

KPMG Econtech's Australian National, State and Industry Outlook

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Executive Summary



EXECUTIVE SUMMARY

Australia has avoided a technical recession for the time being but the outlook remains weak.

Although Australia is not expected to enter a technical recession, quarterly GDP growth is expected to remain close to zero for the remaining quarters of 2009. In 2009/10 GDP is expected to increase by 1.2 per cent. Many commentators remarked on how the Budget forecasts were too optimistic. At that time, we held the view that in fact they were too pessimistic. Following stronger than expected consumer spending and signs of recovery in China, the consensus now is that the Australian economy will fare better than predicted in the Budget.

Recovery not expected until mid-2010.

The economy will deteriorate further through the remainder of 2009, but there are several reasons to expect the recovery phase to begin in mid-2010. Significant fiscal policy measures have been enacted which will pump-prime the economy. The government has geared its fiscal policy towards fighting the effects of the economic slowdown, announcing massive spending packages to try and limit the increase in unemployment. This weakness in the labour market is reining in wage growth and this will improve profitability and thus contribute to Australia's recovery.

With inflation under control, interest rates will remain on hold for the time being.

The economic slowdown has all but eliminated inflationary pressures. This will allow the RBA to leave interest rates on hold at the current level of 3.0 per cent. The historically low interest rates will help to stimulate consumer demand and assist in Australia's recovery. The low interest rates will also support a recovery in dwelling investment once employment stabilises and credit conditions normalise.

International developments provides further reason to expect a recovery in mid-2010; with Asia expected to recover well ahead of the UK and the USA, this will provide support for Australia's exports.

Strong growth in SA driven by strength in domestic demand.

Recent economic developments will not be uniform in their impacts across the various industries and across the States/Territories. Of the large states, South Australia will grow the fastest in 2009/10, driven by solid domestic demand. Victoria will suffer the most in the short term, as the Manufacturing industry continues to struggle.

Industries highly exposed to domestic spending will struggle.

Those industries highly exposed to domestic spending, such as Construction, will be very weak over the short term. Finance and Insurance suffer as they are directly exposed to the global financial crisis.

National Summary

Global credit markets appear to have normalised.

With the worst of the news from the US housing market seemingly over, lending conditions have begun to normalise; frosty credit markets thawed during the first half of 2009 and risk premiums moved back towards their longer-term averages. Following repeated downgrades for 2009 global GDP growth, the IMF now appears to have settled on a forecast of -1.4 per cent.

Australia may yet escape recession...

Australia appears to have escaped the worst of the fallout from the credit crisis and may yet avoid a technical recession. The economy defied all predictions to record positive GDP growth of 0.4% in the March quarter 2009. Stronger than expected consumer spending, along with signs of recovery in China has led us to revise up our growth forecast. Nevertheless, growth will remain weak, with a recovery not expected until mid-2010.

...but a recovery is not expected until mid-2010.

There are several reasons to expect the recovery phase to begin in mid-2010. The government has geared its fiscal policy towards fighting the effects of the economic slowdown, announcing massive spending packages to try and limit the increase in unemployment. The 2009/10 Budget contained a further \$22 billion in infrastructure spending.

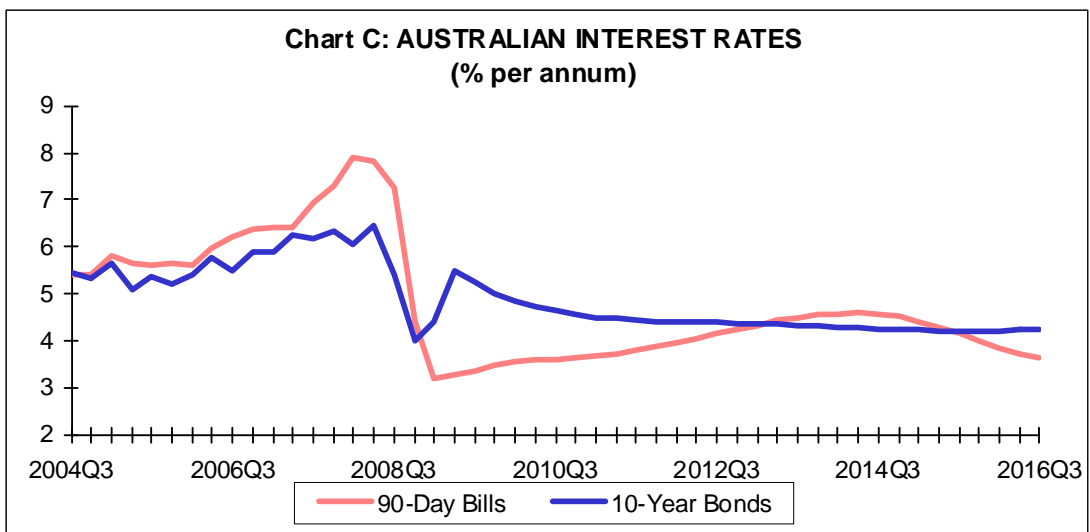
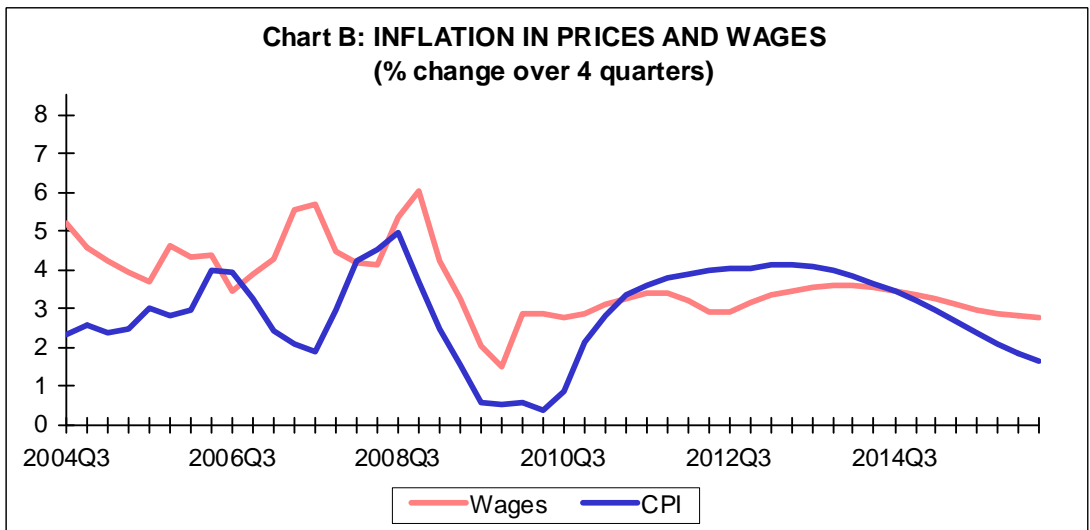
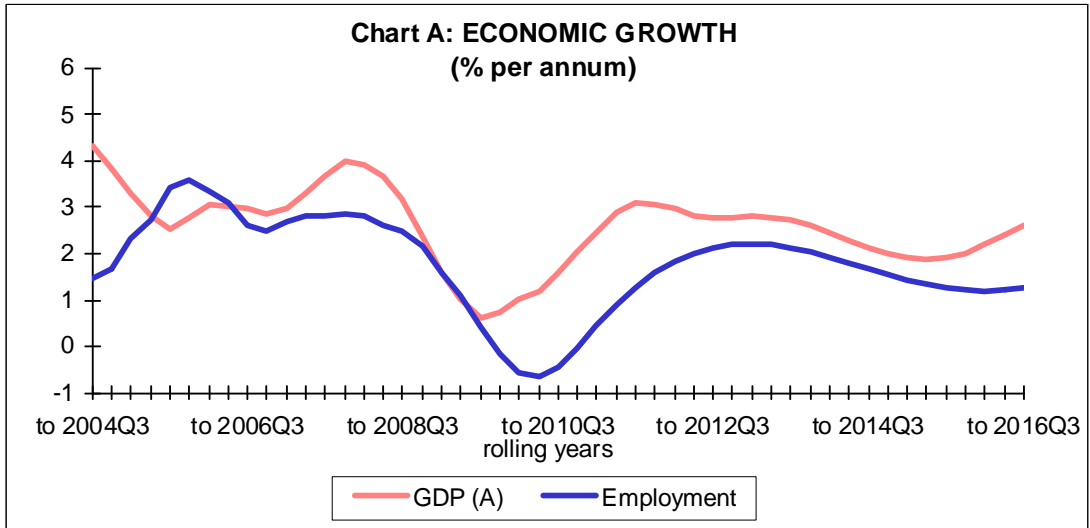
Unemployment to peak at 7.5 per cent

The headline unemployment rate has risen to 5.8 per cent at its latest reading. Employment is expected to fall by 0.7 per cent in 2009/10, with the jobless rate to rise to a peak of 7.5 per cent. This weakness in the labour market is reining in wage growth and this will improve profitability and thus contribute to Australia's recovery.

RBA is expected to keep rates on hold at 3% over the short term

The economic slowdown has all but eliminated inflationary pressures. This, and rising unemployment will see the RBA leave interest rates on hold at 3.0 per cent. The historically low interest rates will help to stimulate consumer demand and assist in Australia's recovery. The low interest rates will also support a recovery in dwelling investment once employment stabilises and credit conditions normalise.

International developments provides further reason to expect a recovery in mid-2010; with Asia expected to recover well ahead of the UK and the USA, this will provide support for Australia's exports.



State Summary

GDP is expected to grow by just 1.2% in 2009/10 with...

The Australian economy expanded by 3.7 per cent in 2007/08 but has slowed sharply in the first two quarters of 2008/09. We expect GDP growth to moderate to 1.0 per cent in 2008/09. This revised forecast for 2008/09 reflects deteriorating external conditions and falling business spending, which will continue into 2009/10. Growth for 2009/10 is forecast at 1.2 per cent for the country as a whole.

...1.6% in NSW...

New South Wales is the ‘largest state’ in terms of output and its industry base most closely matches the national industry base. GSP growth is estimated at 1.6 per cent for 2009/10.

...0.4% in Victoria...

Victoria is the ‘manufacturing state’. We expect GSP to grow by 0.4 per cent, as a sharp decline in business investment impedes economic activity.

...1.4% in Queensland...

Queensland is the ‘rapid population growth state’. We anticipate that low mining investment and a property market crash will underpin weak GSP growth of 1.4 per cent in 2009/10.

...4.0% in SA due to relatively strong consumer spending...

South Australia’s consumption spending will hold up better than in other states. We forecast their economy to grow by 4.0 per cent in 2009/10.

...up by 2.6% in WA ...

Western Australia is the ‘mining state’. We expect GSP to grow by 2.6 per cent in 2009/10 as a lower AUD encourages exports.

...down by 0.9% in Tasmania due to lower investment...

Tasmania has a high reliance on Agriculture and Manufacturing. GSP growth will fall by 0.9 per cent in 2009/10 following strong growth in 2008/09.

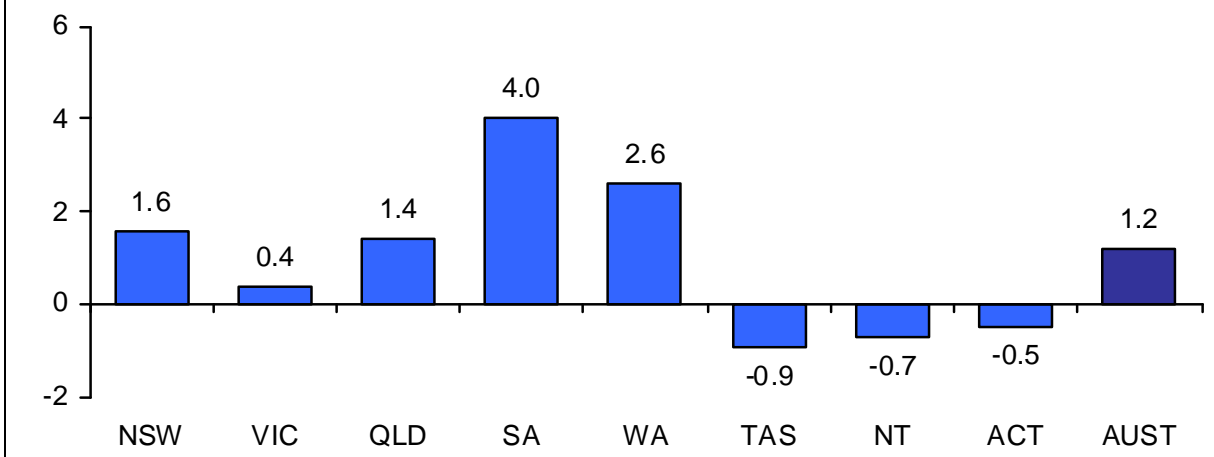
...fall of 0.7% in NT...

The **Northern Territory** is the ‘major projects territory’, small enough to be heavily influenced by individual projects. GSP will contract by 0.7 per cent in 2009/10.

...and a fall of 0.5% in the ACT.

The **ACT** is the ‘government Territory’. Following strong growth in 2008/09, GSP is expected to contract by 0.5 per cent in 2009/10 as a result of lower investment in residential property and lower business investment.

**Chart D: GROSS STATE PRODUCT FORECASTS
2009/10**



Industry Summary

GDP growth came in at a weak 1.0 per cent in 2008/09 due to a combination of factors associated with the global financial crisis. Unfavourable economic conditions are expected to continue in 2009/10, with growth forecast at 1.2 per cent.

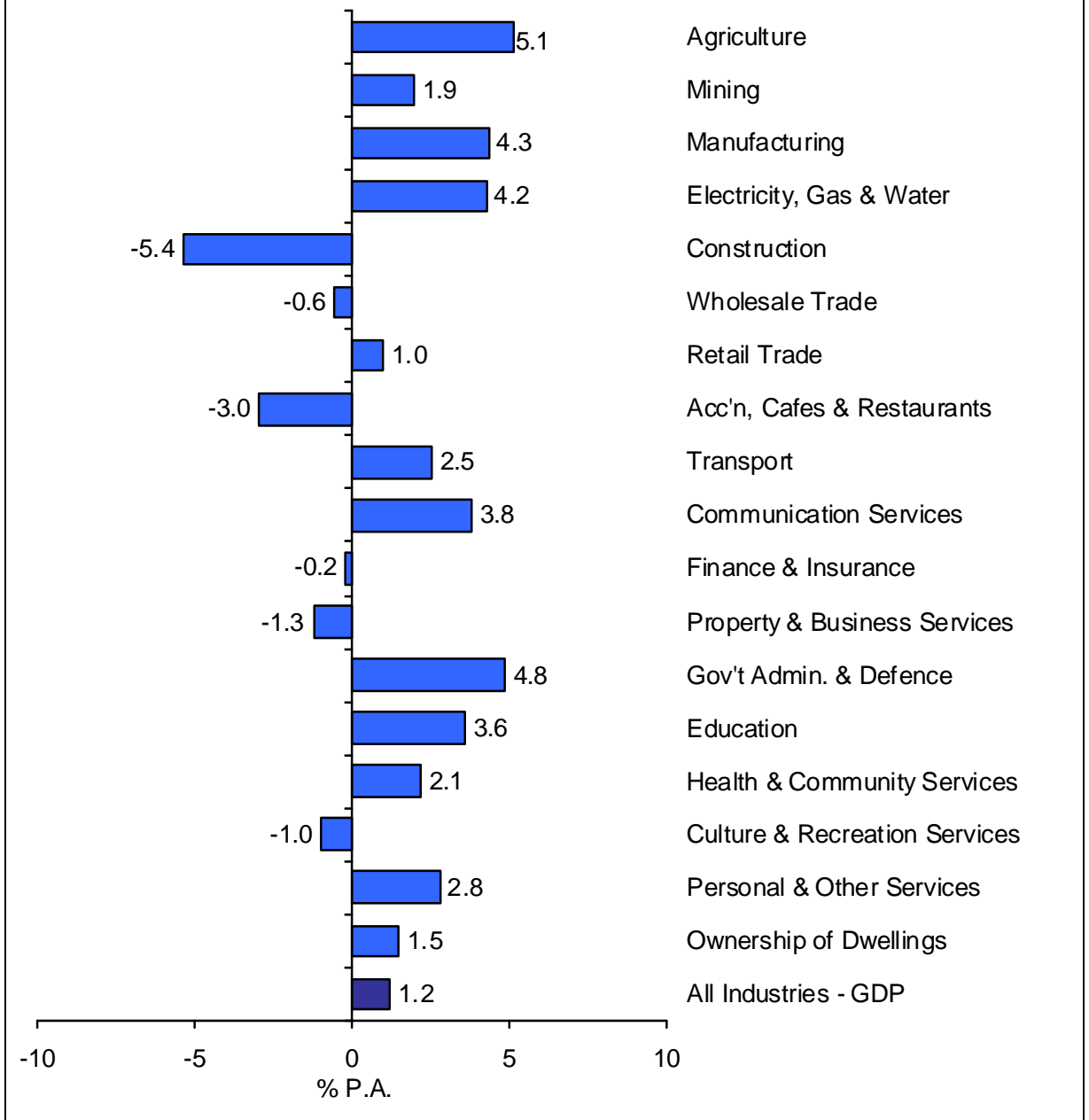
Agriculture to perform well as improved weather conditions result in higher crop yields.

Weaker consumer spending to impact on the wholesale and retail trade industries.

Lower business spending to hinder Finance & Insurance and Property & Business Services.

- ◇ Agriculture up 5.1%, (up 17.0% in 2008/09), with higher expected crop yields.
- ◇ Mining up 1.9%, (up 2.3% in 2008/09), as growth is hampered by lower contract prices for bulk commodities.
- ◇ Manufacturing up 4.3%, (down 3.7% in 2008/09), as demand recovers late in the financial year.
- ◇ Electricity, Gas & Water up 4.2% (up 4.0% in 2008/09), driven by growth in liquid natural gas consumption.
- ◇ Construction down 5.4% (up 1.8% in 2008/09), non-residential construction is constrained as developers still find it difficult to borrow.
- ◇ Wholesale Trade down 0.6% (down 1.0% in 2008/09), on the back of weaker trade activity.
- ◇ Retail Trade up 1.0 % (up 1.1% in 2008/09), as slow growth is supported by strong fiscal stimulus measures.
- ◇ Accomm'n, Cafes & Restaurants down 3.0% (down 1.8% in 2008/09) as the tourism industry struggles to attract international visitors.
- ◇ Transport up 2.5% (up 0.5% in 2008/09), as growth in manufacturing and agricultural production boosts demand for freight transport.
- ◇ Communication Services up 3.8% (up 0.5% in 2008/09), driven by government investment.
- ◇ Finance & Insurance down 0.2% (down 0.1% in 2008/09), suffering from the global financial crisis.
- ◇ Property & Business Services down 1.3% (down 0.9% in 2008/09), with property sales down and business activity subdued.
- ◇ Gov't Admin. & Defence up 4.8% (up 2.2% in 2008/09), as the government remains committed to spending programs.
- ◇ Education up 3.6% (up 1.7% in 2008/09), due to government investments in the industry.
- ◇ Health & Community Services up 2.1% (up 2.9% in 2008/09), due to government investment in health services.
- ◇ Culture & Recreation Services down 1.0% (up 1.1% in 2008/09) due to slower discretionary spending.
- ◇ Personal & Other Services up 2.8% (up 1.8% in 2008/09), as the beginnings of an economic recovery support higher demand for services.
- ◇ Ownership of Dwellings up 1.5% (up 2.7% in 2008/09).

Chart E: PRODUCTION FORECASTS - 2009/10





National Outlook



KEY FORECASTS (%)

	2007-08	2008-09	2009-10	2009-10	2010-11
	<u>Actual</u>	<u>Econtech</u>	<u>Budget</u>	<u>Econtech</u>	<u>Econtech</u>
Domestic final demand	5.3	1.8	-1 1/4	-0.6	1.5
Stocks (a)	0.2	-0.9	1/4	0.5	0.1
Net exports (a)	-2.0	1.2	3/4	0.8	0.8
GDP	3.7	1.0	-1/2	1.2	2.9
Employment	2.6	1.1	-1 1/2	-0.7	0.9
Unemployment rate	4.3	4.9	N/A	7.0	7.6
Unemployment rate (b)	4.2	5.8	8 1/2	7.4	7.5
Average earnings	4.6	4.7	NA	2.3	3.0
Average earnings (c)	4.1	3.2	NA	2.8	3.3
CPI	3.4	3.2	1 3/4	0.5	2.3
CPI (c)	4.5	1.5	NA	0.4	3.3
Current a/c deficit (d)	6.3	2.4	5 1/4	3.3	3.5
Current a/c deficit (e)	71	28	NA	40	44
90-day bill rate (b)	7.8	3.3	NA	3.6	3.7
10-year bond rate (b)	6.4	5.5	NA	4.7	4.5
TWI (b)	73.4	63.7	NA	52.6	48.5

(a) Contribution to growth. (b) At the end of the period. (c) June qtr to June qtr.

(d) As a percentage of GDP. (e) \$ billion.

SIGNIFICANT DEVELOPMENTS

- ◇ The global economic environment has deteriorated as the impacts of the financial crisis have spread across the globe. Most OECD economies are already in recession, a situation that is expected to continue until well into 2010.
- ◇ Australia has avoided a technical recession thus far and the downturn locally is not expected to be as severe as for most of our counterparts in the developed world (particularly the UK and the US). This is mainly because the Australian banking sector started out in much better shape than the US banking sector, and also because house prices in Australia are unlikely to fall sharply due to an ongoing supply shortage and stricter lending criteria.
- ◇ There are some positive signs in the latest economic data for the Australian economy, suggesting that we are approaching the bottom of the economic cycle. Retail sales figures for the March quarter of 2009 were better than expected and there are signs of recovery in China
- ◇ The government has attempted to counteract the impact of the global financial crisis on the Australian economy through significant fiscal expansion. The 2009/10 Budget announced government support for a large number of infrastructure projects, including the \$43 billion national broadband network.
- ◇ In April 2009, the RBA cut the cash rate to 3 percent, the lowest level for official interest rates on record. However, barring any further dramatic economic developments, the RBA looks set to keep interest rates at that level for the time being.

INTERNATIONAL ENVIRONMENT

Fallout from the global financial crisis will continue to hamper growth during 2009.

Commodity and oil prices fallen from their peaks of 2008 as the global economy has slowed.

Although the US economy appears to be stabilising, it is still expected to continue contracting during 2009.

The consequences of the global financial crisis continue to exert significant influence on the world economy. Following repeated downgrades, the IMF now appears to have settled on a forecast of a 1.4 per cent contraction in the global economy in 2009; the worst performance since World War Two. While there are signs that macroeconomic and fiscal policy support from governments all over the world has helped to stabilise the global economy, overall, recovery is expected to be sluggish and is not expected to commence until 2010. The pace of recovery will depend on the balance between opposing forces. On one hand, despite showing signs of normalising, financial markets remain impaired and some bank balance sheets still need to be restructured and cleared of bad debts. On the positive side, consumer and business confidence have recovered from their lows, not only in Australia but also in Japan and the Euro area.

Commodity prices have fallen a long way from the peaks reached in 2008. In early 2009, crude oil prices fell below the \$US 50 per barrel mark, some 70% down from the peak of \$US 147 seen in mid-2008. Although crude oil prices have now stabilised around \$US 70 per barrel, the economic circumstances underlying the dramatic fall remain: weakening demand from OECD countries and a weaker outlook for developing nations. Other commodity prices have also eased, with both metals and food prices well down on their levels from a year ago due to lower global demand.

The US economy contracted once again during the second quarter of 2009, continuing the worst US economic slump since the Great Depression. However, the US economy beat market expectations, recording a modest annualised fall of 1.0 per cent. Despite the stronger than expected outcome, consumer spending – which accounts for around 70% of US GDP – fell at an annualised rate of 1.2 per cent, which was worse than market forecasts. All sectors of the US economy have suffered in the face of the downturn. This situation is expected to prevail throughout the remainder of 2009 despite the Obama administration continuing to ramp up the level of government expenditure. The US Federal Reserve has already cut rates to “near zero” – that is, between 0 and 0.25 per cent. The most recent indication from US Federal reserve president Ben Bernanke is that US interest rates are unlikely to rise in the near future.

Consumer and business confidence have risen in the euro area, and Germany and France have recorded positive growth but the real economy is not expected to begin recovery until mid-2010.

The UK economy is in a deep recession with a return to normal growth not forecast until late 2010.

The Japanese economy has begun to stabilise, but a sustained recovery will rely on a global economic recovery.

China's economy has slowed but will still grow by an estimated 7.5 per cent in 2009.

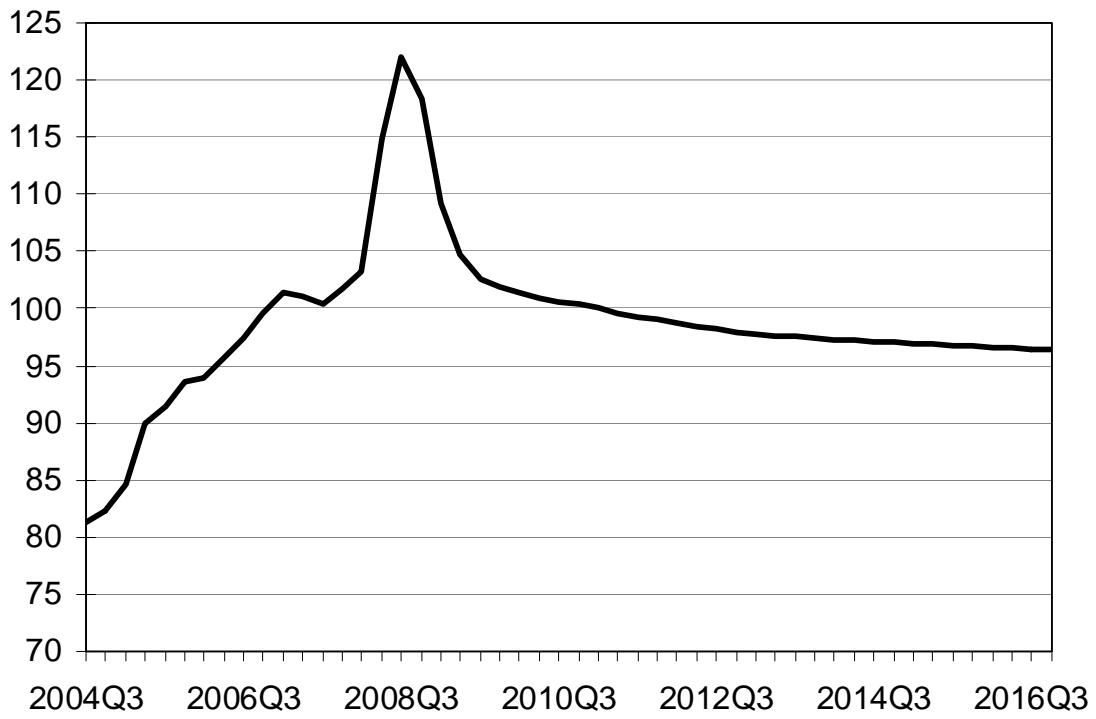
In Europe, confidence appears to be growing that the worst of the economic crisis is over. Europe's two largest economies, Germany and France have recorded positive growth for the June quarter 2009, unexpectedly ending their recessions. However, rising unemployment continues to curb consumer spending across the Euro area, with retail sales having fallen for 14 consecutive months to July 2009. The European Central Bank recently stated that they did not expect the recovery phase to commence until mid-2010. The ECB left interest rates on hold at 1.0 per cent, expressing their belief that inflationary pressures are under control and that official rates are already sufficiently low.

In the UK, any economic recovery still appears to be some way off. The IMF is forecasting a contraction of over 4 per cent during 2009, with growth in 2010 forecast to be close to zero. Although the most recent business and consumer surveys have shown some improvement, confidence indicators in the UK remain in negative territory. Consumer spending is expected to continue to be very weak throughout 2009 and into 2010 as unemployment continues to grow and households seek to reduce their debt burdens. Business investment is likewise expected to be soft due to the financial crisis. An economic recovery in the UK is unlikely until mid- to late-2010, and the pace of any recovery remains uncertain.

Following a disappointing first quarter result, with its sharpest single quarter decline in GDP on record, the Japanese economy appears to be stabilising. A recovery in Japan's export-focused economy will ultimately depend on sustained growth in the rest of the world. Domestically, in spite of continuing weakness in consumer spending, Japan's central bank expects the economy to begin its recovery in the second half of 2009.

Economic growth in the developing world is expected to be mixed in the face of the fallout from the global financial crisis. Economic growth in central and eastern Europe, Mexico and Brazil are expected to be weak, but growth in China and India are expected to remain strong. The Chinese economy appears to have shrugged off fears that it may be stalling, with aggressive government policy stimulus helping to maintain growth in the face of weak demand for Chinese exports from the US and Europe. Chinese manufacturing surveys indicate expansion, residential property shows signs of stabilisation, fixed investment is surging and, prompted by incentives, domestic consumption has held up. GDP growth in China is expected to moderate to around 7.5 per cent in 2009, according to the IMF.

Chart 1.1: TERMS-OF-TRADE (2005-06= 100)



DEMAND AND PRODUCTION

Overview

Australia has avoided a technical recession but the outlook for growth remains weak.

The Australian has slowed dramatically in the wake of the global financial crisis. However, the Australian economy is faring far better than most of its counterparts in the developed world, particularly the US and the UK. A surprise expansion in output during the March quarter of 2009 means that Australia has managed to avoid a technical recession. However, economic growth is expected to remain weak and a recovery is not expected until mid-2010.

Credit markets have improved, but still remain relatively tight.

Although credit markets globally have begun to normalise, tight lending conditions will continue to affect borrowings and therefore investment levels for some time to come. In particular, the pipeline of non-residential construction is drying up. Developers are still finding it difficult to borrow due to the global financial crisis and declining asset values are pushing up gearing ratios. As such, investment is expected to fall from its high level over the next two years. Consumer spending will also remain weak as households rein in spending in response to high unemployment and weak wage growth.

Exports and dwelling investment to drive the economic recovery.

The outlook for Australia's exports in the short term is weak, thanks partly to a high Australian dollar and weak demand. However as the economy of our major trading partners, such as China, rebounds, exports will also pick up. In fact, export growth along with a lift in dwelling investment will drive the economic recovery.

The government has adopted aggressive fiscal and monetary stimulus to moderate the economic downturn.

The federal government, meanwhile, has boosted its budgeted spending to try to and moderate the impacts of the economic downturn. Fiscal stimulus from the cash handouts and infrastructure funding in the budget should provide a boost to economic activity.

Details

Household consumption expected to remain sluggish due to weak employment and income growth

Household consumption has softened as the global financial crisis weighed down consumer confidence, which bottomed in the March quarter of 2009 but has since rebounded strongly. This was thanks partly to government cash handouts and also due to some recent better-than-expected economic news. However, with employment and income growth expected to be weak over the coming year, the medium term outlook for consumption growth is likewise weak. Private consumption growth is forecast to slow to a sluggish 1.2 per cent in 2008/09.

Dwelling investment has been weak despite an undersupply of housing.

The global financial crisis put an end to the budding recovery in **Dwelling Investment** that began in the first half of 2008/09. The global financial crisis resulted in tighter lending restrictions and a decline in household confidence which has curtailed new investment activity. The doubling in the first home owners' grant and rapidly declining interest rates have not helped to cushion the housing market from the worst of the impacts of the crisis. Dwelling investment in the March quarter 2009 was 5.6 per cent lower than in the December quarter 2008. Strong growth is expected over the medium term. Once credit conditions normalise and unemployment stabilises, the sector is expected to expand to meet the needs of Australia's growing population.

Business investment will collapse in 2009/10...

Business Investment grew strongly through the opening quarters of 2008/09, before collapsing with the onset of the global financial crisis. Commercial developers took advantage of the, then favourable, borrowing conditions to undertake one-off investment in Australia's transport and warehousing infrastructure, as well as upgrade and expand office and retail space in all of our capital cities. Now however, the non-residential construction activity pipeline is running dry. Developers are still finding it difficult to borrow due to the global financial crisis and declining asset values are pushing up gearing ratios. Private non-residential approvals continued to fall in the March quarter.

... with investment by mining companies set to plummet in 2009/10.

In addition, the **mining sector** has invested heavily in equipment and infrastructure in recent years to take advantage of elevated commodity prices. With commodity prices having fallen to more moderate levels, new mining investment activity has been curtailed, with a number of existing projects being cancelled and further expansion plans put on hold for the time being.

Almost all sectors have been hit by the tougher economic conditions, with those sectors highly exposed to domestic spending particularly affected. Tight credit conditions and a decline in sales and demand will see new investment activity contract sharply during 2009/10. Our forecast sees a 13.1 per cent decline in overall business investment in 2009/10.

Further details of our industry investment forecasts are available in the 'Industry Outlook' chapter.

Government spending will be driven by infrastructure spending.

Government consumption grew at a solid pace during 2008/09 and this trend is expected to continue into 2009/10. Government consumption tends to be fairly well insulated from the fluctuations in the economic cycle. The expansion in government consumption and government investment will be driven by increases in government infrastructure spending on schools and the National Broadband Network.

Inventories continued to detract from GDP growth in the first quarter of 2009.

Private non-farm inventories. Inventories detracted 0.1 percentage points from quarterly GDP growth in the March quarter of 2009, following on from a 1.1 per cent negative contribution in the December quarter of 2008. We expect inventories to continue to detract from GDP growth in 2009/10 as the economy slows. This is because firms will tend to wind down existing stocks in the face of falling demand. Private non-farm inventories are expected to fall by 3.5 percent in 2009/10.

Exports grew strongly in the first quarter of 2009.

Export growth has been disappointing in recent years with export volumes failing to grow in response to soaring commodity prices. However, exports grew strongly in the first quarter of 2009 despite the global economic crisis, up by 2.7 per cent, contributing 0.6 per cent to GDP growth in the quarter.

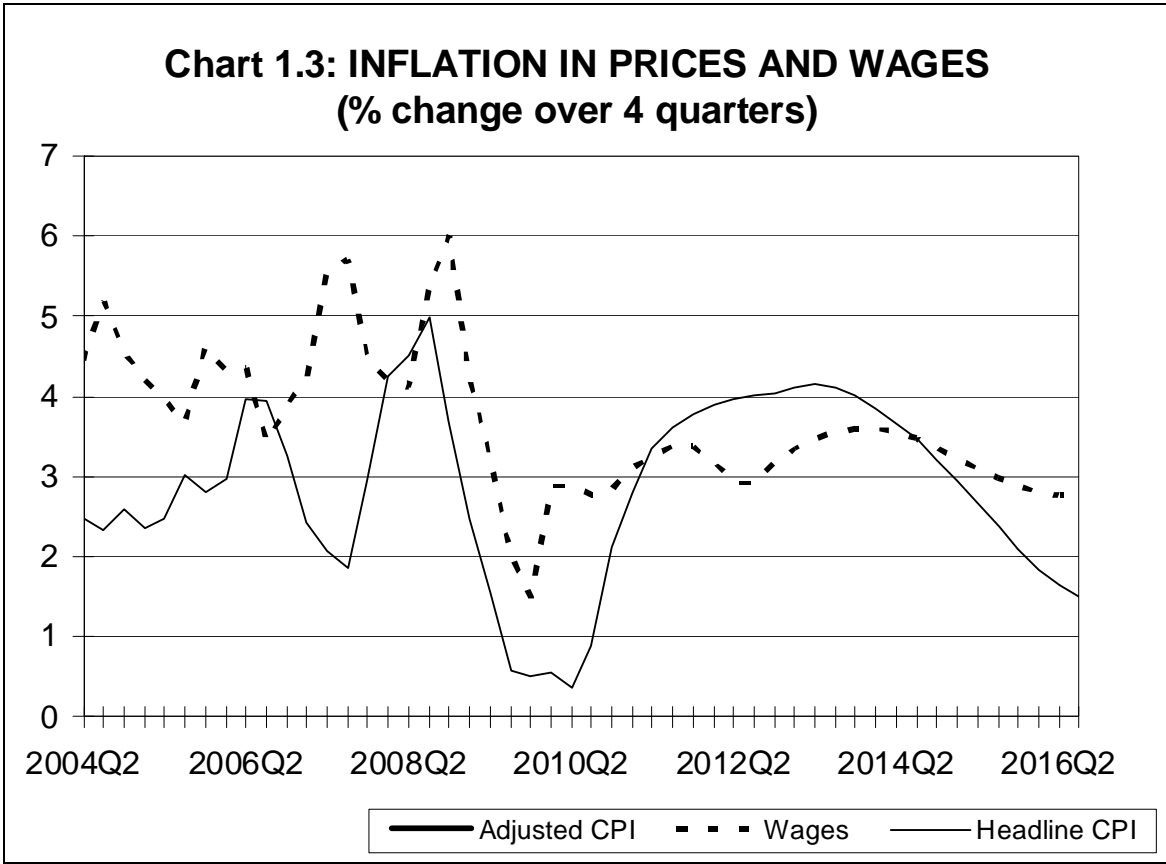
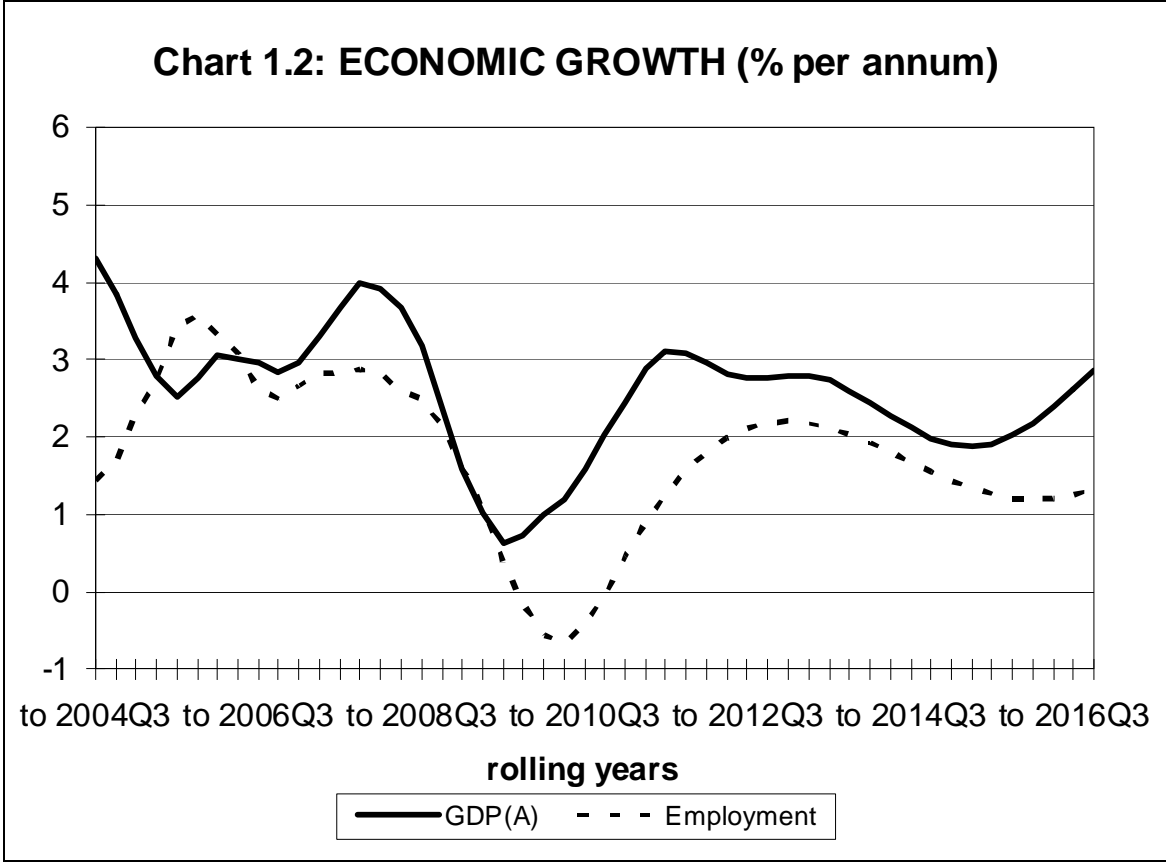
Weak demand from Australia's major trading partners will see exports fall slightly in 2009/10.

Exports are expected to continue to grow in coming years, driven by rising volumes in mineral exports and assisted by a dollar expected to depreciate over the medium term. That said, local exporters cannot escape the reality of the current global economic downturn, which has curtailed demand globally. Most of Australia's major trading partners are now in recession and recoveries are not forecast until mid 2010. Demand from the key Chinese market has softened, and as such, exports are forecast to fall by 1.0 per cent in 2009/10.

Over the medium term, exports are expected to rebound in line with the recovery in the economies of our major trading partners. In fact, a rebound in exports, particularly to China, will be one of the factors driving a recovery in Australia's economy.

Weaker demand from businesses and households has driven imports lower.

Imports have fallen sharply, mainly as a result of falling demand from both businesses and consumers. Imports fell sharply for the second consecutive quarter in the March quarter of 2009, down by 7 per cent after a 7.6 per cent drop in the December quarter of 2008. This trend is expected to continue with imports projected to fall by 4.3 per cent in 2009/10.



POPULATION, LABOUR MARKET AND INFLATION

Population

The forecasts in this report are based on our demographic projections.

The forecasts in this part of the report are based on our demographic model, which provides the capacity to examine the effect on economic growth of different scenarios for fertility and overseas and interstate migration. In the baseline forecasts, the fertility rate is assumed to remain at 2007/08 levels.

Skilled immigration will be cut as skills shortages ease.

Net migration from overseas is expected to ease across the short to medium term. The Australian economy has slowed sharply in the wake of the global financial crisis. Businesses have curtailed recruitment activities and unemployment has risen sharply. Skills shortages have eased across all industries and there is less demand for skilled migrant labour. Against this backdrop, the Immigration Minister has announced planned reductions in the overseas migrant intake. These measures are likely to remain in place until labour market conditions improve appreciably. We therefore anticipate reduced immigration until around 2011/12.

The trend of rising Labour force participation is likely to reverse as demand for labour slows.

Labour Market

In recent years, labour force participation has steadily increased in line with strengthening labour demand. This trend has been driven largely by rising female participation; male participation rates have held steady for a number of years. This trend is now likely to reverse, with the rapidly slowing economy reducing demand for workers. Lower wage levels and higher general unemployment is likely to discourage workers, with females likely to be among the first to drop out. The other factor driving overall participation levels is demographics. The population of Australia is ageing and this is likely to lead to a reduction in the size of the labour force as baby boomers retire in increasing numbers.

Slower economic growth will dampen employment growth.

Employment growth tends to follow growth in output with a lag. Robust GDP growth supported strong employment growth in recent years but this has already started to reverse as the economy slows. The unemployment rate has risen to 5.8 percent in June; compared to 4.1 percent just one year ago. Our forecast sees the unemployment rate peaking to over 7.5 per cent by late 2010.

The sustainable unemployment rate is estimated to be 5.25%.

The forecasts in this report take into account the changes to industrial relations (IR) as legislated by the Rudd Government in 2008. Specifically, under the new government, no new AWAs will be allowed and unfair dismissal laws for small businesses will be re-introduced. Therefore, the sustainable unemployment rate is expected to increase from 4.75 to 5.25 per cent.

Wage growth expected to drop to 2.3 per cent in 2009/10.

Wages growth in Australia has been high in recent years as tightening labour conditions pushed labour costs higher. This trend will reverse as demand for workers rapidly slows in the current economic climate. Wages growth is forecast to moderate to just 2.3 per cent in 2009/10 compared to normal growth of around 4 per cent (see Chart 1.3). This weakness in wage growth will help improve business profitability and assist Australia in coming out of the recession.

Inflation

Inflationary pressures have eased due to falling input prices and lower aggregate demand.

Inflationary pressures in Australia have evaporated due to the combination of the rapidly slowing economy and lower oil and commodity prices. Reduced consumer demand has limited the extent to which businesses can increase their prices. Meanwhile, the price of oil and other tradable commodities eased significantly through the second half of 2008 thanks to the slowing global economy, and have remained at these lower levels. This has reduced prices paid for raw materials. Headline CPI inflation fell to 1.5 per cent in the year to the June quarter of 2009. This is now well within the RBA's target range of 2 to 3 per cent. Low inflation coupled with a rising unemployment rate, means that the RBA is unlikely to raise interest rates over the short term.

Capacity constraints within the economy have also eased, thanks to reduced private final demand. This is most clearly evidenced by the rising unemployment rate, which will reduce upward wage pressure and has already begun to feed through into lower inflation. Our forecast sees CPI growth of 0.5 percent for the 2009/10 year.

In a report completed for the BCTR, Econtech constructed a CPI adjuster, to remove the impact of the new tax system on consumer prices. See Chart 1.3 for the adjusted CPI.

Current Account Balance, Saving and Investment

In this section, we discuss the current account balance from two different perspectives. First, we consider the current account balance as Australia's overseas balance in trade, transfers and income payments. Next, we consider it as the difference between national saving and national investment.

Australia's trade deficit is expected to narrow in 2008/09.

In 2008/09 the **deficit in trade on goods and services in volume terms** is expected to come in at roughly 1.1 per cent of GDP. This is a reversal of the trends seen in previous years of a strong currency and robust import demand which saw the gap expand. The Australian dollar fell sharply from its peak during the second half of 2008, but has recovered in recent months and now sits at a little over US80c. Exports have been stronger in 2008/09 but this trend will not be sustained as demand for Australian exports, particularly commodities, has fallen sharply. A weaker Australian dollar will provide relief on this front in the medium term, boosting export growth. Imports, meanwhile, is expected to fall sharply during the current financial year due to the weaker currency and ailing domestic demand. Imports of consumer goods will be particularly weak.

Terms of trade have deteriorated sharply because of falling commodity prices.

Australia's **terms-of-trade** have fallen sharply from the generational highs reached in 2007/08. Slowing global demand for raw commodities has led to lower prices and hence a deteriorating terms of trade; Australia's export basket is dominated by commodities. This trend will likely continue throughout 2009/10. Australia's terms of trade are expected to stabilise at in 2010/11 at 2006/07 levels, which is still high by historical standards.

In 2009/10 the trade deficit in volume terms translated to a **balance of trade in value terms** of -0.8 per cent of GDP. This is expected to narrow further over the medium term as export growth improve.

The **balance on net income** came in at -2.5 per cent of GDP in 2009/10, reflecting Australia's dependence on foreign investment to fund the current account deficit. The deficit on net income is expected to narrow over the short run as the current account deficit shrinks.

The current account deficit is projected to shrink in 2008/09 and 2009/10.

The **balance on the current account** is the sum of the balance of trade in goods and services in value terms, the balance on net income and the balance on transfers. In 2009/10, the current account deficit (CAD) narrowed to 3.3 per cent of GDP. The CAD is expected to continue to shrink in the long term due to a narrowing trade gap.

Chart 1.4: UNEMPLOYMENT (% of labour force)

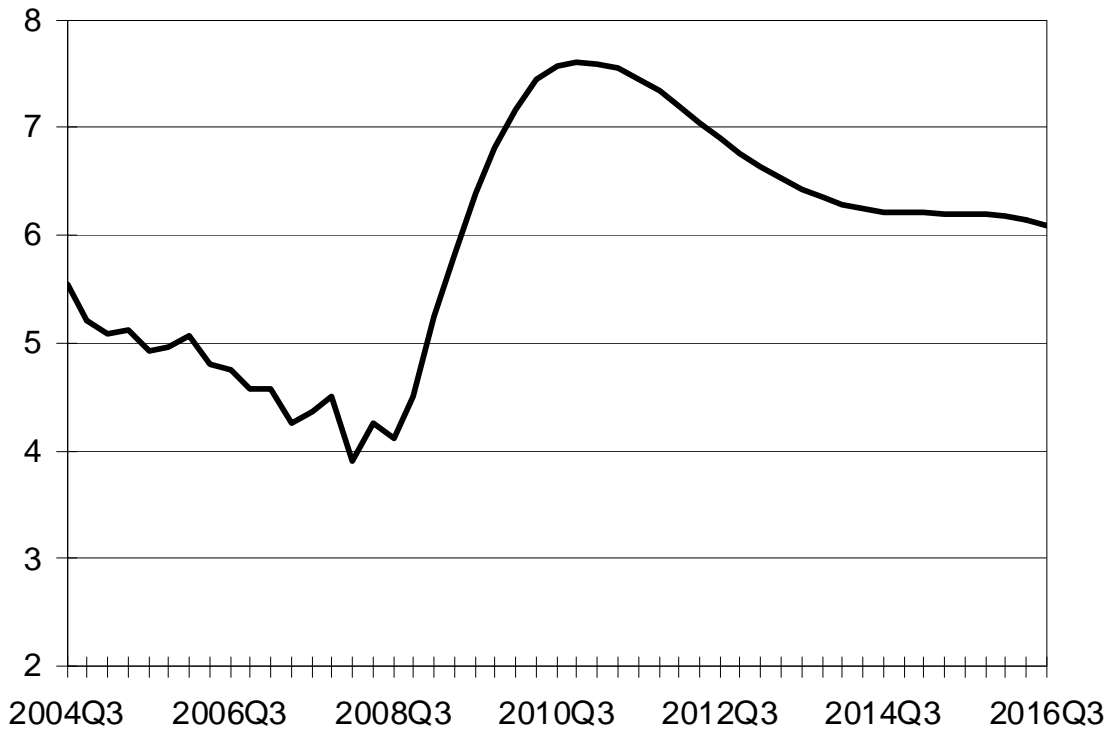
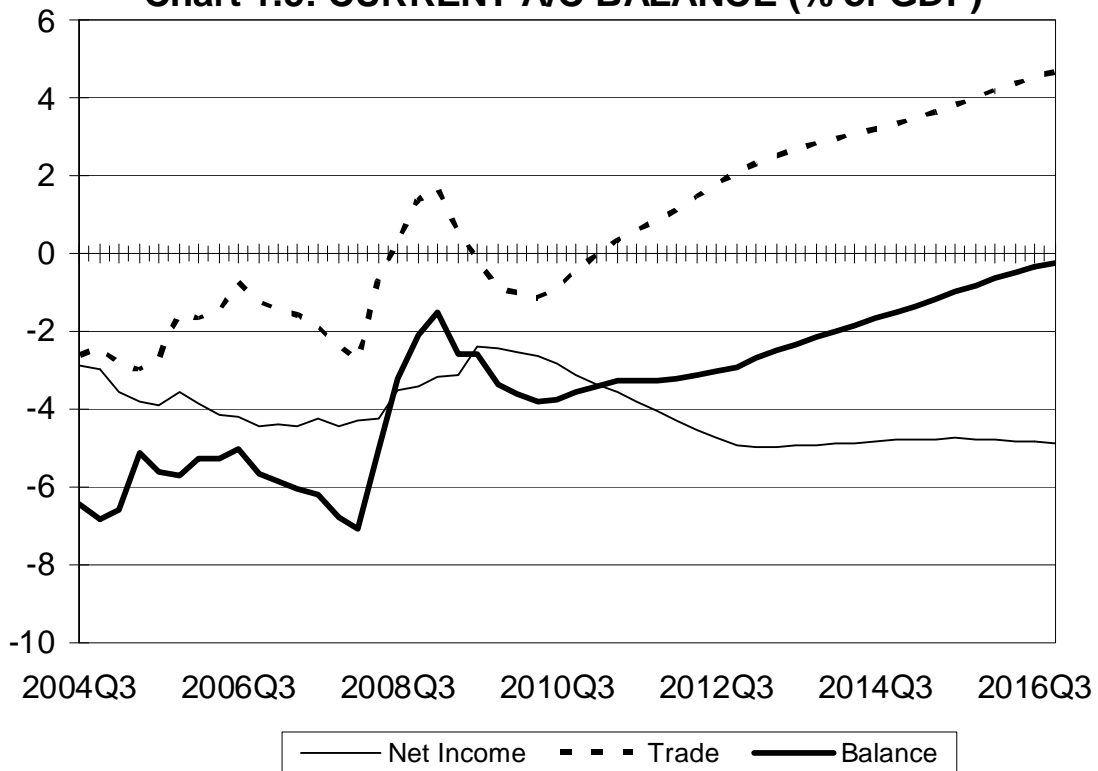


Chart 1.5: CURRENT A/C BALANCE (% of GDP)



The CAD also reflects the difference between national investment and national savings. The balance between investment and saving can be considered separately for the public and private sectors.

Public investment to rise due to government stimulus measures.

Public investment is expected to rise above 5 per cent of GDP in 2009/10 as the government tries to buffer the domestic economy from the global financial crisis. Public saving is expected to fall to below 4 per cent of GDP in 2008/09 and to 2.2 percent of GDP in 2009/10 as the budget slips deep into deficit.

in long term higher private saving will help reduce the CAD

Private investment is expected to fall to 22.3 per cent of GDP for 2008/09 as deteriorating credit conditions and low profitability keep a lid on spending on capital assets. This follows a peak of 24 per cent of GDP in 2007/08. Private savings are expected to rise in the face of ongoing uncertainty and financial market jitters. Our forecast is for private savings to hit 20.7 per cent of GDP in 2008/09. This increase will be led by consumers reining in their spending to contain the build-up of household debt. The government's handouts will also boost private savings. The net effect is that the CAD is likely to narrow in the long term, supported by higher private saving.

FINANCIAL MARKET IMPLICATIONS

Interest rates have been cut to all time lows.

The RBA has cut interest rates to all-time lows since the middle of 2008 as the economic landscape has rapidly deteriorated. Ongoing balance sheet restructuring on local and international credit markets have led to higher risk premia, implying that the cost of sourcing funds remains elevated, even with credit markets normalising. As such, local banks have not passed on the interest rate cuts in full. The cash rate currently sits at 3 percent following the 25 basis point cut handed down by the RBA in April 2009. With some signs of economic recovery beginning to appear and inflation well in hand, the RBA has indicated that it is unlikely to cut interest rates any further. However, with unemployment still expected to rise, it is also unlikely that the RBA will cut rates over the short term. As a result of lags in monetary policy, the RBA is expected to leave rates on hold as it assess how its previous cuts work their way through the economy.

The cash rate is forecast to remain at 3.0 per cent for the remainder of 2009.

AUD has underwent significant depreciation, but has since recovered.

The Australian dollar was hit hard during the global financial crisis, due to falling world commodity prices. As global investor confidence has returned, the Australian dollar has recovered. However, we forecast that it will fall to between US65c and US70c in the short to medium term.

Chart 1.6: AUSTRALIAN INTEREST RATES
(% per annum)

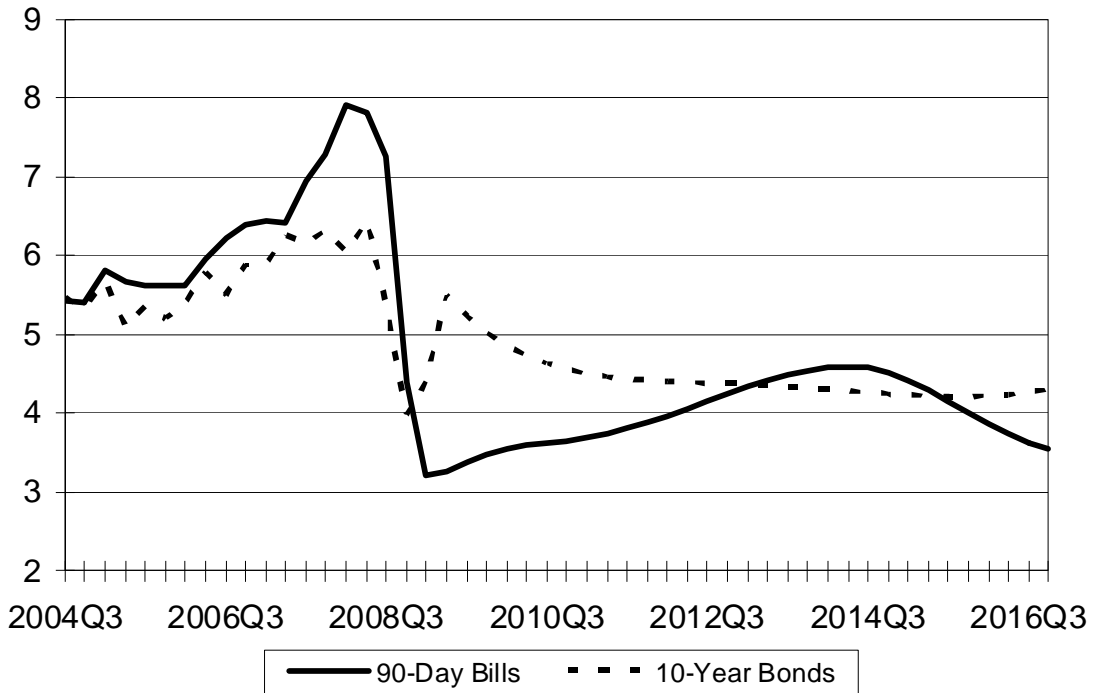
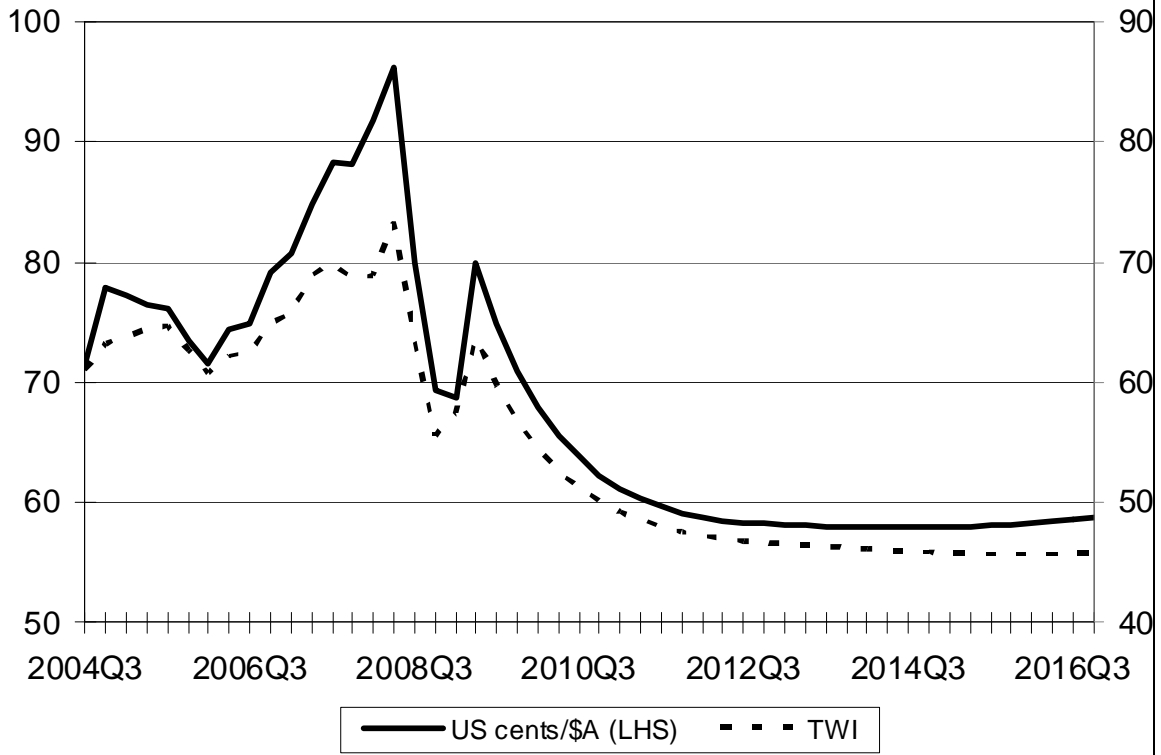


Chart 1.7: EXCHANGE RATE





State Outlook



(i) Key forecasts (annual per cent change)

	<u>GSP</u>				<u>three years: 2008/09-2010/11</u>		
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>GSP</u>	<u>Population</u>	<u>GSP per</u>
	<u>Outcome(a)</u>	<u>Forecas</u>	<u>Forecas</u>	<u>Forecas</u>			<u>capita(b)</u>
NSW	2.7	2.1	1.6	1.4	1.7	1.4	0.3
VIC	2.8	4.7	0.4	2.2	2.4	2.0	0.4
QLD	5.5	-4.8	1.4	3.0	-0.2	2.8	-2.9
SA	3.9	4.6	4.0	2.7	3.8	1.3	2.5
WA	5.2	-2.8	2.6	8.1	2.5	2.7	-0.2
TAS	2.0	8.8	-0.9	2.5	3.4	1.2	2.2
NT	4.8	-1.8	-0.7	3.8	0.4	2.7	-2.3
ACT	2.4	8.9	-0.5	1.3	3.2	1.6	1.6
AUS	3.7	1.0	1.2	2.9	1.7	2.0	-0.3

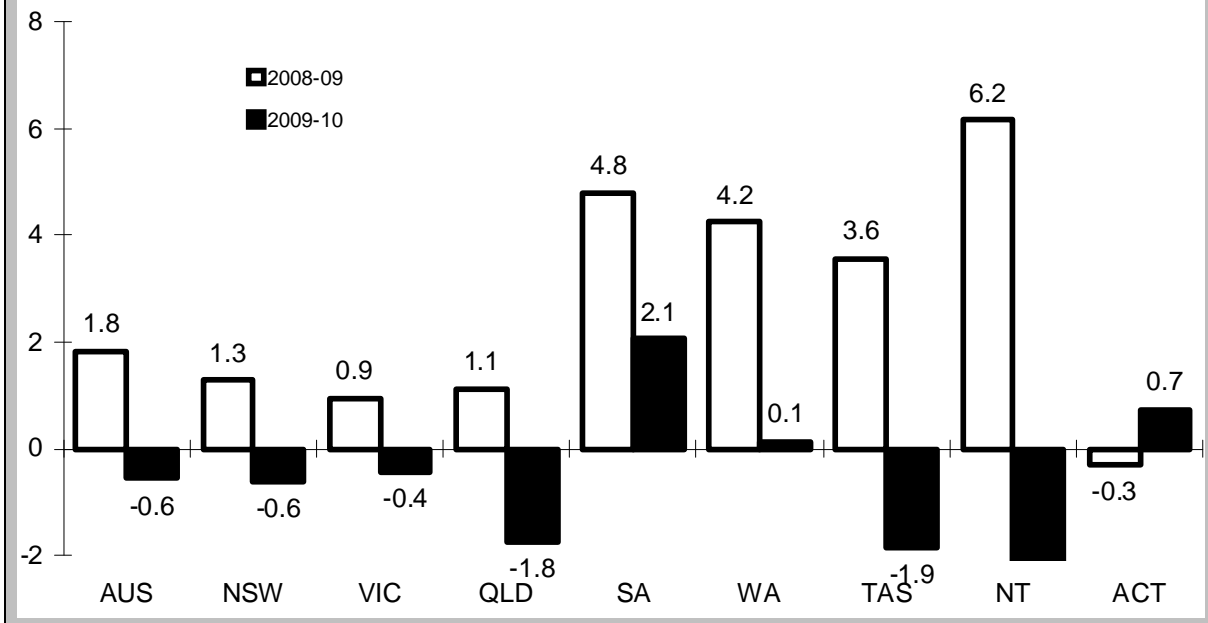
Notes:

(a) GSP per capita is defined as GSP per head of population.

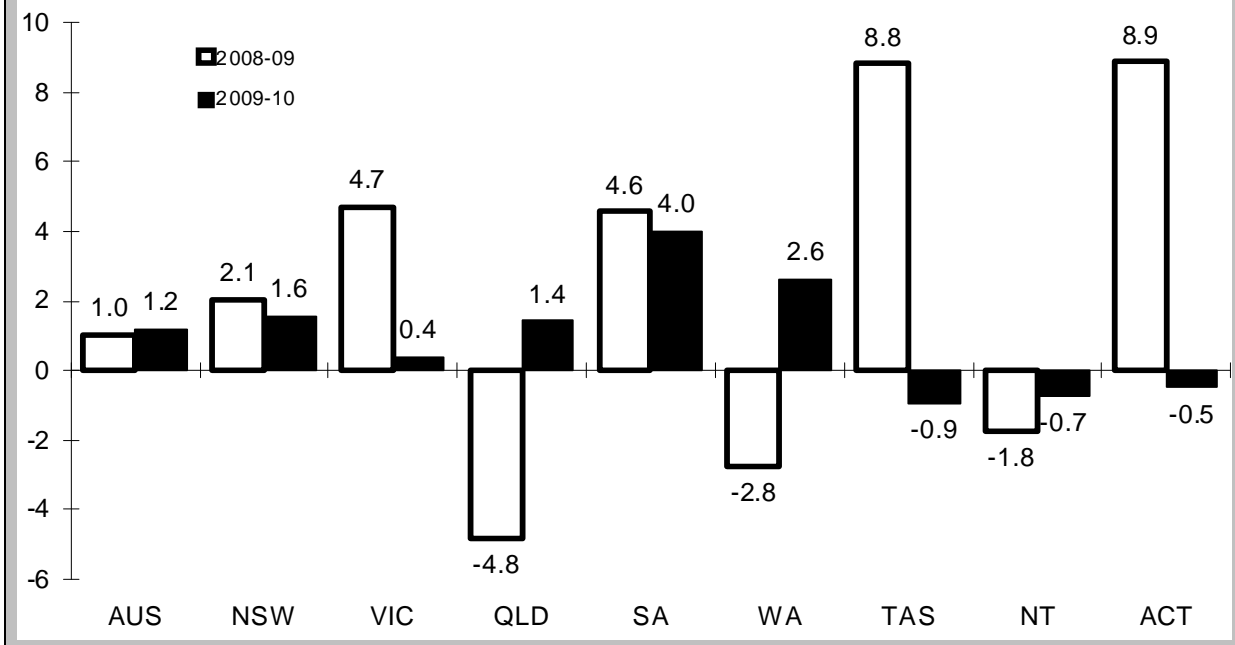
(ii) Key points

- ◇ Over the three years to 2010/11, average annual growth in Gross State Product (“GSP”) per capita is forecast to contract by 0.3 per cent at the national level. However, there is significant variation between States. The range extends from -2.9 per cent per year in Queensland to 2.5 per cent per year in South Australia.
- ◇ South Australia is expected to be the fastest growing State/Territory over the next three years, with a strong annual average growth in GSP of 3.8 per cent. The main contributor to healthy growth over the short to medium term will be resilient consumption, as SA consumers are less debt ridden than the rest of the country and are expected to contribute to strong growth in 2009/10. State GSP will also be boosted by an improved trade balance, as exports grow and imports are discouraged by the lower AUD.
- ◇ Queensland will be the slowest growing economy over the next three years. We expect GSP in Queensland to contract by an annual average of 0.2 over the medium term. This weak result reflects much lower business investment following high mining investment in recent years. A deflating property sector will also contribute to negative growth.
- ◇ In 2009/10, we estimate the South Australian economy to record the highest growth. As previously mentioned, this is a result of strong consumption growth. This strength in consumption will offset the large falls in dwelling investment and business investment. The state’s result is bolstered further by favourable net trade results.
- ◇ Going forward, Western Australia, Northern Territory and Queensland will lead Australia’s economic recovery in 2010/11 on the back of strong export growth. As the economies of our major trading partners improve, particularly China, so will Australia’s commodity exports. Over the longer term, growth in these states will also be supported by robust population growth. New South Wales will lag behind the other states, as Australia’s financial hub, it will take the state some time to recover from the crisis.

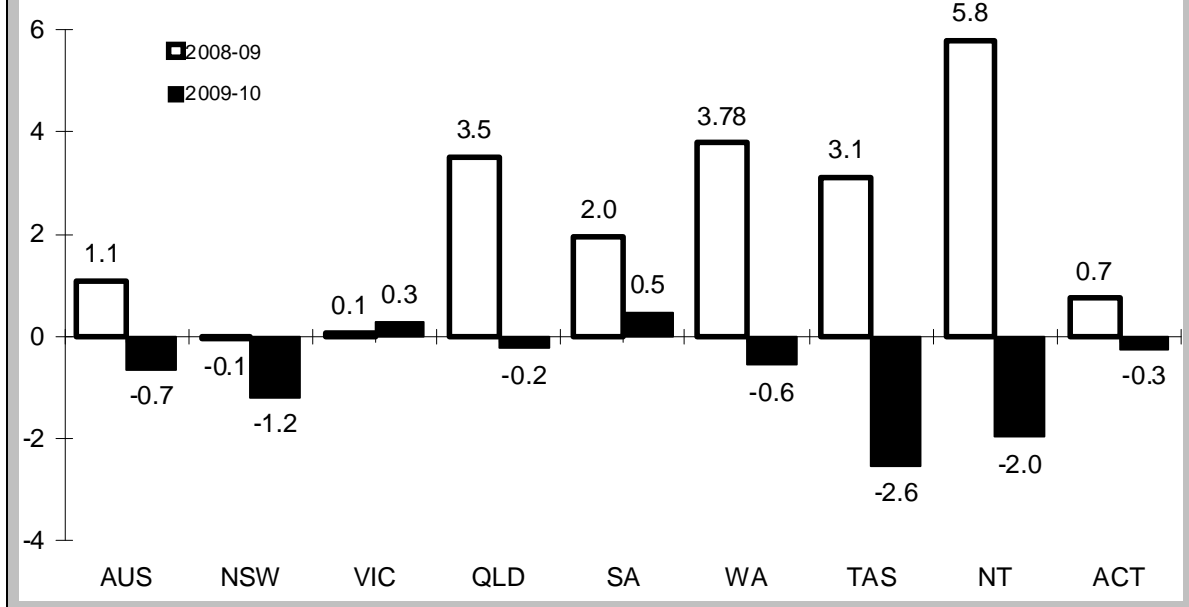
**CHART 2.1
ANNUAL GROWTH IN STATE FINAL DEMAND**



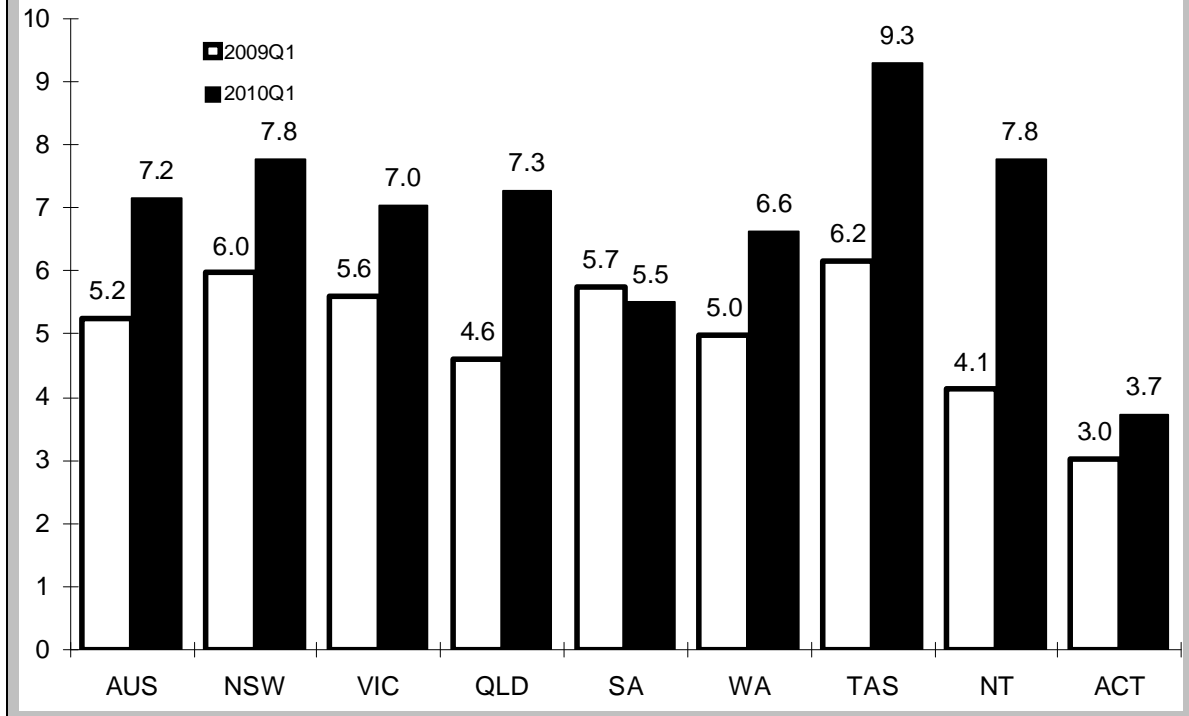
**CHART 2.2
ANNUAL GROWTH IN GROSS STATE PRODUCT**



**CHART 2.3
ANNUAL GROWTH IN EMPLOYMENT**



**CHART 2.4
UNEMPLOYMENT RATE**



NEW SOUTH WALES

New South Wales is the 'largest State', accounting for around 32 per cent of the Australian economy. While smaller States tend to specialise, New South Wales has the most diversified economy. As such, the New South Wales economic cycle generally reflects the national economic cycle. The main qualification is that New South Wales is less export-oriented than the nation as a whole.

Short-term outlook

NSW growth held up in 2008/09 by strong agricultural result.

The NSW economy grew by 2.6 per cent in 2007/08, which was below the national growth rate of 3.7 per cent. This trend was reversed in 2008/09, with NSW growth holding up better than for the economy as a whole. This result largely reflects a better than expected performance from the Agricultural sector, with a bumper winter crop contributing strongly to exports. High contract prices for coal also aided in boosting state export revenue. As a result, GSP is expected to come in at a respectable 2.1 per cent compared to national growth of 1 per cent.

Over 2009/10, growth will be constrained by falls in dwelling and business investment..

Nonetheless, growth in NSW did moderate in 2008/09 in line with a general deterioration in economic conditions. Slower consumption, as well as continued weakness in the housing market both contributed to a scaling back of state final demand. These trends are expected to continue into as lower business investment and dwelling investment dampen the state's growth prospects.

Struggling Finance and Property & Business Services industry will contribute to higher unemployment in NSW.

Unemployment will rise above the national average. Sydney is Australia's main financial hub, making NSW particularly vulnerable to the global financial crisis. In addition, the property sector in NSW remains particularly weak. The slowdown in the NSW corporate sector has seen a marked deterioration in the state's commercial property market. The residential market is also looking shaky. As a result, in 2008/09 we saw large layoffs in the financial sector, and the majority of these jobs will not be recovered in the near term. A contraction in the Property and Business Services industry will contribute to unemployment in 2009/10, with the jobless rate expected to hit 7.5 per cent. Higher unemployment will impact on consumer spending, which is forecast to rise by a weak 1.3 per cent in 2009/10. Combined with the falls in business and dwelling investment, state final demand will contract by 0.6 per cent and GSP will increase by a weak 1.6 per cent

TABLE 2.1 – NEW SOUTH WALES

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Private Consumption	3.2	0.3	1.3	0.8	0.5	0.7	1.0
Private Investment							
Dwellings	-2.1	-4.0	-2.2	5.5	-1.3	1.5	4.2
Other Buildings & Structures	12.2	0.5	-15.2	-3.4	1.7	0.5	-1.0
Machinery & Equipment	19.1	3.3	-12.1	-1.8	3.2	3.1	1.6
State Final Demand	4.4	1.3	-0.6	0.9	0.9	1.2	1.3
Gross State Product	2.7	2.1	1.6	1.4	1.7	1.9	1.7
Consumer Price Index	3.0	3.1	0.5	2.3	3.9	4.1	4.0
Employment	2.3	-0.1	-1.2	0.4	1.4	1.7	1.7
Unemployment Rate	4.6	5.6	7.5	8.1	7.9	7.4	6.8
Participation Rate	63.7	63.5	63.2	63.1	63.1	63.2	63.2

(a) all variables are shown as % change unless otherwise specified

(b) the unemployment rate and the participation rate are shown as per cent

Longer term outlook

Consumption growth to be sluggish...

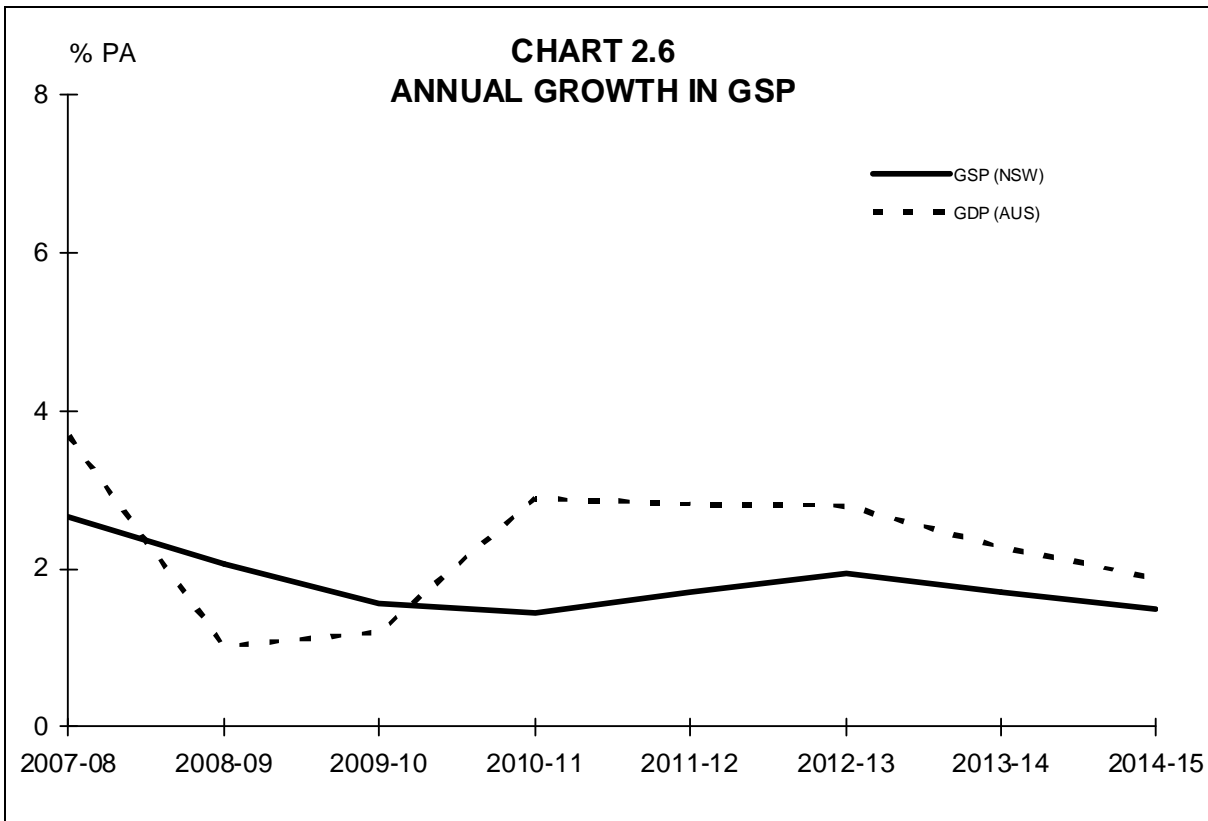
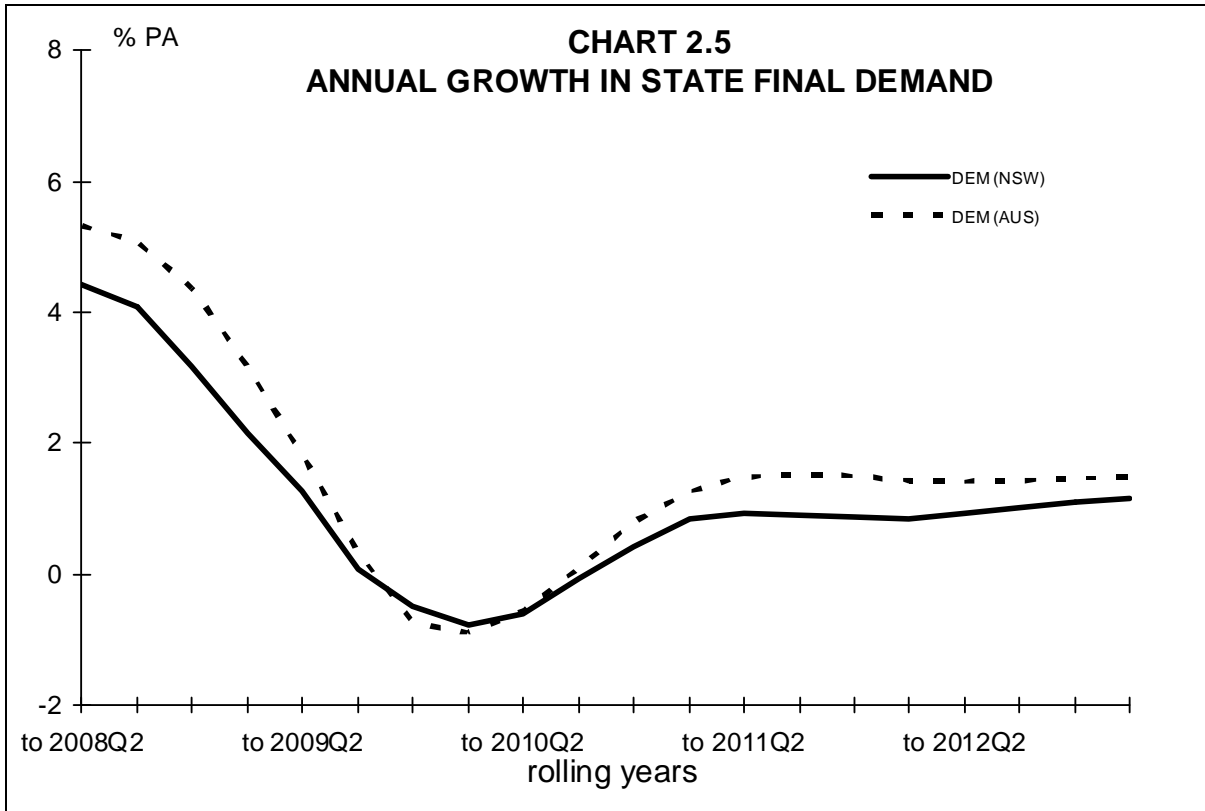
State final demand in New South Wales is expected to remain weak throughout the medium to long term. Growth in state final demand is projected to remain around 1 per cent between 2010/11 and 2013/14. High debt levels, weak wage growth and above-average unemployment, will ensure that consumer spending remains weak across the forecast period.

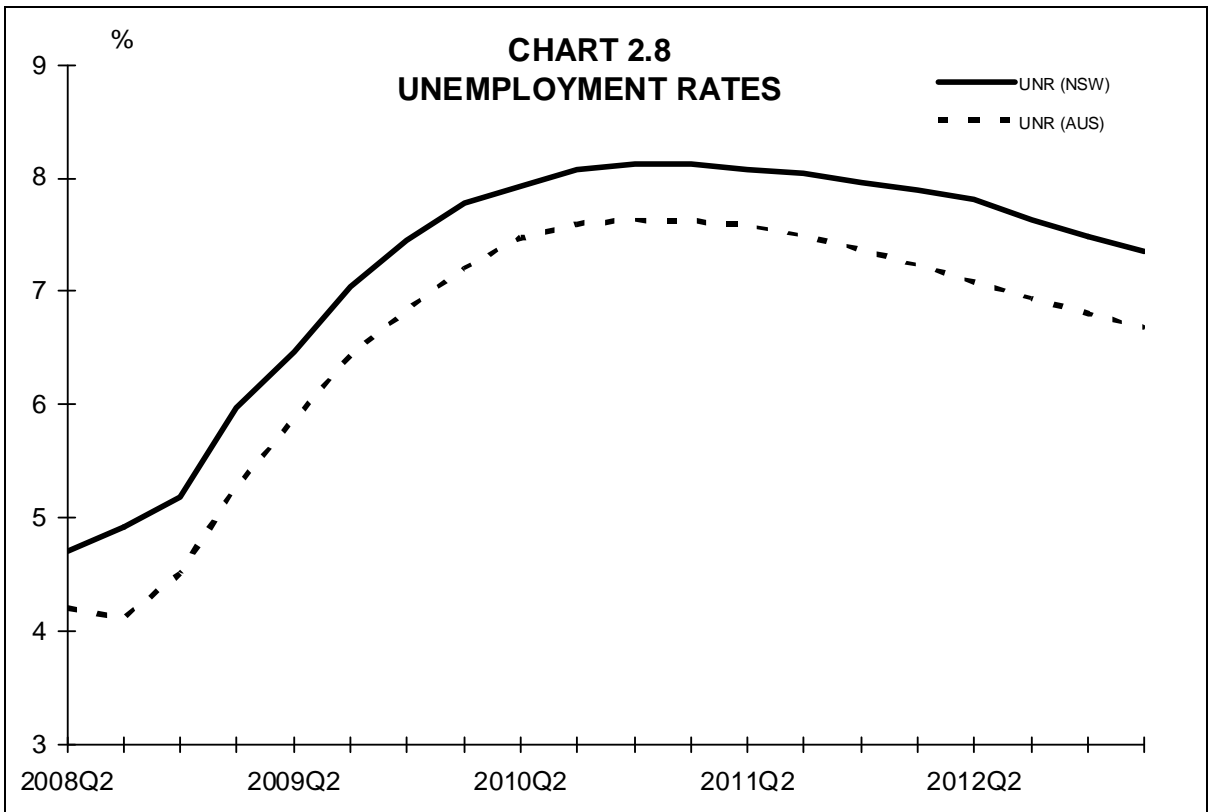
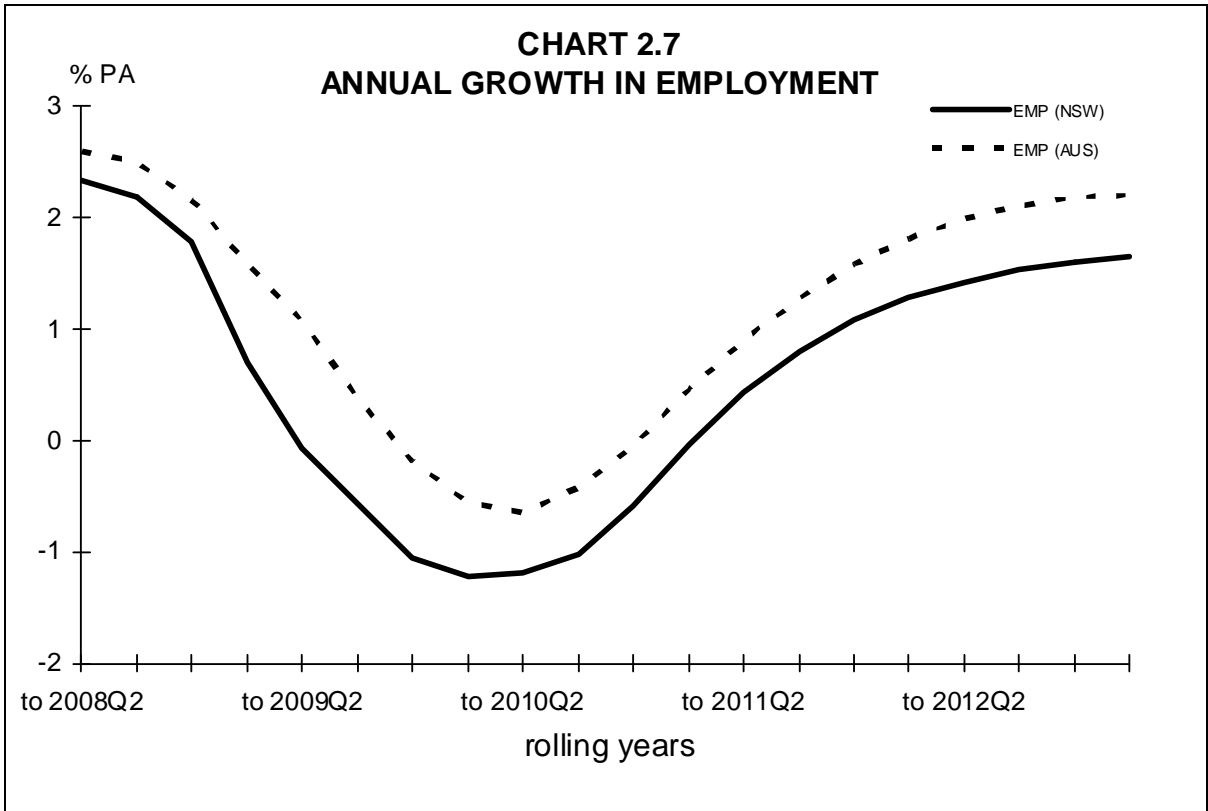
...while the property sector will start to recover in 2010/11.

Despite strong underlying demand for residential properties, dwelling investment has been subdued in recent years due to tightness in credit markets, the slow release of new land, and falling consumer and business confidence. Interest rate cuts by the Reserve Bank of Australia are not expected to translate into higher property sales in the short term, as banks have recently tightened up their lending requirements, making housing finance less accessible. That said, the global financial crisis should start to clear from mid-2010, which should see a rise in investor confidence. This should start to feed into recovery in the local property sector. New dwelling investment is expected to rise by a solid 5.5 percent in 2010/11.

GSP growth will be weak across the medium term.

We forecast New South Wales GSP to grow by an average of 1.7 per cent per annum, between 2009/10 and 2013/14, which is relatively weak compared to national growth rates.





VICTORIA

Victoria is the 'manufacturing State', giving it the biggest economic cycle of the larger States. The exposure to the Manufacturing industry also means that economic conditions in Victoria are more sensitive to fluctuations in the Australian dollar.

Short-term outlook

Strong GSP growth in 2008/09 on the back of dwelling investment...

Counter to expectations, the VIC economy grew by an impressive 5.8 per cent in 2008/09. This surprising result can be attributed primarily to investment in the housing sector, driven by population growth. In contrast to the nation as a whole, dwelling investment for VIC came in at a very high 7.4 per cent. Trade contributed positively to VIC growth. Similar to the rest of the country, VIC consumer demand dropped off sharply over 2008/09. Consequently, VIC imports declined at a rapid rate, outpacing a reduction in VIC exports. As a result, the trade balance actually improved for the state, contributing roughly 2.5 per cent to GSP growth.

...and improved trade balance.

Falls in business and dwelling investment will hamper growth in 2009/10.

Going forward, the VIC economy will be substantially weakened by sluggish consumer demand lower business investment, and the state's exposure to the Manufacturing industry. The Australian Manufacturing industry is sharing in a global manufacturing slump as a result of weak global demand.

Consumer spending grew at a robust 3.2 percent in 2007/08 but this trend is not expected to continue. Rising unemployment, weak wage growth and falling asset prices are the main factors placing downward pressure on consumption growth. Growth in consumption spending is tipped to deteriorate further in 2009/10 as the unemployment rate reaches above 7 per cent. Business investment is also expected to remain weak in the immediate term following some heady growth in recent years. Our forecast sees sharp declines in business spending on buildings and capital equipment in 2009/10, in line with much lower investment in the Manufacturing industry. Overall, state final demand is expected to fall slightly in the new financial year.

Combined with a weaker trade balance in the short term, GSP is expected to come in at a feeble 0.5 per cent in 2009/10.

TABLE 2.2 – VICTORIA

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Private Consumption	3.2	0.2	1.5	1.0	0.7	1.0	1.2
Private Investment							
Dwellings	4.6	7.4	2.0	7.1	-0.9	1.7	4.4
Other Buildings & Structures	20.7	-6.6	-14.8	-2.8	2.3	1.1	-0.5
Machinery & Equipment	9.0	1.5	-10.3	-0.8	2.8	1.3	-0.2
State Final Demand	4.3	0.9	-0.4	1.3	1.1	1.3	1.4
Gross State Product	2.8	4.7	0.4	2.2	1.5	1.8	1.7
Consumer Price Index	3.6	2.9	0.7	2.2	3.5	3.7	3.5
Employment	2.8	0.1	0.3	1.5	1.6	1.8	1.4
Unemployment Rate	4.5	5.6	7.2	7.4	7.4	7.2	7.2
Participation Rate	65.1	64.4	64.4	64.5	64.6	64.7	64.8

(a) all variables are shown as % change unless otherwise specified

(b) the unemployment rate and the participation rate are shown as per cent

Longer term outlook

Economic growth will pick up over the medium term.

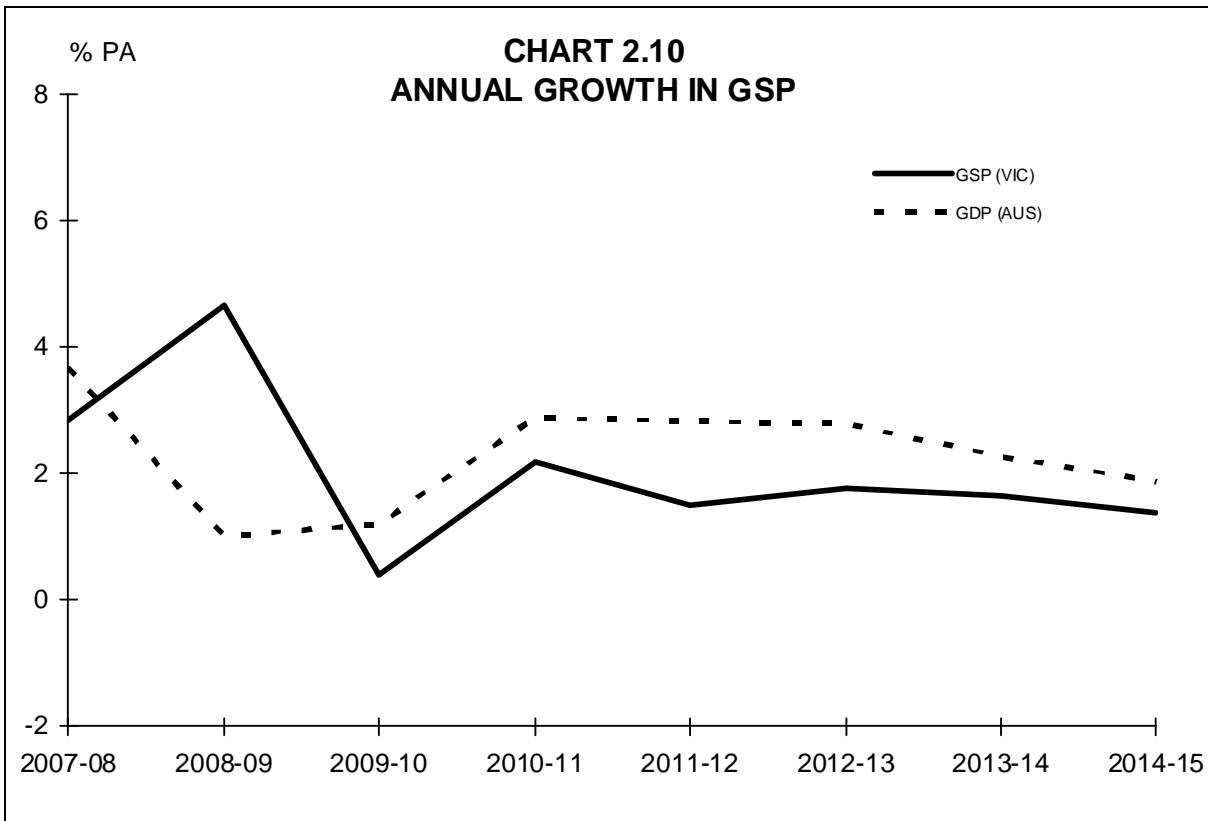
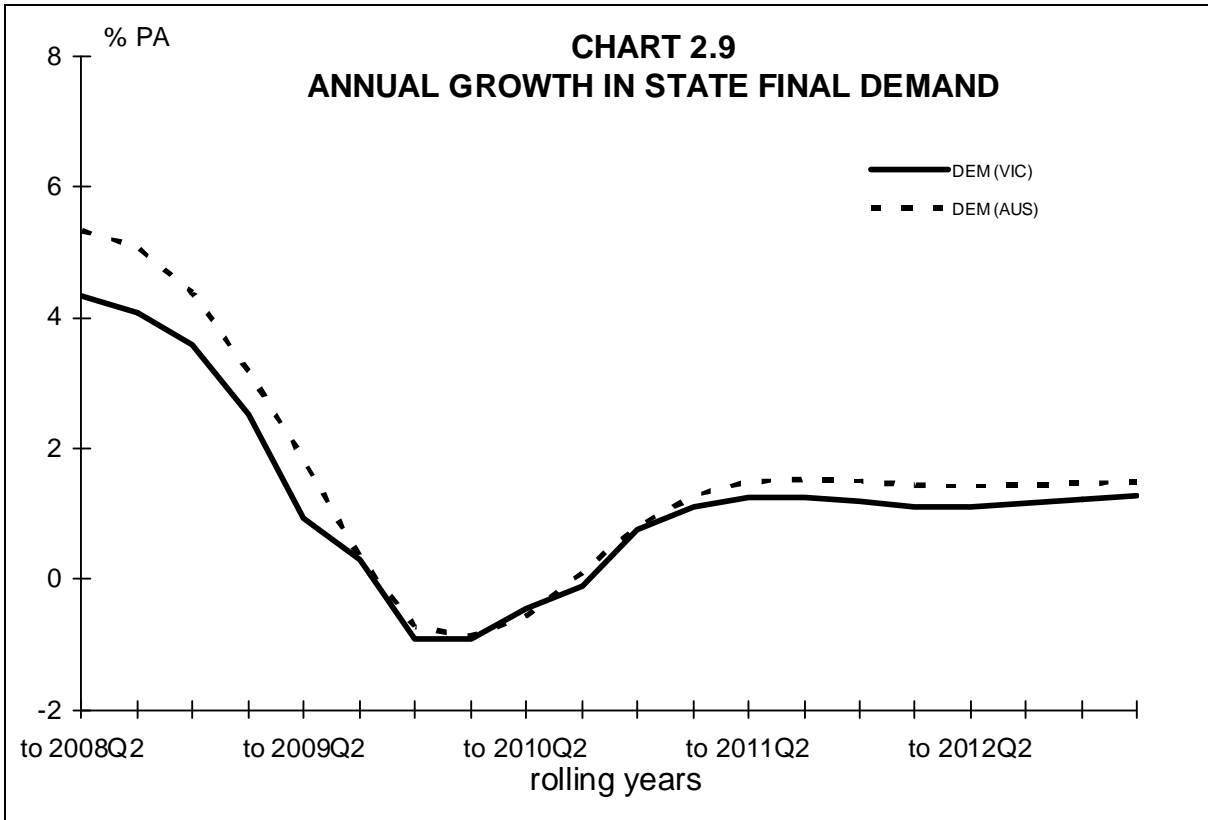
Long-term growth in Victorian domestic demand is expected to slow, coming in below the national average in all four years between 2010/11 and 2013/14. The slowdown in activity is expected to be broad-based, with activity slowing across most sectors of the Victorian economy. As a result, state final demand, which has been robust in recent years, will slow to a crawl over the medium term.

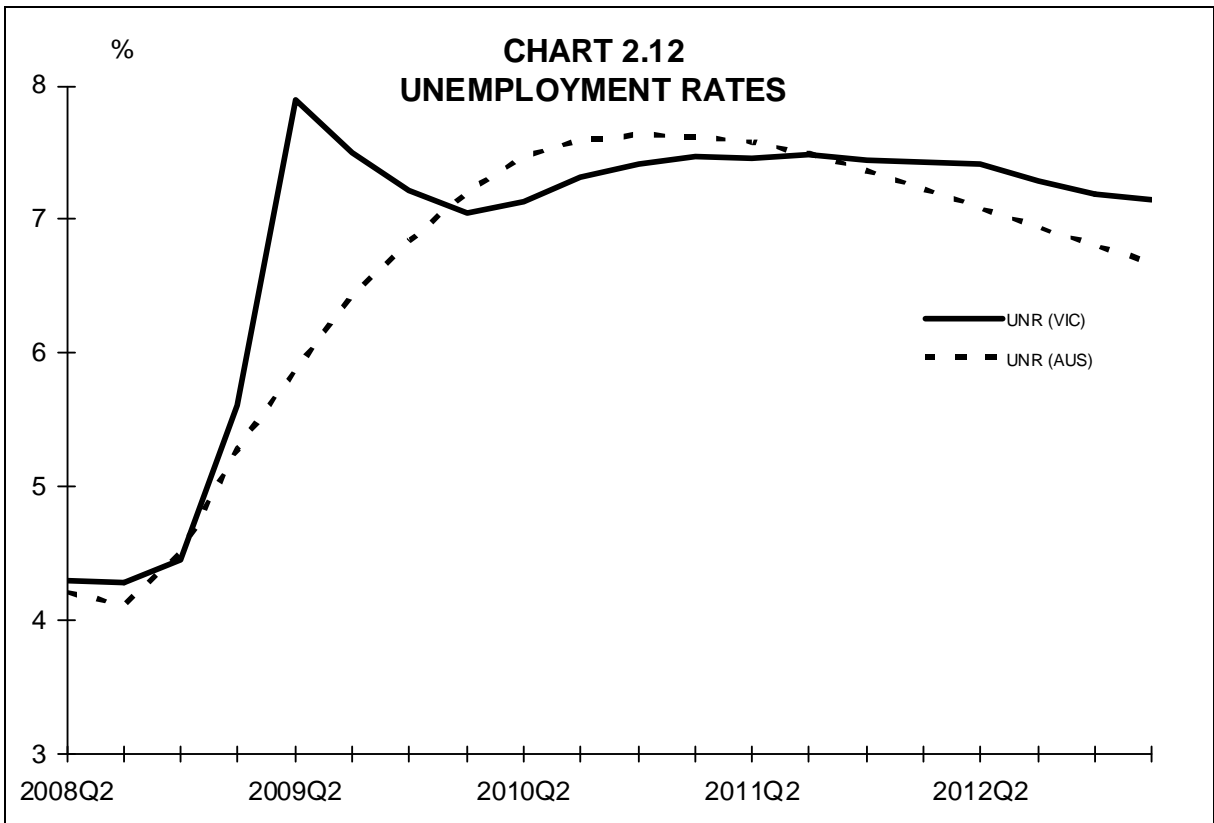
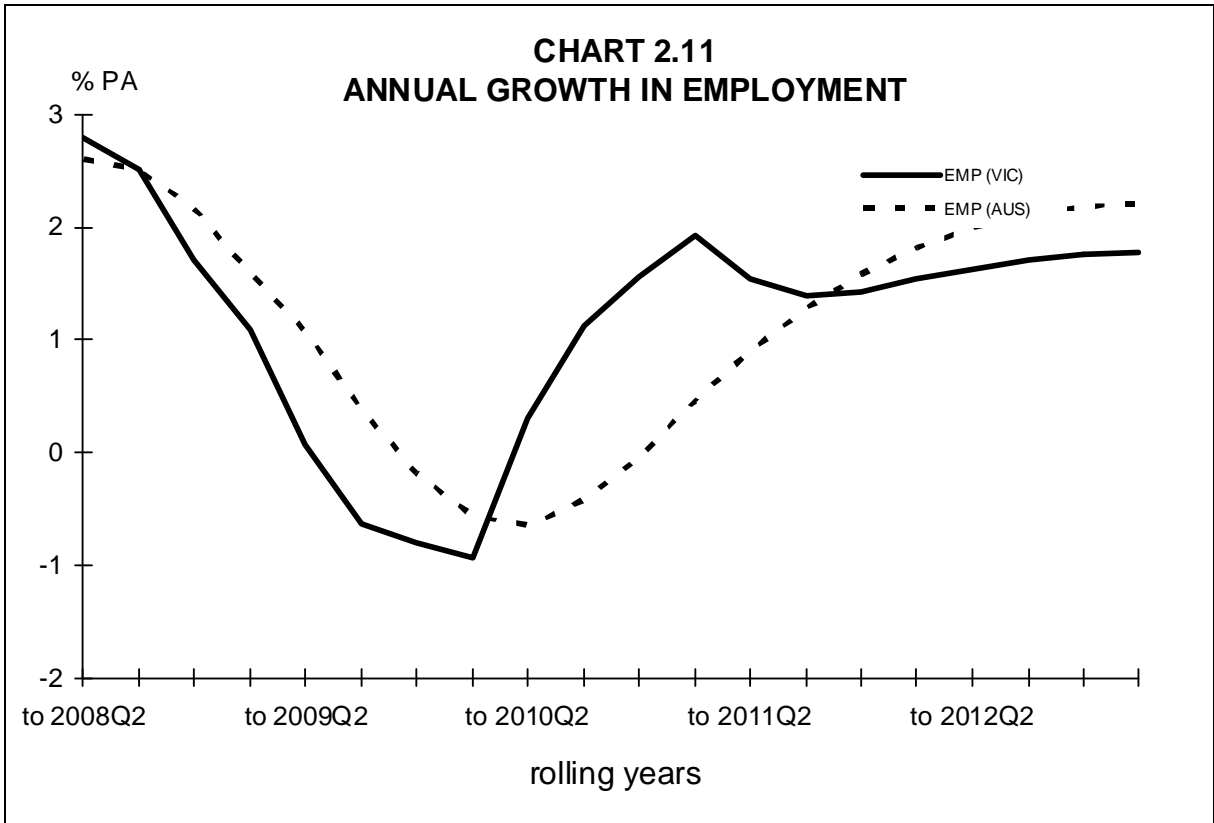
Unemployment in the manufacturing state to remain high over the forecast period

The state's household sector will tighten their belts in the wake of the global financial crisis. Private consumption spending is tipped to remain weak across the forecast period. This can be most clearly linked to the easing in the state's labour markets. Falling profits are expected to feed into reduced hiring by companies in the short to medium term. The jobless rate is expected to stabilise at around 7.4 percent in the medium term which will keep a lid on consumer confidence and spending over this period. Notably, the VIC unemployment rate will remain above 7 per cent over the medium term, much longer than for the nation as a whole.

Export recovery will aid growth in the medium term.

The depreciation of the AUD should feed into higher export receipts for the state's manufacturing sector. This will not be possible until the global economy starts to recover in 2010/11. In 2010/11 the Victorian economy will start to pick up pace, with output expanding by 2.2 per cent following a stagnant 2009/10.





QUEENSLAND

High population growth to continue.

Queensland is the 'rapid population growth State'. In the three years to 2010/11, Queensland's population is expected to increase at an average yearly rate of 2.8 per cent, well above forecast for national population growth of 2.0 per cent per annum. This is being largely driven by the migration of retirees from the southern states of NSW and Victoria. This population growth usually means that economic growth is also higher than at the national level. It also gives the construction industry a heightened role.

Short-term outlook

Consumer spending has begun to slow.

Like the rest of Australia, the Queensland economy suffered in the wake of the global financial crisis. Queensland has a high proportion of retirees. Many retirees have had their retirement savings wiped out as stock prices have tumbled. Household spending has slowed dramatically in 2008/09. Our forecasts see consumer spending growing by just 1.1 per cent this year, following a 4.7 percent expansion in 2007/08.

Housing conditions to soften in 2008/09.

The Queensland economy was affected by the global credit crunch in two main avenues, the demise of the local property market and the decline in mining investment. Brisbane house prices fell by 3.3 per cent in the June quarter 2009 compared to June quarter 2008. This is the first fall in local house prices since the series began in 2002. Despite this, lower interest rates coupled with ongoing demand should see the local housing market recover in 2010/11 once unemployment stabilises and credit conditions return to normal. However, house prices are not expected to resume their upward trend until the following year.

The local mining industry has been hit hard by the fall in global commodity prices.

The other big factor depressing the Queensland economy is the recent turn in the global commodities cycle. Queensland has a large mining industry, previously booming on the back of soaring commodity prices. World minerals prices have fallen sharply in recent months as global demand stalls. Mining companies operating in Queensland have already begun to curb their expansion and exploration plans; 3,000 Queensland coalminers have already lost their job and further layoffs are anticipated in the coming months. This slowdown in mining activity will keep a lid on the Queensland economy's growth prospects in the near term, with GSP growth of just 1.2 per cent projected for 2009/10.

TABLE 2.3 – QUEENSLAND

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Private Consumption	4.7	1.1	2.4	2.2	1.8	2.0	2.2
Private Investment							
Dwellings	-1.3	-7.7	-6.3	8.9	-0.3	3.1	4.3
Other Buildings & Structures	10.6	15.2	-10.8	-0.5	3.4	1.9	0.3
Machinery & Equipment	19.9	3.7	-20.2	-4.4	3.4	2.0	-0.1
State Final Demand	7.1	1.1	-1.8	2.0	2.3	2.4	2.3
Gross State Product	5.5	-4.8	1.4	3.0	4.3	4.2	3.4
Consumer Price Index	4.1	3.8	0.6	2.4	4.3	4.7	4.6
Employment	3.0	3.5	-0.2	0.9	3.0	3.5	2.5
Unemployment Rate	3.7	3.8	6.5	7.9	7.4	6.3	5.7
Participation Rate	67.2	67.6	67.5	67.5	67.5	67.6	67.3

(a) all variables are shown as % change unless otherwise specified

(b) the unemployment rate and the participation rate are shown as per cent

Longer term outlook

Queensland's long term economic prospects remain favourable.

The state's long term prospects remain favourable, driven by the state's ongoing population growth. State final demand is project to grow robustly from 2010/11 onwards.

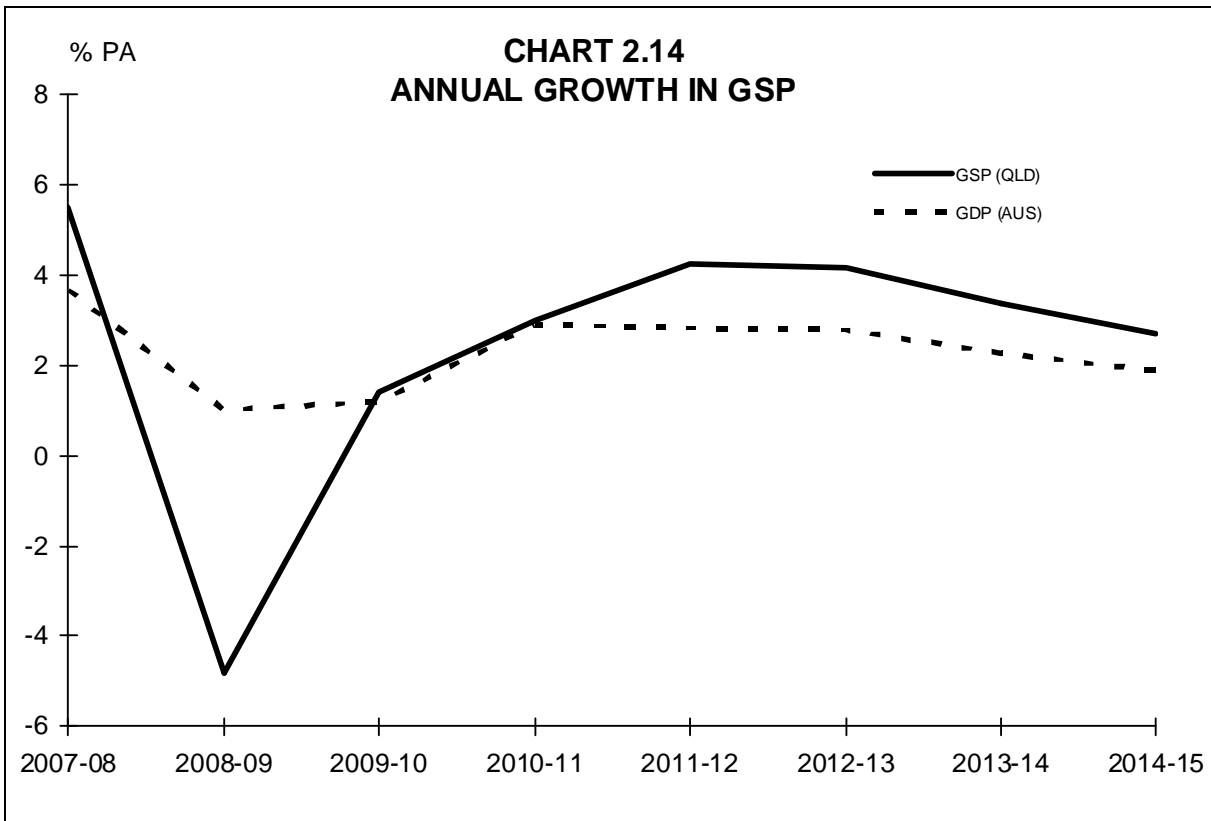
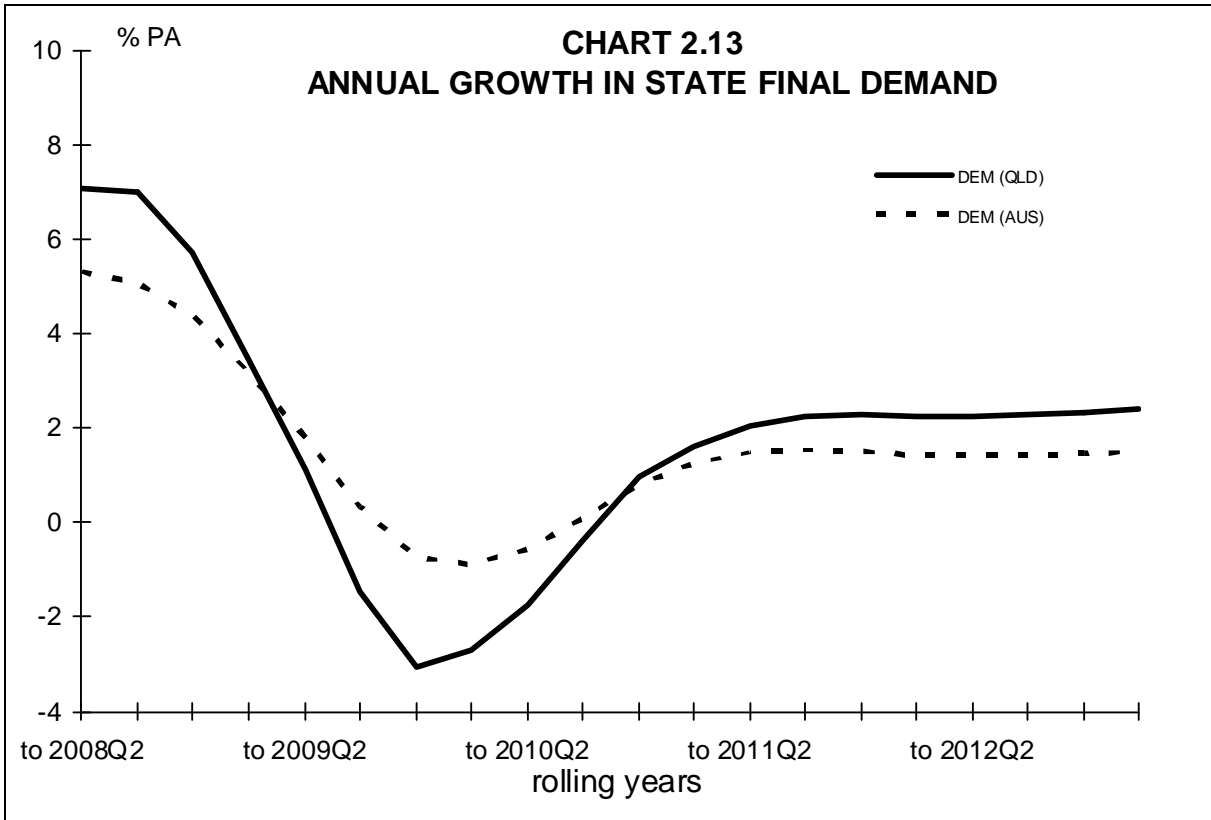
The Queensland mining sector remains linked to the global commodities cycle...

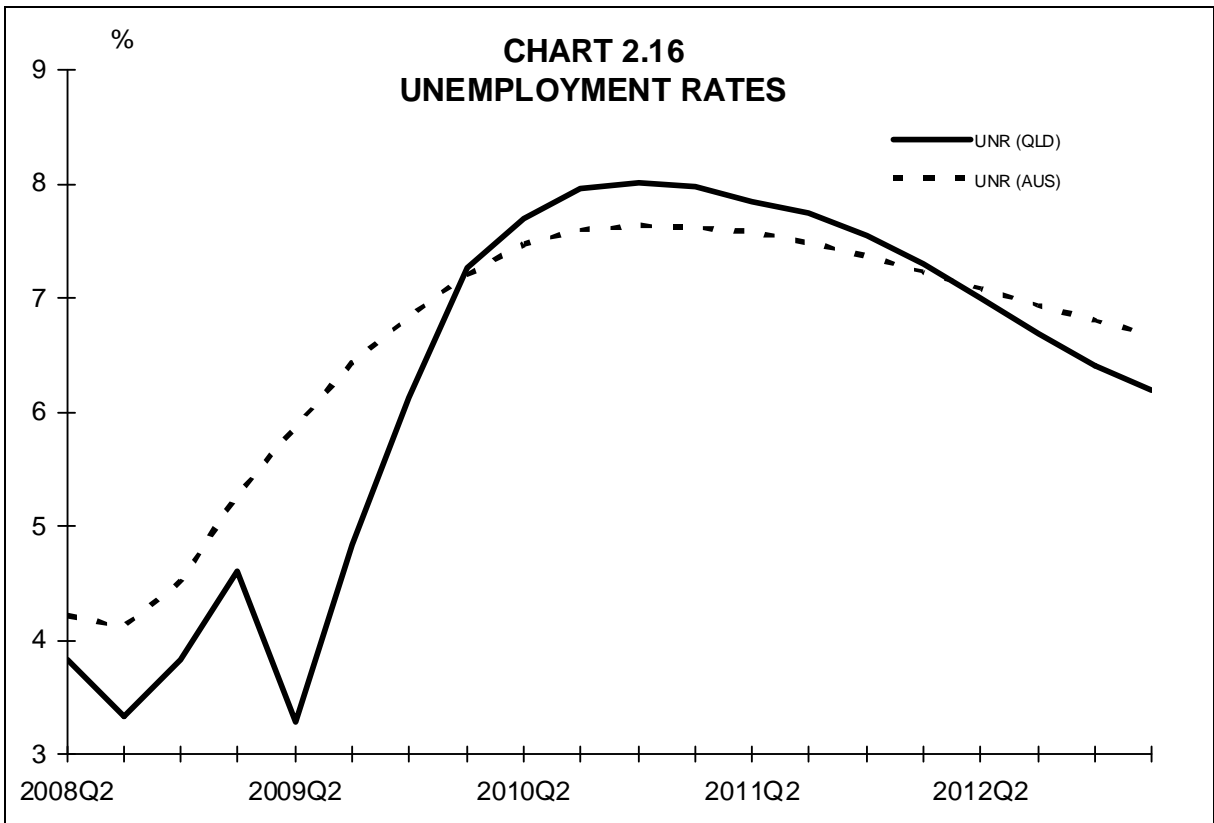
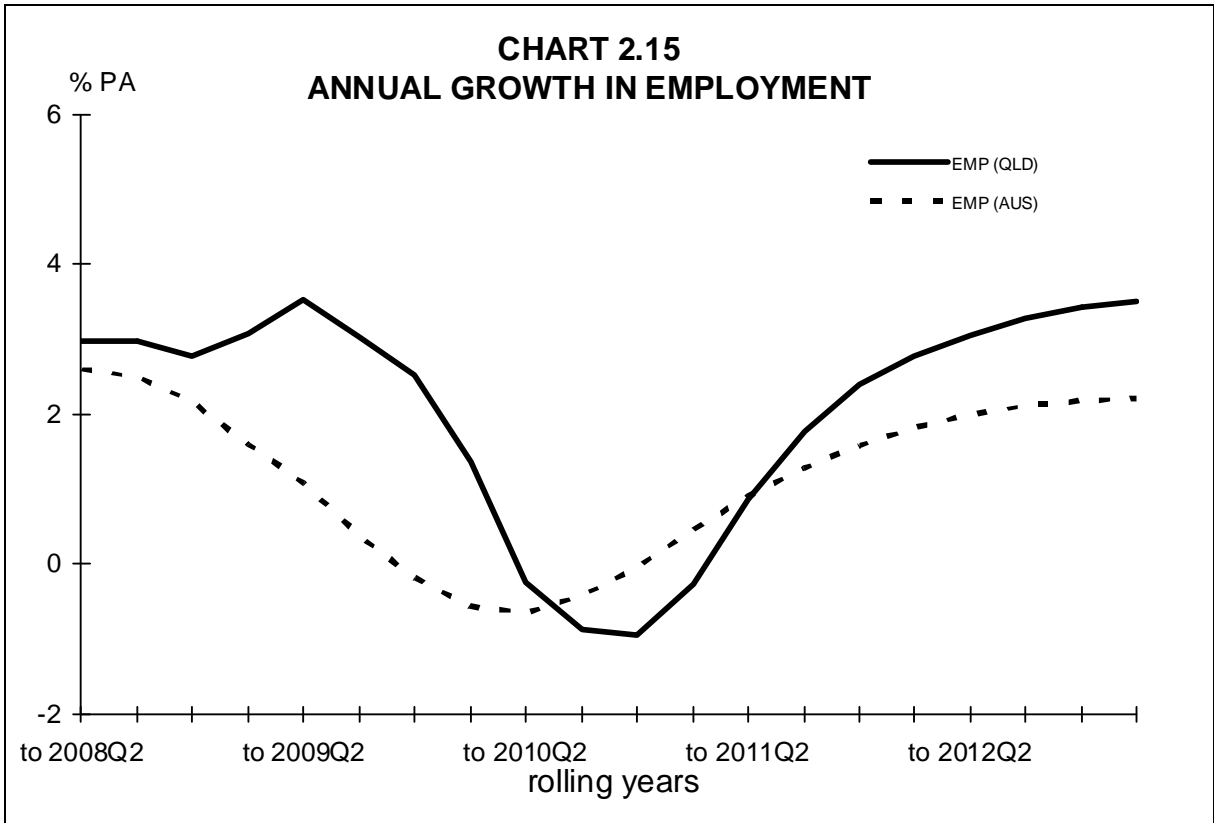
The state's mining sector will remain closely linked to the global commodities cycle. World commodity prices are expected to start to recover in 2010/11 as the global economy improves and demand for commodities, particularly from China, steadily increases. This will help to drive strong growth in both employment and private consumption spending in the medium to long term. Overall employment growth in Queensland will remain robust over this period. Similarly, following a couple of weak years, private consumption spending is projected to rise by an average of 2.0 per cent per annum from 2010/11 to 2013/14.

...while the property market will recover over the medium term.

The state's property market will continue to grow strongly over the medium to long term. Ongoing residential demand, driven by strong population growth, will ensure that dwelling investment will lift over the forecast period. Similarly, business spending is expected to recover from 2010/11 onwards as the global financial crisis clears and business conditions improve.

Against this background, the Queensland economy is projected to grow solidly over the forecast horizon from 2010/11 onwards, in line with the overall recovery in the Australian economy.





SOUTH AUSTRALIA

South Australia is the 'slow population growth State'. However, South Australia's population has been boosted in recent years by net overseas migration, driven by the State Government's initiative in attracting migrants to South Australia. This influx of migrants is particularly important given the older age structure of its residents and that South Australia continues to lose residents to other states.

Short-term outlook

South Australia's state final demand increased by a healthy 4.8 per cent in 2008/09, which was strong compared to the national average. Recent economic growth in South Australia has been broad-based, with both businesses and households contributing to growth. In particular, strong business investment and resilient consumption spending have supported state final demand. Concurrently, SA's trade balance improved in 2008/09 as the lower AUD discouraged imports, and improved weather conditions contributed to higher agricultural exports.

South Australia remains better placed than most other states.

Although tighter credit and lower business confidence will see investment fall in the near term, state final demand will be buoyed by consumers. South Australia remains better placed to record normal growth than most other states, as local households are less debt-ridden than their counterparts in other states. As such, consumer spending is expected to grow quickly in 2009/10, as strong consumption growth will support state final demand in the face of sharp falls in dwelling and business investment. This will drive growth in state final demand of 2.1 per cent.

Local mining sector will expand at a slower pace but will contribute positively to GSP.

South Australia has benefited from the recent boom in commodities prices, although they did not over-extend themselves as much as the other mining states and should therefore be better placed to deal with the downturn. Despite lower commodity prices in 2009/10, the local mining industry will continue to expand, albeit at a slower pace. This will contribute to export earnings, whilst the lower AUD discourages imports. As such, an improved trade balance for SA should contribute to healthy GSP growth of 4.0 per cent in 2009/10.

Whilst employment growth will slow in 2009/10, unemployment is not expected to reach the highs experienced in the rest of the country.

TABLE 2.4 – SOUTH AUSTRALIA

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Private Consumption	3.5	4.9	3.0	1.3	0.6	0.8	0.9
Private Investment							
Dwellings	-1.7	1.4	-0.4	6.8	-1.0	2.4	3.5
Other Buildings & Structures	-1.8	9.7	-7.9	-2.7	1.8	0.5	-1.1
Machinery & Equipment	-2.9	7.2	-18.7	-5.1	2.5	2.3	0.4
State Final Demand	2.2	4.8	2.1	1.8	0.7	0.6	0.7
Gross State Product	3.9	4.6	4.0	2.7	1.7	1.5	1.3
Consumer Price Index	3.3	3.2	0.3	2.3	3.9	4.1	4.0
Employment	2.1	2.0	0.5	0.6	1.2	1.5	0.9
Unemployment Rate	4.8	5.2	5.5	5.6	5.6	5.2	5.3
Participation Rate	62.9	63.4	62.8	62.6	62.7	62.7	62.8

(a) all variables are shown as % change unless otherwise specified

(b) the unemployment rate and the participation rate are shown as per cent

Longer-term outlook

Slower population growth will weigh down consumer spending.

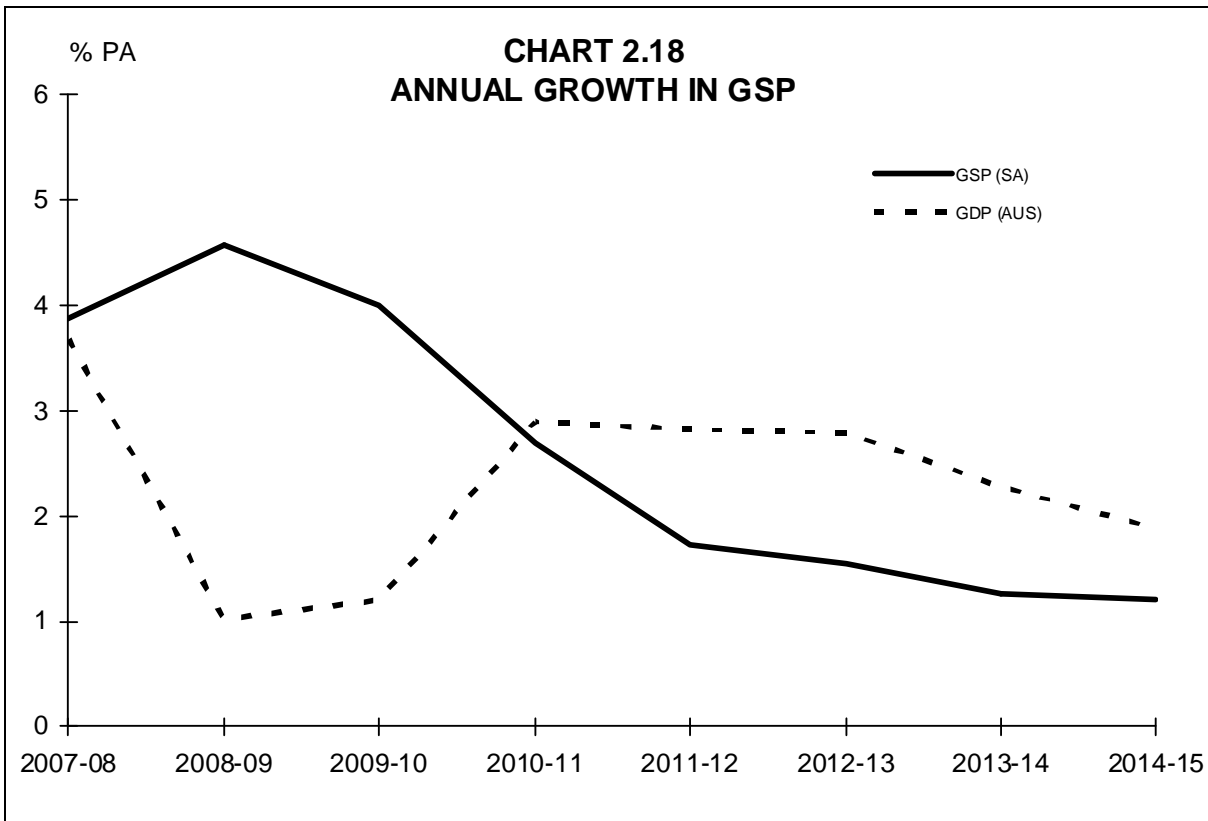
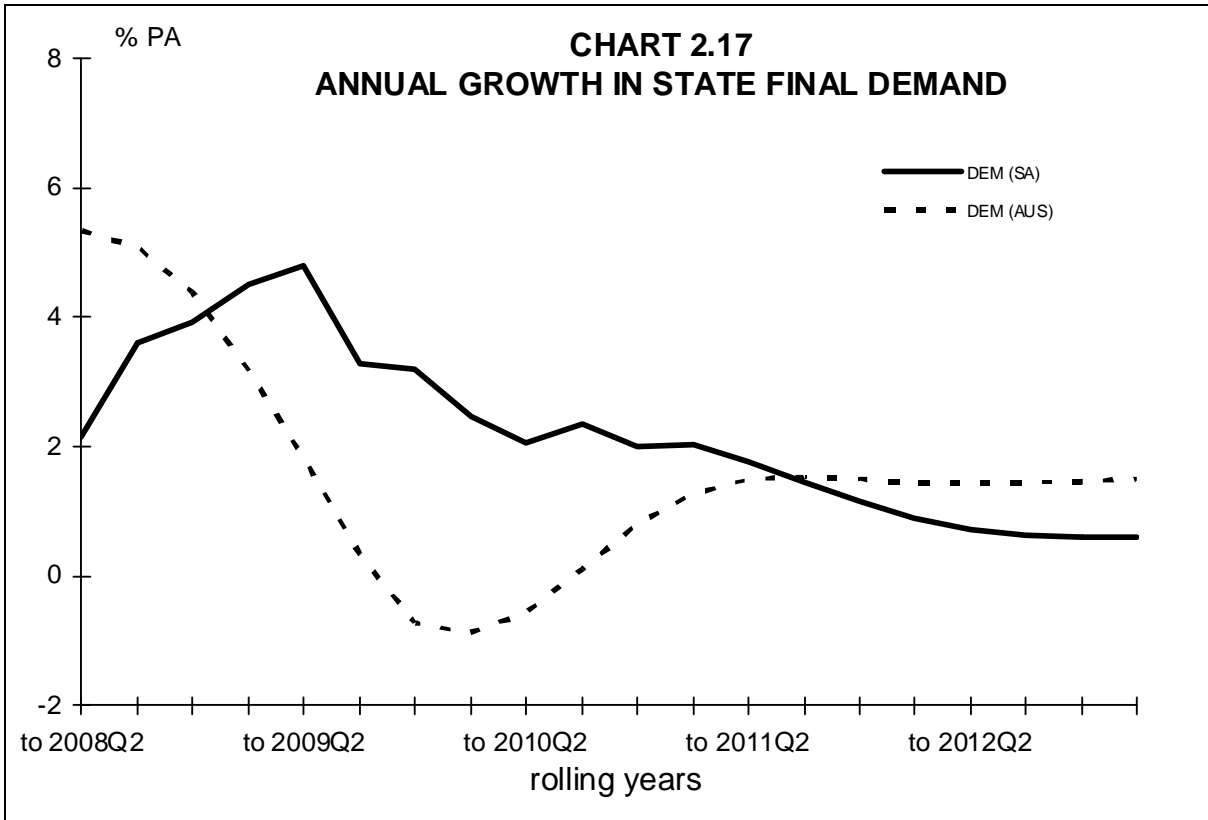
State final demand in South Australia is expected to slow down over the longer term, as slow population growth weighs down on consumption spending. Government spending on infrastructure will provide some support to investment, but will be offset by lower business investment in manufacturing and mining. This will underpin weaker state final demand growth, which is forecast to dip below 1 per cent from 2011/12 onwards.

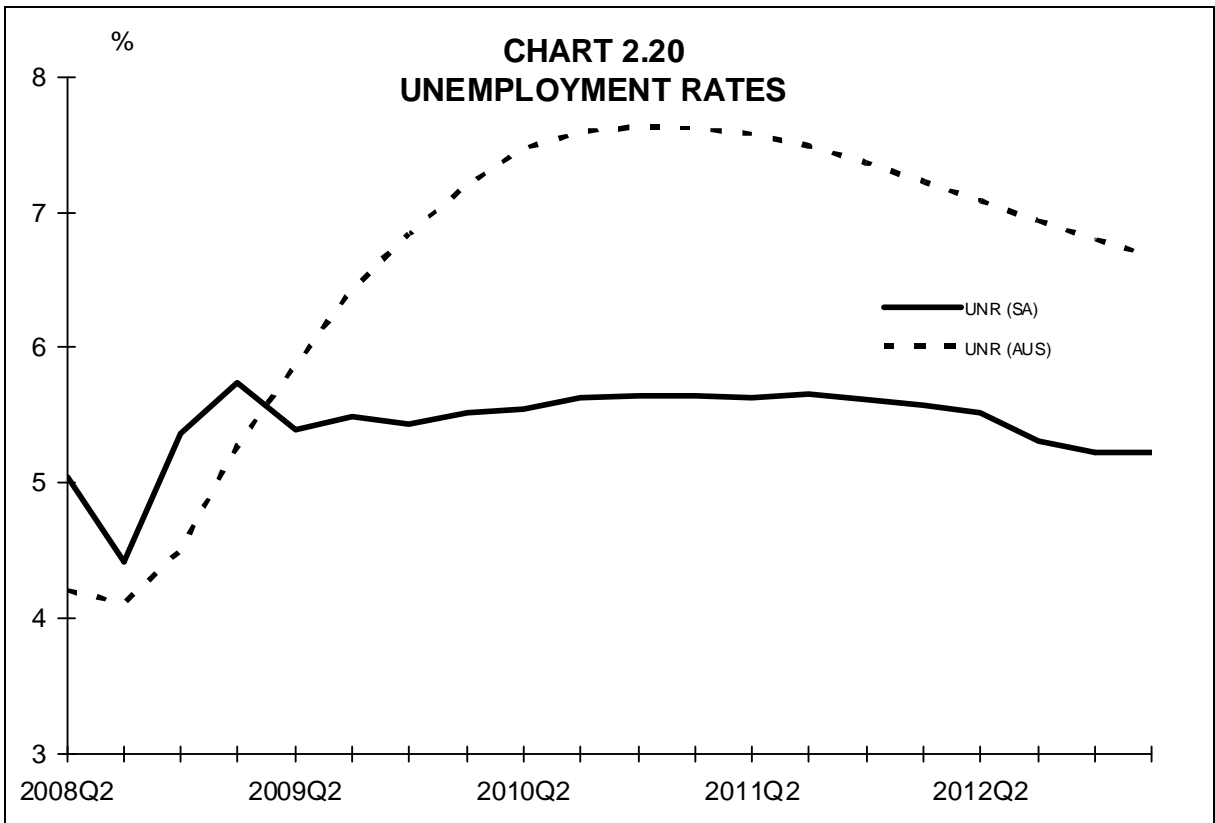
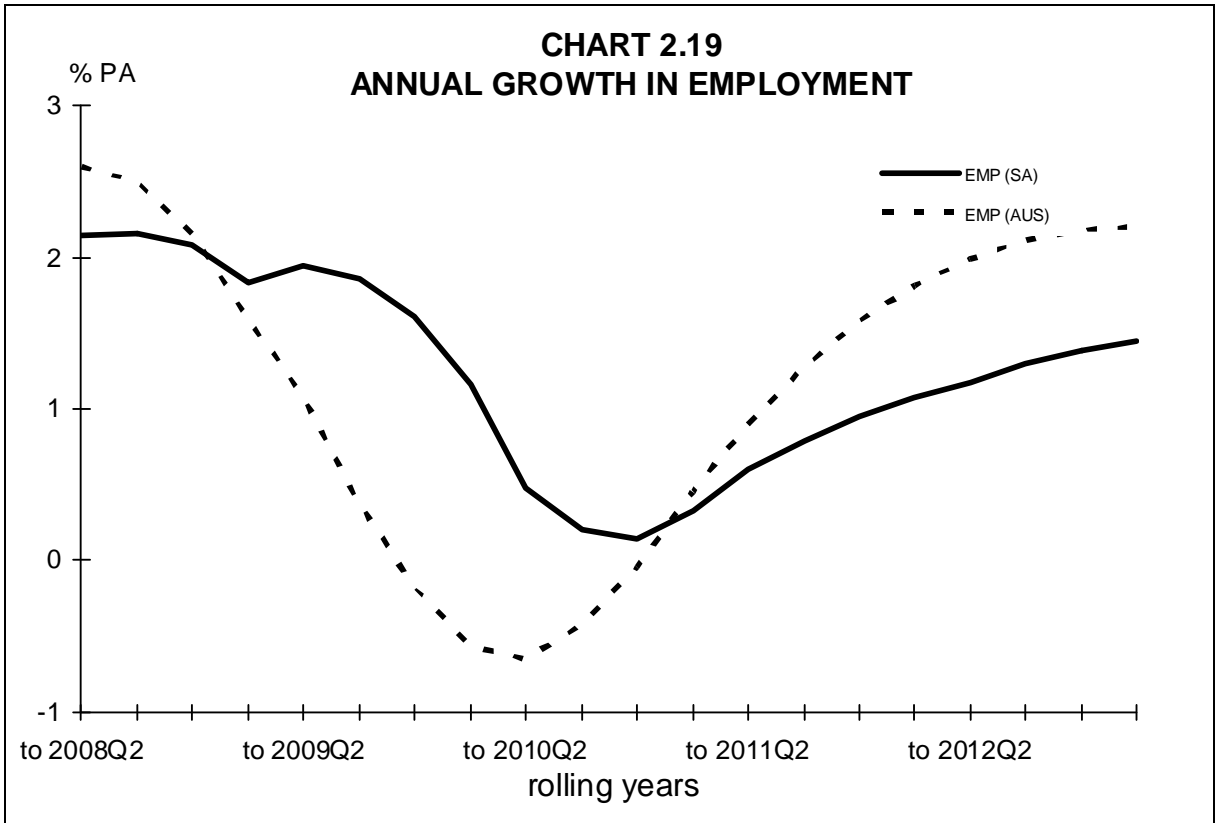
Average GSP growth will fall below the national average over the long run...

Following a strong performance between 2007/08 and 2010/11, state GSP is expected to be subdued in the long run. This will reflect the moderation in state final demand, leading to GSP growth of below the national average over the latter years of the forecast period.

...although unemployment will remain relatively low.

Unemployment in South Australia has already started to rise, although at a slower rate than for the rest of the country. This trend is tipped to continue throughout the remainder 2010, with the jobless rate peaking at 5.6 per cent in 2010/11. One of the underlying factors supporting employment will be government assistance. The Federal Government remains committed to ensuring the ongoing survival of the country's ailing automotive industry, which is largely located in South Australia. This will provide a boost to the local economy throughout the medium term, largely through the positive boost to overall employment.





WESTERN AUSTRALIA

Western Australia is the 'mining state'. Accordingly, mining-related investment and exports form a large part of the Western Australia economy. This makes Western Australia more exposed to developments in the world economy than other states.

Short-term outlook

The Western Australian economy has boomed in recent years on the back of the state's mining sector. Soaring global commodity prices spurred a rush of new investment, pushing GSP growth well above the national average. GSP grew by 5.2 percent in 2007/08, pushing the jobless rate briefly below 3 percent throughout the second half of 2008.

The recent collapse in global commodity prices will hurt the Western Australian economy.

In 2008/09, the WA economy is estimated to have contracted by 2.8 per cent. Global commodity prices plummeted in 2008/09, which affected the WA economy more than any other state. Although mining output remained more or less constant (due to recent expansions in capacity) a number of more high cost mines placed on idle. This has led to job losses and a cooling off in the housing market.

The housing market has also taken a turn for the worse.

Local house prices soared while the economy was booming but this trend has now stopped; median house prices in Perth have fallen in each of the past four quarters compared to the same time last year. At the same time, ongoing work on a number of large mining projects contributed to strong import growth due to the imports of machinery and equipment. Combined with subdued export growth this has resulting in a much weaker trade balance.

State final demand to stagnate in 2009/10 although growth will be supported by improved trade balance.

In 2009/10, investment is expected to slow sharply, returning to more sustainable levels following the boom times of recent years. Combined with slower consumption, this will cause state final demand to stagnate in 2009/10. Nonetheless, an improved trade balance will contribute significantly to growth, with overall GSP growth expected at a relatively healthy rate of 2.6 per cent compared to Australia as a whole.

Unemployment will rise in line with lower mining investment.

Employment on the other hand will languish. As construction activity is wound down, and investments translate into improved efficiency in production, the unemployment rate is expected to jump up to 6.4 per cent.

TABLE 2.5 – WESTERN AUSTRALIA

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Private Consumption	5.1	4.1	3.2	2.2	1.7	1.8	1.9
Private Investment							
Dwellings	10.7	-6.1	0.4	7.8	-0.5	2.8	4.1
Other Buildings & Structures	17.5	9.2	-13.8	-1.2	2.9	1.4	-0.1
Machinery & Equipment	29.9	7.5	-2.3	2.0	0.9	-2.8	-3.7
State Final Demand	9.6	4.2	0.1	2.7	1.9	1.4	1.3
Gross State Product	5.2	-2.8	2.6	8.1	5.9	4.8	3.4
Consumer Price Index	3.6	2.9	0.2	2.3	3.9	4.2	4.0
Employment	3.3	3.8	-0.6	1.6	3.0	2.2	2.6
Unemployment Rate	3.2	3.7	6.4	6.8	5.7	5.5	5.0
Participation Rate	68.2	69.1	68.8	68.6	68.4	68.4	68.4

(a) all variables are shown as % change unless otherwise specified

(b) the unemployment rate and the participation rate are shown as per cent

Longer-term outlook

Exports will take over as the state's key growth driver.

Over the medium to longer term, the West Australian economy is expected to continue growing at a healthy rate. Exports are tipped to take over from business investment as the state's key growth driver. The heavy investment seen in recent years, centred on the state's mining sector, should start to translate into greater volumes of minerals shipped overseas. The WA Government is expected to continue to support its mining and transport industries.

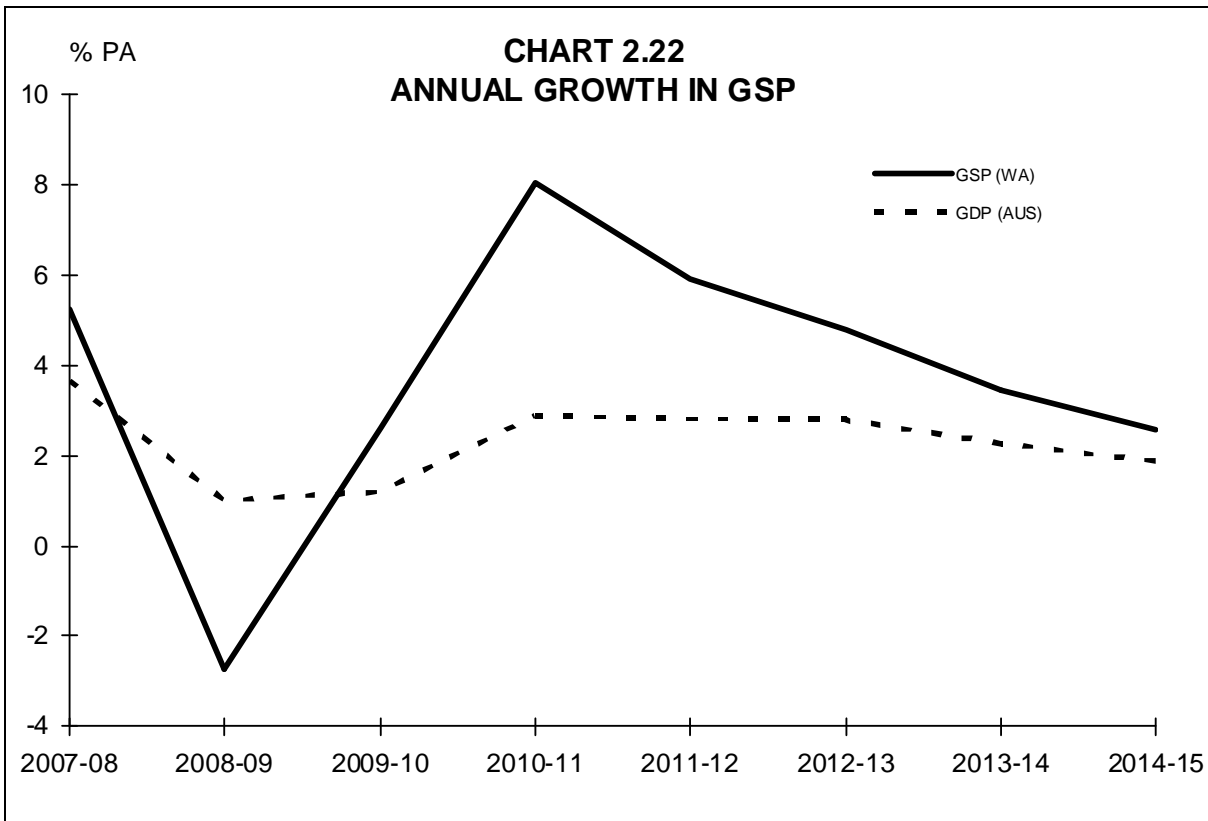
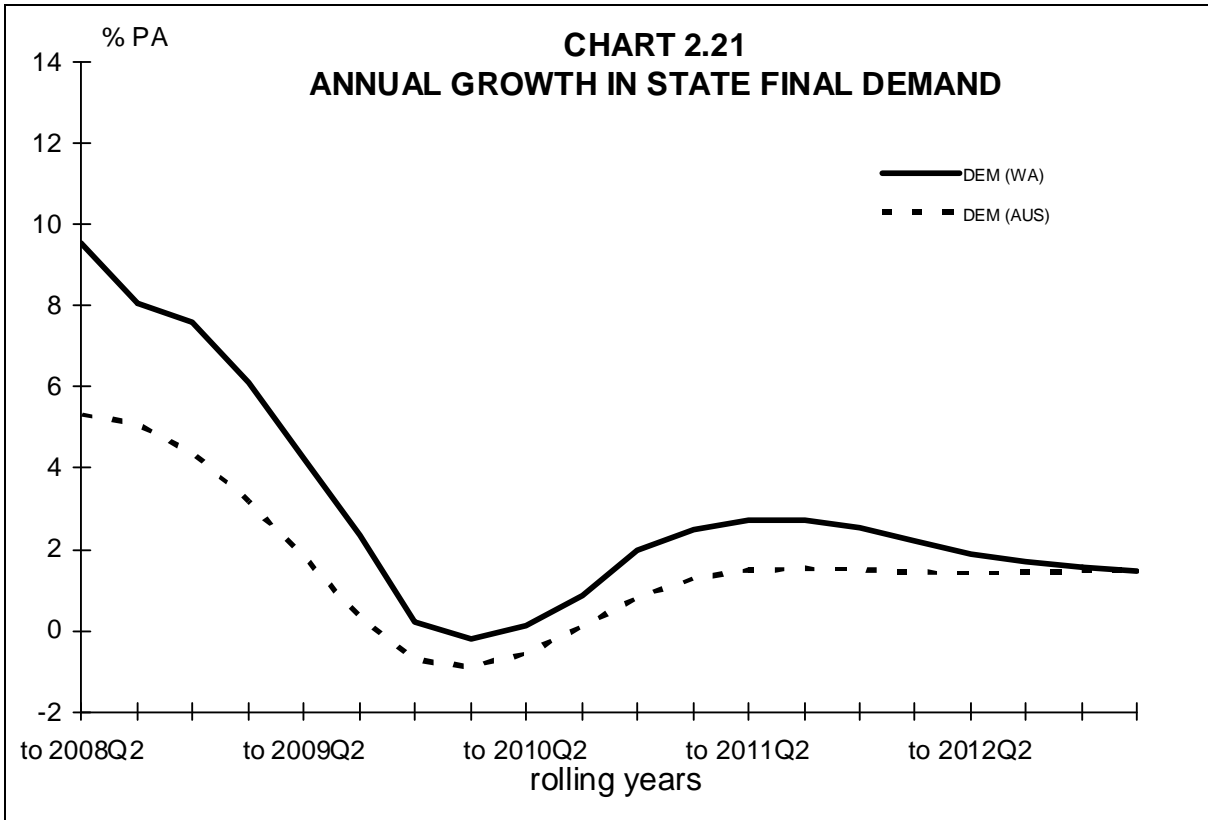
Dwelling investment has already started to slow.

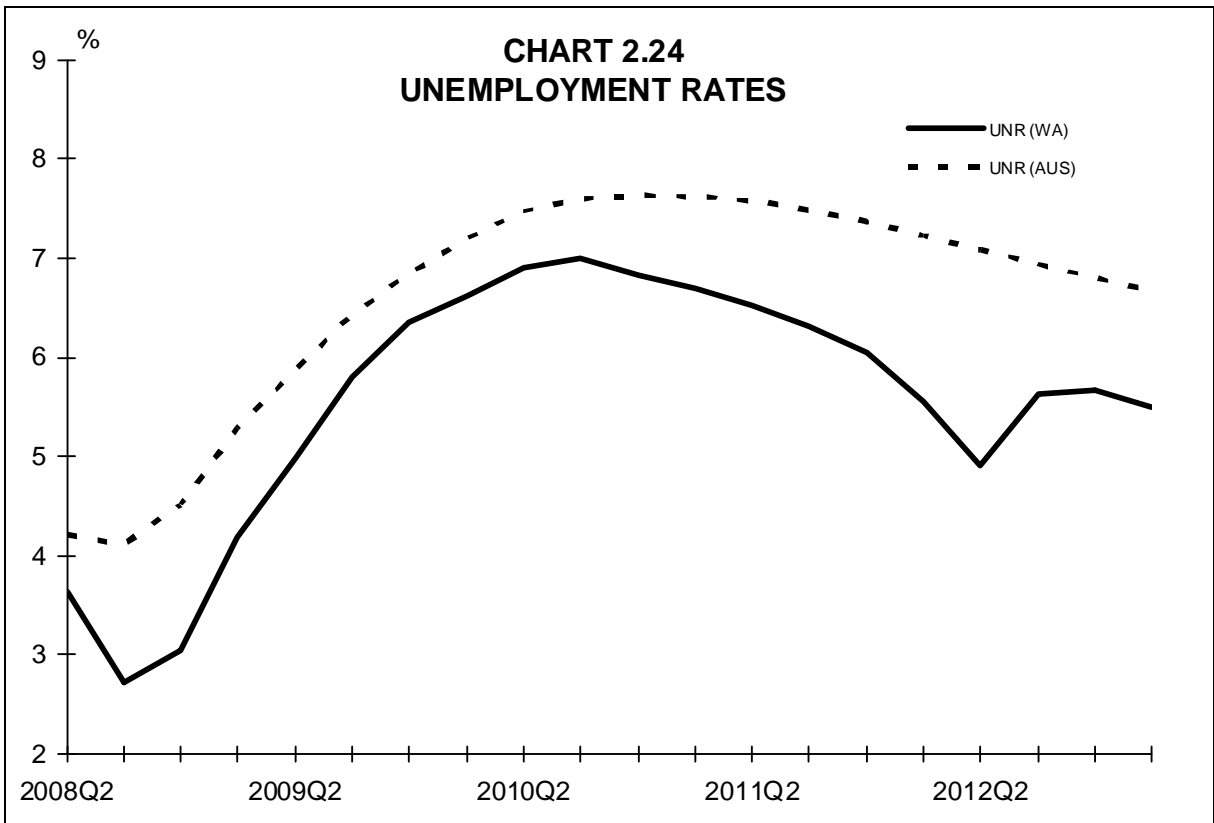
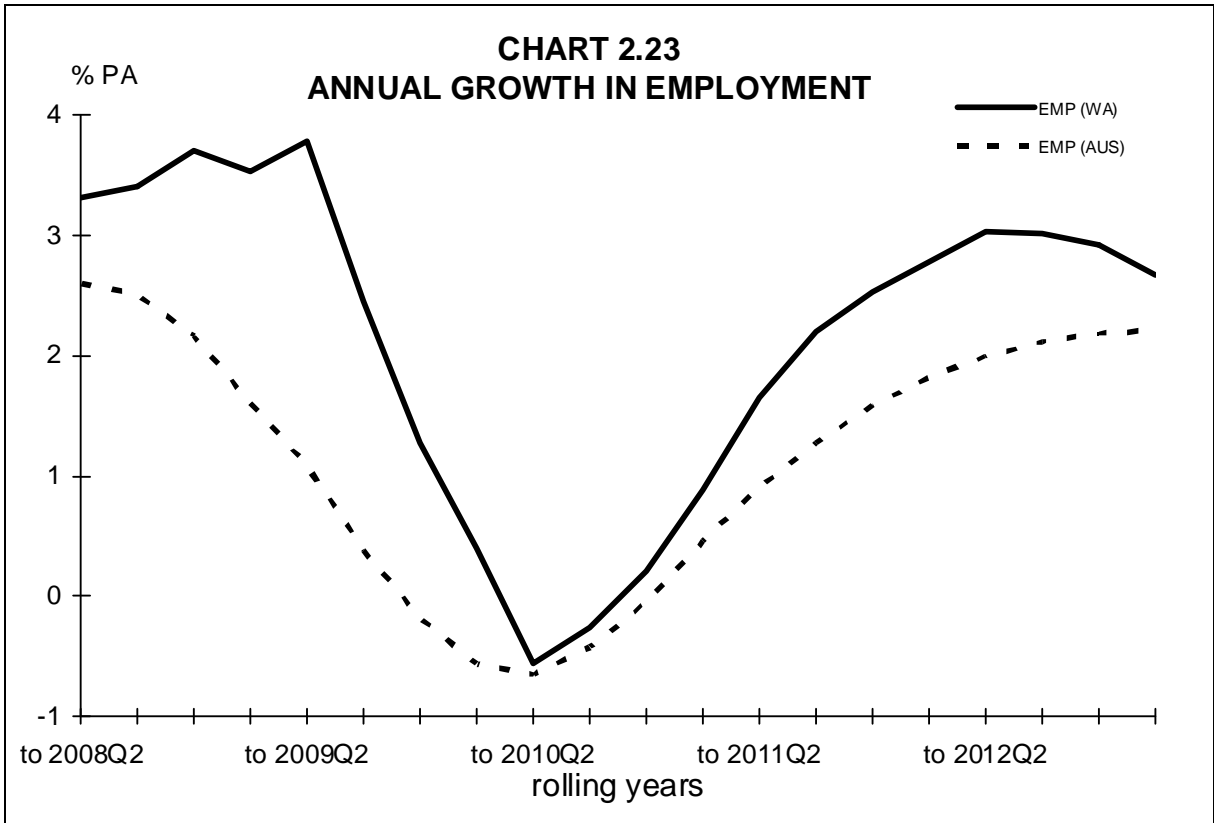
Private dwelling investment is projected to fall in the immediate term as falling house prices deter any new investment in the housing sector. Over the longer term, however, the West Australian population will continue to expand at a solid rate which will support dwelling investment, with a recovery tipped for 2010/11. In 2010/11 we expect dwelling investment to increase by 7.8 per cent.

However, household consumption growth will moderate over the forecast period as households reassess their consumption patterns and start to pay down their excessive debt. Private consumption growth is expected to slow to around 2 per cent between 2010/11 and 2013/14.

Western Australia will continue to outperform the other states over the long term.

Despite a slowdown in 2008/09, the Western Australian economy is still expected to perform better than the national average over the medium to long term. The jobless rate is tipped to trend down towards 5 percent, while GSP growth is expected to average 5.5 percent between 2009/10 and 2013/14.





TASMANIA

For many years, Tasmania experienced a low population growth with net interstate departures offsetting the natural rate of increase in the population. This trend has now been reversed, with the number of interstate arrivals to Tasmania exceeding the number of departures. Population growth is expected to continue, driven by strong natural increases and high levels of overseas immigration.

Short-term outlook

Tasmania entered 2008/09 in a strong position due to ongoing private and public investment...

The Tasmanian economy came into 2008/09 in a relatively strong position, buoyed by the ongoing impacts of high levels of private and public investment. Machinery and equipment investment is estimated to have grown by 22.9 per cent in 2008/09, contributing to solid growth in state final demand. Indeed, state final demand for Tasmania expanded by 3.6 per cent in 2008/09, well above the Australian average of 1.8 per cent.

...meaning that the full effects of the financial crisis won't be felt until 2009/10.

The economy has also been insulated from the financial shock to a small degree, as Tasmanian households are less exposed to equity price falls. Combined with high employment growth, as well as stable house prices, it is expected that the full effects of the financial crisis will not be felt in Tasmania until 2009/10.

Lower investment and reduced export earnings will contribute to a fall in GSP during 2009/10.

However, this trend of growth is unlikely to continue. As the global financial crisis worsens, consumer and business confidence will remain weak. Growth business investment is expected to moderate, keeping a lid on the state's growth prospects. Although government investment will provide some support to growth, it will be more than offset by a large fall in private sector investment. As a result, state final demand is expected to fall by 1.9 per cent in 2009/10.

Tasmania's mining sector has undergone rapid development in recent years on the back of rising commodity prices. The recent fall in minerals prices will take some of the momentum out of the state's burgeoning mining industry, and weaker growth in major trading partners, Japan and Korea, will hamper export earnings.

On balance, GSP is tipped to fall by 0.9 per cent in 2009/10.

TABLE 2.6 – TASMANIA

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Private Consumption	2.2	1.2	2.1	0.8	0.2	0.4	0.6
Private Investment							
Dwellings	9.4	0.7	-1.6	4.8	-1.5	0.8	4.6
Other Buildings & Structures	16.0	7.0	-22.4	-0.4	1.6	-0.2	-1.8
Machinery & Equipment	40.5	22.9	-27.6	-11.5	1.3	1.3	-1.3
State Final Demand	5.5	3.6	-1.9	0.5	0.8	1.0	1.1
Gross State Product	2.0	8.8	-0.9	2.5	2.2	2.2	1.9
Consumer Price Index	3.0	2.9	0.4	2.3	4.2	4.6	4.5
Employment	3.3	3.1	-2.6	0.3	1.5	2.0	1.5
Unemployment Rate	4.9	4.8	8.9	10.4	10.1	9.0	8.4
Participation Rate	61.2	62.4	62.8	63.5	63.7	63.8	63.8

(a) all variables are shown as % change unless otherwise specified

(b) the unemployment rate and the participation rate are shown as per cent

Longer term outlook

The data for smaller economies such as Tasmania are volatile. It is preferable to look at growth rates averaged over a number of years for a more accurate picture.

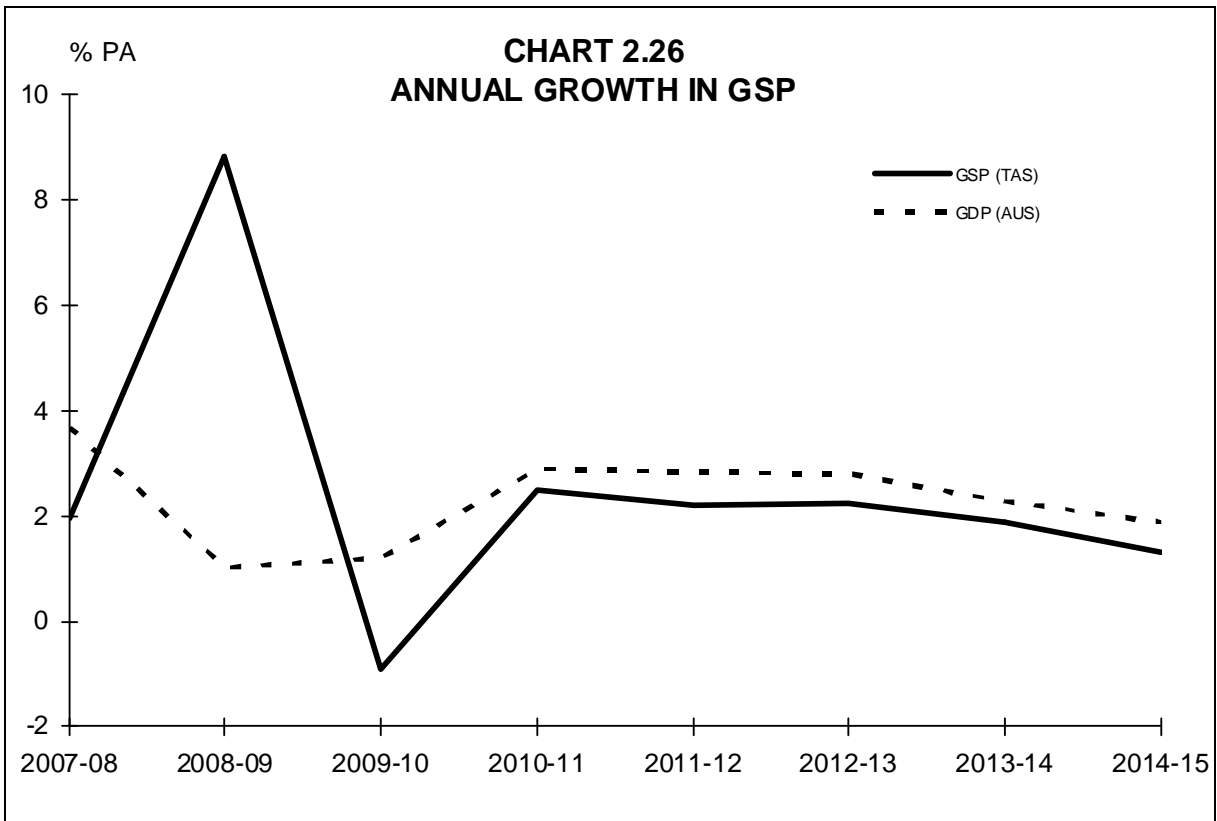
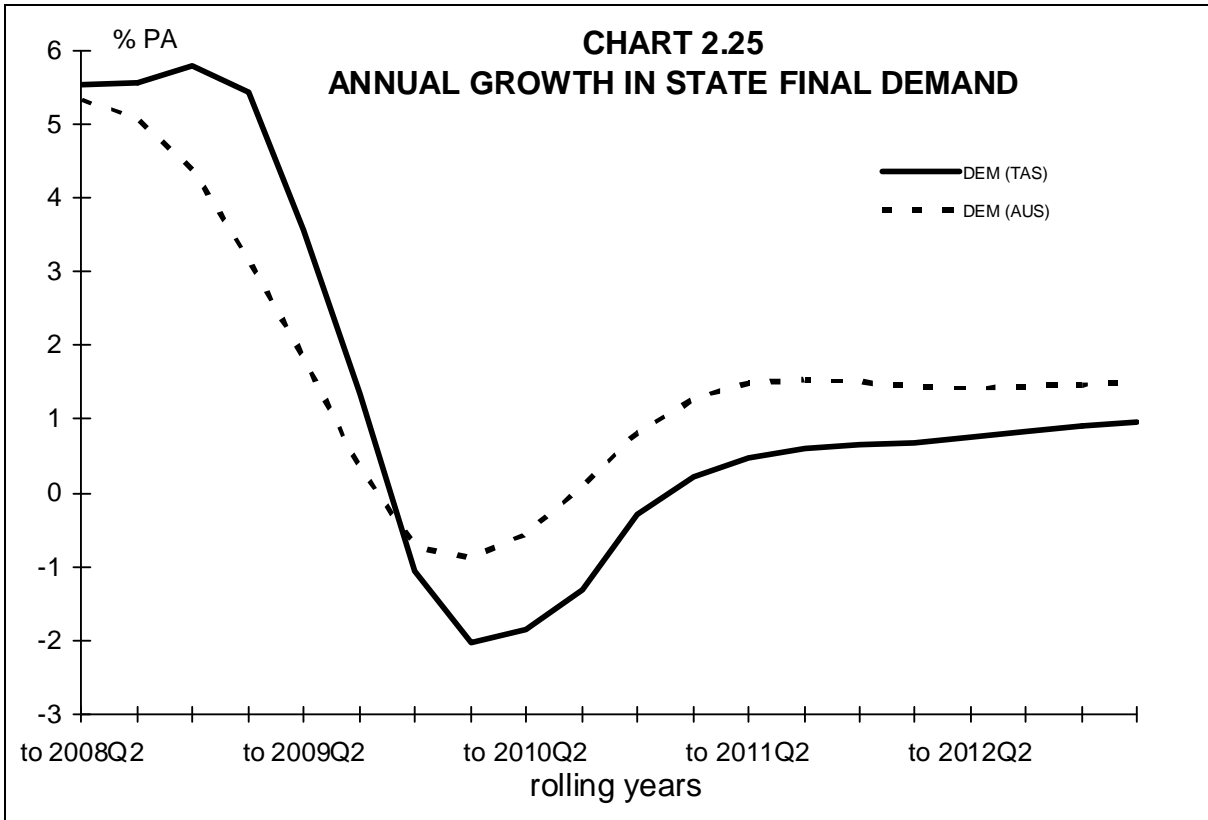
Weak growth in state final demand throughout the forecast period

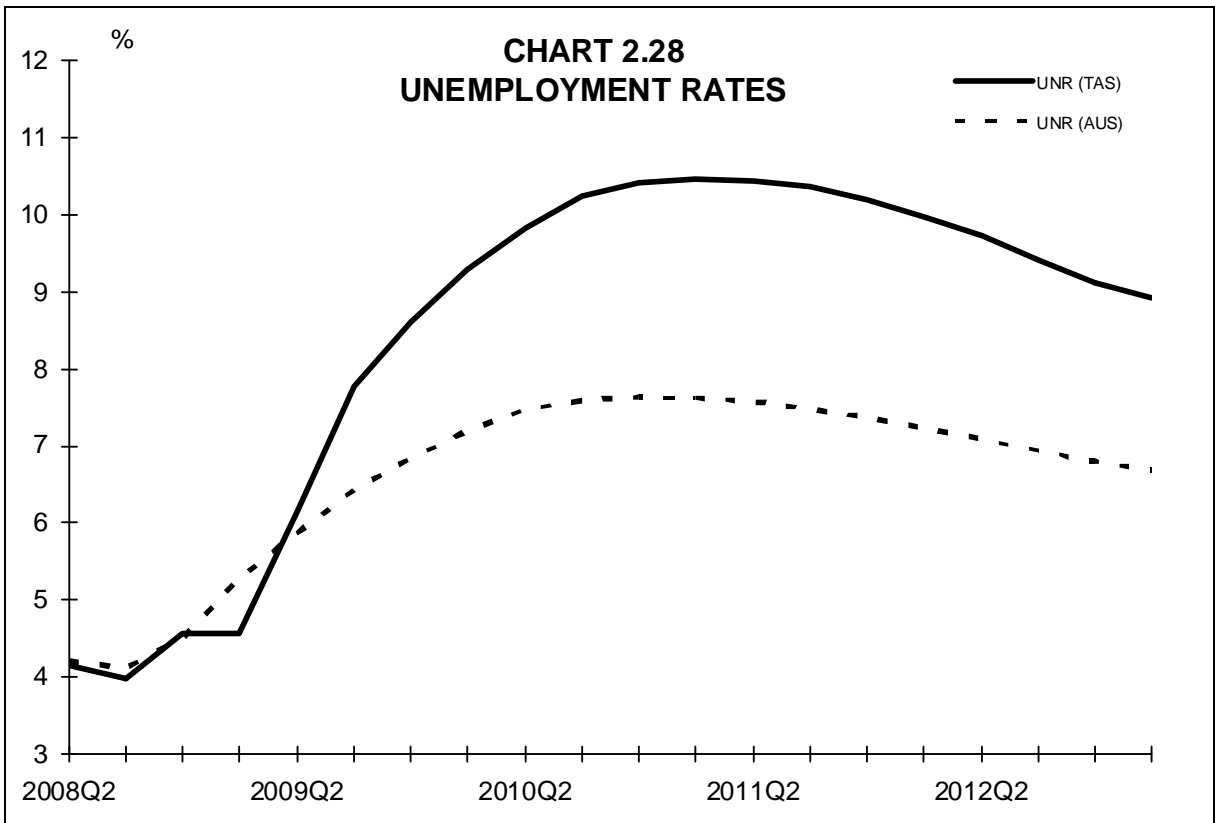
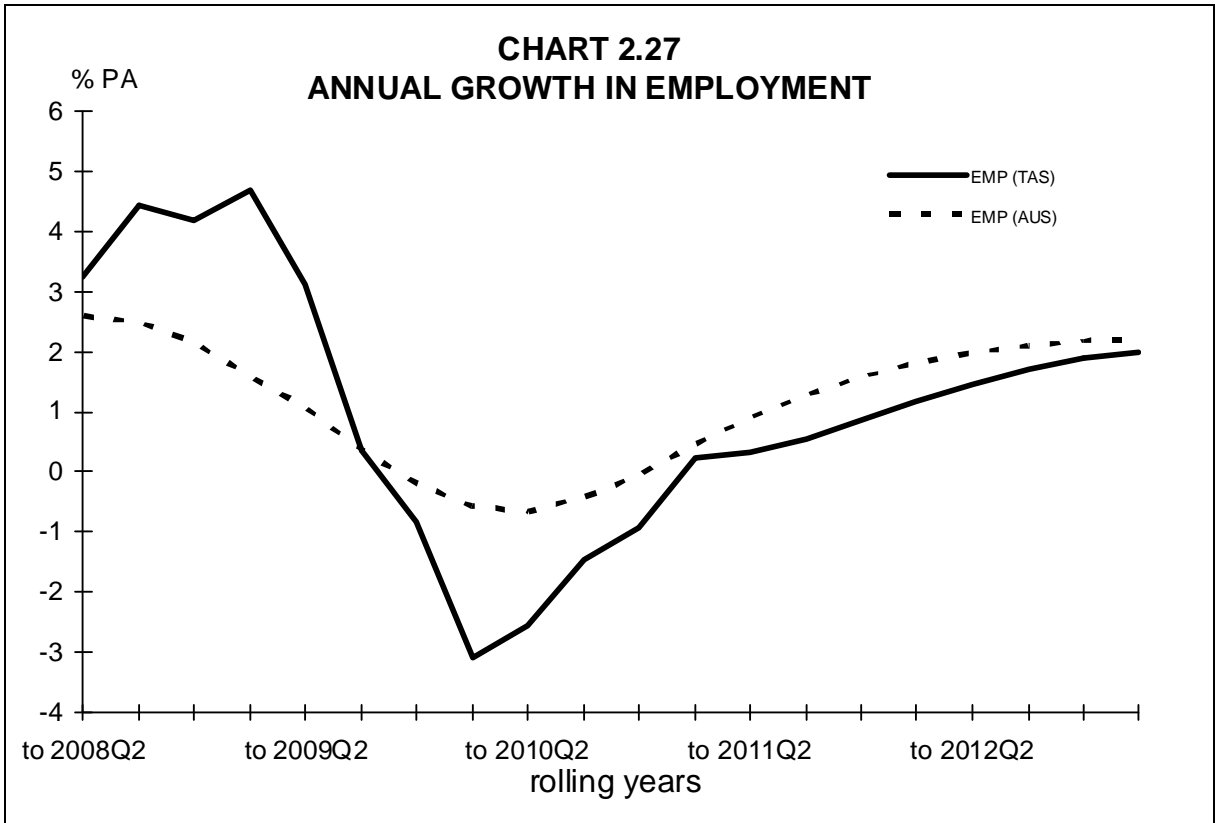
Given the difficult economic and financial conditions, state final demand in Tasmania will remain weak over the medium-term. The biggest drag on the Tasmanian economy is expected to come from their household sector. Private consumption spending growth is expected to average just 0.5 percent between 2009/10 and 2013/14 as a result of high unemployment and weak wage growth. In addition, dwelling investment will remain weak on average, reflecting Tasmania's slow population growth compared to other states.

Major development projects have been put on hold.

Investment is expected to remain weak, although the commencement of the Musselroe Bay wind farm project in 2009/10 will support some business investment in the near term. Investment in machinery and equipment over the next four years will continue to fall from its high levels. The ongoing uncertainty surrounding the Bell Bay Pulp mill presents a significant upside risk to our projections for the Tasmanian economy. The commencement of this project has the potential to provide a strong boost to business investment and hence state final demand.

Employment growth is expected to be modest over the forecast horizon with the local jobless rate consistently above the national figure.





The data for the NT and the ACT are volatile.

The economic data for both Territories, the Northern Territory (NT) and the Australian Capital Territory (ACT) are highly volatile.

On the one hand, this reflects problems with the reliability of the data. Some estimates, including the labour force and business investment, are based on sample surveys. Since the sample sizes for the Territories are small, sampling errors may be larger than for the States. Also, problems estimating the trade components can have a greater impact than for the States.

On the other hand, some of the volatility in the data reflects the true situation in the Territories. Small economies, such as the NT and the ACT, tend to have very specialized industry bases, which leave their economies highly exposed to the fortunes of one industry. The NT is highly exposed to the local mining industry, while the ACT is highly exposed to the operations of the Australian Government.

The economies of the two Territories are also different from the six State economies in another major respect. Manufacturing plays a small role, accounting for only 2 per cent of GSP in the ACT and 3 per cent in the NT. This compares with a figure of roughly 9 per cent at the national level.

NORTHERN TERRITORY

GSP growth of 5.0% in 2007/08

The Northern Territory experienced stronger than expected GSP growth during 2007/08. The economy expanded by 5.0 per cent, mainly due to the mining boom.

Slower tourism and construction activity will be a drag on GSP in 2008/09 and 2009/10.

However, this robust performance will not be repeated in 2008/09. The global financial crisis has impacted on the Northern Territory's economy through a number of channels. Following a large increase in exports of alumina, iron ore and LNG, falling commodity prices are expected to dampen growth in the mining industry in the near term. Moreover, the Tourism industry has been hit by the current global recession, while construction activity remains weak as a result of large falls in business investment and continued weakness in dwelling investment over the short term.

THE TERRITORIES - BACKGROUND

The unemployment rate will increase in 2008/09 and 2009/10.

Northern Territory has risen sharply from its nadir of 2.1 percent seen in August 2008 and is estimated at 3.7 per cent for 2008/09. Further increases in the jobless rate are expected with unemployment tipped to rise above 7 percent in 2009/10.

This all points to a sharp slowing in the Northern Territory's rate of GSP growth. In 2009/10 output will continue to fall, before recovering over the medium term. This growth will be driven by strong population growth and a robust mining sector.

AUSTRALIAN CAPITAL TERRITORY

The ACT is the 'government Territory'. Government consumption expenditure accounts for over 75 per cent of GSP, more than three times the national figure of around 20 per cent. Since government spending tends to be relatively stable, the cycle in ACT growth tends to be less pronounced than the States. In addition, the ACT is not generally export-oriented. This means that it is less affected by international developments.

The ACT economy grew strongly in 2008/09 on the back of government expenditure.

The ACT's GSP growth was a steady 2.8 per cent in 2007/08. This growth accelerated in 2008/09 as a result of increased government activity and heavy investment in machinery and equipment. The current economic crisis has had some counter-cyclical effects on the ACT economy, through additional government activity.

ACT economy is insulated but not immune

Although the ACT is insulated to some degree from economic shocks, it is not completely immune from the global financial crisis with large falls expected in dwelling and business investment. Inflated housing prices keep buyers out of the ACT market. With a much lower unemployment rate compared to the rest of Australia, reflecting the ACT's dependence on the Government Administration industry, consumption growth in the ACT will fare better compare to the other states. Despite this, following strong growth in 2008/09, GSP is expected to contract mildly in 2009/10.

Unemployment to remain very low.

Joblessness is expected to remain very low throughout the forecast period. Although the unemployment rate is expected to rise to 3.7 per cent in 2009/10, this is still well below the national average.

This slowing in economic growth will also feed into weaker employment. The unemployment rate in the

TABLE 2.7 – NORTHERN TERRITORY

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Private Consumption	5.7	1.1	2.7	2.0	1.4	1.6	1.8
Private Investment							
Dwellings	-8.4	-8.1	-5.7	7.9	-2.4	3.5	2.5
Other Buildings & Structures	-23.4	49.8	-14.8	3.4	3.6	1.5	-0.2
Machinery & Equipment	49.7	-1.2	-27.2	-8.8	3.2	4.2	1.7
State Final Demand	4.9	6.2	-2.8	1.7	2.4	2.6	2.2
Gross State Product	4.8	-1.8	-0.7	3.8	5.0	4.9	3.6
Consumer Price Index	3.5	3.2	0.4	2.1	3.3	3.4	3.2
Employment	5.7	5.8	-2.0	-0.4	3.4	3.7	2.3
Unemployment Rate	4.4	3.7	7.3	8.0	6.7	5.1	4.7
Participation Rate	72.9	73.6	72.4	71.1	71.0	71.1	71.1

(a) all variables are shown as % change unless otherwise specified

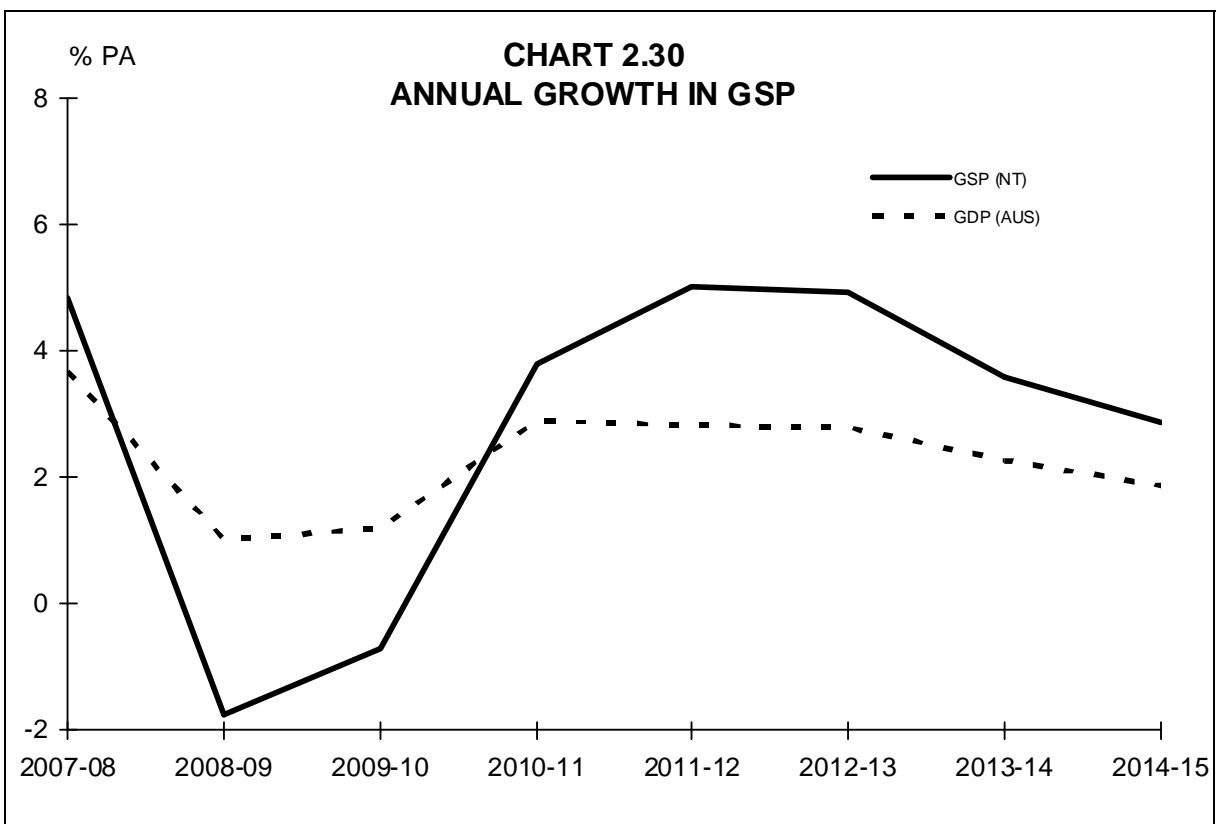
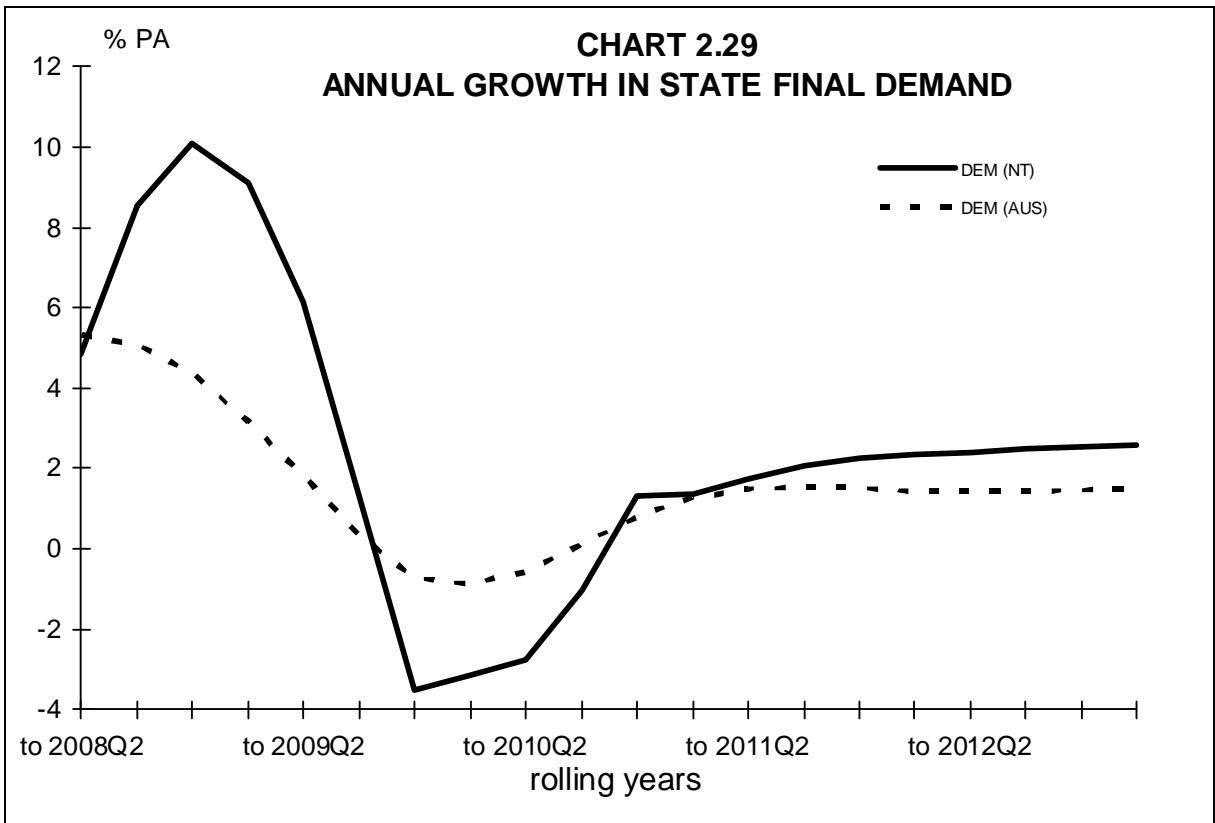
(b) the unemployment rate and the participation rate are shown as per cent

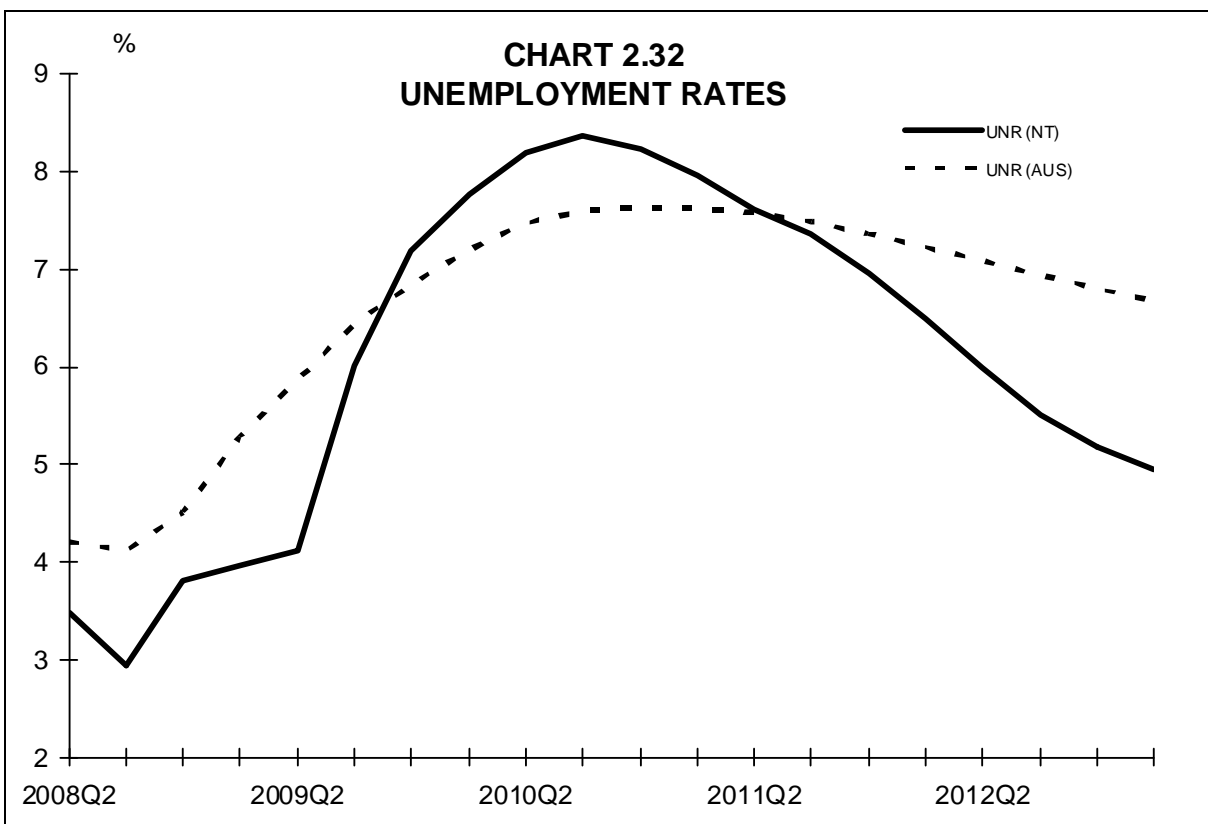
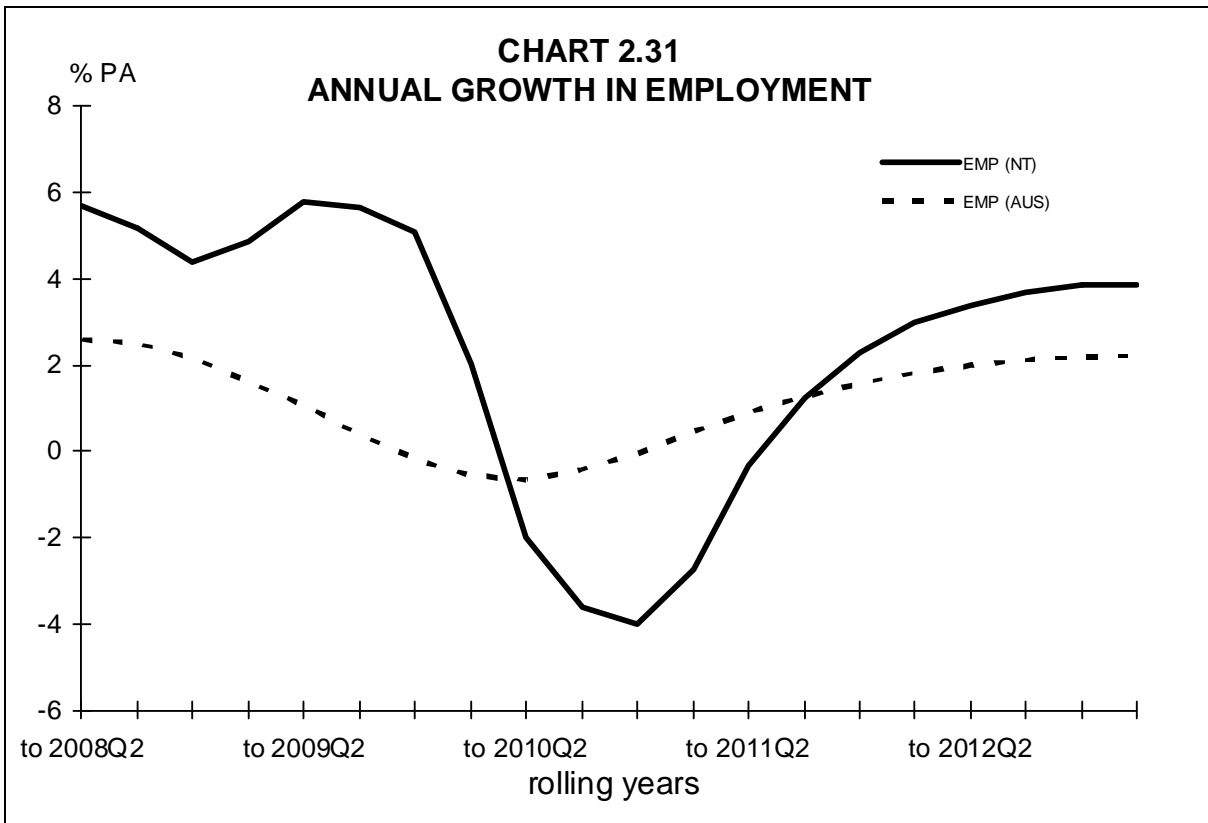
TABLE 2.8 – AUSTRALIAN CAPITAL TERRITORY

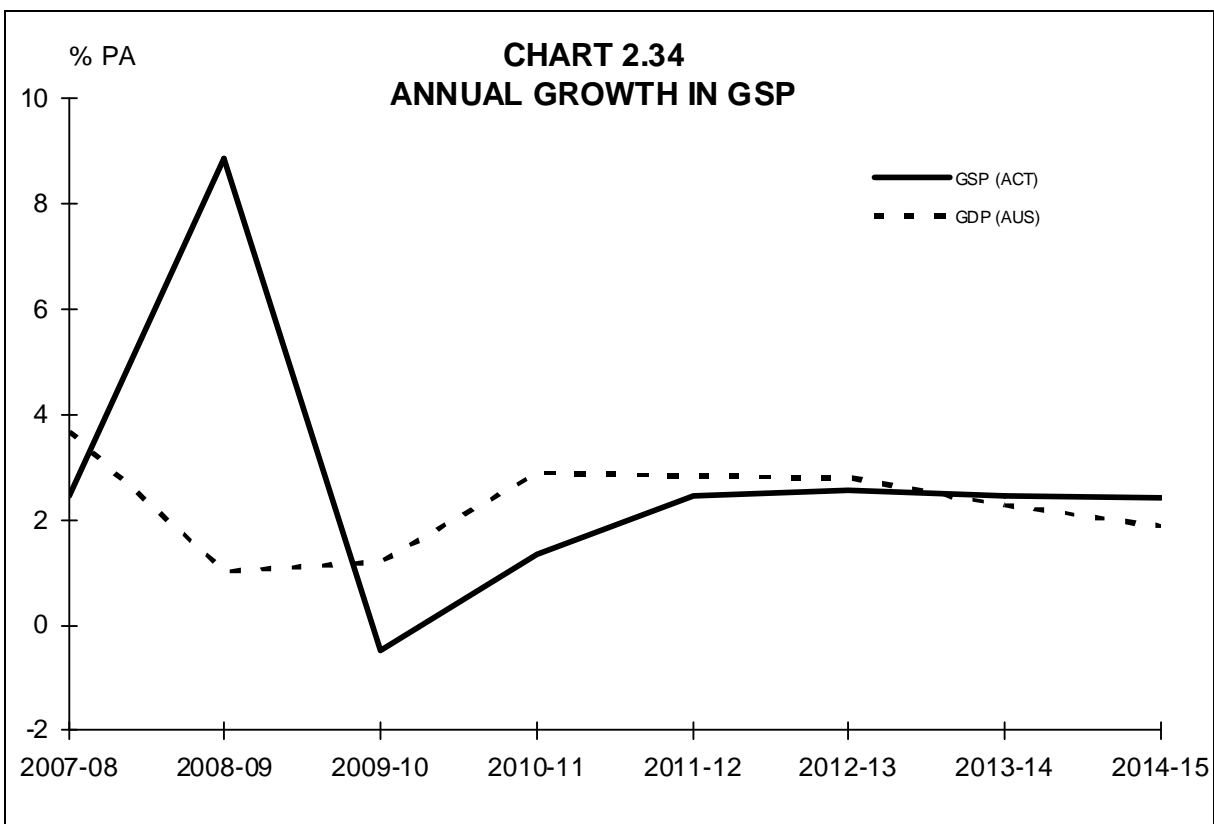
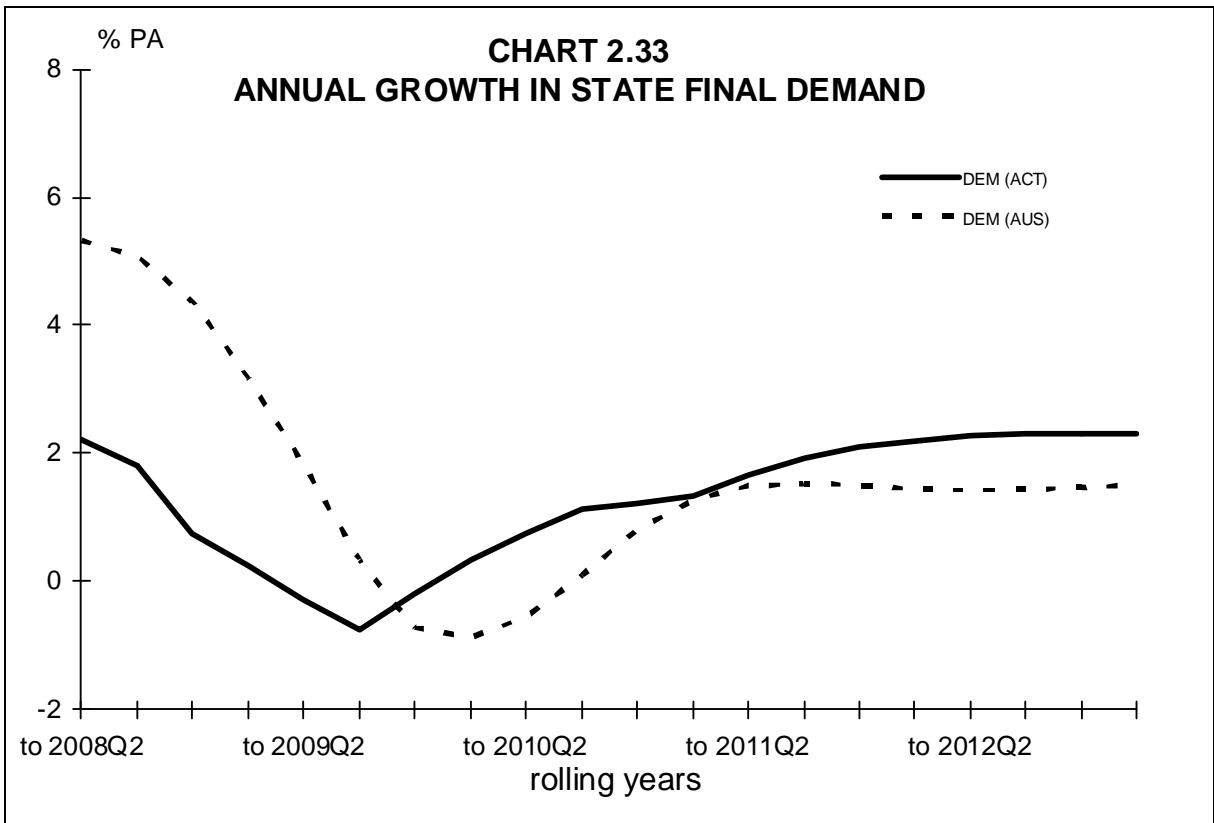
	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Private Consumption	3.4	0.4	1.9	1.8	1.6	1.3	1.4
Private Investment							
Dwellings	-4.6	-5.9	-4.9	4.7	-0.3	1.5	4.1
Other Buildings & Structures	-7.3	-6.0	-12.4	-1.2	2.5	1.0	-0.5
Machinery & Equipment	-12.6	24.5	-24.3	-6.1	4.0	4.0	1.5
State Final Demand	2.2	-0.3	0.7	1.7	2.3	2.3	2.2
Gross State Product	2.4	8.9	-0.5	1.3	2.5	2.5	2.5
Consumer Price Index	3.6	3.4	0.9	2.2	3.4	3.5	3.3
Employment	0.3	0.7	-0.3	1.6	1.6	1.6	1.2
Unemployment Rate	2.6	2.8	3.7	3.8	3.7	3.5	3.7
Participation Rate	72.9	72.5	72.0	72.3	72.5	72.6	72.7

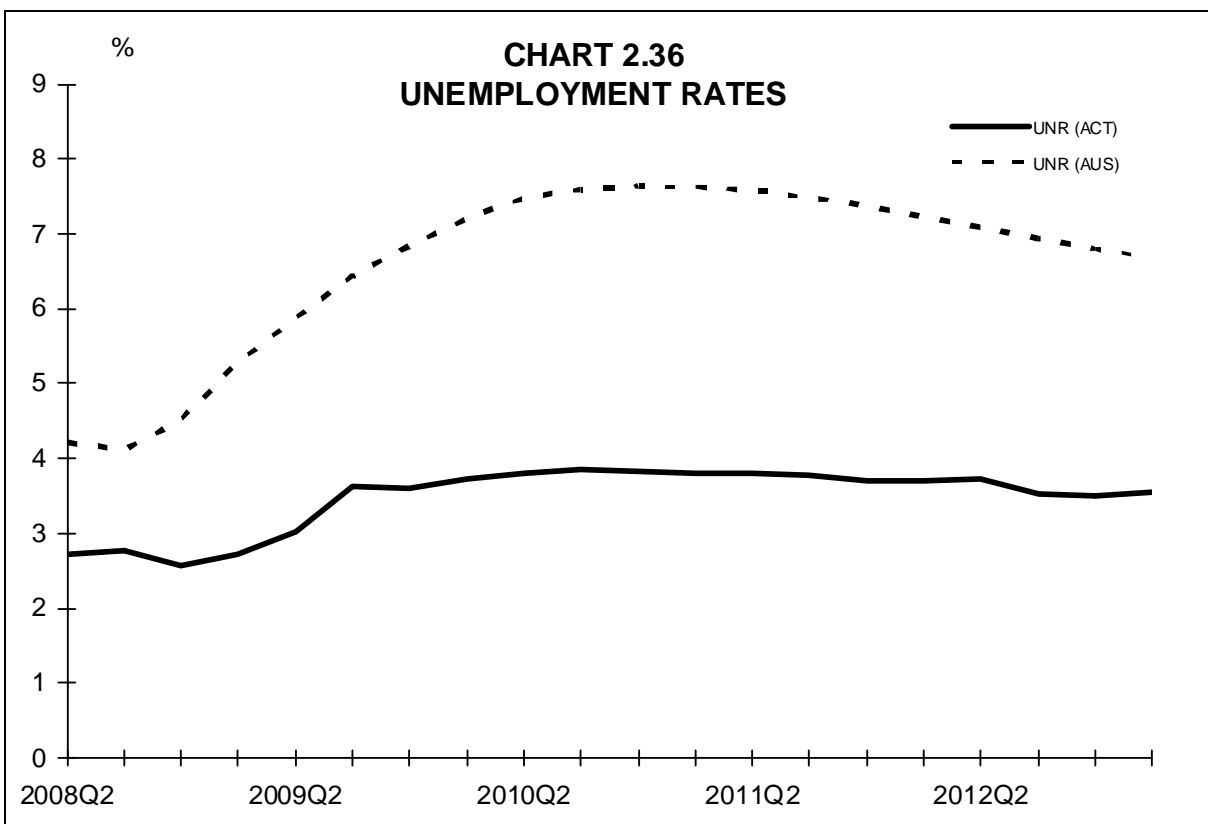
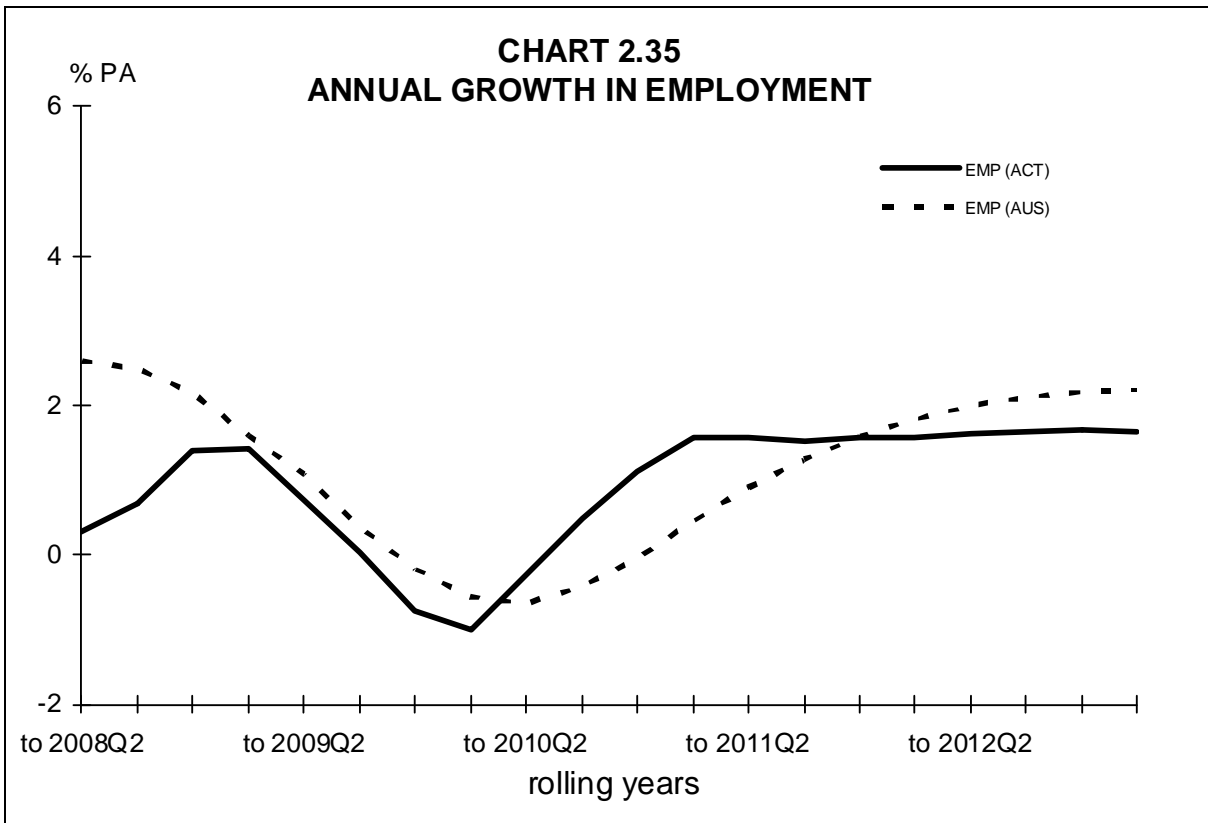
(a) all variables are shown as % change unless otherwise specified

(b) the unemployment rate and the participation rate are shown as per cent











Industry Outlook



Despite being in a stronger position than most OECD economies, Australia is still experiencing a major economic slowdown, with sluggish GDP growth and rising unemployment. Although Australia is not expected to enter a technical recession, quarterly GDP growth is expected to remain close to zero for the remaining quarters of 2009. Slower growth can be attributed primarily to a sharp decline in business investment. Given the weak outlook for business investment, the year on year GDP growth forecast for 2009/10 is 1.2 per cent.

Chart 3.1 compares the projected growth in each sector in 2009/10 with the outcomes for 2008/09. Chart 3.2 presents the forecasts of average annual medium term output and jobs growth by sector. The following brief comments refer to our 2009/10 estimates.

- ◇ Agriculture up 5.1%, (up 17.0% in 2008/09), with higher crop yields expected.
- ◇ Mining up 1.9%, (up 2.3% in 2008/09), as growth is hampered by lower contract prices for bulk commodities.
- ◇ Manufacturing up 4.3%, (down 3.7% in 2008/09), as demand for manufactures recovers in line with improving economic conditions.
- ◇ Electricity, Gas & Water up 4.2% (up 4.0% in 2008/09), driven by strong growth in liquid natural gas consumption.
- ◇ Construction down 5.4% (up 1.8% in 2008/09), as non-residential construction languishes in the wake of much lower levels of business investment.
- ◇ Wholesale Trade down 0.6% (down 1.0% in 2008/09), on the back of weaker trade activity.
- ◇ Retail Trade up 1.0 % (up 1.1% in 2008/09), as slow growth is supported by strong fiscal stimulus measures targeted at consumers.
- ◇ Accomm'n, Cafes & Restaurants down 3.0% (down 1.8% in 2008/09) as the tourism industry struggles to attract international visitors and discretionary household spending remains weak.
- ◇ Transport up 2.5% (up 0.5% in 2008/09), as growth in manufacturing and agricultural production boosts demand for freight transport.
- ◇ Communication Services up 3.8% (up 0.5% in 2008/09), as activity is driven by government investments in communications infrastructure.
- ◇ Finance & Insurance down 0.2% (down 0.1% in 2008/09), suffering from the global financial crisis and the impact of natural disasters including the Victorian bushfires.
- ◇ Property & Business Services down 1.3% (down 0.9% in 2008/09), with property sales down and business activity subdued.
- ◇ Gov't Admin. & Defence up 4.8% (up 2.2% in 2008/09), as the government remains committed to spending programs.
- ◇ Education up 3.6% (up 1.7% in 2008/09), due to government investments in the industry.
- ◇ Health & Community Services up 2.1% (up 2.9% in 2008/09), due to government investment in health services.
- ◇ Culture & Recreation Services down 1.0% (up 1.1% in 2008/09) due to slower discretionary spending.
- ◇ Personal & Other Services up 2.8% (up 1.8% in 2008/09), as the beginnings of an economic recovery support higher demand for services.
- ◇ Ownership of Dwellings up 1.5% (up 2.7% in 2008/09).

Chart 3.1: SHORT-TERM OUTPUT GROWTH

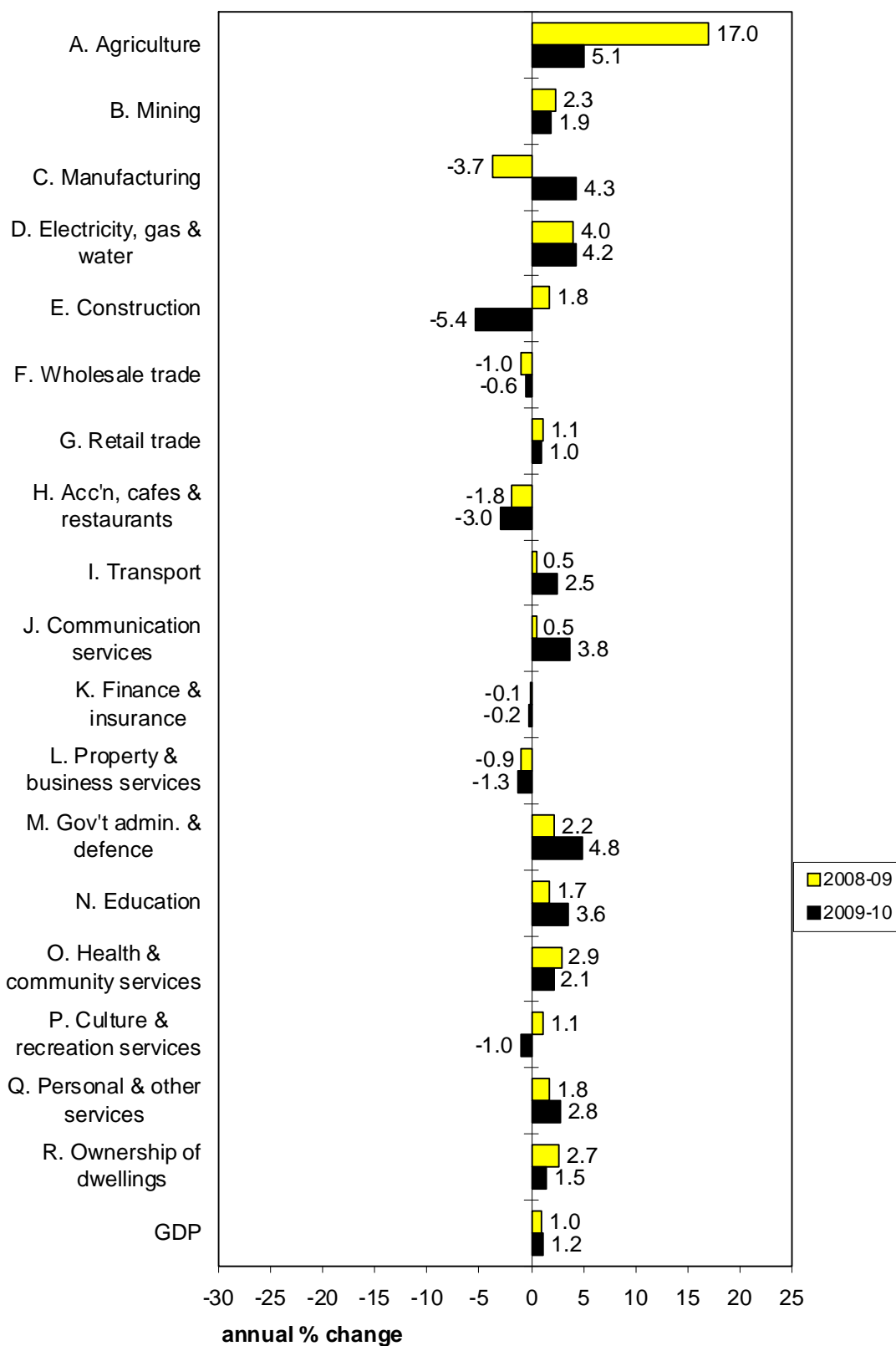
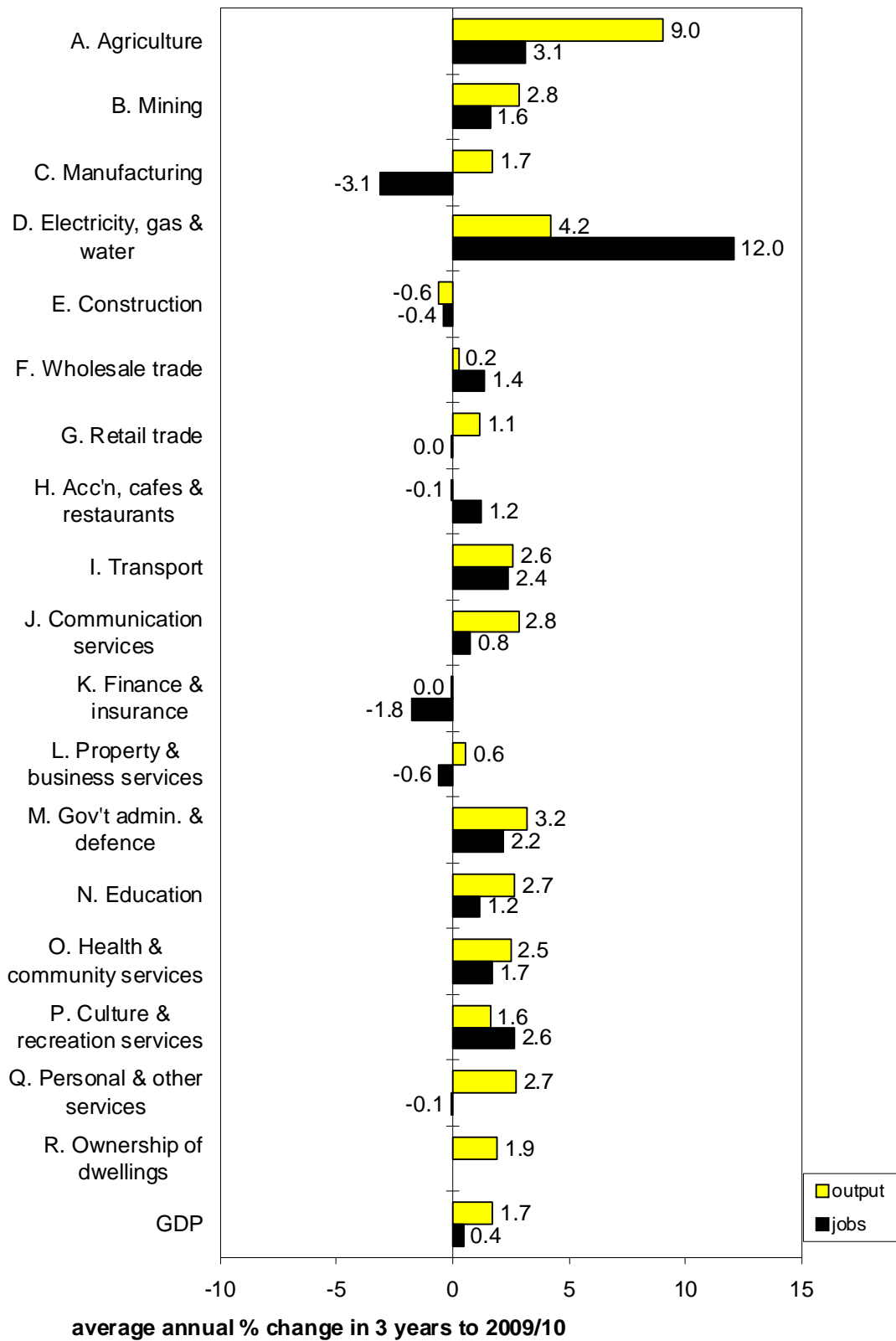


Chart 3.2: JOBS & OUTPUT GROWTH



KEY INVESTMENT FORECASTS

Data Background

This section covers business investment in eight industry divisions for which there are timely, quarterly data.

This section covers recent trends and the outlook for business investment (i.e., both private and public enterprises but not general government) in eight key sectors. The main source of industry business investment data is the annual national accounts. However, the ABS quarterly survey of Private New Capital Expenditure (ABS Cat. No. 5625.0) has good coverage of business investment in eight key industry divisions. We use these survey estimates to obtain quarterly, and therefore timelier investment, data.

This section covers seven of those eight key industries. Chart 3.3 and Chart 3.4 show the history and forecast data for real business investment in the industries. Investment forecasts for the other nine industries, running off less reliable estimates of recent trends, are in the Appendices.

Mining

Mining investment will fall sharply in 2009/10.

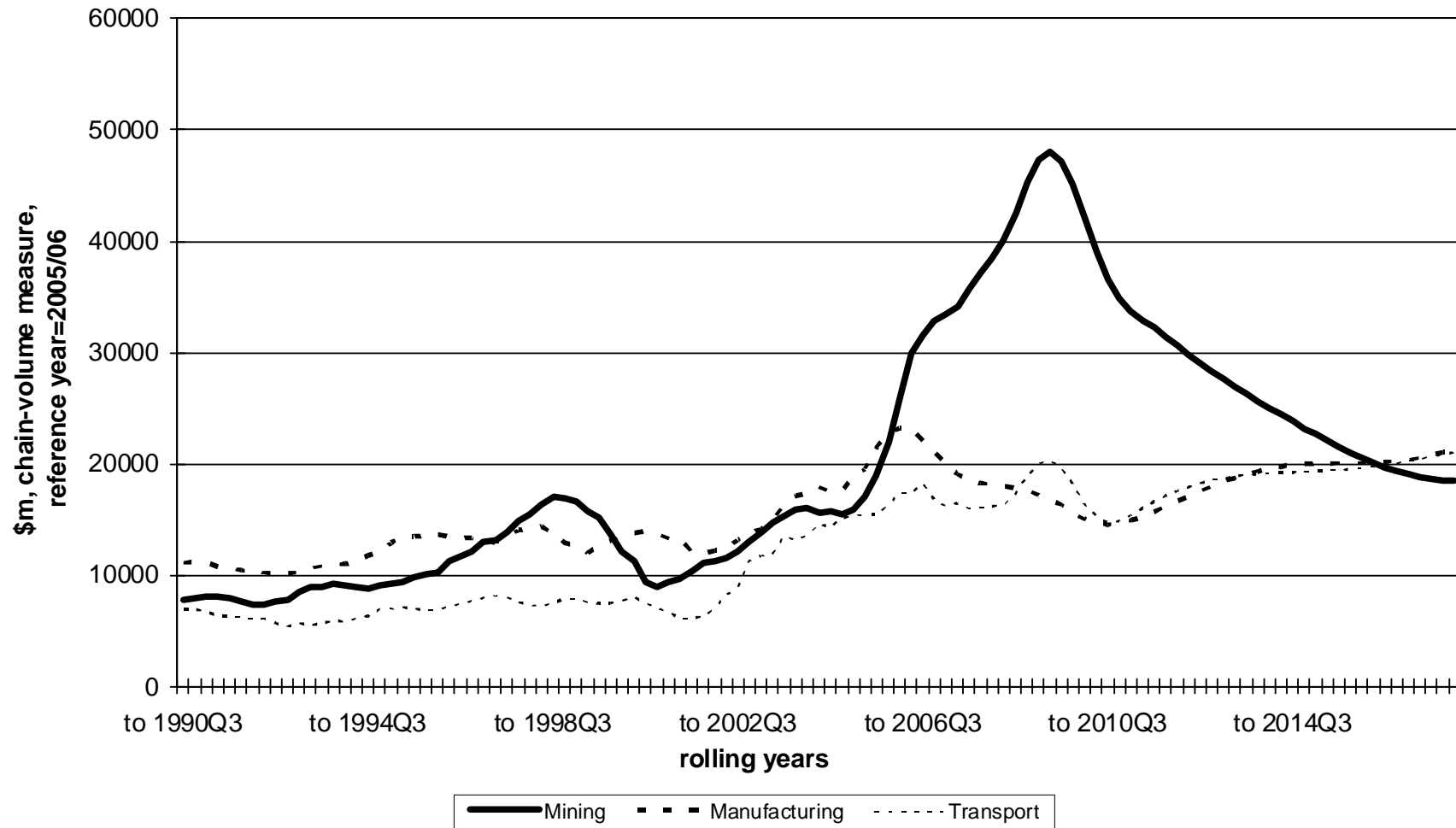
Mining investment boomed in recent years with soaring commodity prices encouraging investment in additional capacity. The commodities cycle turned in 2008/09, with spot prices falling sharply. This initiated a sharp fall in mining investment; many existing projects have been put on hold and many proposed investment projects have now been postponed. The mining sector now faces the unenviable prospect of spare capacity combined with lower prices. With prices set to remain well below the highs of recent years, mining investment will continue to contract over the long run. Our forecast sees a massive 18.9 percent drop in investment in 2009/10.

Manufacturing

Lower profitability will curtail investment in the short run.

Manufacturing investment has continued to fall in 2008/09, after contracting by 5.3 per cent in 2007/08. Local manufacturers are currently facing tough times in the wake of the global financial crisis, which has curbed both external and domestic demand for their goods. In the face of falling sales it is not surprising to see that companies are reluctant to invest in additional capacity. The combination of slower sales, difficult lending conditions and rising inputs costs has meant that profitability in the Manufacturing sector is down. This will curtail further investment, with a 12.3 percent fall in investment tipped for the 2009/10 year.

Chart 3.3: BUSINESS INVESTMENT



Transport

Strong investment in 2008/09 driven by an upgrade of the Qantas air fleet.

In 2008/09 the Transport industry bucked the general trend of falling business investment, posting an enormous increase in investment of 24.3 per cent. A large part of this new investment can be attributed to spending by Qantas, who upgraded their fleet by placing a large order Boeing aircraft. Following this large one-off boost, investment is expected to contract strongly in 2009/10, falling back to levels similar to that seen in 2007/08. Over the long run, healthy investment growth will be underpinned by government spending on rail assets.

Wholesale Trade

Wholesale trade investment contracting due to slowing retail and manufacturing sectors...

Investment in the Wholesale Trade industry has been hampered by the slowdown in the Manufacturing and Retail Trade industries. These industries will continue to soften in the near term, leading to a decline in demand for Wholesale Trade services. Investment is therefore likely to contract in both 2008/09 and 2009/10.

Retail Trade

...with similar results for Retail Trade investment.

Retail Trade activity remains linked to consumer spending, which is expected to remain depressed in the near term; over the latter half of 2009 the impacts of fiscal stimulus measures will wear off and higher unemployment will impede retail spending. As such, investment is expected to decline in 2009/10 by 2.7 per cent.

Finance & Insurance

Investment to remain flat due to falling profits and rising uncertainty.

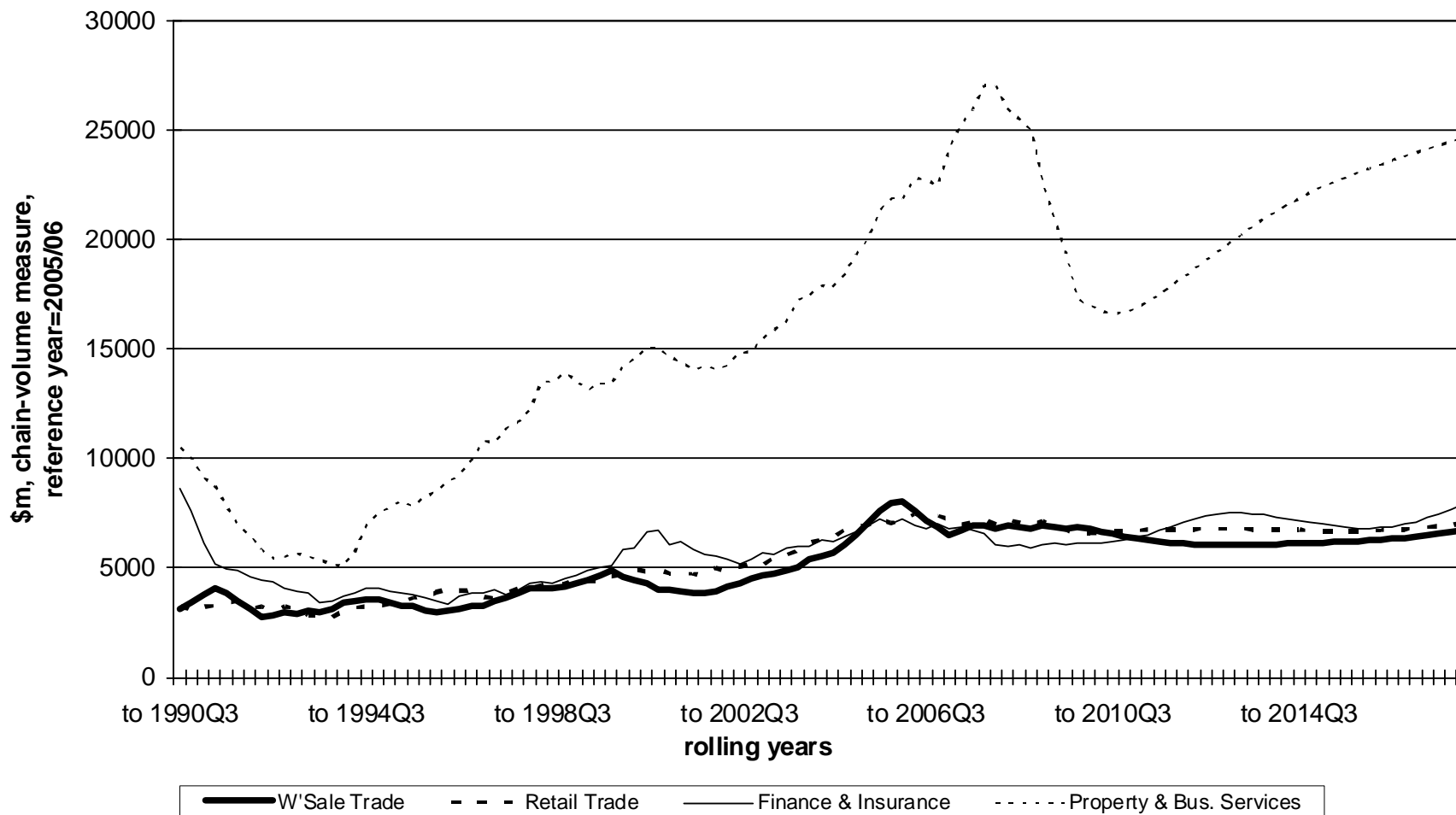
The Finance and Insurance industry has been hit hard by the global financial crisis; investment fell 12.5 percent in 2007/08. This industry is currently in a period of declining profits and great uncertainty. Against this backdrop, it is not surprising that investment will remain flat over the short run. Our forecast is for investment levels to remain at this lower level in 2009/10.

Property & Business Services

Investment down due to general slowdown in business activity.

As a result of the slowdown in commercial property sales, and weaker business activity in general, investment in this industry will fall heavily in the short term. However, as the economic conditions improve, investment is expected to pick up in years 2010 and forward.

Chart 3.4: BUSINESS INVESTMENT



AGRICULTURE, FORESTRY & FISHING

This industry is dependent on weather conditions and exchange rate fluctuations.

Agriculture, Forestry and Fishing (Agriculture) is considered volatile because output is highly dependent on favourable weather conditions (see Chart 3A). Further, as a predominantly trade focused industry, Agricultural output is also influenced by exchange rate fluctuations.

Strong growth in 2008-09 underpinned by more favourable weather.

Following a period of sustained drought conditions, a return to more normal conditions supported strong output growth in 2008-09. Wheat in particular was a standout performer, as higher yields resulted in exceptional output growth of 58 per cent in volume terms (ABARE). Combined with robust growth in the export of beef, and sustained high prices for sheep and lamb meat, output growth is expected to come in at an impressive 17 per cent for 2008-09.

Lower AUD will encourage export growth.

Going forward, this industry should outperform the wider economy, as the depreciation of the AUD encourages export growth in key markets. Favourable climactic conditions are also expected to promote high crop yields, meaning that an expansion in the output of grains, sugar and cotton will be the main driver of growth for this industry. Alternatively, growth in livestock output (beef, sheep, wool and dairy) will remain subdued due to increased competition in export markets and the impact of recent slaughterings on herd levels.

Crop output higher in 2009-10...

The production of wheat in volume terms is expected to grow, as decent autumn rains translate into higher yields for the winter wheat crop. High world prices for coarse grains will also encourage barley production, with barley exports expected to appreciate strongly in value terms. The production of sugar on the other hand will fall, due to flooding in QLD and northern NSW, whilst cotton production will grow in line with an appreciation in world cotton prices.

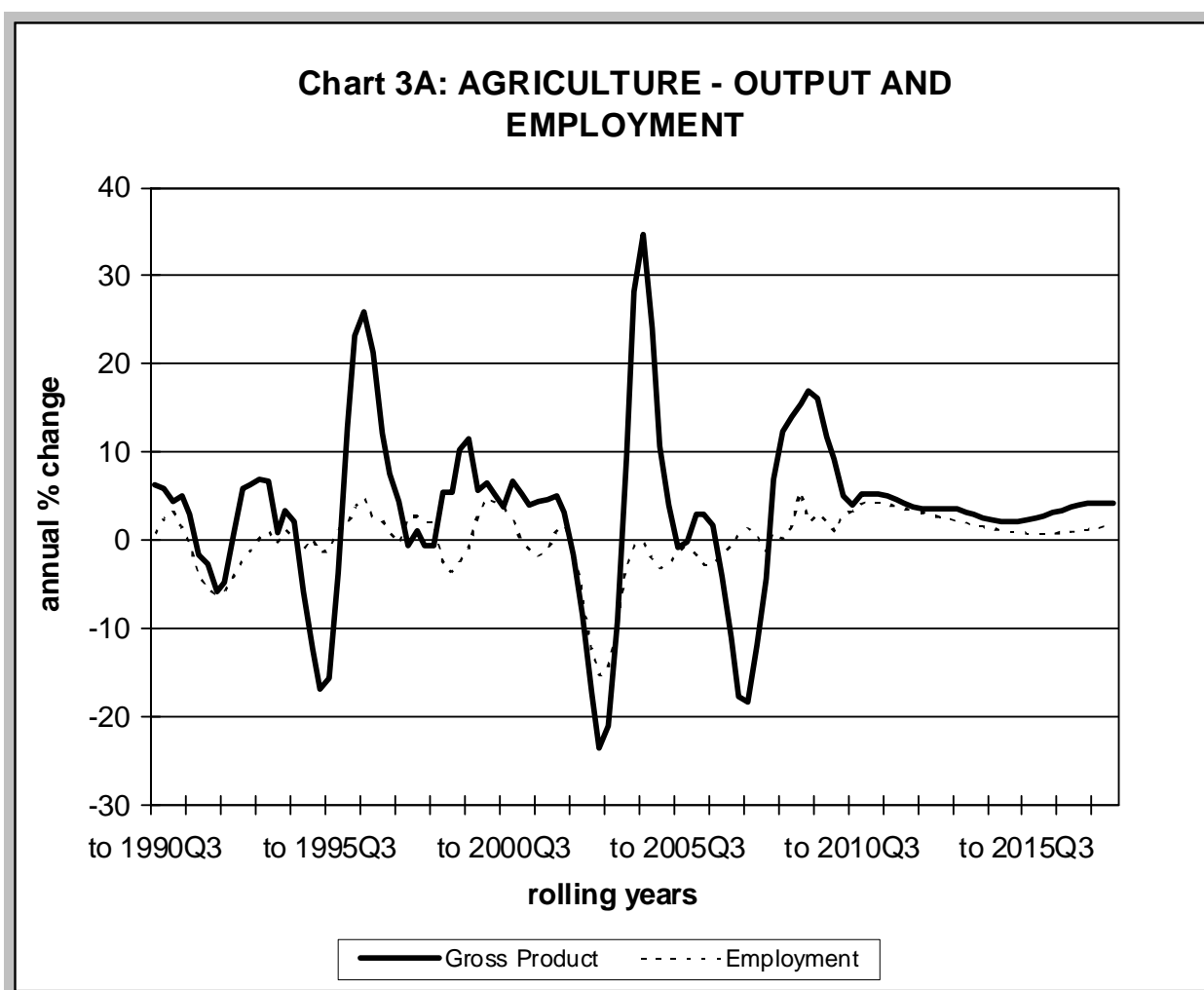
...whilst livestock output constrained due to competition in export markets and small herd sizes.

The production of beef is expected to remain largely unchanged in 2009-10, as higher slaughterings in NSW and QLD are offset by lower slaughterings in southern Australia (ABARE). Beef exports will be lower in 2009-10, as a result of reduced consumption in Japan, as well as the recent relaxation of import restrictions on US beef going into Korea. High levels of sheep and lamb slaughters over the last two years mean that the flock size is currently low. As a result, sheep meat production and wool production will be constrained in 2009-10, as farmers begin to rebuild herds.

Table 3A - AGRICULTURE (a)

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Product	6.9	17.0	5.1	5.3	3.8	3.7	2.6
Investment	36.9	2.7	1.6	6.8	3.2	0.3	-1.5
Exports	-7.2	-7.9	8.2	13.4	11.2	8.8	6.8
Employment	1.0	2.1	3.0	4.3	3.4	2.5	1.6

(a) all variables are shown as % changes



MINING

High negotiated prices for bulk commodities in 2008/09 supported solid export earnings growth.

Spot prices for mineral commodities moderated sharply in 2008-09, as the effects of the global financial crisis impacted on demand for raw materials. Slower economic activity also saw energy demand fall, leading to a drop in the price of oil and energy commodities. Despite plummeting spot prices, contract prices for bulk commodities were maintained at record levels in 2008/09. As a result, export earnings were held up by growth in thermal coal, coking coal and iron ore exports. Combined with increased capacity due to recent investment, this supported moderate output growth.

Spot prices for most commodities should appreciate over 2009/10 due to renewed demand from China.

Going forward, spot prices are expected to appreciate over 2009/10 as the rollout of China's US\$586 billion stimulus package underpins stronger demand for energy and mineral commodities. Renewed optimism in regards to a global economic recovery should also support higher oil prices, whilst the price of gold will remain high until late 2010 (ABARE). However, contract prices for bulk commodities will be significantly lower in 2009/10. This reflects reduced electricity demand and manufacturing activity in Japan as well as other Asian economies.

Overall output should achieve a modest gain of 1.9 per cent in 2009/10.

On balance, price rises in the spot market are expected to be offset by falls in contract prices for bulk commodities, leading to moderate output and export growth in 2009/10. Whilst oil production in volume terms will be down due to the depletion of mature fields, earnings should be boosted as a result of higher prices. Gold production will also be up strongly as a number of new mines begin operation next year, whilst copper production is boosted by the opening of OzMineral's Prominent Hill mine and Newmont's Boddington mine (ABARE). Overall, output is forecast to rise by 1.9 per cent in 2009/10.

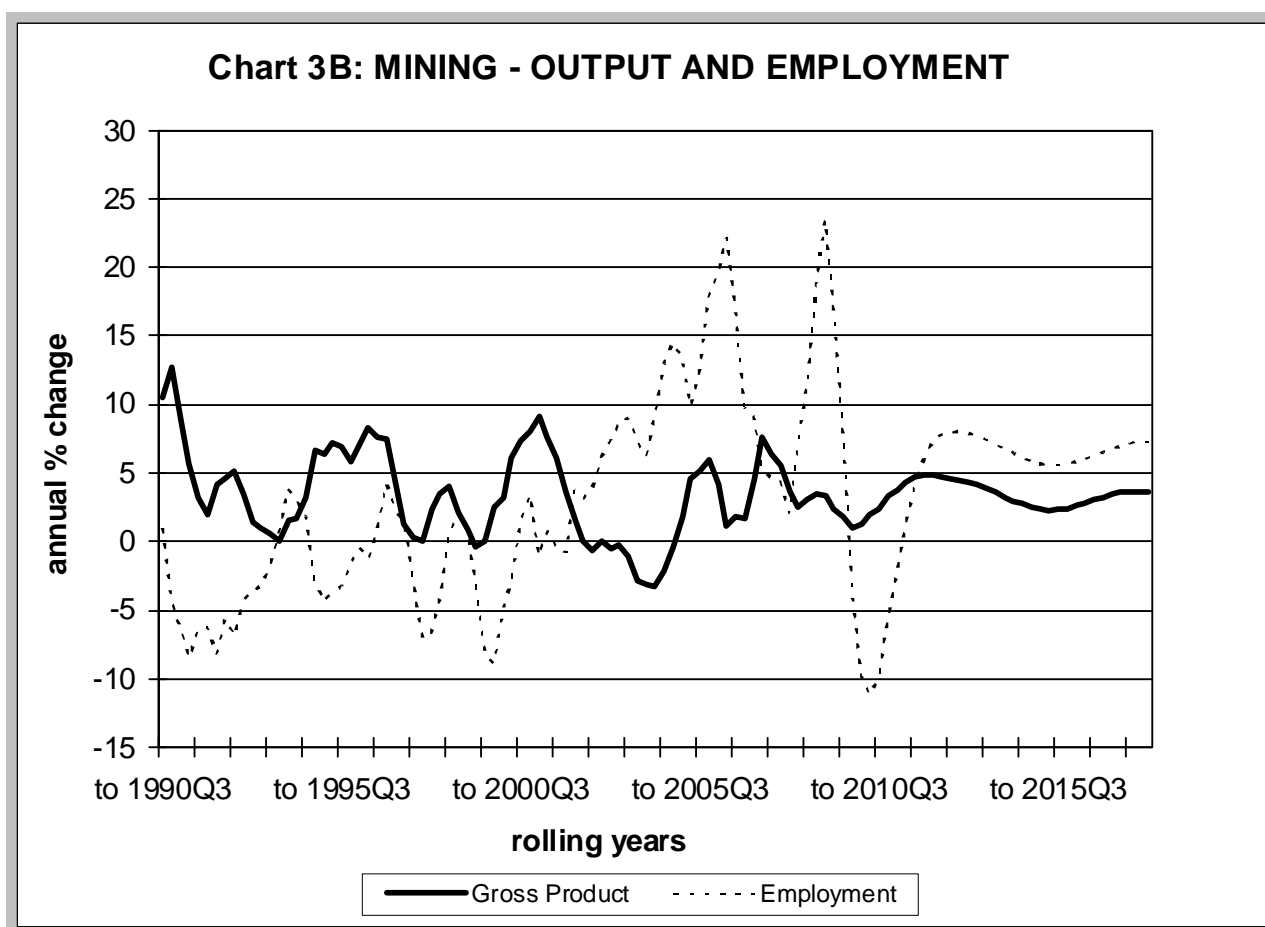
Mining investment has passed its peak and is expected to decline over the next five years.

High levels of investment were held up throughout 2008/09, due to the existing pipeline of Mining projects. Looking forward, investment in Mining is expected to begin declining in 2009/10 from its very high levels. Given that commodity prices are unlikely to return to the high levels that were seen over the last few years, further investment in the Mining industry will be less attractive over the medium term. Against this backdrop, we expect Mining investment to fall by 18.9 per cent in 2009/10.

Table 3B - MINING (a)

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Product	2.5	2.3	1.9	4.3	4.7	4.1	3.0
Investment	17.0	20.1	-18.9	-15.7	-9.3	-9.7	-9.4
Exports	6.7	5.4	1.1	5.0	6.8	5.4	3.7
Employment	7.3	16.5	-11.2	1.3	7.8	7.7	6.4

(a) all variables are shown as % changes



MANUFACTURING

Economic cycle and AUD have significant impacts on this industry.

The manufacturing sector produces a large proportion of intermediate goods; hence the economic cycle usually has a large impact on this industry. As a trade exposed industry, output is also sensitive to changes in the Australian dollar. Increased competition in international markets has forced the Australian Manufacturing industry to reposition itself over the last twenty years. As a result, the industry tends to specialise in a few key areas, which are either domestically focused (food and beverage) or in which Australia has a technological advantage (machinery components and pharmaceuticals). The four largest sectors are: petroleum, coal and chemicals; metal product; food, beverage and tobacco; and machinery and equipment, which together account for roughly 80 per cent of output.

Output fell in 2008/09 in the wake of lower demand both at home and abroad.

The manufacturing industry performed poorly throughout 2008/09, falling by an estimated 3.7 per cent. Demand for manufactured goods collapsed in the wake of lower consumer confidence and contractions in other OECD economies. As a result, export deliveries saw their sharpest fall since early 2001, whilst overall activity dropped to its lowest levels since the recession of 1990/91. (ACCI-Westpac Survey of Industrial Trends).

A recovery is expected over medium term, driven by improved economic conditions and lower AUD.

Recent indicators have shown that manufacturing activity is beginning to stabilise, following sharp falls earlier in the year. Industry research by AiGroup indicates that demand conditions improved over July, reflecting the impacts of fiscal stimulus measures in the domestic economy and firmer export demand from the EU, Japan and the US. In light of an improved economic outlook, and further depreciation of the AUD, we forecast that output growth will recover to healthy levels over the medium term. The recovery will be led by a stronger export performance, with standout industries including petroleum refinery and metals manufacturing.

Employment losses to continue over 2009/10 as businesses restructure.

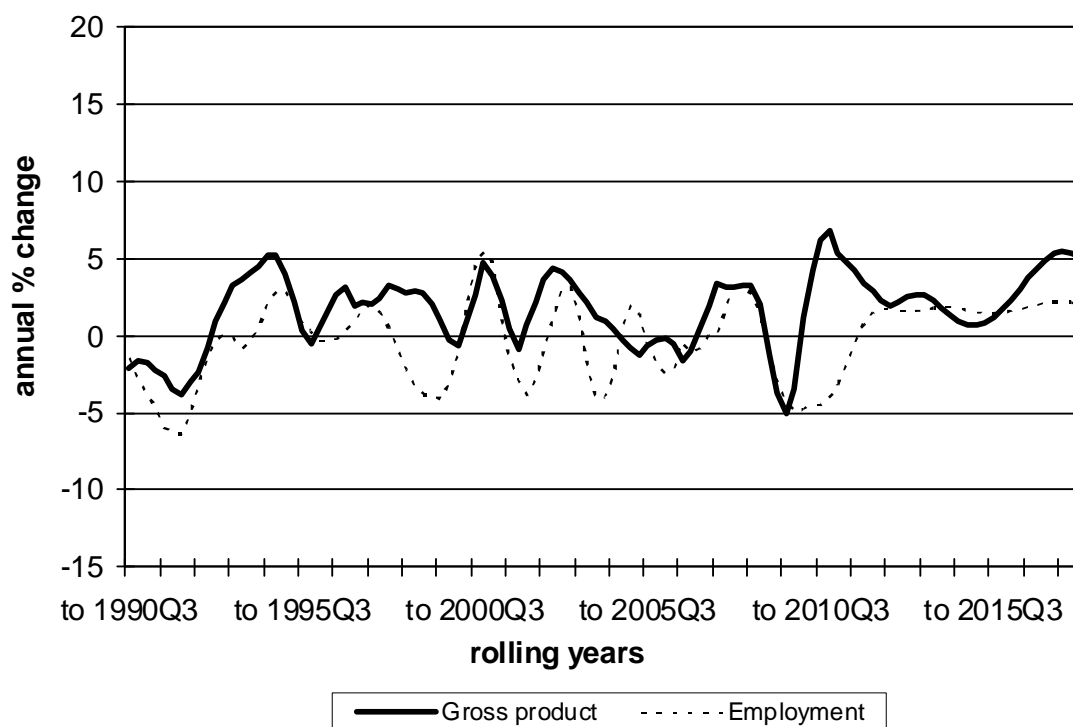
The output slump in 2008/09 resulted in widespread job losses. Large employers that cut jobs include Pacific Brands and Ford Motor Company. Despite an improved output performance, heavy job cuts are expected to continue throughout 2009/10 as companies restructure in a bid to bring down costs. As such, employment is forecast to fall by 4.5 per cent in 2009/10, before rebounding over the medium term.

Table 3C - MANUFACTURING (a)

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Product	3.3	-3.7	4.3	4.8	2.2	2.7	1.4
Investment	-5.3	-7.2	-12.3	3.9	11.6	9.9	5.5
Exports	2.1	-3.1	-0.6	2.4	7.7	7.6	5.5
Imports	11.8	-2.2	-6.0	1.0	4.4	3.4	3.0
Employment	3.0	-3.1	-4.5	-1.8	1.7	1.6	1.8

(a) all variables are shown as % changes

Chart 3C: MANUFACTURING - OUTPUT AND EMPLOYMENT



ELECTRICITY, GAS & WATER SUPPLY

An industry subjected to structural adjustment since the mid 1980s.

The Electricity, Gas and Water Supply industry is comprised of firms engaged in electricity supply, water, sewerage and drainage and gas supply. Notably, the separate subdivisions of this industry do not necessarily grow in unison as they are subject to different demand shocks and supply side constraints.

In the 1990s, the industry had an average growth rate that was amongst the lowest across all 17 Australian industries. This was primarily due decreases in demand from water restrictions and energy conservation. At the same time, reforms within this industry meant that productivity gains were achieved through corporatisation, outsourcing and privatisation. This resulted in an almost continuous rise in labour productivity from the mid 1980's until 2000.

Climate change policies should encourage investments in cleaner technology.

The Electricity, Gas and Water Supply industry faces significant changes caused by the introduction of climate change policies. These policies are expected to impact the sector through the policies affect on the price of energy production. Higher energy prices are likely to suppress demand in the industry while the introduction of climate change policies are expected to generate some investment opportunities in the sector. The Commonwealth's proposed \$20 billion investment in renewable energy technologies including wind, solar and geothermal power, has the potential to impact output in the sector. Particularly, investment in gas-fired or renewable energies is expected to increase competitiveness under the proposed emissions trading scheme.

Natural gas to continue performing strongly

Gas production is expected to continue to expand strongly, driven by increasing LNG production and a rise in the use of gas-fired electricity generators. The natural gas sector has been a strong performer, spurred by rising demand from gas-fired power stations and growth in coal seam gas production. Drought conditions has recently constrained the water supply, however a gradual return to normal climactic conditions should aid water output. Government investments should increase capacity over the long term.

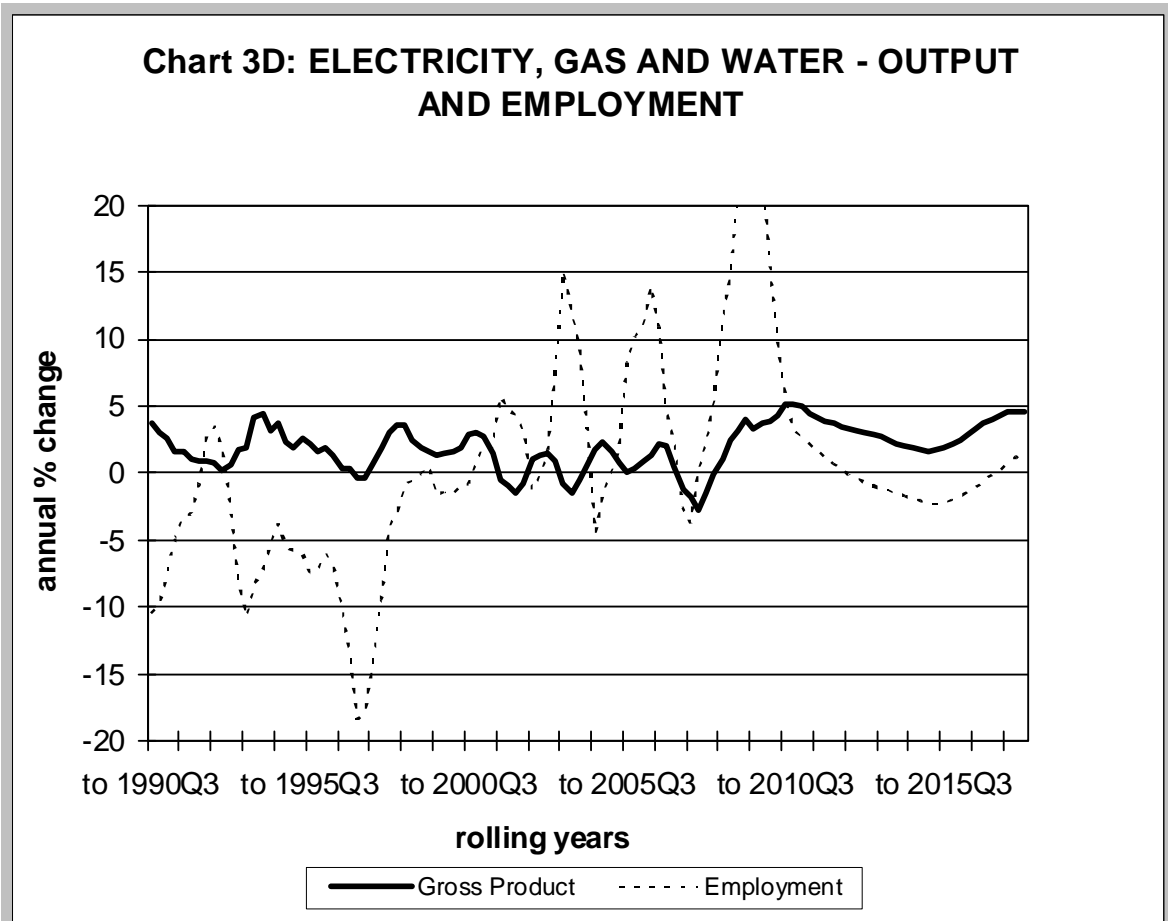
Strong output growth is expected in the sector

Output in the sector is expected to experience strong growth until 2012-13 before curtailing. Employment growth is expected to decline over the forecast horizon, and contract in the later years.

Table 3D - ELECTRICITY, GAS & WATER (a)

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Product	-0.1	4.0	4.2	4.4	3.5	2.9	2.0
Employment	5.5	25.3	9.8	2.2	0.3	-0.9	-1.7

(a) all variables are shown as % changes



CONSTRUCTION

Investment by other industries is the major source of growth for Construction.

The output of the construction sector consists of dwellings, other non-residential buildings such as offices and retail, engineering construction such as roads and mines, and construction trade services such as site preparation and building completion services. The construction industry sells 90 per cent of its output to other industries as investment, and as such, is heavily influenced by investment in the wider economy.

Commercial construction to drop off as a result of much lower business investment...

Construction activity is expected to slow in 2009/10, as lower business investment has a strong negative impact on commercial construction. Lower credit availability, as a result of the global financial crisis, has hit business investment in Australia very hard. Investment by real estate investment trusts has fallen substantially over the last year. Developers are still finding it difficult to borrow and declining asset values are pushing up gearing ratios.

...whilst a recovery in residential construction is not expected until 2010/11.

Owner-occupier residential building is also likely to be subdued, despite low interest rates. Banks have begun to shift back towards traditional lending practices. Most major lenders have recently lowered their maximum loan-to-valuation ratios to be well below 100%, and are using more conservative property valuations in light of the current state of the housing market. The end to first homeowners grant scheme later in 2009 is likely to delay any recovery in residential construction until 2010/11 when unemployment stabilises and credit conditions normalise.

Recovery in this sector will be driven by residential construction and government infrastructure spending.

Engineering construction will provide some support through government investment in infrastructure. In this year's federal budget, the Government announced a number of large infrastructure projects around rail, roads and energy. On the other hand, the GFC and moderation in commodity prices mean that large-scale mining-related projects have dried up. However the long project lags in this sector of construction means that the downturn will not be felt until 2010/11. Overall, construction output is forecast to contract by 5.4 per cent in 2009/10. Moderate growth in the medium term will be driven by infrastructure construction as well as a recovery in residential construction.

Employment to fall in line with output.

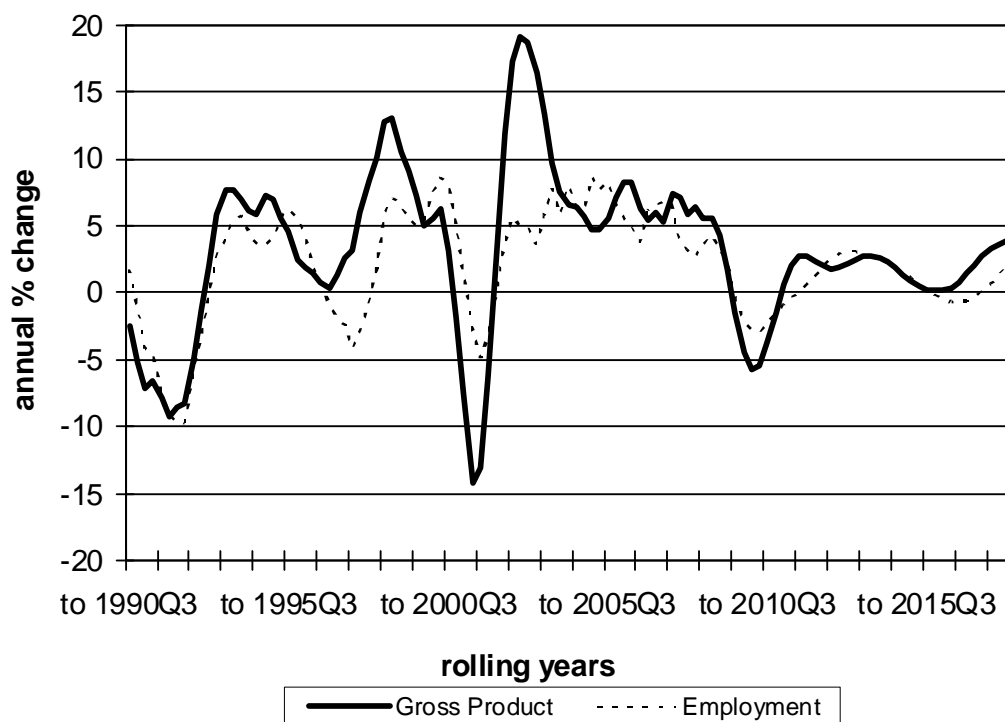
Lower production is expected to cause employment in this sector to fall in 2009/10, with employment forecast to contract by 3 per cent. Over the medium term, employment should make a modest recovery, expanding by 1.9 per cent in 2010/11.

Table 3E - CONSTRUCTION (a)

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Product	6.5	1.8	-5.4	2.0	2.0	2.4	2.3
Investment	15.6	-22.3	-8.9	4.5	21.2	8.9	-3.7
Employment	2.7	2.2	-3.0	-0.4	1.9	3.1	2.2

(a) all variables are shown as % changes

Chart 3E: CONSTRUCTION - OUTPUT AND EMPLOYMENT



WHOLESALE TRADE

Wholesale Trade is closely tied to manufacturing sales and trade activity.

The majority of wholesale trade activity involves the distribution of manufactured goods such as motor vehicles, electronic equipment and industrial machinery. The remainder of activity is accounted for by bulk good wholesaling, including agricultural and mineral commodities. Consequently, the fortunes of this industry are closely linked to consumption spending and trade flows, meaning that it is highly susceptible to changes in macroeconomic conditions.

Decreased demand for wholesaling services as discretionary spending cools and imports slow.

This industry has exhibited respectable growth over the past few years. Favourable economic conditions supported strong consumer spending, as well as healthy levels of trade in manufactured goods and bulk commodities. In particular, the high AUD combined with strong underlying demand supported solid growth in manufactured imports. At the same time, demand for mineral and energy commodities from emerging markets promoted high levels of commodity wholesaling. These conditions have not continued over 2008/09. A weakening economic outlook has caused a cooling off in consumption growth, whilst the depreciation of the AUD has eroded purchasing power for Australian importers. Combined with a hefty contraction in Manufacturing output, Wholesale Trade output is expected to fall by 1 per cent in 2008/09.

Output to contract by 0.6 per cent in 2009/10 before recovering in line with economic activity.

In the short run, prospects remain poor for the Wholesale Trade industry, as continued weakness in Retail Trade feeds through to lower output. A recovery will be further constrained by a slump in Manufacturing imports, as well as a growing trend for retailers to 'cut out the middle man' and contract directly with manufacturers. Consequently, output is forecast to decline by 0.6 per cent in 2009/10, before posting gains over the longer term.

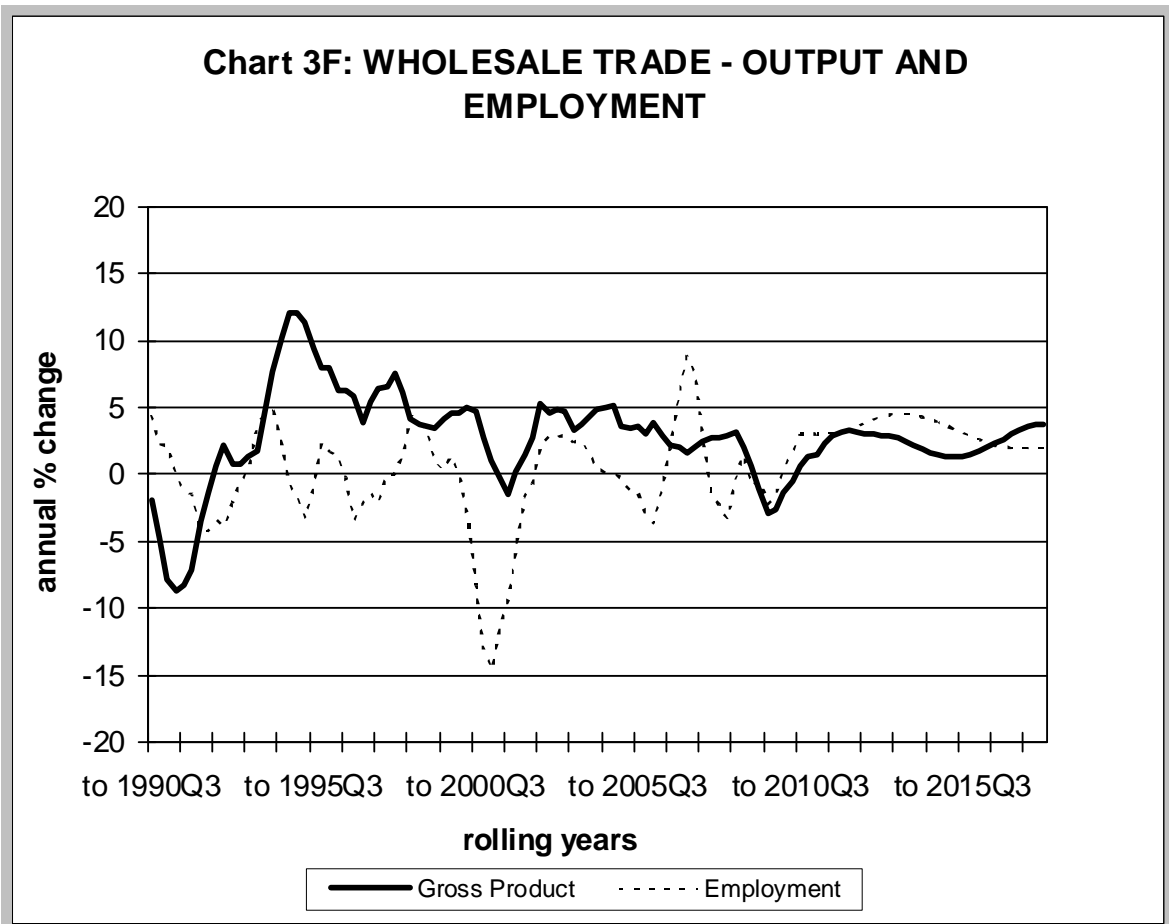
Employment growth to remain weak over the short run.

Employment contracted in 2008/09 as a result of reduced production. The outlook for employment will remain weak over the short run, as businesses are prevented from hiring staff, due to lower demand and rising costs. Additionally, industry commentators are expecting that non-employing businesses (owner-manager style enterprises) will grow at the expense of employing businesses. As such, employment is expected to grow by a weak 1.5 per cent in 2009/10.

Table 3F - WHOLESALE TRADE (a)

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Product	2.9	-1.0	-0.6	2.4	3.2	2.8	1.9
Investment	3.8	-1.5	-2.7	-5.8	-3.3	-0.7	1.1
Exports	3.5	0.1	0.4	3.9	7.4	6.7	4.8
Employment	-3.4	-0.5	1.5	3.0	3.5	4.4	4.3

(a) all variables are shown as % changes



RETAIL TRADE

Retail Trade is highly dependent on consumer spending.

Effectively all of retail trade output is sold to consumers, making the retail trade industry highly dependent on consumer spending levels.

last five years have seen sustained consumption growth, support retail performance

Buoyant economic conditions, persistent wages growth, optimistic consumer sentiment and the widespread availability of personal credit all contributed to a sustained period of above trend consumption growth in the five years to 2007/08. A strong AUD boosted the purchasing power of Australian consumers, leading to sizeable rises in the import of manufactured consumer goods. Not surprisingly, this underpinned robust growth in the Retail Trade industry, with average output growth recorded at 3.8 per cent over the same five years.

A deceleration in consumption spending feeding through to slow output growth in 2008/09, despite better than expected consumption result in the first quarter of 2009.

Following the onset of the GFC, consumption spending began to decelerate in the face of rising unemployment and a rapid decline in consumer and business sentiment. This has led to slower consumption growth throughout 2008/09, although consumer spending defied expectations by posting positive gains in the first quarter of 2009. Resilient retail sales growth reflects the combined impact of lower interest rates and strong fiscal stimulus measures. Specifically, in the lead up to the delivery of the budget in May, the government delivered a cash handout to most taxpayers.

Rising unemployment to be an ongoing impediment to growth in this industry.

Going forward, consumer confidence is showing signs of life, with the Westpac-Melbourne Institute index of consumer sentiment appreciating by 12.7 per cent in June 2009. Nonetheless, rising unemployment, the rollback of middle class welfare benefits and attempts to lower household debt levels will be an ongoing impediment to growth in consumption, and hence retail trade output. Further, government stimulus measures are expected to wear off over the latter half of 2009. This is expected to depress activity in the Retail Trade industry, with output growth slowing to a feeble 1 per cent in 2009/10.

Employment to remain largely unchanged in 2009/10.

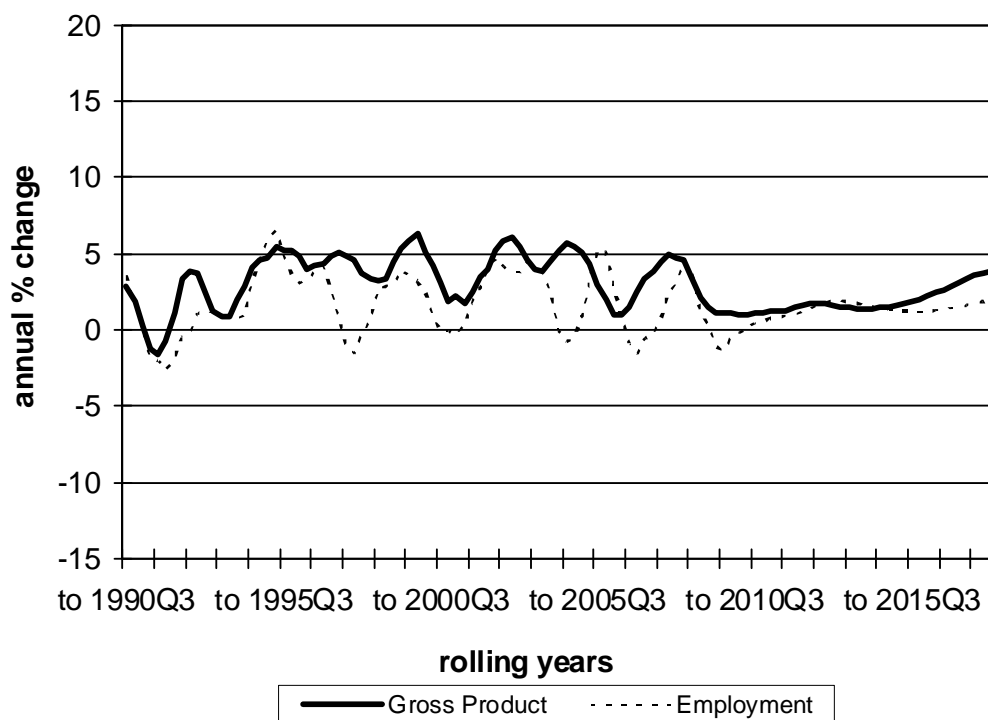
The retail trade sector is the largest employer in the Australian economy. In line with an output moderation in 2008/09, Retail Trade employment contracted by 1.1 per cent. Employment is expected to remain largely unchanged in 2009/10, before clawing back some lost ground over the medium term.

Table 3G - RETAIL (a)

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Product	4.5	1.1	1.0	1.3	1.8	1.6	1.4
Investment	3.5	-5.7	-2.7	1.5	0.6	0.1	-0.5
Employment	4.5	-1.1	0.1	0.9	1.4	1.9	1.5

(a) all variables are shown as % changes

Chart 3G: RETAIL TRADE - OUTPUT AND EMPLOYMENT



ACCOMMODATION, CAFES & RESTAURANTS

The Accommodation, Cafes and Restaurants is made up of accommodation, pubs, bars, clubs, cafes and restaurants that provide hospitality services. Tourism is the major driver for growth in this industry, particularly for accommodation. The global economic crisis has led to falls in activity within this sector and this is expected to continue over the short term. Looking forward, an improvement in the international travel market and increasing numbers of Australian's taking holidays at home is expected to support output over the medium term.

Australia has gained shares of the international tourist market.

Australia has become more attractive to both foreign and domestic travellers due to the low AUD and declining fuel prices. The low AUD means that Australians are more likely to take vacations at home instead of going overseas. The low AUD also makes Australia a relatively cheaper and hence more attractive travel destination for international visitors. In addition, Australia has increased its share of the international travel market due to expanded capacity on Australian routes, which has led to a substantial increase in the scope and depth of airfare discounts (Tourism Australia). As fuel prices ease, holidaying in Australia has become more attractive. Australians who drive to their destination will find this option more affordable.

Strong growth in Cafes and Restaurants is expected to increase as consumer confidence returns.

The Cafes and Restaurants sector also accounts for a significant proportion of output. The short term outlook is dismal, as consumers reduce their discretionary spending in response to lower confidence and tighter household budgets. However, as consumer confidence return and households increase their discretionary spending, output in the sector will expand.

Output is expected to recover the medium term...

Overall, output in this industry is expected to recover in 2010/11, in line with a recovery in the overall economy. However, the short-term outlook for this industry remains weak with a fall expected in 2009/10.

... employment growth to mimic output growth.

Growth in employment will mimic production levels, Employment is weak in the short term but will rebound strongly from 2010-11 onwards.

Table 3H - ACCOMMODATION, CAFES & RESTAURANTS (a)

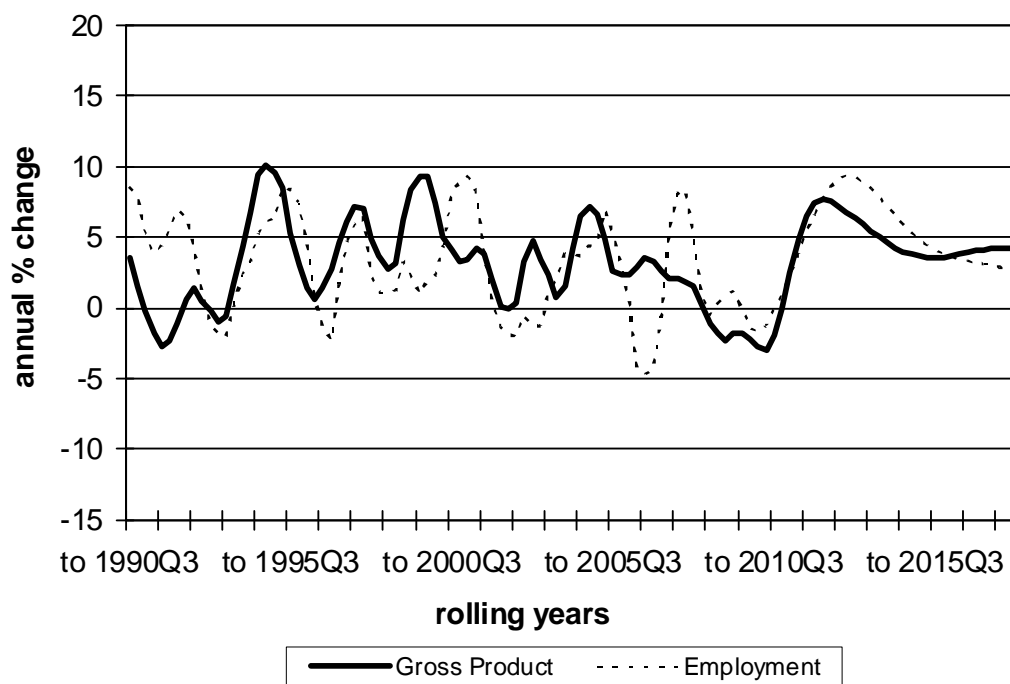
	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Product	0.3	-1.8	-3.0	4.8	7.5	5.9	4.3
Exports(b)	7.8	4.3	-4.3	8.1	13.5	10.8	8.6
Imports	23.4	-10.0	6.3	3.0	-4.9	-2.7	0.5
Employment	0.8	1.2	-1.3	3.8	8.6	8.9	6.5

(a) all variables are shown as % changes

(b) Inbound tourism exports equals Australian expenditure by foreign tourists.

The main areas of expenditure include this industry (H) and Transport (I).

**Chart 3H: ACCOMMODATION, CAFES & RESTAURANTS -
OUTPUT AND EMPLOYMENT**



TRANSPORT

Passenger services account for around $\frac{2}{3}$ of transport output.

The passenger segment of Transport consists mainly of tourism, government and business travel and urban passenger transport. Passenger transport services account for around two-thirds of Transport output. The remaining third is attributed to freight transport. Thus, the manufacturing cycle and the fortunes of agriculture and mining also influence total Transport output.

Transport moderated sharply in 2008/09 due to slower trade and tourism activity.

Transport growth moderated sharply in 2008/09, with output expanding at an uninspiring 0.5 per cent. This is in contrast to an impressive gain of 5.5 per cent in 2007/08. The slowdown in Transport is a result of lower trade flows combined with weaker tourism activity. Specifically, falling demand for Australian exports and lower domestic demand for imports impacted upon freight transport activity in 2008/09. At the same time, passenger transport was constricted by lower international visitor numbers due to the global financial crisis. Nonetheless, some activity was supported by increased domestic tourism, as Australians deferred international holidays in favour of holidaying at home.

Growth to return in line with improved trade outlook

In 2009/10, growth will return in line with improved economic conditions. A lower AUD should encourage export growth, whilst a recovery in Manufacturing and improvement in consumer spending should boost demand for freight transport. Inbound tourism will also rise with growth in Asian economies. Long-term growth will be supported by government investment in road, rail and water transport. In December 2008 the Federal Government announced planned investment of \$1.2 billion in rail infrastructure. A further \$8.9 billion of transport investment was announced in the 2009/10 budget, with \$4.6 billion allocated to improving metro rail networks. Long-term growth in airfreight will also be supported by growth in emerging Asian economies.

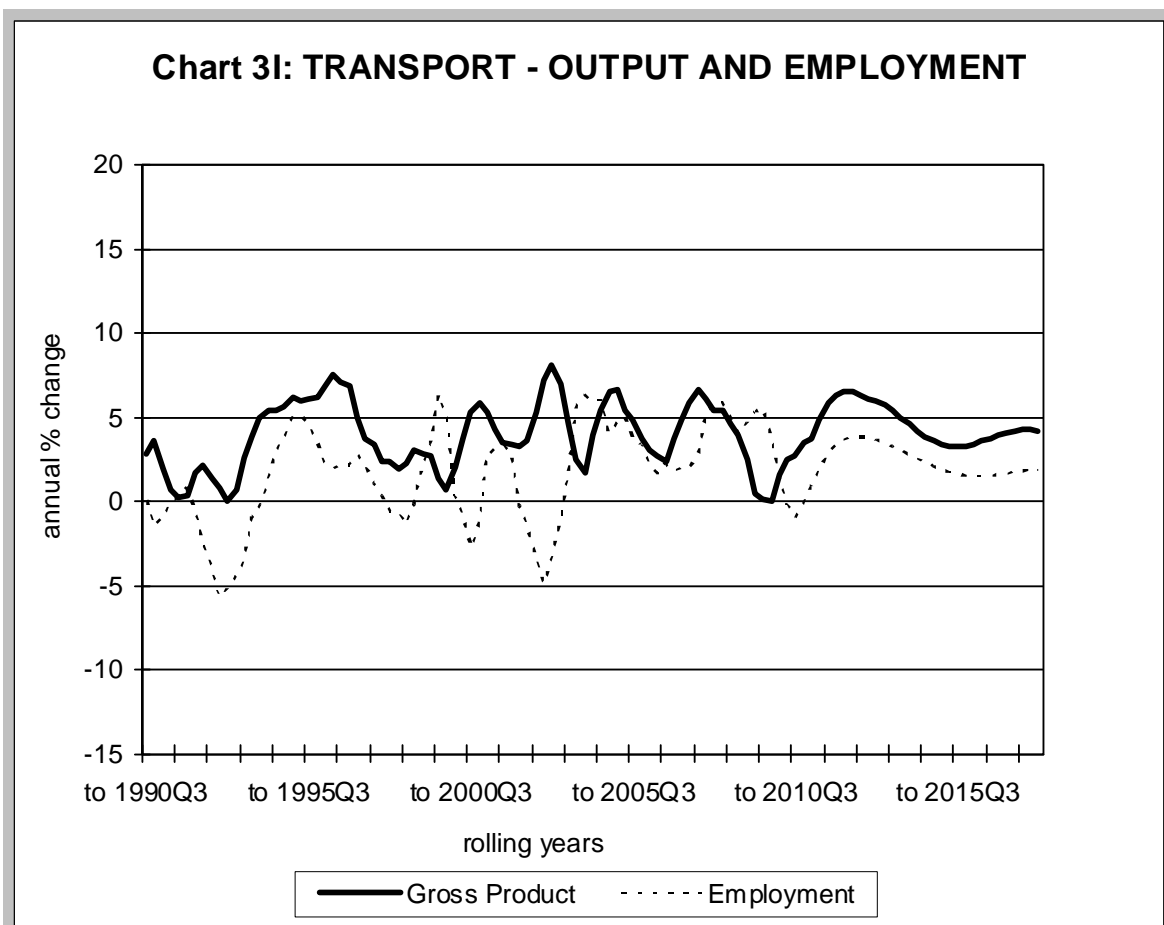
Increased investment in 2008/09 was a result of one-off upgrade of the Qantas fleet.

In 2008/09 the Transport industry bucked the general trend of falling business investment, posting an enormous increase of 24.3 per cent. The majority of new investment can be attributed to investment by Qantas, placing orders for a new fleet of Boeing aircraft. Following this large one-off boost to investment, investment is expected to contract strongly in 2009/10, falling back to levels similar to that seen in 2007/08. Over the long run, healthy investment growth will be underpinned by government spending on rail assets.

Table 3I - TRANSPORT (a)

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Product	5.5	0.5	2.5	4.8	6.5	5.7	4.2
Investment	-0.9	24.3	-25.1	5.4	12.0	5.1	1.8
Exports	4.7	-5.2	2.5	7.2	9.5	8.3	6.4
Imports	-0.2	-15.2	1.2	1.7	-8.6	-6.3	-2.2
Employment	5.9	5.4	-0.2	2.0	3.9	3.5	2.6

(a) all variables are shown as % changes



COMMUNICATION SERVICES

The Communication Services industry is dominated by telecommunication services.

The Communications Services sector is dominated by telecommunication services, accounting for approximately 80 per cent of the industry. The remaining 20 per cent is made up of postal and courier services. The Communications industry is relatively small, accounting for only 2.4 per cent of national output and 1.7 per cent of national employment.

Weak consumer and business confidence levels to be a detriment to short term growth.

Communication Services industry output is driven by purchases from private consumers and the Property and Business Services industry. Weak consumer and business confidence has the potential to negatively impact growth in Communications sector, however this is outweighed by Government investment.

Investment in the National Broadband Network to support long term growth

In particular, the Federal Government's investment in the National Broadband Network is expected to support output in the sector. The initial \$4.7 billion has boosted short-term output growth to 3.8 per cent for 2009-10. The creation of a National Broadband Corporation will see a planned investment of \$43 billion in Communications infrastructure. The Federal Government and the private sector will inject this investment into the Communications sector over the next eight years. The investment is expected to support steady growth over the longer term. In addition to the infrastructure investment, a return to more favourable economic conditions will also underpin long-term growth. Particularly as demand from the Property and Business Services sector picks up.

In the recent past, growth in employment in the Communications sector has been erratic. Over the last decade, significant regulatory changes combined with technology driven productivity improvements have placed downward pressure on labour demand. Conversely, upward pressure has been placed on labour demand due to strong growth in output. This growth has occasionally cause rapid expansions in employment over the same time period.

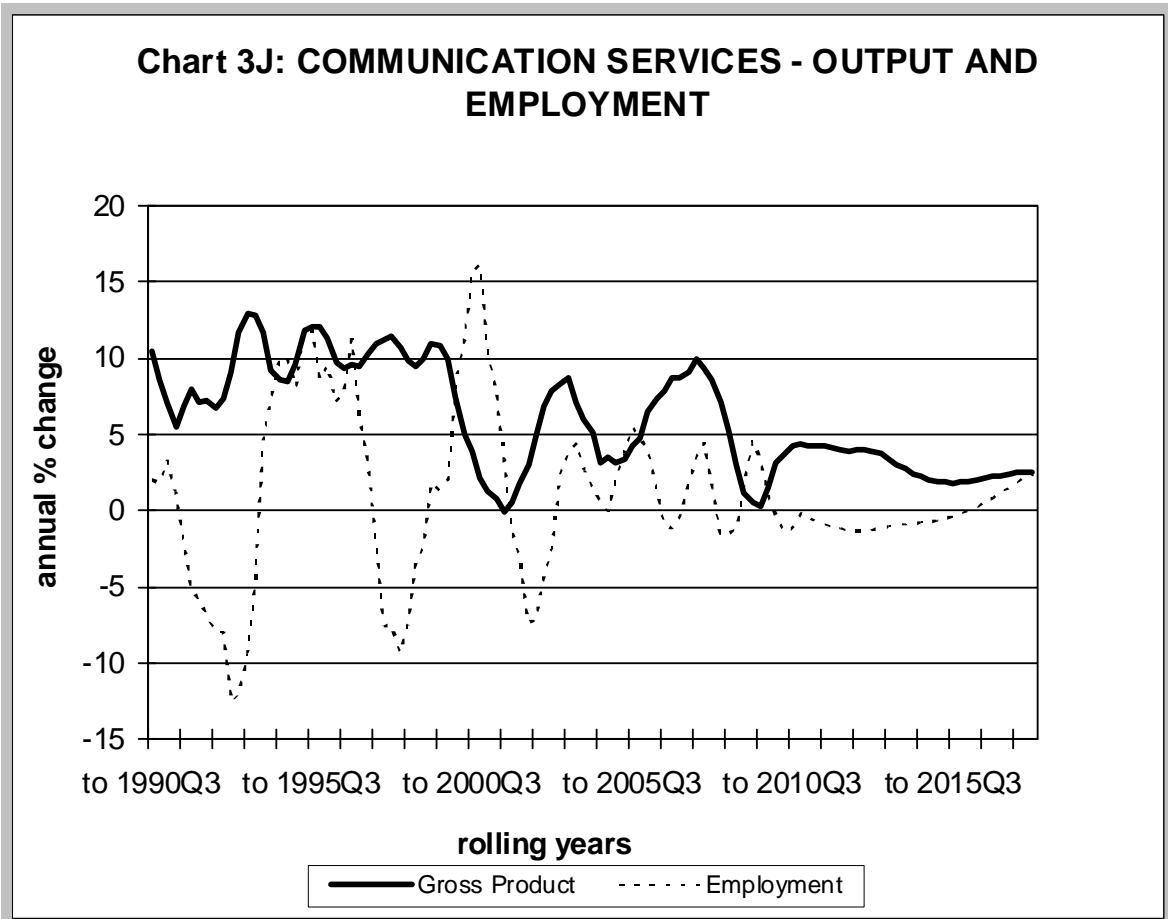
Employment to decline as a result of productivity improvements.

Overall, employment in the Communications sector is expected to contract over the forecast period. This contraction is expected to be in line with increased competition and productivity improvements caused by deregulation in the sector. From 2009/10 onwards employment is forecast to decline at a steady rate of over 1 per cent per annum.

Table 3J- COMMUNICATION (a)

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Product	7.1	0.5	3.8	4.3	3.9	3.7	2.4
Employment	-1.6	4.5	-1.4	-0.7	-1.3	-1.1	-0.8

(a) all variables are shown as % changes



FINANCE & INSURANCE

This industry provides services to most areas of the economy.

The Finance and Insurance industry is linked to most areas of the economy through the provision of its services. In particular, output growth is strongly connected to dwelling and business investments.

Dependence on foreign wholesale funding has affected banks.

The finance sector globally, has been directly affected by the global financial crisis and will take some time to recover. The global markets affect Australian lenders through their dependence on foreign wholesale funding. However, compared to their overseas counterparts, Australian banks are still in good shape. In addition, over the short-term, business investment is expected to fall dramatically due to low profitability, a slump in business confidence and tightness in credit markets. This will place further downward pressure on activity in the finance sector.

Tight credit markets continue to cause problems for insurance companies.

In the insurance sector, weather events are a continuous concern for the industry. Last year weather related claims accounted for a third of general insurance claims according to the Insurance Council of Australia and there has been no shortage of severe storms this year. There was extensive flooding in Far North Queensland, severe storms in Brisbane, and further floods NSW, Queensland and Victoria. Victoria also experienced the worst bushfires on record. These disasters accounted for approximately \$1.5 billion dollars in insured losses for the industry. In addition, the ability of insurance companies to replace capital has been constrained due to the tightening in global capital markets.

In line with the pessimistic outlook for output, investment in the Finance and Insurance industry will remain low, following a large fall in 2007/08.

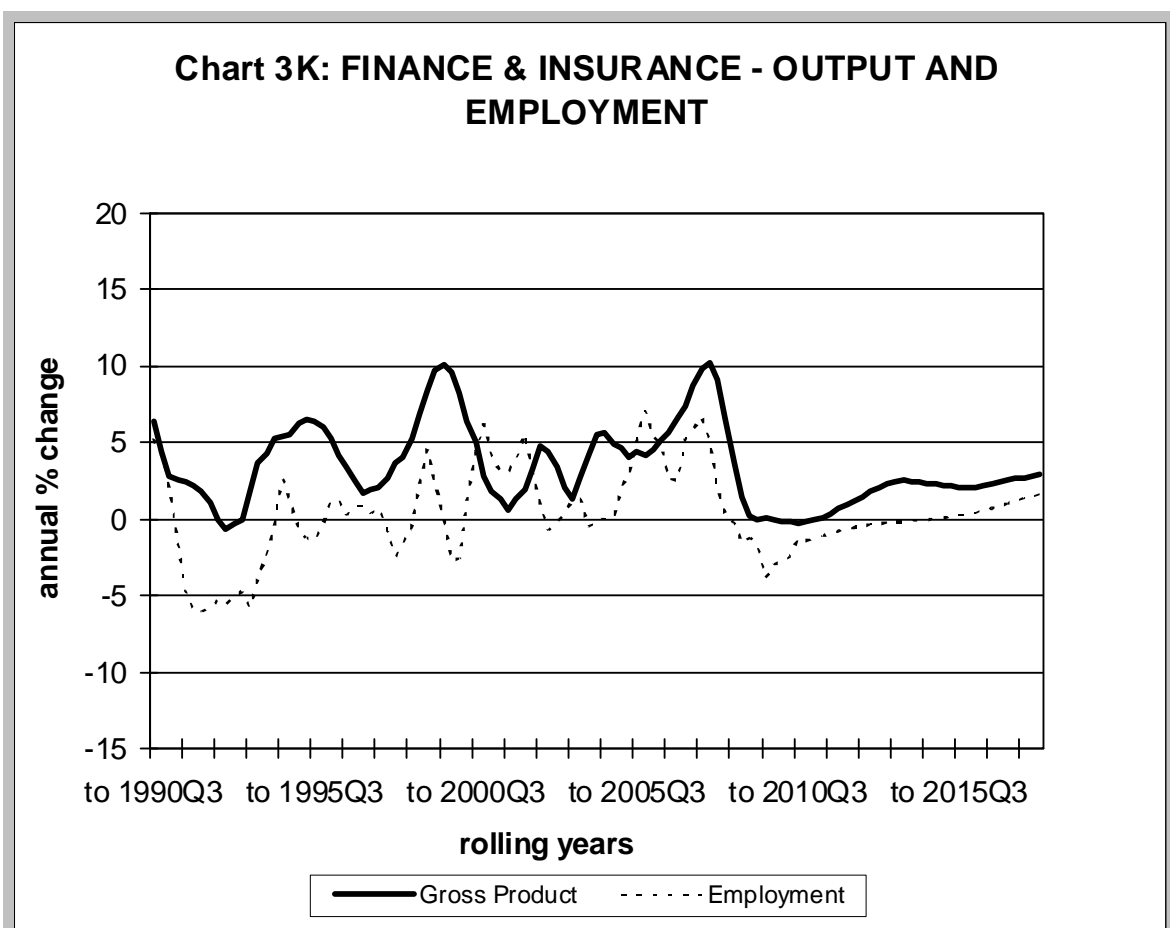
Employment will be constrained due to the uptake of technology.

Employment in this sector is expected to fall over the forecast horizon as major financial institutions continue to streamline their workforces in response to the dismal economic outlook. Employment growth in this sector is further constrained by the uptake of new technologies online services banking and share trading.

Table 3K - FINANCE & INSURANCE (a)

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Product	6.6	-0.1	-0.2	0.1	1.2	2.3	2.4
Investment	-12.6	2.6	0.1	6.5	11.0	3.5	-3.4
Employment	0.2	-1.8	-2.4	-1.1	-0.6	-0.2	-0.1

(a) all variables are shown as % changes



PROPERTY & BUSINESS SERVICES

Property and Business Services has grown to be the largest industry.

The Property & Business Services industry includes real estate agents, lawyers and consultants, as well as information technology professionals. It has grown to become the largest industry in terms of gross product and second largest in terms of employment.

Output in the Property and Business Services industry is expected to fall in the short term due to deteriorating business conditions resulting from the global economic crisis. However, as business conditions improve, and business activity picks up once more, demand for business services such as consulting, legal and accounting services is expected to rebound. Indeed, survey of business conditions are reporting levels not seen since before the collapse of Lehmann Brothers in September 2008.

Property services outlook less pessimistic.

Dwelling approvals have fallen 14.3 per cent in June 2009 compared to a year earlier. Hence, the supply of properties is expected to experience slower growth over the short term. However, the Governments First Home Owner's Boost, combined with low interest rates is expected to lift dwelling investment once employment stabilises and credit conditions normalise. This will flow through to demand for the property services sector of this industry. Strong underlying demand for housing, stemming from healthy population growth will support dwelling investment over the longer term, in turn, will support longer term output growth in this sector.

A downturn in demand from the Business Services sector as a result of reduced business activity is to be the dominant feature in this industry over the short term. Output in the industry as a whole is expected to decline by 1.3 per cent in 2009/10, but a recovery is expected in the medium term.

As a result of the slowdown in output, investment in this industry will fall heavily in the short term. However, as the economic conditions improve, investment is expected to pick up from 2010 onwards.

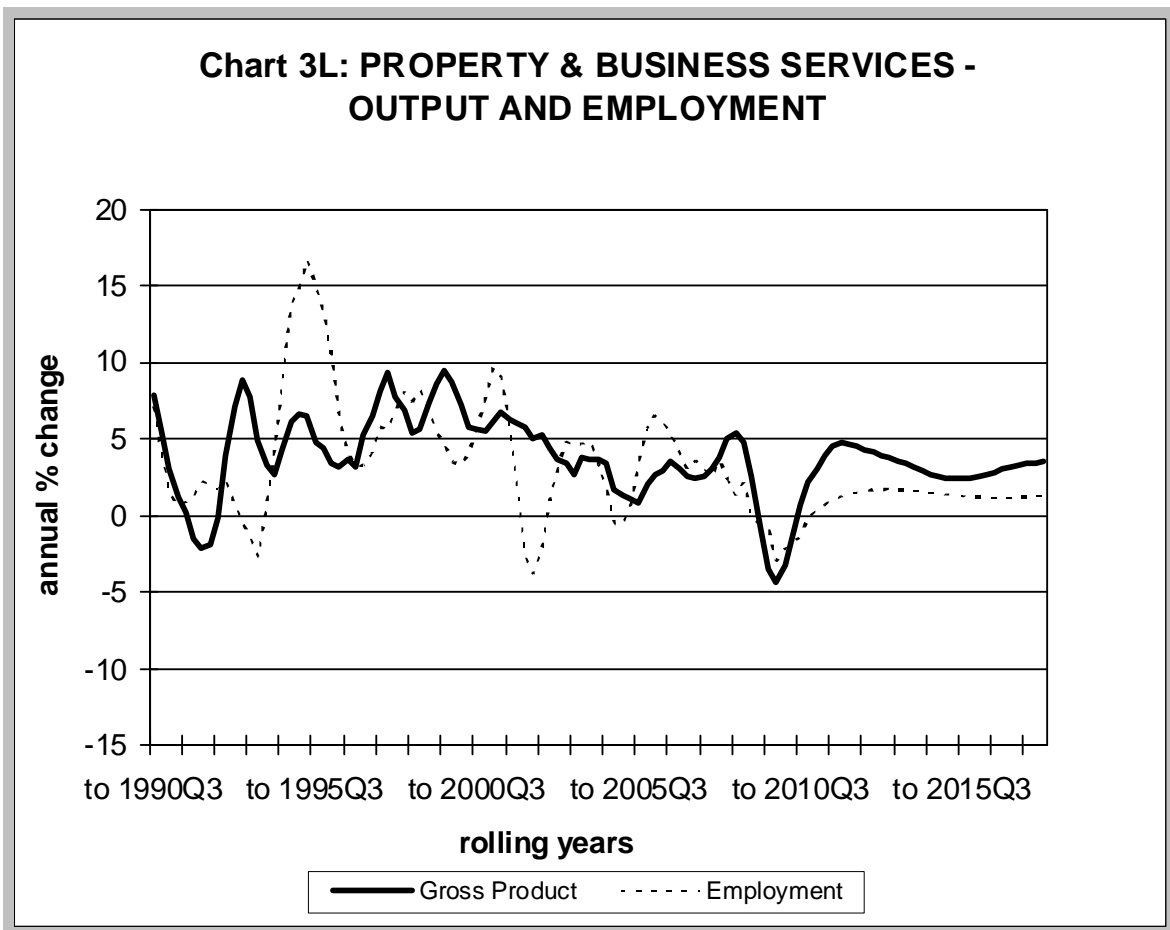
Moderate growth in employment over the forecast period.

Employment growth is expected fall in 2009/10 and 2010/11, as businesses in the industry cut staff to reduce costs. Employment growth is expected to pick up in 2010/11 as the sector recovers.

Table 3L - PROPERTY & BUSINESS SERVICES (a)

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Product	5.1	-0.9	-1.3	3.9	4.5	3.8	2.9
Investment	2.6	-19.3	-20.1	2.5	8.7	8.4	6.8
Exports	5.7	10.1	3.7	6.5	8.7	7.4	5.8
Imports	28.0	3.7	4.3	-7.4	-12.4	-7.5	-2.7
Employment	2.3	-0.6	-1.8	0.7	1.5	1.7	1.6

(a) all variables are shown as % changes



GOV'T ADMINISTRATION & DEFENCE

Output in the four government based industries – Government Administration & Defence, Education, Health & Community Services and Personal & Other Services – is generally driven by government consumption spending. As such, the industries are relatively stable as they are unlikely to be affected by cyclical factors.

The Federal Government has committed to \$77 billion in infrastructure spending...

The Federal Government is focused on protecting the stability in the financial sector and returning Australia's Budget to surplus. The Federal Government has committed \$77 billion in nation building infrastructure to stimulate the economy. The Jobs and Training Compact has also been developed with the aim of dampening the adverse employment effects of the global crisis.

...and increasing Defence spending by 3 per cent each year.

Defence expenditure continues to be a priority for the Federal Government. The release of the Defence White paper saw the Government commit to \$43 billion in new initiatives over the next decade. The Federal Government has committed to increase defence spending by 3 per cent per annum to 2017-18. This will support long run growth in Defence output. As such, growth in this industry is expected to be stable at around 2.5 per cent over the forecast horizon. Thus, employment growth is also expected to remain stable over the same timeframe.

EDUCATION

The Federal and State governments share education funding.

Government consumption expenditure dominates the Education sector with funding split between the Federal and State Governments. Broadly speaking, Federal Government is responsible for funding tertiary institutions and private schools whilst State governments are responsible for funding public schools. Output in this sector is based on student enrolments.

Australian schools to receive \$62.1 billion in investments.

The Federal Government's major initiative in this industry is the Education Revolution package. It is aimed at increasing university positions, pre-school access, adult qualifications and a having a 90% Year 12 retention rate. To achieve these aims, \$62.1 billion is being invested in Australian schools. The Commonwealth Government has also fast-tracked \$2.9 billion worth of projects in the Education Investment Fund which will support output and employment in the short-term.

Table 3M - GOVERNMENT ADMINISTRATION & DEFENCE (a)

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Product	0.1	2.2	4.8	2.5	2.5	2.5	2.5
Employment	-1.0	2.4	2.5	1.5	1.4	1.2	1.0

(a) all variables are shown as % changes

Chart 3M: GOV'T ADMIN & DEFENCE - OUTPUT & EMPLOYMENT

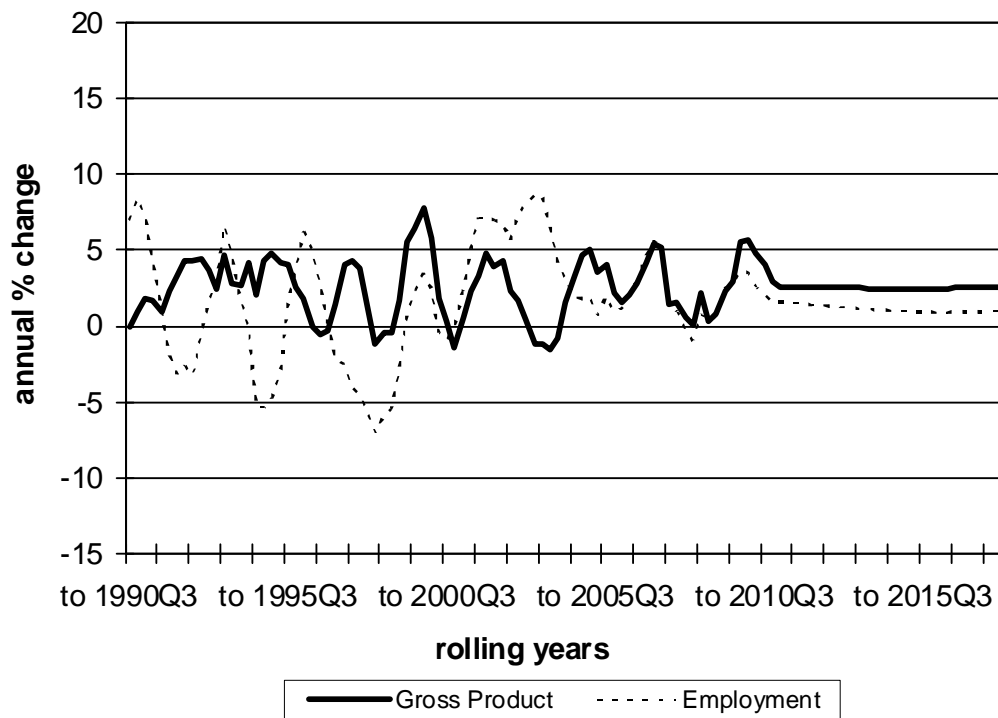
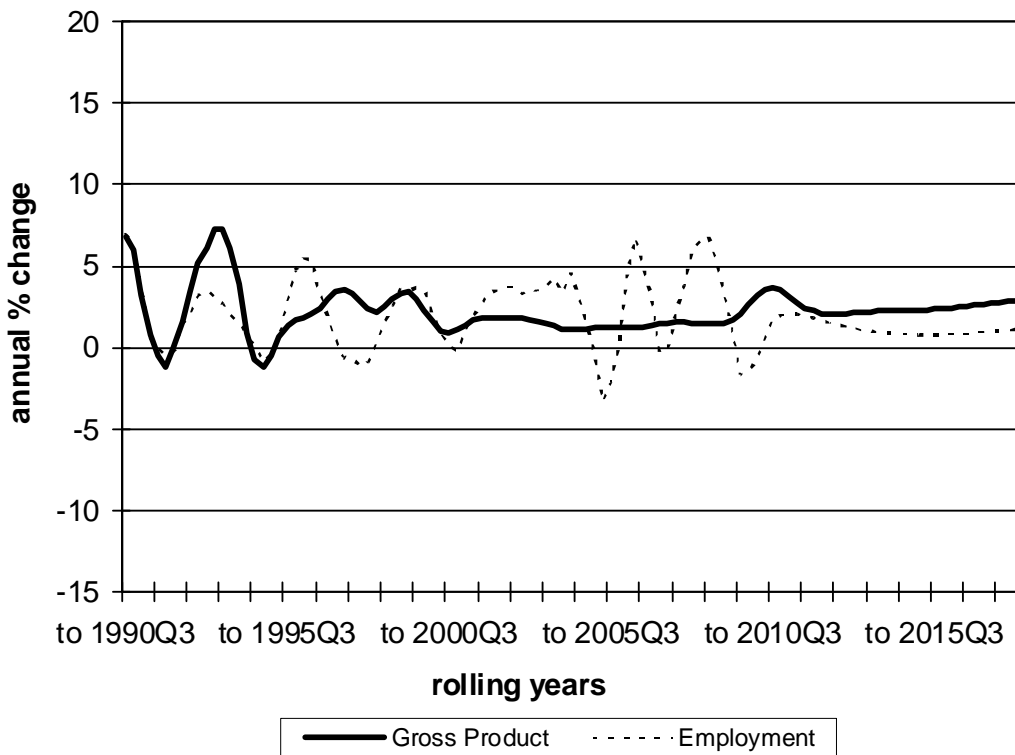


Table 3N - EDUCATION (a)

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Product	1.5	1.7	3.6	2.8	2.0	2.2	2.3
Employment	6.5	1.1	0.4	2.0	1.5	1.1	0.9

(a) all variables are shown as % changes

Chart 3N: EDUCATION - OUTPUT AND EMPLOYMENT



HEALTH & COMMUNITY SERVICES

This industry is driven by government expenditure

Government expenditure dominates the health and community services industry and as such the sector is unlikely to be affected by cyclical factors. The Federal Government's National Health and Hospital Commission involved a comprehensive review of the nation's health system. The Health Reform Commission recommended a system-wide health reform to assist with health factors such as the aging population of Australia. This nation wide health reform has the potential to impact both output and employment in the Health and Community Services industry.

Further, The Federal Government announced significant funding and policy changes within the 2009/10 budget expected to affect output in the Health and Community Services industry including \$3.2 billion allocated to hospitals and health infrastructure.

Moderate growth expected over the forecast horizon.

This labour intensive industry accounts for approximately 11 per cent of employment and produces around 6.0 per cent of output. Over the forecast period, output growth is expected to be modest. Growth in employment is forecast to be weak but stable over the same period.

PERSONAL & OTHER SERVICES

This industry is driven by government and private consumption.

Government consumption is a large component of Personal and Other Services. This includes non-discretionary spending on services including the police for and sanitation. As such, the sector is unlikely to be affected by cyclical factors. The industry is also dependant on private consumption, making it sensitive to changes in household income. The slowdown in household income as a result of high unemployment and slow wage growth will affect spending on personal services in this sector including hairdressing and laundry services. As a result, growth is expected to be modest over the forecast horizon.

Discretionary spending to slow, but government expenditure on essential services will support growth.

The labour intensive nature of Personal & Other Services is illustrated by the fact that it accounts for around 3.8 per cent of national employment but only produces about 2.0 per cent of national output. Employment in this industry is expected to stall in 2009/10.

Table 30 - HEALTH & COMMUNITY SERVICES (a)

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Product	2.0	2.9	2.1	2.4	2.3	2.4	2.3
Employment	3.0	3.3	1.0	0.7	1.0	0.9	0.8

(a) all variables are shown as % changes

**Chart 30: HEALTH & COMMUNITY SERVICES -
OUTPUT AND EMPLOYMENT**

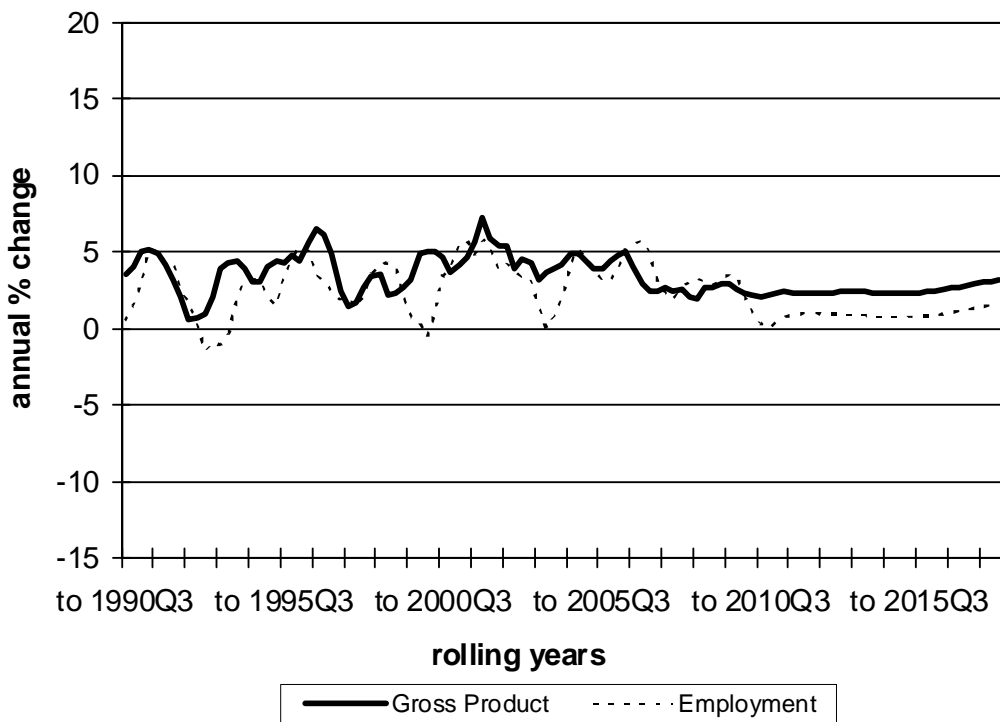


Table 3Q - PERSONAL & OTHER SERVICES (a)

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Product	3.6	1.8	2.8	3.6	1.9	1.9	1.9
Employment	3.2	-1.9	0.0	1.7	1.1	0.5	0.3

(a) all variables are shown as % changes

**Chart 3Q: PERSONAL AND OTHER SERVICES -
OUTPUT AND EMPLOYMENT**



CULTURAL & RECREATIONAL SERVICES

Cultural & Recreational Services is a small, labour intensive industry.

This sector represents leisure-time activities. It is a small, labour intensive industry. The sector's main focus is on consumer services which includes electronic media, sports, gambling and libraries. Currently, the industry accounts for 1.5 per cent of national output and 2.7 per cent of national employment.

In this sector, output and employment growth has fluctuated more than for most other sectors. Employment growth has been particularly volatile (see Chart 3P). This is partly explained by the small size of the industry and sampling errors in the labour force survey. Given the volatile nature of the data, the focal point should be trends rather than fluctuations from year to year.

Weakness in household income growth will negatively affect output.

Growth in 2009/10 is forecast to be -1.0 per cent. This contraction will be driven by weak household income growth causing households to rein in their discretionary spending on services such as entertainment (movies and subscriber television services), sports and museums and galleries.

Accounting for approximately a third of the industry, the gambling sector is the biggest sector in the Cultural and Recreational Services. Domestic casinos suffered as they struggled to increase revenue in the difficult economic environment. Further impacts on output in this sector are expected as the Federal Government's inquiry into Australia's Gambling industry continues.

Average growth over the medium term to be sluggish.

Although the economic climate and consumer confidence are stabilising, household discretionary spending is expected to remain weak over the short term. In addition, as households attempt to reduce debt levels, output in this industry is expected to be sluggish in the medium term.

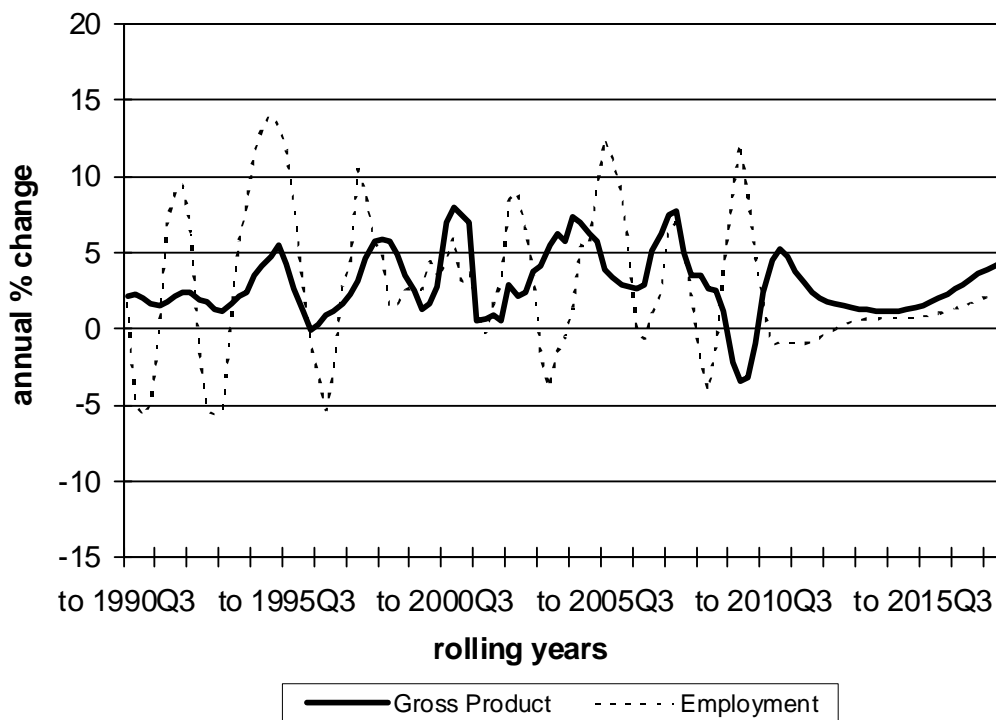
Employment growth is expected to weaken in line with the slowdown of growth in the industry. In particular, an average growth rate of only 1.0 per cent is expected over the forecast horizon.

Table 3P - CULTURAL & RECREATION SERVICES (a)

	history	forecast					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Product	3.4	1.1	-1.0	4.8	2.0	1.4	1.2
Employment	1.8	4.3	4.6	-0.9	-0.6	0.5	0.7

(a) all variables are shown as % changes

**Chart 3P: CULTURAL & RECREATIONAL SERVICES -
OUTPUT AND EMPLOYMENT**





Appendices



MM2-STATES - METHODOLOGY

MM2-States was jointly commissioned by two state treasuries to provide quarterly forecasts for each state and territory of the State Accounts and State Labour Forces. A more detailed description of the MM2-States model is available from KPMG Econtech in the software user guide titled *MM2-States*.

These quarterly forecasts refer to seasonally adjusted data. Original data and trend data are not used. However, the charts in this report for growth in state final demand, GSP and employment use 'rolling year' data to remove some of the volatility from the seasonally adjusted data. The data for compensation of employees, the components of state final demand and international trade in goods is that published by the ABS. The additional components of GSP are based on KPMG Econtech estimates as published in the KPMG Econtech publication, *Quarterly State Accounts*. All such estimates are based on the SNA93 standards and the volume measures are based on the 'chain-linking' methodology with a reference year of 2000/01.

The States Detail in MM2 is a 'top-down' model which takes the national macro and industry forecasts produced by MM2 and state population projections and uses them to disaggregate the national forecasts to state-level forecasts.

The 'top down' model used ensures that the sum of the state forecasts for any variable is consistent with the national forecast, while the allocation of the national forecasts across states depends on the allocation in the previous quarter, past trends, state population shares, the industry composition of national output and the national economic cycle.

The States Detail in MM2 models state-level variables as proportions (or shares) of the known national total. The sum of state shares at any point in the past or in the future will equal unity. Thus, the sum of state levels will always equal the national level of a variable. This is the adding up condition.

Dynamics are introduced into the model through the use of the lagged state shares. To maintain the adding up condition, the coefficient on the lagged state share are the same for each state.

The following variables are inputs into the model:

- (i) state-level population projections;
- (ii) the national total of the state variables being modelled;
- (iii) the national unemployment rate;
- (iv) a variable for each state taking account of the effect on a state of changes in the industry composition of national output; and
- (v) a time trend.

Most state shares are modelled net of state population shares. This is because most expenditure components of gross state product and components of the labour force are affected by the population of a state.

The national unemployment rate is included as an explanatory variable to take account of the difference in responses between states to the national business cycle.

The industry variables are included to take account of the different responses of each state to changes in the industry composition of national output. These different responses arise because of the different industry bases across states. The state industry variable is constructed using MM2 output on the industry composition of national gross output, together with information on the composition of each state's industry base in 2000-01.

For example, the mining industry produced 50 per cent of its gross output in WA in 2000-01. This is far in excess of WA's share of national gross domestic product of 12 per cent. Thus, an increase in the mining industry's share of national gross output will disproportionately affect WA. A similar analogy can be drawn with the manufacturing industry in Victoria.

Contrary to popular belief, the industry composition of a state was found to have had less effect on state economic performance than interstate migration. For example, in Victoria, interstate emigration has been more important than any national decline in manufacturing.

A time trend is included as an explanatory variable to take account of other trend-related factors affecting the state shares of the national totals.

MM2-States produces forecasts for components of the State Labour Forces and all components of the State Accounts. In addition, KPMG Econtech estimates the quarterly components of GSP beyond state final demand. The annual State Accounts balancing item is broken down into overseas exports and imports, net interstate trade and a residual balancing item that includes inventory stocks and a statistical discrepancy. KPMG Econtech obtains this unpublished breakdown in a customised service from the ABS.

INTERSTATE MIGRATION & STATE POPULATION GROWTH

The population projections use the Series A assumptions in ABS Cat. No. 3222.0 as a starting point and update them using current information. The national assumptions are:

- fall in migration over the medium term;
- fertility rates held constant at 2007/08 rates; and
- slowly declining age-sex-specific mortality rates.

These assumptions were fed into MM2-Demographic to produce population projections using the cohort-component method that is also used by the ABS. On these assumptions, national annual population growth is projected to decrease from 1.81 per cent in 2006/07 to 1.46 per cent in 2010/11 as shown in the facing table.

Projections for annual state population growth vary widely from the national figure of 1.46%:

- *interstate migration contributing to strong population growth in QLD of 2.1 per cent.*
- *interstate migration to slow down for WA in line with slower mining growth.*
- *in the NT a high birth rate lifts the population growth rate to 1.73%*

Interstate migration is the main factor leading to disparities between states in population growth rates. We have forecast that from 2006/07 there are annual net inflows of around 27,000 to Queensland and 5,000 to Western Australia. This is balanced by net outflows of 27,000 from NSW, 2,400 from Victoria, and 3,600 from South Australia

Interstate migration accounts for the gap between QLD and Australian population growth rates. The facing chart shows that net interstate migration in **Queensland** is estimated to add 0.7% points to Qld population growth in 2006/07 and is expected to slow marginally to 0.6% in 2010/11. QLD population growth is expected to be 2.1 per cent in 2010/11, well above national population growth of 1.46 per cent.

Western Australia has also gained population from interstate migration and net overseas migration as the mining boom drew in workers from other states and from abroad. Net interstate migration is projected to have added 0.3 per cent points to its annual population growth in 2006/07, leading to overall population growth of 2.6 per cent. This is expected to slow by 2010/11 to a rate of 1.9 per cent, in line with slower growth in mining.

The **Northern Territory** is another state (territory) where population growth is above the national rate, at 1.98 per cent in 2006/07 and 1.73 per cent in 2010/11. This is due to high fertility rates in the NT, a consequence of a young population and because fertility rates are generally higher in the NT than in the rest of Australia.

- in Victoria population growth is roughly on par with the national average at 1.4 per cent.

- NSW is well below the national average, with a growth rate of 0.97 per cent in 2010/11.

-in SA and Tasmania interstate and overseas migration reduce the rate to 0.2% and 0.1% respectively

In **Victoria**, population growth is expected to be 1.4 per cent in 2010/11, in line with the national growth rate. Net interstate migration is expected to detract only 0.1 per cent points from growth during the forecast period.

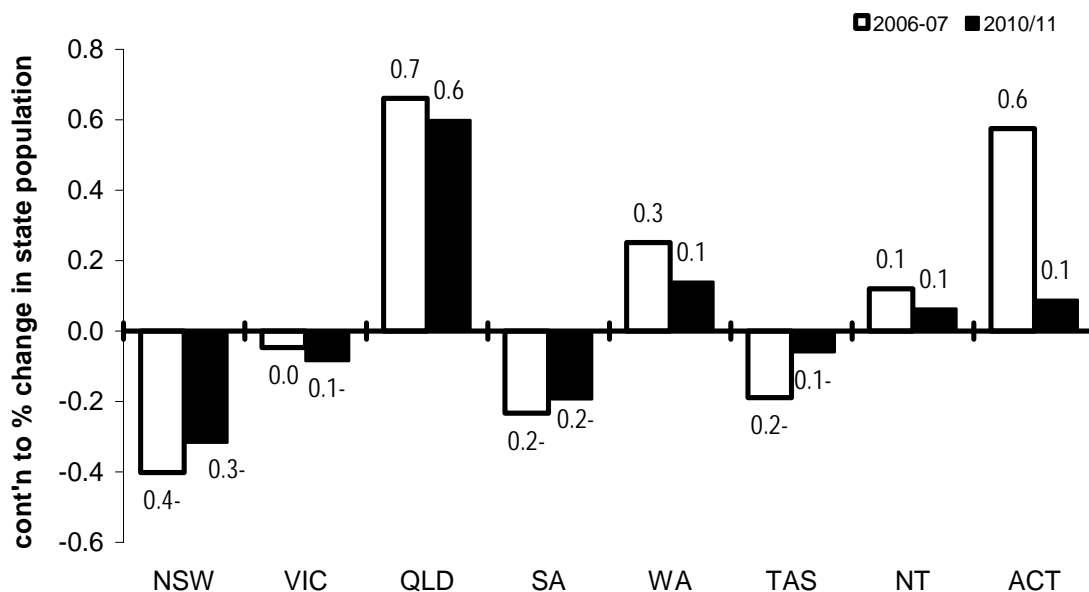
Net interstate migration will detract 0.3 per cent points from **NSW** population growth in 2010/11. Thus despite NSW receiving more than its share of the national population gain from net overseas migration, population growth in 2010/11 is projected to be 0.97 per cent, well below the national rate.

In 2010/11 population growth is projected to be 0.9 per cent in **South Australia** and 0.74 per cent in **Tasmania**. Net interstate migration reduces the population growth in SA and TAS by 0.2 and 0.1 per cent points, respectively.

Annual Population Growth — Selected Years
(per cent change)

	2006-07	2010/11
NSW	1.30	0.97
VIC	1.85	1.40
QLD	2.57	2.10
SA	1.14	0.90
WA	2.60	1.91
TAS	0.66	0.74
NT	1.98	1.73
ACT	2.08	1.25
AUST	1.81	1.46

NET INTERSTATE MIGRATION



INDUSTRY DATA SOURCES & METHODOLOGY OF FORECASTS

(i) Industry Data Sources

All data are seasonally adjusted. Chain volume measures have a base year of 2005/06.

industry **gross product** is from the quarterly National Accounts (ABS Cat No 5206.0); it corresponds to the economist's notion of industry value added.

industry **employment** is from the monthly Labour Force (ABS Cat No 6203.0); quarterly data are obtained by using the mid-month of each quarter.

industry **fixed investment** covers private and public enterprises but not general government. Annual investment data are from the annual National Accounts (ABS Cat No 5204.0), while quarterly interpolations are performed using the private industry investment data in the survey of Private New Capital Expenditure (ABS Cat No 5625.0) and private and public enterprise aggregate investment data in the quarterly National Accounts (ABS Cat No 5206.0).

industry **fixed capital** is estimated by KPMG Econtech by advancing base-period estimates using fixed investment net of estimated depreciation.

industry **exports** and **imports** are from the quarterly Balance of Payments (ABS Cat No 5302.0). Those data are re-classified from SITC to ANZSIC by KPMG Econtech.

industry **price of sales** use industry price deflators data in the annual National Accounts (ABS Cat No 5204.0). Quarterly interpolations use the aggregate GDP price deflator in the quarterly National Accounts (ABS Cat No 5206.0) and other indicators. The conversion from price of value added to price of Australian sales involves using the 1993/94 input-output table to measure prices inclusive of the costs of intermediate inputs, and quarterly data for the prices of exports and imports to exclude exports and include imports.

industry **actual rate of return** is gross of depreciation and tax and is calculated as annualised industry gross operating surplus expressed as a percentage of the replacement cost of industry fixed capital and adjusted to remove the effects of cyclical variations in productivity and of drought. It is estimated by KPMG Econtech and depends only on relative prices including real wages.

(ii) Methodology of Forecasts

The industry forecasts are prepared by judgmentally adjusting forecasts produced using KPMG Econtech's Murphy Model 2 (MM2). MM2 is a 651-equation quarterly, econometric model of Australia. It is a fully integrated macro-industry model. It achieves a mix of realism and rigour that is unique among Australian models. It achieves realism by using Australian, historical, quarterly, industry-level data to separately econometrically estimate each industry's quarter-by-quarter adjustment processes. It achieves rigour by using the computable general equilibrium (CGE) approach to modelling the long run. Judgmental adjustments are applied to MM2 equations to take into account impressions about the performance of various industries formed from industry sources and economic indicators not formally incorporated in MM2.

DETAILED NATIONAL FORECAST TABLES

CODE	DESCRIPTION	UNITS	2007-08 history	2008-09 forecast	2009-10 forecast	2010-11 forecast	2011-12 forecast	2012-13 forecast	2013-14 forecast	2014-15 forecast	2015-16 forecast	2016-17 forecast
NA1	PRIVATE CONSUMPTION	%change	3.7	1.2	1.9	1.3	0.9	1.2	1.4	1.7	2.3	2.9
NA2	GOV'T CONSUMPTION	%change	3.4	3.2	3.9	2.2	2.3	2.3	2.4	2.5	2.5	2.5
NA3	PRIVATE DWELLING INVESTMENT	%change	1.6	-2.4	-2.0	7.1	-0.4	2.4	4.0	0.8	0.2	3.8
NA4A	PRIVATE NON-DWELLING CONSTRUCTION INVESTMENT	%change	12.8	6.1	-13.8	-1.8	2.6	1.2	-0.3	-1.5	-1.1	1.1
NA4B	PRIVATE EQUIPMENT INVESTMENT	%change	17.3	4.3	-12.7	-1.8	2.6	1.2	-0.3	-1.5	-1.1	1.1
NA6	PUBLIC ENTERPRISE FIXED INVESTMENT	%change	6.0	11.5	-6.3	3.1	3.5	1.4	0.1	-0.5	-0.2	0.4
NA7	GENERAL GOV'T INVESTMENT	%change	7.1	3.0	7.2	3.2	2.6	2.5	2.5	2.5	2.5	2.5
NA8	INCREASE IN STOCKS - NON-FARM	%ch. in GDP	0.2	-0.9	0.5	0.1	0.0	0.0	0.0	0.0	0.0	0.1
NA9	INCREASE IN STOCKS - FARM & PUBLIC AUTHORITY	%ch. in GDP	0.0	-0.4	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0
NA11	GROSS NATIONAL EXPENDITURE	%change	5.6	0.6	0.2	1.7	1.4	1.5	1.5	1.3	1.7	2.7
EX	EXPORTS - TOTAL	%change	4.1	2.5	-1.0	4.6	8.5	7.4	5.5	4.2	3.9	3.9
IM	IMPORTS - TOTAL	%change	12.9	-2.8	-4.3	0.5	2.1	2.1	2.4	2.0	1.1	1.3
GDPE	GROSS DOMESTIC PRODUCT (EXPENDITURE BASED)	%change	3.6	1.8	0.9	2.5	2.7	2.7	2.2	1.8	2.4	3.3
DISE	STATISTICAL DISCREPANCY (E)	%ch. in GDP	0.0	-0.8	0.2	0.3	0.1	0.1	0.1	0.0	0.0	0.0
GDPA	GROSS DOMESTIC PRODUCT (AVERAGE)	%change	3.7	1.0	1.2	2.9	2.8	2.8	2.3	1.9	2.4	3.3
PGDPT	GROSS DOMESTIC PRODUCT DEFLATOR	%change	4.5	5.5	-1.8	1.5	3.9	4.1	3.7	2.9	2.0	1.7
GDPZ	NOMINAL GROSS DOMESTIC PRODUCT (INCOME BASED)	%change	8.4	6.5	-0.6	4.5	6.8	7.0	6.1	4.8	4.4	5.0
NA4	PRIVATE BUS. FIXED INVESTMENT	%change	15.4	5.0	-13.1	-1.8	2.6	1.2	-0.3	-1.5	-1.1	1.1
NA14B	DOMESTIC FINAL DEMAND	%change	5.3	1.8	-0.6	1.5	1.4	1.5	1.5	1.3	1.6	2.6
NA14A	PUBLIC FINAL DEMAND	%change	4.1	3.8	3.4	2.4	2.4	2.3	2.3	2.2	2.3	2.3
NAPC	PRIVATE CONSUMPTION DEFLATOR	%change	3.4	3.7	1.3	2.4	3.8	4.0	3.8	3.0	2.0	1.6
PCPIT	CONSUMER PRICE INDEX	%change	3.4	3.2	0.5	2.3	3.8	4.1	3.9	3.1	2.0	1.5
W	AVERAGE EARNINGS (NAT. AC. BASIS)	%change	4.6	4.7	2.3	3.0	3.2	3.2	3.6	3.3	2.9	2.9
NTT	EMPLOYMENT	%change	2.6	1.1	-0.7	0.9	2.0	2.2	1.8	1.3	1.2	1.5
PARTT	PARTICIPATION RATE	per cent	65.4	65.4	65.2	65.1	65.2	65.2	65.2	65.1	65.0	64.9
URT	UNEMPLOYMENT RATE	per cent	4.26	4.93	6.95	7.57	7.26	6.71	6.33	6.21	6.18	5.95
NUN	UNEMPLOYMENT	pers. '000	475	560	801	886	863	811	776	770	775	756
UNB	UNEMPLOYMENT BENEFIT RECIPIENTS	pers. '000	544	598	836	922	899	847	813	808	813	794
RCS	90-DAY BILL RATE (BEG. OF PERIOD)	%p.a.	6.42	7.81	3.27	3.59	3.74	4.06	4.42	4.59	4.29	3.73
RL	10-YEAR BOND RATE (BEG. OF PERIOD)	%p.a.	6.26	6.45	5.50	4.73	4.47	4.40	4.36	4.29	4.22	4.24
ETWIT	TWI EXCHANGE RATE (BEG. OF PERIOD)	May '70=100	68.9	73.4	63.7	52.6	48.5	47.0	46.5	46.0	45.8	45.8
EUSAT	US DOLLAR EXCHANGE RATE (BEG. OF PERIOD)	USc/\$A	84.9	96.3	80.0	65.6	60.3	58.5	58.1	58.0	58.0	58.4
EJA	JAPANESE YEN EXCHANGE RATE (BEG. OF PERIOD)	Yen/\$A	104.7	101.9	74.6	60.8	55.2	52.6	51.2	50.0	49.0	48.3
EEU	EURO EXCHANGE RATE (BEG. OF PERIOD)	EUR/\$A	0.63	0.61	0.57	0.47	0.43	0.41	0.41	0.41	0.41	0.41
EUK	UK POUND EXCHANGE RATE (BEG. OF PERIOD)	UKPD/\$A	0.424	0.483	0.488	0.400	0.368	0.358	0.356	0.356	0.358	0.361
GGCSH	GOV'T CONSUMPTION	% of gdp	17.7	17.8	18.8	18.5	18.3	18.1	18.0	18.1	18.0	17.8
GGIFSH	GENERAL GOV'T FIXED INVESTMENT	% of gdp	2.60	2.62	2.78	2.77	2.77	2.77	2.79	2.80	2.80	2.77
GEISH	PUBLIC ENTERPRISE INVESTMENT	% of gdp	1.75	1.70	1.82	1.90	1.93	1.91	1.87	1.83	1.78	1.73

CODE	2007Q 1	2007Q 2	2007Q 3	2007Q 4	2008Q 1	2008Q 2	2008Q 3	2008Q 4	2009Q 1	2009Q 2	2009Q 3	2009Q 4	2010Q 1	2010Q 2	2010Q 3	2010Q 4	2011Q 1
	history	history	history	history	history	history	history	history	history	forecas t	forecas t	forecas t	forecas t	forecas t	forecas t	forecas t	forecas t
NA1	1.1	0.6	1.0	1.2	0.6	-0.1	0.1	0.3	0.6	0.3	0.4	0.8	0.5	0.6	0.2	0.1	0.2
NA2	0.7	0.3	1.4	1.5	0.4	1.3	0.6	0.2	0.3	2.6	0.9	0.5	0.5	0.5	0.5	0.5	0.5
NA3	0.9	-1.8	0.1	0.6	1.5	1.5	1.1	-2.6	-5.6	-2.7	0.5	1.7	2.4	3.2	2.1	1.0	0.4
NA4A	13.9	-1.8	4.3	-2.4	7.9	0.2	5.2	1.7	-4.3	-6.3	-3.7	-3.7	-2.6	-1.1	0.3	0.6	0.8
NA4B	7.8	5.9	1.3	5.0	3.1	7.3	0.5	0.1	-7.3	-2.1	-3.7	-3.7	-2.6	-1.1	0.3	0.6	0.8
NA6	-7.9	12.3	-3.6	3.1	4.8	-1.4	12.9	-1.3	-4.8	0.5	-2.5	-2.0	-0.4	0.6	1.6	1.1	1.3
NA7	-9.7	14.9	-10.7	9.1	6.1	2.5	-1.2	-4.1	-0.6	3.6	3.5	2.0	1.0	0.7	0.6	0.6	0.6
NA8	0.7	-0.6	0.2	0.0	0.2	-0.4	0.1	-1.1	-0.1	0.5	0.2	0.1	0.1	0.1	0.0	0.0	0.0
NA9	-0.1	0.0	0.0	0.2	-0.2	-0.1	-0.1	-0.3	0.1	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0
NA11	2.5	0.7	1.0	1.8	1.5	0.4	0.6	-1.3	-1.0	0.4	0.2	0.3	0.3	0.6	0.5	0.4	0.4
EX	0.8	0.8	1.3	-0.4	2.1	2.5	-0.9	-0.8	2.7	-0.7	-1.8	-0.2	0.6	0.3	1.3	1.7	1.9
IM	3.8	1.2	2.4	3.0	5.1	3.7	0.6	-7.6	-7.0	-0.2	-0.6	2.6	0.3	0.1	-0.2	-0.3	0.0
GDPE	1.9	0.6	0.8	1.1	0.7	0.1	0.2	0.4	1.1	0.3	-0.1	-0.3	0.4	0.6	0.8	0.8	0.8
DISE	-0.4	0.1	0.2	-0.2	0.0	0.3	0.0	-0.9	-0.7	0.3	0.2	0.3	0.2	0.1	0.0	0.0	0.0
GDPA	1.5	0.7	1.0	0.9	0.8	0.3	0.2	-0.6	0.4	0.7	0.2	0.0	0.6	0.7	0.8	0.8	0.8
PGDPT	1.0	0.5	0.9	1.3	1.2	3.1	2.7	0.3	-1.0	-0.9	-0.3	-0.5	-0.1	0.0	0.5	0.8	0.8
GDPZ	2.5	1.3	1.9	2.2	2.0	3.5	2.9	-0.2	-0.6	-0.2	-0.1	-0.5	0.5	0.7	1.3	1.6	1.6
NA4	10.3	2.5	2.6	1.9	5.0	4.4	2.4	0.8	-6.1	-3.8	-3.7	-3.7	-2.6	-1.1	0.3	0.6	0.8
NA14B	2.0	1.4	0.8	1.5	1.4	0.9	0.6	0.0	-1.0	-0.2	-0.1	0.1	0.2	0.5	0.5	0.3	0.4
NA14A	-1.3	2.9	-0.5	2.5	1.5	1.2	1.4	-0.4	-0.2	2.5	0.9	0.5	0.5	0.5	0.6	0.6	0.6
NAPC	0.6	1.1	0.7	0.9	1.1	1.0	1.3	0.6	0.9	0.2	0.3	0.0	0.4	0.4	0.7	0.8	0.8
PCPIT	0.1	1.2	0.7	0.9	1.3	1.5	1.2	-0.3	0.1	0.6	0.2	-0.4	0.2	0.4	0.7	0.8	0.8
W	1.3	1.9	0.8	0.4	1.0	1.8	2.0	1.1	-0.7	0.9	0.8	0.5	0.6	0.9	0.7	0.6	0.9
NTT	0.8	0.9	0.4	0.7	0.8	0.2	0.4	0.1	0.0	-0.4	-0.3	-0.1	0.0	0.1	0.2	0.3	0.4
PARTT	65.1	65.2	65.2	65.6	65.4	65.4	65.3	65.3	65.5	65.4	65.3	65.2	65.1	65.1	65.1	65.1	65.1
URT	4.57	4.26	4.36	4.50	3.92	4.27	4.12	4.51	5.25	5.83	6.40	6.81	7.16	7.44	7.56	7.60	7.59
NUN	500	469	482	502	438	479	463	510	599	667	733	783	827	862	880	887	890
UNB	586	571	557	547	537	534	538	558	595	701	767	818	862	897	915	922	925
RCS	6.39	6.43	6.42	6.94	7.29	7.90	7.81	7.27	4.39	3.20	3.27	3.37	3.47	3.55	3.59	3.61	3.64
RL	5.89	5.88	6.26	6.16	6.32	6.04	6.45	5.39	3.98	4.41	5.50	5.23	5.02	4.86	4.73	4.63	4.56
ETWIT	64.9	65.9	68.9	70.0	68.7	68.9	73.4	63.4	55.6	57.4	63.7	59.8	56.8	54.5	52.6	51.2	50.1
EUSAT	79.1	80.7	84.9	88.3	88.2	91.8	96.3	80.0	69.3	68.7	80.0	74.8	71.0	67.9	65.6	63.7	62.3
EJA	94.1	94.9	104.7	101.6	98.8	91.6	101.9	83.4	62.6	68.0	74.6	69.8	66.0	63.1	60.8	58.9	57.4
EEU	0.60	0.60	0.63	0.62	0.60	0.58	0.61	0.56	0.49	0.52	0.57	0.53	0.50	0.48	0.47	0.45	0.44
EUK	0.403	0.411	0.424	0.437	0.441	0.461	0.483	0.444	0.480	0.479	0.488	0.457	0.433	0.414	0.400	0.389	0.380
GGCSH	17.7	17.7	17.8	17.9	17.7	17.5	17.3	17.6	17.9	18.4	18.7	18.8	18.8	18.8	18.7	18.5	18.4
GGIFSH	2.4	2.7	2.4	2.6	2.7	2.7	2.7	2.6	2.6	2.7	2.8	2.8	2.8	2.8	2.8	2.8	2.8
GEISH	1.7	1.8	1.7	1.7	1.8	1.7	1.7	1.7	1.6	1.8	1.8	1.8	1.8	1.9	1.9	1.9	1.9

CODE	DESCRIPTION	UNITS	2007-08 history	2008-09 forecast	2009-10 forecast	2010-11 forecast	2011-12 forecast	2012-13 forecast	2013-14 forecast	2014-15 forecast	2015-16 forecast	2016-17 forecast
NRSH	NET REVENUE	% of gdp	23.6	21.4	21.0	21.2	21.9	22.6	22.9	23.1	23.3	23.5
PUBDSH	PUBLIC SECTOR UNDERLYING DEFICIT	% of gdp	-1.513	0.758	2.396	1.974	1.087	0.213	-0.193	-0.375	-0.693	-1.164
PUDEBT	PUBLIC DEBT (BEG. OF PERIOD)	% of an gdp	5.9	4.4	5.0	4.9	5.4	5.6	5.3	4.8	4.1	3.3
POL1T	RATE OF TAX ON LABOUR INCOME	percentage	24.4	24.3	25.1	25.5	26.1	26.7	27.1	27.4	27.5	27.4
TGSBQ	B.O.P.: BAL. ON GOODS & SERVICES (VOLUME)	% of gdp	-3.07	-1.88	-1.08	-0.24	1.05	2.19	2.90	3.42	4.04	4.58
TOT	B.O.P.: TERMS-OF-TRADE	2006-07=100	105	114	102	100	99	98	97	97	97	96
TGSB	B.O.P.: BAL. ON GOODS & SERVICES (VALUE)	% of gdp	-1.92	1.00	-0.78	-0.25	1.02	2.18	2.89	3.41	4.10	4.71
TRB	B.O.P.: NET UNREQUITED TRANSFERS	% of gdp	-0.030	-0.049	-0.048	-0.048	-0.048	-0.048	-0.048	-0.048	-0.048	-0.048
NIB	B.O.P.: NET INCOME	% of gdp	-4.32	-3.31	-2.51	-3.22	-4.18	-4.91	-4.91	-4.80	-4.79	-4.89
CURB	B.O.P.: BAL. ON CURRENT ACCOUNT	% of gdp	-6.27	-2.36	-3.34	-3.51	-3.21	-2.78	-2.07	-1.43	-0.73	-0.23
FODEBT	B.O.P.: FOREIGN DEBT (BEG. OF PERIOD)	% of an gdp	53.0	54.8	52.1	62.8	67.4	67.9	66.5	64.8	63.2	60.9
PRINV	PRIVATE INVESTMENT	% of gdp	24.4	22.3	20.7	20.7	20.7	20.7	20.5	19.9	19.3	19.3
PRSAV	PRIVATE SAVING	% of gdp	16.6	20.7	19.7	19.2	18.6	18.1	18.2	18.1	17.9	17.9
PUBINV	PUBLIC INVESTMENT	% of gdp	4.35	4.33	4.60	4.67	4.70	4.68	4.66	4.63	4.58	4.50
PUBSAV	PUBLIC SAVING	% of gdp	5.86	3.57	2.20	2.70	3.61	4.47	4.85	5.01	5.27	5.67
NATINV	NATIONAL INVESTMENT	% of gdp	28.8	26.6	25.3	25.4	25.4	25.3	25.1	24.5	23.9	23.8
NATSAV	NATIONAL SAVING	% of gdp	22.5	24.2	21.9	21.9	22.2	22.6	23.1	23.1	23.2	23.6
CURB	B.O.P.: BAL. ON CURRENT ACCOUNT	% of gdp	-6.27	-2.36	-3.34	-3.51	-3.21	-2.78	-2.07	-1.43	-0.73	-0.23
EXRUR	EXPORTS - RURAL	%change	-7.7	6.0	-3.5	9.7	11.2	8.8	6.8	5.2	4.3	3.7
EXMIN	EXPORTS - MINING	%change	6.7	5.4	1.1	5.0	6.8	5.4	3.7	2.7	2.9	3.5
EXMFG	EXPORTS - MANUFACTURING	%change	3.0	-7.5	-5.7	-5.5	6.6	9.3	6.6	4.9	4.3	3.5
EXTRP	EXPORTS - TRANSPORT	%change	6.2	-12.0	5.6	11.9	12.1	10.2	8.2	6.4	5.1	4.4
EXTRL	EXPORTS - TRAVEL	%change	7.8	4.3	-4.3	8.1	13.5	10.8	8.6	7.0	6.0	5.3
EXSER	EXPORTS - SERVICES	%change	5.7	10.1	3.7	6.5	8.7	7.4	5.8	4.6	4.1	3.9
IMMFG	IMPORTS - MANUFACTURING	%change	11.9	-1.9	-5.7	1.0	4.4	3.4	3.0	2.3	1.2	1.3
IMSH	IMPORTS - SHIPMENT	%change	10.2	-10.2	-13.9	1.0	4.4	3.4	3.0	2.3	1.2	1.3
IMTRP	IMPORTS - TRANSPORT	%change	-0.2	-15.2	1.2	1.7	-8.6	-6.3	-2.2	-0.5	-0.1	1.2
IMTRL	IMPORTS - TRAVEL	%change	19.0	-10.8	5.6	2.8	-5.4	-3.2	0.2	1.7	2.0	2.5
IMSER	IMPORTS - OTHER SERVICES	%change	28.0	3.7	4.3	-7.4	-12.4	-7.5	-2.7	-0.9	-0.7	0.1
CONZNDU	PRIVATE CONSUMPTION - NON-DURABLES	%change	6.1	3.9	2.0	3.7	4.9	5.0	4.8	4.5	4.3	4.9
CONZDUR	PRIVATE CONSUMPTION - DURABLES	%change	6.7	-3.6	3.6	3.9	5.0	5.1	4.8	4.5	4.3	4.9
CONZENT	PRIVATE CONSUMPTION - ENTERTAINMENT & RECREATION	%change	6.8	3.7	3.6	4.9	5.7	5.5	4.9	4.5	4.3	4.9
CONZFIN	PRIVATE CONSUMPTION - FINANCIAL SERVICES	%change	6.6	5.5	3.6	4.9	5.7	5.5	4.9	4.5	4.3	4.9
CONZGEF	PRIVATE CONSUMPTION - GAS, ELECTRICITY & FUEL	%change	13.6	12.2	2.1	4.3	5.3	5.2	4.8	4.5	4.3	4.9
CONZHHT	PRIVATE CONSUMPTION - HEALTH	%change	9.5	8.5	3.6	5.2	5.9	5.6	4.9	4.5	4.3	4.9
CONZREN	PRIVATE CONSUMPTION - RENTAL SERVICES	%change	9.3	9.2	4.4	1.0	2.0	5.2	7.3	6.5	4.3	3.2
CONZTEL	PRIVATE CONSUMPTION - POSTAL & TELEPHONE SERVICES	%change	5.1	5.0	5.7	6.2	6.6	6.0	5.0	4.5	4.3	4.9
CONZOTS	PRIVATE CONSUMPTION - OTHER SERVICES	%change	6.6	5.5	3.3	4.8	5.7	5.4	4.9	4.5	4.3	4.9
CONZ	PRIVATE CONSUMPTION	%change	7.2	4.9	3.2	3.8	4.7	5.2	5.3	4.8	4.3	4.5

CODE	2007Q 1	2007Q 2	2007Q 3	2007Q 4	2008Q 1	2008Q 2	2008Q 3	2008Q 4	2009Q 1	2009Q 2	2009Q 3	2009Q 4	2010Q 1	2010Q 2	2010Q 3	2010Q 4	2011Q 1
	history	history	history	history	history	history	history	history	history	forecas t	forecas t	forecas t	forecas t	forecas t	forecas t	forecas t	forecas t
NRSH	23.0	22.6	23.9	24.4	23.0	23.0	22.7	20.3	21.5	21.1	21.2	21.0	20.9	20.8	21.0	21.1	21.3
PUBDSH	-1.277	-0.466	-1.976	-2.249	-0.810	-1.018	-0.942	1.600	0.627	1.747	2.040	2.430	2.539	2.574	2.358	2.071	1.836
PUDEBT	6.2	5.8	5.9	5.4	4.7	4.5	4.4	3.1	2.5	2.7	5.0	4.7	4.6	4.7	4.9	5.0	5.2
POL1T	24.7	24.6	24.5	24.5	24.4	24.4	24.4	24.4	24.5	24.0	25.2	25.1	25.1	25.1	25.2	25.4	25.5
TGSBQ	-1.75	-1.83	-2.06	-2.80	-3.53	-3.90	-4.23	-2.52	-0.33	-0.43	-0.67	-1.28	-1.21	-1.17	-0.86	-0.43	-0.03
TOT	101	101	100	102	103	115	122	118	109	105	103	102	101	101	101	100	100
TGSB	-1.45	-1.58	-1.90	-2.32	-2.75	-0.71	0.33	1.38	1.69	0.59	-0.12	-0.88	-1.00	-1.13	-0.87	-0.42	-0.03
TRB	-0.026	-0.036	-0.017	-0.044	-0.028	-0.032	-0.029	-0.057	-0.063	-0.048	-0.048	-0.048	-0.048	-0.048	-0.048	-0.048	-0.048
NIB	-4.40	-4.44	-4.27	-4.45	-4.29	-4.27	-3.50	-3.43	-3.16	-3.14	-2.40	-2.46	-2.55	-2.62	-2.83	-3.11	-3.35
CURB	-5.87	-6.05	-6.19	-6.82	-7.07	-5.02	-3.20	-2.10	-1.54	-2.60	-2.57	-3.39	-3.60	-3.80	-3.75	-3.58	-3.43
FODEBT	53.4	53.1	53.0	55.9	55.8	56.0	54.8	57.4	58.7	57.4	52.1	55.0	57.9	60.5	62.8	64.7	66.0
PRINV	24.0	23.4	24.1	24.2	24.8	24.5	24.5	22.7	21.0	20.9	20.8	20.7	20.6	20.6	20.6	20.7	20.7
PRSAV	16.8	16.9	15.9	15.2	17.0	18.4	20.3	22.2	20.1	20.1	20.3	19.7	19.5	19.4	19.2	19.2	19.1
PUBINV	4.06	4.52	4.10	4.33	4.53	4.45	4.40	4.29	4.19	4.43	4.56	4.60	4.61	4.63	4.65	4.67	4.68
PUBSAV	5.34	4.98	6.07	6.58	5.34	5.46	5.35	2.69	3.56	2.68	2.52	2.17	2.08	2.06	2.29	2.60	2.84
NATINV	28.0	27.9	28.2	28.6	29.4	28.9	28.9	27.0	25.2	25.4	25.4	25.3	25.2	25.2	25.3	25.3	25.4
NATSAV	22.1	21.8	22.0	21.7	22.3	23.9	25.7	24.9	23.6	22.8	22.8	21.9	21.6	21.4	21.5	21.8	22.0
CURB	-5.87	-6.05	-6.19	-6.82	-7.07	-5.02	-3.20	-2.10	-1.54	-2.60	-2.57	-3.39	-3.60	-3.80	-3.75	-3.58	-3.43
EXRUR	-6.7	-2.2	-0.7	-3.6	2.2	6.0	-5.3	1.3	16.0	-7.0	-4.9	-2.0	0.5	2.4	3.2	2.9	3.2
EXMIN	1.2	0.9	2.8	0.8	1.3	1.0	4.3	-2.1	1.7	0.8	-0.5	0.2	0.7	1.0	1.3	1.6	1.7
EXMFG	4.3	2.8	-0.8	-2.7	2.1	3.7	-8.7	-0.1	-3.4	0.3	-4.3	1.0	1.2	-4.9	-2.3	-0.8	-0.2
EXTRP	2.5	-3.1	1.4	-1.4	16.4	-4.7	-7.5	-12.1	0.7	3.4	5.5	-1.2	0.8	4.1	3.5	3.2	3.3
EXTRL	2.3	1.2	2.4	1.2	0.9	3.7	-2.5	3.2	3.2	-2.6	-3.5	-1.8	-0.3	1.0	2.6	3.3	3.4
EXSER	-0.1	2.4	-0.2	1.8	1.2	7.4	1.1	1.8	1.5	0.7	1.2	-0.1	0.8	1.4	1.8	2.0	2.1
IMMFG	4.0	0.7	2.0	2.7	5.3	3.0	1.6	-5.8	-8.6	0.0	-1.0	1.9	-0.2	0.1	0.0	0.1	0.5
IMSH	0.8	2.6	2.1	3.4	1.5	5.5	1.0	-8.0	-21.6	0.0	-1.0	1.9	-0.2	0.1	0.0	0.1	0.5
IMTRP	3.1	-9.4	0.9	2.2	3.3	1.9	-9.1	-8.8	-5.9	-3.5	1.4	7.2	4.6	1.6	-0.3	-1.7	-2.1
IMTRL	1.2	5.9	4.5	6.3	4.0	3.2	-4.6	-16.9	2.9	-1.0	2.3	7.0	3.7	1.5	0.0	-0.9	-1.4
IMSER	6.0	7.8	5.7	3.3	6.7	13.5	-0.6	-17.5	11.5	-0.9	0.7	4.9	0.9	-1.4	-2.8	-3.5	-3.8
CONZNDU	1.6	1.6	1.2	2.1	1.5	0.3	1.8	0.0	1.2	-0.1	0.3	0.7	0.8	0.9	0.9	0.9	1.0
CONZDUR	3.1	2.1	1.2	2.8	0.1	-0.7	-3.6	-1.5	0.2	3.0	0.4	0.7	0.8	1.0	1.0	1.0	1.0
CONZENT	0.8	1.9	3.6	0.4	1.1	0.1	0.7	1.3	2.7	-0.6	0.7	1.0	1.1	1.3	1.2	1.2	1.3
CONZFIN	1.7	1.7	1.4	1.6	1.7	1.9	1.9	0.1	1.1	1.0	0.7	1.0	1.1	1.3	1.2	1.2	1.3
CONZGEF	1.2	2.1	3.7	3.4	7.5	1.4	2.6	3.0	4.5	-3.5	0.5	0.8	1.0	1.1	1.1	1.1	1.1
CONZHTH	1.5	1.6	1.7	3.5	2.0	2.0	3.0	1.6	1.8	-0.3	0.8	1.1	1.2	1.4	1.2	1.2	1.3
CONZREN	2.3	2.4	2.1	2.2	2.5	2.6	2.2	2.0	2.4	1.2	1.1	0.6	0.4	0.2	0.2	0.1	0.2
CONZTEL	0.2	1.2	-0.2	3.2	2.2	0.6	0.7	1.0	1.2	1.9	1.1	1.4	1.5	1.6	1.5	1.5	1.5
CONZOTS	1.4	1.3	1.4	2.6	1.3	0.3	2.0	2.1	0.5	0.3	0.7	1.0	1.1	1.3	1.2	1.2	1.3
CONZ	1.7	1.8	1.7	2.1	1.7	0.8	1.4	0.9	1.5	0.4	0.6	0.8	0.9	1.0	0.9	0.9	1.0

DETAILED STATE FORECAST TABLES

TABLE 1 - NSW STATE EXPENDITURE, INCOME AND LABOUR MARKET (a)

		history	forecast											
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15					
PVCA	HOUSEHOLD CONSUMPTION	3.2	0.3	1.3	0.8	0.5	0.7	1.0	1.3					
GVCA	GOV'T CONSUMPTION	3.5	3.3	3.2	1.8	1.9	2.0	2.1	2.1					
PDIA	PRIVATE DWELLING INVESTMENT	-2.1	-4.0	-2.2	5.5	-1.3	1.5	4.2	0.7					
PNIA	PRIV. OTHER BUILDING INVESTMENT	12.2	0.5	-15.2	-3.4	1.7	0.5	-1.0	-2.2					
PEIA	PRIV. MACH. & EQUIPMENT INVESTMENT	19.1	3.3	-12.1	-1.8	3.2	3.1	1.6	-0.1					
GFIA	PUBLIC FIXED CAPITAL FORMATION	0.0	15.3	0.5	1.8	1.6	1.2	1.0	0.9					
SFDA	STATE FINAL DEMAND	4.4	1.3	-0.6	0.9	0.9	1.2	1.3	1.2					
EXOA	OVERSEAS EXPORTS	3.6	0.9	-4.6	3.4	7.3	6.4	4.8	3.7					
IMOA	OVERSEAS IMPORTS	13.3	-5.5	-7.4	0.3	1.8	1.7	2.0	1.7					
NITA	NET INTERSTATE TRADE (b)	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0					
GSPA	GROSS STATE PRODUCT	2.7	2.1	1.6	1.4	1.7	1.9	1.7	1.5					
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TAXA	TAXES LESS SUBSIDIES ON PROD'N/IMPORTS	9.2	7.7	2.2	5.8	6.2	5.8	5.3	4.3					
WAGA	COMPENSATION OF EMPLOYEES	5.7	4.5	0.5	3.3	4.6	4.9	5.3	4.4					
GOSA	GROSS OPERATING SURPLUS (c)	8.6	9.1	2.5	-3.0	3.1	6.1	5.0	3.4					
GSPZA	NOMINAL GROSS STATE PRODUCT	7.1	6.4	1.3	1.1	4.2	5.4	5.2	4.0					
PGSPA	GROSS STATE PRODUCT DEFLATOR	0.0	4.3	-0.3	-0.3	2.5	3.4	3.4	2.5					
CPIA	CONSUMER PRICE INDEX	3.0	3.1	0.5	2.3	3.9	4.1	4.0	3.1					
WRKA	WORKING AGE POP. (LABOUR FORCE MEASURE)	1.3	1.4	1.4	1.2	1.1	1.0	1.0	1.0					
PTRA	PARTICIPATION RATE (d)	63.7	63.5	63.2	63.1	63.1	63.2	63.2	63.1					
EMPA	EMPLOYMENT LEVEL	2.3	-0.1	-1.2	0.4	1.4	1.7	1.7	1.1					
UNRA	UNEMPLOYMENT RATE (d)	4.6	5.6	7.5	8.1	7.9	7.4	6.8	6.6					
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		history				forecast								
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
PVCA		0.3	-0.5	0.0	0.0	0.3	0.1	0.2	0.6	0.4	0.5	0.1	0.0	0.0
GVCA		0.5	1.3	1.1	-0.1	0.3	2.0	0.9	0.5	0.4	0.4	0.5	0.5	0.4
PDIA		-4.5	-0.9	2.3	-0.7	-6.1	-2.4	-0.4	1.3	2.1	5.6	-0.9	0.8	0.3
PNIA		9.2	-2.3	1.9	0.9	-3.2	-5.8	-4.9	-4.5	-3.3	-1.5	-0.1	0.3	0.5
PEIA		0.7	2.2	2.8	-2.5	-0.7	-4.7	-4.4	-3.3	-2.2	-1.0	0.1	0.5	0.7
GFIA		10.2	6.0	7.9	-4.9	-0.2	1.1	0.6	0.3	0.4	0.4	0.5	0.5	0.5
SFDA		0.7	0.2	0.8	-0.4	-0.2	-0.5	-0.3	0.1	0.1	0.5	0.2	0.2	0.2
EXOA		1.0	2.5	-2.2	4.0	-1.7	-3.8	-1.8	-0.4	0.3	0.1	1.0	1.3	1.6
IMOA		3.5	3.1	-0.9	-7.0	-6.1	-4.9	-0.8	2.6	0.2	0.1	-0.3	-0.4	-0.1
NITA		0.0	0.0	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GSPA		0.6	0.4	0.4	0.6	-0.3	2.3	0.0	-0.4	0.1	0.5	0.4	0.5	0.5
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TAXA		3.0	-3.3	3.0	6.9	-2.6	1.9	-0.7	0.5	1.0	1.4	1.7	1.6	1.6
WAGA		0.9	1.9	2.4	0.2	-0.5	0.1	0.1	0.1	0.4	1.0	0.8	0.8	1.2
GOSA		1.6	7.3	3.2	-3.3	0.5	5.0	3.3	-3.4	-1.7	-1.7	-0.6	0.5	0.3
GSPZA		1.5	3.2	2.7	-0.4	-0.5	2.0	1.3	-1.2	-0.4	0.0	0.3	0.8	0.9
PGSPA		0.8	2.8	2.4	-1.0	-0.2	-0.2	1.2	-0.8	-0.5	-0.5	0.0	0.3	0.4
CPIA		1.4	1.5	1.1	-0.2	0.1	0.6	0.2	-0.4	0.2	0.4	0.7	0.8	0.9
WRKA		0.4	0.3	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
PTRA		63.9	63.9	63.4	63.4	63.6	63.5	63.3	63.2	63.1	63.1	63.1	63.0	63.0
EMPA		1.3	-0.2	-0.7	0.2	-0.1	-0.4	-0.6	-0.3	-0.2	0.2	0.1	0.2	0.3
UNRA		4.2	4.7	4.9	5.2	6.0	6.5	7.0	7.5	7.8	7.9	8.1	8.1	8.1

(a) all variables are shown as % change unless otherwise specified

(b) net interstate trade is shown as its contribution to the % change in GSP

(c) gross operating surplus includes gross mixed income

(d) the unemployment rate and the participation rate are shown as per cent

TABLE 2 - VICTORIA STATE EXPENDITURE, INCOME AND LABOUR MARKET (a)

		history	forecast											
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15					
PVCB	HOUSEHOLD CONSUMPTION	3.2	0.2	1.5	1.0	0.7	1.0	1.2	1.6					
GVCB	GOV'T CONSUMPTION	2.9	2.8	3.5	1.7	1.8	1.8	1.9	1.9					
PDIB	PRIVATE DWELLING INVESTMENT	4.6	7.4	2.0	7.1	-0.9	1.7	4.4	0.8					
PNIB	PRIV. OTHER BUILDING INVESTMENT	20.7	-6.6	-14.8	-2.8	2.3	1.1	-0.5	-1.6					
PEIB	PRIV. MACH. & EQUIPMENT INVESTMENT	9.0	1.5	-10.3	-0.8	2.8	1.3	-0.2	-1.3					
GFIB	PUBLIC FIXED CAPITAL FORMATION	0.0	18.2	-4.9	0.7	3.0	3.1	2.4	1.6					
SFDB	STATE FINAL DEMAND	4.3	0.9	-0.4	1.3	1.1	1.3	1.4	1.2					
EXOB	OVERSEAS EXPORTS	3.7	-0.2	-4.0	3.8	6.9	6.3	4.7	3.4					
IMOB	OVERSEAS IMPORTS	12.5	-8.9	-7.1	0.4	1.6	1.7	2.1	1.7					
NITB	NET INTERSTATE TRADE (b)	0.0	0.4	0.0	0.1	0.1	0.1	0.1	0.1					
GSPB	GROSS STATE PRODUCT	2.8	5.8	0.5	1.0	1.5	1.8	1.7	1.4					
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TAXB	TAXES LESS SUBSIDIES ON PROD'N/IMPORTS	7.8	7.7	1.7	5.5	5.8	5.5	5.1	4.2					
WAGB	COMPENSATION OF EMPLOYEES	6.4	4.4	2.0	3.8	4.8	4.9	4.9	4.4					
GOSB	GROSS OPERATING SURPLUS (c)	9.4	7.8	-2.9	-6.2	-0.1	3.5	3.9	2.0					
GSPZB	NOMINAL GROSS STATE PRODUCT	7.9	6.1	-0.4	-0.4	2.9	4.4	4.5	3.5					
PGSPB	GROSS STATE PRODUCT DEFLATOR	0.0	0.3	-0.9	-1.3	1.4	2.6	2.8	2.0					
CPIB	CONSUMER PRICE INDEX	3.6	2.9	0.7	2.2	3.5	3.7	3.5	2.7					
WRKB	WORKING AGE POP. (LABOUR FORCE MEASURE)	1.8	2.2	2.1	1.6	1.5	1.4	1.3	1.3					
PTRB	PARTICIPATION RATE (d)	65.1	64.4	64.4	64.5	64.6	64.7	64.8	64.7					
EMPB	EMPLOYMENT LEVEL	2.8	0.6	0.4	0.9	1.6	1.8	1.4	1.1					
UNRB	UNEMPLOYMENT RATE (d)	4.5	5.1	6.7	7.4	7.4	7.2	7.2	7.3					
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		history				forecast								
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
PVCB		0.7	-0.4	-1.1	1.0	0.3	0.1	0.2	0.6	0.4	0.5	0.1	0.0	0.1
GVCB		0.2	1.3	0.5	0.1	0.7	2.2	0.8	0.5	0.4	0.4	0.4	0.4	0.4
PDIB		2.6	2.3	-0.7	10.6	-4.6	-2.4	0.0	1.6	2.3	5.5	0.2	1.0	0.4
PNIB		4.1	2.4	-9.8	3.1	-4.0	-5.7	-4.8	-4.4	-3.1	-1.4	0.1	0.5	0.7
PEIB		-3.9	11.1	-2.8	4.5	-12.3	1.3	-2.7	-3.1	-2.2	-0.8	0.5	0.7	0.9
GFIB		4.2	8.2	11.5	6.5	-17.4	6.6	-0.8	-0.7	-0.5	-0.2	0.4	0.5	0.7
SFDB		0.6	1.5	-1.3	2.0	-2.1	0.1	-0.3	0.1	0.1	0.6	0.3	0.3	0.3
EXOB		1.2	3.8	-1.8	-0.3	-0.9	-3.2	-1.3	-0.2	0.6	0.2	1.0	1.4	1.6
IMOB		6.2	3.5	-0.2	-13.6	-9.2	-1.4	0.3	2.9	0.3	0.1	-0.3	-0.4	-0.1
NITB		0.0	0.3	0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GSPB		1.1	2.7	1.9	1.5	-1.0	2.1	-0.4	-0.7	-0.2	0.4	0.3	0.4	0.4
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TAXB		3.0	-3.3	3.0	6.9	-2.6	1.7	-0.9	0.4	0.9	1.3	1.6	1.5	1.5
WAGB		1.9	1.5	1.9	0.9	-0.6	0.2	1.0	0.6	0.6	1.1	0.9	0.9	1.2
GOSB		1.6	7.2	3.1	-3.4	0.5	0.7	2.3	-4.2	-2.7	-2.3	-1.5	-0.4	-0.5
GSPZB		1.9	3.4	2.6	-0.3	-0.6	0.4	1.4	-1.6	-0.8	-0.3	0.0	0.4	0.5
PGSPB		0.8	0.6	0.6	-1.8	0.5	-1.7	1.8	-0.9	-0.7	-0.7	-0.3	0.0	0.1
CPIB		1.3	1.2	1.2	-0.5	0.2	0.7	0.2	-0.3	0.2	0.4	0.7	0.8	0.8
WRKB		0.5	0.4	0.4	0.5	1.1	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
PTRB		65.0	64.8	64.6	64.2	64.7	64.3	64.4	64.4	64.4	64.5	64.5	64.5	64.5
EMPB		0.7	0.0	0.0	-0.3	0.6	-0.4	0.3	0.1	0.0	0.3	0.2	0.3	0.4
UNRB		4.1	4.3	4.3	4.4	5.6	5.9	6.2	6.5	6.9	7.1	7.3	7.4	7.5

- (a) all variables are shown as % change unless otherwise specified
(b) net interstate trade is shown as its contribution to the % change in GSP
(c) gross operating surplus includes gross mixed income
(d) the unemployment rate and the participation rate are shown as per cent

(a) **TABLE 3 - QUEENSLAND STATE EXPENDITURE, INCOME AND LABOUR MARKET (a)**

	history	forecast						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
PVCC HOUSEHOLD CONSUMPTION	4.7	1.1	2.4	2.2	1.8	2.0	2.2	2.5
GVCC GOVT CONSUMPTION	5.0	5.1	4.7	3.1	3.1	3.2	3.2	3.3
PDIC PRIVATE DWELLING INVESTMENT	-1.3	-7.7	-6.3	8.9	-0.3	3.1	4.3	1.1
PNIC PRIV. OTHER BUILDING INVESTMENT	10.6	15.2	-10.8	-0.5	3.4	1.9	0.3	-0.9
PEIC PRIV. MACH. & EQUIPMENT INVESTMENT	19.9	3.7	-20.2	-4.4	3.4	2.0	-0.1	-1.9
GFIC PUBLIC FIXED CAPITAL FORMATION	0.0	-6.2	-3.9	1.1	4.3	4.4	3.4	2.3
SFDC STATE FINAL DEMAND	7.1	1.1	-1.8	2.0	2.3	2.4	2.3	1.9
EXOC OVERSEAS EXPORTS	4.3	0.4	-2.6	5.8	9.7	8.5	6.5	5.2
IMOC OVERSEAS IMPORTS	13.4	-5.0	-6.5	1.9	3.5	3.2	3.4	3.1
NITC NET INTERSTATE TRADE (b)	0.0	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0
GSPC GROSS STATE PRODUCT	5.5	-6.2	1.2	4.7	4.3	4.2	3.4	2.7
TAXC TAXES LESS SUBSIDIES ON PROD'N/IMPORTS	7.2	7.7	2.4	6.8	7.6	7.4	6.9	5.9
WAGC COMPENSATION OF EMPLOYEES	8.2	5.1	1.4	4.6	6.4	6.9	6.2	5.4
GOSC GROSS OPERATING SURPLUS (c)	10.6	5.5	-15.7	8.4	14.2	12.9	10.4	7.5
GSPZC NOMINAL GROSS STATE PRODUCT	9.0	5.4	-5.4	6.2	9.3	9.2	7.9	6.3
PGSPC GROSS STATE PRODUCT DEFLATOR	0.0	12.3	-6.5	1.5	4.9	4.8	4.4	3.5
CPIC CONSUMER PRICE INDEX	4.1	3.8	0.6	2.4	4.3	4.7	4.6	3.7
WRKC WORKING AGE POP. (LABOUR FORCE MEASURE)	2.6	2.8	2.9	2.5	2.3	2.2	2.2	2.1
PTRC PARTICIPATION RATE (d)	67.2	67.6	67.5	67.5	67.5	67.6	67.3	67.1
EMPC EMPLOYMENT LEVEL	3.0	2.9	-0.3	1.6	3.0	3.5	2.5	2.0
UNRC UNEMPLOYMENT RATE (d)	3.7	4.3	7.1	8.0	7.4	6.3	5.7	5.5

	history				forecast								
	2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
PVCC	0.3	1.1	0.0	-1.1	0.9	0.5	0.6	1.0	0.7	0.8	0.4	0.3	0.4
GVCC	1.3	2.1	1.6	-0.3	0.2	3.3	1.1	0.6	0.7	0.9	0.7	0.7	0.8
PDIC	8.2	-4.7	12.1	-19.0	-6.8	-3.2	1.0	2.0	2.6	6.6	0.6	1.2	0.6
PNIC	8.5	13.1	0.4	4.7	-7.1	-3.0	-2.9	-3.1	-2.2	-0.7	0.6	0.9	1.0
PEIC	0.9	8.0	-2.2	15.4	-22.6	-0.7	-5.2	-5.6	-4.3	-2.2	-0.1	0.5	0.9
GFIC	3.1	-6.1	-1.7	-3.7	-0.3	-1.1	-0.9	-0.9	-0.7	-0.2	0.5	0.7	0.9
SFDC	1.8	1.5	0.6	-0.7	-3.1	0.0	-0.3	0.0	0.1	0.8	0.5	0.5	0.6
EXOC	0.7	6.2	-1.5	-1.1	-5.1	-0.2	-0.5	0.3	1.0	0.6	1.4	2.0	2.2
IMOC	7.0	2.3	2.4	-8.1	-14.5	0.4	0.7	3.2	0.7	0.5	0.0	0.0	0.3
NITC	0.0	-0.3	0.2	-0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GSPC	0.6	-2.0	-3.9	-4.3	4.1	-1.6	0.2	0.5	1.1	1.4	1.1	1.2	1.2
TAXC	3.0	-3.3	3.0	6.9	-2.6	1.8	-0.7	0.6	1.1	1.6	1.9	1.9	1.9
WAGC	1.3	1.8	2.1	0.8	0.0	-0.3	0.4	0.5	0.7	1.2	1.0	1.2	1.6
GOSC	1.6	7.2	3.1	-3.4	0.4	-7.7	-8.1	-3.3	0.5	1.4	2.4	3.7	3.3
GSPZC	1.7	3.3	2.6	-0.2	-0.3	-3.2	-2.9	-0.8	0.7	1.3	1.6	2.1	2.2
PGSPC	1.0	5.4	6.7	4.3	-4.3	-1.6	-3.1	-1.4	-0.4	0.0	0.5	0.9	1.0
CPIC	1.3	1.7	1.4	-0.2	0.2	0.6	0.2	-0.4	0.2	0.4	0.7	0.9	0.9
WRKC	0.7	0.6	0.6	0.6	1.3	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
PTRC	67.0	67.3	67.5	67.5	68.0	67.6	67.5	67.5	67.4	67.5	67.5	67.4	67.4
EMPC	0.3	0.8	1.4	0.1	1.1	-1.0	-0.3	0.0	0.1	0.4	0.3	0.5	0.6
UNRC	3.7	3.8	3.3	3.8	4.6	5.6	6.4	7.0	7.4	7.7	8.0	8.0	8.0

(b) all variables are shown as % change unless otherwise specified

(c) net interstate trade is shown as its contribution to the % change in GSP

(d) gross operating surplus includes gross mixed income

(e) the unemployment rate and the participation rate are shown as per cent

TABLE 4 - SOUTH AUSTRALIA STATE EXPENDITURE, INCOME AND LABOUR MARKET (a)

		history	forecast											
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15					
PVCD	HOUSEHOLD CONSUMPTION	3.5	4.9	3.0	1.3	0.6	0.8	0.9	1.3					
GVCD	GOV'T CONSUMPTION	2.5	2.1	2.7	0.9	0.9	1.0	1.1	1.2					
PDID	PRIVATE DWELLING INVESTMENT	-1.7	1.4	-0.4	6.8	-1.0	2.4	3.5	1.4					
PNID	PRIV. OTHER BUILDING INVESTMENT	-1.8	9.7	-7.9	-2.7	1.8	0.5	-1.1	-2.2					
PEID	PRIV. MACH. & EQUIPMENT INVESTMENT	-2.9	7.2	-18.7	-5.1	2.5	2.3	0.4	-1.5					
GFID	PUBLIC FIXED CAPITAL FORMATION	0.0	24.2	52.0	16.6	0.3	-5.7	-5.0	-1.5					
SFDD	STATE FINAL DEMAND	2.2	4.8	2.1	1.8	0.7	0.6	0.7	0.8					
EXOD	OVERSEAS EXPORTS	13.5	-3.0	-1.5	5.0	7.6	6.6	4.8	3.4					
IMOD	OVERSEAS IMPORTS	8.2	-9.2	-9.8	-2.0	-0.1	0.3	1.0	0.7					
NITD	NET INTERSTATE TRADE (b)	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0					
GSPD	GROSS STATE PRODUCT	3.9	4.6	4.0	2.7	1.7	1.5	1.3	1.2					
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TAXD	TAXES LESS SUBSIDIES ON PROD'N/IMPORTS	9.7	7.7	2.0	5.9	6.2	5.8	5.3	4.3					
WAGD	COMPENSATION OF EMPLOYEES	6.9	5.8	2.1	3.3	4.1	4.4	4.3	3.9					
GOSD	GROSS OPERATING SURPLUS (c)	7.1	9.4	9.4	8.1	7.3	6.2	5.0	3.8					
GSPZD	NOMINAL GROSS STATE PRODUCT	7.4	7.3	4.7	5.6	5.7	5.3	4.7	3.9					
PGSPD	GROSS STATE PRODUCT DEFLATOR	0.0	2.6	0.6	2.8	3.9	3.7	3.4	2.7					
CPID	CONSUMER PRICE INDEX	3.3	3.2	0.3	2.3	3.9	4.1	4.0	3.1					
WRKD	WORKING AGE POP. (LABOUR FORCE MEASURE)	1.3	1.6	1.6	1.1	1.0	1.0	0.9	0.9					
PTRD	PARTICIPATION RATE (d)	62.9	63.4	62.8	62.6	62.7	62.7	62.8	62.7					
EMPD	EMPLOYMENT LEVEL	2.1	2.0	0.5	0.6	1.2	1.5	0.9	0.7					
UNRD	UNEMPLOYMENT RATE (d)	4.8	5.2	5.5	5.6	5.6	5.2	5.3	5.4					
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		history				forecast								
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
PVCD		1.5	-0.7	2.3	1.4	1.2	0.5	0.5	0.9	0.6	0.6	0.2	0.0	0.1
GVCD		0.2	0.4	0.6	0.2	0.5	1.7	0.7	0.3	0.1	0.2	0.3	0.2	0.2
PDID		-3.2	4.0	4.7	-4.1	-1.6	-5.2	1.8	1.7	2.3	5.2	0.3	1.0	0.4
PNID		-3.1	15.4	-6.7	10.6	4.0	-4.6	-4.1	-4.0	-2.9	-1.3	0.1	0.4	0.6
PEID		3.0	6.7	18.9	-25.6	13.8	-7.2	-6.6	-5.4	-4.0	-2.2	-0.5	0.1	0.5
GFID		10.3	2.3	8.5	-2.2	0.0	29.2	14.3	7.8	6.6	5.5	4.0	2.1	1.6
SFDD		1.0	1.1	3.3	-1.7	2.0	0.3	0.4	0.5	0.4	0.8	0.4	0.3	0.3
EXOD		-1.4	9.9	-3.5	-8.2	1.9	-1.1	-0.4	0.5	1.0	0.5	1.2	1.7	1.8
IMOD		2.5	1.8	-2.5	-8.4	-5.8	-5.7	-1.6	1.8	-0.4	-0.5	-0.9	-0.9	-0.6
NITD		-0.4	0.1	0.0	0.5	-0.5	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GSPD		2.0	2.1	2.2	-1.2	-0.9	3.2	1.2	0.7	0.8	0.9	0.6	0.6	0.6
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TAXD		3.0	-3.3	3.0	6.9	-2.6	1.7	-0.8	0.5	1.0	1.4	1.7	1.6	1.6
WAGD		4.4	1.9	1.4	1.3	-1.8	1.8	0.5	0.5	0.5	1.0	0.7	0.7	1.1
GOSD		1.6	7.1	3.1	-3.2	0.5	6.6	2.7	0.8	2.2	1.8	2.0	2.4	1.9
GSPZD		3.3	2.9	2.3	0.4	-1.3	3.4	1.2	0.6	1.2	1.4	1.4	1.5	1.5
PGSPD		1.2	0.8	0.1	1.6	-0.4	0.2	0.0	-0.1	0.4	0.5	0.8	0.9	0.9
CPID		1.5	1.3	1.3	-0.3	0.0	0.5	0.1	-0.4	0.1	0.4	0.7	0.8	0.9
WRKD		0.3	0.3	0.3	0.3	1.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
PTRD		62.9	62.9	62.8	63.6	63.6	63.5	63.1	62.9	62.7	62.7	62.6	62.6	62.6
EMPD		0.7	-0.3	0.7	0.6	0.7	0.4	-0.4	0.0	0.0	0.2	0.1	0.2	0.3
UNRD		4.5	5.0	4.4	5.4	5.7	5.4	5.5	5.4	5.5	5.6	5.6	5.6	5.6

- (a) all variables are shown as % change unless otherwise specified
(b) net interstate trade is shown as its contribution to the % change in GSP
(c) gross operating surplus includes gross mixed income
(d) the unemployment rate and the participation rate are shown as per cent

TABLE 5 - WESTERN AUSTRALIA STATE EXPENDITURE, INCOME AND LABOUR MARKET (a)

		history	forecast											
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15					
PVCE	HOUSEHOLD CONSUMPTION	5.1	4.1	3.2	2.2	1.7	1.8	1.9	2.2					
GVCE	GOV'T CONSUMPTION	3.6	3.7	5.4	3.7	3.7	3.7	3.8	3.7					
PDIE	PRIVATE DWELLING INVESTMENT	10.7	-6.1	0.4	7.8	-0.5	2.8	4.1	0.6					
PNIE	PRIV. OTHER BUILDING INVESTMENT	17.5	9.2	-13.8	-1.2	2.9	1.4	-0.1	-1.3					
PEIE	PRIV. MACH. & EQUIPMENT INVESTMENT	29.9	7.5	-2.3	2.0	0.9	-2.8	-3.7	-3.3					
GFIE	PUBLIC FIXED CAPITAL FORMATION	0.0	12.4	10.6	8.6	3.7	0.8	0.5	1.1					
SFDE	STATE FINAL DEMAND	9.6	4.2	0.1	2.7	1.9	1.4	1.3	1.1					
EXOE	OVERSEAS EXPORTS	3.8	3.7	-2.6	5.4	9.7	8.2	6.0	4.5					
IMOE	OVERSEAS IMPORTS	19.4	7.9	-6.9	1.6	3.5	3.0	3.0	2.5					
NITE	NET INTERSTATE TRADE (b)	0.0	-0.4	0.0	-0.1	-0.1	-0.1	-0.1	-0.1					
GSPE	GROSS STATE PRODUCT	5.2	-2.8	2.6	8.1	5.9	4.8	3.4	2.6					
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TAXE	TAXES LESS SUBSIDIES ON PROD'N/IMPORTS	4.5	7.7	2.7	6.8	7.2	6.9	6.4	5.3					
WAGE	COMPENSATION OF EMPLOYEES	13.5	13.9	1.4	4.7	6.3	5.4	6.2	5.0					
GOSE	GROSS OPERATING SURPLUS (c)	11.5	6.5	2.2	33.0	22.3	15.1	9.7	7.4					
GSPZE	NOMINAL GROSS STATE PRODUCT	11.8	9.4	1.8	19.7	15.7	11.5	8.4	6.6					
PGSPE	GROSS STATE PRODUCT DEFLATOR	0.0	12.5	-0.8	10.8	9.2	6.4	4.8	3.9					
CPIE	CONSUMER PRICE INDEX	3.6	2.9	0.2	2.3	3.9	4.2	4.0	3.2					
WRKE	WORKING AGE POP. (LABOUR FORCE MEASURE)	2.5	3.0	2.7	2.3	2.1	2.0	1.9	1.9					
PTRE	PARTICIPATION RATE (d)	68.2	69.1	68.8	68.6	68.4	68.4	68.4	68.3					
EMPE	EMPLOYMENT LEVEL	3.3	3.8	-0.6	1.6	3.0	2.2	2.6	1.7					
UNRE	UNEMPLOYMENT RATE (d)	3.2	3.7	6.4	6.8	5.7	5.5	5.0	5.0					
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		history				forecast								
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
PVCE		1.4	-0.5	2.0	1.2	0.8	0.6	0.6	1.0	0.8	0.9	0.4	0.3	0.4
GVCE		0.2	0.9	1.1	0.4	0.4	3.3	1.2	0.9	0.9	1.0	0.9	0.9	0.9
PDIE		1.1	11.5	-11.8	2.3	-5.8	-2.2	0.3	2.0	2.6	5.7	0.3	1.1	0.5
PNIE		-2.0	1.6	13.0	4.9	-11.4	-3.4	-3.2	-3.3	-2.4	-0.9	0.5	0.7	0.9
PEIE		9.6	16.0	-4.8	-2.7	-4.6	3.8	-0.5	-1.7	-1.0	0.4	1.3	1.1	0.9
GFIE		6.2	-4.3	7.8	-0.2	6.2	-1.3	4.7	2.4	2.3	2.3	2.5	1.6	1.6
SFDE		1.7	2.9	1.2	1.1	-2.3	0.4	0.2	0.2	0.3	1.0	0.7	0.7	0.6
EXOE		4.9	-0.9	1.4	-4.3	11.9	-5.6	-2.7	-0.6	0.7	0.4	1.5	2.0	2.2
IMOE		5.5	8.4	4.1	-0.5	-4.7	-6.8	-1.5	2.5	0.6	0.4	0.1	0.0	0.3
NITE		0.0	-0.1	-0.2	-0.2	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GSPE		-0.1	-1.6	-0.3	-1.7	0.8	-1.9	1.1	1.5	2.5	2.2	1.9	1.8	1.8
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TAXE		3.0	-3.3	3.0	6.9	-2.6	2.0	-0.6	0.6	1.2	1.6	1.9	1.8	1.8
WAGE		4.5	3.3	6.5	3.3	-2.4	1.0	0.2	0.3	0.8	1.1	1.1	1.3	1.6
GOSE		1.3	7.8	3.3	-4.1	0.2	-2.5	-6.5	7.3	9.1	7.6	7.5	7.3	6.3
GSPZE		2.8	5.1	4.5	-0.4	-1.3	-0.9	-3.3	3.8	5.1	4.6	4.7	4.7	4.3
PGSPE		2.9	6.8	4.8	1.3	-2.1	1.1	-4.4	2.2	2.6	2.4	2.7	2.8	2.5
CPIE		1.4	1.6	1.0	-0.3	-0.1	0.5	0.1	-0.4	0.2	0.4	0.7	0.8	0.9
WRKE		0.7	0.7	0.7	0.8	1.0	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5
PTRE		68.2	68.2	69.3	68.7	69.0	69.3	69.0	68.8	68.7	68.6	68.6	68.6	68.6
EMPE		1.7	-0.2	3.4	-0.5	0.3	0.2	-0.7	-0.2	0.1	0.3	0.4	0.7	0.7
UNRE		2.8	3.6	2.7	3.0	4.2	5.0	5.8	6.4	6.6	6.9	7.0	6.8	6.7

(a) all variables are shown as % change unless otherwise specified

(b) net interstate trade is shown as its contribution to the % change in GSP

(c) gross operating surplus includes gross mixed income

(d) the unemployment rate and the participation rate are shown as per cent

TABLE 6 - TASMANIA STATE EXPENDITURE, INCOME AND LABOUR MARKET (a)

		history	forecast											
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15					
PVCF	HOUSEHOLD CONSUMPTION	2.2	1.2	2.1	0.8	0.2	0.4	0.6	0.9					
GVCF	GOV'T CONSUMPTION	1.8	3.1	3.8	2.3	2.4	2.5	2.6	2.6					
PDIF	PRIVATE DWELLING INVESTMENT	9.4	0.7	-1.6	4.8	-1.5	0.8	4.6	0.0					
PNIF	PRIV. OTHER BUILDING INVESTMENT	16.0	7.0	-22.4	-0.4	1.6	-0.2	-1.8	-2.9					
PEIF	PRIV. MACH. & EQUIPMENT INVESTMENT	40.5	22.9	-27.6	-11.5	1.3	1.3	-1.3	-4.2					
GFIF	PUBLIC FIXED CAPITAL FORMATION	0.0	5.4	-2.9	-0.6	1.5	1.9	1.4	0.7					
SFDF	STATE FINAL DEMAND	5.5	3.6	-1.9	0.5	0.8	1.0	1.1	0.8					
EXOF	OVERSEAS EXPORTS	1.5	1.2	-4.0	2.2	5.8	5.4	3.9	2.5					
IMOF	OVERSEAS IMPORTS	6.3	0.5	-12.4	-4.2	-2.5	-1.6	-0.7	-1.1					
NITF	NET INTERSTATE TRADE (b)	0.0	-0.9	0.1	-0.2	-0.2	-0.2	-0.2	-0.1					
GSPF	GROSS STATE PRODUCT	2.0	8.8	-0.9	2.5	2.2	2.2	1.9	1.3					
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TAXF	TAXES LESS SUBSIDIES ON PROD'N/IMPORTS	11.3	7.6	1.4	5.3	6.0	5.8	5.4	4.4					
WAGF	COMPENSATION OF EMPLOYEES	10.3	7.8	-1.2	3.1	4.6	5.2	5.0	4.0					
GOSF	GROSS OPERATING SURPLUS (c)	-1.7	6.9	-9.9	11.7	13.9	11.3	8.9	6.3					
GSPZF	NOMINAL GROSS STATE PRODUCT	6.1	7.3	-3.9	6.2	7.9	7.4	6.4	4.9					
PGSPF	GROSS STATE PRODUCT DEFLATOR	0.0	-1.4	-3.0	3.7	5.6	5.1	4.5	3.6					
CPIF	CONSUMER PRICE INDEX	3.0	2.9	0.4	2.3	4.2	4.6	4.5	3.6					
WRKF	WORKING AGE POP. (LABOUR FORCE MEASURE)	1.0	1.1	1.1	0.9	0.8	0.7	0.7	0.7					
PTRF	PARTICIPATION RATE (d)	61.2	62.4	62.8	63.5	63.7	63.8	63.8	63.7					
EMPF	EMPLOYMENT LEVEL	3.3	3.1	-2.6	0.3	1.5	2.0	1.5	0.8					
UNRF	UNEMPLOYMENT RATE (d)	4.9	4.8	8.9	10.4	10.1	9.0	8.4	8.2					
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		history				forecast								
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
PVCF		0.6	0.1	-0.1	0.8	1.0	0.3	0.3	0.7	0.4	0.5	0.1	-0.1	0.0
GVCF		0.9	1.0	0.7	0.2	0.5	2.1	1.0	0.6	0.6	0.5	0.6	0.6	0.6
PDIF		2.4	-3.5	3.3	-0.9	-1.2	-3.0	-1.2	1.0	1.8	4.4	-0.4	0.8	0.2
PNIF		-0.4	0.0	34.4	-8.3	-30.4	0.6	-0.9	-2.1	-1.7	-0.6	0.5	0.6	0.6
PEIF		-1.0	47.7	-10.4	12.6	-15.3	-7.1	-9.2	-8.8	-7.2	-4.6	-1.8	-0.7	0.0
GFIF		-0.5	10.6	-8.4	5.9	-1.7	-2.0	-1.0	-0.8	-0.6	-0.4	-0.1	0.1	0.2
SFDF		0.6	3.6	0.4	1.4	-2.5	-0.4	-0.5	-0.2	-0.1	0.4	0.1	0.1	0.2
EXOF		-9.7	9.4	-3.6	0.6	7.6	-5.6	-2.8	-1.0	0.2	-0.3	0.6	1.2	1.4
IMOF		-1.0	10.5	5.7	-9.6	-7.3	-6.1	-2.1	1.2	-0.8	-1.1	-1.5	-1.4	-1.1
NITF		0.3	-0.1	-1.3	0.3	0.3	-0.1	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0
GSPF		0.9	2.5	5.1	1.2	0.7	-2.7	-0.4	0.4	0.8	0.8	0.5	0.6	0.6
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TAXF		3.0	-3.3	3.0	6.9	-2.6	1.6	-1.0	0.3	0.8	1.2	1.6	1.5	1.5
WAGF		3.0	4.2	2.1	2.8	-0.7	-4.4	0.8	0.8	0.6	0.9	0.6	0.7	1.1
GOSF		1.5	7.3	3.2	-3.5	0.4	-2.4	-7.8	-2.0	2.3	2.7	3.0	4.0	3.4
GSPZF		2.6	3.8	2.6	1.4	-0.9	-2.9	-2.4	-0.2	1.2	1.5	1.5	1.9	1.9
PGSPF		1.7	1.3	-2.4	0.2	-1.6	-0.2	-2.0	-0.6	0.4	0.7	1.0	1.3	1.3
CPIF		1.3	1.0	1.1	-0.2	0.2	0.6	0.1	-0.5	0.1	0.3	0.7	0.9	0.9
WRKF		0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2
PTRF		61.0	61.9	63.1	62.0	63.2	61.3	62.2	62.8	63.1	63.3	63.4	63.5	63.5
EMPF		0.0	2.6	2.4	-2.1	2.2	-4.3	0.0	0.2	0.0	0.1	-0.1	0.1	0.2
UNRF		5.0	4.2	4.0	4.6	4.6	6.2	7.8	8.6	9.3	9.8	10.2	10.4	10.5

(a) all variables are shown as % change unless otherwise specified

(b) net interstate trade is shown as its contribution to the % change in GSP

(c) gross operating surplus includes gross mixed income

(d) the unemployment rate and the participation rate are shown as per cent

TABLE 7 - NT STATE/TERRITORY EXPENDITURE, INCOME AND LABOUR MARKET (a)

		history	forecast						
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
PVCG	HOUSEHOLD CONSUMPTION	5.7	1.1	2.7	2.0	1.4	1.6	1.8	2.1
GVCG	GOV'T CONSUMPTION	3.6	5.5	5.0	3.2	3.3	3.4	3.4	3.4
PDIG	PRIVATE DWELLING INVESTMENT	-8.4	-8.1	-5.7	7.9	-2.4	3.5	2.5	0.9
PNIG	PRIV. OTHER BUILDING INVESTMENT	-23.4	49.8	-14.8	3.4	3.6	1.5	-0.2	-1.4
PEIG	PRIV. MACH. & EQUIPMENT INVESTMENT	49.7	-1.2	-27.2	-8.8	3.2	4.2	1.7	-1.0
GFIG	PUBLIC FIXED CAPITAL FORMATION	0.0	0.2	-8.7	-1.8	4.6	5.9	4.4	2.5
SFDG	STATE FINAL DEMAND	4.9	6.2	-2.8	1.7	2.4	2.6	2.2	1.9
EXOG	OVERSEAS EXPORTS	-5.1	20.2	-3.9	3.6	9.0	8.0	5.8	4.4
IMOG	OVERSEAS IMPORTS	-16.6	62.6	-7.4	-0.2	2.7	2.6	2.7	2.3
NITG	NET INTERSTATE TRADE (b)	0.0	-0.8	0.3	-0.1	-0.1	-0.1	-0.1	-0.1
GSPG	GROSS STATE PRODUCT	4.8	-1.8	-0.7	3.8	5.0	4.9	3.6	2.9
TAXG	TAXES LESS SUBSIDIES ON PROD'N/IMPORTS	14.1	7.6	1.6	5.7	6.0	5.7	5.3	4.4
WAGG	COMPENSATION OF EMPLOYEES	11.6	10.1	-0.3	3.0	6.7	6.9	5.9	4.9
GOSG	GROSS OPERATING SURPLUS (c)	11.3	6.6	-12.7	2.2	11.2	11.7	8.6	6.6
GSPZG	NOMINAL GROSS STATE PRODUCT	11.7	8.0	-6.3	2.9	8.6	9.0	7.1	5.7
PGSPG	GROSS STATE PRODUCT DEFLATOR	0.0	9.9	-5.6	-0.9	3.5	3.9	3.4	2.7
CPIG	CONSUMER PRICE INDEX	3.5	3.2	0.4	2.1	3.3	3.4	3.2	2.4
WRKG	WORKING AGE POP. (LABOUR FORCE MEASURE)	2.6	3.9	3.6	2.3	2.0	1.9	1.8	1.8
PTRG	PARTICIPATION RATE (d)	72.9	73.6	72.4	71.1	71.0	71.1	71.1	70.9
EMPG	EMPLOYMENT LEVEL	5.7	5.8	-2.0	-0.4	3.4	3.7	2.3	1.6
UNRG	UNEMPLOYMENT RATE (d)	4.4	3.7	7.3	8.0	6.7	5.1	4.7	4.7

		history				forecast								
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
PVCG		-1.0	1.4	-0.3	-0.4	1.1	0.6	0.5	0.9	0.7	0.8	0.4	0.2	0.3
GVCG		0.8	1.1	3.7	-1.5	0.2	4.0	1.4	0.4	0.7	1.0	0.8	0.7	0.8
PDIG		5.2	2.8	-5.5	5.1	-20.1	2.3	-2.2	2.3	2.8	7.9	-1.4	1.1	0.5
PNIG		21.1	31.7	12.8	49.2	-45.0	6.1	2.3	0.0	-0.3	0.4	1.3	1.3	1.2
PEIG		-5.1	-3.9	28.3	-26.0	-8.7	-2.0	-7.1	-7.2	-5.9	-3.8	-1.4	-0.3	0.3
GFIG		19.8	-1.0	6.9	-16.1	-4.4	5.0	-2.8	-2.2	-1.8	-1.3	-0.2	0.3	0.7
SFDG		1.7	3.4	5.5	1.3	-9.2	2.1	0.1	-0.1	0.0	0.6	0.4	0.5	0.6
EXOG		15.2	-14.4	3.2	15.8	19.0	-10.7	-5.5	-2.0	0.1	-0.1	1.1	1.7	2.0
IMOG		23.7	-0.6	14.1	18.2	50.3	-24.3	-8.6	0.0	-0.2	-0.1	-0.2	-0.2	0.1
NITG		0.4	0.8	-1.8	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GSPG		-1.2	-0.2	3.0	-5.6	-1.5	1.6	0.1	-0.4	0.6	0.8	0.9	1.3	1.4
TAXG		3.0	-3.3	3.0	6.9	-2.6	1.6	-1.0	0.3	0.9	1.3	1.6	1.6	1.6
WAGG		1.7	2.3	5.6	0.0	-0.9	4.7	-2.3	-1.3	-0.2	0.6	0.8	1.1	1.6
GOSG		1.5	7.4	3.2	-3.6	0.4	-3.0	-6.6	-3.7	-1.2	-0.7	0.7	2.3	2.4
GSPZG		1.8	4.2	4.1	-1.1	-0.6	0.5	-4.2	-2.3	-0.6	0.1	0.8	1.7	2.0
PGSPG		3.0	4.4	1.1	4.7	0.9	-1.1	-4.3	-1.8	-1.2	-0.7	-0.1	0.4	0.6
CPIG		0.9	1.5	1.7	-0.4	0.1	0.6	0.2	-0.4	0.2	0.4	0.7	0.8	0.7
WRKG		0.8	0.9	0.7	0.6	2.8	0.7	0.6	0.6	0.6	0.6	0.5	0.5	0.5
PTRG		72.9	72.2	72.3	72.7	74.1	75.5	73.7	72.5	71.9	71.5	71.3	71.1	71.0
EMPG		0.5	1.1	1.3	0.2	4.6	2.5	-3.8	-2.2	-1.0	-0.3	0.0	0.5	0.7
UNRG		4.6	3.5	2.9	3.8	4.0	4.1	6.0	7.2	7.8	8.2	8.4	8.2	8.0

(a) all variables are shown as % change unless otherwise specified

(b) net interstate trade is shown as its contribution to the % change in GSP

(c) gross operating surplus includes gross mixed income

(d) the unemployment rate and the participation rate are shown as per cent

TABLE 8 - ACT STATE/TERRITORY EXPENDITURE, INCOME AND LABOUR MARKET (a)

		history	forecast											
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15					
PVCH	HOUSEHOLD CONSUMPTION	3.4	0.4	1.9	1.8	1.6	1.3	1.4	1.7					
GVCH	GOV'T CONSUMPTION	2.7	0.8	3.8	2.2	2.3	2.4	2.5	2.5					
PDIH	PRIVATE DWELLING INVESTMENT	-4.6	-5.9	-4.9	4.7	-0.3	1.5	4.1	0.6					
PNIH	PRIV. OTHER BUILDING INVESTMENT	-7.3	-6.0	-12.4	-1.2	2.5	1.0	-0.5	-1.7					
PEIH	PRIV. MACH. & EQUIPMENT INVESTMENT	-12.6	24.5	-24.3	-6.1	4.0	4.0	1.5	-1.1					
GFIH	PUBLIC FIXED CAPITAL FORMATION	0.0	-16.0	-12.5	-2.9	6.8	7.9	5.3	2.3					
SFDH	STATE FINAL DEMAND	2.2	-0.3	0.7	1.7	2.3	2.3	2.2	2.0					
EXOH	OVERSEAS EXPORTS	3.3	3.8	2.4	3.0	2.8	-0.2	2.5	6.4					
IMOH	OVERSEAS IMPORTS	-7.5	-8.0	-10.9	-5.9	-3.6	-2.5	0.6	2.1					
NITH	NET INTERSTATE TRADE (b)	0.0	-1.7	0.1	-0.3	-0.3	-0.4	-0.4	-0.3					
GSPH	GROSS STATE PRODUCT	2.4	8.9	-0.5	1.3	2.5	2.5	2.5	2.4					
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TAXH	TAXES LESS SUBSIDIES ON PROD'N/IMPORTS	10.9	7.6	2.0	7.0	6.9	5.6	4.7	3.8					
WAGH	COMPENSATION OF EMPLOYEES	10.6	8.3	1.4	4.3	5.0	5.0	5.0	4.7					
GOSH	GROSS OPERATING SURPLUS (c)	5.8	7.7	-5.0	-2.4	8.6	9.2	6.7	4.9					
GSPZH	NOMINAL GROSS STATE PRODUCT	9.3	7.9	-0.5	2.8	6.1	6.1	5.4	4.6					
PGSPH	GROSS STATE PRODUCT DEFLATOR	0.0	-0.9	0.0	1.4	3.6	3.5	2.9	2.2					
CPIH	CONSUMER PRICE INDEX	3.6	3.4	0.9	2.2	3.4	3.5	3.3	2.5					
WRKH	WORKING AGE POP. (LABOUR FORCE MEASURE)	1.5	1.4	1.4	1.3	1.3	1.2	1.2	1.2					
PTRH	PARTICIPATION RATE (d)	72.9	72.5	72.0	72.3	72.5	72.6	72.7	72.6					
EMPH	EMPLOYMENT LEVEL	0.3	0.7	-0.3	1.6	1.6	1.6	1.2	1.3					
UNRH	UNEMPLOYMENT RATE (d)	2.6	2.8	3.7	3.8	3.7	3.5	3.7	3.4					
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		history				forecast								
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
PVCH		0.0	0.4	-1.1	0.7	0.9	0.1	0.3	0.7	0.4	0.6	0.4	0.4	0.4
GVCH		0.2	0.6	-0.6	-0.6	0.7	2.9	0.6	0.5	0.6	0.6	0.5	0.6	0.6
PDIH		3.1	-9.9	0.5	10.5	-5.2	-8.7	-0.1	0.4	1.4	5.0	-0.4	0.6	0.1
PNIH		-18.0	18.5	-4.0	-4.5	-6.3	-2.7	-2.8	-3.1	-2.3	-0.9	0.4	0.6	0.8
PEIH		29.1	-1.1	30.1	-7.7	-7.7	-7.5	-7.4	-6.3	-4.8	-2.8	-0.6	0.2	0.7
GFIH		-7.0	10.4	-8.3	-17.7	-3.4	3.6	-4.0	-3.6	-3.1	-2.2	-0.1	0.6	1.1
SFDH		-0.2	1.3	-0.5	-1.6	0.0	1.2	-0.1	0.1	0.2	0.4	0.4	0.5	0.5
EXOH		2.2	1.5	1.3	-1.1	3.1	-3.1	0.8	4.5	-2.5	2.3	2.3	-0.6	-0.8
IMOH		1.5	4.6	-7.1	-4.9	-0.9	-8.9	-2.8	2.0	-2.3	-0.6	-1.8	-2.5	-2.1
NITH		0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
GSPH		3.5	0.1	6.5	0.8	-1.2	0.3	-0.4	0.0	0.1	0.2	0.3	0.5	0.5
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TAXH		3.0	-3.3	3.0	6.9	-2.6	1.5	-0.8	0.6	1.1	1.5	2.0	2.1	1.9
WAGH		5.4	0.8	3.7	1.3	0.0	-1.0	0.5	0.8	0.8	1.2	1.0	1.0	1.3
GOSH		1.9	4.9	2.6	-1.1	1.1	0.4	-1.1	-4.2	-1.8	-2.0	-0.6	1.4	0.9
GSPZH		4.3	1.4	3.3	1.3	-0.2	-0.5	-0.1	-0.6	0.1	0.4	0.7	1.2	1.3
PGSPH		0.7	1.3	-3.0	0.5	1.0	-0.8	0.3	-0.6	0.1	0.2	0.4	0.7	0.7
CPIH		1.4	1.2	1.5	-0.4	0.4	0.7	0.3	-0.3	0.2	0.4	0.7	0.8	0.8
WRKH		0.4	0.5	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
PTRH		73.0	73.3	73.1	73.0	72.5	71.5	71.8	72.0	72.1	72.2	72.2	72.3	72.3
EMPH		1.0	0.8	-0.1	0.4	-0.4	-1.3	0.1	0.6	0.3	0.5	0.3	0.4	0.4
UNRH		2.6	2.7	2.8	2.6	2.7	3.0	3.6	3.6	3.7	3.8	3.9	3.8	3.8

- (a) all variables are shown as % change unless otherwise specified
(b) net interstate trade is shown as its contribution to the % change in GSP
(c) gross operating surplus includes gross mixed income
(d) the unemployment rate and the participation rate are shown as per cent

DETAILED INDUSTRY FORECAST TABLES

TABLE A. AGRICULTURE, FORESTRY & FISHING (a)

		history	forecast								
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	
SYA	GROSS PRODUCT	6.9	17.0	5.1	5.3	3.8	3.7	2.6	2.2	3.2	
SIBFTA	FIXED INVESTMENT	36.9	2.7	1.6	6.8	3.2	0.3	-1.5	-2.7	-1.3	
SNA	EMPLOYMENT	1.0	2.1	3.0	4.3	3.4	2.5	1.6	0.9	0.8	
SKA	FIXED CAPITAL	0.1	4.3	4.1	3.7	4.2	4.0	3.5	2.8	2.0	
SARA	ACTUAL RATE OF RETURN	21.4	28.0	27.9	28.8	27.3	25.9	24.5	23.6	24.1	
SEXA	EXPORTS	-7.2	-7.9	8.2	13.4	11.2	8.8	6.8	5.2	4.4	
SPXA	PRICE OF SALES	-0.4	8.4	5.7	0.5	1.0	0.7	1.6	1.6	1.6	

		history				forecast								
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
SYA		-0.8	-5.3	13.3	10.0	-2.4	1.4	1.0	0.8	2.1	1.0	1.2	1.4	1.3
SIBFTA		-1.8	13.2	9.3	-22.3	15.6	-0.9	-0.2	0.3	2.0	2.7	1.7	1.2	1.3
SNA		-6.6	15.2	-5.8	2.6	-1.2	0.7	0.9	0.8	1.2	1.2	1.1	1.0	1.0
SKA		0.9	0.8	1.2	1.6	0.5	1.0	0.9	0.9	0.9	1.0	1.0	1.0	1.0
SARA		23.8	20.1	25.6	33.6	26.1	26.5	25.9	27.4	29.2	29.1	29.0	28.9	28.7
SEXA		-5.4	2.9	-11.3	-9.9	24.0	-1.8	-1.4	0.9	2.6	3.5	3.7	3.5	3.2
SPXA		6.4	3.5	-2.3	13.6	-15.9	9.6	6.1	-3.9	2.5	0.9	-0.9	0.6	0.0

(a) all variables are shown as % change unless otherwise specified

TABLE B. MINING (a)

		history	forecast								
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	
SYB	GROSS PRODUCT	2.5	2.3	1.9	4.3	4.7	4.1	3.0	2.3	2.8	
SIBFTB	FIXED INVESTMENT	17.0	20.1	-18.9	-15.7	-9.3	-9.7	-9.4	-9.6	-9.0	
SNB	EMPLOYMENT	7.3	16.5	-11.2	1.3	7.8	7.7	6.4	5.6	6.0	
SKB	FIXED CAPITAL	16.7	16.8	17.5	8.5	4.1	2.1	0.5	-0.7	-1.6	
SARB	ACTUAL RATE OF RETURN	2.4	2.4	0.9	1.0	1.1	1.1	1.1	1.1	1.4	
SEXB	EXPORTS	6.7	5.4	1.1	5.0	6.8	5.4	3.7	2.7	2.9	
SPXB	PRICE OF SALES	1.3	44.9	-17.4	9.3	6.2	7.7	7.3	5.3	-0.4	

		history				forecast								
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
SYB		0.6	2.5	-1.2	1.8	-1.6	1.2	0.3	0.5	1.1	0.8	1.1	1.3	1.3
SIBFTB		7.7	7.2	7.1	3.2	1.9	-5.5	-7.3	-7.2	-7.9	-5.6	-3.5	-1.8	-2.0
SNB		0.3	18.8	4.1	4.8	-7.9	-2.9	-3.9	-2.6	-1.4	-0.4	0.6	1.5	1.7
SKB		3.8	4.0	4.2	4.4	4.3	4.2	3.5	2.8	2.3	1.7	1.4	1.2	1.1
SARB		2.1	3.1	3.0	3.5	1.8	1.1	0.8	0.9	0.9	0.9	1.0	1.0	1.1
SEXB		1.3	1.0	4.3	-2.1	1.7	0.8	-0.5	0.2	0.7	1.0	1.3	1.6	1.7
SPXB		6.3	24.3	23.3	15.8	-19.4	-15.3	-7.5	3.7	10.9	3.7	-1.3	1.6	0.8

(a) all variables are shown as % change unless otherwise specified

**TABLE C. MANUFACTURING
(a)**

		history	forecast							
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
SYC	GROSS PRODUCT	3.3	-3.7	4.3	4.8	2.2	2.7	1.4	0.8	3.0
SIBFTC	FIXED INVESTMENT	-5.3	-7.2	-12.3	3.9	11.6	9.9	5.5	1.5	0.3
SNC	EMPLOYMENT	3.0	-3.1	-4.5	-1.8	1.7	1.6	1.8	1.5	1.7
SKC	FIXED CAPITAL	3.6	2.3	1.0	-0.6	-0.1	1.2	2.3	2.7	2.6
SARC	ACTUAL RATE OF RETURN	19.5	16.8	18.7	27.7	31.0	30.6	28.7	27.4	27.6
SEXC	EXPORTS	2.1	-3.1	-0.6	2.4	7.7	7.6	5.5	4.1	3.8
SIMC	IMPORTS	11.8	-2.2	-6.0	1.0	4.4	3.4	3.0	2.3	1.2
SPXC	PRICE OF SALES	0.9	12.9	-3.7	2.6	3.7	4.6	4.7	3.5	2.0

		history				history	forecast							
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
SYC		2.8	0.0	-1.2	-4.6	-3.3	3.7	2.2	0.8	3.0	0.4	1.0	1.3	1.1
SIBFTC		-0.5	-5.2	-1.8	3.3	-7.1	-3.6	-3.2	-4.5	-1.8	0.7	1.8	2.1	2.7
SNC		3.0	-0.8	-2.7	-1.2	-0.9	-1.1	-1.2	-1.2	-1.4	-1.1	-0.3	0.1	0.4
SKC		0.7	0.6	0.4	0.3	0.4	0.2	0.1	0.0	-0.2	-0.2	-0.2	-0.1	-0.1
SARC		20.4	18.4	17.9	16.7	16.1	16.6	14.2	17.6	20.2	22.8	25.1	27.0	28.7
SEXC		0.3	2.6	-4.7	-2.6	3.0	0.1	-2.3	0.7	1.3	-1.0	0.4	1.0	1.3
SIMC		5.16	3.07	1.54	-5.92	-9.1	-0.03	-1.05	1.94	-0.16	0.11	-0.01	0.06	0.49
SPXC		2.56	3.72	4.58	8.18	-4.5	-1.14	-1.28	-1.64	-0.22	0.30	1.26	1.16	0.95

(a) all variables are shown as % change unless otherwise specified

**TABLE D. ELECTRICITY, GAS & WATER
SUPPLY(a)**

		history	forecast							
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
SYD	GROSS PRODUCT	-0.1	4.0	4.2	4.4	3.5	2.9	2.0	1.7	2.9
SIBFTD	FIXED INVESTMENT	14.5	7.1	4.5	1.8	0.1	-0.1	-0.3	-0.8	-1.3
SND	EMPLOYMENT	5.5	25.3	9.8	2.2	0.3	-0.9	-1.7	-2.2	-1.4
SKD	FIXED CAPITAL	9.2	10.1	9.6	8.8	7.7	6.6	5.7	4.9	4.2
SARD	ACTUAL RATE OF RETURN	5.8	4.3	3.7	3.2	2.7	2.3	2.1	1.8	1.8
SPXD	PRICE OF SALES	10.6	10.1	-7.9	-0.6	2.5	3.2	3.0	2.4	0.9

		history				history	forecast							
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
SYD		0.8	-1.1	5.1	-1.4	1.7	-0.6	1.8	1.7	1.7	0.8	0.9	1.1	1.0
SIBFTD		0.4	6.0	6.8	-8.2	5.7	1.0	1.3	1.2	1.1	1.1	0.1	-0.2	0.2
SND		4.2	3.0	6.3	7.8	10.0	1.2	0.8	0.9	1.0	0.6	0.6	0.4	0.3
SKD		2.4	2.3	2.4	2.6	2.1	2.3	2.2	2.2	2.1	2.1	2.1	2.0	1.9
SARD		5.5	4.8	5.1	4.2	4.2	3.8	3.7	3.7	3.7	3.5	3.4	3.2	3.1
SPXD		1.7	4.9	4.9	2.8	-3.7	-0.2	-3.4	-3.3	-1.5	0.0	0.4	0.3	0.5

(a) all variables are shown as % change unless otherwise specified

TABLE E. CONSTRUCTION (a)

		history	forecast							
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
SYE	GROSS PRODUCT	6.5	1.8	-5.4	2.0	2.0	2.4	2.3	0.5	0.4
SIBFTE	FIXED INVESTMENT	15.6	-22.3	-8.9	4.5	21.2	8.9	-3.7	-12.6	-15.4
SNE	EMPLOYMENT	2.7	2.2	-3.0	-0.4	1.9	3.1	2.2	0.6	-0.7
SKE	FIXED CAPITAL	5.0	6.6	1.8	0.3	0.9	3.4	4.1	2.9	0.7
SARE	ACTUAL RATE OF RETURN	163.9	148.0	130.6	137.8	135.9	128.6	122.2	116.5	117.3
SPXE	PRICE OF SALES	3.8	9.1	-1.4	-0.5	5.2	4.0	3.0	2.1	1.4

		history				forecast								
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
SYE		2.57	0.83	2.00	-0.49	-2.4	-2.58	-1.44	-1.03	-0.32	0.61	0.65	1.01	0.82
SIBFTE		-6.4	-4.0	-20.9	0.7	12.3	-2.0	-4.8	-7.5	-5.1	-1.8	4.6	4.0	4.1
SNE		3.0	-0.4	2.5	-1.5	-0.7	-1.1	-1.0	-0.3	-0.7	0.1	-0.1	-0.1	0.1
SKE		1.8	1.4	1.2	0.3	0.3	0.7	0.6	0.4	0.1	-0.1	-0.1	0.0	0.2
SARE		163.5	159.9	160.0	150.8	145.5	135.6	131.2	129.4	129.4	132.5	134.9	137.4	139.3
SPXE		1.6	3.4	3.6	3.5	-2.6	1.3	0.0	-1.7	-1.0	-0.7	-0.3	0.5	1.0

(a) all variables are shown as % change unless otherwise specified

TABLE F. WHOLESALE TRADE (a)

		history	forecast							
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
SYF	GROSS PRODUCT	2.9	-1.0	-0.6	2.4	3.2	2.8	1.9	1.3	2.0
SIBFTF	FIXED INVESTMENT	3.8	-1.5	-2.7	-5.8	-3.3	-0.7	1.1	1.3	1.7
SNF	EMPLOYMENT	-3.4	-0.5	1.5	3.0	3.5	4.4	4.3	3.4	2.4
SKF	FIXED CAPITAL	5.3	5.0	4.0	3.0	1.8	1.1	0.9	0.9	1.0
SARF	ACTUAL RATE OF RETURN	56.4	48.4	46.6	47.3	48.3	49.2	49.6	49.7	50.5
SEXF	EXPORTS	3.5	0.1	0.4	3.9	7.4	6.7	4.8	3.6	3.4
SPXF	PRICE OF SALES	2.7	7.6	1.7	2.7	5.3	5.5	4.5	3.0	1.8

		history				forecast								
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
SYF		0.0	1.6	0.2	-3.2	-2.1	2.2	-0.4	-0.2	0.3	0.3	0.7	0.9	0.9
SIBFTF		-1.3	8.7	-3.5	-6.1	7.9	-1.7	-1.3	-1.7	-1.5	-1.3	-1.7	-1.7	-1.2
SNF		7.7	-4.2	2.5	-5.0	1.2	0.6	0.6	0.8	0.8	0.7	0.7	0.7	0.7
SKF		1.1	1.0	1.3	1.1	0.8	1.1	1.0	0.9	0.8	0.7	0.6	0.5	0.5
SARF		55.5	55.8	53.7	47.2	45.7	47.1	46.6	46.5	46.6	46.7	46.8	47.1	47.5
SEXF		0.5	1.9	-1.3	-2.6	3.1	0.3	-1.5	0.5	1.1	0.0	0.9	1.4	1.5
SPXF		1.4	3.2	3.1	2.1	-1.8	1.0	0.4	0.6	0.6	0.4	0.6	0.8	1.0

(a) all variables are shown as % change unless otherwise specified

**TABLE G. RETAIL TRADE
(a)**

		history	forecast							
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
SYG	GROSS PRODUCT	4.5	1.1	1.0	1.3	1.8	1.6	1.4	1.7	2.4
SIBFTG	FIXED INVESTMENT	3.5	-5.7	-2.7	1.5	0.6	0.1	-0.5	-0.6	0.3
SNG	EMPLOYMENT	4.5	-1.1	0.1	0.9	1.4	1.9	1.5	1.2	1.3
SKG	FIXED CAPITAL	4.9	4.7	3.1	2.3	2.2	2.0	1.7	1.4	1.2
SARG	ACTUAL RATE OF RETURN	46.9	42.4	43.2	43.1	42.2	41.1	40.4	40.3	41.1
SPXG	PRICE OF SALES	1.9	7.5	0.7	2.2	4.0	4.1	3.5	2.8	2.0

		history				forecast								
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
SYG		0.2	-0.5	0.4	0.6	0.8	-0.6	0.1	0.8	0.2	0.2	0.3	0.3	0.4
SIBFTG		-17.5	27.3	-13.0	8.7	-12.3	1.0	0.4	0.2	0.7	0.8	0.3	0.1	0.3
SNG		-1.3	-0.2	-0.1	-1.4	0.9	-0.2	-0.1	0.1	0.2	0.2	0.2	0.2	0.2
SKG		1.3	0.5	1.4	0.8	1.1	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5
SARG		46.4	45.1	43.5	41.6	42.6	42.0	42.3	43.3	43.5	43.6	43.4	43.1	43.0
SPXG		1.4	3.2	3.1	2.1	-1.8	0.8	0.1	0.0	0.5	0.4	0.5	0.7	0.8

(a) all variables are shown as % change unless otherwise specified

**TABLE H. ACCOMMODATION, CAFES &
RESTAURANTS (a)**

		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
SYH	GROSS PRODUCT	0.3	-1.8	-3.0	4.8	7.5	5.9	4.3	3.5	3.8
SIBFTH	FIXED INVESTMENT	15.1	2.4	-6.4	-4.9	-0.2	2.2	2.9	2.9	3.4
SNH	EMPLOYMENT	0.8	1.2	-1.3	3.8	8.6	8.9	6.5	4.4	3.4
SKH	FIXED CAPITAL	3.1	4.3	4.1	2.9	2.1	1.9	1.9	2.0	2.1
SARH	ACTUAL RATE OF RETURN	24.6	21.8	21.7	25.8	27.5	28.1	28.3	28.7	29.4
SEXS (b)	EXPORTS	7.8	4.3	-4.3	8.1	13.5	10.8	8.6	7.0	6.0
SIMH	IMPORTS	23.4	-10.0	6.3	3.0	-4.9	-2.7	0.5	2.0	2.3
SPXH	PRICE OF SALES	1.4	10.0	5.3	6.4	8.6	5.5	3.4	2.5	1.9

		history				forecast								
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
SYH		-0.5	-1.6	0.2	-0.1	-0.1	-1.1	-1.5	-1.0	-0.2	1.0	1.5	1.8	2.0
SIBFTH		-1.8	13.2	9.3	-22.3	15.6	-2.1	-2.3	-2.9	-1.8	-1.1	-1.4	-1.2	-0.4
SNH		3.4	1.0	1.7	-2.1	-0.2	-0.9	-0.1	-0.1	0.2	0.4	0.9	1.4	1.7
SKH		0.9	0.8	1.2	1.4	0.6	1.0	0.9	0.8	0.7	0.7	0.6	0.6	0.5
SARH		24.5	22.8	22.0	21.5	22.4	21.2	19.2	21.2	22.5	23.8	24.8	25.5	26.2
SEXS(a)		0.9	3.7	-2.5	3.2	3.2	-2.6	-3.5	-1.8	-0.3	1.0	2.6	3.3	3.4
SIMH		4.07	3.47	-3.83	-18.22	4.6	-0.57	2.40	6.99	3.60	1.44	0.07	-0.80	-1.26
SPXH		1.27	2.18	3.36	5.96	-2.6	3.07	3.04	-1.09	0.93	0.66	2.04	2.32	2.29

(a) all variables are shown as % change unless otherwise specified

(b) Inbound tourism-exports equals Australian expenditure by foreign tourists.

The main areas of expenditure include this industry (industry H), and transport (industry I)

**TABLE I. TRANSPORT
(a)**

		history	forecast							
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
SYI	GROSS PRODUCT	5.5	0.5	2.5	4.8	6.5	5.7	4.2	3.3	3.6
SIBFTI	FIXED INVESTMENT	-0.9	24.3	-25.1	5.4	12.0	5.1	1.8	0.9	1.9
SNI	EMPLOYMENT	5.9	5.4	-0.2	2.0	3.9	3.5	2.6	1.8	1.5
SKI	FIXED CAPITAL	7.7	6.2	9.1	2.6	3.1	4.3	4.4	4.0	3.6
SARI	ACTUAL RATE OF RETURN	20.4	16.7	15.3	18.3	18.7	18.0	17.0	16.4	16.2
SEXI	EXPORTS	4.7	-5.2	2.5	7.2	9.5	8.3	6.4	4.9	4.2
SIMI	IMPORTS	-0.2	-15.2	1.2	1.7	-8.6	-6.3	-2.2	-0.5	-0.1
SPXI	PRICE OF SALES	4.1	7.5	-6.0	-4.4	2.3	3.3	3.0	2.2	1.5

		history				forecast								
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
SYI		1.6	3.5	-2.9	0.1	-2.4	4.1	0.0	-0.1	0.8	1.2	0.9	1.7	1.8
SIBFTI		8.9	4.9	11.4	10.2	-0.8	-11.7	-10.5	-9.9	-4.7	-1.2	5.4	4.3	4.1
SNI		-0.4	0.4	1.7	3.9	0.9	-0.3	-1.1	-0.5	0.0	0.4	0.5	0.8	0.9
SKI		1.3	1.6	1.7	2.2	2.6	2.4	1.7	1.1	0.7	0.5	0.4	0.6	0.7
SARI		19.9	20.1	18.0	17.2	15.8	15.6	13.5	14.8	16.1	17.0	17.6	18.2	18.6
SEXI		7.2	-1.1	-4.1	-6.6	2.1	1.5	1.3	-0.2	1.0	1.7	2.0	2.2	2.3
SIMI		3.34	1.88	-9.08	-8.83	-5.9	-3.45	1.42	7.17	4.61	1.56	-0.34	-1.74	-2.14
SPXI		1.71	3.31	3.29	2.15	-2.0	-0.96	-1.17	-3.20	-1.92	-1.78	-1.13	-0.50	0.09

(a) all variables are shown as % change unless otherwise specified

**TABLE J. COMMUNICATION
SERVICES (a)**

		history	forecast							
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
SYJ	GROSS PRODUCT	7.1	0.5	3.8	4.3	3.9	3.7	2.4	1.8	2.0
SIBFTJ	FIXED INVESTMENT	30.8	4.0	1.6	4.1	-0.7	-3.3	-4.4	-5.0	-3.6
SNJ	EMPLOYMENT	-1.6	4.5	-1.4	-0.7	-1.3	-1.1	-0.8	-0.5	0.2
SKJ	FIXED CAPITAL	3.4	7.3	6.7	5.9	5.6	4.6	3.4	2.2	1.3
SARJ	ACTUAL RATE OF RETURN	54.1	38.1	34.4	32.0	29.2	27.7	26.6	26.3	27.1
SPXJ	PRICE OF SALES	-6.2	6.8	-2.3	1.2	2.5	2.0	2.5	2.5	2.9

		history				forecast								
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
SYJ		0.86	-0.81	0.51	-1.25	0.2	2.00	1.11	0.68	1.06	1.19	1.06	1.09	1.03
SIBFTJ		-1.2	11.2	8.6	-18.6	12.7	0.0	-0.5	0.3	1.4	2.1	1.1	0.4	0.5
SNJ		-6.0	2.0	5.8	3.5	-5.3	0.5	0.3	0.0	-0.1	-0.2	-0.3	-0.2	-0.2
SKJ		1.6	1.5	1.9	2.2	1.2	1.6	1.6	1.5	1.4	1.4	1.4	1.4	1.4
SARJ		53.6	48.1	44.1	36.7	35.8	36.0	35.4	34.6	34.1	33.7	32.9	32.5	31.7
SPXJ		1.4	3.2	3.1	1.9	-1.8	-1.3	-1.1	0.1	0.2	-0.1	0.3	0.5	0.6

(a) all variables are shown as % change unless otherwise specified

**TABLE K. FINANCE & INSURANCE
(a)**

		history	forecast							
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
SYK	GROSS PRODUCT	6.6	-0.1	-0.2	0.1	1.2	2.3	2.4	2.1	2.2
SIBFTK	FIXED INVESTMENT	-12.6	2.6	0.1	6.5	11.0	3.5	-3.4	-4.8	-0.9
SNK	EMPLOYMENT	0.2	-1.8	-2.4	-1.1	-0.6	-0.2	-0.1	0.2	0.6
SKK	FIXED CAPITAL	2.9	0.8	1.0	0.9	1.6	2.8	2.9	2.0	1.1
SARK	ACTUAL RATE OF RETURN	166.7	158.6	163.6	163.9	158.8	153.3	149.9	150.1	154.3
SPXK	PRICE OF SALES	-0.2	6.7	5.9	9.8	7.5	3.8	2.1	1.9	2.5

		history				forecast								
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
SYK		-0.26	-0.57	-0.06	1.00	-0.5	-0.19	0.00	0.02	-0.15	-0.06	0.01	0.09	0.20
SIBFTK		-10.2	6.1	7.6	-8.7	5.6	0.4	-0.4	-0.4	0.3	0.2	3.2	2.4	1.9
SNK		-2.1	1.4	1.9	-5.5	0.7	-0.4	-0.4	-0.4	-0.4	-0.3	-0.3	-0.2	-0.2
SKK		0.3	0.0	0.2	0.4	0.1	0.3	0.3	0.2	0.2	0.2	0.2	0.3	0.4
SARK		165.7	162.9	159.7	156.6	159.1	159.1	161.0	163.8	164.5	165.4	165.1	164.1	163.5
SPXK		1.2	3.1	2.8	0.8	-1.2	2.3	1.3	1.6	2.8	2.5	2.4	2.4	2.2

(a) all variables are shown as % change unless otherwise specified

**TABLE L. PROPERTY AND BUSINESS
SERVICES (a)**

		history	forecast							
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
SYL	GROSS PRODUCT	5.1	-0.9	-1.3	3.9	4.5	3.8	2.9	2.4	2.7
SIBFTL	FIXED INVESTMENT	2.6	-19.3	-20.1	2.5	8.7	8.4	6.8	4.8	3.6
SNL	EMPLOYMENT	2.3	-0.6	-1.8	0.7	1.5	1.7	1.6	1.3	1.2
SKL	FIXED CAPITAL	9.7	8.3	3.2	-0.1	0.2	1.2	2.1	2.7	3.0
SARL	ACTUAL RATE OF RETURN	28.1	23.9	24.2	27.6	28.9	29.0	28.5	27.8	27.5
SEXL	EXPORTS	5.7	10.1	3.7	6.5	8.7	7.4	5.8	4.6	4.1
SIML	IMPORTS	28.0	3.7	4.3	-7.4	-12.4	-7.5	-2.7	-0.9	-0.7
SPXL	PRICE OF SALES	1.7	8.2	-3.6	-2.6	3.3	4.4	3.4	2.2	1.2

		history				forecast								
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
SYL		2.5	3.3	-0.8	-3.5	-2.7	0.5	0.2	-0.1	0.6	0.8	1.1	1.3	1.3
SIBFTL		0.9	-10.6	-3.9	7.5	-29.3	-1.7	-1.8	-2.2	-1.3	-0.6	1.4	1.6	2.0
SNL		4.6	-2.5	-0.2	2.5	-3.7	-0.2	-0.3	-0.1	0.0	0.1	0.2	0.3	0.3
SKL		2.3	2.2	1.5	1.3	1.6	0.2	0.1	0.1	0.0	-0.1	-0.1	0.0	0.0
SARL		27.6	27.7	26.2	23.5	22.8	23.0	22.4	23.7	24.8	25.8	26.6	27.3	27.9
SEXL		1.2	7.4	1.1	1.8	1.5	0.7	1.2	-0.1	0.8	1.4	1.8	2.0	2.1
SIML		6.74	13.49	-0.65	-17.48	11.5	-0.85	0.74	4.86	0.90	-1.40	-2.79	-3.51	-3.75
SPXL		1.22	2.92	3.38	3.20	-1.8	0.47	-1.21	-2.17	-1.41	-1.25	-0.65	-0.10	0.28

(a) all variables are shown as % change unless otherwise specified

TABLE M. GOVERNMENT ADMINISTRATION & DEFENCE (a)

		history	forecast								
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	
SYM	GROSS PRODUCT	0.1	2.2	4.8	2.5	2.5	2.5	2.5	2.4	2.5	
SNM	EMPLOYMENT	-1.0	2.4	2.5	1.5	1.4	1.2	1.0	0.9	0.9	
SPXM	PRICE OF SALES	3.6	7.9	-0.9	-0.9	2.7	4.0	3.7	2.9	1.9	

		history				history	forecast							
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
SYM		-1.7	-1.0	1.5	-1.3	4.1	1.6	0.9	0.6	0.6	0.6	0.6	0.6	0.6
SNM		0.6	-2.4	2.2	0.1	2.6	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4
SPXM		1.44	3.26	3.30	2.54	-2.1	0.37	0.26	-0.86	-0.51	-0.42	-0.37	0.01	0.25

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TABLE N. EDUCATION (a)

		history	forecast								
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	
SYN	GROSS PRODUCT	1.5	1.7	3.6	2.8	2.0	2.2	2.3	2.3	2.5	
SNN	EMPLOYMENT	6.5	1.1	0.4	2.0	1.5	1.1	0.9	0.8	0.8	
SPXN	PRICE OF SALES	4.1	6.1	-1.2	0.4	2.1	2.1	2.2	2.1	1.6	

		history				history	forecast							
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
SYN		0.4	0.4	0.4	0.4	0.4	1.3	0.8	1.1	0.8	0.9	0.7	0.5	0.5
SNN		2.0	1.6	1.2	-4.3	0.2	0.3	0.4	0.5	0.5	0.6	0.5	0.5	0.5
SPXN		1.2	3.1	2.8	0.7	-1.2	0.1	-0.6	-0.3	-0.1	-0.1	0.1	0.3	0.3

(a) all variables are shown as % change unless otherwise specified

TABLE O. HEALTH AND COMMUNITY SERVICES (a)

		history	forecast							
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
SYO	GROSS PRODUCT	2.0	2.9	2.1	2.4	2.3	2.4	2.3	2.3	2.5
SNO	EMPLOYMENT	3.0	3.3	1.0	0.7	1.0	0.9	0.8	0.8	1.0
SPXO	PRICE OF SALES	3.3	7.6	3.4	3.1	3.9	3.4	2.9	2.4	1.7

		history				history	forecast							
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
SYO		2.1	-0.1	0.6	1.0	1.1	0.0	0.4	0.6	0.5	0.6	0.6	0.5	0.6
SNO		1.0	-0.7	0.7	1.2	2.9	-0.6	-0.3	0.0	0.1	0.2	0.2	0.2	0.2
SPXO		1.34	3.25	3.09	1.62	-1.7	2.27	1.12	0.42	0.99	0.70	0.68	0.86	0.86

(a) all variables are shown as % change unless otherwise specified

TABLE Q. PERSONAL & OTHER SERVICES (a)

		history	forecast							
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
SYQ	GROSS PRODUCT	3.6	1.8	2.8	3.6	1.9	1.9	1.9	1.9	2.5
SNQ	EMPLOYMENT	3.2	-1.9	0.0	1.7	1.1	0.5	0.3	0.3	0.6
SPXQ	PRICE OF SALES	4.3	8.0	2.0	1.9	3.5	3.5	3.1	2.6	1.7

		history				history	forecast							
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
SYQ		1.8	1.4	-0.7	0.8	0.0	0.0	0.5	1.6	1.2	1.1	0.8	0.6	0.6
SNQ		-2.2	1.2	-5.5	5.7	-2.9	-0.3	-0.1	0.2	0.4	0.5	0.5	0.4	0.4
SPXQ		1.4	3.3	3.2	2.2	-2.0	1.8	0.6	0.1	0.5	0.3	0.4	0.6	0.7

(a) all variables are shown as % change unless otherwise specified

TABLE P. CULTURAL AND RECREATIONAL SERVICES (a)

		history	forecast							
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
SYP	GROSS PRODUCT	3.4	1.1	-1.0	4.8	2.0	1.4	1.2	1.4	2.3
SIBFTP	FIXED INVESTMENT	15.5	1.9	-2.1	4.4	0.2	-1.8	-3.5	-4.5	-3.2
SNP	EMPLOYMENT	1.8	4.3	4.6	-0.9	-0.6	0.5	0.7	0.7	1.2
SKP	FIXED CAPITAL	1.8	3.5	3.2	2.5	2.8	2.4	1.8	1.1	0.4
SARP	RATE OF RETURN	13.6	12.5	12.2	12.8	12.4	12.0	11.7	11.6	12.0

		history				forecast								
		2008Q1	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1
SYP		-0.67	1.12	3.22	-1.64	-2.6	-2.51	-0.17	2.32	1.44	1.57	1.17	0.75	0.66
SIBFTP		-1.85	13.20	9.30	-22.35	15.6	-3.88	-1.85	0.57	2.53	1.96	0.91	0.38	0.40
SNP		-3.4	-3.8	2.1	1.4	11.8	-0.6	-0.5	-0.2	-0.2	-0.1	-0.2	-0.3	-0.3
SKP		0.7	0.6	1.0	1.4	0.3	0.8	0.7	0.6	0.6	0.6	0.7	0.7	0.7
SARP		13.4	13.4	13.7	12.5	12.2	11.5	11.5	12.1	12.4	12.7	12.8	12.8	12.8

(a) all variables are shown as % change unless otherwise specified

INDUSTRY PATTERN - NOW AND IN THREE YEARS TIME

to
Year 2009Q1

	Employment		Gross Product	
	('000 persons)	(% of total)	(volume, \$b)*	(% of total)
A. Agriculture	371	3.5%	27.6	2.7%
B. Mining	171	1.6%	85.3	8.4%
C. Manufacturing	1078	10.0%	104.2	10.3%
D. Electricity, Gas & Water Supply	106	1.0%	22.5	2.2%
E. Construction	984	9.2%	79.1	7.8%
F. Wholesale Trade	453	4.2%	48.9	4.8%
G. Retail Trade	1546	14.4%	59.4	5.9%
H. Accom'm'n, Cafes & Restaurants	519	4.8%	20.2	2.0%
I. Transport	518	4.8%	51.5	5.1%
J. Communication Services	190	1.8%	26.4	2.6%
K. Finance & Insurance	394	3.7%	81.5	8.1%
L. Property & Business Services	1264	11.8%	132.1	13.1%
M. Gov't Administration	541	5.0%	41.0	4.1%
N. Education	779	7.2%	44.2	4.4%
O. Health & Community Services	1136	10.6%	64.3	6.4%
P. Cultural & Recreational Services	288	2.7%	16.4	1.6%
Q. Personal & Other Services	405	3.8%	20.2	2.0%
R. Ownership of Dwellings	0	0.0%	85.1	8.4%
Total	10743	100.0%	1009.9	100.0%

to
Year 2012Q1

	Employment		Gross Product	
	('000 persons)	(% of total)	(volume, \$b)*	(% of total)
A. Agriculture	405	3.7%	33.0	3.1%
B. Mining	162	1.5%	94.0	8.7%
C. Manufacturing	1009	9.2%	114.3	10.6%
D. Electricity, Gas & Water Supply	127	1.2%	25.4	2.4%
E. Construction	961	8.8%	76.9	7.1%
F. Wholesale Trade	485	4.4%	50.6	4.7%
G. Retail Trade	1573	14.4%	61.7	5.7%
H. Accom'm'n, Cafes & Restaurants	563	5.1%	21.7	2.0%
I. Transport	550	5.0%	57.9	5.4%
J. Communication Services	186	1.7%	29.5	2.7%
K. Finance & Insurance	375	3.4%	82.1	7.6%
L. Property & Business Services	1258	11.5%	138.0	12.8%
M. Gov't Administration	576	5.3%	45.6	4.2%
N. Education	802	7.3%	48.0	4.5%
O. Health & Community Services	1176	10.8%	68.9	6.4%
P. Cultural & Recreational Services	307	2.8%	17.2	1.6%
Q. Personal & Other Services	412	3.8%	21.8	2.0%
R. Ownership of Dwellings	0	0.0%	89.5	8.3%
Total	10927	100.0%	1075.9	100.0%

* Chain volume measures of gross product, reference year is 2005/06.



About KPMG Econtech



About KPMG Econtech

Econtech is one of Australia's leading independent economic consultancies, with an emphasis on economic modelling. We specialise in consulting on taxation, policy and forecasting, as well as forecasting reports and software. In August 2008 Econtech joined the KPMG Australia network.

Our Macro and Finance Group has an economy-wide perspective. Its forecasting consulting has included constructing national forecasting models for the governments of Hong Kong, Singapore, Malaysia and New Zealand. In Australia, we produce state-of-the-art, model-based forecasts at the national, industry and state levels. These forecasts are regularly updated in KPMG Econtech's forecasting reports. Clients wishing to use our models to produce their own forecasts can do so with our easy-to-use forecasting software. KPMG Econtech's forecasting reports and software can be ordered on-line

Our Industry and Tax Group analyses specific industries and tax policies. Its policy consulting ranges over many areas including industry policy, health & education, tourism, greenhouse policy, analysis of potential investment projects, migration policy and industry regulation. Its taxation consulting services focus on the effects of taxation policy on the economy, industries and individual businesses. We are the leading private sector modellers of the indirect tax system, including income tax, GST, excise and payroll tax.

Personnel

Chris Murphy, B.Ec (Hons) (Syd.), M.Ec (ANU), Senior Consultant

Chris worked as an economic modeller at the Commonwealth Treasury. He developed the Murphy Model (MM) at the ANU, and its successor, MM2, at KPMG Econtech. MM2 is used for national, industry, state and demographic forecasting. More recently, he constructed the MM600+ model, which is used to analyse the effects of economic changes, including tax reform, on individual industries and the national economy.

Jodie Patron, B.Ec & B.Sc (ANU), Associate Director

Jodie has been with KPMG Econtech for 11 years. She developed KPMG Econtech's ANTS Savings Calculator used to estimate the impact of the government's tax reform package on individual businesses and government agencies. Jodie has extensive experience modelling the Federal Government's job network.

Emily Brown, B.Comm (Hons) (Deakin), Senior Manager

Emily has been with KPMG Econtech for five years. She previously worked on monthly economic indicators at the Australian Bureau of Statistics. At KPMG Econtech, she produces construction forecasts for the Construction Forecasting Council and undertakes consultancies on regulatory policy.

David The B.Comm B.Sc B.Ec M.Comm (Macquarie), Senior Manager

David holds degrees in Economics, Actuarial Studies and Computing. Prior to joining KPMG Econtech, he worked on forecasting housing activity at the Australian Treasury, and examined Social Policy and labour market issues for the Department of Finance. At KPMG Econtech, he provides customised forecasting services and is involved in the continued development of KPMG Econtech's macroeconomic models.

Dinar Prihardini B.ACTS B.Ec (Hons) (ANU), Manager

Dinar holds an Actuarial Studies degree and a First Class Honours degree with the University Medal in Economics from the ANU. At KPMG Econtech she undertakes econometric research to underpin our macroeconomic forecasting services and for consulting projects.

Steven Casey B.Comm (Hons) (Wollongong), Manager

Steven holds a First Class Honours degree in Commerce (Economics) from the University of Wollongong. Prior to joining KPMG Econtech, he worked as a policy analyst for the Department of Finance and Deregulation before becoming an advisor to the Minister. At KPMG Econtech, Steven's work focuses on policy analysis and specialised consulting projects.

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Kelly completed a bachelor degree in Asian Studies and holds a First Class Honours degree in Economics from the ANU. At KPMG Econtech she specialises in Microeconomics and policy analysis.

Darren Wheatley, B.Ec B.Comm B.Ec (Hons) (ANU), Advisor

Darren has completed a bachelor degree in Commerce and holds an Honours degree in Economics from the ANU. At KPMG Econtech his work focuses on Microeconomics and policy analysis.

Larissa Wood, B.Ec B.Comm B.Ec (UQ), Advisor

Larissa has completed a bachelor degree in Commerce and Economics from the University of Queensland. At KPMG Econtech her work focuses on economic analysis and modelling.

Economic Outlook Reports

Australian National, State and Industry Outlook

This quarterly report provides an analysis of economic conditions and prospects at the national level, for each of the eight State and Territory economies and the 18 ANZSIC divisions.

The Growth Grid

A twice-yearly book (over 400 pages) containing detailed industry forecasts at the 18 division, 53 sub-division, and 158 group levels.

Murphy Model 2 Software/Forecasting

Macro Forecasting/Policy Analysis (Core Service)

Subscribers use Murphy Model Simulator for Windows to vary Econtech's forecasting assumptions, and so produce their own forecasts and scenarios.

Industry Forecasting/Policy Analysis Option

The 18 ANZSIC industry divisions have been integrated into MM2, allowing quarterly sectoral forecasting and analysis of the dynamic effects of microreforms. These forecasts cover output, employment, investment, capital stocks and rates of return by sector.

Demographic Forecasting Option

The Demographic Module uses assumptions for fertility and overseas and inter-state migration to project the population by sex, age and state. It can be used in standalone mode, or to generate demographic scenarios for economic forecasting.

Optimal Macro Policy Analysis Option

This facility determines the future path for monetary and fiscal policy that best controls unemployment and inflation.

State Forecasting Option

The States Model, developed under contract to two state treasuries, forecasts the quarterly States Accounts and State Labour Forces under alternative demographic and national scenarios. Econtech's Australian State and Industry Outlook and Quarterly State Accounts reports are also included.

Project Consulting

Econtech undertakes consulting projects involving the construction of specialist economic models for forecasting, government policy analysis and business analysis. For example, its MM600+ model was the leading model for assessing the effects of tax reform on the Australian economy, its industries and individual businesses. MM600+ can also be used to analyse other industry specific issues.

