National Australia Bank

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Global & Australian Forecasts April 2013

Global growth forecasts unchanged. Activity still sluggish but set to accelerate in second half of 2013. Financial markets digesting latest Euro-zone crisis (Cyprus) and new Japanese monetary policy. Emerging markets still main contributor to global growth but the big advanced economies should see resumption of moderate upturn later this year. Australian economic and financial outlook broadly unchanged with room for two rate cuts in 2013 to assist recessed parts of the economy. Timing very fluid – house price increases could delay and much depends on unemployment path.

- Renewed Euro-zone instability has taken a toll on global equity markets, which had strengthened quite markedly since late 2012, especially when compared to global economic activity and commodity markets. While latest data on world trade and industrial output is far from strong, it is a little better than the virtual stagnation shown through much of 2012. Business surveys in the advanced economies also show a lift in sentiment over future output. Global growth to pick up in H2 2013, before rising to an above-trend 3.9% in 2014 as recessions end in Europe, Japan reflates and the big emerging market economies gather speed.
- While there are signs the Australian economy is strengthening, lower interest rates may need more time to fully work through the economy. Falling commodity prices and high AUD still weighing on activity and weakness has spread to mining. NAB survey gives little indication near-term demand will strengthen.
- GDP forecasts unchanged, but we have lifted Q1 consumption (strong retail data) and softened our outlook for investment (lower commodity prices). We see GDP softening to 2.4% in 2013 (was 2.3%) before lifting to 3.0% in 2014 (was 3.1%), that is, still below trend. Consistent with this, we see unemployment rising to around 5¾% by late 2013 (unchanged).
- A pull back in business conditions in March, particularly in consumer dependent sectors, indicates we are yet to see the upswing in consumer demand that policy makers are seeking. With inflationary pressures well contained in the near term, assisted by soft demand and a still higher AUD, there is still scope for two more rate cuts by year-end (possibly June & November). Timing is still very fluid with higher house prices a possible delay factor and unemployment path a key variable.

Key global GDP forecasts (calendar years)

Country/region	*IMF weight*	2010	2011	2012	2013	2014
				% change		
United States	*19*	2.4	1.8	2.2	**2.4**	**2.9**
Euro-zone	*14*	1.9	1.5	-0.5	**-0.4**	**1.6**
Japan	*6*	4.7	-0.5	1.9	**1.1**	**2.4**
China	*14*	10.4	9.3	7.8	**8.2**	**8.0**
Asian Tigers	*8*	7.8	4.2	3.7	**4.0**	**4.5**
Global total	*100*	5.4	3.9	3.1	**3.3**	**3.9**
Australia	*2*	2.6	2.4	3.6	**2.4**	**3.0**

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	3.2	**2.4**	**2.1**	Core CPI (inc. carbon)	2.1	**2.4**	**2.6**
Domestic demand	5.3	**2.5**	**1.5**			*% end of year*	
GDP	3.4	**2.8**	**2.7**	Unemploy. rate	5.0	**5.6**	**5.8**

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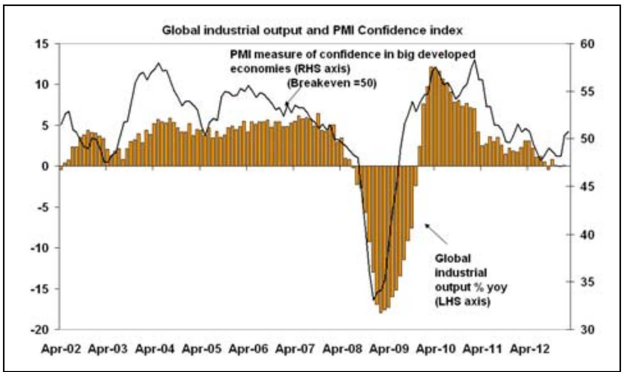
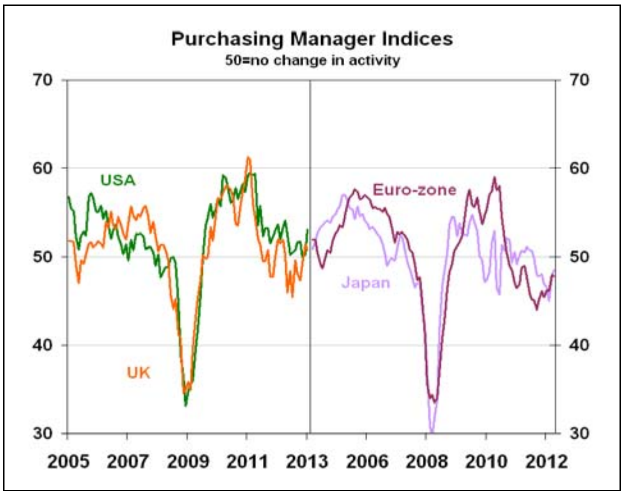
Global outlook

Key Points

- Global financial markets are digesting latest Euro-zone crisis (Cyprus) where bank depositors are being forced to take losses. Pre-crisis global financial markets had been on a strong rally, especially against the background of still sluggish economic performance in the big advanced economies.
- Growth in global industrial output and trade picks up through late 2012/early 2013 after poor performance for most of last year. Business surveys in big advanced economies also improving as sentiment on future output turns more optimistic.
- Despite this improvement, financial markets appear to have got ahead of improvements in the real economy, partly reflecting lowered risk aversion, as the tail risks of Euro-zone break-up, Chinese hard landing and excessive fiscal tightening in the US have receded.
- While we are expecting only a modest acceleration in growth in 2013 (to 3.3%), 2014 growth looks likely to get back above trend at nearly 4%.



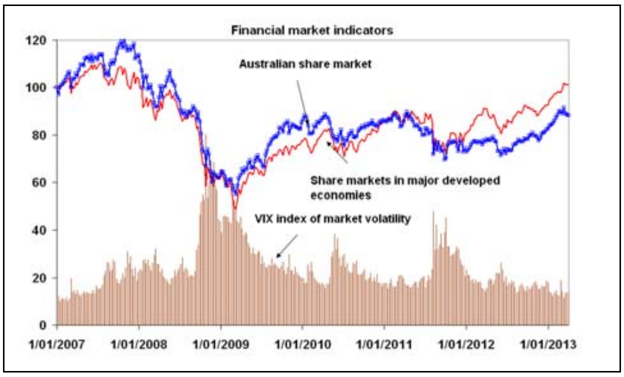


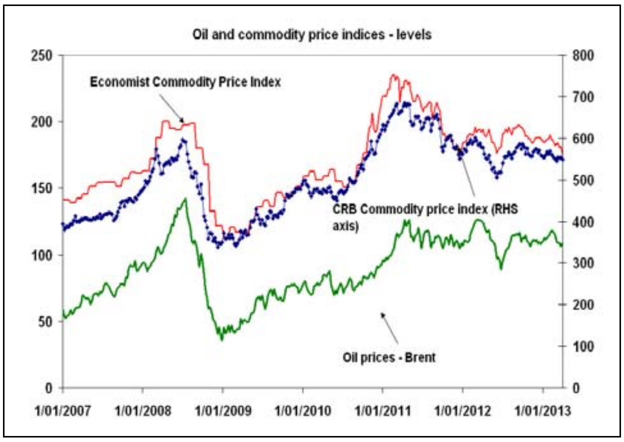
Financial & commodity markets

The protracted and confusing process of dealing with Cyprus's banks eroded financial market confidence in late March and the decision to "bail-in" depositors has only added to the confusion. Is this a "one off" tax on deposits or is it a new template for Euro-zone handling of crises? Global equity markets had been rallying strongly since last November and measures of volatility in mid-March were back at levels that had not been seen since the first half of 2007, before the first rumblings of what became the global financial crisis.

The extent of the damage done to global equity prices from this Euro-zone crisis has been quite limited. The previous upward market trend was arrested as several big equity markets levelled off, but they did not fall as had been seen in similar episodes before. In addition, the aggressive monetary measures announced by the Japanese central bank have resulted in a large increase in local equity prices.

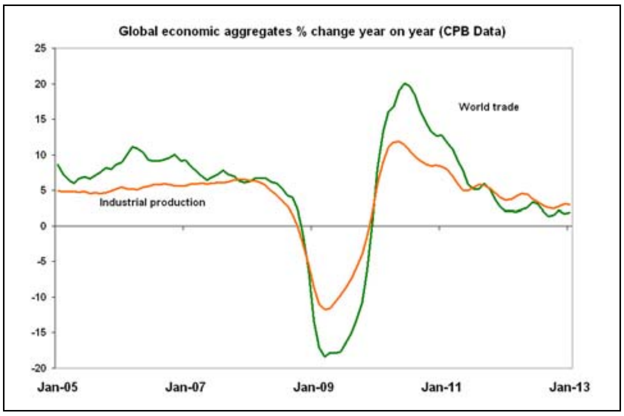
The downward trend in aggregate commodity price measures suggests that global demand is not growing particularly strongly and fits more easily with the sluggishness shown in real economic activity than does the lift in equity markets – highlighting the forward looking and risk on/off nature of these markets.



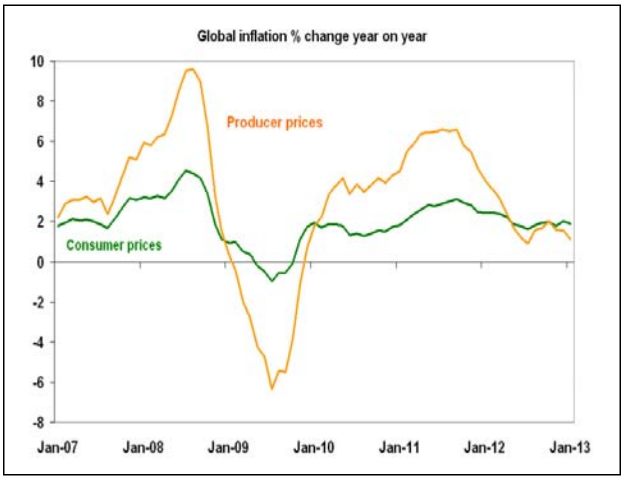


Global trends

Behind the volatility in the monthly data, there has been a gradual improvement in some of the key measures of global economic growth through late 2012 and early 2013. The 3-month growth rate of world trade volumes picked up from 0.2% in the September quarter to 0.9% in December and it rose again to 1.3% in the 3 months ended January over the previous 3 month period. The same pattern is evident for industrial output where global growth picked up from 0.4% in the September quarter to 0.7% in December and growth in the 3 months to January was up by 1.1%.

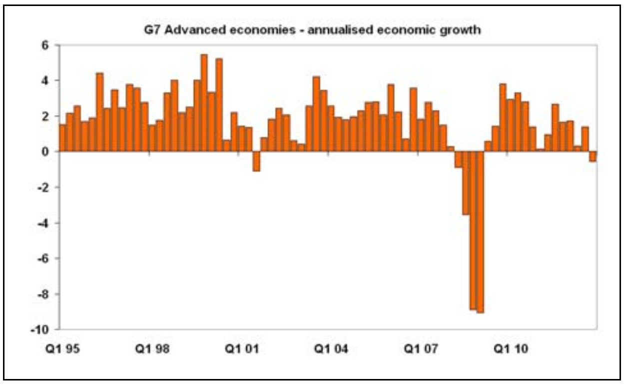


The sluggish performance of growth across many of the biggest economies in the world has resulted in substantial amounts of idle capacity (around 20% of G7 industrial capacity is lying idle) and still high unemployment, eroding the capacity of wage earners and business to lift wages and prices. Global CPI inflation is running at around 2% yoy and producer price inflation is down to around 1% yoy. There are still big economies where inflation remains a major policy problem, notably India, Brazil and South Africa. In the big advanced economies, however, despite all the concern expressed about central bank quantitative easing, inflation remains low.

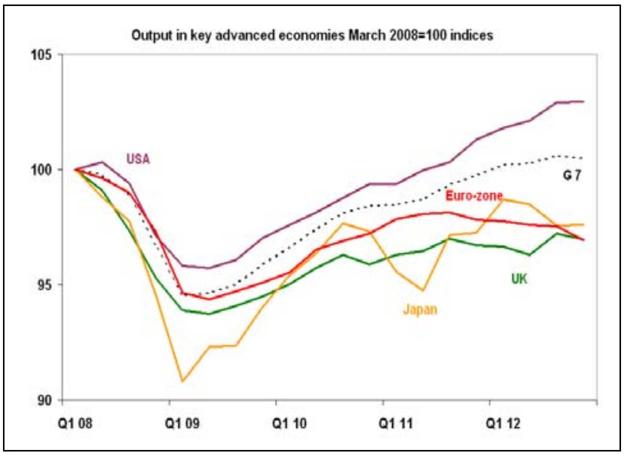


Advanced economies

Revised national accounts numbers show that the level of economic activity in the US and Japan in late 2012 was not as weak as initially feared. Real GDP fell in the UK and the Euro-zone but it increased very slightly in the US and Japan. This is still a disappointing performance, however, with quarterly growth in the G7 slowing from around 0.5% in late 2011 and early 2012 to an average of under 0.25% in the second and third quarters. Finally, by the end of last year, GDP was falling across the G7 at a quarterly rate of 0.15% - negative numbers have only been seen before in the downturns of the early 2000s (the "dot com crash") and the sharp global downturn experienced after the failure of Lehman Brothers.

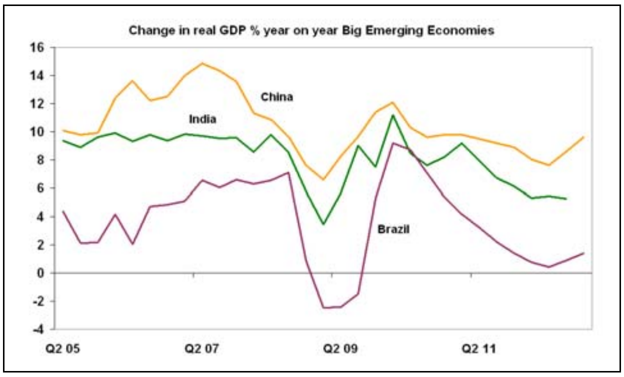


Even after the upward revisions to recent data, the overall performance of the big advanced economies through their recovery from the 2008/9 recession has been weak by the standard of many previous upturns in the post-war period. Output across the G7 is barely above its early 2008 level and in Western Europe and Japan the level of GDP at the end of 2012 was still well below its level of almost five years before. The US and Canada have seen the strongest performance but even there GDP is only 3% and 5% respectively above its early 2008 level – which translates into low average annual growth.

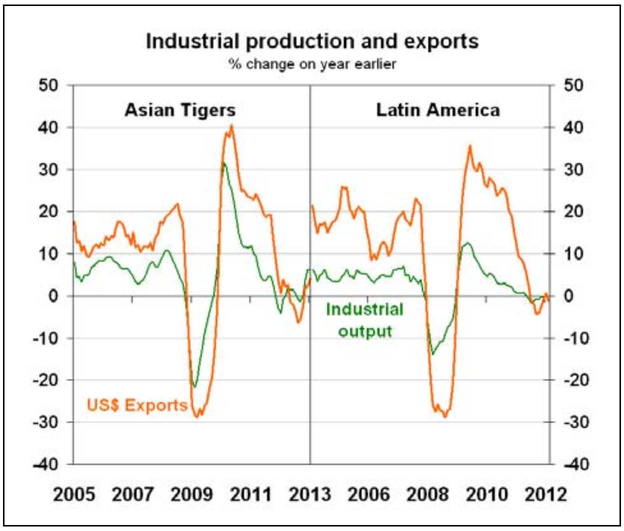


Emerging economies

The emerging market economies also experienced a slowdown in the pace of growth through 2012. India and Brazil experienced a marked softening and their situation was further complicated by high inflation. Indian CPI inflation reached double digit rates at the end of 2012 and into early 2013 while the Brazilian CPI was up by around 6½% yoy in early 2013, well above the central bank's target rate. Facing this situation the policy makers face a dilemma – tighten to curb inflation or loosen to boost growth? The Indian Reserve Bank has cut rates cautiously, the Brazilian central bank has been more aggressive but seems to have stopped its policy easing. China has fared better than the other two big emerging economies – its growth was better maintained and picked-up toward the end of last year and inflation has fallen.

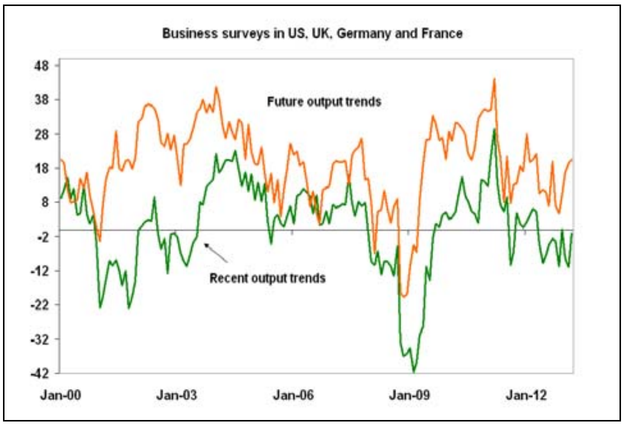


The export oriented economies of East Asia and Latin America outside Brazil also saw a sharp slowdown through much of 2012 but conditions started to stabilise or even improve toward the end of last year and into early 2013. The upturn in industrial output and exports has been most marked in East Asia.



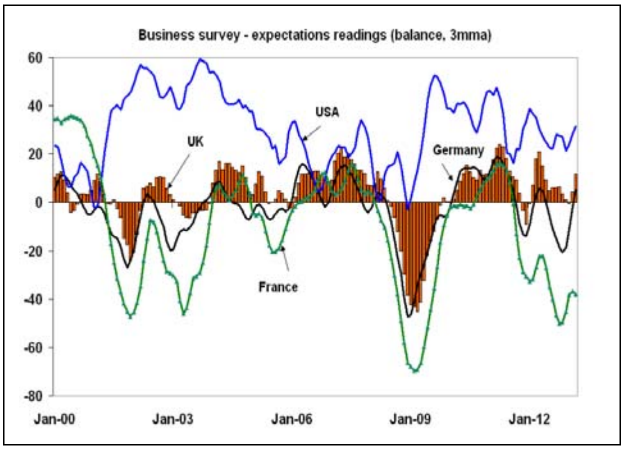
Forecasts

We compile a summary measure of the expectations data contained in the main long-running monthly business surveys. This shows a consolidation of the more positive sentiment that started around the turn of the year as business concern over tail risks like a renewed US recession or Euro-zone break-up began to fade. The upturn in sentiment is seen across the US, Germany and the UK (despite poor current trading conditions in the latter). French business sentiment, on the other hand, remains negative.



We expect global growth to gradually pick up through 2013 with the full-year figure rising to 3.3% before strengthening further to 3.9% in 2014. The emerging market economies still account for the bulk of global growth – around 2¼ ppts – but the contribution of the big advanced economies is expected to pick-up as Euro-zone recession ends, the latest measures announced by the Bank of Japan delivers a boost to activity and the US and UK see faster expansion.

For more detail, see our International Economic Reports.



Australian outlook

Key Points

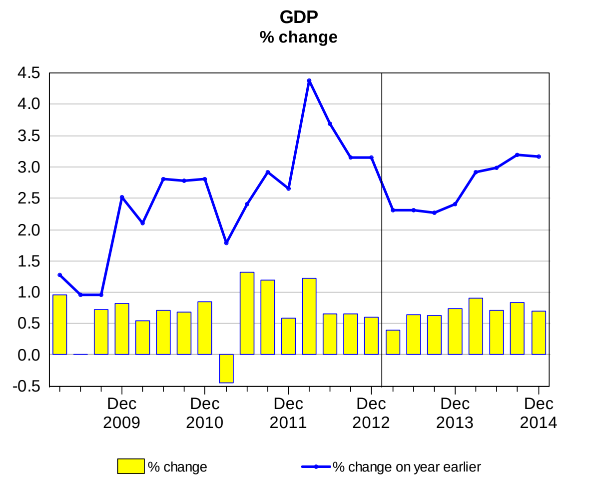
- The Australian economy continues to struggle under the twin handicaps of declining commodity prices and a high AUD. Mining has now joined the ranks of the weak brigade (manufacturing, retail, wholesale and construction) which, itself, is weakening.
- Our GDP forecasts are unchanged. 'Green shoots' such as improving retail turnover, house prices and equity markets should be balanced against the weakness in labour market forward indicators, the downturn in the mining sector and the relentless pressure of the AUD on trade-exposed businesses. Growth is expected to be 2.3% in 2013 with unemployment to rise to around 5¾% by late 2013.
- The RBA is maintaining an accommodative stance but is prepared to cut again if demand weakens. The Cypriot episode is a reminder that financial and banking stability is Europe is still not guaranteed and that policy makers can easily make matters worse than necessary. In Australia, there is little capacity for the non-mining sector to assume the growth mantle as mining investment begins to fade whenever that occurs. With tight fiscal policy, we see the need for two more rate cuts before the end of 2013. Timing will however be very data dependent. Further strength in house prices could cause the RBA serious doubts and would probably delay our current expected timing. Unemployment is likely to be the key variable. Inflation will not be a constraint.
- Our forecasts for inflation are broadly unchanged – albeit we have edged down our near term expectations. More importantly we see inflation remaining well 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 2.4% by late 2013 rising to 2.6% in late 2014.

National trends

Stronger official data for employment and retail trade, a stronger stock market and the resumption of house price growth appear to some to be the 'green shoots' of a strengthening domestic economy. This may be premature. A range of forward indicators continue to point to a sluggish patch over at least the first half of 2013 with the prospect of rising unemployment and several industries deeply recessed.

The decline in bulk commodity prices in the second half of 2012 has made heavy inroads into confidence and conditions in the mining sector. While several mega LNG projects are now under way and construction on these projects will continue for some time, the feasibility of many prospective coal, iron ore and base metals projects will be under review. There are now indications that the lengthy pipeline of mining engineering work is beginning to be run down.

At the same time, there is little prospect that sectors outside the mining industry are in any position to seize the reins of growth. Manufacturing continues to suffer from the high AUD and intense import competition: in the March NAB survey, manufacturing profitability hit an all-time low. Retail and wholesale remain very weak and, although construction is showing signs of improvement, it is also badly recessed.



Source: ABS and NAB forecasts

Household balance sheets have been aided by the improvement in equity and house prices but there are few signs of a willingness to increase discretionary spending. Housing and personal credit growth remained subdued into February. While there has been an improvement in retail turnover, it may mostly represent a catch up following the stagnant period in late 2012. There are also some uncertainties about the impact on official data of the leap year adjustment.

The interest rate cuts to date will continue to work their way through consumer spending and dwelling investment plans, but ongoing fiscal restraint and the likelihood of higher unemployment will work in the opposite direction.

The RBA left the cash rate on hold at its 2 April meeting and described its stance as appropriately accommodative given the likelihood of sub-trend growth over the coming year. In particular, it reiterated its view that, "The inflation outlook, as assessed at present, would afford scope to ease policy further, should that be necessary to support demand."

The NAB survey deteriorated further in March, with business conditions declining from -3 to -7 points, entirely because of weaker trading and employment conditions. Although orders improved, they remain deep in negative territory, capacity utilisation was unchanged at just below 80% and retail prices began falling again. If business conditions for March are continued into the June quarter, implied GDP growth in Q2 would be around 2¼%. Business confidence, at +2 points, while better than in late 2012, is still below its long-run average and is particularly negative in mining (-21 points). However, there is little evidence that business sentiment was greatly affected by the Cypriot crisis or federal government leadership tensions.

Our GDP growth forecasts are broadly unchanged. We expect growth to remain around 0.5% in Q1 before returning to rates similar to those in the second half of last year (0.6% or better), yielding 2.3% in 2013. Export volumes should help drive growth as minerals projects transition from construction to production and export.

Growth of that order will likely see the unemployment rate edge up towards 5.8% by the end of 2013. The strength of the AUD, the likelihood of ongoing downward pressure on the terms of trade and the frictional effects of industrial restructuring can be expected to weigh on growth and we expect another two rate cuts by year-end.

GDP growth is expected to recover towards trend in 2014 at 3.0% (previously 3.1%). However, the lower labour-intensity of mining exports relative to mining investment will have implications for the labour market adjustment in 2014 and beyond.

In financial year terms, GDP is expected to be:

- 2.8% in 2012/13, and
- 2.7% in 2013/14.

Labour market

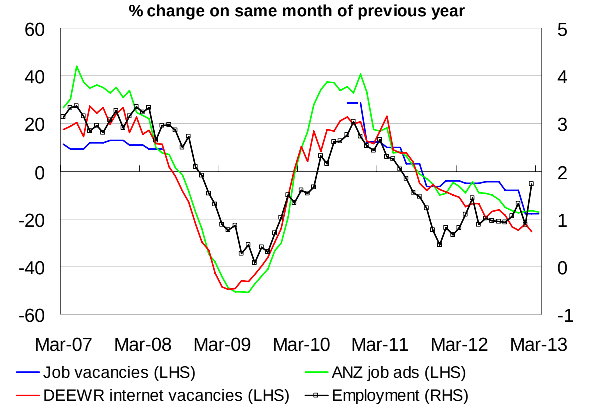
Forward indicators for the labour market have weakened appreciably in recent months. In February, ABS job vacancies fell 10%, and DEEWR internet vacancies were down 4.5%, relative to November. In March, ANZ job ads fell by 1.5%. Also in March, the NAB employment conditions drifted down to a net balance of -5 points, compared with a long-term average of +2: this is the eleventh consecutive month of negative readings for this indicator.

The decline in commodity prices has meant that real wages faced by producers have been growing relatively rapidly in recent quarters. While this increase in real cost pressures is likely to be concentrated in the mining sector, it is unlikely to be conducive to labour demand in associated industries, including construction.

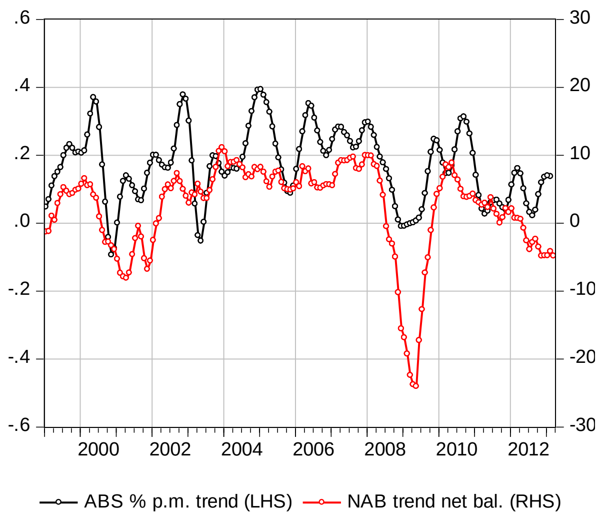
All this suggests that the recent surge in the official employment data in February, showing employment up 71,500 jobs, may be thrown sharply into reverse in coming months (interestingly, it was not mentioned by the RBA in its most recent minutes). The February unemployment rate, which was unchanged at 5.4%, was probably a more realistic reading of the state of the labour market.

Labour market conditions

% change on same month of previous year



Employment



Sources: ABS, NAB

According to the NAB business survey, employment trends are weakest in manufacturing, wholesale, construction and mining.

Consumer demand & housing market

The first two months of 2013 have seen a stronger tenor in official data for the retail sector, although much of this appears to be making up ground lost in the second half of last year, and there is still some way to go. Moreover, interpretation has been made difficult by the leap year adjustment: February retail turnover was up 4.6% on a year ago in seasonally adjusted terms but only 1.1% with no adjustments. As may be expected, monthly unadjusted retail trade fell more heavily this February with fewer days (down 10.0%) than last year (down 7.1%) but, curiously, seasonal and leap year adjustment resulted in stronger monthly growth this time (1.3%) than last year (-0.1%). Overall, the NAB business survey indicates that conditions for retailers remain very weak – with a major deterioration in March - despite a rising trend in consumer confidence (which recorded another gain in March).

Recent increases in equity and housing prices have helped the process of rebuilding household balance sheets. The household saving rate, currently at 10.1%, should begin to drift down slowly during 2013 if household net wealth continues to be restored, implying consumption will run slightly ahead of income.

Annual growth in online retail sales slowed in February, but was still a robust 19% (for more detail, see NAB online retail sales).

House prices continued to gather momentum. The ABS capital city measure rose 1.6% in Q4, while the RP Data-Rismark measure grew 1.3% in March and 2.8% in Q1, ranging from 6.1% in Hobart to -0.5% in Adelaide. While interest rate cuts to date will continue to provide support, we expect that job security will loom as a constraint on house prices as 2013 unfolds.

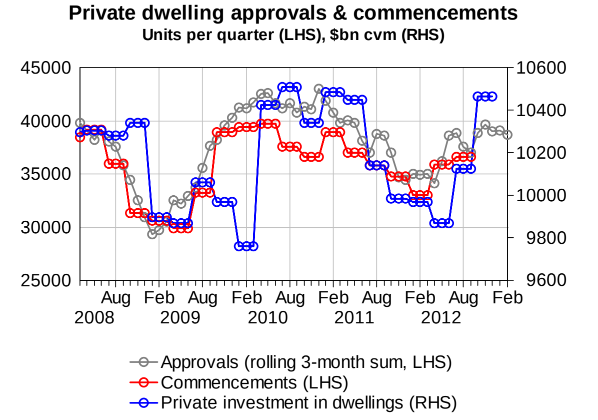
Changes to first home owner grant arrangements have resulted in a substantial decline in first home owner activity in the established housing market. These subsidies have been tilted away from established dwellings and towards new dwellings in NSW, Queensland and SA (grants for established dwellings have ceased in NSW and Queensland and been substantially reduced in SA). There have been significant declines in loan applications by first home buyers in NSW and Queensland since October 2012.

Overall, these changes seem likely to be less supportive of established dwelling prices and provide more impetus for dwelling construction, at least in the near term.

Housing Industry Association new home sales declined by 5.3% in February, after a 4.2% rise in January. Unit sales took a big hit, down 11.0%, reversing all of the rises since last September. Detached home sales in Victoria had by far the largest decline in February, down 13.7%. WA now has the highest level of detached home sales of any state.

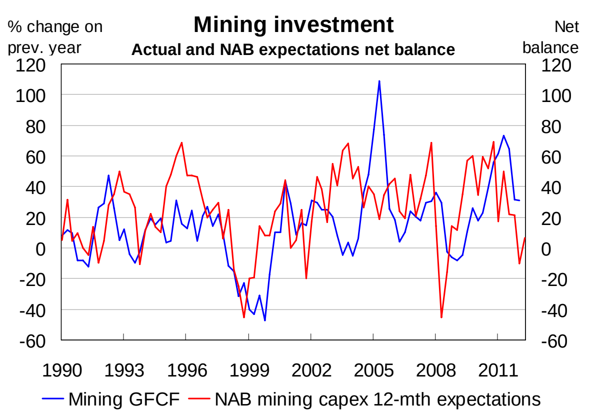
Investment

A higher level of dwelling approvals in the second half of 2012 should feed into commencements in Q4 and into dwelling investment in Q1. Accommodative monetary policy and higher house prices should help maintain some momentum in dwelling investment through the remainder of the year, although there is emerging oversupply points, such as the Melbourne apartments market.



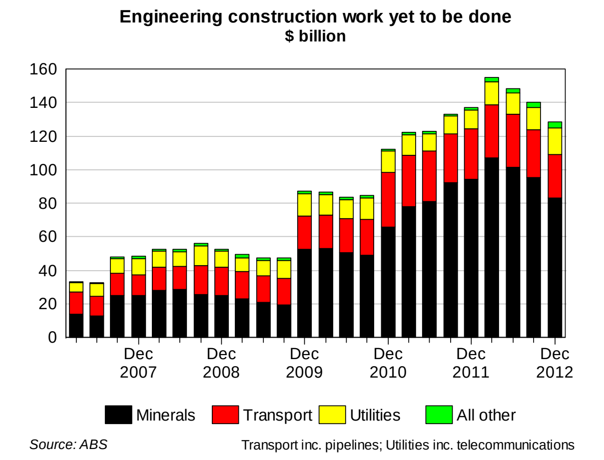
Source: ABS

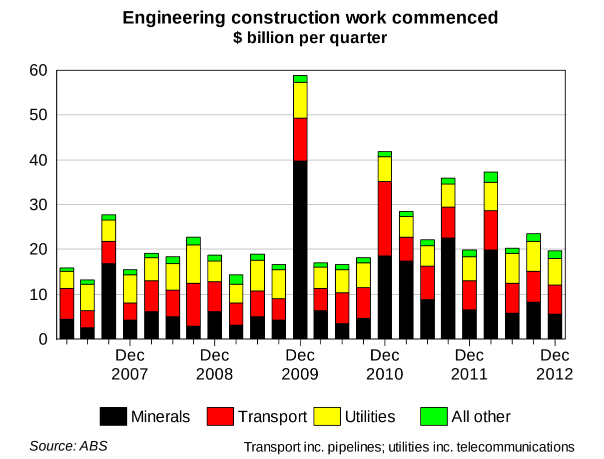
Mining investment continues to display its vulnerability to a sharp slowdown. The pipeline of work yet to be done on minerals projects has now declined for three successive quarters and no mega projects have been commenced over the same period.



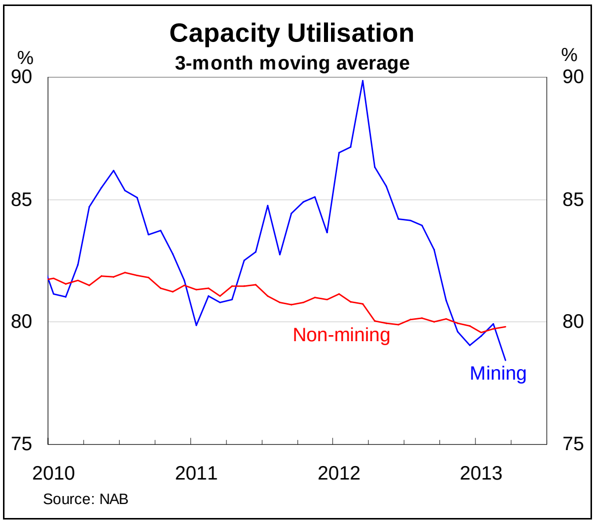
Sources: ABS, NAB *Quarterly mining GFCF estimated by NAB*

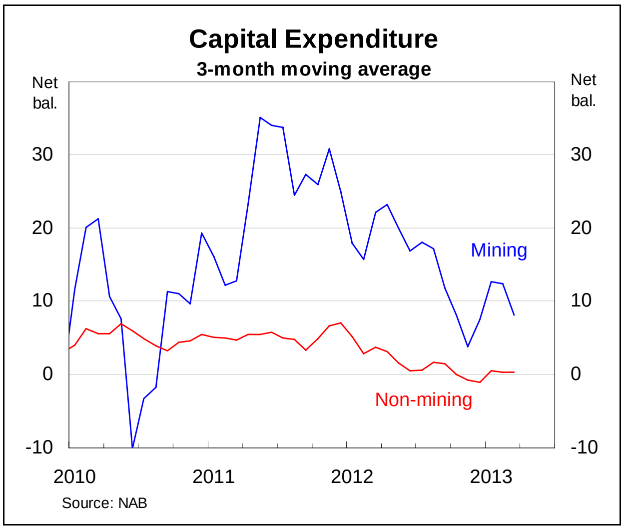
According to the NAB business survey, mining capital expenditure expectations for the year ahead are currently subdued. It seems likely that mining investment, at around 8% of GDP, is near or at a plateau and is unlikely to contribute much to GDP growth through the course of 2013. While several mega projects now under way will support investment for some time, the weak outlook for bulk commodity prices has dented the atmospherics of the mining sector since late last year. A weaker expected rate of return on many prospective coal, iron ore and base metals projects may cause a review of their feasibility.





As the mining investment boom runs its course, there is no evidence that the non-mining sector is ready to pick up the reins of growth. Capacity utilisation and capital expenditure in both sectors has been trending down.



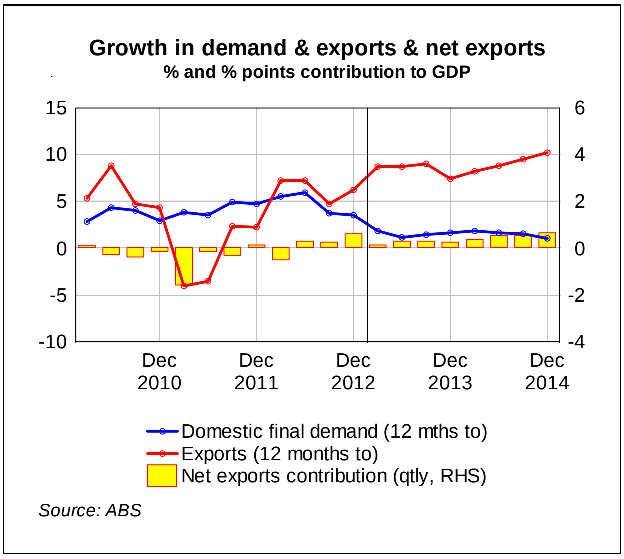


Commodity prices and net exports

In US dollar terms, the NAB non-rural commodity price index is expected to decline by around 1-1¼% in 2013, before falling by a further 8¼% over 2014. Given our forecast for the AUD/USD over the remainder of the forecast horizon, AUD prices are expected to rise by 1¾% through the year to December 2013, before falling by around 1¼-½% over 2014. As a result, the terms of trade are expected to decline by around 5% through the course of 2013 and by around 2½% through 2014.

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

The trade deficit has improved significantly in recent months, totalling $2.1 billion in the three months ended February compared with $6.5 billion in the previous three months. This reflects some recovery in bulk commodity prices as well as more moderate import growth.

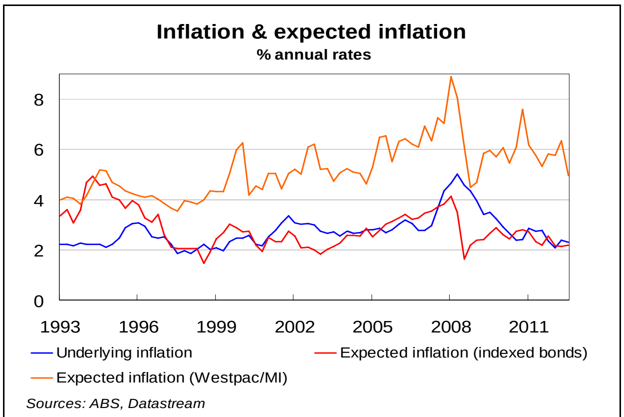


Net export volumes are expected to gain momentum over the next two years as major resource projects (particularly LNG) begin to deliver.

Interest rates

The RBA left the cash rate unchanged at 3.0% at its April meeting, with its view of the global and domestic outlook little changed from its assessment at its previous meeting in March. The RBA again stated its reduced concern about the outlook for global growth, noting that the risks to the global growth outlook appeared to have lessened. The wording on the domestic economy was also little changed, although hesitation about the ability of investment by the non-resource sector to strengthen as the peak in resource investment approaches was more apparent: the RBA stated that "the near-term outlook for investment outside the resources sector is relatively subdued, (although) a modest increase is likely to begin over the next year" – a slight delay from "next financial year" last time. One clear omission from the statement was any reference to the sharp pick up in ABS employment growth in February, suggesting some reluctance by the RBA to accept that the extent of the improvement in the official data. Nonetheless, the RBA appears confident that previous rate cuts are beginning to have "an expansionary effect on the economy", and it remains comfortable with the outlook for inflation.

We see underlying inflation remaining within the RBA's target over the medium to longer term, with soft consumer spending, below-average labour cost pressures, a still high AUD and a shift in business focus towards increased efficiency expected to keep prise pressures well contained. Core inflation is expected to edge up to 2.4% by late 2013, before lifting a touch to 2.6% by late 2014.



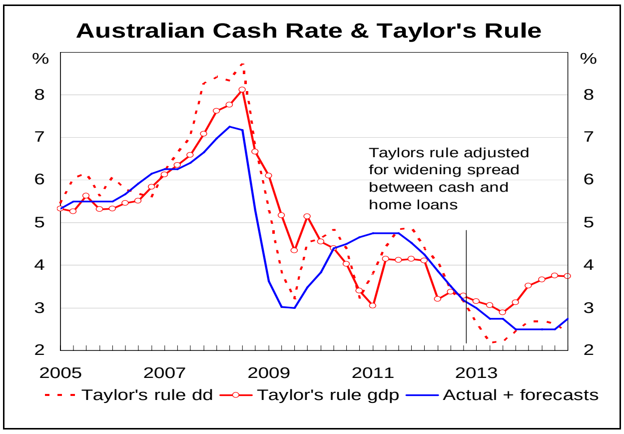
Sources: ABS, Datastream

The RBA seems unperturbed about the outlook for inflation, stating that "the inflation outlook, as assessed at present, would afford scope to ease policy further, should that be necessary to support demand". Inflation expectations remain near the bottom of the RBA target range and the Westpac/Melbourne Institute measure of consumer inflation expectations has been falling.

This begs the question, 'what is the tipping point for further policy easing?' No doubt the RBA will remain focused on the performance of the non-mining sector, and in particular, the impact that previous stimuli are providing to this sector. Indeed, the RBA appears more comfortable about the growth outlook now that previous rate cuts are beginning to take hold. However, we remain unconvinced at this point that the non-resource sector will be able to fill the hole caused by the imminent passing of the resource investment peak next financial year, and it is likely that labour market conditions will weaken as a result.

The RBA Board seems very content with its accommodative stance on monetary policy, but has not ruled out the possibility of making further adjustments to policy if needed to "foster sustainable growth in demand". We see the need for a 25 bp rate reduction by the middle of this year, which we have pencilled in for June. Thereafter, we believe the RBA will wait and see how the non-resource sector performs as mining investment begins to retreat. In our view, an additional 25 bp rate cut will be needed (in November) to help support weakening labour market conditions. However as noted earlier timing is likely to be quite fluid – with higher house price inflation a potential delayer/stopper of rate cuts. Ultimately, however, the key swing variable will be the rate of deterioration in unemployment.

Beyond 2013, monetary policy is likely to remain very accommodative for sometime as the full impacts of stimulus take effect. In many ways, the dilemma for policy makers is summarised by the Taylor's rule, and in particular, the differences in the rule calculated using domestic demand versus GDP. In essence, both versions show an accommodative stance of policy until at least the end of 2014.



Key global GDP forecasts (calendar years)

Country/region	*IMF weight*	2006	2007	2008	2009	2010	2011	2012	2013	2014
					% change					
United States	*19*	2.7	1.9	-0.3	-3.1	2.4	1.8	2.2	2.4	2.9
Japan	*6*	1.7	2.2	-1.1	-5.5	4.7	-0.5	1.9	1.1	2.4
Euro-zone	*14*	3.3	2.9	0.2	-4.3	1.9	1.5	-0.5	-0.4	1.6
United Kingdom	*3*	2.6	3.6	-1.0	-4.0	1.8	1.0	0.3	0.8	1.8
Asian Tigers	*8*	5.6	6.0	3.2	0.2	7.8	4.2	3.7	4.0	4.5
Latin American 4	*9*	5.4	5.6	4.1	-1.9	7.2	4.8	2.2	2.3	2.9
China	*14*	12.7	14.2	9.6	9.2	10.4	9.3	7.8	8.2	8.0
Canada	*2*	2.8	2.2	0.7	-2.8	3.2	2.6	2.0	2.0	2.3
India	*6*	9.6	9.7	8.1	6.4	9.8	7.3	5.1	5.7	6.5
Africa	*3*	6.1	6.3	5.5	2.8	5.1	5.3	4.8	5.8	5.7
CIS	*4*	8.2	8.6	5.5	-6.4	4.8	4.9	3.6	3.9	4.0
Eastern Europe	*4*	6.7	5.7	3.0	-3.6	4.6	5.3	1.8	2.4	3.0
Middle East	*5*	5.7	5.9	5.1	2.6	5.0	3.5	5.0	4.0	3.7
Other advanced	*5*	4.5	4.7	1.7	-1.1	5.8	3.3	1.9	3.5	3.7
Global total	*100*	5.7	5.8	3.1	-0.4	5.4	3.9	3.1	3.3	3.9

Australian Economic and Financial Forecasts (a)

	Fiscal Year			Calendar Year		
	2011-12	**2012-13 F**	**2013-14 F**	**2012**	**2013-F**	**2014-F**
Private Consumption	3.2	2.4	2.2	3.2	2.0	2.2
Dwelling Investment	-3.6	0.4	2.7	-4.5	3.8	1.4
Underlying Business Fixed Investment	24.1	10.5	0.5	19.1	2.8	-0.9
Underlying Public Final Demand	2.1	-2.8	-0.2	1.7	-3.0	1.3
Domestic Demand	**5.3**	**2.4**	**1.6**	**4.6**	**1.3**	**1.7**
Stocks (b)	-0.1	-0.2	-0.2	0.0	-0.4	0.0
GNE	**5.2**	**2.2**	**1.4**	**4.6**	**0.9**	**1.7**
Exports	4.7	7.1	8.3	6.3	8.4	9.2
Imports	11.8	2.6	2.7	6.8	2.0	2.8
GDP	**3.4**	**2.8**	**2.7**	**3.6**	**2.4**	**3.0**
– Non-Farm GDP	3.3	3.0	2.7	3.7	2.5	3.1
– Farm GDP	9.0	-8.0	1.7	-2.6	-2.8	2.0
Federal Budget Deficit: ($b)	44	23	NA	39	NA	NA
Current Account Deficit ($b)	40	55	55	33	54	51
(-%) of GDP	2.7	3.6	3.6	2.3	3.7	3.3
Employment	1.1	1.1	0.9	1.1	1.1	1.1
Terms of Trade	0.6	-10.6	-2.6	-10.2	-5.0	-2.4
Average Earnings (Nat. Accts. basis)	5.3	2.7	4.2	4.1	3.5	4.1
End of Period						
Total CPI	1.2	2.4	2.1	2.2	1.8	2.3
Core CPI (exc. carbon)	2.1	2.4	2.6	2.3	2.4	2.6
– Core CPI (inc. carbon)	2.1	2.4	2.6	2.3	2.4	2.6
Unemployment Rate	5.0	5.7	5.8	5.3	5.9	5.8
RBA Cash Rate	3.50	2.75	2.50	3.00	2.50	3.00
10 Year Govt. Bonds	3.04	3.90	NA	3.27	3.80	5.0
$A/US cents :	1.01	1.03	NA	1.04	1.01	NA
$A - Trade Weighted Index	75.40	75.89	NA	76.80	74.95	NA

(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

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