National Australia Bank

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Global & Australian Forecasts October 2013

Global upturn continues and forecasts little changed - but growth momentum has slowed a touch through mid-2013. Composition of global growth still shifting toward advanced economies with mixed trends in emerging markets. Australian business confidence jumps to 3½ year high (mainly on politics) but activity still subdued. Outlook unchanged with below-trend GDP growth still expected in 2014 and unemployment rising to 6¾% by end 2014. RBA on watch till early 2014 when rising unemployment and falling inflation force another cut. No rate increases until 2015.

- After a period where the data showed accelerating growth in the big advanced economies, the latest numbers have been more mixed. Although an upturn is still under way, the pace of industrial growth and business sentiment in some big advanced economies has stopped improving. Trends in the emerging market economies have been mixed with Chinese growth showing signs of stabilising, India remaining weak and signs of a very modest improvement across emerging Asia and Latin America. Global growth forecasts remain at 3% this year and 3½% in both 2014 and 2015. We are assuming that US political uncertainties over its government shut-down and debt ceiling do not have a marked impact on its rate of economic growth – this assumption will clearly need to be carefully monitored as a worse case scenario would have significant global ramifications for both growth and especially financial markets.
- The NAB business survey highlights a surge in business confidence in September, though this is yet to filter through to stronger activity, with business conditions still poor. The sentiment outcome appears to predominantly reflect political changes but lower rates and AUD as well as strengthening asset prices (especially housing) may have helped. Nonetheless labour market forward indicators remain poor.
- GDP forecasts are unchanged this month: GDP growth to soften to 2.3% in 2013 before gradually rising to 2.5% in 2014 and 2.9% in 2015. Unemployment to exceed 6% by end 2013 and reach 6¾% by end 2014. Consistent with this soft outlook, core CPI expected to edge down to 2.2% by end 2013, lifting modestly to 2.5% by end 2014. RBA appears less dovish on the back of better confidence readings and improving asset prices. But AUD remains elevated and the labour market continues to deteriorate. We still see a need for another 25 bp rate cut – probably in Feb (was Nov), allowing the RBA time to pause and watch the data.

Key global GDP forecasts (calendar years)

Country/region	*IMF weight*	2011	2012	2013	2014	2015
				% change		
United States	*19*	1.8	2.8	**1.6**	**2.7**	**2.9**
Euro-zone	*14*	1.6	-0.6	**-0.3**	**1.1**	**1.4**
Japan	*6*	-0.6	1.9	**1.9**	**2.3**	**1.7**
China	*15*	9.3	7.8	**7.5**	**7.2**	**7.0**
Emerging Asia	*8*	4.2	3.8	**3.5**	**3.7**	**4.2**
Global total	*100*	4.1	3.2	**2.9**	**3.5**	**3.5**
Australia	*2*	2.4	3.7	**2.3**	**2.5**	**2.9**

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**	**2.1**	**2.7**	Core CPI	2.4	**2.6**	**2.1**
Domestic demand	**2.4**	**0.7**	**1.0**			*% end of year*	
GDP	**2.9**	**2.2**	**2.8**	Unemploy. rate	5.7	**6.4**	**6.7**

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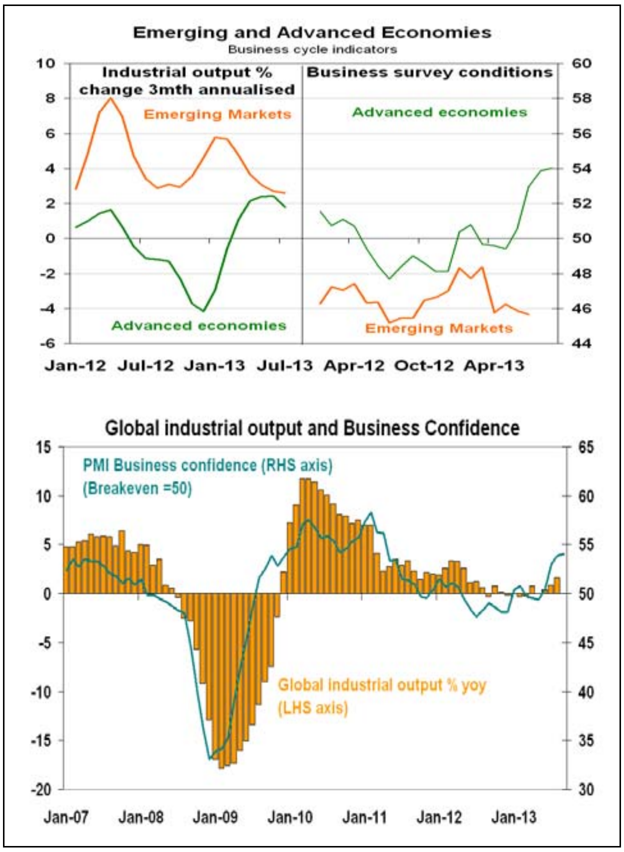
Global outlook

Key Points

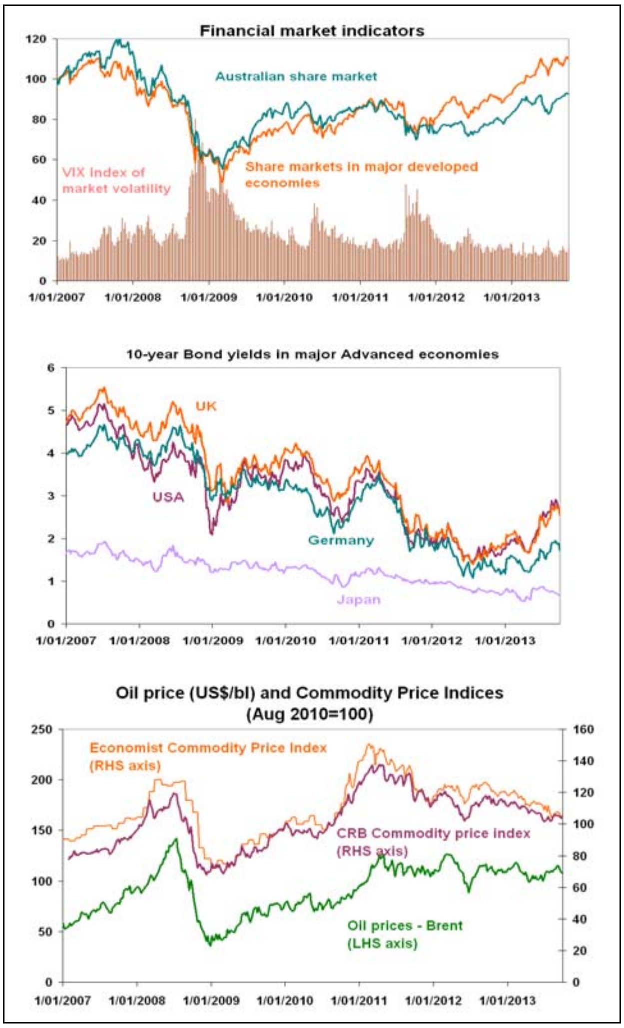
- Timely measures of economic activity show some loss of momentum in the pace of the global upturn. The 3-month annualised pace of growth in both world industrial output and exports slipped through mid-2013 but this is hopefully just a hiccup in the global recovery from the deep recession of 2008/9.
- September measures of business activity derived from national purchasing manager surveys in some big advanced economies eased slightly but still showed growth. This follows a period when they were all showing faster growth.
- The shift in the composition of global growth from emerging to advanced economies has probably slowed in the last few months. China has been faring better although the other emerging economies still look soft. The industrial upturn in advanced economies continues but it has recently slowed.
- Behind the volatility of monthly data, the big picture remains the same and we have barely changed our global growth forecasts. A moderately paced global upturn is under way with growth expected to pick-up from around 3% in 2013 to 3½% next year and a larger proportion of that growth is expected to come from the advanced economies.



Financial & commodity markets

The Fed surprised the markets by not announcing the start of a gradual phasing down in its asset purchases and that boosted share prices. We expect the Fed to announce in December that it will gradually cut back on its asset buying but the US Fed funds interest rate is only expected to start rising in the second half of 2015. Central banks in the other big advanced economies show little interest in lifting their low policy rates for a long time but, closer to home, the Reserve Bank of New Zealand could well begin lifting its cash rate next March.

The trend rise in global bond yields that began in April, as expectations firmed that the Fed would cut back its asset buying through the next year, did not extend into September. US 10 year bond yields, which had risen from 1.7% in April to 2.9% in early September, were down to 2.6% by the end of the month. As global bond markets have been moving in parallel with US yields, this shift in the US market fed through into other nation's bond markets and their yields fell too. Commodity markets have continued their downward trend with the Economist and CRB falling through the last month.

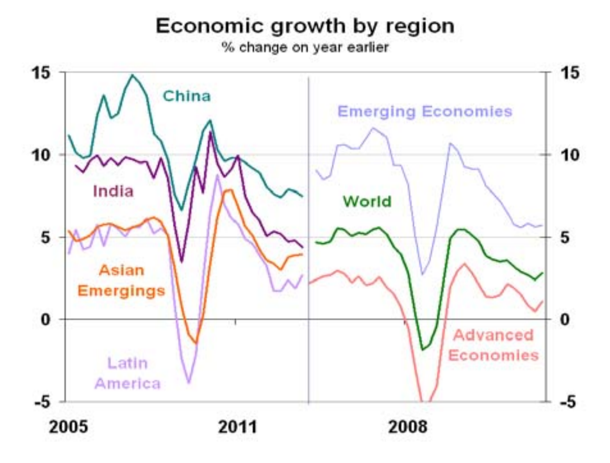


Global trends

Global growth remains only moderate and many productive resources still lie idle in the wake of the deep recession of 2008/9. World export volumes were up by only 1½% yoy in July while growth in industrial production was around 1¾% yoy, both rates well below their long-term trend.

Global GDP is, however, growing more rapidly than either exports or industrial output, reflecting the buoyancy of the service industries that dominate output in most economies. Global growth was running around 2.8% in the June quarter, up slightly on the 2.4% recorded in March. The pace of growth in the big emerging economies has been range bound between 5½% and 6% since mid-2012 while advanced economy growth has picked up since late 2012. Three-month annualised growth rates show this acceleration in advanced economy growth with the 7 big advanced economies recording GDP growth of around 2½% in the second quarter.

The trend slowing in the emerging economies through the last few years has been broad-based. There have, however, been signs of a stabilisation or even acceleration in the pace of activity in some big economies recently, notably Brazil (where second quarter GDP was better than expected) and China (where some of the recent partial data has been quite buoyant).

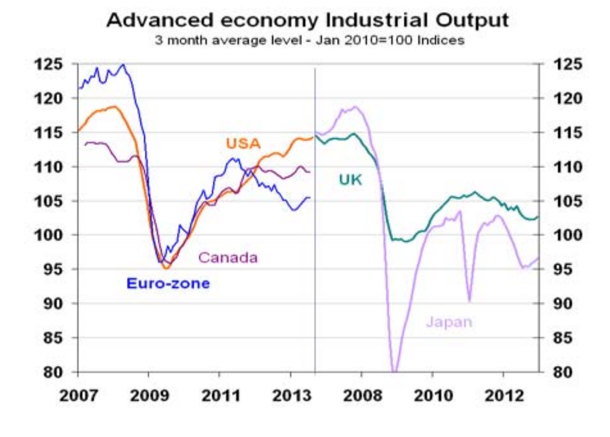


Advanced economies

The first half of 2013 saw a clear upward trend in activity across the advanced economies – a period of synchronised and accelerating growth. Industrial output started rising toward the end of 2012 and by mid-2013 3-month annualised growth was around 2½%. That lift coincided with much stronger business surveys across all of the big advanced economies.

The latest data show a modest setback to this picture of an economic upturn gradually gathering momentum. The rate of 3-month annualised industrial growth fell slightly in July and the level of industrial output levelled out or dipped slightly in North America and the Euro-zone. Purchasing manager surveys for the UK and the Euro-zone, although still consistent with industrial growth, turned down slightly. US and Japanese business surveys, on the other hand, have kept rising.

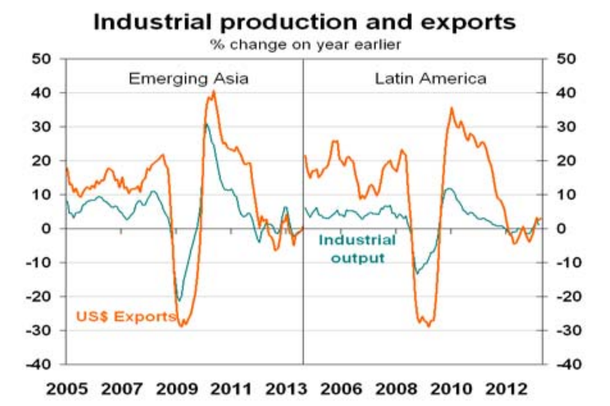
It is too early to become overly concerned by the dips in advanced economy industrial growth or in the European business surveys – it is still just one month's data, not a trend. Furthermore services account for much more of advanced economy GDP than does manufacturing and the latest surveys for service sector activity in Japan and the Euro-zone remain strong. The US Government shutdown is an added uncertainty hanging over the growth outlook – direct effect of a four week closure could cut quarterly growth by around 0.1 percentage points.



Emerging economies

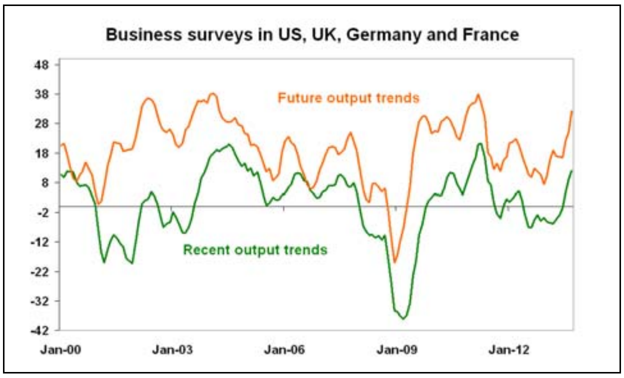
Recent trends have been mixed across the big emerging markets. The Chinese economy has been faring better than many feared with recent indicators of industrial output, fixed investment and retail trade failing to show any evidence of an economic "hard landing". While the Chinese authorities want to achieve a gradual re-balancing of the economy's growth away from investment spending towards consumption, they do not want to unduly depress the rate of growth.

The Indian economy continues to under-perform with growth down to around 4½% yoy in the June quarter – very low by India's recent history. The partial data on output and trade remain weak and the business surveys are mixed. The RBI survey shows a modest improvement in September quarter, the Dun and Bradstreet index shows conditions continuing to worsen.



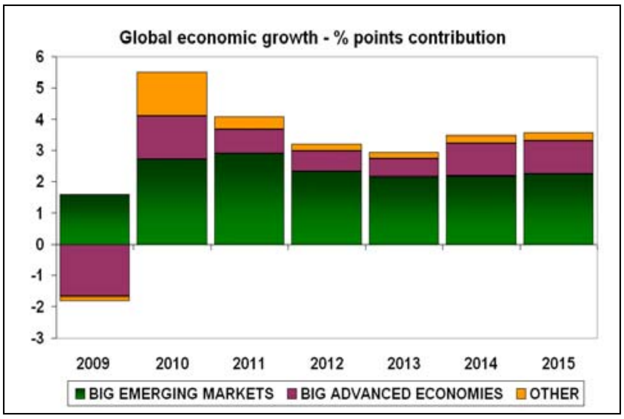
Forecasts

While some of the latest data on global trade and industrial output and some business surveys show a modest slowing in the pace of advanced economy growth, national surveys that ask their firms about their expectations still show very buoyant results. Our measure averaging business sentiment across industry in the US and Western Europe shows a widespread expectation that things will either keep getting better (UK, US, Germany) or not be quite as bad (France). Turning to the emerging markets, Chinese surveys are better than they were and the Indian surveys are a mixed bag. So are readings from across East Asia with South Korea slightly better, Thailand worse and little change in Taiwan, Indonesia or Singapore. Overall, there is little sign of a synchronised acceleration in the pace of growth in the emerging market economies.



The global economy is expected to record another year of sub-trend growth this year but the pace of expansion is expected to gradually accelerate from just under 3% this year to around 3½% in 2014. This upturn in growth reflects a lift in growth in the big advanced economies from around 1¼% this year to 2¼% next year while the growth performance of the emerging economies remains unchanged at around 5%.

For more detail, see our International Economic Reports.



Australian outlook

Key Points

- The surge in business confidence that began following the announcement of the federal election has gained momentum in the first weeks of the new government. Business confidence is now at its highest level in 3½ years and consumer confidence is higher than for almost 3 years. However, business conditions remain weak, although there have been promising improvements in forward indicators. The key issues now are whether the improved tone will continue and, if so, how long it will take to translate into business activity and investment.
- Employment continues to be a weak spot, although there are signs that the demand for labour may be stabilising, at least in terms of hours worked. However, it seems unlikely that the domestic economy will generate sufficient growth to stem the rise in the unemployment rate over the next year.
- The survey implies annual demand growth may improve to around 2¾-3% in Q3 2013, but this is still below trend, while GDP growth may soften to around 2½%. We see core inflation remaining well-within the RBA's target over the forecast horizon, edging down to 2.2% by late 2013, before lifting modestly to 2.5% by late 2014. Rising unemployment and soft wage growth should keep the brakes on inflation in 2015.
- We have deferred our cash rate cut call to February due to the RBA seeming more comfortable about future conditions given the recent improvement in sentiment and asset (especially housing) prices. Nonetheless, our big picture view is unchanged and we continue to see another cut coming.

National trends

Business and consumer confidence rose to more robust levels in September and forward indicators and capacity utilisation from the NAB survey also improved. These may be the first portents of stronger growth in the Australian domestic economy. The key issues are whether the improved tone will continue and, if so, how long it will take to translate into business activity and investment.

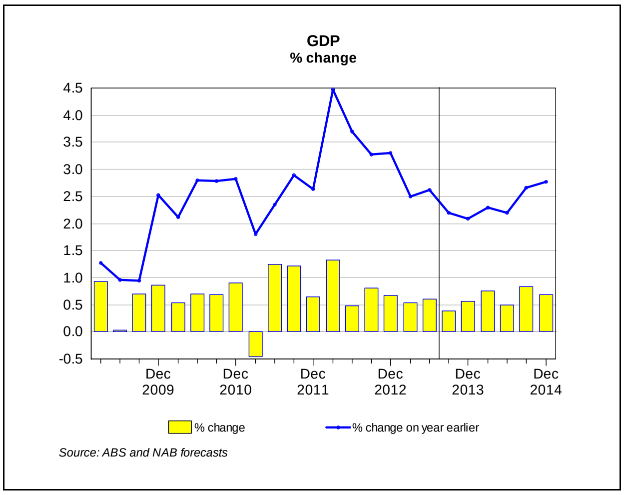
For the time being, business conditions remain weak. Such improvement as we have seen has merely raised current indicators above the worryingly low levels into which they sank at the start of Q3. Profitability, now at -4, had averaged -10 over the previous three months, and employment at -6 is still in the same negative range it entered late last year.

Asset prices have continued to rise, and this is likely to be supportive for consumer spending. However, anecdotal evidence suggests that retailers continued to suffer during Q3, with even online sellers experiencing a downturn in August. Forward indicators for housing investment, other than finance approvals, remain subdued despite lower interest rates and the reorientation of state government first home buyer subsidies towards new construction.

Our forecasts are based on little change to the overall macroeconomic fiscal policy settings given the new government's objective of returning the Budget to surplus over the medium term. More information will be available once the government has published revised Budget projections.

There are still no signs that non-mining investment has begun to rise to compensate for the progressive decline in mining investment. The lower track for the AUD does not yet seem to have reduced pressure on manufacturing. Data are at best mixed: in September, while the Australian PMI rose sharply it still implies tepid growth in the sector and the NAB business survey reported manufacturing business conditions still deeply negative at -18.

Based on forward orders, the NAB business survey implies 6-monthly annualised demand growth of around 2¾-3% in Q3 2013. That is, better than growth in Q2 but still below trend. Based on average business conditions, the survey implies that 6-month annualised GDP growth (excluding mining) in Q3 would be around 2½%.



We have left our GDP growth forecasts broadly unchanged. We still expect quarterly growth to soften to 0.4% in the September quarter, before strengthening to 0.6% in Q4, yielding 2.3% in 2013 (was 2.2%). 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.

Export volumes should help drive growth in 2014 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 2.5% (was 2.6%), though this still represents below-trend growth. But it is likely to be a relatively jobless expansion because of the lower labour-intensity of mining exports relative to mining investment.

Since our last report we have revised the track for the AUD partly in light of the delay in tapering of bond purchases by the US Fed. The AUD is now expected to drift down to $US0.92 by the end of this year, and $US0.84 by the end of 2014.

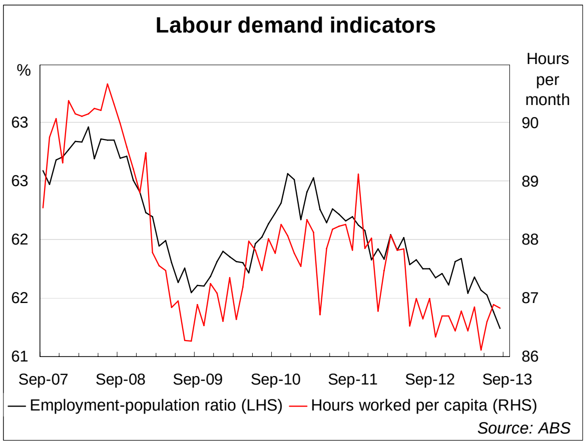
The RBA decided for a second consecutive month to leave the cash rate on hold at 2.50% in October. There was a sense that the RBA has become less dovish and is now comfortably on hold. We have postponed our prediction for the next rate cut from November to February, but our call is still highly data-dependent. After February 2014, we expect the RBA to remain on hold, keeping monetary policy settings very loose.

In financial year terms, GDP growth is expected to be:

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

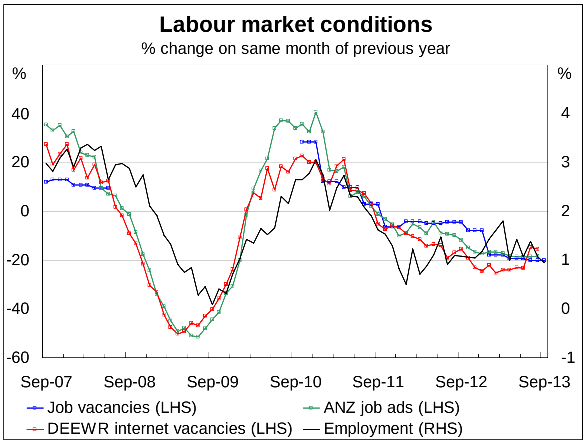
Labour market

The unemployment rate edged up to 5.8% in August after the second consecutive month of declining employment numbers. The rise would have been greater had it not been for a decline in the participation rate and is in line with our expectations for the labour market.



There has been a sharp decline in the demand for labour in terms of heads in recent months, but less so in terms of hours worked. Nevertheless, hours worked per (adult) person remain around the levels reached during the GFC slowdown.

The labour market outlook remains soft. The NAB employment index from the business survey improved in September but is still deeply in negative territory. DEEWR internet vacancies have jumped higher, but the series has been affected by the move to free advertising by MyCareer.



Consumer demand & housing market

Up until very recently, there was little indication that loose monetary policy settings were helping to support interest-sensitive spending and asset values. Retail turnover grew by 0.4% in August: only one month in the previous five have managed to record growth above 0.1%. The August outcome largely reflected a bounce back in department store sales after a hefty decline in the previous month. In September, the Westpac-Melbourne Institute measure of consumer sentiment increased sharply for the second month in a row to its highest level in almost three years. Despite the increased confidence of consumers, which may well have been temporarily boosted by the Federal election outcome, personal credit grew by only 0.2% in August, suggesting households are still cautious.

According to the NAB business survey, conditions in retailing remained difficult in September: the net balance measure improved slightly to -15. Consistent with the weakness in traditional retailing, online retail sales have also softened over recent months. Online retail sales fell by 0.1% in seasonally adjusted trend terms in August, following growth of 2.1% in July. Annual growth in on line retail sales also eased, to 9.6%, which is the slowest pace of growth recorded in the (short) history of index. Particularly soft growth was reported in Daily Deals and Fashion categories (for more detail, see NAB online retail sales).

There are signs of an improving outlook. In the September NAB survey, retail forward orders rose sharply, although were still in negative territory (-4), there was a sharp rise in stocks for both retail and wholesale and retail capacity utilisation jumped to 82.2%. Anecdotal indications, however, suggest that retail activity in September barely grew at all.

There is increasing evidence that lower interest rates are helping to support asset prices. According to RP Data-Rismark, median house prices across Australia's capital cities rose by 1.6% in September, following growth of 0.5% in August, to be 5.5% higher over the year. Growth in the month was driven by Australia's two largest housing markets, Sydney and Melbourne, where prices rose by 2.5% and 2.4% respectively, while elsewhere it was mixed. House prices are now above the previous peak during the 2010 property boom. New home sales rose by 3.4% in August according to the HIA, following a 4.7% decline in July. Overall, new sales continue to trend broadly sideways.

The ASX200 share price index rose by 1.6% during September to 5219, which is the highest end-of-month reading since May 2008.

Nevertheless, it is unlikely that real private consumption growth will show much response to these positive signs in Q3: we expect quarterly growth of 0.3%. For Q4 and beyond, however, quarterly consumption growth is expected to pick up to around 0.6%, yielding 2.0% in 2013/14 and 2.6% in 2014/15. Although a further cash rate cut is in prospect, rising unemployment and shaky job security are expected to restrain consumer spending over the forecast period.

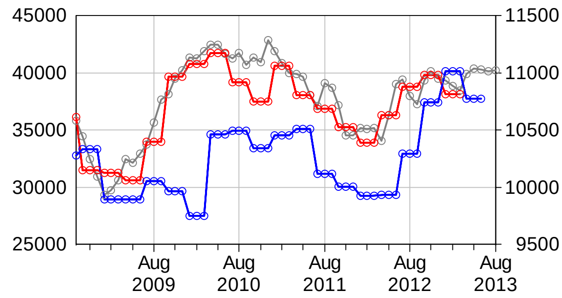
Investment

The volatile dwelling unit approvals series fell by 4.7% in August: the 3-month rolling sum provides a better feel for trends and has remained at just over 40,000 units per quarter for four months. Although there has been a substantial increase in numbers of finance approvals for the construction and purchase of new dwellings in recent months, the relationship between finance and building approvals is not particularly tight.

Higher house prices and low interest rates should be providing the ideal environment for stronger dwelling investment. According to the most recent NAB residential property report credit availability, housing affordability and construction costs have been significant constraints on new property development. However, there has been increased activity by investors and overseas buyers in recent quarters.

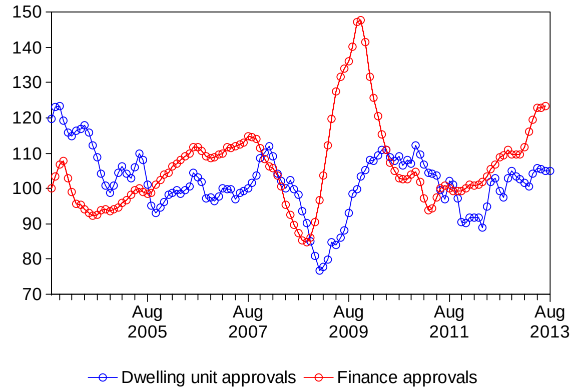
Engineering construction activity increased across all major categories in Q2. The pipeline of engineering construction work yet to be done is now 5.9% lower than a year ago. In the case of the mining sector, the decline is 1.7%, as completions outpace commencements.

Private dwelling approvals & commencements
Units per quarter (LHS), $bn cvm (RHS)



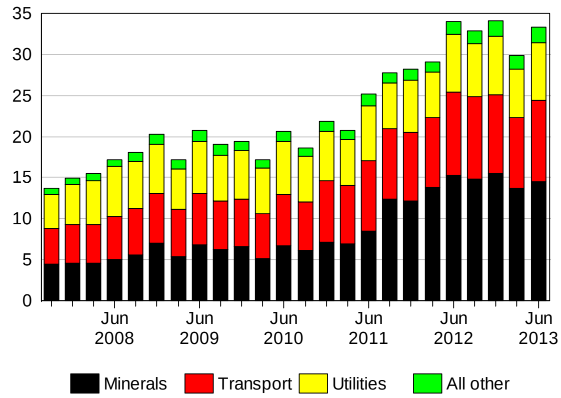
Source: ABS

Finance & building approvals: new dwellings
Index: 2011=100



Source: ABS and NAB calculations *Rolling 3-month sums*

Engineering construction work done
$ billion per quarter



Source: ABS Transport inc. pipelines; utilities inc. telecommunications

The outlook for non-mining investment remains soft. The value of private non-residential building (predominantly non-mining) approvals has been trending down for the past year, suggesting that investment outside the mining sector continued to languish in Q2.

Commodity prices and net exports

In September, overall demand for commodities gained support from progress in the global economic recovery. Manufacturing PMIs in major economies have improved noticeably in recent months and are signalling stronger final demand that has helped to alleviate inventory overhang within some commodity markets. While a lift in real demand has supported prices of some commodities, there was a notable increase in volatility across many commodity markets in the month, as indicated by the VIX index, which stemmed from developments in once-off geopolitical and policy events resulting in mixed price outcomes.

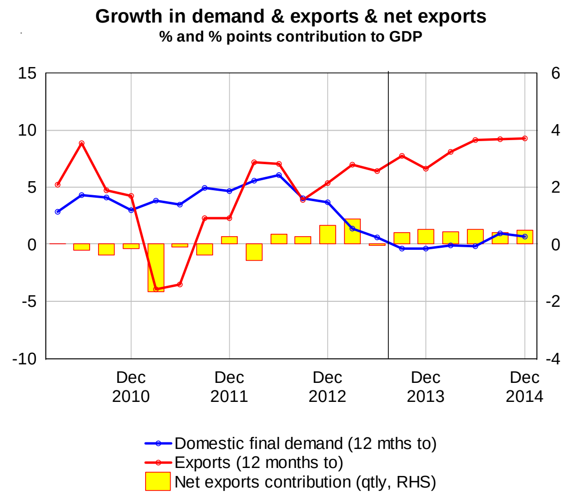
Energy and safe-haven assets like gold rose significantly towards the end of August and first week of September but then eased off quickly as its government tacitly agreed to surrender its chemical weapons to avert a military strike by the US. The surprise decision by the US Fed not to commence tapering also caused a (brief) spike in the prices of precious metals and crude oil. Prices of bulk commodities and base metals were relatively less affected, although they too experienced fluctuations around the last FOMC meeting, and continued to take their cues from Chinese industrial activity.

Our non-rural commodity price forecasts remain broadly unchanged from a month ago. We still expect only a modest recovery in demand over the forecast horizon, but this should help stabilise prices. The recovery is expected to be bumpy and conditions in many emerging markets present ongoing risks.

In US dollar terms, the NAB non-rural commodity price index fell by around 20% over 2012. We are expecting another decline of around 3½% in 2013, before easing by a further 8% over 2014. Given our forecast for the AUD/USD to depreciate further over the remainder of the forecast horizon, AUD prices are expected to rise by 9% over the year to December 2013, before a modest increase of 1% over 2014.

Global grain markets are still bearish on increasingly tangible outlook of a strong global corn and soybean crops this year as harvests in the US began, however domestic wheat prices are holding up relative to global prices in September because of the continued tight old crop condition. Livestock prices were volatile in the month, but overall marginally lower as the effect of a high slaughter rate was only partly counteracted by significant rain events late in the month. Global dairy prices fell marginally in the month but remained at historically elevated levels from sustained strength in demand despite a seasonal increase in supply from the Southern Hemisphere. Wool prices lifted in September, as fresh spring offering of wool that attracted some competition amongst major buyers in Europe and China. Sugar prices rose notably in the month on weaker production prospects in Brazil due to persistent wet weather. Cotton prices fell in September from a high base in August in response to a US government report that slashed its production forecast, but remains elevated on speculation that cold weather and rain will hamper crops in the US.

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



Source: ABS

The terms of trade has fallen by 4.8% over the year to June quarter 2013. Based on our outlook for commodity prices, we see the terms of trade rising by 5.3% through 2013, followed by a decline of 5.1% through 2014.

While volumes of exports can be expected to gain momentum as major minerals projects are commissioned, a falling AUD will likely weaken growth in import volumes. Overall, the expected contribution to GDP growth from net export volumes is expected to rise to 0.4 ppts in the September quarter.

Interest rates

The RBA decided for a second consecutive month to leave the cash rate on hold at 2.50% in October. While its accompanying statement implied little change in view since its previous meeting, there was a sense that the RBA has become less dovish and is now comfortably on hold.

The RBA's world view remains for global growth to pick-up next year, assisted by very accommodative monetary policy settings. While the Board noted a pick-up in financial market volatility due to "changes in the outlook for US monetary policy", it seems unperturbed by this development given "long-term interest rates remain very low and there is ample funding available for creditworthy borrowers".

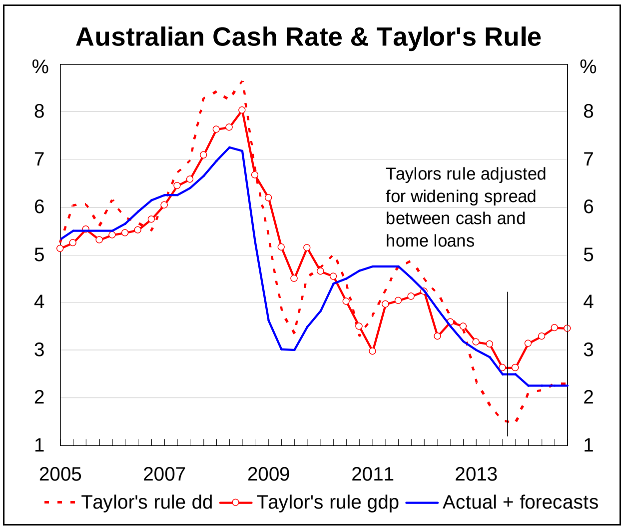
If anything, the RBA appeared more relaxed about the outlook for the Australian economy in October than it did a month ago. This month's statement noted that business and consumer confidence had improved but the Board said it was too early to judge how persistent this will be (and we would add, to what extent this leads to stronger activity). The statement also noted that household savings behaviour had shifted in response to declining returns on low-risk assets. That is in keeping with the view that the traditional transmission mechanism of monetary policy may be starting to gain traction. While not the same thing as worrying about a housing bubble, clearly the extent to which house price inflation accelerates will be watched carefully. Both of these 'new' comments are consistent with the RBA staying on hold for a time before considering any further easing.

Inflation is unlikely to be a barrier to further policy easing, with the outlook consistent with the RBA's 2-3% target. We expect core inflation to edge down to around 2.2% by late 2013, before lifting modestly to 2.5% by late 2014. With the unemployment rate expected to rise over 2014 and 2015, wage inflation is likely to remain soft, which should keep the brakes on inflation; we see core inflation softening to 2.1% in mid 2015, and remaining around this pace for the remainder of the year. This also includes the impact of low carbon prices (or the removal of the tax).

Based on the most recent RBA statement, we have decided to delay our rate cut call from November to February, allowing the RBA time to pause and watch the data. With the big picture still unmoved, we continue to see a cut coming but right now there is no rush.

Looking ahead, the labour market data, our own NAB survey and the inflation and wages reports coming up will be important indicators to the timing of the next cut but right now, it looks likely that there will be no further monetary accommodation until early 2014.

It appears that we are close to seeing the end of the RBA's easing cycle. After February 2014, we expect the RBA to remain on hold, keeping monetary policy settings very loose. In essence monetary policy is likely to be driven by domestic demand trends.



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	1.6	2.7	2.9
Japan	*6*	1.7	2.2	-1.1	-5.5	4.7	-0.6	1.9	1.9	2.3	1.7
Euro-zone	*14*	3.3	2.9	0.2	-4.3	1.9	1.6	-0.6	-0.3	1.1	1.4
United Kingdom	*3*	2.8	3.4	-0.8	-5.2	1.7	1.1	0.1	1.5	2.4	2.2
Emerging Asia	*8*	5.6	6.0	3.2	0.2	7.8	4.2	3.8	3.5	3.7	4.2
Latin America	*9*	5.4	5.6	4.2	-1.5	7.1	4.8	2.3	2.4	2.6	3.2
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	4.4	4.6	4.9
Africa	*3*	6.4	7.0	5.6	2.7	5.4	5.4	4.9	5.3	5.0	5.2
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	3.1	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
New Zealand	*0*	2.9	3.5	-0.8	-1.5	1.9	1.4	2.7	2.8	3.2	2.2
Global total	*100*	5.9	5.9	3.2	-0.2	5.5	4.1	3.2	2.9	3.5	3.5
Trading partners		6.7	7.3	4.0	1.5	7.0	4.5	4.2	4.0	4.2	4.2

Australian Economic and Financial Forecasts (a)

	Fiscal Year			**Calendar Year**		
	2012-13 F	**2013-14 F**	**2014-15 F**	**2013-F**	**2014-F**	**2015-F**
Private Consumption	2.4	2.1	2.7	2.0	2.4	2.7
Dwelling Investment	1.1	0.2	3.3	2.0	1.1	4.8
Underlying Business Fixed Investment	7.0	-6.2	-8.2	-3.8	-6.2	-9.9
Underlying Public Final Demand	-0.9	1.8	2.1	0.1	1.6	2.4
Domestic Demand	**2.4**	**0.7**	**1.0**	**0.8**	**0.9**	**1.0**
Stocks (b)	-0.2	-0.2	0.0	-0.4	0.0	0.0
GNE	**2.2**	**0.5**	**1.0**	**0.4**	**0.9**	**1.1**
Exports	5.6	7.4	9.3	6.7	8.7	9.3
Imports	-0.1	0.6	1.5	-1.7	1.7	1.6
GDP	**2.9**	**2.2**	**2.8**	**2.3**	**2.5**	**2.9**
– Non-Farm GDP	3.1	2.1	2.8	2.3	2.5	2.9
– Farm GDP	-5.7	5.0	2.0	3.2	2.3	2.0
Nominal GDP	2.5	4.7	3.7	3.9	4.2	3.7
Federal Budget Deficit: ($b)	20	35	NA	NA	NA	NA
Current Account Deficit ($b)	40	48	48	33	55	29
(-%) of GDP	2.7	3.2	3.2	2.3	3.7	1.9
Employment	1.3	0.7	1.0	1.2	0.7	1.0
Terms of Trade	-9.7	3.0	-5.5	-0.4	-2.0	-5.6
Average Earnings (Nat. Accts. basis)	1.7	2.5	3.0	1.4	3.0	3.0
End of Period						
Total CPI	2.4	2.9	2.2	2.2	2.7	2.6
Core CPI	2.4	2.6	2.1	2.2	2.5	2.2
Unemployment Rate	5.7	6.4	6.7	6.1	6.6	6.7
RBA Cash Rate	2.75	2.25	2.50	2.50	2.25	3.00
10 Year Govt. Bonds	3.76	4.00	4.90	4.30	4.30	5.45
$A/US cents :	0.93	0.88	NA	0.92	0.84	NA
$A - Trade Weighted Index	71.4	70.9	NA	72.2	68.6	NA

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

(b) Contribution to GDP grow th

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