

# RECENT ECONOMIC FORECASTS

## Economic Activity

The most recent official Treasury economic forecasts, released on 2 November, are set out below and reflect a significantly better economic outlook than at Budget time in May.

**Table 1**

	2009-10	2010-11
<b>Economic Activity</b> <sup>(a)</sup>		
Gross domestic product (GDP)	1.5	2.75%
Business investment	-6.5	5.5
Household consumption	0.75	2.75
<b>Labour market</b>		
Employment growth <sup>(b)</sup>	0.25	1.5
Unemployment rate <sup>(c)</sup>	6.75	6.5
<b>Prices</b>		
Consumer price inflation <sup>(d)</sup>	2.25	2.25

(a) Data is percentage change on previous year

(b) Through-the-year growth to June quarter.

(c) Estimate for the end June 2010, 2011.

(d) Estimate for year to June quarter 2010, 2011

Real GDP is now forecast to increase by 1.5% in the current year, compared with the original budget forecast of a contraction of 0.5%. GDP growth is expected to remain modest in 2010-11, rising to just 2.75%, but higher than the Budget forecast of 2.25%.

Non-farm GDP is also forecast to rise by 1.5% in 2009-10, up from the 0.5% contraction forecast in the budget. The recovery in farm product is also expected to be stronger, with farm-GDP growth expected to lift by 3% in the current year, up from the 1% forecast at Budget.

The upward revision in the non-farm GDP forecast for 2008-09 largely reflects increases in the forecasts for:

- household consumption (up from a fall of 0.25% to growth of 0.75%);
- dwelling investment (up from zero growth to growth of 1.5%);
- business investment (up from a fall of 18.5% to a fall of 6.5%).

Employment growth is expected to be better than earlier forecast. The forecast has been revised to a rise of 0.25% through the year to the June quarter 2010, stronger than the 1.5% contraction expected at Budget.

The unemployment rate is forecast to rise from 5.7 currently to 6.75% per cent by the June quarter 2010 and ease to 6.5% by the June quarter 2011, well below the 8.5% forecast at Budget time.

The most recent Ai Group forecasts suggest that for businesses across the manufacturing, construction and services sectors, 2010 is looking to be an improvement on the weak, but better than expected, outcome for 2009. Sectoral outcomes in 2010 are forecast as follows:

- Manufacturers anticipate a 5.6% increase in the nominal value of sales in 2010, to around \$415 billion. Employment in the sector is forecast to grow by 2.9% (29,000 jobs) to 1.02 million, only partly recovering the 80,000 manufacturing jobs lost in 2009.
- The outlook for construction remains relatively weak, with sales expected to rise by a modest 2.5% in 2010. Construction employment growth is expected to be soft in 2010, rising by only 0.5%.
- The outlook for services is positive, with growth expected to accelerate in 2010. Total sales are forecast to rise by 6.6% compared to growth of 4.1% in 2008/09. Employment growth is also expected to pick up, growing by 2.3% up from 1.6% in 2008/09.



**Ai Group Assistance:**

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