EMBARGOED UNTIL: 11.30AM WEDNESDAY 14 FEBRUARY 2018

THE FORWARD VIEW - AUSTRALIA

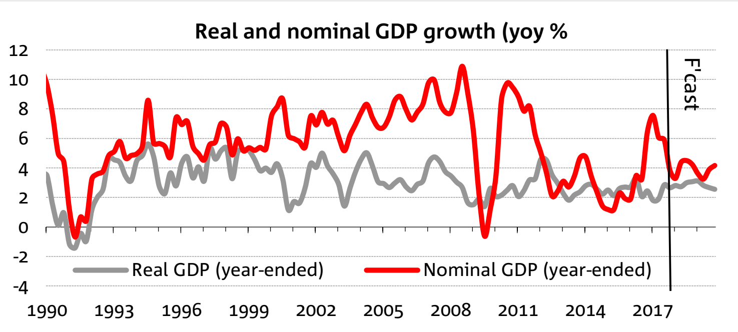
FEBRUARY 2018

Cautious optimism, but much depends on wages and the consumer

- **Strength in the labour market, business activity and infrastructure spending are likely to support growth in 2018. We have revised up our real GDP growth forecasts moderately to 2.9% in 2018 and 2.8% in 2019 in annual average terms,** suggesting an economy which manages to grow slightly above potential (~2.5%). Further gradual downward pressure on the unemployment rate to 5.1- 5.2% by late 2018 and into 2019 is forecast, even as the pace of job creation slows a little from the current rapid pace. **This will follow downwardly revised growth outcome in Q4 2017,** with our current forecast at 0.7% q/q - held back by a large subtraction from net exports, despite a better quarter for consumer spending.
- **This set of forecasts assumes that current financial market gyrations do not extend into a more sinister downtrend, or undermine the current synchronised upswing in global growth. Indeed, the upward revision to the Australian growth outlook is partly a nod to the improved global backdrop** which will support Australia's traded sectors (including services exports and niche manufacturing) despite the stronger than expected AUD, as well as some timing changes reflecting further delays in LNG exports hitting the market**. Locally we are more confident in the investment and employment outlook** with business conditions above long-run averages across a range of industries and geographies, and leading indicators from the NAB Business Survey such as capacity utilisation and reported difficulty in finding suitable labour rising.
- **The growth trajectory and the path of monetary policy will depend on the degree of improvement in wages and consumer spending,** which are forecast to lift gradually. This remains a key difference between the RBA's more upbeat growth forecasts of 3 - 3¼% in 2018 and 2019, although the RBA is highlighting the uncertainty surrounding the household/wages/inflation nexus. **The housing market is unlikely to be supportive of consumer spending this year** - any positive impact from the wealth effect will be eroded as house prices stabilise and decline moderately in some markets.
- **The RBA has indicated that it is in no rush to raise rates in lock-step with global central bank counterparts.** However, lower unemployment, and evidence of wages growth moving upwards (even gradually) should be enough to give the RBA confidence that inflation will eventually lift above the bottom of the band. **We continue to forecast two 25bp rate hikes in August and November, although acknowledge the risks are that these hikes could be delayed.** Also relevant here is the slowing in household credit and house prices - via macro-prudential measures - which may help alleviate some concerns about household debt. A higher AUD may also threaten this outlook although our revised forecasts are for the currency to be USD0.75 by year end.

	2015	2016	2017-F	2018-F	2019-F
Domestic Demand (a)	1.2	1.8	2.7	2.6	2.6
Real GDP (annual average)	**2.5**	**2.6**	**2.3**	**2.9**	**2.8**
Real GDP (year-ended to Dec)	**2.7**	**2.4**	**2.7**	**3.1**	**2.6**
Terms of Trade (a)	-11.5	0.1	11.7	-2.7	-6.2
Employment (a)	2.2	1.6	2.2	2.7	1.6
Unemployment Rate (b)	5.9	5.7	5.4	5.1	5.2
Headline CPI (b)	1.7	1.5	1.9	2.4	2.4
Core CPI (b)	2.0	1.5	1.8	2.0	2.3
RBA Cash Rate (b)	2.00	1.50	1.50	2.00	2.50
$A/US cents (b)	0.73	0.72	0.78	0.75	0.75

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



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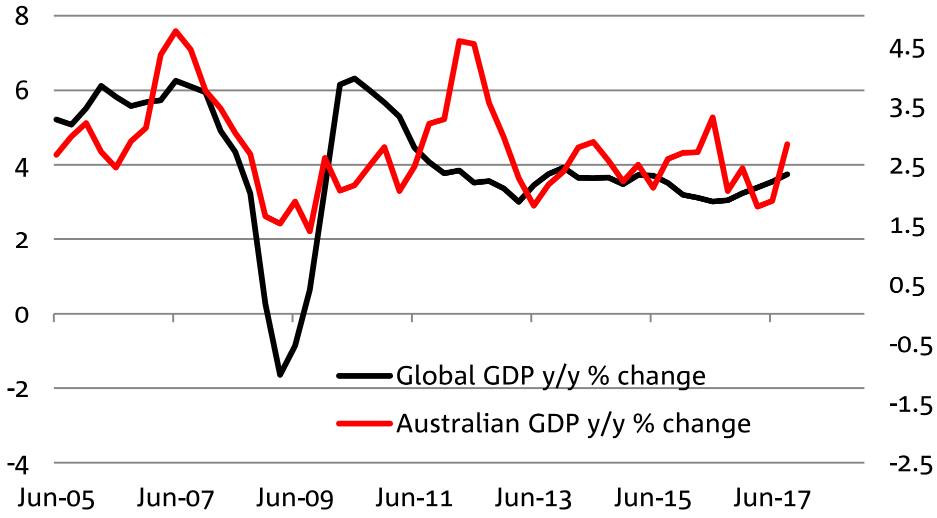
CHARTS OF THE MONTH *Upbeat outlook for business and government investment, but households still likely to be cautious despite good labour market outcomes*

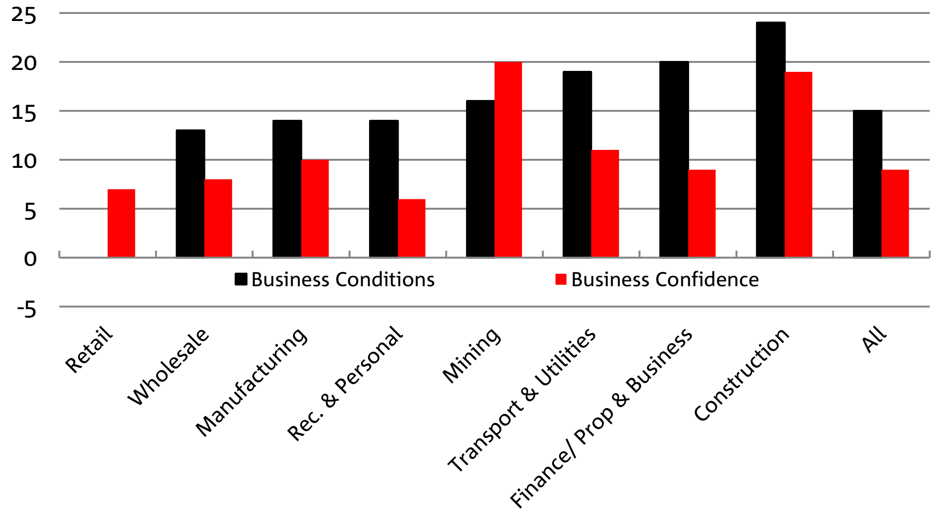
GLOBAL AND AUSTRALIAN REAL GDP GROWTH

Year-ended % change



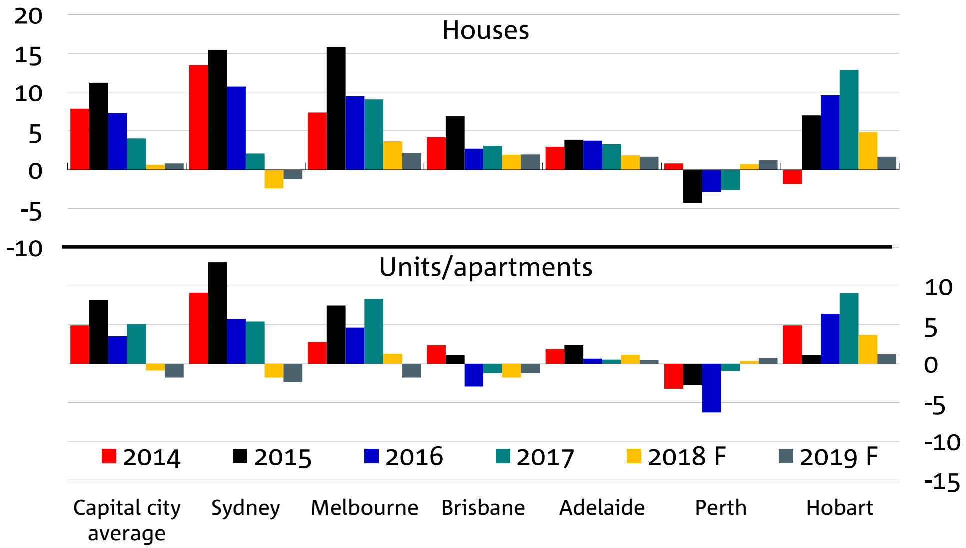
BUSINESS CONDITIONS BY INDUSTRY

NAB Monthly Business Survey (Jan), net balance (trend)



PROPERTY PRICE GROWTH TO SLOW FURTHER

Annual % change



DIFFICULTY FINDING SUITABLE LABOUR

NAB Quarterly Business Survey versus ABS unemployment

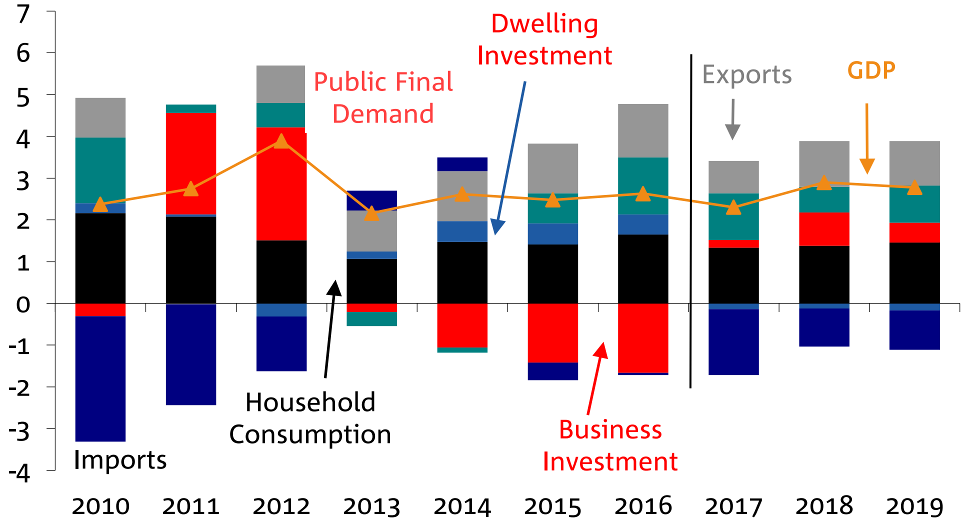
Sources: ABS, NAB Group Economics, CoreLogic

OVERVIEW - AUSTRALIAN ECONOMIC OUTLOOK

Economic growth outlook slightly better in 2018 and 2019

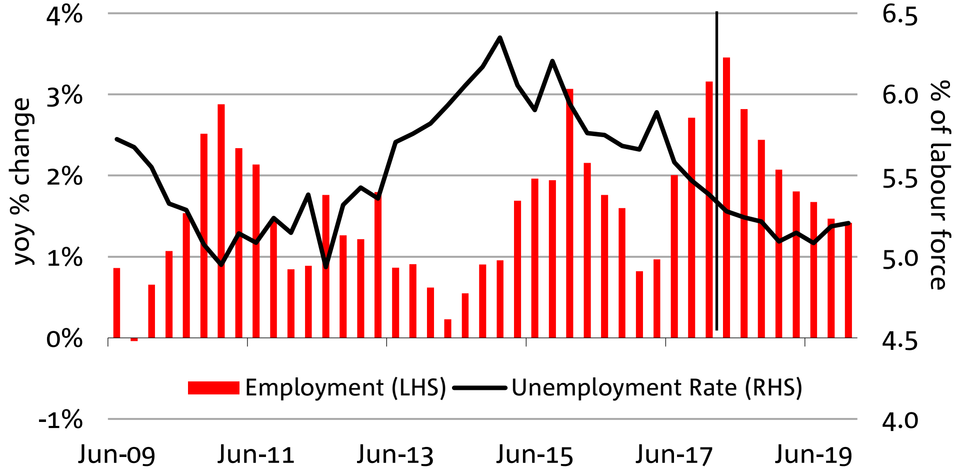
ECONOMIC GROWTH IMPROVING IN 2018 AND 2019

Annual average % change



UNEMPLOYMENT RATE HEADS DOWN IN 2018 AND THEN STABILISES

Employment growth and unemployment rate



Sources: ABS, NAB

We are gradually becoming more confident that infrastructure spending and non-mining business investment should help the Australian economy navigate the challenges of peaking LNG exports and dwelling construction. While growth will slow after reaching a peak of 3.2% y/y in Mar-18, our forecasts for 2.4% y/y in Dec-18 and 2.6% in Dec-19 are in keeping with our estimates of potential growth for the Australian economy of ~2½%.

We now forecast economic growth of 2.9% in 2018 and 2.8% in 2019 (previously 2.9% and 2.6% respectively). This change owes to a stronger global growth outlook (assuming current financial market volatility does not extend too far and undermine the recovery), some delays in LNG exports hitting the market (especially after a disappointing Q4 2017), greater confidence in the outlook for business investment and employment (although the latter must slow from current rapid rates), and annual averaging effects from what is shaping up to have been a slightly disappointing Q4 2017 (our preliminary forecast is 0.7% q/q). Tepid consumer spending (~55% of GDP) amidst low and only gradually rising wages growth however tempers the outlook, and is a key uncertainty for monetary policy. That said, growth is likely to exceed potential (~2.5% on our estimates) this year, which will continue to put downward pressure on the unemployment rate to just over 5% by end-18 and holding there in 2019.

Key components of our economic forecasts in 2018 are:

- Strong government investment as infrastructure spending picks up (3.8% real).
- Recovery in non-mining investment (5.0%, although less pronounced than in early upswings). This includes non-residential construction (both building and engineering construction, the latter reflecting spillover from government infrastructure investment).
- Dwelling construction continuing its gradual decline (-2.2%) but remaining relatively high in level terms.
- Modest household consumption growth (2.4%), with low wages growth holding back household income growth, notwithstanding further employment growth.
- A very gradual pickup in wages growth (2.1% for average earnings) and core inflation (2.0% y/y by year-end).
- Net exports adding approximately ¼ ppt per annum to economic growth.
- Employment growth slowing through the year but remaining strong and continuing to put downward pressure on the unemployment rate.
- The RBA hiking the cash rate by 25bp at its August and November meetings, although the risk is now for a later move.

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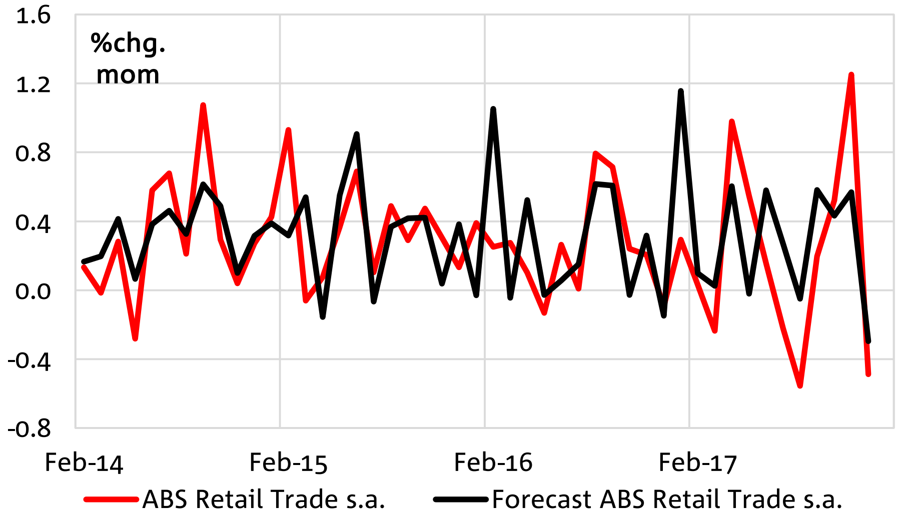
CONSUMER DEMAND AND INFLATION

Household consumption unable to accelerate amidst low income growth

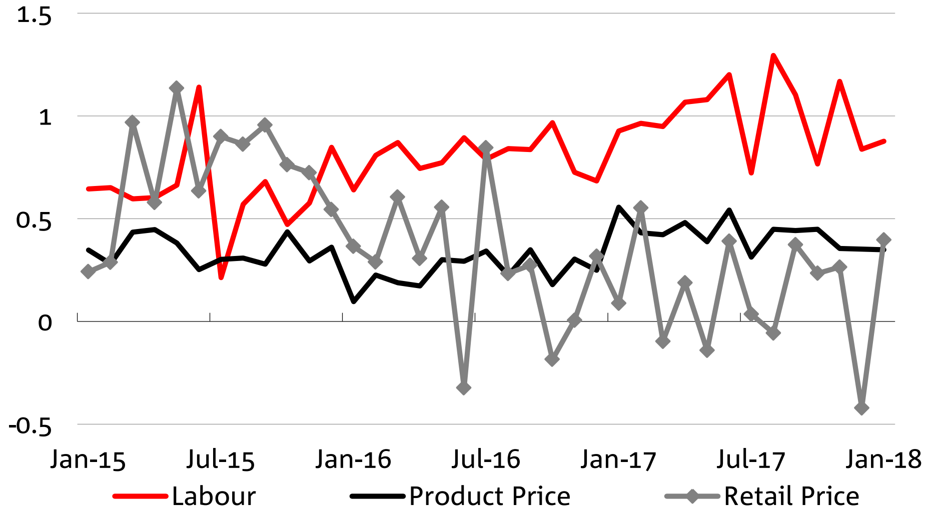
RETAIL SALES MEASURES (NAB VS ABS MAPPED)

Monthly % change



NAB SURVEY RETAIL PRICE GROWTH RECOVERED STRONGLY IN JAN

% change at a quarterly rate



Sources: ABS; NAB Economics

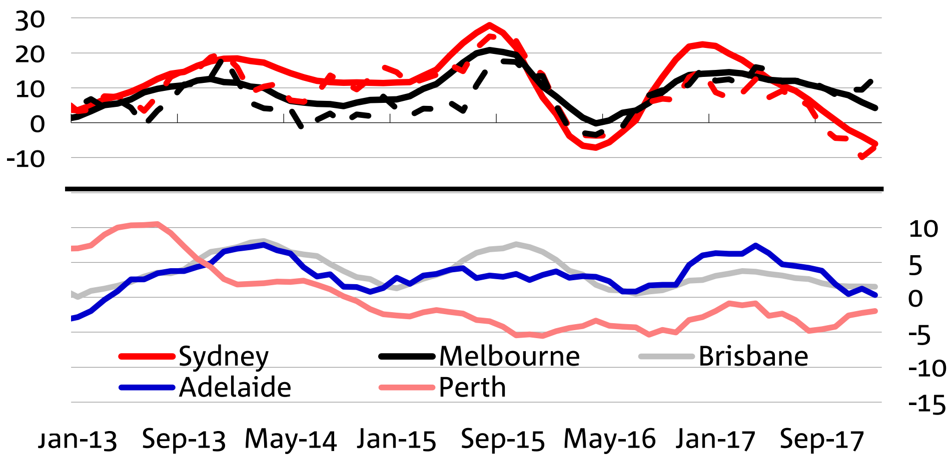
- Available data for Q4 2017 so far suggests a better quarter for consumer spending. Retail sales were up 0.7% q/q in real terms, compared with 0.1% q/q in Q3 2017. The rise in volumes was driven by household goods (3.4 %), which benefitted from strong promotions and the release of the new iPhone in November. That said, the seasonal pattern of retail spending is changing - the value of retail sales turnover was up strongly in seasonally adjusted terms in the month of November (1.3% m/m, thanks to Black Friday sales being introduced in Australia) and the release of the iPhone, but then was down by 0.5% in December. This see-saw pattern was also evident in NAB's Cashless Retail Index (see chart on LHS) and NAB's Online Retail Sales Index, which was down 2.2% m/m in December after rising a massive 4.8% m/m in November.
- There has also been a very small improvement in retail business conditions in the NAB Business survey in trend terms to neutral (indicating neither expansion or contraction). On the flipside however, business conditions for recreational & personal services (which has been a consistent outperformer in recent years) has started to trend down, a trend which bears close watching amidst low household income growth stemming from low wages growth. In addition, while consumer anxiety and concern around their financial position has declined according to the NAB Consumer Behaviour Survey, cost of living pressures are still weighing on 1 in 4 households. In particular, a large number of households are concerned about utility bills. All of this paints a somewhat mixed picture of the household sector at present. Coupled with a likelihood that a softer housing market will be blunting any wealth effect into consumer spending this year, we remain comfortable with our forecasts for moderate household consumption growth of 2.4% in 2018 an d 2.5% in 2019.
- Headline inflation was 0.6% q/q in Q4 2017, a result largely in line with expectations. New household expenditure weights also marginally lowered the inflation result.. The biggest price rises over the quarter were in petrol, tobacco, domestic holiday and fruit, while prices fell in international holiday and communications. We expect higher oil and therefore petrol prices to continue to add slightly to headline inflation in the next two quarters. Underlying inflation was slightly below the lower end of RBA's target band of 2-3% at 1.8% y/y (trimmed mean) and 2% (weighted median). We expect underlying inflation to remain subdued as the labour market slowly absorbs spare capacity and strong competition prevails in the retail sector. The January NAB Business Survey showed labour cost growth increase slightly and retail price growth recover strongly, albeit remaining at low levels. We forecast underlying inflation to pick up to 2.0% by end-18, and 2.3% by end-19 y/y. This is a touch higher than the RBA"s forecast of underlying inflation to rise to 2% by June 2019.

THE HOUSING MARKET

Housing price forecasts revised lower, and building approvals dropped.

MOST MARKETS ARE LOSING PRICE MOMENTUM

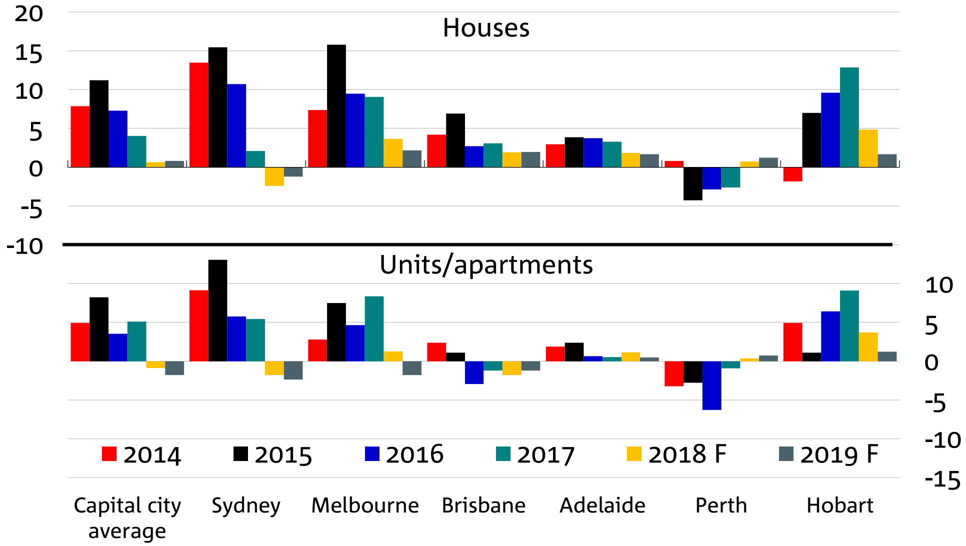
Dwelling price growth (%, 6-month annualised)



* Solid lines are hedonic prices. Dotted lines represent simple median prices.

PROPERTY PRICE GROWTH TO SLIDE FURTHER

Annual price growth (incl. forecasts)



Sources: CoreLogic; NAB Economics

- The softer housing market conditions we witnessed towards the end of last year have continued into early 2018 – although seasonal weakness in transaction volumes can cloud the true market position. Most capital cities are now showing slower price gains, although the moderation was particularly evident in Sydney over the course of 2017. Auction markets are generally still softer compared to this time last year, but clearance rates have warmed up across Australia last week after a slow January.
- Annual national dwelling price growth slowed to 3.2% y/y in January, having peaked at 11.4% in early 2017. The biggest shift in momentum has occurred in Sydney, where annual growth dropped to just 3.1% y/y – with 6-month annualised growth becoming more negative. Interestingly, apartment price growth has not slowed by the same magnitude as detached houses in Sydney, despite concerns over the growing supply of apartments. Meanwhile, prices in Melbourne have slowed, but much more modestly, rising 8% y/y in January. Brisbane and Adelaide have softened considerably as well, and while the trend has improved in Perth, prices are still down over the year.
- The number of housing finance approvals (owner-occupier, ex refinancing) fell 3.4% in December, marking a notable slowdown in annual growth to just 2% y/y (down from double digit rates of growth around mid-year). The previous strength partly reflected a shift in funding, following tougher restrictions imposed by regulators and lenders on investor loans. The value of investor finance approvals fell (down 2.6% m/m), to be down more than 10% on last year.
- For 2018, our assessment of the market direction remains largely unchanged, although the degree of moderation has accelerated– mainly driven by revisions to Sydney prices. House prices are forecast to increase by only 0.7% in 2018 (previously 3.4%), with growth remaining subdued at 0.8% in 2019. The apartment market is expected to underperform, with unit prices forecast to fall 0.9% in 2018 (previously +0.5%), and decline another 1.8% in 2019 (see NAB's Residential Property Survey).
- Private residential building approvals dropped by a sharp 20% in December, driven by a big fall in medium-density approvals. Victoria, NSW and SA all saw big declines in the month. Approvals were expected to fall back, but had proved surprisingly resilient until now, and are still up nearly 4% y/y in trend terms.
- Following a fall of 2.3% in 2017, dwelling investment is expected to decline by a further 2.2% in 2018 and 3.1% in 2019 (previously -2.2%), albeit with limited impact on economic growth given its small share of GDP.

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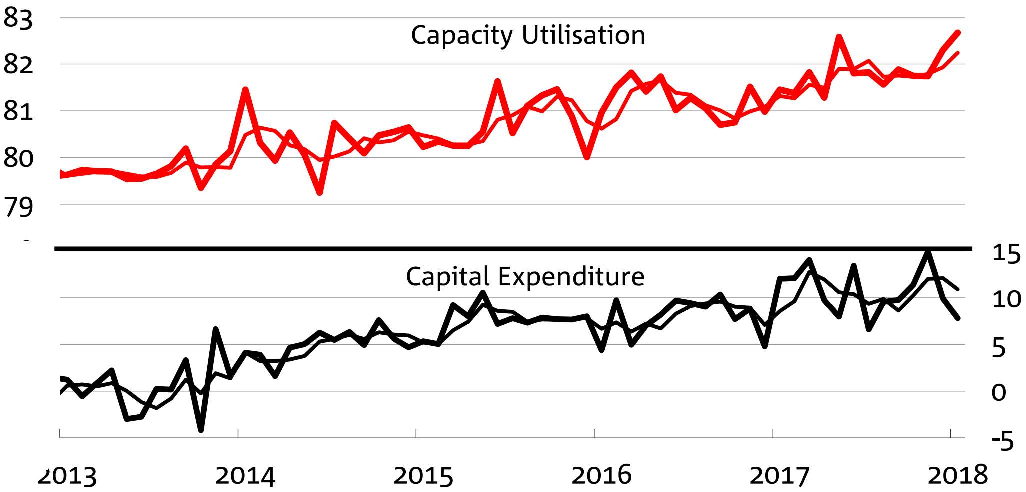
BUSINESS ACTIVITY, INVESTMENT AND CONSTRUCTION

Recent indicators mixed but overall signs remain positive for future investment

NAB MONTHLY SURVEY INVESTMENT INDICATORS*

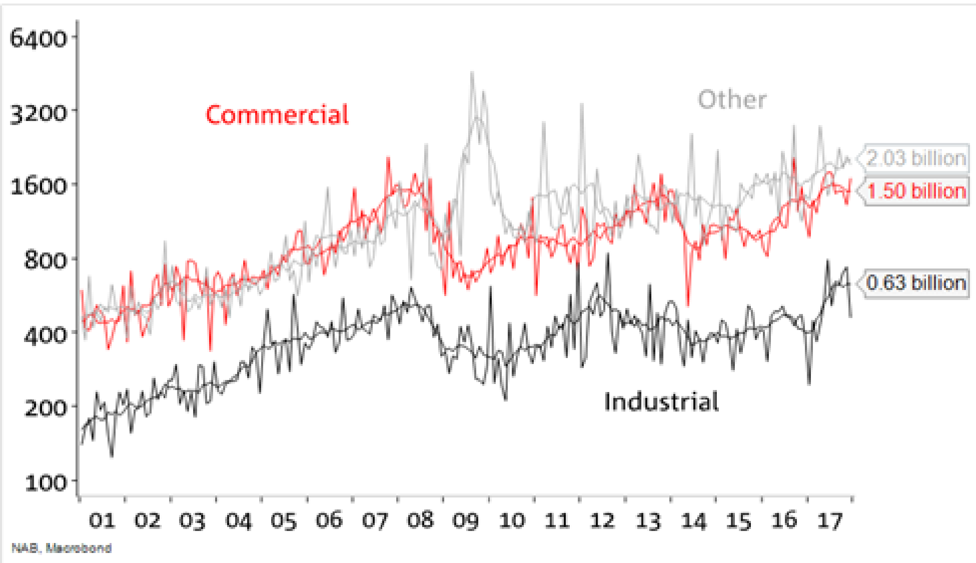
% of capacity; Net balance



* Light lines represent the 3mma

NON-RESIDENTIAL BUILDING APPROVALS

$ billions



- Business conditions strengthened in the January NAB Monthly Business Survey from already elevated levels. Business confidence also improved, and has trended upwards in the past two months, although this pre-dated recent market turbulence.
- In contrast, the survey indicator of capital expenditure fell to its lowest level in six months; however, looking through the monthly volatility, the broad pattern of a pick up in the level starting in 2017 is unchanged. Moreover, the upwards trend in capacity utilisation rates in the survey is also a positive sign for future business investment, as was the most recent ABS Private Capex survey which pointed to much stronger non-mining investment in FY18. The large pipeline of public infrastructure projects, often delivered through public-private partnerships, should also support government and private business investment.
- Non-residential building approvals also moved higher in 2017. In December, the value of private & public non-residential building approvals was up over 30% y/y in trend terms. On a cautionary note, the monthly growth rate in total non-residential approvals has flattened out recently, although given the volatility in the data it is too early to draw any strong conclusions from this. The upwards trend (12mma) in approvals has been evident in such sectors as offices, warehouses, educational and aged care construction, while retail and accommodation approvals have been more stable.
- Other partial indicators on investment are more mixed. According to ITGS data, capital goods imports fell more than 3% in Q4 and was up only modestly over the year. That said, on a monthly basis, the value of imported capitals goods picked up in November and December so there are signs of improvement. The commercial vehicles sales indictor is more positive with sales in December 2017 up by 20.6% y/y for light vehicles and by 13.7% for heavy vehicles. Moreover, after a dip in mid-2017 the RLB non-residential crane index rebounded in Q4 led by increases in the hotel, civil and other/mixed used sectors, rising to its highest level in recent years.
- Underlying business investment (around 12% of GDP) has accelerated over the 2017, reaching 7.9% y/ in 2017 Q3. In year average terms, we are forecasting growth of 2.9% 2017, and around 4-5% in 2018 and 2019. Underlying public investment is, expected to be even stronger, with growth forecast to be around 9% in both 2018 and 2019.

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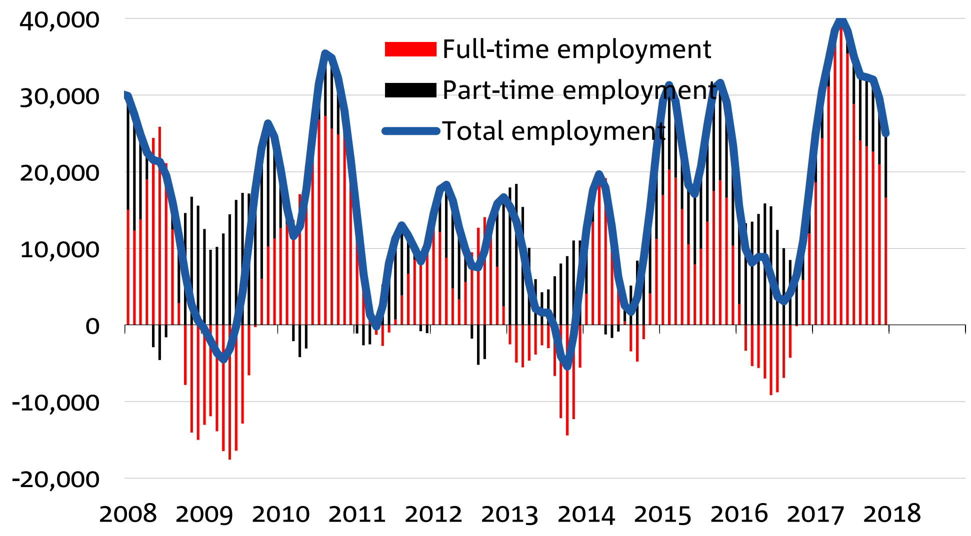
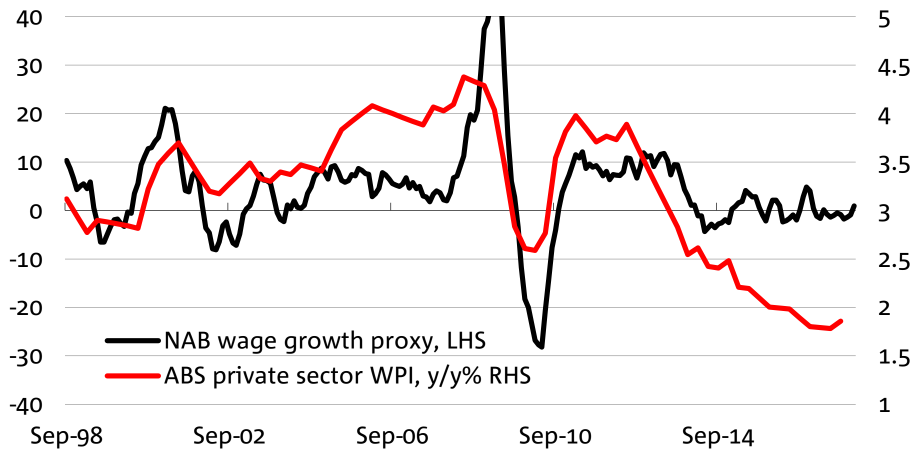
LABOUR MARKET AND WAGES

Spectacular employment growth however NAB Survey suggests more moderate growth

EMPLOYMENT GROWTH, MONTHLY TREND (PERSONS)



NAB WAGES PROXY SUGGESTS FASTER WAGES GROWTH



Source: ABS, NAB Economics

- Another healthy rise in employment in December completed a year of strong labour market improvement in 2017. Employment grew by 35k in December in seasonally adjusted terms, the 15th consecutive month of increases. Over 2017, employment grew by a robust 403k, 303k of which full time employment. The strong employment outcomes saw another rise in the participation rate, overall seeing the unemployment rate up slightly to 5.5%, from 5.4% in November.
- The official trend employment growth was 25k per month. The NAB Business Survey employment index, on the other hand, has not experienced the same wild swings in recent years, and tends to suggest the official figures may be currently overstating the degree of job creation. The NAB employment index implies employment growth of a little less than 300K at present, and a slowdown to around 240K per annum over the next 6 months, or a monthly pace of around 20K per month. This should still be sufficient to see the unemployment rate inch downwards, assuming no further large increase in the participation rate. We currently forecast the unemployment rate to gradually drift lower in 2018, as the labour market continues to improve, to around 5.1% by the end of the year.
- Trend employment growth was positive across all states and territories apart from SA. NSW has been driving most of the employment growth, while the strong growth in VIC has slowed down somewhat. Encouragingly, WA has been reporting positive employment growth, suggesting the worst of the mining job cuts is now behind us. According to the NAB survey, the employment conditions indices have been trending down since the second half of 2017, albeit remaining at positive levels, apart from in WA. The NAB survey also suggests NSW will be leading the nation in jobs creation while VIC has fallen below national average. The NAB Survey has also seen more firms report it is more difficult to find suitable labour, a clear trend since around mid 2015.
- Despite declining during 2017, the underemployment rate remained high at 8.3%, above historical average. While there is still a fair degree of labour market slack, there might be a deficit of workers with the right skills to match employers' needs.
- Perhaps due to the remaining slack in the labour market, wages growth has been subdued. The NAB survey labour costs measure rose slightly in January, to 0.9% (a quarterly rate, previously 0.8%) and has recently trended upwards. As a labour cost measure however, this is being supported by employment growth – a proxy which adjusts for this suggests there has not been an upward trend recently, but that wages growth is stronger than official measures suggest. Overall we expect to see wage growth eventually pick up as the labour market improves further.

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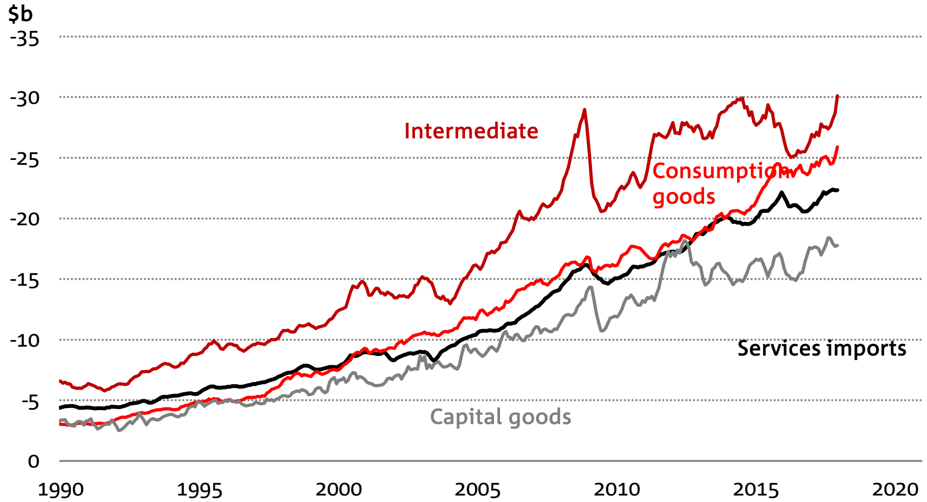
NET EXPORTS, COMMODITIES AND THE TERMS OF TRADE

Net exports likely detracted from growth in Q4 before recovering in Q1 2018

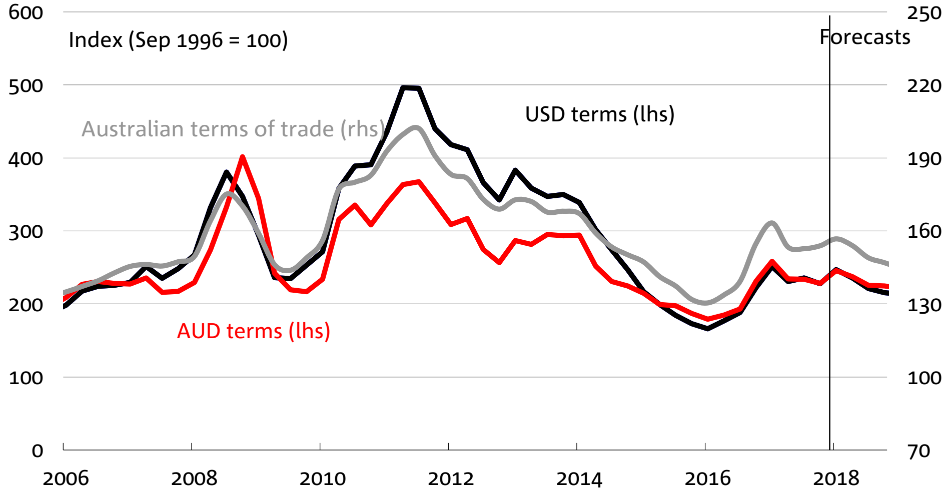
INTERMEDIATE & CONSUMPTION IMPORTS ROSE STRONGLY

Import values, three-month rolling sum, $billion



COMMODITY PRICE FALLS TO DRIVE DECLINES IN TERMS OF TRADE

NAB Non-Rural Commodities Price Index

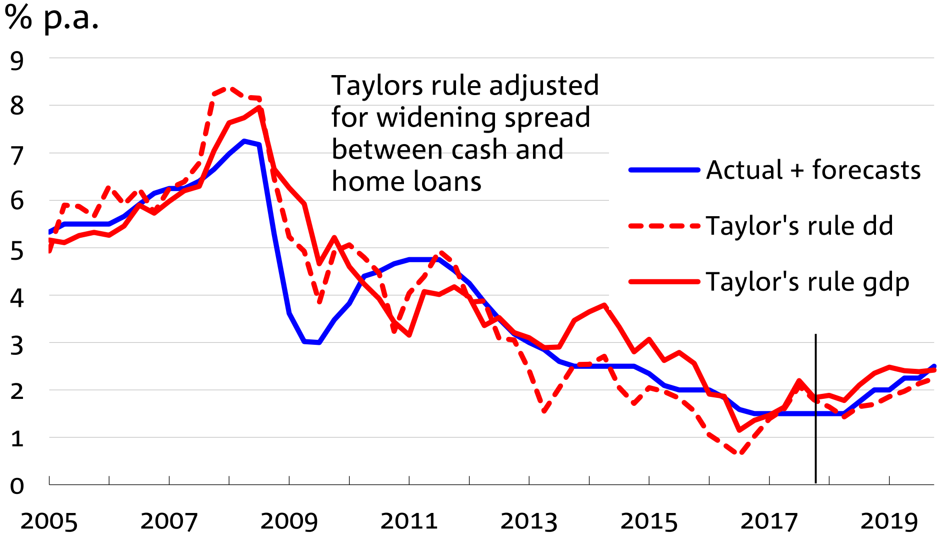


Source: BREE. ABS. Bloomberg. Thomson Datastream. NAB

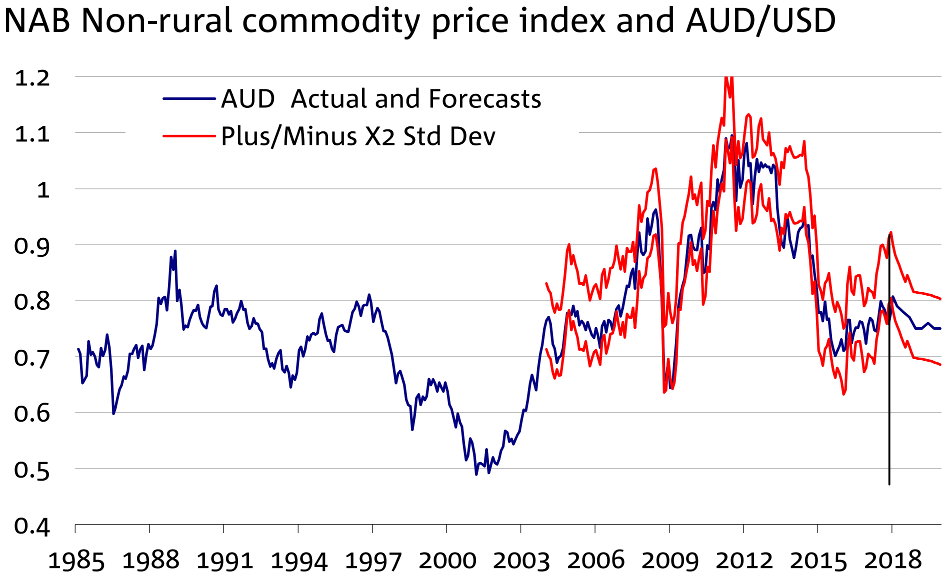
- Net exports have likely detracted nearly 1 ppt from GDP growth in Q4, a weaker than expected result. We are forecasting a bounce-back from such weakness in Q1, with a small positive contribution expected. Positive net exports are also expected for the rest of 2018, driven by the ramping-up of LNG exports, before tapering off in 2019.
- The weak Q4 result was a combination of both weaker-than-expected exports and stronger-than-expected imports. Goods exports likely declined by around 2.5% q/q and services exports likely by more. The decline in goods exports was despite an estimated moderate rise in resources exports of 1.8% q/q. Iron ore exports were up during the quarter, while coal and LNG exports were down. Goods imports likely rose by 2.5% q/q while services imports fell. The strength in goods imports were driven by consumption and intermediate imports, a reflection of the overall stronger shape of the Australian domestic economy, while capital imports likely declined.
- The ramp-up in LNG exports will continue to drive exports growth in 2018 before flattening off in 2019. We currently expect LNG exports alone to add 0.3, 0.4 and 0.1 ppts to GDP growth in 2017, 2018 and 2019 respectively. However project delays tend to be a regular theme and therefore make forecasting difficult. While we expect coking coal and iron ore exports to be steady to increasing slightly, thermal coal exports are expected to gradually decline. The recent rallies in metals prices have also resulted in plans to restart or expand some mines, which include the expansion of BHP's Olympic Dam and the re-opening of Glencore's Lady Loretta mine. The popularity of electric vehicles has also seen more investment into metals including nickel and cobalt. However the size of metals exports is not significant enough to alter the export profile.
- We expect the NAB non-rural commodity price index to be temporarily higher in Q1 before declining again through 2018 to 2020. The Q1 strength is expected to be supported by higher oil, LNG, iron ore and coking coal prices. We expect oil and gold prices to show further strength in 2018, while base metals to weaken slightly, iron to decline by more and coking coal price to fall significantly. As a result, the terms of trade is forecast to be 4.5% lower by the end of 2018 compared to December 2017, and another 3.3% and 1.7% lower by the end of 2019 and 2020 respectively.
- 2018 has seen a fairly mixed start to the year for agriculture. Overall, the NAB Rural Commodities Index was down 2.0% in January on a month on month basis. The AUD and seasonal rainfall going into the autumn break will be major drivers in the first half of 2018.

MONETARY POLICY AND THE EXCHANGE RATE *AUD forecasts revised but depreciation still anticipated; RBA view intact but risk that hikes come later*

AUSTRALIAN CASH RATE AND TAYLOR RULE



AUSSIE DOLLAR FORECASTS AND MODEL



Source: RBA, Bloomberg, NAB Economics

- The RBA retained relatively optimistic forecasts, with real GDP growth at 3-3¼% in 2018 and 2019, and the unemployment rate to ease to 5¼% by end-18. A key uncertainty in the RBA's (and our) forecast trajectory is how quickly wages growth and inflation steps up as spare capacity in the economy diminishes. At this stage, the RBA is expecting core inflation to reach 2% by mid-2019, suggesting little urgency in raising rates. Wages growth is also critical to the outlook for consumer spending which appears to be an area of difference between our and the RBA's more upbeat forecasts. However if unemployment continues to drift lower and wages gradually higher as anticipated, we do believe the RBA will have enough confidence that inflation will eventually pick up towards the bottom of the band, and acting in anticipation of this would be appropriate given the lags involved.
- RBA Governor Lowe has also made it clear that the RBA does not feel pressure to hike rates in line with other central banks, as Australia did not cut rates in lockstep or as aggressively as its offshore counterparts. The slowing in housing credit growth and prices in response to macro-prudential is also alleviating concerns about household sector leverage. As such, the risk is for a later start to the hiking cycle than our forecasts for two 25bp hikes in August and November.
- We have adjusted our AUD forecasts lower. In November when we suggested AUD/USD was heading into a 0.70-0.75 range, the USD was 5% stronger and the AUD/USD 0.76. The sharp AUD appreciation in recent months (despite falls in the past few weeks) has challenged this view. We do however still anticipate a drop to at least the 75 cents area by end-18 (from 73 cents). NAB's view that the RBA will be lifting rates in H2 2018 doesn't meaningfully alter this given what is already priced into rates markets and risks the Fed may need to do more on policy than currently priced. At the same time, we cannot rule out that the US dollar continues on its recent indiscriminate downtrend, supporting further commodity price strength and the AUD along the way - this is a (fairly fat) tail risk, but not our central forecast.
- In the rise in AUD/USD from 0.75 in early December to above 0.81, commodity prices were key. They swamped the influence rates differentials and risk sentiment. Yet to a large extent, commodity price gains are simply the flip-side of broad USD weakness and as such are really just acting as a USD proxy. Whether the strength of this negative correlation persists will be important in determining whether the AUD can divorce itself from the broader USD downtrend through the year. From a 'fundamental' perspective we see good reasons for iron ore and coal prices to come off this year, and our expectation for a somewhat softer overall terms of trade is one key factor behind our forecast for AUD cross-rate underperformance.

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DETAILED ECONOMIC FORECASTS (ANNUAL AVERAGE)

Australian economic and financial forecasts (a)

	Fiscal Year				Calendar Year				
	2015-16	2016-17	2017-18 F	2018-19 F	2015	2016	2017-F	2018-F	2019-F
Private Consumption	2.8	2.4	2.3	2.4	2.4	2.8	2.3	2.4	2.5
Dwelling Investment	10.5	2.6	-2.7	-2.9	9.6	8.6	-2.3	-2.2	-3.1
Underlying Business Investment	-12.6	-6.7	6.6	4.4	-10.4	-12.0	2.8	5.0	4.4
Underlying Public Final Demand	4.5	4.9	4.4	3.4	3.4	5.2	4.4	3.8	3.8
Domestic Demand	**1.4**	**2.1**	**2.9**	**2.5**	**1.2**	**1.8**	**2.7**	**2.6**	**2.6**
Stocks (b)	0.0	0.2	-0.1	0.0	0.1	0.1	0.0	-0.1	0.0
GNE	**1.4**	**2.3**	**2.8**	**2.4**	**1.2**	**1.9**	**2.7**	**2.5**	**2.6**
Exports	6.9	5.4	4.0	6.5	6.5	6.8	4.0	5.5	5.2
Imports	-0.1	4.8	5.8	3.7	1.9	0.2	7.3	4.0	4.1
GDP	**2.8**	**2.0**	**2.8**	**3.0**	**2.5**	**2.6**	**2.3**	**2.9**	**2.8**
Nominal GDP	2.4	5.8	4.3	3.9	1.6	3.8	5.8	4.1	3.7
Federal Budget Deficit: ($b)	-37	-34	-23	-22	NA	NA	NA	NA	NA
Current Account Deficit ($b)	75	32	40	55	77	48	36	43	66
(-%) of GDP	4.5	1.8	2.2	2.9	4.7	2.9	2.0	2.3	3.4
Employment	2.2	1.3	3.0	2.0	2.2	1.6	2.2	2.7	1.6
Terms of Trade	-9.9	14.5	1.1	-5.8	-11.5	0.1	11.7	-2.7	-6.2
Average Earnings (Nat. Accts. Basis)	1.1	0.3	1.6	2.3	0.9	0.9	0.7	2.1	2.4
End of Period									
Total CPI	1.0	1.9	2.3	2.4	1.7	1.5	1.9	2.4	2.4
Core CPI	1.5	1.8	1.8	2.2	2.0	1.5	1.8	2.0	2.3
Unemployment Rate	5.7	5.6	5.2	5.1	5.9	5.7	5.4	5.1	5.2
RBA Cash Rate	1.75	1.50	1.50	2.25	2.00	1.50	1.50	2.00	2.50
10 Year Govt. Bonds	1.98	2.60	2.95	3.15	2.88	2.77	2.63	3.05	3.25
$A/US cents :	0.74	0.77	0.78	0.76	0.73	0.72	0.78	0.75	0.75
$A - Trade Weighted Index	62.5	65.5	59.8	62.9	62.7	63.9	64.9	60.3	62.1

(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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