National Australia Bank

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Global & Australian Forecasts

October 2012

Global economy slowing but recent advanced economy surveys show stabilisation. Broad-based slowing under way across emerging economies. Global forecasts a touch lower in 2013 but risks remain (US "fiscal cliff"). Australian economy softening to below trend amid restructuring stresses. Lower commodity prices, fiscal tightening and high AUD add to complications. GDP forecasts lowered, especially in 2013. RBA now likely to follow up in November, provided inflation remains subdued.

- The latest business surveys suggested that conditions in the big advanced economies have stabilised after the softening in growth that took place since late 2011. Monthly trade and industrial indicators still point to a broad-based slowing across the emerging economies that have been driving most global economic growth through the last few years. Policy stimulus by central banks in the US, Euro-zone and Japan has helped to lift confidence in financial and commodity markets, reducing fears of Euro-zone collapse and continued slowing in the US. Our forecasts are for global growth to accelerate from this year's 3% to a still sub-trend 3¼% in 2013. Those forecasts incorporate an assumption that the US averts its "fiscal cliff", and China manages a soft landing.
- The Australian economy is still passing through a soft patch; with business conditions weaker and forward indicators concerning. We have lowered our growth outlook somewhat, especially in 2013: GDP forecasts 3.3% in 2012 (was 3.4%) and 2.5% in 2013 (was 2.8%) and for 2014 3.2% (was 3.6%). Key drivers of slower activity over the next year include; falling income growth from weaker commodity prices, a still high AUD – which may be increasingly figuring in firms' re-structuring decisions - and fiscal tightening (both at the federal and state levels). Into the medium term, the mining investment boom expected to peak in late 2013 / mid 2014 with exports largely offsetting weaker investment but the demand for labour is likely to weaken.
- The survey continues to show very subdued aggregate inflation path – albeit carbon pricing may have added to headline pressures in Q3 2012. A slightly weaker demand profile, continuing retail discounting and the robust AUD should see core inflation staying within the RBA target range - 2.4% in 2012 and 2.9% in 2013. Labour market conditions are expected to remain soft, with structural changes expected to remain a key theme. We now expect to see another RBA rate cut in November – provided inflation numbers remain subdued. And it is possible that another cut in early 2013 may emerge if activity and the labour market deteriorate further. Certainly the RBA looks likely to continue to run accommodative policy in 2013. Against that, housing prices appear to be reacting to lower rates and a lack of fiscal discipline in the run up to the election remains a risk.

Key global GDP forecasts (calendar years)

Country/region	*IMF weight*	2009	2010	2011	2012	2013
				% change		
United States	*19*	-3.1	2.4	1.8	**2.1**	**2.4**
Euro-zone	*14*	-4.3	1.9	1.5	**-0.7**	**0.1**
Japan	*6*	-5.5	4.5	-0.7	**2.2**	**1.5**
China	*14*	9.2	10.4	9.2	**7.5**	**7.9**
Asian Tigers	*8*	0.2	7.8	4.2	**3.4**	**3.6**
Global total	*100*	-0.3	5.2	3.9	**3.0**	**3.3**
Australia	*2*	1.4	2.5	2.1	**3.3**	**2.5**

Key Australian forecasts (fiscal years)

GDP components	11/12	12/13	13/14	Other indicators	11/12	12/13	13/14
		% change				*% through-year*	
Private consumption	3.7	**2.6**	**2.4**	Core CPI (inc. carbon)	2.0	**2.8**	**3.1**
Domestic demand	5.3	**2.9**	**3.0**			*% end of year*	
GDP	3.4	**2.3**	**3.0**	Unemploy. rate	5.1	**5.4**	**5.4**

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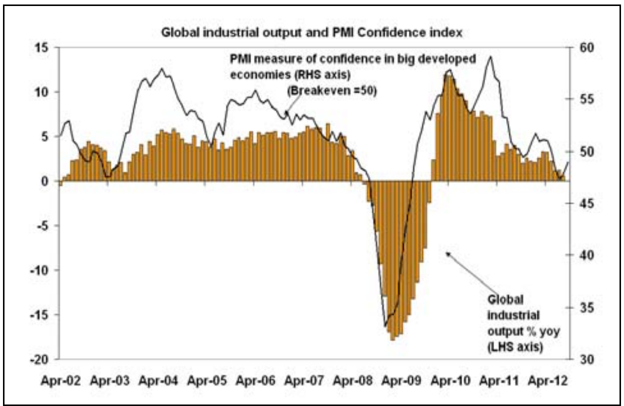
Global outlook

Key Points

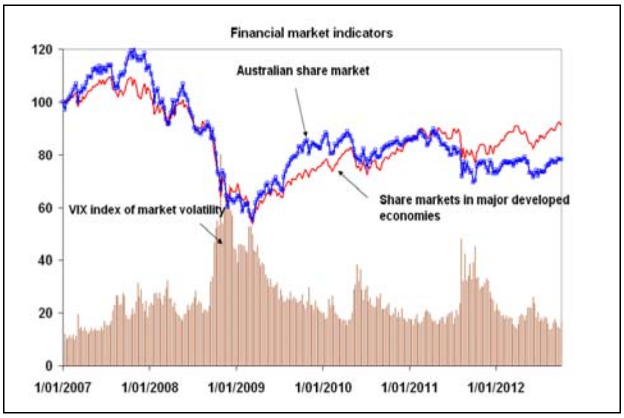
- The latest business survey indicators from the big advanced economies suggest that their economic slowdown has paused. The situation is less clear in the emerging markets where it looks quite likely that the softening in growth has continued.
- Policy makers in the big advanced economies have taken steps to support demand with the Bank of Japan boosting its "quantitative easing" operations in the wake of similar moves by the Fed and ECB. The Indian and Chinese central banks did not cut rates but Brazil has cut to a record low.
- Equity and commodity markets have recovered earlier losses as markets feel that the ECB's latest move lowers the risk of Euro-zone break-up while the Fed's QE3 lowers the risk of further US slowdown.
- We have slightly lowered our growth forecasts for 2012 and 2013, reflecting weaker outlooks for the US and China. Our "muddle through" forecast assumes that the biggest risks hanging over the global outlook (the US "fiscal cliff", Chinese hard landing and Euro-zone break-up) do not occur and 2013 global growth rises to a sub-trend 3¼%.



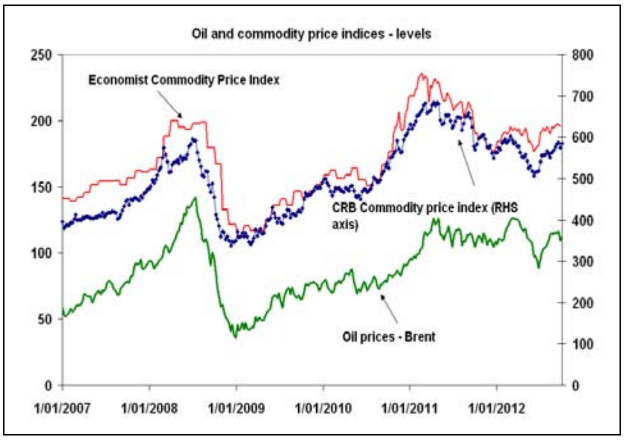
Financial & commodity markets

The ECB's announcement of a new arrangement to purchase Euro-zone sovereign debt and the Fed's decisions to implement a third round of quantitative easing (focussed on buying mortgage backed securities and extending the horizon for the current period of "exceptionally low" policy interest rates) has boosted markets. Neither the Fed nor the ECB has set explicit limits on these new programmes – the Fed's QE3 will last until the outlook for the labour market "improves substantially" and the ECB's Governor has said that "there are no ex-ante limits" on its new plan to buy Euro-member sovereign bonds. Following this, the Bank of Japan lifted its existing scheme to buy Government bills and bonds by another 10 trillion yen to 80 trillion yen.

While there is debate over how effective previous rounds of monetary easing have been in boosting economic activity, even the sceptics who feel its consequences for the real economy have been disappointing generally agree that it has boosted financial asset prices and commodity markets.

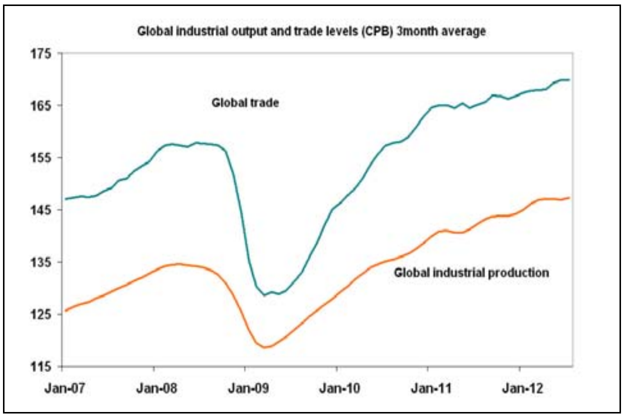


Equity markets in the big advanced economies have risen by around 2½% since early September and the VIX index of market volatility had been drifting down until recently. World commodity prices have been volatile but they are above their August lows. Food prices remain high as wheat supply is tight, but corn and soybean markets have softened.

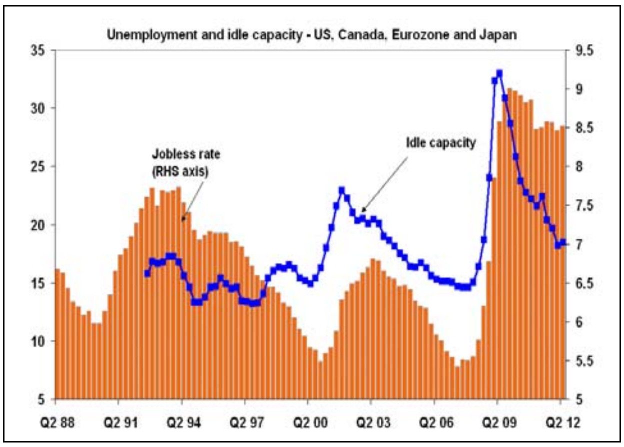


Global trends

The CPB's monthly estimate of global industrial output and trade show the pace of growth slowing through the first 6 months of the year. The quarterly pace of growth in world industrial output slipped from 1.8% in the March quarter to zero in June but the preliminary numbers for July show it picking up slightly. The slowdown is broad-based with industrial growth close to zero in the emerging market economies and the big advanced economies moving into an industrial downturn. The pace of growth in world trade also slowed in the second quarter, and while not as marked as the slowing in industrial production, it is still true that the latest monthly trade numbers look weak.



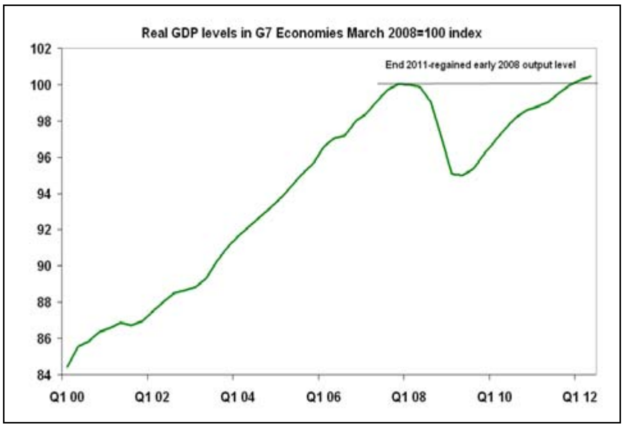
Industrial output in the advanced economies remains around 10% below its early 2008 level which would lead to the expectation that there is plenty of idle productive capacity that could be brought back into operation if demand were to increase. However there is a debate within certain countries, notably the UK, over the extent to which there is such spare capacity with business survey readings showing much less idle capacity than would be expected by looking at unemployment or pre-GFC output trends. This is not just a UK issue with the amount of unused output potential in the US, Canada and Germany also being lower than would be expected.



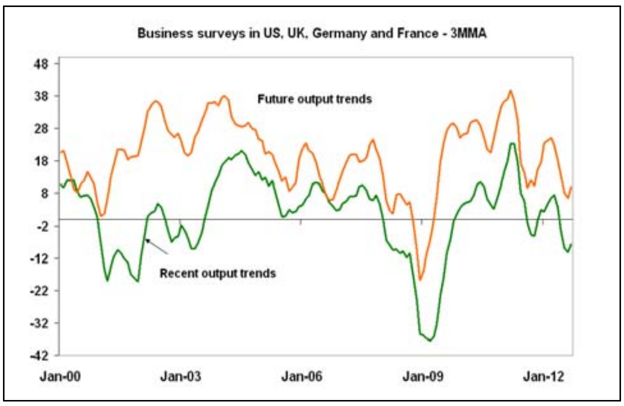
Advanced economies

It took until late 2011 for the level of economic activity in the 7 biggest advanced economies to get back to its early 2008 level. Not long after that the renewal of financial market volatility in late 2011 fed into lower business confidence in early 2012 and the pace of economic expansion slowed sharply. The annualised rate of economic growth in the G7 slowed from around 2% in the latter half of 2011 to 1¾% in March 2012 and ¾% in June – implying that the main advanced economies were close to stalling by mid-2012.

Conditions were worst in Western Europe where the UK and Euro-zone fell back into recessions as private demand proved too weak to offset actual and foreshadowed public sector austerity. The Japanese upturn, which should be boosted by post tsunami rebuilding, also proved disappointing and the Bank of Japan says that the pick-up in activity has "come to a pause".

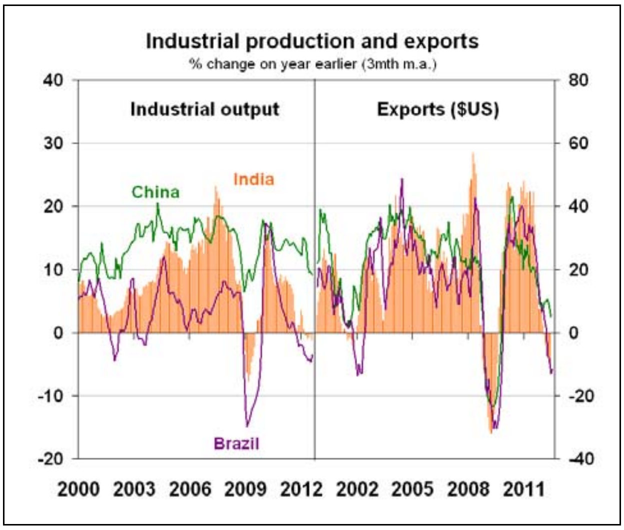


Against this uninspiring background, the latest business survey readings from the big advanced economies have been surprisingly good. The September purchasing manager indices in the US, Euro-area and Japan for manufacturing were higher and the service sector indices for the US and Euro-area were also higher. We also look at a number of other national business surveys and, after looking steadily weaker, they looked either slightly brighter or less dismal in September.

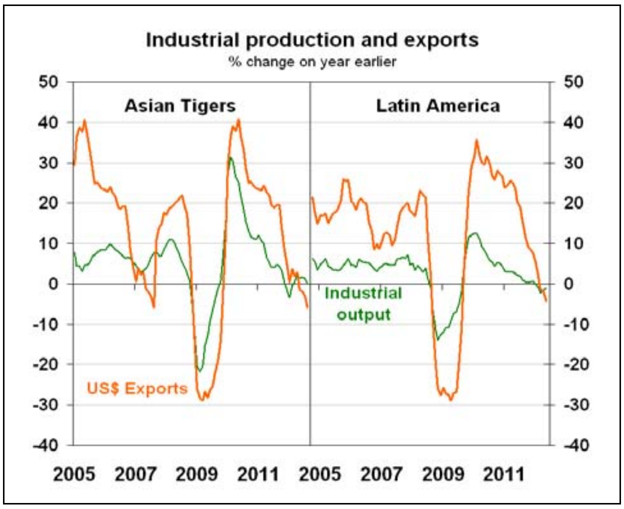


Emerging economies

The slowing in economic growth has been broad based with the biggest emerging market economies sharing in the cyclical softening. The pace of economic growth in China, India and Brazil (accounting for around one quarter of the world economy) has slowed from 8¾% yoy in mid-2011 to less than 6% yoy in mid-2012. This slowing represents a combination of the easing in world trade growth and the lagged impact of earlier policy tightening still feeding through into demand. There has been some easing in monetary policy plus announcements of increased public sector stimulus in China and Brazil.



The slowing in activity has also been marked outside the three biggest emerging market economies. The very trade-dependant economies of East Asia have seen a sharp slowing in exports and industrial output growth. Indonesia, with its closed economy heavily reliant on domestic rather than external demand, is the exception and activity in Thailand has been boosted by the recovery from last year's floods. The softening in Latin America extends beyond Brazil with a region-wide slowing in activity.

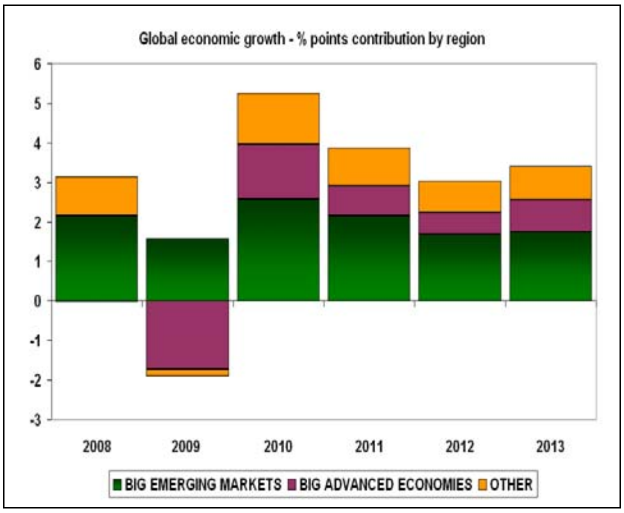


Forecasts

While there are plenty of downside risks to the outlook, the latest business surveys hold out the hope that activity is stabilising in some of the major advanced economies. The Euro-zone looks set to remain in recession but growth in the US and UK should pick-up through the next year – provided that the US "fiscal cliff" can be averted. If it is not averted, the tightening in US fiscal policy would be substantial and has the potential to tip the US economy back into recession next year.

Policy easing around the world underpins our forecast modest acceleration in forecast global growth from 3% this year to a still sub-trend 3¼% in 2013. Emerging market economies account for over 2 percentage points of that growth with China alone contributing 1 percentage point and India, Latin America and the Asian "Tigers" adding around ¼ percentage point each.

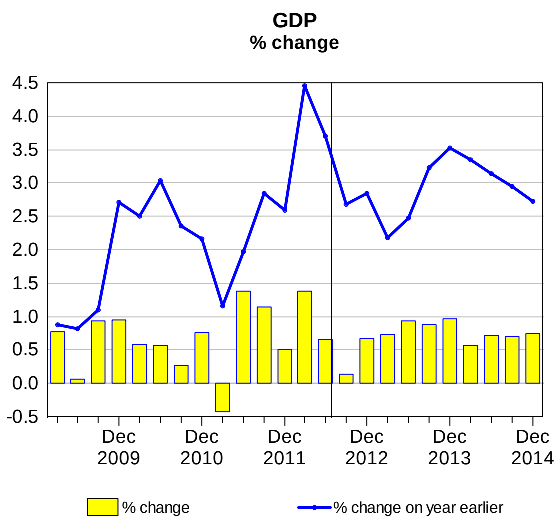
Advanced economy central banks have recently stepped up their monetary easing and many central banks in the emerging market economies have cut their policy rates. Brazil has been especially aggressive in rate cutting but China and India have been much less active. Stubbornly high inflation and a need to promote economic reforms explain much of the Reserve Bank of India's caution in rate cutting but it recently acknowledged that "monetary policy has an important role in supporting the growth revival" – possibly a harbinger of more rate cuts. The Chinese central bank has cut rates twice recently and injected liquidity into the market and we expect another rate cut by the end of the year. Our models suggest that easing monetary and credit conditions should add around ½ percentage point to Chinese growth. This policy easing plus a modest recovery in world trade explain the forecast lift in Chinese growth from 7½% this year to 8% in 2013.



Australian outlook

Key Points

- The Australian economy remains in a soft patch at present, with falling income growth from lower commodity prices, the high AUD and fiscal tightening (both state and federal) likely to continue to weigh on activity in coming months and quarters. Business survey highlighting this, both via lower activity results and very weak forward orders.
- Australian forecasts lowered, especially in 2013: GDP 3.3% in 2012 (was 3.4%) and 2.5% in 2013 (was 2.8%).
- In medium term while exports likely to largely offset GDP impact of falling mining investment, demand for labour will be structurally lowered. As a result unemployment to rise into 2014 despite GDP rising to 3.2% (was 3.6%). RBA to increasingly take this into account as it runs an accommodative policy stance.
- Underlying inflation (including the carbon tax) to remain within RBA target range; 2.4% in 2012 (was 2.7%) and 2.9% in 2013.
- RBA expected to cut by an additional 25 bps in November, provided inflation remains subdued. Possible that we will see another cut in early 2013 but data dependent (especially inflation and labour market data). Certainly, RBA likely to remain on hold at 3% or just below through 2013.
- Main risks to accommodative stance are; a potential kick in asset prices (the latter is starting to be influenced by previous cuts), and fiscal indiscipline in the lead up to 2013 elections.



Source: ABS and NAB forecasts

National trends

While the domestic economy is performing reasonably well in aggregate, the restructuring burden from the mining investment boom is taking a toll on activity and sentiment. The NAB Business Survey (also released today) showed a pull back in business conditions in September, while forward indicators remain concerning.

While announcements of further policy stimulus in some of the major international economies and speculation of more RBA rate cuts may provide some near-term support to domestic activity, overall activity is expected to be weighed down by falling income growth from lower commodity prices, a still high AUD – which may be increasingly figuring in firms' re-structuring decisions – and fiscal tightening (both at the state and federal level).

Into the medium term, the mining sector will remain a significant part of Australia's growth story. We expect the mining investment boom to peak in late 2013 / mid 2014 with the effects of the softening in business investment activity to largely be offset by a strengthening in exports, though the demand for labour is likely to weaken.

The general softness in the local economy combined with recent developments internationally allowed the RBA to take out some additional insurance at its October Board meeting, with the RBA lowering the cash rate by 25 bp to 3.25%. A slightly weaker demand profile, continued retail discounting and the still strong AUD should see inflation remain within the RBA's 2-3% target band; underlying annual CPI inflation (inc. carbon tax) is expected to be 2.4% in 2012, rising to 2.9% in 2013.

Provided inflation comes in close to expectations, now expect to see an additional 25 bp rate cut in November. This should help to counterbalance lower commodity prices, fiscal tightening and the impacts on some industries from the persistently high AUD. It is possible the RBA will need to go again in early 2013, if activity and the labour market deteriorate further.

Based on aggregate business conditions, the survey suggests GDP growth (ex mining) trending at between 2¾-3% in Q3, somewhat below the actual six-monthly annualised rate (ex mining) of 3.9% in Q2. We expect GDP growth to ease to 0.1% in Q3 largely in response to weaker consumption growth and very weak residential construction levels.

For the remainder of 2012/13, GDP growth is expected to pick up as the interest rate cuts over the past year begin to bolster consumption. However, GDP growth is likely to be restrained to

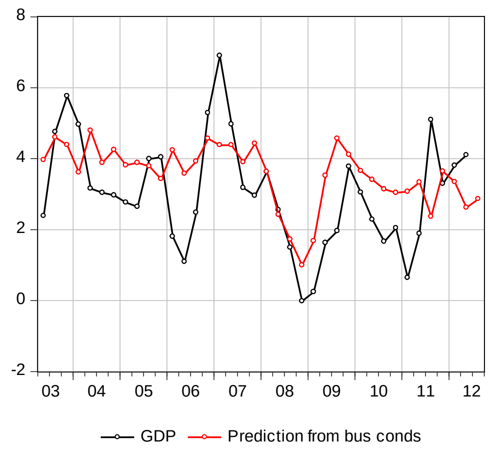
2.1% through the year by government fiscal consolidation.

In summary, our calendar year GDP growth forecasts are lower compared to a month ago; 3.3% in 2012 (was 3.4%) and 2.5% in 2013 (was 2.8%). The unemployment rate (currently 5.1%) is expected to rise to a peak of 5.4% in Q2 2013 and to remain close to this level in 2013 and 2014.

In financial year terms, GDP is expected to be:

- 2.3% in 2012/13 (was 2.6%), and
- 3.0% in 2013/14 (was 3.4%).

Business conditions (change & level) as an indicator of GDP (6-monthly annualised)



Sources: ABS; NAB modelling

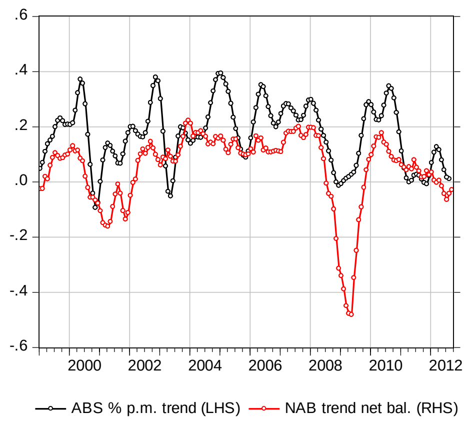
Labour market

Employment declined in August and has made little headway since April this year. Aggregate hours worked have trended down for four consecutive quarters. Unemployment has however remained low – currently at 5.1%. This appears to reflect some discouraged worker effects (the participation rate having declined to from 65.4% in May to 65.0% in August) and a slower population growth rate.

Labour market indicators are somewhat mixed at present, though they generally point to continued soft conditions. On a positive note, the ABS reported a solid rise in private job vacancies over the three months to August (up 5.9%), though this outcome followed a 5.2% decline in the previous quarter. The DEEWR internet vacancy index was unchanged in August, following a 3.7% decline in July, to be 17.4% lower over the year, while ANZ job ads decline by 2.8% in September, following a fall of 2.4% in August. The NAB employment index edged down in September to a net balance of -2 points, with its trend pointing to fairly soft employment outcomes in coming months.

According to the NAB survey, employment conditions are weakest in manufacturing and construction, while they are strongest in transport & utilities and finance/ property/ business.

Employment



Sources: ABS, NAB

Consumer demand & housing

While lower borrowing costs may be expected to strengthen discretionary spending, it appears that government carbon price compensation payments in May and June this year caused a pull forward in demand, which is subsequently being unwound.

Thus, the value of retail trade rose only marginally in August, up 0.2% after falling by 0.8% in July. However, somewhat disconcertingly, the NAB survey showed a sharp pull back in retail business conditions in September, with this industry recording the weakest performance of all industries in the month. Retail margins appear to have stabilised a little, with growth in prices (0.3%; at a quarterly rate) marginally outpacing growth in labour and purchase costs (both 0.2%).

The Westpac-Melbourne Institute consumer sentiment index rose marginally to 98.2 in September, though remained well below its average of 102.7 (since 1990). The relatively lacklustre outcome came despite several cuts to borrowing rates and a fairly solid economy (in aggregate).

According to the NAB online retail sales index, annual growth in online sales remained robust in August, despite softening a little (22%, down from 25% in July).

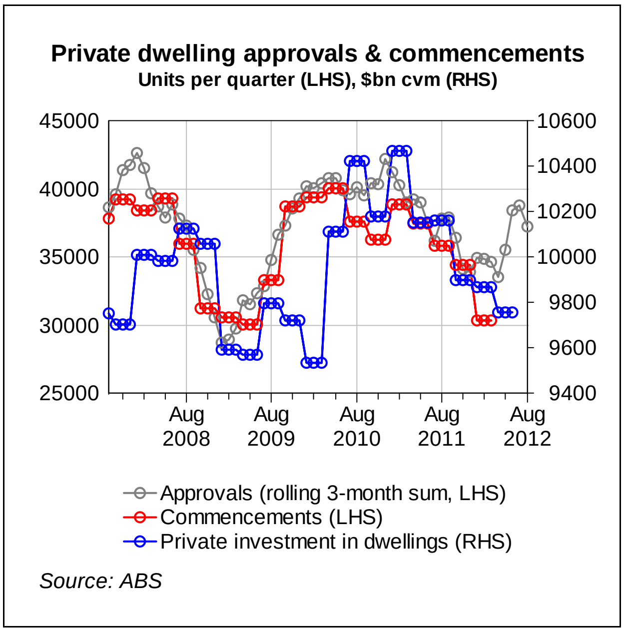
Sales of combined passenger and sports utility vehicles (some of which are for business use) showed signs of improvement in August; sales rose 4.5% in the month, though this followed a 4.2% decline in July.

The stock of personal credit declined further in August, to be at its lowest level (break adjusted) since October 2009. Housing credit growth was also subdued, rising by just 0.3% in the month, well below its decade average of 0.9% per month.

While credit growth remains soft, it appears that relatively low interest rates, combined with the repair of household balance sheets that has occurred since the GFC, have sparked renewed interest in the housing market. The RP Data-Rismark series for September showed a 1.4% rise in dwelling prices – the forth consecutive monthly increase – following almost two years of downward trend. The NAB residential property survey for Q2 revealed that property professionals expect a modest recovery in capital values over the next two years, with prices tipped to rise by 1%. The latest RBA rate cut in October may provide more stimulus to the property market in coming months and quarters.

Investment

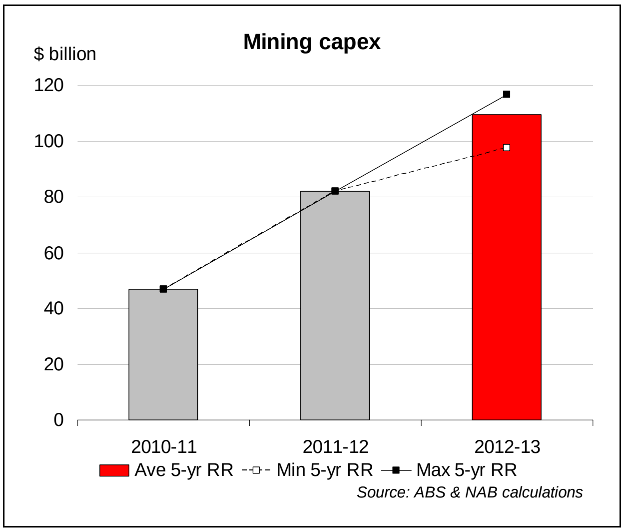
The outlook for dwelling investment remains a concern. Residential building approvals improved a little in August, though this outcome followed a particularly sharp decline in July. The NAB monthly survey continues to report very difficult conditions in construction, despite a modest improvement in September. Nonetheless, lower borrowing rates may eventually help to encourage increased residential building activity as the price of existing dwellings rise making new construction a more viable option.



The latest ABS capex survey revealed that mining capex almost doubled in 2011/12. For 2013 mining capex is expected to grow by one-third (based on the 5-year average of realisation ratios) – albeit that rise is slightly down on previous expectations. For other selected industries, capex is expected to drift down by almost 5% in 2012/13.

Construction work continues to be dominated by engineering construction associated with mining and infrastructure. While we expect the mining investment boom to come to an end in early 2014, there is still a significant amount of work in the pipeline yet to be completed. While there have been rumblings that a number of smaller mining investment projects in Australia are being revised following recent commodity price falls, Australia remains a low cost producers of minerals and energy commodities.

What the lower commodity prices have done (both for coal and iron) is to bring into doubt some marginal mines (especially coal) with a flow on downsizing in mining related services. Also expansion plans at more marginal operations are likely to be shelved until there is greater clarity on commodity price expectations. Interestingly, total coal and iron ore production levels are expected to increase in Australian mines.



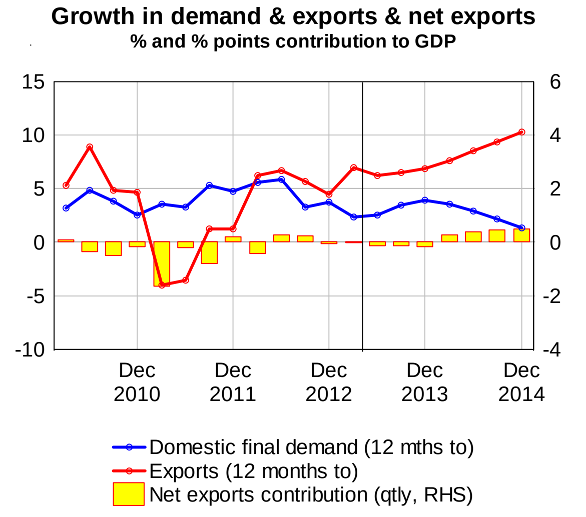
Commodity prices and net exports

Iron ore prices have partially recovered, following a string of heavy declines, which saw prices bottom out at close to US$85 per tonne (CFR Tianjin) in early September. Announcements of investment infrastructure projects in China combined with a run of soft Chinese economic data have heightened expectations that Chinese authorities will do even more to bolster growth in the world's largest steel producing and consuming nation, which should help to support prices at historically high levels.

In US dollar terms, the NAB non-rural commodity price index is forecast to fall by around 19 per cent over 2012, before seeing a slight, and temporary, boost of around 2 per cent in 2013 (see Graph). Given our forecast for the AUD/USD over the remainder of the forecast horizon, AUD prices are expected to fall by 18 per cent through the year to December 2012, before rising 5¼ per cent over 2013.

The Australian farm sector remains on the right side of the multi-speed economy. Grains prices are up significantly due to the northern hemisphere droughts and this will likely flow through to the livestock sectors. In all, we estimate that this has likely added around $6 billion in export incomes to the Australian farm sector. That said some sectors such as diary and food processing are continuing to suffer from the high AUD.

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



Source: ABS

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

Interest rates

Turning to inflation, it remains uncertain just how much the carbon tax (effective 1 July 2012) will impact prices in Q3 and beyond; the NAB survey showed that transport & utility final prices increased sharply in July, suggesting pass through to other industries may still be on its way. The carbon tax might add about 0.3% points to core inflation in 2012/13, implying an inflation rate in the upper half of the RBA target band carbon by mid 2013.

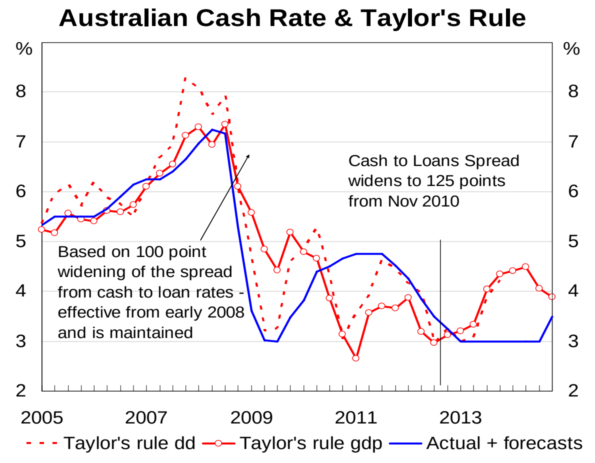
The RBA highlighted its intention to support growth in the economy by lowering the cash rate by 25 bps to 3.25% at its meeting in October. As noted earlier the concerns related to the impact on activity and the labour markets of falling commodity prices, the high AUD and fiscal tightening. There was also a concern about the need to support the labour market from the phasing of the mining boom from investment to exports – albeit this is a longer run issue and relates more to keeping an accommodative policy stance in 2013 (given monetary policy lags of around 12 -18 months).

Given what the Survey has shown with regards to softening activity and forward orders in September is that it is now probable that the RBA will add additional stimulus in the form of a 25 point cut in November. The only data that could delay this would be a surprisingly high September quarter CPI result, due to be published in late October. In our view, prevention of another cut would probably require a core inflation result of 0.8% or more.

Over coming months, as well as the inflation data, the RBA will be particularly sensitive to any rise in unemployment and further signs of falling activity and credit demand. And it is possible that another cut in early 2013 may emerge if activity and the labour market deteriorate further.

While we had previously expected the RBA to begin tightening by late 2013, we now judge the RBA's concerns about the labour market implications of the changing phases of the resource boom as delaying that till mid 2014. In our own forecasts the unemployment rate rises to around 5.7% in late 2013 / early 2014. An accommodative policy in 2013 is very much meant to help offset these impacts.

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



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Key global GDP forecasts (calendar years)

Country/region	*IMF weight*	2006	2007	2008	2009	2010	2011	2012	2013
					% change				
United States	*19*	2.7	1.9	-0.3	-3.1	2.4	1.8	2.1	2.4
Japan	*6*	1.7	2.2	-1.1	-5.5	4.5	-0.7	2.2	1.5
Euro-zone	*14*	3.3	2.9	0.3	-4.3	1.9	1.5	-0.7	0.1
United Kingdom	*3*	2.6	3.6	-1.0	-4.0	1.8	0.8	-0.4	1.0
Asian Tigers	*8*	5.6	6.0	3.2	0.2	7.8	4.2	3.4	3.6
Latin American 4	*9*	5.3	5.6	4.2	-2.0	7.2	4.8	3.1	2.7
China	*14*	12.7	14.2	9.6	9.2	10.4	9.2	7.5	7.9
Canada	*2*	2.8	2.2	0.7	-2.8	3.2	2.5	2.0	2.3
India	*6*	9.6	9.7	7.5	7.6	8.2	7.5	5.2	5.8
Africa	*3*	6.1	6.3	5.5	2.8	5.3	4.7	5.0	5.3
CIS	*4*	8.2	8.6	5.5	-6.4	4.6	4.6	4.0	4.1
Eastern Europe	*4*	6.7	5.7	3.0	-3.6	4.5	5.1	1.9	2.5
Middle East	*5*	5.7	5.9	5.1	2.6	4.3	3.0	3.8	3.7
Other advanced	*5*	4.5	4.7	1.7	-1.1	5.8	3.3	2.2	3.5
Global total	*100*	5.7	5.8	3.1	-0.3	5.2	3.9	3.0	3.3

Australian Economic and Financial Forecasts (a)

	Fiscal Year			**Calendar Year**		
	2011-12	**2012-13 F**	**2013-14 F**	**2011**	**2012- F**	**2013-F**
Private Consumption	3.7	2.6	2.4	3.3	3.7	2.3
Dwelling Investment	-3.3	-3.4	6.2	1.3	-6.3	2.8
Underlying Business Fixed Investment	25.5	8.5	7.6	19.5	16.6	8.9
Underlying Public Final Demand	0.9	1.5	0.1	0.4	2.5	-0.2
Domestic Demand	**5.3**	**2.9**	**3.0**	**4.2**	**4.6**	**2.8**
Stocks (b)	0.2	-0.2	-0.2	0.4	-0.1	-0.2
GNE	**5.5**	**2.6**	**2.8**	**4.6**	**4.5**	**2.6**
Exports	3.7	5.8	7.4	-1.3	5.7	6.6
Imports	11.8	4.8	6.1	11.5	7.1	6.1
GDP	**3.4**	**2.3**	**3.0**	**2.1**	**3.3**	**2.5**
– Non-Farm GDP	3.3	2.3	3.0	2.0	NA	NA
– Farm GDP	7.5	4.4	2.0	8.1	NA	NA
Federal Budget Deficit: ($b)	22	9	9	30	15	NA
Current Account Deficit ($b)	41	62	62	32	52	74
(-%) of GDP	2.8	4.1	4.1	2.3	3.5	4.9
Employment	0.7	0.6	1.1	1.6	0.7	0.7
Terms of Trade	1.8	-9.6	-5.5	13.6	-8.2	-7.4
Average Earnings (Nat. Accts. basis)	5.8	3.9	4.2	5.3	4.9	4.0
End of Period						
Total CPI	1.2	3.4	3.2	3.1	2.6	2.9
Core CPI (exc. carbon)	2.0	2.5	3.1	2.7	2.2	2.8
– Core CPI (inc. carbon)	2.0	2.8	3.1	2.7	2.4	2.9
Unemployment Rate	5.1	5.4	5.4	5.1	5.3	5.4
RBA Cash Rate	3.50	3.00	3.00	4.25	3.25	3.00
10 Year Govt. Bonds	3.04	3.25	3.55	3.67	3.15	3.6
$A/US cents :	1.00	0.98	0.96	1.02	1.00	0.97
$A - Trade Weighted Index	74.40	72.31	71.30	74.75	73.35	71.47

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

(b) Contribution to GDP growth

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