

Weekly Commentary

28 September 2009

Here comes the sun

What a week. A whopping improvement in the current account deficit, a big upward revision to the dairy payout, an official – if tenuous – end to the recession, a huge leap in consumer confidence: no wonder the NZD was on a flyer.

The current account balance staged a spectacular improvement in the June quarter. The annual deficit narrowed sharply to 5.9% of GDP, from a revised 8.1% in the year to March (was 8.4%). The goods balance (s.a.) was again in surplus despite the higher NZD: strong dairy export volumes were a saving grace. Import prices fell, and import volumes were down 22% from their peak a year earlier – a stark illustration of the impact of the recession on demand. Services recorded a smaller deficit than in recent quarters, thanks to a bumper ski season and fewer overseas trips by New Zealanders. The investment income deficit narrowed sharply, partly thanks to the BNZ's provisioning for a \$661m tax bill, which reduced the deficit by some 0.4% of GDP in itself. But even allowing for this, income outflows were very soft as profits of overseas-owned firms took a substantial hit in Q2, a product of the drawn-out recession.

We expect the annual deficit to fall below 5% by year-end as last year's spike in world oil prices continues to drop out of the equation. However, the import bill is likely to rise again as demand recovers

through next year.

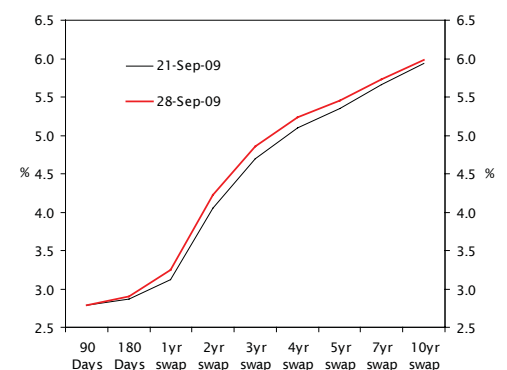
In even bigger news, Fonterra revised its forecast dairy payout for this season from \$4.55 to \$5.10/kg of milksolids – even assuming a NZD near US\$0.70. This lifts farmer revenue by over \$750m, the equivalent of 0.4% of GDP, and follows strong gains in USD dairy prices: up 56% in two months at Fonterra's global auctions. We suspect the payout estimate includes a view that world prices will hold on to most of their recent gains as the world economy recovers. There are some supply-side positives too: US milk production is expected to keep contracting well into next year.

Wednesday brought more good news in the form of the Q2 GDP release. Meagre 0.1% economic growth is hardly spectacular, but still, it is the first positive figure since the final quarter of 2007. The substantial interest rate cuts over the past year, expansionary fiscal policy, and a strong increase in net migration have all given general support to economic activity. Even so, the positives only just outweighed the negatives. On the plus side, we saw a strong increase in real estate and business services as lower interest rates and net migration boosted house sales. Maari oil helped boost mining activity, and exceptionally cold weather saw electricity demand rise strongly. Surprisingly, direct government spending was a drag on

growth. Instead, expansionary fiscal policy showed up elsewhere, with infrastructure investment dampening the decline in the construction sector and the April tax cut helping lift consumer spending/retail trade by 0.4%.

However, there were still plenty of negatives, with large contractions in construction, manufacturing, wholesale trade, and transport and storage. The recovery, if we can call 0.1% growth that, is clearly not widespread. But perhaps the most encouraging aspect of the data is that the detail points to more growth to come. A truly massive inventory unwind is a case in point. Production will need to lift to replenish depleted stockpiles, especially now consumer spending is rising again. We have therefore nudged up our estimate for Q3 growth from 0.2% to 0.4%.

NZ Interest Rates



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

To top it off, consumer confidence rocketed higher in the September quarter, lifting 14 points. The Index now stands at the highest level in four years and well above average. Consumers, regardless of age, income group, gender, or region, are convinced that good times are on their way. All survey components recorded increases, but the dominant influences were a sharp turnaround in the short-term economic outlook, and consumers' assessment of their financial position in a year's time hitting a 7-year high. Other questions paint a more sobering picture: a net 21.9% of respondents still say they are worse off financially than a year ago; a relatively small proportion believe it is a good time to buy a major appliance; and the majority would still save or pay down debt with a cash windfall. The temptation is therefore to downplay the implications for consumer spending in the face of high household debt, tighter credit, and rising unemployment. But history tells us that

when confidence rises, spending follows. There is no compelling reason to think that this time will be any different.

All this happy news will have the RBNZ seriously questioning whether they can really hold off until late 2010 to lift the OCR from its extreme lows. But the degree of economic slack means an interest rate hike is not imminent – perhaps mid-2010 or a touch earlier.

Finally, the August merchandise trade balance was considerably weaker than expected thanks to a drop in exports, perhaps reflecting dairy stocks now running low.

This week provides a well-earned breather, with relatively minor releases. Building consents (Tuesday) are likely to rise, with residential showing a bounce-back from particularly weak apartment consents in August. Monthly business

confidence (Wed) has been on a roll lately and will hopefully stay fairly robust – though steadily tightening monetary conditions are a headwind. Employment confidence is also released on Wednesday.

Fixed vs. floating: In the last couple of months we have seen borrowers gradually moving out of floating rates and returning to short-term fixed rates. These rates are the most favourable on offer, and will remain so for some time. But they're unlikely to remain at current levels once we see a more substantial shift by borrowers into these terms – in the same way that the extremely low long-term rates available prior to March didn't last for long once borrowers actually started taking them up. Borrowers should seriously consider fixing now, bearing in mind that they can reduce uncertainty about future cash flows by choosing a lower interest rate today and repaying more than the minimum amount.

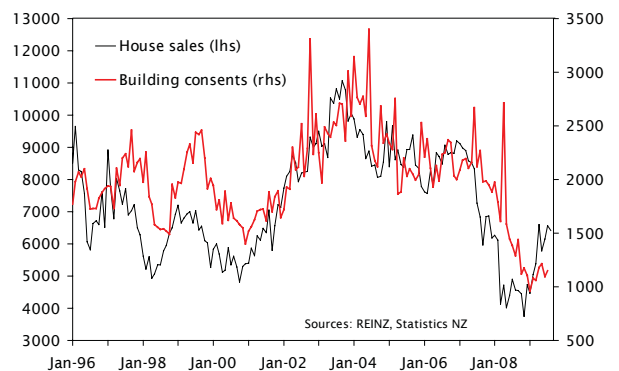
Key Data Previews

NZ Aug building consents s.a.

Sep 29, Last: +5%, WBC f/c: +12%

- Total dwelling consents bounced back in July, despite a very weak outturn for the volatile apartment component (only 55 apartment consents were issued versus 133 consents in June).
- We expect some payback from the weak apartment figures in August, while the upward trend in ex-apartments should continue.
- Non-residential consents picked up in July, but remained relatively weak compared to a year ago. Recent surveys of investment intentions suggest further small gains in August.

NZ housing activity (monthly, seasonally adjusted)

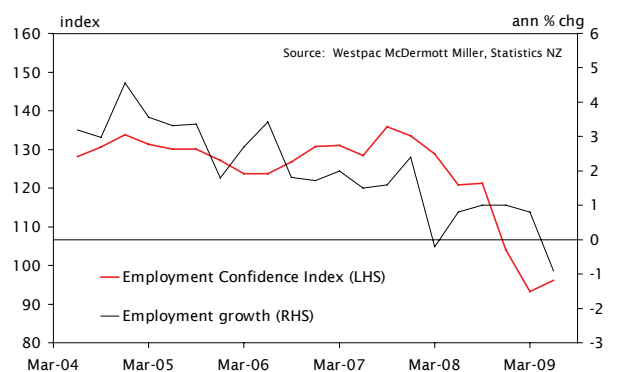


NZ Q3 employment confidence index

Sep 30, Last: 96.1

- Employment confidence lifted off record lows in the second quarter, but remained in pessimistic territory.
- The recent run of positive economic news and the further sharp gain in consumer confidence are expected to provide support to employment confidence.
- Improved employment confidence in combination with the more buoyant mood of the consumer would certainly bode well for the emerging economic recovery.

NZ employment and confidence

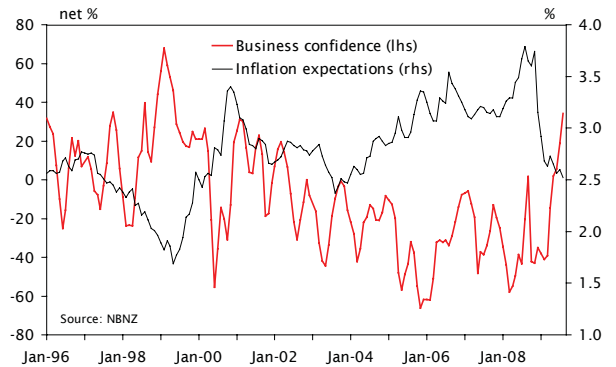


NZ Sep NBNZ business confidence

Sep 30, Last: 34.2

- General business confidence posted strong gains in August to be at its highest level in 10 years. Further gains are expected in September following the results of other surveys. The BNZ business survey rose again in September and the manufacturing PMI joined the services PMI above 50.
- Agriculture was the only pessimistic sector in August (some 44 points below overall confidence). Large increases in world milk powder prices and a chunky increase in Fonterra’s payout forecast is likely to see confidence in the agriculture and related sectors improve.
- More important than improving confidence is that it translates into more output and employment. We will be looking for further improvement in the indicators of own activity, employment and investment intentions as more evidence that the economy is on the road to recovery.

NBNZ business confidence

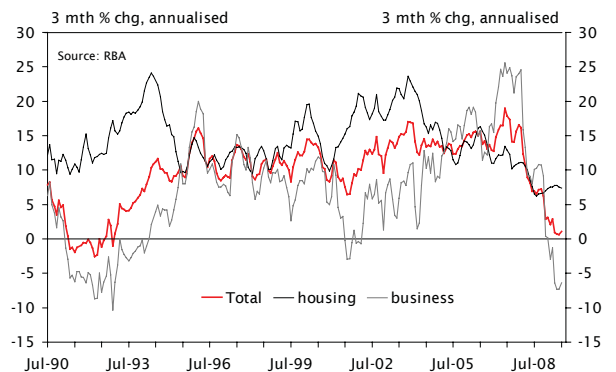


Aus Aug private credit

Sep 30, Last: 0.2%, WBC f/c: 0.2%, Mkt f/c: 0.2%, Range: 0.1% to 0.4%

- Total credit expanded by 0.2% in July. That was a slight improvement upon the previous five months, when credit was either stagnate or increased by 0.1%, with declines in business offsetting a modest upward trend in housing.
- We’re forecasting another rise of 0.2%, judging that monthly credit growth is at or nearing a turning point.
- Housing credit growth, which was 0.6% in July, has stepped up from the low of mid-2008. Low interest rates and government incentives have triggered a surge in new lending, although the impact has been tempered by existing mortgage holders paying down debt more aggressively.
- Business credit may be beginning to decline at a slower rate, contracting by 0.3% in July. Business confidence is up, but firms are still focussed on strengthening their balance sheets.

Credit: at a turning point ...

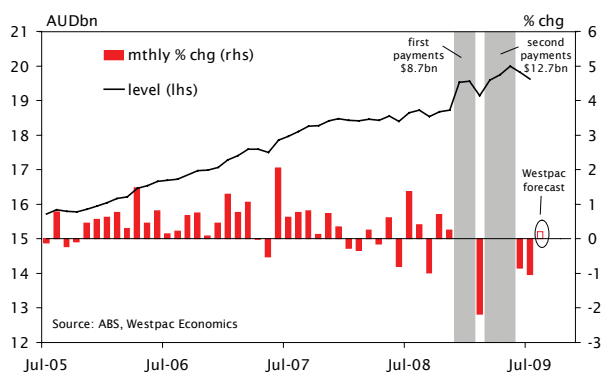


Aus Aug retail trade

Sep 30, Last: -1.0% (sa, trend series suspended), WBC f/c: 0.2%
Mkt f/c: 0.5%, Range: -0.5% to 0.8%

- Retail sales fell 1.0% in July after a 0.8% decline in June. The falls need to be read in the context of three strong months prior to this (+2.4% in March, +0.8% in April and +1.2% in May), with the overall pattern reflecting the substantial boost from the Govt’s second round of fiscal stimulus payments.
- We expect the fall-back from this boost to continue in August – an effective drag on monthly growth of about -0.2ppts compared to about -0.5ppts in July. However, the record surge in the Westpac-Melbourne Institute Consumer Sentiment Index between May and September points to an underlying improvement in spending (though the survey detail suggests consumers remain cautious about their finances). Overall we are forecasting a 0.2% rise in August sales, implying a pick-to a 4%+ underlying annual sales pace (long run average is 5.7%yr).

Monthly retail sales

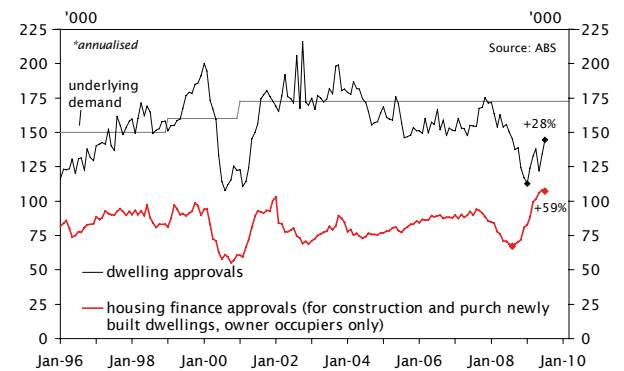


Aus Aug dwelling approvals

Sep 30, Last: 7.7%, WBC f/c: 2.5%, Mkt f/c: 2.5%, Range: -2.0% to 5.0%

- Dwelling approvals are still playing catch-up with other indicators showing a sharp improvement in housing activity. Approvals rose another 7.7% in July after a 9.9% jump in June, but were still up 'only' up 27.7% from their low compared to 60%+ gains for housing finance approvals for construction.
- The under-performance is partly due to developer financing problems which has seen apartment approvals particularly weak (and volatile). However we suspect it is more a case of delayed response. First Home Buyers require a signed contract to be eligible for Govt bonus payments and would have had more urgency in securing finance than building approval.
- We are forecasting August approvals to show a solid 2.5% rise led by a strengthening upturn in private houses.

Dwelling approvals vs housing finance

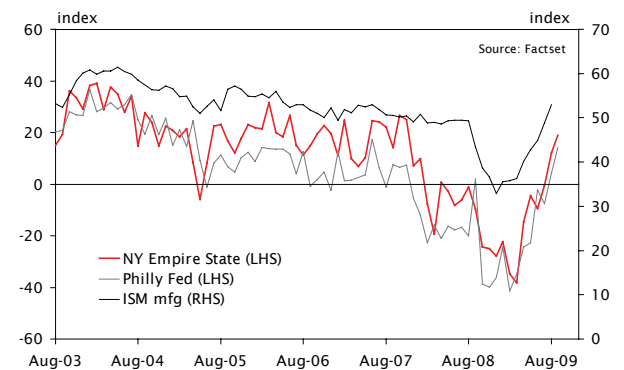


US Sep ISM factory report

Oct 1, Factory Last: 52.9, WBC f/c: 53.5, Mkt f/c: 54.0

- Since Q2, most US business surveys have shown varying degrees of improvement, as fears of economic Armageddon around the turn of the year were replaced by "normal" recession concerns. Since mid year, most regional surveys have risen above the neutral level, indicating factory sector expansion, and in Aug, the ISM factory index jumped from 48.9 to 52.9, its first >50 reading since Jan 2008.
- Regional factory surveys already available for September were either unchanged (Richmond) or quite a bit stronger in the headline (NY and Philly), although their detail was less impressive, with orders and shipments slipping in some districts and jobs falling at a faster pace than in Aug.
- Because the ISM factory headline is a composite of the activity detail, Sep's gain could be much less impressive than Aug's.

US manufacturing surveys

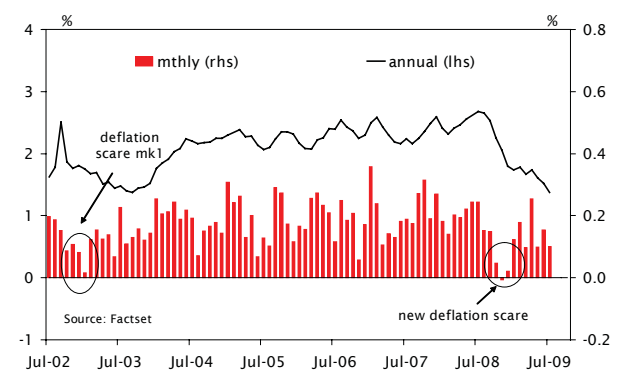


US Aug core PCE deflator – approaching all-time lows

Oct 1, Last: 0.1%, WBC f/c: 0.0%, Mkt f/c: 0.1%

- The core PCE deflator slowed from a "soft" 0.2% gain in June to 0.1% in July, pulling the annual rate of gain down to 1.4%, a pace last seen in late 2003 during that year's relatively short-lived bout of deflation concern.
- The core CPI also recorded 0.2% and 0.1% gains in June-July, followed by a very soft 0.1% in Aug (0.068% before rounding). That is a strong signal that the core PCE deflator could record a flat Aug result (as it tends to run a little slower than the CPI). If so, the annual core PCE deflator could slip to as low as 1.2% yr, which, apart from the one month drop to 1.1% yr immediately after the 9-11 terror attacks, would be the equal lowest recorded since the early 1960s.
- The report will include modest personal income growth of 0.2% but solid auto-driven personal spending growth of >1%.

US core PCE deflator



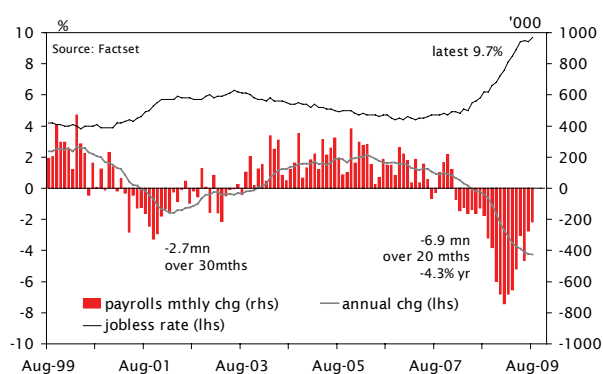
US Sep non-farm payrolls to fall by 150k

Oct 2, Payrolls Last: -216k, WBC f/c: -150k, Mkt f/c: -180k

Oct 2, Unemployment Last: 9.7%, WBC f/c: 9.7%, Mkt f/c: 9.8%

- Payrolls fell by 216k in August, the smallest loss of jobs recorded in exactly a year, but the separate household survey found a loss of 392k jobs, the steepest since May, and that, combined with a small rise in the labour force, pushed the jobless rate up to a fresh cycle high of 9.7%, a rate last seen in 1982-83.
- With the economy likely expanding at a 2-3% pace in Q3, job shedding should further diminish, a view supported by falling initial jobless claims, and less weak job components in some business surveys. We forecast a 150k payrolls fall.
- We expect the household survey to show a small fall in the labour force as some unemployed stop the job search; if so the jobless rate should not rise further this month, but a 10% unemployment rate is still imminent.

US jobs market: losses moderating



Key Data and Events

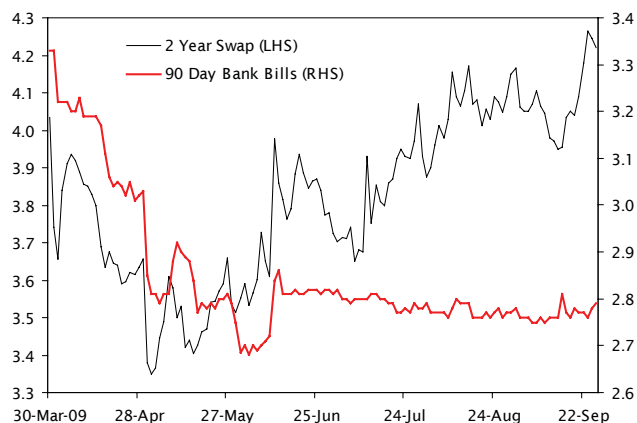
		Last	Market Median	Westpac Forecast	Comments
Mon 28 Sep					
Aus	RBA Gov. Stevens at Senate Committee	-	-	-	Senate enquiry into fiscal stimulus (9:15 AEST).
	Treasury Sec. Henry at Senate Committee	-	-	-	Senate enquiry into fiscal stimulus (14:35 AEST).
US	Aug Chicago Fed National Activity Index	-0.74	-	-	Based on previously released data.
	Sep Dallas Fed Factory Index	-9.1	-4.0	-5.0	Still contracting whereas most other regionals are growing again.
UK	Sep House Prices %yr	-6.7%	-	-	Hometrack survey.
Tue 29 Sep					
NZ	Aug Building Consents s.a.	5.0%	-	12.0%	Dwelling consents to remain on upward trend.
Aus	RBA's Richards in Panel Discussion	-	-	-	CEDA Housing Forum: A National Round-up (13:05 AEST).
US	Jul S&P-CS House Price Index %yr	-15.4%	-14.2%	-14.2%	Base effects will add 1% to annual rate, plus modest Aug gain.
	Sep Consumer Confidence	54.1	57.0	55.0	Latest weekly data suggest further confidence gain in Sep less likely.
	Fedspeak	-	-	-	Fisher and Plosser.
Jpn	Aug National CPI %yr	-2.2%	-2.2%	-	Deflation impulse entrenched in traded and non-traded sectors.
Eur	Sep Retail PMI	47.1	-	-	Early guide to direction of official retail data.
	Sep Business Climate Indicator	-2.21	-1.92	-1.90	Still weak but correcting quickly from earlier recession levels.
	Sep Consumer Confidence	-22	-21	-21	All the EC business and consumer surveys are trending higher and
	Sep Economic Confidence	80.6	82.7	85.0	latest talk that global economy is growing again will be supportive.
Ger	Sep CPI Prelim %yr	0.0%	-0.1%	0.2%	Back to positive annual CPI after just two months.
UK	Q2 GDP (F)	-0.7%	-0.6%	-0.7%	Revision still possible at this late stage.
	Q2 Current Account Deficit £bn	-8.5	-7.7	-	Narrower trade deficits could see CAD narrow too.
	Aug Net Consumer Credit £bn	-0.2	0.0	-	Both these measures of change in credit outstandings to households
	Aug Net Mortgage Lending £bn	-0.4	0.2	-	were at record lows in July.
	Sep CBI Distributive Trades Survey	-	-	-	Early clue to official retail data.
Wed 30 Sep					
NZ	Q3 Employment Confidence Index	96.1	-	-	Economic factors support improving confidence.
	Sep NBNZ Business Confidence	34.2%	-	-	BNZ monthly survey points to further gains.
Aus	Aug Private Credit	0.2%	0.2%	0.2%	Still weak, but monthly pace may have passed the low point.
	Aug Dwelling Approvals	7.7%	2.5%	2.5%	Houses to strengthen, units to consolidate. Still trailing finance surge.
	Aug Retail Sales	-1.0%	0.5%	0.2%	Small drag from end of fiscal boost. Uptick in underlying spending pace.
US	Sep ADP Private Payrolls Change	-298k	-200k	-	Not a reliable guide to payrolls.
	Q2 GDP (F) % annualised	-1.0%	-1.2%	-1.0%	Partial data suggest any revision will be minor.
	Sep Chicago PMI	50.0	52.0	53.0	Some of the regional Fed surveys posted further gains in Sep.
	Fedspeak	-	-	-	Lockhart and Kohn
Jpn	Aug Industrial Production	2.1%	1.8%	-	METI projection is for 2.2%. Re-stocking impetus remains in place.
	Sep Nomura PMI	53.6	-	-	July IP release was optimistic on Sep output: PMI should reflect that.
	Aug Labour Cash Earnings %yr	-5.6%	-4.0%	-	Crash in hours worked, plus an absence of bonuses.
	Aug Housing Starts %yr	-32.1%	-31.7%	-	Annualised rate lowest since policy induced air pocket in 2007Q3.
	Aug Construction Orders %yr	-42.8%	-	-	Local govt contracts (+38%/yr) are the only game in town.
Eur	Sep CPI Flash %yr	-0.2%	-0.2%	-0.1%	Euro gains and base effects should keep annual CPI negative in Sep.
Ger	Sep Unemployment Change	-1k	20k	-	Statistical changes have distorted recent jobless rate readings.
UK	Sep Consumer Confidence	-25	-24	-24	GfK survey. Recent uptrend stalled in Q3 so far.
Can	Aug Industrial Product Prices	-0.5%	0.4%	-	Recent upswing in commodity prices to be captured.
Thu 1 Oct					
Aus	Sep AiG PMI	51.7	-	-	Up 13pts in 2 mths, to be above 50. Points to developing momentum.
US	Sep Corporate Layoff Announcements	-	-	-	Slower pace of announcements consistent with less weak job mkt.
	Initial Jobless Claims w/e 26/9	530k	535k	535k	Claims trend now clearly downwards.
	Aug Personal Income	0.0%	0.1%	0.2%	No major distortions. Payrolls data point to modest gain.
	Aug Personal Spending	0.2%	1.1%	1.3%	Autos! But Sep data will pay back to the downside.
	Aug Core PCE Deflator	0.1%	0.1%	0.0%	Core CPI was 0.068%, core PCE should be a touch less.
	Sep ISM Manufacturing	52.9	54.0	53.5	Regional headlines strong but detail less so and ISM is a composite.
	Aug Pending Home Sales	3.2%	1.0%	2.0%	Uptrend continues with lower mortgage rates in Aug helpful.
	Aug Construction Spending	-0.2%	-0.2%	0.0%	Residential rising but drag from non-res.
	Sep Auto Sales mn annualised	14.1	9.6	8.0	Sep sales "disastrous" according to Chrysler.
	Fedspeak	-	-	-	Bernanke testifies; Lockhart and Pianalto.
Jpn	Q3 Tankan Large Manufacturing	-48	-33	-32	Manufacturing has bounced elastically from the depths of despair.
	Q3 Tankan Large Non-Manufacturing	-29	-26	-26	Services sector improving at the margin, but still very weak.
	Aug Retail Sales %yr	-2.4%	-2.4%	-	See labour earnings decline above (Wed): sales are OK considering.
Eur	Sep PMI Factory (F)	49.0a	49.0	49.1	Recent revisions have tended to be slightly to upside.
	Aug Unemployment Rate %	9.5%	9.6%	9.6%	Uptrend still in place but has slowed.
Ger	Aug Retail Sales	0.7%	0.2%	-0.2%	Retail PMI suggests slight pull-back from Jul bounce.
UK	Sep House Prices %yr	-10.1%	-	-	Tentative date for HBOs series, due 1-9/10.
	Sep PMI Factory	49.7	50.2	50.0	See-sawing about neutral 50 level in recent months.
Fri 2 Oct					
Aus	Sep TD-MI Inflation Gauge	0.0%	-	-	Despite flat Aug, Jul spike lifted 3mth pace to 1.29%, highest since Mar.
US	Sep Non-farm Payrolls Change	-216k	-180k	-150k	Claims and other measures point to further improvement in job mkt
	Sep Unemployment Rate %	9.7%	9.8%	9.7%	and jobless rate to hold steady this month.
	Aug Factory Orders	1.3%	0.5%	1.5%	Forecast assumes durables gain of 1.5%, due Friday 25/9.
Jpn	Aug Unemployment Rate	5.7%	5.8%	-	Setting another record high.
Eur	Aug Producer Prices %yr	-8.5%	-7.6%	-7.7%	German data showed steep fall, partly due to base effects.
UK	Sep PMI Construction	47.7	48.1	48.0	Upswing has slowed but still mildly in place.
	Q2 Housing Equity Withdrawal £bn	-8.1	-	-	Has not been any withdrawal for over a year now.
	Sep House Prices %yr	-2.7%	-0.3%	-	Nationwide survey.
Sun 4 Oct					
Aus	Daylight Saving Begins	-	-	-	NSW, ACT, SA, Vic & Tas clocks go forward 1 hour at 2:00am.

New Zealand Economic and Financial Forecasts

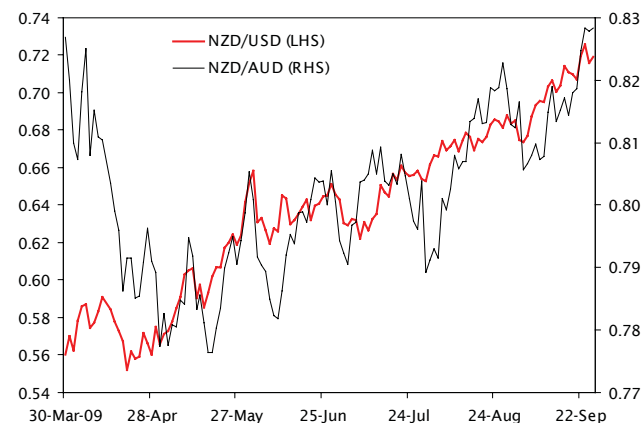
Economic Growth Forecasts	March years				Calendar years			
	2008	2009	2010f	2011f	2008	2009f	2010f	2011f
% change								
GDP (Production) ann avg	3.1	-1.1	-0.5	3.3	0.0	-1.5	2.8	3.7
Employment	-0.3	0.7	-1.0	0.9	0.9	-2.4	0.7	1.5
Unemployment Rate % s.a.	3.8	5.0	6.7	6.7	4.7	6.8	6.8	6.5
CPI	3.4	3.0	1.9	1.6	3.4	2.1	1.2	2.1
Current Account Balance % of GDP	-7.9	-8.1	-4.0	-5.0	-8.9	-4.2	-4.8	-5.8

Financial Forecasts	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11
Cash	2.50	2.50	2.50	3.00	4.00	5.00	5.50
90 Day bill	2.80	2.80	2.90	3.60	4.60	5.50	5.90
2 Year Swap	4.10	4.30	4.60	5.00	5.40	5.85	6.15
5 Year Swap	5.40	5.50	5.60	5.80	6.00	6.30	6.45
10 Year Bond	5.80	5.90	6.00	6.20	6.30	6.40	6.50
NZD/USD	0.67	0.70	0.72	0.74	0.76	0.74	0.74
NZD/AUD	0.84	0.84	0.85	0.85	0.85	0.86	0.86
NZD/JPY	60.3	65.1	69.1	73.3	78.3	78.4	80.7
NZD/EUR	0.48	0.49	0.50	0.51	0.51	0.50	0.50
NZD/GBP	0.41	0.42	0.42	0.42	0.41	0.40	0.39
TWI	62.8	65.1	66.6	68.0	69.3	68.5	68.6

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 28 September 2009

Interest Rates	Current	Two Weeks Ago	One Month Ago
Cash	2.50%	2.50%	2.50%
30 Days	2.81%	2.80%	2.77%
60 Days	2.81%	2.78%	2.77%
90 Days	2.79%	2.76%	2.77%
2 Year Swap	4.22%	3.95%	4.13%
5 Year Swap	5.46%	5.25%	5.43%

NZ foreign currency midrates as at Monday 28 September 2009

Exchange Rates	Current	Two Weeks Ago	One Month Ago
NZD/USD	0.7174	0.7003	0.6837
NZD/EUR	0.4876	0.4792	0.4781
NZD/GBP	0.4490	0.4227	0.4199
NZD/JPY	64.260	63.660	63.840
NZD/AUD	0.8266	0.8134	0.8130
TWI	65.260	63.890	63.400

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	2.4	0.7	2.5
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	-6.3	-4.6	-4.0	-4.9
United States							
Real GDP %yr	3.9	3.1	2.8	2.1	0.4	-2.8	1.4
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	9.4	11.1
Current Account % GDP	-5.7	-6.1	-6.0	-5.2	-4.9	-2.9	-2.7
Japan							
Real GDP %yr	2.3	1.9	2.8	2.2	-1.0	-5.8	1.5
Consumer Prices %yr	-0.1	-0.3	0.2	0.1	1.4	-1.1	-0.7
Unemployment Rate %	4.5	4.4	4.1	3.9	4.0	5.3	6.4
Current Account % GDP	3.3	3.6	3.9	4.8	3.2	2.6	2.9
Euroland							
Real GDP %yr	1.9	1.8	3.1	2.7	0.6	-4.1	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	-4.4	0.5
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	-3.0	-3.0

Forecasts finalised 4 September 2009

Interest Rate Forecasts	Latest (Sep 28)	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
Australia						
Cash	3.00	3.00	3.25	3.50	3.75	4.00
90 Day Bill	3.27	3.40	3.75	4.00	4.25	4.50
10 Year Bond	5.23	5.50	5.80	6.25	6.25	6.35
International						
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	3.32	3.40	3.75	4.00	4.25	4.50
ECB Repo Rate	1.00	1.00	1.00	1.00	1.00	1.25
Exchange Rate Forecasts						
AUD/USD	0.8679	0.80	0.83	0.85	0.87	0.89
USD/JPY	89.57	90	93	96	99	103
EUR/USD	1.4712	1.40	1.42	1.44	1.46	1.49
AUD/NZD	1.2098	1.19	1.19	1.18	1.18	1.17

Westpac Banking Corporation ABN 33 007 457 141 incorporated in Australia (NZ division). Information current as at 28 September 2009. All customers please note that this information has been prepared without taking account of your objectives, financial situation or needs. Because of this you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs. The information contained in this report is general in nature and does not constitute an offer, a solicitation of an offer, to subscribe for or purchase any securities or other financial instrument and does not constitute an offer, inducement or solicitation to enter a legally binding contract. Australian customers can obtain Westpac's financial services guide by calling +612 9284 8372, visiting www.westpac.com.au or visiting any Westpac Branch. The information may contain material provided directly by third parties, and while such material is published with permission, Westpac accepts no responsibility for the accuracy or completeness of any such material. Except where contrary to law, Westpac intends by this notice to exclude liability for the information. The information is subject to change without notice and Westpac is under no obligation to update the information or correct any inaccuracy which may become apparent at a later date. Westpac Banking Corporation is regulated for the conduct of investment business in the United Kingdom by the Financial Services Authority. © 2009 Westpac Banking Corporation.