National Australia Bank

**Embargoed until:**
**11:30am Tuesday 10 June 2014**

# Global & Australian Forecasts June 2014

**Global growth levelled off through late 2013 and early 2014, partly due to bad weather hitting North America. Advanced economy upturn looks set to continue as interest rates stay low and as the peak in fiscal consolidation has passed. Mixed picture among emerging economies with China gradually slowing while India forecast to pick-up after recent economic disappointments. Global growth a touch below 3½% in 2014, slightly above it next year. Australian business confidence undamaged by Budget but conditions still drifting down. GDP growth strengthened in Q1 from net exports but employment-generating demand remained weak. Local economy forecasts a little higher (from history) but otherwise unchanged: cash rate on hold until late 2015 and unemployment to edge up.**

- The generally upward trend in advanced economy purchasing manager surveys began to fade through late 2013 and 2014 and that has been followed by a levelling out in the rate of growth in world trade and industrial output. Growth in North America should pick up following the disruption caused by the harsh winter. Policy is becoming more positive for growth in the Euro-zone and the UK economy looks set to continue a solid recovery. While Japanese demand has to adjust to the imposition of a higher indirect tax rate, the underlying economic situation looks far better than it did after previous tax hikes. Among the emerging economies, China is slowing and while an upturn is expected across the rest of East Asia and Latin America, there is little sign of it yet. Overall, global growth should be around trend this year and above trend in 2015.
- Australian business confidence emerged unscathed from Budget but conditions drifted down for third consecutive month and now negative. Stronger GDP growth was supported by net exports and dwelling investment, but consumption growth was weak and business investment fell again (non-mining yet to fill gap). Forward indicators from survey remain weak. Dwelling market surge subsiding and construction to soften.
- Australian forecasts marginally higher (reflects history): 3.3% (was 3.1%) 2014/15, 3.0% (was 2.7%) in 2015/16. However domestic demand growth likely to remain at 1% or less going forward. Hence jobless growth still sees unemployment rate peak at 6¼% by end-2014. Cash rate unchanged until late 2015.

**Key global GDP forecasts (calendar years)**

| Country/region | *IMF weight* | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|
| | | | | *% change* | | |
| United States | *19* | 2.8 | **1.9** | **2.2** | **3.0** | **2.8** |
| Euro-zone | *14* | -0.6 | **-0.4** | **0.9** | **1.3** | **1.6** |
| Japan | *6* | 1.4 | **1.6** | **1.6** | **1.4** | **1.2** |
| China | *15* | 7.8 | **7.7** | **7.3** | **7.0** | **6.8** |
| Emerging Asia | *8* | 3.8 | **3.9** | **4.1** | **4.3** | **4.5** |
| Global total | *100* | 3.1 | **3.0** | **3.4** | **3.7** | **3.8** |
| Australia | *2* | 3.6 | **2.4** | **3.5** | **3.1** | **3.1** |

**Key Australian forecasts (fiscal years)**

| GDP components | 13/14 | 14/15 | 15/16 | Other indicators | 13/14 | 14/15 | 15/16 |
|---|---|---|---|---|---|---|---|
| | | *% annual average* | | | | *% through-year* | |
| Private consumption | **2.5** | **2.8** | **3.0** | Core CPI | **2.7** | **2.1** | **2.9** |
| Domestic demand | **1.1** | **0.8** | **0.6** | | | *% end of year* | |
| GDP | **3.0** | **3.3** | **3.0** | Unemployment rate | **5.9** | **6.1** | **5.6** |


**For more information contact:**

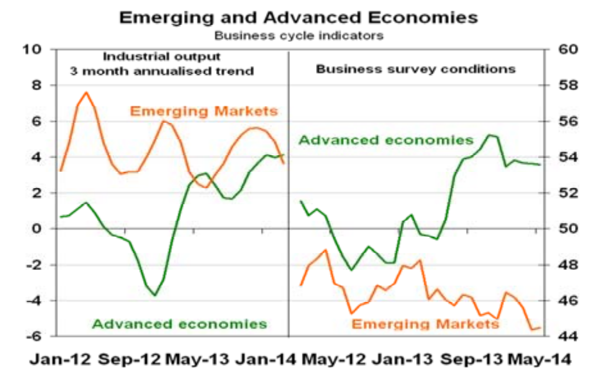
Alan Oster
Chief Economist
(03) 8634 2927 0414 444 652

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

Tom Taylor
Head of International Economics
(03) 8634 1883

# Global outlook

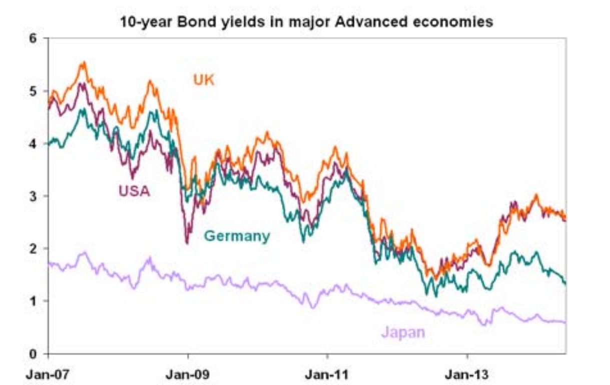
- The levelling out in advanced economy growth seen in industrial business surveys since late 2013 has now been reflected in the harder data on their industrial output and trade. March quarter national accounts for the G7 advanced economies confirm a slowdown with quarterly growth slipping from December's 0.5% to around 0.25%.
- This slowing in the quarterly growth rate has ended the ramping up of advanced economy annual growth that began in early 2013 with annual growth settling around 2% in late 2013 and early 2014. At the same time growth in the emerging market economies of Asia and Latin America has continued to gradually slow. As a result, global growth stalled at a moderate rate of around 3¼% yoy through end 2013 and early 2014.
- Low inflation in the US and UK plus below target price rises in Japan and the Euro-zone, mean there is no urgency in lifting advanced economy interest rates to more "normal" levels. The biggest contractionary effects from advanced economy fiscal policy also seem to be behind us and all this should mean the recent downturn in advanced economy quarterly growth does not last.
- We expect global growth to be just under 3½% in 2014 before rising to 3¾% next year-returning to an around trend performance but with an increased weighting toward the big advanced economies in growth composition.

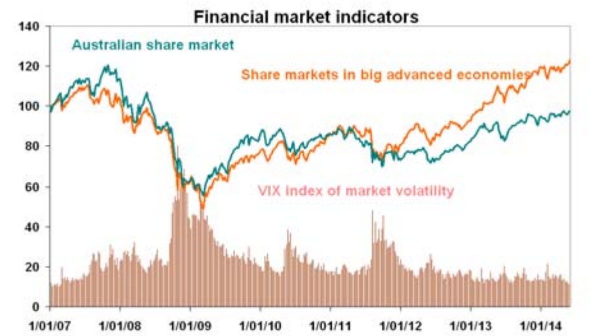


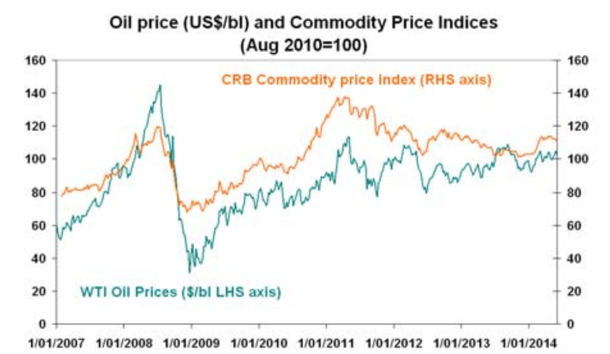


## Financial & commodity markets

The Fed is still cutting its asset purchases ("tapering") at a rate that should see the programme finish late this year. Interest rates look set to stay between zero and 0.25% for "a considerable time" and we expect the first rise in mid-2015. Central banks in Japan and the Euro-zone are focussed on combating deflationary risks which points to loose monetary policy for a long time to come. Facing well below-target inflation and a risk of deflation, the European Central Bank has announced lower policy lending interest rates, negative rates for banks depositing money with it, an assurance of low cost funding to the banking system, a scheme to encourage commercial bank lending to business borrowers by providing low cost funds to banks and further preparatory work on central bank asset purchasing. The aim is to prevent the Euro-zone falling into a Japan-style deflation.



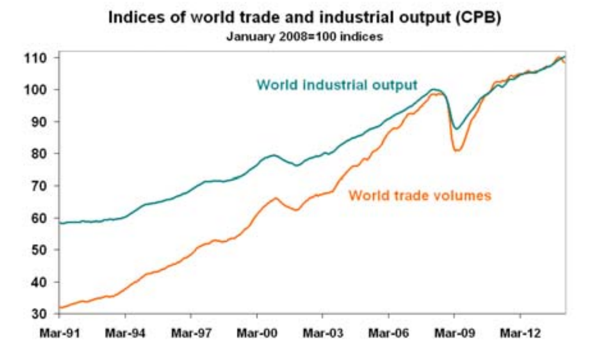



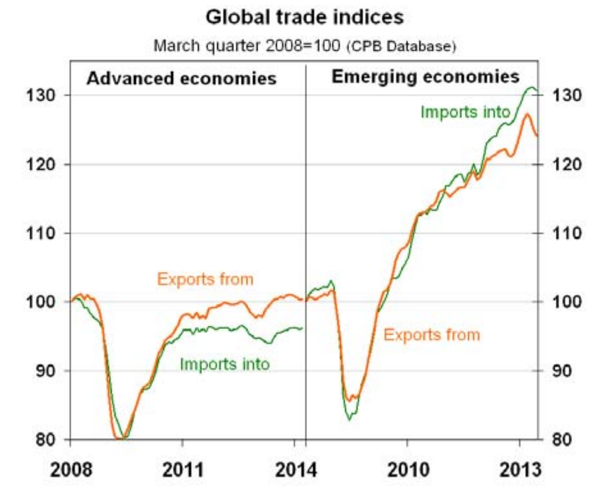



## Global trends

The levelling out in business sentiment shown in the purchasing manager surveys for the industrial sectors of the big advanced economies has been reflected in their output. The trend 3-month annualised growth rate of industrial output in the advanced economies showed stabilised at around 4% through the first few months of 2014, a change from the ramping up in growth seen through 2013. The comparable measure of industrial growth in the emerging market economies has continued to slow with growth there slipping to only 3½% in March and this modest growth masks a plateauing in the level of their production since late 2013.

The erosion of the traditional growth differential between world trade and industrial output has been widely noted with fears that the long run trend of increased openness in the global economy is fading. Prior to 2008 world trade grew around twice as fast as output but since then there is little difference. The slowdown in the growth of world trade reflects the weakness of trade flows involving the big advanced economies, a reflection of their anaemic economic recoveries from the 2008/9 recession.

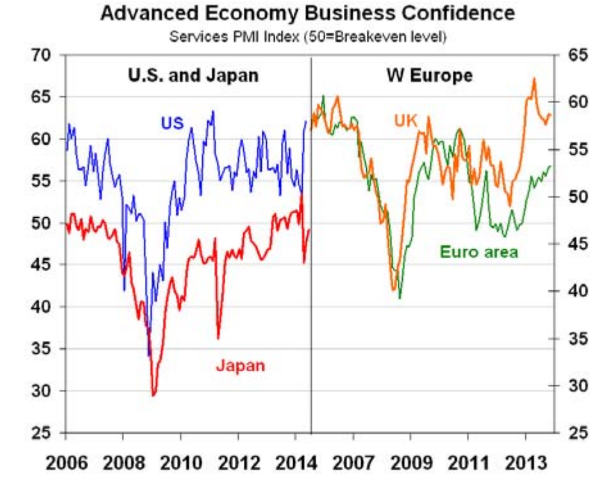



## Advanced economies

Taken overall, there has been a significant slowing in the pace of growth of the biggest advanced economies since mid-2013. Annualised growth in the G7 peaked at around 2½% in June and September 2013, falling to just under 2% in December and around 1% in March 2014. Part of this slowdown reflected the harsh winter conditions in North America (which contributed to a fall in US output) but there was also a disappointingly weak GDP outcome in the Euro-zone. The pull-forward of spending in Japan to beat the April tax rise offset some of the weakness in other big advanced economies.

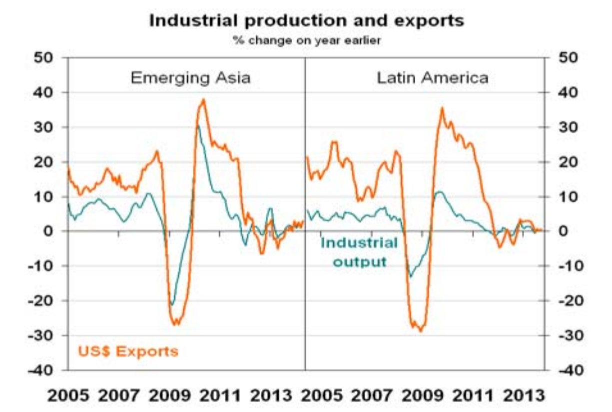
The monthly purchasing manager indices (PMIs) confirm this mixed picture across the big advanced economies. The level of Japanese economic activity has fallen since the indirect tax change but the manufacturing and services PMIs have recovered some of their April losses, suggesting that the economy is holding up better than it did in the wake of the 1990s tax hikes and supporting the Government's view that the recent tax rise should not de-rail growth. In the US, the PMIs point to ongoing moderate growth, smoothing out the bad weather related volatility seen in the national accounts and monthly "hard" economic data. UK PMIs show strong growth but Euro-zone indices are less buoyant.

## Emerging economies

The slowing trend in the big emerging economies continued into the early months of 2014 with a virtual stagnation in the level of their industrial output after a long period of solid growth. This lines up with the levelling off in import and export volumes and the weakness in their recent business surveys. By early 2013 year on year industrial growth across large parts of the emerging economy grouping had fallen to low levels. Emerging Asian industrial growth was down to around 1½% yoy, in Latin America it was near zero (Brazil was negative) while Indian growth was negative. China is the exception to this picture of modest industrial expansion, its growth is slowing but (at almost 9% yoy) it remains far stronger than any other big global economy.

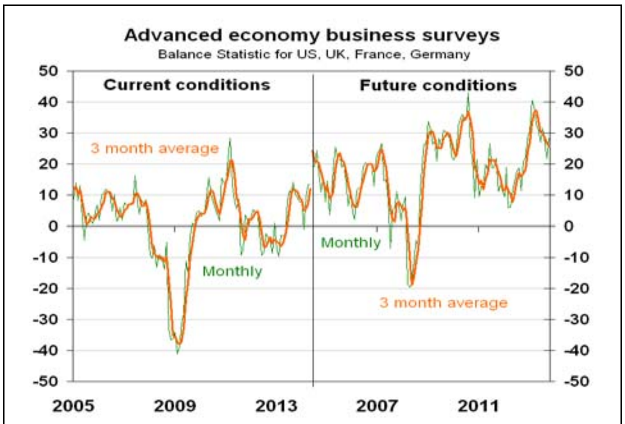


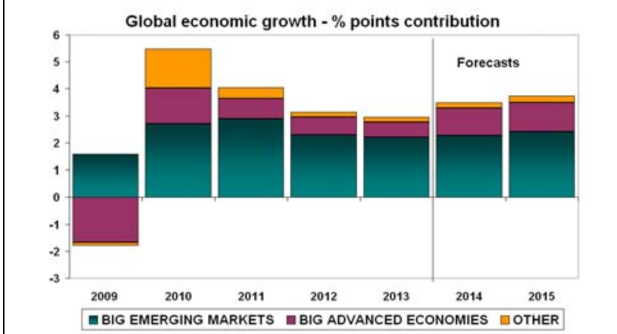



## Forecasts

Forward looking questions in the business surveys of big advanced economies show growth is expected to continue at a moderate pace but they no longer point to growth accelerating. Our forecast is for advanced economy growth to pick up from 1.3% in 2013 to 1.9% this year and around 2.3% through 2015 and 2016. The acceleration in growth seen through 2013 has already delivered growth momentum at around that pace with growth slightly exceeding 2% in late 2013 and early 2014.

Turning to the emerging economies, growth is expected to stagnate at around 5½% between 2014 and 2016 - slightly slower than the late 2013/early 2014 rate. Trends are mixed across these economies with China expected to slow, India to pick up (after a long disappointing period) and a modest acceleration in Latin America and emerging Asia. Global growth is expected to reach 3.4% this year, close to its 35 year trend rate, and rise to an above-trend 3.7% in 2015.




# Australian outlook

## Key Points

- Business confidence weathered the Budget largely intact, but conditions drifted down in May and forward indicators remain soft.
- Strong GDP growth in Q1 disguised weak domestic demand. The contribution from net exports more than offset the decline in GNE: consumption growth was weak (at odds with retail trade strength) while business investment and stocks fell.
- The house price surge may have run its course and apartment approvals have slipped back to more normal levels, suggesting that the recent pick-up in dwelling investment may be short-lived.
- There is still no sign that non-mining investment is assuming the reins of growth as mining investment boom comes to an end.
- Our GDP forecasts are marginally higher because of history: for 2014/15 3.3% (was 3.1%); for 2015/16 is 3.0% (was 2.7%). The unemployment rate is still expected to peak at around 6¼% by end 2014. For the cash rate, we still expect no further change until a tightening cycle begins near the end of 2015.

## National trends

The national accounts point to a domestic economy on the cusp of a demand recession: domestic final demand growth has average just 0.3% per quarter since the middle of last year and GNE is even weaker. Quarterly growth in GDP of 1.1% (3.5% through the year) has been sustained by stronger exports (mainly minerals and energy) and weaker imports (especially capital equipment). The composition of growth is increasingly being tilted away from labour-intensive engineering and mining construction, increasing the structural adjustment task for the labour market as the mining investment boom recedes.

While business confidence appears to have emerged from the Budget intact, conditions continue to slip in May, according to the NAB business survey. Manufacturing and wholesale bore the brunt of the renewed weakness, particularly through a sharp decline in trading conditions. Forward indicators remain weak: orders rose to be barely out of negative territory and capacity utilisation was unchanged and below long-run averages for most industries.

Trend forward orders for Q2 so far imply a decline in predicted annualised demand growth compared with Q1. Our 'wholesale leading indicator' points to soft business conditions in coming months which, in turn, suggest little change in predicted GDP growth in Q2.

The labour market has improved from last year but remains soft. While the unemployment rate has been confined below 6%, the demand for labour (especially on an hours worked basis) has been quite soft.

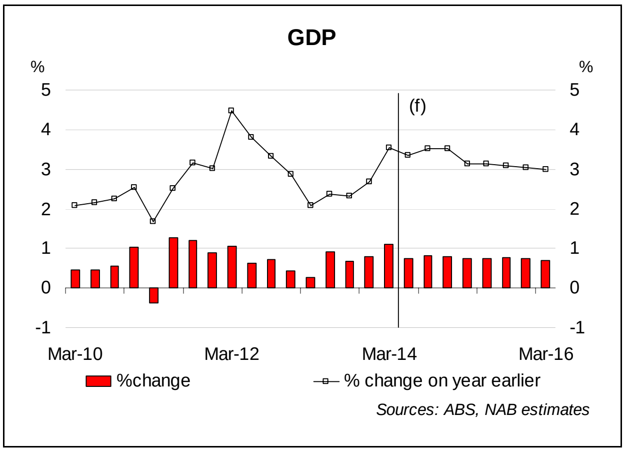
Consumer spending grew by a soft 0.5% in Q1 to be only 2.5% higher than a year earlier. Underlying business investment declined by 1.7% and expectations from the latest capex survey suggest that growth in non-mining investment is unlikely to compensate for the prospective fall in mining construction as major projects are commissioned over the next two years.

Business continues to demonstrate little appetite for debt, with business credit growing by 0.3% in April to be only 2.7% higher than a year earlier.

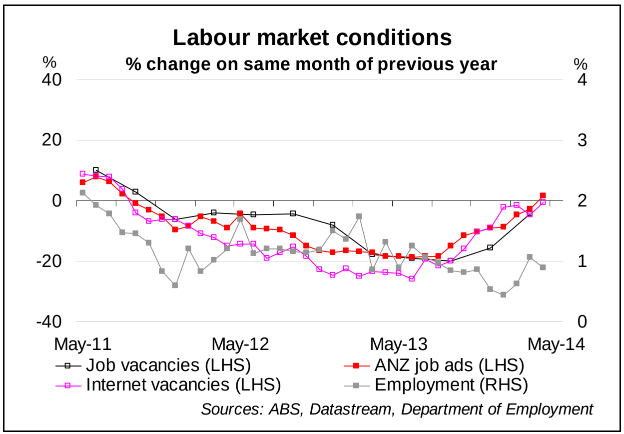
Housing prices appear to have peaked, although prices remain elevated. Share prices have generally moved sideways. Housing credit grew by 0.6% in April (6.1% through the year). On balance, the main influences on household wealth have probably operated as a brake on spending.

The precise impact of the federal budget on macroeconomic activity remains somewhat uncertain as various measures are negotiated through the Senate. Nevertheless, it seems likely that fiscal restraint will provide a headwind to growth in coming quarters.

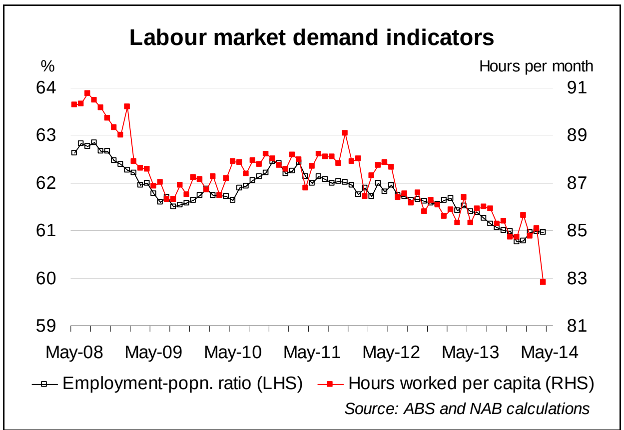
The RBA appears decidedly unwilling to move on the cash rate in the near term, expecting better news in the second half of 2014. There certainly seems little scope for a tightening cycle to commence any time soon, and any sudden deterioration in conditions may prompt the central bank to reconsider the prospect of another cut. We expect the AUD to drift down to around $US0.85 by the end of 2014 and $US0.80 by the end of 2015.



## Labour market



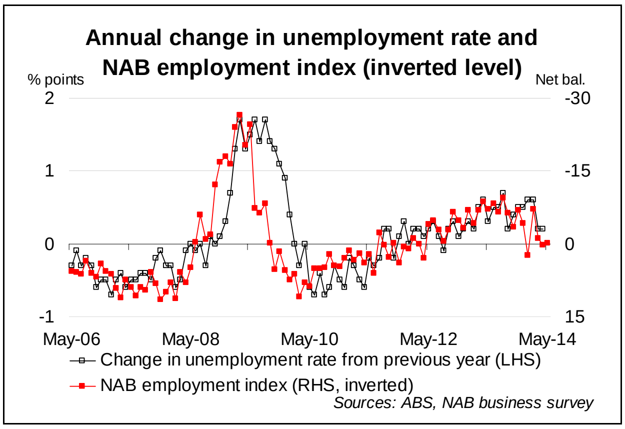

Labour market forward indicators, while generally much better than a year ago, remain subdued. While ANZ job ads continued to recover lost ground in May, Department of Industry internet ads have lost much of the ground gained at the start of the year. The NAB employment index from the business survey, which had been deeply negative throughout 2013, also improved strongly at the start of the year but has mostly remained close to zero since then.




The unemployment rate was unchanged at 5.8% in April, as employment has begun to grow faster than population, However, hours worked per capita declined sharply in the month.

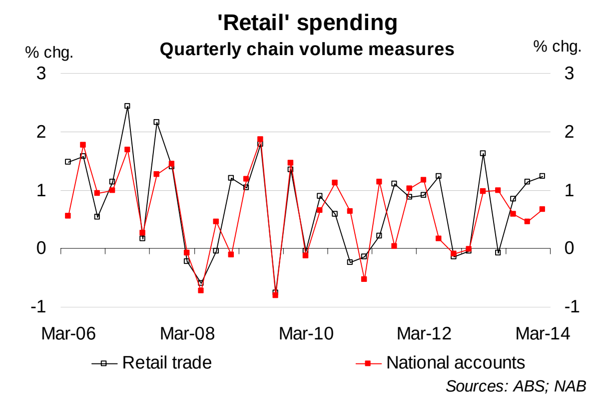
The May reading for the NAB employment index (unchanged at zero) is broadly consistent with an unchanged unemployment rate.

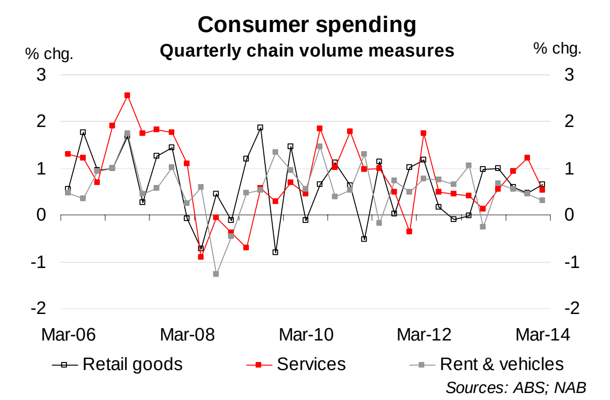
However, we expect that the structural transition from mining investment to mining exports will create an element of frictional unemployment that will take time to absorb. We still expect the unemployment rate to peak at around 6¼% by the end of 2014 before progressively declining during 2015 as displaced mining construction and services labour is absorbed into new infrastructure projects, dwelling construction and associated activities.




## Consumer demand & housing market

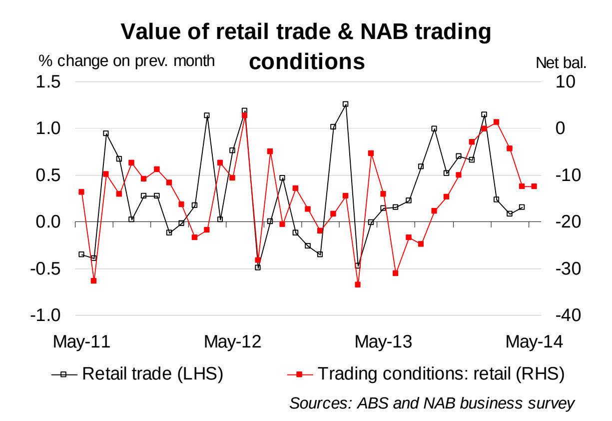
The Q1 national accounts reported relatively weak quarterly growth of 0.5% in private consumption, compared with real retail trade growth of 1.2%. Comparing quarterly growth in real retail trade with an estimate of the national accounts equivalent suggests that a large discrepancy has opened up between these measures in recent quarters. Part of this appears to be attributable to food and household goods retailing, which have grown much more strongly than their (approximate) national accounts equivalents[1].




[1] Food, cigarettes & tobacco, alcoholic beverages, clothing & footwear, furnishings & household equipment, hotels, cafes & restaurants, and 50% of other goods & services.

In addition to the apparently weaker growth in the national accounts measure of retail trade, services consumption[2] growth was even slightly softer, and growth in dwelling rent and vehicle purchase and operation even more so.

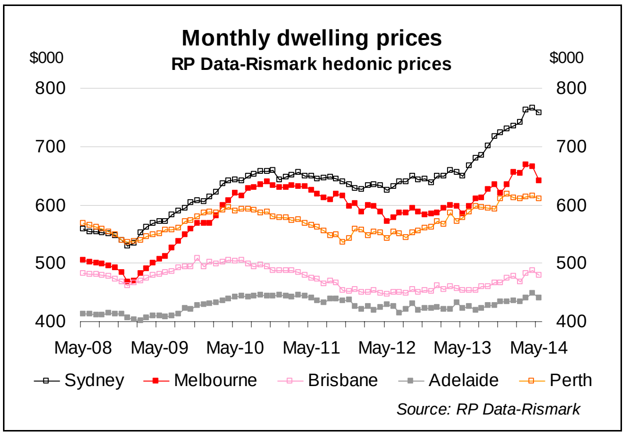



Beyond Q1, monthly retail trade growth has softened, and the survey measure of trading has also declined. Consumer confidence declined sharply in the period immediately before and after the Budget, while clothing retailers have been reported as having concerns about the impact of mild weather on winter sales. Business confidence among retailers fell in May, but remained at a surprisingly positive +8 points.

Online retail sales continued to grow at a subdued pace overall. According to the NAB Online Retail Index, aggregate online sales grew by 0.3% in trend terms in April, with domestic sales outpacing international. Fashion, media, department and variety stores and electronic games and toys have been the strongest sectors recently. Homewares and appliances, daily deals, personal and recreational goods and grocery and liquor have been weaker. (for more detail, including in-depth results, see NAB online retail sales).

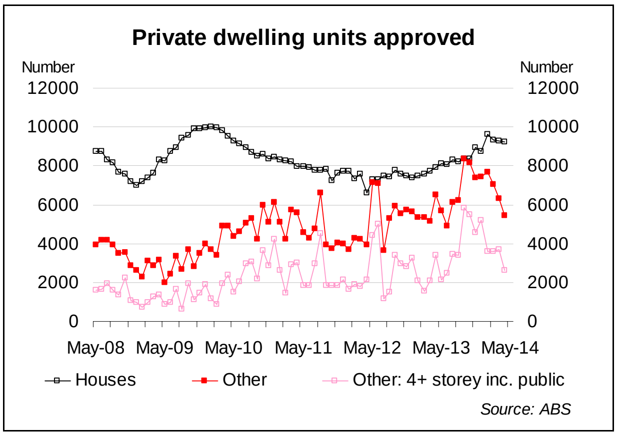
Following a slump at the start of the year, total passenger and SUV vehicle sales have been moving broadly sideways and were just 0.6% higher in April than in January.

There are now clear signs that the momentum in the dwelling market has run its course. Dwelling prices fell across all major capitals in May, according to RP Data-Rismark. Share prices finished May virtually unchanged for the month and only marginally above levels at the end of February. Overall, household wealth has probably now begun to tread water, implying little additional impetus to spending and borrowing.




## Investment

HIA new home sales continued their recovery into April and have returned to levels last seen in 2011. However, respondents to the Westpac-Melbourne Institute consumer confidence survey are reporting increased aversion to major purchases, including dwellings.



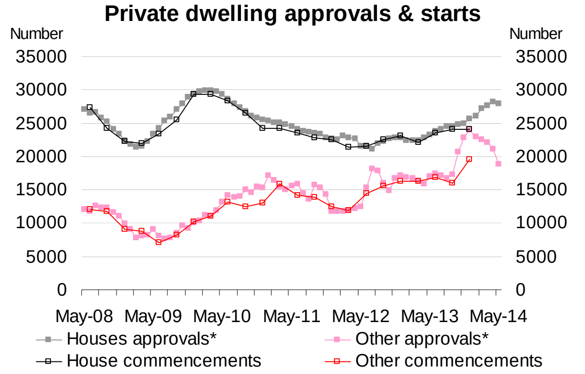

The recent surge in high-density apartment building approvals appears to have receded. Between July last year and March, almost 39,000 apartments of four storeys or higher were approved, more than 12,000 more than normal expectations. However, numbers in April were below average. House approvals remain strong although off their peak in January.

The increase in dwelling approvals is still flowing through commencements and work done. In Q1, new dwelling investment rose by a solid 6.4%. While further solid growth in Q2 is likely, the decline in approvals in recent months means that investment growth can be expected to moderate through the remainder of the year.

The value of non-residential building approvals has declined sharply in recent months, reflecting a substantial fall in office and industrial approvals.

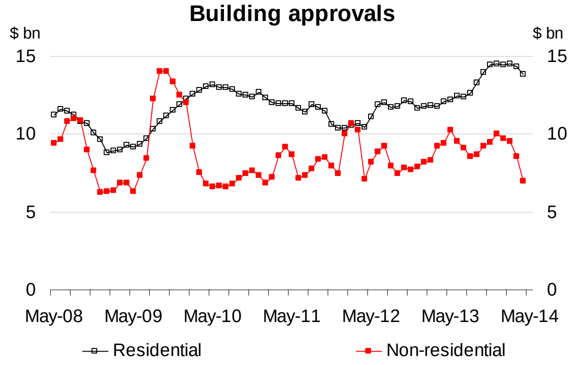
[2] Electricity, gas & other fuel, health, transport services, communications, recreation & culture, education services, insurance & other financial services, and 50% of other goods & services.

**Private dwelling approvals & starts**



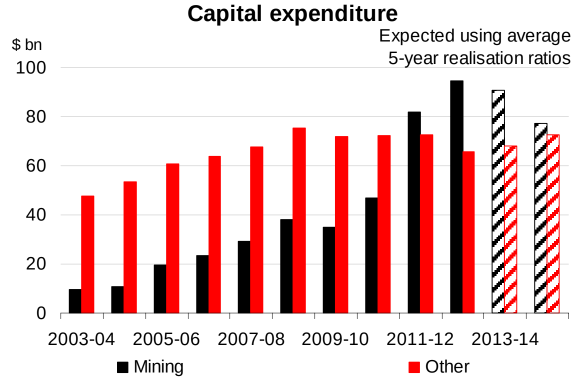

**Rolling 3-month sum lagged 1 month* *Source: ABS*

**Building approvals**




*3-mth rolling sums* *Source: ABS*

**Capital expenditure**




*Sources: ABS, NAB estimates*

Expectations, based on average 5-year realisation ratios, from the latest capital expenditure survey suggest that rising non-mining investment is unlikely to compensate for the prospective decline in mining investment.

### Commodity prices and net exports

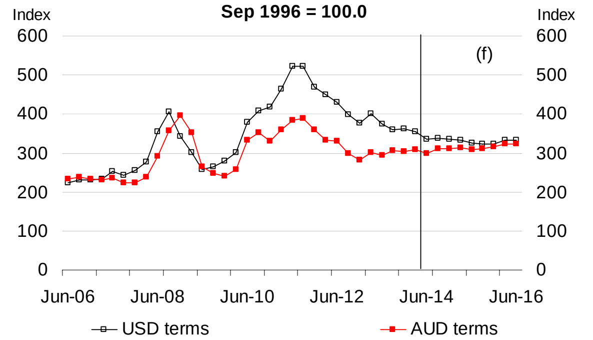
Bulk commodity markets were relatively weak again in May, with iron ore prices continuing to ease and thermal coal prices remaining weak, while metallurgical coal prices edged up from quite low levels. Oil prices were supported by ongoing Russo-Ukraine tensions and an attempted coup in Libya. Base metals prices generally rose in May, with nickel outperforming driven by supply factors. Gold prices were relatively range-bound but have come under pressure from stronger equity markets and a lack of Asian demand.

The outlook for global hard commodity prices is generally downside over the next year or so, although coking coal prices are expected to run against this trend and the metals complex will be mixed.

In US dollar terms, the NAB non-rural commodity price index is expected to fall by around 5.8% through the year to June, driven by weaker price trends for iron ore and metallurgical coal. Further declines are expected across the year, with average prices in 2014 forecast to be around 8.9% lower. Reflecting our forecast for further depreciation of the AUD, we expect AUD prices to trend marginally higher across the year, resulting in an increase of around 2.1% in 2014. Further modest gains are expected in 2015 as the Australian dollar continues to soften.

**NAB non-rural commodities price index**

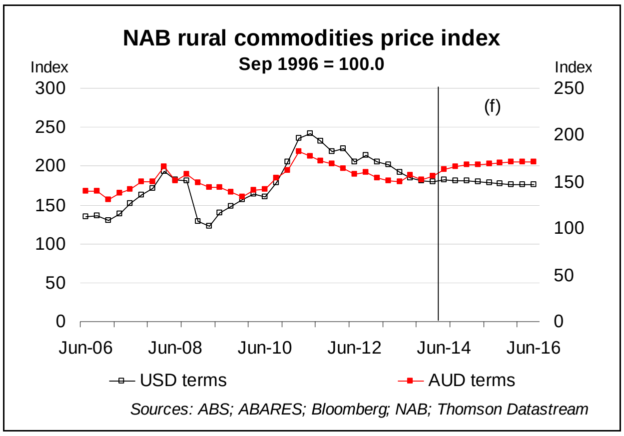
**Sep 1996 = 100.0**




*Source: ABS; ABARES; Bloomberg; NAB; Thomson Datastream*

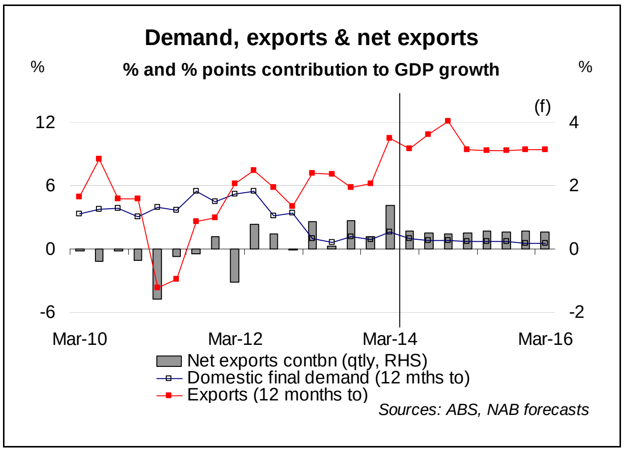
Agricultural commodity prices were mixed in April. Saleyard cattle prices recorded a remarkable surge in the month, with the growth in lamb prices more modest for the first time since the start of the year, driven by average to above average rainfalls recorded for most regions. Cotton prices firmed on tight US inventories while wheat prices continued to benefit from drought concerns in the US and heightened tensions in Ukraine. Global dairy prices recorded their first substantial fall which signals a potential slippery slope in the coming months. Wool and sugar prices were range-bound, with the former weighed by poor trading conditions still while a supply overhang provides very little price growth impetus for the latter.

In US dollar terms, the NAB rural commodity price index is expected to fall by 4.6% through the year to June. Further mild declines are expected in 2015 and 2016. In AUD terms, the index is expected to rise modestly over 2015 and 2016. For more detail, see our Minerals & Energy Commodities Research and Rural Commodities Wrap.




The terms of trade fell by 3.8% over the year to Q1 2014. Based on our outlook for commodity prices, we see the terms of trade continuing to edge down, losing 5% through the course of 2014 and another 4% through 2015.

As major energy projects are completed, we expect the volume and value of energy exports to grow, particularly from the LNG mega-projects. This will be an important influence on the value and volume of exports and the trade balance over the next few years.




The AUD continues to trade in very tight ranges as financial markets appear to have become temporarily disconnected from the macroeconomy. For example, the AUD has largely failed to respond to the weakness in iron ore prices. However, over the medium term we see the expected downward trend in the terms of trade, softer growth in China and the upward impact of tapering on the USD as the fundamental drivers of a lower AUD. We expect the AUD to decline to $US0.85 by the end of 2014 and $US0.80 by the end of 2015. Net exports contributed a massive 1.4% points to GDP growth in Q1, associated with a trade surplus of almost $3.6 billion, the first quarterly surplus since 2011. However, the monthly trade surplus has progressively declined and returned to a small deficit in April, partly reflecting weakness in minerals and energy commodities.

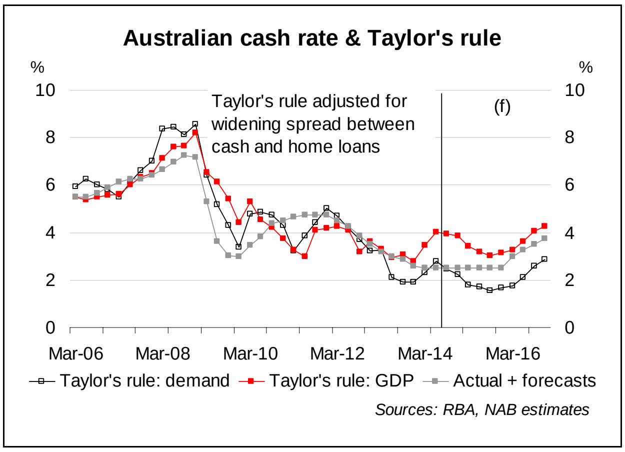
### Interest rates

The RBA kept the cash rate at 2.50% in June as expected and kept its neutral bias. The overall tone of the press release was similar to the previous month. The RBA still seems optimistic about the economic outlook, and believes that export growth, consumption and dwelling investment will support the economy as resource investment declines. Meanwhile the non-mining business investment improvement is still described as "tentative," but the RBA appears slightly more confident on this as it added that there are 'emerging' signs of improvement in other sectors.

On the labour market, the RBA states that there has been some improvement "but it will probably be some time yet before unemployment declines consistently". With wages and inflation pressures contained and house price pressure easing, this implies no rise in the cash rate in the near term.

The RBA continues to state that policy is accommodative enough already, so a further easing is also unlikely in the near term. Only when the RBA is certain that the unemployment rate has peaked, and wage/inflation pressures start to build, will it start the next tightening cycle. And any deterioration in the labour market might prompt a reconsideration of the need for a rate cut. Overall, the RBA is comfortably on hold and NAB still expects no change to the cash rate this year, with the next move to be up in 2015.

The RBA said that the exchange rate remains high by historical standards, "particularly given the further decline in commodity prices". Interestingly, there was no reference to the falls in consumer confidence. The RBA is hoping that the solid retail sales growth continues. Given the lack of key data in recent weeks, the RBA's forecasts will not have changed much since the May Quarterly Statement.



## Global growth forecasts % change year on year

| | 2011 | 2012 | 2013 | 2014 (NAB Forecasts) | 2015 (NAB Forecasts) | 2016 (NAB Forecasts) |
|---|---|---|---|---|---|---|
| US | 1.8 | 2.8 | 1.9 | 2.2 | 3.0 | 2.8 |
| Euro-zone | 1.6 | -0.6 | -0.4 | 0.9 | 1.3 | 1.6 |
| Japan | -0.4 | 1.4 | 1.6 | 1.6 | 1.4 | 1.2 |
| UK | 1.1 | 0.3 | 1.7 | 2.9 | 2.4 | 2.5 |
| Canada | 2.5 | 1.7 | 2.0 | 2.3 | 2.6 | 2.6 |
| China | 9.3 | 7.8 | 7.7 | 7.3 | 7.0 | 6.8 |
| India | 7.7 | 4.8 | 4.7 | 5.2 | 5.8 | 6.2 |
| Latin America | 4.8 | 2.4 | 2.8 | 3.0 | 3.5 | 3.7 |
| Emerging Asia | 4.2 | 3.8 | 3.9 | 4.1 | 4.3 | 4.5 |
| New Zealand | 1.9 | 2.6 | 2.7 | 4.2 | 3.4 | 1.8 |
| *World* | *4.1* | *3.1* | *3.0* | *3.4* | *3.7* | *3.8* |
| ***memo*** | | | | | | |
| Advanced Economies | 1.7 | 1.4 | 1.3 | 1.9 | 2.3 | 2.3 |
| Emerging Economies | 6.9 | 5.2 | 5.3 | 5.4 | 5.5 | 5.5 |
| Major trading partners | 4.6 | 4.2 | 4.5 | 4.6 | 4.6 | 4.5 |

## Australian Economic and Financial Forecasts (a)

| | Fiscal Year | | | Calendar Year | | |
|---|---|---|---|---|---|---|
| | **2013-14 F** | **2014-15 F** | **2015-16 F** | **2014-F** | **2015-F** | **2016-F** |
| Private Consumption | 2.5 | 2.8 | 3.0 | 2.7 | 3.0 | 3.2 |
| Dwelling Investment | 5.1 | 9.0 | 0.5 | 10.2 | 3.8 | -0.2 |
| Underlying Business Fixed Investment | -6.3 | -10.2 | -11.5 | -8.1 | -10.7 | -12.0 |
| Underlying Public Final Demand | 1.2 | -0.3 | 0.6 | 0.2 | -0.1 | 1.3 |
| **Domestic Demand** | **1.1** | **0.8** | **0.6** | **1.1** | **0.6** | **0.8** |
| Stocks (b) | -0.6 | 0.1 | 0.3 | -0.4 | 0.3 | 0.2 |
| **GNE** | **0.6** | **0.9** | **0.9** | **0.7** | **1.0** | **1.0** |
| Exports | 7.9 | 10.3 | 9.4 | 10.6 | 9.4 | 9.3 |
| Imports | -3.5 | -0.4 | 0.5 | -2.5 | 0.5 | 1.0 |
| **GDP** | **3.0** | **3.3** | **3.0** | **3.5** | **3.1** | **3.1** |
| – Non-Farm GDP | 2.9 | 3.4 | 3.1 | 3.5 | 3.1 | 3.1 |
| – Farm GDP | 5.5 | 0.7 | 2.0 | 0.0 | 2.0 | 2.0 |
| Nominal GDP | 4.5 | 4.5 | 4.3 | 4.8 | 4.1 | 4.9 |
| Federal Budget Deficit: ($b) | 50 | 30 | 17 | NA | NA | NA |
| Current Account Deficit ($b) | 35 | 8 | -10 | 16 | 0 | -23 |
| ( -%) of GDP | 2.2 | 0.5 | -0.6 | 1.0 | 0.0 | -1.3 |
| Employment | 0.9 | 1.7 | 1.9 | 1.2 | 1.8 | 2.3 |
| Terms of Trade | -3.1 | -3.3 | -4.4 | -3.1 | -4.7 | -2.9 |
| Average Earnings (Nat. Accts. basis) | 2.3 | 2.9 | 3.0 | 2.7 | 3.0 | 3.0 |
| **End of Period** | | | | | | |
| Total CPI | 3.1 | 2.2 | 3.1 | 2.4 | 2.7 | 3.2 |
| Core CPI | 2.7 | 2.1 | 2.9 | 2.3 | 2.3 | 3.0 |
| Unemployment Rate | 5.9 | 6.1 | 5.6 | 6.2 | 5.9 | 5.4 |
| RBA Cash Rate | 2.50 | 2.50 | 3.50 | 2.50 | 3.00 | 4.00 |
| 10 Year Govt. Bonds | 3.95 | 4.60 | 5.10 | 4.30 | 4.95 | 5.00 |
| $A/US cents : | 0.90 | 0.82 | 0.80 | 0.85 | 0.80 | 0.80 |
| $A - Trade Weighted Index | 71.2 | 66.7 | 66.8 | 67.7 | 66.1 | 66.9 |

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

(b) Contribution to GDP growth

Embargoed until 11:30am 10 June 2014

# 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 |
| James Glenn | Senior Economist – Australia & Commodities | +(61 3) 9208 8129 |
| Vyanne Lai | Economist – Agribusiness | +(61 3) 8634 0198 |
| Karla Bulauan | Economist – Australia & Commodities | +(61 3) 8641 4028 |
| | | |
| Dean Pearson | Head of Industry Analysis | +(61 3) 8634 2331 |
| Robert De Iure | Senior Economist – Property | +(61 3) 8634 4611 |
| Brien McDonald | Economist – Industry Analysis & Risk Metrics | +(61 3) 8634 3837 |
| Amy Li | Economist – Industry Analysis | +(61 3) 8634 1563 |
| | | |
| Tom Taylor | Head of International Economics | +(61 3) 8634 1883 |
| Tony Kelly | Senior Economist – International | +(61 3) 9208 5049 |
| Gerard Burg | Senior Economist – Asia | +(61 3) 8634 2788 |
| John Sharma | Economist – Sovereign Risk | +(61 3) 8634 4514 |
| | | |
| **Global Markets Research** | | |
| 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** | | |
| Stephen Toplis | Head of Research, NZ | +(64 4) 474 6905 |
| Craig Ebert | Senior Economist, NZ | +(64 4) 474 6799 |
| Doug Steel | Senior 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 |