

Weekly Commentary

10 August 2009

Eyes front

Last week's data was a mixed bag, with weak labour data confirming how tough times have been, but some encouraging signs on commodity prices. The focus this week is on the consumer, with data on spending and housing. Both should continue to tell a story of gradual recovery.

Tuesday's Labour Cost Index (LCI) Q2 wage data came in weaker than expected, with private sector all salary and wage rates increasing just 0.3% in the quarter. Rising unemployment and lower inflation are now clearly taking their toll on remuneration. Annual wage growth slowed to 2.7%, the weakest pace since June 2005, and we expect it to slow even more going forward, to 1.8% by March 2010.

Quarterly Employment Survey (QES) total paid hours fell 1.2% in the quarter (seasonally adjusted), posing some downside risk to our Q2 GDP forecast of -0.4%. But more importantly, the fall in paid hours combined with fewer jobs mean that seasonally adjusted gross earnings declined by 0.5%, the first quarterly contraction since June 1999 and the lowest annual growth (1.0%) since 1992. Little wonder consumers are hurting.

The Household Labour Force Survey on Thursday confirmed that New Zealand's labour market downturn is becoming more severe. The unemployment rate jumped the most in a single quarter since

1988, from 5.0% to 6.0%. Previously, unemployment was rising only modestly because of a long-standing labour shortage. But many vacancies have now been filled and workers are more likely to hit dole queues when they are laid off (or leave school).

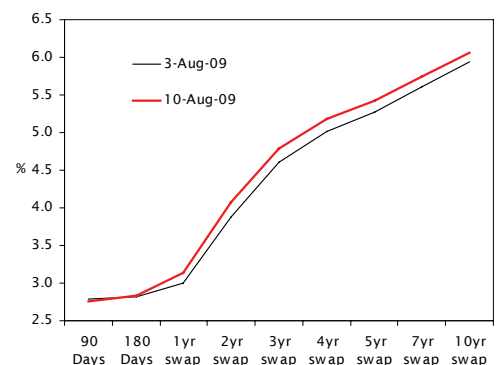
Employment growth of -0.4% was well above last quarter's downwardly revised -1.3%, but this apparent improvement is most likely a false signal. Due to suspicious survey volatility in employment and the participation rate we prefer to focus on the unemployment rate, or the average employment change over the past two quarters (-0.8%), as fairer guides to employment conditions.

A switch from full-time to part-time work reflects many firms reducing hours to cope with the downturn, rather than laying off staff. That the shift to part-time work is not voluntary is highlighted by the fact that the number of part-time workers who report that they would prefer to work more hours has jumped 36% in a year. On the plus side, this has helped limit the rise in unemployment to date. But the corollary is that the early stages of recovery will feature increasing hours rather than new hiring, so unemployment will continue rising long after the economic recovery takes hold. It could be another year before unemployment begins falling, despite the likelihood that the recession is already over.

The unemployment rate came in close to the Reserve Bank's 5.9% forecast. The slack labour market, illustrated both in the HLFS and in Tuesday's wage report, shows that inflationary pressures are non-existent. However, in the bigger picture the labour market data only confirms what we already knew - New Zealand has experienced a severe recession. Markets are now firmly focussed on the nascent economic recovery.

And on that note, in Fonterra's August auction average milk powder prices rose 25.8% to US\$2,301/tonne. This is a significant lift, far outstripping the 5%+ gains we expected. Prices rose strongly for all contract periods out to April 2010. The NZD and interest rates rose on the news, as the risk that the RBNZ follows through on their threat to cut the OCR is diminished. The price increase coincides

NZ Interest Rates



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

with significant increases in other commodity prices including oil over the past month, as global economic indicators continue to improve. The lift reduces the downside risk to NZ dairy farmer payouts that had been building as the NZD surged higher and product prices stayed weak. Still, the strong result is only one month, and it will be very interesting to see if powder prices hold on to these gains. This, as with so much these days, greatly depends on the evolution of the world economy.

This week the data focus is on the household. July electronic card transactions (Tues) will give an early steer on July retail sales, while retail sales data for Q2 are out on Friday. Total retail sales

in the month of June are expected to fall 0.3%, driven by a 1.0% drop in core sales, as the May cold-weather timing effect is unwound, and 5% higher petrol prices reduce spending elsewhere. Over the quarter, we expect the volume of sales to be flat. Still, that would be welcome after five consecutive quarterly declines.

Also on Friday, the REINZ will release their monthly housing market data. Higher longer-term fixed rates will likely see the number of sales fall, but prices should hold onto recent gains. The REINZ will be releasing a new monthly house price index developed in conjunction with the RBNZ. This quality-adjusted series removes the skew in the median price data that results when the sales mix varies between higher-

and lower-end properties. The new index will provide a much less noisy indicator of house price movements, and we will focus on this measure from now on.

Fixed vs. floating: Interest rates have bottomed and are likely to trend higher over coming years, although the RBNZ's intention to keep the OCR low suggests little pressure for short-term rates to rise any time soon. We recommend fixing for six months to one year, which remain easily the most favourable rates on offer. While a strategy of fixing for short terms creates more uncertainty about future cash flows, borrowers can reduce this uncertainty by repaying more than the minimum amount while interest rates are at the lower end of the cycle.

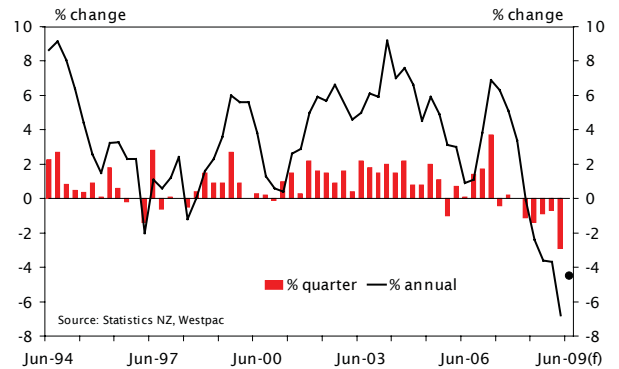
Key Data Previews

NZ Q2 real retail sales

Aug 14, Last: -2.9%, WBC f/c: 0.0%, Mkt f/c: 0.2%

- Total retail sales in the month of June are expected to fall 0.3%, driven by a 1.0% drop in core sales. Sales in May were substantially boosted by spending on clothing as an early cold snap saw people rushing to buy their winter woollies early. We expect some pullback in spending on clothing, as the weather in June was less extreme than in May. The value of fuel sales will be boosted by a 5% increase in petrol prices during the month, with a dampening effect on sales elsewhere.
- Over the quarter, we expect the volume of sales to be flat. On average, the dollar value increase in sales we expect for the quarter (given the monthly increases for April and May already published) is nothing more than a reflection of rising prices. Still, a flat result for sales volumes would arrest the previous five consecutive quarterly declines.

NZ real retail sales

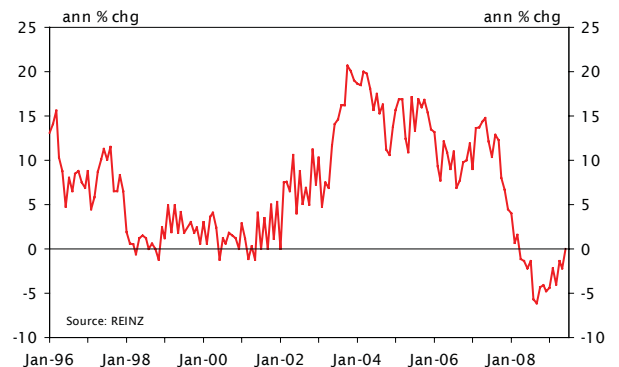


NZ Jul REINZ house prices %yr

Aug 14, Last: 0.0%

- House sales rose 6% in seasonally adjusted terms in June, to be 64% higher than the low reached in November 2008. Meanwhile, the median selling price rose slightly to be flat on a year ago – the first time since March 2008 that annual house price inflation hadn't been negative (on this measure).
- Data from a major real estate agency in the Auckland region suggest that some of the recent enthusiasm in housing activity was dented in July, with sales down slightly in seasonally adjusted terms. And, while the number of new listings increased, overall there remains a shortage of homes on the market. As such, house prices remain supported, and were up marginally on a year ago.
- We expect similar trends to be reflected in the REINZ data. Higher longer term fixed rates will likely see the number of sales fall, but prices should hold onto recent gains. A new quality-adjusted house price index will be released for the first time. We will focus on this measure from now on.

REINZ house prices

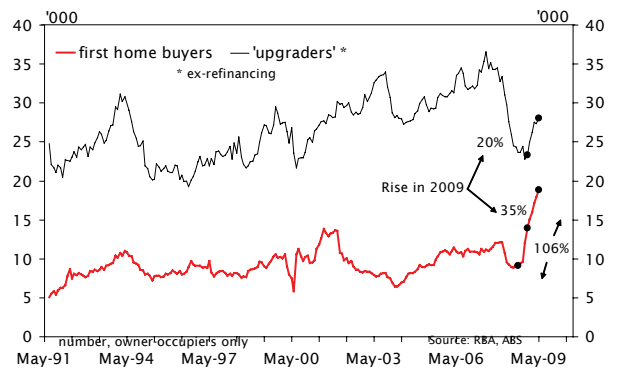


Aus May housing finance

Aug 10, Last: 2.2%, WBC f/c: 2.5%, Mkt f/c: 1.8%, Range: 1.0% to 3.5%

- We're forecasting housing finance approval numbers to rise by a moderate 2.5% in June, following a 2.2% increase in May. Supporting the upswing is extremely expansionary settings, pent-up demand and brisk population growth.
- New lending to owner-occupiers surged 41% over the eight months to May. Finance to upgraders is up 20% so far in 2009, while that to first home buyers (FHBs) is up 35% over this period and by 106% since the low of last August. Investor finance rebounded 18% over the last three months to be 4% up from last August.
- Limiting further gains in finance later this year will be the winding back of the additional bonus under the FHBs Scheme. This will see lending to FHBs lose altitude from current elevated levels.

Finance upswing broadly based in 2009

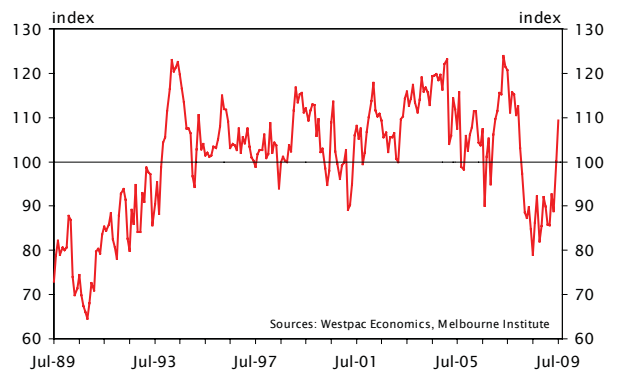


Aus Aug Westpac-MI Consumer Sentiment

Aug 12, Last: 109.4

- The Westpac-Melbourne Institute Index of Consumer Sentiment increased by 9.3% from 100.1 in June to 109.4 in July. After a strong rise in June this put the two monthly gain at 23.2%, the biggest since the survey began in 1975 and by a substantial margin. It also takes sentiment firmly into optimistic territory. Notably, the July gain came largely without support in the month from traditional boosters such as interest rate cuts.
- The August survey is in the field in the week ended August 9. Sentiment is likely to be impacted by: more strong gains in equities (ASX up over 10%); rising house prices (+4.2% in Q2); the RBA's decision to leave rates on hold at historical lows (although shifting off its easing bias); and generally improved news on economic conditions both at home (jobs up) and abroad. The rising AUD (up over 4c US since the July survey) may also influence the consumer mood.

Consumer Sentiment

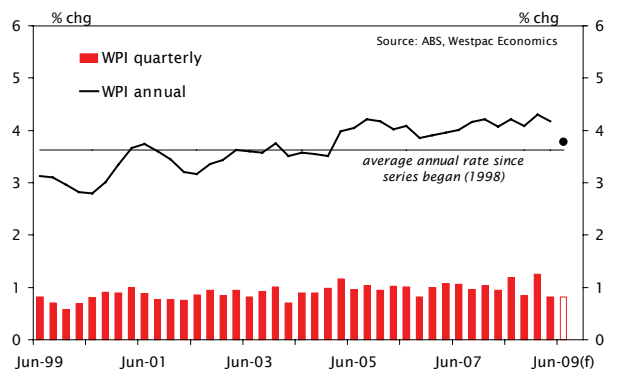


Aus Q2 wage price index

Aug 12, Last: 0.8%, WBC f/c: 0.8%, Mkt f/c: 0.8%, Range: 0.5% to 1.0%

- The Q1 wage price index (WPI) eased to a 0.8%qtr pace from 1.3%qtr in Q4, the equal lowest since 2004Q1. Annual growth fell to 4.2%yr from 4.3%yr, with the slowing tempered by a rise in the public sector from 4.2%yr to 4.5%yr, boosted by delayed decisions on collective agreements. Private sector growth fell to 4.1%yr from 4.3%yr, the lowest since 2008Q1. The broader measure including bonuses saw private sector growth fall to 3.7%yr from 4.2%yr previously and a peak of 4.9%yr in 2008Q1, a fraction above its 3.6% historic average.
- With unemployment rising more steeply from 4.6% in Dec-08 to 5.7% in Mar-09, wage inflation measures should soften further in raw terms in Q2. But a seasonal adjustment lift gives a repeat of Q1's quarterly pace in Q2 of 0.8%qtr. Still, with a strong 1.2%qtr dropping out from the prior year, growth would fall to 3.8%yr from 4.2%yr, the lowest since 2006Q3.

Wage inflation slowdown has begun

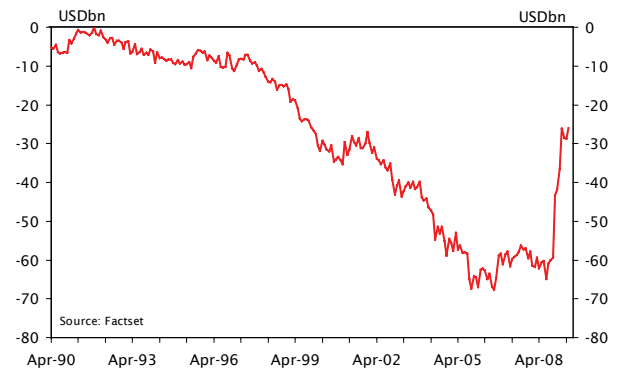


US June trade deficit to widen further

Aug 12, Last: -\$26.0bn, WBC f/c: -\$29.2bn, Mkt f/c: -\$28.5bn

- The trade deficit has narrowed dramatically this year, from \$60bn+ in mid 2008 to less than half that a year later, reflecting the collapse in global trade, weak domestic demand and sharply lower imported oil prices. Since Feb this year, the deficit has settled in a \$25-30bn range.
- In May, the deficit narrowed to the lower end of that range thanks to a sharp fall in oil import volumes and a 1.6% jump in exports.
- But import prices jumped 3.2% in June (due to oil), and that export gain is unlikely to be repeated (based on business surveys, durable shipments and ports data), although export prices did pick up 1.1% in the month.
- A 3% jump in imports and a 1% exports gain (both mostly due to prices) would push the July deficit back above \$29bn.

US trade: imports slump more than exports

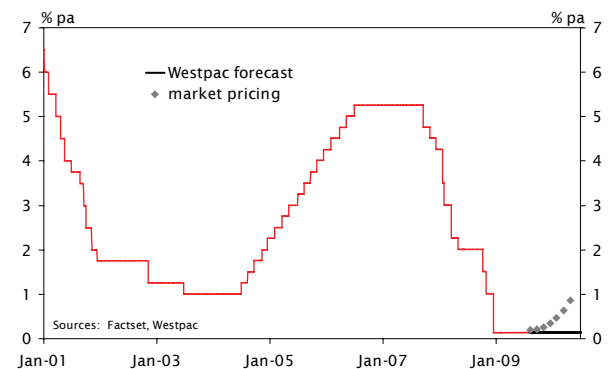


FOMC rate decision

Aug 12, Last: 0-0.25%, WBC f/c: 0-0.25%, Mkt f/c: 0-0.25%

- Compared to the April 29 statement, the Fed was more confident in the June 24 statement that the pace of contraction was slowing, that household spending was stabilising and businesses were working through their excess stocks. However the inflation view was also upgraded from April by omitting the April risk that “inflation could persist for a time below rates that best foster economic growth”.
- The data flow since has mostly been positive, with business surveys pointing to a slower pace of economic contraction, and housing now more clearly having turned the corner/stabilised.
- The Fed will not want to threaten the fragile recovery so will leave in place current easy policy settings and the quantitative easing program. But there will be no further measures and the commentary will be more cautiously optimistic than in June.

Fed funds target rate

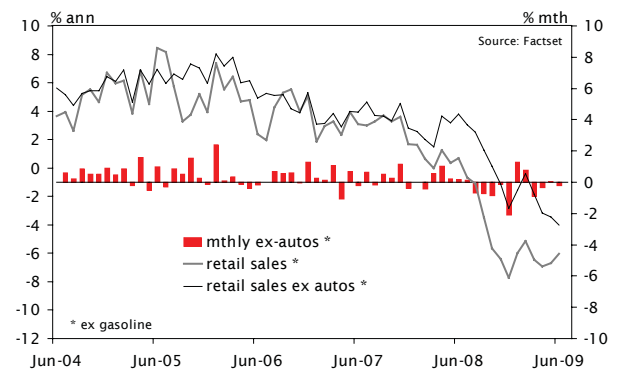


US July retail sales boosted by autos

Aug 13, Last: 0.6%, WBC f/c: 1.5%, Mkt f/c: 0.7%

- Retail sales rose 0.6% in June, on the surface the strongest outcome since January’s 1.7% jump. The third consecutive monthly rise in auto sales was suggestive of that sector bottoming out, despite the woes of the automakers. However higher gasoline prices explained about half of the June gain, and core retailing ex autos & gas fell 0.2%, its fourth straight monthly decline.
- The “cash for clunkers” scheme has been hailed as a success, resulting in a 16% increase in auto unit sales in July. But that sort of big ticket purchase tends to constrain spending elsewhere. With gasoline prices noisy but little changed on a month average basis, we expect a fifth consecutive decline in retail ex autos and gasoline to be a constraining factor on an otherwise robust looking retail report headline.

US retail sales



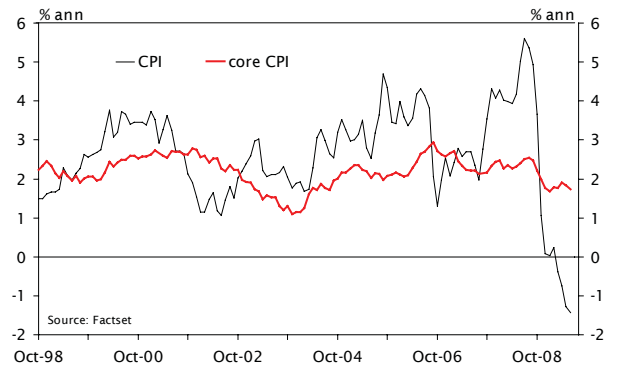
US July CPI to fall due to auto prices

Aug 14, CPI headline Last: 0.7%, WBC f/c: -0.1%, Mkt f/c: 0.0%

Aug 14, CPI core Last: 0.2%, WBC f/c: -0.1%, Mkt f/c: 0.1%

- The CPI jumped by a relatively steep 0.7% in June, mostly due to a 17.3% surge in retail gasoline prices. Other pressures were also apparent, but with offsets from another subdued gain in the highly weighted implicit rents, the core rate was constrained to a 0.2% rise, though that is still a little above the recent trend. The headline annual inflation rate dipped further to -1.4% yr but with the core CPI holding within this year's 1.7%-1.9% range, deflation fears were not really stoked by this report.
- Key features in the July report will be relatively steady gasoline prices but sharply weaker auto prices, if the "cash for clunkers" scheme is treated as a price discount for the consumer. That should deliver modest falls in both the headline and core CPI for July (the latter - a negative core rate - being exceedingly rare).

US CPI inflation

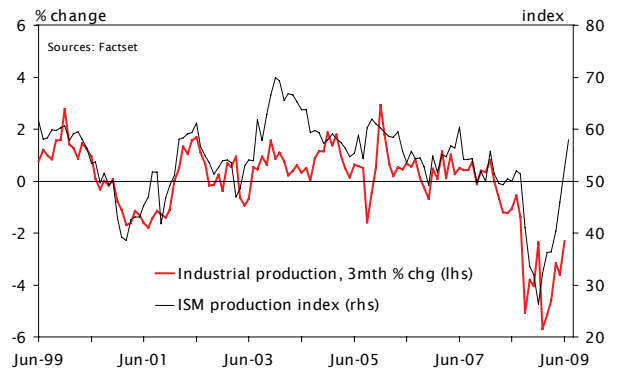


US July industrial production to post a rare gain

Aug 14, Last: -0.4%, WBC f/c: 0.5%, Mkt f/c: 0.4%

- Since the beginning of last year, industrial production has posted just one monthly gain (in Oct 2008). Around the turn of this year, these declines were especially steep (averaging 1.6% in Q4-Q1) although in Q2 the average decline was just 0.8%, consistent with survey evidence pointing to a moderating pace of decline in factory output.
- That same survey evidence is now pointing to a July IP gain, with the ISM factory production sub-index jumping to nearly 58 last month. June orders data were soft but the surge in auto sales in July and the earlier than usual automaker shutdowns this year could see a spurt in auto output after seasonal adjustment.
- These factors point to a (recently) rare rise in IP of at least 0.5%.

US industrial production



Key Data and Events

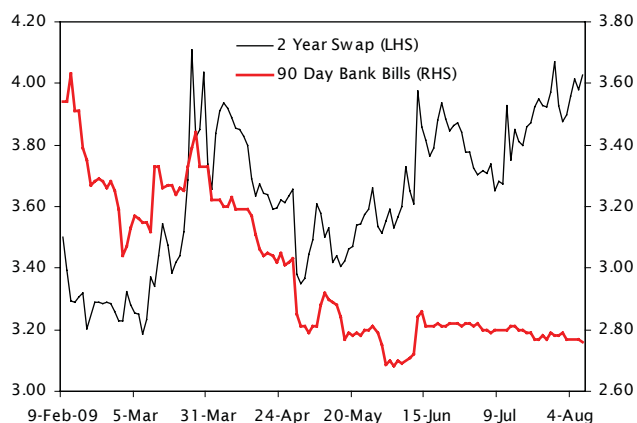
	Last	Market Median	Westpac Forecast	Comments	
Mon 10 Aug					
Aus	Jun Housing Finance, no.	2.2%	1.8%	2.5%	Upswing continues on low rates, govt incentives & pent-up demand.
Jpn	Jun Machinery Orders	-3.0%	2.6%	-	CapU low, plant levels excessive, sums to contracting machine needs.
	Jun Current Account ¥bn s.a.	1016	1350	-	Grinding higher as exports recover and imports retreat.
	Jul Bank Lending %yr	2.4%	-	-	Working capital demand remains, but capex demand is feeble.
Eur	Aug Sentix Investor Confidence	-31.3	-25.8	-20.0	Latest stockmarket rally should boost investor sentiment.
Tue 11 Aug					
NZ	Jul Electronic Card Transactions	-0.4%	-	-	Indicator to July retail sales; flat to small negative expected.
Aus	Jul NAB Survey	-2	-	-	Conditions jumped 12pts to -2 in June - suggests demand stabilising.
US	Q1 Productivity % ann'lisd	1.6%	5.4%	6.0%	Jobs fell faster than output in Q2, means productivity acceleration,
	Q1 Unit Labour Costs % ann'lisd	3.0%	-2.4%	-3.0%	and slower ULC growth.
	Jun Wholesale Inventories	-0.8%	-0.9%	-0.7%	Clue to direction of revision to Q2 GDP growth.
	Aug IBD/TIPP Economic Optimism	46.3	50.0	50.0	Preempted CB & UoM confidence falls in Jul. Equities bounce since then
Jpn	Bank of Japan Decision	0.10%	0.10%	0.10%	Sidelined indefinitely.
	Jul Consumer Confidence	38.1	-	-	Lagging global consumer measures as household income contracts.
UK	Jul BRC Retail Sales Monitor %yr	1.4%	-	-	Same store sales measure. June boosted by warm weather.
	Jul RICS House Price Balance	-18.1%	-4.0%	-	Surveyors are much less pessimistic about the housing market.
	Jun House Prices %yr	-12.5%	-12.0%	-	Tentative date for DCLG index, due 11-18/8.
	Jun Visible Trade Balance £bn	-6.3	-6.2	-	Trend narrowing now well entrenched.
Can	Jul Housing Starts	141k	145k	-	Housing downtrend is stabilising.
Wed 12 Aug					
Aus	Aug Westpac-MI Consumer Sentiment	109.4	-	-	Will the record 'recession-relief' rally through May-July be sustained?
	Q2 Wage Price Index %qtr	0.8%	0.8%	0.8%	Unemploy't up, weaker surveys, but s.adj boost; 3.8%yr vs 4.2% prev.
US	Jun Trade Balance \$bn	-26.0	-28.5	-29.2	Import prices surged 3.2% in Jun, though exports prices also stronger.
	Jul Federal Budget \$bn	-131	-147	-	Deficit widening rapidly.
	FOMC Rate Decision	0.25%	0.25%	0.25%	Fed still firmly on hold; no new QE measures likely. See text box.
Jpn	Jul Corp. Goods Prices %yr	-6.6%	-8.7%	-	Weak downstream prices, marginally firmer at raw/intermed. levels.
Eur	Jun Industrial Production	0.5%	0.2%	0.5%	May saw first rise since Aug last year.
UK	Jul Unemployment Chg	24k	28k	20k	Slowest rise since mid 2008 expected.
	Q3 BoE Inflation Report	-	-	-	Likely to include upward revisions to inflation outlook.
Can	Jun Trade Balance C\$bn	-1.4	-0.8	-	Back to back deficits in Dec-Jan and Apr-May.
	Jun New House Prices	-0.1%	flat	-	Prices have fallen every month since Oct last year.
Thu 13 Aug					
NZ	Jul Food Prices	2.8%	-	-	Poor growing conditions to push food prices a little higher.
Aus	Aug WBC-MI Unemployment Expect's	-0.8%	-	-	Trended down (improved since Feb), implying Q4'08 low for jobs %yr.
	Aug MI Inflation Expectations	3.2%	-	-	Renewed uptrend since Mar-09 with resilient activity; trend now 2.8%.
US	Jul Import Prices	3.2%	-0.5%	-0.4%	Oil prices averaged higher in Jun than Jul despite late Jul spike.
	Jul Retail Sales	0.6%	0.7%	1.5%	Clash for clunkers scheme saw auto sales surge in Jul.
	Jul Retail Sales Ex Autos & Gas	-0.2%	-	-0.2%	We expect fifth straight decline in core retailing. See text box.
	Initial Jobless Claims w/e 8/8	550k	545k	-	Auto plant shutdown distortion now mostly over.
	Jun Business Inventories	-1.0%	-0.9%	-0.8%	Clue to direction of revision of Q2 GDP.
Eur	Q1 GDP Advance	-2.5%	-0.5%	-1.0%	Still very weak, but slower pace of contraction than in Q4 and Q1.
Ger	Q2 GDP Prelim	-3.8%	-0.2%	-1.2%	Economy approaching a bottom, but certainly not growing yet.
Fri 14 Aug					
NZ	Q2 Real Retail Sales	-2.9%	0.2%	0.0%	Sales volumes flat as value increases only due to higher prices.
	Jun Retail Sales	0.8%	-0.3%	-0.3%	Sales to ease back from weather induced spike in May.
	Jul REINZ House Prices %yr	0.0%	-	-	Higher fixed rates to dampen activity, prices holding up.
Aus	RBA Governor Parliamentary Testimony	-	-	-	House of Reps Standing Committee on Economics Syd (9.30 am AEST).
US	Jul Consumer Price Index	0.7%	flat	-0.1%	Gasoline prices edged lower on average in Jul. Uncertainty about how
	Jul CPI Core	0.2%	0.1%	-0.1%	cash for clunkers scheme will impact auto prices this month.
	Jul Industrial Production	-0.4%	0.4%	0.5%	Hours worked steady, ISM production very solid.
	Aug UoM Consumer Sentiment (Prelim)	66.0	69.0	70.0	Bounce in sentiment due equities upswing, steadier gasoline, jobs.
Jpn	Bank of Japan Minutes	-	-	-	Expect upgraded comments on the globe but with major caveats.
	Jun Tertiary Activity Index	-0.1%	-0.3%	-	Expenditure measure of GDP to rise on Net X: P and I maybe not so.
Eur	Jul CPI (F) %yr	-0.6%a	-0.6%	-0.6%	Annual rate to start creeping higher again from Aug due base effects.
Can	Jun Manufacturing Shipments	-6.0%	-0.4%	-	Still in steep downtrend but may soon find a base.
	Jun Auto Sales	1.0%	-1.0%	-1.0%	StatCan guidance was for a 1% fall in June.

New Zealand Economic and Financial Forecasts

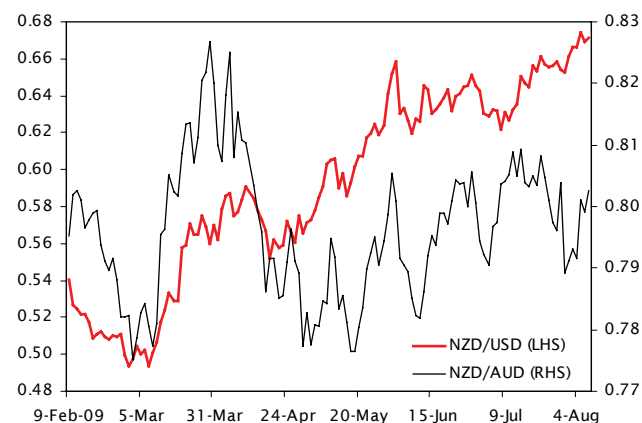
Economic Growth Forecasts	March years				Calendar years			
	2008	2009	2010f	2011f	2008	2009f	2010f	2011f
% change								
GDP (Production) ann avg	3.1	-1.0	-1.2	3.2	0.2	-2.1	2.6	3.6
Employment	-0.3	0.8	-1.5	1.6	0.9	-2.6	1.1	1.7
Unemployment Rate % s.a.	3.8	5.0	7.0	6.6	4.7	6.9	6.7	6.2
CPI	3.4	3.0	2.0	1.6	3.4	2.1	1.2	2.1
Current Account Balance % of GDP	-8.0	-8.5	-4.7	-5.7	-9.0	-4.9	-5.5	-6.5

Financial Forecasts	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11
Cash	2.50	2.50	2.50	2.50	3.00	4.00	5.00
90 Day bill	2.80	2.80	2.80	2.90	3.60	4.60	5.50
2 Year Swap	3.90	4.10	4.30	4.60	5.00	5.40	5.85
5 Year Swap	5.30	5.40	5.50	5.60	5.80	6.00	6.30
10 Year Bond	5.80	5.90	6.00	6.10	6.20	6.30	6.40
NZD/USD	0.69	0.63	0.67	0.69	0.71	0.74	0.73
NZD/AUD	0.80	0.79	0.81	0.81	0.82	0.83	0.85
NZD/JPY	66.9	58.0	63.0	66.2	70.7	76.2	77.4
NZD/EUR	0.47	0.45	0.47	0.48	0.49	0.50	0.50
NZD/GBP	0.40	0.39	0.40	0.40	0.41	0.40	0.39
TWI	63.7	59.4	62.6	64.0	65.9	67.8	67.8

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 10 August 2009

Interest Rates	Current	Two Weeks Ago	One Month Ago
Cash	2.50%	2.50%	2.50%
30 Days	2.78%	2.79%	2.80%
60 Days	2.80%	2.79%	2.80%
90 Days	2.76%	2.77%	2.80%
2 Year Swap	4.07%	3.93%	3.68%
5 Year Swap	5.42%	5.38%	5.16%

NZ foreign currency midrates as at Monday 10 August 2009

Exchange Rates	Current	Two Weeks Ago	One Month Ago
NZD/USD	0.6708	0.6561	0.6266
NZD/EUR	0.4729	0.4607	0.4492
NZD/GBP	0.4021	0.3977	0.3870
NZD/JPY	65.500	62.450	57.920
NZD/AUD	0.8028	0.7974	0.8051
TWI	62.730	61.290	59.380

Economic and Financial Forecasts

Economic Forecasts (Calendar Years)	2004	2005	2006	2007	2008	2009f	2010f
Australia							
Real GDP % yr	3.8	2.8	2.9	4.0	2.3	0.2	1.8
CPI inflation % annual	2.6	2.8	3.3	3.0	3.7	1.9	2.0
Unemployment %	5.4	5.1	4.8	4.4	4.3	5.9	7.3
Current Account % GDP	-6.1	-5.8	-5.3	-6.2	-4.3	-3.7	-4.8
United States							
Real GDP %yr	3.9	3.1	2.8	2.1	0.4	-2.9	1.2
Consumer Prices %yr	2.6	3.4	3.2	2.9	3.8	-0.8	1.1
Unemployment Rate %	5.5	5.1	4.6	4.6	5.8	9.5	11.1
Current Account %GDP	-5.7	-6.1	-6.0	-5.2	-4.9	-2.8	-2.5
Japan							
Real GDP %yr	2.3	1.9	2.8	2.1	-0.8	-6.6	1.5
Consumer Prices %yr	-0.1	-0.3	0.2	0.1	1.4	-1.1	-0.6
Unemployment Rate %	4.5	4.4	4.1	3.9	4.0	5.1	6.6
Current Account %GDP	3.3	3.6	3.9	4.8	3.2	2.4	2.5
Euroland							
Real GDP %yr	1.9	1.8	3.1	2.7	0.6	-4.9	-0.2
Consumer Prices %yr	2.1	2.5	2.0	3.1	1.6	0.3	0.7
Unemployment Rate %	9.0	8.8	7.9	7.3	7.8	10.0	11.5
Current Account %GDP	0.0	-0.2	-0.5	0.0	-0.2	0.0	0.4
United Kingdom							
Real GDP %yr	3.0	2.2	2.9	2.6	0.7	-4.6	0.4
Consumer Prices %yr	1.3	2.1	3.0	2.1	3.5	1.0	1.2
Unemployment Rate %	2.8	2.8	3.0	2.5	3.1	5.5	7.0
Current Account %GDP	-1.9	-2.6	-3.0	-2.8	-2.3	-6.0	-5.5

Forecasts finalised 7 August 2009

Interest Rate Forecasts	Latest (Aug 10)	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
Australia						
Cash	3.00	3.00	3.00	3.25	3.50	3.75
90 Day Bill	3.28	3.35	3.40	3.75	4.00	4.25
10 Year Bond	5.66	5.40	5.50	5.80	6.25	6.25
International						
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	3.85	3.50	3.40	3.75	4.00	4.25
ECB Repo Rate	1.00	1.00	1.00	1.00	1.00	1.00
Exchange Rate Forecasts						
AUD/USD	0.8356	0.86	0.80	0.83	0.85	0.87
USD/JPY	97.64	97	92	94	96	99
EUR/USD	1.4186	1.46	1.40	1.42	1.44	1.46
AUD/NZD	1.2457	1.25	1.27	1.24	1.23	1.22

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