EMBARGOED UNTIL: 11.30AM THURSDAY 13 OCTOBER 2016

THE FORWARD VIEW - AUSTRALIA

OCTOBER 2016

National Australia Bank

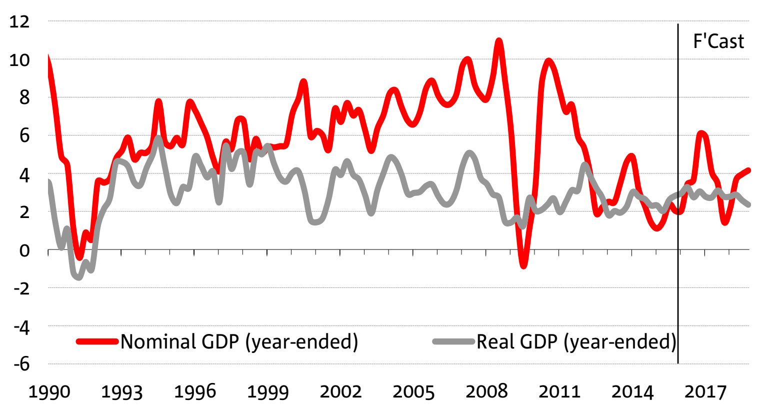
A temporary terms of trade boost?

- Real GDP forecasts for Australia are largely unchanged at 3.0% in 2016 and easing to 2.8% in 2017 and 2.6% in 2018.
- The unexpectedly high settlement for Q4 coking coal prices however will provide a boost to Australia's terms of trade, nominal GDP and government revenues. However this is unlikely to be sustained, and we retain our view that the recent surge in coal prices reflects short-term supply constraints and government initiatives offshore which will not continue.
- Business survey data suggest that while business conditions overall are above average, the broadening across industries seen earlier in the year has not endured. While strength remains in household and business services, conditions in mining are negative and conditions for transport & storage and retail have weakened. The latter has coincided with a decline in retail profitability, but *if* it also reflects weaker consumer demand, this implies some risks to our already moderate forecasts for household consumption growth of 2¼-2½% in real terms in 2017 and 2018.
- The outlook for the labour market is key. While we continue to expect the unemployment rate to remain in its recent range between 5½%and 5¾%, the recent softening in trend employment growth bears close watching.
- House prices in Sydney and Melbourne have re-accelerated, which should prevent any further RBA hikes barring an exceptionally low Q3 CPI outcome in late October. Further cuts in 2017 remain likely.
- Our *Spotlight* article this month explores the future impact of demographic shifts on labour force participation.

KEY FORECASTS

	Calendar Year			
	2015-F	2016-F	2017-F	2018-F
Domestic Demand	1.1	1.6	1.6	2.2
GDP	**2.4**	**3.0**	**2.8**	**2.6**
Employment	2.0	1.7	1.7	1.3
Total CPI	1.7	1.5	2.3	2.4
Core CPI	2.0	1.6	1.8	2.0
Unemployment Rate	5.9	5.7	5.6	5.6
RBA Cash Rate	2.00	1.50	1.00	1.00
$A/US cents :	0.73	0.75	0.70	0.69
$A - Trade Weighted Index	62.7	63.4	59.9	57.8

(a) annual average growth, (b) end-period, (c) through the year inflation



Source: NAB, ABS

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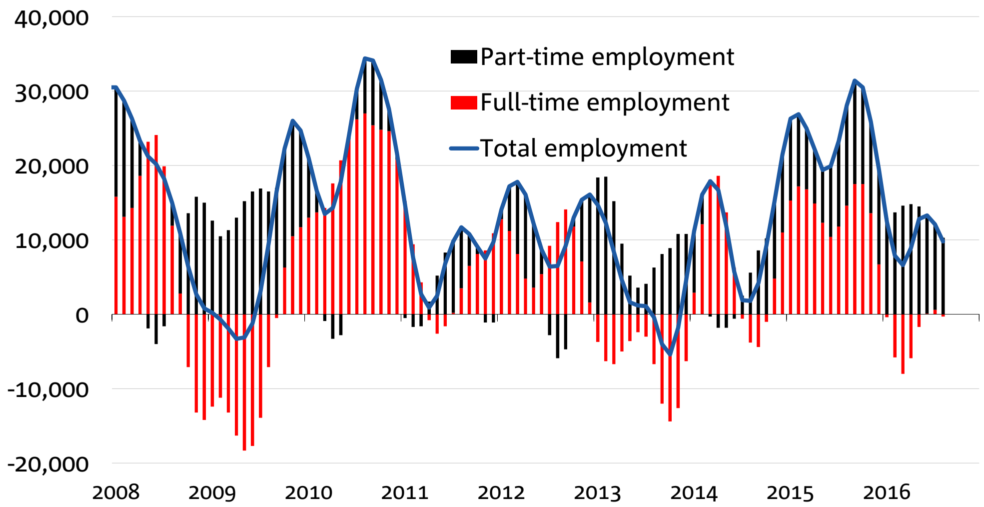
CHARTS OF THE MONTH

Surge in coal prices to temporarily boost terms of trade.

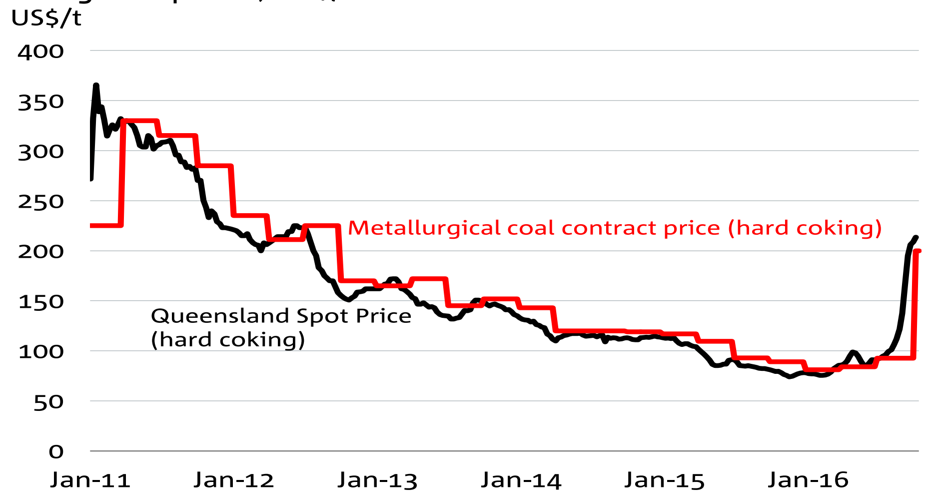
EMPLOYMENT GROWTH SLOWS AGAIN

Employment change, trend, 000s



COAL PRICE REBOUND UNLIKELY TO BE SUSTAINED LONG TERM

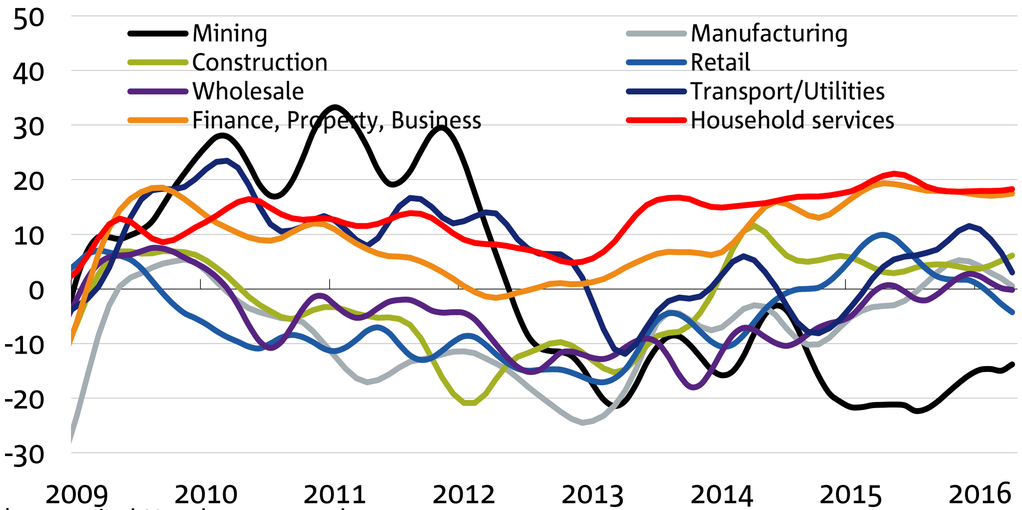
Coking coal prices, US$/t



Source: Datastream, Bloomberg, NAB Economics

FALL IN RETAIL CONDITIONS CONTINUES IN SEPTEMBER

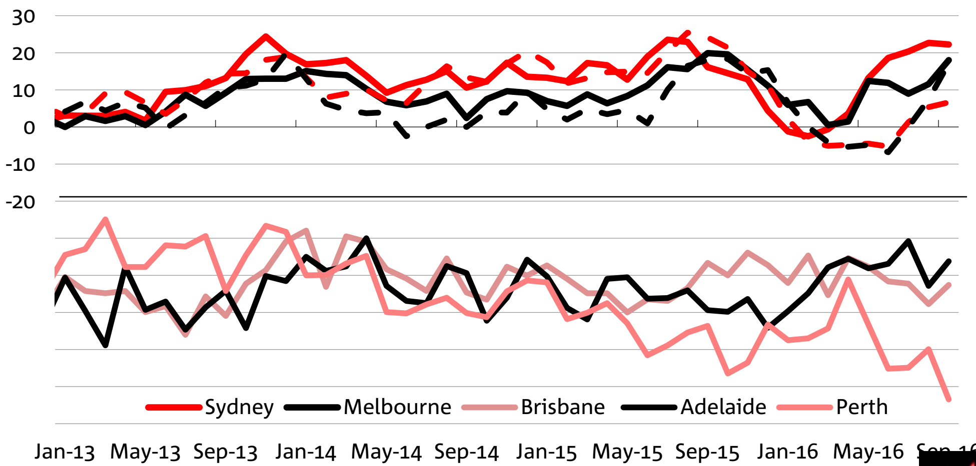
Business conditions by industry, 13 period Henderson trend



* 13 period Henderson trend

SYDNEY & MELBOURNE DWELLING PRICES REGAINING MOMENTUM

Dwelling price growth (6-month annualised)*



*Hedonic, except for dotted lines which represent simple median prices.

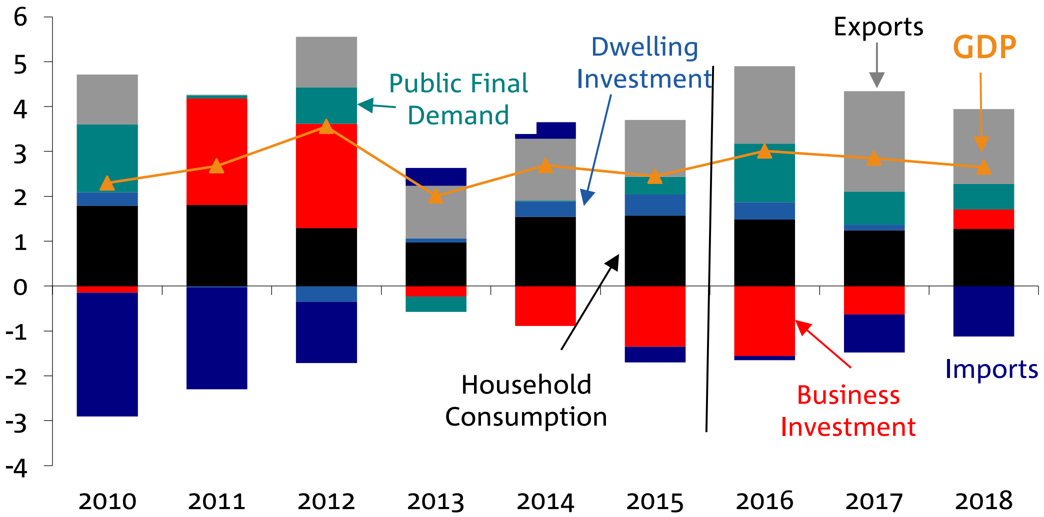
Sources: NAB, ABS, RP Data

OVERVIEW - AUSTRALIAN ECONOMIC OUTLOOK

Loss of momentum in 2018

REAL GDP GROWTH SLOWS INTO 2018

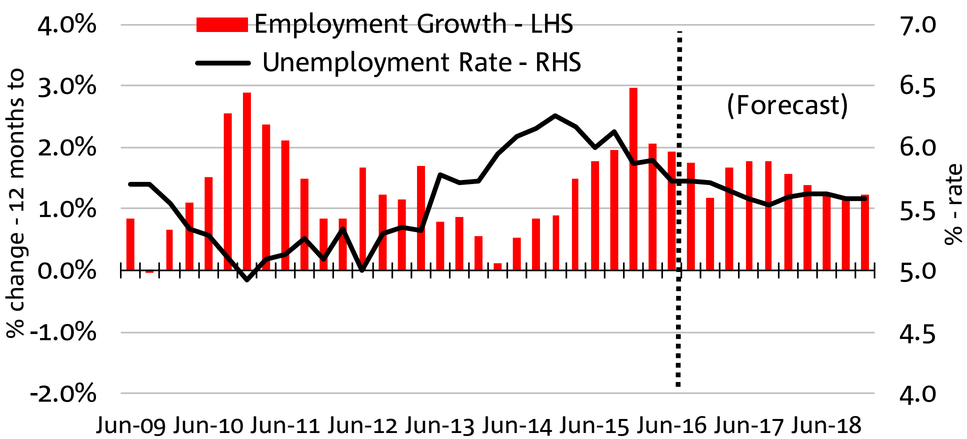
NAB Real GDP Forecasts



Source: NAB, ABS

UNEMPLOYMENT RATE EXPECTED TO BE RELATIVELY STEADY IN THE NEXT FEW YEARS

Employment growth and unemployment rate

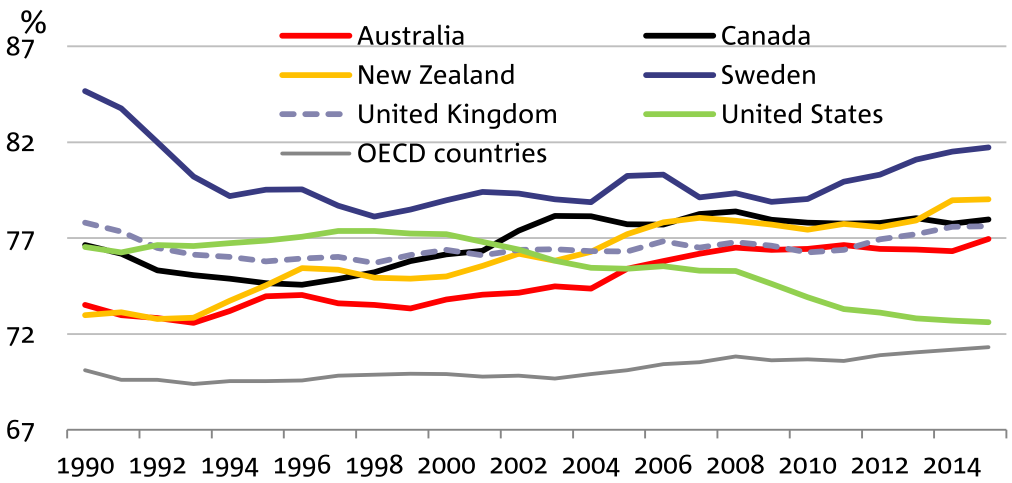


- The Australian economic outlook remains benign, with our real GDP forecasts broadly unchanged from last month at 3% for 2016, and easing modestly to 2.8% in 2017 and 2.6% in 2018.
- The biggest forecast change relates to the settlement of a surprisingly high coking coal contract price for Q4 at $200/tonne s. This will add around 8% to the terms of trade in coming quarters, which if sustained would add 3.5bn to government revenue in the first year and another 9.1bn in the second year if sustained according to the Federal Treasury's sensitivity analysis. The actual boost however is likely to be smaller, as we believe the recent surge reflects short-term supply constraints, including policy changes by China to curb its domestic coal production which will not continue given the detrimental impact of high coal prices on the steel industry.
- Mining investment continues to fall of its "cliff", with the adjustment now closer to ¾ complete. The associated declines in employment likely explain some of the weakening in trend employment growth in recent months, particularly in WA - more surprising has been a slowdown in employment growth in NSW. The slowdown employment growth, if it continues, does present some upside risk to our unemployment rate forecasts which for now remain in a band between 5½% and 5¾%.
- Soft employment may also explain the weaker outcomes for retail business conditions in the NAB survey. Weaker profitability appears to be the major driver, although to the extent that it may reflect weaker demand from consumers, there may be some downside risk to our moderate forecasts for household consumption growth of 2¼-2½% in real terms in 2017 and 2018.
- These forecasts are predicated on two further 25bp cuts to the cash rate in mid-2017to 1%. These will be in response to ongoing low inflation and a desire to prevent the unemployment rate from rising into 2018 as economic activity slows as support from LNG exports and dwelling construction taper off. Further out, there could be consideration of unconventional monetary policy tools. However other central banks are now more openly questioning the value of further monetary policy easing however, and expressing more concern about the risks, which may take some pressure off the RBA at least to the extent that further significant upward pressure on the AUD looks less likely from here on in. Indeed our forecasts remain for the AUD to slowly depreciate to 70 cents by end-2017 and a low of 68 cents in mid-2018.

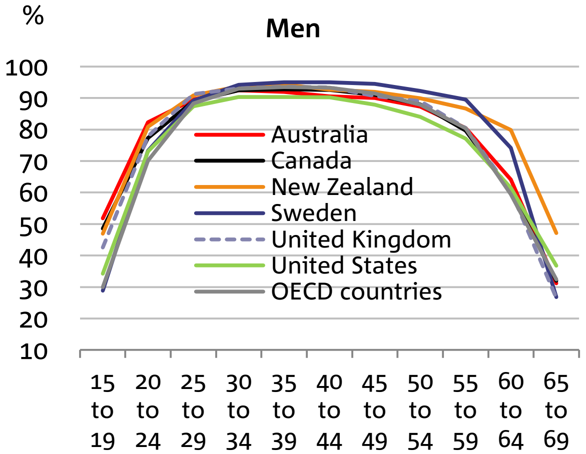
RECENT TRENDS IN PARTICIPATION RATES - INTERNATIONAL COMPARISON

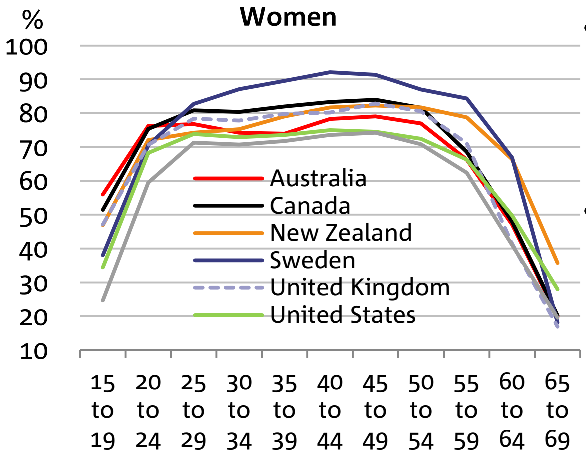
The Australian participation rate is below that of its cultural peers

THE PARTICIPATION RATES OF WORKING-AGE POPULATION (AGED 15-64) IN SELECTED OECD COUNTRIES (%)



THE PARTICIPATION RATES OF MEN AND WOMEN BY AGE GROUP





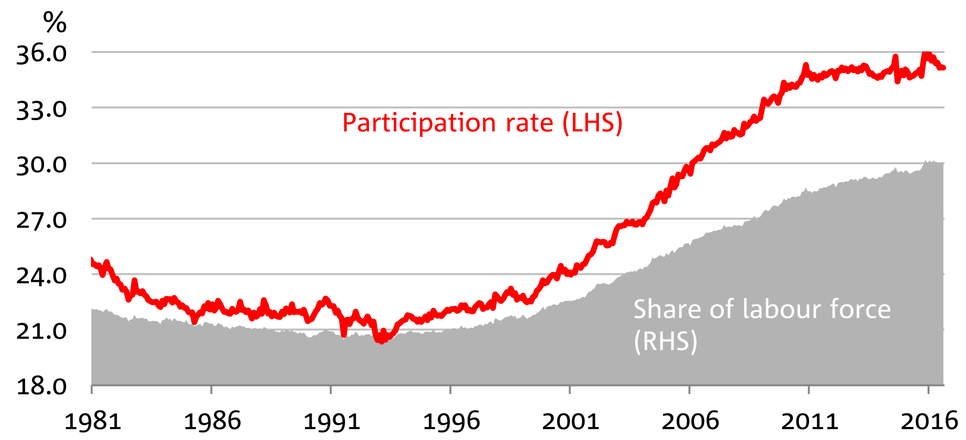
- The participation rate of the working age population aged 15 to 64 in Australia has shown a gradual increase over time, from 73% in 1993 to 77% in 2015. At 77%, it is above the OECD average of 71%, but below that of number of its cultural peers, such as the UK, New Zealand and Canada.
- While not falling by the same extent as the US, the Australian participation rate did moderate slightly in the immediate aftermath of the GFC, pointing to a degree of cyclical downturn during that period. While the participation rate has picked up slightly since then, 2008 nevertheless marks an inflection point after which the pace of increase slowed markedly. Between the late 1970s and late 2000s, the steady rise in the overall participation rate was consistent with a strong pick-up in the female participation rate, which in turn reflects evolving social norms regarding gender roles, the invention of household appliances that greatly reduced time needed to do household chores, fewer children in families, as well as more employment opportunities due to improved labour laws and the expansion of the services sector. Since the late 2000s, however, the effects of an ageing population on the participation rates of men and women have become more pronounced as the early cohorts of baby boomers reached retirement ages.
- There are three major groups where the Australian participation rate is below that of comparable countries – namely men in their prime working ages of 25 to 54, women of child-bearing ages (25-44 years of age) and older men and women (55-64 years of age).
- While women in many developed countries tend to pare back their labour force participation while having young children, the dip for the 25-39 age group is more pronounced for Australia. This potentially reflects more parental leave options in the Australian workplaces and/or the lack of affordable childcare.
- Meanwhile, young Australian men and women aged 15-24 tend to have higher labour force participation rates than their counterparts in comparable countries. This perhaps reflects a combination of factors: 1) the more generous minimum wage provisions in Australia which help to attract young workers into the labour force; and 2) a relatively higher tertiary education attainment rate by youths which suggests that a larger share of young people have part-time jobs to pay for their education costs and living expenses.

EFFECTS OF AN AGEING POPULATION ON THE PARTICIPATION RATE IN AUSTRALIA

An ageing population to weigh on the participation rate in the next few years

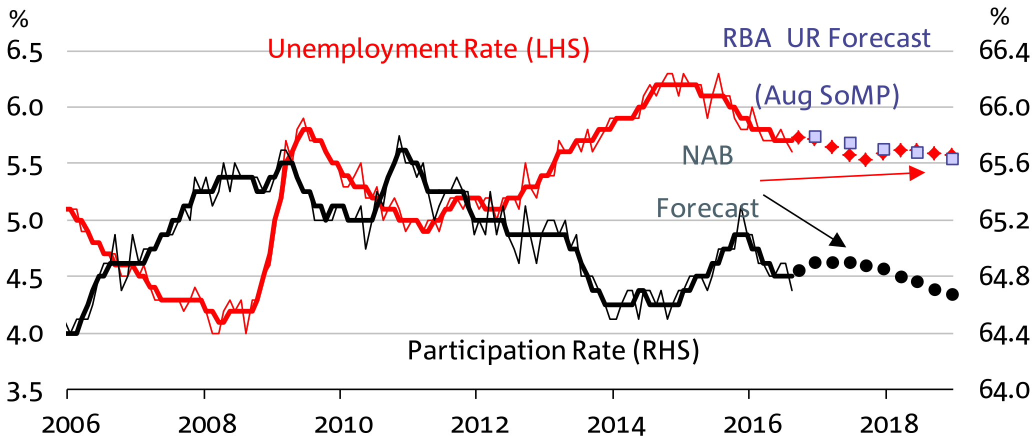
THE SHARE OF LABOUR FORCE ACCOUNTED BY "OLDER" AUSTRALIANS RISING

Participation rate and labour force share of Australians aged 55+ (%)



THE UNEMPLOYMENT RATE TO EASE WITH A LOWER PARTICIPATION RATE

Unemployment and participation rates (for population aged 15+)



- The ongoing ageing of the Australian population has resulted in some profound changes in the composition of the labour market over the past two decades and will continue to pose significant challenges to the economy in the coming years. Since the mid-1990s, the share of the labour force consisted of Australians aged 55 and above has risen steadily to around 18%, from around 8.6% in 1993 (see top chart).
- The ageing process has been largely driven by three factors: the baby boom in the post-WWII period, a sharp fall in fertility rate afterwards and rising average life expectancies of the population with time.
- The baby boomers first started to enter the retirement phase of their lives at around mid to late 2000s, but a larger proportion of them has chosen to stay in the work force for longer compared to their predecessors. This constitutes the primary driving force behind the notable uptick in the participation rate and correspondingly, the share of the labour force, accounted by those aged 55+ especially since the early 2000s.
- Despite rising participation by these "older" Australians in the work force, their participation rates are still considerably lower than those in the prime working ages of 25 to 54. Meanwhile significantly stronger growth of the population in this age bracket has greatly eroded the share of the labour force accounted by younger workers with generally higher participation rates. with the overall result on the participation rate being a negative one.
- Based on our preliminary estimates, **the demographic drag from an ageing population on the headline participation rate (for those aged 15+) is approximately 0.2ppts a year in the next few years. However, this is expected to be partly offset by a positive contribution from the continuous rise in female participation and a number of cyclical factors,** i.e. the broadening of non-mining recovery which is generally more labour-intensive, which is expected to benefit further from the two additional 25bps cuts in the cash rate by the RBA in 2017. As such we expect the overall participation rate to stay mostly unchanged in 2017, before declining more notably in 2018.

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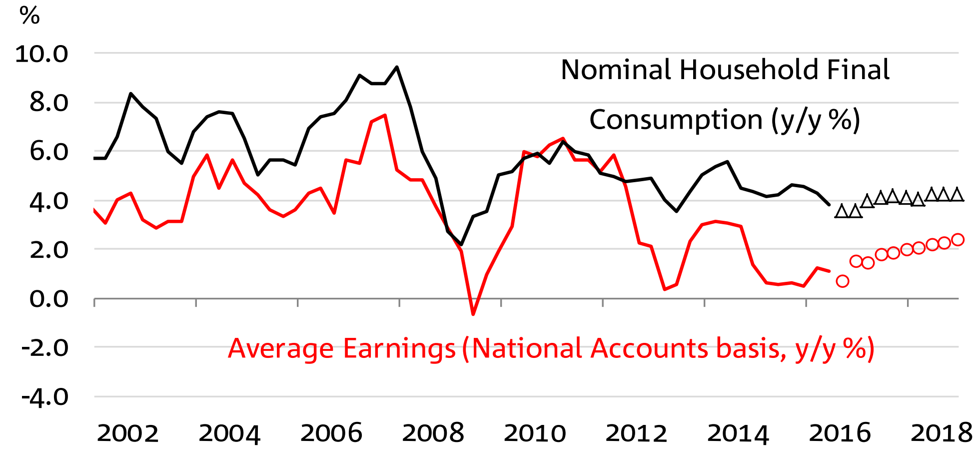
CONSUMER DEMAND AND INFLATION

Slowing consumer spending to weigh on GDP growth in 2017

HOUSEHOLD SPENDING EXPECTED TO EASE

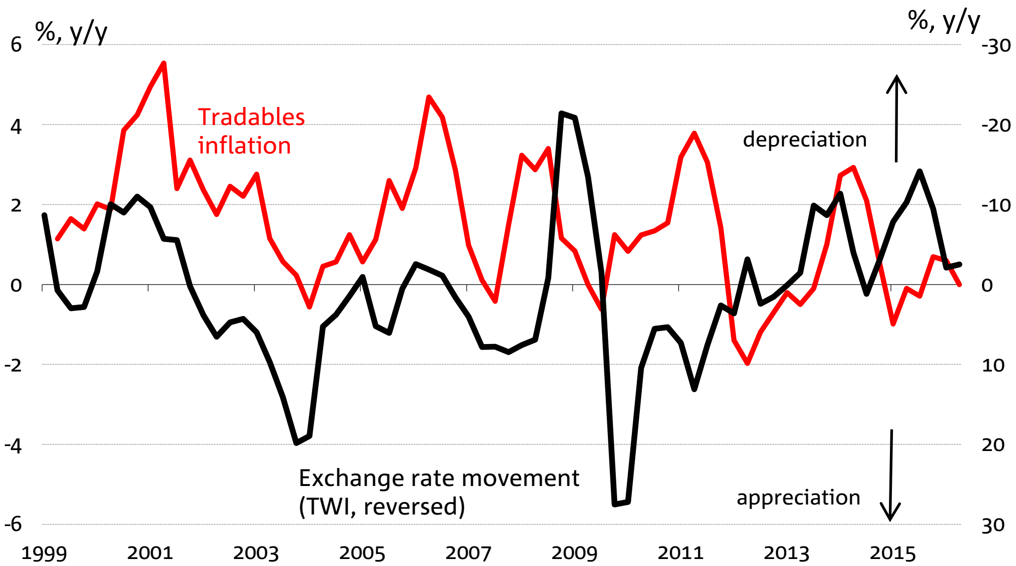
Nominal HFCE growth and average earnings growth (y/y%)



Source: ABS, NAB Group Economics

TRADABLES INFLATION CONTAINED DESPITE LOWER CURRENCY

Tradables inflation and exchange rate movement



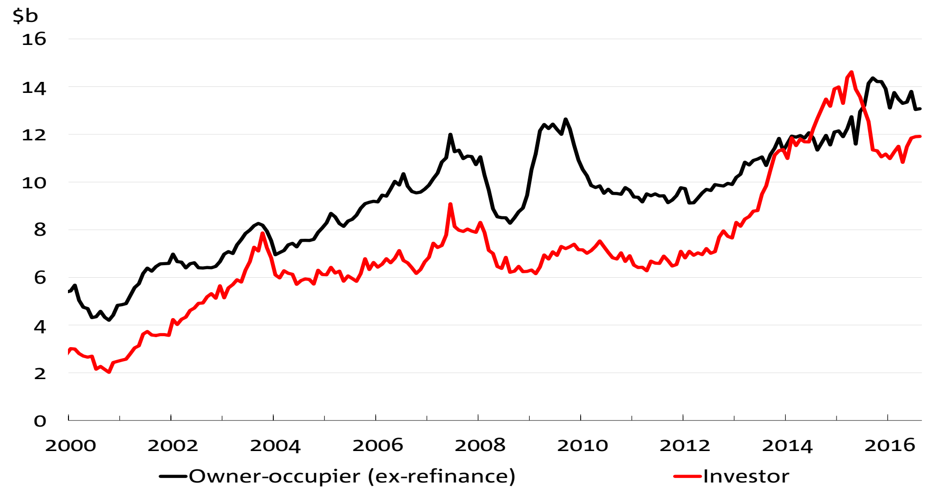
- Consistent with still-soft wages growth and more gradual employment growth since late 2015, the pace in consumer spending has remained subdued of late. While the ABS retail trade data for August showed a stronger-than-expected 0.4% growth in retail turnover, driven largely by "department stores" and "cafes, restaurants and takeaway food", retail sales growth was modest at 0.1% in trend terms. Other high frequency data such as our own NAB Online Retail Index and NAB Business Survey also paint a lacklustre picture of consumer spending in general. NAB's monthly Online Retail Sales Index for August suggests that year-on-year and trend growth for online spending has softened further. In trend terms, retail conditions according to the NAB business survey eased to -10 index point in September, the lowest level since late 2014.
- While persistently soft wages growth and easing employment growth are expected to act as constraints, we continue to expect moderate (albeit easing) household consumption growth in coming quarters. A sustained low interest environment, to be supported further by the two additional 25bps cuts by the RBA which we forecast for next year, as well as the resilience in house price growth in major capital cities, should provide some positive impetus to consumption overall. We currently forecast real household consumption growth of 2.6% in 2016, before moderating to 2.1% in 2017 and 2.4% in 2018.
- Soft wages growth and more gradual employment growth are also keeping inflation contained. We are expecting inflation to remain low for some time, given subdued growth in labour costs and very low cost pressures elsewhere in the world. Rental inflation has also remained around historical lows and has eased across most capital cities. With more dwelling supply to be added in the next two years, spare capacity will remain in the rental market, keeping rent inflation contained. For tradables inflation, domestic retail competition has kept the exchange rate pass-through at a slow pace. The recent appreciation of the AUD will help relieve some imported inflationary pressure at least in the short term. Overall, we forecast inflation to remain depressed at below or just on 2% in 2017 and 2018, while headline inflation being a little higher due to tobacco excise increases and higher fuel prices.

THE HOUSING MARKET

Evidence mounting that recent cash rate cut is refuelling the market

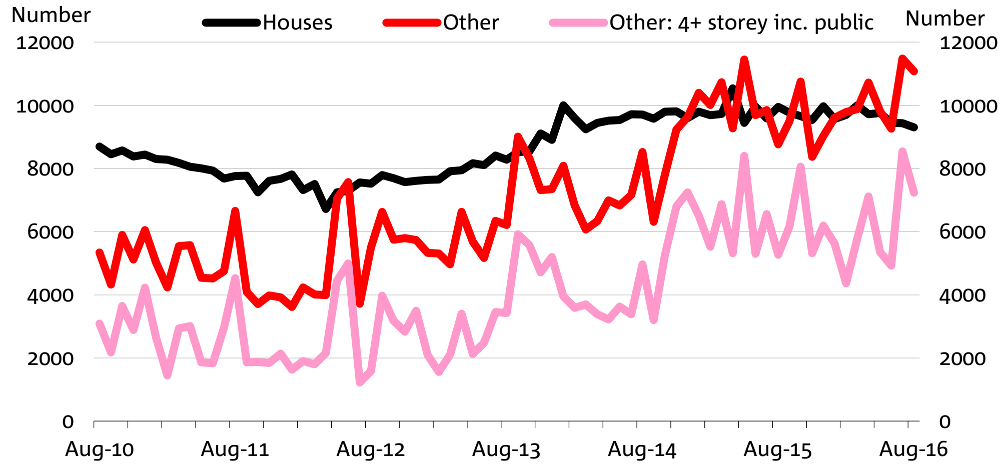
INVESTOR LOAN APPROVALS HAVE PICKED UP AGAIN

Housing finance commitments, $bn



RESIDENTIAL APPROVALS HAVE STAYED ELEVATED

Private dwelling units approved



Source: ABS

- Timely indicators of the **housing market** point to renewed momentum following the RBA interest rate cut in August. This has been particularly apparent in Sydney and Melbourne , where 6-month annualised growth has gone from flat-to-falling earlier in the year, to around 20% in September – simple median house prices have shown a similar trend, although this measure continues to lag behind the quality adjusted prices in Sydney (see bottom RHS chart on page 2). Outside of these cities, (hedonic) prices growth has remained solid in Adelaide and Brisbane, but continues to decline in Perth. Other timely indicators of conditions, including auction clearance rates, are suggesting a tight market, although this in large part is a reflection of a lower number of properties going up for sale – also reflected in lower sales volumes in most markets over the year to July. It is also worth noting that lending finance numbers are pointing to greater investor activity. While growth in investor credit remains well below the 10% speed limit imposed on banks by APRA, the value of these loans has been rising again in recent months, particularly in NSW.
- These trends are hard to reconcile with mounting concerns over excessive housing supply in the medium term, uncertain foreign (and domestic) investor demand and stretched household balance sheets. Consequently, upside risks to our 2016 and 2017 price forecasts are substantial – especially in Sydney and Melbourne. However, a deterioration in market fundamentals is still expected to hit over coming months and years. Our **national price growth** forecasts for 2016 are 8% for houses and 5% for units. While quality adjustments will continue to prop up these prices, we still forecast growth to moderate to 0.4% for houses and -1.6% for units in 2017.
- Despite a disappointing outcome for **dwelling investment in** Q2 2016, there are no strong signs that the current housing construction cycle is set to slow materially in the near future. Building approvals remained at a very elevated level in August (largely due to high-rise apartment projects), adding to an already record high pipeline of construction. Supply overhang is expected to become more of a concern over the next 12-18 months. Dwelling investment is expected to rise 7.4% in 2 and 2.3% in 2017, before become a (small) drag on economic activity further out.

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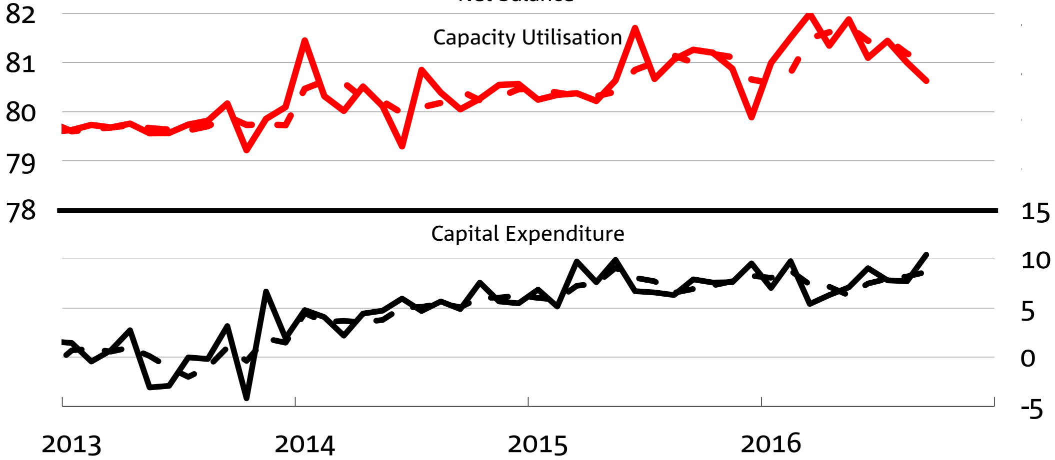
BUSINESS ACTIVITY, INVESTMENT AND CONSTRUCTION

Signs of rising non-mining investment, but for how long?

NAB SURVEY INDICATORS OF INVESTMENT MIXED

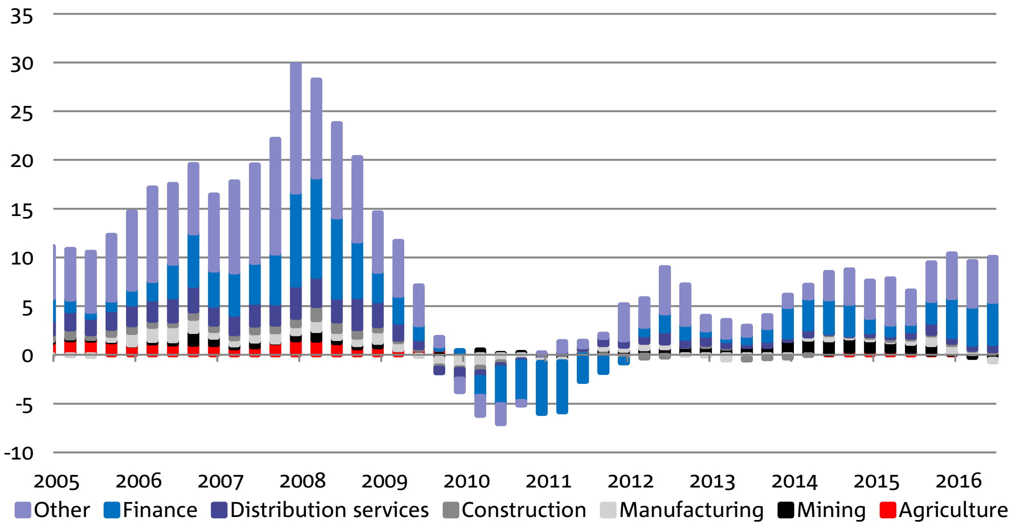
NAB Monthly Business Survey – investment indicators



* Dotted lines represent the 3mma

BUSINESS CREDIT STEADY, BUT SUBDUED

Contribution to business credit growth (annual %)



- According to the NAB Monthly Business Survey, confidence levels report by firms remain reasonably good, despite the numerous uncertainties still lingering in the background – particularly those emanating from overseas. Business conditions also rose modestly in the month, although the trend over recent months has been pointing to some moderation. Above average business conditions also appear to be due to the strength seen in a fairly narrow subset of industries – namely in the services sector – rather than the more broad-based improvement that was hoped for. Weakening retail conditions are particularly concerning and pose a significant risk to our outlook given the implications for consumption.
- In terms of the Survey's indicators that are of relevance to the investment outlook, outcomes have been mixed (but mostly encouraging). The index for capital expenditure has improved notably over recent years, and hit a multi-year high in September. However, despite quite elevated levels of trading conditions (sales) in the Survey, firms have indicated that capacity utilisation rates have started to fall from their recent peaks – which could provide a disincentive for firms to invest in future additional capacity.
- With that said, firms noted in the survey that their demand for credit increased noticeably over the past 3-months – although they suggested they are having greater difficulty obtaining credit. Business credit data from the RBA suggests growth has been pretty steady in recent months, albeit at relatively subdued levels. Finance and 'other' sectors are driving the majority of business credit demand, while construction has been in decline – likely a reflection of the drop in mining projects.
- The value of non-residential building approvals has been volatile and showed a 24.3% drop in August. In trend terms, approvals have declined 1.8% m/m, having edged higher over 2015 and 2016. This suggests there is still very little offset to declines in mining construction expected in coming quarters.
- In terms of the longer term outlook, weakness was still very apparent in the ABS's Q2 Private New Capital Expenditure (Capex) Survey, but the expectation for spending in 2016-17 did improve from previous estimates – even with further large declines expected in mining.
- Business investment (around 12% of GDP) is forecast to decline by around 9.5% in 2016 and 4.9% 2017. In 2018, business investment will increase moderately (+4.5%).

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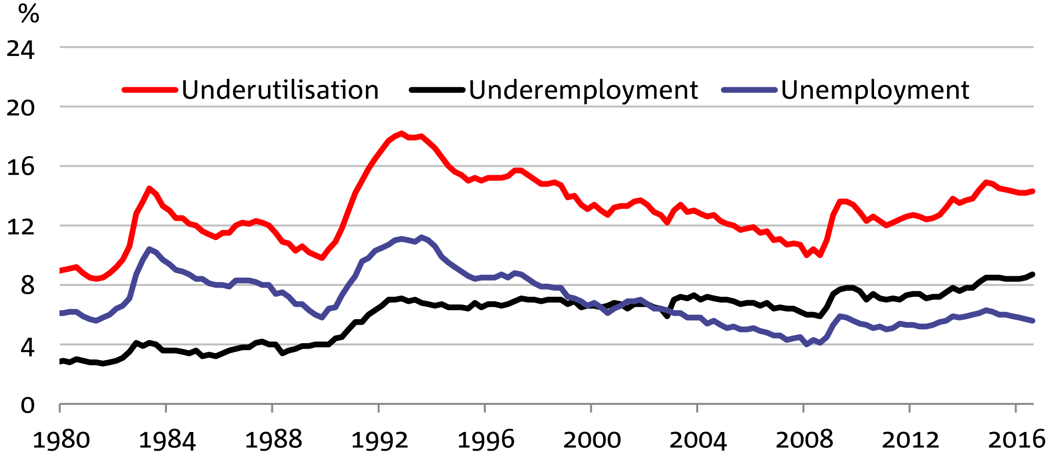
LABOUR MARKET AND WAGES

Employment growth continues to be driven largely by part-time jobs

AN ELEVATED UNDERUTILISATION RATE POINTS TO AMPLE SPARE CAPACITY IN THE LABOUR MARKET

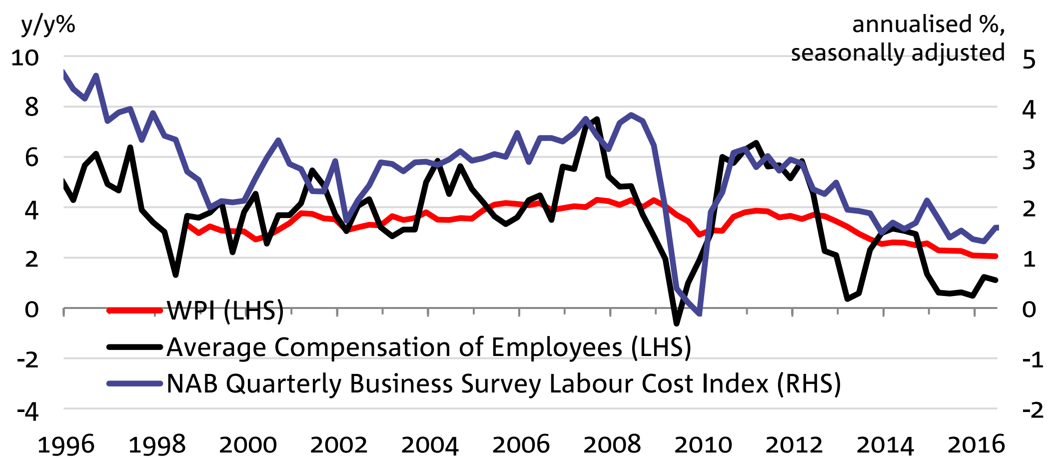
Underutilisation, underemployment and unemployment rates



Source: ABS, NAB Group Economics

WAGE MEASURES GENERALLY REMAIN SOFT

NAB Quarterly Business Survey labour cost index, age price index and average compensation of employees



Source: ABS, NAB Group Economics

- In August, employment in seasonally adjusted terms fell 3.9k against market expectations of a +15k increase, but a significant fall of 0.2ppt in the participation rate to 64.7% saw the official unemployment rate ease by 0.1% to 5.6%. That said, trend employment growth, which attempts to look through the monthly volatility, was slightly more encouraging at +9.9k in the month.
- In trend terms, employment growth continues to be characterised by the dominance of part-time jobs relative to full-time jobs, although it appears that full-time jobs have stopped falling in recent months. By state and territory, it is quite clear that the earlier strong momentum in jobs growth witnessed in most eastern states had eased, except for Victoria which has shown a rebound in employment growth in recent months, and ACT which continues to show a distinct rising trajectory. Meanwhile, employment growth in Tasmania and Western Australia continues to trend lower to be in negative territory. The persistently elevated levels of the underutilisation and underemployment rates point to a the presence of ample of spare capacity in the labour market.
- Consistent with slowing employment growth indicated by official ABS statistics, the employment index from the NAB monthly business survey fell notably in August to +1 (from +4 in the previous month), which suggests more subdued employment growth in the near-term. This outcome hints at an annual job creation rate of around 188k (around 16k per month) in coming months, which is only sufficient to steady the unemployment rate. As such, we expect the unemployment rate to remain relatively stable in the coming quarters, to be at 5.7% by end-16, easing marginally to 5.6% by end-17 and stabilising at that level by end-18.
- There are still no signs of a pick-up in wages momentum based on recent data. Together with a modest expected improvement in measured labour productivity growth, we expect wages growth to remain subdued through the forecast horizon. Nonetheless, the dampening effects on wages from the mining downturn are likely to wash out by 2018, and this should see wages growth based on the measure of average earnings in the national accounts (which takes into account compositional changes in the labour market) close the gap with that indicated by the wage price index by end-2018.

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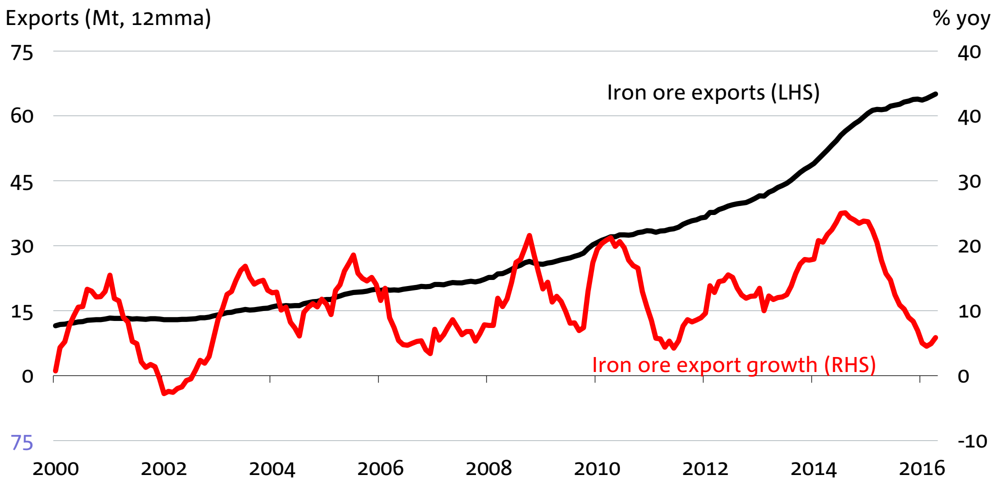
NET EXPORTS, COMMODITIES AND THE TERMS OF TRADE

Higher commodity prices support terms of trade and help narrow trade deficit

IRON ORE EXPORTS TO CONTINUE RECENT TREND

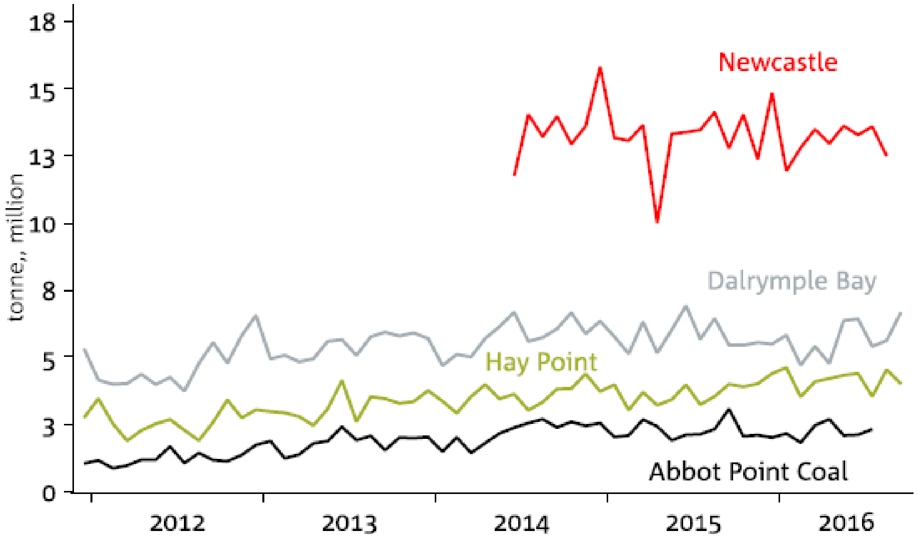
Iron ore exports and annual growth rate



Sources: Bloomberg, NAB Economics

COAL VOLUMES YET TO LIFT DESPITE HIGHER PRICES

Coal loadings at export ports



Source: National Australia Bank, Macrobond

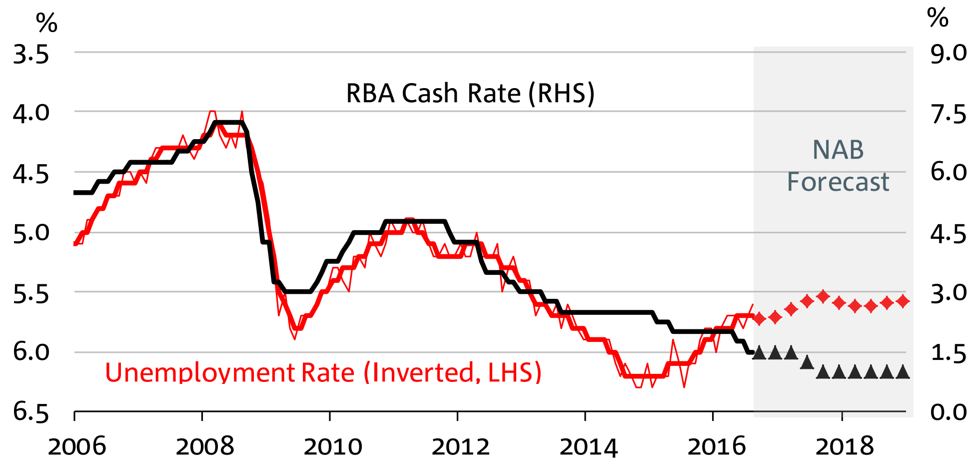
- Net exports are expected to make a stronger contribution to GDP growth in Q3, as new LNG exports are added by the APLNG, GLNG and Gorgon projects. Exports of iron ore and coal are expected to remain steady, however the recent spike in prices would contribute to higher profits and government revenue and help narrow the trade deficit. The terms of trade will also rise on higher commodity prices.
- Iron ore exports are expected to continue to expand, but at a slower pace, with the Roy Hill mine slowly ramping up capacity. Higher iron ore prices this year will support exports in the near term. However, given our weak outlook for the Chinese and global steel sector, we expect conditions to weaken in the long run. Weaker steel output should also place downward pressure on iron ore prices in the coming quarters, with spot price expected to average US$54/tonne in Q4 2016, and US$44/tonne in 2017.
- While coal prices rose significantly, exports did not surge on higher prices. Weather related disruptions and a derailment in Queensland in September have negatively impacted production and exports. Analysis of port loadings is also consistent with this view. It will be interesting to see whether further wet weather has continued to impact production.
- We've revised our coking coal price forecasts higher – given the unexpectedly strong Q4 contract settlement (see chart on page 2) – however our view remains this reflects short term supply constraints that should ease in coming quarters. As a result, the NAB non-rural commodity price index is expected to surge a further 8.7% in Q4 in USD terms, following two consecutive quarters of rises. The terms of trade are also expected to rise, before declining gradually in 2017.
- Net tourism exports continued to rise strongly in the quarter, despite the AUD appreciation.
- Agricultural commodity prices remain mixed. While cattle prices are at record highs, wheat prices remain depressed. Recent dairy auction results suggest prices may be recovering slightly. Spring rainfall has been well above average across eastern Australia and more rain heading into harvest could hamper crop yield and quality.

MONETARY POLICY AND THE EXCHANGE RATE

The AUD will depreciate, but not ahead of the December Fed meeting

FURTHER EASING LIKELY TO PREVENT RISING UNEMPLOYMENT

RBA Cash Rate and Unemployment rate

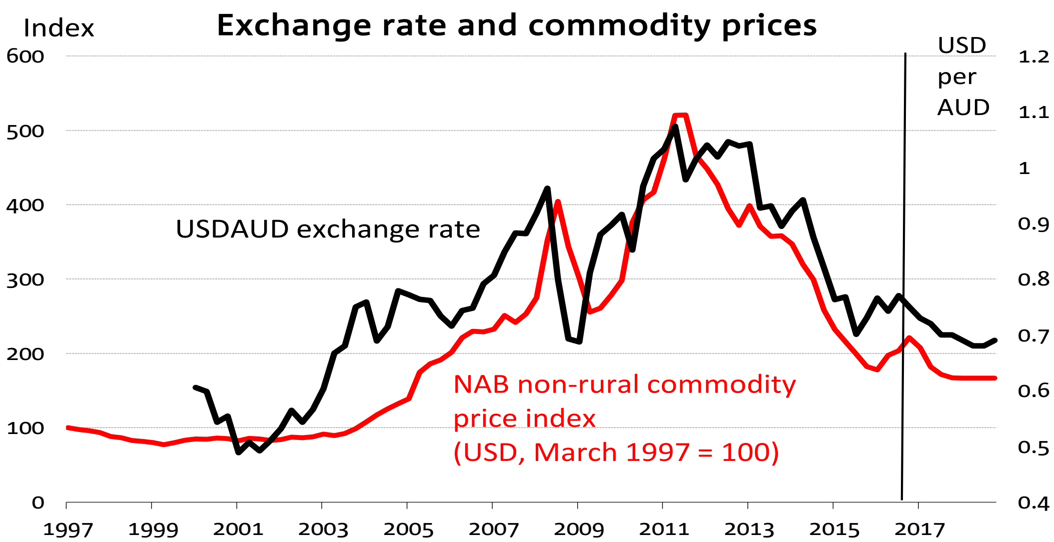


Source: ABS, NAB

AUD forecasts

AUD TO DRIFT LOWER IN 2017 AND 2018

NAB's AUD/USD forecasts



- **Monetary policy** is expected to remain highly expansionary, although we don't expect any further cuts this year, barring a surprise exceptionally low Q3 CPI print (due on October 26). For now, the RBA will be content to assess the impact of cuts in May and August, keeping a particularly close eye on house prices which have reaccelerated again in Melbourne and Sydney (see page 7). By mid-2017 however, it remains likely that the RBA will be confronted by ongoing weak inflation and a softening outlook for economic activity into 2018. This is likely to see the RBA (reluctantly) implement two further 25bp cuts to the cash rate in mid-2017. Discussion may then turn to unconventional policy, as discussed on page 3.
- The new RBA Governor and the Treasurer have signed an updated Statement on the Conduct of Monetary Policy. The formulation of the inflation target remains the same at 2-3% on average, but the length of time for the target has been tweaked from "over the cycle" to "over time". Financial stability considerations have also been explicitly brought into the monetary policy objectives paragraph along with an inference to inflation expectations. Overall it is suggestive of little change in direction; perhaps a little more flexibility at the margin.
- The **Aussie dollar** remains comfortably contained within the broad 0.7450 - 0.7750 trading range established over two months ago. Barring an extremely low Q3 Australian CPI print (due on 26 October) a range break-out in AUD/USD will likely have to emanate from the USD side of the equation and suggesting the current range could well survive until after the 8 November US election. Ultimately, we still see the (inevitable) break coming to the downside. We retain our forecasts for AUD/USD of 75 cents for end-2016, 70 cents by end-2017 and hitting a low of 68 cents in mid-2018 before inching back up.
- In the first RBA meeting under the Governorship of Phil Lowe, the language on the currency in the post meeting statement was little changed. The statement noted that 'the lower exchange rate since 2013 'has been helping' the traded sector'. Previously the wording was 'is helping'. It's possible this nuance reflects the fact (which they acknowledge) that the terms of trade has recently been rising once again.

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DETAILED FORECASTS

Australian economic and financial forecasts (a)

	Fiscal Year			Calendar Year			
	2015-16 F	2016-17 F	2017-18 F	2015	2016-F	2017-F	2018-F
Private Consumption	3.0	2.3	2.3	2.8	2.7	2.2	2.3
Dwelling Investment	9.1	5.5	-1.3	9.7	7.4	2.3	-3.8
Underlying Business Investment	-12.7	-5.3	-2.7	-10.4	-9.5	-4.9	4.5
Underlying Public Final Demand	3.5	3.8	2.6	2.1	4.1	2.9	2.6
Domestic Demand	**1.2**	**1.9**	**1.6**	**1.1**	**1.6**	**1.6**	**2.2**
Stocks (b)	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
GNE	**1.1**	**1.9**	**1.6**	**1.1**	**1.6**	**1.6**	**2.2**
Exports	6.6	8.9	9.1	6.0	7.8	9.7	6.7
Imports	-0.2	3.7	4.0	1.7	0.4	4.2	5.5
GDP	**2.9**	**2.8**	**2.9**	**2.4**	**3.0**	**2.8**	**2.6**
Nominal GDP	2.5	4.9	2.7	1.7	3.8	3.7	3.5
Federal Budget Deficit: ($b)	-37	-34	-23	NA	NA	NA	NA
Current Account Deficit ($b)	73	44	66	77	51	54	73
(-%) of GDP	4.4	2.5	3.7	4.7	3.0	3.1	4.0
Employment	2.2	1.6	1.5	2.0	1.7	1.7	1.3
Terms of Trade	-10.0	2.4	-10.2	-11.5	-2.9	-5.0	-5.7
Average Earnings (Nat. Accts. Basis)	0.9	1.4	2.1	0.6	1.1	1.8	2.3
End of Period							
Total CPI	1.0	2.3	2.3	1.7	1.5	2.3	2.4
Core CPI	1.5	1.9	1.8	2.0	1.6	1.8	2.0
Unemployment Rate	5.7	5.6	5.6	5.9	5.7	5.6	5.6
RBA Cash Rate	1.75	1.25	1.00	2.00	1.50	1.00	1.00
10 Year Govt. Bonds	1.98	2.00	2.05	2.88	2.05	2.15	2.05
$A/US cents :	0.74	0.72	0.68	0.73	0.75	0.70	0.69
$A - Trade Weighted Index	62.5	62.5	58.2	62.7	65.0	60.5	58.2

(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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