National Australia Bank

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Global & Australian Forecasts

April 2014

Global economy growing around trend but signs in early 2014 that accelerating growth phase has ended. Mixed conditions across regions with advanced economies providing more of global output expansion as Chinese growth rate trends down. Inflation still low in big advanced economies, underpinning outlook for low interest rates, but price pressures persist in many big emerging economies (excluding China). Australian business conditions remain muted and confidence still in decline. Dwellings likely to strengthen but expected tight Budget to add to mining headwinds. Labour market signals mixed. Local economy forecasts unchanged with rate cut still expected in late 2014 with unemployment to edge up.

- The upward trend in the advanced economy business surveys faltered toward the end of 2013 and this has continued into early 2014. Some of this reflected the disruptive impact of bad weather on supply chains but the March business survey results suggest that an underlying levelling out in the pace of growth has also occurred. Although unemployment rates and margins of idle capacity are trending down in the big advanced economies, they remain high by historical standards – allowing central banks to persist with historically low policy rates even as their economies pick up. Conditions remain very mixed in the emerging economies with Chinese growth slowing, Indian economic performance remaining disappointing and subdued activity growth across the rest of emerging East Asia and Latin America. High inflation remains a real problem in many of these economies.
- Australian business conditions remained soft in March and there are signs the weak environment is taking a toll on business confidence, which continues to slide. Labour market indicators are weak and, although better than in the depths of mid-2013, still look too soft to prevent a further deterioration in the labour market. Growth is likely to be supported by dwelling investment, growing minerals and energy exports and declining capital goods imports. Business investment, government demand and welfare support should provide significant headwinds.
- Domestic forecasts are unchanged. Jobless growth expected to continue through 2014 with unemployment rate still to reach 6½% by end-2014 when a final rate cut predicted (possibly November).

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**	**2.6**	**2.9**
Euro-zone	*14*	1.6	-0.6	**-0.2**	**1.2**	**1.4**
Japan	*6*	-0.4	1.4	**1.6**	**1.8**	**1.4**
China	*15*	9.3	7.8	**7.7**	**7.3**	**7.0**
Emerging Asia	*8*	4.2	3.8	**3.8**	**4.1**	**4.4**
Global total	*100*	4.1	3.2	**3.0**	**3.5**	**3.8**
Australia	*2*	2.6	3.6	**2.4**	**2.9**	**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	**2.8**	**3.5**	Core CPI	2.5	**2.9**	**2.2**
Domestic demand	1.9	**1.4**	**1.1**			*% end of year*	
GDP	2.6	**2.7**	**3.0**	Unemploy. rate	5.7	**6.2**	**6.3**

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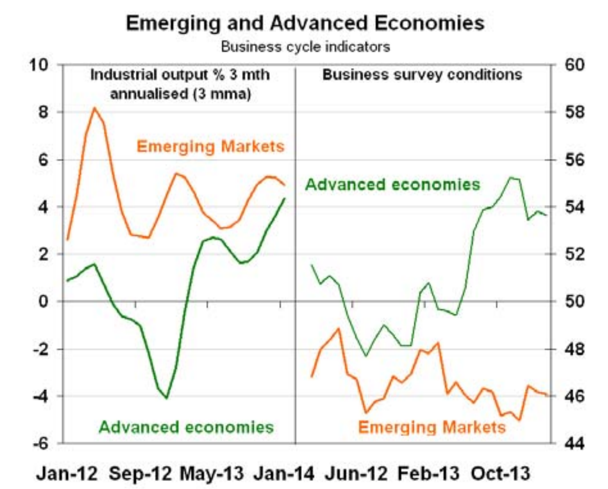
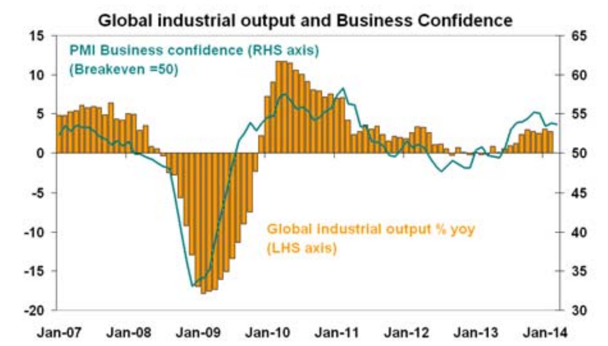
Global outlook

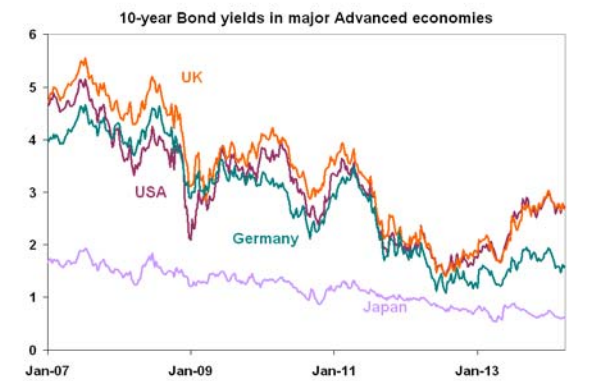
- March business surveys suggest that the levelling out in growth seen in the opening months of the year reflected more than just bad weather in key advanced economies. This flattening out in advanced economy growth is not yet evident in the less timely data on industrial output and trade.
- This steadying in the pace of industrial and service sector growth across the big advanced economies is occurring alongside a slowing trend in China's still rapid expansion and lacklustre conditions across the rest of East Asia and Latin America.
- A levelling out in growth underpins our forecasts. The ramping up in the pace of global expansion through 2013 means that achieving our 2014 projection needs barely any quickening in growth from its late 2013 level. Base level effects are enough to lift year average growth from 2013's 3% to 3½% in 2014. 2015 growth is forecast at 3.8%.
- Global growth has returned to around its long term trend rate but the legacy of the 2008/9 recession has left a large pool of unemployment in the advanced economies.

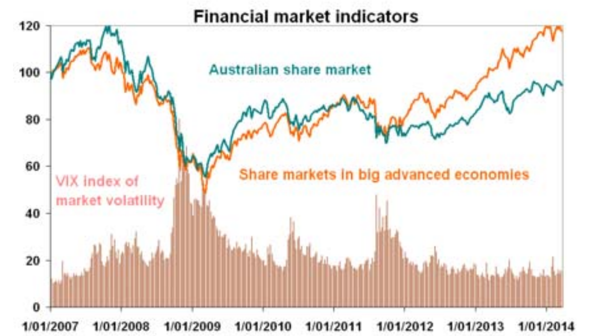


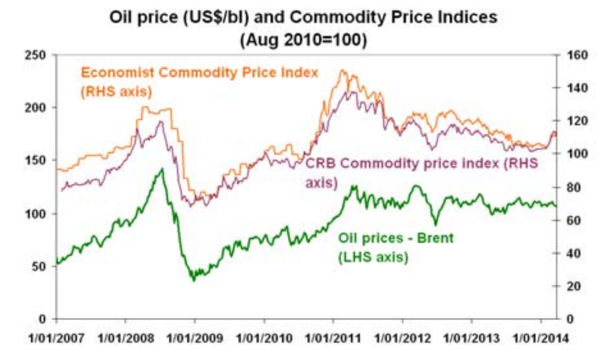


Financial & commodity markets

Although advanced economy central banks face divergent economic conditions, their policy responses appear very similar: prolonged periods of low interest rates. The US Fed has updated its guidance on interest rates to allow for faster than expected progress toward lower unemployment. Instead of setting a 6½% threshold for the jobless rate to fall to before it reviews interest rates, it will assess progress toward "maximum employment". The upshot is that interest rates look set to stay between zero and 0.25% for "a considerable time" after its asset purchase program ends (which we expect by the end of this year). The Bank of England faces a similar situation and rates look set to stay low for years. The UK jobless rate has been falling faster than expected but there is still spare capacity in the economy and inflation is expected to remain close to target over the forecast period. The ECB expects its policy rates to stay around or below their current low levels for "an extended period of time" as inflation is running well below its target rate.





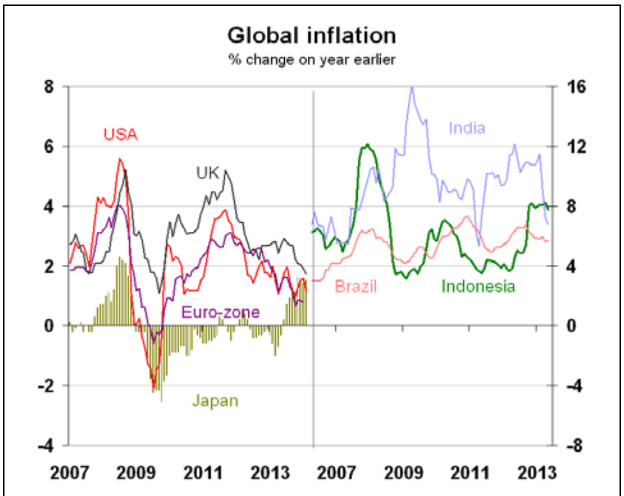


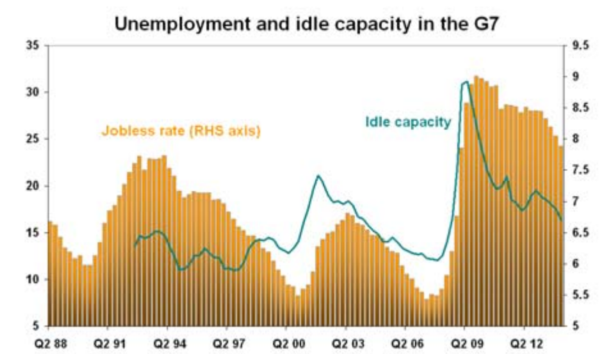
Global trends

Although global growth is currently running around its trend rate and the above-trend pace predicted for next year should slightly erode spare capacity, inflation is not posing a problem in the advanced economies. Their jobless rates and idle industrial capacity are trending down but remain high by historical standards.

Japan's monetary policy is aimed at lifting prices, too low rather than too high inflation is the concern in the Euro-zone and moderate price rises are under way in the US, UK and Canada. Taken overall, CPI inflation in the main advanced economies has been running at just over 1% yoy with "core" CPI measures showing around 1½% yoy. Headline CPI inflation in the big advanced economies is expected to gradually pick-up from last year's 1.3% to 1.7% in 2014 and 1.9% in 2015 – still meeting most central bank targets for price stability. This should allow advanced economy central banks to maintain low policy interest rates in years to come.

Inflation is more of a problem in the big emerging economies – CPI inflation is 7% yoy in India, 6.7% yoy in Indonesia, 6.3% yoy in Russia, 6% yoy in South Africa and 5.7% yoy in Brazil. China is an exception with its 2% yoy inflation rate. Central banks in these economies either have lifted rates through the last year or are warning that hikes may be needed to curb inflation.

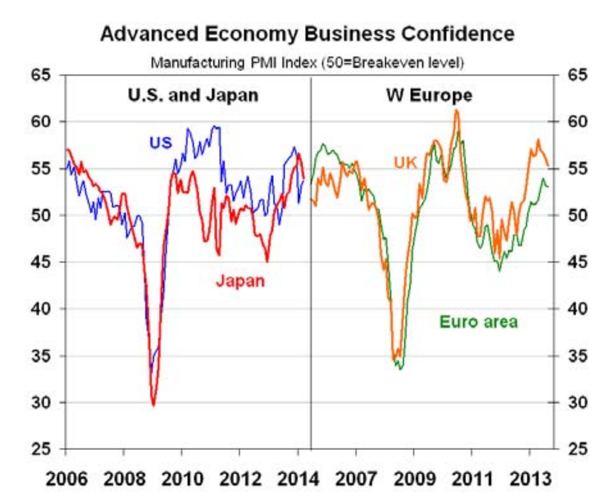


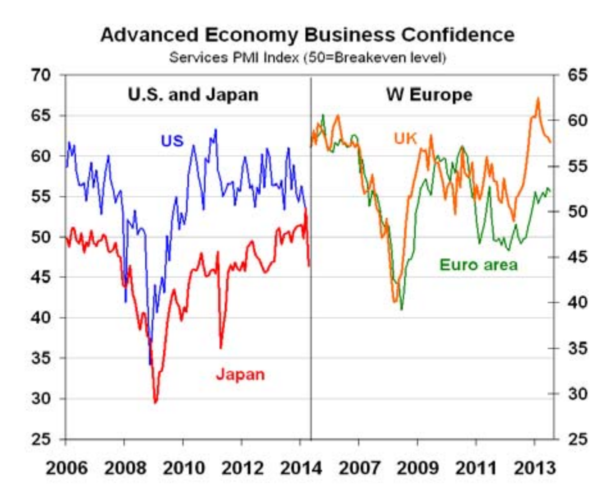


Advanced economies

Behind the inevitable monthly volatility in the data (some weather related) and divergence between individual economies, there is a flattening out in the growth rate in the main advanced economies. March industrial business surveys give the most up to date picture showing readings consistent with solid but no longer accelerating growth for the early months of the year. This follows a ramp up in growth through 2013. Headline purchasing manager business survey measures have dipped slightly across the UK, Japan and the Euro-area while the US numbers had turned down even earlier (partly reflecting weather related disruption to supply chains).

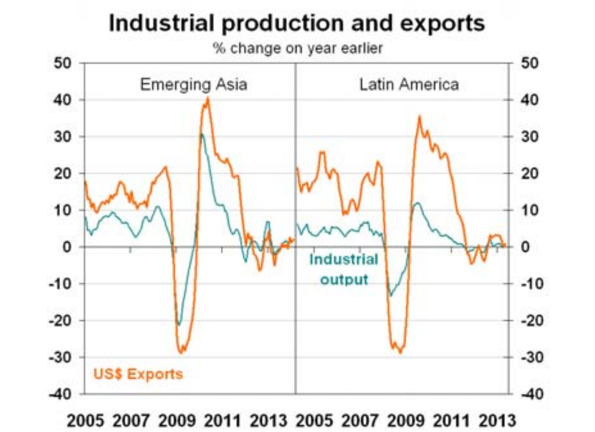
Services account for a much larger share of economic activity but here too there are signs that growth is no longer accelerating. While the UK and US surveys show good growth, their recent trends have been downwards. The Euro-zone was picking up from weak levels but fell slightly in March and Japan's service sector expects markedly lower levels of activity in April as the rise in indirect taxes takes effect. The long running Tankan survey also shows growth slowing post-tax hike.





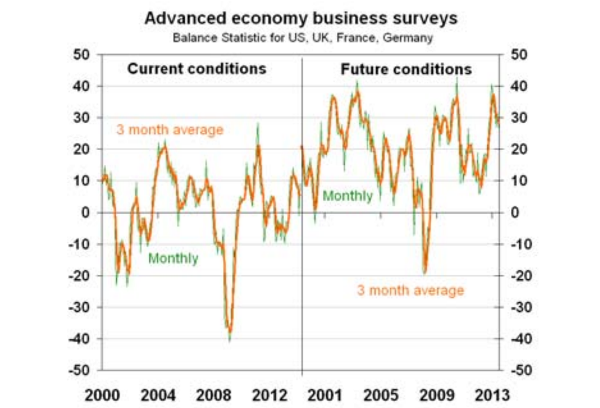
Emerging economies

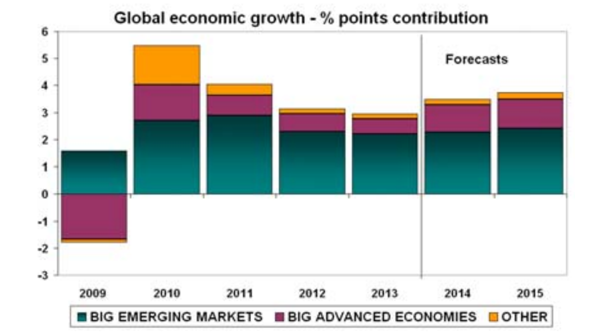
The slowing trend in the big emerging economies continued into the early months of 2014. Chinese industrial output, fixed investment and retail trade all showed a slight softening in their still robust growth in the opening months of the year. The export data has been especially weak but it is distorted by a crack-down on false invoicing. All Chinese numbers are distorted by the timing of the Lunar New Year holiday but there is not much sign of brighter conditions across the other emerging economies of East Asia. Industrial growth remains less than 2% yoy and US$ export growth is around the same low level. Similarly, taken overall, the Indian monthly data on output and foreign trade shows little sign of the upturn that was signalled in some of the business surveys. Industrial output and trade flows remain very weak and a lack of fixed investment has been a serious problem for some years.



Forecasts

Forward looking questions in the business surveys of big advanced economies show growth expected to continue but the results no longer point to faster growth in future. Behind the forecast acceleration in global growth from 3% in 2013 to 3.5% this year lie quite divergent conditions between advanced and emerging market economies. Growth in the former is expected to rise from 1.3% last year to 2.2% this year. Most of that acceleration has already been delivered as GDP grew by just over 2% yoy in the G7 Advanced economies in late 2013. Growth in the emerging market economies, by contrast, should barely change between 2013 and 2014 – rising from 5.3% to 5.4% as the slowing trend in China offsets a pick-up in growth elsewhere. The forecast lift in growth across Australia's main export markets is subdued. This reflects the near 40% and 20% shares of China and Japan respectively in Australian exports, two countries that miss out on much of the predicted acceleration in global growth through 2013-2015.





Australian outlook

Key Points

- Business conditions remained soft in March and there are signs the weak environment is taking a toll on business confidence, which continues to slide.
- Labour market indicators are weak and, although better than in the depths of mid-2013, still look too soft to prevent a further deterioration in the labour market.
- Growth is likely to be supported by dwelling investment and growing minerals and energy exports. Mining investment, which is yet to slow, and government demand and welfare support should provide significant headwinds.
- Jobless growth expected to continue through 2014 with unemployment rate still to reach 6½% by end-2014 when a final rate cut predicted (possibly November).
- Our forecasts are unchanged: GDP for 2013/14 2.7% and 3.0% for 2014/15; underlying CPI 2013/14 2.9% and 2014/15 2.2%.

National trends

Partial indicators released since the national accounts suggest that the Australian economy continues to grow below trend with the employment outlook vulnerable to the large structural adjustment task associated with the end of the mining investment boom.

While NAB survey business conditions are now much better than they were in mid-2013, the March reading confirmed the worsening of conditions in February. Conditions softened again in the bellwether industry of wholesale and in transport. Forward orders improved slightly and the employment index rose, although it is still in negative territory, but capacity utilisation declined. It is also disappointing to see that business confidence declined again in March and, although still positive, is now at its lowest reading since the post-election bounce. Rather than conditions rising to confirm the improvement in confidence, it seems that confidence is beginning to succumb to the continuing softness in conditions.

Labour market indicators remain mixed. There are signs of improvement among the forward indicators, but probably not sufficient to avert further rises in the unemployment rate through the remainder of this year.

There are few signs that business investment outside the mining sector is in a position to offset the impending decline in mining construction activity. Business credit appears to have begun growing again, albeit modestly in recent months, having virtually stalled in the second half of 2013.

Mining investment continued at a high rate in Q4 but the pipeline of work yet to be done continues to decline, and is now one-third below its peak in late 2012: this represents a decline from 26 to 16 months of work at current rates of construction. At some point in 2014 work done will begin to fall because of project completion.

Despite renewed buyer interest in the housing market, housing credit growth has increased only modestly, adding weight to the view that recent house price inflation is not the outcome of a speculative debt-fuelled bubble and is likely to moderate over the remainder of 2014. Nevertheless, dwelling prices in Sydney, Melbourne and Brisbane rose by between 2 and 3% in March. Although this, along with the absence of much in the way of debt accumulation, will bolster household wealth, the other major component, equity prices, were flat during March.

The improvement in retailing since mid-2013 stalled in February and personal credit declined. NAB retail business conditions were still soft in March. Low interest rates and growth in household wealth can be expected to underpin consumption activity during 2014, but their effects are likely to be tempered by rising unemployment.

Dwelling investment should be a source of demand strength in the first half of 2014, particularly apartment projects.

Minerals and energy exports are expected to be growth supportive on a more permanent basis as new projects come on stream. Volumes will grow and forecast declines in USD terms will be largely neutralised by a declining AUD. However, a significant portion of minerals and energy export earnings is likely to be repatriated overseas.

The federal government is likely to tighten fiscal policy in the coming budget as it seeks to address its structural deficit and this will provide a significant headwind for growth.

The RBA appears unlikely to move on the cash rate in the near term, expecting better news in the second half of 2014. In our view, the combination of mining sector adjustment and fiscal restraint is still likely to see the unemployment rate continuing to edge up, forcing the RBA to cut one more time towards the end of this year.

We still expect the AUD to drift down to around $US0.84 by the end of 2014 and $US0.80 by the end of 2015.

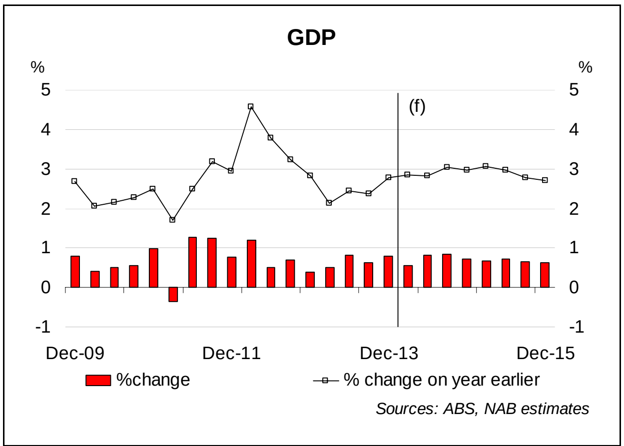
Our GDP forecasts are broadly unchanged: in through-the-year terms, we expect growth to be broadly constant at 2.8% through 2013/14 and

3.0% (was 2.9%) through 2014/15. In financial year terms, GDP growth forecasts are unchanged:

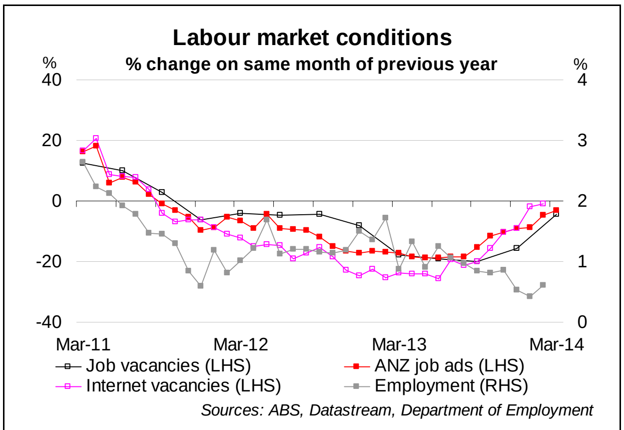
- 2.7% in 2013/14, and
- 3.0% in 2014/15.

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:

- 0.8% (was 0.3%) to mid-2014, and
- 1.6% (was 2.0%) to mid-2015.

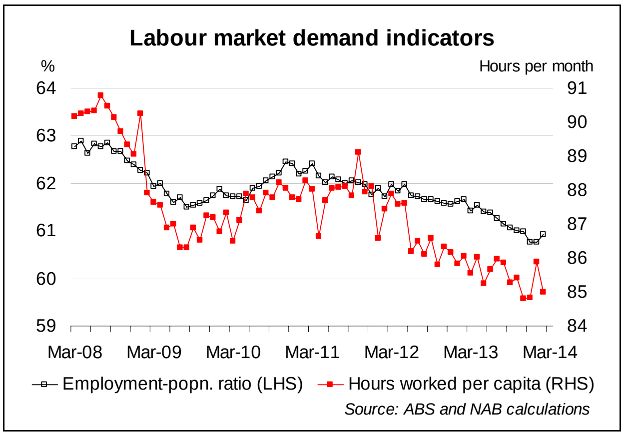


Labour market

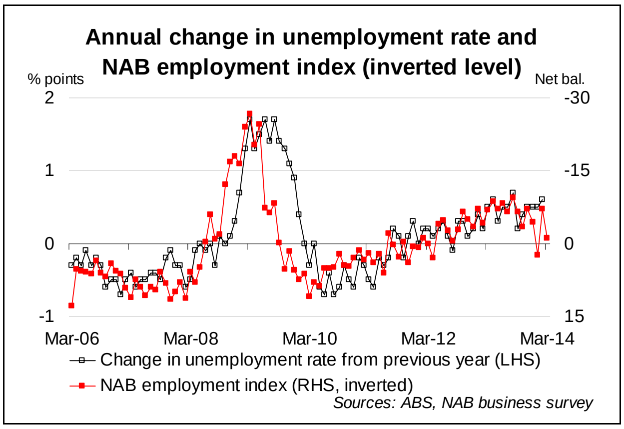


Forward indicators for the labour market were mixed at best. ABS job vacancies increased by 2.6% between the Q4 and Q1 readings, although vacancy levels remain soft, especially in the public sector. The Department of Employment internet vacancy index fell 3.3% in February although it is well above its recent trough in mid-2013. However, ANZ job ads jumped by 5.1% in February.

Labour demand indicators are also pointing in different directions: the employment-population ratio increased in February but hours worked per capita gave up most of their gains from the previous month. The unemployment rate remained at 6.0% in February, the net result of rises in both employment and the participation rate. The unemployment rate for full-time workers was 6.1%, down from the recent peak of 6.4% in January.



In March, the NAB employment index improved sharply to -1 but remains consistent with further increases in the unemployment rate in the months ahead. Employment conditions were strongest in mining and weakest in wholesale and manufacturing. ANZ job ads increased by 1.4% in March.

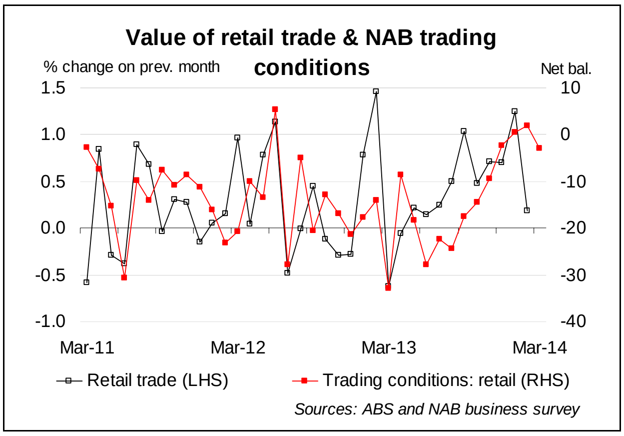


Our outlook for the labour market has barely changed: we still see the unemployment rate peaking at 6.5% by the end of this year before it declines to 6.1% by the end of 2015. Employment growth is expected to be a relatively soft 0.8% in 2014 (was 0.6%) and 1.5% in 2015 (was 1.4%). In the mining sector, the handover from construction to operations will likely add to unemployment at a time when job-shedding has been announced by major manufacturers. Moreover, much of the prospective growth in labour demand is likely to continue to be in services, especially the demographically driven areas of child and aged care.

Consumer demand & housing market

Retail trade growth moderated in February (up 0.2%) following much stronger numbers in recent months. The volatile department store sector declined sharply while cafes, restaurants & takeaway food stalled but household goods retailing maintained its solid momentum.

There are indications that retailing may have slipped back in March. Retail trading conditions in the NAB business survey fell back into negative territory in the month, although conditions remain better than the particularly poor readings in mid-2013. Retail orders also declined in March.

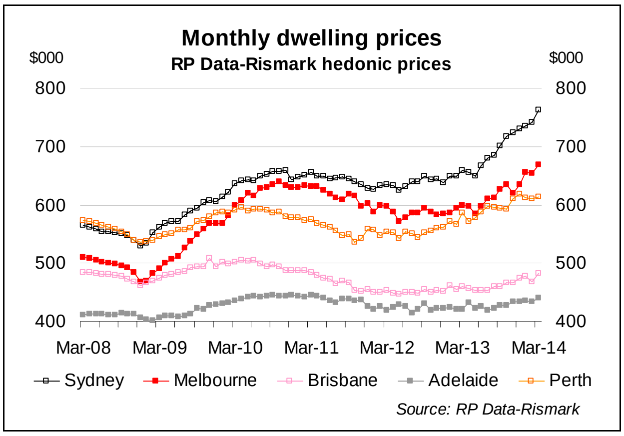


Online retail sales were virtually flat in February. In seasonally adjusted three month moving average terms online sales expanded 0.1% (from a 1.1% increase in January). The flat result for February comes after the relatively strong November to January period. The slowing growth trend for online retail sales was broad based across categories (for more detail see [NAB online retail sales]).

Total passenger and SUV vehicle sales have been edging down steadily since rising sharply in late 2012. In February, they grew by 0.4% following a 3.4% slump in January.

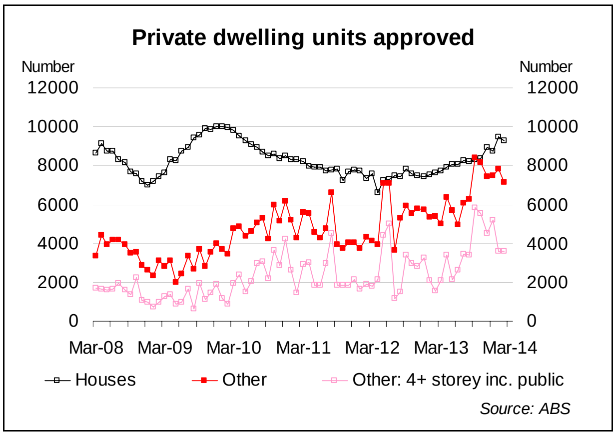
Despite showing signs of easing in February, dwelling prices resumed their strong growth in Sydney and Melbourne in March, rising by 2.8% and 2.3% respectively according to RP Data-Rismark. Brisbane prices also jumped, more than reversing their decline in February, but increases in the remaining major capitals were more moderate.

Share prices finished March broadly where they were at the end of February, with the ASX200 down just 0.2% through the month.

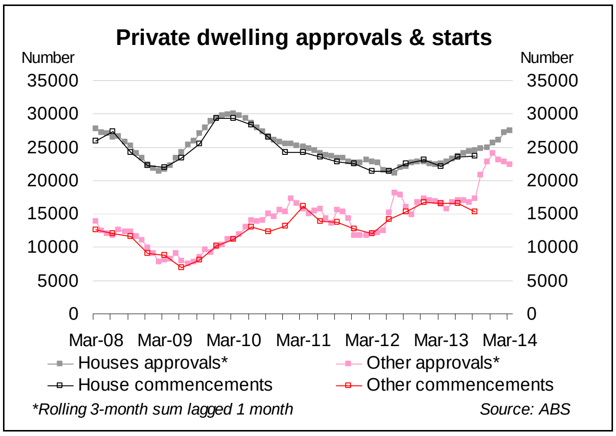


Investment

HIA new home sales resumed their upward trend, rising 4.6% in February. Detached house sales were up 6.9% while units fell 6.8%. There were large increases in detached home sales in Queensland, WA and Victoria.

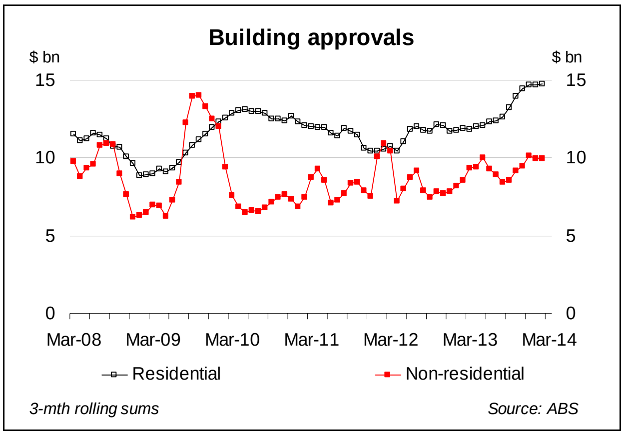


Residential building approvals numbers have risen sharply since early 2013, when they were around 13,000 units monthly, to 17,000 by the end of the year. The increase has been particularly strong for medium-density dwellings (exceeding houses in September 2013 for the first time in history).

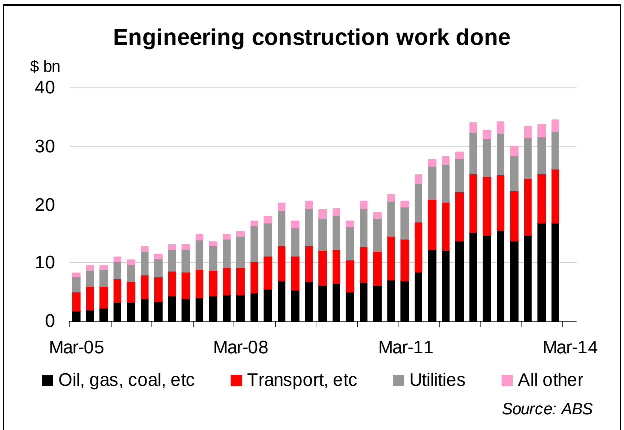


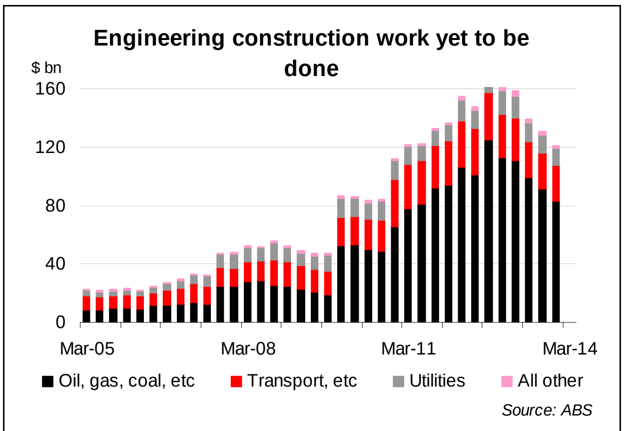
The contribution of large apartment buildings has dropped away in recent months, although smaller developments (up to three storeys) appear to have filled some of the gap. There are signs in the February data that a plateau in approvals may have been reached.

Nevertheless, there appears to be plenty of scope for a sharp increase in commencements in medium-density dwellings in Q4 and early 2014. We expect this to translate into strong rises in dwelling investment (including renovations) in the first half of 2014.



While residential building approvals have risen, the corresponding non-residential series remains broadly flat.





Engineering construction in the mining sector edged up marginally in Q4. However, the remaining pipeline of mining construction work declined for the fifth consecutive quarter, from 26 to 16 months at current annual rates of construction. We continue to expect the depletion of the pipeline to initiate a sharp decline in mining investment during 2014 and that this contraction that is likely to continue for several years.

Commodity prices and net exports

Since mid-January, several idiosyncratic factors, such as the ramping up of takeaway capacity by the Keystone XL Pipeline, better US economic data and unseasonably cold weather, have propped West Texas Intermediate (WTI) prices up relative to Tapis and Brent. Meanwhile oil prices also derived some support from the escalation of geopolitical tensions in the Ukraine. However, they have since moderated on easing concerns that economic sanctions would cause significant supply disruptions.

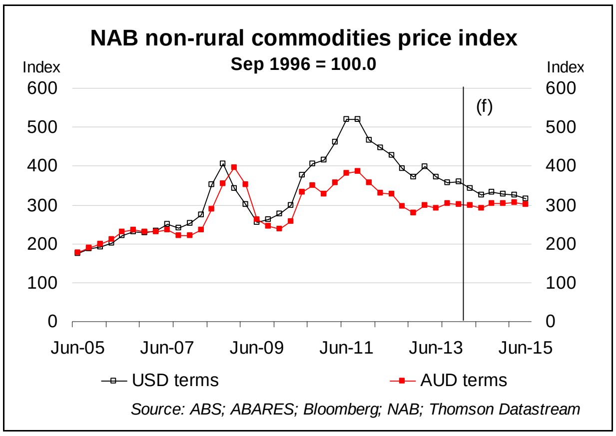
Prices for bulk commodities declined across February and March, with significant volatility in iron ore (likely related to unconventional financing arrangements). Recent weak spot prices for both thermal and metallurgical coal have resulted in weaker than expected settlements for contract prices (particularly in metallurgical coal markets).

Prices for the base metals complex were mixed in March, but are generally softer on concerns over the Chinese economy. Indonesian export ban and geopolitical concerns impacted supply outlook for some metals.

Gold prices shifted higher in the first half of March, responding to renewed safe haven demand stemming from geopolitical risks and emerging market concerns. Prices subsequently eased on China stimulus hopes and US Fed actions.

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.

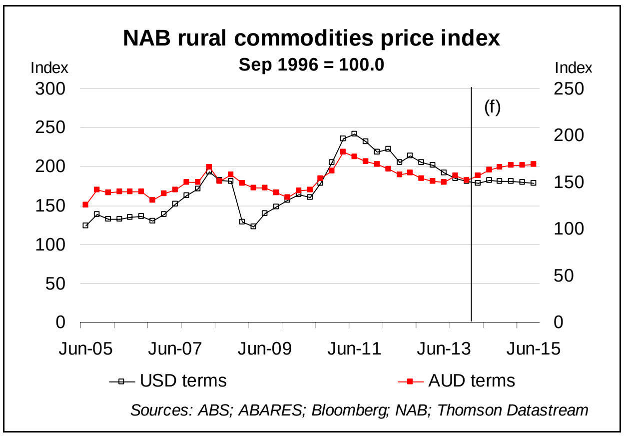
In US dollar terms, the NAB non-rural commodity price index fell by around 3¾% over 2013. We are expecting a larger decline of around 8¾% in 2014, and by a further 3¼% over 2014/15 (see Graph). Given our forecast for the AUD/USD to depreciate further over the remainder of the forecast horizon, AUD prices are expected to rise by ¾% over 2014, and to increase by 2¾% over 2014/15.



In February, most major rural commodity prices in Australia rose. Average to above average rainfalls across most parts of Australia have stoked restockers' confidence in cattle and sheep, propping saleyard prices upwards. Wool prices fell in the month on large auction supplies and subdued trading activity from major Chinese buyers, presumably due to the seasonal effects of Lunar New Year. Meanwhile, domestic grain markets continued to trend upwards in conjunction with a global rally on concerns of supply delays from Canada and Argentina, drought in Brazil and the Ukraine crisis. Global dairy prices reached unprecedented levels in the month but appear to be at a turning point with price losses recorded in two consecutive Global Dairy Trade auctions. For softs, cotton has held up on constrained production in the US, while sugar gained ground from record lows as worsening drought conditions in Brazil threaten crop yields from the largest global producer and exporter.

The NAB rural commodity price index fell by around 11½% over 2013 in US dollar terms, but we expect it to be broadly unchanged over 2014 but to decline by 2¼% over 2014/15. In AUD terms, the index is expected to rise by 10½% over 2014 and edge up by 3¾% over 2014/15.

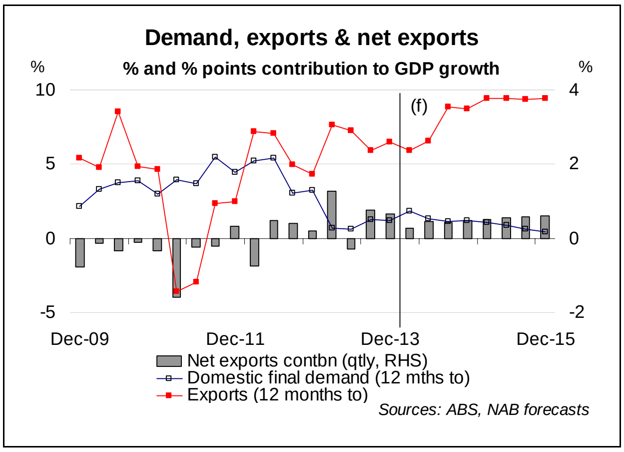
For more detail, see our Minerals & Energy Commodities Research and Rural Commodities Wrap.



The terms of trade fell by 1.2% over the year to Q4 2013. Based on our outlook for commodity prices, we see the terms of trade continuing to edge down, losing 4% through the course of 2014 and another 4% through 2015.

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

Our AUD forecast profile is unchanged, despite its recent upward momentum. The AUD rose from $0.895 at the end of February to $0.922 by the end of March, despite concerns about Chinese growth and the effects of US tapering. Analysts believe that this strength has been associated with increased confidence that the RBA will not cut rates again (a confidence we do not share), covering of short AUD speculative positions, interest by offshore managers in AUD assets given a low volatility environment, and repatriation flows by domestic asset managers. Declining commodity prices, another cash rate cut and the appreciation of the USD associated with tapering are all likely help bring the AUD down to $US0.84 by the end of 2014.



The monthly trade balance returned another strong surplus in February, a portent of things to come as major minerals and energy projects are commissioned. The value of non-rural exports has shown continued strong growth, while the outcome also reflects the temporary effect of the strong wheat harvest. Growth in the value of imports in February was restrained as weaker intermediate goods imports offset stronger capital goods. Eventually, capital goods imports can be expected to soften as mining investment winds down.

Interest rates

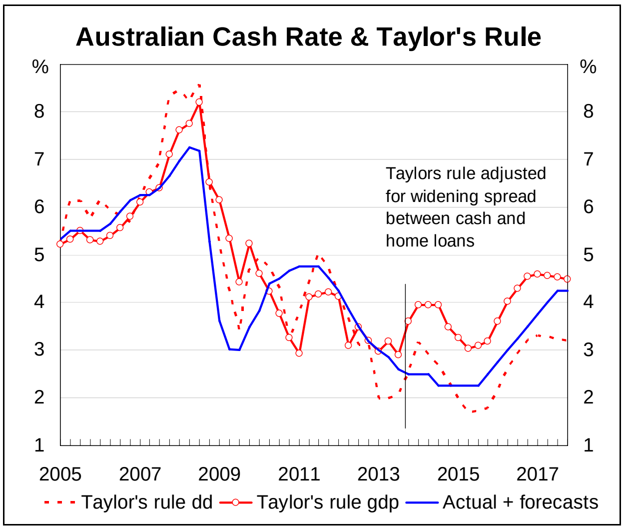
The RBA kept the cash rate unchanged in April as expected. The accompanying press release was broadly unchanged from March. The RBA has retained its neutral bias, and again concluded that "on present indications, the most prudent course is likely to be a period of stability in interest rates."

If anything, the RBA appears slightly more optimistic that a turning point is closer for the unemployment rate than it was in its March statement. The RBA appears hopeful that policy is accommodative enough to support the economy, even as mining investment slows. Lower interest rates have seen dwelling prices increase 'significantly over the past year', consumer demand has strengthened and credit growth is picking up.

The RBA still sees the lower AUD as supportive but less so following its recent rises, but has avoided re-entering the issues of the extent to which the AUD is uncomfortable or where it would prefer it to be. It also noted that China's growth had slowed in early 2014.

The RBA appears to be firmly on hold for the time being, but appears to expect economic conditions to improve later in the year. We are somewhat less sanguine about the prospects for investment and unemployment. An additional unknown is the federal government response to its Commission of Audit recommendations in terms of the extent of fiscal tightening. Public sector job vacancies began declining rapidly at the end of 2011 and are currently more than 40% down from that level. The size and nature of further cuts to agency staffing, tightening of welfare eligibility and tightening of payments to the states remain to be seen.

We have not changed our view that the next movement in rates will be a cut of 25 basis points in late (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

	2011	2012	2013	2014 (*NAB Forecasts*)	2015 (*NAB Forecasts*)
US	1.8	2.8	1.9	2.6	2.9
Euro-zone	1.6	-0.6	-0.4	1.3	1.5
Japan	-0.4	1.4	1.5	1.6	1.3
UK	1.1	0.3	1.7	2.5	2.5
Canada	2.5	1.7	2.0	2.3	2.6
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	3.8	4.1	4.4
New Zealand	1.9	2.6	2.7	4.1	3.4
World	*4.1*	*3.1*	*3.0*	*3.5*	*3.8*
memo					
Advanced Economies	1.7	1.4	1.3	2.2	2.3
Emerging Economies	6.9	5.3	5.3	5.4	5.5
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	2.8	3.5	2.0	3.3	3.3
Dwelling Investment	-0.1	4.2	9.2	2.0	8.9	5.1
Underlying Business Fixed Investment	6.2	-6.6	-10.3	-3.5	-9.1	-10.2
Underlying Public Final Demand	-1.4	2.2	0.1	0.2	1.2	-0.3
Domestic Demand	**1.9**	**1.4**	**1.1**	**0.9**	**1.4**	**0.7**
Stocks (b)	-0.3	-0.3	0.2	-0.6	0.1	0.1
GNE	**1.6**	**1.1**	**1.3**	**0.4**	**1.4**	**0.9**
Exports	6.0	6.2	9.1	6.8	7.5	9.4
Imports	0.5	-2.9	1.2	-2.8	-0.4	0.7
GDP	**2.6**	**2.7**	**3.0**	**2.4**	**2.9**	**2.9**
– Non-Farm GDP	2.8	2.6	3.0	2.4	2.9	2.9
– Farm GDP	-3.6	6.5	2.1	4.9	2.6	2.0
Nominal GDP	2.5	4.4	4.5	3.5	4.7	4.1
Federal Budget Deficit: ($b)	21	40	30	NA	NA	NA
Current Account Deficit ($b)	56	42	29	46	36	21
(-%) of GDP	3.7	2.6	1.7	2.9	2.2	1.2
Employment	1.3	0.8	1.5	1.1	1.0	1.7
Terms of Trade	-9.8	-3.2	-3.4	-4.2	-3.5	-3.9
Average Earnings (Nat. Accts. basis)	1.7	2.5	3.1	1.4	3.1	3.0
End of Period						
Total CPI	2.5	3.5	2.3	2.8	2.8	2.7
Core CPI	2.5	2.9	2.2	2.6	2.6	2.4
Unemployment Rate	5.7	6.2	6.3	5.7	6.5	6.1
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	70.0	68.2	68.9	68.7	67.0

(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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