National Australia Bank

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Global & Australian Forecasts

November 2012

Global growth still sluggish with major divergences between different regions. Below trend growth expected to continue into 2013 as world economy averts major risks in US and Euro-zone. Australian economy stumbles into Q4, with growth clearly below trend. Slowing mining boom, still high AUD and fiscal tightening to weigh on near-term activity. GDP forecasts unchanged, but softer than RBA and Commonwealth. One more RBA cut in February provided modest CPI and still soft demand.

- Central banks in the advanced economies continue to provide policy stimulus to promote growth and their counterparts in the emerging economies have shifted from tightening to easing monetary policy. Nevertheless, the pace of global growth remains slow with the big emerging markets and the US driving most of the world's output expansion. Central bank actions have averted the worst risks overhanging the global economy but weak private sector demand and either planned or adopted programmes of fiscal austerity have weighed on growth. Although the emerging market economies have fared much better than advanced economies, the softening in growth has been broadly-based with large parts of Latin America and Asia slowing markedly. Output now seems to be falling in key Euro-zone export markets and the Japanese economy has hit a new series of problems.
- The Australian economy appears to have stumbled into Q4; business conditions fell further in October, recording their weakest level since May 2009, while forward indicators remain subdued. We have left our growth outlook unchanged this month; GDP forecasts 2.3% in 2012-13 (below the Commonwealth Treasury and RBA's 3%) and 3.0% in 2013-14 (in line with Treasury's 3% and RBA's 2¼-3¼%). Weighing on near-term activity will be slowing mining investment, a still high AUD, fiscal tightening and ongoing weak global economy. In the medium term, while increased exports are likely to partly offset impact of falling mining investment on GDP, solid economic growth outcomes will require non-mining sector demand to strengthen. Labour market expected to weaken due to restructuring burden.
- With domestic activity weak, the path for inflation remains soft – notwithstanding the impact of carbon pricing on headline CPI in Q3 2012. NAB survey highlights downward price pressures facing businesses, with continuing retail discounting and a still high AUD likely to keep core inflation (inc. carbon) contained – 2.9% in 2012-13 (RBA 2¾%) and 3.0% in 2013-14 (RBA 2-3%). While CPI outlook is creeping towards the upper end of the RBA's target range, we still favour one more rate cut; 25 bps in February to assist weakness in near-term demand, though this will require a moderate Q4 CPI outcome, further weakness in domestic demand indicators and an ongoing weak global outlook. After that, the risk of further cuts will remain for much of 2013.

Key global GDP forecasts (calendar years)

Country/region	*IMF weight*	2009	2010	2011	2012	2013
				% change		
United States	*19*	-3.1	2.4	1.8	**2.2**	**2.4**
Euro-zone	*14*	-4.3	1.9	1.5	**-0.7**	**-0.3**
Japan	*6*	-5.5	4.6	-0.7	**2.2**	**1.2**
China	*14*	9.2	10.4	9.2	**7.5**	**7.9**
Asian Tigers	*8*	0.2	7.8	4.2	**3.4**	**3.6**
Global total	*100*	-0.3	5.3	3.9	**3.1**	**3.3**
Australia	*2*	1.4	2.5	2.1	**3.3**	**2.5**

Key Australian forecasts (fiscal years)

GDP components	11/12	12/13	13/14	Other indicators	11/12	12/13	13/14
		% change				*% through-year*	
Private consumption	3.7	**2.5**	**2.4**	Core CPI (inc. carbon)	2.1	**2.9**	**3.0**
Domestic demand	5.3	**2.9**	**3.0**			*% end of year*	
GDP	3.4	**2.3**	**3.0**	Unemploy. rate	5.1	**5.4**	**5.4**

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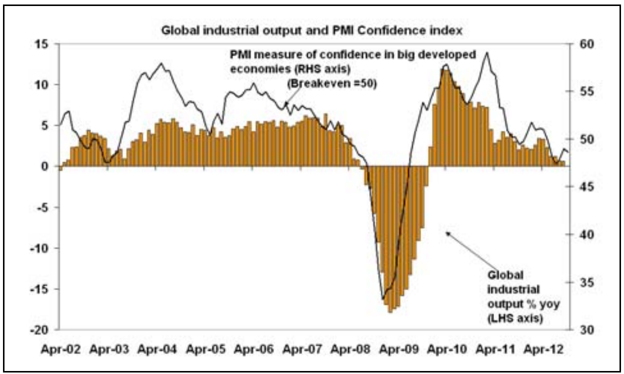
Global outlook

Key Points

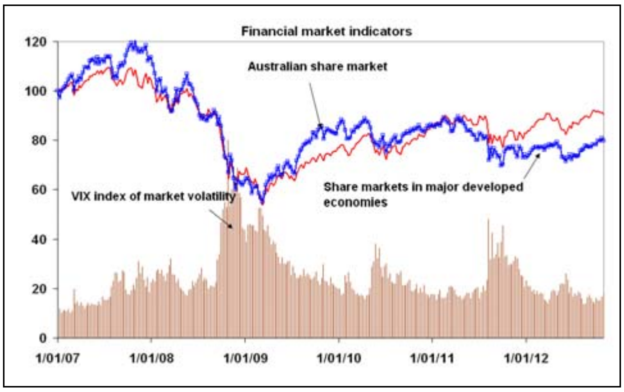
- The latest business survey indicators from the big advanced economies suggest that, taken overall, growth is sluggish at best. Activity is expanding in the US but the latest surveys and partial economic indicators from Western Europe and Japan look soft. The emerging markets are driving most of global expansion in economic activity.
- Although central banks in the US, UK, Japan and Euro-zone have implemented very aggressive steps to support activity these measures are increasingly viewed as boosting financial markets and lowering the "tail risk" of very bad economic outcomes rather than promoting a strong recovery in the real economy.
- The modest pace of recovery from the 2008/9 recession in the big advanced economies has left them with high rates of unemployment and facing uncertainty over just how much spare productive capacity there is. Inflation has been low but it has been propped up by commodity prices.
- Our growth forecasts for 2012 and 2013 are slightly changed, reflecting weaker outlooks for the Euro-one and Japan offset by slightly stronger UK output. Risks are weighted toward worse rather than better outcomes.

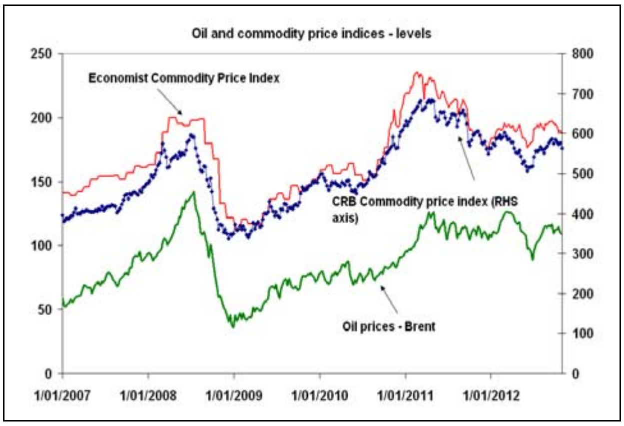


Financial & commodity markets

The impact on global financial markets of the Fed's new round of quantitative easing (QE) and the European Central Bank's plan to buy sovereign debt seems to be waning. Equity markets in the big advanced economies have stopped rising and measures of instability have stopped falling, even though central banks have continued their liquidity boosting schemes with the Bank of Japan's announcement of another increase in its asset buying programme. Measures like the Fed's QE and the European Central Bank's massive injections of liquidity into its banking system and announcement of support for sovereign bond market have been crucially important in averting very severe economic shocks but they are not enough to produce a solid recovery from the worst global economic downturn since the early 1930s.

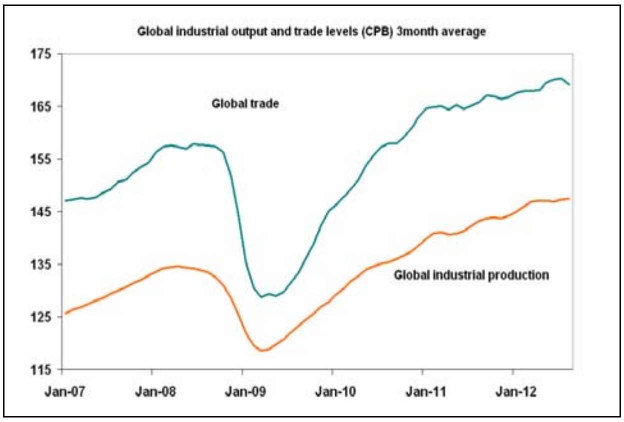
Much of the recent loss of momentum in equity markets reflects the realisation that growth prospects in most of the biggest advanced economies are at best modest and frequently worse than that. Commodity prices have also started falling with the worst performance evident in the activity-sensitive industrial raw materials category, food markets having held up better. Most of the main commodity indices have turned down as have oil prices but iron ore prices have been recovering from their earlier sharp downturn as the stock cycle turned more positive in China.





Global trends

Aggregating the mass of partial data on industrial output and trade suggests that the recovery from the 2008/9 recession had lost momentum by mid-2012. The CPB's monthly estimate of global industrial output and trade show the pace of growth is sluggish at best. World industrial output was flat in the June quarter and, while it seems to have picked up slightly since then, it was up by only 0.2% in the 3-months to August. The situation is even softer when it comes to world trade with the volume of exports falling by 0.2% in the 3 months ended August, a markedly weaker performance than seen before as export volumes had still been rising in the June quarter.

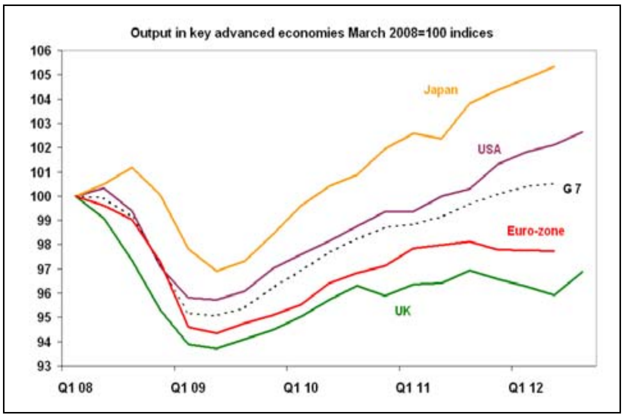


This softening in growth has occurred at a time when there is still ample productive capacity lying unused. The jobless rate across the big advanced economies is around 8½% and around 20% of industrial capacity is unused – probably less than would be expected given that real GDP in the main advanced economies is only slightly above its early 2008 level. Such large amounts of spare productive potential would normally be associated with an absence of inflationary pressures but the more solid growth in the emerging market economies has kept commodity prices high by historical standards and that has crept into higher food and fuel prices around the world. Recently global consumer and producer price inflation has been running around 2%yoy.

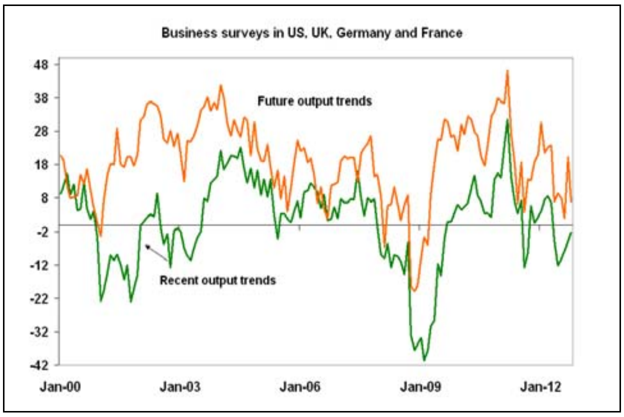
Advanced economies

Growth has slowed markedly in the big advanced economies through the last year from an annualised rate of around 2% in the latter half of 2011 to around ½% annualised in the June quarter. The preliminary third quarter results for the US show a modest acceleration in growth back to an annualised 2% while the UK numbers were boosted by a series of special factors to around 4% annualised. The Japanese and Euro-zone figures should prove weaker and advanced economy annualised growth is probably running at a modest underlying rate of around 1%.

Although the pace of growth in the last four years around the big advanced economies cannot be described as strong anywhere, some have still performed better than others. After a long period of comparatively weak outcomes Japan has actually been the best performer, probably because its banking system emerged from the financial crisis in better shape than was the case in either the US or UK. Economic activity across the UK and Euro-zone remains well below early 2008 levels as public sector austerity, banking problems and weak private sector demand has produced four lost years for economic growth – which has not occurred in the post-war period.

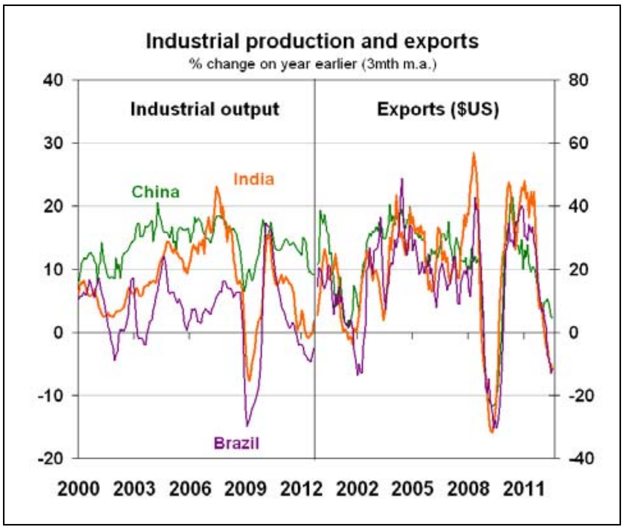


The business surveys suggest that modest growth will continue in the main advanced economies. Recent activity levels have been weak but, on average, conditions are expected to modestly improve through the next year.

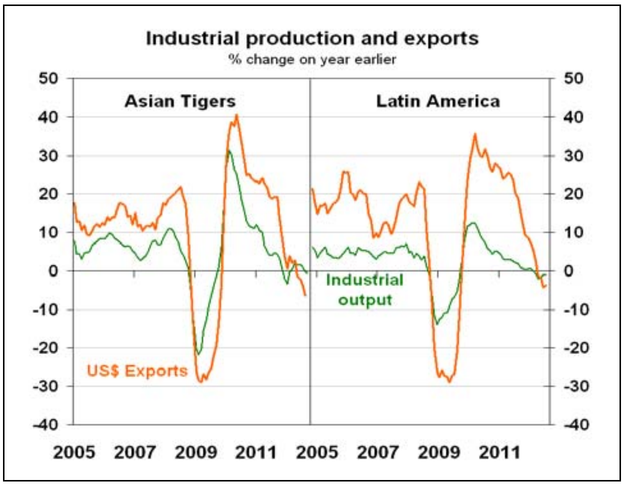


Emerging economies

According to some measures, the slowdown in industrial output in the big emerging market economies is easing. Indian output was above its year-earlier level in August after falling below for most of the previous 6 months, Brazilian output was still down but the extent of the fall was smaller and Chinese output growth has settled around 9% yoy through the September quarter. The export position is still difficult as weakness in advanced economy markets takes a toll on shipments. Indian and Brazilian export earnings in $US have been running well below year-earlier levels. Chinese exports have been on a slowing trend since mid-2010 but the pace of industrial export deliveries and US$ earnings quickened in the month of September.



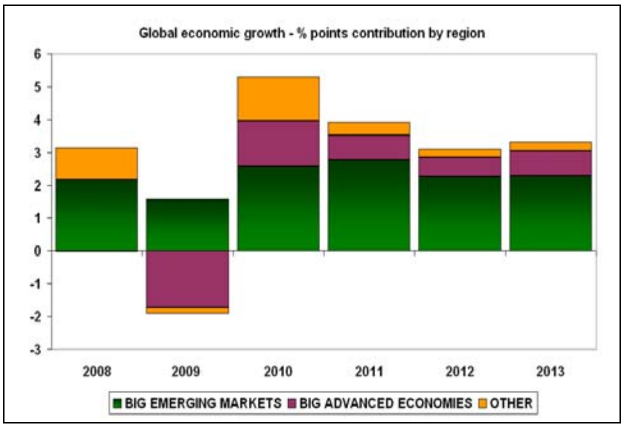
The slowing in activity has also been marked outside the three biggest emerging market economies. As would be expected, the very trade-dependant economies of East Asia initially saw a sharp slowing in exports and industrial output growth. Recent data for both exports and industrial output shows that they are now falling Latin America has also seen a dip in both exports and industrial output.



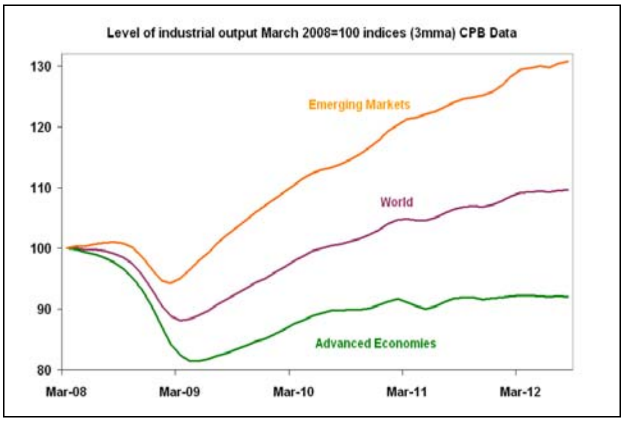
Forecasts

Conditions remain very mixed across the global economy. The pace of economic expansion remains below its long-run trend and most of what growth there is comes from the emerging rather than the advanced economies. The emerging markets are expected to account for over 2 percentage points of the 3.1 and 3.3% global growth expected in 2012 and 2013. The advanced economies account for around half of the global economy but they are contributing barely a third of global growth this year – marking another step in the gradual redistribution of global economic power to ward the emerging nations.

The absence of much contribution from the big advanced economies reflects the long period of economic weakness that seems to lie ahead for the Euro-zone as it gets to grips with structural problems and a Japanese economy still mired near deflation with sluggish private sector demand. The US is easily the best performer of any big advanced economy but its contribution to global growth is less than half of that from China.



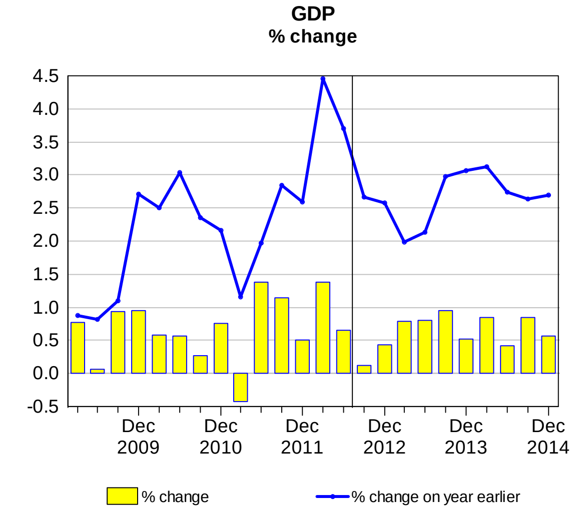
The difference in forecast economic performance reflects a continuation of the big difference in economic performance seen since early 2008 with industrial output in the emerging economies rising by around 30% over that time while it is down by almost 10% in the advanced economies.



Australian outlook

Key Points

- The Australian economy still struggling to gather momentum, with falling commodities prices weighing on domestic income growth, while fiscal tightening, a soft labour market and a still high AUD likely to keep activity fairly downbeat in the near term. NAB business survey shows a similar dynamic, with forward indicators remaining subdued.
- Australian activity forecasts little changed from a month ago: GDP 3.3% in 2012 and 2.5% in 2013.
- In medium term, while increased exports likely to partly offset the impact of falling mining investment on GDP, solid economic growth outcomes will also require non-mining sector demand to strengthen. Overall, demand for labour will be structurally lowered, with unemployment to remain somewhat elevated despite GDP strengthening to 3.0% over 2013-14.
- Core inflation (including carbon tax) to remain within RBA target range; 2.5% during 2012 (unchanged) and 2.8% during 2013 (was 2.9%).
- One more 25 bp RBA rate cut possible in February, though this will require a moderate Q4 CPI outcome, still soft domestic demand and ongoing weakness overseas.
- Risk of further rate cuts will remain for much of 2013, though this will depend on inflation, house prices, domestic activity, commodity prices, the AUD and the extent of the mining investment slowdown.



Source: ABS and NAB forecasts

National trends

The domestic economy remains in a soft patch at present, with the restructuring burden from the mining investment boom still taking a toll on activity. It appears that concern about the persistently high AUD, a still soft labour market as well as an anticipated pull back in public sector demand are weighing on business and household confidence, which is likely to keep near-term demand relatively soft. The [NAB Business Survey] (also released today) showed further deterioration in business conditions in October, while forward indicators remained subdued.

It appears that the positive impacts of central bank policy stimulus announcements in the US, Europe and Japan on commodity markets have dissipated over the past month or so. Commodity prices have generally weakened on the back of ongoing demand concerns and a scaling back of policy stimulus expectations. Despite a slight fall in import prices – assisted by a still elevated AUD – the general softening in commodities prices has caused Australia's terms of trade to fall by around 4% in the September quarter, weighing on the spending capacity of the economy.

The Commonwealth Treasury's Mid-year Economic and Fiscal Outlook (MYEFO) confirmed the Government's objective to balance the Budget in 2012-13. While a softer domestic economy and lower commodity prices have restrained Budget revenue since the time of the May Budget, the Government has outlined its intention to apply "savings" measures in order to realise a projected surplus of AU$1.1 billion this financial year (was AU$1.5 billion in May). While the Budget update did not reveal any unexpected surprises, it did highlight more downside risks for the Budget – particularly given Treasury's strong outlook for GDP growth in 2012-13 (3% compared to NAB's estimate of 2.3%) – leaving the door open for further monetary policy easing in coming months.

Into the medium term, the evolution of the resources investment boom will remain a significant part of Australia's growth story. We expect the mining investment boom to peak in late 2013 / mid 2014, by which time the mining exports boom is expected to be underway. During this time, policy makers will be monitoring demand in the non-mining sector closely to ensure it is able to offset the anticipated slowing in response to the shift from investment to production and exports.

While the RBA decided to leave the cash rate unchanged at 3.25% in November, it appears that a bias for easier monetary policy remains. The RBA's hand appears to have been steadied by a slightly stronger inflation outlook, more positive data on the world economy – especially China – and signs that previous rates cuts are starting to work through the economy via a strengthening in housing prices. A soft near-term demand profile, continued retail discounting and the elevated AUD should see inflation remain within the RBA's 2-3% target band; underlying annual CPI inflation (inc. carbon tax) is expected to be 2.5% in 2012, rising to 2.8% in 2013.

ABS CPI data for the September quarter revealed slightly firmer domestic inflation than expected, particularly in light of upward revisions to previous quarterly outcomes. It is evident that carbon pricing did impact prices in the September quarter, with electricity and gas prices rising sharply. Overall, while Q3 CPI data remained consistent with the RBA's inflation outlook, the upward revisions to history were not. For the cash rate, we favour a 25 bp cut in February, though this will require a moderate CPI outcome for the December quarter, in addition to accumulating weakness in domestic demand indicators and an ongoing weak global outlook.

Based on average business conditions, the survey implies 6-monthly annualised GDP growth (ex mining) was around 3½% (six-monthly annualised) in the September quarter, which is moderately softer than the actual six-monthly annualised rate (ex mining) of 3.9% in the June quarter. We see GDP growth easing to 0.1% in the September quarter, largely reflecting softer consumption growth and very weak residential construction activity.

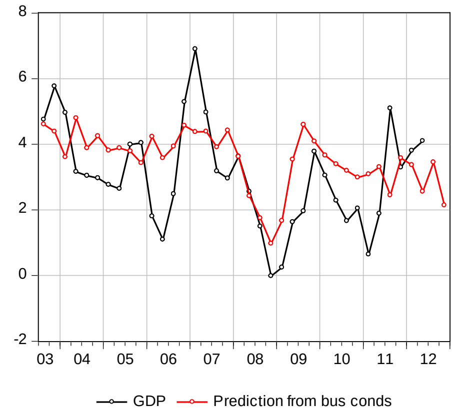
For the remainder of 2012/13, GDP growth is expected to pick up as lower borrowing rates begin take effect and consumption growth recovers to more normal levels. However, the anticipated decline in the terms of trade and government fiscal consolidation are likely keep growth restrained to around 2.1% through the year.

In summary, our calendar year GDP growth forecasts are unchanged this month; 3.3% in 2012 and 2.5% in 2013. The unemployment rate (currently 5.4%) is expected to remain close to this rate over 2013 and 2014.

In financial year terms, GDP is expected to be:

- 2.3% in 2012/13, and
- 3.0% in 2013/14.

Business conditions (change & level) as an indicator of GDP (6-monthly annualised)

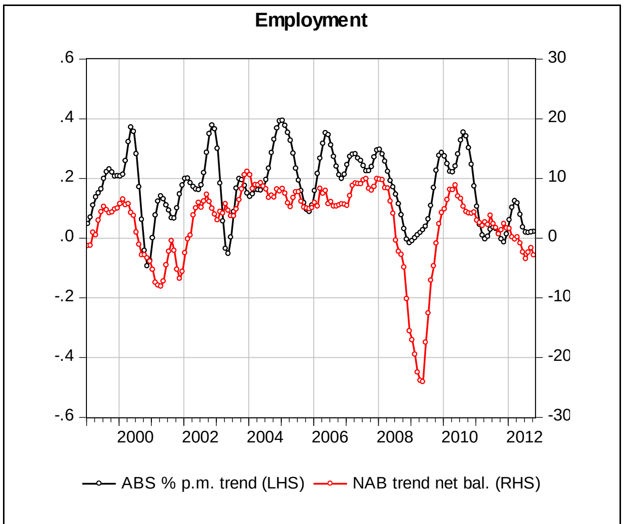


Sources: ABS; NAB modelling

Labour market

The labour market remains in a state of flux, with indicators suggesting that conditions will stay soft, at least in the near term. According to the latest ABS Labour Force Survey, close to 11,000 jobs were created in October, consolidating the rise in the previous month. While official data suggest slightly stronger labour market conditions in October, trend conditions clearly show a different story. Employment has risen by only 0.6% over the past year, with no net growth in jobs since May 2012. The unemployment rate remained slightly elevated at 5.4% in October; while still low when compared to the rates of unemployment in many of the advanced economies, a soft growth outlook for H2 2012 means the risks to the near-term unemployment rate remain skewed to the upside.

Labour market indicators generally point to soft employment conditions over coming months. The DEEWR internet vacancy index fell by 7.7% in September, to be at its lowest level since the series began in January 2006, and 20.6% lower over the year. ANZ job ads fell by 4.6% in October, consolidating a 3.9% decline in the previous month, while the NAB employment index edged 3 points lower to -5 index points. NAB employment conditions were particularly poor in manufacturing, wholesale and mining, while conditions remained favourable in transport & utilities.



Sources: ABS, NAB

Consumer demand & housing

There are hints that discretionary spending may be strengthening, possibly aided by lower borrowing costs, but overall conditions in the retail sector remain challenging.

While the value of retail trade rose modestly in September, up 0.5% following an upwardly revised 0.3% rise in August, trend growth eased to just 0.2% – its softest pace since the beginning of this year. Furthermore, after adjusting for prices, retailing was virtually flat over the September quarter (-0.1%), consistent with NAB's estimate for growth in household consumption of just 0.1% in the September quarter. The NAB survey showed continued weakness in retail conditions, despite a pick up in October. Also worrying was the reported decline in retail prices in the month (-0.1%; at a quarterly rate); when combined with solid growth in retail purchase costs (0.8%) and a soft rise in labour costs (0.2%), the softening in retail prices implies further weakening in retail margins.

According to the NAB online retail sales index, annual growth in online sales remained robust in September, and strengthened a little from the previous month (23%, up from 22% in August; at an annual rate).

The Westpac-Melbourne Institute consumer sentiment index rose by 1 per cent to 99.2 index points in October, though remained well below its average of 102.7 (since 1990). While this outcome suggests a modest improvement in sentiment following the RBA's 25 bp rate reduction in October, it seems that underlying concerns about softness in domestic conditions and the slowing in mining activity may be weighing on confidence as a whole.

Sales of combined passenger and sports utility vehicles (some of which are for business use) showed continued signs of improvement in September; sales rose by 4.7% in the month, following a 4.3% rise in August.

The stock of personal credit rose by 0.2% in September, only partly unwinding a 0.3% fall in August. Overall, personal lending remains very weak, highlighting the inclination of households to de-leverage their balance sheets. While housing credit growth improved marginally in September – rising to 0.4%, from 0.3% in August – it remains subdued relative to history (monthly growth has averaged 0.9% over the past decade).

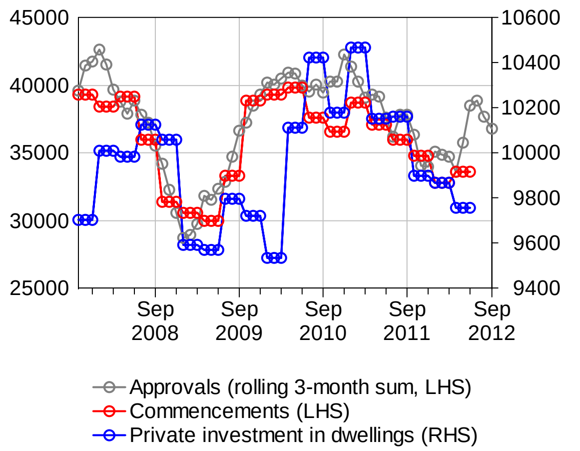
While credit growth remains soft overall, it appears that lower borrowing rates may be helping to spark (intermittent) renewed interest in the housing market. The ABS measure of established house prices (average of capital cities) rose by 0.3% in the September quarter – the second consecutive quarterly rise – with gains led by Perth. The RP-Data Rismark series showed a 1.1% rise in dwellings prices in the September quarter, though prices reportedly unwound by 1% in October.

The latest NAB residential property survey reported an increase in the residential property index, with property professionals seeing a slowing in the downward correction in national house prices. Property professionals expect the value of house prices to rise by 0.4% nationally over the year ahead and by 1.7% over the next two years. An announcement by the NSW state government that it will increase the first home owner grant and allow stamp duty exemptions to continue from 1 October 2012 may also boost housing demand temporarily; a sharp increase in NSW building approvals in September could reflect builders gearing up to take advantage of an anticipated surge in demand. Lower borrowing rates may provide more stimulus to the property market in coming months and quarters.

Investment

The outlook for dwelling investment remains concerning. While the value of residential buildings approved rose by a solid 12.5% in September, growth was only marginally positive in trend terms. The number of residential building approvals improved modestly in September, though in trend terms, it was little changed. The NAB monthly survey continues to report very difficult conditions in construction, with a sharp deterioration reported in October. Nonetheless, it is likely that lower borrowing rates will lend some support to residential building activity in coming months, as existing dwellings prices increase making new construction a more attractive option.

Private dwelling approvals & commencements
Units per quarter (LHS), $bn cvm (RHS)

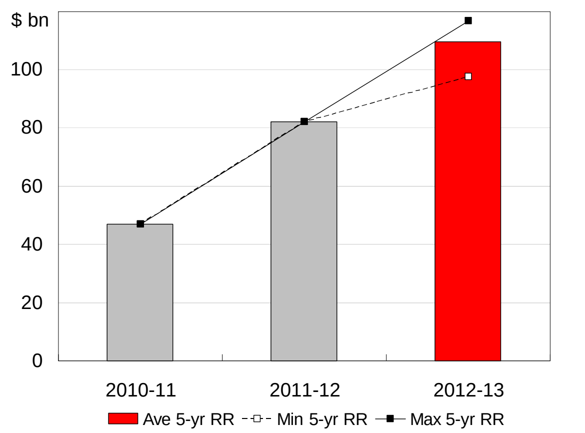


Source: ABS

The latest ABS capex survey revealed that mining capex almost doubled in 2011/12. For 2013 mining capex is expected to grow by one-third (based on the 5-year average of realisation ratios) – albeit that rise is slightly down on previous expectations. For other selected industries, capex is expected to drift down by almost 5% in 2012/13.

Construction work continues to be dominated by engineering construction associated with mining and infrastructure. While we expect the mining investment boom to come to an end in early 2014, there is still a significant amount of work in the pipeline yet to be completed. While there have been rumblings that a number of smaller mining investment projects in Australia are being deferred or abandoned following recent commodity price falls, investment is still broadly attractive because Australia remains a low cost producer of minerals and energy commodities.

Mining capex



Source: ABS & NAB calculations

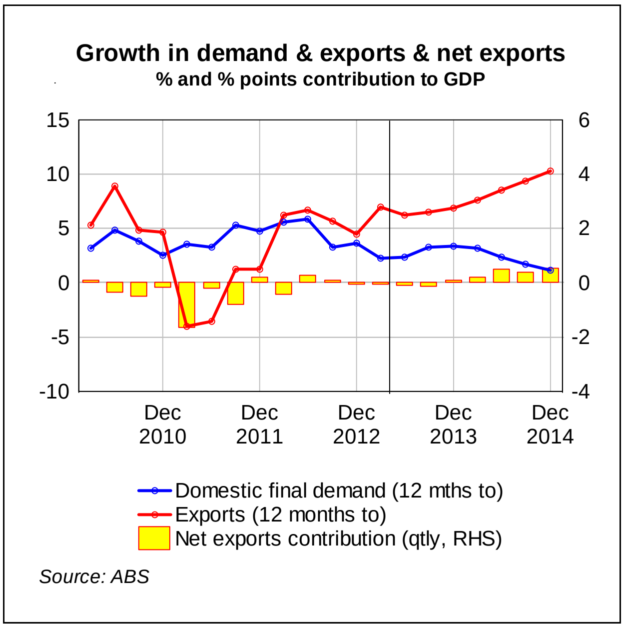
Commodity prices and net exports

Glimpses of more positive activity data, as well as various announcements of policy stimulus by central banks in the US, Europe and Japan, appear to have lifted underlying demand for commodities over the past two months. Gold and base metal prices gained substantially from central bank stimulus announcements, but prices have subsequently weakened over October due to ongoing demand concerns and a scaling back of policy stimulus expectations. Movements in bulk commodity prices have been fairly mixed with iron ore rising solidly, while coal prices remain at low levels. Oil prices have been subdued due to concern about the likely impact of Hurricane Sandy on crude oil demand.

In US dollar terms, the NAB minerals & energy commodity price index is forecast to fall by around 17½ per cent over 2012, before seeing another slight decline of around ¾ per cent in 2013. Given our estimates for the AUD/USD over the remainder of the forecast horizon, AUD prices are expected to fall by 16¾ per cent through the year to December 2012, before seeing a slight and temporary rise of 2¼ per cent over 2013.

For the Australian farm sector, conditions are a little weaker than they were a few months ago. Drought conditions in the US and other key cropping regions in the northern hemisphere have supported prices. However, a dry spring has resulted in falling estimates for Australia's winter crop. Similarly, this has impacted livestock prices as restocker demand has waned over the past couple of months. Fibres continue to be weighed down by the impact of a weak global economy on the textile sector. On a more positive note, dairy prices appear to have bottomed out while the spring flush is on par with last year's efforts.

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



Net export volumes are expected to gain momentum over the next two years as major resource projects (particularly LNG) begin to deliver.

Interest rates

The release of ABS CPI data confirmed that inflationary pressures increased modestly in the September quarter. Headline inflation rose to 1.4% in the quarter, or 2.0% over the year to September. The average rate of underlying inflation was consistent with NAB's forecast of 0.7% in the quarter, though the annual pace of underlying inflation, at 2.5%, was a little higher than expected due to slight upward revisions to previous quarters.

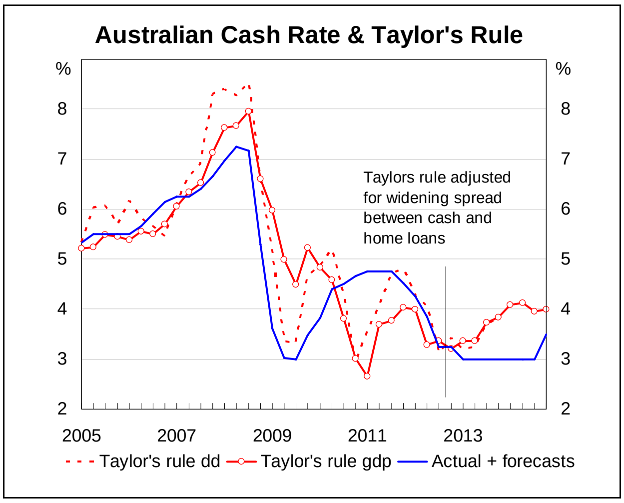
While the ABS did not attempt to measure the effect of the carbon tax on prices in the September quarter, it was apparent that it had a material impact. Electricity prices rose by 15.3% in the September quarter and gas prices were up 14.2%, contributing around 0.4 ppts to overall headline inflation. Understanding that part of the sharp rise in utilities prices is likely to have reflected some pass through of increased investment spending in this sector, we estimate that carbon pricing may have added at least 0.1-0.2 ppts to headline CPI.

While the RBA seems content with its current stance on monetary policy, after leaving the cash rate unchanged at 3.25% in November, it appears that a bias for easier monetary policy remains. Markets were fairly divided on whether or not the RBA would cut in November. The minutes appear to provide an explanation for why the 'no change' decision was deemed appropriate. Firstly, while the inflation outcome for the September quarter was likely to have been close to RBA expectations, upward revisions to historical inflation data mean the starting point for inflation forecasts has been elevated. The RBA's hand is also likely to have been stayed due to more positive data on the world economy – especially China – while a strengthening housing market and increased business demand for external funding provided some evidence that rate cuts over the past year have started to work through the economy.

In reading the RBA's November Board Statement, there appears to be no immediate intent to act on the easing bias. In our view, the next obvious time to consider another rate reduction would be following the release of December quarter CPI data in late January. A rate cut in February would require a moderate CPI outcome, further weakness in domestic demand indicators and a weak global outlook. We favour a 25 bp rate reduction in February. After that, the risk of further cuts will remain for much of 2013, depending on inflation, house prices, domestic activity, commodity prices, the AUD and the extent of the mining investment slowdown.

We continue to judge that the RBA's concerns about the labour market implications of the changing phases of the resource boom has delayed any tightening in monetary policy until mid 2014. In our own forecasts the unemployment rate is expected to remain at close to 5.4% over the next two years, before lifting in late 2014. An accommodative policy in 2013 is very much meant to help offset these impacts.

There are, of course, risks to keeping more accommodative policy for longer – and the Taylor's rule results shown below illustrate just how accommodative policy would be based on our (and the RBA's) forecasts. The RBA would be particularly sensitive to any acceleration in asset prices (especially housing) and any signs of indiscipline in fiscal settings leading into the next election.



Key global GDP forecasts (calendar years)

Country/region	*IMF weight*	2006	2007	2008	2009	2010	2011	2012	2013
					% change				
United States	*19*	2.7	1.9	-0.3	-3.1	2.4	1.8	2.2	2.4
Japan	*6*	1.7	2.2	-1.1	-5.5	4.6	-0.7	2.2	1.2
Euro-zone	*14*	3.3	2.9	0.2	-4.3	1.9	1.5	-0.7	-0.3
United Kingdom	*3*	2.6	3.6	-1.0	-4.0	1.8	0.9	-0.2	1.3
Asian Tigers	*8*	5.6	6.0	3.2	0.2	7.8	4.2	3.4	3.6
Latin American 4	*9*	5.3	5.6	4.2	-2.0	7.2	4.8	3.1	2.7
China	*14*	12.7	14.2	9.6	9.2	10.4	9.2	7.5	7.9
Canada	*2*	2.8	2.2	0.7	-2.8	3.2	2.5	1.9	2.3
India	*6*	9.6	9.7	7.5	7.6	8.2	7.5	5.2	5.8
Africa	*3*	6.1	6.3	5.5	2.8	5.1	5.0	5.2	5.3
CIS	*4*	8.2	8.6	5.5	-6.4	4.8	4.9	4.0	4.1
Eastern Europe	*4*	6.7	5.7	3.0	-3.6	4.6	5.3	2.0	2.6
Middle East	*5*	5.7	5.9	5.1	2.6	5.0	3.3	5.0	3.6
Other advanced	*5*	4.5	4.7	1.7	-1.1	5.8	3.3	2.2	3.5
Global total	*100*	5.7	5.8	3.1	-0.3	5.3	3.9	3.1	3.3

Australian Economic and Financial Forecasts (a)

	Fiscal Year			**Calendar Year**		
	2011-12	**2012-13 F**	**2013-14 F**	**2011**	**2012- F**	**2013-F**
Private Consumption	3.7	2.5	2.4	3.3	3.6	2.2
Dwelling Investment	-3.3	-3.4	6.3	1.3	-6.3	2.8
Underlying Business Fixed Investment	25.5	8.7	7.6	19.5	16.7	8.9
Underlying Public Final Demand	0.9	1.5	0.1	0.4	2.5	-0.2
Domestic Demand	**5.3**	**2.9**	**3.0**	**4.2**	**4.5**	**2.8**
Stocks (b)	0.2	-0.2	-0.1	0.4	-0.1	-0.2
GNE	**5.5**	**2.6**	**2.8**	**4.6**	**4.5**	**2.6**
Exports	3.7	5.8	7.4	-1.3	5.7	6.6
Imports	11.8	4.8	6.1	11.5	7.1	6.0
GDP	**3.4**	**2.3**	**3.0**	**2.1**	**3.3**	**2.5**
– Non-Farm GDP	3.3	2.3	3.0	2.0	NA	NA
– Farm GDP	7.5	4.4	2.0	8.1	NA	NA
Federal Budget Deficit: ($b)	22	9	9	30	15	NA
Current Account Deficit ($b)	41	61	61	32	52	74
(-%) of GDP	2.8	4.1	4.1	2.3	3.5	4.8
Employment	0.7	0.6	1.1	1.6	0.7	0.8
Terms of Trade	1.8	-9.6	-5.5	13.6	-8.2	-7.4
Average Earnings (Nat. Accts. basis)	5.8	3.9	4.2	5.3	4.9	4.0
End of Period						
Total CPI	1.2	3.6	3.2	3.0	2.8	2.9
Core CPI (exc. carbon)	2.1	2.7	3.0	2.7	2.4	2.7
– Core CPI (inc. carbon)	2.1	2.9	3.0	2.7	2.5	2.8
Unemployment Rate	5.1	5.4	5.4	5.1	5.2	5.4
RBA Cash Rate	3.50	3.00	3.00	4.25	3.25	3.00
10 Year Govt. Bonds	3.04	3.35	3.90	3.67	3.00	3.6
$A/US cents :	1.00	0.98	0.96	1.02	1.00	0.97
$A - Trade Weighted Index	74.40	72.31	71.30	74.75	73.35	71.47

(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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