

Weekly Commentary

29 March 2010

Delivering the goods

Last week's data confirmed that New Zealand's economic recovery is unfolding in a classical fashion.

GDP expanded by 0.8% in the December 2009 quarter, the strongest quarterly pace in two years, after upwardly-revised growth of 0.3% in Q3. This was in line with market forecasts, and slightly ahead of the 0.6% pace that the RBNZ expected in the March *Monetary Policy Statement*.

By industry, growth was concentrated in the goods-producing sectors. The start of the dairy season was evidently positive, as agricultural production was up 1.1% despite a decline in meat production, and manufacturing got a decent boost from dairy product manufacturing. However, almost all of the manufacturing sub-sectors did well, ending a run of seven quarterly declines.

The fortunes of New Zealand's manufacturing sector have closely mirrored global trends. By early 2009, goods production around the world had slowed dramatically to allow firms to sell unwanted stockpiles of goods. The inventory reduction phase has now passed, with firms once again meeting demand through new production. Indeed, there was a slight run-up in inventories in Q4, though this was partly due to a timing adjustment by Statistics NZ that boosted inventories and imports in equal measure, leaving no net impact on GDP (though it did affect the current account, as we will discuss shortly).

The turnaround in inventory investment contributed a massive 2.6 percentage points to GDP growth. This does not make the recovery any less 'real': restocking is typical in the first stage of every recovery, just as destocking plays a role in every recession. Destocking knocked 4.8 ppts off GDP during the recession (and 2.3 ppts in the June 2009 quarter alone), with much of the adjustment occurring through surprisingly strong dairy exports and a drop in imports.

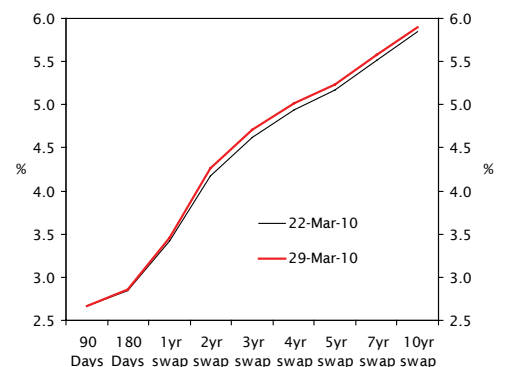
Services-related sectors were more mixed. There were strong contributions from wholesale and retail trade and accommodation. But finance, insurance and real estate grew only 0.1% in Q4, due to slow growth in bank lending and a 10% fall in house sales. Personal and community services fell 1.1% due to a decline in health spending. We wondered about the impact that swine flu would have on the economy in the second half of 2009; it's now clear that the net impact on GDP was close to zero. What was lost on retail in Q3 was made up by health spending, and these effects reversed in Q4.

On the expenditure measure of GDP, private consumption was up 0.8%, with spending growth focused on the durable goods that were hit hardest during the recession, such as cars and appliances. Residential construction rose, though not as much as we expected, while commercial construction remains the true laggard among industries.

Business investment was up 4.1% for plant and machinery and 7% for transport equipment, suggesting that firms are acting on the increased confidence they have expressed in surveys, and are taking advantage of the strong NZ dollar to import equipment.

The experience of past recoveries suggests that quarterly GDP growth will accelerate further in 2010. There has been some moderation in confidence and spending indicators for Q1, and this will no doubt show up as slower growth in retail trade than in Q4. However, that should be more than made up for in other areas: building consents suggests a strong lift in residential construction; climatic conditions have benefited agricultural production in Q1 (although Q2 may be affected by dry conditions in the North Island); and the strong Australian economy and low NZD/AUD exchange rate are proving to be a boon for manufacturers.

NZ Interest Rates



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

The December quarter current account, the other major release last week, also provided some indirect evidence of the economic recovery. The goods balance remained comfortably in surplus, with export volumes holding up all the way through the global recession and imports only rising modestly, though there was a catch in the latest figures. In past years, Statistics NZ have made large downward 'conceptual adjustments' to imports in Q4, deeming that ownership didn't change hands until the following quarter. That didn't happen to the same degree this time, leaving imports around \$500m higher than we expected (with a similar boost to inventories in the GDP figures). This should be reversed in the March quarter.

The real surprise was in the investment income balance. Profits of overseas-owned firms surged higher in Q4, back towards pre-recession levels after a sharp decline

in the previous year. Profits can be volatile from one quarter to the next, and some of the rebound came from a writeback of tax provisions by the major Australian-owned banks, but the fact that this was the second substantial gain in a row gives us some comfort that the turnaround is genuine. In addition, a large share of these profits were reinvested, suggesting that firms will initially be able to use internal funding for new projects, before having to turn to banks and capital markets. This is a typical feature in the early stages of a recovery.

In recent statements, the RBNZ have said that they expect to begin raising rates around the middle of the year (which we interpret as the June MPS) if the economy continues to recover in line with their projections. The evidence shows that the recovery is tracking at least as well as they expected, which should strengthen their conviction that they will need to start

withdrawing monetary stimulus soon.

Fixed vs. floating: The prospect of OCR hikes through the second half of the year and beyond 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.

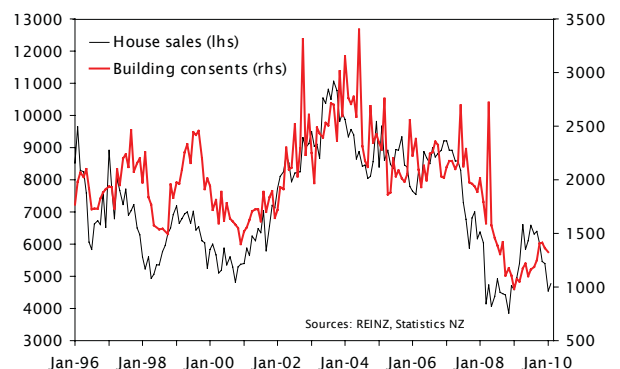
Key Data Previews

NZ Feb building consents s.a.

Mar 30, Last: -2.8%, WBC f/c: 5.5%

- The trend in dwelling consents weakened further in January, which is disappointing given that a strong pickup in residential construction is a key part of our growth forecasts for 2010.
- We expect a 5.5% increase in dwelling consents for February, assuming apartment consents pick up from recent extreme lows (42) and ex-apartment consent issuance regains some momentum.
- Non-residential consents were very weak in Jan, recording the lowest value since April 2006. We expect some rebound off that low level in February, but overall consent issuance is likely to remain soft.

NZ housing activity (monthly, seasonally adjusted)

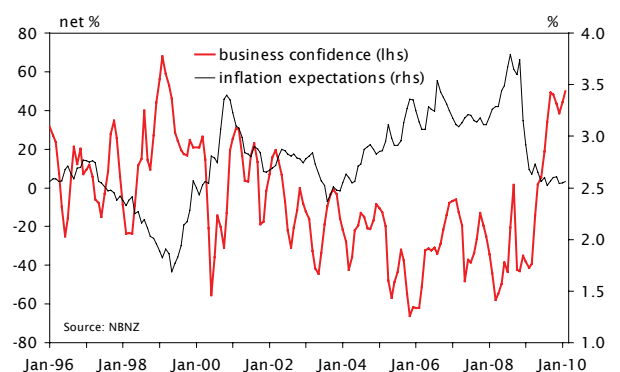


NZ Mar NBNZ business confidence

Mar 31, Last: 50.1%

- Business confidence rose to a new cycle high in February, with own-activity expectations reaching their highest level since November 1999. The detailed activity indicators haven't soared to the same heights but, with the exception of investment intentions, are now above their long-run averages.
- While most sectors were more positive in February, retail took a notable step backwards, consistent with anecdotes that retail spending started to slow around this time. We will be watching for further signs of consumer caution.
- Business expectations continue to point to strong growth in coming quarters. An outturn similar to February would be consistent with Q1 GDP growth in the order of 1%.

NBNZ business confidence

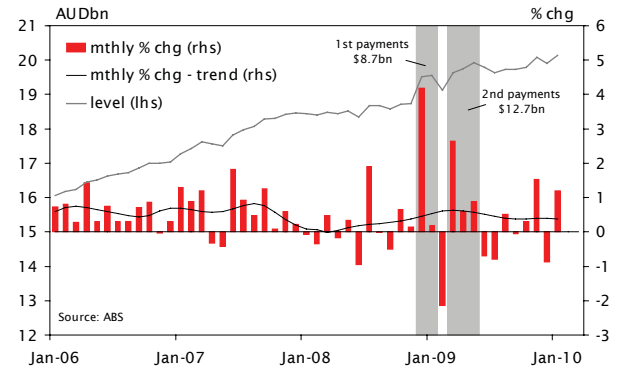


Aus Feb retail trade

Mar 31, Last: 1.2%, WBC f/c: 0.5%, Mkt f/c: 0.3%, Range: -0.5% to 0.8%

- Retail sales had a bumpy Christmas, falling 0.9%*mt* in Dec but bouncing 1.2%*mt* in Jan. Looking through the volatility, trend sales growth is holding at 0.4%*mt*, an annualised pace of 4.6%. This is a solid but not particularly strong growth rate. Consumer caution still appears to be restraining retail spending which past cycles and consumer sentiment reads suggest would ordinarily be accelerating to 6%+ growth rates at this stage.
- Consumer sentiment remained high in Feb, buoyed by job gains and a surprise pause in RBA rate hikes. Anecdotes have been thin on the ground but suggest sales were okay through the early part of the year. As such, we expect retail sales to show a solid 0.5% rise in Feb. There is some upside to this though, particularly if there is more quickening in housing-related expenditure.

Monthly retail sales

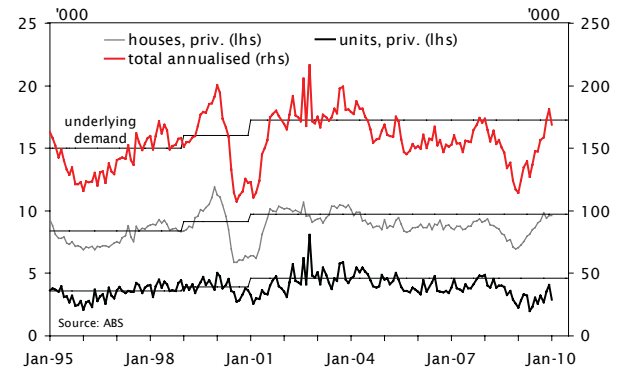


Aus Feb dwelling approvals

Mar 31, Last: -7.0%, WBC f/c: 2.0%, Mkt f/c: 2.1%, Range: -2.0% to 5.0%

- Dwelling approvals posted a surprising 7% fall in Jan. Although finance approvals slid sharply (-20%) in the four months to January, the key finance for construction component was more resilient (-8%). Moreover, dwelling approvals lagged finance by a long way through most of 2009 suggesting there was still a pipeline of projects to come through before they peaked.
- Approvals estimates are notoriously unreliable through the Dec-Jan 'off season' due both to hefty seasonal adjustment factors and a tendency for late returns. Over the last ten years, initial estimates for Jan have been revised up by an average of 5.6%, with adjustments ranging from +2 to +10%. As such, we expect some of the Jan weakness to be revised away. This will make interpreting Feb movements difficult. Our forecast for a 2% bounce could look a lot weaker depending on how Jan is revised.

Dwelling approvals

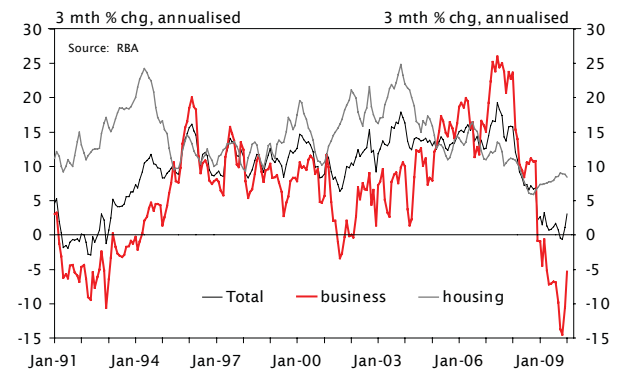


Aus Feb private credit

Mar 31, Last: 0.4%, WBC f/c: 0.3%, Mkt f/c: 0.4%, Range: 0.2% to 0.5%

- Private credit growth appears to be gradually gaining momentum, as is to be expected given improving economic conditions.
- We're forecasting credit growth of 0.3% in February, broadly in line with the last two months, and up from an average monthly gain of just 0.05% over the previous nine months.
- Business credit declined at a much slower pace over the last two months (-0.3% and -0.1%), following a sharp 8% decline over the year prior. We expect business credit to turn the corner in 2010, against the backdrop of an emerging uptrend in underlying business investment spending and rising profits.
- Housing credit growth slowed fractionally in the last couple of months as monetary and fiscal stimulus was wound back.

Credit momentum ticks higher

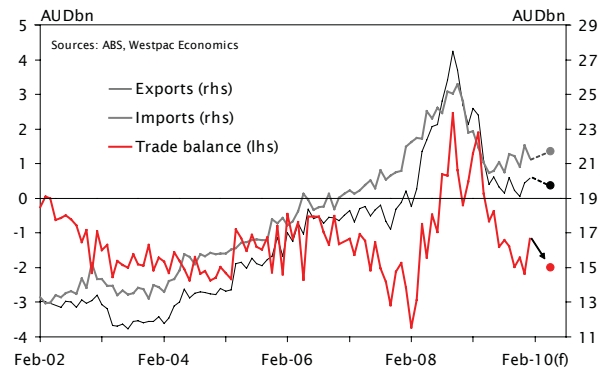


Aus Feb international trade balance, AUDbn

Apr 1, Last: -1.176, WBC f/c: -2.0, Mkt f/c: -1.34, Range: -2.0 to -0.75

- The deficit narrowed \$998mn in Jan to \$1.176bn. Exports rose 1.4% after a 4.0% rise prior, enough to reinstate an uptrend at its strongest pace since Oct-08. With AUD commodity prices flat in Jan, the rise was volume-led, suggesting an encouraging start to Q1 after the 1.7%qtr rise in Q4 export volumes. Imports fell 3.3% despite lower prices (AUD rose 1.2%) suggesting a volumes pullback after their 7.7%qtr Q4 jump.
- Rural exports are expected to jump 5% in Feb with higher prices and stronger meat, wheat and wool volumes. However, port data implies weaker iron ore and coal export volumes, only partially offset by higher prices, giving a 1.3% fall in non-rural values. With a pullback in volatile non-monetary gold exports also, we look for a 2.2% fall in total exports. Merchandise import data implied a 2.1% price and volume driven rebound and we expect +1.8% for total imports.

Deficit up: lower non-rural X vols and M rebound

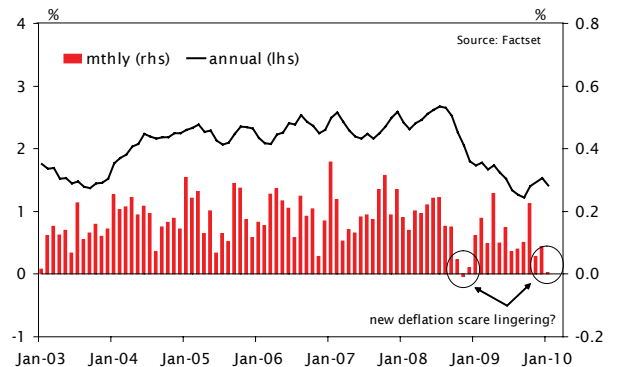


US Feb core PCE deflator

Mar 29, Last: 0.0%, WBC f/c: 0.0%, Mkt 0.1%

- Apart from an outside 0.2% rise in October, the core PCE deflator has risen by 0.1% or less per month since May last year. The core CPI, however, tended a little stronger on average over that period, before posting its first fall in 28 years in Jan. The core PCE deflator was also very soft in Jan, at 0.005%.
- In February, the core CPI only just rounded up to 0.1% (0.053%), painting a very benign inflation picture at the start of 2010. That suggests some upward pressure on the core PCE deflator, but maybe not enough to round it up to 0.1%.
- Earnings/hours worked data were subdued in Feb (probably weather-impacted) so personal income will be limited to another soft 0.1% rise. But retail data were surprisingly solid outside of autos so personal spending should print a further rise of around 0.4% in Feb.

US core PCE deflator

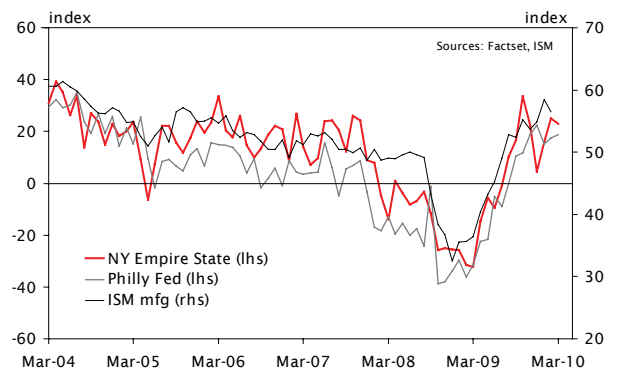


US Mar ISM factory report

Apr 1, Factory Last: 56.5, WBC f/c: 56.5, Mkt f/c: 57.0

- The factory ISM jumped to a new cycle high at 58.4 in Jan, but then moderated to 56.5 in Feb. These outcomes are consistent with the 6% annualised GDP growth pace the economy was running at the end of 2009 moderating in early 2010.
- The factory sector has been a major beneficiary of inventory rebuilding, exports and government policy aimed at housing construction, but these sources of strength will wane through 2010 as restocking slows and fiscal stimulus is withdrawn.
- In March, we expect a steady ISM factory reading, given that the detail in the Feb factory surveys was mixed, with orders and shipments falling in Philadelphia (and jobs little changed), but all three much stronger in the NY Fed survey. The sluggish durable goods orders reading for Feb also argues against a rising ISM.

US manufacturing surveys

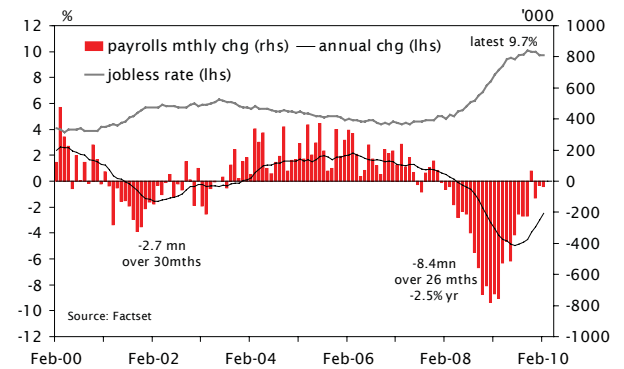


US Mar non farm payrolls to rise by 300+k

Apr 2, Payroll employment: Last: -36k, WBC f/c: 330k, Mkt f/c: 190k

- Our Feb payrolls forecast of +20k was over-optimistic relative to the -36k outcome because we over-estimated the number of temporary Census workers (15k vs 40k f'cast) and probably underestimated the impact of the snowstorms. But we believe our "core" forecast of 60k ex census/weather was about right.
- In March, our core forecast is for a 90k jobs gain, based on an unchanged Feb small business plan to hire reading of -1 (which means small business layoffs are now less of a drag on payrolls), and assuming the ISM surveys of large business report higher jobs growth (as have the regional Fed surveys to hand). Based on 2000 Census hiring patterns, March could see 100k temporary 2010 Census hires. Further we anticipate that the milder weather will see 140k workers missing in Feb back in the payrolls count for March. That adds to a 330k payrolls gain, with 500k+ outcomes likely in April-May as Census hiring reaches its peak.

US jobs market: haemorrhaging stops



Key Data and Events

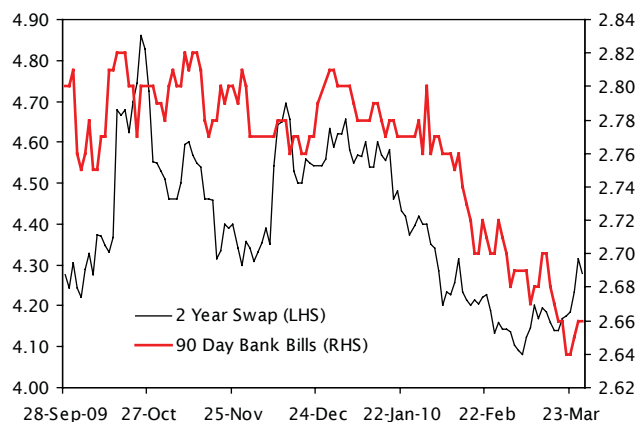
| | | Last | Market Median | Westpac Forecast | Comments |
|-------------------|---|-------|------------------|---------------------|---|
| Mon 29 Mar | | | | | |
| US | Feb Personal Income | 0.1% | 0.1% | 0.0% | Earnings/hours worked data from payrolls report subdued, risk of fall. |
| | Feb Personal Spending | 0.5% | 0.3% | 0.4% | Solid retail picture outside of autos. |
| | Feb Core PCE Deflator | 0.0% | 0.1% | 0.0% | Core CPI 0.053% in Feb, core PCE tends to undershoot. |
| | Mar Dallas Fed Factory Index | -0.1% | 5.2% | 3.0% | Most Fed surveys stronger in March. |
| Jpn | Feb Retail Trade %yr | 2.3% | 1.6% | - | Soft income backdrop is the core restraint on acceleration from here. |
| Eur | Mar Business Climate Index | -0.98 | -0.82 | -0.88 | 11 months of steady gains for this index based on business surveys. |
| | Mar Consumer Confidence (F) | -17a | -17 | -17 | Slipped off its recent high of -16 in Jan. |
| | Mar Economic Confidence | 95.9 | 97.1 | 95.5 | Stalled in Feb after 10 monthly gains; hard data suggest slippage due. |
| Ger | Mar CPI Prelim %yr | 0.6% | 0.9% | 0.8% | Base effects and weaker euro to push up annual pace. |
| UK | Mar House Prices %yr | 9.2% | 8.2% | - | Tentative date for Nationwide index due 29-31/3. |
| | Feb Net Consumer Credit £bn | 0.5 | 0.4 | - | Barely positive in Dec-Jan after net redemptions in H2 2009. |
| Tue 30 Mar | | | | | |
| NZ | Feb Building Consents s.a. | -2.8% | 2.0% | 5.5% | Look for some payback from weakness in last couple of months. |
| Aus | RBA Assist Gov (Financial Mkts) DeBelle | - | - | - | Speech to Australian Mortgage Innovation Forum 2010 (09:10AEDT). |
| US | Jan House Prices %yr | -3.1% | -0.6% | - | S&P-CS 20 city index. Base effects add 2.8 ppt plus expect Jan bounce. |
| | Mar Consumer Confidence | 46.0 | 50.0 | 48.5 | Bounce from Feb in weekly conf data, perhaps due stocks 18 mth high. |
| Jpn | Feb Real Household Spending %yr | 1.7% | 1.5% | - | Consumer sentiment still depressed, if up from the lows. |
| | Feb Unemployment Rate | 4.9% | 4.9% | - | Manufacturing hours have revived but undercurrents still weak. |
| | Feb Industrial Production | 2.7% | -0.5% | - | Transitioning from inventory rebalancing to export driven growth. |
| UK | Q4 GDP (F) | 0.3%a | 0.3% | 0.3% | Still possibility of revision at this late stage. |
| | Q4 Current Account Balance £bn | -4.7 | -5.1 | - | Deficit rewidening again after narrowing sharply in Q1 09. |
| | Mar GfK Consumer Confidence | -14 | -13 | - | Confidence has improved since late 09. Mar survey taken pre Budget. |
| Can | Feb Industrial Product Prices | 0.3% | 0.1% | - | Modest gains for three months running Nov-Jan. |
| Wed 31 Mar | | | | | |
| NZ | Mar NBNZ Business Confidence | 50.1% | - | - | Confidence remains at levels consistent with strong growth. |
| Aus | Feb Dwelling Approvals | -7.0% | 2.1% | 2.0% | January estimate likely to be revised up (last 10 Jans have been). |
| | Feb Retail Sales | 1.2% | 0.3% | 0.5% | Consumer spending still looking decidedly restrained. |
| | Feb Private Credit | 0.4% | 0.4% | 0.3% | Gradual improvement as business credit approaching stabilisation. |
| US | Mar ADP Private Payrolls chg | -20k | 40k | 50k | First positive reading expected since early 2008. |
| | Mar Chicago PMI | 62.6 | 61.0 | 58.0 | Chicago Fed often moves in different direction to other factory surveys |
| | Feb Factory Orders | 1.7% | 0.5% | 0.3% | Known 0.5% rise in durables, but non-durables down on energy price. |
| | Mar Milwaukee NAPM | 56.0 | 58.0 | - | One of the lesser watched factory surveys. |
| | Fedspeak | - | - | - | Lockhart on jobs market. |
| Jpn | Mar Small Business Confidence | 42.3 | - | - | Benefits of the rebound concentrated at the top end, as ever. |
| | Feb Labour Earnings %yr | -0.2% | -0.1% | - | Labour market stabilisation (hours and headcount) will tell soon. |
| | Feb Housing Starts %yr | -8.1% | -1.0% | - | It is still dark inside this particular tunnel. Annualised level 0.863mn. |
| | Feb Construction Orders %yr | 15.7% | - | - | Don't be fooled by the headline rate: private non-res. in deep distress. |
| Eur | Feb Unemployment Rate | 9.9% | 10.0% | 10.0% | German jobless rate edged higher in Feb. |
| | Mar CPI Flash Estimate %yr | 0.9% | 1.1% | 0.9% | Base effects would lower annual pace but € weakness offset. |
| Ger | Mar Unemployment Change | 7k | 7k | - | Rising again so far in 2010 after falling in H2 09 due to govt scheme. |
| Can | Jan GDP | 0.6% | 0.5% | - | Solid gains through Q4 to continue in Q1? |
| Thu 1 Apr | | | | | |
| Aus | Feb International Trade Balance, AUDbn | -1.2 | -1.34 | -2.0 | Vol-led pullback in NR X & gold for X -2.2%; M +1.8% (vols & prices). |
| | Mar AiG PMI | 53.8 | - | - | +2.8pts in Feb, highest since Dec '07, with boost from building boom. |
| US | Mar Corporate Layoff Announcements | 42k | - | - | Fell to a 3 year low in Feb. |
| | Initial Jobless Claims w/e 27/3 | 442k | 440k | 435k | Downtrend renewed as economic growth sees fewer layoffs. |
| | Mar ISM Manufacturing | 56.5 | 57.0 | 56.5 | Detail in regional Fed survey mixed, suggests steady composite ISM. |
| | Feb Construction Spending | -0.6% | -1.0% | -1.4% | Negative impact from the weather. |
| | Mar Auto Sales mn annualised | 10.4 | 12.0 | 11.7 | Bounce from negative weather and Toyota effects earlier in year. |
| Jpn | Q1 Tankan Large Manufacturers | -24 | -14 | -11 | Toyota can only answer once: sentiment on the improve. |
| | Q1 Tankan Large Non-Manufacturers | -22 | -18 | -17 | Absolute conditions are still extra tough. |
| | Mar Nomura PMI | 52.5 | - | - | Somewhat below regional neighbours, with strong yen a factor. |
| Eur | Mar PMI Factory (F) | 56.3a | 56.3 | 56.3 | Mar saw decent further jump despite mixed hard industrial data. |
| Ger | Feb Retail Sales | -0.5% | 0.0% | - | Sales volatile since Nov but Feb's data may clarify picture. |
| UK | Mar House Prices 3m %yr | 4.5% | - | - | Tentative date for Halifax series, due 1-7/4 |
| | Mar PMI Factory | 56.6 | 56.8 | 56.0 | Probably should dip if our forecast of slower Q1 economy is correct. |
| Fri 2 Apr | | | | | |
| - | Good Friday public holiday, mkts closed | - | - | - | Aus, NZ, Eur, Ger, UK, Can. Not a Federal holiday in US. |
| US | Mar Non-farm Payrolls chg | -36k | 190k | 330k | Census jobs, weather bounce and underlying jobs gain. See text box. |
| | Mar Unemployment Rate | 9.7% | 9.7% | 9.6% | Temporary job gains in next few months will lower jobless rate. |

New Zealand Economic and Financial Forecasts

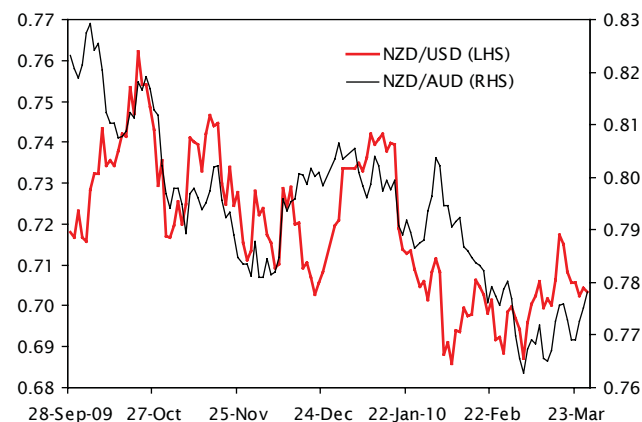
| Economic Growth Forecasts | March years | | | | Calendar years | | | |
|----------------------------------|-------------|------|-------|-------|----------------|------|-------|-------|
| | 2008 | 2009 | 2010f | 2011f | 2008 | 2009 | 2010f | 2011f |
| % change | | | | | | | | |
| GDP (Production) ann avg | 2.9 | -1.4 | -0.2 | 4.1 | -0.1 | -1.6 | 3.4 | 4.4 |
| Employment | -0.3 | 0.7 | -1.3 | 1.8 | 0.9 | -2.4 | 1.2 | 2.1 |
| Unemployment Rate % s.a. | 3.8 | 5.0 | 7.1 | 6.3 | 4.7 | 7.3 | 6.5 | 5.7 |
| CPI | 3.4 | 3.0 | 2.4 | 1.5 | 3.4 | 2.0 | 2.0 | 2.4 |
| Current Account Balance % of GDP | -7.8 | -7.9 | -2.8 | -4.9 | -8.7 | -2.9 | -4.7 | -5.2 |

| Financial Forecasts | Jun-10 | Sep-10 | Dec-10 | Mar-11 | Jun-11 | Sep-11 | Dec-11 |
|---------------------|--------|--------|--------|--------|--------|--------|--------|
| Cash | 2.75 | 3.25 | 3.75 | 4.25 | 4.75 | 5.25 | 5.75 |
| 90 Day bill | 3.20 | 3.70 | 4.20 | 4.70 | 5.20 | 5.70 | 6.10 |
| 2 Year Swap | 4.70 | 5.00 | 5.30 | 5.60 | 5.90 | 6.20 | 6.40 |
| 5 Year Swap | 5.60 | 5.70 | 5.90 | 6.10 | 6.30 | 6.45 | 6.60 |
| 10 Year Bond | 5.90 | 5.90 | 6.00 | 6.10 | 6.20 | 6.20 | 6.30 |
| NZD/USD | 0.67 | 0.72 | 0.77 | 0.76 | 0.74 | 0.72 | 0.71 |
| NZD/AUD | 0.79 | 0.80 | 0.81 | 0.82 | 0.82 | 0.84 | 0.84 |
| NZD/JPY | 61.0 | 67.0 | 73.9 | 77.5 | 78.4 | 78.5 | 79.5 |
| NZD/EUR | 0.50 | 0.53 | 0.56 | 0.56 | 0.56 | 0.56 | 0.57 |
| NZD/GBP | 0.46 | 0.48 | 0.50 | 0.48 | 0.47 | 0.46 | 0.46 |
| TWI | 63.3 | 67.1 | 70.8 | 71.1 | 70.7 | 70.4 | 70.5 |

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 29 March 2010

| Interest Rates | Current | Two Weeks Ago | One Month Ago |
|----------------|---------|---------------|---------------|
| Cash | 2.50% | 2.50% | 2.50% |
| 30 Days | 2.60% | 2.65% | 2.67% |
| 60 Days | 2.65% | 2.67% | 2.69% |
| 90 Days | 2.67% | 2.70% | 2.70% |
| 2 Year Swap | 4.27% | 4.19% | 4.14% |
| 5 Year Swap | 5.24% | 5.16% | 5.14% |

NZ foreign currency midrates as at Monday 29 March 2010

| Exchange Rates | Current | Two Weeks Ago | One Month Ago |
|----------------|---------|---------------|---------------|
| NZD/USD | 0.7052 | 0.7002 | 0.6998 |
| NZD/EUR | 0.5237 | 0.5121 | 0.5171 |
| NZD/GBP | 0.4727 | 0.4652 | 0.4666 |
| NZD/JPY | 65.190 | 63.380 | 62.460 |
| NZD/AUD | 0.7795 | 0.7672 | 0.7769 |
| TWI | 65.790 | 64.680 | 64.900 |

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 | 1.3 | 3.2 | 3.6 |
| CPI inflation % annual | 2.8 | 3.3 | 3.0 | 3.7 | 2.1 | 2.6 | 2.8 |
| Unemployment % | 5.1 | 4.8 | 4.4 | 4.2 | 5.6 | 5.2 | 4.9 |
| Current Account % GDP | -5.8 | -5.3 | -6.3 | -4.4 | -4.1 | -4.7 | -4.1 |
| United States | | | | | | | |
| Real GDP %yr | 3.1 | 2.7 | 2.1 | 0.4 | -2.4 | 2.4 | 3.0 |
| Consumer Prices %yr | 3.4 | 3.2 | 2.9 | 3.8 | -0.4 | 1.3 | 2.4 |
| Unemployment Rate % | 5.1 | 4.6 | 5.8 | 5.8 | 9.3 | 9.6 | 9.1 |
| Current Account %GDP | -6.1 | -6.0 | -5.3 | -4.9 | -3.1 | -3.0 | -2.3 |
| Japan | | | | | | | |
| Real GDP %yr | 1.9 | 2.8 | 2.2 | -1.5 | -5.8 | 2.3 | 1.8 |
| Consumer Prices %yr | -0.3 | 0.2 | 0.1 | 1.4 | -1.3 | -1.1 | -0.2 |
| Unemployment Rate % | 4.4 | 4.1 | 3.9 | 4.0 | 5.1 | 4.8 | 4.5 |
| Current Account %GDP | 3.6 | 3.9 | 4.8 | 3.2 | 2.8 | 4.1 | 4.3 |
| Euroland | | | | | | | |
| Real GDP %yr | 1.8 | 3.1 | 2.8 | 0.5 | -4.0 | 0.6 | 1.1 |
| Consumer Prices %yr | 2.5 | 2.0 | 3.1 | 1.6 | 0.9 | 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 | -0.1 | 0.1 | -1.1 | -1.0 | -0.5 | 0.0 |
| United Kingdom | | | | | | | |
| Real GDP %yr | 2.2 | 2.9 | 2.6 | 0.5 | -5.0 | 0.2 | 1.3 |
| Consumer Prices %yr | 2.1 | 3.0 | 2.1 | 3.5 | 2.9 | 2.0 | 1.5 |
| Unemployment Rate % | 2.8 | 3.0 | 2.5 | 3.1 | 5.5 | 7.0 | 7.3 |
| Current Account %GDP | -2.6 | -3.3 | -2.7 | -1.6 | -2.4 | -2.0 | -1.5 |

Forecasts finalised 12 March 2010

| Interest Rate Forecasts | Latest (Mar 29) | Jun-10 | Sep-10 | Dec-10 | Mar-11 | Jun-11 |
|--------------------------------|-----------------|--------|--------|--------|--------|--------|
| Australia | | | | | | |
| Cash | 4.00 | 4.25 | 4.50 | 4.50 | 4.50 | 5.00 |
| 90 Day Bill | 4.41 | 4.50 | 4.60 | 4.75 | 4.75 | 5.25 |
| 10 Year Bond | 5.74 | 5.90 | 6.00 | 6.00 | 6.10 | 6.75 |
| International | | | | | | |
| Fed Funds | 0.125 | 0.125 | 0.125 | 0.125 | 0.125 | 0.50 |
| US 10 Year Bond | 3.85 | 3.40 | 3.75 | 4.00 | 4.50 | 5.25 |
| ECB Repo Rate | 1.00 | 1.00 | 1.00 | 1.00 | 1.25 | 1.50 |
| Exchange Rate Forecasts | | | | | | |
| AUD/USD | 0.9047 | 0.85 | 0.90 | 0.95 | 0.93 | 0.90 |
| USD/JPY | 92.44 | 91 | 93 | 96 | 102 | 106 |
| EUR/USD | 1.3465 | 1.34 | 1.36 | 1.38 | 1.36 | 1.32 |
| AUD/NZD | 1.2829 | 1.27 | 1.25 | 1.23 | 1.22 | 1.20 |

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