

Monday, 1 March 2021

A Deluge of Data

Be prepared. This will be a busy week for economic statistics and markets. Is growth momentum carrying into 2021? Will the AUD regain its footing in its march towards US80 cents? How far will long-bond yields go? It's going to be an interesting week.

The AUD touched US80 cents very briefly on Thursday but starts this week in the US77 cent range. US long bond yields also retreated from a recent high of 1.52% on Thursday to begin the week at 1.40%.

Monday sees the release of CoreLogic house prices for February, home lending statistics and job ads for February plus aggregate company profits for the December quarter. Low interest rates have put a rocket under house prices and home lending. The economic recovery is fuelling job creation and likely led to a lift in company profits. We expect that home lending may have slipped back 2% following an 8.6% surge in December.

The first Tuesday of the month brings us the Reserve Bank of Australia's monthly board meeting. Will the governor's statement say anything about the recent lift in bond yields and will he endeavour to calm fears of inflation? Will there be any guidance on its bond purchasing programme? The cash rate isn't going anywhere soon.

Also on Tuesday, the Australian Bureau of Statistics will release building approvals for January and Australia's net debt foreign debt position as at the end of December. We expect that building approvals fell 8% after the rush to meet the HomeBuilder scheme deadline in December.

The December quarter national accounts or GDP numbers come out on Wednesday. On the back of some solid partial indicators, we expect that GDP rose 2.5% in the quarter to be down just 1.8% over the year. While these are 'historical' numbers, they should feed into the growing belief that the economy is on a path to recovery.

Final retail sales for January come out on Thursday as do the latest trade figures for January. Following the release of partial retail sales figures last week, we expect a gain of 0.6% following a 4.1% decline in December. Retail sales results have been heavily impacted by COVID-19 restrictions, the shifting sands of store sales and the growth in employments. Despite these disruptions, sales are up a very solid 10.7% on a year earlier.

Australia's trade account has been in surplus for 36 consecutive months. The January figures are unlikely to break that run. For January we expect a surplus of \$8.3bn on the back of firm commodity prices. Iron ore prices have been particularly strong because of demand out of China. Imports are expected to be flat, a consolidation after goods imports rebounded over the second half of 2020.

Friday brings some respite on the Australian data front but on Friday night the US releases its February employment report which helps set the tone for markets the following week. After a run of solid payroll growth in mid-2020, jobs growth has slowed and for February a tick up in the unemployment rate is expected with an increase of 100k new jobs.

Forecasts

End Period:	2021					2022	
	Close (26 Feb)	Q1 (f)	Q2 (f)	Q3 (f)	Q4 (f)	Q1 (f)	Q2 (f)
Aust. Interest Rates:							
RBA Cash Rate, %	0.10	0.10	0.10	0.10	0.10	0.10	0.10
90 Day BBSW, %	0.02	0.02	0.02	0.02	0.02	0.04	0.06
3 Year Swap, %	0.32	0.15	0.15	0.15	0.15	0.18	0.22
10 Year Bond, %	1.92	1.50	1.60	1.75	1.90	2.05	2.20
US Interest Rates:							
Fed Funds Rate, %	0.13	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond, %	1.52	1.40	1.50	1.65	1.80	1.95	2.10
USD Exchange Rates:							
AUD-USD	0.7706	0.78	0.79	0.80	0.82	0.85	0.85
USD-JPY	106.57	106	106	106	106	107	107
EUR-USD	1.2075	1.22	1.23	1.24	1.25	1.26	1.27
GBP-USD	1.3933	1.39	1.40	1.40	1.41	1.41	1.41
NZD-USD	0.7233	0.73	0.74	0.75	0.76	0.78	0.78
AUD Exchange Rates:							
AUD-USD	0.7706	0.78	0.79	0.80	0.82	0.85	0.85
AUD-EUR	0.6383	0.64	0.64	0.65	0.66	0.67	0.67
AUD-JPY	82.13	82.7	83.7	84.8	86.9	91.0	91.0
AUD-GBP	0.5533	0.56	0.56	0.57	0.58	0.60	0.60
AUD-NZD	1.0653	1.07	1.07	1.07	1.08	1.09	1.09

	2019	2020 (f)	2021 (f)	2022 (f)
GDP, %	2.2	-2.0	4.0	3.0
CPI (Headline), %	1.8	0.9	2.6	2.2
CPI (Trimmed mean), %	1.6	1.2	1.9	2.0
Unemployment Rate, %	5.2	6.8	6.0	5.3
Wages Growth, %	2.2	1.1	1.2	1.6

AUD cross exchange rates have been rounded.

Financial forecasts are quarter end.

GDP, CPI, employment and wage growth forecasts are year end.

Contact Listing

Chief Economist

Besa Deda
dedab@bankofmelbourne.com.au
(02) 8254 3251

Senior Economist

Hans Kunnen
hans.kunnen@bankofmelbourne.com.au
(02) 8254 1316

Economist

Matthew Bunny
matthew.bunny@bankofmelbourne.com.au
(02) 8254 0023

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