Economic overview

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Introduction

2009 was a year of uncertainty. It began with the global economy experiencing its worst financial crisis ever and the deepest economic downturn since the Great Depression. Important parts of the US, UK and European banking systems were saved by large scale injections of public finance with fears of further financial shocks remaining prominent. However, by the end of the March quarter 2009 there were some signs that the worst was over. In late 2008, central authorities across the globe had substantially eased fiscal and monetary policy and these policies were beginning to take effect. Equity markets started to rally in the fear that the extent of their earlier pessimism was unfounded and survey measures of production activity reported a slowing in the pace of global economic contraction.

While the ensuing months of 2009 continued to unfold with uncertainty, economic and financial data generally indicated that the global economic recovery was underway. Nevertheless, there was a significant impact on financial markets in November when the Dubai World conglomerate announced it was seeking a six month reprieve on debt repayments, reminding investors that the economic outlook remained somewhat murky.

One of the most interesting aspects of 2009 has been the resilience of the Australian economy. Compared to most developed countries, in Australia, neither the contraction in economic growth nor the deterioration in the labour market has been as pronounced. This has been attributed to various factors which deserve a detailed discussion.

Looking forward, the challenges for economic policy are substantial. While the raft of government policy measures has proven critical for recovery, the focus must now turn to the best way to wind back expansionary policy settings. In doing this, authorities must balance a desire to normalise policy in accordance with the improvement in economic conditions and the need to provide further support to particular sectors or regions of the global economy.

The global economy

The path of recovery

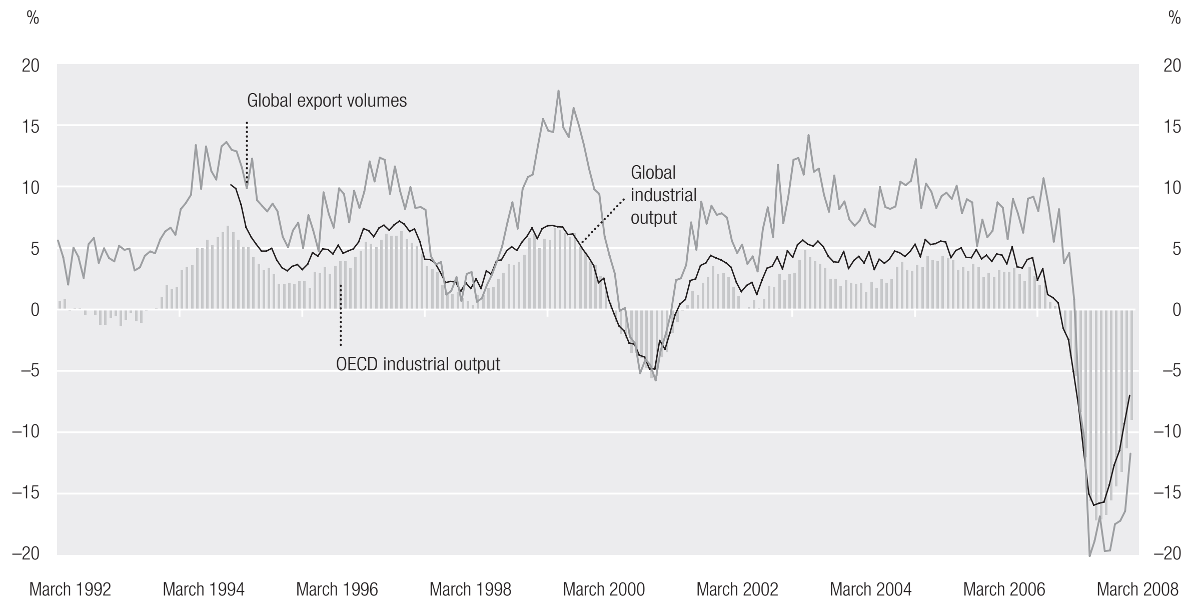
The global financial crisis (GFC) resulted in a marked contraction in the size of the global economy, with trade oriented countries the hardest hit. Real global Gross Domestic Product (GDP) growth declined by around 4 per cent through late 2008 and early 2009, with world trade declining by 20 per cent through the year to January 2009 (see Figure 1). Countries such as Germany and Japan, where exports account for a relatively large share of GDP, suffered the largest falls in output.

Macroeconomic data has generally shown improvement through 2009 and suggests the trough in global economic growth occurred around March 2009. However, the recovery is by no means uniform. Chinese economic growth accelerated rapidly through the year and has been a supporting factor for growth in other regional economies (including Australia). In contrast, the recovery in most major developed economies has been relatively tepid so far.

The improvement in economic conditions is partly attributable to government policy measures. At the onset of the GFC, monetary institutions across the G7 sharply cut interest rates to levels well below historical averages (currently between 0 and 1 per cent). In addition, a range of unconventional quantitative easing policies have been implemented with the aim of restoring liquidity in specific financial markets. The G7 economies also responded with substantial fiscal stimulus, illustrated by the widening of fiscal deficits by an average of close to 5 per cent of GDP in fiscal year (FY) 2009. Most other economies also introduced substantial fiscal measures. Most notably, the Chinese stimulus package was valued at around 13 per cent of GDP over two years and appears to have been particularly effective.

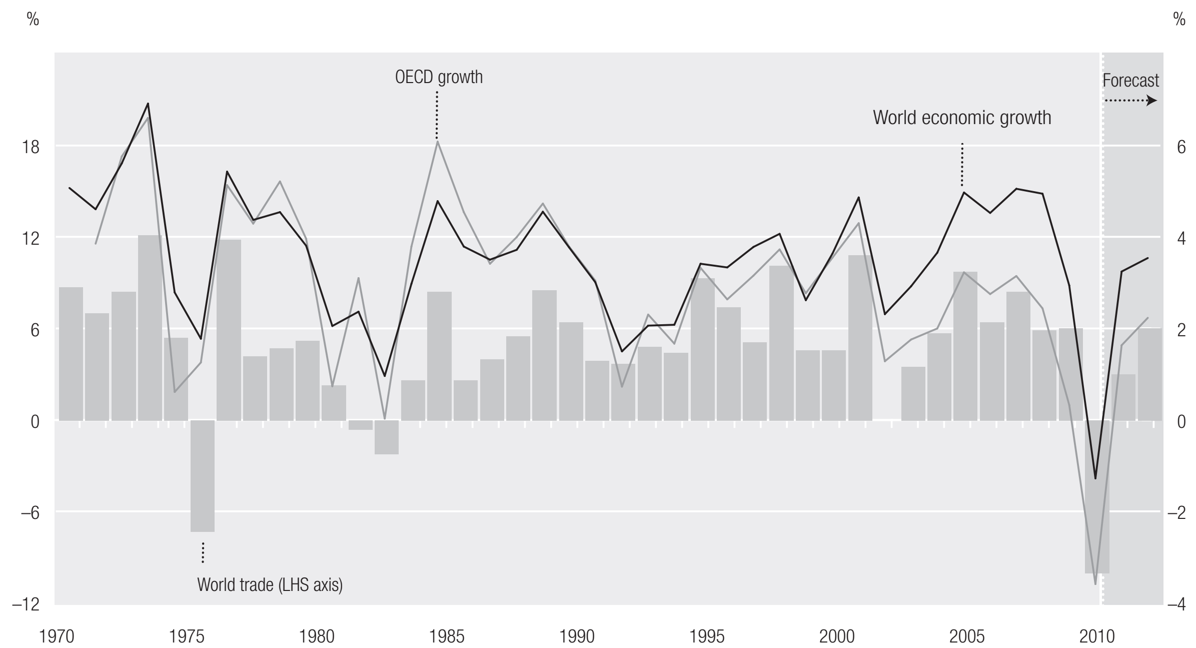
Another contributing factor to the recovery through 2009 has been the evolution of the inventory adjustment process. Initially, the unexpected contraction in demand in late 2008 left businesses with uncomfortably high levels of stocks. This forced many to cut production sharply – in excess of the actual contraction in demand – in order to rundown inventories. This is exhibited by the larger and more dramatic contractions in indicators such as industrial production and trade. However, with stocks at more comfortable levels by early-to-mid 2009, production has since been increased to meet underlying demand. This has meant the inventory adjustment process has supported the recovery in global growth over recent quarters.

Figure 1
Industrial output and world trade



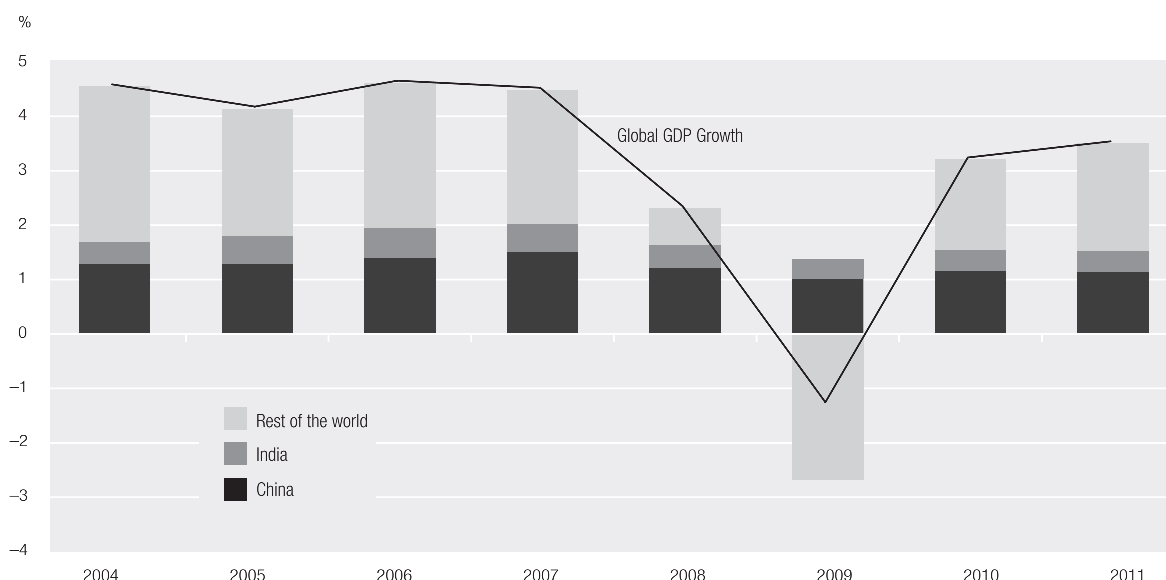
Source: Thomson Datastream, NAB

Figure 2
Global economic growth



Source: Thomson Datastream, NAB

Figure 3
Contributions to growth



Source: Thomson Datastream, NAB

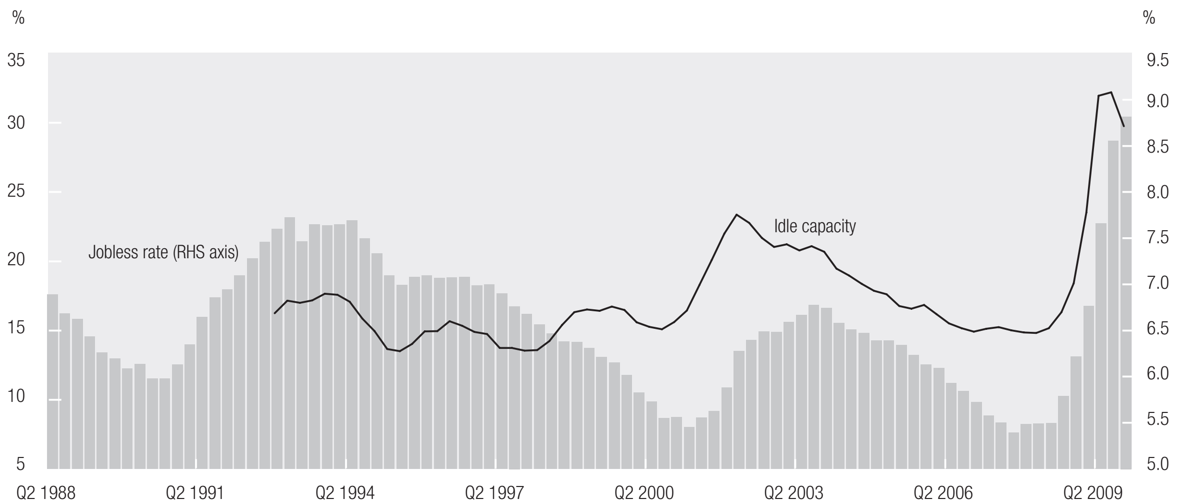
Global growth forecasts

The moderate and disparate upturn in economic activity is likely to continue over the next few years. After falling by around 1.3 per cent in 2009 – the first outright decline of the post war period – global GDP is forecast to grow by 3.2 per cent in 2010 before accelerating by around 3.5 per cent during 2011 (see Figure 2). The Chinese and Indian economies are projected to continue growing rapidly, largely reflecting domestic-led growth, and together are expected to account for half of forecast global growth in 2010 (see Figure 3).

In contrast to previous global recessions, the recovery phase of this episode is expected to be more muted. Annual global growth tended to exceed 4 per cent in the years following the recessions of the mid 1970s and early 1980s. However, the following headwinds are likely to constrain growth to annual rates of between 3 and 3½ per cent:

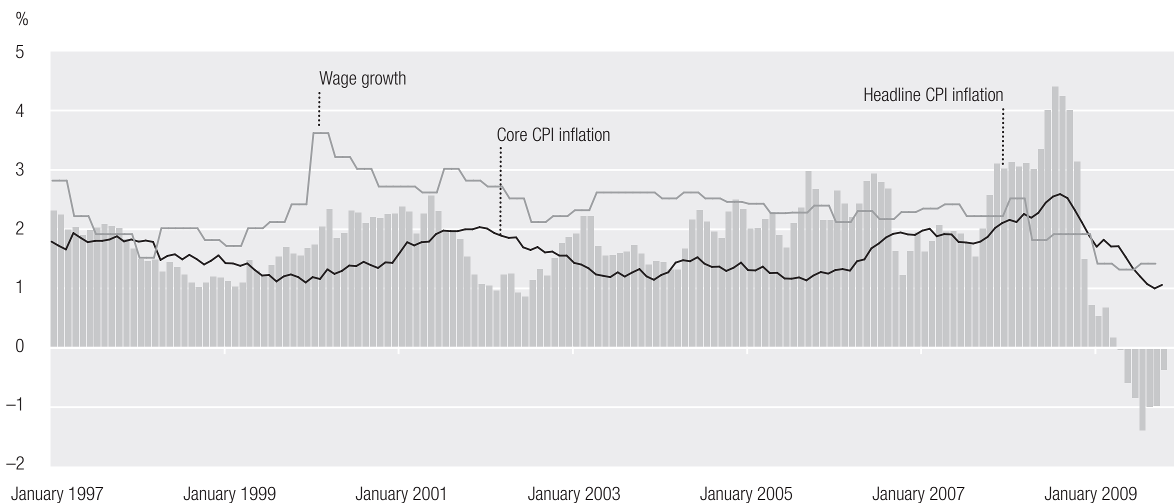
- **Very limited scope for further stimulatory government policy.** There seems little scope to further support final demand through either monetary or fiscal policy in many Organisation for Economic Co-operation and Development (OECD) economies. Rapid cuts to official interest rates and substantive fiscal stimulus measures were the necessary policy response to the collapse in final demand. However, with policy rates close to zero and several major economies expected to record very big increases in their debt/GDP ratios over the next few years, prospects for further stimulatory policy seem limited.
- **Altered environment for lending and credit demand.** It is now apparent that the financial system was under pricing for risk during the period leading up to the financial crisis. Since then, with the exception of Japan, loan surveys in the large developed economies have reported tighter lending conditions, while risk premiums in debt markets have risen. Credit demand has also slowed noticeably as households de-leverage. This process is likely to continue as households react to the capital losses of the past year by increasing saving rates.
- **Weak labour markets and idle capacity.** Recovery is likely to be adversely affected by the 'scarring' often observed following recessionary periods. This typically results from cancellation of investment plans and deterioration in the skills of the unemployed. At present, in the US, Canada and the big Eurozone economies, roughly one third of industrial capacity remains idle and jobless rates have increased from 5½ per cent to nearly 9 per cent (see Figure 4). Given these indicators of utilisation are around their lowest levels since the early 1980s recession, the scarring in the current episode will weigh heavily on the recovery. Illustrating this, the OECD estimates that the sustainable pace of annual economic growth in the region is around 1.5 per cent, down from 2 per cent prior to the GFC.

Figure 4
Idle capacity and jobless rates



Source: Thomson Datastream, NAB.

Figure 5
G7 CPI Inflation – Core and headline



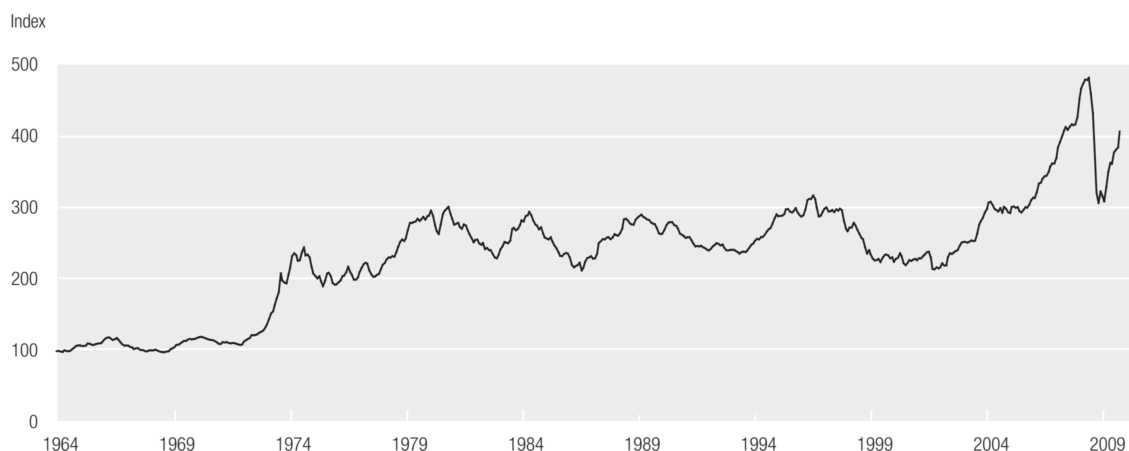
Source: Thomson Financial Datastream, NAB

Global wages and inflation

Consistent with rising unemployment, nominal wage growth across the large developed economies declined to 1.5 per cent in annual terms by the latter half of 2009, well below the 2.5 per cent average over the five years prior to the GFC. Accordingly, global inflation fell sharply by early 2009 to around 0.25 per cent over the year, owing to declining capacity utilisation and lower commodity prices. Core Consumer Price Index (CPI) measures – that strip out fuel and food prices – also moderated from their earlier levels, growing by around 1 per cent over the year to October 2009.

While heavily expansionary monetary policies have prompted some to predict future inflationary pressures, substantial productive slack in the economy is likely to dampen global inflation (see Figure 5). Consistent with this view, both the OECD and International Monetary

Figure 6
CRB index of commodity spot prices



Source: Thomson Financial Datastream

Fund (IMF) expect annual inflation to be around 1 per cent over 2010. Such modest price increases should ensure that most central banks see little urgency in unwinding stimulatory monetary policy over the period ahead.

Commodity prices

After trading in a relatively tight range from the early 1970s, the spot prices for most commodities have moved well above these levels since 2006 (see Figure 6). This has been attributable to increased demand from emerging economies (particularly China), with a rapidly expanding industrial sector and limited domestic supply of inputs.

The demand for, and price of, commodities fell heavily in the second half of 2008 with the contraction in global economic activity. Since early 2009, however, indications of a sustainable global recovery have caused spot prices to spike, retracing more than half the falls from their peak. This is despite many markets – particularly oil, aluminium and nickel – remaining burdened by oversupply.

Looking forward, global commodity markets are monitoring the extent producers switch on production capacity idled during the downturn. Members of the Organisation of Petroleum Exporting Countries are already decreasing their level of compliance with its oil production targets, preventing further rises in the oil price. Similarly, in minerals markets, high cost production facilities have been brought back online with the resurgence in prices.

The Australian experience

After looking on-course for a relatively severe recession, economic conditions in Australia have held up surprisingly well in 2009. Compared to most developed countries, neither the deterioration in the labour market nor the contraction in economic growth has been as pronounced in Australia since the financial crisis became a global economic crisis in the latter half of 2008.

The resilience of our economy over 2009 consistently surprised economists and financial markets. Of the 16 market economists surveyed by Consensus Economics in May, none expected materially positive growth in the year with a mean forecast of a 0.7 percentage point contraction. In the following six months, however, a raft of strong macroeconomic data surpassed expectations and had economists reaching for their correction pen. By November, all of the forecasters expected expansion in the economy. The average forecast for Australia's economic growth was revised to 1.1 per cent for 2009.

So why has the Australian economy weathered the storm comparatively well? It appears that the answer lies in a number of factors that have had disparate influences on particular sectors of the economy, but in combination have left the aggregate picture looking relatively stable. These include:

- **The stability of the Australian financial system.** Unlike in the US, UK or the Eurozone, no Australian banks required an injection of public capital as a result of the financial crisis. Around half of the

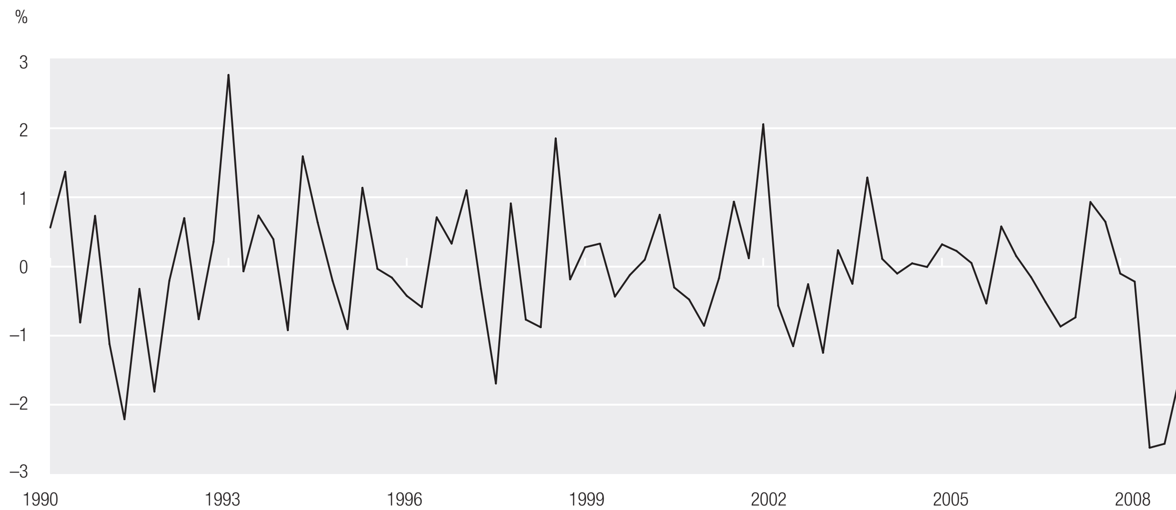
"The Australian economy has greatly benefited from the rapid economic recovery in China, with Australian export volumes holding up well during a period when global trade has experienced precipitous declines."

world's privately owned AA rated banks now reside in Australia, reflecting the strength of our financial system. While access to wholesale funding for Australian banks became tighter, comparatively little exposure to non-conforming loans and other risky financial assets mitigated banks losses, thus limiting their need to restrict credit. In the immediate wake of the worst of the crisis, strict prudential supervision of the banking sector and the ability of Australian banks to learn lessons from the domestic banking crises of recent history have been two reasons used to explain our banks limiting risk exposures.

- **Australia's links to China.** The Australian economy has greatly benefited from the rapid economic recovery in China, with Australian export volumes holding up well during a period when global trade has experienced precipitous declines. The Chinese government's fiscal stimulus was largely focused on infrastructure development, which tends to use minerals and energy relatively intensively. As commodity exports currently account for around 15 per cent of Australia's GDP, the recent Chinese growth has had a particularly stimulatory effect on the Australian economy.
- **The government's fiscal position.** Minimal government debt meant that fiscal policy was able to act quickly when the severity of the crisis became apparent. As mentioned by the Commonwealth Treasury's David Gruen in a speech earlier this year, the size of Australia's discretionary fiscal expansion was surpassed only by China. Measures such as the government's cash handouts to households and the 'Building the Education Revolution' targeted those areas of the economy likely to come under most pressure with tighter financial conditions.
- **The transmission of monetary easing.** Beginning in October 2008, the Reserve Bank of Australia (RBA) moved sharply to cut the policy rate by 4 percentage points by April 2009. Although not unprecedented across the developed world, the transmission of Australian monetary policy to households has been highly effective. Two significant reasons for this are the ability of Australian banks to pass on rate cuts and the relatively high proportion of variable rate mortgages – meaning policy moves have a large effect on households' debt servicing obligations. In Australia, around 75 per cent of current housing loans are at variable rates. This compares to the US and Canada which have approximately the same proportion of households on fixed rate loans.
- **The flexibility of the labour market.** After the labour market reforms throughout the 1980s and the movement toward decentralised wage bargaining thereafter, the Australian labour market has become more flexible. This has become very apparent over the past 18 months as businesses have negotiated alternative arrangements with workers, reducing labour costs without massive job shedding. As a result, the rise in the unemployment rate has been surprisingly modest so far, to a level that is below its average since the late 1970s.

Figure 7

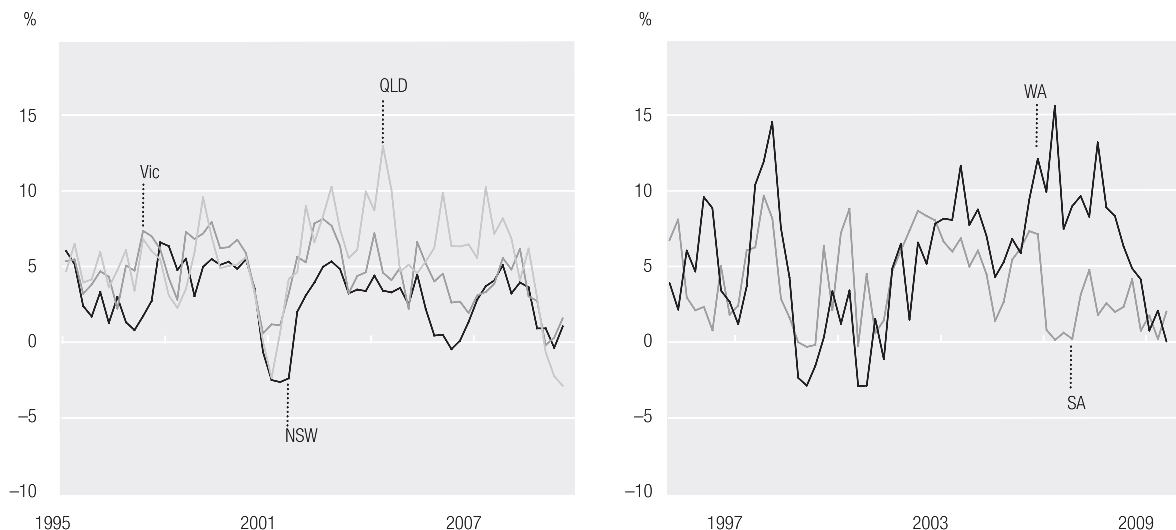
Difference between GDP(P) and GDP(E) – Year-ended percentage change



Source: ABS, NAB.

Figure 8

Real state final demand – Year-ended percentage change



Source: ABS, NAB

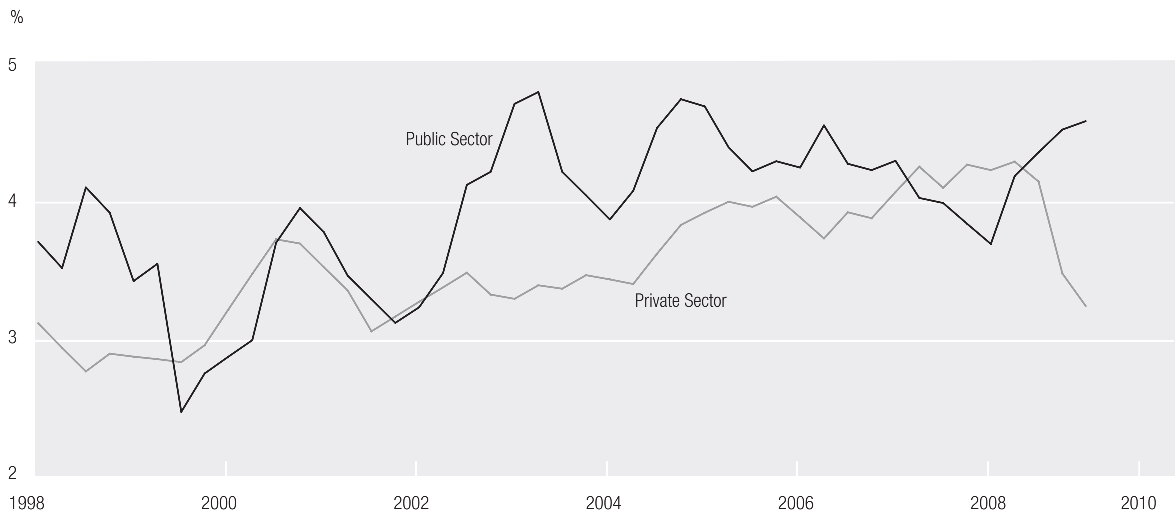
Nevertheless, the recent period has not been without pain in Australia. Although realisation of the cursory rule of thumb for a ‘technical recession’ – two consecutive negative quarters of GDP growth – has been avoided, the recent period has seen Australia experience a significant economic slowdown.

While the Australian Bureau of Statistics’ headline measure of GDP is an average of three estimates that should roughly equal one another, the disparity between the Production (P), Expenditure (E) and Income (I) measures has been severe during 2009 (see Figure 7). Indeed, it is interesting to note that based on either GDP(P) or GDP(I) the arbitrary condition for a technical recession in Australia was met in late 2008–early 2009.

Across the Australian states, demand growth has recently been most tepid in the mining intensive regions (see Figure 8). Although Queensland and Western Australia outperformed the other states between 2002 and 2008, the falls in commodity prices in late 2008 caused activity to slow markedly as businesses wound back production. This was reflected by

Figure 9

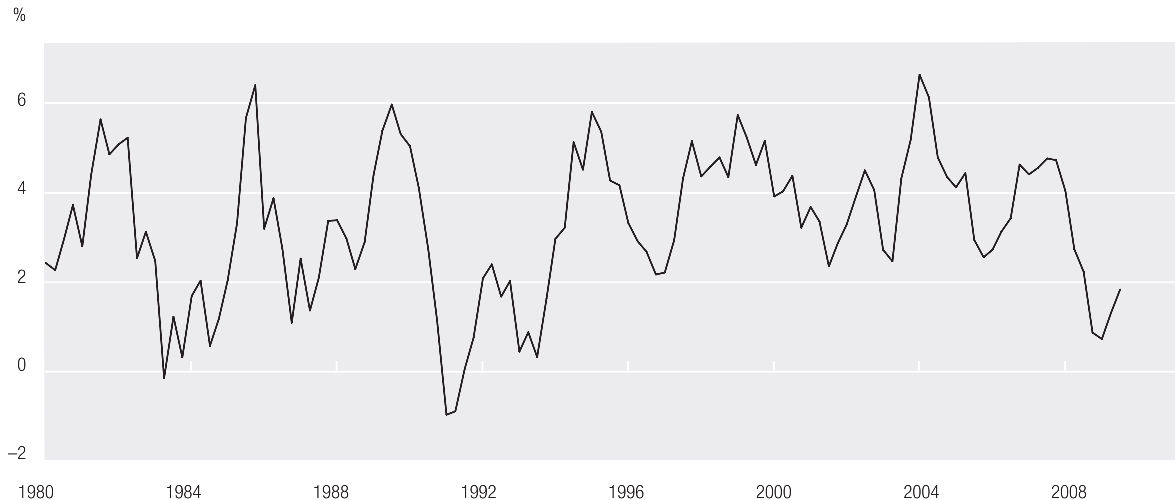
Wage price index – Year-ended percentage change



Source: ABS, NAB

Figure 10

Household consumption expenditure – Seasonally adjusted, Year-ended percentage change

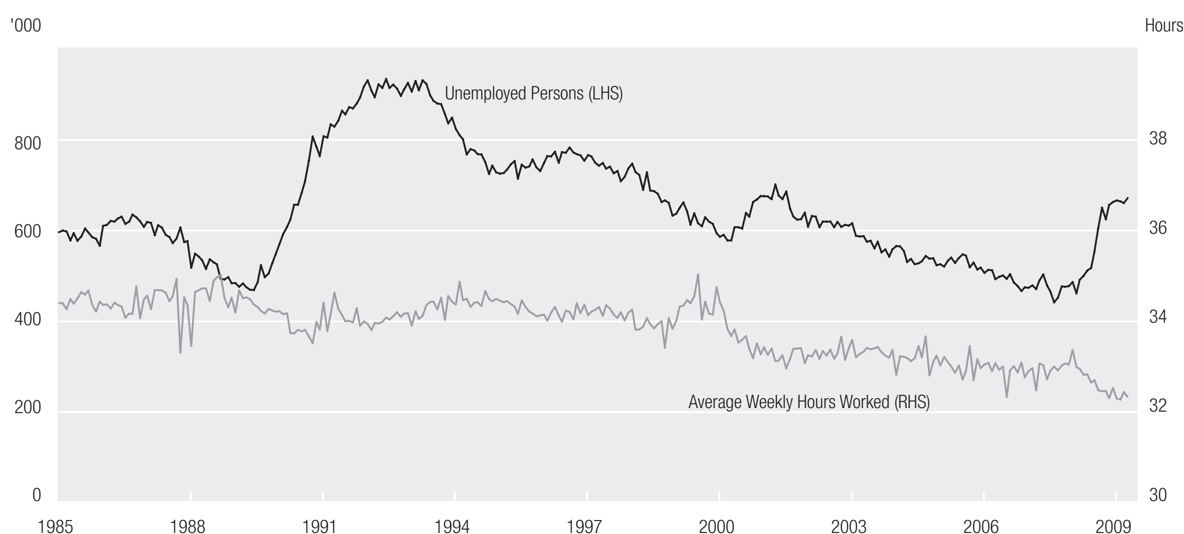


Source: ABS, NAB.

the NAB Business Survey reporting 'mining' to have the steepest industry based decline in capacity utilisation during the GFC. In contrast, spending growth has been stronger in those more service oriented regions. Demand in South Australia appears to have recovered especially well, mostly owing to their relatively low exposure to the finance and mining industries.

Despite Australia's strong performance relative to the rest of the world, there are substantial headwinds also impeding our recovery. While having risen steeply since May 2009, consumer and business confidence in Australia remain quite fragile. Specifically, declining private sector salaries during the GFC is likely to dampen household sentiment going forward (see Figure 9). The process of household and business de-leveraging is also ongoing and will likely cause spending to remain subdued over 2010 in comparison to past recovery periods. In calendar year terms, we expect Australian GDP growth to rise by 1 per cent in 2009 growing to 2.75 per cent in 2010.

Figure 11
Labour force trends



Source: ABS, NAB

Households and the labour market

Throughout 2009, growth in household consumption expenditure dipped to its lowest level since the recession in the early 1990s (see Figure 10). The dampening influence on consumption came from two channels: The effect of lower disposable income due to reduced hours of paid work; and, the reallocation of household disposable income to repair balance sheets. Having said that, the impact from both of these effects has been less prominent than in the early 1990s.

Despite rising unemployment, the increase in the number of unemployed persons has been considerably less than the past peak in 1992–93 (see Figure 11). While this is partly explained by the relative severity of the respective slowdowns, during the current episode households have benefited from some businesses reducing employee hours and cutting wages instead of retrenching. This behaviour indicates some labour hoarding as employers try to avoid a repeat of their experience in the mid 2000s, when skilled labour shortages constrained production in some industries. More recently, indicators of employment demand are beginning to show a pick-up to levels more consistent with historical averages.

Many Australian households have set about repairing balance sheets. Even those with no change in their employment conditions appear to have saved some proportion of the government's cash handouts and made savings due to significant cuts to interest rates over the past year. After routinely consuming more than the increase in their disposable income between 2002 and 2006, households' aggregate saving rate has turned positive over recent years, averaging 3.25 per cent of disposable income in FY2009. While the rise in the saving rate – an indicator of marginal de-leveraging – has been greater in this period, the current level still remains well below that of the early 1990s.

> "Despite rising unemployment, the increase in the number of unemployed persons has been considerably less than the past peak in 1992–93."

Part of the reason for households' balance sheet repair is the wealth effect from deteriorating asset values. In Australia, declines in the value of non-financial assets (mostly dwellings, but some consumer durables) were less than elsewhere and rising values from June 2009 have already retraced earlier losses (see Figure 12). However, falls in the value of financial assets were more substantial and despite some recent appreciation these have not yet recovered earlier losses. Between mid 2008 and mid 2009, the decline in financial assets subtracted 14 per cent from the value of total household assets, compared to non-financial assets which subtracted 2 percentage points.

Inflation

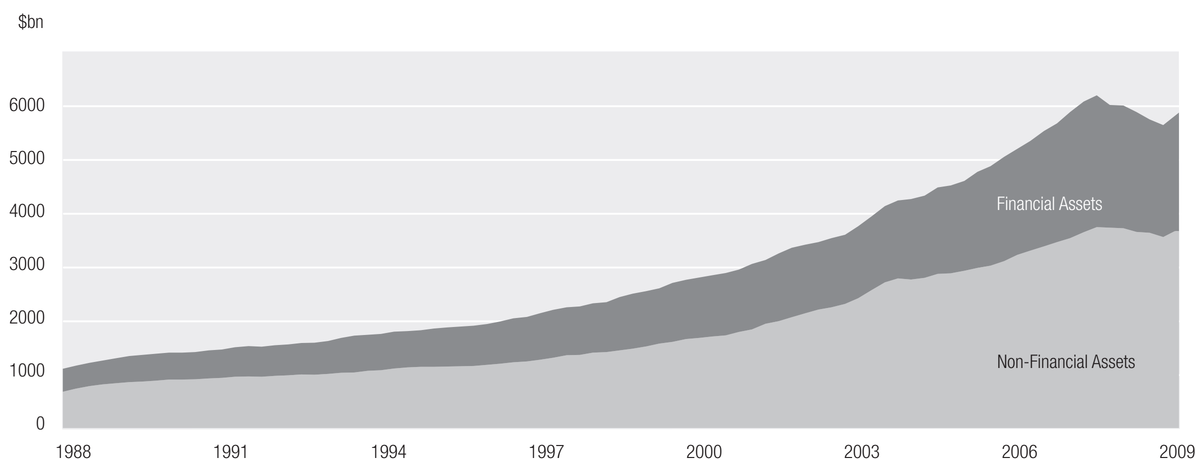
One welcome by-product of the financial crisis for Australia is that underlying inflation is expected to further moderate from its current level of 3.5 per cent. In the years immediately preceding the GFC, policy makers were concerned about a possible wage-price spiral as the long period of economic expansion through the 1990s and 2000s put a strain on domestic resources. This was accentuated by docile productivity growth from the late 1990s, causing the potential growth rate of the economy to struggle to match the pace of economic growth. Although it currently remains slow, Australia's potential growth rate is likely to be boosted in coming years by rising population growth, helping to keep inflation inside the RBA's medium-term target band of 2 to 3 per cent. By the end of 2010, we are expecting underlying inflation to lie just above 2 per cent.

Businesses

Whilst Australian businesses were overly pessimistic about their fortunes in late 2008, sentiment now appears to be overly optimistic. The plunge in business confidence by the end of 2008 to the lowest level on record exceeded the deterioration in other indicators of business conditions (see Figure 13). But now, while indicators of trading and profitability remain comparatively weak, confidence has rebounded to levels higher than at any point since the mid 1990s.

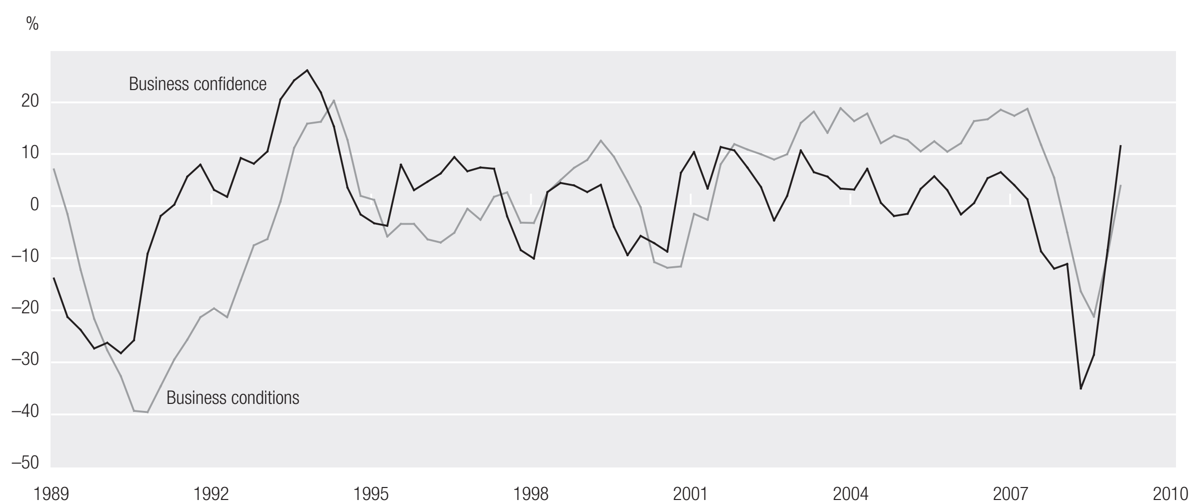
Private business investment (excluding dwellings) contracted by around 6 per cent in the 12 months to September 2009, reflecting weak confidence and a reluctance by businesses to use credit to fund

Figure 12
Household wealth*



* Includes the financial assets of unincorporated enterprises
Source: RBA, NAB

Figure 13
Business conditions – Deviation from long-run average



Source: NAB

new capital spending. It is likely that the weakness in business investment would have been even more pronounced were it not for the government's tax break, in the form of an investment allowance that expired at the end of 2009.

While investment is likely to remain weak, the recent improvement in conditions has prompted businesses to reassess their capital expenditure plans. Indicators of long term expectations of capital investment showed a pick-up in the September quarter. In particular, the mining industry is expected to increase spending, with rising commodity prices and sectoral capacity constraints motivating spending plans. Mining investment as a share of GDP has approximately doubled over recent years with an improving outlook for coal, iron ore and base metal prices due to rising demand from China. Investment in the Liquefied Natural Gas industry has also picked up noticeably, with Chevron's A$43 billion Gorgon project and Woodside's A$12 billion Pluto project currently under development.

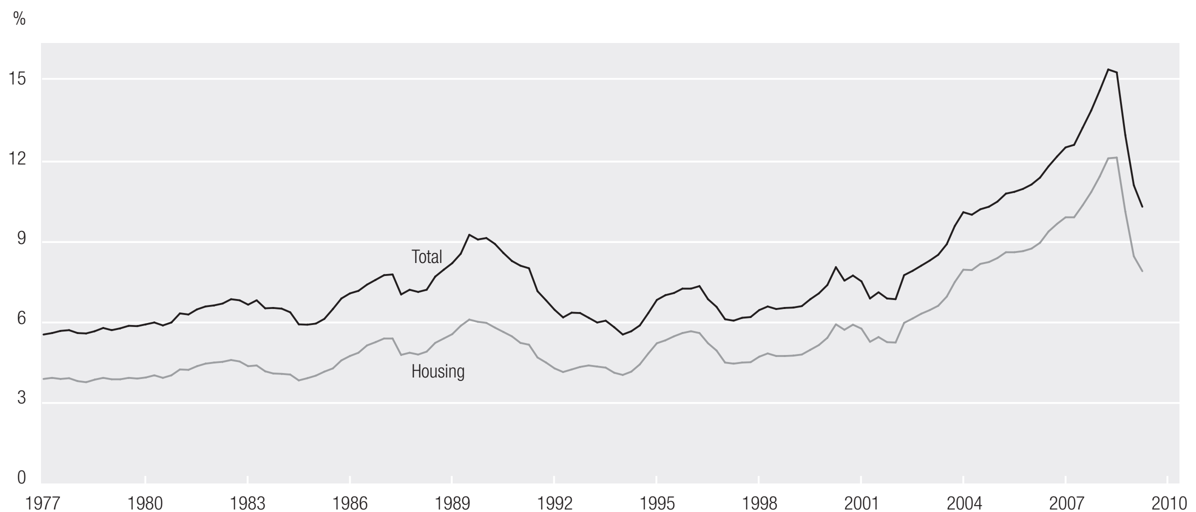
Figure 14

Export volumes – Share of total goods and services exports

Source: ABS, NAB

Figure 15

Household Interest Payments – Proportion of disposable income



Source: RBA

International trade

Miraculously, Australia's annual exports were slightly stronger to September 2009 despite a large contraction in the export activity of many of our trading partners. This was underpinned by a strong rise in commodity and service exports. Despite a declining share of Australia's outgoing trade, rural commodity export volumes rose by 15.8 per cent over the year as the quantity of wheat exports rose strongly (see Figure 14).

After falling sharply in December 2008 and March 2009, import volumes rebounded through the second half of 2009, causing the external sector to subtract from domestic expenditure growth. While the pick up in imports partially reflects restocking by businesses, the rise in the exchange rate since March 2009 also contributed to increasing import volumes.

Over the year to November 2009, Australia's Trade Weighted Index increased by 26 per cent with the dollar strengthening against the currencies of all our

"With the passing of the worst of the GFC, the world is left to contemplate its recovery and the substantial challenges for economic policy that lie ahead."

major trading partners. In the period ahead, relatively high official interest rates in Australia along with further rallies in commodity prices are likely to support the currency, with a push above US-dollar parity a real possibility. While the stronger dollar helps to contain imported price inflation, it also works to dampen the Australian dollar earnings of our exporters.

Financial conditions

After a period of turbulence, credit market conditions are gradually showing signs of improvement. In the second half of 2009, the proportion of bond issues by domestic institutions relying on the Australian government wholesale funding guarantee moderated to around 20 per cent. This was down from around 100 per cent of bonds issued when the guarantee was first introduced in late 2008. Also, recent months have marked the reopening of Australian securitisation markets, with the issuing of some residential mortgage backed securities without the assistance of Commonwealth government agencies.

Asset values have rebounded strongly since the early months of 2009. After roughly halving in value from late 2007, the Australian equity market has partially retraced its losses. The S&P/ASX 200 Index rose by 41 per cent between February and November 2009. So far, much of this reflects positive investor sentiment around a near term recovery in demand not yet reflected in corporate earnings. As such, aggregate price to earnings ratios for the Australian stock market are currently well in excess of recent averages.

In contrast to the substantial falls in residential property prices in similar countries, such as the US, Ireland, Spain and the UK, Australian house prices have held up relatively well during 2009. Despite a 4 per cent decline in established capital city house prices in 2008, the housing market has rebounded strongly, with prices rising by 8.6 per cent over the six months to September 2009. Part of this strength is attributable to a shortfall in new residential property construction relative to underlying housing demand. This is a structural characteristic of the Australian market that is good for those who own houses, but bad for first home buyer housing affordability.

The Commonwealth government attempted to address affordability concerns through the First Home Owners Grant policy, the value of which was increased in October 2008 (the 'First Home Owners Boost'). Housing affordability has also been aided recently by the substantial falls in debt servicing obligations following the RBA's cuts to the cash rate. As a proportion of disposable income, housing interest payments declined from around 12 per cent in September 2008 to below 8 per cent by June 2009 (see Figure 15). As the recovery progresses and real interest rates rise, increasing debt servicing obligations are likely to limit further growth in house prices.

One area of continued concern for the Australian economy remains the commercial property sector. While any weakness in capital values is likely to be limited to the short term, there is a low probability risk of a downward price spiral triggered by forced sales in an environment of rising real interest rates.

Challenges for policy

With the passing of the worst of the GFC, the world is left to contemplate its recovery and the substantial challenges for economic policy that lie ahead. The role of the public sector in supporting economic growth over the past 12 months is without historical precedent (outside of war time). Both fiscal and monetary policy stimulus were implemented quickly and aggressively, proving integral to the recession not being deeper with more damaging after effects. However, though the economic recovery remains fragile, unnecessarily expansionary economic policies can bring problems of their own. From here, we must ensure that continued improvements in economic conditions are met by according adjustments to policy.

For conventional monetary policy, the 'exit' strategy is relatively familiar. Although interest rates in some regions will be rising from very low levels, central banks are aware of the approximate effect of incremental changes to interest rates on the domestic economy. In Australia, we expect the RBA to proceed carefully – viewing the flow of economic data and raising rates in 25 basis point increments to take the cash rate to 5.5 per cent by the end of 2011.

For countries that have adopted unconventional monetary policy measures, the path forward is more of a challenge. Given a lack of historical reference to guide the unwinding of such measures, the prudent approach may be to reverse the stimulus sooner rather than later. Not doing so runs the risk that inflation expectations become de-anchored and factored into wage demands, with the possibility of future inflation.

Deteriorating public sector finances, especially in developed economies, highlight the need to wind back fiscal stimulus measures once the recovery is well entrenched. According to the OECD, the region's budget deficit is set to rise from around 1¼ per cent of GDP prior to the recession to around 8¼ per cent of GDP. This reflects both increasing structural deficits and the impact of lower tax receipts. In those countries, higher debt burdens will limit room for public spending in the traditional areas of education, health and infrastructure investment which are likely to bring challenges of their own. With a decline in the potential growth rates of those economies most affected by the GFC, productivity growth is the key to future prosperity. However, gains in productivity growth are often brought about by improvements in technology and these are very difficult to foster in economies without crucial public infrastructure.

Changes to the regulatory policies of the financial system will also present challenges going forward. Much of the blame for the financial crisis has been attributed to risky behaviour in an environment without sufficient incentive compatible regulations. There is a fine line between prudent regulation and unnecessarily constraining commerce that must be carefully navigated by politicians and policy makers going forward.

Given the policy response to the crisis in Australia, we too face challenges in the period ahead. Fortunately, while the consolidation of fiscal budgets will weigh on government spending, much of the Australian fiscal stimulus was designed to unwind automatically. The temporary nature of many of the measures allows the removal of expansionary policy as initiatives expire. One discretionary policy that this does not apply to is the government guarantee for wholesale funding and deposits. As our international counterparts begin to scale back similar policies, the Australian government should be looking to do the same. A threat of retaining the government guarantee for longer than necessary is that investors become accustomed to paying little regard to pricing risk.

While extraordinary events of the past few years have had a dramatic effect on the global economy, Australia and some other economies in our region have weathered the crisis comparatively well. Hopefully, 2010 can be characterised by a more certain economic environment with a sustained recovery in both Australia and overseas.

The views in this article are those of the authors and should not be attributed otherwise.

Appendix: Economic forecasts

Appendix 1
Global Growth Forecasts

		Year Average Growth					
	weights	2006	2007	2008	2009 (f)	2010 (f)	2011 (f)
US	0.21	2.7	2.1	0.5	-2.7	2.1	2.5
Japan	0.07	2.0	2.3	-1.2	-5.3	1.6	2.1
Eurozone	0.16	3.1	2.7	0.5	-3.9	1.2	1.5
UK	0.03	2.9	2.6	0.8	-4.3	0.9	2.5
Emerging Asia ex China	0.05	5.4	5.6	2.2	-2.6	3.3	4.5
Latin America	0.08	5.3	5.4	4.1	-2.0	3.4	3.8
China	0.11	11.0	11.8	9.5	8.2	9.0	9.0
Canada	0.02	2.9	2.5	0.4	-2.7	1.8	2.5
India	0.05	9.9	9.3	7.5	6.6	7.0	6.7
Global total	**1.00**	**5.0**	**4.9**	**2.9**	**-1.3**	**3.2**	**3.5**

Source: IMF, NAB

Appendix 2
Australian Growth Forecasts

	Year Average Growth			
	2008	2009(f)	2010(f)	2011(f)
Real GDP	1.1	1.0	2.8	3.6
Household Consumption	0.9	1.9	3.1	3.2
Business Investment	1.7	-3.7	-0.7	6.4
Residential Construction	-0.8	-5.2	7.3	4.5
Government Spending	5.2	2.9	5.3	1.6
Exports	2.2	0.3	1.1	5.2
Imports	16.5	1.8	7.3	8.5
Net Exports contribution	-1.8	2.0	-1.5	-1
Inventories contribution	-0.4	-0.7	0.6	0.0
Domestic Demand	2.0	1.2	1.8	3.8

Source: ABS, NAB