National Australia Bank

Embargoed until:
11.30am Tuesday 11 December 2012

Global & Australian Forecasts December 2012

Global growth still sluggish and expected to stay that way in 2013. Forecasts assume US fiscal cliff averted and Euro-zone stresses subside. US growth is moderate, Japan and Euro-zone weak, emerging economies now driving global expansion. Australian economy slowed in Q3 and may soften again in Q4. A still elevated AUD, fiscal tightening and very weak confidence expected to weigh on near-term activity allowing one more RBA cut (probably in May 2013).

- Although interest rates are historically low in the advanced economies and central banks have stepped up their liquidity injections, their pace of economic growth is still very weak. The latest crop of business surveys as well as the hard data on trade and output do not suggest that the business environment is about to improve and there are well known risks in the US and Euro-zone that are depressing confidence. Global economic growth is largely being driven by the big emerging economies and here, at least, it looks as if their economies are stabilising. We have made a few changes in our country growth forecasts but they largely offset each other in terms of their impact on bottom line global growth, which should remain a sub-trend 3% or so this year and next.
- Australian GDP growth eased further in Q3, up 0.5% following growth of 0.6% in Q2. Solid business investment growth was supported by soft growth in consumption and net exports, while the public sector weighed heavily on growth. Outlook broadly unchanged this month; GDP forecasts 2.5% in 2012-13 (was 2.3%) and 2.8% in 2013-14 (was 3.0%). Softening resources investment, a still elevated AUD, fiscal tightening and very weak confidence are expected to weigh on near-term activity. Frictional pressures will keep the unemployment rate somewhat elevated.
- Inflation is unlikely to be a barrier to additional monetary policy easing in the first half of 2013. NAB survey continues to show retail price growth subdued. We see core inflation (inc. carbon) of 2.8% in 2012-13 and 2.9% in 2013-14. The future path for the cash rate appears lower now than it was a month ago. We now see potential for a further reduction next year (May, but February if conditions worsen), taking the cash rate to 2.75%.

Key global GDP forecasts (calendar years)

Country/region	*IMF weight*	2009	2010	2011	2012	2013
				% change		
United States	*19*	-3.1	2.4	1.8	**2.2**	**2.4**
Euro-zone	*14*	-4.3	1.9	1.5	**-0.5**	**-0.5**
Japan	*6*	-5.5	4.6	-0.7	**1.8**	**0.8**
China	*14*	9.2	10.4	9.3	**7.7**	**8.0**
Asian Tigers	*8*	0.2	7.8	4.2	**3.4**	**3.6**
Global total	*100*	-0.3	5.3	3.9	**3.1**	**3.2**
Australia	*2*	1.4	2.6	2.4	**3.5**	**2.4**

Key Australian forecasts (fiscal years)

GDP components	11/12	12/13	13/14	Other indicators	11/12	12/13	13/14
		% change				*% through-year*	
Private consumption	3.3	**2.5**	**2.0**	Core CPI (inc. carbon)	2.1	**2.8**	**2.9**
Domestic demand	5.3	**2.9**	**2.5**			*% end of year*	
GDP	3.5	**2.5**	**2.8**	Unemploy. rate	5.0	**5.7**	**5.6**

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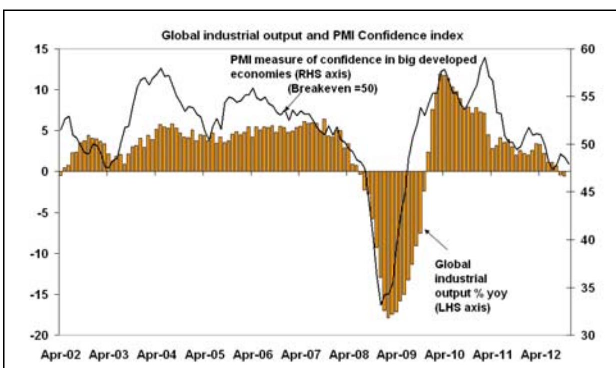
Global outlook

Key Points

- The latest indicators suggest that the pace of growth in the big advanced economies remains modest at best. November business survey results show industrial activity in the UK, Euro-zone and Japan below the 50 break even level while new orders in the US have slowed, probably reflecting business concern over the looming "fiscal cliff".
- The emerging economies show a more mixed picture with Chinese activity stabilising and some areas improving but growth remains weak in India and Brazil. Conditions have also softened across the Asian Tiger economies and the other big economies of Latin America.
- We are forecasting only a modest acceleration in growth in 2013 as fiscal tightening continues in Western Europe and the US and monetary policy is already very loose in all of the big advanced economies. Low inflation should allow the continuation of low interest rates but there is also continuing debate over the scope for more QE.
- As ever, there are risks around the forecasts and they are skewed toward worse rather than better outcomes. We are not expecting any break-up of the Euro-zone and we assume that the US political system will reach a compromise on fiscal policy.

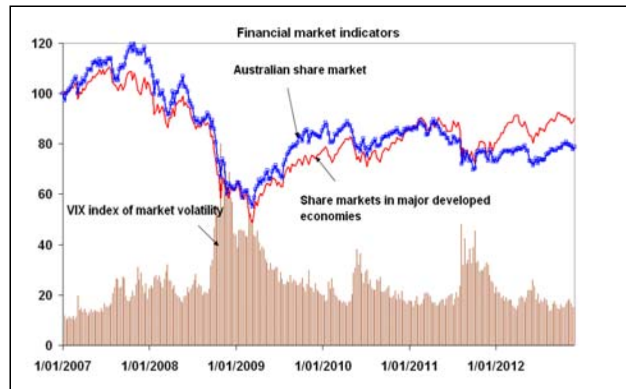


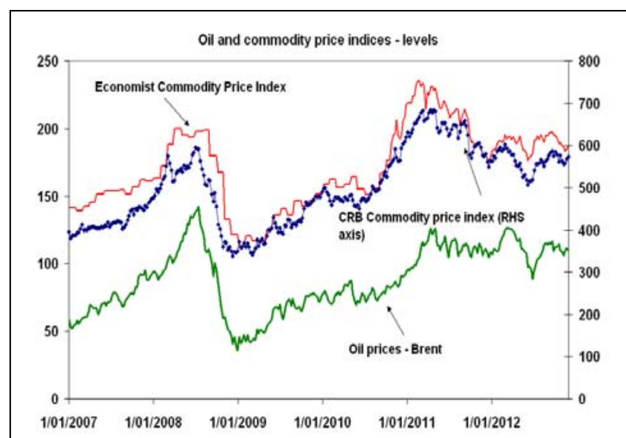
Financial & commodity markets

Although recent data suggest that the world economy is slowing, equity and commodity markets have been quite buoyant. Equity markets in the big advanced economies had recovered much of their recent losses by early December and commodity prices had also stabilised and even recovered slightly after recording falls through October and much of November.

There has been a disconnect between indicators of activity in the real economy – output and employment levels, world trade, order inflows – and the course of prices in equity and commodity markets. Real economic activity has been subdued but advanced economy equity and global commodity markets have remained surprisingly resilient.

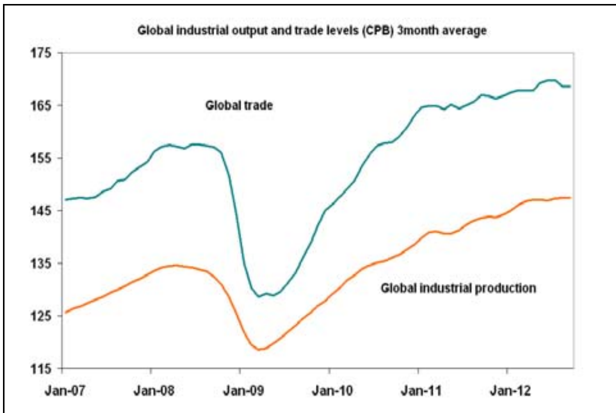
This buoyancy in financial asset and commodity prices in a generally gloomy economic environment has been ascribed to the impact of central bank operations in the big advanced economies. Their injection of large amounts of liquidity in "quantitative easing" schemes is said to have increased the amount of money in the system chasing a profitable home. Yields and premiums on bonds have fallen and investors are gradually being pushed to consider a riskier range of assets where higher potential returns seem to be on offer – such as equities and commodity funds.



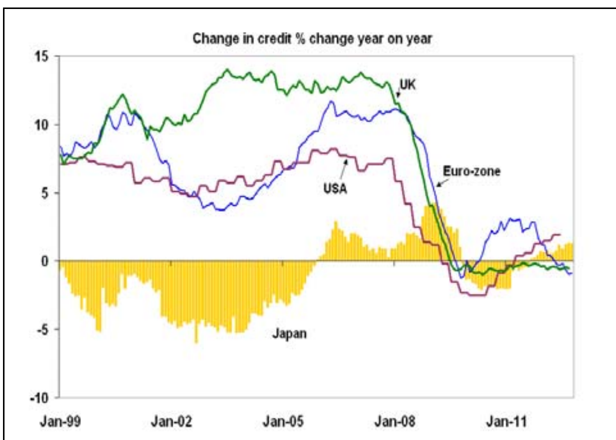


Global trends

The lack of momentum in the global economy is evident in the recent data on trade and industrial output. The volume of world exports fell by 0.7% in the September quarter according to the CPB and the trend is clearly still downwards. Global industrial output, on the other hand, is still marginally above year-earlier levels but the latest monthly data (for September) show that it has started to turn down. That lines up with our own measure of global industrial output which has started turning down below year-earlier level in the months of September and October.



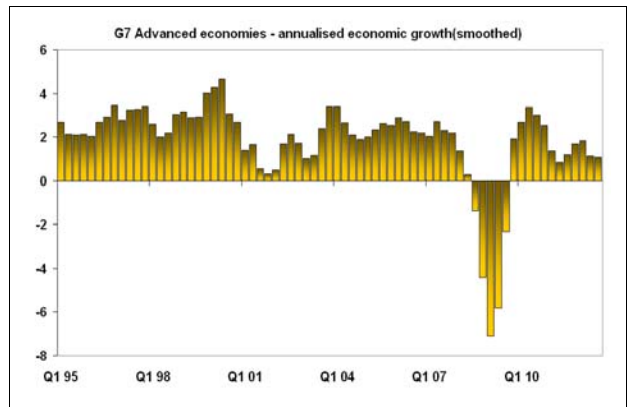
The levelling out in global trade and industry reflects the particularly weak performance of the big advanced economies since their post-financial crisis recessions. Such a long period of sluggish output – a marked contrast from the V-shaped recoveries seen after many previous downturns – is typical of a "balance sheet recession". In these, the private sector goes through a long period of de-leveraging by cutting its borrowing and increasing savings to improve its financial position. Historically this was seen with the Japanese corporate sector in the 1990s but it is now evident in the household sectors of several advanced economies (US, UK, Euro-zone) where credit growth is now generally low.



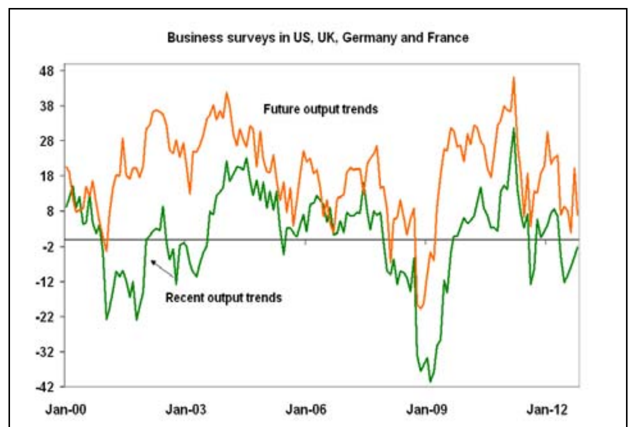
Advanced economies

Growth has slowed markedly in the big advanced economies through the last year from an annualised rate of around 2% in the latter half of 2011 to around 1% annualised in the September quarter. There is a marked difference between the big economies in terms of their recent growth performance. The US and UK have seen an acceleration in their growth, boosted by holiday effects and the Olympics in the latter case, while Japan and the Euro-zone have recorded falling output. Fourth quarter GDP could well fall in the UK, Euro-zone and Japan and US growth could slow.

Economic activity across the UK and Euro-zone remains well below early 2008 levels as public sector austerity, banking problems and weak private-sector demand has produced four lost years for economic growth – which has not previously occurred in the post-war period. The weakest performers have been the UK and Euro-zone while Canada and the US have fared much better with output above its early 2008 level.

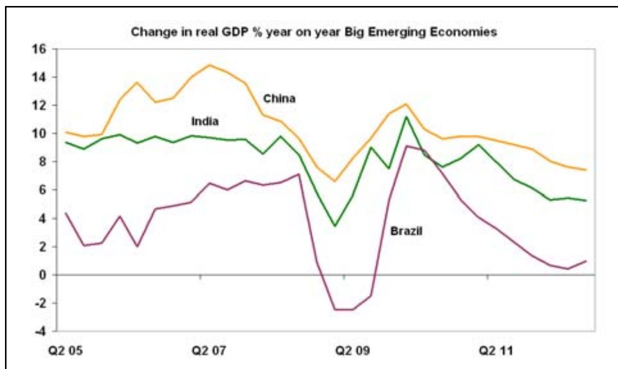


The main national business surveys suggest that modest growth will continue in the main advanced economies. While recent trends in industrial activity have been soft on average, there is still a positive balance of survey respondents expecting things to improve.

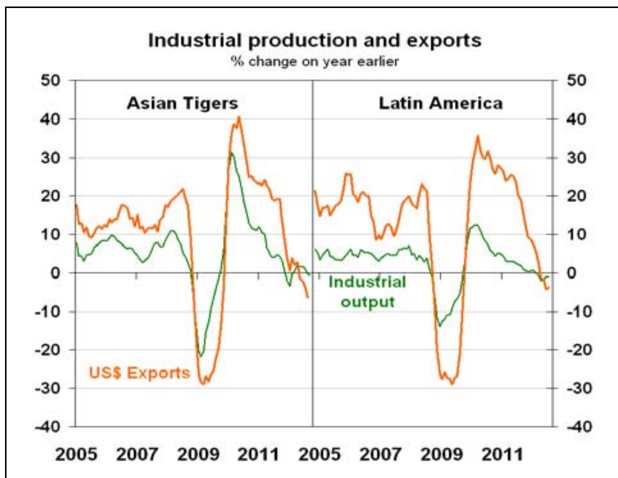


Emerging economies

The emerging market economies have experienced a slowdown in growth through the last year but there is now a good prospect that the situation has stabilised. Brazil experienced the sharpest slowing with growth slipping to 1% yoy or less through the first three quarters of 2012 but policy has eased and the pace of expansion should pick up next year. India has also seen a marked slowing in growth – which was down to 5¼% yoy in the September quarter – and the central bank has been wary of cutting interest rates as inflation is still high. Eventually, Indian monetary policy should be loosened and that should boost domestic demand but fiscal policy will have to be tightened and that should mean that the economy does not return to the rapid growth seen before 2010. The Chinese economic indicators also point to a modest acceleration in the pace of growth but the authorities will be anxious that the property market does not get overheated again.



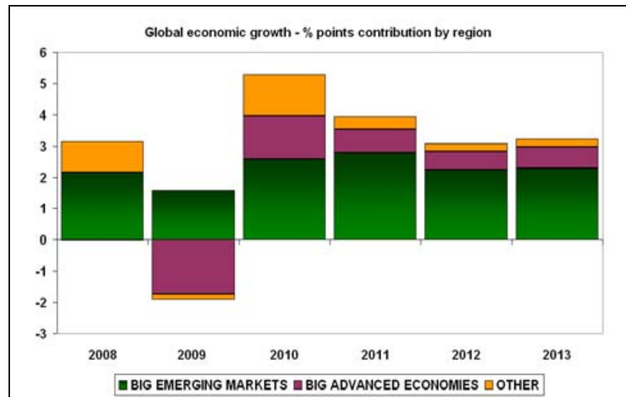
The slowing in activity has also been marked outside the three biggest emerging market economies. Recent data for exports and industrial output show that they are weakening across both Latin America and the East Asian "Tiger" economies.



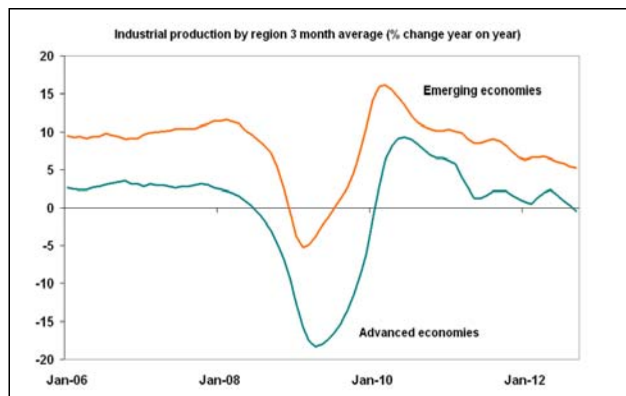
Forecasts

We are expecting only a modest recovery in the pace of growth next year with global GDP set to expand by 3.2% yoy after this year's predicted 3.1%. Weakness in Japan and the Euro-zone largely offsets the expected modest acceleration in the US and the big emerging market economies. The persistence of sub-trend global GDP growth should hold down the pace of expansion in world trade and that means that the Asian Tiger economies do not experience their normal V-shaped upturn from periods of softer trading conditions.

Global growth is still being mainly driven by the emerging economies with a historically small share of 0.6 percentage points coming from the big advanced economies and the US is providing around three-quarters of that total. China, on its own, is expected to continue contributing around 1 percentage point of global growth while India's contribution is roughly a third as big.



Industrial output in the advanced economies is well below its early 2008 level while it has risen by a third in the emerging economies. The weakness of the advanced economy upturn after 2010, after an initially solid looking recovery in that year, is the main drag on global growth.



For more detail, see our International Economic Reports.

Australian outlook

Key Points

- The Australian economy softened into the second half of this year, with the September quarter national accounts revealing modest growth of 0.5% in the quarter. While underlying business investment contributed strongly to the overall outcome, softness in consumption growth, net exports and public sector spending provided little support in Q3.
- NAB business survey points to weak activity in the December quarter, and a slump in business confidence provides no indication of a pre-Christmas revival.
- With the approaching peak in the resource investment boom, a rejuvenation in growth in the medium term will require the non-resource sector to strengthen during the transition to the exports phase of the mining boom. Frictional pressures will keep the unemployment rate somewhat elevated.
- Australian activity forecasts broadly unchanged from a month ago: GDP 3.5% (was 3.3%) in 2012 and 2.4% (was 2.5%) in 2013.
- We see inflation remaining within the RBA's 2-3% target band over the next two years at least; underlying annual CPI inflation (inc. carbon tax) is expected to be 2.5% in 2012, rising to 2.7% in 2013.
- One more 25 bp RBA rate cut possible by mid-2013, though the RBA is likely to hold off until it has more information on the labour market, the AUD and activity both in the domestic and global economies.

GDP
% change

% change — % change on year earlier

Source: ABS and NAB forecasts

National trends

The September quarter national accounts confirmed that the economy has slowed to its softest pace since March 2011, with the restructuring burden from the mining investment boom, soft consumer spending and an unsupportive public sector weighing on activity. Economic growth eased to 0.5% in Q3, following 0.6% in Q2, with annual growth softening to a slightly below trend 3.1% (through the year). The modest growth outcome provides further justification for the RBA's recent cash rate cuts.

Looking at the accounts in more detail shows that growth continued to be driven by strength in business investment, which rose by 6.1% in underlying terms. Net exports growth contributed 0.1 ppts, while consumption grew by a tepid 0.3%. The accounts highlighted the continued cautiousness of households, with consumption growth easing to the slowest pace in over two years and the household savings rate remaining elevated at above 10%. The public sector proved to be a significant drag on growth in Q3, with public spending subtracting 0.5 ppts; negative outcomes in public sector demand should continue into 2013, placing further importance on the need for the private economy to respond to lower borrowing costs.

The production and income measures of GDP are showing much weaker growth (2.4% and 2.5% respectively through the year) than the expenditure measure (4.3%).

Overall growth continued to be supported by the mining sector in Q3 (national accounts data showed mining production grew by 4.5%). Interestingly, despite the resilience of the AUD in the face of softer commodity prices, manufacturing output rose by a solid 2.1% in the quarter. Health was also up strongly (1.8%), while nine of the industrial sectors reported negative growth, including retail (-0.3%) and transport (-1.5%).

Looking into Q4, the NAB Business Survey (also released today) points to further softening in activity in the December quarter. Business conditions were unchanged at a very poor level in November, after falling to the weakest level since May 2009 in the previous month, while business confidence slumped to the lowest level since April 2009 with little hint of a pre-Christmas revival.

The effects of monetary easing measures announced throughout September and early October as well as the shift to a looser policy setting in the emerging economies has largely washed out of metals prices, including gold. Bulk commodity prices have continued to post mixed results with coal prices showing signs of improvement recently, while iron ore prices have given back some of the large price gains seen since September. Oil and gas prices have been mixed over the past month on US uncertainty. Agricultural commodity prices have also been mixed recently. The national accounts confirmed that the terms of trade fell by a further 4% in the September quarter, weighing on the spending capacity of the economy.

Into the medium term, the evolution of the resources investment boom will remain a significant part of Australia's growth story. The Australian Bureau of Resources and Energy Economics (BREE) recently released its updated listings of major mining projects. While the value of committed projects in the pipeline remain large, it has been in decline, suggesting that our expectation for the mining investment boom to peak in late 2013 / mid 2014 remains on track. Beyond this, the shift from investment to production and exports will have important implications for output growth and employment.

The RBA confirmed its easing bias after lowering the cash rate by a further 25 bps to 3.0% in December. The decision followed a series of weak economic data releases. The RBA seems particularly concerned about the still high AUD and the weakness in non-mining sector investment, which are likely to have driven the decision to cut this month.

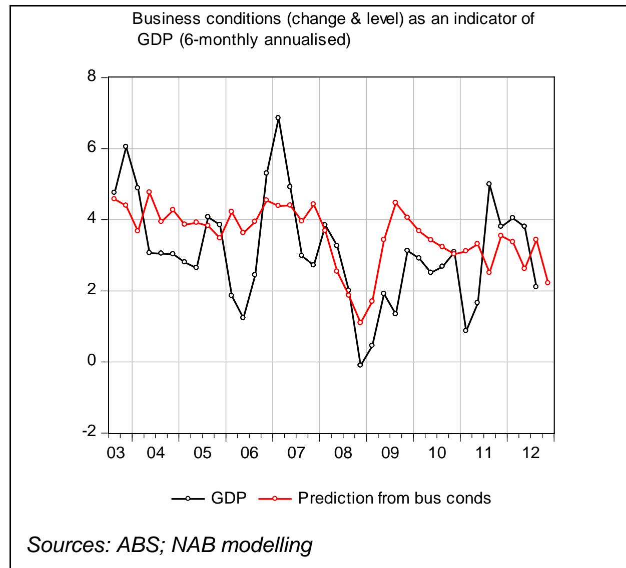
According to our Monthly Business Survey, if we assume that the average of business conditions over the December quarter to date persist into the month of December, the survey implies 6-monthly annualised GDP growth (ex mining) will be a subdued 2¼% (6-monthly annualised and similar to last month) in the December quarter, 2.1%. We see soft GDP growth resulting from still soft consumption growth, a pull back in public investment and continued soft residential construction activity.

For the remainder of 2012/13, GDP growth is expected to improve as lower borrowing rates begin to bite and consumption growth is boosted to more normal levels. However, a declining terms of trade, as a result of softening commodity prices, combined with a pull back in public sector investment is likely to keep growth restrained to around 2.1% through the year.

In summary, our calendar year GDP growth forecasts have changed only slightly following the release of the September quarter national accounts; 3.5% in 2012 (was 3.3%) and 2.4% in 2013 (was 2.5%). The unemployment rate (currently 5.2%) is expected to rise to around 5½% to 5¾% over 2013 and 2014.

In financial year terms, GDP is expected to be:

- 2.5% in 2012/13 (was 2.3%), and
- 2.8% in 2013/14 (was 3.0%).



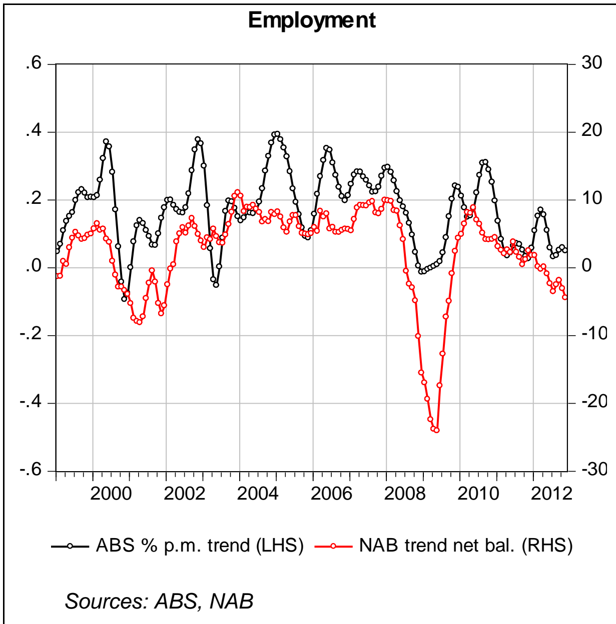
Sources: ABS; NAB modelling

Labour market

Official ABS labour market data continue to surprise on the upside, despite other measures suggesting fairly benign labour market conditions at present. According to the latest ABS Labour Force Survey, the number of people employed rose for a third consecutive month in November, with close to 14,000 jobs created in the month. The release also showed a decline in the rate of unemployment to 5.2% (from 5.4% in October), though part of this appears to have been driven by a fall in the participation rate, indicating that job seekers may be becoming discouraged. Nonetheless, the pace of employment growth appears to have picked up recently, with employment growth now running at 1% over the year to November. Total hours worked also rose in the month, up 0.1%, to be 0.3% higher over the year. In the near term, the risks to the unemployment rate remain skewed to the upside, due to a soft growth outlook for the remainder of this year and into early 2013.

Other market measures of labour market conditions generally point to a deterioration in employment conditions over coming months. ANZ job ads fell by 2.9% in November, which was the ninth consecutive decline, while the NAB employment index remained in contractionary territory, rising only marginally to -5 index points. NAB employment conditions were particularly poor in wholesale, manufacturing and construction, while they were least subdued in

recreation & personal services and finance/ business/ property. The DEEWR internet vacancy index did supply some positive straws, with the index rising by 2.5% in October, although the overall index remains 14.1% lower than the level recorded a year ago.



Consumer demand & housing

It looks as though it will be a difficult Christmas for retailers, with little hint of a rejuvenation in consumer discretionary spending on the horizon.

The national accounts confirmed that household consumption remained soft in Q3 – rising just 0.3% in the quarter, to be 3.3% higher over the year. This was the weakest quarterly growth outcome in more than two years. The accounts also confirmed the continued cautiousness of households, with the savings rate holding above 10%, with weak sentiment likely to be encouraging further de-leveraging of household balance sheets. Demand for personal lending remains weak; other personal credit grew by just 0.1% in October, to be 0.7% lower over the year. Consumers may be less willing to service their discretionary purchases with debt as was the case in the lead up to the GFC.

The value of retail trade was flat in October, following a 0.5% rise in September, further highlighting the unwillingness of consumers to spend. The NAB survey showed continued weakness in retail conditions, with the net balance falling from -9 points in October to -13 points in November. Another persistent feature highlighted by the survey has been the particularly weak growth in retail product prices (-0.2%, at a quarterly rate); when combined with modest growth in purchase and labour costs (0.4% and 0.6% respectively), the survey implies that margins of retailers are extremely tight.

According to the NAB online retail sales index, annual growth in online sales continued to surge ahead, strengthening to 26% through the year in October, compared with growth of 3.1% for traditional retailing. However, online is only a small share of overall retail spending (5.6%).

The Westpac-Melbourne Institute consumer sentiment index rose by 5.2% to 104.3 index points in November – its highest level since April 2011 – and above the series average of 102.7 points (since 1990). The solid pick up was surprising and may indicate that households are becoming more comfortable with the global outlook and are beginning to respond to the series of recent RBA rate cuts.

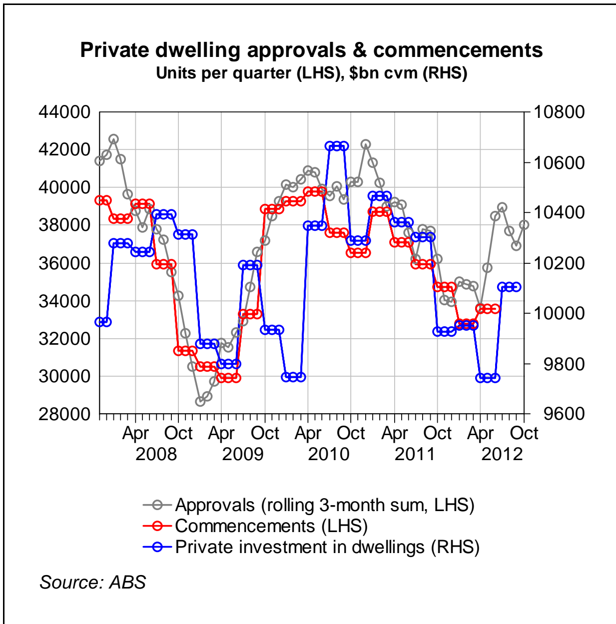
Sales of combined passenger and sports utility vehicles (some of which are for business use) fell back in October, down 3.1% following two consecutive months of solid rises.

Despite relatively subdued credit lending overall, the housing market has shown signs of intermittent improvement since the middle of this year. HIA home sales rose by 3.4% in October, following a 3.7% decline in September, with the outcome entirely reflecting a pick up in the sale of detached homes. However, the RP-Data Rismark series showed no growth in house prices in November, after prices fell by 1% fall in October. The softness in the month was largely due to a 1% fall in Melbourne prices, while all other capital cities recorded rises, ranging from 0.1% in Sydney to 1.3% in Tasmania and Canberra.

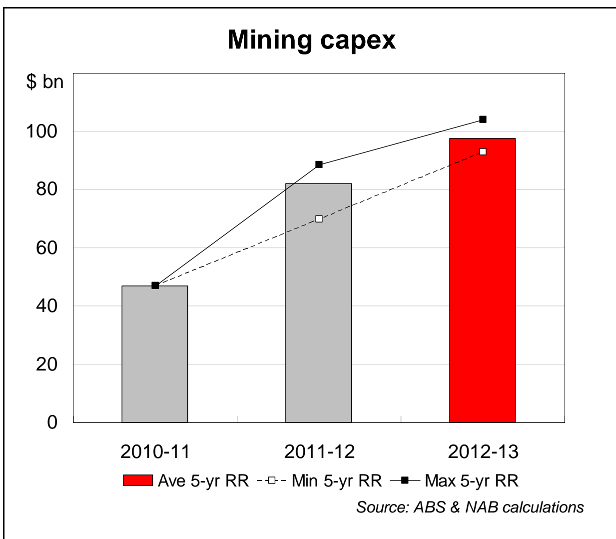
With very accommodative monetary policy now in place and a continuing shortage of dwellings, it is possible that we will see a positive run of dwellings outcomes over the year ahead.

Investment

The outlook for dwelling investment remains concerning, although the national accounts did show some encouraging developments. According to the accounts, dwellings investment rose by 0.7% in the September quarter – the first increase since June 2011. Nonetheless, forward looking indicators of building activity remain weak. In trend terms, the number of building approvals has flattened to a low level, suggesting that dwelling investment will remain fairly soft in the near term.

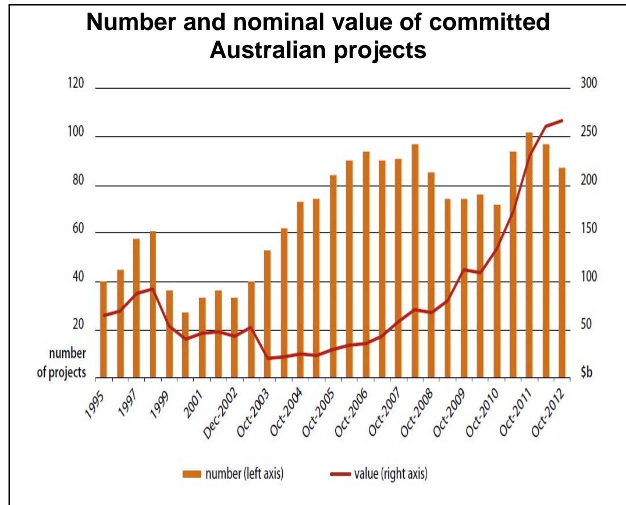


The latest ABS capex survey revealed that mining capex almost doubled in 2011/12. For 2012-13 mining capex is expected to grow by close to 20% (based on the 5-year average of realisation ratios) – albeit that rise is slightly down on previous expectations. For other selected industries, capex is expected to fall by around 8% in 2012/13.



Construction work done picked up a touch in the September quarter, supported by engineering construction as a result of increased resource sector spending. While we expect the mining investment boom to plateau in early 2014, there is still a significant amount of work in the pipeline yet to be completed.

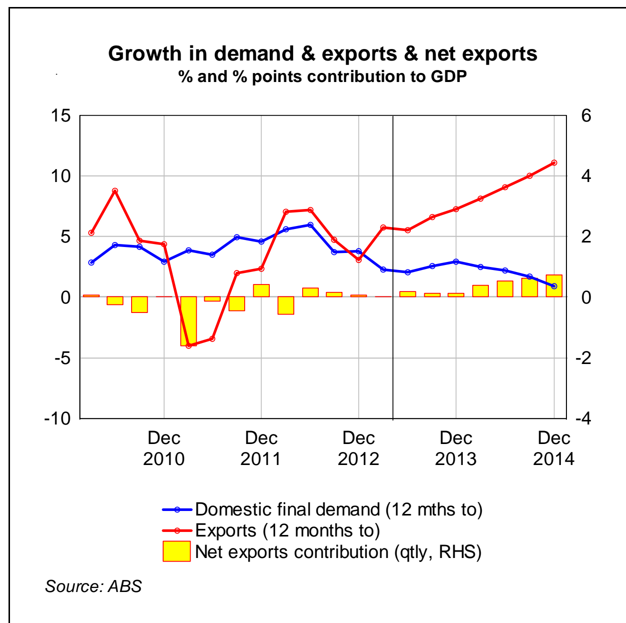
BREE released its semi-annual report of mining capex projects late last month. This report has been highly anticipated following numerous announcements of project delays and cancellations by mining companies. At the broad level, the report demonstrates that the pipeline of Australian resource projects (dominated by mega gas and bulk commodity projects), while large, has been in decline suggesting the peak in Australia's investment boom may not be far off. However, cost overruns – a significant deterrent for investors – have pushed the value of the pipeline to record highs.



Commodity prices and net exports

In US dollar terms, the NAB minerals & energy commodity price index is forecast to fall by around 18 per cent over 2012, before seeing another slight decline of around ½ per cent in 2013. Given our estimates for the AUD/USD over the remainder of the forecast horizon, AUD prices are expected to fall by 17 per cent through the year to December 2012, before seeing a slight and temporary rise of 2½ per cent over 2013.

For more detail, see our Minerals & Energy Commodities Research and Rural Commodities Wrap.



Net export volumes are expected to gain momentum over the next two years as major resource projects (particularly LNG) begin to deliver.

Interest rates

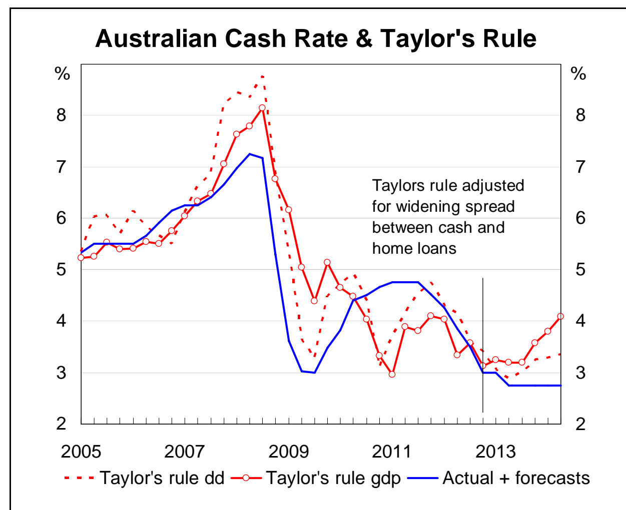
Inflation is unlikely to be a barrier to further monetary policy easing in 2013. Inflation is currently within the RBA's tolerable 2-3% band, with underlying measures running close to 2.5%. According to the NAB Monthly Survey, final product prices remain very subdued, with price growth particularly weak in mining, retail and construction. We see underlying inflation remaining within the RBA's target over the medium to longer term, with a patchy labour market and generally soft economic conditions likely to keep wage and therefore price pressures well contained. Core inflation (including carbon tax) may edge up to 2.8% in 2012-13 and 2.9% in 2013-14.

The RBA has maintained its easing bias, lowering the cash rate by a further 25 bps to 3.0% at its December Board meeting. Its latest decision takes the cumulative easing in rates to 175 bps since November last year. The decision to cut this month did not appear to hinge on any single piece of data; rather, the RBA remained focused on the approaching peak in the resource investment boom and the requirement for the non-resource sector to strengthen during the transition to the exports phase of the mining boom. The worry that private consumption, non-residential building investment and investment generally outside the resources sector will remain subdued, combined with an outlook for constrained public sector spending appeared sufficient to prompt a cut this month. However, the RBA seems cautiously optimistic about the outlook for dwelling investment and prices.

The future path for the cash rate appears lower now than it was a month ago. The impression of the state of the economy over the past month has heightened our concern about the outlook for GDP growth in the December quarter and beyond. We now see potential for a further cut next year, taking the cash rate to 2.75%, though the RBA is likely to hold off on another cut until it has more information on the labour market, the AUD and activity in both the domestic and global economies.

The toll of State government's tightening fiscal policy in the interim provides more confidence that our expectation for a lower growth outlook in 2013 will play out, and further enhances the risk of a rate cut next year. At this stage we tentatively expect a rate reduction in May 2013 but if the local data continue to deteriorate it could come as early as February 2013.

There are, of course, risks to keeping more accommodative policy for longer – and the Taylor's rule results shown below illustrate just how accommodative policy would be based on our (and the RBA's) forecasts. The RBA would be particularly sensitive to any acceleration in asset prices (especially housing) and any signs of indiscipline in fiscal settings leading into the next election.



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Key global GDP forecasts (calendar years)

Country/region	*IMF weight*	2006	2007	2008	2009	2010	2011	2012	2013
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Japan	*6*	1.7	2.2	-1.1	-5.5	4.6	-0.7	1.8	0.8
Euro-zone	*14*	3.3	2.9	0.2	-4.3	1.9	1.5	-0.5	-0.5
United Kingdom	*3*	2.6	3.6	-1.0	-4.0	1.8	0.9	-0.2	1.3
Asian Tigers	*8*	5.6	6.0	3.2	0.2	7.8	4.2	3.4	3.6
Latin American 4	*9*	5.4	5.6	4.1	-1.9	7.2	4.8	2.5	2.7
China	*14*	12.7	14.2	9.6	9.2	10.4	9.3	7.7	8.0
Canada	*2*	2.8	2.2	0.7	-2.8	3.2	2.5	1.8	1.9
India	*6*	9.6	9.7	7.5	7.6	8.2	7.5	5.2	5.8
Africa	*3*	6.1	6.3	5.5	2.8	5.1	5.0	5.2	5.3
CIS	*4*	8.2	8.6	5.5	-6.4	4.8	4.9	4.0	4.1
Eastern Europe	*4*	6.7	5.7	3.0	-3.6	4.6	5.3	2.0	2.6
Middle East	*5*	5.7	5.9	5.1	2.6	5.0	3.3	5.0	3.6
Other advanced	*5*	4.5	4.7	1.7	-1.1	5.8	3.3	2.2	3.5
Global total	*100*	5.7	5.8	3.1	-0.3	5.3	3.9	3.1	3.2

Australian Economic and Financial Forecasts (a)

	Fiscal Year			Calendar Year		
	2011-12	**2012-13 F**	**2013-14 F**	**2011**	**2012- F**	**2013-F**
Private Consumption	3.3	2.5	2.0	3.3	3.4	1.9
Dwelling Investment	-3.7	-2.5	3.9	0.7	-5.8	1.9
Underlying Business Fixed Investment	25.7	13.5	6.0	20.4	20.9	9.7
Underlying Public Final Demand	2.1	-2.6	0.3	-0.3	1.8	-2.5
Domestic Demand	**5.3**	**2.9**	**2.5**	**4.2**	**4.7**	**2.4**
Stocks (b)	0.0	-0.1	-0.4	0.3	0.0	-0.3
GNE	**5.2**	**2.8**	**2.1**	**4.6**	**4.7**	**2.1**
Exports	4.6	4.7	7.8	-0.8	5.4	6.3
Imports	11.4	3.5	4.6	10.6	6.6	4.4
GDP	**3.5**	**2.5**	**2.8**	**2.4**	**3.5**	**2.4**
– Non-Farm GDP	3.4	2.6	2.9	2.2	NA	NA
– Farm GDP	8.3	-5.7	2.0	14.4	NA	NA
Federal Budget Deficit: ($b)	16	17	17	26	16	NA
Current Account Deficit ($b)	43	59	59	33	55	65
(-%) of GDP	2.9	3.9	3.9	2.3	3.7	4.2
Employment	0.7	0.6	1.3	1.6	0.6	0.9
Terms of Trade	0.5	-9.0	-4.8	12.9	-9.1	-5.8
Average Earnings (Nat. Accts. basis)	5.8	2.8	4.2	4.9	4.5	3.5
End of Period						
Total CPI	1.2	3.5	3.0	3.0	2.8	2.8
Core CPI (exc. carbon)	2.1	2.6	2.9	2.7	2.4	2.6
– Core CPI (inc. carbon)	2.1	2.8	2.9	2.7	2.5	2.7
Unemployment Rate	5.0	5.7	5.6	5.1	5.5	5.6
RBA Cash Rate	3.50	2.75	2.75	4.25	3.00	2.75
10 Year Govt. Bonds	3.04	3.20	3.90	3.67	3.05	3.4
$A/US cents :	1.00	0.98	0.96	1.02	1.00	0.97
$A - Trade Weighted Index	74.40	72.31	71.30	74.75	73.35	71.47

(a) Percentage changes represent average annual growth, except for cash and unemployment rates. The latter are end June. Percentage changes for CPI represent through the year inflation.

(b) Contribution to GDP growth

Embargoed until 11.30am 11 December 2012

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