National Australia Bank

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Global & Australian Forecasts — December 2013

Global upturn continues and forecasts little changed. Advanced economies see faster recovery after prolonged weakness post 2008/09 recession. Chinese and Indian economies faring better with no slowing in former and activity picking-up in the latter. Fed "tapering" in asset buying set to begin in early 2014 but Fed funds rate hikes could be delayed beyond late 2015. Australian domestic economy expected to remain weak and growth, while gradually improving, not likely to be jobs-friendly. Outlook little changed with RBA watching economy before another cut in May, although some risk of an earlier or second cut — labour market will be key to watch.

- September industrial output and broader measures of quarterly GDP are finally showing economic growth starting to lift in line with both the business surveys and our forecast for a global upturn in 2014 that is largely driven by the advanced economies. Despite the faster growth in sight, central banks across the big advanced economies are expected to keep their interest rates very low by historical standards as there is little evidence of inflationary pressure in most economies and they want to support what has been a weak recovery from the very deep 2008/9 recession. Emerging market central banks face more of a dilemma with some raising rates recently to combat inflation (Indonesia, Brazil) and disappointing growth outcomes across large parts of SE Asia, India and Latin America.
- NAB business conditions and confidence broadly unchanged in November, but signs of improving conditions. Trading conditions up, especially mining and manufacturing, with capacity utilisation off recent lows, but employment index fell heavily implying worsening unemployment. Forward indicators still soft but capex better.
- National accounts for Q3 confirmed weak state of domestic economy with annual growth at 2.3%. GDP forecasts broadly unchanged: GDP growth to soften to 2.3% in 2013 before lifting to 2.7% in 2014 and 3.0% in 2015. Critically domestic demand not expected to exceed 1% in the forecast period. Unemployment to nudge 6% by end 2013, around 6½% by end 2014, before easing towards 6% by late 2015. No signs of non-mining sector filling in prospective mining investment gap. Core CPI in lower half of target range (2.5% by end 2014, 2.3% by end 2015). RBA biding its time as low interest rates make their mark on asset prices, but deteriorating labour market likely to force another cut (May 2014). Second cut possible if labour market even weaker.

Key global GDP forecasts (calendar years)

Country/region	*IMF weight*	2011	2012	2013	2014	2015
				% change		
United States	*19*	1.8	2.8	**1.7**	**2.6**	**2.9**
Euro-zone	*14*	1.6	-0.6	**-0.3**	**1.1**	**1.4**
Japan	*6*	-0.6	2.0	**1.9**	**2.1**	**1.5**
China	*15*	9.3	7.8	**7.6**	**7.2**	**7.0**
Emerging Asia	*8*	4.2	3.8	**3.6**	**3.7**	**4.1**
Global total	*100*	4.1	3.2	**2.9**	**3.5**	**3.6**
Australia	*2*	2.6	3.6	**2.3**	**2.7**	**3.0**

Key Australian forecasts (fiscal years)

GDP components	12/13	13/14	14/15	Other indicators	12/13	13/14	14/15
		% annual average				*% through-year*	
Private consumption	2.0	**2.2**	**2.8**	Core CPI	2.4	**2.6**	**2.1**
Domestic demand	1.9	**1.0**	**1.0**			*% end of year*	
GDP	2.7	**2.5**	**2.9**	Unemploy. rate	5.7	**6.2**	**6.4**

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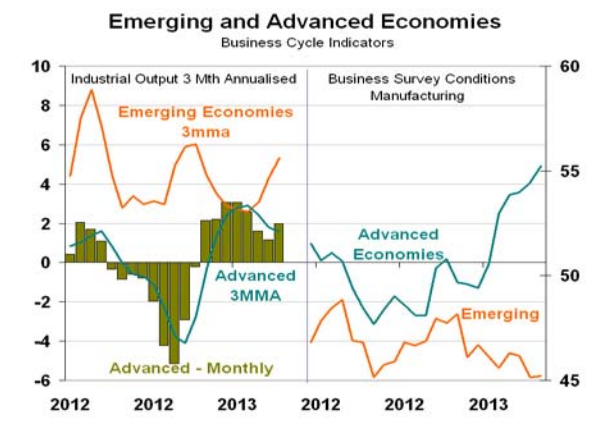
Global outlook

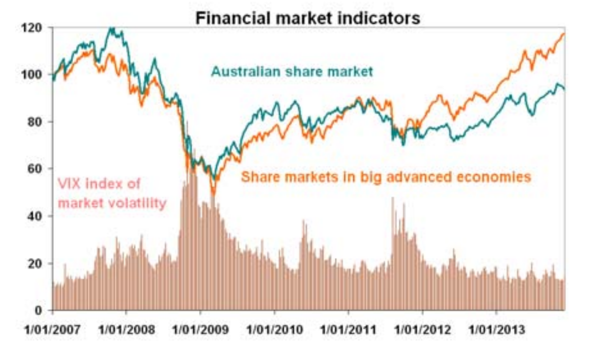
Key Points

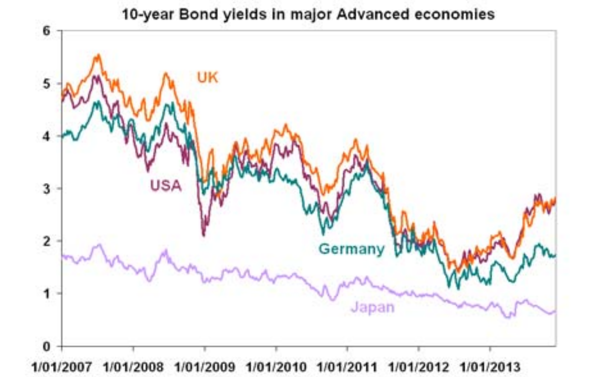
- Global growth rose to just over 3% in September quarter, reflecting faster growth in the advanced economies and business surveys pointed to further acceleration.
- Monthly measures of global industrial output and trade have been picking up recently, finally coming into line with the more buoyant message that the advanced economy business surveys have been signalling since late 2012.
- Growth in the big emerging market economies remains well below its 2010 and 2011 level but the pace of expansion did quicken slightly in the latest data (September 2013). The Chinese economy has not slowed sharply as many feared it might and India's latest figures were slightly better than expected but there is little evidence of a significant upturn elsewhere.
- We expect growth to lift from around 3% in 2013 to 3½% next year and a larger proportion of that growth is expected to come from the advanced economies. Australia's major trading partner growth should rise in 2014 but the benefit erodes in the following year as China, Japan and NZ should slow.

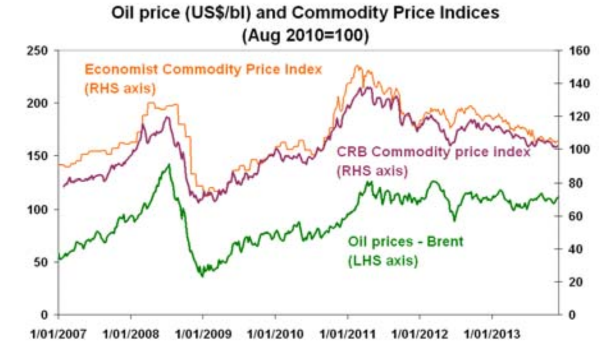


Financial & commodity markets

Policy interest rates in the big advanced economies are expected to remain very low for a long time to come and central bank asset holdings should stay high by historical standards. The Fed should wind back asset purchases from early 2014 but it will want to hold down bond yields and has also said it will hold off from any interest rate rises until the jobless rate has fallen below 6½%. That means that the Fed funds rate is unlikely to start rising until the latter half of 2015 and possibly not before 2016. Inflation in Japan is now around 1% yoy but, as the Bank of Japan has a 2% CPI target and plans to continue buying large volumes of assets until at least the end of 2014, policy rates should remain near zero for years yet. Eurozone inflation is also below target and the ECB plans to keep interest rates at very low levels for "an extended period of time". The Bank of England also plans not to consider raising its 0.5% Bank Rate while the jobless rate (currently 7.6%) remains above a 7% threshold.

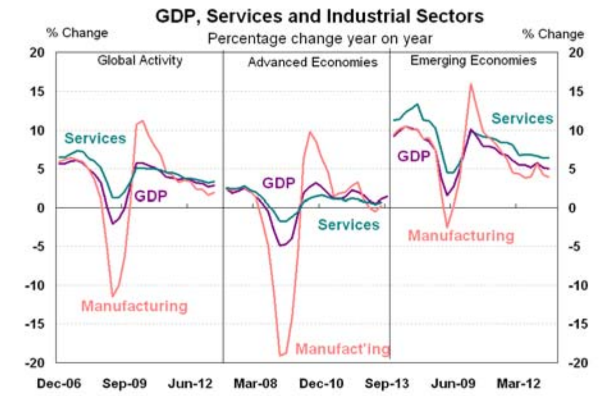






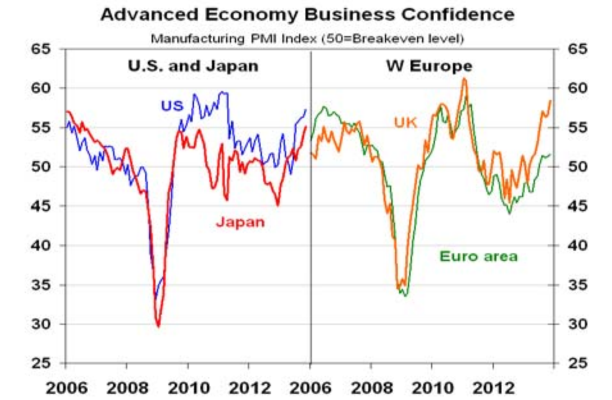
Global trends

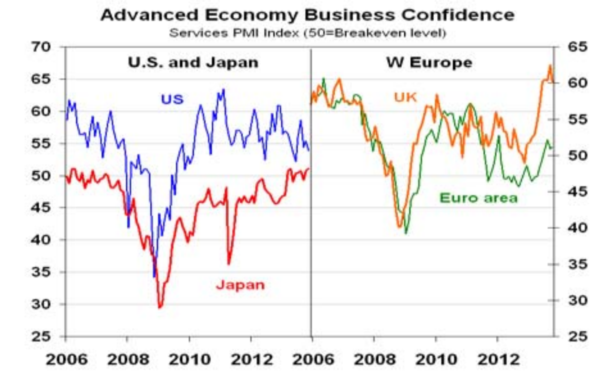
Monthly industrial output and trade give the most up-to-date hard data for the pulse of global economic activity and they show growth picking up in September to a still sub-trend 2¾% from the 2% or less that it had generally been averaging before. These measures focus on industry but the service sector is usually a far larger share of output and services growth has been stronger across both advanced and emerging economies. This has boosted global GDP growth which has increased from 2.4% yoy in March to 2.9% yoy in June and then to 3.1% in September. The advanced economies show the strongest upturn, following their long period of subdued growth.

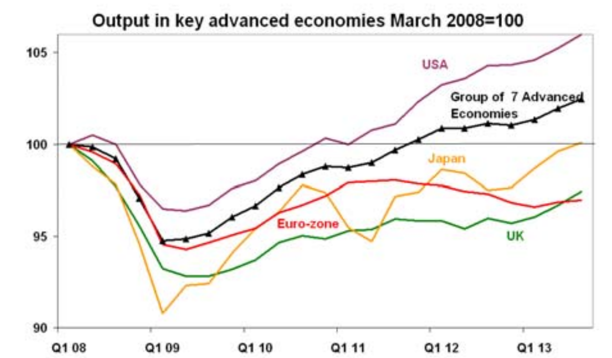


Advanced economies

The acceleration in output growth was first signalled in the business surveys. Most of the national purchasing manager surveys across manufacturing and services in the big advanced economies began turning more positive in the latter half of 2012 and this continued through 2013 but that took some time to feed into the hard data on output. The quarterly pace of economic growth in the 7 biggest advanced economies has accelerated from 0.5% in March to 1.1% in June and 1.3% in September. Nevertheless, there is a big backlog of lost output. GDP remains well below its early 2008 pre-recession level in the UK and Euro-zone, Japanese output is just getting back to its early 2008 peak and North America has seen the strongest recovery with US and Canadian GDP up by over 5% since early 2008.

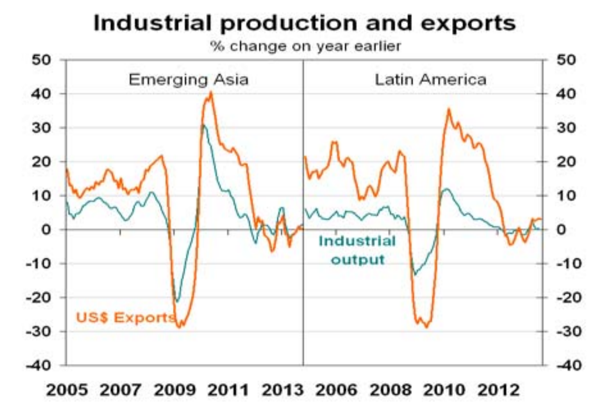






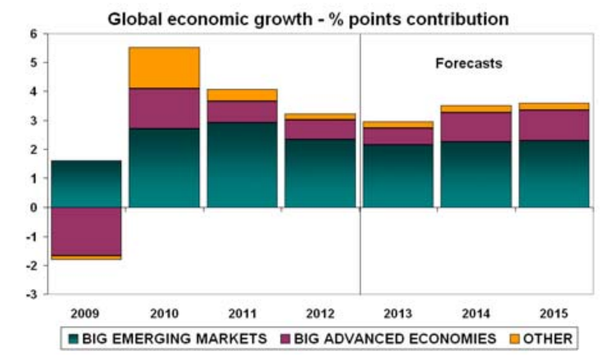
Emerging economies

Growth has also picked up slightly in the big emerging economies that have been driving most of the expansion in global output, commodity demand and Australasian exports in recent years. The Chinese Government's 7½% growth target for 2013 and its focus on rebalancing activity away from what have been the leading growth sectors underpin a consensus view that the economy should be cooling. However, growth picked up from 7.5% yoy to 7.8% yoy between June and September and the partial data on industrial output, investment and retail trade remains solid. Indian economic performance has repeatedly disappointed in recent years but the September GDP result was stronger, above expectations and in line with some of the partial data (but not many of the business surveys which remain weak).



Forecasts

We expect global growth to accelerate from 2.9% in 2013 to 3.5% next year, driven by an upturn in advanced economy growth from 1.3% to 2.2% - see middle chart below. Recent GDP outcomes as well as partial indicators show that an upturn has already commenced in the advanced economies. Forward looking questions in business surveys show firms becoming slightly less optimistic in November but they are still expecting growth (in aggregate – France is an exception). Emerging economy growth is expected to settle at around 5¼% through the period 2012 to 2015 with a forecast slowing in China offsetting stronger growth elsewhere. Australia should benefit from the forecast in global growth with an expected pick-up in our major trading partner's growth to above trend by mid-2014 but growth slows slightly after that as the pace of expansion for key export markets like China, Japan and New Zealand is predicted to ease.



Australian outlook

Key Points

- The September quarter national accounts showed that the domestic economy continues to struggle with lower commodity prices and subdued consumer demand and business investment. Annual domestic demand growth of 0.9% remains very weak.
- GDP growth of 2.3% is not enough to prevent the unemployment rate from rising. While growth should improve, it will be increasingly sourced from the capital-intensive minerals export sector, with employment growth to stay subdued and labour productivity continuing to grow strongly.
- NAB business conditions showed little improvement in November, with better trading and profitability offset by faltering employment. Although orders were unchanged and spare capacity is still ample, forward orders have improved over terrible mid-year levels.
- The RBA continues to assess the impact of past rate cuts although it is clearly concerned about the effects of a stubbornly high AUD. We still expect another cut in May 2014 but think there are greater risks of either an earlier cut or more than one cut, depending on how the labour market evolves from here.
- Our forecasts are broadly unchanged: GDP for 2013/14 now 2.5% (was 2.2%) and 2014/15 now 2.9% (was 2.8%), largely reflecting revisions to history. Unemployment rate still to peak at 6½% in late 2014.

National trends

The September quarter national accounts confirmed the ongoing weakness of the Australian domestic economy. Gross domestic product (GDP) growth was a tepid 0.6% (2.3% through the year). The major aggregate demand components remained weak: private consumption grew by just 0.4%, and new private business investment by 1.1%. These were largely responsible for growth in domestic demand of 0.4% (0.9% through the year); dwelling investment and underlying public final demand both drifted down. Inventory investment declined sharply to take 0.5% points off growth, with heavy rundowns of farm, public authority (also mainly farm), manufacturing and wholesalers' stocks, leaving gross national expenditure (GNE) to contract by 0.1% (growing a mere 0.1% through the year). The main contribution to GDP growth came from a sharp decline in imports, particularly capital and intermediate goods (especially fuels, lubricants and processed industrial supplies) that implies weak industrial demand.

The terms of trade declined by 3.3% in Q3, reflecting continuing weakness in commodity prices, to be 3.6% lower than a year ago; overall the price of domestic production (GDP deflator) was unchanged in the quarter. The national accounts measure of average wages grew by 0.7% (2.3% through the year), in line with the broad moderation in wages pressure evident in the wage price index.

On the production side, the multi-speed nature of the economy persists. Growth was concentrated in the services sectors (arts & recreation, public administration, health care and finance) and mining. Production contracted in utilities, accommodation & food services, wholesale trade, manufacturing and telecommunications. State final demand growth was strongest in Tasmania, Victoria and NSW, but contracted in SA.

Looking ahead to Q4, the latest NAB business survey implies limited improvement in business conditions. The post-election improvement in business confidence, although now more muted, has lingered, but conditions remained poor. The monthly net balance for business conditions averaged -6 in Q3 and, if it remains unchanged in December, will average -3 for Q4. Most of this improvement came from sales and profitability; employment conditions remained quite weak through to November. A worrying aspect of the November survey was the deterioration in conditions in wholesale and transport, which tend to be bellwethers of merchandise trade. Overall capacity utilisation stayed at low levels, and forward orders look unlikely to improve much in Q4 over the previous quarter.

Although the latest capex survey data suggest continuing high levels of mining investment, outside the mining sector non-dwelling investment declined in 2012/13. The latest BREE report on the resource and energy sector paints a weakening picture for major new projects and identifies a large number of major LNG projects due for completion in the next two years. Overall, we still anticipate a substantial decline in mining construction activity with no sign yet that other sectors are likely to fill the gap.

Low interest rates continue to percolate through asset markets, particularly equity prices. Growth in the housing market has been strongest in Sydney and Melbourne, but this may also reflect the effects of increasing Asian interest in safe haven assets.

The RBA continues to signal that it is prepared to wait to see how past cash rate cuts pan out. Any increased appetite for shares and investment housing will be important but the RBA appears relaxed about the pace of asset price growth, seeing it as "supportive of investment" in the longer term. The RBA would prefer to see sustainable growth as the outcome of a lower AUD than a further cut to the cash rate.

Inflation is expected to remain well-contained. We expect core inflation to be around 2.3% by late 2013, lifting modestly to 2.5% by late 2014 before softening to 2.1% in mid-2015

We still expect the next cash rate cut in May 2014, by which time we think labour market conditions will be sufficiently weak to prompt further policy easing. This will take the cash rate to 2.25%. After May 2014, we expect the RBA to remain on hold, keeping monetary policy settings very loose. In essence, monetary policy is likely to be driven by domestic demand and hence unemployment trends.

There is a risk that the RBA may act earlier or cut more than once, particularly if there are signs that the economy is back sliding.

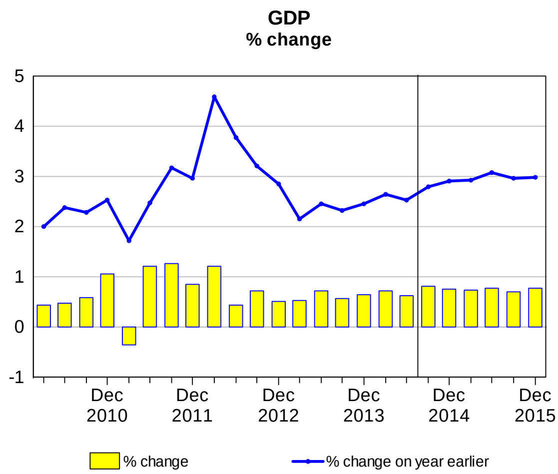
We still expect the AUD to drift down to around $US0.86 by the end of 2014.

Our GDP forecasts are broadly unchanged: in through-the-year terms, we expect growth to edge up from 2.3% in Q3 to 2.5% (was 2.2%) by mid-2014, the higher forecast largely reflecting our expectations of weaker growth in Q3. In financial year terms, GDP growth forecasts are:

- 2.5% (was 2.2%) in 2013/14, and
- 2.9% (was 2.8%) in 2014/15.

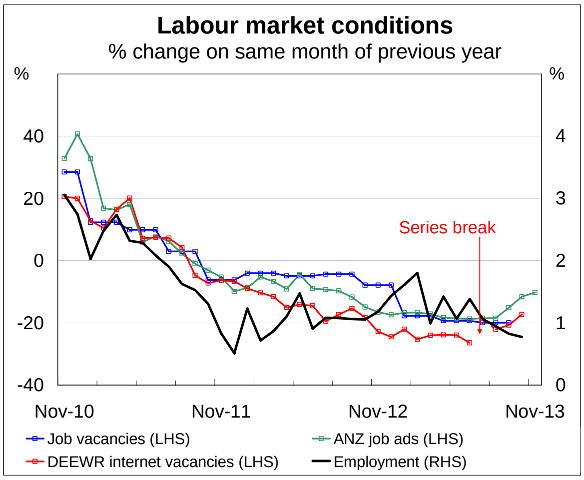
However, with GDP increasingly driven by the capital-intensive minerals energy sector, we see little acceleration in employment growth:

- 0.6% (was 0.4%) in 2013/14, and
- 0.9% (was 0.7%) in 2014/15.



Source: ABS and NAB forecasts

Labour market



A range of indicators pointed to the limited pick-up in the labour market in October having been unwound in November. Stability in the ANZ job ads series in recent months was followed by a fall in November and the pick-up in the NAB business survey employment index in October was fully reversed in November.

Our labour market outlook is broadly unchanged (at the margin, slightly stronger than expected GDP growth means a slight increase in employment growth early on). The unemployment rate peaks at 6.5% in late 2014 (previously 6.6%) before edging down from mid-2015.

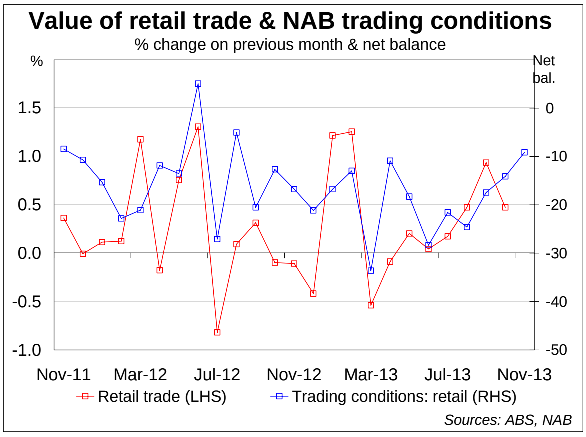
Consumer demand & housing market

Private consumer spending grew by only 0.4% in Q3 to be just 1.8% higher than a year earlier. This was well below the quarterly growth in retail trade volumes (0.7%) and reflected weakness in services consumption. Declines were recorded in many of the service categories in Q3, especially transport services, health, utilities and hotels, cafes & restaurants. Weak consumption was also reflected in a rise in the household saving ratio, although this measure is subject to extensive revision and should be treated with caution.

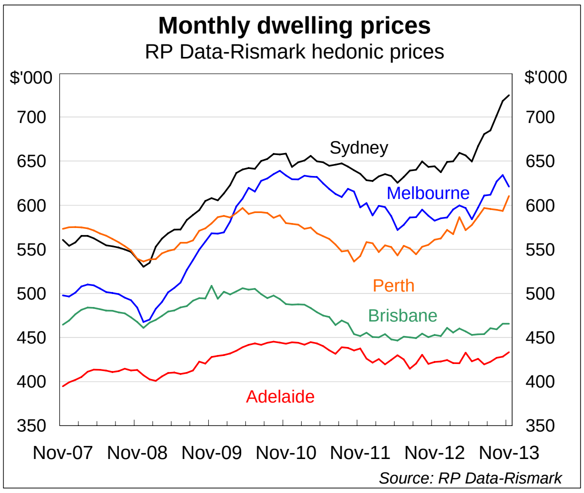
The value of retail trade grew by 0.5% in October. While the NAB survey for retail trading conditions improved in November, retail forward orders deteriorated sharply.

Total passenger and SUV vehicle sales fell by 0.7% in October, with SUV sales dropping to their lowest level for 2013.

Online retail sales have remained relatively soft in recent months, with growth of just 0.3% in October (3-month moving average), the same as in September (for more detail, see NAB online retail sales).



The momentum in the housing market appears to be easing, especially in Melbourne, although Perth prices rebounded strongly in November. According to RP Data-Rismark, median house prices were up 12.5% in Sydney, 8.9% in Perth and 6.6% Melbourne during the past year, but price growth in Brisbane and Adelaide has been much lower.



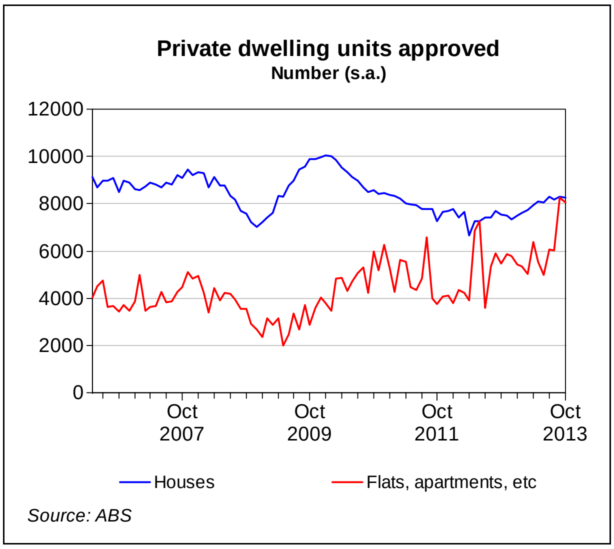
HIA new home sales fell back 3.8% in October, unwinding more than half the gain of September. The decline was entirely in the detached houses segment.

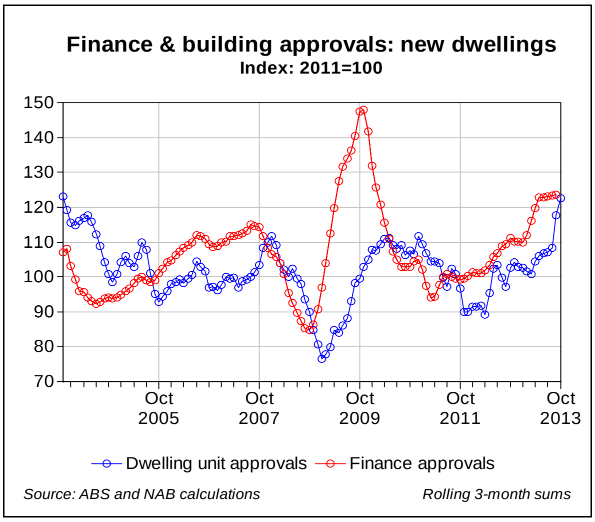
During November, the ASX200 share price index fell 1.9%, giving back part of the strong gains of recent months. These developments suggest that asset price growth slowed in October.

We expect private consumption growth to pick up from its current through-the-year rate of 1.8% to 2.7% by this time next year. Partly, this reflects the passing of the period of particularly soft spending growth in 2012/13.

Investment

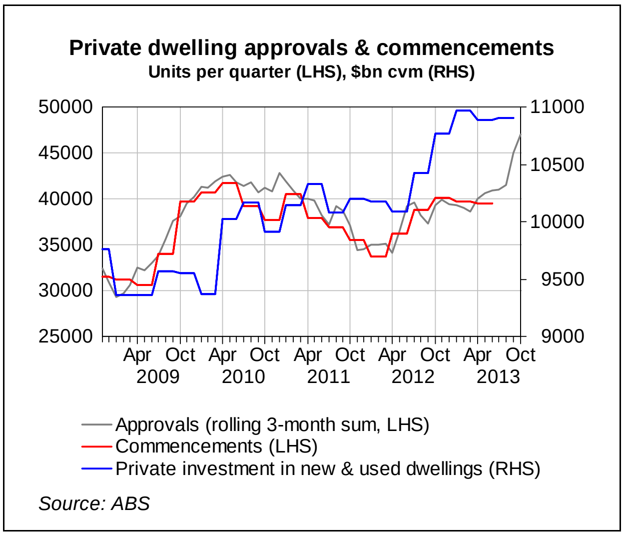
Residential building approval numbers have surged recently on the back of large increases in the lumpy apartment approvals series, particularly in Victoria and NSW. In fact, private national approvals of 'other' (non-house) approvals came very close to exceeding private house approvals for the first time in history in September. Although apartment approvals may subsequently decline, this surge may contribute to strength in commencements and activity in Q1. The less volatile private house approvals series appears to have stabilised since July, consolidating earlier gains to be 9.6% higher than a year earlier in October.



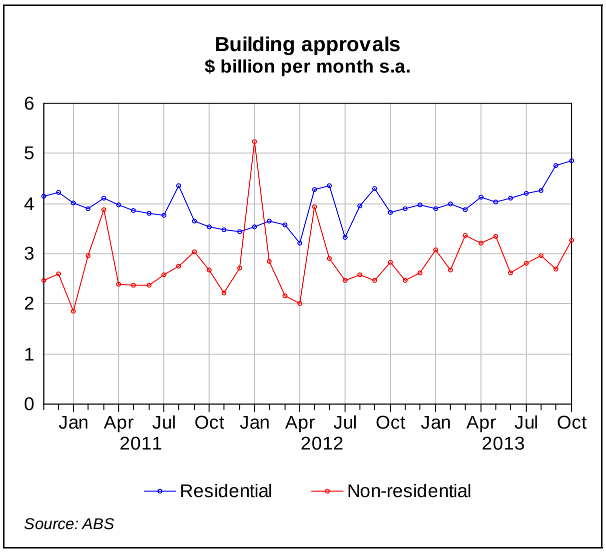


Numbers of finance approvals for the construction and purchase of new dwellings remain high and seem to have preceded the rise in building approvals. Private dwelling commencements in Q2 remained broadly unchanged, suggesting there is little immediate prospect of a strong recovery in dwelling investment.

Overall private dwelling investment in Q3 fell by 0.5%. Within this, investment in new and used dwellings edged up by 0.2% while alterations and additions fell by 1.5%, continuing a long-term decline.

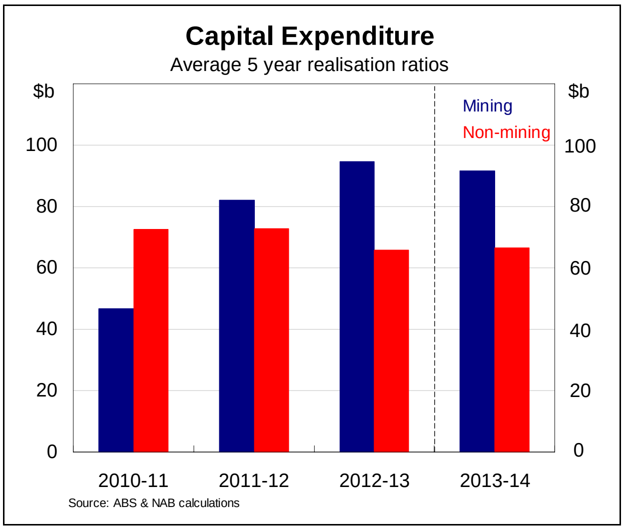


Non-residential building investment grew by 1.5% in Q3 and new engineering construction rose by 2.8%. These increases were only partly offset by a decline in machinery and equipment investment. Non-residential building approvals, although rising in October, do not suggest that a marked increase in building investment is imminent.

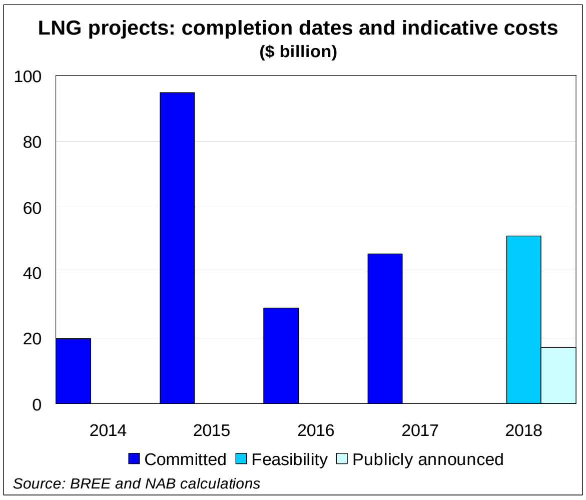


The latest capital expenditure survey indicated that mining investment remained at high levels in Q3 but fell in other industries. Using average 5-year realisation ratios, the survey implies a relatively modest 3.2% decline in mining capex in 2013/14 offset by a moderate rise in non-mining capex.

The prospective decline in mining investment is likely to be much larger than implied by the capex survey. The Bureau of Resources and Energy Economics (BREE) catalogue of committed resource projects shrank by just over 10% in value between April and October. The value of projects at the feasibility stage also declined by over 10% - with BREE identifying “market conditions and lower commodity prices” as important factors in this fall.



The BREE report also noted that no iron ore projects identified in April 2013 had progressed to the feasibility stage and, although none was cancelled, there is increasing risk that several may not progress beyond planning stages and that large projects had recently been delayed.



The decline in committed projects, dominated by major LNG, oil and gas projects, reflected insufficient project approvals to offset project completions. The BREE data indicate that LNG projects having a total indicative cost of close to $115 billion are due to be completed over the next two years, predominantly in 2015.

The release of the annual national accounts for 2012/13 provided timely information about the industry composition of investment. These measures (in constant prices) show mining investment in 2012/13 at $114.1 billion representing 7.5% of GDP and 34% of total non-dwelling investment. Real non-mining non-dwelling investment was at $221.3 billion, slightly less than in 2011/12.

There have been other indications of a prospective sharp decline in mining investment expenditure recently. Rio Tinto has been reported as announcing that its capital expenditure (including overseas) will more than halve between 2012 and 2015.

Commodity prices and net exports

The direction of commodity markets over the past month has been mixed, but concerns over the scaling back of support from QE seems to be more than offsetting generally positive undertones in the economic data.

Average oil prices fell for the second consecutive month in November. In addition to the bearish sentiment in the crude oil futures market, oil prices have generally returned to be more aligned with the reality of fundamentals where ample supplies, combined with seasonally weak global demand, have served to weigh on prices.

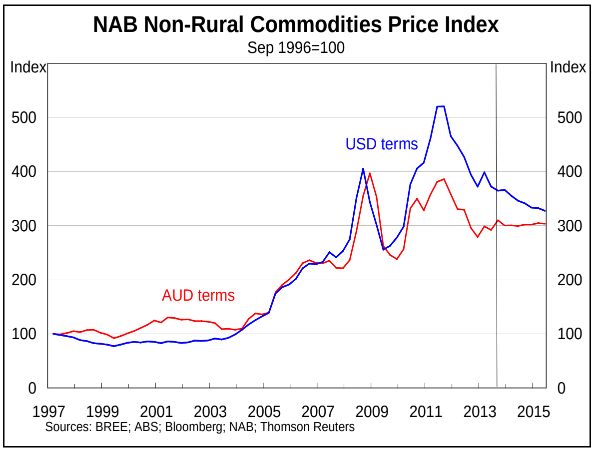
Steel input markets have been relatively stable – with modest declines in metallurgical coal prices and slight gains in iron ore. With winter being a weak period for steel demand, there seems little prospect for major price movements in the short term. Thermal coal prices have recovered from recent lows but remain well below recent peaks.

Base metals prices declined in November despite generally positive economic data. Metals markets appear to be in a state of flux as expectations over the future path of US monetary and government debt policies, as well as changes to warehousing rules, continue to evolve in respect to timing and magnitude.

Market expectations regarding Fed tapering have reduced gold's appeal to investors as a 'safe haven' asset and inflation hedge. However, declining prices have kept physical demand strong in Asia, particularly China, although Indian demand continues to be weighed down by government policies.

Overall, our forecasts for commodity prices have been left largely unchanged. We continue to expect only a modest recovery in demand over the forecast horizon, but the recovery is expected to be bumpy, ensuring ongoing volatility in commodity markets.

In US dollar terms, the NAB non-rural commodity price index fell by around 20% over 2012. We are expecting another decline of around 1½% in 2013, before easing by a further 9% over 2014 (see Graph). Given our forecast for the AUD/USD to depreciate further over the remainder of the forecast horizon, AUD prices are expected to rise by 7¾% over the year to December 2013, before a modest increase of ½% over 2014. In aggregating the index, iron ore, thermal coal and metallurgical coal have a combined weight of around 55%.



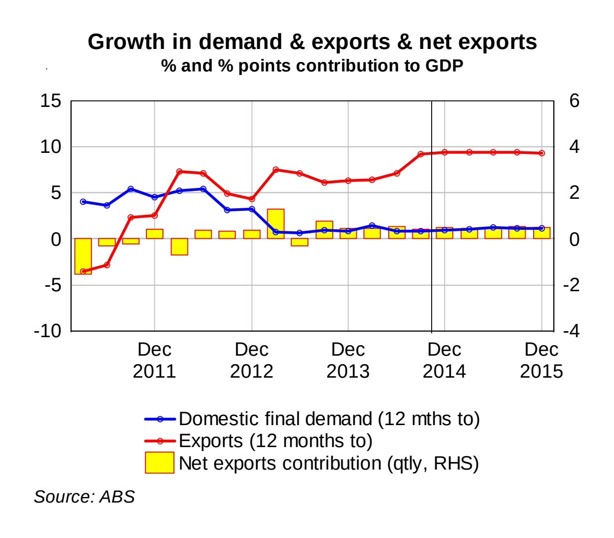
In November, domestic livestock prices turned the corner to be marginally higher after three consecutive months of falls, driven by a weakening AUD and decent rains on the east coast despite strong supplies. Meat exports continued to be strong, with the total year-to-date volume of beef and veal exports already exceeding the 2012 record volume as at late November. Wool prices stayed strong, supported by strong Chinese demand ahead of the holiday season and a weaker AUD. For globally traded commodities, grain markets were still mired in a deep bear market, weighed down by the likelihood of a stronger than expected global crop. Meanwhile, global dairy prices rose last month, as buyers' expectations of price moderation dissipated. Sugar prices reversed partly from temporary October heights caused by a fire at a major Brazil port terminal to be back in line with fundamentals. Cotton prices have been weighed down by concerns that stockpiling by Chinese authorities is ending.

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

The terms of trade fell by 3.6% over the year to Q3. Based on our outlook for commodity prices, we see the terms of trade continuing to edge down, losing 5% through the course of 2014.

Our AUD forecast profile is unchanged. Lower commodity prices, the prospect of another cash rate cut and tapering are all likely help bring the AUD down to $US0.86 by the end of 2014.

The trade deficit is trending lower, even though October saw it deteriorate on the back of lower rural exports and coal volumes. Stronger wheat production can be expected to contribute to a lower deficit over the next quarter or two. In the longer term, export volumes can be expected to grow more strongly as major minerals projects are commissioned and a falling AUD is likely to restrain growth in import volumes.



Interest rates

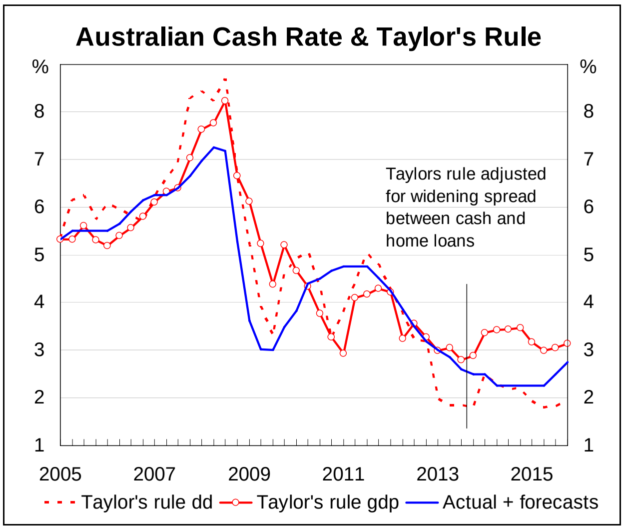
The RBA decided for a fourth consecutive month to leave the cash rate on hold at 2.50% in December. The decision was widely anticipated by financial markets. The accompanying statement by the Governor was virtually unchanged from November, again recognising that the exchange rate was "uncomfortably high."

The RBA Board continues to signal that it is prepared to wait to see how past cash rate cuts pan out. Household credit growth and changes in "savers' behaviour," code for increased appetite for shares and investment housing, will be important. However, the RBA appears relaxed about the pace of asset price growth, seeing it as "supportive of investment" in the longer term. There is a general view that the RBA would prefer to see sustainable growth as the outcome of a lower AUD than a further cut to the cash rate. It again remarked that a lower AUD is "needed" for a return to balanced growth.

Inflation is expected to remain well-contained. Retail price inflation in the latest NAB survey was unchanged at a quarterly rate of 0.4% and wage inflation has been declining under the pressure of a worsening labour market. We expect core inflation to be around 2.3% by late 2013, before lifting modestly to 2.5% by late 2014. We see core inflation softening to 2.1% in mid 2015, and remaining around this pace for the remainder of the year. This also includes the impact of the removal of the carbon tax.

We still expect the next cash rate cut in May 2014, by which time we think labour market conditions will be sufficiently weak to prompt further policy easing. This will take the cash rate to 2.25%. There is a risk that the RBA may act earlier or cut more than once, particularly if there are signs that the economy is back sliding.

After May 2014, we expect the RBA to remain on hold, keeping monetary policy settings very loose. In essence, monetary policy is likely to be driven by domestic demand and hence unemployment trends.



Global growth forecasts % change year on year

	NAB Forecasts 2011	2012	2013	2014	2015
US	1.8	2.8	1.7	2.6	2.9
Euro-zone	1.6	-0.6	-0.3	1.1	1.4
Japan	-0.6	2.0	1.9	2.1	1.5
UK	1.1	0.1	1.5	2.4	2.2
Canada	2.5	1.7	1.7	2.2	2.4
China	9.3	7.8	7.6	7.2	7.0
India	7.5	5.1	4.7	5.1	5.4
Latin America	4.8	2.4	2.8	3.0	3.5
Emerging Asia	4.2	3.8	3.6	3.7	4.1
New Zealand	1.4	2.7	2.8	3.4	2.3
World	*4.1*	*3.2*	*2.9*	*3.5*	*3.6*
memo					
Advanced Economies	1.7	1.4	1.3	2.2	2.2
Emerging Economies	6.9	5.3	5.2	5.2	5.3
Major trading partners	4.6	4.4	4.2	4.3	4.2

Australian Economic and Financial Forecasts (a)

	Fiscal Year			**Calendar Year**		
	2012-13 F	**2013-14 F**	**2014-15 F**	**2013-F**	**2014-F**	**2015-F**
Private Consumption	2.0	2.2	2.8	1.8	2.6	3.0
Dwelling Investment	-0.4	1.1	2.2	1.3	1.6	3.1
Underlying Business Fixed Investment	6.1	-5.1	-8.5	-3.3	-6.4	-9.6
Underlying Public Final Demand	-1.4	1.5	2.1	-0.1	1.4	2.3
Domestic Demand	**1.9**	**1.0**	**1.0**	**0.8**	**1.0**	**1.1**
Stocks (b)	-0.3	-0.4	0.1	-0.6	-0.1	0.1
GNE	**1.6**	**0.5**	**1.1**	**0.2**	**0.9**	**1.2**
Exports	6.0	6.5	9.3	6.7	8.0	9.3
Imports	0.3	-2.6	1.3	-3.0	-0.2	1.7
GDP	**2.7**	**2.5**	**2.9**	**2.3**	**2.7**	**3.0**
– Non-Farm GDP	2.8	2.4	2.9	2.3	2.7	3.0
– Farm GDP	-3.9	4.2	2.0	3.5	1.6	2.0
Nominal GDP	2.5	3.2	4.0	3.1	3.4	4.1
Federal Budget Deficit: ($b)	19	40	NA	NA	NA	NA
Current Account Deficit ($b)	48	55	55	40	62	49
(-%) of GDP	3.2	3.6	3.6	2.8	4.1	3.1
Employment	1.3	0.6	0.9	1.1	0.5	1.1
Terms of Trade	-9.8	-6.7	-5.1	-5.3	-7.3	-4.1
Average Earnings (Nat. Accts. basis)	1.7	2.5	3.0	1.4	3.0	3.0
End of Period						
Total CPI	2.4	3.2	2.2	2.4	2.7	2.6
Core CPI	2.4	2.6	2.1	2.3	2.5	2.3
Unemployment Rate	5.7	6.2	6.4	5.8	6.5	6.0
RBA Cash Rate	2.75	2.25	2.50	2.50	2.25	3.00
10 Year Govt. Bonds	3.76	4.15	5.10	4.35	4.25	5.40
$A/US cents :	0.93	0.90	0.84	0.95	0.86	0.80
$A - Trade Weighted Index	71.4	71.4	69.4	73.2	69.8	66.6

(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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