Global & Australian Forecasts

by NAB Group Economics

Embargoed until:
11:30am Tuesday 27 January 2015

January 2015

National Australia Bank

Key Points:

- **Moderate sub-trend global growth continues with a diversity of economic conditions (solid expansion in US, UK, India and China, weakness in Euro-zone, Japan, Latin America). Falling oil prices should boost global activity, although the impact varies between oil exporting and importing countries. Our estimates are conservative but lower oil prices still boost our forecasts for the US, Japan, Euro-zone, India, China and non-Japan Asia while Russia and other big energy suppliers are revised down. Adding in the other (mainly negative) recent changes in the environment gives growth going from 3% last year to 3½% in 2015 and 2016.**
- **Fully factoring in lower oil and other commodity forecasts have created a larger "v" in the shape of our activity forecasts – softer in the near term (2014/15) as iron ore/coal effects dominate but stronger in the medium term (2015/16) reflecting oil prices, rate cuts and marginally stronger MTP growth and exports. Cuts to national incomes and lower inflation are key short term outcomes. Core CPI 1¾% by Q1 2015. Unemployment to continue to deteriorate but peak lower (6.6%) and later(Q4 2015). Still expect two rate cuts in 2015 but timing very dependent on data flow and could start a touch later.**

Key global and Australian forecasts (*% change*)

Country/region	IMF weight	2013	2014	2015	2016
United States	16	2.2	2.4	3.3	2.7
Euro-zone	12	-0.4	0.8	1.2	1.4
Japan	5	1.5	0.2	0.8	1.2
China	16	7.7	7.4	7.1	6.9
Emerging East Asia	8	4.3	4.0	4.6	4.9
New Zealand	0.2	2.2	3.2	3.4	1.9
Global total	100	3.2	3.1	3.4	3.6
Australia	2	2.1	2.7	2.5	3.6
Australia (*fiscal years*)		13/14	14/15	15/16	16/17
Private consumption		2.2	2.5	3.1	2.9
Domestic demand		1.0	0.7	1.4	1.5
GDP		2.5	2.3	3.2	3.6
Core CPI (*% through-year*)		2.7	1.8	2.7	2.5
Unemployment rate (*% end of year*)		6.0	6.4	6.3	5.9

Contents

For more information contact:
Alan Oster, Chief Economist: (03) 8634 2927 or 0414 444 652
Tom Taylor, Head of International Economics:
(03) 8634 1883

Global and Australian overview

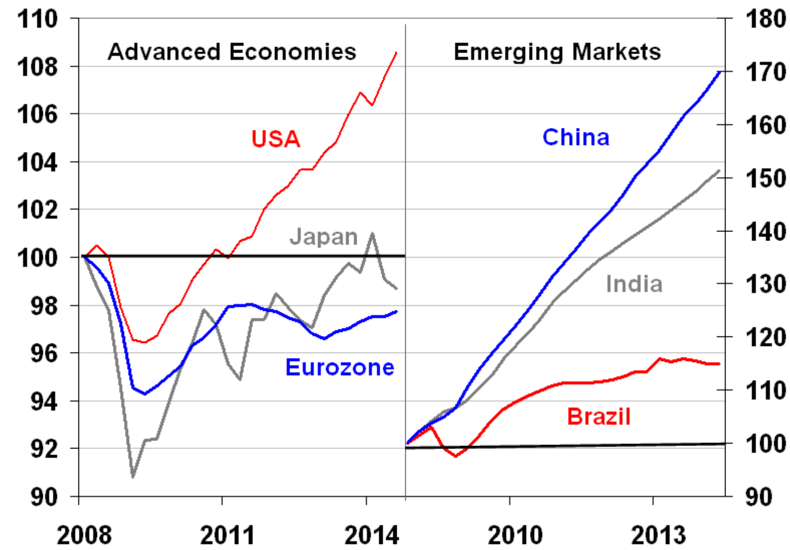
Global overview

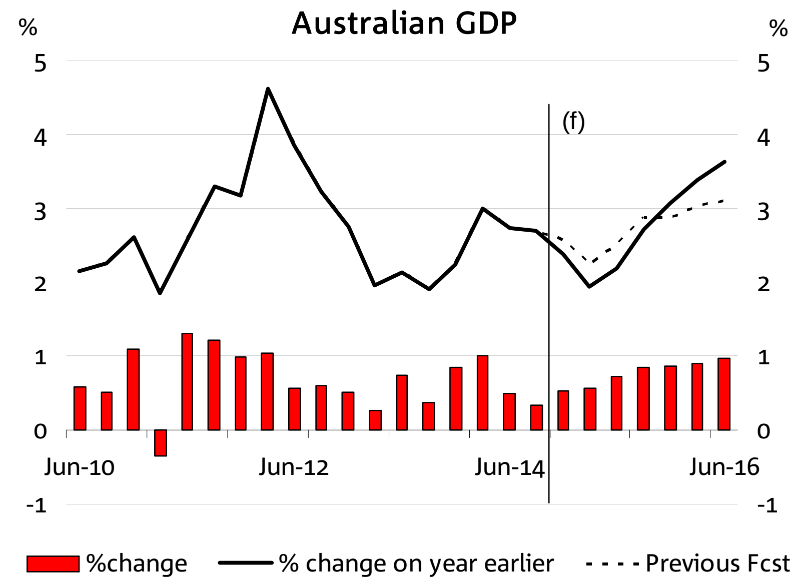
- We have revised our forecasts to reflect the boost to spending power that lower oil prices will deliver to fuel importing economies like Japan, India and the Euro-zone as well as the weakness it will impose on exporting regions like Russia and the Middle East. The net effect on our global growth forecasts of lower oil prices plus the other (generally negative) recent changes is minimal – with growth picking up from around 3% last year to 3½% in 2015 and 2016.

Australian overview

- We have now incorporated both the large falls in oil prices and other commodities (especially iron ore) into our forecasts. We have also assumed that current lows in USD are broadly maintained in H1 2015 and then edge up marginally into H2 2015. These shocks in the near term largely hit prices and incomes – with a resultant fall in Australian terms of trade of 15% in the year to March. A lower AUD broadly cushion AUD commodity prices going forward.
- In the near term this will see sharply lower CPI outcomes – with headline inflation in the year to June 2015 flat and core inflation 1¾% - increasing to only 2¼% by end 2015. In the near term GDP growth in 2014/15 has been again lowered to 2¼%.
- As we move into 2015 the lagged impact of lower oil prices and two rate cuts are expected to help a faster recovery pattern (see chart opposite) – with GDP running around 3% through 2015 and 3½% into 2016. We now expect unemployment to rise more gradually through 2015 peaking in Q4 at 6.6% (6.8% previously).
- Finally we still see this set of forecasts as requiring two rate cuts in 2015. Timing will however be very data dependent and it could well be that the unexpected better near term labour market outcomes delay the expected timing till mid 2015 – rather than earlier in the year. Similarly, AUD depreciation that is further and faster than we currently expect could negate the need for additional stimulus (eg USD low 70s in the next quarter or so).

Level of real GDP in Major Economies
March 2008=100 Indices



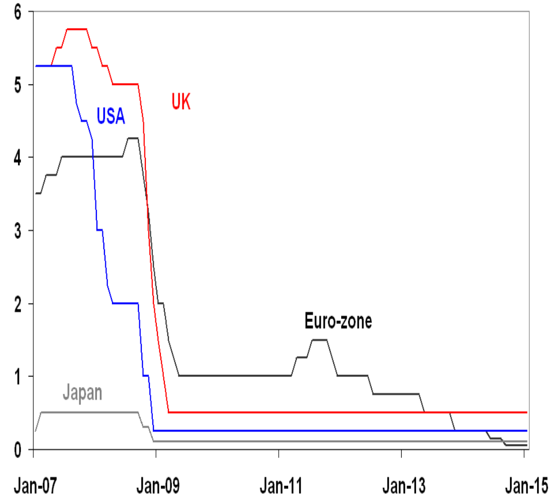


Sources: ABS, NAB estimates

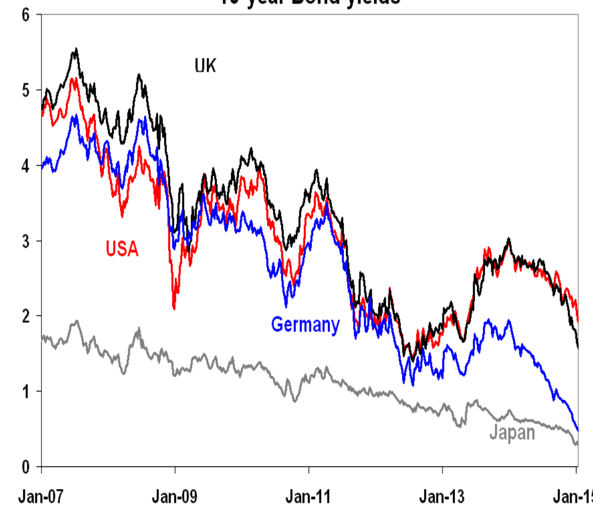
Financial markets

- Divergence in economic conditions between the big advanced economies has been highlighted in recent central bank decisions on monetary policy. With growth looking solid, the Fed is still preparing the ground for a gradual rise in US policy interest rates. That said, very low inflation means that tightening could start later than the mid-2015 we have long expected.
- The Bank of Japan's policy remains focussed on promoting inflation and a recovery in output by keeping zero interest rates through boosting the money supply by buying assets (especially government bonds). The central bank remains convinced that trend output is recovering from last year's recession but it has recently revised down its inflation forecast, highlighting that there may be a need for further asset buying.
- With Euro-zone CPI inflation turning negative in late 2014, little growth in output and double-digit unemployment, the ECB is stepping up its asset buying policy with the decision to purchase government bonds. Policy interest rates are already near zero but the big depreciation in the Euro against the $US, lower bond yields, easier access to finance by business and rising loan demand should combine with the announced lift in asset buying to boost activity.
- Divergent underlying conditions between the big advanced economies are reflected in the fall in the yen and euro as well as the appreciation of the $US, which should rebalance growth toward the weaker economies. Bond yields have also been falling sharply across key advanced economies, reflecting the drop in world inflation, safe haven effects and still sluggish growth, but we expect US bond yields to rise back to 2¾% by early 2016.

Central Bank Policy Rates

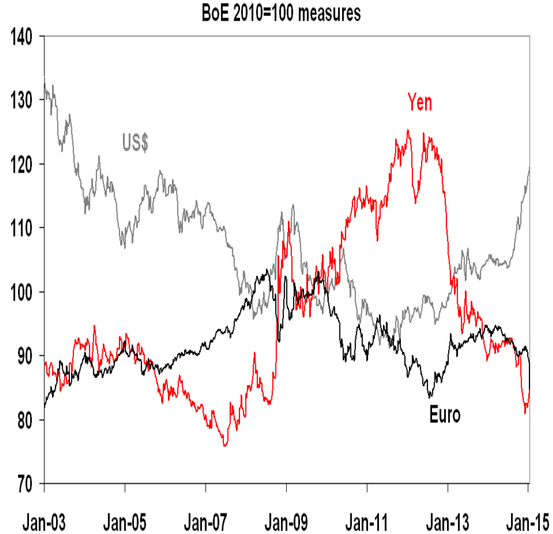


10-year Bond yields

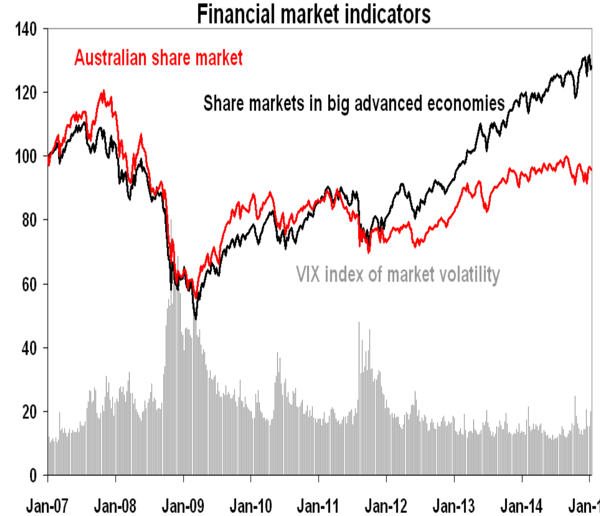


Trade weighted Exchange Rate Indices

BoE 2010=100 measures

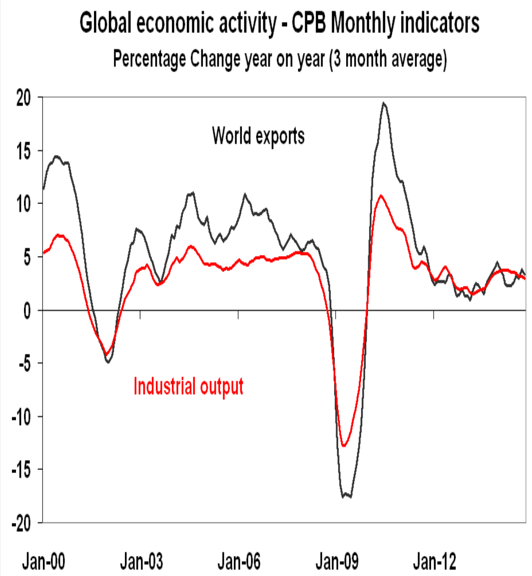


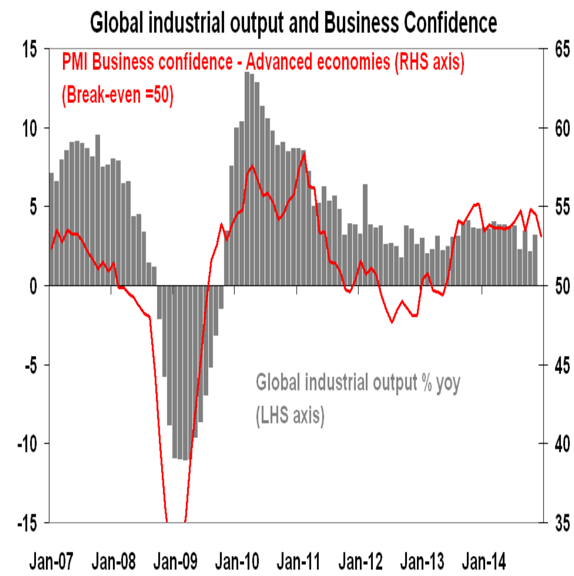
Financial market indicators

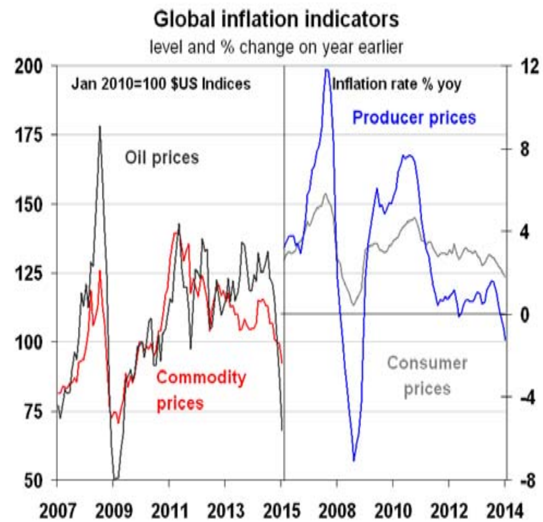


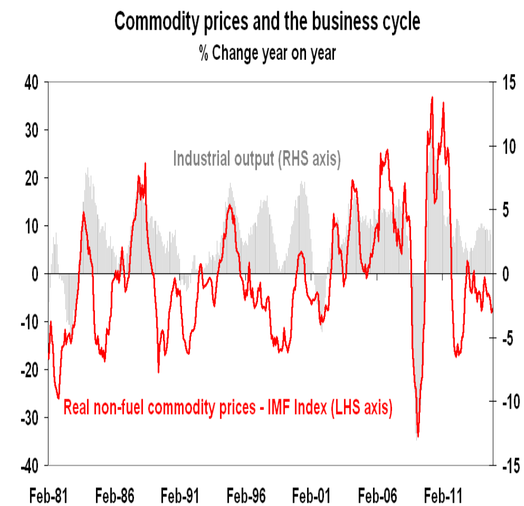
Global Economic Trends

- Global economic growth appears to be continuing at a sub-trend pace with industrial output and world trade expanding by around 3% yoy and business survey readings consistent with moderate growth. Neither business survey readings nor the monthly global trade and industry output data showed a marked slowing in the closing months of 2014.
- Key $US commodity prices have been falling sharply with the CRB measure down by almost 10% since late November. The biggest falls have been for industrial raw materials with the Economist metals index down by around 12% since late November whereas food and agricultural raw materials are down by around 4% over the same period.
- Many previous episodes of falling commodity prices have coincided with periods of either falling activity or slower growth - suggesting demand-led price slumps. This time demand growth, while lacklustre, has held up, implying price falls are due to a supply response to previously high non-fuel commodity prices alongside the higher $US in which many commodities are traded.
- Lower commodity prices will feed into falling inflation and global producer prices are already falling. Global consumer price inflation has also been falling and it was running at less than 2% yoy in late 2014. Continuing solid rates of inflation in big emerging market economies like Brazil, India, S Africa and Mexico are supporting overall CPI inflation but price pressures are minimal in the big advanced economies. The Euro zone is concerned by deflation, Japan is still focused on finally getting out of its deflationary trap, while US and UK CPI inflation is well below target.



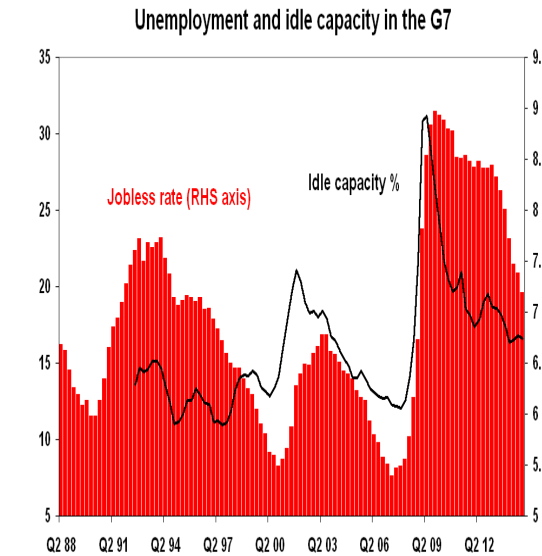


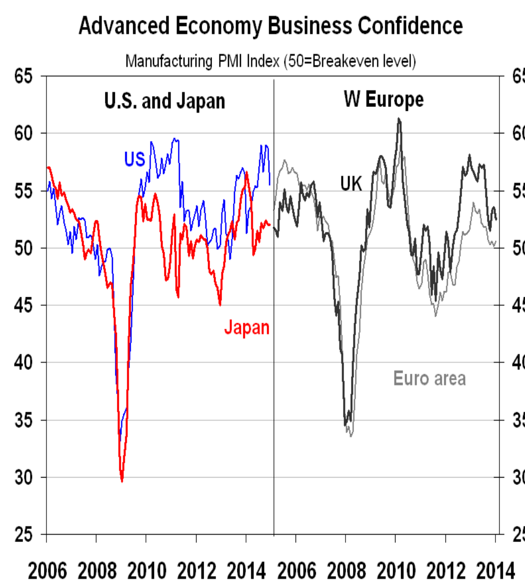


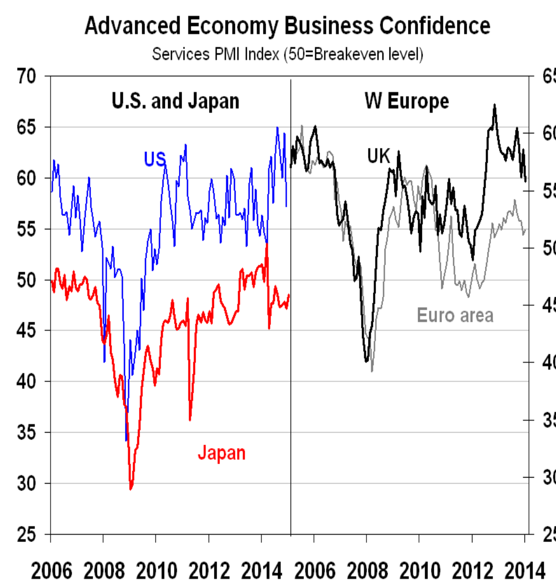


Advanced Economies

- Although quarterly growth in the big advanced economies picked up through last year, the recovery remains lacklustre overall with big variations between regions. G7 output in the latter half of 2014 was running less than 5% above its early 2008 level and output was still below its pre-crisis level in Japan and the Euro-zone. North America and the UK have been the out-performers in the G7, but even in the former the recovery has been muted with annual growth averaging below 2% since early 2008.
- The monthly business surveys provide the most timely reading of how growth is progressing in the big advanced economies with strong results in the US, signs of a slowdown in what has been a solid UK upturn, virtual stagnation in the Euro-zone and a Japanese economy that is still struggling to recover from last April's rise in indirect taxes.
- The availability of unused resources means that there is still capacity to drive future growth if demand can be fostered, especially in the Euro-zone. The combination of much lower oil prices, Euro depreciation, a reduced pace of fiscal austerity, more central bank asset buying and better credit supply and demand conditions should deliver that upturn in Euro-zone demand but the recovery should still be so weak that it takes until early 2016 to regain pre-crisis GDP.
- Lower oil prices and yen depreciation should help finally get a sustained but modest upturn in Japanese growth, at least until the planned April 2017 hike in indirect taxes comes to disrupt the economy again. Despite the resumption of growth elsewhere, the US will remain the main driver of advanced economy growth.

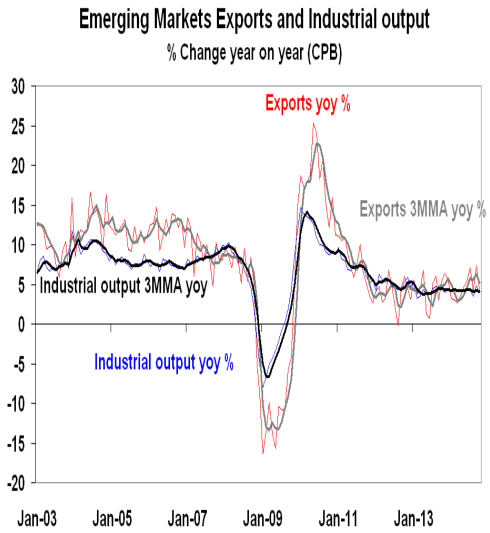


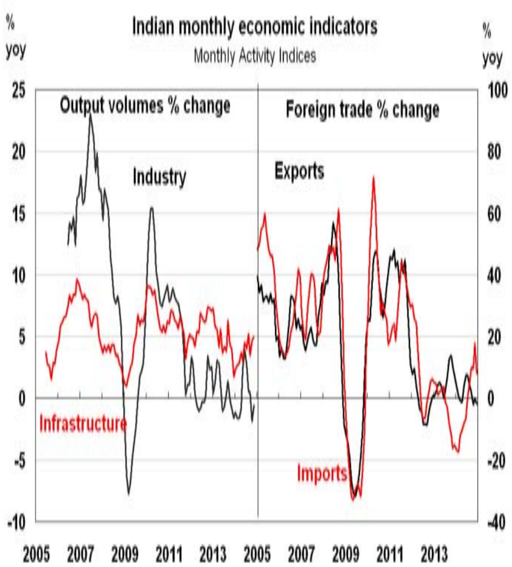




Emerging Market Economies

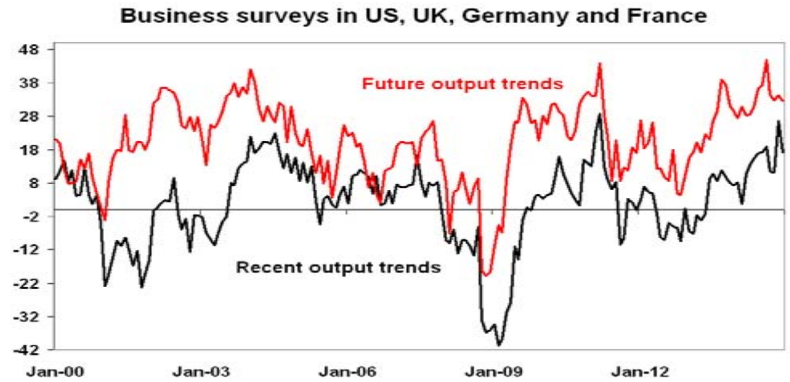
- Emerging market growth slowed from 6½% yoy in September 2013 to just under 6% yoy last September but some of their end 2014 monthly trade data showed a modest upturn commencing. As in the advanced economies, the monthly partial indicators show conditions are mixed across the emerging markets. There is weakness across much of Latin America and parts of East Asia, a trend slowing in Chinese growth while the anticipated upturn in India is still to show up in the export and industrial output data.
- While the fall in oil prices is a net positive for activity in most advanced economies, many emerging market economies are important oil exporters. Consequently, GDP in entire regions like North Africa and the Middle East as well as important economies like Russia, Venezuela and Indonesia will eventually be hit by a protracted period of price weakness. Other emerging market economies like China and India should derive considerable benefits from lower prices, both directly through the terms of trade income effects of lower oil import bills but also through the additional scope that lower inflation gives to their central banks to lower interest rates.
- We have increased our growth forecasts for India and East Asia to take account of these positive effects. We have only pencilled in a 0.2% stimulus in China for now but will be taking a closer look at this. Adding the 0.7 ppt rise that is the upper end of the IMF's estimated oil price impact for China adds around 0.1ppt to global growth. A stimulus of that magnitude to China's GDP would completely alter its recent economic trend, instead of gradually slowing, the pace of growth would accelerate.

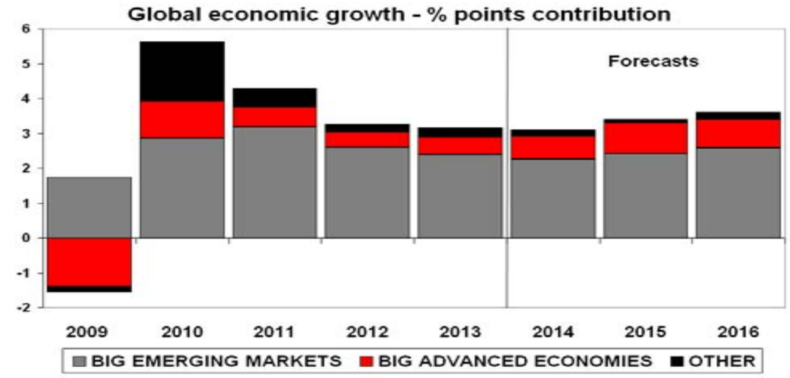




Global forecasts

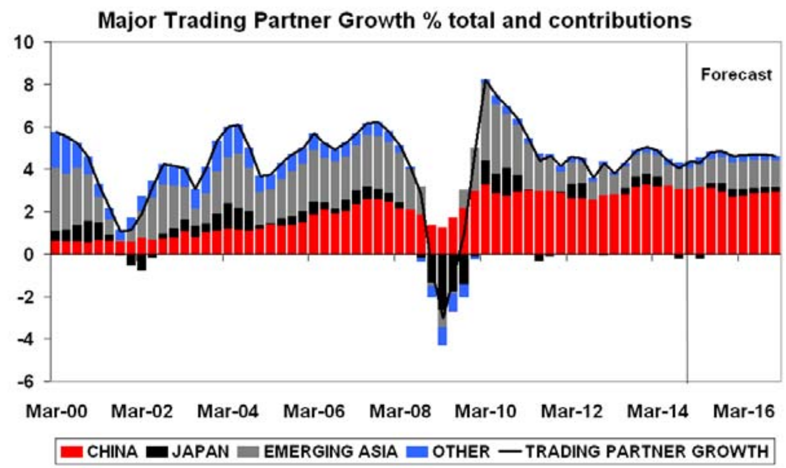
- The modest change in our forecasts reflects our cautious initial assessment of the impact of what would normally be a considerable positive shock to global activity (a mainly supply driven oil price fall) alongside the rather downbeat global environment in which this shock has occurred. Recent data shows sluggish growth and - as usual - there is no shortage of things to worry about (deflation risks, eurozone politics, Middle East).
- Despite these risks, we see growth accelerating from around 3% in 2014 to near 3½% this year and next, still slightly below trend. The bulk of this growth still comes from the emerging markets (China and India) which, along with the US, are contributing 2 ppts of the world's 3½% output growth – so the country pattern is still concentrated.
- If this oil shock had a similar impact to previous episodes, there is scope for the acceleration in growth to be greater – there is plenty of spare capacity in several economies, below target prices are more of a concern than high inflation, allowing many central banks to keep interest rates lower than is usual during a period of economic recovery.





Global growth forecasts % change year on year

				NAB Forecasts		
	2011	2012	2013	2014	2015	2016
US	1.6	2.3	2.2	2.4	3.3	2.7
Euro-zone	1.6	-0.6	-0.4	0.8	1.2	1.4
Japan	-0.4	1.5	1.5	0.2	0.8	1.2
UK	1.7	0.7	1.7	2.7	2.7	2.6
Canada	2.5	1.7	2.0	2.4	2.3	2.1
China	9.3	7.8	7.7	7.4	7.1	6.9
India	7.7	4.8	4.7	5.3	6.5	6.8
Latin America	4.3	2.1	2.3	0.7	1.3	2.3
Emerging East Asia	4.5	4.5	4.3	4.0	4.6	4.9
New Zealand	1.8	2.4	2.2	3.2	3.4	1.9
World	*4.3*	*3.3*	*3.2*	*3.1*	*3.4*	*3.6*
memo						
Advanced Economies	1.7	1.2	1.4	1.8	2.3	2.2
Emerging Economies	6.9	5.2	5.2	4.7	5.1	5.3
Major trading partners	4.6	4.2	4.5	4.4	4.7	4.7



Australian outlook

- We have incorporated both the large falls in oil prices and other commodities (especially iron ore) into our forecasts. We have also assumed that current lows in USD terms are broadly maintained in H1 2015 and edge up only marginally into H2 2015. These shocks in the near term largely hit prices and incomes – with a resultant fall in Australian terms of trade of 15% in the year to March. Our currency forecasts cushions commodity prices in AUD terms.
- In the near term this will see a sharply lower CPI outcomes – with headline inflation in the year to June 2015 flat and core inflation of 1¾% - increasing to only 2¼% by end 2015 and 2.6% by end 2016. Incomes are sharply lower with iron ore price falls subtracting over $30bn from incomes in 2015
- The Australian economy ended 2014 with little improvement in business conditions and fragile business confidence. But as shown in the December Monthly survey there are significant sub sector changes now occurring – with confidence and conditions in mining sharply down . Transport is mixed with activity levels weak but confidence better. Services are still the better performers. Our data also suggest that retail activity was still relatively subdued – bringing forth pre Christmas discounting.
- In the near term GDP growth in 2014/15 has been again lowered to 2¼%. While the labour market has surprised in the near term, our forecasts see further deterioration in unemployment through 2016 – peaking later (Q4 2015) at a lower rate (6.6%).
- As shown, in the table opposite, the faster recovery through 2016 reflects: higher consumption and investment in dwellings (oil prices, higher real incomes and rate cuts); better export volumes (improved major trading partner performance from lower oil prices) and lower investment (lower incomes from falling commodity prices – especially iron ore).
- We still see the need for two rate cuts – indeed without them the outlook is likely to be significantly softer. Timing will however be very data dependent and it could well be that the unexpected better near term labour market outcomes delay the expected timing till mid 2015 – rather than earlier in the year.

New Forecasts
Year to December

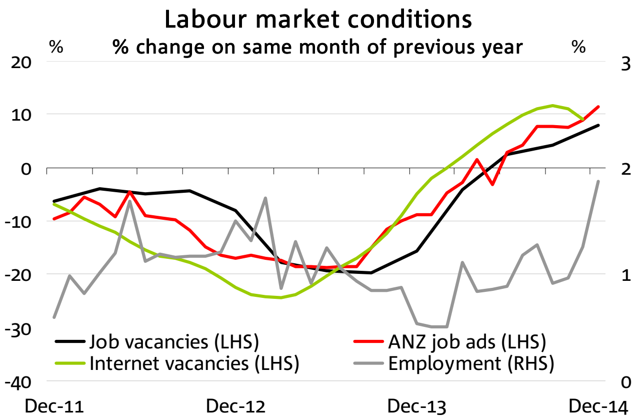
	2014	2015	2016	2017
Private Consumption	2.4	3.1	3	2.4
Public Consumption	1.8	0.8	1.5	2
Investment in Dwellings	8.7	9.9	7.6	2.1
Core Private Investment	-5.7	-10.4	-9	-6.7
Public Investment	-6.7	1.5	3	4.1
Domestic Demand	1	1.2	1.6	1.4
Stocks	0.1	0	0	0
GNE	1.2	1.2	1.6	1.4
Exports	7.4	9.5	10.7	10.2
Imports	0.4	0.6	1.4	0.9
GDP	2.4	3.1	3.6	3.6
Unemployment (at year ending)	6.2	6.5	6	5.8
Nominal GDP	1	3.9	6.1	5.8
Core CPI (at year ending)	**2.2**	2.2	**2.6**	**2.6**
Headline CPI (at year ending)	**1.4**	**1.2**	**3.3**	**2.3**

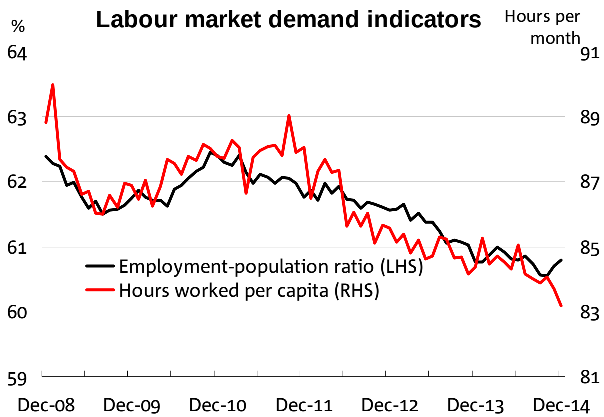
Change in Forecasts

	2014	2015	2016	2017
Private Consumption	-0.2	0.2	0.7	0.3
Public Consumption	0	0	0	0
Investment in Dwellings	-1.1	3.3	5.1	1.3
Core Private Investment	1.7	-3.5	-3.9	0.5
Public Investment	2.8	0	0	0
Domestin Demand	0.2	-0.1	0.3	0.4
Stocks	-0.2	0.2	0.1	0
GNE	0.1	0.1	0.4	0.4
Exports	-0.7	0.4	1.4	1.3
Imports	0.5	-0.3	0.6	0.9
GDP	-0.2	0.2	0.5	0.6
Unemployment (at year ending)	-0.1	-0.1	-0.2	-0.3
Nominal GDP	-0.1	0	0.5	0.3
Core CPI (at year ending)	0	-0.1	-0.1	-0.2
Headline CPI (at year ending)	-0.1	-0.9	0.3	-0.2

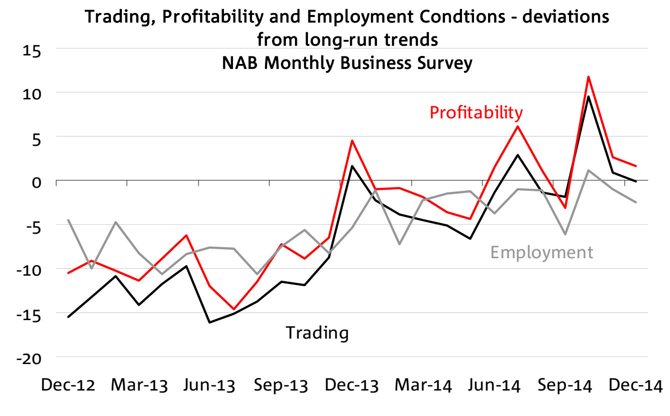
Australian labour market

- The employment numbers at the end of 2014 surprised on the upside. As shown in the chart below it could well be that the employment series strength reflects a statistical catch up to the traditional partial labour market indicators such as job adds.
- That said, not all of the all the labour market indicators are strong – especially hours worked and employment to population ratios. Also it may well be that we are starting to see some moderation in internet job adds.
- There also remains a good bit of statistical noise in the employment and especially the unemployment ratio. Thus for example, to replicate the December employment numbers in the March quarter requires implausibly soft growth in the population; no more than 0.1% vis a vis recent growth of around ½% per quarter. Clearly the statistics still need to be viewed with a good deal of caution.
- Going forward what really matters for employment is the activity outlook. Here it is interesting the December Monthly Business Survey suggested that, with the slowing in business conditions, flat / weak confidence and falling new orders, employment has responded by falling back below its longer term trend
- And as noted previously we have reduced our near term growth forecasts in the face of large falls in income across the economy. Our forecasts basically take a start point of unemployment at around 6.2% in February (March quarter) and then let the traditional relationships between activity and employment evolve. That results in unemployment gradually rising to around 6.6% by end 2015 (lower than our previous expected peak of 6.8%) and coming later in the year. Unemployment is then expected to improve somewhat faster than previously expected on the back of rate cuts falls in oil prices and better export volumes from improved major trading partner growth prospects.





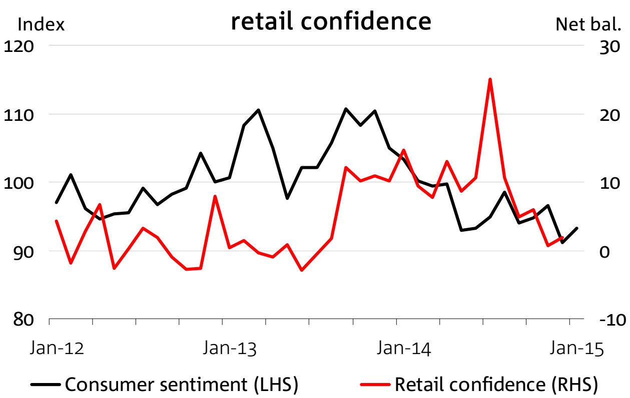
Sources: ABS, Datastream, Department of Employment



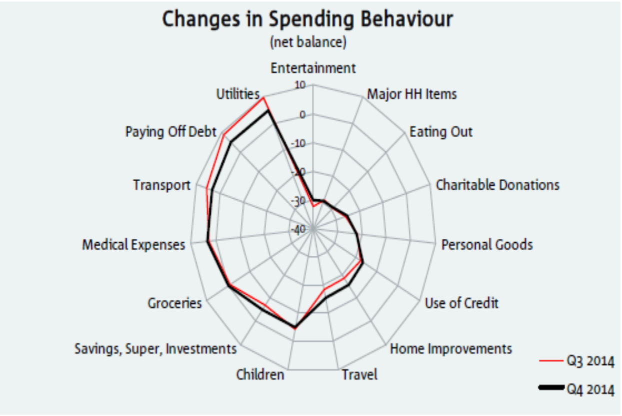
Australian consumer demand and housing market

- After a period of strength both retail sales (up only 0.1%) and online sales weakened in November (see NAB Online Retail Sales Index – November 2014). Generally consumer sentiment remains relatively weak (including into January) as does retail confidence. While consumers level of anxiety eased back a touch in Q4, consumers are still very much focussed on what might be called non discretionary purchases (such as utility costs, transport, medical expenses and paying off debt) – see chart and NAB Quarterly Australian Consumer Anxiety Index – Q4 2014.
- While it is early days re retail spend over the Christmas period the chart opposite suggests that based on NAB credit / debit card data, spending was not as strong as last year (that is the increase in December 2014 transactions are weaker than those in December 2013 – see chart at bottom right). Anecdotal evidence is that the lead into Christmas was particularly weak but was boosted by pre Christmas sales.
- According to RP Data-Rismark dwelling prices in Sydney and Melbourne started to flatten towards the end of 2014. Evidence of heat coming out of the housing market can be seen in the NAB Quarterly Australian Residential Property Survey – Q4 2014 – where expectations for house prices increases over the next 12 eased back considerable with fears of falls in Perth. Our forecasts for national house price growth (in that document) are for increases of 4% in 2015 and 2% in 2016.
- On credit, housing credit growth maintained recent growth rates with owner occupied still around 0.5% (y/y 5.7%) in November and investor a touch lower at 0.8% (but still around 10% y/y). After recent strength business credit eased back to 0.2% in November but around 4.6% y/y. Consistent with a weak lead into Christmas consumer lending in November was flat.
- After falling sharply in November Australian equity markets (ASX 200) recovered somewhat in December – up 1.8% in the month – albeit still around 3% below October levels. That said mining stocks (ASX 200 Resources) fell a further 2½% in December following a 9% fall in November and is now 22% below the peak in mid 2014.

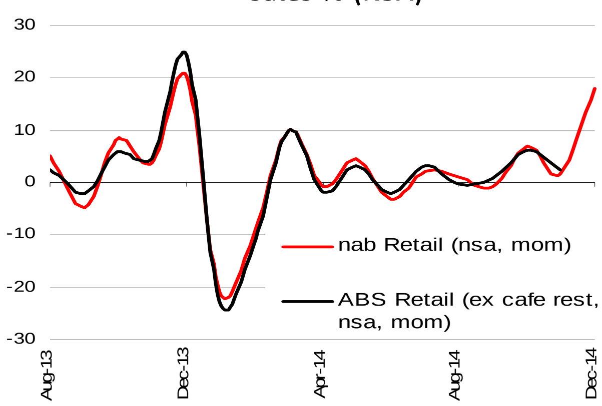
Consumer sentiment and retail confidence



Sources: Datastream and NAB business survey

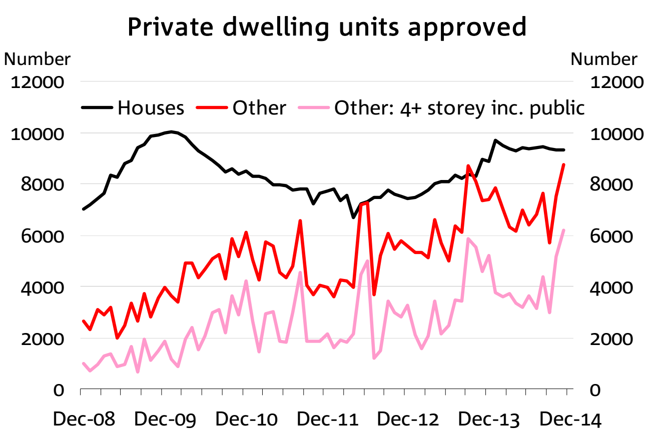


NAB Transaction data v Monthly Retail sales % (NSA)

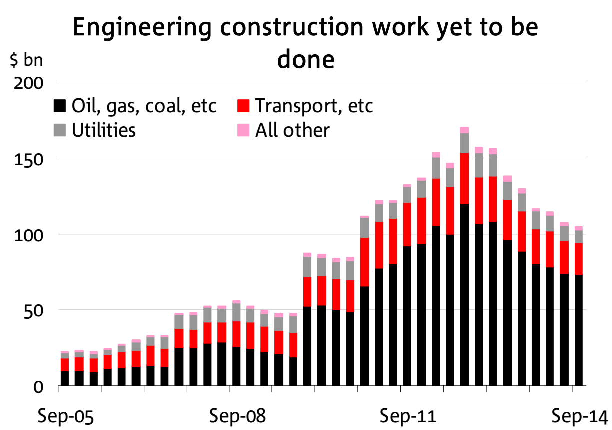


Australian investment

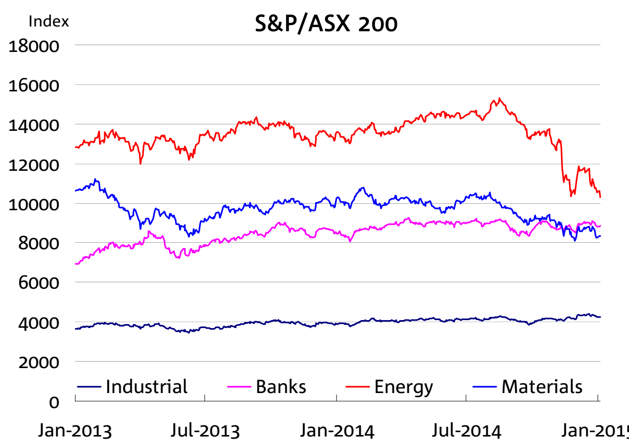
- While dwelling investment surprisingly declined by 0.9% in Q3 in part due to an easing in apartment approvals mid-year, that trend has now been spectacularly reversed - especially in the four storey and above apartment sector. That is increasingly likely to show up in new starts and activity – albeit housing approvals and starts remain subdued.
- As noted earlier further rate cuts are likely to help boost housing approvals and investment into 2016.
- With the pipeline of new energy investment moving lower, mineral and petroleum exploration expenditure is already down almost 30% in the year to September 2014.
- Subsequent falls in resource prices (iron ore , oil and by association gas prices in LNG contracts) and equity markets will further dampen prospects for new activity and may well see projects delayed or cancelled.
- Up until Q3 2014 mining construction has held up for longer than we expected; consequently, the mining pipeline has fallen faster than we foresaw. Hence, there is an emerging risk that the bulk of the decline in mining construction into 2015 but will be steeper than anticipated.
- Against that, expectations in the non resources sector are being boosted by the lower AUD, expected rate cuts and continued aggressive apartment building construction.
- Overall, however, we see the scope for even faster falls in private investment in 2015 and into 2016. Indeed we have lowered core investment to falls of around 10% in these years (from previous falls of around the 6-7% mark). Low business confidence and falls in new orders (across all sectors) in late 2014 are also not helping. Nor are renewed concerns on the global outlook



Source: ABS

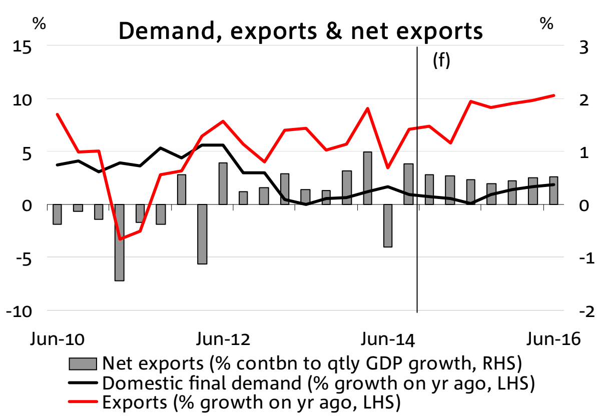


Source: ABS

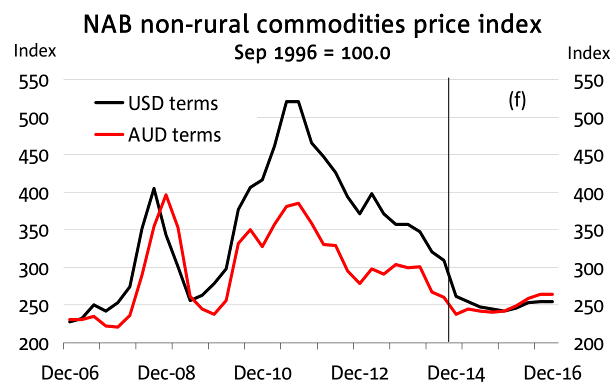


Australian commodities, net exports and terms of trade

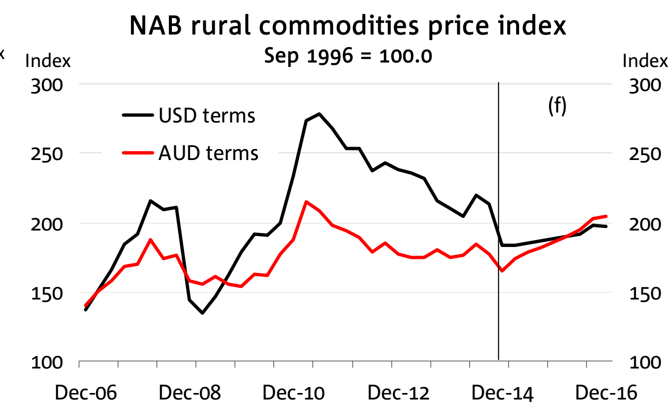
- Fundamentally the big picture story on the economy – despite the falls in oil and commodity prices – is one of struggling domestic demand and stronger net exports as Australia moves away from the mining investment boom to an commodity export emphasis and attempts t0 broaden the recovery in other sectors – especially services.
- That said we are still only expecting domestic demand growth of around 1¼% during 2015 and 1½% in 2016. With net exports 1.9% and 2.1% in the same period
- Having now fallen 27% during 2014 our USD denominated non-rural commodity prices are expected to fall more modestly by another 7% during 2015. With the AUD still expected to fall to around 78c by the end of 2015 that would see stabilisation and a small 2% increase in non rural commodity prices in AUD terms. Implicit in these forecasts are iron ore and oil prices remaining around current levels till H2 2015 (around USD 70 per tonne and USD 50 per barrel respectively). Only moderate recoveries (around USD 5) in each case is expected in H2 2015.
- The NAB Rural Commodities Index (in USD terms) having fallen around 12% during 2014 is generally expected to flatten during 2015. In AUD terms the fall was a more modest 5.5% and the weaker currency could see rural prices up around 12% during 2015. Moderate gains in USD rural prices in 2016 (around 5%) could be expected to see AUD rural prices up around 10%.
- As noted above, net exports will contribute substantially to real GDP growth, however the lower prices mean a substantially weaker balance of payments outcome than what would have otherwise been expected. Thus compared to a current account deficit of around 3% of GDP in the year to Q3 2014 (or around $46bn) our forecasts over the 2014/15 have the current account deficit rising to around 4% of GDP (or around $64bn) before easing back a touch during 2015/16 to around 3.5% of GDP (or around $55bn).



Sources: ABS, NAB forecasts



Source: ABS; ABARES; Bloomberg; NAB; Thomson Datastream



Sources: ABS; ABARES; Bloomberg; NAB; Thomson Datastream

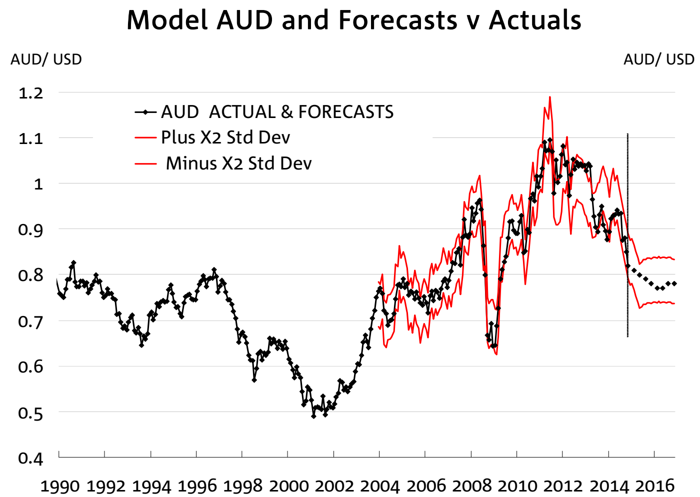
Australian financial markets

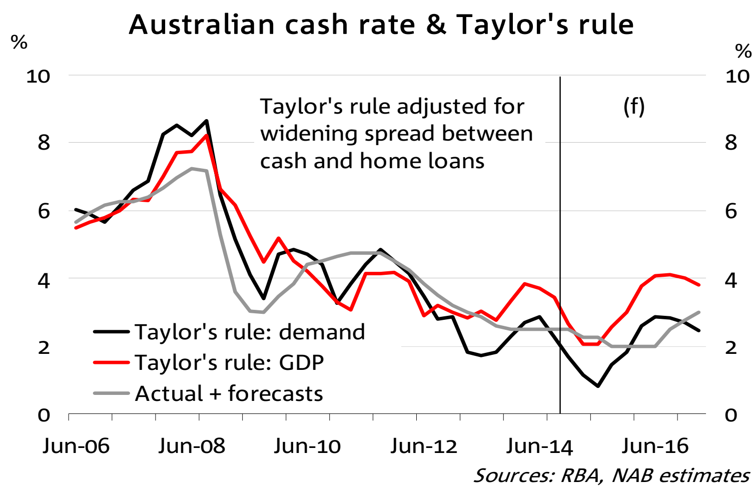
Exchange rate

- At this stage we have kept our currency forecasts unchanged at around $USD 78c by late 2015 and moving a touch lower during 2016 before ending much about the same level at end 2016. As can be seen from the chart (below left) these forecasts are broadly consistent with our fundamental model – albeit the forecasts imply ongoing USD strength.

Interest rates

- We have not changed our expectation for the need for two rate cuts in 2015. As noted above, not to produce them would imply the need for significant weakening in our activity and Clearly the RBA remains reluctant and they will need to be convinced that they can do so in a way that boosts confidence – rather than be seen as a response to a stalling economy
- As can be seen from our forecasts, inflation will almost certainly be below the 2-3% target by mid year and our forecasts imply rising near term unemployment and a weaker very short term GDP and domestic demand momentum. Thus for example any Taylor rule analysis would point to the economic need for more support – unless perhaps if the AUD fell further and faster than we currently expect (eg USD low 70s in the next quarter or so).
- Barring that the main question relates to the timing of the cuts. Currently we have pencilled in cuts in March and August. Much will depend on the data flow.
- A stronger near term labour market outcome would give the RBA more time and it will be interesting to see what comments they make in relation to keeping rates on hold "for a foreseeable" timeframe.
- Interestingly the Taylors rule analysis (in the chart below right) suggest delayed cut but more deep. At this stage we are sticking with our current rate cutting timetable but would not be surprised on a start date nearer mid year.





Australian Forecasts:

Australian economic and financial forecasts (a)

	Fiscal Year			Calendar Year		
	2013-14	2014-15 F	2015-16 F	2014-F	2015-F	2016-F
Private Consumption	2.2	2.5	3.1	2.5	2.7	3.1
Dwelling Investment	5.1	6.3	10.7	8.1	7.5	9.7
Underlying Business Fixed Investment	-5.8	-7.0	-9.7	-5.7	-9.3	-8.7
Underlying Public Final Demand	1.5	0.0	1.1	0.8	0.3	1.3
Domestic Demand	**1.0**	**0.7**	**1.4**	**1.2**	**0.8**	**1.7**
Stocks (b)	-0.3	0.2	0.0	0.1	0.0	0.0
GNE	**0.7**	**0.9**	**1.4**	**1.3**	**0.8**	**1.7**
Exports	5.8	7.5	9.7	6.7	8.5	10.3
Imports	-2.1	-0.2	1.0	-1.0	0.0	1.6
GDP	**2.5**	**2.3**	**3.2**	**2.7**	**2.5**	**3.6**
– Non-Farm GDP	2.4	2.4	3.2	2.8	2.5	3.6
– Farm GDP	5.1	-2.4	2.0	-2.7	0.9	2.0
Nominal GDP	4.1	1.3	4.3	3.0	1.9	5.8
Federal Budget Deficit: ($b)	49	40	30	NA	NA	NA
Current Account Deficit ($b)	47	64	56	52	66	39
(-%) of GDP	3.0	4.0	3.3	3.3	4.1	2.3
Employment	0.8	1.3	1.4	1.0	1.3	1.7
Terms of Trade	-3.4	-12.4	-4.5	-8.3	-10.5	-0.2
Average Earnings (Nat. Accts. Basis)	2.1	2.1	2.4	2.1	2.3	2.6
End of Period						
Total CPI	3.0	-0.1	3.4	1.4	1.2	3.3
Core CPI	2.7	1.8	2.7	2.2	2.2	2.6
Unemployment Rate	6.0	6.4	6.3	6.2	6.5	6.0
RBA Cash Rate	2.50	2.25	2.00	2.50	2.00	2.75
10 Year Govt. Bonds	3.54	3.00	3.35	2.74	3.30	3.50
$A/US cents :	0.94	0.80	0.76	0.82	0.78	0.75
$A - Trade Weighted Index	72.0	66.6	63.7	66.5	65.2	62.4

(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.

Group Economics
Alan Oster
Group Chief Economist
+61 3 8634 2927

Jacqui Brand
Personal Assistant
+61 3 8634 2181

Australian Economics and Commodities
Rob Brooker
Economic Modelling
+61 3 8634 1663

James Glenn
Senior Economist – Australia
+(61 3) 9208 8129

Phin Ziebell
Economist – Agribusiness
+(61 3) 8634 0198

Karla Bulauan
Economist – Australia
+(61 3) 86414028

Industry Analysis
Dean Pearson
Head of Industry Analysis
+(61 3) 8634 2331

Robert De Iure
Senior Economist – Industry Analysis
+(61 3) 8634 4611

Brien McDonald
Senior Economist – Industry Analysis
+(61 3) 8634 3837

Amy Li
Economist – Industry Analysis
+(61 3) 8634 1563

International Economics
Tom Taylor
Head of Economics, International
+61 3 8634 1883

Tony Kelly
Senior Economist – International
+(61 3) 9208 5049

Gerard Burg
Senior Economist – Asia
+(61 3) 8634 2788

John Sharma
Economist – Sovereign Risk
+(61 3) 8634 4514

Global Markets Research
Peter Jolly
Global Head of Research
+61 2 9237 1406

Australia
Economics
Spiros Papadopoulos
Senior Economist
+61 3 8641 0978

David de Garis
Senior Economist
+61 3 8641 3045

FX Strategy
Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848

Emma Lawson
Senior Currency Strategist
+61 2 9237 8154

Interest Rate Strategy
Skye Masters
Head of Interest Rate Strategy
+61 2 9295 1196

Rodrigo Catril
Interest Rate Strategist
+61 2 9293 7109

Credit Research
Michael Bush
Head of Credit Research
+61 3 8641 0575

Simon Fletcher
Senior Credit Analyst – FI
+61 29237 1076

Equities
Peter Cashmore
Senior Real Estate Equity Analyst
+61 2 9237 8156

Distribution
Barbara Leong
Research Production Manager
+61 2 9237 8151

New Zealand
Stephen Toplis
Head of Research, NZ
+64 4 474 6905

Craig Ebert
Senior Economist
+64 4 474 6799

Doug Steel
Markets Economist
+64 4 474 6923

Kymberly Martin
Senior Market Strategist
+64 4 924 7654

Raiko Shareef
Currency Strategist
+64 4 924 7652

Yvonne Liew
Publications & Web Administrator
+64 4 474 9771

Asia
Christy Tan
Head of Markets Strategy/Research, Asia,
+ 852 2822 5350

UK/Europe
Nick Parsons
Head of Research, UK/Europe,
and Global Co-Head of FX Strategy
+ 44207710 2993

Gavin Friend
Senior Markets Strategist
+44 207 710 2155

Tom Vosa
Head of Market Economics
+44 207710 1573

Simon Ballard
Senior Credit Strategist
+44 207 710 2917

Derek Allassani
Research Production Manager
+44 207 710 1532