

External Economic Environment

- Global economic conditions are expected to remain favourable throughout 2006-07.
- The outlook beyond 2006-07 is less certain, and will depend heavily on the extent to which the very strong growth seen in China in recent years can be maintained. Another important influence will be the strength of the US economy, which has recorded steady growth since moving into a recovery phase in 2003, and the Japanese economy, which is emerging from a sustained period of low growth and price deflation.
- Consensus Economics forecasts world economic growth of 3.4 per cent in 2006 and 3.1 per cent in 2007.
- Negotiations on a free trade agreement between China and Australia are continuing and, if successful, will provide further impetus to the already strong trade links between the two countries.
- Australian economic growth in 2006-07 is expected to be supported by continuing strong commodity demand and high prices, strong demand for exports from China and solid household consumption.
- Consensus Economics forecasts Australian economic growth of 3.2 per cent in 2006 and 3.4 per cent in 2007.

Australian and International GDP Growth	Annual % Growth	2003	2004	2005	2006	2007
North East Asia						
	China	10.0	10.1	9.9	9.1	8.7
	Korea	3.1	4.6	4.0	5.0	4.7
	Japan	1.8	2.3	2.7	2.9	2.1
	Taiwan	3.4	6.1	4.1	4.1	4.1
	Hong Kong	3.2	8.6	7.3	5.3	4.5
South East Asia						
	Philippines	4.9	6.0	5.1	4.7	4.7
	Indonesia	4.7	5.1	5.6	5.1	5.5
	Malaysia	5.4	7.1	5.3	5.4	5.2
	Thailand	7.0	6.2	4.5	4.8	5.0
	Singapore	2.9	8.7	6.4	6.0	5.2
North America						
	United States	2.7	4.2	3.5	3.3	3.0
	Canada	2.0	2.9	2.9	3.0	2.7
European Union						
		1.0	2.3	1.6	2.2	2.0
Russia						
		7.3	7.2	5.5	5.2	na
India						
		8.5	7.5	7.9	7.3	na
Australia						
		3.1	3.6	2.5	3.2	3.4

na: not available

Source: Consensus Economics Forecasts (for India, financial year is reported) (for Russia, data is from the International Monetary Fund)