National Australia Bank

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Global & Australian Forecasts — August 2013

Global growth unchanged as modest country forecast revisions cancel each other out. We see moderate acceleration in global growth to around trend in 2014. Recent data show promising signs in big advanced economies while conditions still softening in emerging market economies. Australian economic growth still edging lower. Our domestic forecasts a touch lower with downside risks building. Treasury and RBA also lowering their expectations. With unemployment likely to be above 6% by year end (higher into 2014), we see another RBA cut in November and risk of more.

- Central bank statements reinforcing their guidance that interest rates should stay low for a long time yet across the big advanced economies have supported financial markets. Recent business surveys and industrial data point to an upturn in growth in these advanced economies, possibly heralding the start of the shift in the composition of global growth away from the emerging markets and toward advanced economies. While USA growth is lower, an accelerating trend is expected to see "tapering" begin in coming months. Against that, business surveys, trade and industry data and GDP releases show a softening trend in the emerging markets. We also expect slower Chinese growth to continue into 2014.
- The Australian economic outlook remains soft. The latest NAB survey showed that business conditions in July remained at a four-year low and confidence fell to the lowest level in eight months. Conditions were especially weak in manufacturing – despite the lower Australian dollar – construction, mining and retail. Labour market forward indicators have deteriorated further, suggesting more weakness in domestic demand to follow.
- There has been a clear shift down in growth expectations from the Commonwealth Treasury and the RBA. That said, we remain a touch more bearish. We see significant deterioration in the labour market in H2 2013 and into 2014. When combined with still low inflation, we expect another RBA cut by year-end – probably November. We see the RBA's easing bias continuing beyond that and with risks building even more cuts might be required.
- Changes to tobacco excise to more than offset the lower expected price of carbon, leading us to revise up our headline CPI forecasts. But core CPI is expected to edge down to 2.2% by end 2013 and to 2.4% by end 2014. GDP to soften to 2.2% in 2013, rising to a still below-trend 2.6% in 2014. These forecasts are a touch lower, especially in the out years. Unemployment rate forecast to exceed 6% by end 2013 and 6½% by end 2014.

Key global GDP forecasts (calendar years)

Country/region	*IMF weight*	2011	2012	2013	2014	2015
				% change		
United States	*19*	1.8	2.8	**1.5**	**2.7**	**2.9**
Euro-zone	*14*	1.5	-0.6	**-0.6**	**1.1**	**1.9**
Japan	*6*	-0.6	1.9	**2.0**	**2.3**	**1.8**
China	*15*	9.3	7.8	**7.5**	**7.0**	**7.0**
Emerging Asia	*8*	4.2	3.8	**3.7**	**4.1**	**4.3**
Global total	*100*	4.0	3.2	**3.0**	**3.6**	**3.7**
Australia	*2*	2.4	3.6	**2.2**	**2.6**	**2.8**

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	**2.4**	**1.8**	**2.3**	Core CPI	2.4	**2.6**	**2.1**
Domestic demand	**2.1**	**0.0**	**0.7**		*% end of year*		
GDP	**2.8**	**2.2**	**2.7**	Unemploy. rate	5.6	**6.4**	**6.7**

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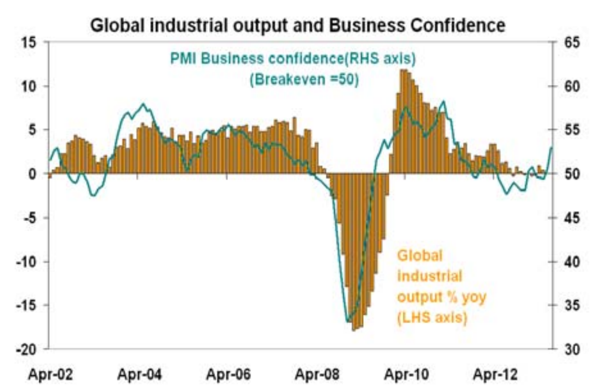
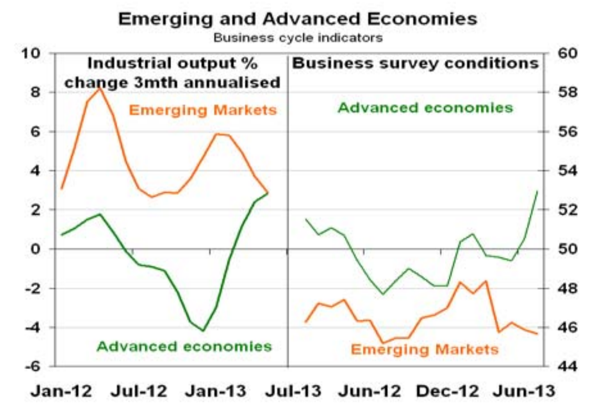
Global outlook

Key Points

- The long awaited rotation of global growth towards a greater contribution from the big advanced economies may finally be under way as business survey and industrial output data shows growth picking up. Annualised 3-month growth in industrial output in the advanced economies has caught up with emerging economies and there is a marked divergence in business survey trends between the two groups.
- Global equity markets recovered earlier losses as it became clear that central banks would not rapidly turn off their monetary easing and forward looking markets priced-in an expected upturn in global growth. That said, we still expect "tapering" to begin in the USA in coming months.
- Concern now focuses on the big emerging markets, previously the star performers – especially China, India and Brazil where growth is either slowing or running near to its target rate.
- While year-average 2013 global growth is predicted to be 3%, just below last year's pace, we are still expecting an upturn toward the end of the year that takes 2014 growth back to the range 3½ to 3¾% (around trend).



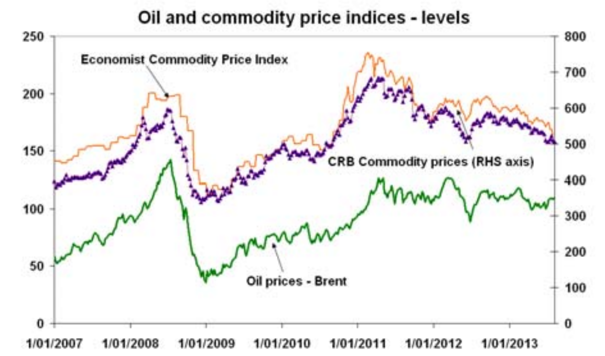


Financial & commodity markets

Central banks in the big advanced economies have been signalling that interest rates appear likely to remain very low for a long time to come, provided inflation remains subdued. The Fed Chairman's latest remarks were more dovish than expected, although some other FOMC members have stressed the need to stop easing monetary settings sooner rather than later. Our assessment is that the Fed starts "tapering" (winding back asset purchases) later this year and that phase ends in mid-2014. The Fed will not begin to lift its policy rate or start running-down its assets until the second half of 2015.

The European Central Bank (ECB) has also given guidance that it is in no hurry to lift its low interest rates either. Over "an extended period" it envisages rates either staying the same or falling as it expects inflationary pressures to stay modest into the medium term. The Bank of England has said that it will not raise its policy rates until the jobless rate falls to 7%, which is not expected to happen until late 2016. Finally, as the Bank of Japan has ramped up its monetary easing this year in an effort to end deflation and boost growth, it is most unlikely to operate anything other than a very loose policy.

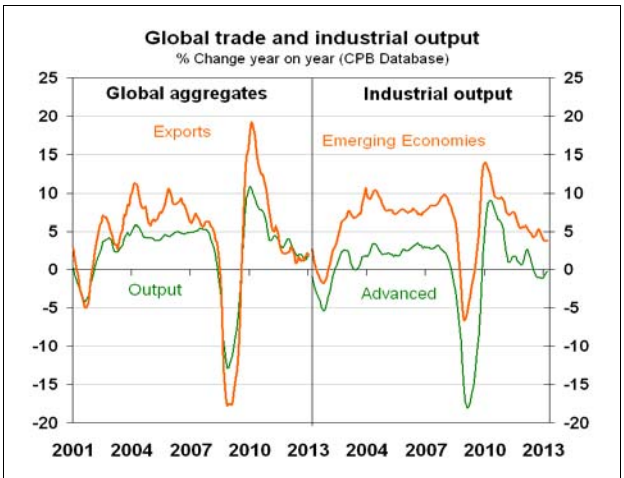
This means that markets worry less about an imminent withdrawal of the central bank liquidity that has fuelled higher asset prices around the world. That reassurance provided the market confidence needed to sustain risk appetite and move equity prices back to their previous highs.



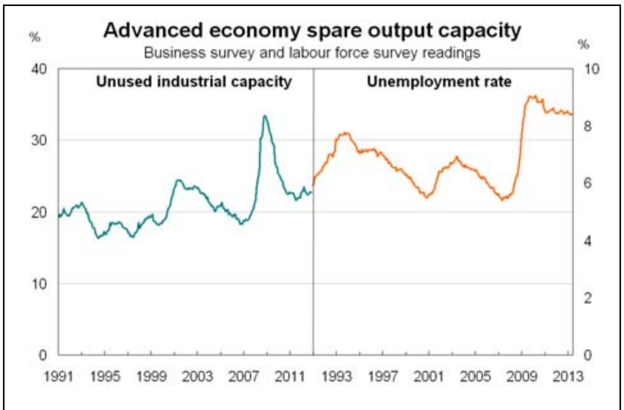
Global trends

The consensus view among the big international organisations has long been that annual global economic growth should increase from 3% to around trend (which is between 3½% and 3¾%) over the next year or two. Set against this long-held forecast, the performance of the global economy through the last couple of years has been disappointing with few signs – until recently – that the much anticipated ramping up of world economic growth was about to start.

The last few months have finally brought some early evidence that things could be getting better and a rotation of global economic expansion toward a greater contribution from the big advanced economies was beginning. Some of this rotation reflects the passing of prolonged periods of economic weakness in Western Europe, some is due to the stimulus coming from Abenomics to Japanese demand while, in the background, a moderate US recovery continues (albeit from a revised lower base).



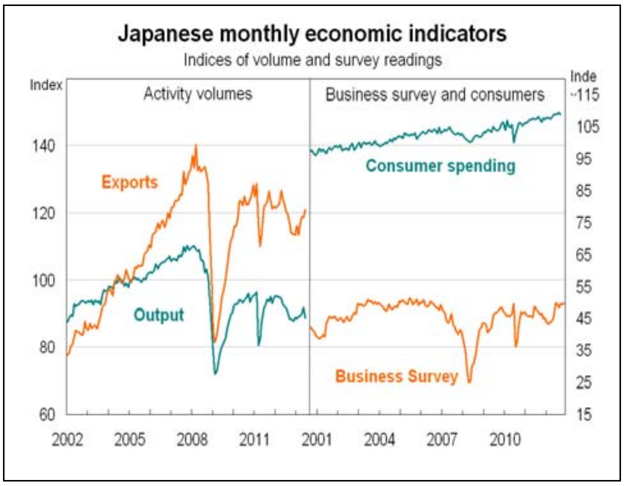
As there is still plenty of spare capacity in the big advanced economies, supply should not be much of a constraint on their predicted economic upturn. This idle capacity limits pricing power in labour and product markets, ensuring inflation stays down, thus allowing central banks to keep their policy interest rates at historically low levels.



Advanced economies

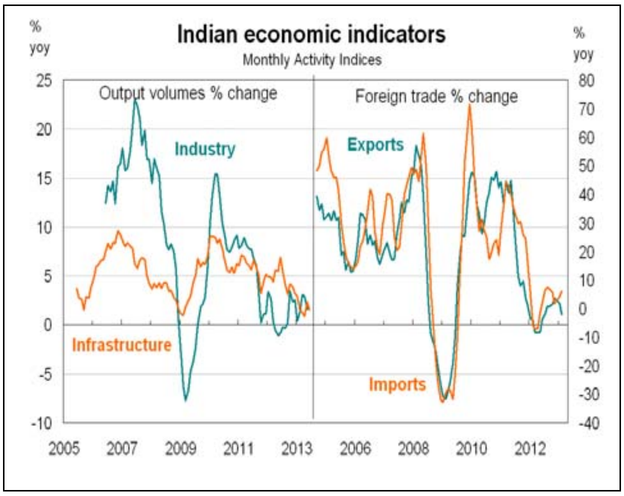
Second quarter trends in GDP for the US and UK have been reasonably positive, partial data for Japan suggests continued growth and even some of the recent economic indicators in the recession-hit Euro-zone are looking less negative with the ECB seeing a "stabilisation in economic activity at low levels". The most marked evidence of improving economic conditions comes in the business surveys where the latest monthly purchasing manager surveys show a solid improvement across the US, UK and Euro-zone (but the Japanese upturn faltered in July).

After a long period of deflation and weak economic growth, the Japanese authorities have adopted policies aimed at getting faster economic growth and 2% CPI inflation "at the earliest possible time" and certainly within two years. The combination of fiscal stimulus, central bank asset purchases and a lower yen appears to have triggered an upturn, with exports, consumer spending and business conditions all moving up. However, there have been a few recent setbacks on this upward course and markets are watching to see if growth momentum can be maintained.



Emerging economies

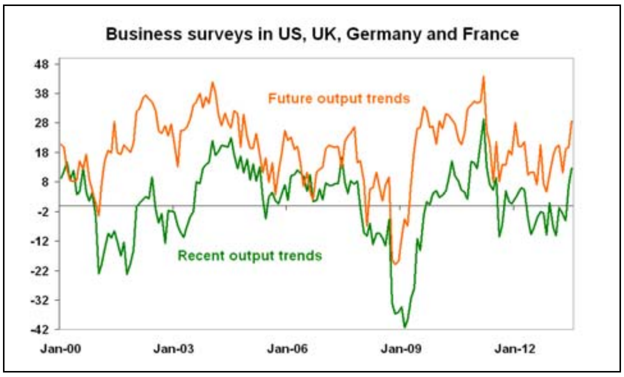
While economic conditions across the big advanced economies have started looking more promising during the last six months, the growth performance of the large emerging market economies has been disappointing. Chinese growth slipped from double-digit levels in 2010 to 7.5% yoy in June 2013 and quarterly growth in the second quarter was running at 1.7%, below the 7% yoy figure mentioned as a minimum acceptable growth outcome by senior Chinese leaders. India has also slowed markedly with growth halving from around 10% in the first half of 2010 to around 5% yoy in early 2013 and the monthly output and trade data (see charts below) does not show any sign of a convincing recent pick-up.



The emerging market slowdown extends beyond China and India, stretching from the export oriented economies of East Asia to even a big closed Latin American economy like Brazil where growth of only around 2% is expected this year. This weakness reflects subdued world trade and the exhaustion of previous credit-led growth models in places like Brazil and S Korea.

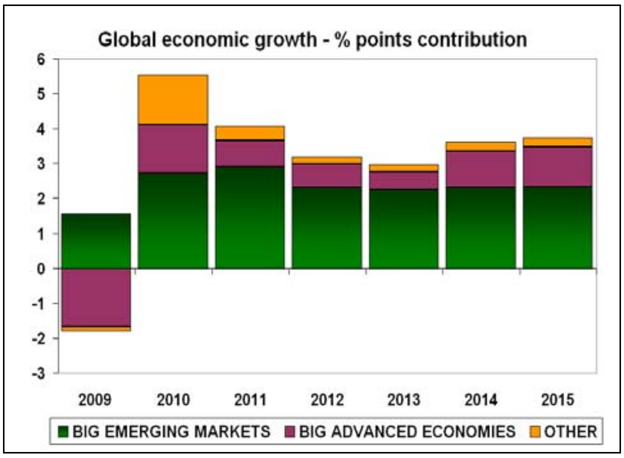
Forecasts

Recent signs that growth is picking up in the big advanced economies fit in with the re-balancing of global growth toward those nations that we have been predicting for some time and which business seems to be expecting. Eventually the still weak economic conditions in Western Europe have to improve, Abenomics should boost demand in Japan while the gradual US economic upturn trundles on. The upshot is that growth in the big advanced economies should rise from just over 1% this year to 2¼% in 2014.



While recent indicators look brighter for the advanced economies – and we have modestly revised up our 2013 forecasts for the UK and Japan – they look less rosy for some of the big emerging markets and we have slightly lowered our forecasts for China and India. Emerging economy growth is only expected to accelerate modestly through the next few years – from 5¼% in 2013 to 5½% by 2015, mainly because of an upturn in world trade that drives emerging Asian exports, monetary easing in India lifting its demand and faster expansion in Latin America. Taken overall, world economic growth is expected to rise from 3% this year to 3.6% in 2014 and 3.7% in 2015, which is back around its long-term pace.

For more detail, see our International Economic Reports.



Australian outlook

Key Points

- Growth in the domestic economy appears to be grinding lower – with domestic demand possibly continuing to contract. Business conditions reported in the latest NAB survey remain unchanged at their lowest level in four years. And there is no sign of increased momentum in the very poor readings for forward orders, capacity utilisation and capex. Confidence meanwhile moves lower to "soggy" levels despite a lower AUD and the prospect of lower rates (now operating).
- Overall our GDP growth path remains broadly unchanged from a month ago but at the margin is a touch lower – especially in the out years. We see growth softening to 2.2% in 2013, before rising to a still below-trend rate of 2.6% in 2014. Consistent with this, the unemployment rate is expected to exceed 6% before the end of this year, before rising to 6½% or a touch higher by late 2014.
- The balance of risks to both our activity and labour market forecasts is shifting to the downside. While the Government and the RBA have recently lowered their forecasts we remain a touch more bearish.
- Changes to tobacco excise taxes more than offset the lower expected price of carbon leading us to revise up our headline inflation forecasts this month. But core inflation is expected to edge down to 2.2% by late 2013, and to 2.4% by late 2014.
- It also appears that the recent lower AUD has added to retail and wholesale costs but weak conditions have (so far) been reflected in lower profits rather than higher prices.
- Given the above, we expect the RBA to cut again before years end – probably in November on the back of continuing low core inflation and a weaker labour market. Clearly the risks are rising that the RBA may need to do more in 2014 – but that is not yet in our forecasts.

National trends

The Australian economic outlook remains soft. The latest NAB survey showed that business conditions in July remained at a four-year low and confidence fell to the lowest level in eight months. Conditions were especially weak in manufacturing – despite the lower Australian dollar – construction, mining and retail. Labour market forward indicators have deteriorated further, suggesting more weakness in domestic demand to follow.

We see a significant deterioration in the labour market in H2 2013 and into 2014, which with continuing low inflation, leads us to expect a further RBA cut by years end – probably in November. We expect the RBA's easing bias to continue beyond that and the risks are building that even more cuts might be required.

Optimism in the official family about the outlook for the Australian economy also appears to have dissipated over recent weeks. In broad terms, Treasury and RBA forecasts, while similar in tone, remain a touch more upbeat – especially when we include our worries about downside risks building in our forecasts. Turning to the numbers we are forecasting GDP growth of 2.2% in 2013/14 (Treasury: 2½%, RBA: 2½%) and 2.7% in 2014/15 (Treasury: 3%, RBA: 2½-3½%).

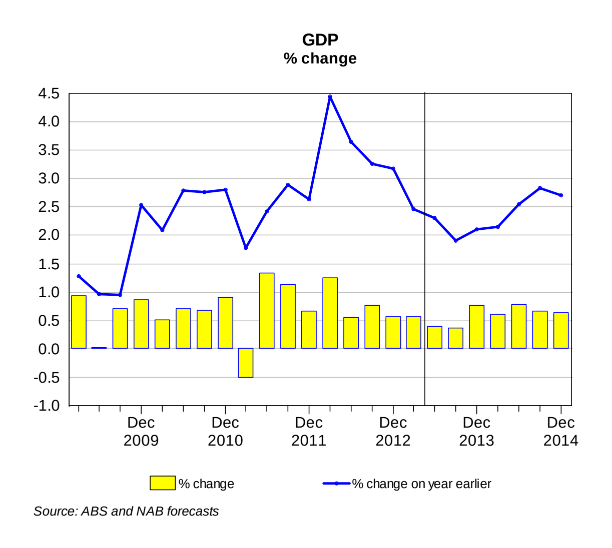
Australian economic forecasts

		2013-14	2014-15
GDP	**Commonwealth Treasury**	2.5	3
(year-average)	**RBA**	2.5	2.5-3.5
	NAB	2.2	2.7
Headline CPI	**Commonwealth Treasury**	2.5	2
(through the year)	**RBA**	2.5	2-3
	NAB	2.9	2.2
Core CPI	**Commonwealth Treasury**	--	--
(through the year)	**RBA**	2.25	2-3
	NAB	2.6	2.1

Our forecasts begin to deviate in a more meaningful way from Treasury's in the out-years, especially for the labour market. Treasury projections beyond 2014/15 appear unrealistic, with GDP and employment growth too weak to reduce the unemployment rate to 5%. While 1½% employment growth in 2014/15 is expected to maintain the unemployment rate at 6¼%, the same employment growth in 2015/16 reduces the unemployment rate to 5% (NAB sees around 6¾%); while a technical assumption, this has big implications for outlays.

We think the most prominent issues are how quickly the labour market can absorb the frictions associated with the winding down of mining investment and whether the non-mining sector will have the capacity to assume the reins of growth as mining investment declines. We are already seeing signs that domestic demand is slowing and labour market conditions are weakening, suggesting that these issues are already having an impact on growth.

While a lower Australian dollar and accommodative monetary policy settings should provide some relief for trade-exposed sectors and assist a rebalancing of growth towards greater sustainability over time, the exchange rate is still historically elevated, and is expected to remain so over the near to medium term. Also as noted above, there are early signs that a lack of demand has seen profits take a hit rather than prices increase.



Turning to recent partials, the evidence continues to point to a weak labour market. There are also clear signs that employment in the mining sector is declining.

Retail trade did not grow in values terms in June, nor did June quarter volumes, while personal credit growth remained weak. While there are signs of a resurgence in house price growth, the benefit of lower interest rates is likely to continue to struggle against a deteriorating labour market and worries about job security.

Forward indicators for dwelling construction are also soft. Although mining engineering commencements picked up in Q1, the pipeline of incomplete work continues to decline in an environment of weak and volatile commodity prices.

Our GDP growth forecasts are a touch softer compared to last month. We expect quarterly growth to soften to 0.4% for the next two quarters before strengthening to 0.8% in Q4, yielding 2.2% in 2013 (was 2.3%). Growth of that magnitude will not be sufficient to prevent the unemployment rate rising to above 6% by the end of this year.

In 2014, export volumes should help drive growth as major minerals and energy projects begin the transition from construction to production and export. GDP growth is expected to improve a little in 2014 to 2.6%, though this still represents below-trend growth. The lower labour-intensity of mining exports relative to mining investment will have implications for labour market adjustment in 2014 and beyond.

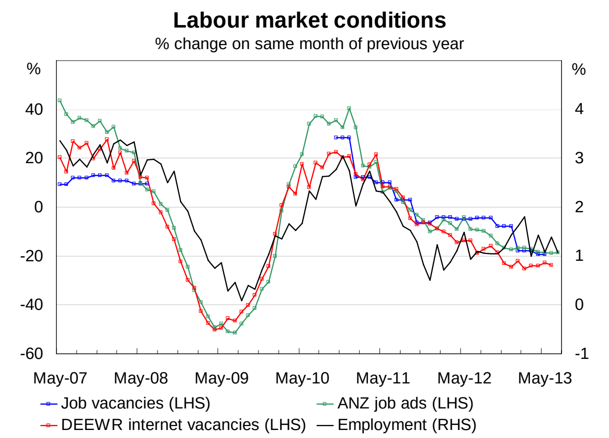
In financial year terms, GDP is expected to be:

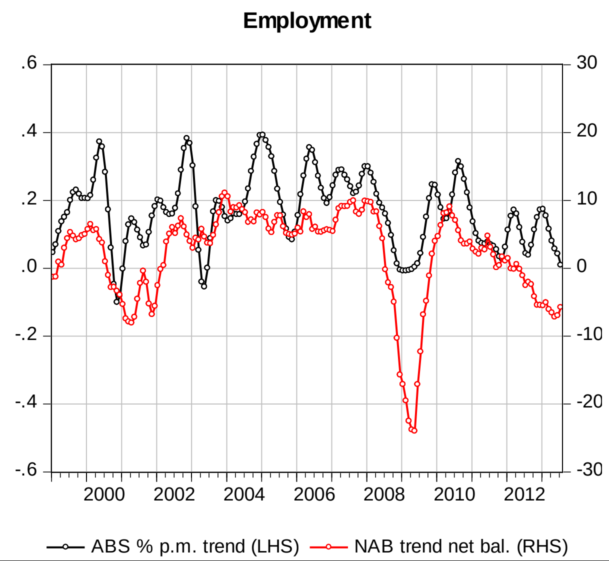
- 2.8% in 2012/13,
- 2.2% in 2013/14, and
- 2.7% in 2014/15

Labour market

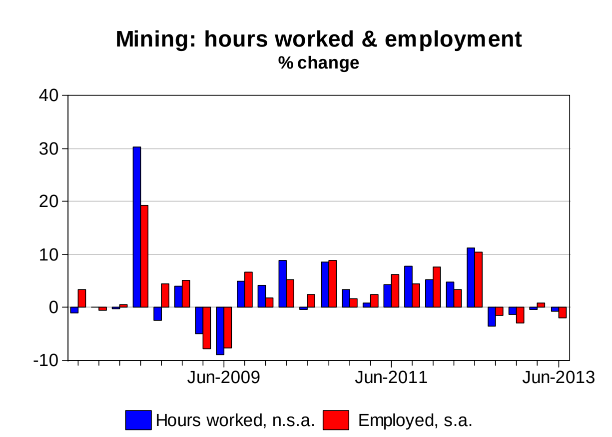
Official ABS data are finally beginning to paint a weaker picture of labour market conditions after being at variance with partial indicators for much of this year. In July, the number of people employed fell by 10,200, more than unwinding the previous month's rise. When combined with a fall in the participation rate, the unemployment rate was unchanged at a four year high of 5.7%.

Partial indicators of labour market conditions have also weakened appreciably into the middle of this year. DEEWR internet vacancies fell by 2.8% in June, while the trend vacancies series also declined by 1.8%. More recent ANZ data show a 1.1% decline in job ads in July, to be 19% lower over the year and pointing to a further softening in recruitment demand. The NAB employment conditions index also remained subdued, at -5 points, representing the 15th consecutive month of being in negative territory.





Mining sector employment has declined in three of the past four quarters and mining hours worked have not risen for a year.



Source: ABS

Consumer demand & housing market

Retail spending has remained very subdued through the middle of this year. Retail turnover was flat in June remaining 0.5% below its most recent peak in February. This was despite a rise in the Westpac-Melbourne Institute measure of consumer confidence in June. A recent string of weak monthly turnover prints appears to have prompted retailers to discount their prices, with the volume of retail trade unchanged in the June quarter. June monthly trend data again highlighted weakness in household goods, clothing, footwear & accessories and department stores. More recent NAB monthly business survey data suggest that retail activity remained weak in July, despite trading conditions picking up in the month (up 7 to -16 points). Furthermore, the survey showed a deterioration in retail forward orders (down 2 to -3 points), providing little prospect of a near-term improvement in retail activity. Personal credit did however rise a little in June – up 0.2% – though this followed a 0.1% fall in May and a string of weak outcomes previously.

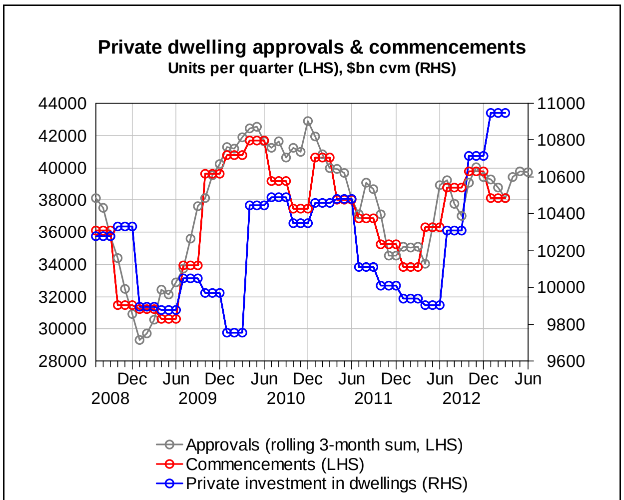
Annual growth in online retail sales slowed from 17% in May to 14% in June, the second weakest growth outcome in the history of the index (since January 2013) – for more detail, see NAB online retail sales.

Upward momentum in house prices continued into the June quarter, with growth in the ABS measure of established house prices accelerating to 2.4%, following growth of 0.8% in the March quarter. While this measure outpaced average quarterly growth evident in the RP Data-Rismark series (largely reflecting differences in methodology), it provides evidence that house price growth has accelerated through the first half of 2013. The July monthly RP Data-Rismark price series provides further evidence that house prices have continued to rise, with growth of 1.6% across the capital cities in the month. The rise in house prices in the month was led by gains in Canberra (2.5%), Melbourne (2.3%) and Sydney (2.0%). Housing credit continued to grow at a modest pace in June, up 0.4% overall, with investor credit maintaining its edge over owner-occupiers. Overall, there is evidence that housing demand is responding to easier monetary policy.

The HIA new home sales series posted another rise in June, up 3.4%, consolidating an upward trend that has been building for much of the past year. The overall pick up in sales was buoyed by particularly strong outcomes for the ACT and South Australia. While overall home sales are strengthening, still soft sentiment appears to be weighing on investor activity, with lending to investors for new home purchases falling by 1.3% in June.

Based on the weakness in retailing activity, the continuation of soft labour market conditions and modest growth in household wealth, we still see private consumption growth remaining below trend, at 2.4% in 2012/13 and 1.8% in 2013/14.

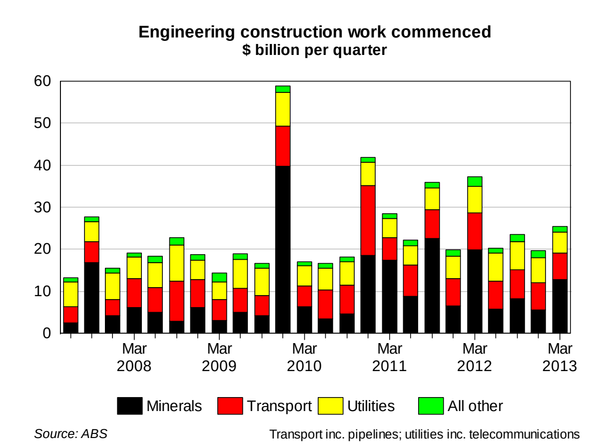
Investment

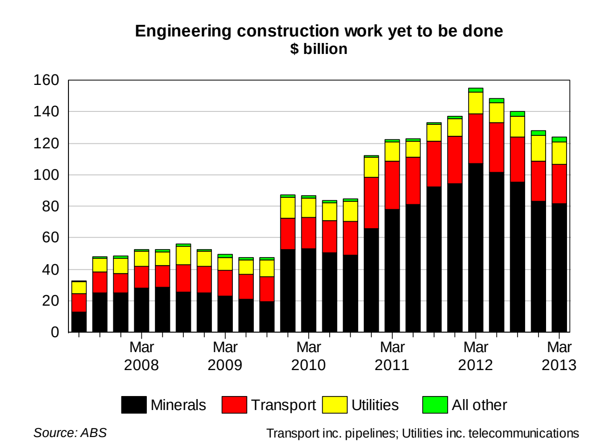


Source: ABS

Residential building approvals disappointed somewhat in June, falling for a second consecutive month, to be close to April levels. Despite lower interest rates, we expect that a soft labour market and a weak economic environment will continue to restrain dwelling investment, with growth of just 1% expected in 2012/13 and again in 2013/14.

The mining sector has been the key driver of overall business investment but there are clear signs that it is no longer contributing to growth and that mining investment is now in decline. While there are several major LNG projects under way that will keep mining construction elevated, these should all be completed by early 2017. There was some resurgence in the March quarter, when an above average $12.7 billion of engineering construction projects were commenced. However, in the absence of the commencement of a new mega project, there is a risk that mining investment will fall sharply in 2014 and beyond.





The pick up in commencements was not sufficient to prevent a decline in the pipeline of mining investment projects in the quarter.

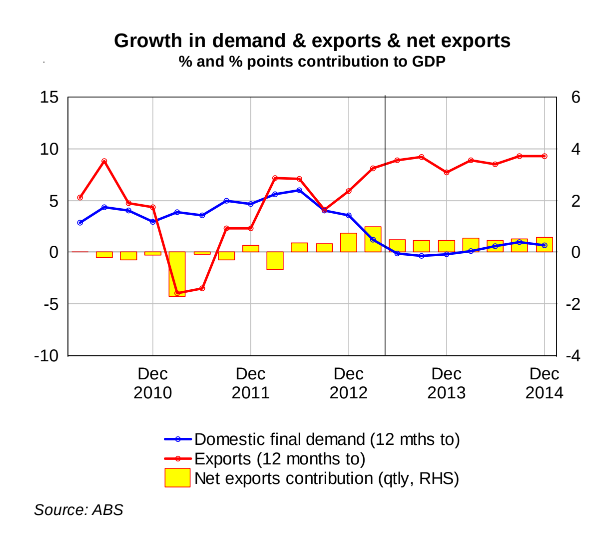
Business investment outside the mining industry remains weak. The automotive sector, for instance, appears to be on the verge of a substantial dis-investment exercise. This has important implications for the capacity of the economy to respond to the opportunities created by a declining exchange rate and accommodative monetary policy, especially in terms of the quality and level of technology embodied in much of the non-mining capital stock. Actual real capex of other selected industries has declined for six consecutive quarters so that in the March quarter it was 16.5% below its previous peak, its lowest level since September quarter 2007. Consistent with this, the NAB survey read of capital expenditure remained at a low level in July, with particular weakness reported in manufacturing, wholesale and mining sectors.

Commodity prices and net exports

The slowing in the Chinese economy and heightened volatility in financial markets led to a general decline in minerals and energy commodity prices over recent months. As a result, forecasts for some industrial commodities have been revised lower. In US dollar terms, the NAB non-rural commodity price index fell by around 20% over 2012. We are expecting another decline of around 8½% through 2013, before falling by 1¼% over 2014. We have also revised down our track for the AUD/USD. Given its expected depreciation over the remainder of the forecast horizon, AUD prices are expected to rise by 8¼% through the year to December 2013, before rising by a further 4¾% over 2014.

Global grain markets are still bearish on signs of a bumper crop as major cropping regions recover from drought conditions, while demand conditions remain sluggish. Beef prices lifted in the month, accompanied by record export volumes spurred by the weaker exchange rate. Global dairy prices firmed marginally due to a surge in demand ahead of the seasonal increase in supply from the Southern Hemisphere (although New Zealand is now under a cloud). Sugar prices rose from low levels in July with a Chinese government stockpiling policy. Cotton prices tracked sideways.

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



The terms of trade has fallen by 10.8% over the year to March quarter 2013. Based on our outlook for commodity prices, we see the terms of trade falling by 5.4% in 2013, followed by a further decline of 8.2% in 2014.

We now expect the AUD to fall to $US0.86 by the end of this year and to $US0.80 by end 2014 (previously $US0.88 and $US0.83 respectively), partly reflecting the lower expected path for the cash rate.

The lower track for the terms of trade has implications for export supply, although volumes can be expected to continue to gain momentum as major minerals projects are commissioned. The lower exchange rate can also be expected to weaken growth in import volumes. Overall, the expected contribution to GDP growth from net export volumes is little changed at 0.5 ppts in the June quarter.

Interest rates

ABS CPI data for the June quarter 2013 came in close to market expectations and kept the door open for further monetary policy easing. Headline inflation was a fairly modest 0.4% in the quarter, while the average of RBA preferred 'core' inflation measures (trimmed mean and weighted median) lifted marginally to 0.5% (revised down by the ABS on 1 August). Through the year inflation (both headline and core) was 2.4% in the quarter – still well within the RBA's 2-3% target range. With the impact of carbon prices expected to largely wash out of annual inflation numbers from the September quarter 2013, we see headline inflation dipping below 2% in the September quarter.

While June quarter CPI inflation was broadly in line with our expectations, changes to tobacco excise taxes announced in the Government's economic statement on 2 August and the lower expected price of carbon have led us to revise our inflation forecasts this month. Headline CPI inflation in 2014/15 is expected to be restrained by the lower expected price of carbon under the emissions trading scheme, but this is anticipated to be more than offset by increased excise tax on tobacco. Underlying inflation is also expected to be lowered by the impact of the lower carbon price (but to be unaffected by the tobacco excise).

Core inflation is now expected to edge down to 2.2% by late 2013, and to 2.4% by late 2014. Our inflation forecasts are broadly similar to those published in the RBA's latest Statement on Monetary Policy (released last week).

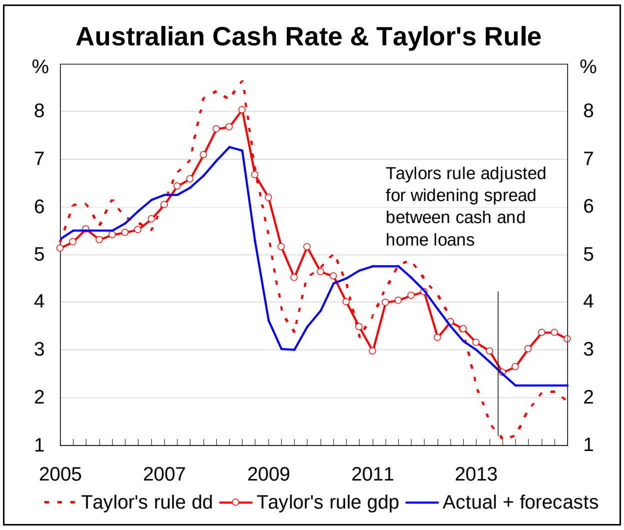
The RBA lowered the cash rate by 25 bps to 2.50% at its meeting on 6 August. Largely anticipated by markets, the reduction in the cash rate confirmed the RBA Governor Glenn Stevens' sober outlook for the Australian economy provided during his recent address to the Anika Foundation. In his speech, the Governor suggested that the economy will not be able to rely on housing and consumption growth to fill the hole in growth created by the mining investment downturn.

The RBA noted that the economy has been growing a bit below trend over the past year, and "this is expected to continue in the near term as the economy adjusts to lower levels of mining investment". The RBA seems acutely aware of the weakening in labour market conditions and remains poised to respond to any signs of rising unemployment.

On a more positive note, the RBA highlighted that the "easing in monetary policy over the past 18 months has supported interest-sensitive spending and asset values", with further effects "expected over time". The recent depreciation of the Australian dollar (and possible further depreciation over time) is expected to "help to foster a rebalancing of growth in the economy". Clearly still unperturbed by the inflation outlook, even when taking into account the effect of the recent depreciation of the exchange rate, the RBA saw that it was appropriate to lower the cash rate in August to help support demand.

The RBA said it would "adjust policy as needed to foster sustainable growth in demand". We expect that further stimulus will be required to encourage lower borrowing costs to help boost domestic demand and confidence (with the potential benefit of a lower AUD). It is clear that the RBA sees weakness in the domestic demand outlook continuing for some time ahead. A modest inflation read in October is expected pave the way for another 25 bp cut in November, taking the cash rate to 2.25%.

Beyond 2013, the risk will be for further rate cuts, provided the currency remains relatively elevated and assuming the economy responds slowly to the RBA's stimulus. 2014 will be a drawn out year for the economy and a cash rate even lower than our current projection of 2.25% remains a distinct possibility.



Key global GDP forecasts (calendar years)

Country/region	*IMF weight*	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
					% change						
United States	*19*	2.7	1.8	-0.3	-2.8	2.5	1.8	2.8	1.5	2.7	2.9
Japan	*6*	1.7	2.2	-1.1	-5.5	4.7	-0.6	1.9	2.0	2.3	1.8
Euro-zone	*14*	3.3	2.9	0.2	-4.3	1.9	1.5	-0.6	-0.6	1.1	1.9
United Kingdom	*3*	2.8	3.4	-0.8	-5.2	1.7	1.1	0.2	1.3	2.1	2.2
Emerging Asia	*8*	5.6	6.0	3.2	0.2	7.8	4.2	3.8	3.7	4.1	4.3
Latin America	*9*	5.7	5.8	4.1	-1.9	7.2	4.8	2.3	2.3	2.8	3.3
China	*15*	12.7	14.2	9.6	9.2	10.4	9.3	7.8	7.5	7.2	7.0
Canada	*2*	2.6	2.0	1.2	-2.7	3.4	2.5	1.7	1.7	2.3	2.0
India	*6*	9.6	9.7	8.1	6.5	9.7	7.5	5.1	5.3	5.9	6.2
Africa	*3*	6.4	7.0	5.6	2.7	5.4	5.4	4.9	5.3	6.0	5.5
CIS	*4*	8.8	8.9	5.3	-6.4	4.9	4.8	3.4	3.0	3.6	3.3
Eastern Europe	*3*	6.4	5.4	3.1	-3.6	4.6	5.4	1.4	2.2	2.8	2.8
Middle East	*6*	6.7	6.3	5.0	2.9	5.3	3.9	4.4	3.8	3.7	3.5
Other advanced	*5*	4.5	4.7	1.7	-1.1	5.8	3.3	1.8	2.6	3.0	2.7
Global total	*100*	5.9	5.9	3.2	-0.3	5.5	4.0	3.2	3.0	3.6	3.7

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	2.4	1.8	2.3	1.8	2.0	2.6
Dwelling Investment	1.0	1.0	2.8	2.4	1.3	4.2
Underlying Business Fixed Investment	6.9	-8.4	-9.3	-5.0	-7.3	-11.9
Underlying Public Final Demand	-1.8	0.7	2.1	-1.4	1.3	2.3
Domestic Demand	**2.1**	**0.0**	**0.7**	**0.1**	**0.6**	**0.8**
Stocks (b)	-0.2	-0.1	0.0	-0.5	0.1	0.0
GNE	**1.9**	**-0.1**	**0.7**	**-0.4**	**0.7**	**0.8**
Exports	6.7	8.5	9.2	8.4	8.9	9.2
Imports	-0.2	-1.3	0.9	-3.0	0.7	1.0
GDP	**2.8**	**2.2**	**2.7**	**2.2**	**2.6**	**2.8**
– Non-Farm GDP	3.0	2.2	2.7	2.2	2.6	2.8
– Farm GDP	-7.0	2.5	2.0	-1.0	2.0	2.0
Nominal GDP	2.4	2.7	3.6	2.9	3.1	4.0
Federal Budget Deficit: ($b)	20	35	NA	NA	NA	NA
Current Account Deficit ($b)	40	46	46	33	55	36
(-%) of GDP	2.7	3.0	3.0	2.3	3.7	2.4
Employment	1.3	0.6	0.4	1.2	0.3	0.4
Terms of Trade	-10.0	-7.1	-6.1	-5.4	-8.2	-4.5
Average Earnings (Nat. Accts. basis)	1.9	3.6	4.1	2.1	4.1	4.1
End of Period						
Total CPI	2.4	2.9	2.2	2.2	2.6	2.6
Core CPI	2.4	2.6	2.1	2.2	2.4	2.2
Unemployment Rate	5.6	6.4	6.7	6.2	6.5	6.8
RBA Cash Rate	2.75	2.25	2.50	2.25	2.25	3.00
10 Year Govt. Bonds	3.76	3.70	4.80	4.00	4.00	5.30
$A/US cents :	0.93	0.83	NA	0.86	0.80	NA
$A - Trade Weighted Index	71.4	66.3	NA	67.4	64.4	NA

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

(b) Contribution to GDP growth

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