Embargoed until: 11:30am Tuesday 11 June 2013

Global & Australian Forecasts June 2013

Global growth forecasts little changed. Still waiting to see firm evidence that the expected acceleration in activity through 2013 is beginning. Markets focussing on chances that Fed could start winding back QE, sparking currency volatility and weaker equities. Emerging markets still driving most global growth but some recent data in China, India and Brazil have been on the soft side. Australian economy now at a watershed as mining investment slows and domestic economy struggles. NAB activity forecasts a touch lower in out years. Currency forecasts lower. Labour market to keep deteriorating. Door remains open for another rate cut.

- The consensus view is that the pace of global growth should accelerate through the course of 2013 as recessions end in Western Europe, Abenomics lifts Japanese growth, the US continues its moderate expansion and solid growth continues in the big emerging economies. So far neither the business surveys nor the monthly industrial and trade data show such a synchronised global upturn with soft data in the US, ongoing recession in the Euro-zone and uncertainty in global equity and currency markets over the future course and implications of US and Japanese monetary policy. We still expect global growth to move back to trend next year but downside risks have become more prominent in the last few weeks.
- Evidence that the slowing in labour intensive mining investment is well underway and weakness in gross national expenditure has led us to soften our medium-term GDP forecasts. We see GDP softening to 2.3% in 2013 before rising to 2.8% in 2014 (was 3.0%). In financial year terms, the lower forecasts are more evident (2013-14 now 2.3%, was 2.7%). Consistent with this, we see unemployment exceeding 6% by the end of 2013 (5¾% previously) and remaining around 6¼% in the out years. We have revised down our currency forecasts for the AUD/USD to 93c by end 2013 and 87c by late 2014 (FX Strategy).
- While a lower Australian dollar and rates should help to offset some of the impact on the Australian economy from structural adjustment, they will be insufficient to prevent unemployment from rising. With inflationary pressures well contained in the near term, we expect the RBA to cut again – we still see November as the most likely timing (with the lower currency giving the RBA time). However, stimulus could come earlier if the labour market weakens more quickly than anticipated.

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	**2.1**	**2.9**
Euro-zone	*14*	1.9	1.5	-0.6	**-0.6**	**1.1**
Japan	*6*	4.7	-0.6	2.0	**1.6**	**2.3**
China	*14*	10.4	9.3	7.8	**7.8**	**7.6**
Asian Tigers	*8*	7.8	4.2	3.8	**3.6**	**4.3**
Global total	*100*	5.4	4.0	3.1	**3.0**	**3.7**
Australia	*2*	2.6	2.4	3.6	**2.3**	**2.8**

Key Australian forecasts (fiscal years)

GDP components	11/12	12/13	13/14	Other indicators	11/12	12/13	13/14
		% annual average				*% through-year*	
Private consumption	3.3	**2.5**	**2.3**	Core CPI (inc. carbon)	2.2	**2.4**	**2.5**
Domestic demand	5.3	**2.2**	**0.6**			*% end of year*	
GDP	3.4	**2.8**	**2.3**	Unemploy. rate	4.9	**5.6**	**6.3**

For more information contact:
Alan Oster, Chief Economist
(03) 8634 2927 0414 444 652

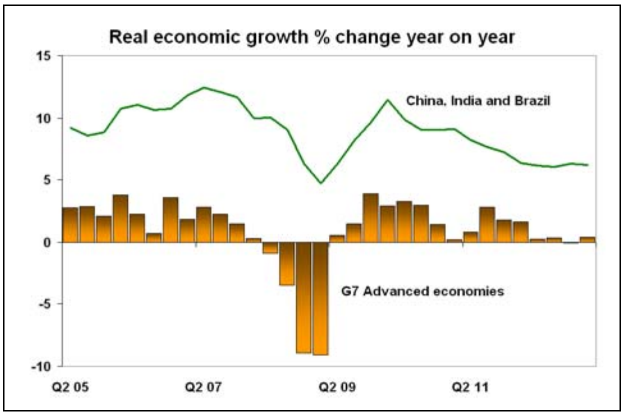
Rob Brooker, Head of Australian Economics & Commodities
(03) 8634 1663 0457 509 164

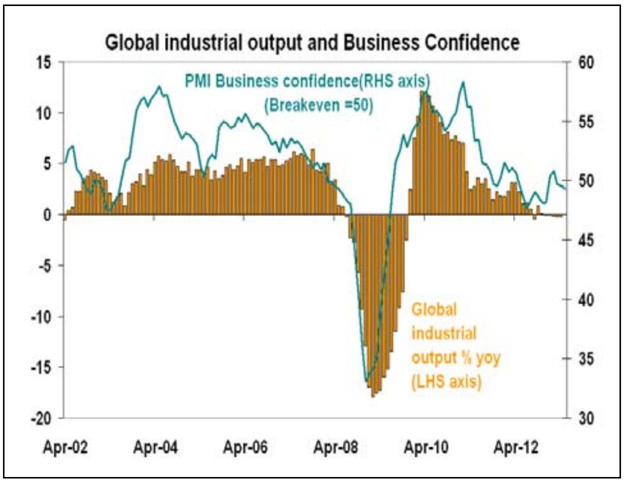
Tom Taylor, Head of International Economics
(03) 8634 1883

Global outlook

Key Points

- Global growth remains lacklustre with no convincing sign yet of the pick-up widely expected to occur during 2013. Monthly measures of global industrial output and trade still show only modest growth and recent business survey measures of current activity show confidence remains subdued.
- Big variations in growth performance remain between countries. The latest data show better performance in the UK and Japan but some recent US data has been disappointing and the Euro-zone is still mired in recession.
- The big emerging market economies account for the bulk of global growth but there has been a trend slowing there too. Our Chinese growth forecasts were marked down a few weeks ago and we have now cut our Indian forecast by ¼ ppt in the wake of weaker than expected first quarter 2013 data.
- While year-average 2013 global growth is predicted to be 3%, just below last year's pace, we are still expecting an upturn toward the end of the year that takes 2014 growth back to around 3¾% (a touch below trend).



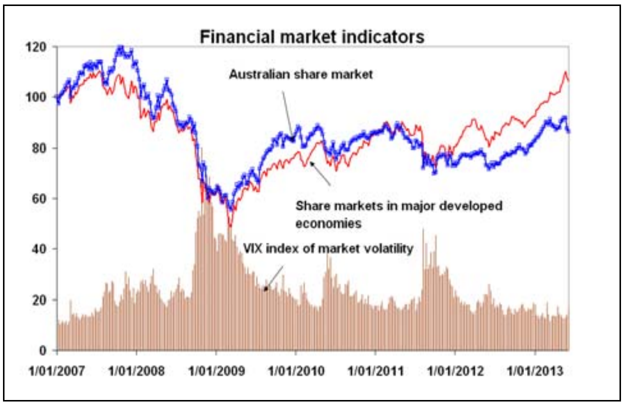


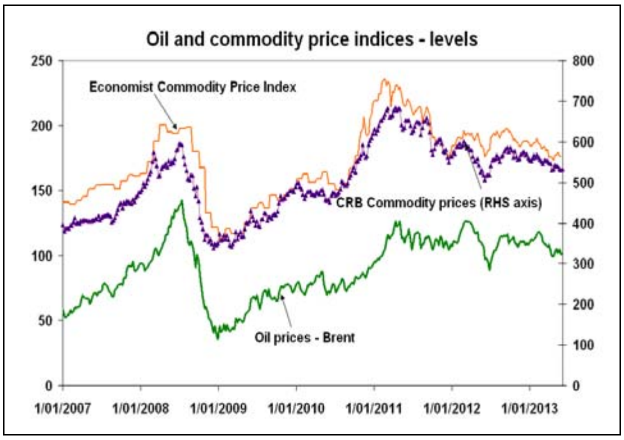
Financial & commodity markets

Despite an uninspiring global back-drop, there was until recently a very strong run-up in global financial markets. Equity prices in the big advanced economies rose by around 25% between last November and mid-May and measures of market volatility were low. Since then share markets have fallen back and quite sharply in places like Japan.

Given that there is still little evidence that the long awaited acceleration in global economic activity has commenced, this solid performance in equities had to reflect **either** a combination of increased investor risk appetite plus forward looking expectations of stronger global activity **or** it is a response to the rounds of central bank policy easing that have boosted market liquidity.

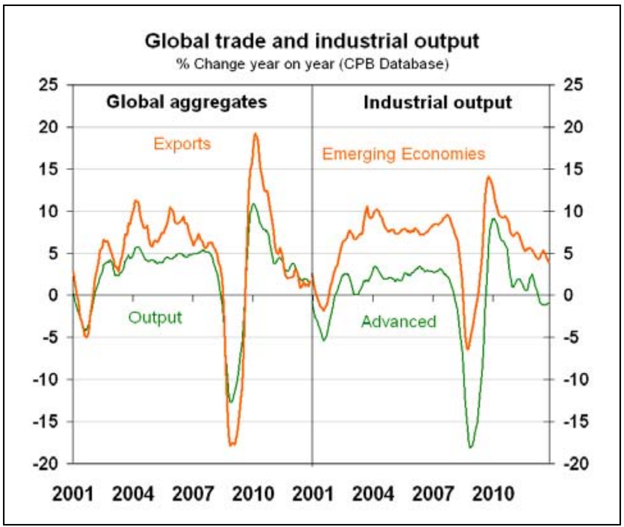
In contrast with equities, global commodity markets have been soft with a downward trend in both the CRB and Economist indices since last September. This disconnect between equity and commodity markets is explained by the latter remaining better anchored to the real economy with its sluggish demand growth and increasing supply while shares had benefited from money rotating into that asset class as interest rates were so low that holding cash became costly to yield-seeking investors. Such an outcome was precisely what central banks in the big advanced economies had been trying to engineer.



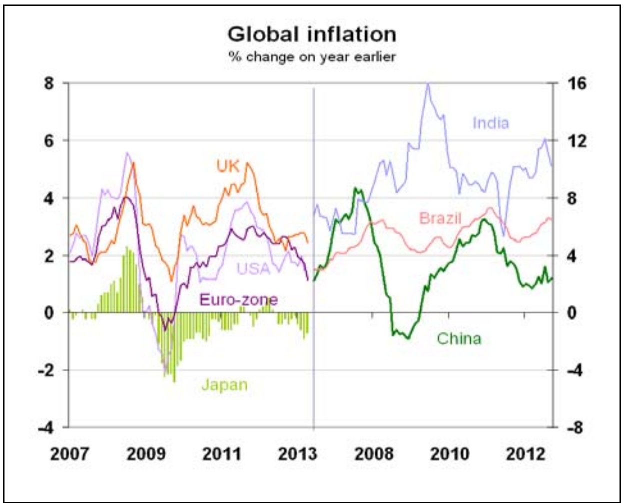


Global trends

Global data show a broad-based easing in growth through the last couple of years. Our measure of global industrial production has stagnated since late 2012 with weakness in Western Europe and Asian export-oriented economies offsetting output expansion in China and North America. Japanese output has, however, been looking stronger in the opening months of 2013. This sluggishness in global industry mirrors recent business survey trends where, on average, advanced economy confidence readings remain just below the notional 50 "no change" level. Emerging economy industrial growth is far stronger but it has not started accelerating yet.

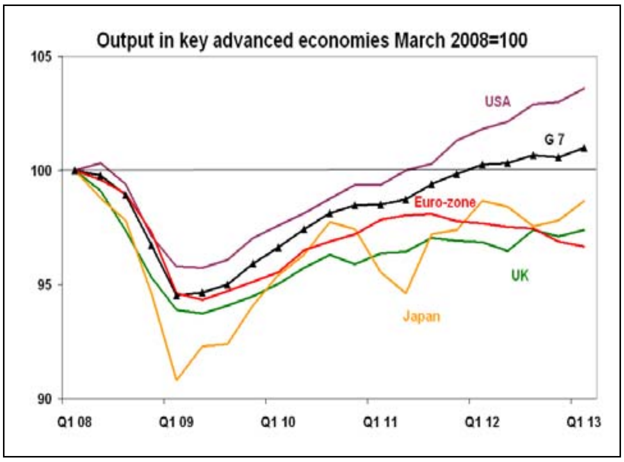


There has also been a marked divergence of inflation performance between economies with a trend slowing in inflation across the advanced economies but persistent price pressure in India and Brazil. Chinese CPI inflation had already dipped from over 6% yoy in mid-2011 to under 2% yoy in some months of the latter half of 2012. Since then it has generally averaged 2-2½% yoy.



Advanced economies

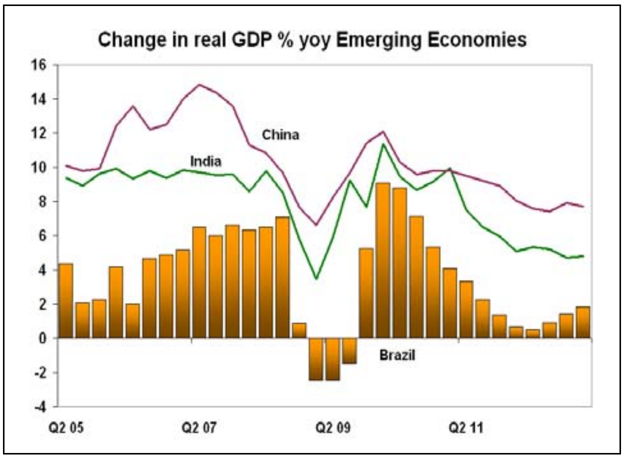
The first half of 2013 has seen the continuation of very mixed trends across the big advanced economies and this absence of a synchronised turn upwards in the business cycle has put a drag on the global economy. The Euro-zone remains in recession and we do not expect to see much growth there until the latter half of the year. The other advanced economies have been faring better with an upturn in Japanese activity that looks set to continue as the weaker yen boosts exports and Abenomics boosts confidence while the UK looks set to continue growing slowly. The US has been the best performing of the big advanced economies but some of the recent partial data suggest that the pace of economic growth has slowed in the second quarter.



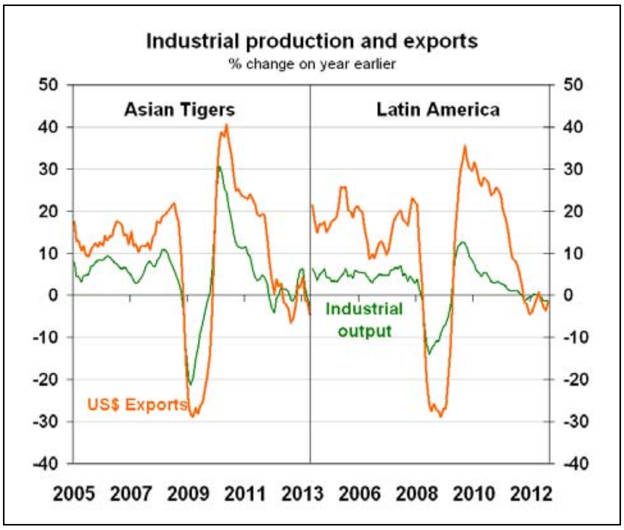
These disparate trends are summarised in the various purchasing manager indices. The upturn in UK and Japanese activity has taken their headline sentiment measures above the 50 level but Euro-zone activity remains depressed and there has been a sharp weakening in recent US industrial surveys. Fortunately, service sector surveys have been considerably stronger and so US economic growth should have continued, into the second quarter albeit at a slower pace.

Emerging economies

The three big emerging market economies of China, India and Brazil are still driving around 1½ ppts of the total 3% global growth forecast for 2013 but they too have experienced a slowdown. This reflects the lagged effects of past policy tightening as well as the sluggishness of global trade. Chinese growth continues its downward trend and we cut our forecasts a few weeks ago but it remains very rapid by the standards of other countries. Industrial growth is still around 9% yoy, retail sales volumes are up around 10% yoy, fixed asset investment is up by around 20% yoy but export delivery values have been slowing quite sharply. Indian growth has been disappointing with still weak business surveys highlighting the weakness of confidence and investment intentions. The March quarter 2013 GDP numbers were lower than expected and we have cut our growth forecasts for the year.

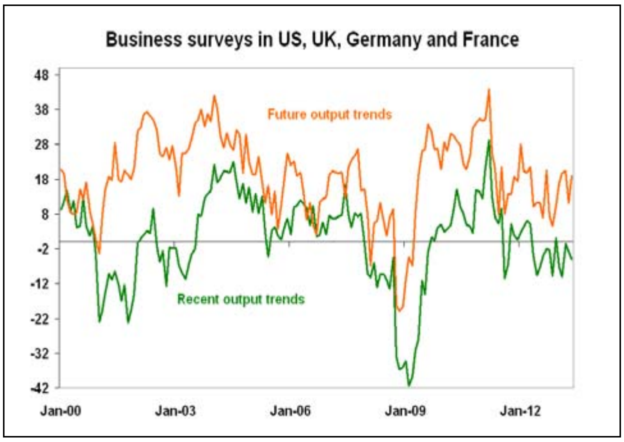


The export oriented economies of East Asia and Latin America also experienced a sharp slowdown through 2011 and 2012 with a period of renewed softness in the last 6 months.



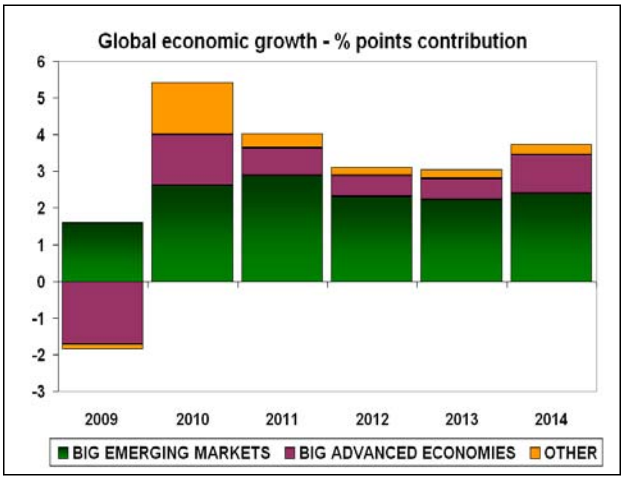
Forecasts

While recent activity trends have been generally disappointing, firms in most of the big advanced economies remain optimistic that things will get better. Our measure of current and expected future trading conditions in these big advanced economies confirms that while the former remain soft, there is still a belief that there will be faster growth in a year or so. The most optimistic firms are in the US, UK and Japan while those in France are especially pessimistic.



We expect global growth to remain fairly sluggish through much of 2013 with the full-year figure staying around 3% before strengthening to 3¾% in 2014. The emerging market economies still account for the bulk of global growth – around 2½ ppts – but the contribution of the big advanced economies is expected to increase as Euro-zone recession ends and Abenomics lifts Japanese growth.

For more detail, see our International Economic Reports.



Australian outlook

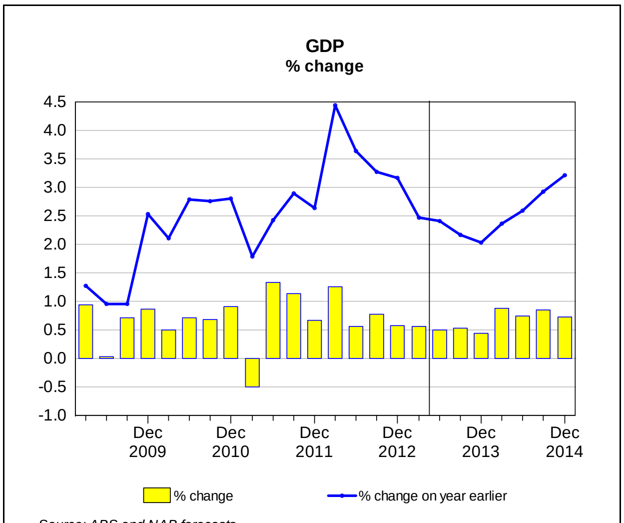
Key Points

- Resource investment appears to be losing traction in the wake of falling commodity prices and softening global demand. While a falling Australian dollar and lower borrowing rates will help to shield the Australian economy from the worst effects of the ending of the labour intensive mining construction phase, they are unlikely to be enough to prevent unemployment from rising this year.
- GDP growth held up at a modest pace in Q1, but a second consecutive quarterly decline in gross national expenditure (GNE) paints a worrying picture of the domestic economy. While our near-term growth forecasts are broadly unchanged, the weakness in GNE combined with our expectation for mining employment to fall more quickly than previously anticipated has prompted us to lower our GDP forecasts a touch in the out years. GDP growth is expected to be 2.3% in 2013 and 2.8% in 2014 and the unemployment rate is expected to exceed 6% by the end of this year.
- The RBA left rates on hold this month but has maintained its easing bias. The Board appeared comfortable with the global outlook and the accommodative state of international financial conditions. At home, it seems confident that previous rate cuts will continue to support growth in time. The Board noted that the AUD is still high suggesting the relief provided by the recent depreciation may be limited. We expect the RBA to lower the cash rate by 25 bps in November to help offset weakening labour market conditions. However, if the labour market deteriorates faster than forecast, rate cut(s) could come earlier. Higher house price inflation could curtail further rate cuts. Beyond 2013, monetary policy is likely to remain very accommodative for sometime – given the structural challenges ahead.
- Our forecasts for inflation have edged down in the medium-term and 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% in mid 2013 rising to 2.5% by mid 2014.

National trends

As the year plays out, the immense impact structural change is having on the Australian economy is becoming increasingly apparent. However, the economy's ability to cushion the effects of this adjustment is becoming less certain, and poses a downside risk to near and medium-term growth prospects.

The March quarter national accounts showcased the acute and enduring effect the high Australian dollar is having on GDP growth. GDP grew by 0.6% in the March quarter, to be 2.5% higher over the year. Household consumption growth increased to a still modest 0.6% in Q1 but business investment (buildings and equipment) fell sharply (down 4.8%), with indications from the capital expenditure survey that both mining and non-mining investment declined. With dwelling investment static and underlying public demand up 1.1% (despite an environment of fiscal restraint), domestic demand fell by 0.3%. A sharp decline in inventories (mainly wholesale) took a further 0.4% points away from growth, so that gross national expenditure fell by 0.6%, its second successive decline. Only a large contribution from net exports (1.0% point) was sufficient to prevent a contraction in GDP. The trade numbers reflected a strong rebound in the volume of metal ores & minerals exports combined with a sharp decline in import volumes (particularly goods associated with investment, such as machinery, industrial transport equipment and iron and steel).



Source: ABS and NAB forecasts

The results highlight the fragility of the non-mining sectors of the economy at the start of 2013. At a mere 0.3%, annual GNE growth is at its weakest since the GFC. An improvement in the terms of trade was recorded in Q1, but this partly reflects a recovery in iron ore prices that is unlikely to be sustained beyond Q2. The outlook for mining investment continues to be negative, given the general weakness in metals and bulk commodity prices. Mining remains firmly in the weak economic conditions camp in the NAB survey, with mining capex in May at its lowest level for as long as this question has been in the survey (2002).

Although the AUD has fallen below parity with the USD, it remains sufficiently high to maintain strong import competition on trade-exposed sectors. The May NAB business survey continues to point to sub-par business conditions and forward orders, a soft labour market, abundant spare capacity and retail deflation. The business conditions index lifted modestly but, at -4 points, remains well below trend. The weakest sectors continue to be manufacturing, retail, wholesale and construction, with mining also falling into the weak camp in May. Business confidence was unchanged at -1 point in May.

Based on forward orders, the survey implies 6-month annualised demand growth was around 2¼% in Q1, much higher than the actual level of -0.2%. If we assume average monthly forward orders for April and May are continued into June, the survey implies 6-monthly annualised demand growth will be around 2½% in Q2 2013, a little stronger than Q1 growth but still below trend.

Similarly, based on average business conditions for Q1, the survey implies 6-month annualised GDP growth (excluding mining) of around 3-3¼% in Q1, higher than actual growth of 2¼%. If average monthly business conditions in April and May are continued into Q2, the implied growth rate would be around 2½% in that quarter.

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 4 June meeting, after cutting in May, but maintained that there was further scope for easing should the economy require it. We continue to see the need for at least one additional rate cut before the close of this year.

Our GDP growth forecasts are broadly unchanged for 2013 but have been revised down for 2014. We expect quarterly growth to soften slightly to 0.5% for the next two quarters before softening to 0.4% in Q4, yielding 2.3% in 2013 (unchanged). Growth of that order will not be sufficient to prevent the unemployment rate edging up to just over 6% 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 cash rate cut by year-end (pencilled in for November).

In 2014, export volumes should help drive growth as major minerals and energy projects begin the transition from construction to production and export. However, there are increasing indications that the end of the mining investment boom may be even more abrupt than we have assumed hitherto. Confidence and conditions in mining have deteriorated more quickly than anticipated. The latest BREE assessment also points to more risk of a greater rate of decline in mining construction activity, and the capital expenditure survey showed a substantial (6.2%) decline in the mining sector in Q1, the largest since the GFC. GDP growth is expected to recover towards trend in 2014 at 2.8% (was 3.0%). 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:

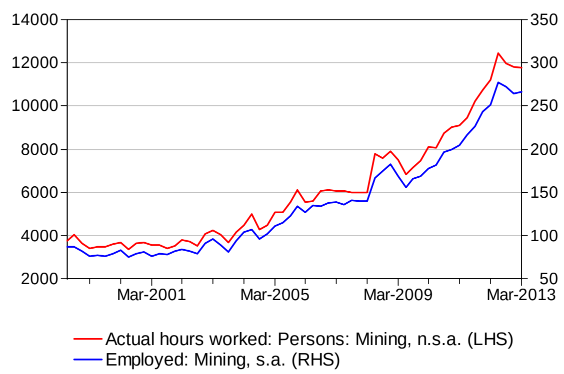
- 2.8% in 2012/13 (was 2.7%), and
- 2.3% in 2013/14 (was 2.6%).

Labour market

Forward indicators for the labour market have weakened appreciably in recent months. In April, DEEWR internet vacancies fell by 3.6%, to be 24.1% lower over the year. In May, ANZ job ads fell by 2.4%. Also in May, the NAB employment conditions index remained heavily in negative territory, at -6 points. This index has been depressed around these levels for eight months, and this is thirteenth consecutive month of negative readings.

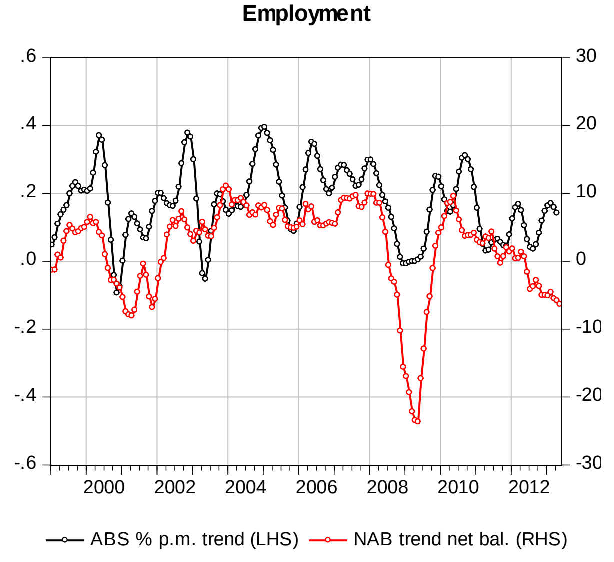
Official labour market data have been very volatile over recent months, making it difficult to get a true appreciation of labour market conditions. The latest monthly reading showed employment up by 50,000 in April, following a decline of 31,000 jobs in the previous month. Perhaps a better metric for gauging the state of the labour market is the unemployment rate, which trended at 5½% in April, up from around 5% one year earlier.

Mining hours worked & employment
'000 hours/week, '000 sa



Source: ABS

There are emerging signs that mining sector employment growth, a surprisingly important driver of the overall labour market, is in danger of stalling. The NAB business survey employment index remains weak, and is particularly low in mining, construction and manufacturing. It is likely that the slowing in mining investment will gather pace over the forecast horizon, and given the labour intensity of mining construction, this is likely to place upwards pressure on the unemployment rate.



Sources: ABS, NAB

Consumer demand & housing market

While retailers experienced a more promising start to the year, official sales growth weakened into March and April. Moreover, the strength in January and February retail sales followed a period of soft growth over the second half of last year, suggesting the overall volume of retail trade still has some catching up to do. Monthly retail trade data edged up 0.2% in April, after falling by 0.4% in March, to be 3.1% higher over the year. Overall, the NAB business survey indicates that conditions for retailers have remained subdued, consistent with the recent weakness in consumer confidence.

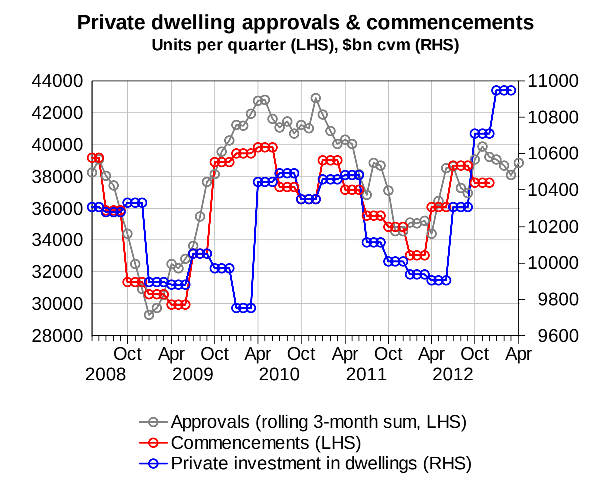
Annual growth in online retail sales strengthened in April, growing by a robust 23% (for more detail, see NAB online retail sales).

House prices look to have taken a backwards step into the second quarter of this year. The RP Data-Rismark measure fell by 1.2% in May, following a 0.5% decline in April, to be 2.9% higher than prices a year ago, largely reflecting rising prices through the March quarter. Price falls over the past two months are consistent with the deterioration in consumer confidence. The largest falls in May were reported in Darwin (-3.5%), Adelaide (-2.3%) and Melbourne (-2.1%), which were partly offset by rises in Hobart (+2.2%) and Perth (+1.0%). 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.

Housing Industry Association data show the trend of recovery in new home sales is continuing. New home sales increased by 3.9% in April, following a 4.2% rise in March. The strength in monthly sales was driven by a 6.7% increase in detached house sales, partly offset by a 9.4% fall in multi-unit sales. Detached house sales in Victoria and WA had the largest rises in April, up 9.1% and 9.0% respectively. Queensland was the only state to report a decline in detached house sales in the month (down 1.8%).

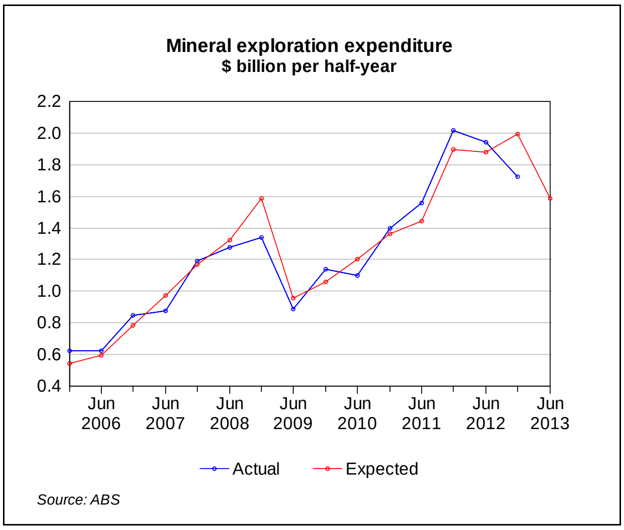
Investment

New dwelling investment picked up by 2.2% in Q1, offsetting a decline in alterations and additions activity. However, with dwelling approvals continuing to drift sideways, the scope for further growth in dwelling investment in the near term appears limited. Accommodative monetary policy and higher house prices should help maintain some momentum in dwelling investment through the remainder of the year, but oversupply emerging in some regions, such as the Melbourne apartments market, may limit this momentum.

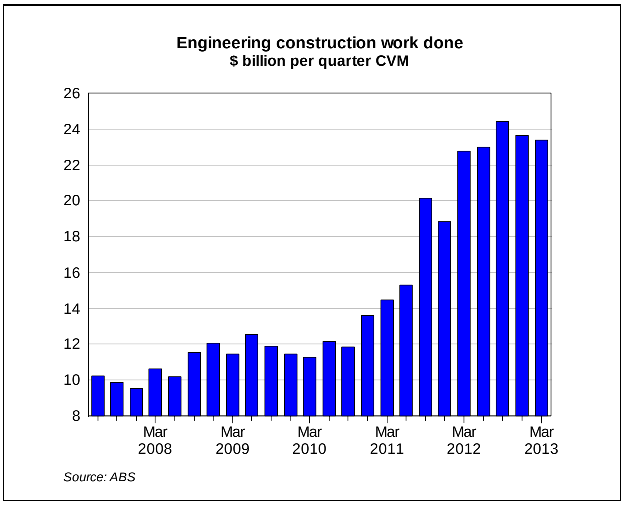


Source: ABS

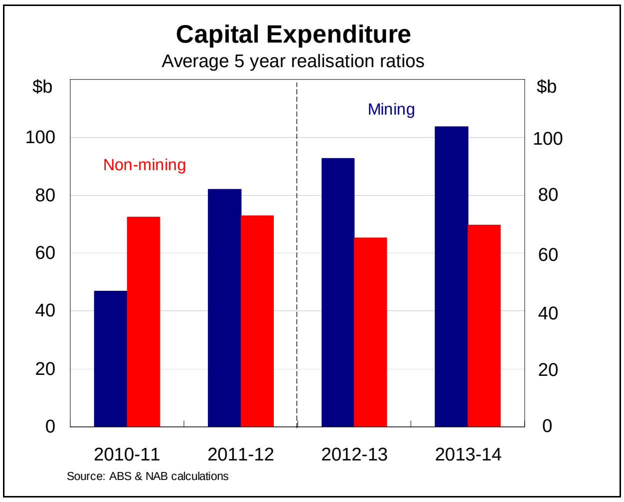
Mineral exploration activity has turned down and further declines are expected. Although representing only a small part of GDP, exploration is the precursor to the discovery and exploitation of new mineral resources and its continuing decline portends much larger reductions in future mining engineering construction activity.



According to the NAB business survey, mining capital expenditure slumped in May, with the index falling to the lowest outcome in the history that this survey question has been asked (since May 2002).



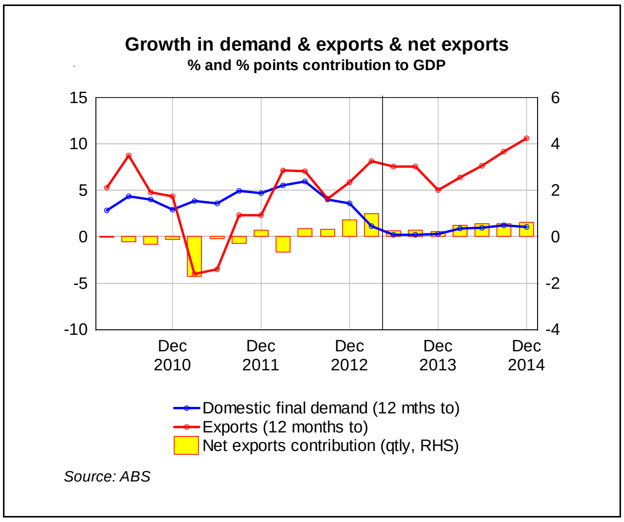
The latest ABS capex survey revealed that mining capex is expected to grow by around 13% in 2012-13 (based on the 5-year average of realisation ratios). While this implies a strong rise in mining capex this year, it is significantly lower than previous expectations. Perhaps most worrying for policy makers will be the sharp deterioration in actual capex of other selected industries in the March quarter – including manufacturing – which fell by more than 20%. The outcome raising even more doubt that the non-resource sector will be able to pick up the slack as mining investment falls away over the coming years. For other selected industries, capex is expected to fall by around 10% in 2012-13. Looking further ahead, capex plans from firms in the survey imply a sizable increase of around 12% in 2013-14 (using 5-year average realisation ratios), but based on current quarterly capex data, this outcome looks unlikely. While the application of an average realisation ratio yields a forecast of $103.7 billion for mining capex in 2013-14, extrapolation of recent quarterly spending data points to an outcome below $90 billion. Our own modelling suggests that if mining engineering commencements remain around current levels, mining investment may fall by as much as 20% through the course of 2013-14.



Commodity prices and net exports

In US dollar terms, the NAB non-rural commodity price index fell by around 16% over 2012. We are expecting another decline of around 7½% in 2013, before falling by 3½% over 2014 (see Graph). Given our forecast for the AUD/USD to soften over the remainder of the forecast horizon, AUD prices are expected to rise by 3¼% through the year to December 2013, before rising by a further 3% over 2014.

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



GDP growth was bolstered by a 1.0 ppt contribution from net exports in the March quarter. The rise in net exports largely reflected a decline in imports, which are very sensitive to shifts in private spending. This was evident from a drop off in investment goods volumes in the quarter. In contrast, export volumes rose in the March quarter, largely reflecting a pick up in volumes of bulk commodity exports on the back of softer prices.

The Bureau of Resources and Energy Economics (BREE) recently released its latest biannual Resources and Energy Major Projects report outlining the current state of mining, infrastructure and processing facilities projects in Australia. According to BREE, 21 projects reached the **completed** stage in the six months to April 2013, representing $15.3 billion in capital expenditure ($3.4 billion higher than in the previous six months). The total number of **committed** projects fell from 87 in October 2012 to 73 in April 2013. The value of committed projects was broadly unchanged at $268 billion (17.9% of current annual GDP), largely reflecting cost overruns which do not necessarily add to the volume of activity or capacity. While the value of minerals and energy investment in the pipeline remains enormous, there has been a sharp reduction in the value of projects at the feasibility stage, providing further evidence that the peak in mining investment is rapidly approaching, or indeed, has already occurred. For more details, see: Update on BREE Major Projects

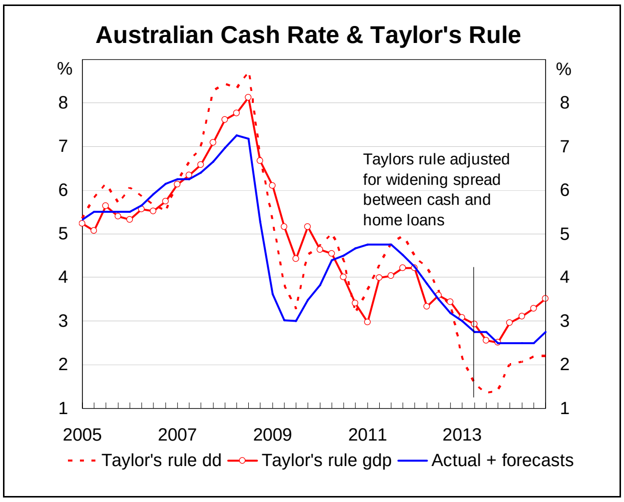
Interest rates

After lowering the cash rate to 2.75% in May, the RBA left the cash rate on hold in June. While its accompanying statement was brief, there was little indication of a change in view from its previous meeting in May. The RBA appears comfortable with the global outlook, expecting global growth to remain "a bit below average this year, with reasonable prospects of a pick-up next year", helped by recent monetary policy easing in a number of countries. It also seems content with the accommodative state of international financial conditions. The wording on the domestic economy was little changed, with the Board noting that growth over the previous year has been a bit below trend, but that the impact of monetary policy easing over the past year and a half is beginning to gain traction, and "further effects can be expected over time". There was some indication that the recent depreciation of the Australian dollar will help to support activity in some parts of the economy, which could be interpreted as precluding the need for further monetary policy easing. However, the Board noted that the exchange rate is still high suggesting the relief provided by a falling dollar may be limited. All in all, the RBA has not ruled out the possibility for further rate cuts, with the Board judging that the inflation outlook "may provide some scope for further easing, should that be required to support demand".

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 and a shift in business focus towards increased efficiency expected to keep price pressures well contained. Core inflation is expected to edge down to 2.2% by late 2013, before lifting to 2.6% by late 2014.

One obvious omission in the RBA's statement this month was any discussion of the economic impact of the slowdown in mining investment. The RBA seemed to tip-toe around this issue, which clearly poses significant downside risk to the Australian economy. With the non-resource sector still struggling and showing little indication of strengthening anytime soon, there is the real risk that the economy will fall into a hole towards the end of this year. Yes, exports will strengthen overtime, but this will not happen seamlessly. Indeed, our expectation for the RBA to cut again before the end of this year encompasses this view; we believe 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 faster deterioration in the unemployment rate likely to bring forward any cut. Against that, higher house price inflation and a lower currency is more than capable of curtailing further 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	2.1	2.9
Japan	*6*	1.7	2.2	-1.1	-5.5	4.7	-0.6	2.0	1.6	2.3
Euro-zone	*14*	3.3	2.9	0.2	-4.3	1.9	1.5	-0.6	-0.6	1.1
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	3.8	3.6	4.3
Latin American 4	*9*	5.7	5.8	4.2	-1.5	6.1	4.6	2.2	2.1	2.7
China	*15*	12.7	14.2	9.6	9.2	10.4	9.3	7.8	7.8	7.6
Canada	*2*	2.7	2.1	1.1	-2.8	3.2	2.6	1.8	1.5	2.3
India	*6*	9.6	9.7	8.1	6.5	9.7	7.5	5.1	5.5	6.2
Africa	*3*	6.4	7.0	5.6	2.7	5.4	5.3	4.8	5.6	6.0
CIS	*4*	8.8	8.9	5.3	-6.4	4.9	4.8	3.4	3.4	4.0
Eastern Europe	*3*	6.4	5.4	3.1	-3.6	4.6	5.2	1.6	2.2	2.8
Middle East	*6*	6.7	6.3	5.0	2.9	5.3	3.9	4.7	3.1	3.4
Other advanced	*5*	4.5	4.7	1.7	-1.1	5.8	3.3	1.8	2.5	3.2
Global total	*100*	5.9	6.0	3.2	-0.2	5.4	4.0	3.1	3.0	3.7

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	3.3	2.5	2.3	3.3	2.1	2.2
Dwelling Investment	-3.6	1.0	1.0	-3.8	2.4	1.3
Underlying Business Fixed Investment	24.1	7.3	-6.3	18.8	-3.8	-4.9
Underlying Public Final Demand	2.1	-1.8	0.7	1.9	-1.4	1.3
Domestic Demand	**5.3**	**2.2**	**0.6**	**4.7**	**0.4**	**1.0**
Stocks (b)	-0.1	-0.2	-0.1	0.0	-0.4	0.1
GNE	**5.2**	**1.9**	**0.5**	**4.7**	**0.0**	**1.1**
Exports	4.6	6.4	6.6	6.0	7.0	8.5
Imports	11.9	-0.3	-0.8	6.4	-2.9	1.3
GDP	**3.4**	**2.8**	**2.3**	**3.6**	**2.3**	**2.8**
– Non-Farm GDP	3.3	3.0	2.3	3.8	2.3	2.8
– Farm GDP	8.8	-7.0	2.5	-2.5	-1.0	2.0
Federal Budget Deficit: ($b)	44	27	18	39	NA	NA
Current Account Deficit ($b)	40	47	47	33	55	38
(-%) of GDP	2.7	3.1	3.1	2.3	3.7	2.5
Employment	1.2	1.3	0.9	1.1	1.4	0.6
Terms of Trade	0.5	-10.2	-3.8	-10.4	-4.7	-3.4
Average Earnings (Nat. Accts. basis)	5.3	1.9	3.6	4.0	2.1	4.1
End of Period						
Total CPI	1.2	2.5	2.0	2.2	1.8	2.3
Core CPI (exc. carbon)	2.2	2.4	2.5	2.4	2.2	2.6
– Core CPI (inc. carbon)	2.2	2.4	2.5	2.4	2.2	2.6
Unemployment Rate	4.9	5.6	6.3	5.3	6.1	6.3
RBA Cash Rate	3.50	2.75	2.50	3.00	2.50	2.75
10 Year Govt. Bonds	3.04	3.15	3.85	3.27	3.60	4.50
$A/US cents :	1.01	0.95	0.90	1.04	0.93	0.87
$A - Trade Weighted Index	75.40	74.02	72.25	76.80	73.58	70.12

(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

Macroeconomic, Industry & Markets Research

Australia

Alan Oster	Group Chief Economist	+(61 3) 8634 2927
Jacqui Brand	Personal Assistant	+(61 3) 8634 2181
Rob Brooker	Head of Australian Economics & Commodities	+(61 3) 8634 1663
Alexandra Knight	Economist – Australia	+(61 3) 9208 8035
Vyanne Lai	Economist – Agribusiness	+(61 3) 8634 0198
Dean Pearson	Head of Industry Analysis	+(61 3) 8634 2331
Gerard Burg	Economist – Industry Analysis	+(61 3) 8634 2788
Robert De Iure	Economist – Property	+(61 3) 8634 4611
Brien McDonald	Economist – Industry Analysis & Risk Metrics	+(61 3) 8634 3837
Tom Taylor	Head of International Economics	+(61 3) 8634 1883
John Sharma	Economist – Sovereign Risk	+(61 3) 8634 4514
Tony Kelly	Economist – International	+(61 3) 9208 5049
James Glenn	Economist – Asia	+(61 3) 9208 8129

Global Markets Research - Wholesale Banking

Peter Jolly	Global Head of Research	+(61 2) 9237 1406
Robert Henderson	Chief Economist Markets - Australia	+(61 2) 9237 1836
Spiros Papadopoulos	Senior Economist – Markets	+(61 3) 8641 0978
David de Garis	Senior Economist – Markets	+(61 3) 8641 3045

New Zealand

Tony Alexander	Chief Economist – BNZ	+(64 4)474 6744
Stephen Toplis	Head of Research, NZ	+(64 4) 474 6905
Craig Ebert	Senior Economist, NZ	+(64 4) 474 6799
Doug Steel	Markets Economist, NZ	+(64 4) 474 6923

London

Nick Parsons	Head of Research, UK/Europe & Global Head of FX Strategy	+(44 20) 7710 2993
Tom Vosa	Head of Market Economics – UK/Europe	+(44 20) 7710 1573
Gavin Friend	Markets Strategist – UK/Europe	+(44 20) 7710 2155

	Foreign Exchange	Fixed Interest/Derivatives
Sydney	+800 9295 1100	+(61 2) 9295 1166
Melbourne	+800 842 3301	+(61 3) 9277 3321
Wellington	+800 64 642 222	+800 64 644 464
London	+800 747 4615	+(44 20) 7796 4761
New York	+1 800 125 602	+1877 377 5480
Singapore	+(65) 338 0019	+(65) 338 1789