National Australia Bank

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Global & Australian Forecasts

January 2014

Global upturn continues and forecasts little changed. Advanced economies seeing recovery after their prolonged weakness post 2008/9 recession. Mixed trends across Emerging markets with gradual slowing in China and uncertainty over speed of Indian rebound. Australian domestic indicators better, with retail stronger, asset prices up and weaker AUD. May imply turning point near, but labour market and forward indicators still weak and economy still multi-speed. Outlook little changed but combination of better near term business conditions and the unexpected CPI spike delays timing of RBA cut from May to late 2014 (November).

- Business surveys and partial data on trade and industrial output show moderate global economic growth continuing through to the end of 2013. While the pace of growth in the big emerging economies still easily outpaces that of the G7 advanced economies, it is the latter that drive the expected acceleration in global growth from 3 to 3½% between 2013 and 2014. With advanced economy output well below its pre-crisis trend, there is still quite high unemployment and spare capacity. This has curbed inflationary pressure and allowed central banks to keep their policy interest rates historically low. These short-term interest rates are expected to stay low in the main advanced economies through next year, even as their economic growth accelerates.
- More positive economic indicators, including NAB business conditions (jumped to highest level in 2½ years), hold out hope that a turning point may be near. Improving asset prices and a depreciating AUD may help bolster consumer spending and exports. Stronger housing approvals may also be supportive in the near term. Also there are signs that household risk appetite is increasing, but the labour market still weak and will remain a headwind as labour-intensive mining investment peaks. Other forward indicators generally still weak, including NAB survey measures such as orders, capacity utilisation and capital expenditure.
- The combination of near term better business conditions and (especially) the unexpectedly strong Q4 underlying inflation print has caused us to move our next rate cut call from May to November. We do not expect a rate hike until late 2015. Our expected track for the AUD has been revised down marginally. Our forecasts are broadly unchanged: GDP for 2013/14 now 2.5% (unchanged) and 2014/15 now 3.0% (was 2.9%). Unemployment rate still to peak at 6½% in late 2014.

Key global GDP forecasts (calendar years)

Country/region	*IMF weight*	2011	2012	2013	2014	2015
				% change		
United States	*19*	1.8	2.8	**1.9**	**2.8**	**2.9**
Euro-zone	*14*	1.6	-0.6	**-0.2**	**1.2**	**1.4**
Japan	*6*	-0.4	1.4	**1.7**	**1.9**	**1.4**
China	*15*	9.3	7.8	**7.7**	**7.3**	**7.0**
Emerging Asia	*8*	4.2	3.8	**3.7**	**3.8**	**4.3**
Global total	*100*	4.1	3.2	**3.0**	**3.5**	**3.7**
Australia	*2*	2.6	3.6	**2.3**	**2.8**	**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	2.0	**2.2**	**2.9**	Core CPI	2.5	**2.9**	**2.1**
Domestic demand	1.9	**1.1**	**1.4**			*% end of year*	
GDP	2.7	**2.5**	**3.0**	Unemploy. rate	5.7	**6.2**	**6.1**

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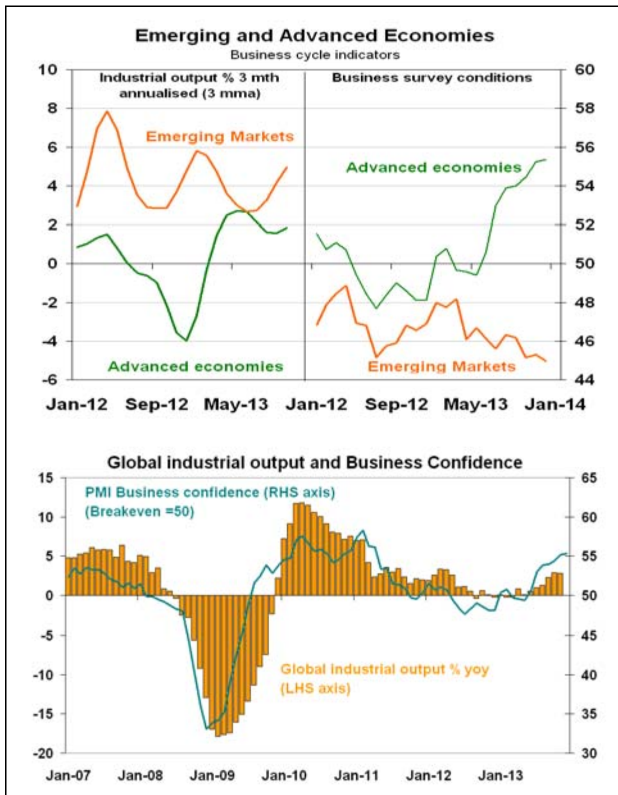
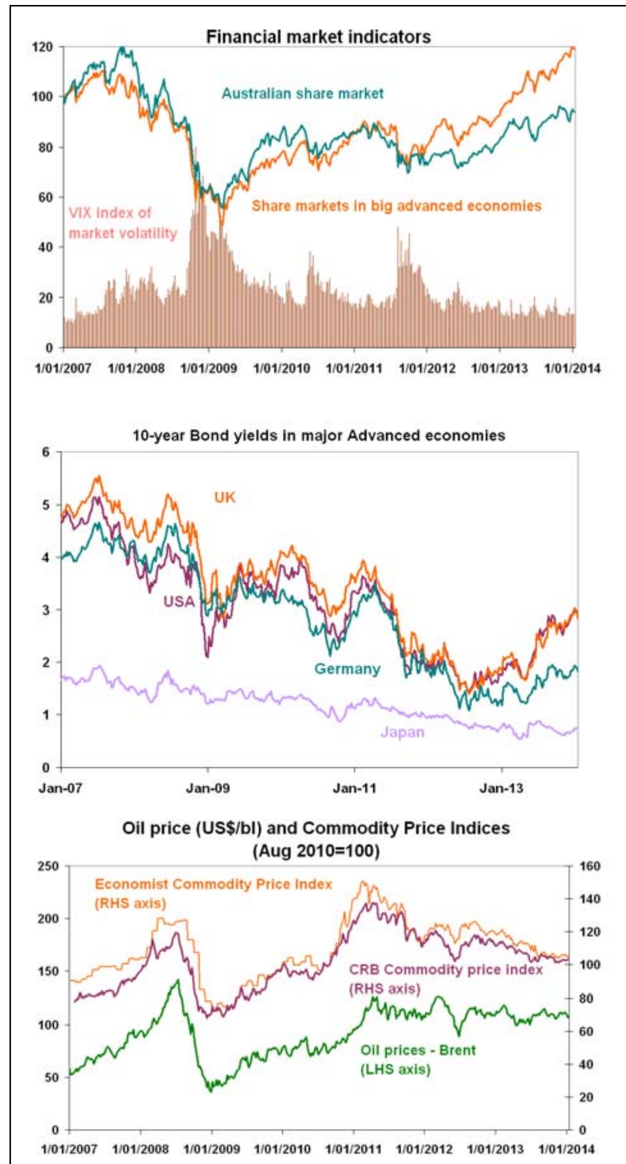
Global outlook

- End 2013 data from the business surveys as well as the monthly indicators of industrial output and trade show continued moderate growth in global output and some evidence of a slight acceleration in the pace of expansion.
- Although activity is picking up in the big advanced economies, their growth rates are still outpaced by the main emerging market economies. For instance, annualised 3-month global industrial growth is around 3½%, split between advanced economy growth of around 2% and emerging economy growth around 5%.
- Interest rates look set to remain low even though the pace of global growth is forecast to pick-up. Unemployment and idle capacity are trending down but they remain very high in the big advanced economies, holding down their inflation. Curbing price growth is more of a problem in emerging economies.
- There are minor changes to our forecasts for several regions but the global growth numbers remain unchanged at 3½% in 2014 with a modest rise to 3.7% in 2015. Growth in Australian major trading partners is expected to outperform the global average, rising from 4½% in 2013 to 4¾% in 2014.



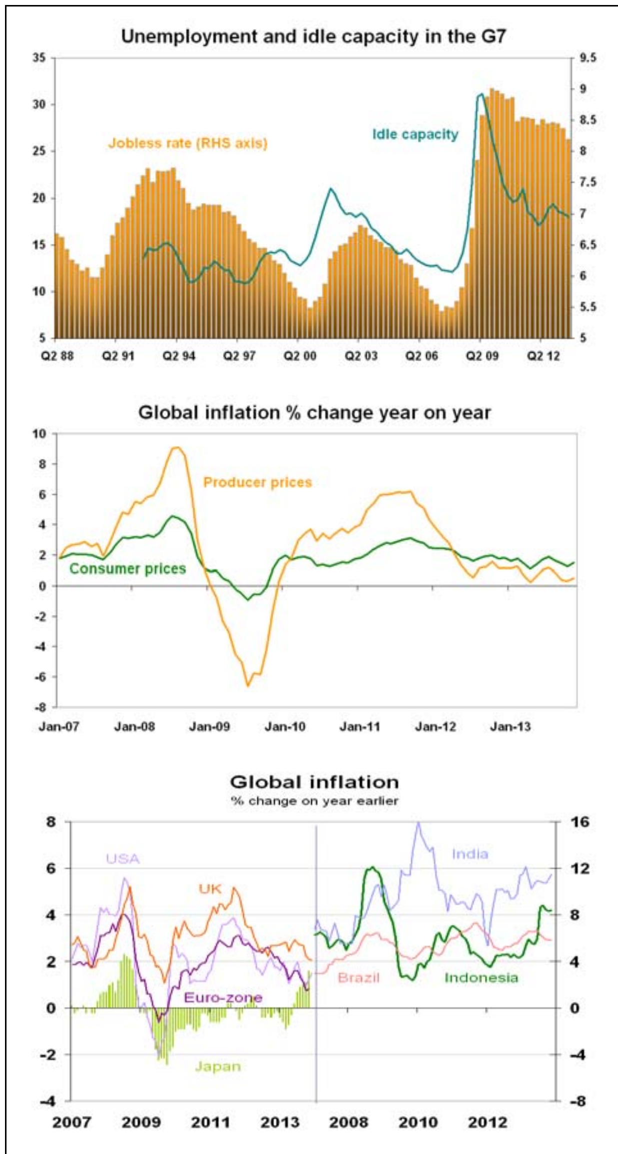
Financial & commodity markets

The Fed has started gradually "tapering" back its asset purchases and we expect that to continue through the remainder of the year. The Fed funds rate is unlikely to increase until well into 2015, even though the US jobless rate is falling close to levels the Fed require to review its near zero interest rate policy. The absence of much inflationary pressure gives the US central bank room to wait before preparing the market for higher short term interest rates. The ECB has said it will keep Euro-zone interest rates at or below their current low levels for as long as is needed to support recovery. This decision reflects the Euro-zone's combination of very low growth in prices, money and credit alongside high unemployment. The Bank of Japan is also running very accommodative policy aimed at getting inflation up to 2% by keeping interest rates near zero and buying assets.



Global trends

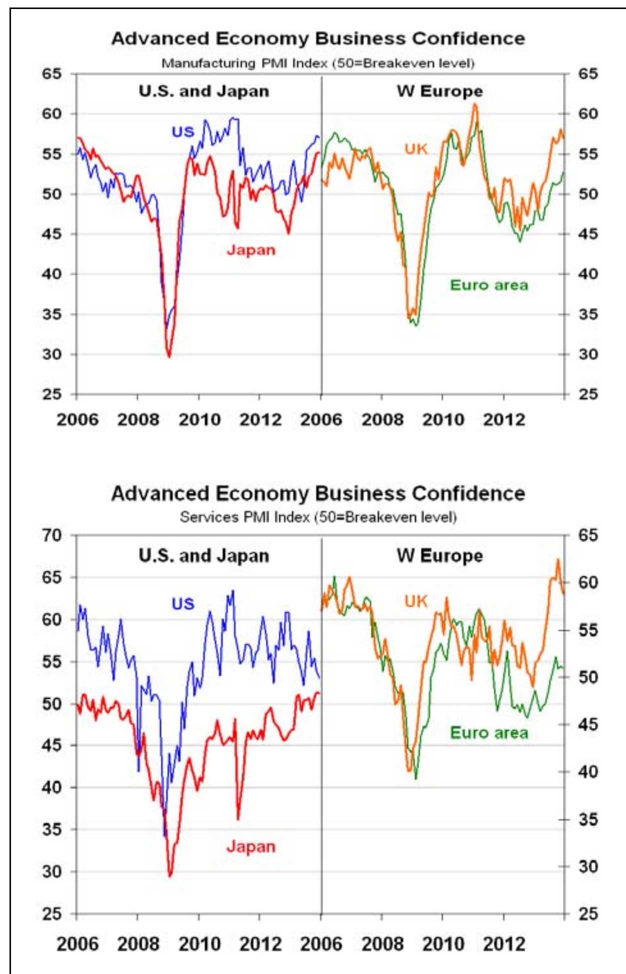
Global growth remained moderate in the latter half of 2013 with industrial output rising by around 2½% yoy, trade volumes by around 5% and GDP growing by just over 3% yoy. The advanced economies have experienced a protracted period of sub-trend economic growth following their deep 2008/9 recession. As a result, GDP in the G7 advanced economies only grew by around 3% between early 2008 and the latter half of 2013 – the weakest outcome since the 1930s. This resulted in a jump in unemployment and idle capacity which lowered price pressures. CPI inflation in the OECD is now around 1½% yoy and our measure of global CPI inflation is similar. Producer price growth is even lower (around ½% yoy). There is, however, considerable variation between economies, with high inflation still posing problems in several big emerging economies of Asia and Latin America.



Advanced economies

Business surveys taken at the end of 2013 were consistent with continued moderate growth, although there was a slight dip in the degree of confidence in several countries. The main hurdle to get over now is the April increase in Japanese indirect taxes. Judging by past events, this will pull spending and activity into late 2013 and early 2014 but then create a softer period in consumer spending after the tax rise. The last time this was done it had a severe impact on the economy but this time, so far, business expectations for 2014 remain quite buoyant and the government has announced a fiscal package to support demand.

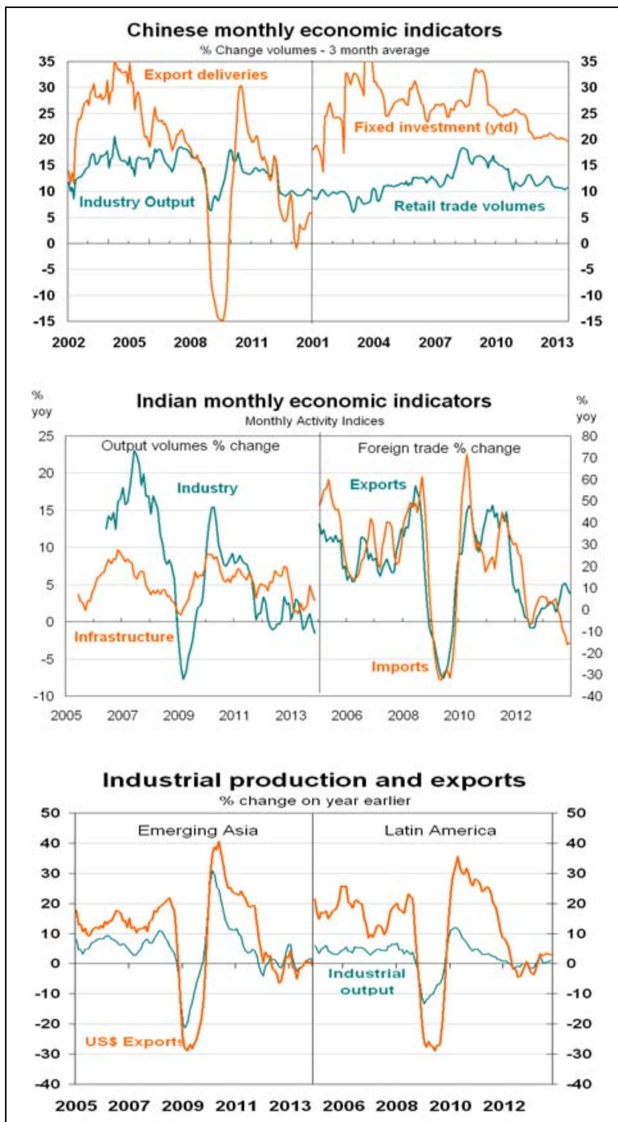
Business confidence came back a little in the December UK purchasing managers survey, but it remains at a high level, The January CBI reading on manufacturing also showed orders slipping from December 2013's 18 year high but shows investment intentions are finally picking up, with rising business investment a key element in the forecast UK recovery. Euro-zone business surveys are consistent with only a modest recovery from a very deep recession which has left the jobless rate at over 12% and inflation less than 1% — well below the ECB's target level.



Emerging economies

Mixed conditions continue to prevail across the main emerging market economies. Chinese GDP growth slowed modestly in the final quarter of 2013 (from 7.8% yoy to 7.7% yoy), a result that lined up with the easing trend seen in the central bank's main business survey and in partial indicators of activity like industrial output and fixed investment spending.

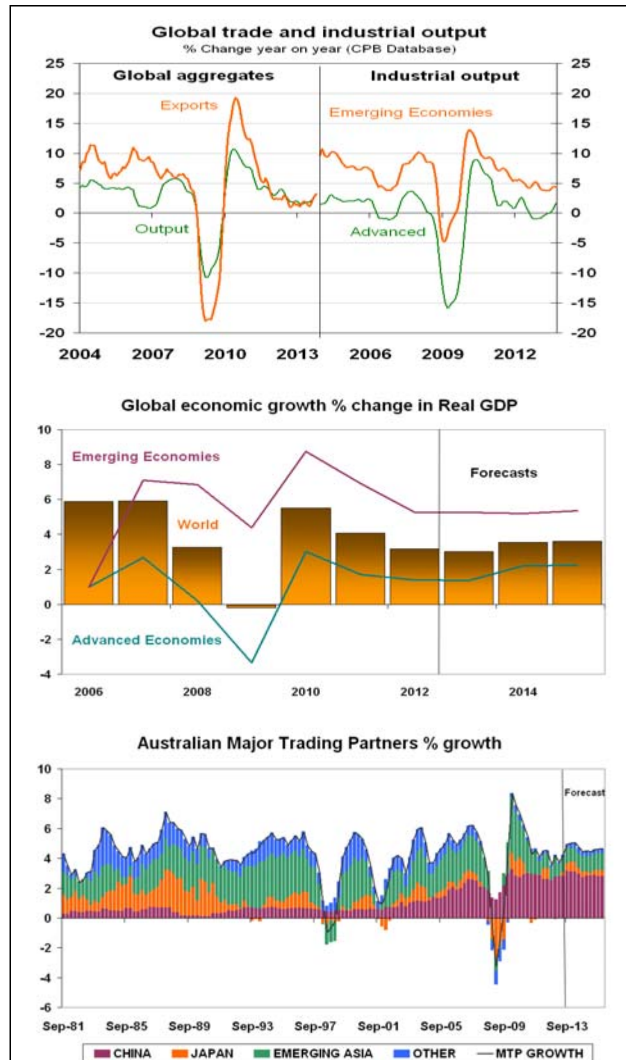
2013 proved a disappointing year for the Indian economy with tight monetary policy and supply problems coming to the fore to discredit the optimistic growth expectations of a few years ago. While the partial data on industrial output, imports and infrastructure activity remain weak, some of the latest business surveys are finally pointing to an improvement in activity. The Markit surveys show service sector firms expecting a pick-up in conditions and the March 2014 Dun and Bradstreet survey results were the best for almost 3 years with improved output, orders and earnings.



Forecasts

Our headline forecast remains unchanged from late 2013 with global growth expected to lift from 3% in 2013 to 3½% in 2014. With emerging market economy growth expected to remain around 5¼% yoy, it is the expected upturn in the pace of GDP expansion in the advanced economies from 1¼% to 2¼% that drives the pick-up in global growth between 2013 and 2014. As Australian exports are so heavily weighted toward emerging markets, there is less of an acceleration in our major trading partner growth than there is in world economic activity but the former is still expected to rise by ¼ ppt in 2014 to reach 4¾%, well above the forecast 3½% global growth rate.

The main uncertainties in our key export markets are the extent to which the Chinese economy slows down (our numbers have lower growth than either the IMF or OECD predict) and the speed with which Indian growth accelerates out of its 2013 soft patch. For India we are also more conservative than the IMF who forecast 5.4% and 6.4% growth in 2014 and 2015 respectively.



Australian outlook

Key Points

- More positive economic indicators, including NAB business conditions (at their highest level in 2½ years), hold out hope that a turning point may be near. Improving asset prices and a depreciating AUD may help bolster consumer spending and exports. Stronger housing approvals may also be supportive in the near term. There are also signs that household risk appetite is increasing.
- However, the labour market remains weak because of structural adjustment associated with the decline in labour-intensive mining investment. Other forward indicators generally remain weak, including NAB survey measures such as orders, capacity utilisation and capital expenditure.
- The combination of better near term conditions (albeit they may not be maintained) and, especially, the unexpectedly strong Q4 underlying inflation print has caused us to move our next rate cut call from May to November. We do not expect a rate hike until late 2015. Our expected track for the AUD has been revised down marginally.
- Our forecasts are broadly unchanged: GDP for 2013/14 now 2.5% (unchanged) and 2014/15 now 3.0% (was 2.9%). Unemployment rate still to peak at 6½% in late 2014.

National trends

The dog days of summer have brought more positive news on the domestic economic front. Business conditions in the NAB survey rose sharply in December to their highest level in more than 2½ years. The run up in asset prices continued until the vacation recess and there are indications that retailers experienced a better Christmas than last year. Housing approvals have strengthened and may soon begin to appear in starts and construction activity. The AUD plumbed new depths during the month, bringing some relief to exporters but imposing higher input costs on others. This has given some comfort that the Australian economy may be approaching a turning point.

However, the labour market remained largely in the doldrums. Although the unemployment rate remained at 5.8% in December, both the demand for and supply of labour continued to decline sharply. Partial employment indicators remained mixed at best. Since mid-2013, the adult population has increased by 168,000 but the labour force has actually declined slightly.

Forward orders were unchanged in the NAB survey in December, and although above their level through much of 2013 they were still below their long-term average. The December trend forward orders outcome implies that Q4 demand growth would strengthen to around 3%. Similarly, trend business conditions from the December Survey imply GDP growth will rise to around 3% in Q4. In our judgment growth will not be this strong once allowance is made for factors not captured in these simple relationships. In particular, we expect weakness in mining sector investment and public sector spending (largely outside the scope of the survey) to appear in the early part of 2014.

Other forward indicators from the NAB survey, such as capacity utilisation and capital expenditure, remain subdued. The economy remains multi-speed, with manufacturing, construction, mining and retail weak, wholesale and transport better and improving and finance and services relatively strong.

There is some prospect of an improvement in consumer demand following the increases in household wealth in the second half of 2013. The MLC Wealth Sentiment Index indicates that households are becoming slightly less averse to investment in shares. However, the NAB Consumer Anxiety Index shows that households are highly concerned about the cost of living, especially utility, education and housing costs.

We now expect the next rate cut in the second half of 2014, possibly November (previously May). As always, the precise timing is data dependent: in particular, it requires a further upward drift in unemployment, more stable asset prices and confirmation of subdued inflation. The most recent underlying inflation reading has raised questions about the last of these conditions and may give the RBA grounds for taking longer to assess the need for further monetary easing. We do not expect it to precipitate a rate increase given the state of the labour market. Our central scenario is for the unemployment rate to keep rising, the asset price spurt to run its course and the Q4 inflation outcome to prove something of an outlier. We do not expect a rate hike until late 2015.

Our underlying CPI forecasts for 2014 are for inflation running at around 2½% through the year, on the basis of sluggish demand and weak wage growth.

We now expect the AUD to drift down to around $US0.84 (was $US0.86) by the end of 2014 and $US0.80 by the end of 2015.

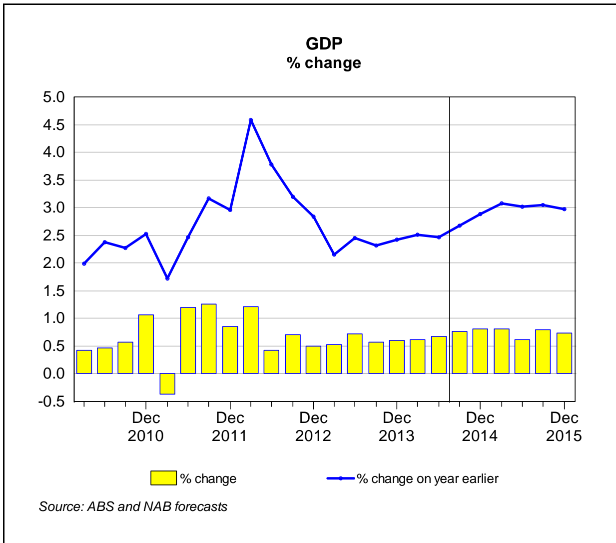
Our GDP forecasts are broadly unchanged: in through-the-year terms, we expect growth to

edge up from 2.3% in Q3 to 2.6% (was 2.5%) by mid-2014. In financial year terms, GDP growth forecasts are:

- 2.5% (unchanged) in 2013/14, and
- 3.0% (was 2.9%) in 2014/15.

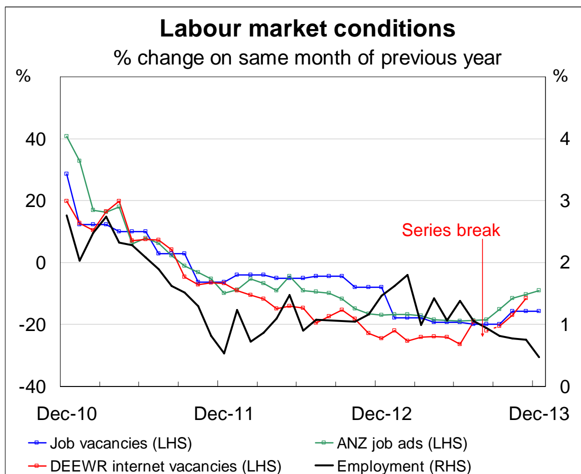
However, with GDP increasingly driven by the capital-intensive minerals energy sector and given the recent softness in the labour market, we see modest employment growth in the near term before it begins to recover:

- 0.2% (was 0.6%) through 2013/14, and
- 1.5% (was 0.9%) through 2014/15.



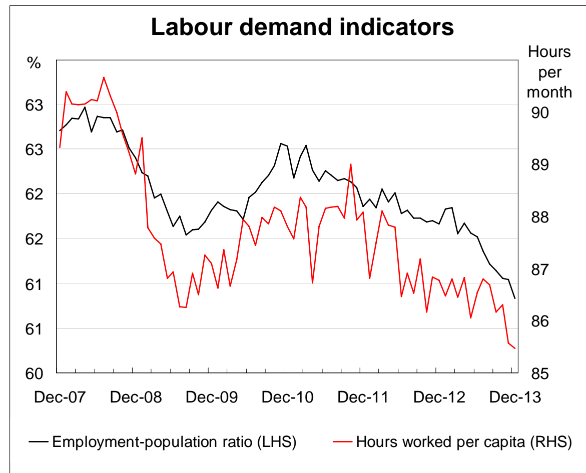
Source: ABS and NAB forecasts

Labour market



Partial indicators for the labour market suggest that the rate of decline in labour demand may have eased back towards the end of 2013. That said clearly labour demand is still weak to declining. Thus, while the official data indicate that the unemployment rate was unchanged at 5.8% in December, they also show that the long-term decline in the employment-population ratio actually gathered pace towards the end of the year. In addition, hours worked per capita declined sharply.

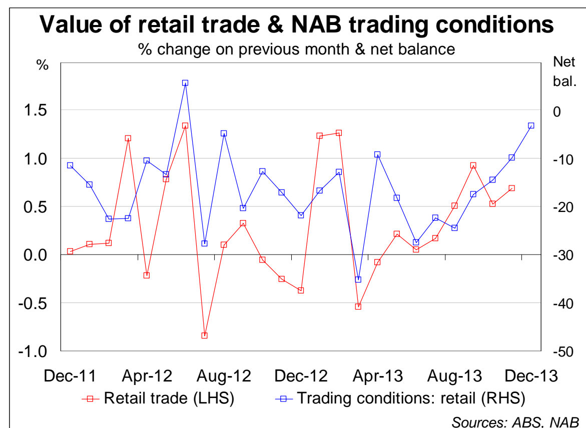
Since mid-2013, the adult population has increased by 168,000 but the labour force has actually declined slightly. With employment and participation weaker than we expected in December, we have revised down our track for both through 2014. However, we still expect the unemployment rate to peak at around 6½% in late 2014 before beginning to decline.



Consumer demand & housing market

A gradual improvement in retail conditions appears to be emerging. The value of retail trade has grown at reasonably solid rates (equivalent to over 8% per annum) for four consecutive months up to November. Individual components of retail trade remain volatile, with the improvement clearest in clothing and cafes & restaurants.

This overall trend is consistent with the improving pattern of retail trading conditions evident in the NAB business survey, which also suggests that retail conditions improved in December. However, the net balance for retail forward orders has remained in negative territory, suggesting that the retail recovery is still fragile.



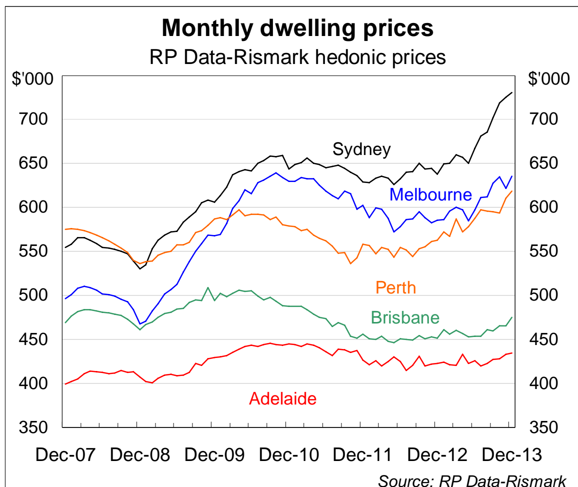
Sources: ABS, NAB

In November, the NAB Online Retail Sales Index continued its recovery following a decline in mid-2013, increasingly modestly in November to be 10.7% higher than a year earlier (for more detail see NAB online retail sales).

The total number of passenger and SUV vehicle sales increased by 0.7% in Q4, mainly from stronger SUV sales. However, sales were down marginally on a year earlier.

In December, there was more evidence that the housing market is beginning to moderate, particularly in the Sydney hot spot. Nationally, capital city dwelling prices grew 1.4% on average, but the rise in Sydney was a more restrained 0.7%. It is possible that prices in other cities are adjusting to the lead set by the Sydney market, and this process may have some distance to go. According to RP Data-Rismark, dwelling prices in Sydney are now 14.5% higher than a year earlier, compared with 8.5% for Melbourne, 5.1% for Brisbane and 9.9% for Perth (and 9.8% for all capitals).

Share prices nudged upward (by 0.6% according to the ASX200) during December, with an overall annual gain of 15.6%. Share prices appear to be levelling out after recovering strongly from their mid-2013 weakness.



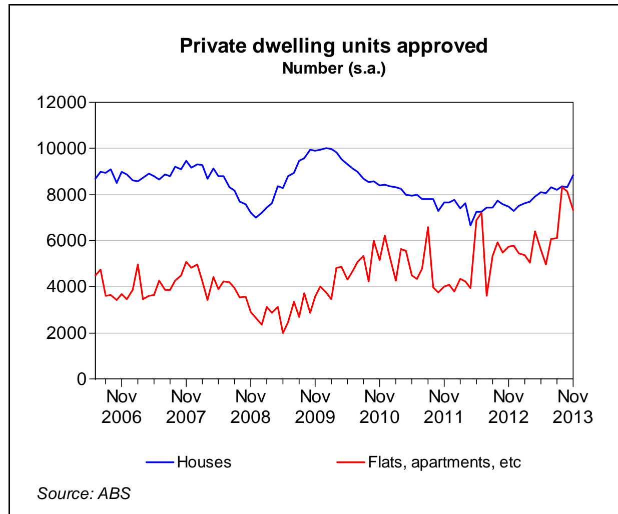
The gains in asset prices and the low interest rate-low inflation environment would, under normal circumstances, be strong positives for household consumer spending. There are already indications of this in retail trade, although this represents less than half of private consumption. However, the soft labour market and growing concerns about job security are likely to act as a brake on spending growth during 2014.

We expect private consumption growth to pick up from its current through-the-year rate of 1.8% to 2.9% by the end of 2014, although this partly reflects the passing of the period of particularly soft spending growth in 2012/13.

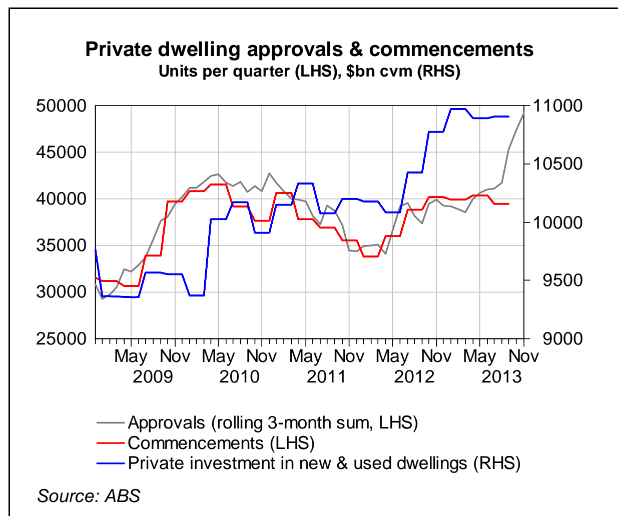
Investment

The broad-based recovery in HIA new home sales since mid-2012 continued into November with a 7.5% increase, mostly driven by a 30.5% rise in apartments, although detached house sales rose by a solid 3.6%.

Building approvals for dwellings eased back in November, although this reflected a fall in the volatile apartment sector. Approvals for private detached houses continued to rise and are now 18% higher than a year ago.



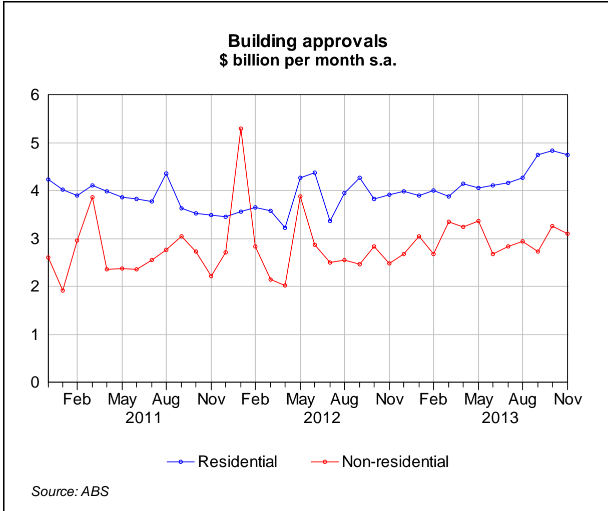
The substantial increases in approvals numbers that began in early 2013 have not been reflected in dwelling commencements so far (data for Q3 are the latest available). We expect these to flow through to starts in late 2013 and early 2014.



As in the case of household spending more generally, the combination of low interest rates and rising dwelling prices would normally be positive for dwelling investment, but it is probable that job security issues will weigh on activity during 2014. Consequently, we expect dwelling investment (including renovations, which have

been quite soft recently) to grow by 7.5% through the course 2014.

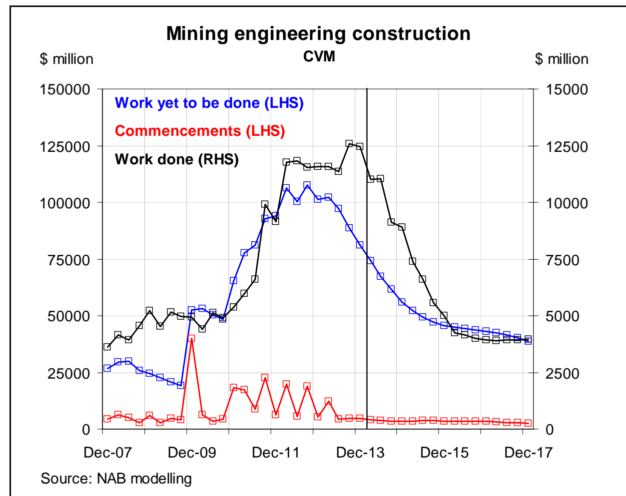
Non-residential building approvals remained subdued in November. The NAB business survey capex net balance is relatively volatile but it has generally been below its long-term trend. There is little evidence yet that non-mining business investment is likely to strengthen in the near term.



The mining sector, on the other hand, appears to be on the cusp of a substantial decline in investment activity. The state of mining investment has been difficult to assess because the ABS has suppressed some recent quarterly observations for mining engineering construction, especially for commencements and the pipeline of work yet to be done. Nevertheless, it is possible to reconstruct the missing data to update the forecasts prepared in our analysis last year (see: [Will mining investment fall off a cliff?]).

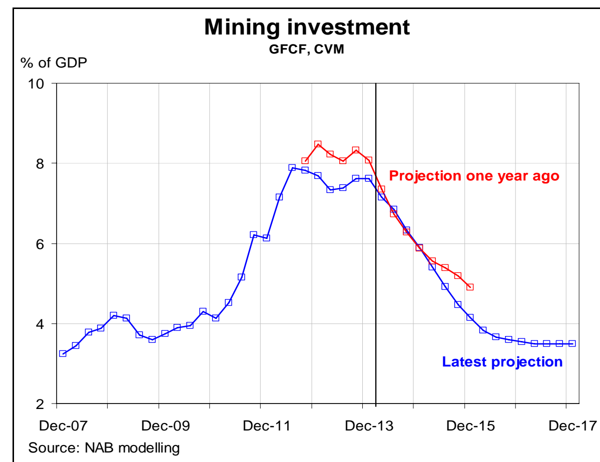
The pipeline of work started but incomplete in mining engineering has declined from a peak of $106 billion in mid-2012 to $91 billion in Q3 of 2013: this represents a decline from almost three years to less than two years of construction at rates of construction current at the time. Assuming commencements remain near current levels, which are relatively low by the standards of the mining boom, this means that the pipeline will disappear relatively rapidly unless construction slows down.

Using a statistically estimated relationship between commencements and work done, and assuming commencements remain near current levels, engineering construction in the mining sector could drop by 30% or more during 2014 and by another 50% during 2015.



The economics of large-scale mining projects have become more challenging during the past year or two. In the case of LNG projects, there have been concerns about construction cost over-runs in Australia, downward pressure on Asian contract prices and competitive threats from US exports.

After allowing for building construction, the installation of investment and intangibles (mainly exploration) expenditure, our projections for overall mining investment under this scenario continue to resemble those prepared a year ago: a reduction in mining investment of the order of 20% during 2014 and 30% during 2015. With mining representing almost half of total business investment at present, this will weigh substantially on overall business investment over the next few years.



Commodity prices and net exports

Commodity markets have lost some of the vigour exhibited towards the end of last year as renewed confidence in the advanced economies triggered a rally in many commodity and asset markets. It appeared as though commodity markets were finally over the reality of QE tapering, with focus turning back to the

underlying fundamentals. US economic data has generally been positive, helping support commodity prices and offsetting concerns over the winding down of QE and signs of a softening Chinese economy.

Steel input markets were relatively mixed in December, with modest declines in metallurgical coal prices (on weak seasonal demand) and relatively stable trends for iron ore (boosted by a restocking phase). Thermal coal prices edged higher, on pre-winter purchases, but are well below the levels of a year ago. More recently, adequate supplies and weak demand ahead of the Lunar New Year have contributed to lower prices for both coal and iron ore, despite some weather-related supply disruptions in the Pilbara – coking coal prices are approaching last years lows which triggered a significant supply response.

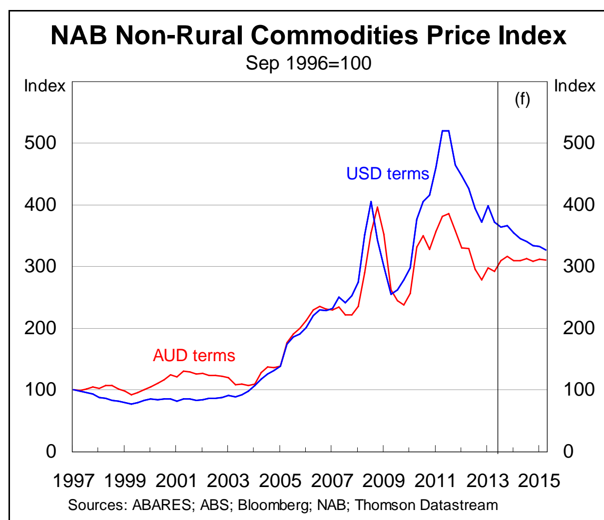
Oil price trends in December varied across markets, with WTI rising from its previous lows on the back of improving demand – both US refining activity and better global demand have been a factor. The US Fed tapering initially proved to be a support for prices, confirming the positive growth momentum in the US economy, the world's largest oil consumer. In contrast, Brent and Tapis prices have been volatile due to geopolitical tensions and uncertainty over Libyan supply. Average crude prices are down from the levels of late December.

Base metals prices declined in November, but gained some support during December from generally positive economic data, while physical supply of some metals has remained tight. The metals complex has tracked broadly sideways since the start of the year, fluctuating in line with the flow of economic data, but Nickel has outperformed in response to the implementation of an ore export ban in Indonesia.

Market expectations regarding Fed tapering continue to be the major headwind to gold prices, driving prices to multi-year lows. Demand emanating from Asia (particularly China) has been one of the few bright spots, supported by the lower prices, but has not been enough to offset the exit of ETF's from the gold market. Gold prices drifted slightly higher during January, but are likely to come under additional pressure as the global economic recovery gains traction (making other asset classes more desirable).

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

In US dollar terms, the NAB non-rural commodity price index fell by around 20% over 2012. We are expecting another decline of around 1¾% in 2013, before easing by a further 8¾% over 2014 (see Graph). Given our forecast for the AUD/USD to depreciate further over the remainder of the forecast horizon, AUD prices are expected to rise by 7½% over the year to December 2013, before a more modest increase of 3% over 2014. In aggregating the index, iron ore, thermal coal and metallurgical coal have a combined weight of around 55%.

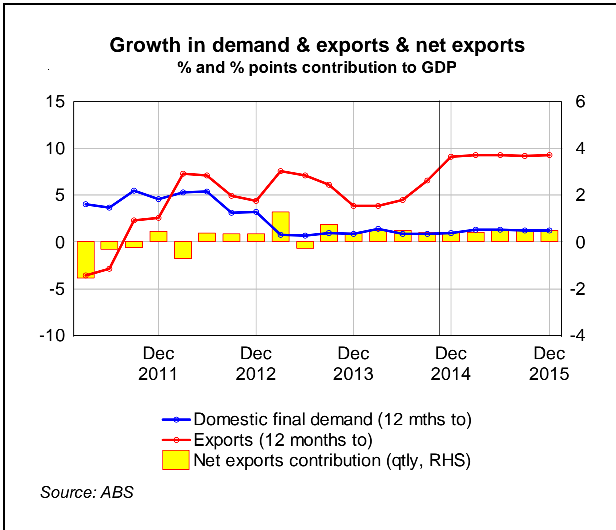


December saw domestic livestock prices pick up modestly from a seasonal lift in demand, but they remained weak overall relative to a year ago. Wool prices managed to maintain momentum prior to the three-week Christmas recess in wool auctions and recent January auctions saw prices largely maintaining their ground. Meanwhile, domestic grain markets have defied global price trends to rise notably in December on strong domestic demand, especially in drought-plagued Queensland and NSW. Global dairy prices have been on a relentless demand-induced increase despite strong output levels in New Zealand. Cotton has been faring better on improving global textile demand while sugar lapsed into new lows on the prospect of the largest world's ending stock on record.

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

The terms of trade fell by 3.6% over the year to Q3 2013. Based on our outlook for commodity prices, we see the terms of trade continuing to edge down, losing 5% through the course of 2014.

Our AUD forecast profile is a little lower, with lower commodity prices, the prospect of another cash rate cut and tapering are all likely help bring the AUD down to $US0.84 (was $US0.86) by the end of 2014.



The trade deficit should continue to move towards surplus, and the current account deficit decline, particularly as energy export volumes grow with the progressive commissioning of major mining projects and a declining AUD should restrain import volume growth.

Interest rates

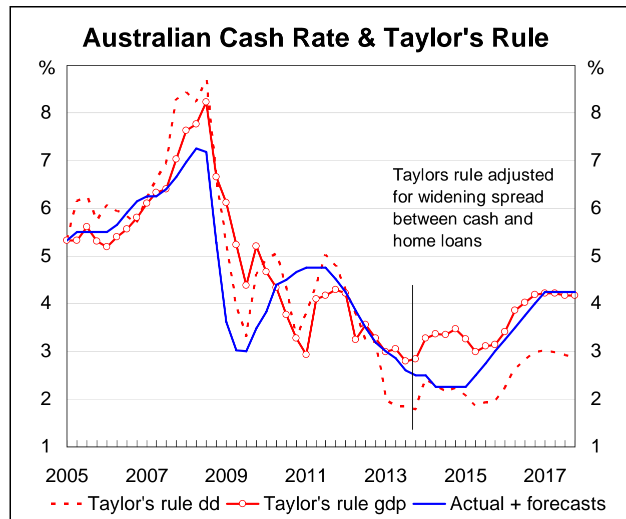
The cash rate has remained unchanged at 2.5% since July 2013. In our view, there are three conditions that all need to be satisfied before another rate cut becomes likely: stabilisation of asset prices, rising unemployment and low inflation (well into the bottom half of the target range),

While there are signs that the spurt in Sydney dwelling prices might be starting to recede, it is possible that its effects may wash into other capital city markets for some time. Share prices also seem to be levelling out.

Labour market indicators remain soft and, although the unemployment rate ended the year at 5.8%, we expect it to edge up during the first half of 2014, approaching 6½% by year end.

However, the largely unexpected spike in underlying inflation in Q4 (0.9%, or 2.6% through the year) has almost certainly removed the prospect of a cash rate cut in the near term. While CPI inflation excluding 'volatile' items (fruit, vegetables and automotive fuel) at 0.6% was more in line with expectations, it seems likely that the high Q4 print will lead to the RBA wanting more time while it considers the need for another cut. Note, however, that it does not point to a near-term increase in the cash rate, given the state of business investment and the labour market.

Consequently, we have deferred our next 25 basis point cash rate cut call from May to November 2014. By this time, the RBA will have two more inflation readings and we expect these to be relatively benign. More importantly, the unemployment rate is likely to be well above 6% and steadily deteriorating.



Global growth forecasts % change year on year

	NAB Forecasts				
	2011	2012	2013	2014	2015
US	1.8	2.8	1.9	2.8	2.9
Euro-zone	1.6	-0.6	-0.2	1.2	1.4
Japan	-0.4	1.4	1.7	1.9	1.4
UK	1.1	0.3	1.9	2.5	2.5
Canada	2.5	1.7	1.7	2.2	2.4
China	9.3	7.8	7.7	7.3	7.0
India	7.5	5.1	4.7	5.2	5.6
Latin America	4.8	2.4	2.8	3.0	3.5
Emerging Asia	4.2	3.8	3.7	3.8	4.3
New Zealand	1.4	2.6	2.7	3.9	2.3
World	*4.1*	*3.2*	*3.0*	*3.5*	*3.7*
memo					
Advanced Economies	1.7	1.4	1.3	2.2	2.3
Emerging Economies	6.9	5.3	5.3	5.3	5.4
Major trading partners	4.6	4.2	4.5	4.7	4.6

Australian Economic and Financial Forecasts (a)

	Fiscal Year			Calendar Year		
	2012-13 F	**2013-14 F**	**2014-15 F**	**2013-F**	**2014-F**	**2015-F**
Private Consumption	2.0	2.2	2.9	1.8	2.7	2.9
Dwelling Investment	-0.4	2.5	6.0	1.3	5.7	2.5
Underlying Business Fixed Investment	6.1	-4.9	-7.6	-3.2	-5.9	-8.4
Underlying Public Final Demand	-1.4	1.5	2.1	-0.1	1.4	2.3
Domestic Demand	**1.9**	**1.1**	**1.4**	**0.8**	**1.3**	**1.2**
Stocks (b)	-0.3	-0.4	0.1	-0.6	0.0	0.0
GNE	**1.6**	**0.7**	**1.5**	**0.2**	**1.3**	**1.2**
Exports	6.0	4.5	8.5	6.1	6.0	9.2
Imports	0.3	-4.1	1.5	-3.5	-1.3	1.7
GDP	**2.7**	**2.5**	**3.0**	**2.3**	**2.8**	**2.9**
– Non-Farm GDP	2.8	2.5	3.0	2.3	2.8	3.0
– Farm GDP	-3.9	4.2	2.0	3.5	1.6	2.0
Nominal GDP	2.5	3.7	4.2	3.3	3.9	4.1
Federal Budget Deficit: ($b)	21	40	30	NA	NA	NA
Current Account Deficit ($b)	55	48	42	47	46	35
(-%) of GDP	3.6	3.0	2.5	3.0	2.8	2.1
Employment	1.3	0.5	1.0	1.1	0.4	1.5
Terms of Trade	-9.8	-5.2	-4.6	-4.7	-6.1	-3.9
Average Earnings (Nat. Accts. basis)	1.7	2.5	3.0	1.4	3.0	3.0
End of Period						
Total CPI	2.5	3.5	2.2	2.8	2.7	2.6
Core CPI	2.5	2.9	2.1	2.6	2.5	2.3
Unemployment Rate	5.7	6.2	6.1	5.8	6.4	5.8
RBA Cash Rate	2.75	2.50	2.25	2.50	2.25	2.50
10 Year Govt. Bonds	3.76	4.15	4.70	4.24	4.20	5.10
$A/US cents :	0.93	0.87	0.82	0.89	0.84	0.80
$A - Trade Weighted Index	71.4	68.6	66.9	68.9	67.3	65.6

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

(b) Contribution to GDP growth

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