Weekly Commentary

30 August 2010

Diminished expectations

Local data was thin on the ground again last week, leaving markets to attempt to draw some meaning from the RBNZ's quarterly survey of expectations.

The survey seemed to take on even greater significance after Governor Bollard's speech the previous week, emphasising the importance of keeping inflation expectations in check as the economy recovers, and at a time when government policies are expected to push annual inflation towards 5% next year. While the speech itself would have been written well in advance, the decision to put it on the public record appeared to be on short notice – fuelling speculation that the RBNZ had seen the survey results, and was trying to downplay a surge in inflation expectations before it was published.

That proved not to be the case. Average expectations for two years ahead, the measure that best corresponds to the RBNZ's medium-term horizon for policy, fell from 2.8% to 2.6%. That is still fairly elevated – in the top quarter of the 1-3% target band – but is in line with the RBNZ's most recent projections. The increase in GST to 15% was confirmed since the last survey, but respondents seem to have decided that the medium-term effects on inflation, if any, were outweighed by the softening in the economic outlook.

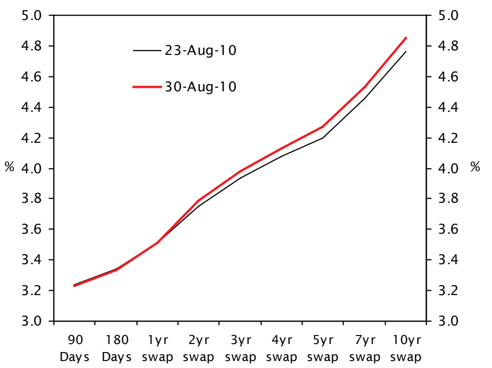
These results will give the RBNZ some comfort that inflation expectations should remain anchored during the spike in headline inflation over the next year or so. However, since the RBNZ has already downplayed the role of expectations to focus on actual wage- and price-setting behaviour, it's unlikely we'll get the final word on this issue until the inflation spike actually occurs.

Financial markets have continued to scale back the odds of further OCR hikes, with only a one in four chance of a hike factored in for the September *Monetary Policy Statement*, and just 50 basis points of tightening expected over the next year. As we've said before, the RBNZ still appears to have every intention of returning the cash rate to neutral levels – somewhere in the order of 5-6% – over the medium term. However, short-term tactics are another matter, and not one that the RBNZ has done much to articulate. Our view is that on balance – and it is a fine balance – a hike in September would be more consistent with the RBNZ's recent comments than would a pause, but you can pick out statements that support either case.

One factor playing on markets is the 'Jackson Hole meeting' – the annual monetary policy symposium hosted by the Kansas City Fed on August 26-28. Dr Bollard is a regular attendee, along with a host of central bankers, academics, and a few market economists and journalists.

On the face of it, there would seem to be reason to worry about what kind of message the Governor will take away. The usual mix of attendees means that the discussion is likely to have been skewed towards the US and to a lesser degree Europe, rather than the booming Asian and Australian economies that make up a large and growing share of New Zealand's export markets. But it's a stretch to presume that Dr Bollard will be privy to secret information about the state of the world, which would drive his OCR decision in September. It's certainly plausible that in August 2008 he was alerted to how close the US investment banks were to collapse, which prompted

NZ Interest Rates



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

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the 50bp rate cut in the September *MPS*. (Lehmans collapsed a few days later.) But in other years, there's been no sense that September decisions were overtly influenced by international concerns.

The data calendar perks up this week. Today's trade balance for July slipped into deficit as expected, with export volumes nearing a seasonal low point, though prices remain firm. Imports rose by more than we expected, led by plant and machinery, which is an encouraging sign for business investment. Consumer goods imports were also stronger, which may be an indication of retailers stocking up to meet a pre-GST spending rush.

Business confidence (Mon) has fallen in the last two months, although it has remained at historically elevated levels as firms have kept the faith in the recovery story. Recent sectoral indicators have been mixed, but we could see a further pullback in confidence, to levels more consistent with the actual growth performance to date.

The upward trend in residential building consents (Tues) has slowed dramatically since the start of this year. We still think that consents will need to pick up the pace to meet growth in demand for housing over this year; the rebound in net migration in July has alleviated some of the downside risk to that view. However, another undershoot would almost certainly see us revise down our forecasts for residential investment for later this year and early into 2011.

Finally, Fonterra's online auction (Wed) will provide more insight into whether this season's dairy payout forecast can be maintained. We expect prices to be up slightly compared to last month.

Fixed vs. floating: The gap between fixed and floating rates has narrowed significantly – partly because financial markets are questioning the RBNZ's resolve to return the OCR to normal levels. Borrowers who believe that the economy is simply wobbling along the path to recovery, and therefore that the RBNZ will continue to normalise the OCR in the next few years, will find today's 2-3 year fixed rates very attractive. Those who believe that markets are presaging a return to recession will be more attracted to floating rates.

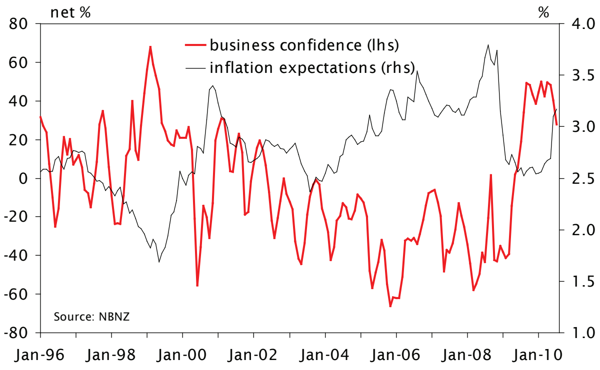
Key Data Previews

NZ Aug NBNZ business confidence

Aug 30, Last: 27.9%

- Business confidence fell further in July, though it remained within the range established over the last year. The decline was fairly consistent across sectors and across the major activity indicators.
- The risks for the August survey are clearly to the downside, given recent sectoral indicators, general sentiment about the global outlook, and notable weakness in a separate business survey (albeit one that appears to be weighted more heavily towards the property sector).
- Inflation expectations and pricing intentions (the latter of which applies only to the next three months) have risen sharply since the 1 October GST hike was confirmed. The RBNZ is likely to focus on inflation indicators with a longer horizon than this survey.

NBNZ Business Confidence

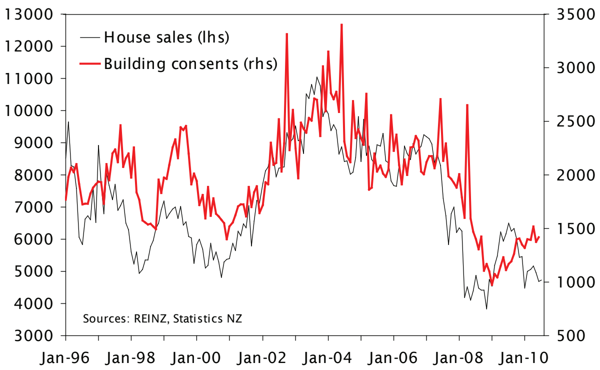


NZ Jul building consents s.a.

Aug 31, Last: 3.5%, WBC f/c: 1.3%

- Fears of changes to the taxation of property, falling population growth and rising interest rates have clearly had a cooling effect on the housing market (lower sales and prices) since last December. Still, our core view to date has been that these changes would not preclude a sizeable upturn in residential investment – i.e. the housing shortage would dominate.
- However, growth in dwelling consent issuance has averaged just 1% seasonally adjusted per month since the beginning of 2010, much weaker than we expected. We are picking another subdued month of issuance for July, with growth of 1.3%. This assumes around 50 consents in the volatile apartments component, from 57 last month.

Housing activity *(monthly, seasonally adjusted)*

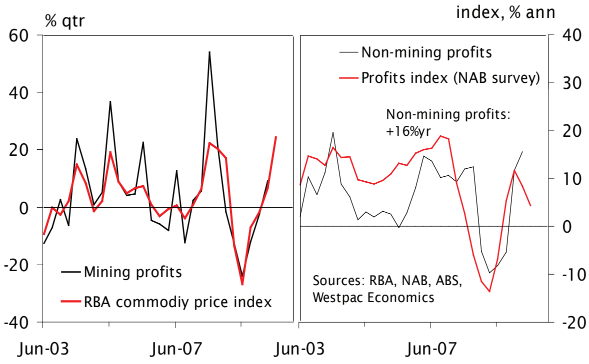


Aus Q2 company profits

Aug 30, Last: 3.9%, WBC f/c: 8.0%, Mkt f/c: 5.8%

- Company profits are expected to be up strongly in Q2 on a sharp rebound in key global commodity prices. We're forecasting an 8.0% rise in the quarter.
- Mining profits could jump by 35% in Q2, possibly more, as the rebound in iron ore and coal prices took effect. The RBA's non-rural commodity price index rose by 24% in the period. Note, profits in this survey are distorted by any change in inventory valuations (to reflect the latest price level).
- By contrast, we anticipate a small fall in non-mining sector profits in Q2. Private sector business surveys report a deterioration in profitability and in the retail sector there was aggressively discounting to get shoppers through the doors.

Mining profits surged in Q2

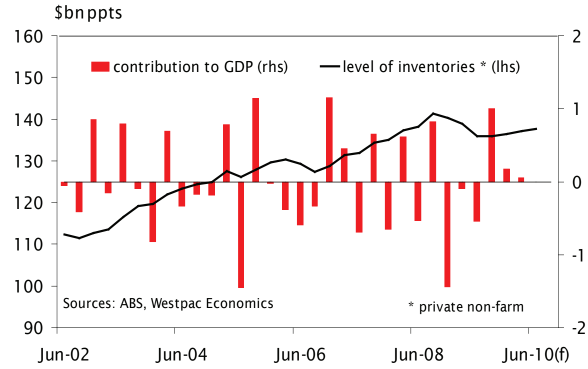


Aus Q2 business inventories

Aug 30, Last: 0.4%, WBC f/c: 0.4%, Mkt f/c: 0.4%

- We anticipate that firms continued to rebuild inventory levels gradually in the June quarter. We're forecasting a repeat of the last quarter - a 0.4% rise in the level of inventories and no impact on quarterly GDP growth.
- Firms began to rebuild inventories from Dec qtr 2009 as the economic recovery gained traction. That was after an aggressive run-down during the financial crisis. An acceleration in inventory accumulation appears unlikely at this stage, with consumer spending growth remaining sub-par.
- As always, we caution that forecasting quarterly movements in inventories is problematic - in part because the ABS invariably revises history. Also, lumpy import and export flows have the potential to temporarily impact inventories.

Inventories: gradual rebuild

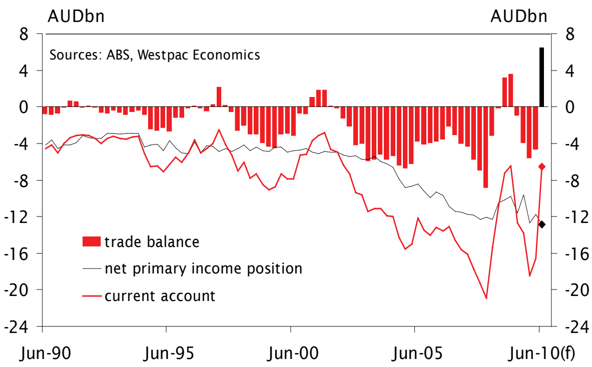


Aus Q2 current account balance, AUDbn

Aug 31, Last: –$16.6bn, WBC f/c: –$6.5bn, Mkt f/c: –$6.5bn

- Q2 will see the current account impact of a huge swing to surplus on the trade balance, from the bulks price led surge in the ToT and strong export volumes growth. We expect a 14%qtr jump in the ToT with a weaker AUD lifting import prices slightly, but very strong export prices led by ores, coal and gold. Combined with stronger export volumes growth (f/c 5%qtr) and lesser import volumes growth (f/c 3%qtr), the trade balance moves to a $6.5bn surplus from a $4.6bn deficit.
- This should be slightly offset by a higher net primary income deficit of $12.9bn (vs $11.8bn prev). We expect higher net debt income outflows with higher USD 3mth rates and a weaker AUD only partially offset by lower USD 10yr bond rates. Net equity income outflows are also expected to rise with an Australian equity market income return outperformance versus the US in Q2, after an underperformance in Q1.

Current account balance and components

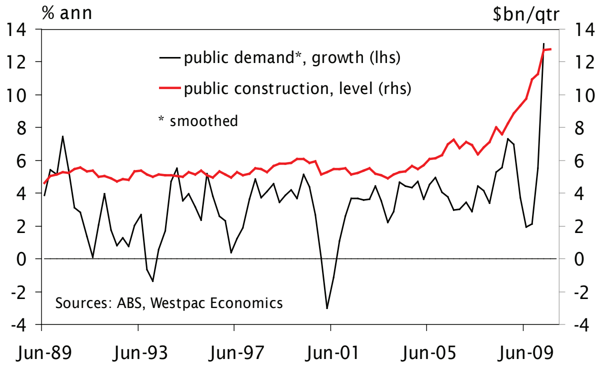


Aus Q2 public sector spending

Aug 31, Last: 4.0%, WBC f/c: 0.4%

- Aggressive fiscal stimulus from the Federal Government has triggered an unprecedented surge in public investment and, in turn, overall public sector demand.
- From here, as projects are completed, the level of public investment is likely to fall from a high level. We're forecasting public demand to rise by 0.4% in the quarter, with a 0.5% fall in investment more than offset by a 0.7% rise in consumption.
- We know that public construction increased by just 0.4% in Q2, after a 37% surge over the previous year. Given this limited rise in construction in Q2 we anticipate that total public investment edged lower in the period.

Public demand up on construction boom

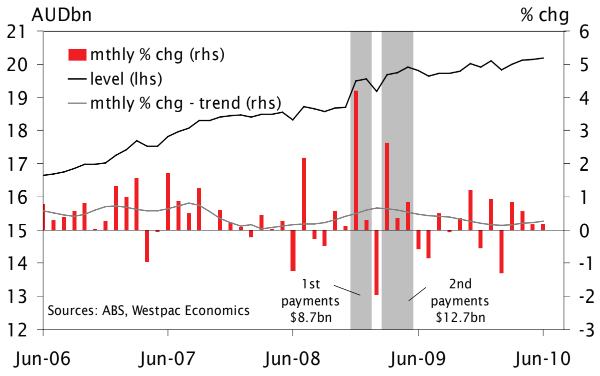


Aus Jul retail trade

Aug 31, Last: 0.2%, WBC f/c: 0.5%, Mkt f/c: 0.4%

- Retail sales disappointed again in June posting a 0.2%mth rise for a second month in a row. Trend sales growth lifted slightly to 0.3% but was still subdued. The Q2 detail showed heavy discounting has been a factor, particularly for department stores, clothing and household goods retailers.
- Conditions improved a little in July. Consumer sentiment rebounded strongly in the month. Household cash flows would also have been reasonable with interest rates on hold, solid jobs gains and even a small tax cut (though this barely registered news-wise). Housing-related spending, which has been lacklustre to date, should also start to pick up in the months ahead as building activity rises. However, the consumer caution evident over the last year remains intense. Overall, we expect July sales to show a better but still subdued 0.5% rise.

Monthly retail sales

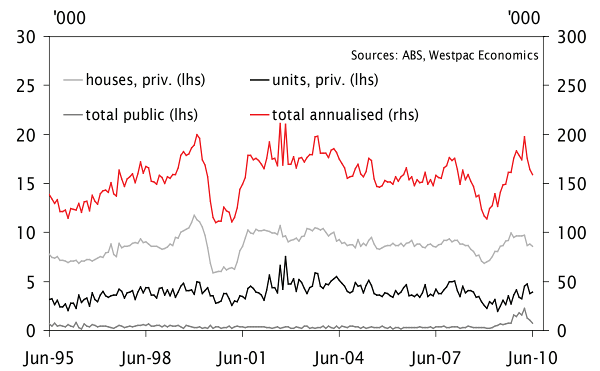


Aus Jul dwelling approvals

Aug 31, Last: –3.3%, WBC f/c: flat, Mkt f/c: –0.7%

- The slide in dwelling approvals since the start of the year extended into June although the 3.3% fall in the month was mostly due to a sharp drop in public dwelling approvals. This usually minor segment is being buffeted by a large round of social housing construction (totalling 19.3k dwellings vs the typical 3-4k a year public approvals have seen historically). Private dwelling approvals were down just 1% in June and are tracking a more moderate trend decline in line with new finance approvals.
- Private activity is expected to stabilise in coming months. However, public approvals are a bit of a wildcard and could bounce up again given that there still seems to be a sizeable pipeline of projects to come. Overall we expect a flat result in July, softening the trend decline a little.

Dwelling approvals

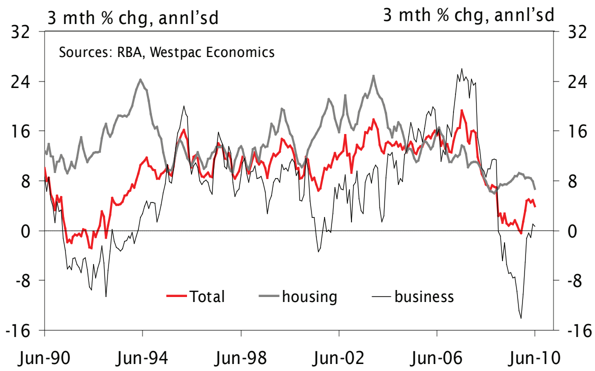


Aus Jul private credit

Aug 31, Last: 0.2%, WBC f/c: 0.4%, Mkt f/c: 0.3%

- The credit cycle turned the corner at the end of 2009 as the business segment stabilised. Although, the pace of growth remains modest to date.
- We're forecasting credit to the private sector to increase by 0.4% in July, equal to the average monthly pace over the last half year and up from the 0.2% increase in June.
- Housing credit growth surprised with a rise of just 0.4% in June, down from 0.6% in May. Yes, the 6 rate rises over the 8 months to May triggered a cooling of the owner-occupier market - but even so, a read of 0.4% is rather soft. Watch for an upward revision (as was the case with the April data).
- Business credit was flat in June, as it was – on average – over the previous half year. A gradual improvement is expected to emerge during the second half of this year.

Credit: early stages of an upswing

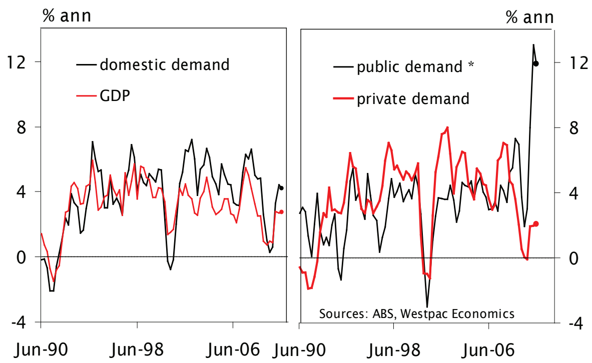


Aus Q2 GDP

Sep 1, Last: 0.5%, WBC f/c: 0.9%qtr, 2.8%yr, Mkt f/c: 0.9%

- The recovery entered another phase in the June quarter, with greater momentum in private sector demand. Also, net exports are forecast to swing to a positive (+0.3ppts, after -0.5ppts). That points to an acceleration of GDP growth in Q2.
- The much anticipated upturn in new housing construction (+6.9%qtr) and in private infrastructure work (+5.1%qtr, boosted by work on the $43bn Gorgon project) became apparent. However, consumer spending growth most likely remained sub-trend (forecast 0.7%) as the RBA's series of rate rises impacted.
- Private demand is forecast to rebound (+0.8qtr, after -0.4%qtr), while public demand levels out (+0.4%qtr, after +4.0qtr) as the growth impetus from the fiscal stimulus package fades.

Australian economic conditions

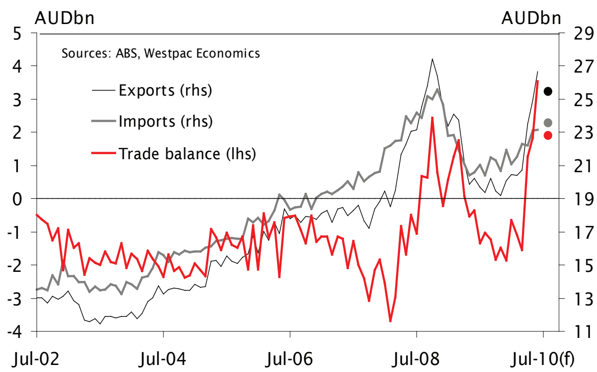


Aus Jul international trade balance, AUDbn

Sep 2, Last: 3.54, WBC f/c: 1.9, Mkt f/c: 3.1

- The trade surplus surged $1.714bn in June to a record $3.539bn. Higher iron ore prices and strong vol gains in ores and coal boosted non-rural exports 12.8% and total exports 7.1%. Imports rose just 0.2% but prices likely rose further (A$ fell 1.9%) implying weaker vols.
- The A$ RBA non-rural commodity price index rose 2.3% in July, for a 32% surge in 4 months. However, port data saw a dip in iron ore vols and near 10% pullback in coal vols, and with a SAdj. drag also, we f/c a 4.5% fall back in non-rural exports. Total exports are f/c to retrace 4.5% also. Merchandise import data implies a 2% rise (likely vols up with 2.9% A$ rise a price dent), but gain was all in intermediate and 'other' class. Surplus upside risks still from further backdating of high bulks contract prices.

Surplus dip: coal X vol pullback & M rise

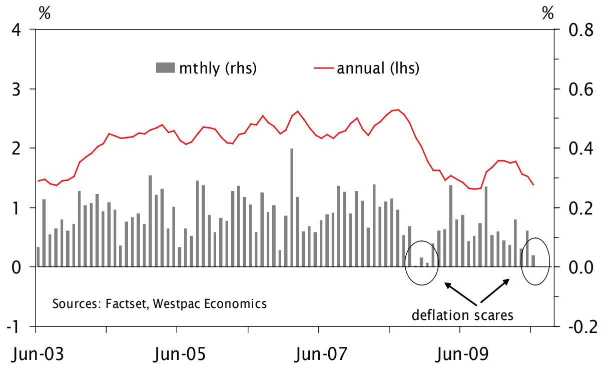


US July core PCE deflator

Aug 30, Last: 0.0%, WBC f/c: 0.1%, Mkt f/c: 0.1%

- Inflation has been drifting lower on most measures this year, driven at least in part by the wide output gap created by the deep recession of 2008 and 2009. The weak labour market, consumer resistance to price increases, discounting to gain market share and otherwise intense competition in many retail sectors are also factors at play.
- The core PCE deflator rose by less than 0.1% in 4 of the first 6 months of 2010; in June it was up just 0.04%. The annual pace slowed from 1.8% at the start of the year to 1.4% yr in June.
- The core CPI rose by 0.13% in July but it tends to run a little faster than the core PCE which we expect to again print just below 0.1% before rounding. The report will also include subdued personal income and spending numbers, though not as soft as in June when both were flat.

US core PCE deflator



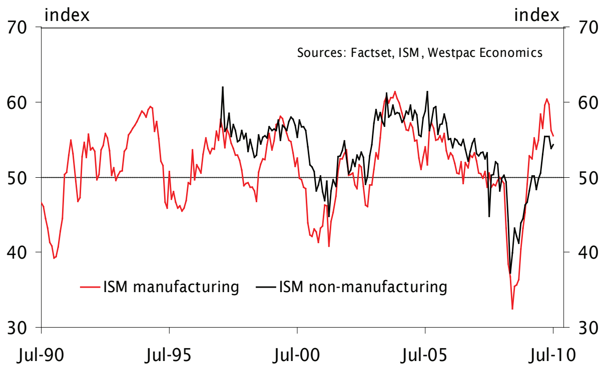
US August ISM factory and non-manufacturing reports

Sep 1, Factory Last: 55.5, WBC f/c: 49.9

Sep 3, Non-manufacturing Last: 54.3, WBC f/c: 52.0

- The factory ISM jumped to a new cycle high at 60.4 in Apr, but since then has fallen back to 55.5 in July, indicating a slowing pace of industrial growth. Regional business surveys so far in August have included some very weak detail - in the case of NY and Philly, outright declines in orders and shipments. Given that the ISM is a composite of its key activity components, those regional surveys suggest that the ISM might dip below 50, indicating national industrial contraction in Aug.
- The services ISM reversed some of its June decline in July – a rare positive data release. But given the reasonable possibility that the US economy is contracting in the current quarter; the latest cutbacks in state government spending; and collapsing construction activity, we expect that bounce to be more than fully reversed in August, with a decline from 54.3 to 52.0.

US ISM surveys

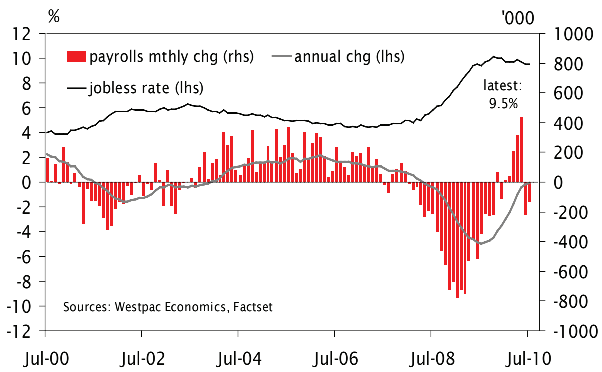


US August non-farm payrolls

Sep 3, Last: –131k, WBC f/c: –180k

- Payrolls fell 131k in July. The main driver was a 202k plunge in government jobs, including a further 143k temporary Census worker layoffs and 59k (most likely) state government employees who lost their jobs due to budgetary constraints. Private payrolls rose 71k in July, down from 200k average gains in March-April.
- Q2 GDP growth has been revised from 2.4% to 1.6% annualised, and there is some risk the economy contracted in Q3 - not good for jobs growth. The recent renewed upswing in initial jobless claims back to 2009 levels also suggests jobs are being shed. A seasonal adjustment quirk will weigh against Aug auto employment.
- But the regional business surveys did not show a clear jobs picture and the latest small business survey showed hiring intentions at a new cycle high. Still, we see flat private sector jobs in Aug, and government down 180k, for a total 180k drop.

US non-farm payrolls



Key Data and Events

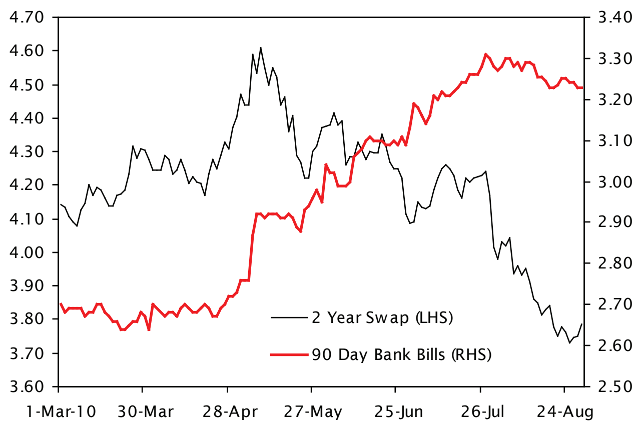
		Last	Market Median	Westpac Forecast	Comments
Mon 30 Aug					
NZ	Aug NBNZ business confidence	27.9%	–	–	Confidence easing to levels more consistent with growth to date.
Aus	Q2 company profits	3.9%	5.8%	8.0%	Mining +35% on higher prices, but non-mining risk of a small dip.
	Q2 business inventories, % chg	0.4%	0.4%	0.4%	Gradual rebuilding of inventories to continue, neutral for growth.
Eur	Aug business climate index	0.66	–	0.60	Some mixed survey news this month, but holding up better than US!
US	Jul core PCE deflator	0.0%	0.1%	0.1%	Core CPI was just over 0.1%, core PCE tends to come in a little lower.
	Jul personal income	0.0%	0.3%	0.4%	Hours worked and earnings picked up from very weak June in July.
	Jul personal spending	0.0%	0.3%	0.2%	Spending trend is very soft but autos gain a positive in July.
	Aug Dallas Fed factory index	-21	–	-28	Accurately warned of subsequent weakness in NY/Philly indices.
Tue 31 Aug					
NZ	Jul building consents	3.5%	–	1.3%	Subdued growth means downside risks for residential construction.
Aus	Q2 current account balance, AUDbn	-16.6	-6.5	-6.5	Swing to $6.5bn trade surplus with 14% ToT jump; higher NID.
	Q2 public sector demand	4.0%	–	0.4%	Risk that public investment dips after unprecedented surge.
	Jul retail sales	0.2%	0.4%	0.5%	Sentiment, household finances, anecdotes suggest a better month.
	Jul dwelling approvals	-3.3%	-0.7%	flat	Should stabilise in coming months. Public approvals a wildcard for July.
	Jul private credit	0.2%	0.3%	0.4%	Trend pace 0.4%, up from 0.1% over 2009H2. Business on the mend.
Jpn	Jul industrial production	-1.1%	flat	–	Stock cycle basically over, awaiting developments final demand.
	Aug Nomura PMI	52.8	–	–	Expect a move back towards the 50 line.
	Jul retail sales %yr	3.3%	3.5%	–	Annual rate firm for now but will crater within a few months.
	Aug small business confidence	48.1	–	–	Upstream sectors should see orders weaken as rebound dissipates.
	Jul housing starts %yr	0.6%	1.9%	–	Implies a rise to 756k annualised from 750k previously.
Eur	Aug CPI flash %yr	1.7%	1.6%	1.6%	Forecasts for national data suggest some downside.
	Jul unemployment rate %	10.0%	10.0%	9.9%	German jobless rate is falling, may pull euro rate lower.
UK	Aug GfK consumer confidence	-22	–	-23	Budget cutbacks, and worries about global economy, equity mkt falls.
	Jul net mortgage lending £bn	0.7	–	–	Modest growth in outstandings may be at risk as new approvals slow
US	Jun house prices %yr	4.6%	3.5%	–	S&P Case Shiller index. Prices to soften as sales collapse?
	Aug Chicago PMI	62.3	57.6	54.0	Steep fall would be consistent with other surveys, but Chicago can go
	Aug Milwaukee PMI	66.0	–	54.0	in opposite directions sometimes and Milwaukee bounced in July.
	Aug Conf Board consumer confidence	50.4	51.0	48.0	Equities down, job mkt softening, economy back in recession?
	Aug 10 FOMC meting minutes	–	–	–	More detail re how worried about recovery the Fed is.
Can	Jun GDP	0.1%	0.2%	–	The monthly data make it clear that GDP growth slowed from Q1's
	Q2 GDP % annualised	6.1%	2.5%	–	rapid pace in Q2, with Q3 likely to be softer still.
Wed 1 Sep					
NZ	Aug ANZ commodity price index	-0.8%	–	–	Falling dairy prices in recent auctions to weigh on the index.
Aus	Q2 GDP	0.5%	0.9%	0.9%	Stronger priv demand (housing & infrastructure) & net X's a +ve.
	Aug AiG PMI	54.4	–	–	Manufacturing expanding since Aug '09, building upswings a plus.
UK	Aug PMI factory	57.3	56.8	57.0	Drifting lower since mid Q2.
US	Aug ADP private payrolls	42k	20k	-20k	Tends to underperform official data; small fall consistent with our f/c
	Aug ISM manufacturing	55.5	53.0	49.9	Very weak regional survey detail could see ISM back below 50.
	Jul construction spending	0.1%	-0.5%	-1.5%	Plunging residential spending post the tax rebate expiry.
Thu 2 Sep					
Aus	Jul trade balance, AUDbn	3.54	3.1	1.9	X -4.5% on coal vol pullback; 2% M gain.
Eur	Q2 GDP revision	1.0% a	1.0%	1.0%	Q1 likely to be revised higher. Detail breakdown important.
	ECB rate decision	1.0%	1.0%	1.0%	Firmly on hold. Trichet will publish revised staff projections.
UK	Aug PMI construction	54.1	–	54.5	Down sharply in July so Aug may see small bounce.
US	Initial jobless claims w/e 28/8	473k	480k	485k	Settling in a new higher range as weaker economy impacts job mkt.
	Jul factory orders	-1.2%	0.6%	0.8%	Durables known up 0.3%, non-durables may rise on energy prices.
	Jul pending home sales	-2.6%	-1.5%	0.0%	Stabilising after post tax rebate plunge.
Fri 3 Sep					
Eur	Jul retail sales	0.0%	0.2%	–	German data due 27/8 will provide a clue.
UK	Aug PMI services	53.1	–	52.8	Trending lower since Feb.
US	Aug non-farm payrolls change	-131k	-106k	-180k	With the economy stalling/receding, higher jobless claims pointing to
	Aug private non-farm payrolls	71k	45k	0k	job market deterioration, we expect private sector jobs growth to stall.
	Aug unemployment rate %	9.5%	9.6%	9.7%	Census and state worker layoffs will subtract a further 180k.
	Aug ISM non-manufacturing	54.3	53.6	52.0	Jul bounce to be fully reversed and more.

New Zealand Economic and Financial Forecasts

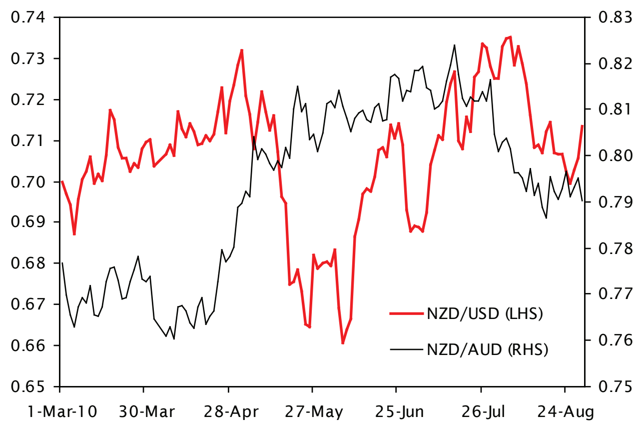
Economic Growth Forecasts	March years				Calendar years			
% change	2010	2011f	2012f	2013f	2009	2010f	2011f	2012f
GDP (Production) ann avg	-0.4	3.5	4.1	3.3	-1.6	2.9	4.4	3.4
Employment	-0.1	1.7	1.5	1.7	-2.4	1.9	1.9	1.6
Unemployment Rate % s.a.	6.0	5.8	5.6	5.1	7.1	6.2	5.6	5.2
CPI	2.0	4.7	2.7	3.2	2.0	4.7	2.4	3.3
Current Account Balance % of GDP	-2.4	-3.3	-4.8	-4.9	-2.9	-3.0	-4.6	-5.0

Financial Forecasts	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12
Cash	3.25	3.50	3.75	4.25	4.75	5.25	5.75
90 Day bill	3.50	3.70	4.20	4.70	5.20	5.70	6.10
2 Year Swap	4.10	4.40	4.80	5.20	5.60	6.00	6.30
5 Year Swap	4.80	5.00	5.30	5.60	5.90	6.20	6.40
10 Year Bond	5.30	5.50	5.70	5.90	6.00	6.20	6.30
NZD/USD	0.70	0.72	0.75	0.75	0.74	0.73	0.72
NZD/AUD	0.80	0.80	0.82	0.83	0.84	0.84	0.84
NZD/JPY	61.6	65.5	70.5	72.8	74.0	75.2	76.3
NZD/EUR	0.53	0.54	0.56	0.58	0.59	0.59	0.59
NZD/GBP	0.45	0.46	0.47	0.48	0.48	0.47	0.46
TWI	65.6	67.1	69.7	71.1	71.4	71.2	71.1

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 30 August 2010

Interest Rates	Current	Two Weeks Ago	One Month Ago
Cash	3.00%	3.00%	3.00%
30 Days	3.11%	3.14%	3.06%
60 Days	3.22%	3.23%	3.14%
90 Days	3.23%	3.25%	3.27%
2 Year Swap	3.79%	3.85%	3.98%
5 Year Swap	4.28%	4.41%	4.64%

NZ foreign currency midrates as at Monday 30 August 2010

Exchange Rates	Current	Two Weeks Ago	One Month Ago
NZD/USD	0.7131	0.7069	0.7250
NZD/EUR	0.5590	0.5519	0.5550
NZD/GBP	0.4593	0.4520	0.4620
NZD/JPY	61.080	60.280	62.510
NZD/AUD	0.7897	0.7888	0.8010
TWI	66.650	66.010	67.290

Economic and Financial Forecasts

Economic Forecasts (Calendar Years)	2005	2006	2007	2008	2009	2010f	2011f
Australia							
Real GDP % yr	2.8	2.9	4.0	2.3	1.3	3.3	3.5
CPI inflation % annual	2.8	3.3	3.0	3.7	2.1	3.2	3.2
Unemployment %	5.1	4.8	4.4	4.3	5.6	5.2	4.8
Current Account % GDP	-5.8	-5.3	-6.3	-4.4	-4.1	-2.9	-2.1
United States							
Real GDP %yr	3.1	2.7	2.1	0.0	-2.6	2.6	2.5
Consumer Prices %yr	3.4	3.2	2.9	3.8	-0.1	1.1	2.2
Unemployment Rate %	5.1	4.6	5.8	5.8	9.3	9.8	10.0
Current Account %GDP	-6.1	-6.0	-5.3	-4.7	-2.7	-3.2	-2.7
Japan							
Real GDP %yr	1.9	2.8	2.2	-1.5	-5.8	3.5	1.1
Consumer Prices %yr	-0.3	0.2	0.1	1.4	-1.3	-0.7	-0.2
Unemployment Rate %	4.4	4.1	3.9	4.0	5.1	5.1	4.8
Current Account %GDP	3.6	3.9	4.8	3.3	2.8	3.3	3.4
Euroland							
Real GDP %yr	1.7	3.0	2.8	0.6	-4.1	0.8	1.2
Consumer Prices %yr	2.5	2.0	3.1	1.6	0.9	1.0	1.2
Unemployment Rate %	8.8	7.9	7.3	7.8	10.0	10.5	10.5
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	-4.9	1.1	1.0
Consumer Prices %yr	2.1	3.0	2.1	3.5	2.9	2.5	3.0
Unemployment Rate %	2.8	3.0	2.5	3.1	5.0	5.0	5.0
Current Account %GDP	-2.6	-3.3	-2.7	-1.6	-2.4	-2.0	-1.5

Forecasts finalised 6 August 2010

Interest Rate Forecasts	Latest (Aug 30)	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11
Australia						
Cash	4.50	4.50	4.50	4.75	5.00	5.00
90 Day Bill	4.74	4.75	4.75	5.00	5.25	5.50
10 Year Bond	4.81	5.20	5.30	5.30	5.30	5.50
International						
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.375
US 10 Year Bond	2.64	2.70	3.00	3.30	3.60	3.80
ECB Repo Rate	1.00	1.00	1.00	1.00	1.00	1.00

Exchange Rate Forecasts	Latest (Aug 30)	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11
AUD/USD	0.9024	0.88	0.90	0.92	0.90	0.88
USD/JPY	85.63	88	91	94	97	100
EUR/USD	1.2755	1.31	1.33	1.34	1.30	1.26
AUD/NZD	1.2650	1.26	1.25	1.23	1.20	1.19