and the outlook remained ['recessionary'](#). Elsewhere, the Q2 estimate of the BOGS deficit widened sharply to \$9.6bn.

Offshore, Fed Dudley noted that hiking "at the Sept FOMC meeting seems less compelling to me". US data continued to be positive. Q2 GDP was revised higher to a 3.7% a.r. while June house prices rose and July new home sales bounced. August Conference Board consumer confidence surged to near an 8 year high, and July durable goods also rose.

## Week Ahead: 31<sup>st</sup> August – 4<sup>th</sup> September

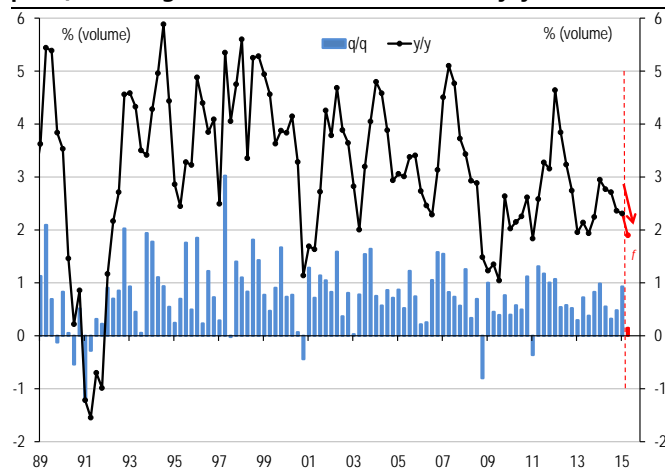
The RBA should remain on hold. Q2 GDP (Wed) may rise just 0.2% q/q (+1.9% y/y), albeit there is a higher than normal chance of a ['recession'](#). Q2 profits (Mon) may fall 1.0%, while flat inventories (Mon) drag 0.2% pts from GDP. July credit (Mon) should rise 0.4% m/m. August home prices (Tue) may moderate to 10.4% y/y. The Q2 CAD (Tue) is seen widening sharply to -\$16.5bn, while net exports (Tue) drag 0.1% pts from GDP & public demand (Tue) falls 0.5%. July residential approvals (Tue) may bounce 1.0% m/m to 217k a.r., but the trade deficit (Thu) widens to \$3.1bn. Retail sales (Thu) may rise 0.4% m/m, keeping the y/y steady at 4.9%. July new home sales (Mon), PMIs (Tue/Thu) & visitor arrivals (Fri) are due.

Offshore (post key US July spending & core PCE tonight), August US PMI & ISM mfg (Tue) should both rise to 53.0. The September Fed beige book (Wed) is due. Faster payrolls (Fri, 235k) should tick down the UR to 5.2%. The August non-mfg ISM (Thu) should retrace sharply to 58.0. Elsewhere, July JP IP (Mon) is seen higher. August EU CPI (Mon) is likely to moderate (+0.1% y/y). CH (Tue) and EU (Tue/Thu) PMIs are seen mixed. The ECB (Thu) should stay on hold.

Date	Time (AEDT)	Data/Event	UBS	Market*	Previous
31-Aug	11:30	HIA new home sales / Credit (Jul)	nf / +0.4%	nf / +0.5%	+0.5% / +0.4%
31-Aug	11:30	Company profits (Q2)	-1.0%	-1.8%	+0.2%
31-Aug	11:30	Private non-farm inventories (Q2 – % q/q, %pts q/q contribution to GDP)	+0.0% / -0.2%pt	+0.2% / nf	+0.4% / +0.3%pt
1/3-Sep	9:30	PMI manufacturing / PSI services (Aug)	nf / nf	nf / nf	50.4 / 54.1
1-Sep	11:30	CoreLogic-RP data dwelling prices (Aug – m/m & y/y)	+0.5% / +10.4%	nf / nf	+2.8% / +11.1%
1-Sep	11:30	Current account balance / net exports – contribution to GDP (Q2)	-\$16.5bn / -0.1%pt	-\$15.8bn / -0.3%pt	-\$10.7bn / +0.5%pt
1-Sep	11:30	Residential building approvals (Jul)	+1.0%	+3.0%	-8.2%
1-Sep	11:30	Public demand (Q2)	-0.5%	nf	-0.2%
1-Sep	14:30	RBA decision (Aug)	2.00%	2.00%	2.00%
1-Sep	16:30	RBA \$A commodity prices (Aug)	nf	nf	-1.7%
2-Sep	11:30	GDP (Q2 – q/q & y/y)	+0.2% / +1.9%	+0.4% / +2.2%	+0.9% / +2.3%
3-Sep	11:30	Trade balance (Jul)	-\$3100mn	-\$3100mn	-\$2933mn
3-Sep	11:30	Retail sales – values (Jul – m/m & y/y)	+0.4% / +4.9%	+0.4% / nf	+0.7% / +4.9%
4-Sep	11:30	Visitor arrivals (Jul)	nf	nf	+0.3%

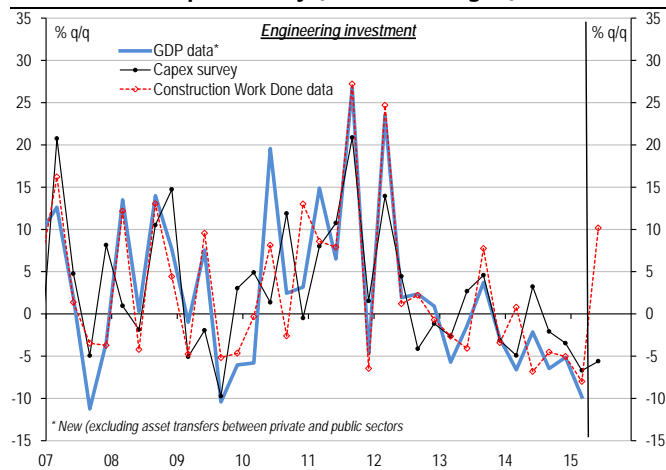
Source: ABS, Bloomberg, RBA, Reuters, Dow Jones \* Market may not be final

**Q2 GDP may rise just 0.2% q/q (with risk of a negative print), slowing to a well below trend 1.9% y/y**



Source: ABS, UBS

**The [ABS](#) suggest Q2 engineering investment should drop based on the capex survey (but CWD surged)**



Source: ABS, UBS

## Economic Calendar

MONDAY ----- 24 August -----	TUESDAY ----- 25 August -----	WEDNESDAY ----- 26 August -----	THURSDAY ----- 27 August -----	FRIDAY ----- 28 August -----
GE IFO (Aug, due 25 <sup>th</sup> ) Act: 108.3, Pre: 108.0	AU BOGS PRELIMINARY EST (Q2) Act: -\$9.6bn, Pre: -\$4.8bn r NZ RBNZ SURVEY EXPECT (Q3) US FHFA HOUSE PRICES (Jun) Act: +0.2%, Pre: +0.5% r US S&P/CS HOME PRICES (Jun) Act: +0.1%, Pre: +0.1% r US NEW HOME SALES (Jul) Act: +5.4%, Pre: -7.7% r US CB CONS. CONF. (Aug) Act: 101.5, Pre: 91.0 r	AU CONSTRUCTION DONE (Q2) Act: +1.6%, Pre: -0.8% RBA STEVENS SPEECH NZ TRADE BALANCE (Jul) Act: -\$649mn, Pre: -\$194mn r US DURABLE GOODS (Jul) Act: +2.0%, Pre: +4.1% r	AU CAPEX (Q2) Act: -4.0%, Pre: -4.7% r AU CAPEX INTENT (15/16 3 <sup>rd</sup> EST.) Act: \$114.8bn, Pre: \$104.5bn r AU CAPEX INTENT (14/15 7 <sup>th</sup> EST.) Act: \$150.6bn, Pre: \$149.8bn r US GDP (Q2 p) Act: +3.7%, Pre: +2.3% (Q2 a) US PENDING HOME SALES (Jul) Act: +0.5%, Pre: -1.7% r	US SPENDING (Jul) UBS: +0.4%, Pre: +0.2% US CORE PCE (Jul) UBS: +0.1%, Pre: +0.1% US UM CONS. CONF. (Aug f) UBS: 92.9, Pre: 92.9 (Aug p) JP CORE CPI (Jul) Act: +0.0%, Pre: +0.1% UK GDP (Q2 p) UBS: +0.7%, Pre: +0.7% (Q2 a)
----- 31 August -----	----- 1 September -----	----- 2 September -----	----- 3 September -----	----- 4 September -----
AU NEW HOME SALES (Jul) Mkt: nf, Pre: +0.5% AU PROFITS (Q2) UBS: -1.0%, Pre: +0.2% AU INVENTORIES (Q2) UBS: +0.0%, Pre: +0.4% AU CREDIT (Jul) UBS: +0.4%, Pre: +0.4% NZ DWELLING CONSENTS (Jul) Mkt: nf, Pre: -4.1% NZ ANZ OWN ACTIVITY (Aug) Mkt: nf, Pre: +19.0% NZ HOUSEHOLD CLAIMS (Jul) Mkt: nf, Pre: +0.6% EU CPI (Aug p, y/y) Mkt: +0.1%, Pre: +0.2% (Jul f) EU UNEMPLOYMENT RATE (Jul) Mkt: 11.1%, Pre: 11.1% (due 1 <sup>st</sup> ) JP IP (Jul p) UBS: +0.8%, Pre: +1.1% (Jun f)	AU MFG PMI (Aug) Mkt: nf, Pre: 50.4 AU CL-RP DWELLING PRICES (Aug) UBS: +0.5%, Pre: +2.8% AU CURRENT ACCOUNT (Q2) UBS: -\$16.5bn, Pre: -\$10.7bn AU NET EXPORTS CONTR. (Q2) UBS: -0.1%pts, Pre: +0.5%pts AU PUBLIC DEMAND (Q2) UBS: -0.5%, Pre: -0.2% AU RESIDENTIAL APPROVALS (Jul) UBS: +1.0%, Pre: -8.2% RBA DECISION (Aug) UBS: no change, Pre: 2.00% AU RBA \$A COMMOD PRICE (Aug) Mkt: nf, Pre: -1.7% NZ TERMS OF TRADE (Q2) UBS: -8.7%, Pre: +1.4% US PMI / ISM MFG (Aug) UBS: 53.0 / 53.0, Pre: 52.9 / 52.7 CH / EU MFG PMI (Aug) Mkt: 49.7 / 52.4, Pre: 50.0 / 52.4 CH CAIXIN MFG PMI (Aug f) Mkt: 47.3, Pre: 47.1 (Aug p)	AU GDP (Q2) UBS: +0.2%, Pre: +0.9% NZ ANZ COMMODITY PRICE (Aug) Mkt: nf, Pre: -11.2% US ADP PRIVATE PAYROLLS (Aug) Mkt: +198k, Pre: +185k US FACTORY ORDERS (Jul) UBS: +0.7%, Pre: +1.8% FED BEIGE BOOK (Sep)	AU SERVICES PSI (Aug) Mkt: nf, Pre: 54.1 AU TRADE BALANCE (Jul) UBS: -\$3100mn, Pre: -\$2933mn AU RETAIL SALES – VALUES (Jul) UBS: +0.4%, Pre: +0.7% NZ BUILDING WORK (Q2) UBS: +2.0%, Pre: +1.5% US TRADE BALANCE (Jul) UBS: -\$41.0bn, Pre: -\$43.8bn US NON-MFG ISM (Aug) UBS: 58.0, Pre: 60.3 EU COMPOSITE PMI (Aug f) UBS: 54.1, Pre: 54.1 (Aug p) ECB DECISION (Sep) UBS: no change, Pre: 0.05%	AU VISITOR ARRIVALS (Jul) Mkt: nf, Pre: +0.3% US PAYROLLS (Aug) UBS: +235k, Pre: +215k US UNEMPLOYMENT RATE (Aug) UBS: 5.2%, Pre: 5.3% CA EMPLOYMENT (Aug) Mkt: nf, Pre: +6.6k
----- 7 September -----	----- 8 September -----	----- 9 September -----	----- 10 September -----	----- 11 September -----
AU CONSTRUCTION PCI (Aug) Pre: 47.1 AU ANZ JOB ADS (Aug) Pre: -0.4% US HOLIDAY US markets closed	AU NAB BIZ CONDITIONS (Aug) Pre: +5.8 AU NAB BIZ CONFIDENCE (Aug) Pre: +3.5 NZ MFG SURVEY (EX-DAIRY) (Q2) Pre: +0.0% CH TRADE BALANCE (Aug, USD) Pre: 43.0bn EU GDP (Q2 p) Pre: +0.3% (Q2 a) JP GDP (Q2 f) Pre: -0.4% (Q2 p)	AU WMI CONS. CONF. (Sep) Pre: +7.8% AU HOME LOANS VALUES (Jul) Act: +3.3% AU HOME LOANS O/O NO. (Jul) Pre: +4.4% RBA LOWE SPEECH CH CPI (Aug, y/y) / UK IP (Jul) Pre: +1.6% / -0.4% BOC DECISION (Sep) Pre: 0.50%	AU EMPLOYMENT (Aug) Pre: +38.5k AU UNEMPLOYMENT RATE (Aug) Pre: 6.3% NZ ELECTRONIC CARDS (Aug) Pre: +1.1% RBNZ DECISION (Sep) UBS: -25bp to 2.75%, Pre: 3.00% CH LOANS (Aug, RMB) Pre: 1480bn (due 10 <sup>th</sup> to 15 <sup>th</sup> ) BOE DECISION (Sep) Pre: 0.50%	AU FINANCE COMMITMENTS (Jul) Pre: +0.6% NZ MFG PMI (Aug) Pre: 53.5 NZ FOOD PRICE INDEX (Aug) Pre: +0.6% US CORE PPI (Aug) Pre: +0.3% US UM CONS. CONF. (Sep p) Pre: 92.9 (Aug p) CH IP (Aug, y/y) Pre: +6.0% (due 12 <sup>th</sup> )
----- 14 September -----	----- 15 September -----	----- 16 September -----	----- 17 September -----	----- 18 September -----
NZ SERVICES PSI (Aug) Pre: 56.5 NZ REINZ HOUSE PRICES (Aug) Pre: +0.4% EU IP (Jul) Pre: -0.4%	AU CAR SALES (Aug) Pre: -1.3% RBA MINUTES (Sep) NZ WBC CONS CONFIDENCE (Q3) UBS: 105, Pre: 113 US RETAIL SALES / IP (Aug) Pre: +0.4% / +0.6% EU EMPLOYMENT (Q2) Pre: +0.1% UK CPI (Aug, y/y) Pre: +0.1% BOJ DECISION (Sep) Pre: 0.1%	AU GOODS IMPORTS (Aug) Pre: +0.2% RBA DEBELLE SPEECH NZ CAD (Q2) UBS: -\$1050mn, Pre: +\$662mn US CORE CPI (Aug) Pre: +0.1% US HOUSING MARKET INDEX (Sep) Pre: 61 EU CPI (Aug f, y/y) Pre: +0.2% (Jul f) UK UNEMPLOYMENT RATE (Jul) Pre: 5.6%	RBA BULLETIN (Q3) NZ GDP (Q2) UBS: +0.6%, Pre: +0.2% US HOUSING STARTS (Aug) Pre: +0.2% FED DECISION (Sep) Pre: 0.0% - 0.25%	RBA STEVENS SPEECH NZ ANZ-RM CONS. CONF. (Q3) Pre: 109.8 CA CORE CPI (Aug) Pre: +0.2%
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				





## Required Disclosures

This report has been prepared by UBS Securities Australia Ltd, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

For information on the ways in which UBS manages conflicts and maintains independence of its research product; historical performance information; and certain additional disclosures concerning UBS research recommendations, please visit [www.ubs.com/disclosures](http://www.ubs.com/disclosures). The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results. Additional information will be made available upon request. UBS Securities Co. Limited is licensed to conduct securities investment consultancy businesses by the China Securities Regulatory Commission.

**Analyst Certification:** Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, including with respect to UBS, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

## Global Disclaimer

This document has been prepared by UBS Securities Australia Ltd, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

Global Research is provided to our clients through UBS Neo, the UBS Client Portal and UBS.com (each a "System"). It may also be made available through third party vendors and distributed by UBS and/or third parties via e-mail or alternative electronic means. The level and types of services provided by Global Research to a client may vary depending upon various factors such as a client's individual preferences as to the frequency and manner of receiving communications, a client's risk profile and investment focus and perspective (e.g. market wide, sector specific, long-term, short-term, etc.), the size and scope of the overall client relationship with UBS and legal and regulatory constraints.

When you receive Global Research through a System, your access and/or use of such Global Research is subject to this Global Research Disclaimer and to the terms of use governing the applicable System.

When you receive Global Research via a third party vendor, e-mail or other electronic means, your use shall be subject to this Global Research Disclaimer and to UBS's Terms of Use/Disclaimer (<http://www.ubs.com/global/en/legalinfo2/disclaimer.html>). By accessing and/or using Global Research in this manner, you are indicating that you have read and agree to be bound by our Terms of Use/Disclaimer. In addition, you consent to UBS processing your personal data and using cookies in accordance with our Privacy Statement (<http://www.ubs.com/global/en/legalinfo2/privacy.html>) and cookie notice (<http://www.ubs.com/global/en/homepage/cookies/cookie-management.html>).

**If you receive Global Research, whether through a System or by any other means, you agree that you shall not copy, revise, amend, create a derivative work, transfer to any third party, or in any way commercially exploit any UBS research provided via Global Research or otherwise, and that you shall not extract data from any research or estimates provided to you via Global Research or otherwise, without the prior written consent of UBS.**

For access to all available Global Research on UBS Neo and the Client Portal, please contact your UBS sales representative.

This document is for distribution only as may be permitted by law. It is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject UBS to any registration or licensing requirement within such jurisdiction. It is published solely for information purposes; it is not an advertisement nor is it a solicitation or an offer to buy or sell any financial instruments or to participate in any particular trading strategy. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in this document ('the Information'), except with respect to Information concerning UBS. The Information is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. UBS does not undertake to update or keep current the Information. Any opinions expressed in this document may change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS. Any statements contained in this report attributed to a third party represent UBS's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party.

Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. Investments involve risks, and investors should exercise prudence and their own judgement in making their investment decisions. The financial instruments described in the document may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates or other market conditions. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument referred to in the document. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

The value of any investment or income may go down as well as up, and investors may not get back the full (or any) amount invested. Past performance is not necessarily a guide to future performance. Neither UBS nor any of its directors, employees or agents accepts any liability for any loss (including investment loss) or damage arising out of the use of all or any of the Information.

Any prices stated in this document are for information purposes only and do not represent valuations for individual securities or other financial instruments. There is no representation that any transaction can or could have been effected at those prices, and any prices do not necessarily reflect UBS's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by UBS or any other source may yield substantially different results.

This document and the Information are produced by UBS as part of its research function and are provided to you solely for general background information. UBS has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. In no circumstances may this document or any of the Information be used for any of the following purposes:

- (i) valuation or accounting purposes;
- (ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or
- (iii) to measure the performance of any financial instrument.

By receiving this document and the Information you will be deemed to represent and warrant to UBS that you will not use this document or any of the Information for any of the above purposes or otherwise rely upon this document or any of the Information.

Research will initiate, update and cease coverage solely at the discretion of UBS Investment Bank Research Management. The analysis contained in this document is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting market information. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS into other areas, units, groups or affiliates of UBS. The compensation of the analyst who prepared this document is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues; however, compensation may relate to the revenues of UBS Investment Bank as a whole, of which investment banking, sales and trading are a part.

For financial instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries (excluding UBS Securities LLC) acts as a market maker or liquidity provider (in accordance with the interpretation of these terms in the UK) in the financial instruments of the issuer save that where the activity of liquidity provider is carried out in accordance with the definition given to it by the laws and regulations of any other EU jurisdictions, such information is separately disclosed in this document. For financial instruments admitted to trading on a non-EU regulated market: UBS may act as a market maker save that where this activity is carried out in the US in accordance with the definition given to it by the relevant laws and regulations, such activity will be specifically disclosed in this document. UBS may have issued a warrant the value of which is based on one or more of the financial instruments referred to in the document. UBS and its affiliates and employees may have long or short positions, trade as principal and buy and sell in instruments or derivatives identified herein; such transactions or positions may be inconsistent with the opinions expressed in this document.

**United Kingdom and the rest of Europe:** Except as otherwise specified herein, this material is distributed by UBS Limited to persons who are eligible counterparties or professional clients. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. **France:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities France S.A. UBS Securities France S.A. is regulated by the ACPR (Autorité de Contrôle Prudentiel et de Résolution) and the Autorité des Marchés Financiers (AMF). Where an analyst of UBS Securities France S.A. has contributed to this document, the document is also deemed to have been prepared by UBS Securities France S.A. **Germany:** Prepared by UBS Limited and distributed by UBS Limited and UBS Deutschland AG. UBS Deutschland AG is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). **Spain:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities España SV, SA. UBS Securities España SV, SA is regulated by the Comisión Nacional del Mercado de Valores (CNMV). **Turkey:** Distributed by UBS Limited. No information in this document is provided for the purpose of offering, marketing and sale by any means of any capital market instruments and services in the Republic of Turkey. Therefore, this document may not be considered as an offer made or to be made to residents of the Republic of Turkey. UBS AG is not licensed by the Turkish Capital Market Board under the provisions of the Capital Market Law (Law No. 6362). Accordingly, neither this document nor any other offering material related to the instruments/services may be utilized in connection with providing any capital market services to persons within the Republic of Turkey without the prior approval of the Capital Market Board. However, according to article 15 (d) (ii) of the Decree No. 32, there is no restriction on the purchase or sale of the securities abroad by residents of the Republic of Turkey. **Poland:** Distributed by UBS Limited (spółka z ograniczoną odpowiedzialnością) Oddział w Polsce regulated by the Polish Financial Supervision Authority. Where an analyst of UBS Limited (spółka z ograniczoną odpowiedzialnością) Oddział w Polsce has contributed to this

document, the document is also deemed to have been prepared by UBS Limited (spółka z ograniczoną odpowiedzialnością) Oddział w Polsce. **Russia:** Prepared and distributed by UBS Bank (OOO). **Switzerland:** Distributed by UBS AG to persons who are institutional investors only. UBS AG is regulated by the Swiss Financial Market Supervisory Authority (FINMA). **Italy:** Prepared by UBS Limited and distributed by UBS Limited and UBS Italia Sim S.p.A. UBS Italia Sim S.p.A. is regulated by the Bank of Italy and by the Commissione Nazionale per le Società e la Borsa (CONSOB). Where an analyst of UBS Italia Sim S.p.A. has contributed to this document, the document is also deemed to have been prepared by UBS Italia Sim S.p.A. **South Africa:** Distributed by UBS South Africa (Pty) Limited (Registration No. 1995/011140/07), an authorised user of the JSE and an authorised Financial Services Provider (FSP 7328). **Israel:** This material is distributed by UBS Limited. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. UBS Securities Israel Ltd is a licensed Investment Marketer that is supervised by the Israel Securities Authority (ISA). UBS Limited and its affiliates incorporated outside Israel are not licensed under the Israeli Advisory Law. UBS Limited is not covered by insurance as required from a licensee under the Israeli Advisory Law. UBS may engage among others in issuance of Financial Assets or in distribution of Financial Assets of other issuers for fees or other benefits. UBS Limited and its affiliates may prefer various Financial Assets to which they have or may have Affiliation (as such term is defined under the Israeli Advisory Law). Nothing in this Material should be considered as investment advice under the Israeli Advisory Law. This Material is being issued only to and/or is directed only at persons who are Eligible Clients within the meaning of the Israeli Advisory Law, and this material must not be relied on or acted upon by any other persons. **Saudi Arabia:** This document has been issued by UBS AG (and/or any of its subsidiaries, branches or affiliates), a public company limited by shares, incorporated in Switzerland with its registered offices at Aeschenvorstadt 1, CH-4051 Basel and Bahnhofstrasse 45, CH-8001 Zurich. This publication has been approved by UBS Saudi Arabia (a subsidiary of UBS AG), a Saudi closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial register number 1010257812 having its registered office at Tatweer Towers, P.O. Box 75724, Riyadh 11588, Kingdom of Saudi Arabia. UBS Saudi Arabia is authorized and regulated by the Capital Market Authority to conduct securities business under license number 08113-37. **Dubai:** The information distributed by UBS AG Dubai Branch is intended for Professional Clients only and is not for further distribution within the United Arab Emirates. **United States:** Distributed to US persons by either UBS Securities LLC or by UBS Financial Services Inc., subsidiaries of UBS AG; or by a group, subsidiary or affiliate of UBS AG that is not registered as a US broker-dealer (a 'non-US affiliate') to major US institutional investors only. UBS Securities LLC or UBS Financial Services Inc. accepts responsibility for the content of a document prepared by another non-US affiliate when distributed to US persons by UBS Securities LLC or UBS Financial Services Inc. All transactions by a US person in the securities mentioned in this document must be effected through UBS Securities LLC or UBS Financial Services Inc., and not through a non-US affiliate. **Canada:** Distributed by UBS Securities Canada Inc., a registered investment dealer in Canada and a Member-Canadian Investor Protection Fund, or by another affiliate of UBS AG that is registered to conduct business in Canada or is otherwise exempt from registration. **Brazil:** Except as otherwise specified herein, this material is prepared by UBS Brasil CCTVM S.A. to persons who are eligible investors residing in Brazil, which are considered to be: (i) financial institutions, (ii) insurance firms and investment capital companies, (iii) supplementary pension entities, (iv) entities that hold financial investments higher than R\$300,000.00 and that confirm the status of qualified investors in written, (v) investment funds, (vi) securities portfolio managers and securities consultants duly authorized by Comissão de Valores Mobiliários (CVM), regarding their own investments, and (vii) social security systems created by the Federal Government, States, and Municipalities. **Hong Kong:** Distributed by UBS Securities Asia Limited and/or UBS AG, Hong Kong Branch. **Singapore:** Distributed by UBS Securities Pte. Ltd. [MCI (P) 016/09/2014 and Co. Reg. No.: 198500648C] or UBS AG, Singapore Branch. Please contact UBS Securities Pte. Ltd., an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110); or UBS AG, Singapore Branch, an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110) and a wholesale bank licensed under the Singapore Banking Act (Cap. 19) regulated by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with, the analysis or document. The recipients of this document represent and warrant that they are accredited and institutional investors as defined in the Securities and Futures Act (Cap. 289). **Japan:** Distributed by UBS Securities Japan Co., Ltd. to professional investors (except as otherwise permitted). Where this document has been prepared by UBS Securities Japan Co., Ltd., UBS Securities Japan Co., Ltd. is the author, publisher and distributor of the document. Distributed by UBS AG, Tokyo Branch to Professional Investors (except as otherwise permitted) in relation to foreign exchange and other banking businesses when relevant. **Australia:** Clients of UBS AG: Distributed by UBS AG (Holder of Australian Financial Services License No. 231087). Clients of UBS Securities Australia Ltd: Distributed by UBS Securities Australia Ltd (Holder of Australian Financial Services License No. 231098). Clients of UBS Wealth Management Australia Ltd: Distributed by UBS Wealth Management Australia Ltd (Holder of Australian Financial Services License No. 231127). This Document contains general information and/or general advice only and does not constitute personal financial product advice. As such, the Information in this document has been prepared without taking into account any investor's objectives, financial situation or needs, and investors should, before acting on the Information, consider the appropriateness of the Information, having regard to their objectives, financial situation and needs. If the Information contained in this document relates to the acquisition, or potential acquisition of a particular financial product by a 'Retail' client as defined by section 761G of the Corporations Act 2001 where a Product Disclosure Statement would be required, the retail client should obtain and consider the Product Disclosure Statement relating to the product before making any decision about whether to acquire the product. The UBS Securities Australia Limited Financial Services Guide is available at: [www.ubs.com/ecs-research-fsg](http://www.ubs.com/ecs-research-fsg). **New Zealand:** Distributed by UBS New Zealand Ltd. The information and recommendations in this publication are provided for general information purposes only. To the extent that any such information or recommendations constitute financial advice, they do not take into account any person's particular financial situation or goals. We recommend that recipients seek advice specific to their circumstances from their financial advisor. **Korea:** Distributed in Korea by UBS Securities Pte. Ltd., Seoul Branch. This document may have been edited or contributed to from time to time by affiliates of UBS Securities Pte. Ltd., Seoul Branch. **Malaysia:** This material is authorized to be distributed in Malaysia by UBS Securities Malaysia Sdn. Bhd (Capital Markets Services License No.: CMSL/A0063/2007). This material is intended for professional/institutional clients only and not for distribution to any retail clients. **India:** Prepared by UBS Securities India Private Ltd. (Corporate Identity Number U67120MH1996PTC097299) 2/F, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai (India) 400051. Phone: +912261556000. It provides brokerage services bearing SEBI Registration Numbers: NSE (Capital Market Segment): INB230951431, NSE (F&O Segment) INF230951431, NSE (Currency Derivatives Segment) INE230951431, BSE (Capital Market Segment) INB010951437; merchant banking services bearing SEBI Registration Number: INM000010809 and research services. UBS AG, its affiliates or subsidiaries may have debt holdings or positions in the subject Indian company/companies. Within the past 12 months, UBS AG, its affiliates or subsidiaries may have received compensation for non-investment banking securities-related services and/or non-securities services from the subject Indian company/companies. The subject company/companies may have been a client/clients of UBS AG, its affiliates or subsidiaries during the 12 months preceding the date of distribution of the research report with respect to investment banking and/or non-investment banking securities-related services and/or non-securities services. With regard to information on associates, please refer to the Annual Report at: [http://www.ubs.com/global/en/about\\_ubs/investor\\_relations/annualreporting.html](http://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting.html)

The disclosures contained in research documents produced by UBS Limited shall be governed by and construed in accordance with English law.

UBS specifically prohibits the redistribution of this document in whole or in part without the written permission of UBS and UBS accepts no liability whatsoever for the actions of third parties in this respect. Images may depict objects or elements that are protected by third party copyright, trademarks and other intellectual property rights. © UBS 2015. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

