Westpac

Weekly Commentary

2 August 2010

To a lesser extent

The RBNZ raised the OCR to 3.00% as expected, but hinted at a more moderate path for interest rates over the next few years.

The statement that caught the most attention was: "The pace and extent of further OCR increases is likely to be more moderate than was projected in the June *Statement*". Projecting a slower pace of tightening, relative to the front-loaded profile that featured in the June *MPS*, seems an appropriate response at a time when the most recent data has raised questions about the pace of recovery, both here and overseas.

However, a more moderate "extent" suggests that the RBNZ has also lowered its expected end-point for the tightening cycle a couple of years down the track. We won't know whether there's been a meaningful change until the next set of forecasts are published in the September *MPS*. But that's a stronger reaction than we would have expected to a handful of data over a short time frame.

Even with the prospect of a lower track for interest rates over the next couple of years, there was no indication that the RBNZ is ready to heed the calls by some for a pause in the tightening cycle. Indeed, the statement gave the sense that the RBNZ would be uncomfortable with pausing while the OCR is still at abnormally low levels. Right from the outset the Governor said that "it is still appropriate to continue to reduce the extraordinary level of support implemented during the 2008/09 recession", later noting that "even after today's move, the level of the OCR is still very supportive of economic activity."

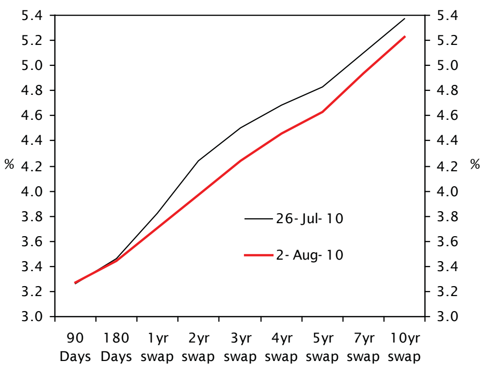
Compared to the fairly bland statement in June that "the further removal of stimulus will be reviewed in light of economic and financial market developments", that's a fairly strong signal that the RBNZ intends to forge ahead with more hikes over the next few reviews. While the data over the last seven weeks have clearly been soft on balance, the risks around the RBNZ's forecasts of growth and inflation are still very much two-way. The prudent approach would be to move closer to neutral before stopping to survey the landscape, as the RBA has done.

Of course, what constitutes a 'neutral' rate is still up for debate. But for argument's sake let's say that the RBNZ is currently eyeing a peak in the OCR of about 5% (compared to around 5.75% in its June projections). If 25 basis point hikes remain the norm, then it will take eight more moves to get from 3% to 5%. Even with no pauses, that would take a full year – and there will be a lot more information about the economy to assess along the way. For that reason, we see little value in trying to predict the timing of any pauses within the cycle. The 'pause' that really matters will be the one when they stop.

The statement was fairly explicit about the RBNZ's motivation for moving the cash rate to less stimulatory levels. Annual inflation has been around the middle of the 1–3% target band for the last five quarters, in the wake of a protracted downturn. As the economy expands, the pressures on inflation will only grow from here. Unlike the June statement, there was no reassurance from the RBNZ that even underlying inflation will remain contained within the target.

The matter is further complicated by a range of government policy-related price hikes that will push annual inflation to around 5% by the middle of next year. The RBNZ is assuming these won't have any lingering effects on inflation, but the risks to this assumption are all one way (inflation expectations may or may not rise as a result of these policies; they certainly won't go down). The RBNZ

NZ Interest Rates



**Yield curve is yields on bank bills to 180 days, fixed interest rate swaps for 1year onwards.*

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sounds increasingly concerned about this: "the price and wage setting behaviour of firms and households will be monitored for evidence of any increase in inflation expectations".

Our view remains that the RBNZ will continue to work its way towards a peak in the OCR of 6% by early 2012. There may be some pauses along the way – but equally there could be some larger hikes, depending on the information to hand at the time. For us, last week's statement actually strengthens the odds of further hikes this year – or at least makes them less data-dependent – since the RBNZ would clearly prefer to have the OCR at a less stimulatory level.

Last week's data releases simply reinforced the two-speed nature of the recovery. Business confidence is now clearly off the peaks reached in the first half of this year, though it would be a stretch to say that businesses are feeling gloomy – the general level of own-activity expectations is still consistent with a solid pace of growth. Export-oriented sectors are in reasonable shape, while the property sector has been buffeted by some clearly negative tax changes.

Housing consents rose by less than we expected, and it is now clear that residential investment will be weaker than we forecast later this year and early into 2011. Even with the slowing in net migration inflows, the current pace of housing construction will not be enough to meet demand, perpetuating the squeeze in the housing market that we have identified for a while.

On the plus side, the June merchandise trade surplus was better than we expected. Exports have been less affected by drought than we anticipated – the volume of milk powder exports was actually well ahead of last year. Imports are picking up gradually, but demand for consumer goods is still subdued. The annual trade surplus amounts to 1.6% of exports, compared to an average deficit of 15% of exports over the preceding five years. Times are changing.

Fixed vs. floating: The decision to fix or float remains finely balanced. Floating rates remain lower than short-term fixed rates at the moment, but they are likely to rise faster as the RBNZ increases the OCR. Fixing, if even for a short term, has the advantage of greater certainty around cash flows, at a time when floating rates could be rising rapidly. Repaying more than the minimum amount, and spreading the loan over a mix of terms, can also help to reduce the overall risk around uncertain future interest rate changes.

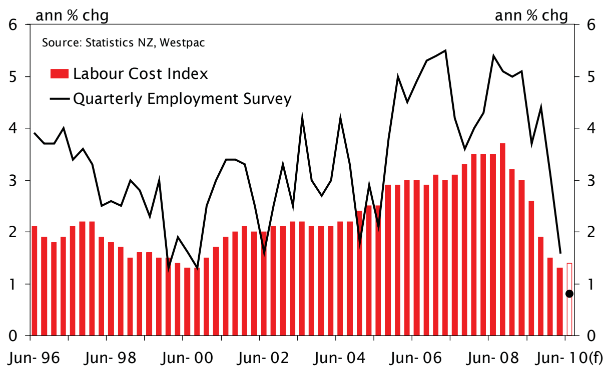
Key Data Previews

NZ Q2 wage growth

Aug 3, LCI pvt ord time – Last: 0.3%, WBC f/c: 0.4%, Mkt f/c: 0.4%
Aug 3, QES pvt ord time – Last: -0.4%, WBC f/c: 0.0%, Mkt f/c: 0.5%

- Measures of employment in the QES will take on unusual importance this quarter, as they will foreshadow Thursday's contentious HLFS data.
- We expect the LCI will reveal another quarter of slow wage inflation, as employers still have the upper hand. The upturn in wage inflation is due only later this year, by our reckoning.
- The QES measure of average weekly pay is likely to be soft again, due to low-paid workers re-entering the labour force.

LCI and QES wages, private sector ord time

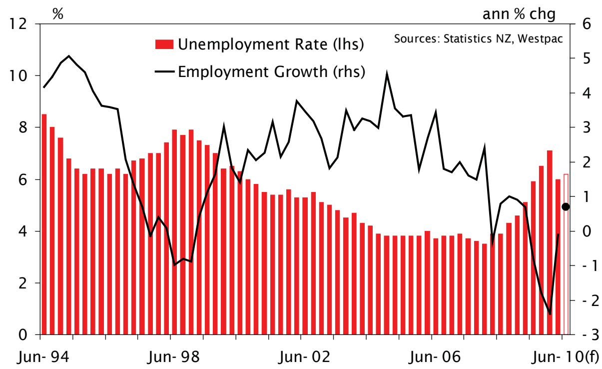


NZ Q2 HLFS employment and unemployment

Aug 5, Employment – Last: 1.0%, WBC f/c: 0.4%, Mkt f/c: 0.4%
Unemployment – Last: 6.0%, WBC f/c: 6.2%, Mkt f/c: 6.2%

- Last quarter's HLFS stunned everybody. Employment expanded by 1% and unemployment fell to 6% against expectations of a 7.4% unemployment rate. This quarter's HLFS data should provide clarity on whether that was a data aberration or a sign of rapid improvement in the labour market.
- Uncertainty rules. While we are forecasting modest employment growth and an uptick in unemployment, we must acknowledge that the bounds of uncertainty are wide. A further decline in unemployment cannot be ruled out, and nor can a large correction.
- The market seems fixated on the idea of a strong correction, so risk-reward clearly favours positioning for a lower unemployment rate.

NZ employment and unemployment



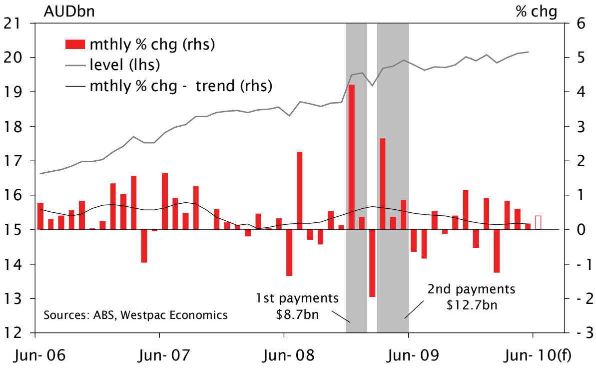
Past performance is not a reliable indicator of future performance. The forecasts given in this document are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts.

Aus Jun retail trade

Aug 3, Last: 0.2%, WBC f/c: 0.4%, Mkt f/c: 0.4%, Range: flat to 0.8%

- Retail sales continued their disappointing run in May, rising just 0.2%. The last five months have seen sales barely keep pace with population growth, in striking contrast to relatively upbeat consumer sentiment reads through much of this period.
- Rate rises have been a dampening influence in recent months with a sharp pull-back in sentiment in May suggesting a more pronounced impact. The RBA left rates on hold in June so there may be some rebound. More generally, disposable incomes are being well-supported by robust jobs growth. Housing-related spending, which has been surprisingly slow to pick up, may also quicken with building only now starting to rise after a longer than usual lag from last year's surge in approvals. However, the main reason behind weak sales – consumer caution – will remain in place. Anecdotes suggest sales were a touch better in June but with heavy price discounting. We expect a 0.4% rise.

Monthly retail sales

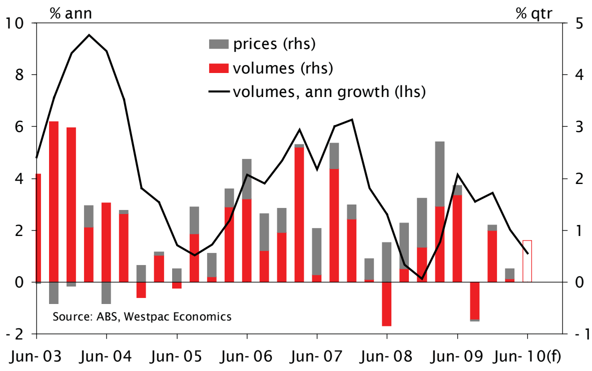


Aus Q2 real retail sales

Aug 3, Last: 0.1%, WBC f/c: 0.8%, Mkt f/c: 0.7%, Range: flat to 1.0%

- Real retail sales barely rose in Q1 (+0.1%) after a solid 1% increase in Q4 but a 0.7% decline in Q3.
- Although monthly sales trends remain disappointing, nominal sales are expected to post a better result for Q2 as a whole (+0.9% vs +0.4% in Q1). Moreover, aggressive price discounting, particularly amongst food retailers and department stores, means an even better picture for underlying volumes.
- Overall we expect a 0.1% rise in prices in Q2 (vs +0.2% in Q1 and +0.1% in Q4). This implies a solid 0.8% rise in Q2 retail sales volumes. There is even some upside risk to this if prices turn out to have been softer than expected, although this estimate does incorporate relevant line items from the surprisingly weak Q2 CPI result.

Q2 retail: volumes and prices

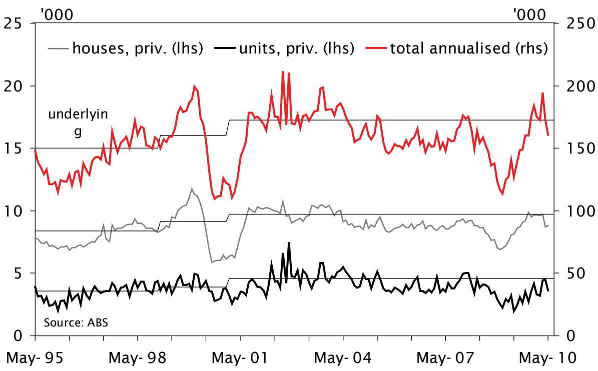


Aus Jun dwelling approvals

Aug 3, Last: –6.6%, WBC f/c: 2.0%, Mkt f/c: 2.0%, Range: –5.0% to 5.0%

- Dwelling approvals fell sharply by 17.3% through April – May. Some of this reflects lumpiness in the 'units' segment which drove a 12.7% jump in March. However, the underlying picture, confirmed by the detail, is of a turning point. Last year's surge (+57% through the year) has clearly peaked. Notably, a backlog that had seen approvals hold up earlier in the year despite sharp falls in finance activity appears to have cleared. As such, the trend decline will tend to follow finance indicators more closely. These point to more falls ahead.
- That said, we expect some 'payback' from weakness in April – May to see a small 2% rise in approvals in June. This still leaves a trend decline at a similar pace to May. Further falls are likely in the months ahead as rate rises continue to impact. However the more benign inflation/interest rate backdrop has improved prospects of a soft landing.

Dwelling approvals

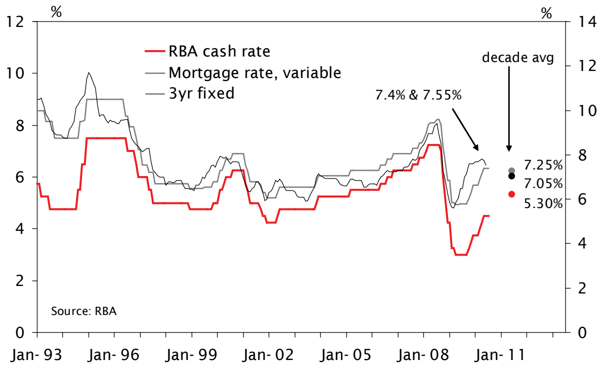


Aus RBA policy announcement

Aug 3, Last: 4.50%, WBC f/c: 4.50%, Mkt f/c: 4.50%

- The RBA left the cash rate on hold at 4.50% for a 2nd consecutive month in July, with the accompanying statement making it clear the Board was waiting on “further information about international and local conditions for demand and prices”. The minutes were more specific noting that “important announcements about the health of the European banking sector” – i.e. the results of the ‘stress tests’ – and “an updated reading on domestic prices” would be crucial inputs to the Board’s August meeting.
- Europe’s stress test results have been absorbed smoothly by financial markets. More importantly, the Q2 CPI showed a major downside surprise on inflation that destroys the case for an August rate move. Indeed, the report was so benign, the RBA is unlikely to feel the need to raise rates again in 2010. The Statement on Monetary Policy due Friday may see the Bank pare back its growth forecast for 2011 but retain inflation view.

RBA: rates have been normalised

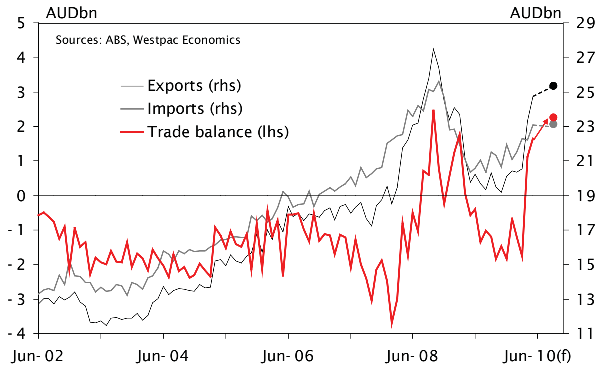


Aus Jun international trade balance, AUDbn

Aug 4, Last: +1.65, WBC f/c: +2.25, Mkt f/c: +1.80, Range: +1.00 to +2.40

- The trade balance improved $522mn in May to a $1.645bn surplus from a substantially upwardly revised April position, reflecting upward revisions to bulk export prices back to April to more fully reflect the reported jump in contract prices. Total exports rose 6.0% after an upwardly revised 13.6% jump previously, with non-rural up 2.4% (vs 23.3% jump prev). Imports saw a price-driven (A$ fell 6.2%mth) 3.9% rise.
- A 3.9% rise in the RBA non-rural commodity price index supports June non-rural exports. Port data shows further vol gains (iron ore & coal), and with a sadj boost, we f/c a strong 8% rise in non-rural exports. Less strength in rural exports and services tempers the total export rise to 2.5%. Merchandise import data implies a flat result (suggesting weaker volumes with a 1.9% A$ dip lifting prices). We also see upside risks to the surplus from further revisions to April/May iron ore prices.

Surplus higher: non-rural X price & vol gains

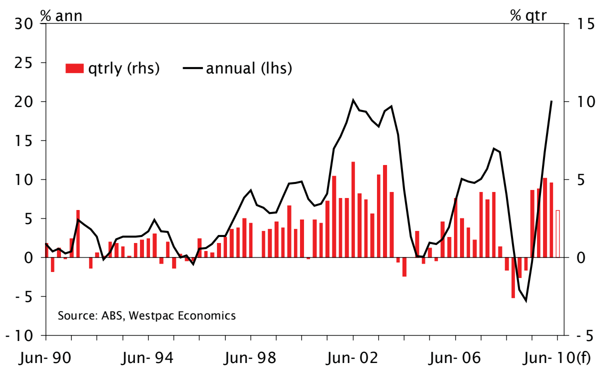


Aus Q2 house price index

Aug 4, Last: 4.8%, WBC f/c: 3.0%, Mkt f/c: 2.0%, Range: flat to 5.4%

- The official ABS House Price Index posted a surprisingly strong 4.8% jump in Q1 after surging 20.6% in 2009. The private sector measures available for Q2 have house prices up 1.4% (RP Data-Rismark, 3mth avg), 2.4% (APM) and 3.4% (Residex, 3mth avg). All show some moderation in price growth over 2010H1 although some point to only a marginal slowing.
- The ABS measure has been on the high side compared to most other measures over the last nine months. We suspect this is because it’s struggling to cope with compositional shifts in market activity – the cooling in first home buyer activity in particular. This is likely to again be the case in Q2. We expect the official measure to show a 3% gain. However, these technical issues mean there is some downside risk that may come through as revisions to previous estimates.

Established house prices, ABS measure

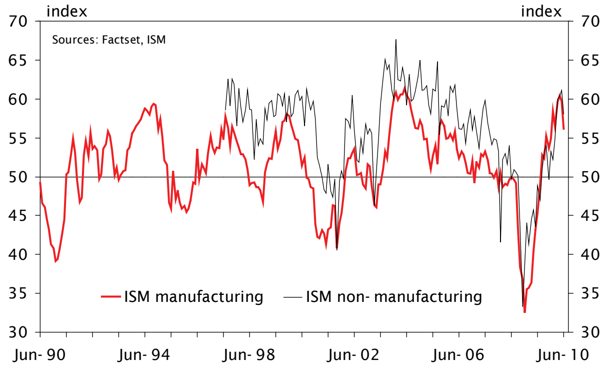


US July ISM factory and non-manufacturing reports

Aug 2, Factory Last: 56.2, WBC f/c: 54.0, Mkt f/c: 54.0
Aug 4, Non-manufacturing Last: 53.8, WBC 53.0, Mkt f/c: 53.0

- The factory ISM jumped to a new cycle high at 60.4 in April but has since fallen back to 56.2 in June. Regional business surveys available for July have softened further – in the case of NY and Philly, sharply so – and the Fed's beige book also found evidence of slowing in some areas. So we expect a further ISM factory decline in July, to around 54.0, still implying industrial growth but enough of a fall to keep us alert for a more significant manufacturing slowdown later in 2010.
- The services ISM held steady at its March cycle high in April – May as the factory recovery spread to the economy's tertiary sectors. But it softened in June with economic growth slowing since end 2009 and we expect Q3 to see some further pull – back in the services/construction sectors, especially given the latest cutbacks in state government services.

US ISMs

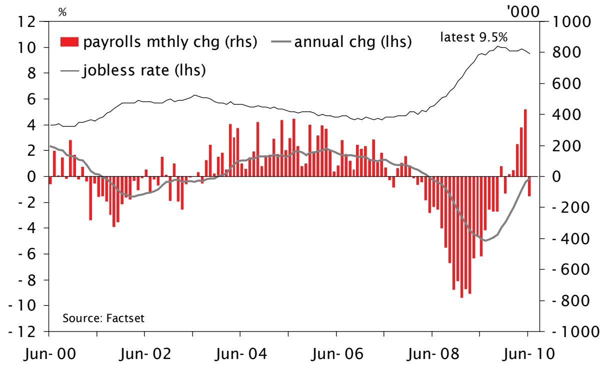


US July non farm payrolls to fall by 140k

Aug 6, Payroll employment: Last: –125k, WBC f/c: –140k, Mkt f/c: –60k

- Private sector payrolls grew by 83k in June, down from the 200k per month average recorded in March-April. However with temporary Census workers now being laid off, total payrolls are falling again, although to date this has not lifted the jobless rate which was at its lowest in almost a year in June.
- Despite weaker business survey headlines, the jobs indices in two of the three regional factory surveys available for July were higher. Also, the NFIB small business intention to hire index in June held at its recent cycle high. These data suggest that private jobs growth at least maintained its June pace in July; we forecast +90k.
- However a fall in July consumer jobs confidence is an indication that unemployment might be rising again; a contributor would be our forecast that a further 230k Census workers were laid off. We expect at 140k total payrolls decline and a 9.7% jobless rate.

US jobs market

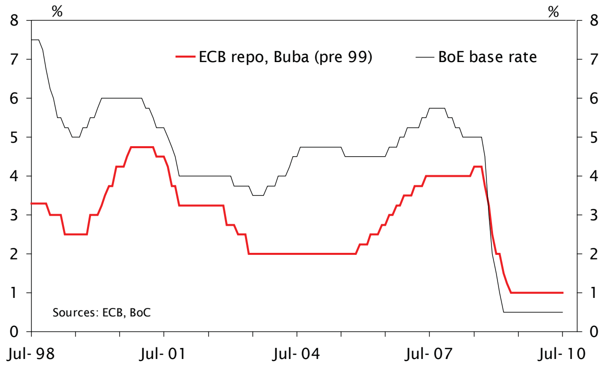


Bank of England and European Central Bank decisions

Aug 5, BoE rate: Last: 0.50%, WBC f/c: 0.50%, Mkt f/c: 0.50%
Aug 5, ECB rate: Last: 1.00%, WBC f/c: 1.00%, Mkt f/c: 1.00%

- There is debate at the BoE about how much stimulus remains appropriate: one of the eight MPC members has voted for a 25bp rate hike at the last two policy meetings, although the majority believe that policy (rates and size of the £200bn asset purchase program) should remain unchanged. That said, strong Q2 GDP growth may embolden the hawks and there is some risk that the Bank's quarterly reworking of its forecasts in August might prompt a larger minority to support modest retightening.
- The ECB remains firmly on hold. Recent less weak data on money supply growth and the surprising upswing in some business surveys has unwound speculation that the ECB might need to embark on genuine (unsterlilised) quantitative easing but the prospect of European monetary policy retightening is still remote.

ECB and BoE policy rates



Key Data and Events

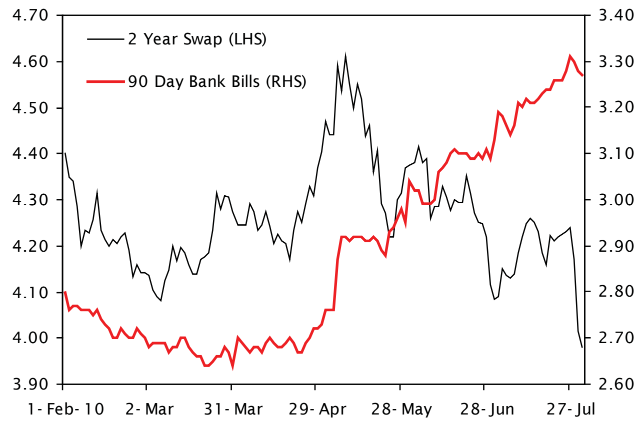
		Last	Market Median	Westpac Forecast	Comments
Mon 2 Aug					
NZ	Jul ANZ Commodity Price Index	-1.2%	–	–	Sharply lower milk prices to impact index.
Aus	Bank Holiday	–	–	–	Banks closed in NSW but markets still open.
	Jul TD-MI Inflation Gauge	0.3%	–	–	Overestimated Q2 CPI; watch for possible Jul spike from utilities.
	Jul AiG PMI	52.9	–	–	–3.4pts in Jun. Expansionary zone since Aug '09, building upswing a +.
Jpn	Jun Labour Earnings %yr	0.1%	0.7%	–	Job market has stabilised but cost control remains intense.
US	Jul ISM Manufacturing	56.2	54.0	54.0	Regional surveys sharply lower but still positive.
	Jun Construction Spending	–0.2%	–0.5%	–0.8%	Spending on residential construction declining post tax rebate.
Eur	Jul PMI Manufacturing (F)	56.5 a	56.5	56.5	Advance report showed renewed upswing.
UK	Jul PMI Manufacturing	57.5	57.0	58.0	European advance surveys suggest July may show renewed up-tick.
Tue 3 Aug					
NZ	Q2 Labour Cost Index Pvt Ord Time	0.3%	0.4%	0.4%	Too early for wages to pick up yet.
	Q2 QES Private Sector Ord Time	–0.4%	0.5%	0.0%	Strong hiring of low-wage workers to keep average wage down.
Aus	Jun Retail Sales	0.2%	0.4%	0.4%	A better month for sales but with heavy discounting.
	Q2 Real Retail Sales	0.1%	0.7%	0.8%	Nominal sales +0.9%qtr; retail prices +0.1%qtr;
	Jun Dwelling Approvals	–6.6%	2.0%	2.0%	Uptick after two big monthly falls; trend decline to remain intact.
	RBA Policy Decision	4.50%	4.50%	4.50%	Soft Q2 CPI has effectively taken August rate hike 'off the table'.
US	Jun Personal Income	0.4%	0.2%	0.2%	Hourly earnings and hours worked both fell in June, suggesting const-
	Jun Personal Spending	0.2%	0.1%	0.1%	rained income growth, and retail sales were down again, weighing on
	Jun PCE Core	0.2%	0.1%	0.1%	spending. Inflationary pressures should be subdued at 0.1% core.
	Jun Factory Orders	-1.4%	–0.3%	–	Durables known down 1% in June.
	Jun Pending Home Sales	-30.0%	3.7%	10.0%	Steep fall followed by partial rebound.
	Jun Total Vehicle Sales mn ann'lsd	11.1	11.6	11.3	Auto sales remain subdued in tight range between 11-12mn ann'lsd.
Eur	Jun PPI %yr	3.1%	3.1%	3.6%	National data and base effects point to further acceleration.
UK	Jul PMI Construction	58.4	58.0	58.0	Still pointing to a bounce in growth after multiple year weakness.
	Jul House Prices %yr	6.3%	4.6%	–	Tentative date for Halifax series, due 3-7/8.
Wed 4 Aug					
Aus	Jun Int'l Trade Balance, AUDbn	+1.65	+1.80	+2.25	M flat with tepid vols; X +2.5% with strong NR vols & prices – upside risk.
	Q2 ABS House Price Index	4.8%	2.0%	3.0%	Private measures avg'd 2.4% in Q2 but ABS index has upward bias.
	AiG PSI	48.8	–	–	Up slightly in June but still a touch under 50. Retail sectors soft.
US	Jul Challenger Job Cuts %yr	-47.1%	–	–	Corporate layoff announcements have thankfully slowed.
	Jul ADP Employment Change	13k	35k	20k	Business surveys suggest hiring still positive despite slowing economy.
	Jul ISM Non-Manufacturing	53.8	53.0	53.0	Slower economy in H2 2010 reflected in weaker business surveys.
Eur	Jun Retail Sales	0.1%	0.0%	–	Upward revision to German data for May might be captured here too.
UK	Jul PMI Services	54.4	54.5	55.0	Still way off peak but July may show modest rebound.
	Jul BRC Shop Price Index %yr	1.5%	–	–	Useful guide to part of CPI basket, can get direction of CPI %yr right.
Thu 5 Aug					
NZ	Q2 HLFS Employment	1.0%	0.4%	0.4%	Commensurate with steady economic recovery.
	Q2 HLFS Unemployment	6.0%	6.2%	6.2%	Anything could happen after last quarter's stunning surprise.
US	Initial Jobless Claims w/e 31/7	457k	455k	450k	Distortion from temporary summer shutdown of auto plants now over
	Jul ICSC Chain Store Sales %yr	3.0%	–	–	Sometimes tells different story to weekly chain store figures.
Eur	ECB Policy Decision	1.00%	1.00%	1.00%	Firmly on hold.
Ger	Jun Factory Orders	–0.5%	1.4%	–	May was slight pause in otherwise solid orders rebound.
UK	BoE Policy Decision	0.50%	0.50%	0.50%	Policy on hold and asset program unchanged at £200bn.
Can	Jun Building Permits	-10.8%	2.0%	–	May fall early sign of emerging residential weakness?
Fri 6 Aug					
Aus	AiG PCI	46.4	–	–	Dropped back sharply in June led by housing.
	RBA Statement on Monetary Policy	–	–	–	RBA to mark down growth and inflation forecasts.
US	Jul Change in Private Payrolls	83k	90k	90k	NFIB small business survey hiring intentions and 2 out of 3 regional
	Jul Change in Nonfarm Payrolls	-125k	–60k	-140k	factory surveys imply steady-stronger private payrolls but Census
	Jul Unemployment Rate	9.5%	9.6%	9.7%	worker layoff will be a drag on total payrolls once again.
	Jun Consumer Credit $bn	–9.1	–5.6	–3.5	Weak retailing implies falling credit.
Ger	Jun Industrial Production	2.6%	0.7%	–	Orders uptrend reflected in solid IP outcomes since March.
UK	Jul PPI %yr	4.8%	4.5%	–	Core output measure.
	Jun Industrial Production	0.7%	0.1%	0.7%	Q2 GDP growth consistent with another solid monthly gain.
Can	Jul Net Change in Employment	93.2k	15k	20k	Jobs trend strong but volatile monthly, may slow later in 2010.
	Jul Ivey PMI nsa	58.9	55.5	54.0	Always softens in July due to summer plant shutdowns.

New Zealand Economic and Financial Forecasts

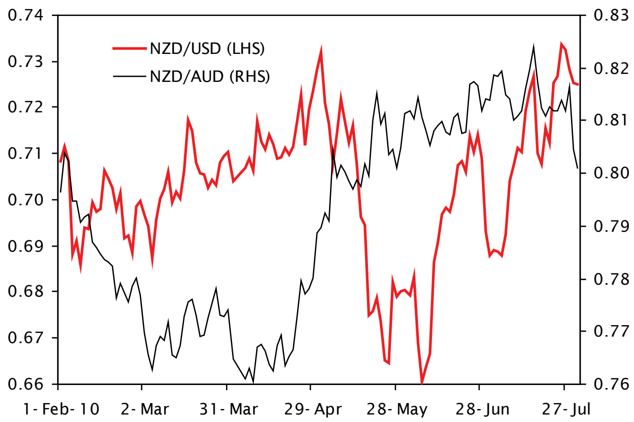
Economic Growth Forecasts	March years				Calendar years			
% change	2010	2011f	2012f	2013f	2009	2010f	2011f	2012f
GDP (Production) ann avg	-0.4	3.5	4.1	3.3	-1.6	2.9	4.4	3.4
Employment	-0.1	2.2	1.4	1.7	-2.4	2.2	2.0	1.6
Unemployment Rate % s.a.	6.0	5.4	5.3	4.7	7.1	5.7	5.2	4.9
CPI	2.0	4.7	2.7	3.2	2.0	4.7	2.4	3.3
Current Account Balance % of GDP	-2.4	-3.3	-4.8	-4.9	-2.9	-3.0	-4.6	-5.0

Financial Forecasts	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12
Cash	3.25	3.75	4.25	4.75	5.25	5.75	6.00
90 Day bill	3.70	4.20	4.70	5.20	5.70	6.10	6.20
2 Year Swap	4.70	5.10	5.50	5.90	6.20	6.40	6.50
5 Year Swap	5.50	5.80	6.10	6.30	6.50	6.60	6.70
10 Year Bond	5.80	6.00	6.20	6.30	6.30	6.40	6.50
NZD/USD	0.72	0.74	0.76	0.75	0.74	0.73	0.72
NZD/AUD	0.82	0.82	0.83	0.83	0.84	0.84	0.84
NZD/JPY	65.5	70.3	74.5	76.5	77.7	78.8	79.9
NZD/EUR	0.57	0.58	0.59	0.60	0.61	0.60	0.59
NZD/GBP	0.49	0.49	0.49	0.50	0.50	0.49	0.46
TWI	68.7	70.4	71.9	72.5	72.9	72.4	71.5

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 2 August 2010

Interest Rates	Current	Two Weeks Ago	One Month Ago
Cash	2.75%	2.75%	2.75%
30 Days	3.08%	2.97%	2.96%
60 Days	3.20%	3.09%	3.02%
90 Days	3.28%	3.24%	3.18%
2 Year Swap	3.97%	4.16%	4.15%
5 Year Swap	4.63%	4.78%	4.85%

NZ foreign currency midrates as at Monday 2 August 2010

Exchange Rates	Current	Two Weeks Ago	One Month Ago
NZD/USD	0.7271	0.7078	0.6888
NZD/EUR	0.5569	0.5460	0.5485
NZD/GBP	0.4631	0.4645	0.4534
NZD/JPY	62.820	61.480	60.410
NZD/AUD	0.8030	0.8124	0.8185
TWI	67.510	66.570	65.960

Economic and Financial Forecasts

Economic Forecasts (Calendar Years)	2005	2006	2007	2008	2009	2010f	2011f
Australia							
Real GDP % yr	2.8	2.9	4.0	2.3	1.3	3.0	3.5
CPI inflation % annual	2.8	3.3	3.0	3.7	2.1	3.4	3.1
Unemployment %	5.1	4.8	4.4	4.3	5.6	5.1	4.9
Current Account % GDP	-5.8	-5.3	-6.3	-4.4	-4.1	-3.4	-3.0
United States							
Real GDP %yr	3.1	2.7	2.1	0.4	-2.4	2.7	2.8
Consumer Prices %yr	3.4	3.2	2.9	3.8	-0.2	1.3	2.4
Unemployment Rate %	5.1	4.6	5.8	5.8	9.3	9.8	10.0
Current Account %GDP	-6.1	-6.0	-5.3	-4.6	-2.7	-0.3	-2.4
Japan							
Real GDP %yr	1.9	2.8	2.2	-1.5	-5.8	3.1	1.4
Consumer Prices %yr	-0.3	0.2	0.1	1.4	-1.3	-1.1	-0.2
Unemployment Rate %	4.4	4.1	3.9	4.0	5.1	4.8	4.5
Current Account %GDP	3.6	3.9	4.8	3.3	2.8	4.2	4.6
Euroland							
Real GDP %yr	1.8	3.1	2.8	0.5	-4.0	0.6	1.2
Consumer Prices %yr	2.5	2.0	3.1	1.6	0.9	1.0	1.2
Unemployment Rate %	8.8	7.9	7.3	7.8	10.0	10.5	10.5
Current Account %GDP	-0.2	-0.1	0.1	-1.1	-1.0	-0.5	0.0
United Kingdom							
Real GDP %yr	2.2	2.9	2.6	0.5	-4.9	0.5	1.3
Consumer Prices %yr	2.1	3.0	2.1	3.5	2.9	2.5	2.0
Unemployment Rate %	2.8	3.0	2.5	3.1	5.0	5.0	5.0
Current Account %GDP	-2.6	-3.3	-2.7	-1.6	-2.4	-2.0	-1.5

Forecasts finalised 9 July 2010

Interest Rate Forecasts	Latest (Aug 2)	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11
Australia						
Cash	4.50	4.50	4.50	4.75	5.00	5.00
90 Day Bill	4.76	4.75	4.75	5.00	5.25	5.50
10 Year Bond	5.18	5.20	5.30	5.30	5.30	5.50
International						
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.375
US 10 Year Bond	2.91	3.20	3.40	3.50	3.60	3.80
ECB Repo Rate	1.00	1.00	1.00	1.00	1.00	1.00

Exchange Rate Forecasts	Latest (Aug 2)	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11
AUD/USD	0.9055	0.88	0.90	0.92	0.90	0.88
USD/JPY	86.40	91	95	98	102	105
EUR/USD	1.3056	1.26	1.28	1.29	1.25	1.21
AUD/NZD	1.2454	1.22	1.22	1.21	1.20	1.19