Weekly Commentary

25 January 2010

Calm before the storm

The generally as-expected tone of recent data suggests we won't see a significant change in language from the RBNZ in Thursday's OCR review. But reading between the lines, the RBNZ have a tremendous amount of work to do over the foreseeable future.

Consumer prices fell 0.2% in the December quarter, with base effects taking the annual inflation rate up to 2.0%. This was a little weaker than we expected, but right in line with the RBNZ's forecasts. The major contributor was a 2.4% fall in food prices, with fruit and vegetable prices reversing a winter spike that was due to poor growing conditions.

Non-tradables inflation – the component that was stubbornly persistent through much of the last decade – was a touch softer than the RBNZ expected, with a rise of just 0.1%. Annual non-tradables inflation fell to 2.3%, the lowest it has been since 2001. The recession that ended in mid-2009 has definitely reduced domestic inflation, with the maximum effect felt in Q4 last year.

There was one important exception to this theme. Inflation in the "home ownership" category, which reflects the cost of building a new house, accelerated to 0.4% from 0.1%, instead of falling to zero as we expected. That's important as the persistence of construction-cost inflation was a key driver of inflation in the last economic cycle. We expect construction cost inflation to ramp up again in 2010, as the residential building industry recovers.

As we noted last week, if the inflation figures met the RBNZ's expectations, they would feel comfortable with reiterating their call for a mid-2010 start to the tightening cycle, making our previous pick for a March hike unrealistic. Accordingly, we have shifted our expected timing for the first move to a 25bp hike in April.

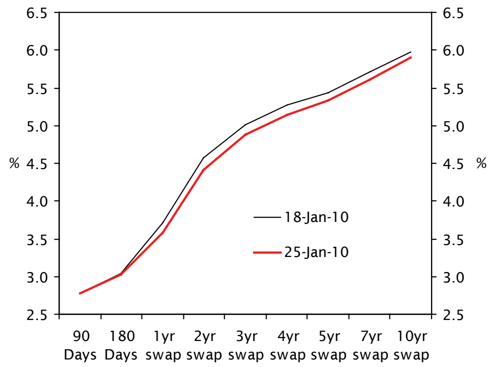
The remaining data over the last week has provided mixed signals. Retail spending rose 0.8% in November, confirming a continuation of the consumer recovery that was evident in Q3. If anything the November figures may understate the strength of recovery – car sales were down for the month, which we regard as a blip within the strong upward trend that has been evident since mid-2009. Consumers' actions are now clearly matching the confidence they are expressing in surveys – speaking of which, the Roy Morgan survey for January showed consumer confidence at its highest level in nearly three years.

Weighed against this is evidence that the housing market is starting to cool in response to higher long-term mortgage rates. REINZ figures show that seasonally adjusted sales fell 15% in the last three months of 2009, and extremely weak loan approvals so far in January suggest another slow month for sales. The RBNZ's December forecast of further housing strength in the early part of this year may be – for a change – on the optimistic side.

Turning to the OCR review on Thursday, with recent data falling broadly in line with the RBNZ's expectations, we don't expect any significant changes in the language of their one-page media release. They will note that the economic recovery both here and offshore is progressing, though with some lingering uncertainties around its sustainability. We expect they will repeat their expectation for the tightening cycle to kick off from around the middle of the year.

We should point out, though, that this kind of language doesn't give a sense of the full force of the message contained in the December *Monetary Policy Statement*. Policy settings have to be normalised over the next couple of years: activity is recovering, spare capacity is starting to be

NZ Interest Rates



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

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mopped up, and inflation has only fallen to around the middle of the 1-3% target range. Even with the larger than usual wedge between the OCR and market rates, short-term interest rates are a long way from what could be considered 'normal'.

In the December *MPS* the RBNZ projected 90-day rates to reach 5.6% by early 2012 (and probably higher beyond that). That implies around 250bps or more of relentless tightening over the next couple of years. In the time that the RBNZ have been publishing interest rate projections, they have never had to project such a steep tightening profile. And when they have signalled the need for a prolonged tightening cycle, they've started it straight away – not six months down the track.

So why would the RBNZ be willing to delay the mammoth task that they recognise is ahead of them? It may be they're not entirely convinced about their own forecasts (for example, it's notable that their GDP growth forecasts are well above everyone else in the market except us). If that's the case, then another few months of 'on-expectations' data may be enough to dispel their lingering doubts, leaving them more comfortable to adopt a hawkish stance.

We think the RBNZ will be looking to kick off rate hikes in April, which would (just) qualify as "around the middle of 2010". They will want to give a clear signal before the first move, and that signal is more likely to come in the March *MPS* – with the benefit of another month or two of data and a full set of forecasts highlighting the strength of the recovery – than in the one-page statement on Thursday. From April onward, we are assuming a 25bp hike at each review until rates are returned to more normal levels. If the RBNZ find themselves falling behind, we wouldn't rule out a couple of 50bp moves along the way – just not as their opening gambit.

Fixed vs. floating: The growing prospect of OCR hikes in the first half of the year will eventually flow through to short-term fixed rates, which have only seen small increases to date and remain at historically low levels. As a result we could see more borrowers moving to fix at the favourable rates still on offer – and the experience of March/April last year shows that these types of flows can put a great deal of upward pressure on mortgage rates. With floating and one-year fixed rates around similar levels, there may not seem to be much advantage in fixing right now, but those who wait until they see the whites of the RBNZ's eyes before fixing are likely to face much less attractive options. Repaying more than the minimum amount and spreading the loan over a mix of terms can help to reduce overall risk regarding uncertain future interest rate changes.

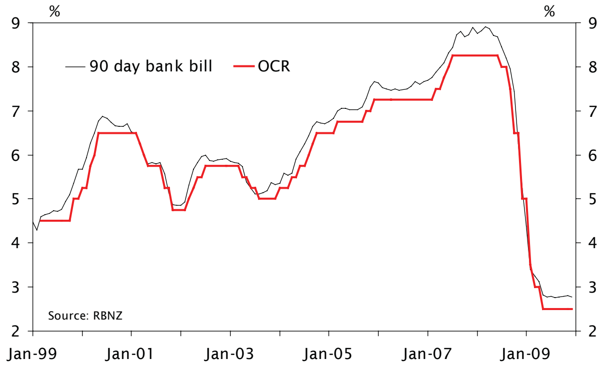
Key Data Previews

NZ RBNZ OCR review

Jan 28, Last: 2.50%, WBC f/c: 2.50%, Mkt f/c: 2.50%

- The RBNZ will reiterate that they expect the tightening cycle to begin around the middle of this year.
- Recent economic data has been broadly in line with the RBNZ's December forecasts, although consumers are proving to be more responsive to a resurgent housing market than the RBNZ hoped.
- The timing of the first hike is less significant than the extent of tightening required in the next couple of years. The economy has clearly moved into a recovery phase and short-term interest rates are a long way from normal.

NZ OCR and 90 day rate

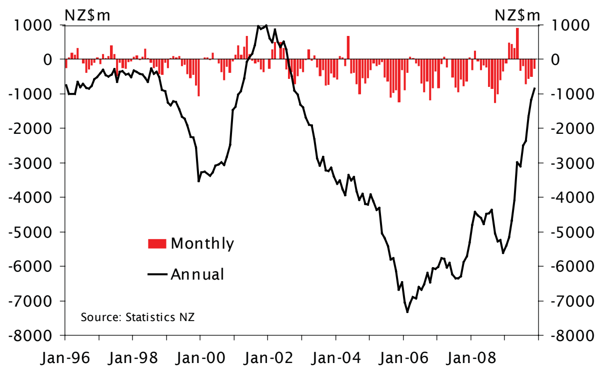


NZ Dec merchandise trade NZDm

Jan 29, Last: –269, WBC f/c: –170

- The merchandise trade balance ran high for the whole of 2009. Although exports were weak, imports were much weaker. However, over the year imports have been growing more rapidly than exports, meaning the balance has been slipping back towards deficit.
- For December, a dip in car imports will interrupt the strong import theme for a month. Meanwhile, the huge rise in dairy prices over 2009 should finally be reflected in export receipts.
- The deficit we are forecasting is small – in fact, it is the smallest December deficit since 2001.

NZ merchandise trade balance

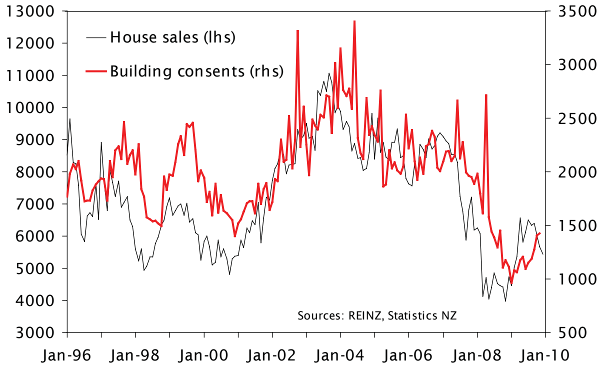


NZ Dec building consents s.a.

Jan 29, Last: 1.2%, WBC f/c: 4.0%

- Dwelling consent issuance has picked up pace in recent months, reflecting an improving housing market and better credit conditions.
- We expect a 4% increase in dwelling consents this month, as ex-apartment consents maintain a solid upward trend. Apartment consents remain the wildcard. We have factored in 85 apartment consents in Dec (average over the past six months), but a lower/higher outturn risks a softer/stronger outcome.
- Non-residential consents continue to be weak, reflecting poor profitability and still ample spare capacity following the recession. We do not anticipate a sustained pick up in non-residential investment until mid-2010.

NZ housing activity

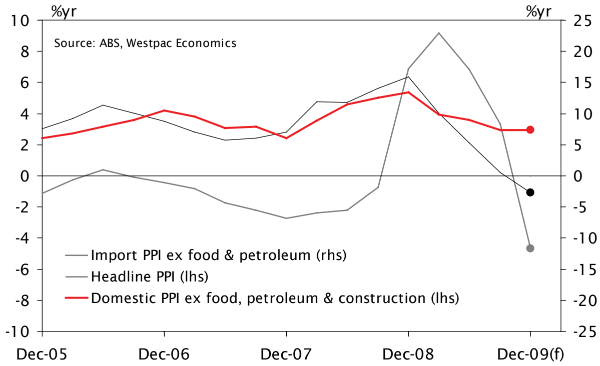


Aus Q4 PPI

Jan 25, Last: 0.1%, WBC f/c: 0.0%, Mkt f/c: 0.1%, Range: –0.5% to 0.7%

- The Q3 PPI was weak at 0.1%qtr, 0.2%yr. Non-core items added 0.27ppts to the qtrly rate (food +0.8%, petroleum +5.9%). Core import prices fell 5.7% with the AUD import weighted TWI up 6.6%, combining with weakness in the domestic core ex-construction and utilities (–0.5%), and flat building construction prices to give a weak total core PPI of –0.2%, despite a seasonal 12.2% spike in utilities.
- The core PPI is f/c to remain weak in Q4 at –0.1%qtr. While we f/c a 0.9% rise in the domestic core ex-construction and utilities with stronger demand, and higher building prices (+0.5%), utilities seasonally revert to stability (+0.1%) and we expect another offsetting fall in core import prices (–4.7%) from the higher AUD (+6.6%). Food prices (+0.8%) and petroleum (–0.4%) give a small net addition, allowing the total PPI to be flat %qtr, cutting the annual rate to –1.1%yr.

PPI: firm domestic core, but core M weak

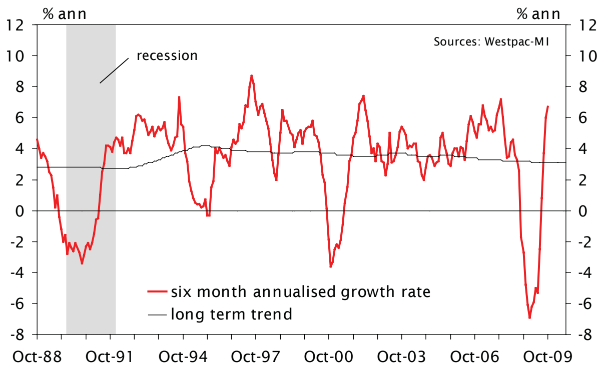


Aus Nov Westpac–MI Leading Index

Jan 27, Last: 6.7% annualised

- The annualised growth rate of the *Westpac–Melbourne Institute Leading Index*, which indicates the likely pace of economic activity three to nine months into the future, continued to surge in October, rising to 6.7%, well above its long term trend of 3.1%. The extraordinary rebound – the index was contracting at a –5.3% annual pace in May – is easily the fastest turnaround since the mid 1970's.
- All monthly components improved in November. Equity markets regained ground, the ASX rising 1.3% after slipping 2.1% in October; dwelling approvals surged strongly, up 5.9% after a 1.8% fall previously; and although the money supply continued to contract, the pace of decline moderated slightly. US industrial production rose 0.6%, a fourth successive monthly rise and a step up on the 0.2% gain in October.

Westpac-MI Leading Index

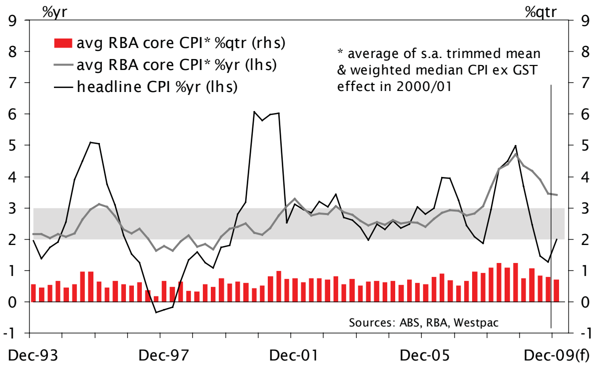


Aus Q4 CPI

Jan 27, Last: 1.0%, WBC f/c: 0.4%. Mkt f/c: 0.4%, Range: 0.0% to 0.7%

- Our Q4 headline CPI f/c is weaker than Q3, but sees the annual rate rise to 2.0% from 1.3%. Lowering the qtrly rate are rents (f/c 1.1% v 1.2%), a 3.4% fall in petrol (–0.13ppt cont), pharmaceuticals (f/c –5.2%, PBS effect), and weakness in discretionary items (AV & PC, h/hld goods, clothing & footwear) from deeper pre-Xmas discounting than usual. Preventing a greater slowing are depo and loan facilities (f/c 3.0%), stronger house purchase costs (f/c 1.3% v 1.1% with FHOB cut $7k), domestic holidays (airfares up) and a food rebound.
- Our avg RBA underlying CPI f/c is 0.7%qtr, 3.4%yr (vs 0.8%qtr, 3.5%yr prev), reduced by pre-Xmas sales, petrol and rents. The slowing is tempered by higher house purchase inflation and strong sadj rises in areas that spiked in raw terms in Q3 and Q1 (property rates, utilities and education). Downside risk is limited to 0.6%qtr, requiring a surprise +0.4% or lower for D&L facilities.

Inflation: sticky core CPI, higher annual h/l

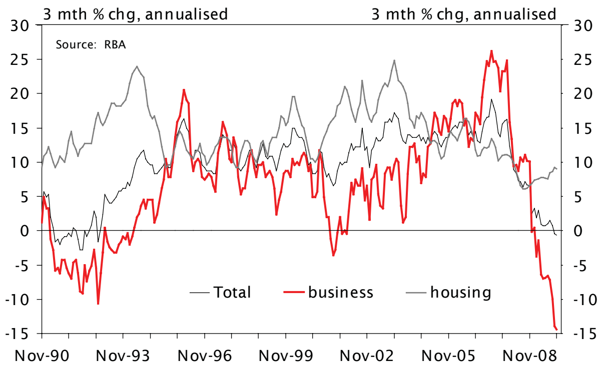


Aus Dec private sector credit

Jan 29, Last: 0.1%, WBC f/c: 0.1%, Mkt f/c: 0.1%, Range: 0.0% to 0.3%

- Credit growth was anaemic in 2009 as business responded to weaker profitability, looked to strengthen balance sheets and raised funds via the equity market. Annual total credit growth was just 0.8% in November, the weakest since post the 1990s recession. That's down from a peak of 16% through 2007.
- We expect credit to rise by just 0.1% in December, as weakness looks set to persist for a little while longer.
- Business credit (-1.0%mth, -8.2%yr in Nov) will contract further. With business investment to turn the corner in 2010, the rate of decline should moderate at some stage soon.
- Housing credit growth, which has stepped up from the lows of last 2008, was 0.7% in November. While strength in new lending points to a sharper acceleration, households with existing mortgages have paid down debt more quickly.

Credit momentum

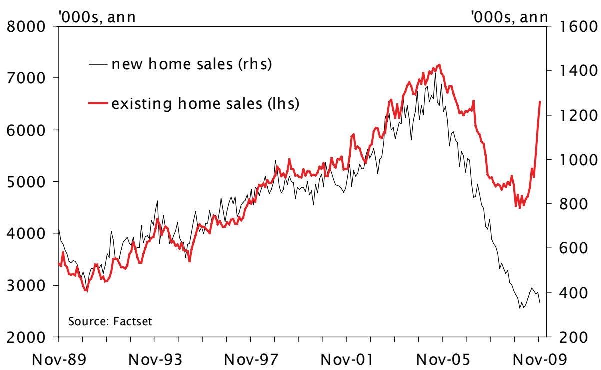


US Dec existing and new home sales

Jan 25, Existing home sales: Last: 7.4%, WBC f/c: –10.0%, Mkt f/c: –9.8%
Jan 27, New home sales: Last: –11.3%, WBC f/c: 7.0%, Mkt f/c: 4.2%

- For nearly six months up until late Q3, US housing was showing signs of strengthening on all indicators: starts, permits, prices, homebuilder sentiment and of course sales of both existing and new dwellings. However over the past month or two, most sector indicators have lost momentum, including sentiment, new sales and starts, though permits remain solid.
- Existing home sales reflect transactions agreed months prior, but the 17% collapse in pending home sales in Nov warns of an imminent fall in existing home sales, 10 ppts of which we expect to show up in Dec.
- New home sales tend to be volatile (and revisions can be severe), but given the scale of the weakness in recent starts and pending home sales figures, we suspect the Dec bounce won't fully recover the Nov loss, hence our 7% forecast rise.

US housing sales

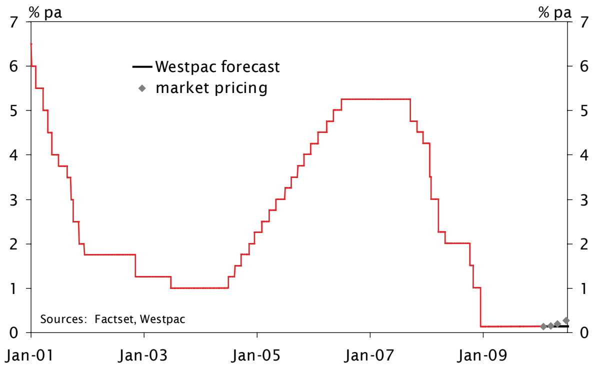


US FOMC rate decision

Jan 27, Last: 0-0.25%, WBC f/c: 0-0.25%, Mkt f/c: 0-0.25%

- Rates were left on hold at 0-0.25% at the Dec 16 window and the committee assessed once again that "economic conditions... are likely to warrant exceptionally low levels of the federal funds rate for an extended period."
- Also in the statement there was a modestly upgraded economic assessment (previously business was "cutting back on staffing", now it is "reluctant" to hire) and renewed emphasis that with financial markets freeing up, the special measures to maintain liquidity will be gradually withdrawn from early 2010.
- Not too much has changed since the Dec meeting. Housing and jobs data have, if anything, been a bit softer, though expectations regarding Q4 GDP growth have firmed into the 4-5% annualised range (data due 2 days after the FOMC). We expect another on hold outcome and similar statement.

Fed funds target rate

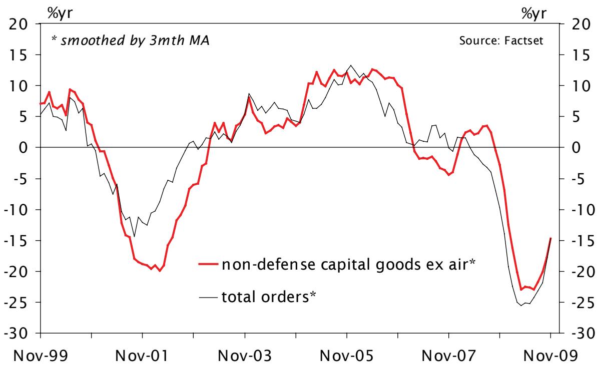


US Dec durable goods orders to post a stronger gain

Jan 28, Last: 0.2%, WBC f/c: 2.5%, Mkt f/c: 2.0%

- Durable goods orders have see-sawed of late, with the dips in June and August mostly due to volatility in the lumpy civilian aircraft component. However Oct's 0.6% fall was despite a 39% jump in aircraft orders, and reflected a fall in core capital goods orders and defence, whereas in Nov, those two categories bounced delivering a 0.2% orders rise despite a 33% fall in aircraft orders.
- Dec orders are forecast to post the first back to back gain since April-May. Dec ISM factory orders rose to a new cycle high above 65; Dec industrial production recorded gains in the key business equipment and machinery categories; and Boeing Dec data revealed a 500+% jump (59 orders vs just 9 in Nov).
- These factors point to decent 2.5% gain; the gains in defence and core capital goods in Nov might prevent a bigger bounce.

US durable goods orders

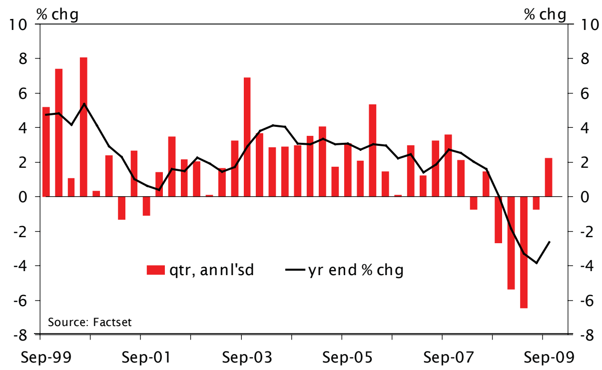


US Q4 GDP advance % ann'lsd

Jan 29, Last: 2.2%, WBC f/c: 4.0%, Mkt f/c: 4.6%

- The US economy bounced out of recession in Q3 although the advance 3.5% estimate has been revised back to 2.2%, within a whisker of Westpac's 2.3% forecast back in Oct. Consumer spending (much on autos) accounted for two thirds of growth, slower inventory rundown one third. Housing and govt gains were offset by declining business investment and net exports.
- We expect growth accelerated further to 4% annualised in Q4. By far the biggest contribution will come from inventories, which partial data suggest were not run down at all in the quarter, enough to explain the full 4 ppts of growth. Elsewhere, slower growth in consumer spending, housing and government will be offset by smaller drags from business and net exports.
- Q4's reliance on inventory building and the tail end of fiscal stimulus will rightly call into question the sustainability of growth later in 2010, when we expect renewed GDP declines.

US GDP growth

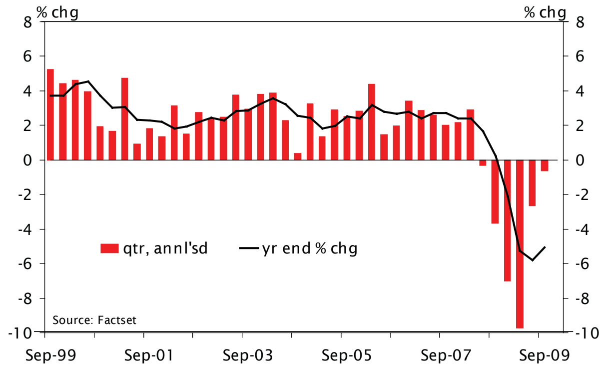


UK Q4 GDP advance

Jan 26, Last: –0.2%, WBC f/c: 0.2%, Mkt f/c: 0.4%

- The jury is till out on whether the UK economy remained in recession in Q4 2009. Q3's GDP contraction was progressively revised from –0.4% to –0.3% to –0.2% in late 2009, somewhat undermining the prospect of a Q4 bounce, but Westpac is still cautiously forecasting a 0.2% rise in Q4 GDP.
- However spending to beat the restoration of the 17.5% VAT rate in early January will be part of that growth story, which could mean the economy stalls again in early 2010.
- Certainly, after elections which must be held by May, the incoming government will be under considerable pressure to tighten fiscal policy and that will weigh against the economy in the second half of 2010, offsetting any benefit from the weaker pound. The UK economy shrank almost 5% in 2009 and is forecast to grow less than half a per cent in 2010.

UK GDP growth



Key Data and Events

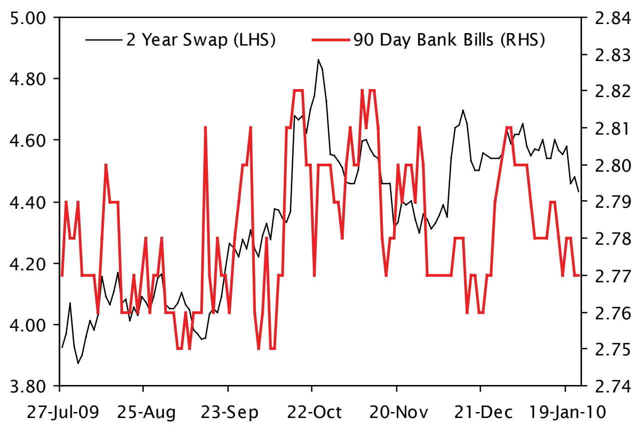
		Last	Market Median	Westpac Forecast	Comments
Mon 25 Jan					
NZ	Wellington Anniversary Day	–	–	–	Public holiday. Although markets remain open.
Aus	Q4 PPI %qtr	0.1%	0.1%	0.0%	Bounce in domestic core, higher construction, offset by weak M core.
US	Dec Existing Home Sales	7.4%	-9.8%	-10.0%	Pending home sales collapse in Nov to show up here in Dec-Jan.
	Jan Dallas Fed Factory Index	3.8	6.0	6.0	Last survey to rise >0 so may not reflect recent NY/Richmond jitters yet.
Ger	Feb GfK Consumer Confidence	3.3	3.1	–	Labelled Feb but surveyed early Jan.
Tue 26 Jan					
NZ	Dec Credit Card Transactions	0.8%	–	–	Expect evidence of consumer recovery.
Aus	Australia Day	–	–	–	Public holiday. Markets closed.
US	Nov House Prices %yr	-7.3%	-5.0%	–	S&P-Case Shiller index for 20 cities.
	Jan Conf Brd Consumer Confidence	52.9	53.5	52.0	Confidence on this measure has stalled since May last year.
	Nov House Prices	0.6%	0.1%	–	Lesser watched FHFA series.
	Jan Richmond Fed Factory Index	-4	0	0	Turned negative in Dec after 7 months above 0.
Jpn	Bank of Japan Decision	0.10%	0.10%	0.10%	Volatile items improving CPI trends, but core deflation is entrenched.
Eur	Nov Current Account €bn sa	-4.6	–	–	Back into deficit in Sep-Oct after brief return to surplus in Jul-Aug.
Ger	Jan Ifo Business Climate Index	94.7	95.1	95.0	Slower pace of gain on recognition economy losing some momentum.
UK	Jan House Prices %yr	5.9%	7.3%	–	Tentative date (due 26-29/1) for Nationwide index.
	Q4 GDP Advance	-0.2%	0.4%	0.2%	Q4 will confirm recession over though growth drivers temporary.
	Dec Mortgage Approvals	44.7	45.8	–	BBA data, so not comprehensive but includes 12 of 15 largest lenders.
Wed 27 Jan					
Aus	Nov Westpac-MI Leading Index	6.7%	–	–	All monthly components improved in November.
	Q4 Headline CPI %qtr	1.0%	0.4%	0.4%	D&L up, house costs stronger, but petrol fell & deeper pre-Xmas discounting.
	Q4 Avg RBA Underlying CPI %qtr	0.8%	0.6%	0.7%	Qtly slowing tempered by house costs & still strong sadj utilities, education.
US	Dec New Home Sales	-11.3%	4.2%	7.0%	Decent bounce but not enough to recover fully from Nov plunge in sales.
	FOMC Rate Decision	0-0.25%	0-0.25%	0-0.25%	Firmly on hold despite renewed eco growth. See text box.
UK	Jan CBI Distributive Trades Survey	–	–	–	Early guide to impact of VAT hike though survey may include late Dec.
Thu 28 Jan					
NZ	RBNZ OCR Review	2.50%	2.50%	2.50%	On hold for now, but an extended tightening cycle is on the cards.
US	Dec Chicago Fed Nat Activity Idx	-0.32	-0.45	-0.50	Index based on 80 previously published activity indicators.
	Dec Durable Goods Orders	0.2%	2.0%	2.5%	Boeing orders up nearly 800! ISM factory orders index very strong.
	Initial Jobless Claims w/e 23/1	482k	450k	450k	Latest jump due to catch-up from weather, holiday-delayed claims.
Jpn	Dec Retail Sales %yr	-1.0%	0.3%	–	Income levels are down on a year ago, dragging spending lower.
Eur	Jan Business Climate Index	-1.22	-1.10	–	In contrast to some of the private sector surveys of confidence, and the
	Jan Consumer Confidence	-16	-15	–	recent hard activity data flow which points to slower economic
	Jan Economic Confidence	91.3	92.3	–	growth in Q4, these surveys have continued to improve uninterrupted.
Ger	Jan CPI %yr	0.8%	1.0%	1.0%	Base effects add 0.5 ppts but Jan CPI to fall 0.3 %.
	Jan Unemployment chg	-3k	15k	–	Short-working scheme and statistical issues driving apparent falls.
Fri 29 Jan					
NZ	Dec Merchandise Trade NZDm	-269	-100	-170	Smallest December deficit since 2001.
	Dec Building Consents s.a.	1.2%	3.0%	4.0%	Upward trend becoming more entrenched.
Aus	Dec Private Credit	0.1%	0.1%	0.1%	Anaemic (up just 0.8%yr in Nov) as business credit contracts (-8%yr).
US	Q4 GDP % annualised	2.2%	4.6%	4.0%	Big cont'n from inventories but consumer/housing spending slower.
	Q4 Employment Cost Index	0.4%	0.4%	0.4%	Weak job market keeping downward pressure on employment costs.
	Jan Chicago PMI	58.7	57.4	55.0	NY/Richmond surveys suggest some downside risk.
	Jan Milwaukee NAPM	52.0	–	–	One of the lesser watched PMIs.
	Fedspeak	–	–	–	Fed vice-chair Kohn on interest rate exposure.
Jpn	Dec Unemployment Rate	5.2%	5.3%	–	Participation down, retirees outnumber new entrants.
	Dec Nationwide CPI %yr	-1.9%	-1.7%	–	Headline will improve on volatile items, core deflation to be sticky.
	Dec Industrial Production	2.2%	2.5%	–	What lies beyond fiscal stimulus and inventory adjustment?
	Dec Household Spending %yr	2.2%	1.6%	–	Real measure. Some evidence of consumption smoothing via savings.
	Jan Nomura PMI	53.8	–	–	Will be the first to indicate inventory rebalancing is over.
Eur	Dec Money Supply M3 %yr	-0.2%	-0.5%	–	Nov saw first ever annual contraction in M3 growth.
	Dec Unemployment Rate %	10.0%	10.1%	10.0%	European and US jobless rates are both exactly on 10%!
	Jan CPI Flash %yr	0.9%	1.2%	1.3%	Base effects will add 0.8 ppts but CPI usually falls in Jan.
UK	Jan GfK Consumer Confidence	-19	-18	–	Confidence partially unwound recent gains in Nov-Dec.
Can	Dec Industrial Product Prices	1.0%	0.5%	–	Nov gain reversed declines in Sep-Oct.
	Nov GDP	0.2%	0.3%	–	Sep-Oct saw first back to back gains since late 2007.

New Zealand Economic and Financial Forecasts

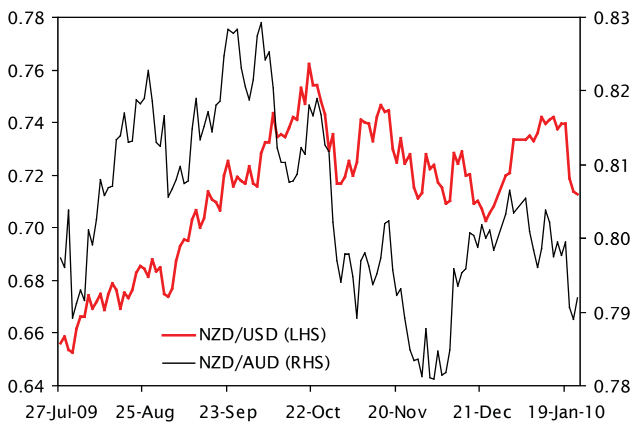
Economic Growth Forecasts	March years				Calendar years			
% change	2008	2009	2010f	2011f	2008	2009f	2010f	2011f
GDP (Production) ann avg	2.9	-1.4	-0.1	4.1	-0.1	-1.4	3.7	4.3
Employment	-0.3	0.7	-0.9	2.1	0.9	-2.2	1.1	2.1
Unemployment Rate % s.a.	3.8	5.0	6.7	5.1	4.7	6.7	6.1	5.3
CPI	3.4	3.0	2.3	3.0	3.4	2.0	2.7	2.9
Current Account Balance % of GDP	-7.8	-7.9	-2.1	-5.1	-8.7	-2.1	-4.8	-5.1

Financial Forecasts	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11
Cash	2.50	3.00	3.50	4.00	4.50	5.00	5.50
90 Day bill	2.90	3.40	4.00	4.50	5.00	5.50	6.00
2 Year Swap	5.10	5.40	5.70	5.90	6.10	6.20	6.20
5 Year Swap	6.00	6.10	6.20	6.30	6.40	6.50	6.50
10 Year Bond	6.10	6.20	6.30	6.30	6.40	6.50	6.50
NZD/USD	0.77	0.73	0.76	0.78	0.77	0.75	0.72
NZD/AUD	0.80	0.81	0.82	0.82	0.83	0.83	0.84
NZD/JPY	67.8	67.9	73.0	78.0	81.6	81.8	80.6
NZD/EUR	0.51	0.50	0.51	0.52	0.52	0.51	0.49
NZD/GBP	0.43	0.42	0.42	0.43	0.43	0.40	0.38
TWI	67.4	65.9	67.9	69.6	70.2	69.0	67.0

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 25 January 2010

Interest Rates	Current	Two Weeks Ago	One Month Ago
Cash	2.50%	2.50%	2.50%
30 Days	2.73%	2.73%	2.72%
60 Days	2.77%	2.75%	2.74%
90 Days	2.78%	2.78%	2.79%
2 Year Swap	4.42%	4.60%	4.54%
5 Year Swap	5.33%	5.55%	5.52%

NZ foreign currency midrates as at Monday 25 January 2010

Exchange Rates	Current	Two Weeks Ago	One Month Ago
NZD/USD	0.7120	0.7421	0.7082
NZD/EUR	0.5033	0.5112	0.4921
NZD/GBP	0.4423	0.4604	0.4425
NZD/JPY	64.200	68.330	64.860
NZD/AUD	0.7883	0.7986	0.7984
TWI	64.960	68.330	64.730

Economic and Financial Forecasts

Economic Forecasts (Calendar Years)	2005	2006	2007	2008	2009e	2010f	2011f
Australia							
Real GDP % yr	2.8	2.9	4.0	2.4	1.0	3.0	3.2
CPI inflation % annual	2.8	3.3	3.0	3.7	2.0	2.2	2.7
Unemployment %	5.1	4.8	4.4	4.3	5.6	6.0	5.9
Current Account % GDP	-5.8	-5.3	-6.3	-4.6	-4.1	-5.1	-5.4
United States							
Real GDP %yr	3.1	2.7	2.1	0.4	-2.5	1.5	3.1
Consumer Prices %yr	3.4	3.2	2.9	3.8	-0.5	1.3	2.4
Unemployment Rate %	5.1	4.6	5.8	5.8	9.3	10.7	10.6
Current Account %GDP	-6.1	-6.0	-5.3	-4.9	-3.0	-2.6	-1.8
Japan							
Real GDP %yr	1.9	2.8	2.2	-0.9	-5.8	1.6	1.8
Consumer Prices %yr	-0.3	0.2	0.1	1.4	-1.2	-0.7	0.3
Unemployment Rate %	4.4	4.1	3.9	4.0	5.1	5.3	5.2
Current Account %GDP	3.6	3.9	4.8	3.2	2.6	3.1	3.9
Euroland							
Real GDP %yr	1.7	2.9	2.7	0.6	-4.0	0.6	1.2
Consumer Prices %yr	2.5	2.0	3.1	1.6	0.3	0.7	1.2
Unemployment Rate %	8.8	7.9	7.3	7.8	10.0	11.5	10.8
Current Account %GDP	-0.2	-0.5	0.0	-0.2	0.0	0.4	0.4
United Kingdom							
Real GDP %yr	2.2	2.9	2.6	0.7	-4.7	0.4	1.2
Consumer Prices %yr	2.1	3.0	2.1	3.5	1.5	2.8	1.5
Unemployment Rate %	2.8	3.0	2.5	3.1	5.5	7.0	7.3
Current Account %GDP	-2.6	-3.0	-2.8	-2.3	-3.0	-3.0	-2.0

Forecasts finalised 9 December 2009

Interest Rate Forecasts	Latest (Jan 25)	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11
Australia						
Cash	3.75	4.00	4.50	4.50	4.50	4.75
90 Day Bill	4.25	4.30	4.70	4.60	4.75	5.00
10 Year Bond	5.44	5.70	6.20	6.50	6.50	6.50
International						
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	3.61	3.20	3.75	4.25	4.50	5.00
ECB Repo Rate	1.00	1.00	1.00	1.00	1.25	2.00

Exchange Rate Forecasts	Latest (Jan 25)	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11
AUD/USD	0.9032	0.96	0.90	0.93	0.95	0.93
USD/JPY	90.18	88	93	96	100	106
EUR/USD	1.4148	1.51	1.47	1.50	1.51	1.47
AUD/NZD	1.2685	1.25	1.23	1.22	1.22	1.21