Economic Horizon: what's in store in 2009?

CBA Economic Briefing
for Queensland Clients
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John Peters
Senior Economist
Commonwealth Bank of Australia - (612) 9312 0112

Institutional
Banking & Markets

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What's happened to the World?

"He who does not forget the past is master of the future…."

Sima Qian: Ancient Chinese historian & philosopher

"It's looking crook," said Daniel Croke; "Bedad, it's cruke, me lad, For never since the banks went broke Has seasons been so bad."

And along these lines the media chorus ran "It's the *economic* end, no doubt."

"We'll all be rooned," said Hanrahan, "Before the year is out."

SAID HANRAHAN by John O'Brien.. Australian Bush Poet

CBA View

- **US, UK and Europe now in deep recession but Asia to grow**
  - no lasting return of confidence and economic recovery until :
    - US house prices bottom out; and
    - unclogging of credit markets & revival of pole- axed financial system
  - growth in commodity-consuming nations means global price collapse fears overdone
  - Global growth to slow to 0.5% or less in 2009

- **Loss of Oz domestic momentum but recession close call**
  - benefits of high terms-of-trade (commodity prices) still flowing;
  - squeeze on household segment easing: via tax cuts; falling mortgage rates; fiscal package payments & lower petrol prices;
  - policymakers (fiscal & monetary) acting aggressively & pre-emptively; more to come !!
  - A$ has fallen by 30% against USD & 20% on TWI (very good for exporters & import competing industries)

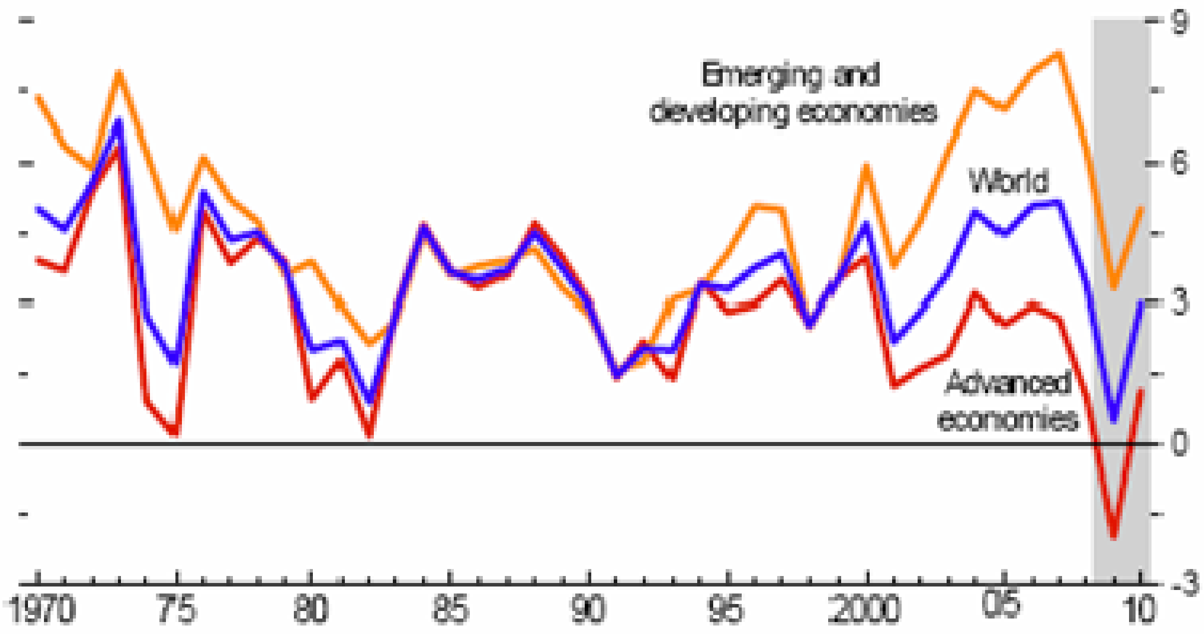
CBA View

Key Risks to Australian Outlook

- Faltering consumer spending
- Deflating capex boom
- Further loss of momentum of China & major trading partners like India & ASEAN.
- A further meltdown in global credit markets (like in wake of Lehman Bros fiasco)

IMF slashes global growth forecasts for 2009

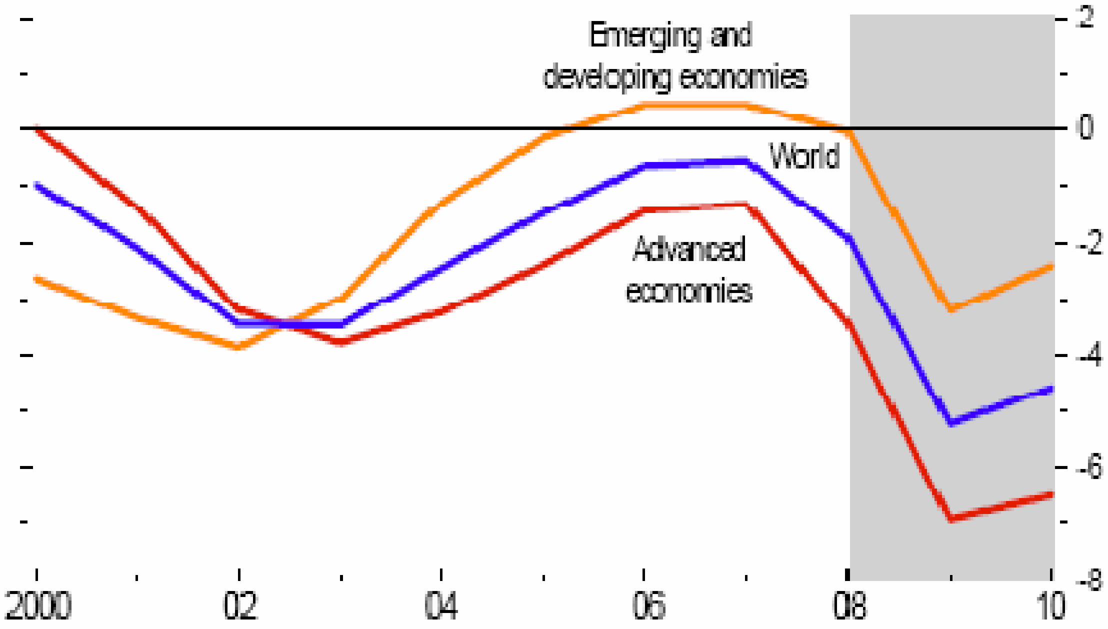
Figure 1. GDP Growth
(Percent change)



Source: IMF staff estimates.

Fiscal policy working overtime: G7 budget deficits ballooning

Figure 6. General Government Fiscal Balances
(Percent of GDP)



Source: IMF staff estimates.

CBA View

Economic policy and markets

- RBA to cut further – smaller quantum than aggressive market pricing;
- Market sees cash at 2% by end QII'09 : CBA sees 2½-2¾%;
- low bond yields to be maintained, and room to rally further in near term;
- A$ to fall to US$0.64 as RBA cuts rates further in HI 2009;
- Federal Government has announced two major fiscal packages in past three months & foreshadowed further substantial fiscal easing if necessary. Can run Budget well into deficit if needed.

What's causing the slowdown – how transmitted?

- **Financial**
  - **global** credit crunch reduces **global** lending…….debts cannot be refinanced
  - share price falls create losses for investors, funds & corporates
  - forces asset sales to cover debt repayments (deleveraging)….more losses.
  - Banking/financial system crisis as counter-party risk predominates.
  - *SOLUTION: cut rates, recapitalise banks, lift gov't spending, buy bad debts.*
- **Trade**
  - Household & company spending squeezed so cut back on imports
  - export growth falls, commodity prices (energy, oil, metals) tumble
  - currencies fall – lower AUD is a great export boost
- **Confidence**
  - consumer & business confidence collapses as asset prices fall
  - caution dominates…spending slows….investment cancelled….jobs lost
  - *SOLUTION: governments lift handouts & capital works spending & funding*.

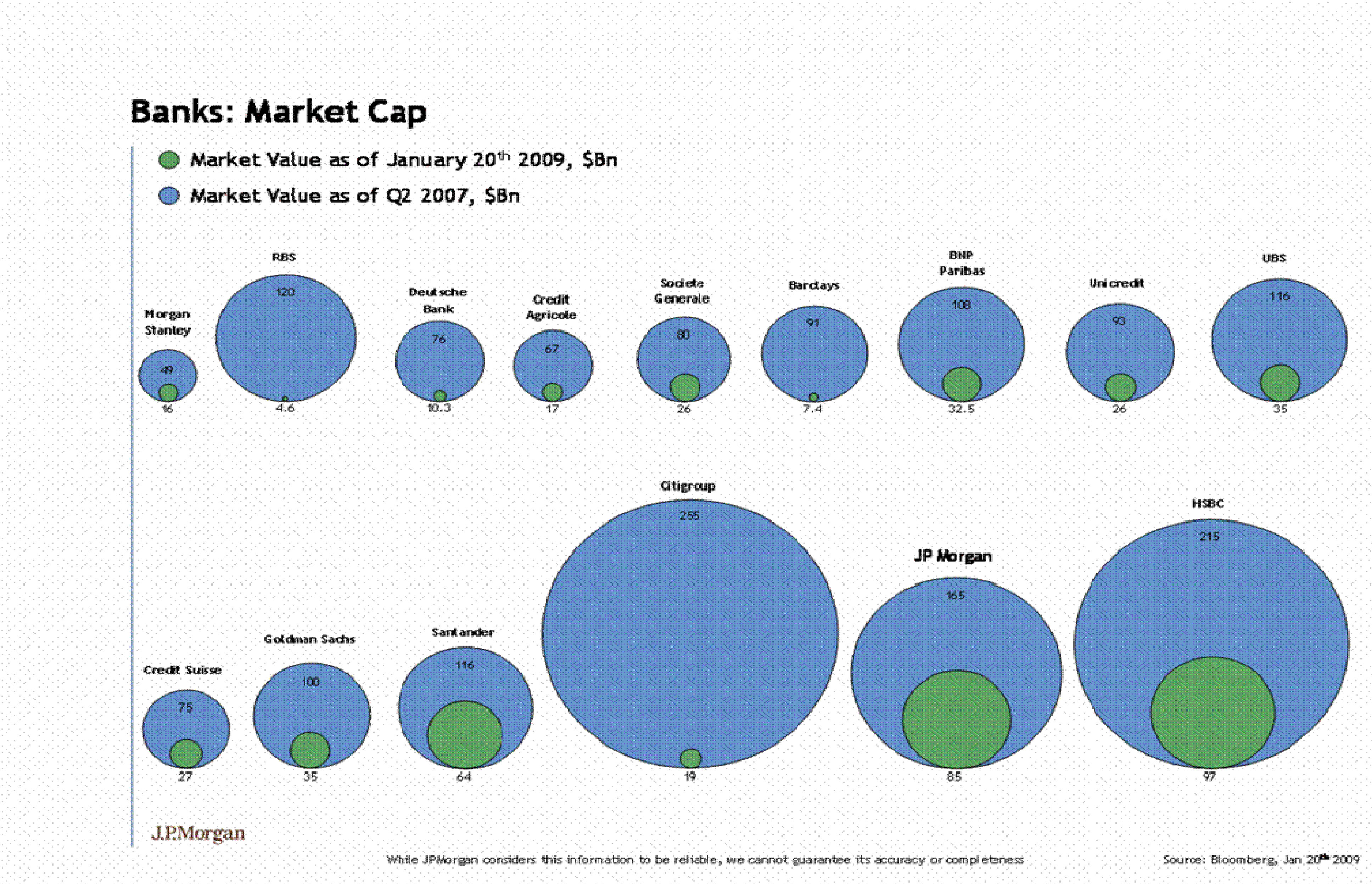
A quote to note as US, UK & Europe nationalise banks

“ *It does not matter if a cat is black or white*

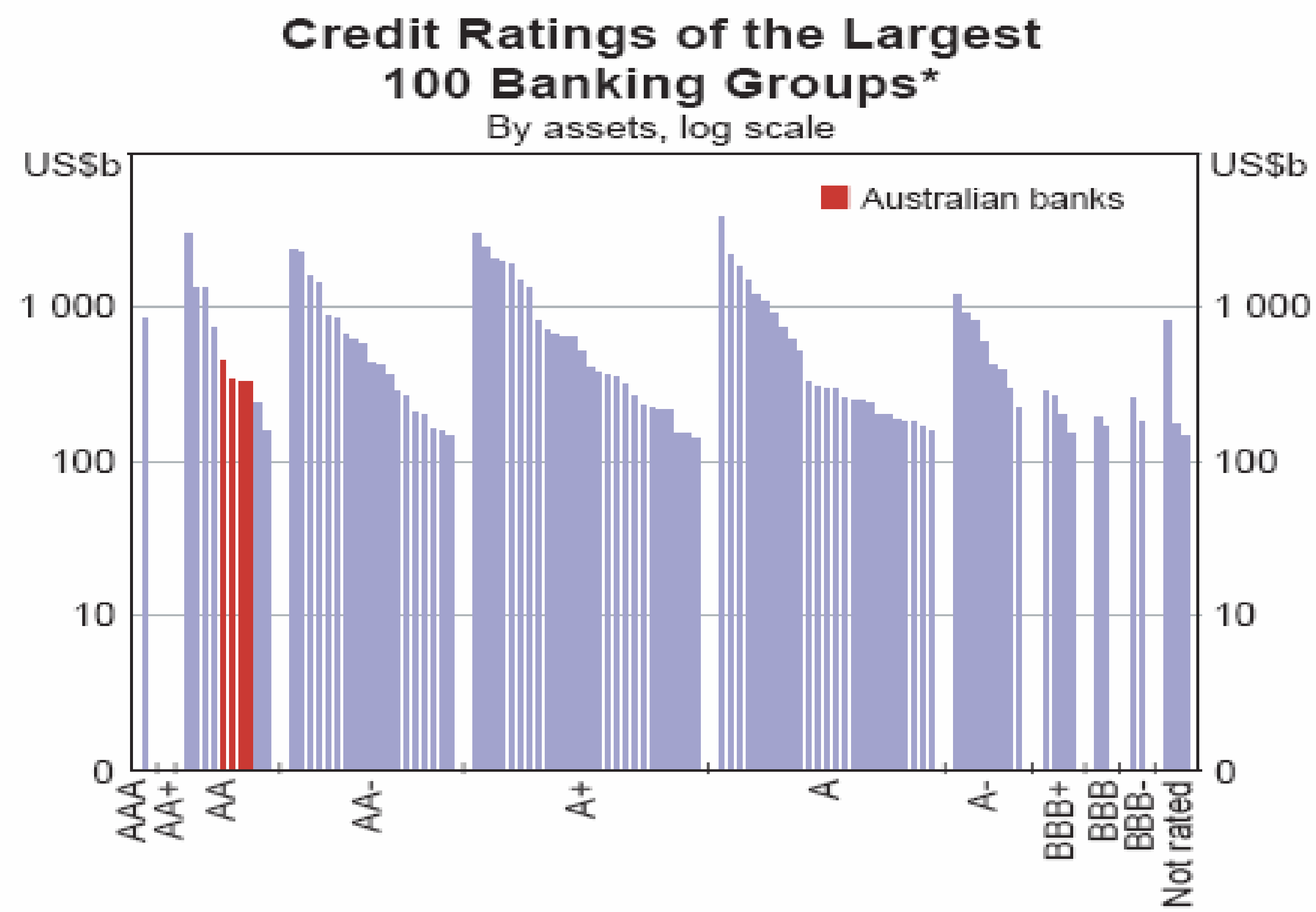
….as long as it can catch mice!...”

The late Chinese Premier Deng who commenced market revolution in China in late 1970s and 1980s.

Oz banks in much better shape than most in G7 nations



Oz banks in much better shape than most in G7 banks



* Holding company ratings
Sources: Bloomberg; *The Banker*

- **4 Oz major banks are among only 11 globally with AA RATING or better!**

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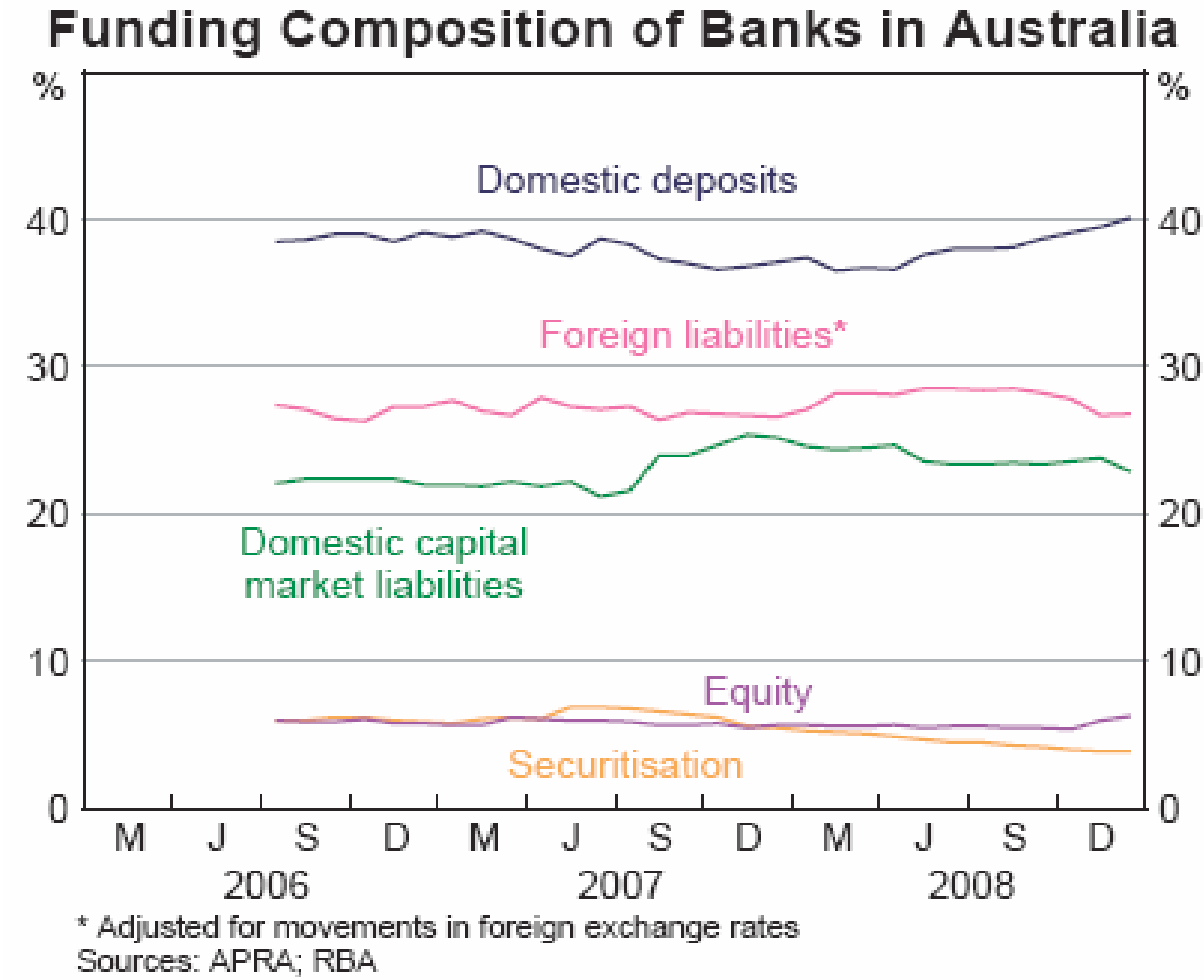
Oz banks in much better shape than most in G7 banks



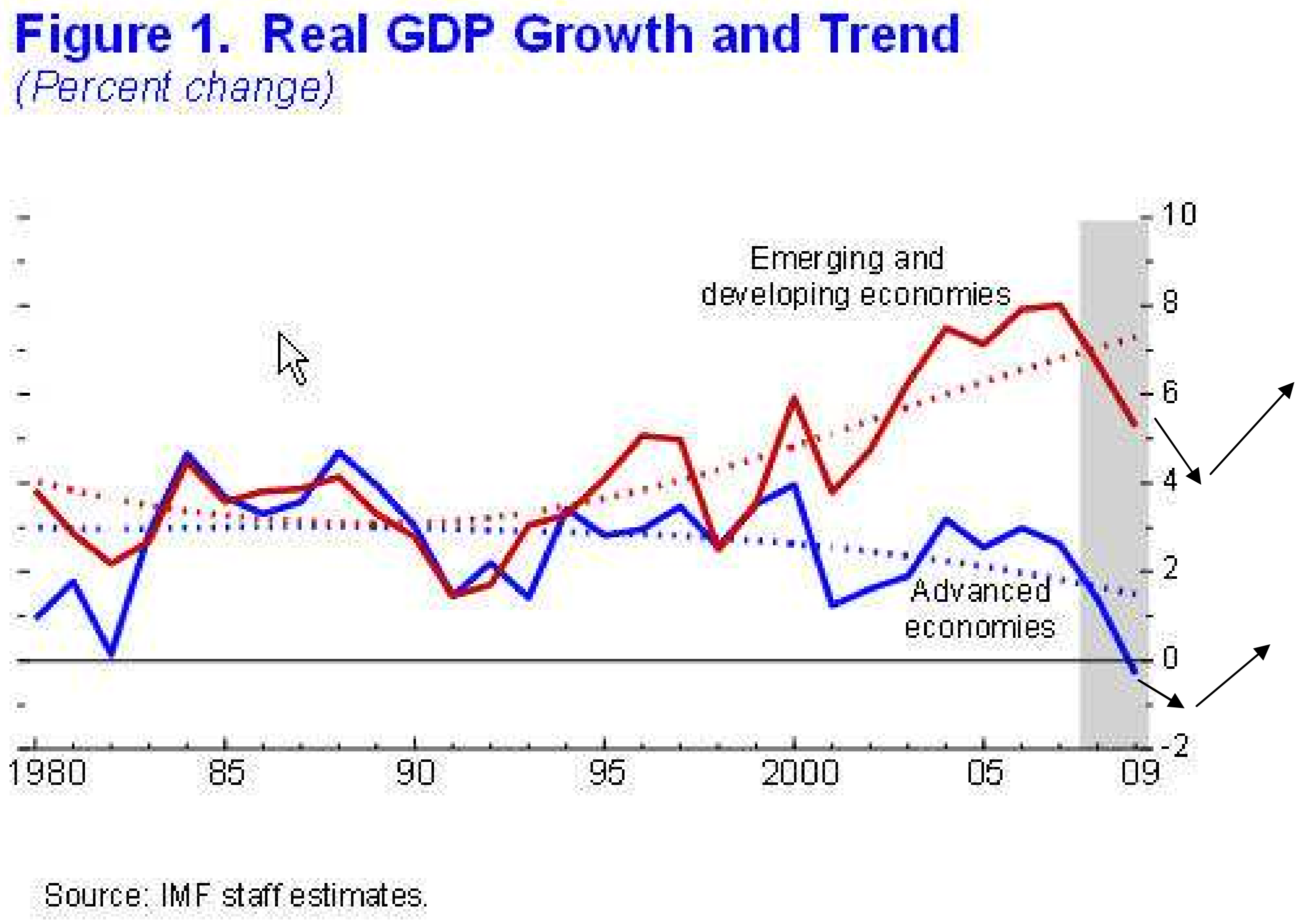
- **4 Oz major banks funded to the tune of a substantial 40% by domestic deposits**

Australian Economic & Financial Market Outlook

Direction of Risks in 2009

International Growth	↓	**Global growth to slump to ½%pa**
Domestic Growth	↓	**1%pa** - **Household spending & dwelling investment *weak*** - **Business invest. *easing.* Fed & State Govt spending *strong***
Monetary Policy	↓	**RBA has cut rates by 4% to 3¼% since Sep** **Biggest cuts since early 1990s & now at early 1960s levels** - **We see more easing (2½-2¾% cash) in HI 09**
Underlying CPI	↑	**To stay around 3½–4½% in 2009.**
AUD Outlook	↓	**To ease to US$ 0.64 by March 09**

Trade: Asia's outlook much better than G7



- IMF forecasts have Asia slowing to just under 5%pa GDP from 8%pa.
- G7 expected to be in deep recession next year. But based on *current* policies.

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Trade: China's economy bottoming out?

Chart 1: PMI has rebounded after a sharp drop

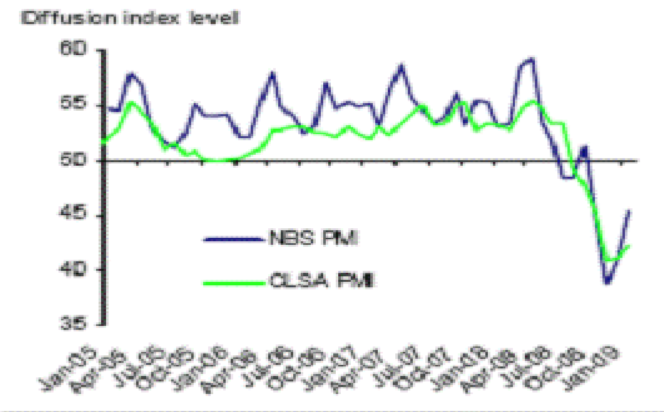


Chart 2: Bank lending is surging

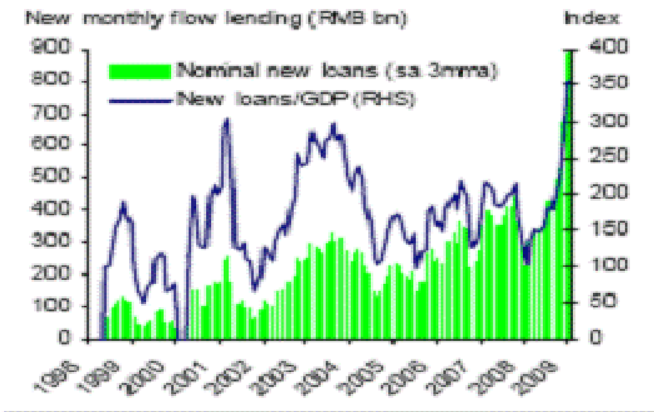


Chart 3: Is the decline in construction activity slowing?

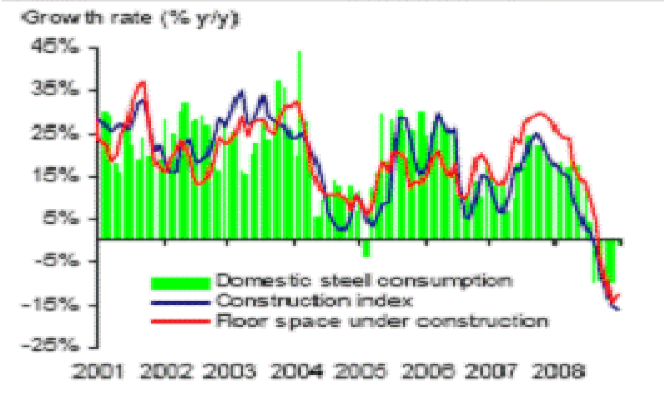
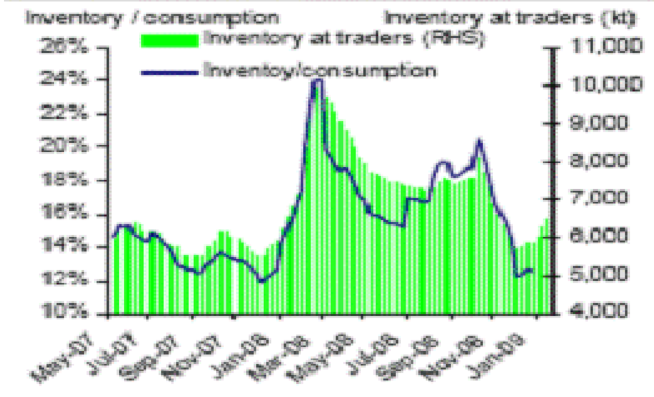


Chart 4: Traders are restocking steel products



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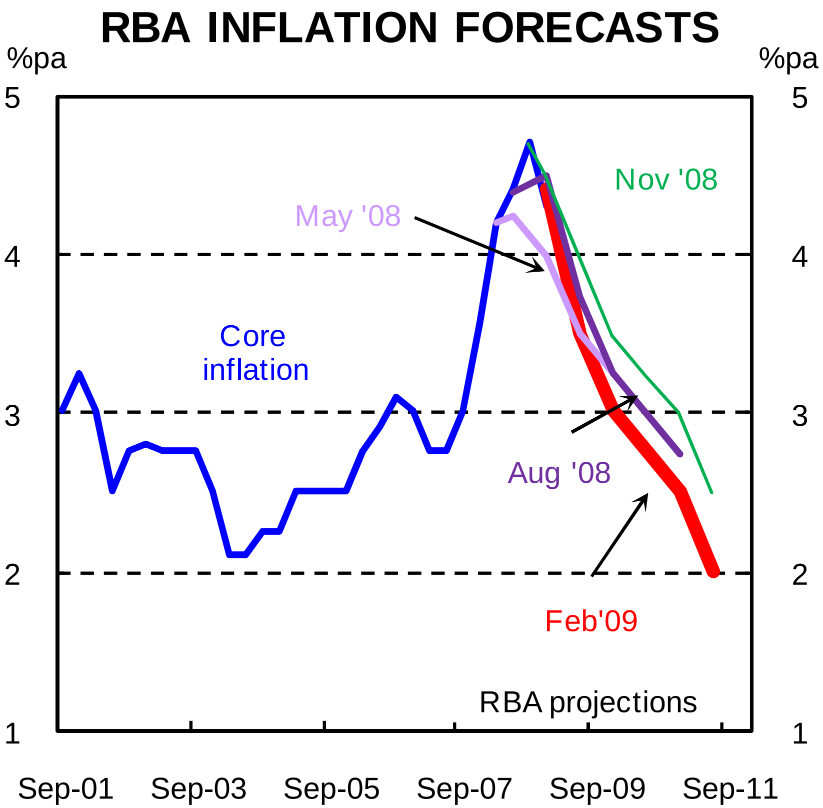
Factors to help buffer Australia against global slump.

- **Aggressive RBA rate cuts - more coming as RBA stays pre-emptive**
- **Fiscal stimulus amounting to 4.5% of GDP (3% from recently announced $10.4 billion & $42 billion plus 1.5% from automatic rundown in surplus as economy slows – ie automatic stabilisers)**
- **20% fall in AUD on trade weighted terms; 30% against USD**
- **30% drop in petrol prices in recent months**
- **Historically *high terms of trade* despite easing commodity prices of late. Most major trading partners still growing.**
- **Strong record company profits (stand at 25% of GDP vs historical average of 14% of GDP) – also companies lowly geared**
- **Relatively low unemployment – still at 3 decade lows**
- **Large States' pipeline of infrastructure spending**
- **Fat order book of investments in engineering, construction and mining**
- **Roll call of major (ie G7 economies easing both fiscal & monetary policies**

How Far Will The RBA Go?

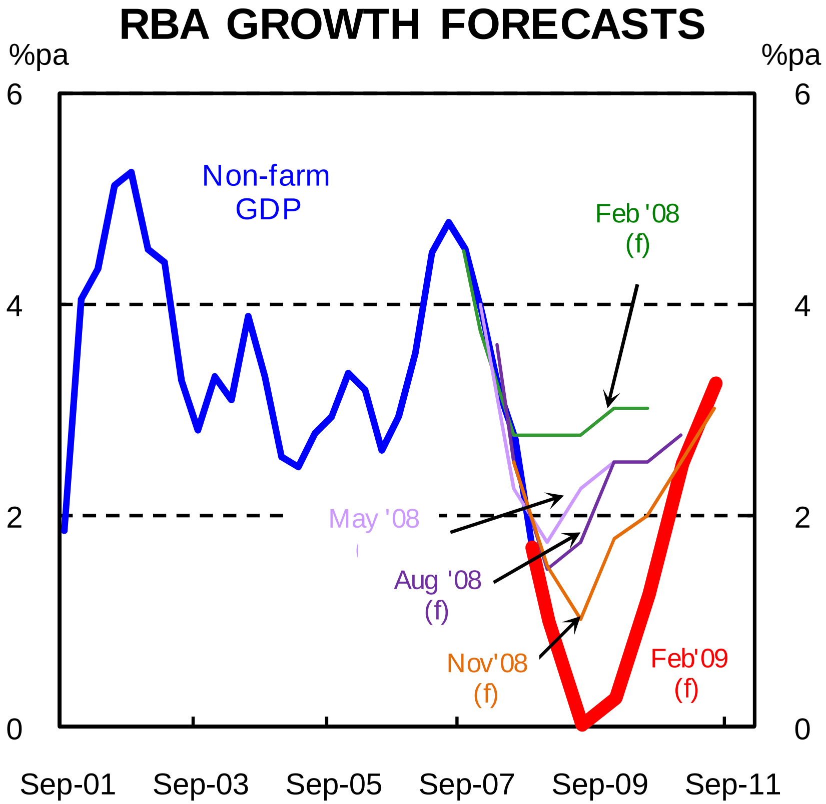
Inflation



- **The RBA revised down its CPI forecasts in the February *Statement on Monetary Policy (SMP)*.**
- **First "downgrade" since late 2006.**
- **Pace of disinflation still modest - *underlying* inflation not expected to be back below 3% until mid 2010.**
- **The idea that inflation is on track back to the 2-3% target has allowed the RBA to respond quickly to the global crisis.**
- **Lower oil prices mean that *headline* inflation will slow more quickly.**

How Far Will The RBA Go?

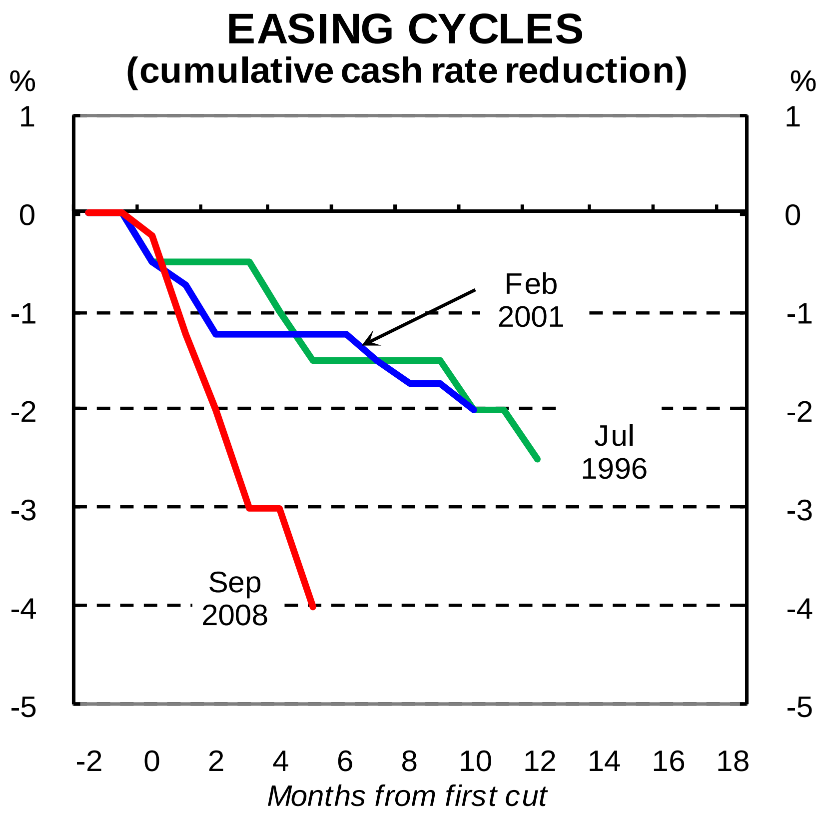
Growth



- **RBA projections envisage a significant and deepening growth slowdown is under way.**
- **RBA forecasts imply the weakest three-year period of growth since the early 1990's recession.**
- **A "material" rise in unemployment is expected.**

How Far Will The RBA Go?

All change



- **Speed of turnaround in global economy and step up in financial crisis surprised RBA (and others).**
- **Rate *rises* were being debated up until May.**
- **Policy settings over tight for the changed environment.**
- **Needed to get back to neutral (and below) as quickly as possible.**

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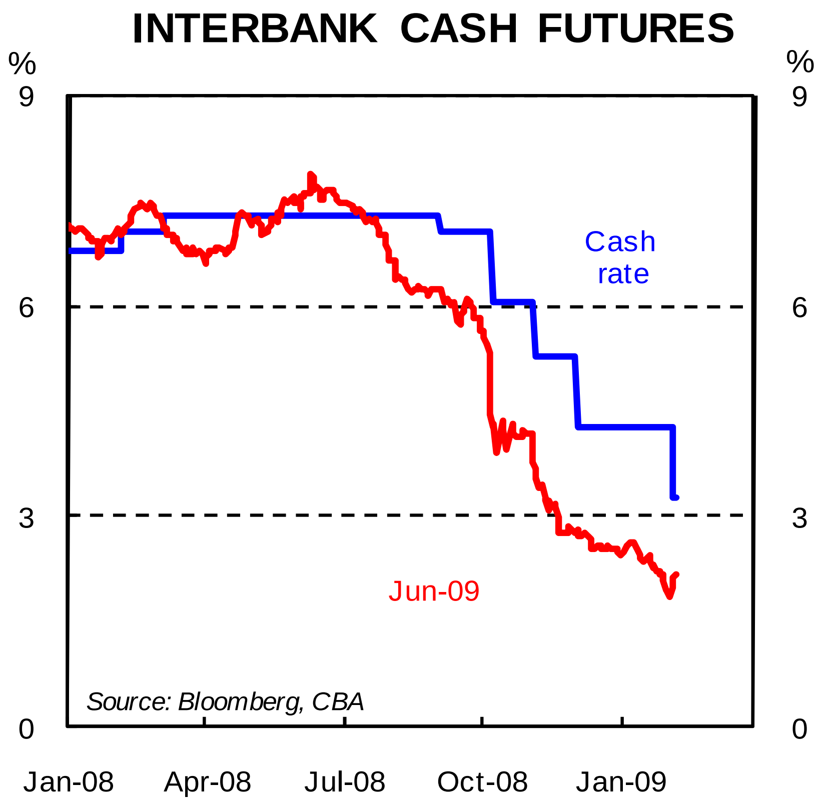
How Far Will The RBA Go?

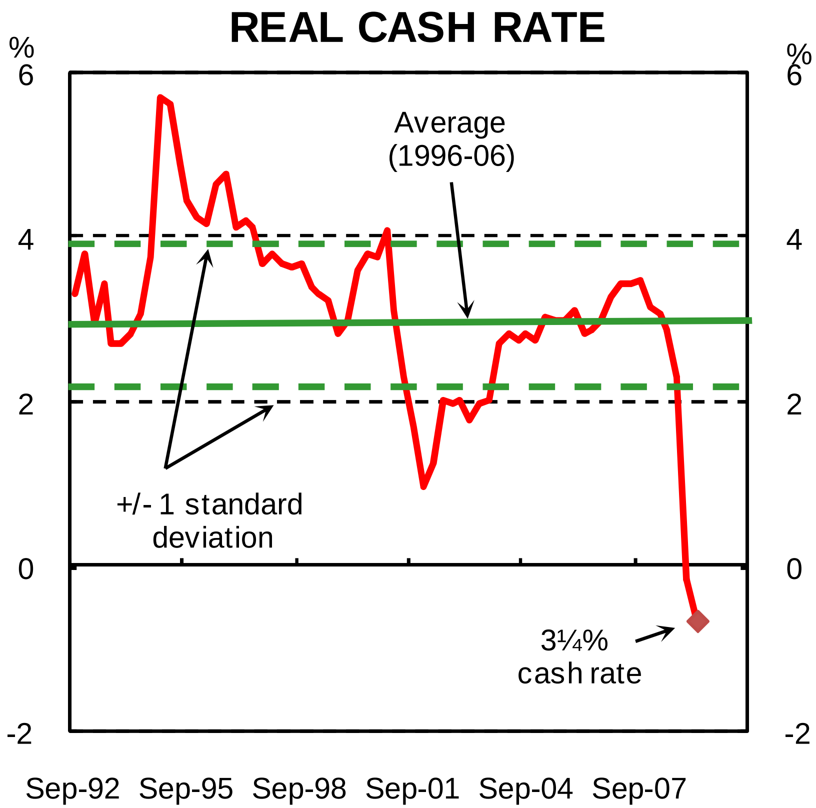
Is the market right?

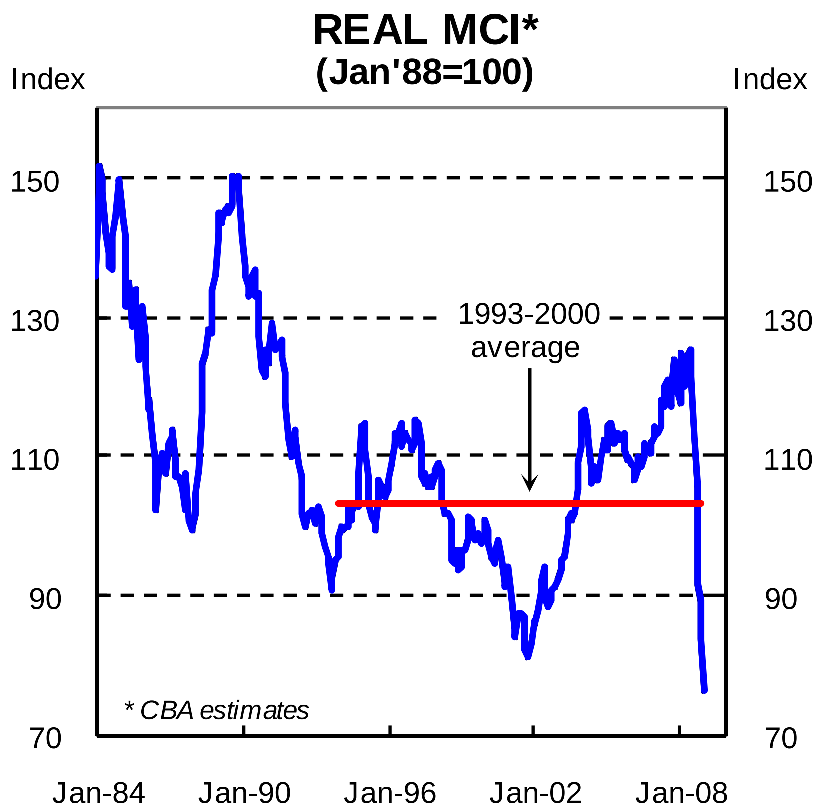


- **The RBA has cut the cash rate by 400bpts since September, taking the cash rate to 3¼%.**
- **Policy is now very accommodative – the policy transmission mechanism is working.**
- **RBA preparing to pause – signalling that the period of rapid, large rate cuts is over (short of a further intensification of the global downturn).**

How Far Will The RBA Go?

Financial conditions

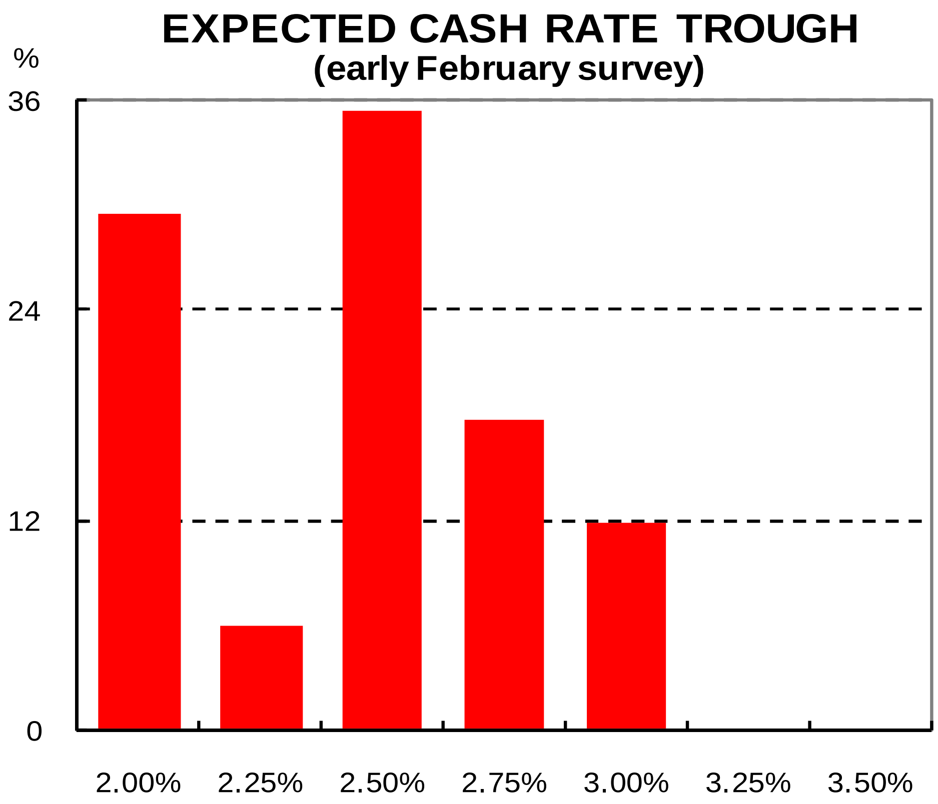


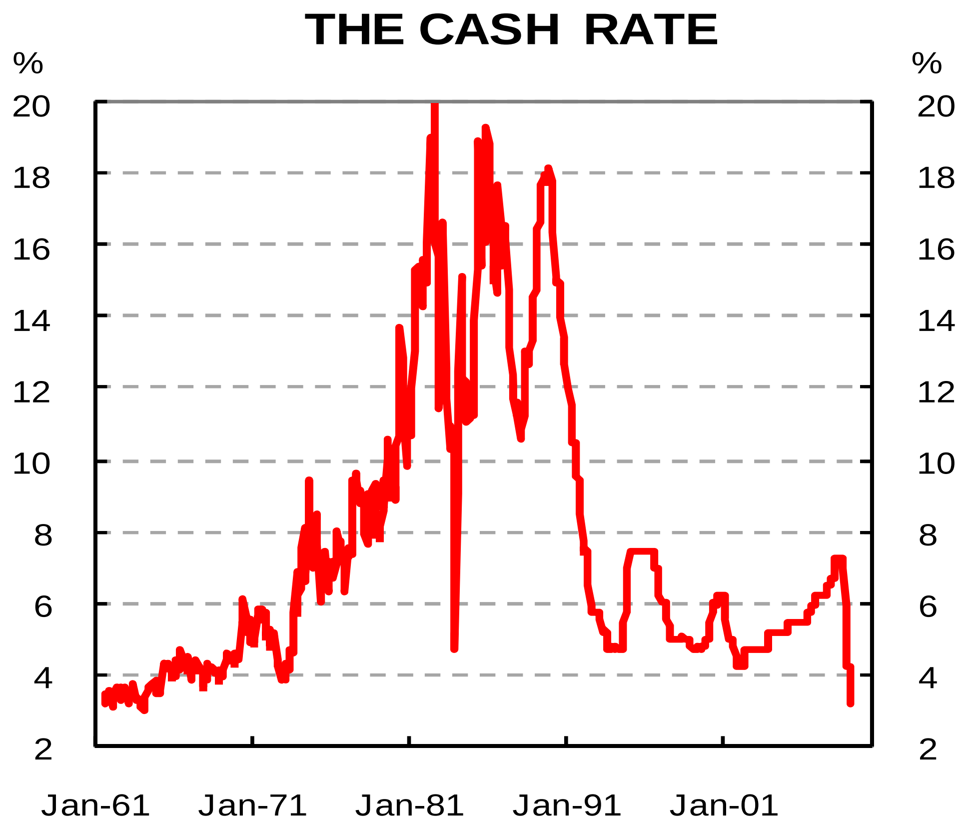


- **The real cash rate is now in negative territory.**
- **The sharp drop in the AUD has eased financial conditions more generally.**

How Far Will The RBA Go?

The only way is down





- **Economic commentators expect further cuts.**
- **Consensus has terminal cash rate at 2¼%.**

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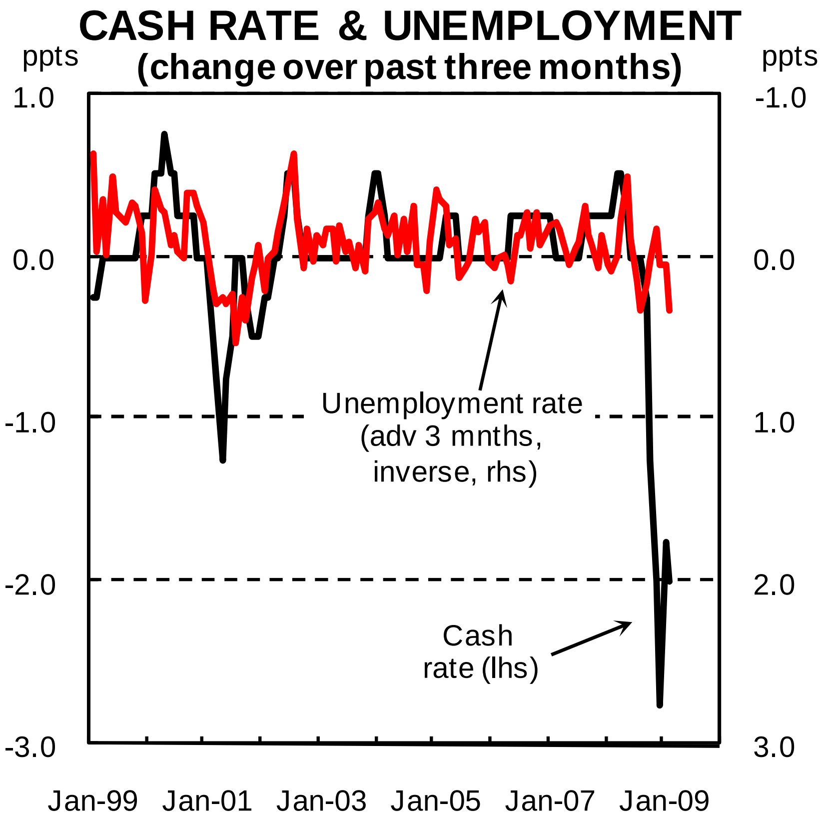
How Far Will The RBA Go?

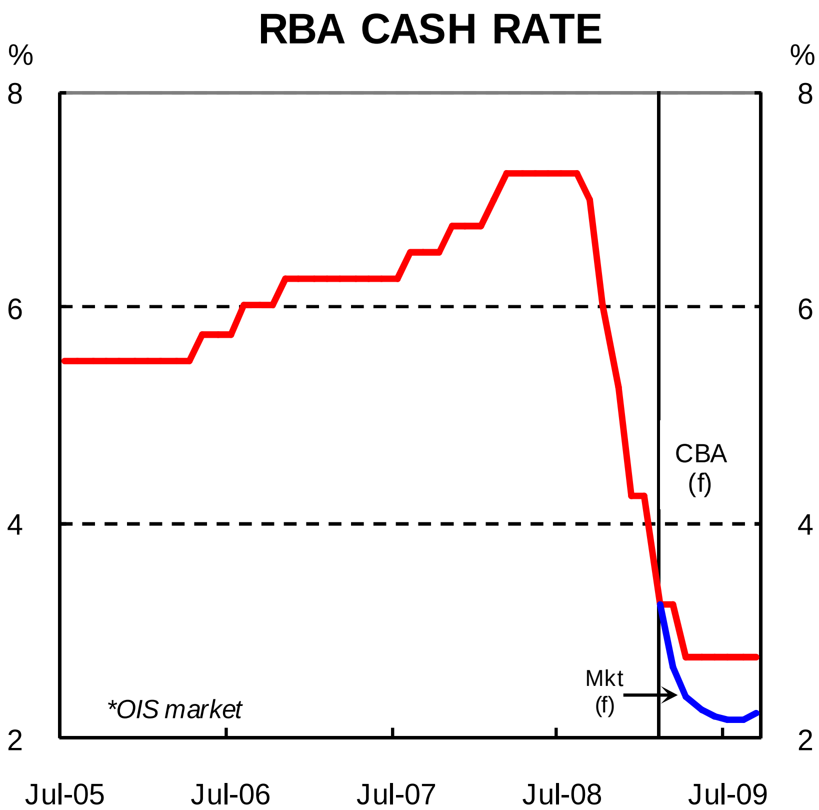
What to watch?



- **Unemployment remains the best indicator of the relationship between the real economy and RBA action.**
- **Divergence underlines that rapid-fire rate cuts have run well ahead of real economy requirements.**

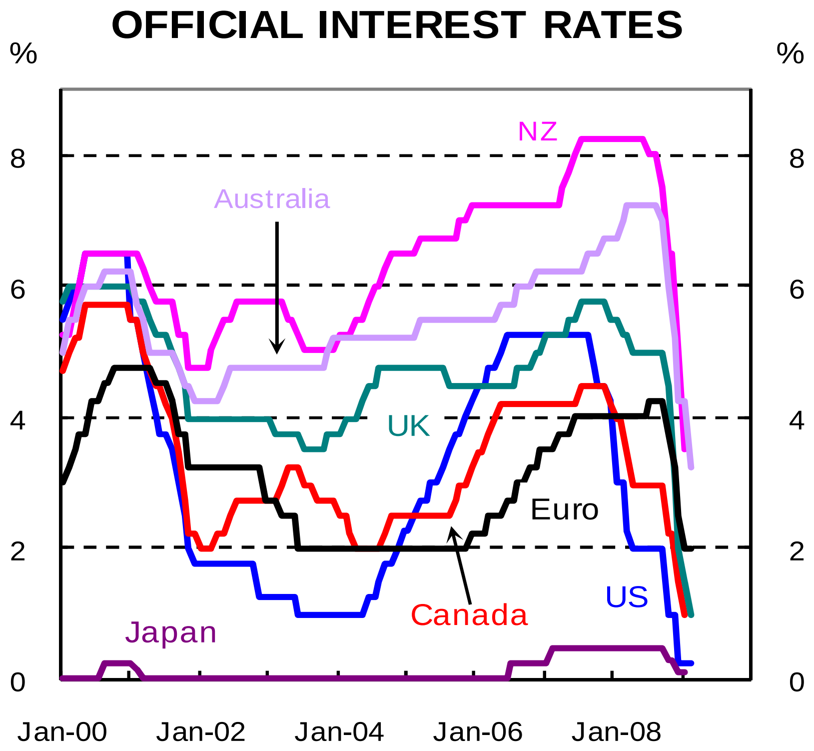
How Far Will The RBA Go?

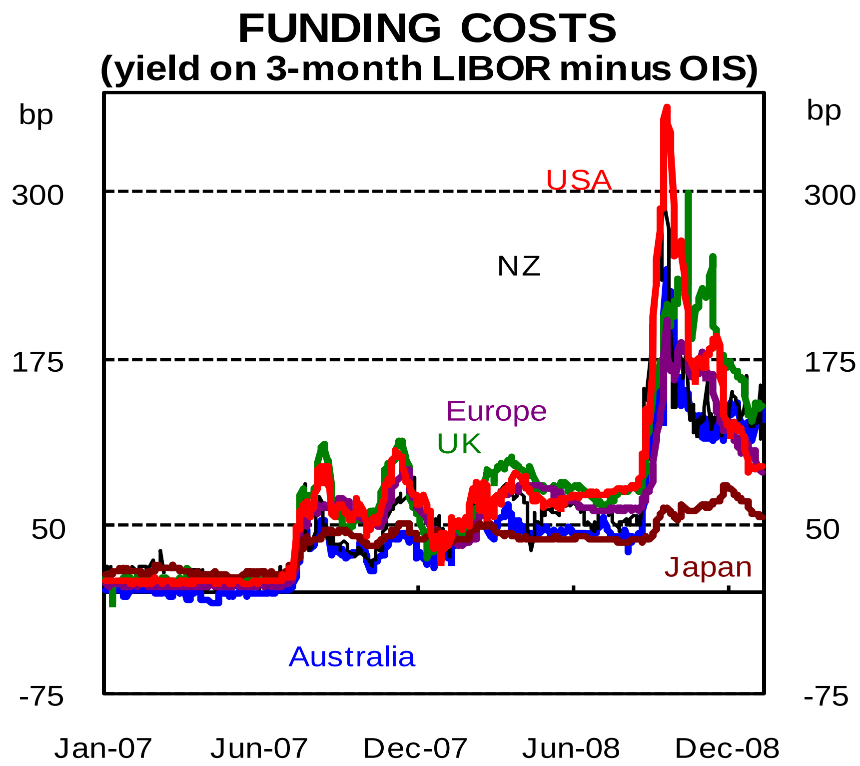
CBA view



- **The risks favour further rate cuts.**
- **We expect the cash rate to reach 2 ½- 2¾% by mid 2009.**
- **Our background economic views, global stabilisation packages and domestic fiscal stimulus mean we favour a profile a little more restrained than current market pricing.**

Interest Rates – Fed rates at 0%, RBA to 2½%





- **US in recession…so rates *should* fall further as *deflation* threats loom.**
- **US 3 month rates falling, but reflect uncertainty & high cost of "market funds".**
- **Australia has downside risks to growth…..so rates are falling….to 2½% in '09.**

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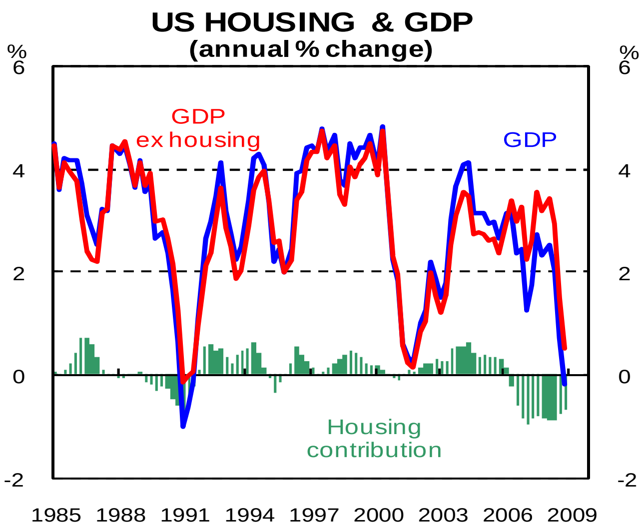
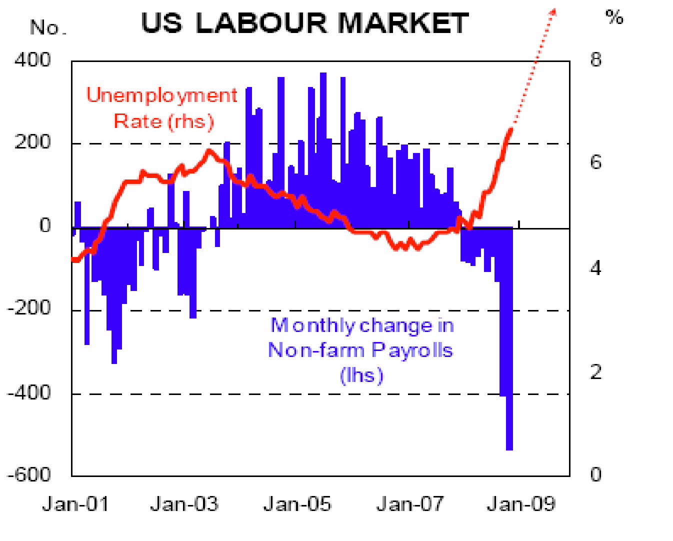
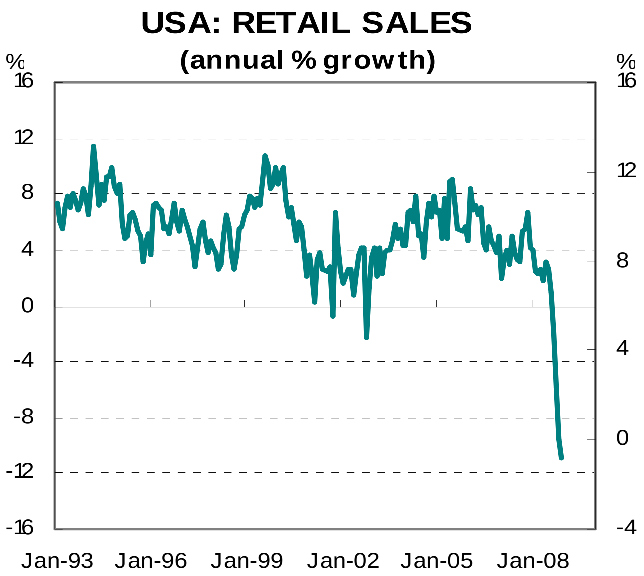
Australian & US Economic Outlooks for 2009

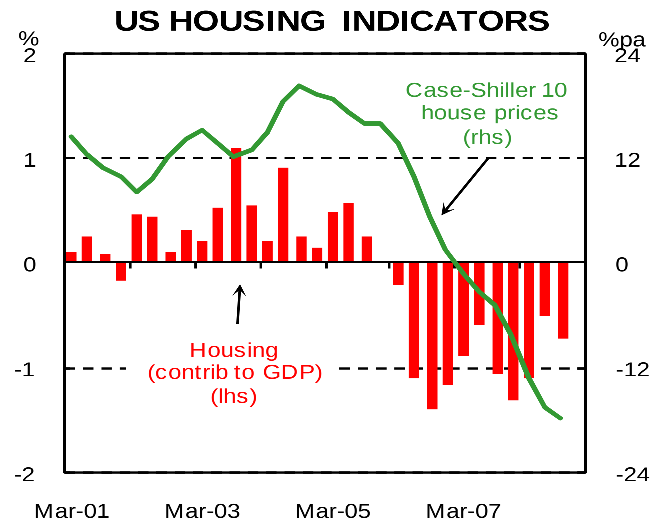
	Australia		United States	
	2008 (e)	2009 (f)	2008 (e)	2009 (f)
GDP %pa	2.4	1.1	1.0	-1.6
Household Spending %	2.2	1.7	Flat	- 1.2
Unemp rate %	4.4	6.0	7.0	10.0
CPI %pa	3.7	2.4	2.4	0.3
Wages %pa	4.1	3.7	3.0	2.5
Cash Rate	4¼	2½- 2¾	0- 0.5	0- 0.5
10 Yr Bond Yield	3.99	3.5	2.21	2.0

Economic data shows US economy mired in recession









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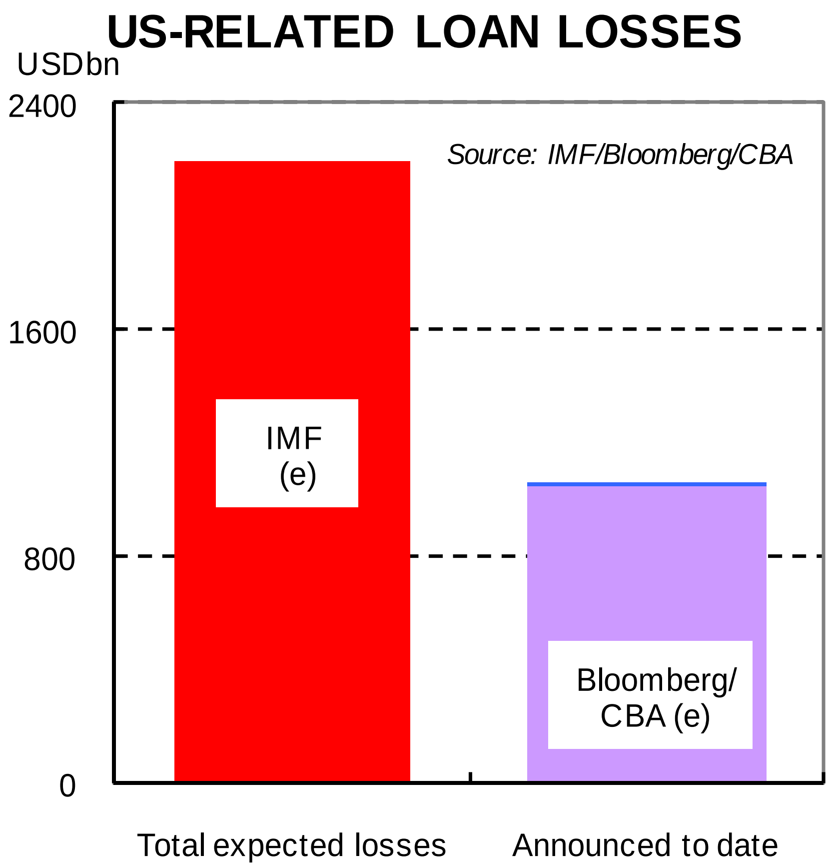
Confidence, Markets & The Economy

Disclosure scorecard



- **IMF estimates US-related loan losses at USD2.2trn.**
- **USD1.0trn written off to date.**
- **So 48% of potential losses accounted for so far.**
- **Risk lie with a further round of write offs as long as US house prices keep falling and real economy slows.**

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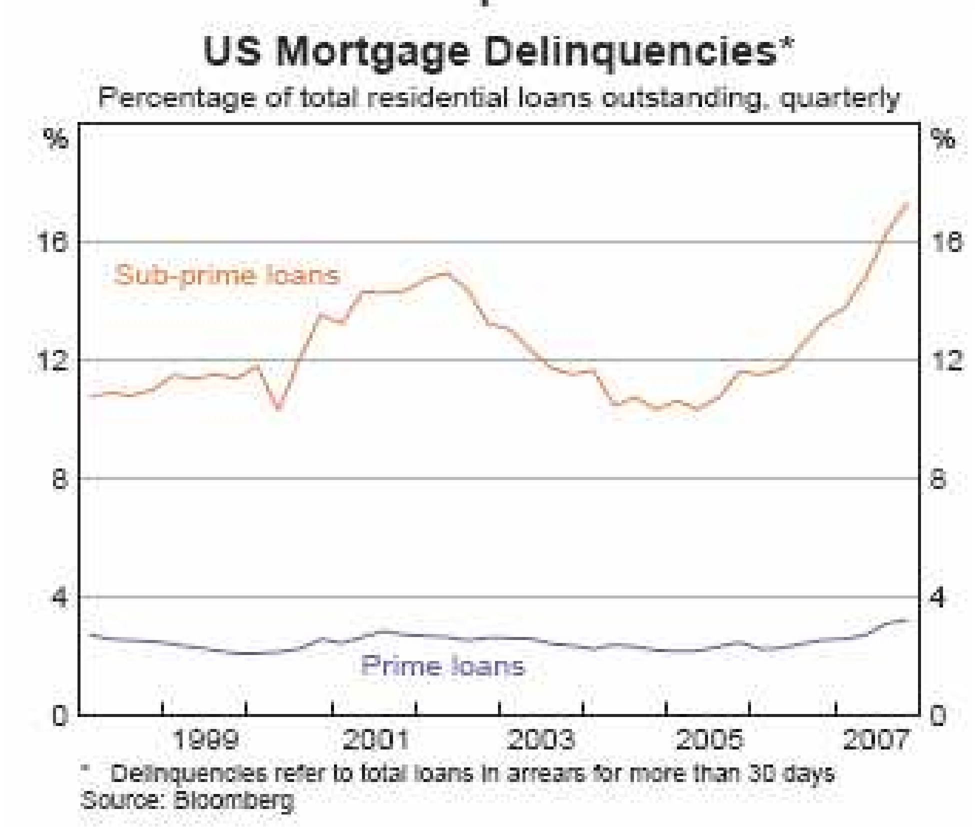
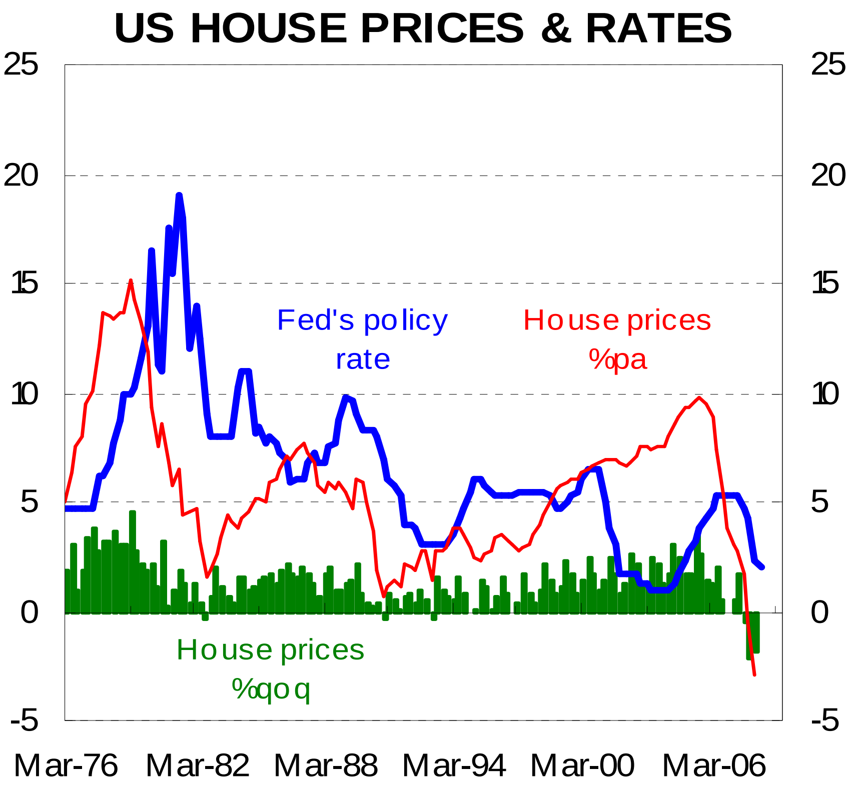
US Housing on the Ropes!!

Train Wreck ?

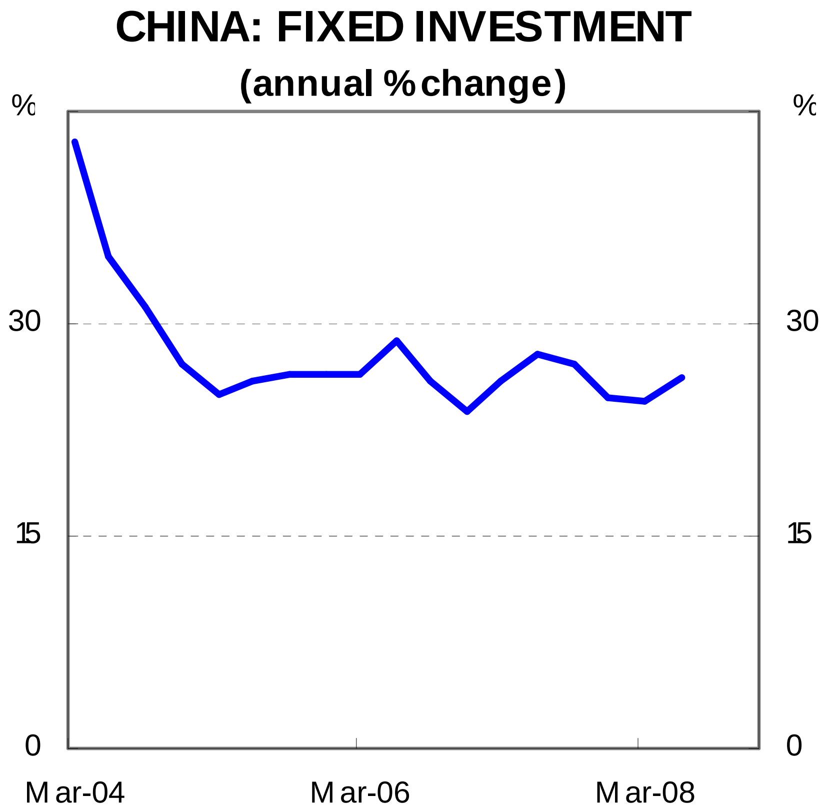




- **US housing sector in black hole – dragging US economy down…and out!**
- **US house prices and building activity have slumped.**

Source: ***RBA Financial Stability Review, May 2008***

Is The Commodity Boom Over?



- Chinese consumer and business indicators still look robust.
- Slowing inflation has allowed an easing in the policy stance.

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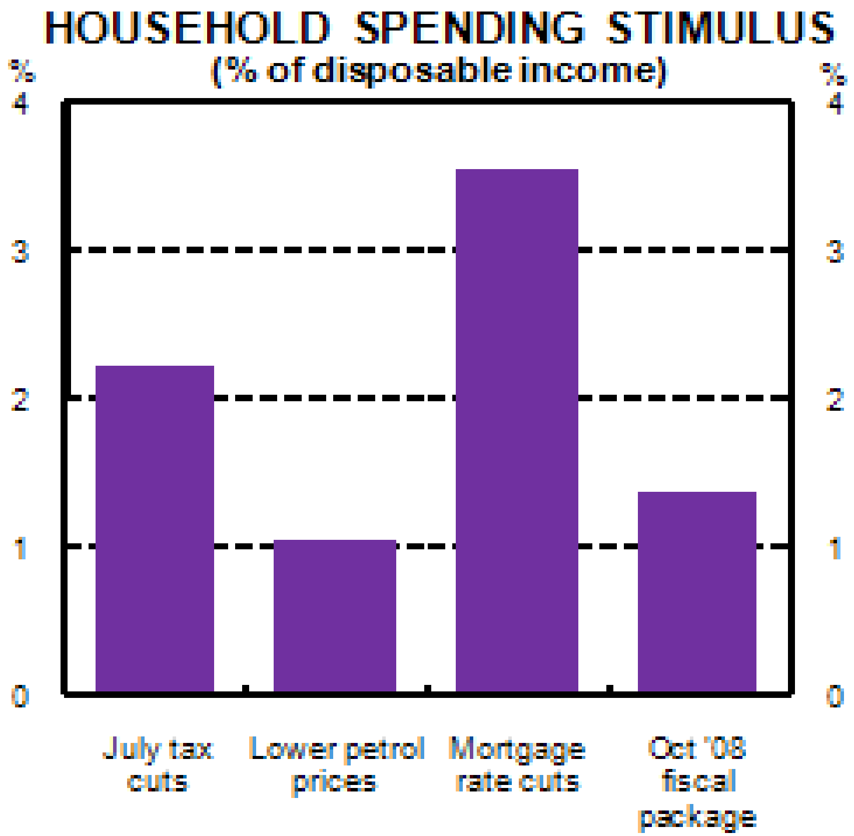
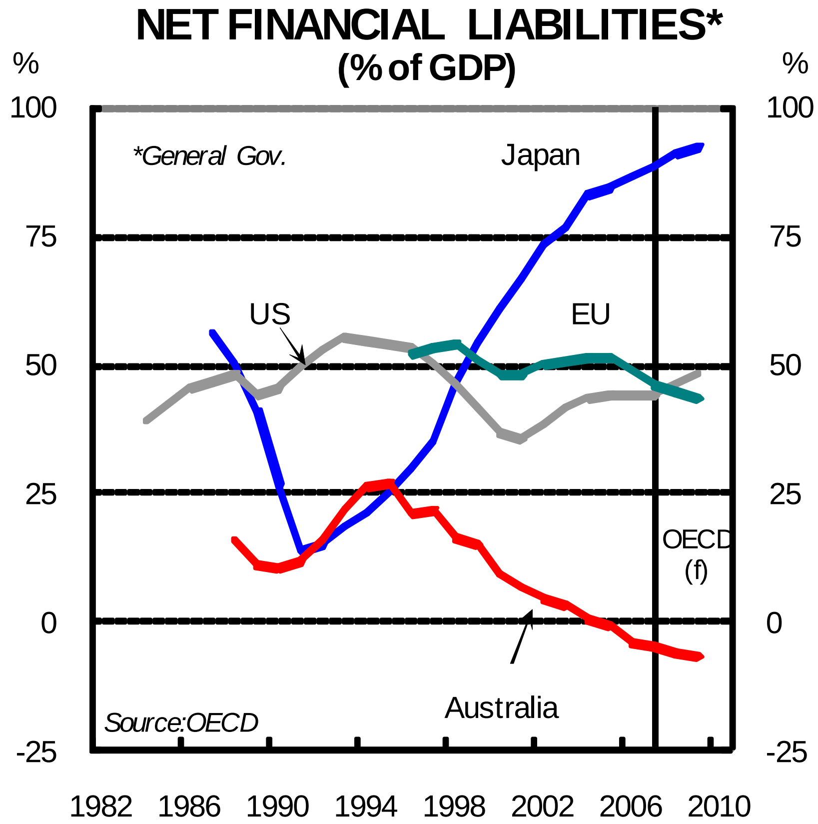
Australia Is Protected

Policy firepower





- Australia has plenty of monetary and fiscal policy firepower.
- This firepower is now in play.

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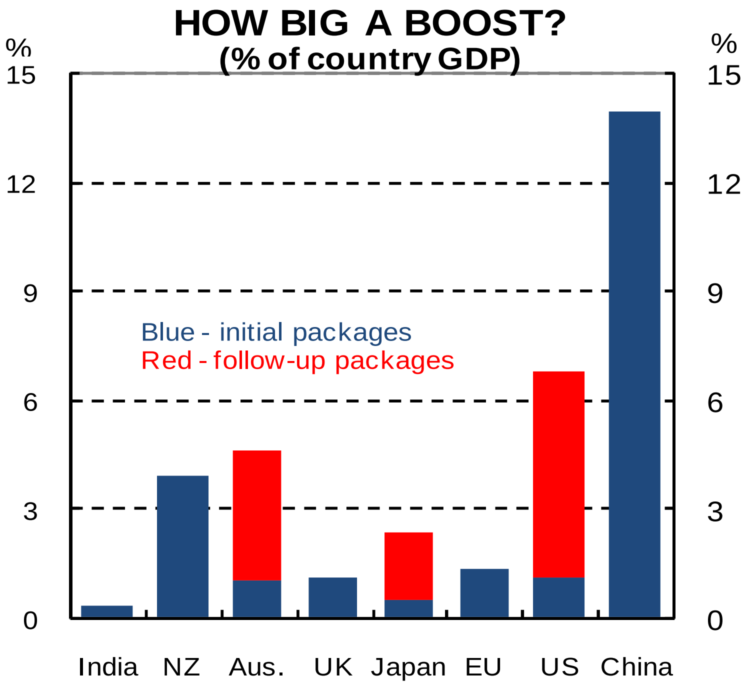
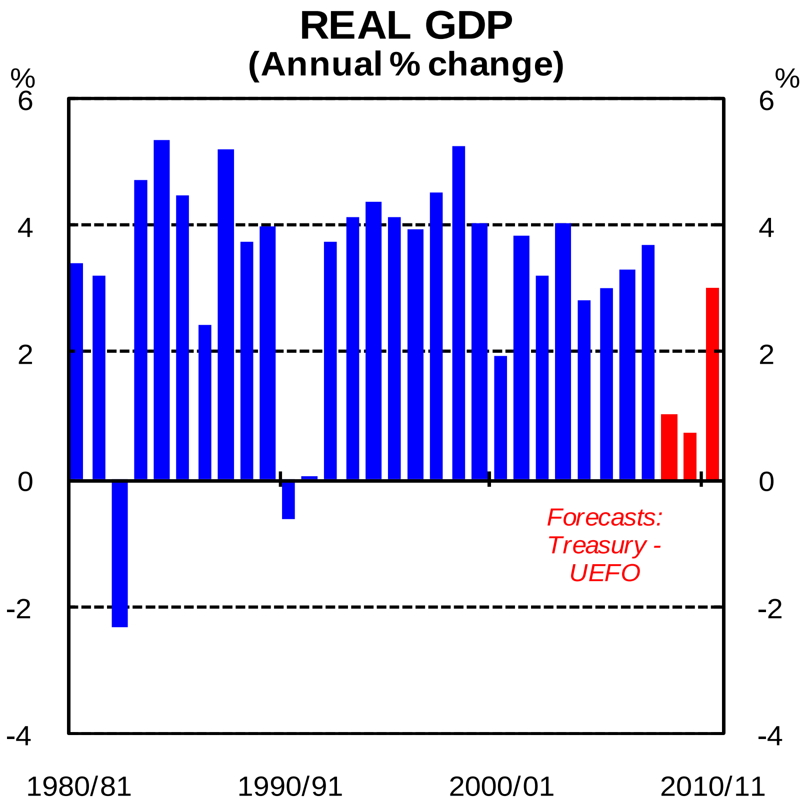
All hands to the fiscal pump…



- The Federal Government has announced a $42billion fiscal package,
  - immediate stimulus of $12.7 billion, coupled with
  - a $28.8 billion infrastructure package aimed at schools, housing, energy efficiency, and roads infrastructure.
- These measures are aimed at lifting productivity in the longer term.
- The Global Financial Crisis sideswiped the Budget numbers, gouging the bottom line via diving tax revenues and sharply higher spending.
- The 2008/09 Budget is now forecast to post a deficit of $22.5 billion (1.9% of GDP) from a MYEFO forecast surplus of $5.4 billion, and from a lofty $21.7 billion surplus forecast last May.

All hands to the fiscal pump… as growth tumbles



- Fed's 2008/2009 GDP growth
- forecast has been sliced to 1%, with paltry ¾% growth forecast in 2009/10.

- Unemployment is now forecast to be 5½% in June 2009 and 7% in June 2010.

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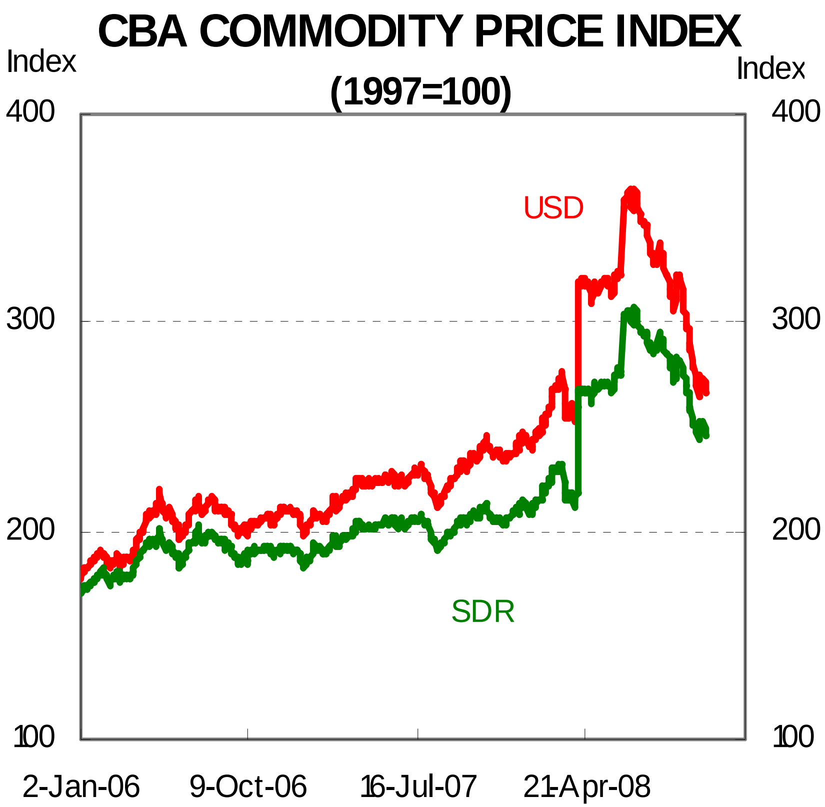
Is The Commodity Boom Over?

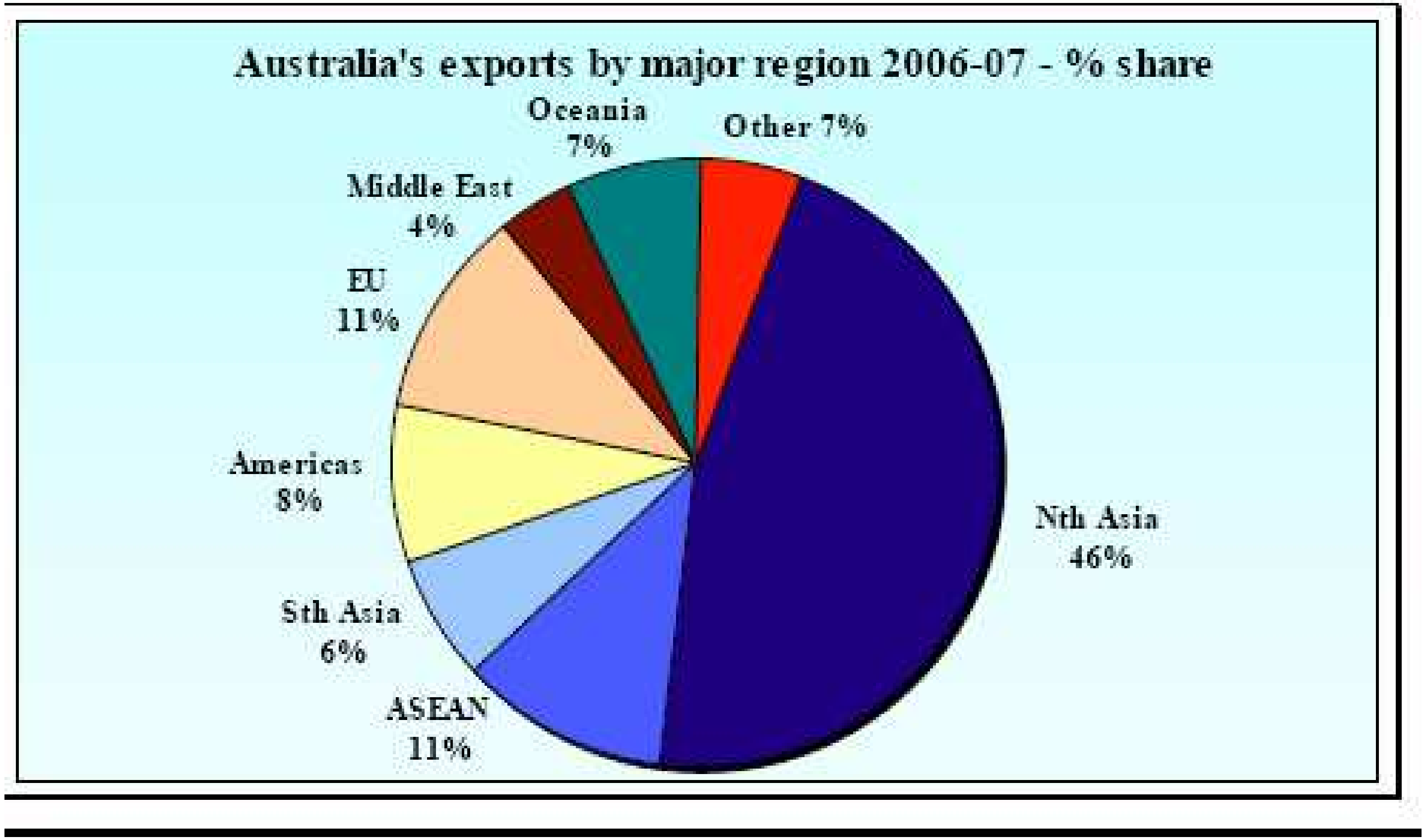
The cycle



- **Speculative interest in commodity markets has eased sharply.**
- **But reduced speculative interest has had only a limited impact on commodity prices.**

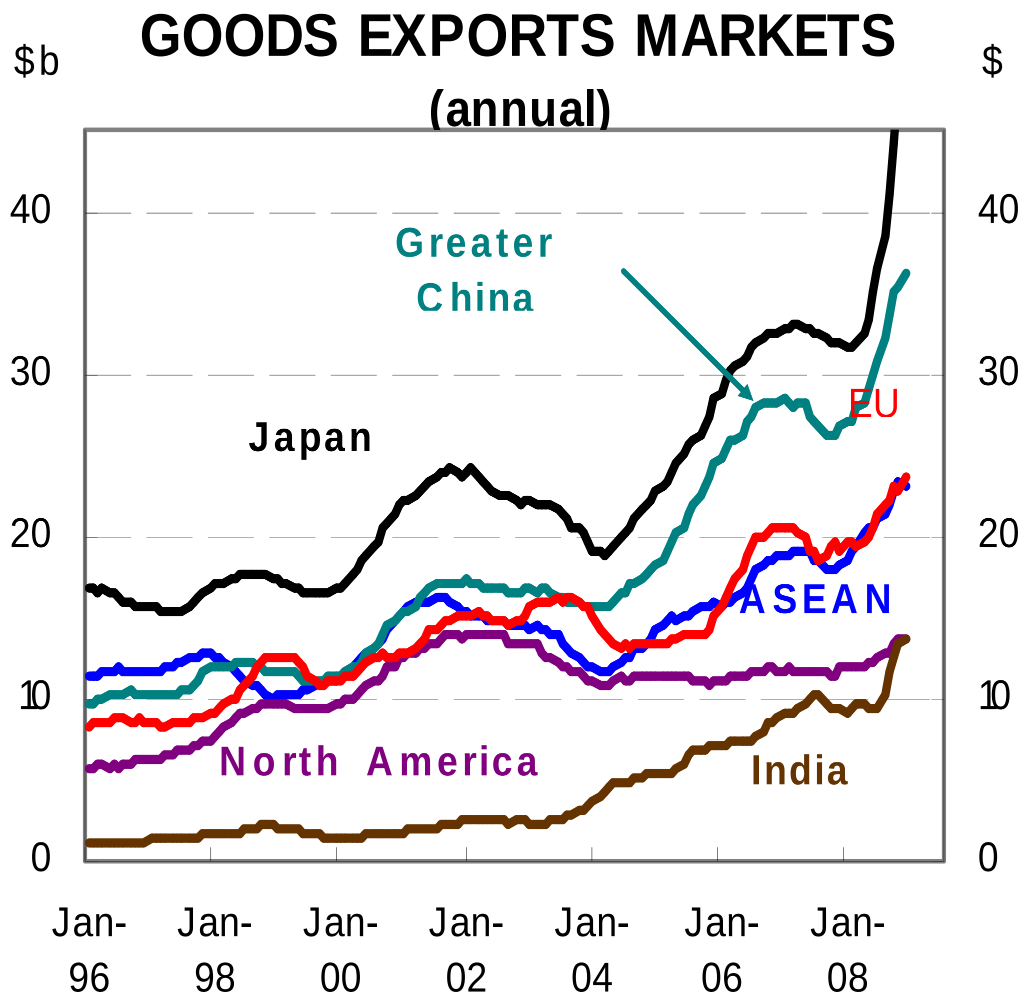
The Australian economy coupled to Asia not US.

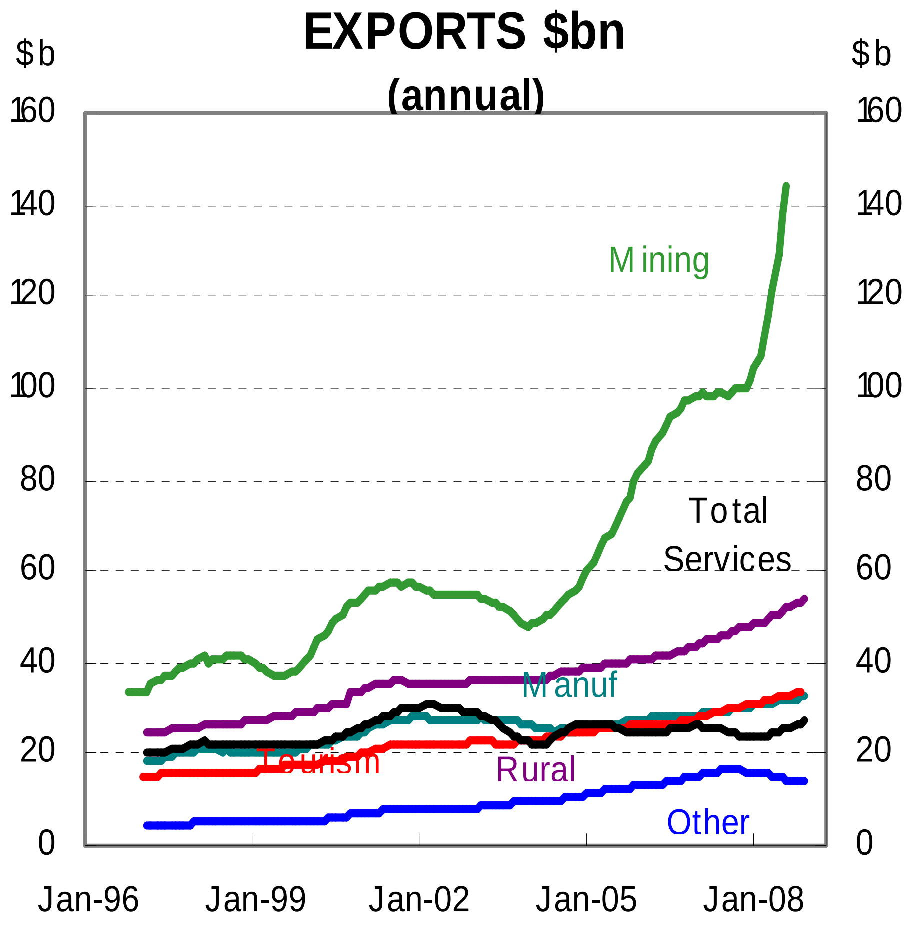
Structural break: Asia eclipses United States for OZ exports



Source: RBA; DFAT

Trade: China & Asia overwhelm US & Europe





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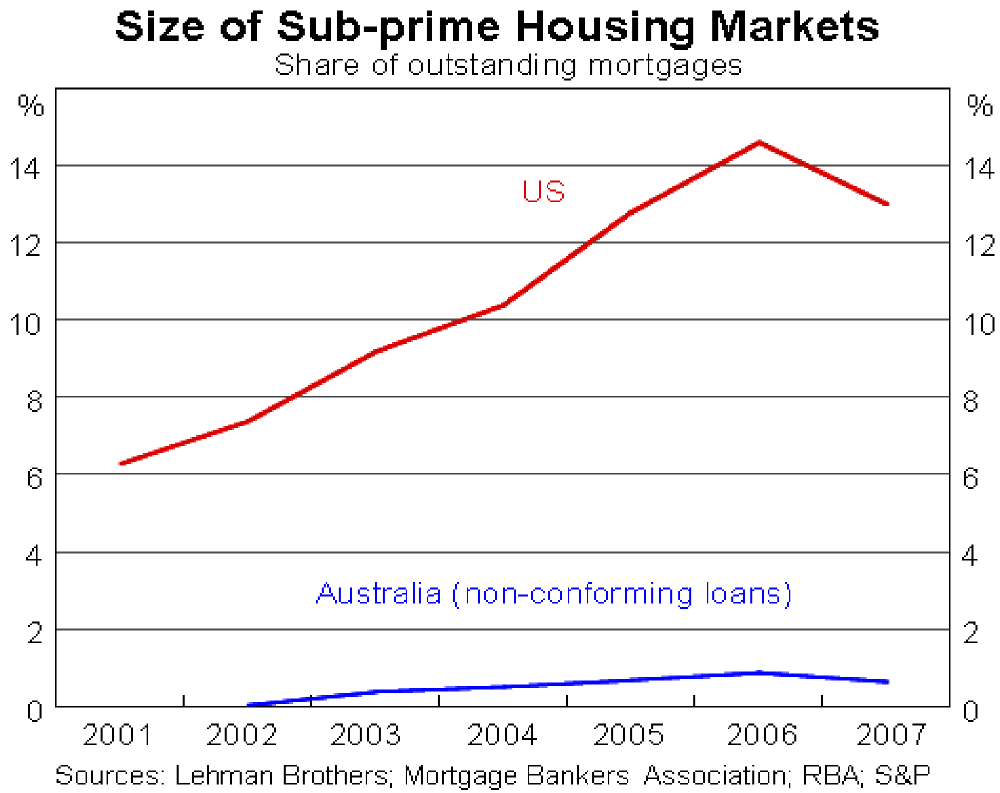
Australia Is Different

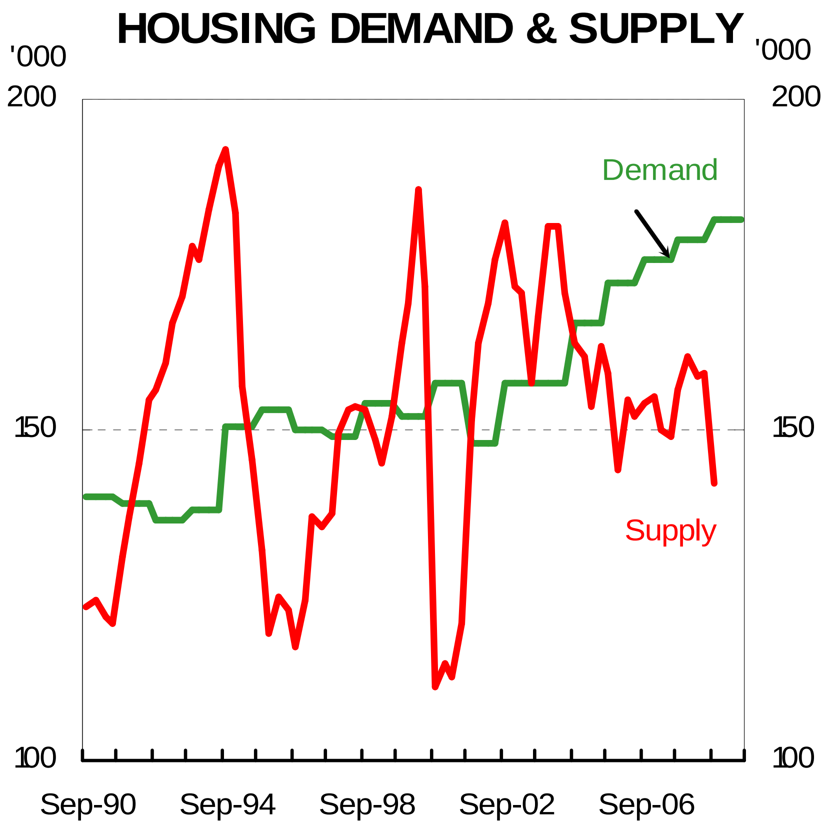
Less sub-prime risk



- **Non-conforming segment closest approximation to US sub prime.**
- **Arrears in non-conforming segment up – but <1% of loans (vs 13% in US).**

Australia Is Different

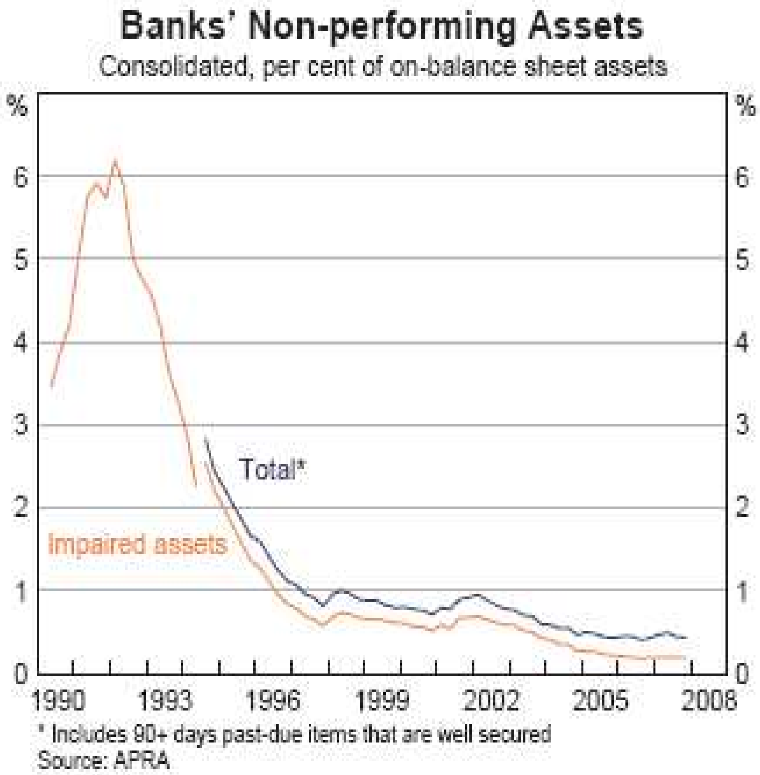
Housing demand outstripping supply

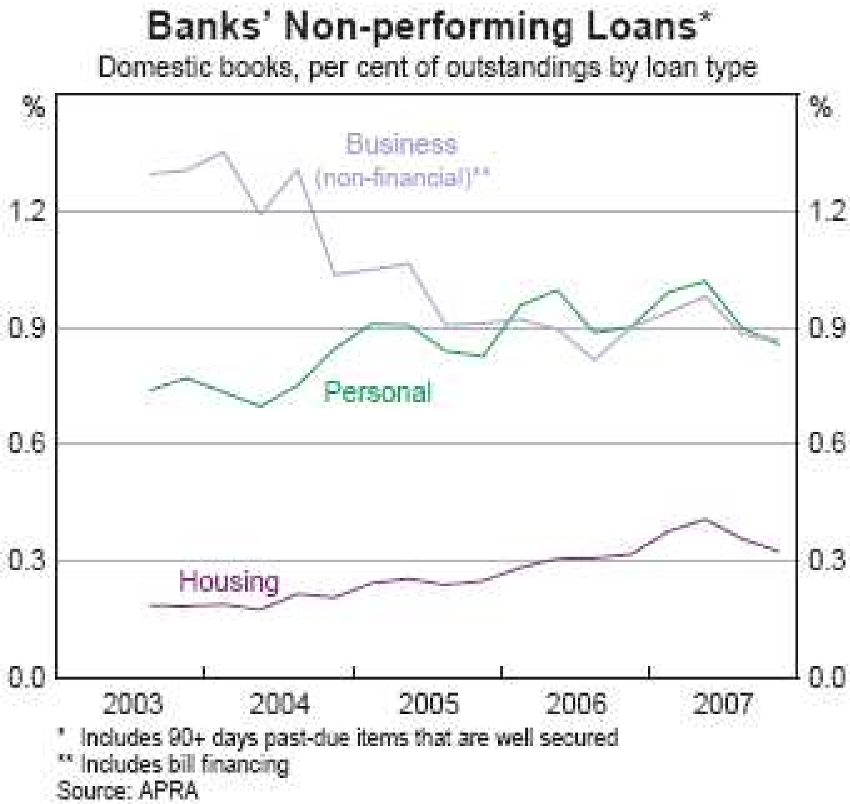


- **Australian market characterised by excess demand – no overhang of unsold home to weigh on prices.**

Contagion & Australia

So Far So Good !!



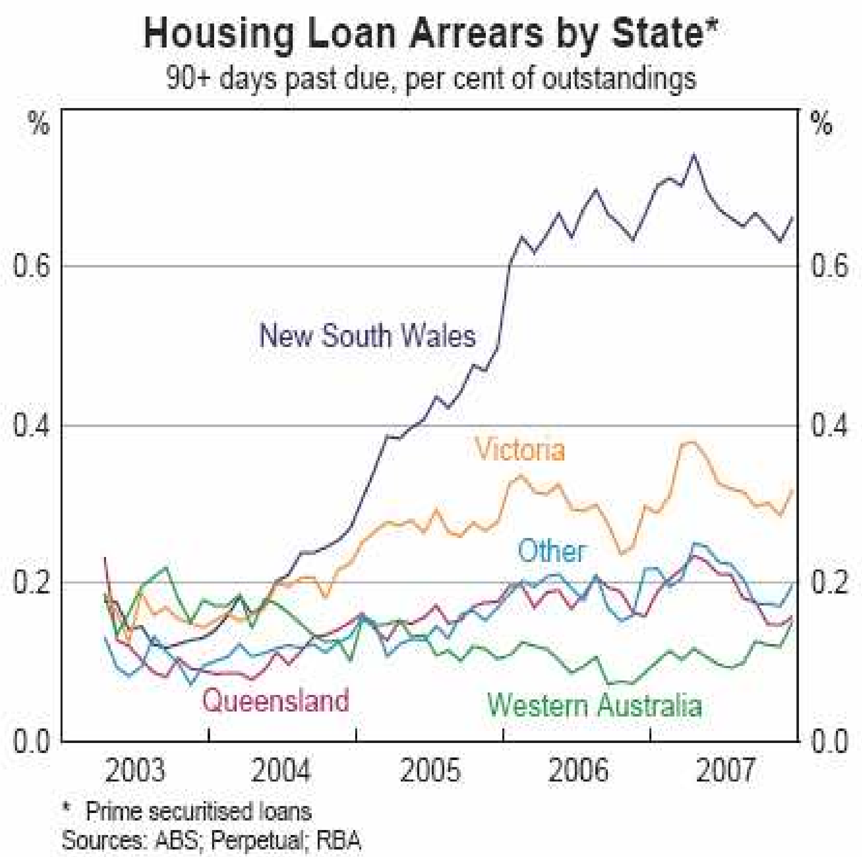


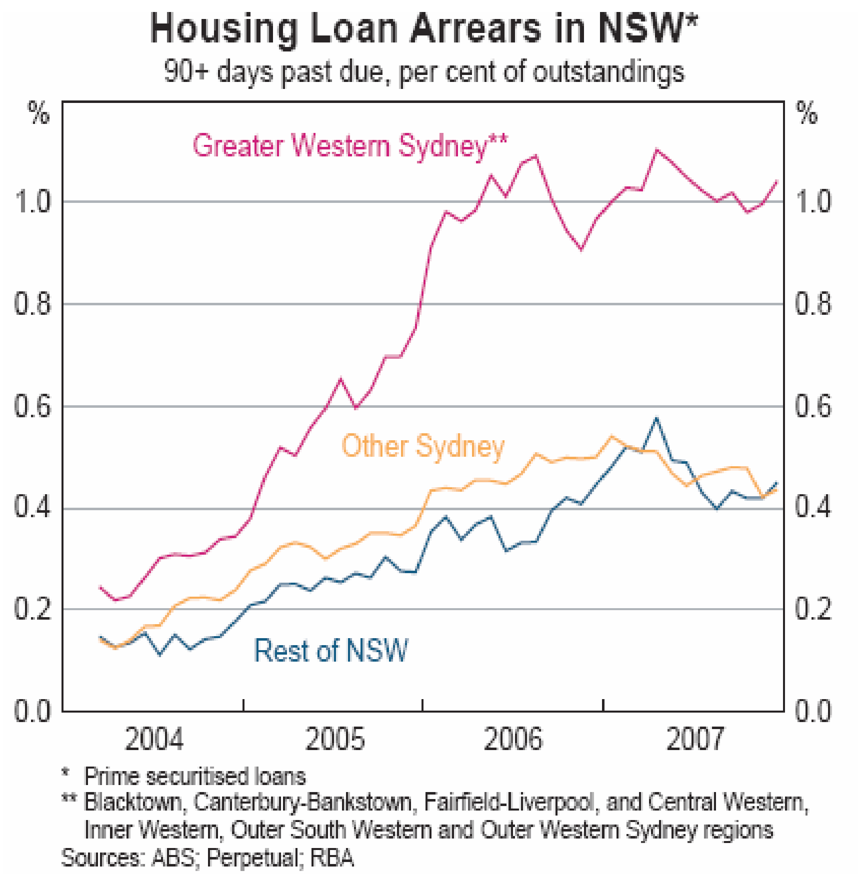
- **Strains greatest for those who borrowed at the height of the housing boom.**

Source: ***RBA Financial Stability Review, May 2008***

Housing – National arrears levels low. NSW weakest.

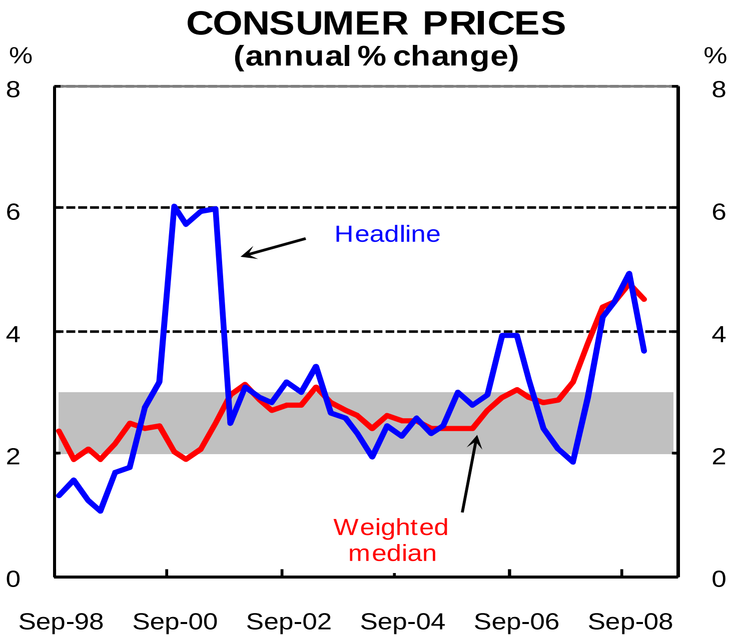
Localised pressures

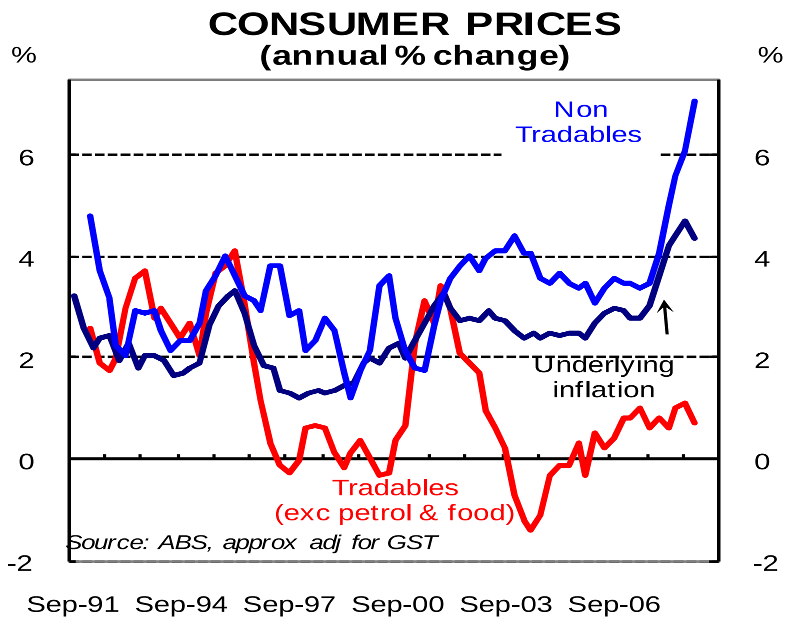




- **Strains greatest in NSW – borrowed the most at the height of the boom - squeezed most by higher rates, lower house prices, underperformance of NSW economy.**

Underlying CPI to track sharply lower in 2009/10



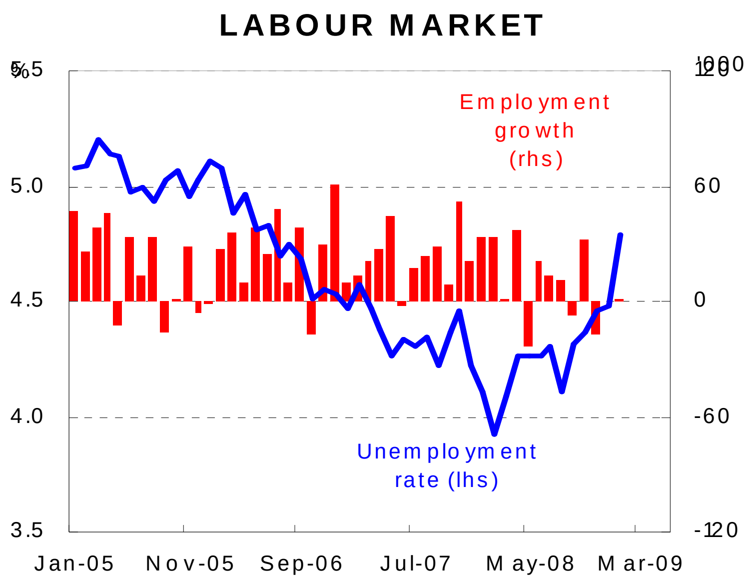


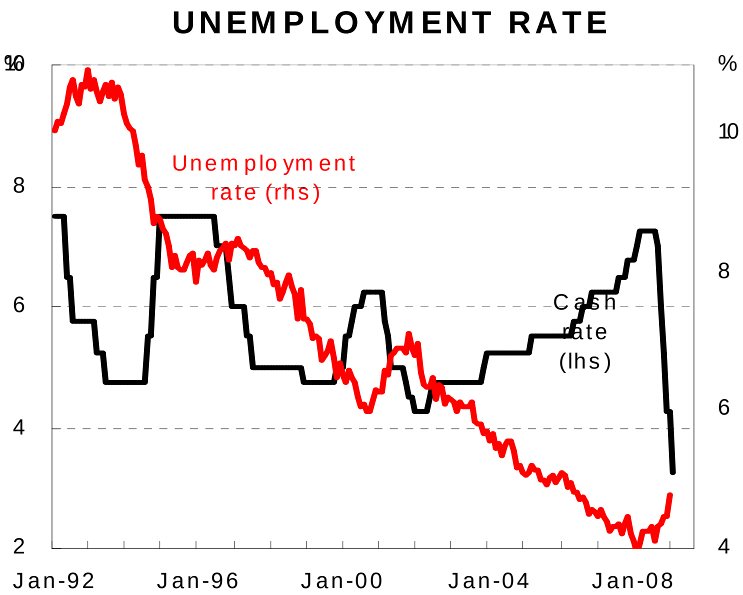
- **The CPI fell by 0.3% in QIV. The annual inflation rate stepped down to 3.7% from 5.1%.**

- **The RBA's underlying measures averaged an 0.75% rise, or an annual rate of 4.3% from 4.7%.**

- **Inflation set to fall back to 2-3% target zone more quickly than previously expected opening the door to more rate cuts.**

Unemployment 4.8% in January – up from 34 yr lows.





- **Australia's unemployment 4.8% in January – up from levels not seen 1970s.**
- **Australia's jobs gain over past year was 101k (+0.9%). Full-time jobs rose 70k (+0.9%).**
- **We see unemployment climbing toward 6% or more over 2009/10 as the economy loses momentum**
- **Watch this space!! The path of unemployment will help determine depth of current slowdown and just how low the RBA cuts the cash rate.**

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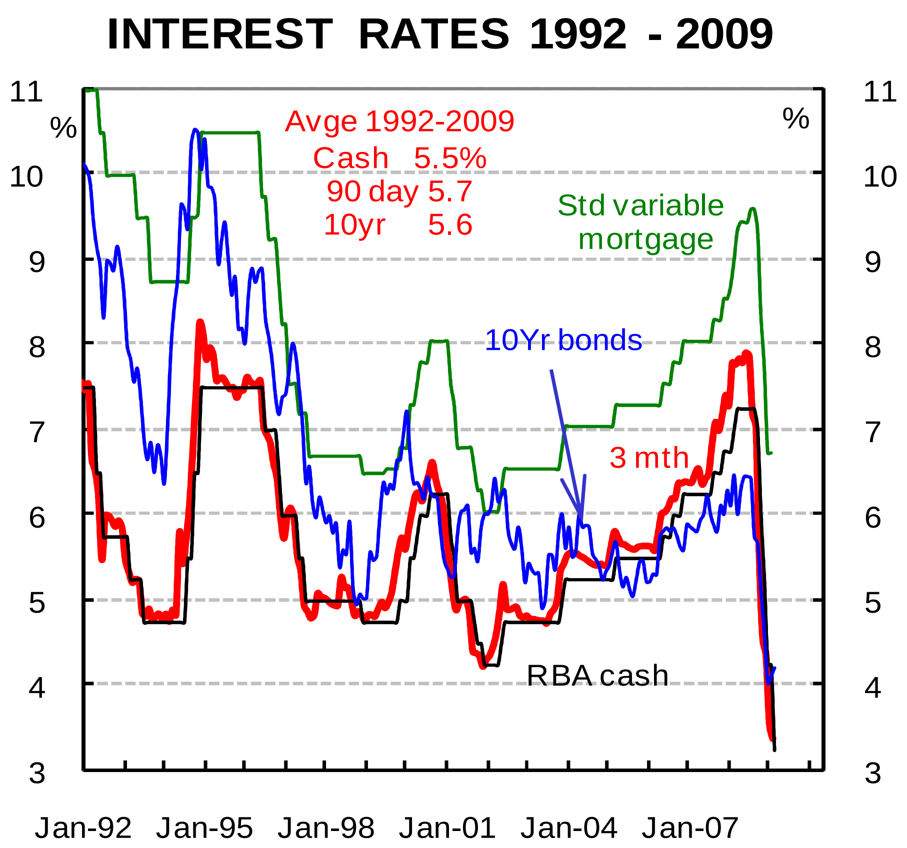
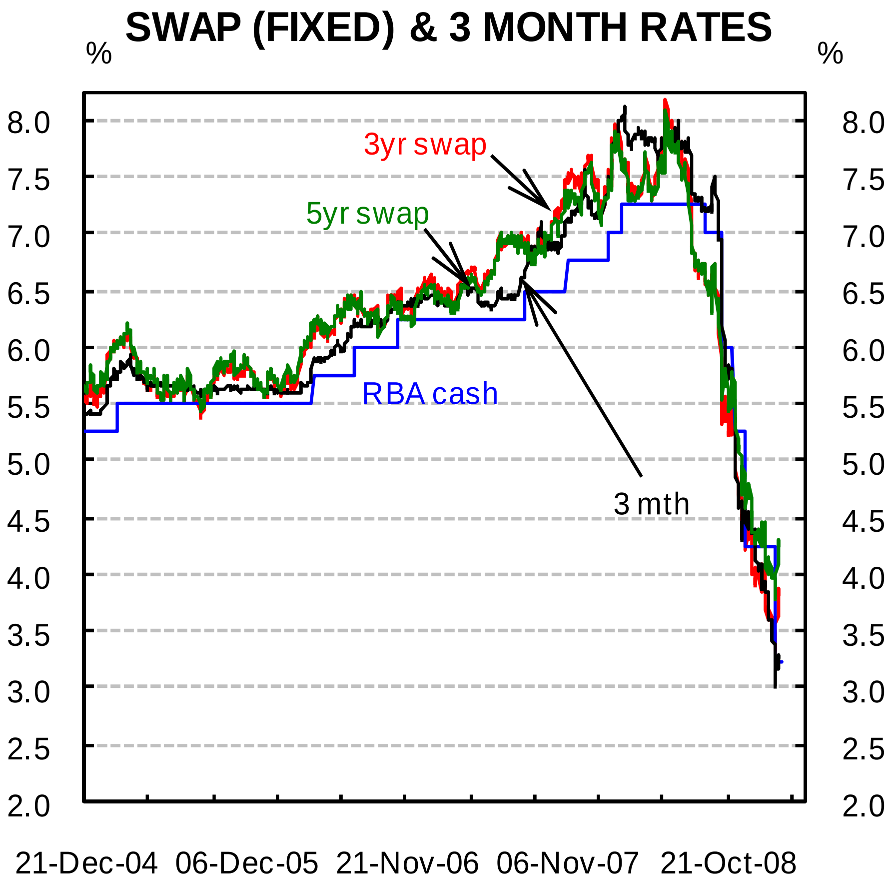
How Far Will The RBA Go?

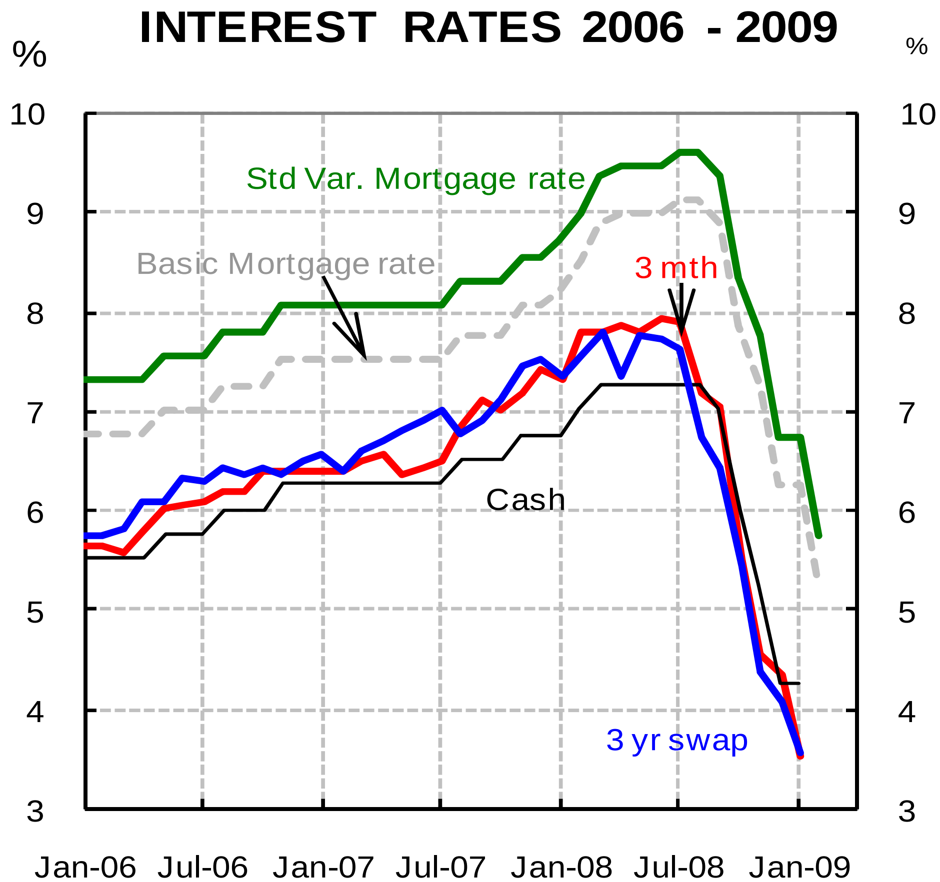
Is the market right?



- The RBA has cut the cash rate by 4% since September to 3¼%.
- A substantial policy easing has occurred but markets believe further aggressive cuts are likely.
- The market profile is unlikely to be validated short of an ongoing market & economic meltdown.
- If markets settle the focus shifts back to the real economy.
- RBA views on flow on from "Wall St" to "Main St" then become the key to how far rates go.

Australian 3 &5 Year swap rates falling as more rate cuts loom





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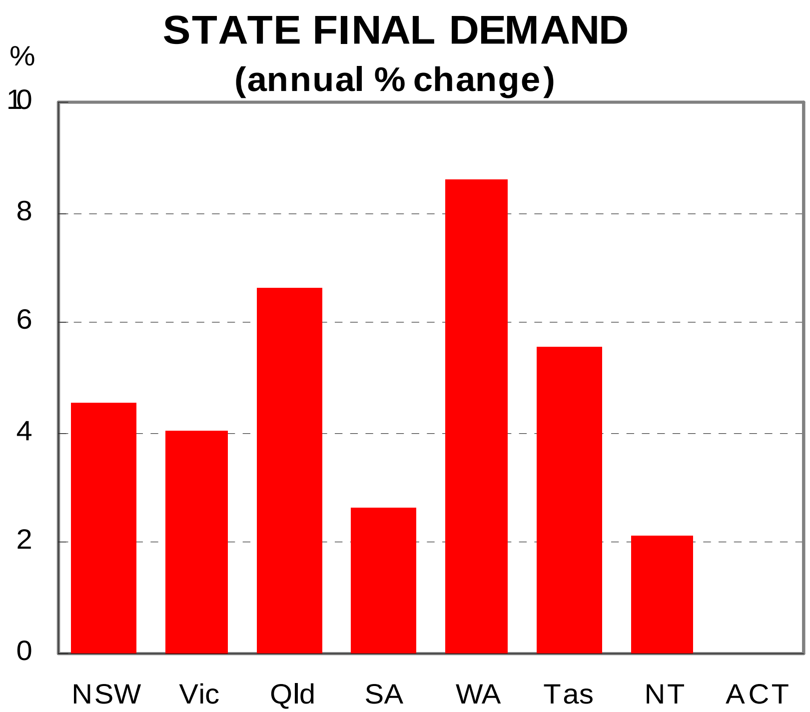
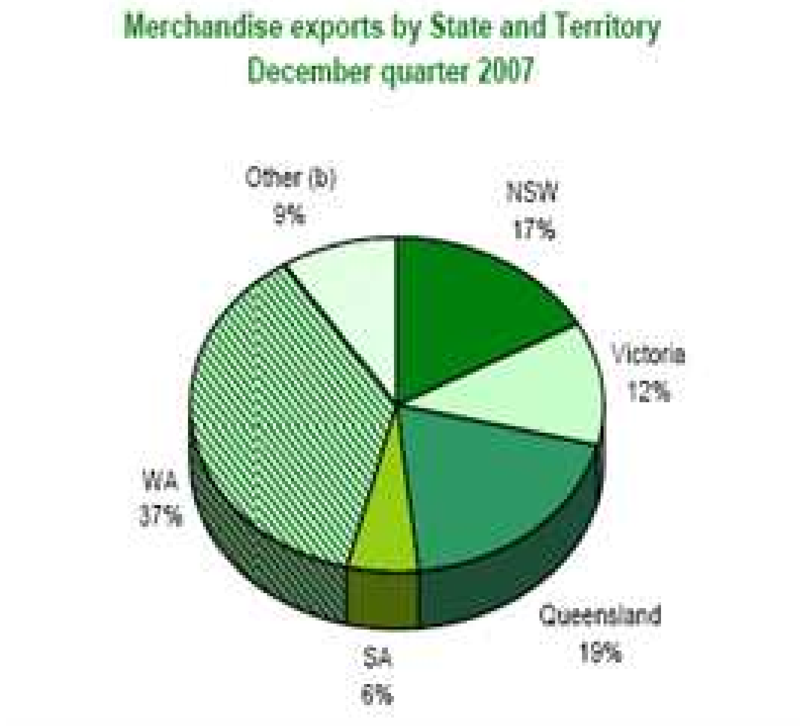
Two Speed National Economy still intact in 2009.

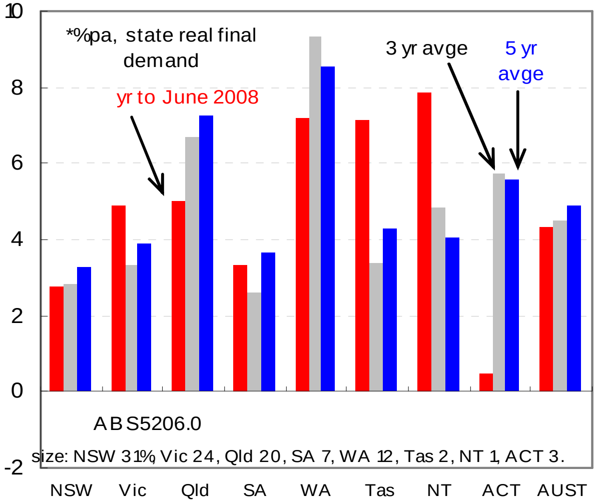


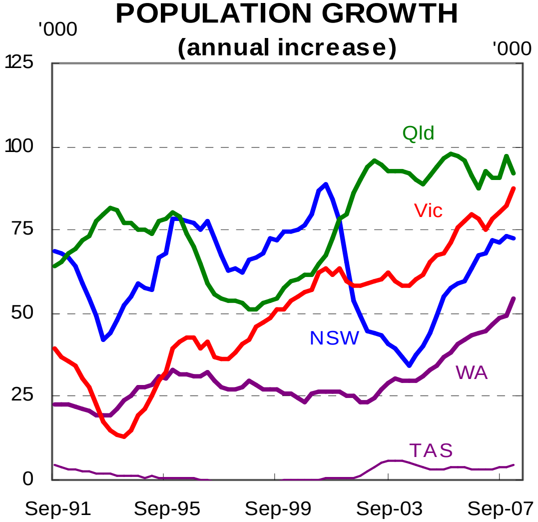


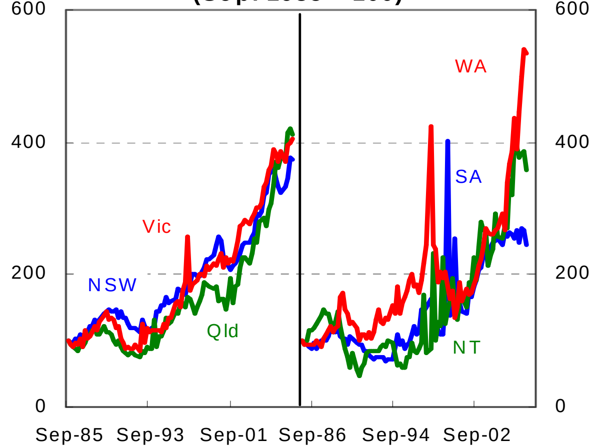
- **Resource rich states of Western Australia and Queensland have boomed in recent years – due to resources boom.**
- **NSW & Victoria (60% of national economy) have picked up speed of late, narrowing the growth gap. This gap is expected to narrow further in 2009.**
- **But multi-speed growth pattern set to continue in 2009.**

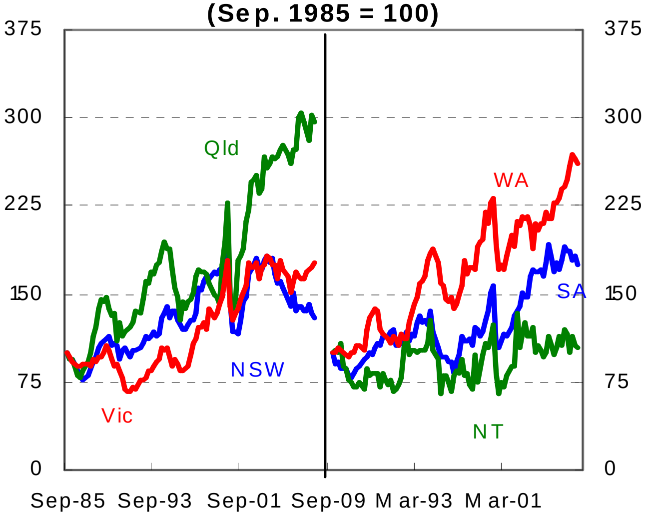
Commonwealth Research

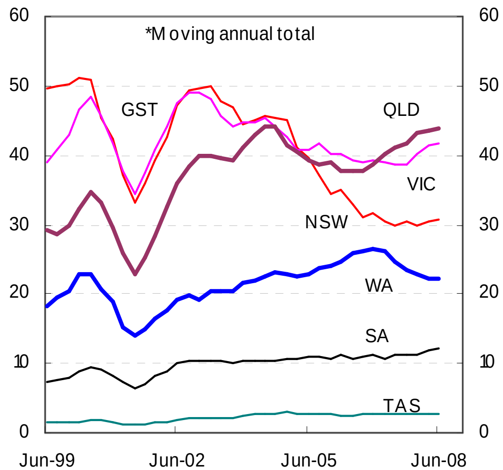
State of the Nation – snapshot of States' indicators

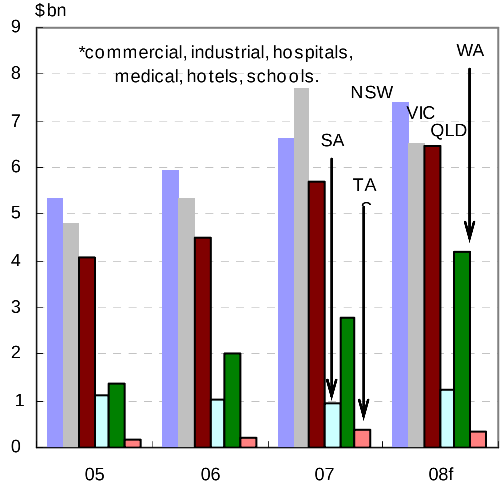






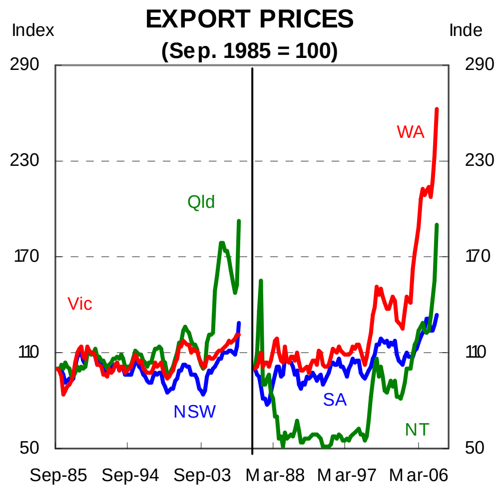


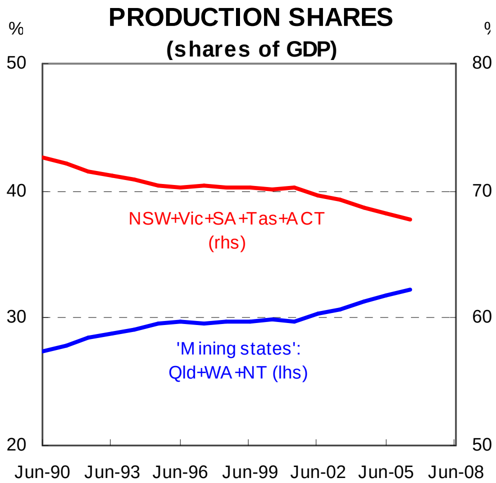


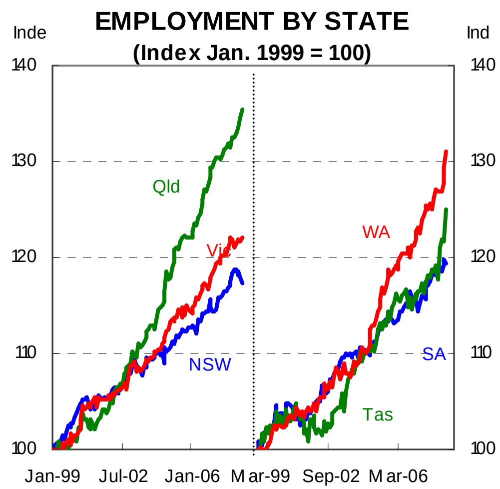


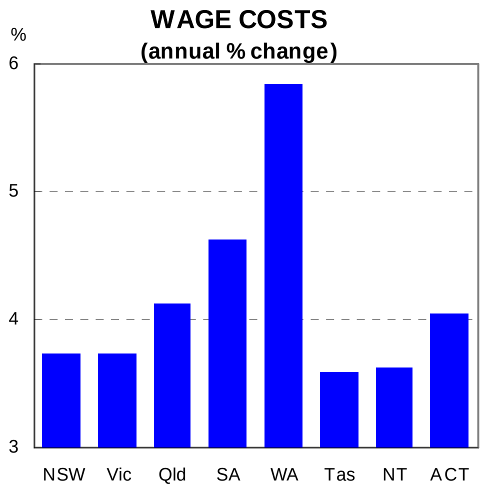
Commonwealth Research

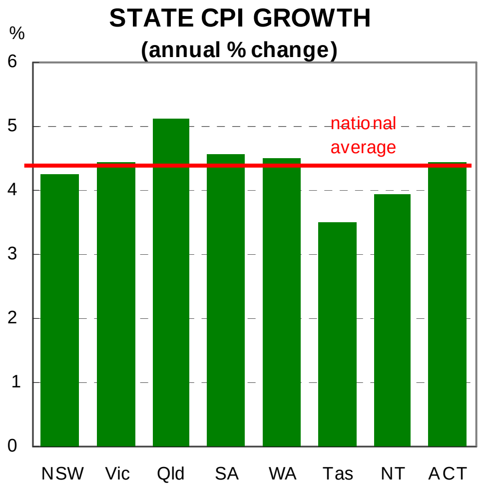
State of the Nation – snapshot of States’ indicators

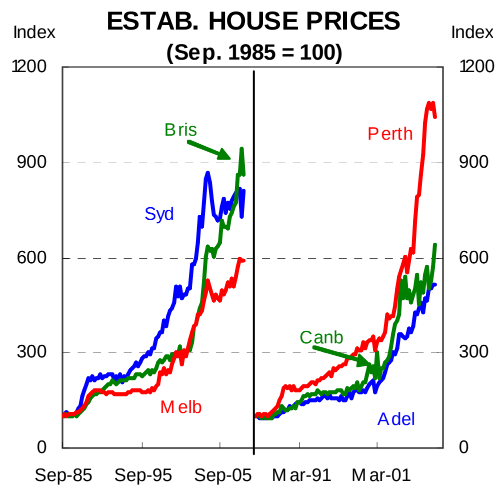












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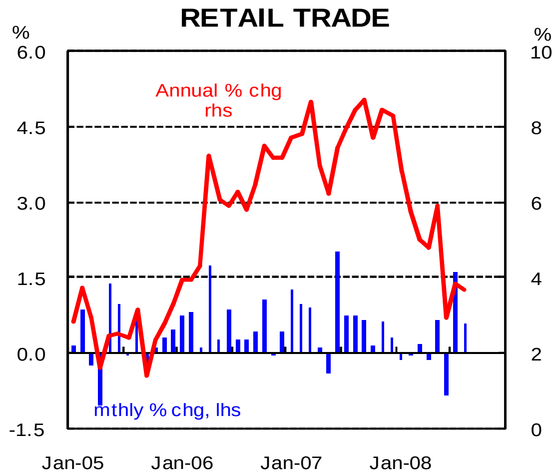
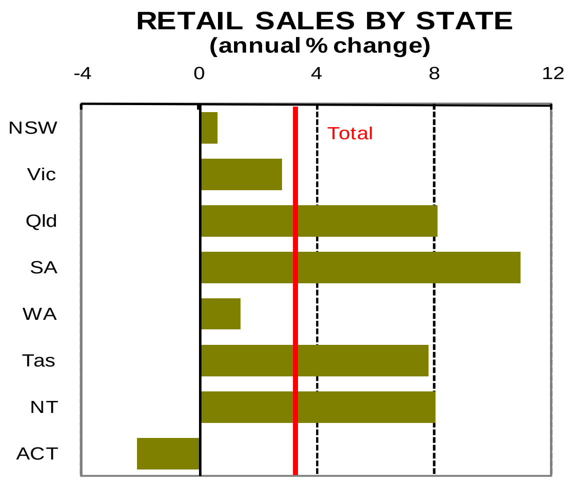
Consumer battered by bad news – Punch drunk but standing





- **Retail trade rose 3.7%pa in December - down from 8%pa plus peak in mid 2007 but up from 2% growth in November 2008.**
- **QI & QII volume falls were 1st consecutive qterly volume falls in 12 years (QIV 96 & QI 97).**

Underlying positive factors:

- **Real wages growth & increased Fed spending & tax cuts.**
- **Resilient jobs growth & low unemployment.**

More Recent Positives:

- **↓ interest rates**
- **↓ petrol prices**

Negatives:

- **↓ share prices**
- **↓ house prices**

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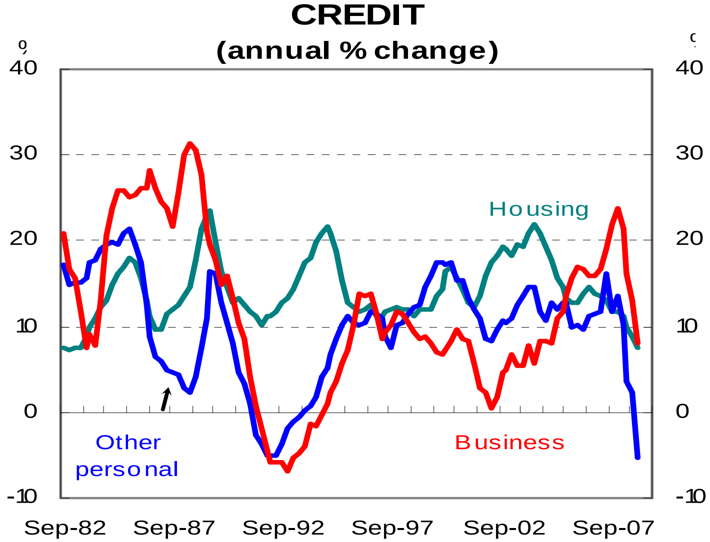
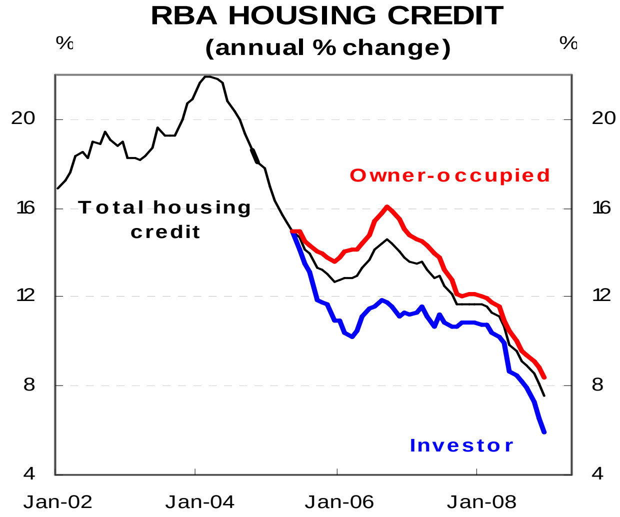
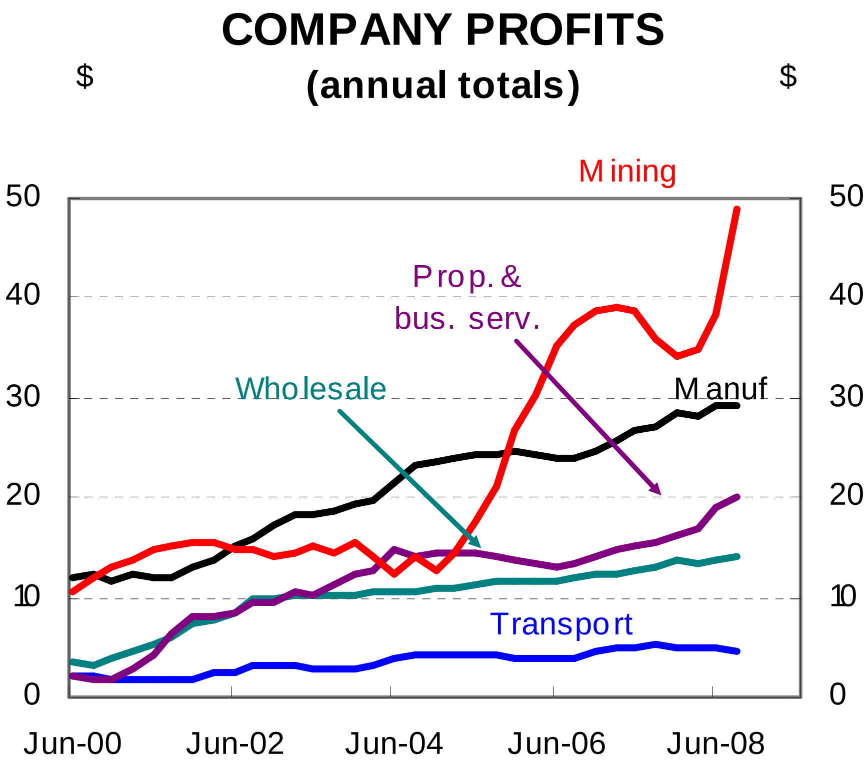
Private credit eases including business credit

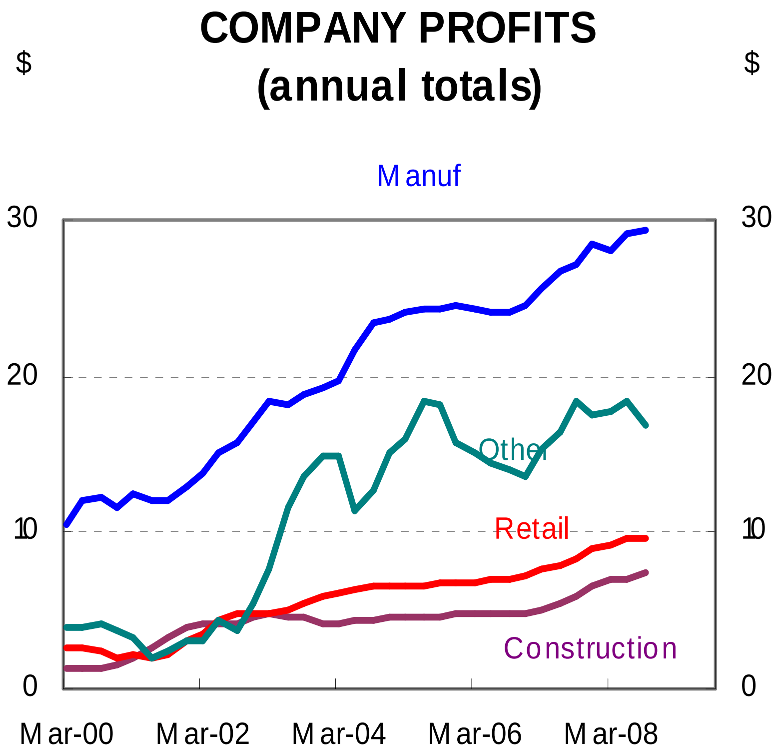




- Business credit eased sharply in 2008 after a sharp acceleration in 2004 to 2007 as companies have invested solidly to increase capacity.
- Business credit was still running at an annual 12.9% in September 2008 but fell further to 8%pa by December 2008
- This sharp deceleration reflects to a slowdown in business investment in 2009.
- Annual housing credit growth slowed from a peak of near 24% p.a. in late 2003 to 7.6%pa in December – lowest since 1982/83 recession (ie 25 years).

Corporates: Profits Growth Very Strong in 2008





- **Profits outlook still positive for mining/engineering/manufacturing/wholesale sectors. Company profits rose by 5.2% q/q in QIII to be 31.5% above year ago levels. As a % of GDP, profits hovering near record high of 25% of GDP in QIII.**
- **Mining and manufacturing are enjoying very robust profit growth.**

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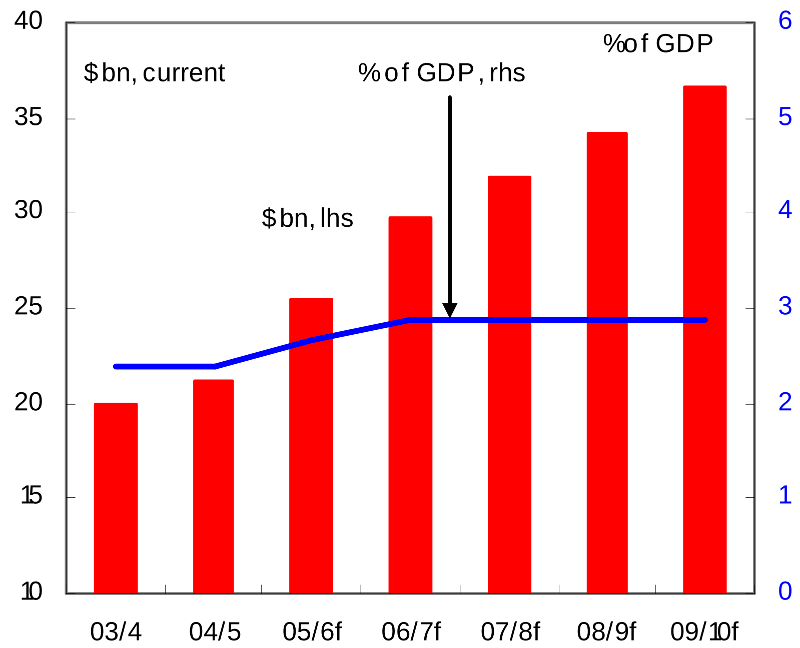
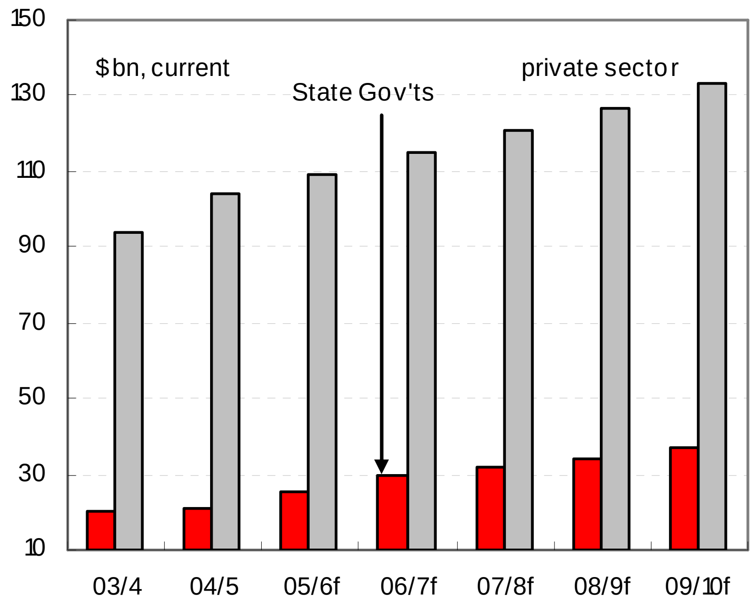
State Infrastructure Spending at Record Levels

6 STATES CAPEX PLANS



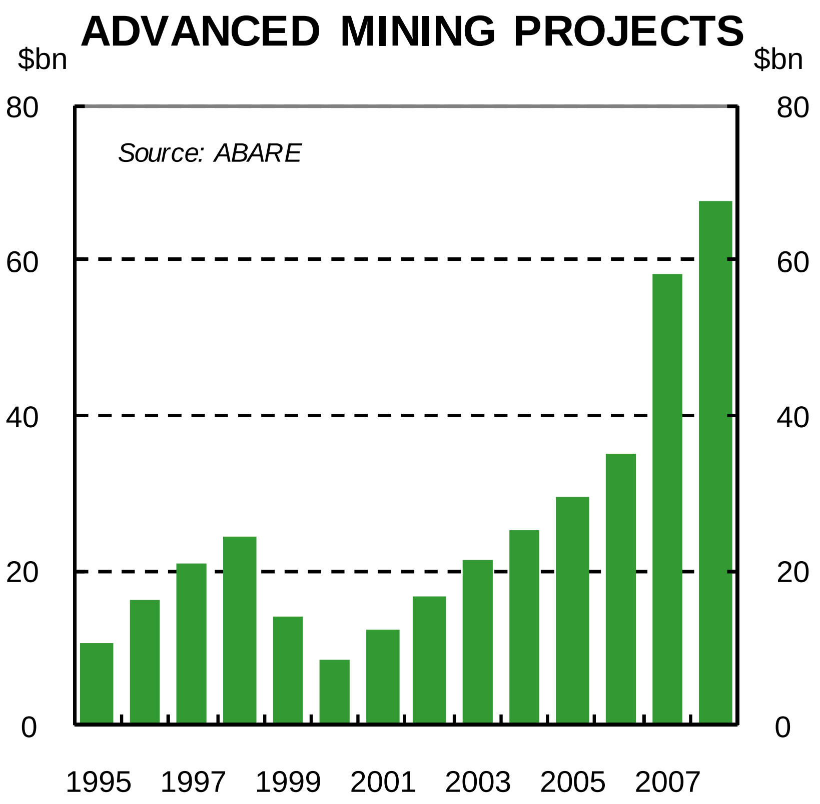
CAPITAL SPENDING PLANS $bn



- **State government capital works will be around $45bn in 2008/09 - 4.5% of GDP. And spend upwards of $180bn over next 5 years.**
- **Means upward pressure on material and labour costs in some States, eg WA & Qld, where mining is strong.**
- **Strong business outlook for major construction and infrastructure groups**.45

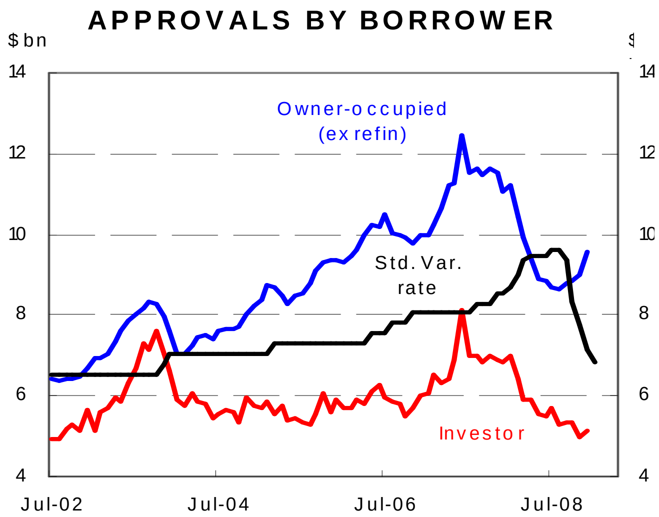
Australia: The Same But Different

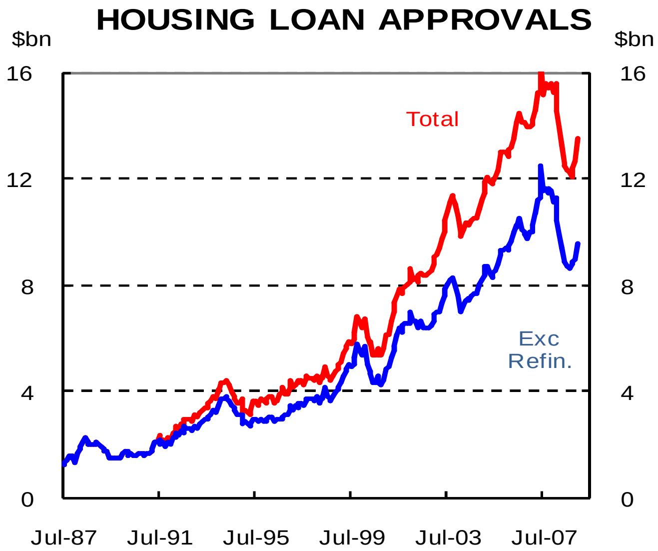
The pipeline - mining



- **A record number of resource projects (worth AUD67bn) are underway.**
- **The majority of these projects will go through to completion.**

Housing : HI 2008 High Rates & Petrol Prices Bite





- **The *__number__* of loans to owner-occupiers *rose 6.4%* in December, to be down 18%pa.**
- **The *__value__* of loans to investors *rose* 7.1% in December to be down 11.4% on Dec 2007.**
- **Multiple RBA official hikes from August 2007 took their toll on lending activity for housing.**
- **Deep RBA rate cuts since September 08 & more rate cuts ahead will lift housing affordability.**
- **Rising rents & house prices, low vacancy rates, & strong migration inflows also signal a rebound in lending growth.**

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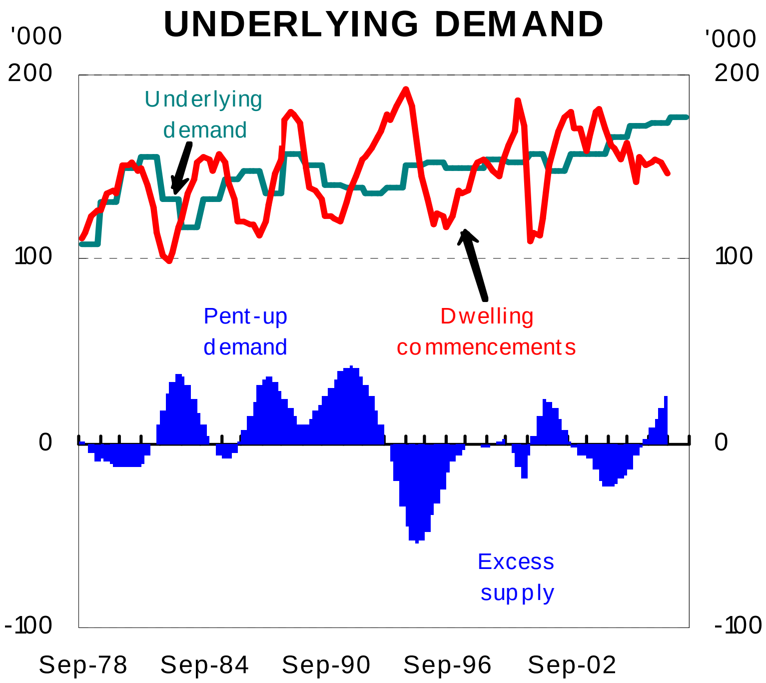
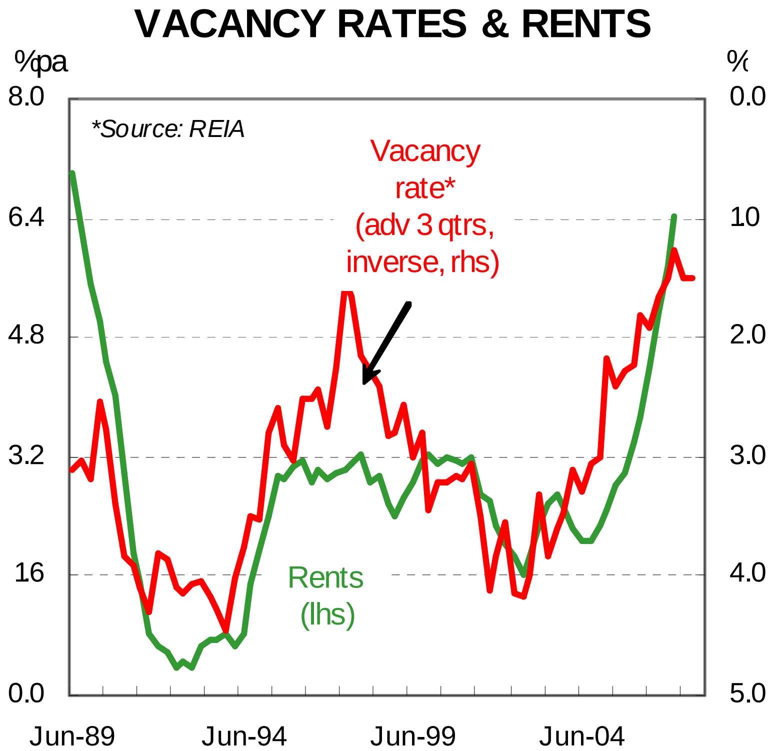
Housing Activity – Upswing delayed!

Solid underlying demand





- Commencements (150k pa) running below underlying demand (190k pa).
- Also vacancy rates low & rents rising.
- Immigration boosting demand – skill shortages mean more to come.

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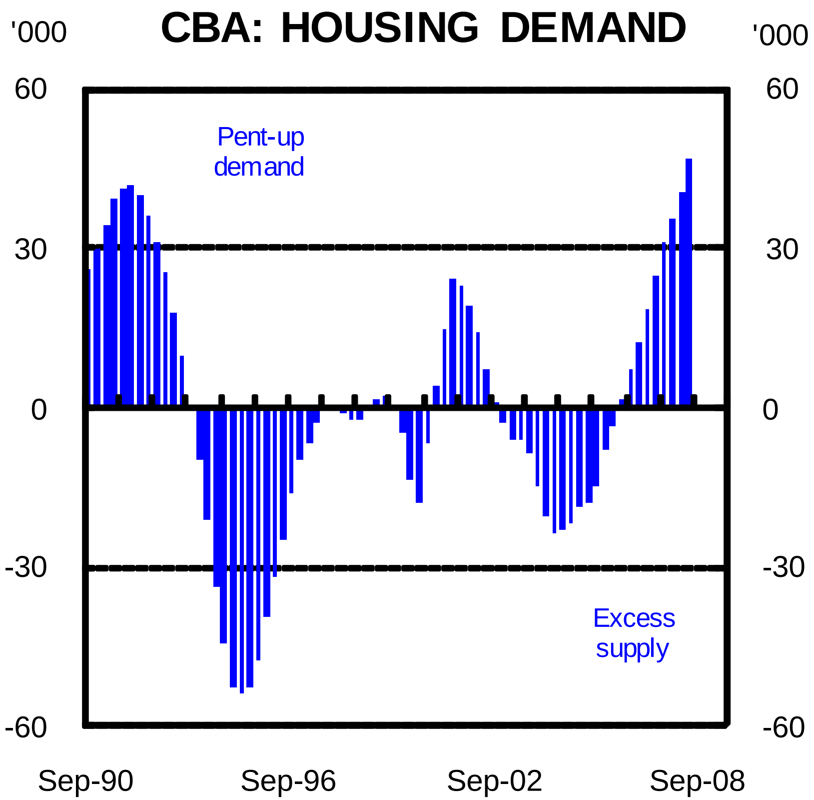
Easing The Squeeze

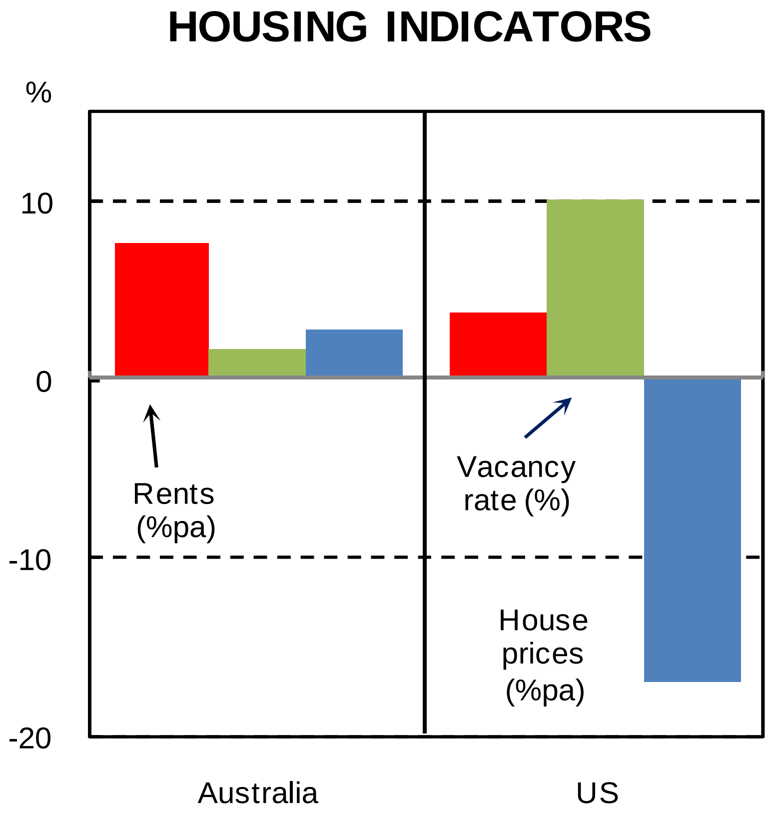
Unleash the hounds



- **Construction activity is not responding to underlying demand.**
- **A significant pent-up demand now exists.**
- **Assistance to 1st home owners will help unlock some of that demand.**

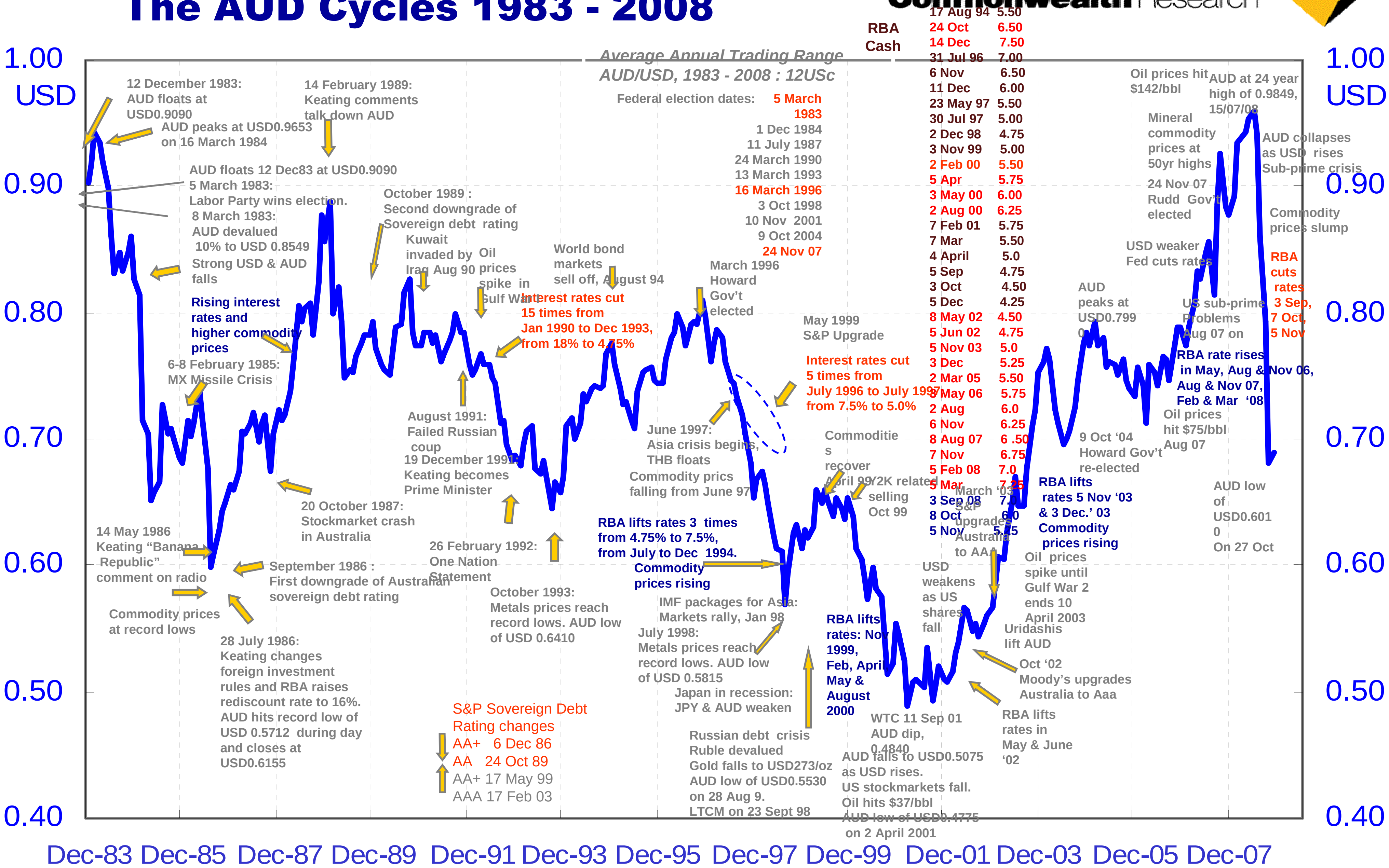
Australia Is Different to US

Better housing fundamentals



- The Australian and US housing cycles are in fundamentally different positions.
- Australian vacancy rates are low, rents are rising and house prices are stable.

The AUD Cycles 1983 - 2008



Updated 6 November 2008

Key Interest Rate Forecasts

Australia		Current	3 mnths	6 mnths	12 mnths
	Official Cash	3¼	2¾	2¾	2¾
	90-day bank bills	3.18	3.0	3.0	3.4
	3-year bonds	2.93	2.7	2.6	2.6
	10-year bonds	4.30	3¾	3½	3.6
	3-year swap	3.58	3¼	3.10	3.05
	10-year swap	4.57	4¼	4.05	3.80
USA		**Current**	**3 mnths**	**6 mnths**	**12 mnths**
	Fed Funds	1	0 - ¼	0 - ¼	0 - ¼
	2-year bonds	0.88	½	½	½
	10-year bonds	2.80	1¾	1¾	2
Spread		**Current**	**3 mnths**	**6 mnths**	**12 mnths**
	AUS-US 10yr	164	200	175	160
	AUS 3-10yr curve	137	105	90	100

CBA Key Financial Forecasts

End Period		Interest Rates: Cash Rate	90-day Bank Bill	180-day Bank Bill	3-year Bond	10-year Bond	Exchange Rates (USD versus): AUD	JPY	EUR	GBP	NZD
Mar-06		5.50	5.61	5.65	5.35	5.42	0.74	116.0	1.20	1.74	0.62
Jun-06		5.75	5.98	6.10	5.79	5.78	0.77	114.0	1.26	1.88	0.62
Sep-06		6.00	6.17	6.26	5.76	5.51	0.78	118.5	1.28	1.90	0.65
Dec-06		6.25	6.44	6.55	6.11	5.88	0.79	120.0	1.32	1.96	0.69
Mar-07		6.25	6.52	6.64	6.21	5.88	0.79	120.0	1.32	1.97	0.72
Jun-07		6.25	6.44	6.59	6.45	6.26	0.85	123.2	1.35	2.01	0.77
Sep-07		6.50	6.89	6.99	6.44	6.15	0.89	114.8	1.43	2.05	0.76
Dec-07		6.75	7.24	7.36	6.89	6.33	0.88	111.7	1.46	1.98	0.77
Mar-08		7.25	7.86	7.96	6.13	6.05	0.91	99.7	1.58	1.98	0.79
Jun-08		7.25	7.84	7.96	6.70	6.45	0.96	106.2	1.58	1.99	0.76
Sep-08		7.00	7.32	7.04	5.09	5.40	0.79	106.1	1.41	1.78	0.67
Dec-08		4.25	4.15	3.70	3.07	3.99	0.70	90.7	1.40	1.46	0.58
Mar-09	**Forecast**	3.25	3.00	2.80	2.80	3.40	0.64	93.0	1.30	1.45	0.51
Jun-09	**Forecast**	2.75	3.00	3.00	2.70	3.20	0.73	95.0	1.32	1.50	0.57
Sep-09	**Forecast**	2.75	3.20	3.30	2.80	3.20	0.75	105.0	1.35	1.54	0.60
Dec-09	**Forecast**	2.75	3.40	3.50	2.90	3.30	0.77	112.0	1.35	1.55	0.65

Key Australian Economic Forecasts

	Fiscal Years						Calendar Years						
	2005/06 (a)	2006/07 (a)	2007/08 (a)	2008/09 (f)	2009/10 (f)	2010/11 (f)	2004 (a)	2005 (a)	2006 (a)	2007 (a)	2008 (f)	2009 (f)	2010 (f)
Economic Activity													
Private final demand	**4.2**	**4.3**	**5.7**	**2.0**	**1.2**	**2.0**	**5.7**	**4.3**	**3.5**	**6.1**	**3.8**	**1.1**	**1.5**
Of which: Household spending	2.6	4.0	3.7	1.3	2.3	3.3	5.9	3.0	3.2	4.3	2.2	1.7	2.9
Dwelling investment	-4.3	1.9	1.4	-0.2	6.9	8.1	2.9	-3.4	-2.7	2.7	1.4	0.8	10.4
Business investment	16.4	7.6	15.6	6.8	-5.9	-5.5	9.8	16.7	8.2	15.0	12.4	-1.0	-7.2
Public final demand	**3.8**	**3.3**	**4.0**	**5.8**	**5.8**	**5.1**	**5.0**	**4.3**	**3.5**	**2.7**	**5.7**	**5.7**	**5.6**
Domestic final demand	**4.1**	**4.1**	**5.3**	**2.8**	**2.2**	**2.7**	**5.6**	**4.3**	**3.5**	**5.3**	**4.2**	**2.1**	**2.5**
Inventories (contrib to GDP)	-0.4	0.1	0.2	-0.3	0.0	0.1	-0.1	0.1	-0.6	0.6	-0.2	-0.2	0.1
GNE	**3.7**	**4.1**	**5.5**	**2.5**	**2.2**	**2.8**	**5.4**	**4.4**	**2.8**	**5.9**	**4.0**	**1.9**	**2.6**
Exports	2.2	3.8	4.3	-1.4	2.8	10.3	4.3	2.3	3.3	3.3	3.9	-3.6	9.2
Imports	7.2	9.2	12.7	3.7	5.0	9.2	15.0	8.9	7.2	11.4	10.8	0.4	8.9
Net exports (contrib to GDP)	*-1.0*	*-1.1*	*-1.9*	*-1.1*	*-0.7*	*0.0*	*-1.7*	*-1.2*	*-0.8*	*-1.7*	*-1.6*	*-0.8*	*0.0*
GDP	**3.0**	**3.3**	**3.7**	**1.3**	**1.7**	**3.3**	**3.8**	**2.8**	**2.9**	**4.0**	**2.4**	**1.1**	**2.6**
Prices & Wages													
CPI	**3.2**	**2.9**	**3.4**	**3.3**	**2.9**	**2.7**	**2.3**	**2.7**	**3.5**	**2.3**	**4.4**	**2.4**	**3.1**
Underlying CPI	2.6	2.9	3.8	4.2	3.1	2.5	2.5	2.5	2.9	3.1	4.4	3.5	2.8
AWOTE	4.7	3.7	5.0	4.8	3.5	4.4	3.9	5.4	3.4	4.8	4.7	4.1	4.0
WPI	**4.1**	**4.0**	**4.1**	**3.9**	**3.7**	**4.0**	**3.5**	**4.1**	**4.0**	**4.1**	**4.1**	**3.7**	**0.0**
Real h/hold disposable income	4.8	6.8	1.7	7.8	0.9	3.2	6.7	4.7	5.6	4.6	4.0	4.9	1.9
Labour Market													
Employment	2.4	2.7	2.6	1.1	0.5	2.2	2.0	3.2	2.1	2.8	2.3	0.1	1.7
Unemployment rate	5.0	4.5	4.2	4.9	6.3	6.0	5.4	5.1	4.8	4.4	4.2	5.8	6.2
External Accounts													
Current Account: $bn	**-53.1**	**-59.5**	**-70.2**	**-47.6**	**-75.9**	**-64.1**	**-52.8**	**-54.0**	**-53.6**	**-68.2**	**-50.0**	**-71.0**	**-69.5**
% of GDP	*-5.5*	*-5.7*	*-6.2*	*-3.9*	*-6.0*	*-4.8*	*-6.1*	*-5.8*	*-5.3*	*-6.3*	*-4.2*	*-5.8*	*-5.3*

Commonwealth Research

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