

**From:**  
**Sent:** Wednesday, 19 January 2011 11:07 AM  
**To:**  
**Cc:** MEG DED ForecastingTeam  
**Subject:** RE: Chart for Secretary - Economic Outlook

David

Please find attached an updated chart and updated words below. Regards, Paul

Dot point: Prospects for the Australian economy remain positive, with an underlying profile over the next year of solid growth, low unemployment, moderate inflation and a surge in business investment. In the 2010-11 MYEFO, real GDP was expected to grow strongly over the next two years, by 3¼ per cent in 2010-11 and 3¾ per cent in 2011-12. This implies that the economy will return to full capacity within the forecast period. The recent flooding in Queensland and other States is likely to have a substantial impact on the Australian economy, although it is too early to put a precise figure on the impact given that events are still unfolding.

Paragraphs: The outlook for the Australian economy is positive. The Australian economy grew by 2.2 per cent in year average terms in 2009-10 and 2.1 percentage points higher than the average rate of growth for the G7 economies. In the September quarter of 2010, Australian real GDP grew by 0.2 per cent, to be 2.7 per cent higher through the year. Real GDP is expected to grow strongly over the next two years, by 3¼ per cent in 2010-11 and 3¾ per cent in 2011-12. This implies that the economy will return to full capacity within the forecast period. The recent flooding in Queensland and other States is likely to have a substantial impact on the Australian economy, although it is too early to put a precise figure on the impact given that events are still unfolding.

Fiscal and monetary stimulus helped support the economy through 2009 and is now being withdrawn as private activity builds momentum. The withdrawal of fiscal stimulus (which affects not only public final demand, but also household consumption and business investment) is expected to detract around 1 percentage point from GDP growth in 2010-11 and ½ of a percentage point from GDP growth in 2011-12.

The terms of trade are forecast to rise by 15½ per cent in 2010-11, underpinned by high prices for Australia's non-rural bulk commodity exports. However, the terms of trade are expected to fall by 4½ per cent in 2011-12 as more global commodity supply comes online.

The Australian labour market has been remarkably resilient in the face of the global downturn and is now staging a solid recovery. Australia's unemployment rate, at just 5.0 per cent, is lower than any of the major advanced economies. Inflation is also expected to rise over the forecast horizon, reflecting the strength in domestic demand, a buoyant labour market and anticipated increases in administered prices. Underlying and headline measures of inflation are expected to be 2¾ per cent through the year to the June quarter 2011 and 3 per cent through the year to the June quarter 2012.

**From:**  
**Sent:** Thursday, 13 January 2011 3:21 PM  
**To:**  
**Cc:**  
**Subject:** RE: Chart for Secretary - Economic Outlook

Hi Paul,

You may remember the email below in which you provided us with talking points and background for a presentation the Secretary had been asked to give to NSC.

As these things go the presentation was postponed and is now set down for 31 January. Would it be possible for you to provide updated talking points and background and update the chart you provided? I will send it though so you know which one it is.

Sorry for the rework. We are hoping to finalise the presentation before by the end of next week.

Give me a call if you have any questions.

Industry, Environment and Defence Division  
The Treasury, Langton Crescent, Parkes ACT 2600  
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**From:**  
**Sent:** Friday, 10 September 2010 10:24 AM  
**To:**  
**Cc:**  
**Subject:** RE: Chart for Secretary - Economic Outlook

David

Dot point: In the PEFO the Australian economy is expected to grow by 3 per cent in 2010-11 and 3¼ per cent in 2011-12, returning to around full capacity. Fiscal and monetary stimulus is being withdrawn and there are signs that private sector activity is picking up. Business investment – particularly mining investment – and exports are expected to strengthen over 2010-11 and 2011-12, driven by a substantial boost in the terms of trade and ongoing strong demand for Australian non-rural commodities. The outlook is not without risks including the increasingly uncertain outlook for the global recovery and the terms of trade profile as global supply capacity comes on line.

Paragraphs: The outlook for the domestic economy remains positive. The Australian economy grew by 1.2 per cent in the June quarter 2010 and 3.3 per cent through the year. The June quarter result provides further evidence that a self-sustaining private sector recovery is taking hold as fiscal and monetary stimulus are withdrawn. In year-average terms, real GDP grew 2.3 per cent in 2009-10, and the outlook is for growth of 3 per cent in 2010-11 and 3¼ per cent in 2011-12. Business investment – particularly mining investment – is strong. According to the latest ABS CAPEX survey, investment intentions in the mining sector for 2010-11 are almost 50 per cent stronger than the corresponding estimate for last year.

Against this backdrop, Australia's unemployment rate, currently lower than all of the major advanced economies at 5.1 per cent, is expected to fall further to 4¼ per cent by the end of the forecast horizon.

The terms of trade rose 12.5 per cent in the quarter, to be 24.5 per cent higher over the year. Iron ore spot prices have recovered since mid-July and have returned to around the September quarter 2010 contract price level. However, an anticipated increase in iron ore capacity starting in 2011-12 is expected to place downward pressure on prices.

Regards  
Paul

Manager

Domestic Economy Division  
The Treasury, Langton Crescent, Parkes ACT 2600  
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**From:**  
**Sent:** Friday, 10 September 2010 8:49 AM  
**To:**  
**Subject:** RE: Chart for Secretary - Economic Outlook

Thanks Paul. [S22]

Cheers,

Industry, Environment and Defence Division  
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**From:**  
**Sent:** Friday, 10 September 2010 8:38 AM  
**To:**  
**Subject:** FW: Chart for Secretary - Economic Outlook

David, chart attached. [S22]

Regards  
Paul

**From:**  
**Sent:** Thursday, 9 September 2010 3:03 PM  
**To:**  
**Cc:**  
**Subject:** Chart for Secretary - Economic Outlook

Hi Paul,

Attached is the chart for the Secretary – Economic Outlook. The chart has been checked.

Regards,  
Janelle

Charting and Data Assistant

Domestic Economy Division  
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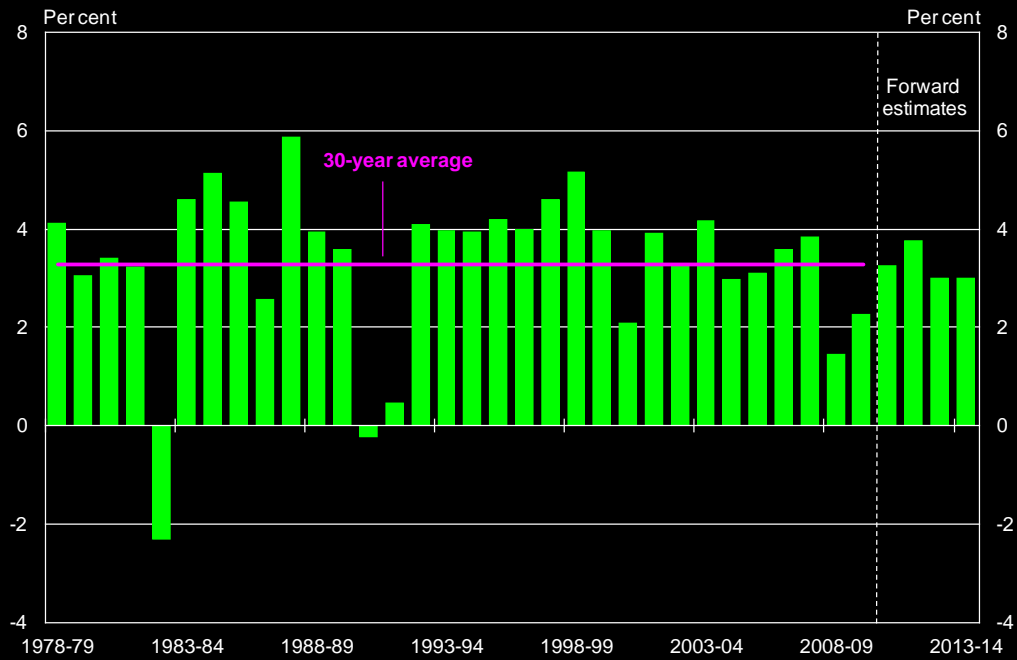
**Australian Government**

**The Treasury**

# Australian Economy

Ken Henry  
Monday, 31 January 2011

# Real GDP growth



Source: ABS Catalogue Number 5206.0 and Treasury.