



## **Economic environment for the lamb industry**

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## Macroeconomic environment for lamb industry

- International
  - About 1/3 of production
  - US, Mid-East, China
  - Global economic recovery despite instability
  - Traditional markets growing at subdued rates
- Domestic
  - Solid outlook for growth but beware
    - Strengthening AUD
    - Rising interest rates
    - Higher fuel prices

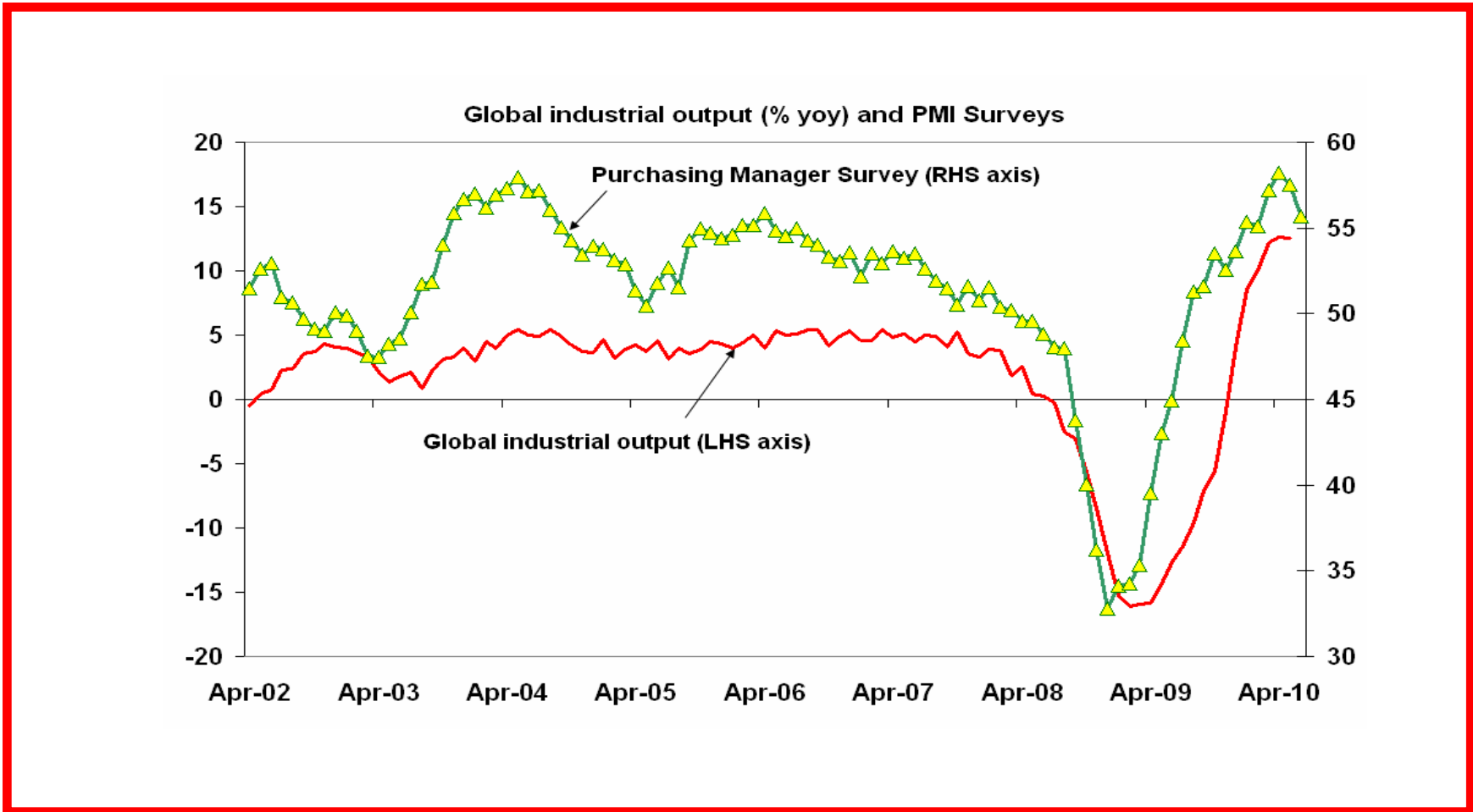


## Concerns increase about a double dip global recession

- Following the worst recession since WW2 concerns have arisen about the prospects of a double dip
- Equity markets declined, volatility increased and consumers have become more cautious
- Key drivers of concern are
  - Fear of sovereign default in Europe and associated contagion
  - Signs that growth in the US may be slowing
  - Fears that China is either a bubble or the authorities have over reacted and growth will slow dramatically
- And certainly has had an impact on the AUD
  - as proxy for global growth and commodity price prospects



**But shouldn't let market jitters detract from real economic developments. Although signs that growth momentum in G-8 economies has slowed, it is still growing**



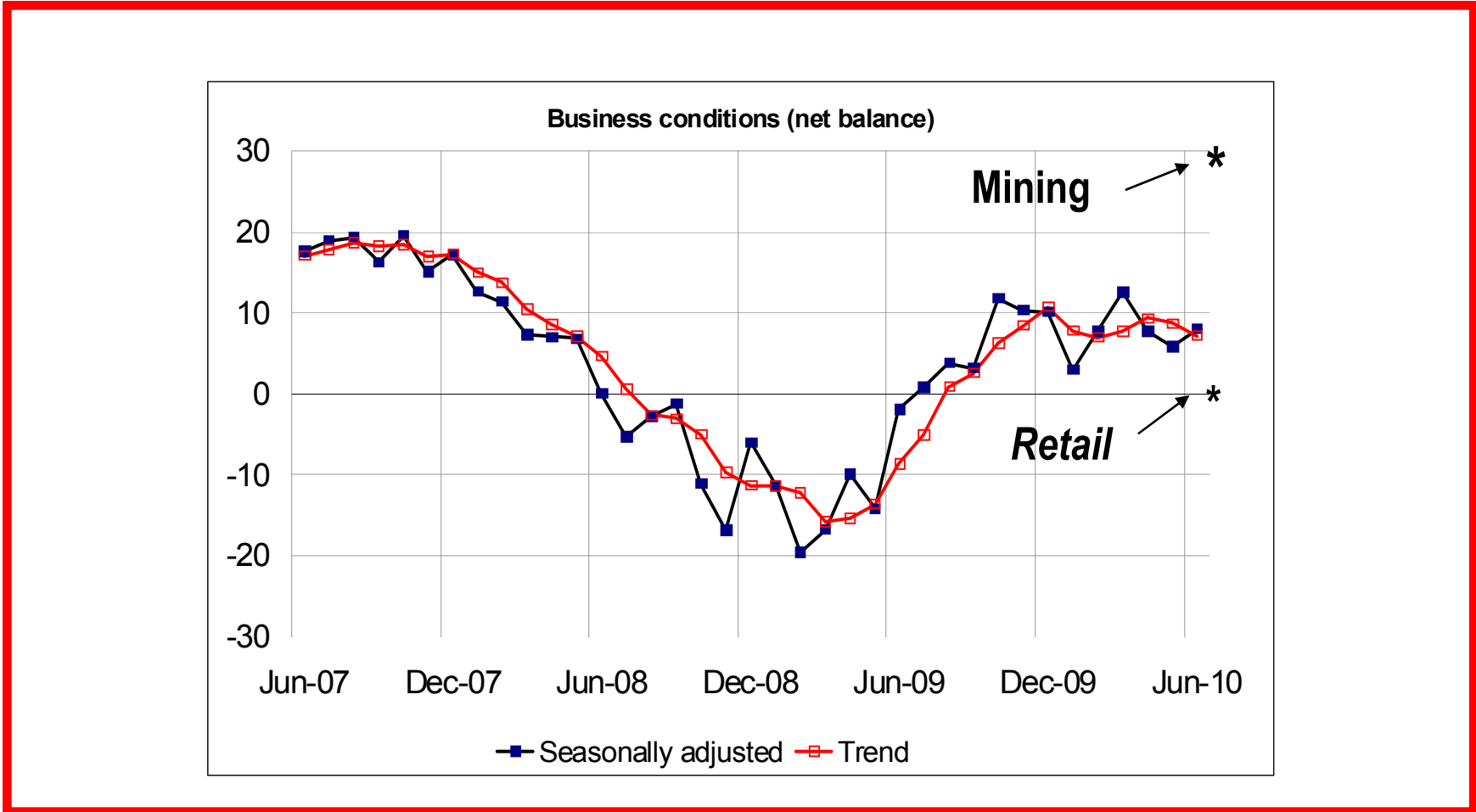


## Global economic forecasts

	<i>% of lamb X</i>	2009	2010(e)	2011(f)	2012(f)
United States	24	-2.4	3.3	3.0	3.2
Japan	5	-5.2	3.1	2.5	2.5
Euro-zone (EMU)	8	-4.1	0.7	1.3	1.5
China (inc. Hong Kong SAR)	15	9.1	10.5	9.1	8.0
Asia ex. Japan & China	13	-1.0	5.6	5.2	4.5
Middle East	21	2.4	4.5	4.9	4.5
<b>World</b>		<b>-0.7</b>	<b>4.6</b>	<b>4.2</b>	<b>4.0</b>
Australia's MTPs		-0.1	5.4	4.9	4.5
Australia's lamb markets		0.9	3.9	4.0	3.6



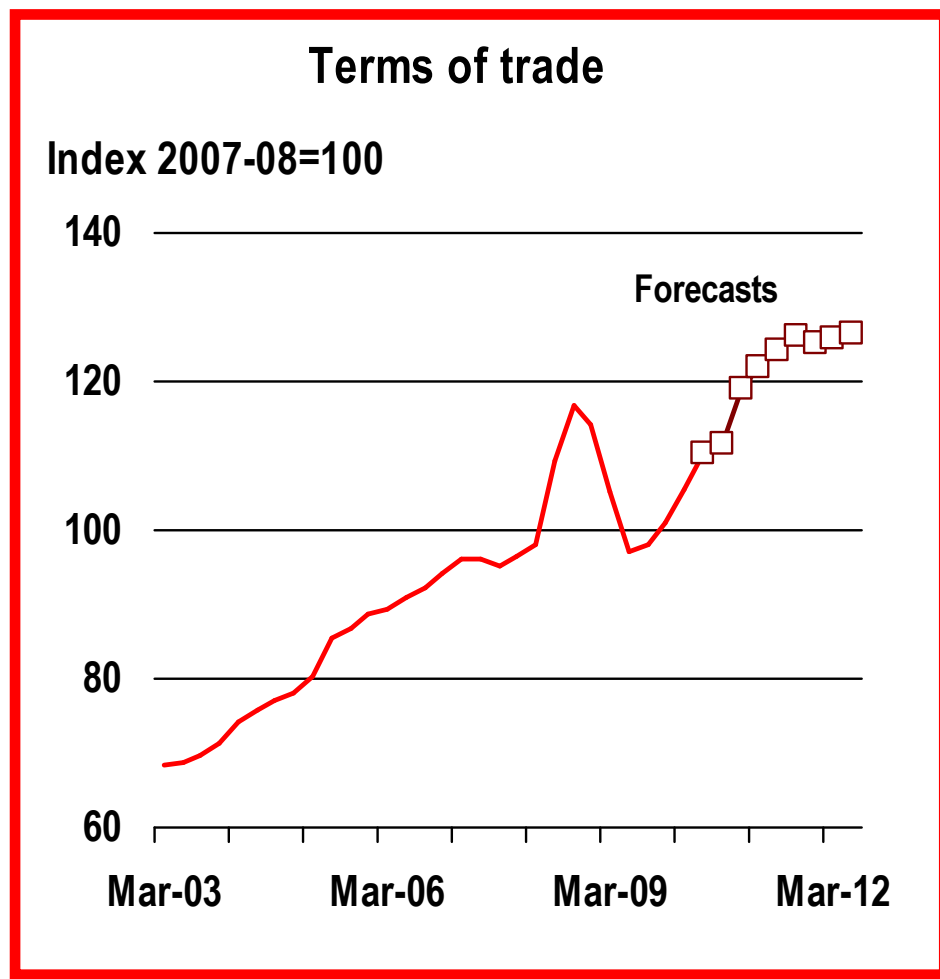
**Business conditions eased back & patchy. Strongest sectors: mining, construction and to a lesser extent finance. Retail / wholesale weakest – but June looks to have been better.**





## Terms of trade to drive growth in medium term

- Ratio of export prices to import prices
- Upward revisions to coal & iron ore export contract prices
- To flow into domestic wealth & incomes
- Re-emergence of 2-speed economy?



## Economic forecasts



	2010-11			2011-12		
	NAB	Treasury	RBA	NAB	Treasury	RBA
GDP	3 ¾	3 ¼	3 ½	4 ¾	3 ¾	3 ¾
Employment <sup>(a)</sup>	3	2 ¼		2 ½	2	
Unemployment rate <sup>(b)</sup>	4 ½	5 ½		4 ½	4 ¾	
Wages <sup>(a)</sup>	4 ½	3 ¾		4 ¼	4	
Consumer price index <sup>(a)</sup>	3 ¼	2 ¾	3 ¾	3 ¼	2 ¾	3 ¾
Terms of trade	15	17		5 ½	-4 ½	
Exchange rate (US\$/A) <sup>(b,c)</sup>	0.91	0.85	0.91	0.87	0.85	0.91
Cash rate <sup>(b)</sup>	5.5			5.0		

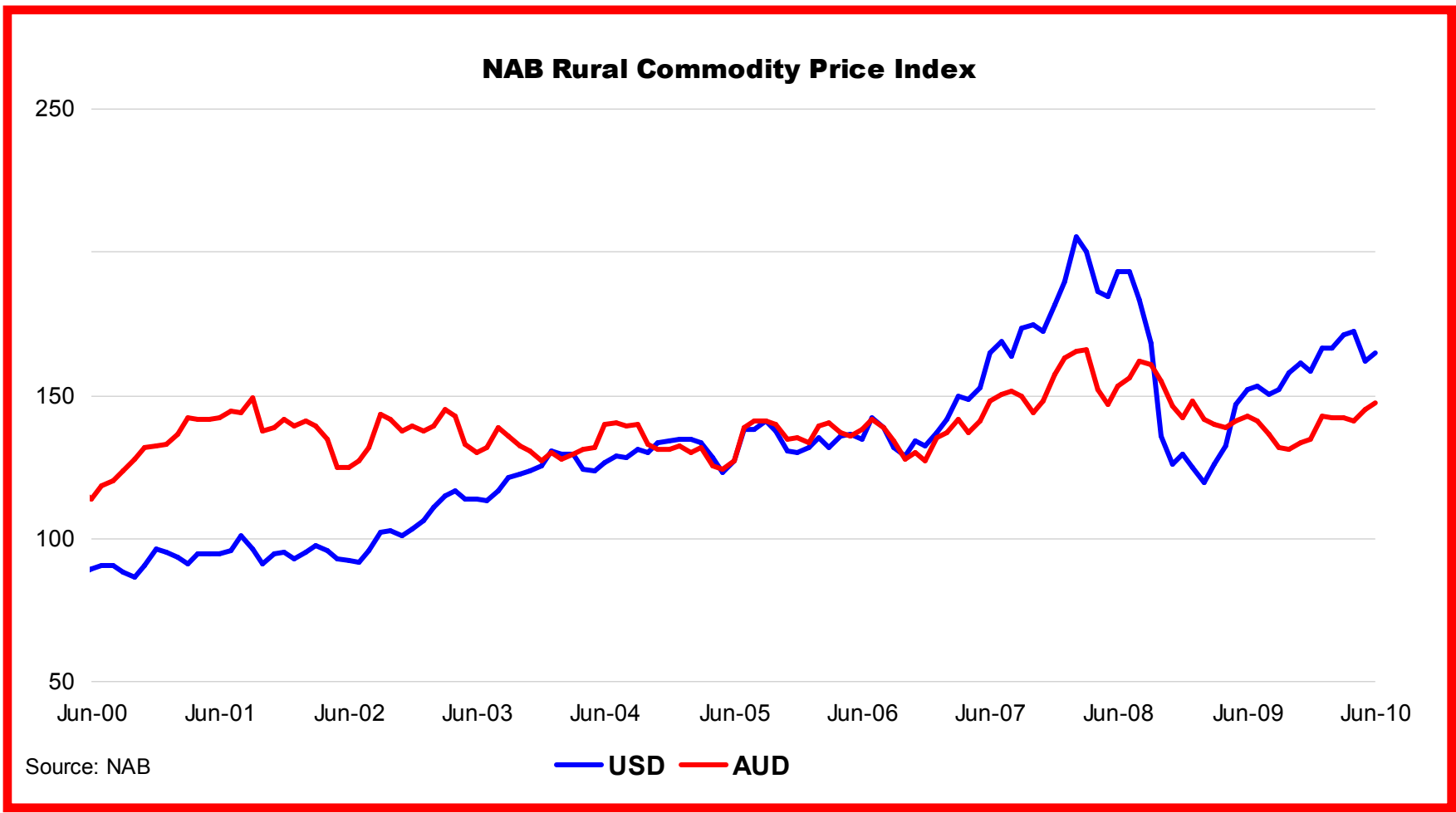
(a) Through-the-year growth rate (b) End of period

(c) Technical assumption for UEFO & RBA



# Minerals boom has squeezed rural commodity prices

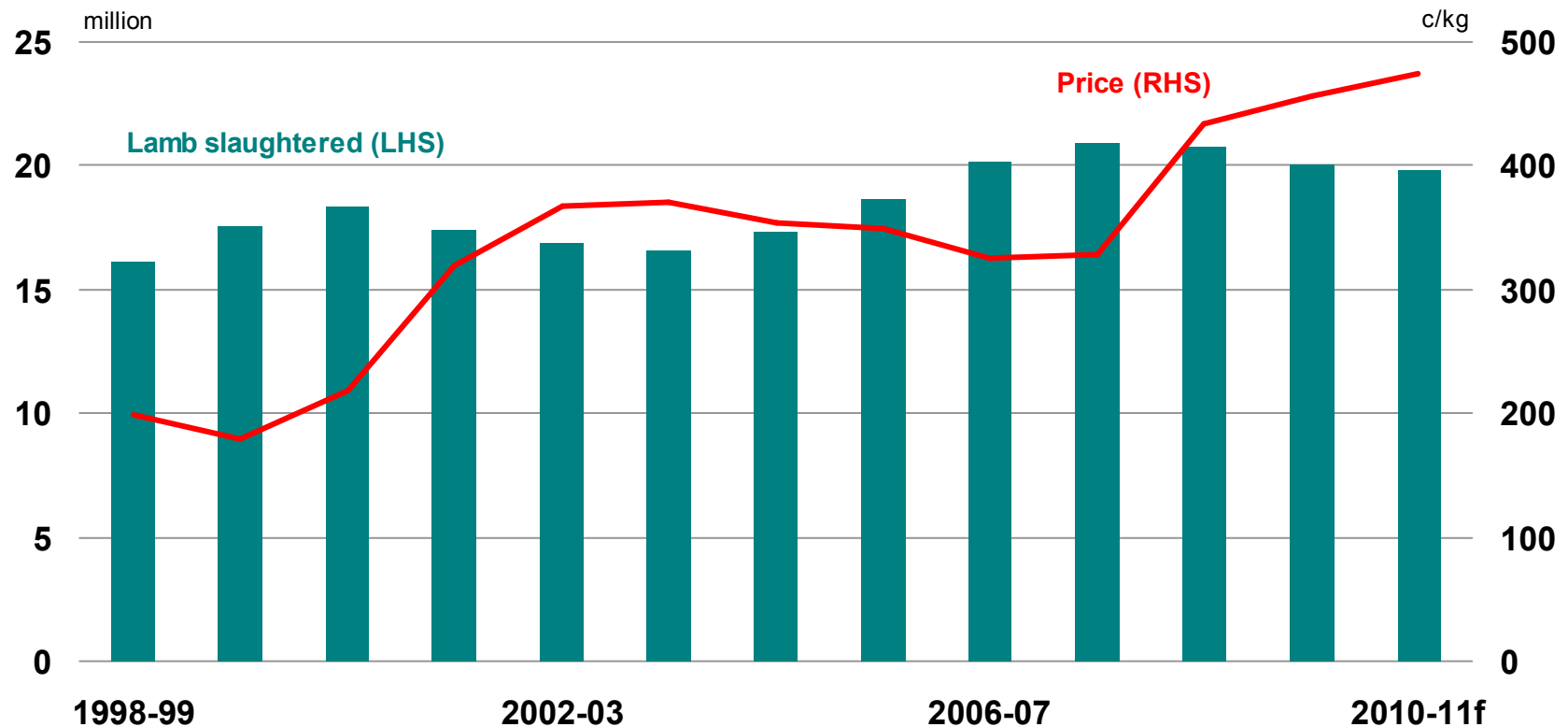
- Upward trend in USD rural commodity prices flattened by rising AUD from mining boom



# Lamb prices edging up from higher global demand & domestic stock rebuilding



Prices and Production



Source: MLA, ABS, NAB