

Weekly Commentary

A weekly outlook for New Zealand, Australia and US markets

27 July 2009

Out of the frying pan

RBNZ Governor Bollard's speech on 14 July, simply titled "Economic Recovery", gives a clear indication of what to expect from Thursday's OCR review.

Compared to the June *Monetary Policy Statement*, the RBNZ appears more confident that the global economy is stabilising and that New Zealand is entering the recovery phase; the main question now is what form the recovery will take. But with the prospect of recovery comes a growing concern that households could revert to their previous 'borrow and spend' ways – and keeping interest rates too low for too long would clearly fuel that risk.

The change in the world growth outlook is perhaps the most significant factor for the RBNZ. Consensus Forecasts for growth in New Zealand's trading partners have been revised up in the last two months to -2.1% for 2009 and 2.2% for 2010, an increase of 0.2% for each year. That's a modest improvement so far, and still points to weak activity over the next couple of years. But it's increasingly likely that the 'Depression Mark II' scenario that was feared earlier this year has been avoided.

In recent statements the RBNZ have made a point of undercutting Consensus forecasts, partly on the expectation that there would be further downward revisions closer to the date; their June projections assumed growth of -2.6% this year and 1.4% next year. But the gap versus Consensus is now widening, and the risk is that the RBNZ will need to make a significant leap to catch up. The tone of Dr Bollard's speech certainly suggests a

more positive view on the world economy compared to June.

Locally, the data continues to suggest a gradual recovery. Consumer and business confidence have held their recent gains, retail spending has been a little stronger (though probably less so in terms of volumes), house sales are running at a stronger pace than a year ago and prices have stabilised. These factors have all been underpinned by low interest rates and stronger net inward migration. Notwithstanding the unknown impact of H1N1 influenza (which both we and the RBNZ assume will be small), we expect the economy to return to mildly positive growth in the current quarter.

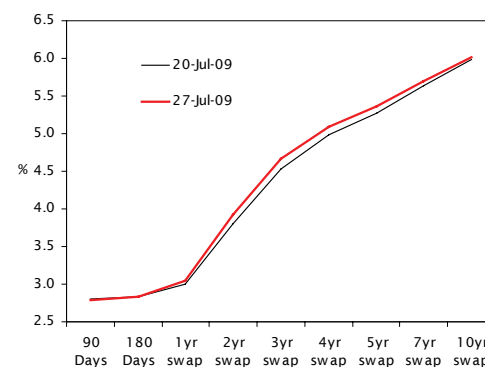
On the downside, the New Zealand dollar remains at unhelpfully high levels. The trade-weighted index is tracking about 5% higher than the RBNZ's June projections, although the RBNZ did accept that there was likely to be some short-term strength, before the market began to focus again on New Zealand's large external financing requirements. And at the risk of reading too much into Dr Bollard's speech, the RBNZ's concern now seems to be that the stronger currency could cause the recovery to be lopsided, rather than stifling it altogether as suggested in earlier statements.

The RBNZ's view in June was that households will continue to borrow less and save more in order to strengthen their balance sheets. But they also offered an alternative scenario, in which households resume borrowing and spending,

spurred on by rising house prices, while a stronger NZD depresses the export sector. In the longer term, international investors could demand higher interest rates in order to keep funding NZ's spending spree. The focus in Dr Bollard's speech on improving domestic savings behaviour suggests that this 'alternative' scenario is increasingly becoming a central concern.

But there's an implicit assumption here: that households will have an incentive to return to their 'borrow and spend' ways as the economy recovers. Renewed house price inflation and falling savings rates would be a sure sign that interest rates are too low – which is clearly something that the RBNZ could remedy. Indeed, we think that Dr Bollard's speech was the first step in preparing the market for the unpleasant fact that one way or another – whether it's through OCR hikes, greater use of prudential regulation, or market forces – interest rates are going to be higher in coming years.

NZ Interest Rates



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

Westpac

But that’s an issue for the longer term. For now, the RBNZ’s focus is on supporting the economy through a period of weak activity, and with inflation pressures muted, there’s no urgency to hike rates any time soon. But with the downside risks to the economy diminishing, we expect this week’s statement to drop the line that “the OCR could still move modestly lower over the coming quarters” – no great sacrifice, since the RBNZ’s 90-day rate projections in June already implied no further cuts as their central view, and market pricing implies only a 15% chance of another cut in this cycle.

That leaves the RBNZ’s expectation that they will “keep the OCR at or below current levels until the latter part of 2010”. If the pace of the global recovery

continues to surprise the RBNZ in coming months, that expectation could soon become untenable. But we think they will retain this statement for now (without the “or below”), as they may be concerned that ditching it so soon could elicit a sharp jump in interest rates and the exchange rate.

The local data calendar gets busy ahead of Thursday’s OCR review. We expect the June trade balance (Tues) to remain in surplus, though less impressively than in recent months, due to softer dairy export prices and a gradual pickup in import demand. Building consents (Wed) may be lower in June, due to the volatile apartment component, but we expect the trend to improve over this year as rising net migration exacerbates an emerging

shortage of housing. Finally, business confidence (Wed) is expected to remain close to its recent highs, with most sectors (aside from agriculture) reporting early signs of stabilisation in recent months.

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.

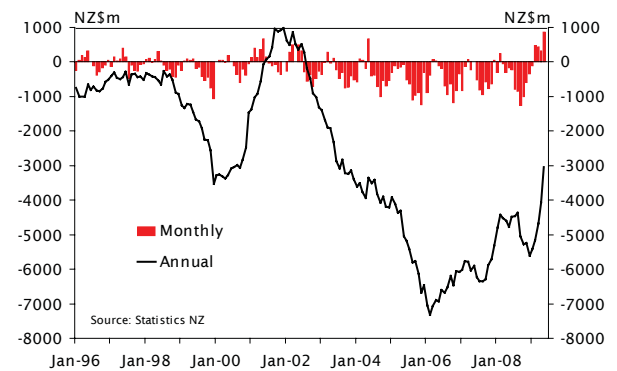
Key Data Previews

NZ Jun merchandise trade NZDm

Jul 28, Last: 859, WBC f/c: 200, Mkt f/c: 215

- The merchandise trade balance has moved aggressively into positive territory over the past few months. Expenditure on imports has plunged as demand for consumer durables, especially cars, has dried up. By contrast, export receipts have held up as commodity prices have ceased declining, and local production conditions have been solid.
- We predict the first June surplus since 2002. The predicted surplus is not as strong as recent months, even after allowing for seasonal factors. Rising retail sales suggests consumer imports will be recovering, and car imports have lifted off their base.
- On the export side, international dairy prices fell in June, and the higher exchange rate will have reduced NZD-denominated returns for many exporters.

NZ merchandise trade balance

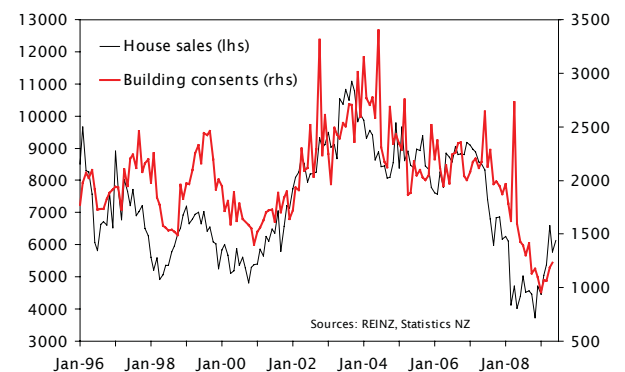


NZ Jun building consents s.a.

Jul 29, Last: 3.5%, WBC f/c: -4.6%, Mkt f/c: -5.0%

- Dwelling consents posted another solid gain in May, but with just over 1,200 consents being issued per month, the number of new homes being built is still well below that required to keep pace with population growth.
- As such, we expect a solid lift in ex-apartment consents in June (+4.0%), and see risks to the upside. However, unless consents for the more volatile apartment component keep pace with May (at 275), the overall number of consents is likely to decline.
- The trend in non-residential consents declined for the ninth consecutive month in May, although in unadjusted terms consents growth remains strong, up 35% on a year ago. Business confidence surveys continue to point to weakness in non-residential building over the remainder of this year, but it remains to be seen how much of the slack will be picked up by the government sector.

NZ housing activity (monthly, seasonally adjusted)



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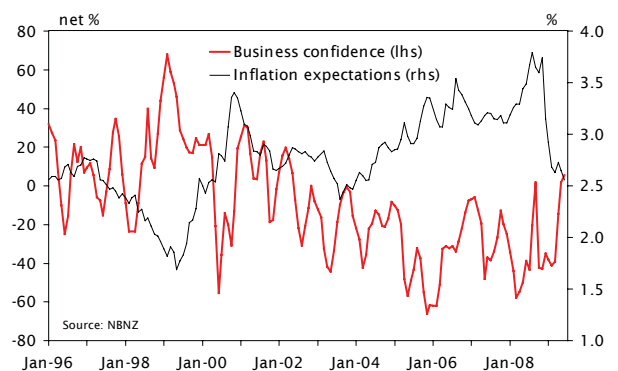


NZ Jul NBNZ business confidence

Jul 29, Last: 5.5%

- Headline confidence improved further in June, reaching a seven-year high. Confidence in the agricultural sector fell on concerns about lower dairy payouts, but all other sectors moved into net positive territory.
- We expect a similar outcome in the July survey. Recent commentary about the dairy industry will have done little to improve sentiment, but retail, manufacturing and services have each shown recent signs of stabilisation. Construction in particular is benefiting from increased housing demand and infrastructure spending.
- The own-activity measure is a useful indicator for current quarter GDP. An unchanged read would be broadly consistent with our forecast of 0.2% growth in Q3.

NBNZ business confidence

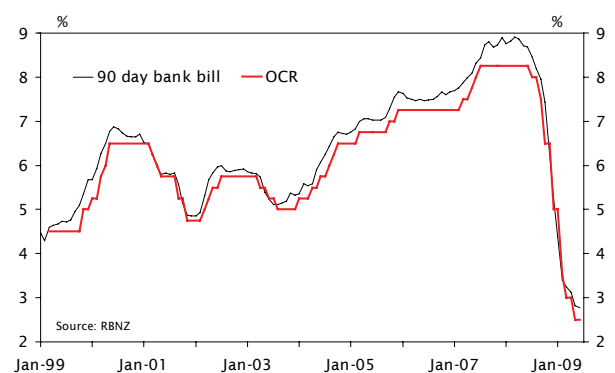


NZ RBNZ OCR review

Jul 30, Last: 2.50%, WBC f/c: 2.50%, Mkt f/c: 2.50%

- The improving outlook for the global and domestic economies means the RBNZ will again leave the OCR unchanged at 2.50% on Thursday.
- The RBNZ is becoming more concerned about a return to debt-driven consumption as the economy recovers, which suggests that they no longer see further interest rate cuts as appropriate.
- While the high NZ dollar remains a bugbear for the RBNZ, recent commentary suggests they now see the risk of a lopsided recovery rather than a stifled one.

NZ OCR and 90 day rate

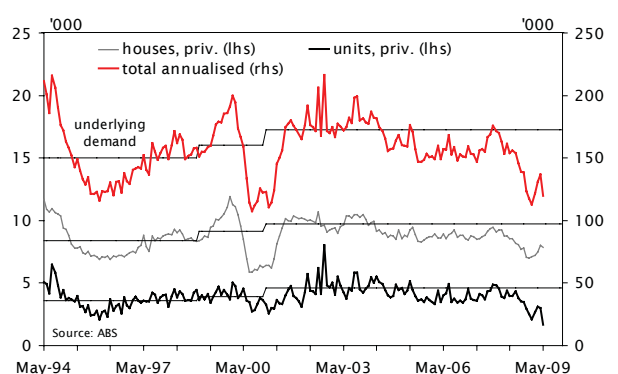


Aus Jun dwelling approvals

Jul 30, Last: -12.5%, WBC f/c: 9.0%, Mkt f/c: 8.0%, Range: 3.0% to 11.5%

- May dwelling approvals were much weaker than expected, dropping 12.5% after a 21% recovery in the previous 3 months. Weakness was mainly in private units (incl apartments), which plunged 43.6%, the biggest fall on records back to 1983. Although this segment is famously volatile the scale of the pull back suggests funding difficulties are again influencing activity. The RBA also noted weakness ex capital cities attributed to weaker demand for holiday units (Gold Coast etc).
- That said, demand for new housing is clearly rising strongly. Finance approvals for the construction & purchase of newly built dwellings are up 60% from mid-2008 lows. We expect this to overwhelm the effects of credit problems in June, with a 9% bounce in approvals forecast. Indeed, there is significant upside risk if the May figure turns out to be mostly a rogue.

Dwelling approvals

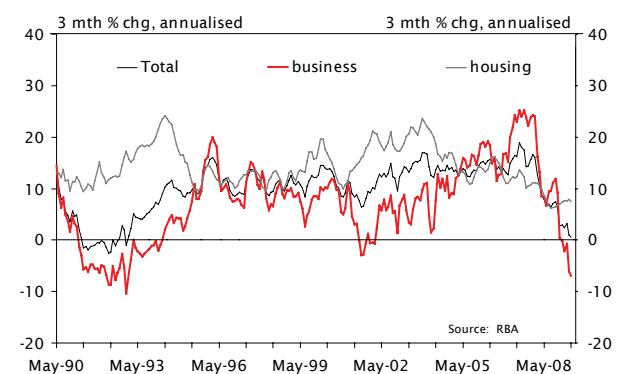


Aus Jun private credit

Jul 31, Last: -0.1%, WBC f/c: flat, Mkt f/c: 0.1%, Range: 0.0% to 0.4%

- Private credit declined fractionally in May as business contracted for a fourth consecutive month and more than offset a 0.5% rise in housing credit.
- The positive is that an upswing in housing finance (new lending) is supporting growth in the stock of housing credit. However, existing mortgage holders paying down debt more quickly is providing an offset.
- Business credit (representing a little less than 40% of total credit) is contracting, declining by 2.3% over the last six months. The downturn has some way to go and we expect a further decline in June. That said, the recent rebound in business confidence is encouraging.

Credit

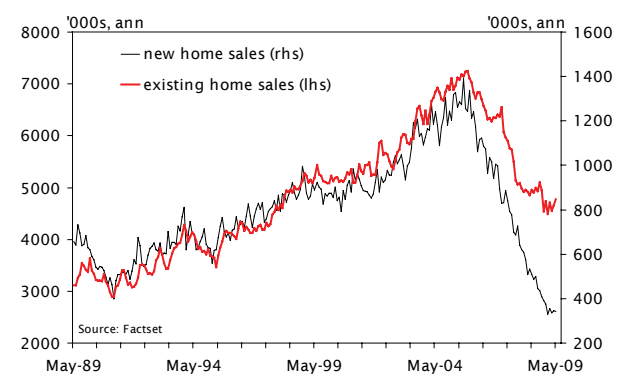


US June new home sales

Jul 27, Last: -0.6%, WBC f/c: 6.0%, Mkt f/c: 2.9%

- Across a range of indicators, the US housing market is showing signs of stirring, after four years of decline (new home sales peaked in July 2005!). The upswing in pending and finalised existing home sales is largely due to the distressed sale of foreclosed properties at knock-down prices, but homebuilder confidence and new housing starts and permits are also moving higher.
- We are particularly impressed that single family home starts have not posted a monthly decline since January, and are up a cumulative 32% over the latest four months. Given the still large glut of unsold new and established dwellings, the risk is that this upswing won't be sustained, but in the short-term at least, it's likely that higher sales have been a driving factor.
- Hence we expect new home sales to jump 6% in June.

US housing sales



US regional factory surveys for July

Jul 27, Dallas Fed: Last: -20, WBC f/c: -10

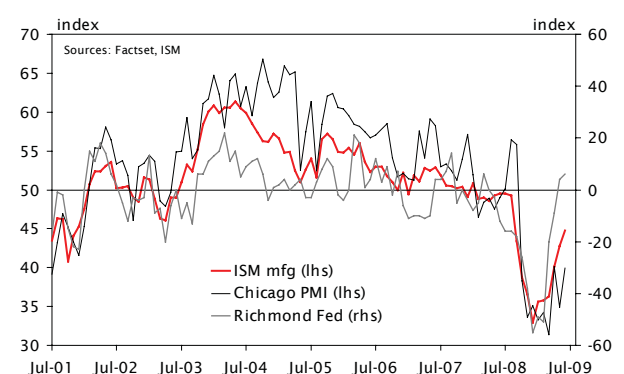
Jul 28, Richmond Fed: Last: 6, WBC f/c: -2

Jul 31, Chicago PMI: Last: 39.9, WBC f/c: 44.0

Jul 31, Milwaukee NAPM: Last: 50, WBC f/c: 48

- These surveys have been a big part of the cliched "green shoots of recovery" story that first emerged in March. The Richmond Fed survey has been in positive territory (>50) for two months running, and the private sector Milwaukee NAPM improved dramatically in March-June, just touching 50. The others have lagged behind somewhat, but all are stronger in trend terms, consistent with a much slower pace of industrial contraction.
- Thus far for July we have seen the New York Fed which rose from -9 to -1 and the Philly Fed which fell from -2 to -8 after soaring 20 pts back in June. These results suggest the other regionals should all keep trending higher, though the strongest two (Richmond and Milwaukee) may temporarily correct lower.

US manufacturing

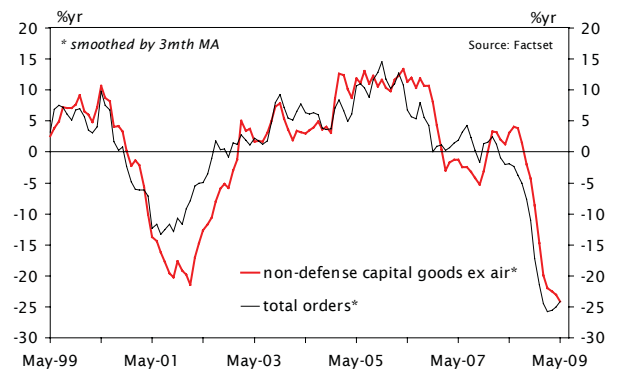


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US June durable goods orders to correct lower

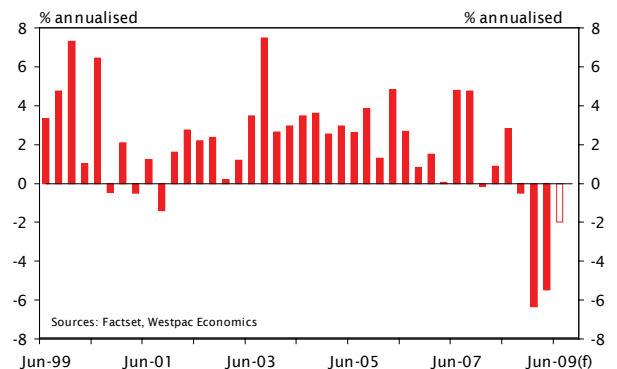
Jul 29, Last: 1.8%, WBC f/c: -1.5%, Mkt f/c: -0.6%

- Durable orders posted back to back 1.8% gains in April-May, the first consecutive rises in orders since mid 2008, adding to the body of evidence pointing to a stabilising economy. Core capital goods orders (i.e. ex defence and aircraft) were especially strong, as were defence orders.
- The prospect of a third straight orders gain in June is not strong, with both core capital goods orders and defence likely to correct lower. The orders component of the factory ISM switched from a gain in May to a fall in June, adding to the case for a correction lower. Also Boeing received 20 orders for new aircraft in both May and June, but those in May were of higher value, adding to the downside risk in the June report.
- Putting all this together we expect June orders to fall 1.5% keeping the recent trend just barely positive.

US durable goods orders**US Q2 GDP advance: slower pace of contraction**

Jul 31, Last: -5.5% annualised, WBC f/c: -2.0%, Mkt f/c: -1.5%

- US GDP plunged at around a 6% annualised pace in Q4 and Q1, but a string of less weak survey and partial data since March has pointed to a much slower pace of contraction in Q2 and, looking ahead, modestly positive growth in Q3 is achievable if recent trends continue.
- We expect a 2% annualised contraction in Q2, driven mainly by a renewed but modest fall in consumer spending; much less steep falls in both housing and business investment; continued inventory rundown (setting up a positive Q3 stocks contribution) but another positive contribution from net exports.
- The Q2 report will also include historic revisions. As the data stand, prior to Q2 there were contractions in the three quarters Q3 2008-Q1 2009, and also Q4 2007, but that profile could change substantially in these once a year revisions.

US GDP growth

Key Data and Events

		Last	Market Median	Westpac Forecast	Comments
Mon 27 Jul					
US	Jun New Home Sales	-0.6%	2.9%	6.0%	Strong housing starts suggest sales of new homes might be firming.
	Jul Dallas Fed Factory Index	-20.4	-11.0	-10.0	Regional Fed surveys improved but mostly still signalling contraction.
	Fedspeak	-	-	-	Fed chair Bernanke on the Lehrer Newshour.
Jpn	Jun Corp. Services Prices %yr	-3.0%	-3.3%	-	Discretionary services demand has collapsed, driving prices lower.
Eur	Jun Money Supply M3 %yr	4.5%	3.5%	4.2%	Decelerating sharply and of clear ongoing concern to the ECB.
Ger	Aug GfK Consumer Confidence	2.9	2.9	-	Surveyed in early Jul but labelled Aug.
UK	Jul House Prices %yr	-8.7%	-	-7.0%	Hometrack index. Base effects favourable, monthly prices higher.
	Jul House Prices %yr	-9.3%	-7.6%	-7.0%	Tentative date for Nationwide index, due 27-31/7.
Tue 28 Jul					
NZ	Jun Merchandise Trade NZDm	859	215	200	A large surplus but not as large as May.
Aus	RBA Governor Stevens Speaking	-	-	-	Topic: "Challenges for Economic Policy", Sydney (1.00PM AEST).
	RBA Asst Gov Edey	-	-	-	Senate hearing on bank funding guarantees, 10am
	Q2 NAB Business Survey	-	-	-	Already have June mthly survey, which showed sharp improvement.
US	May House Prices %yr	-18.1%	-17.9%	-17.7%	S&P Case Shiller index. Prices still falling, at lesser pace than last year.
	Jul Richmond Fed Factory Index	6	8	-2	Richmond out of line with other regional surveys, risks correction lower.
	Fedspeak	-	-	-	Janet Yellen on the economy in Idaho. Also Bernanke on Lehrer again.
UK	Jul CBI Distributive Trades Survey	-17	-	-	Reported sales index. Risk that June supported by warm weather.
Wed 29 Jul					
NZ	Jun Building Consents s.a.	3.5%	-5.0%	-4.6%	Risks to the upside given shortage developing in new dwellings.
	Jul NBNZ Business Confidence	5.5%	-	-	Likely to maintain recent gains; agri soft but construction improving.
US	Jun Durable Goods Orders	1.8%	-0.6%	-1.5%	Defence, core capital goods driven correction lower. ISM orders weaker.
	Fed Beige Book	-	-	-	Regional economic survey prepared ahead of Aug 12 FOMC meeting.
	Fedspeak	-	-	-	NY Fed president Dudley on the economy. Also Bernanke/Lehrer again.
Jpn	Jun Retail Trade %yr	-2.7%	-2.5%	-	Deflation accounts for half the decline, discretionary cutbacks the rest.
	Jul Small Business Confidence	38.0	-	-	As inventory cuts slow at large firms, so pressure on SMEs declines.
UK	Jun Net Consumer Credit £bn	0.3	0.3	0.0	Lenders still cautious about consumer credit.
	Jun Net Mortgage Lending £bn	0.3	0.6	1.0	Some signs of life in the mortgage market.
Thu 30 Jul					
NZ	RBNZ OCR Review	2.50%	2.50%	2.50%	Greater confidence on recovery may see RBNZ drop its easing bias.
Aus	Jun HIA New Home Sales	-5.7%	-	-	Poor guide to apps. Aligned in Jun but with houses weak, units strong.
	Jun Dwelling Approvals	-12.5%	8.0%	9.0%	Finance for construction up 60%. Upside if May proves to be a rogue.
US	Initial Jobless Claims w/e 25/7	554k	580k	580k	Distortion from auto sector layoffs seasonality now correcting higher.
Jpn	Jun Industrial Production	5.7%	2.5%	-	Consecutive months of 5% plus gains - official June proj. is +3.1%.
Eur	Jul Retail PMI	47.5	-	-	Early guide to official retail data.
	Jul Business Climate Indicator	-2.97	-2.83	-2.90	Still deeply negative, but less so than earlier this year.
	Jul Consumer Confidence	-25	-24	-23	European consumers less pessimistic despite ongoing eco woes.
	Jul Economic Confidence	73.3	75.0	75.0	Surveys recovering despite European economy still contracting.
Ger	Jul CPI (Prelim) %yr	0.1%	-0.3%	-0.2%	Base effects turn after July, putting upward pressure on annual rate.
	Jul Unemployment Change	31k	43k	25k	Slump in eco activity will continue to push up joblessness into 2010.
Can	Jun Industrial Product Prices	-1.1%	0.1%	-	Falling again in April-May after stabilising in Q1.
Fri 31 Jul					
Aus	Jun Private Credit	-0.1%	0.1%	flat	Falling business credit offsets boost from housing finance upswing.
	Jul TD-MI Inflation Gauge	0.4%	-	-	Broad based easing of price pressures. Up in June on petrol prices.
US	Q2 GDP Adv % ann'lsd	-5.5%	-1.5%	-2.0%	Economy still contracting but at much slower pace. See text box.
	Q2 Employment Cost Index	0.3%	0.3%	0.4%	Supply and demand: slumping labour market sapping compensation.
	Jul Chicago PMI Factory Index	39.9	43	44	Regional factory surveys are heading back towards neutrality (50);
	Milwaukee NAPM Factory Index	50.0	52	48	for those that are already there, there is risk of correction lower.
Jpn	Jun Unemployment Rate	5.2%	5.3%	-	Labour market in outright distress with jobs-to-apps ratio below a ½.
	Jun National CPI %yr	-1.1%	-1.8%	-	Excess supply of durables plus deflationary base effects on energy.
	Jul Tokyo CPI %yr	-1.5%	-1.7%	-	Deflation well entrenched with goods and services prices both falling.
	Jun Household Spending %yr	0.3%	0.4%	-	Volume series outperforming retail sales, but very volatile.
	Jun Housing Starts %yr	-30.8%	-30.6%	-	Job insecurity and risk aversion the worst of all backdrops for housing.
	Jun Construction Orders	-41.9%	-	-	Yet to show any signs of fiscal stimulus. Private capex heading south.
	Jul Nomura PMI Manufacturing	48.2	-	-	ISM equivalent has highlighted the rapidity of adjustment in manuf.
Eur	Jul CPI Flash %yr	-0.1%	-0.4%	-0.1%	Base effects now begin to add to CPI annual rate.
	Jun Unemployment Rate %	9.5%	9.7%	9.6%	Still rising although German data suggest a little less steeply.
UK	Jul GfK Consumer Confidence	-25	-23	-24	Confidence improving as economy shows signs of bottoming out.
Can	May GDP	-0.1%	-0.3%	-	Has not posted a gain since July last year.

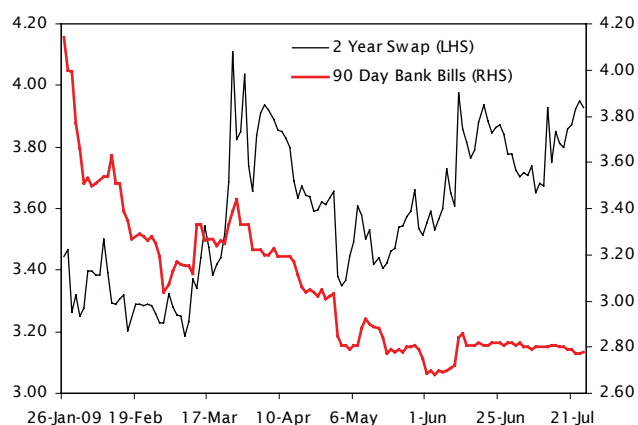
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New Zealand Economic and Financial Forecasts

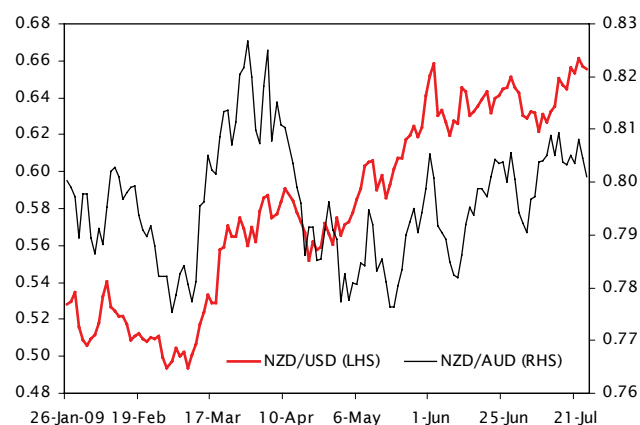
Economic Growth Forecasts	March years				Calendar years			
	2008	2009	2010f	2011f	2008	2009f	2010f	2011f
% change								
GDP (Production) ann avg	3.1	-1.0	-1.2	3.2	0.2	-2.1	2.6	3.6
Employment	-0.3	0.8	-1.5	1.6	0.9	-2.6	1.1	1.7
Unemployment Rate % s.a.	3.8	5.0	6.9	6.4	4.7	6.7	6.5	6.2
CPI	3.4	3.0	2.0	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	0.60	0.59	0.62	0.65	0.68	0.70	0.71
NZD/AUD	0.79	0.80	0.81	0.81	0.83	0.84	0.85
NZD/JPY	55.2	53.1	57.7	62.4	67.3	72.1	75.3
NZD/EUR	0.43	0.43	0.45	0.46	0.47	0.48	0.48
NZD/GBP	0.38	0.37	0.38	0.38	0.39	0.39	0.38
TWI	57.4	56.8	59.0	61.3	63.6	65.6	66.3

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 27 July 2009

Interest Rates	Current	Two Weeks Ago	One Month Ago
Cash	2.50%	2.50%	2.50%
30 Days	2.79%	2.80%	2.78%
60 Days	2.79%	2.80%	2.81%
90 Days	2.79%	2.80%	2.81%
2 Year Swap	3.93%	3.69%	3.84%
5 Year Swap	5.36%	5.16%	5.38%

NZ foreign currency midrates as at Monday 27 July 2009

Exchange Rates	Current	Two Weeks Ago	One Month Ago
NZD/USD	0.6570	0.6325	0.6454
NZD/EUR	0.4618	0.4525	0.4593
NZD/GBP	0.3996	0.3901	0.3906
NZD/JPY	62.260	58.770	61.450
NZD/AUD	0.8028	0.8088	0.8000
TWI	61.440	59.880	60.760

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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	-0.6	1.0
CPI inflation % annual	2.6	2.8	3.3	3.0	3.7	1.8	2.4
Unemployment %	5.4	5.1	4.8	4.4	4.3	6.2	7.9
Current Account % GDP	-6.1	-5.8	-5.3	-6.2	-4.3	-3.9	-5.7
United States							
Real GDP %yr	3.9	3.1	2.8	2.0	1.1	-3.1	1.4
Consumer Prices %yr	2.6	3.4	3.2	2.9	3.8	-1.0	1.0
Unemployment Rate %	5.5	5.1	4.6	4.6	5.8	9.5	11.2
Current Account %GDP	-5.7	-6.1	-6.0	-5.3	-4.9	-2.2	-1.9
Japan							
Real GDP %yr	2.3	1.9	2.8	2.2	-0.8	-6.8	1.4
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	0.3
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 10 July 2009

Interest Rate Forecasts	Latest (Jul 27)	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
Australia						
Cash	3.00	3.00	3.00	3.00	3.00	3.00
90 Day Bill	3.11	3.20	3.20	3.20	3.20	3.30
10 Year Bond	5.70	5.50	5.20	5.50	5.60	5.75
International						
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	3.66	3.55	3.35	3.75	4.25	4.50
ECB Repo Rate	1.00	1.00	1.00	1.00	1.00	1.00
Exchange Rate Forecasts						
AUD/USD	0.8184	0.76	0.74	0.77	0.80	0.82
USD/JPY	94.77	92	90	93	96	99
EUR/USD	1.4228	1.38	1.36	1.39	1.42	1.45
AUD/NZD	1.2457	1.27	1.25	1.24	1.23	1.21

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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.