

Australian weekly

week beginning 9 March 2009

- Australia in recession: RBA back on the job.
- Australian data: consumer sentiment, mortgage approvals and jobs.
- New Zealand: RBNZ to deliver another 100bp cut.
- US data: retail sales and trade deficit focus in otherwise quiet week.
- Key economic & financial forecasts.

Information contained in this report was current as at 6 March 2009

Australia in recession: RBA back on the job

The Australian economy contracted by 0.5% in Q4, slowing annual growth to 0.3%. Australia is now in an official non farm recession (97% of the economy) since non farm GDP contracted by 0.2% in the September quarter and 0.8% in the December quarter. We expect both non farm and total GDP to contract in the March quarter indicating that the Australian economy will be categorised as being in recession for the first time since 1991.

Clearly the most important aspect of this release is the evidence of the surge in saving by consumers. Despite the \$8.7bn fiscal handout in early December and the 250bp cut in the prime variable mortgage rate through the quarter consumer spending only rose by 0.1%, well below trend and at the same pace as in the third quarter when there was no such boost to household incomes. The household savings rate rocketed to 8.5% from 3.4% and actual savings increased from \$5.7bn in the third quarter to \$15.1bn in the fourth quarter. The government and the Reserve Bank will be disappointed at the lack of response of households to these income boosts.

This response is consistent with Westpac's Fear Index which compares the growth rate of those components in the Westpac MI Consumer Sentiment which measures both current Economic Conditions and Expectations for the Future. The assessment of current conditions has risen quickly in response to the stimulus from fiscal policy and lower interest rates. However consumers' assessments of the future have deteriorated despite the expansionary policy. The Fear Index has now reached a level which is by far the highest on record which stretches back to 1974 and therefore covers the last two recessions.

Despite the stimulus it was bizarre to see spending on: motor vehicles; clothing; leisure; restaurants/hotels; and alcohol/cigarettes all actually falling in the quarter. Partly reflecting this weak consumer spending we saw a sharp fall in profits which were down 5.4% following annual growth in the profits over the year to September of 20%. While business investment continued to grow, the growth pace is slowing. We expect that the recognition of a weak consumer who has failed to respond to the fiscal and monetary stimulus will see business scaling back investment and employment through 2009, when both are likely to contract.

These developments will alert the fiscal and monetary authorities that more work needs to be done in 2009. We anticipate a further substantial fiscal stimulus from the Budget in May and continue to expect that the RBA will cut the overnight cash rate to a low of around 2%. That is despite the RBA 'pausing' in their rate cut cycle at the March Board meeting. The pause brought to an end an extremely aggressive sequence of rate cuts which totalled 375bp over 4 meetings. We assess that this is a tactical move by the Bank to ensure that it has sufficient flexibility to be seen to be continuing to cut rates as the Australian economy contracts through 2009.

Unlike the US Federal Reserve, which has embraced a wide range of alternative policy instruments, given that the Federal Funds rate has fallen to zero, the RBA really only has the cash rate to use to impact upon the economy. The Fed still has the option to purchase government bonds to bring down fixed mortgage rates, and is now purchasing a wide range of 'risky' assets which have been effectively underwritten by the Treasury, and therefore, using its balance sheet to ease the impact of the sharp deleveraging on the real economy. Neither of those policies is likely to be of any attraction to the RBA.

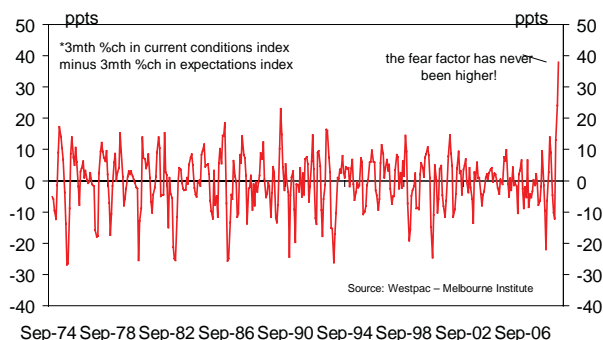
Despite the economy being reported to have contracted in the December quarter only a day after the RBA paused we do not believe that there would have been any 'regret' that the Board did not cut the rates on the previous day. With only 125bp's to 'play with' the Bank will need to be careful with how that last ammunition is dispensed. At this stage we expect that there will however be a 25bp cut following the next meeting on April. The importance of having some "ammunition" is more for the Bank being seen to be relevant and potentially improving confidence that the Bank is 'on the case'.

Markets are pricing the low point in this cycle at 2.25%–2.5% a little high from our perspective. While the RBA Governor argues that the RBA does not need to cut all the way to zero because the monetary transmission mechanism is working in Australia (unlike those countries which have reached or are in the process of reaching zero) that does not justify why further stimulus should not be used if possible. We would put the reason more in terms of the effectiveness of the transmission process if cash rates fell below 2%. Typically, Australian banks protect their 'margins' at around 2%. It would be extremely difficult for banks to maintain that margin and cut loan rates if more deposit rates had already reached zero. If the Bank persisted with easing rates below 2% the stimulus would work through weakness in the AUD rather than private sector interest rates. We doubt whether the Bank would be prepared for their policy to be blunted with no pass through to private rates particularly given their spectacular success so far.

Readers will notice that we are not expecting to see rates rising before 2011. We do not expect that global growth will reach a sufficiently vibrant pace in 2010 to prompt central banks to start withdrawing the huge monetary stimulus. Nevertheless, central banks like the RBA will be restless and nervous about maintaining such a policy stance. However we do warn that when central banks see the need to start taking back the current stimulus they will move swiftly to a neutral stance. For Australia that would involve rates moving fairly quickly. We assess that in addition to the lax regulatory environment in the US the biggest single cause of the current economic chaos was the decision by the US Fed to hold rates at 1% for more than a year from July 2003. When the stimulus was taken back it was clearly signalled that it would be at a pedestrian pace of 25bp's per FOMC meeting. Markets could operate in full knowledge that rate increases would be modest and predictable. That policy fuelled the housing excesses during the 2003–2006 period as economic agents could operate with full knowledge that the Fed would not be spoiling the party.

Bill Evans, Managing Director Economics and Research

Westpac-MI CSI: Fear Index surges



Data wrap

Feb TD-MI inflation gauge

- The TD-Melbourne Institute inflation gauge rose 0.7% in February (0.70% to two decimals) following a 0.8% rise previously (0.75% to two decimals). The gains in January and February were the fastest back-to-back increases recorded in the six and a half year history of the gauge. The main sources of higher prices cited were petrol, meals out and takeaway foods, and audio, visual and computing equipment. Partially offsetting price falls were seen in holiday travel and accommodation, books, newspapers and magazines, and dairy and related products. With a much lower +0.26%*mth* result from Feb-08 dropping out, annual growth in the gauge rose solidly to 3.1%*yr* from 2.7%*yr* previously, still down from a peak of 4.8%*yr* in Jun-08, but up from a recent low of 2.2%*yr* in Dec-08.
- With these strong back-to-back monthly gains in the gauge, 3*mth* growth has rebounded to 1.25% from -0.07% previously, the highest since Jun-08. With this 1.25% mid-month of the quarter pace markedly higher than seen in Nov-08 (-0.42%), a strong rebound in the headline CPI pace looks likely in 2009Q1 after Q4's -0.3%*qtr* result. While our preliminary Q1 headline CPI forecast is for a rebound of 0.5%*qtr*, the mid-month of the quarter gauge pace for Q1 of 1.25%*qtr* implies upside risk.

Q4 business indicators

- The Business Indicators - somewhat unusually - painted a consistent story. In this case, a consistently weak story. Inventories declined by 1.9% in the quarter, as firms controlled stock levels at a time of softening sales. Company profits fell by 6.5%, with profitability in the broader economy hit by slower turnover and margin squeeze, as cost pressures rose with the plunging Australian dollar. These results brought the balance of official data for the December quarter more into line with weakness apparent in private business surveys.

Jan retail sales

- Retail sales edged up another 0.2% in Jan following a sharp +3.8% spike in December that was mainly due to the boost from \$8.7bn in direct fiscal payments to households.
- The result was well above market expectations of a -0.6% pull-back but slightly below our expectation of a 0.6% rise. Uncertainty over the scale and timing of spending associated with the fiscal boost meant there was an unusually large range on forecasts going into the Jan data release.
- The final result, a 0.2% gain, is consistent with significant spillover of spending into January but on our estimates still suggests a very high proportion of the package has been saved by consumers (we estimate roughly 75-80% of the stimulus payments has so far been saved).

Q4 current account balance

- The Q4 current account deficit fell to \$6.499bn from \$9.498bn (consensus \$6.9bn).
- The trade balance less than flagged in the monthly trade data, improving by \$2.657bn to a surplus of \$4.086bn, but this was still the most positive position on record.

- Export values jumped by 8.0% with a price-led 15% rise in rural goods reinforced by a price-led 9% rise in non-rural goods and a price-led 9% jump in other goods (mainly non-monetary gold).
- Import values rose 4.5% but this was all price driven by the 24%*qtr* fall in the AUD/USD. Import volumes contracted 6.8%*qtr*, the weakest since 1982Q3, weighed on by weaker consumption and capital goods volumes in response to the weakness in domestic demand. Consumption goods volumes fell 8%, capital goods volumes fell 10% and intermediate goods volumes fell 3%.
- The net income deficit narrowed \$406mn to \$10.442bn. Net debt income outflows jumped 17.1% as the currency drop boosted debt servicing requirements, but were more than offset by a 29.2% fall in net equity income outflows, with equity income credits cushioned by the AUD drop.

RBA policy decision

- The Reserve Bank of Australia decided to leave the cash rate unchanged at 3.25% at its March Board meeting.
- This brings to an end an extremely aggressive sequence of rate cuts which totalled 375bp over 4 meetings. We assess that this is a tactical move by the Bank to ensure that it has sufficient flexibility to be seen to be continuing to cut rates as the Australian economy contracts through 2009.
- Unlike the US Federal Reserve, which has embraced a wide range of alternative policy instruments, given that the Federal Funds rate has fallen to zero, the RBA really only has the cash rate to use to impact upon the economy. The Fed still has the option to purchase government bonds to bring down fixed mortgage rates, and is now purchasing a wide range of 'risky' assets which have been effectively underwritten by the Treasury, and therefore, using its balance sheet to ease the impact of the sharp deleveraging on the real economy. Neither of those policies is likely to be of any attraction to the RBA.
- To justify this strategy, the Bank observes that while the major industrial economies have reported large contractions in output in the December quarter, the Australian economy has not experienced that sort of contraction. It correctly notes that the financial system remains strong, and monetary policy is working.
- Further supporting the no change stance was a strengthening in the language towards the impact of policy changes to date on demand: "the cumulative decline in interest rates will provide significant support to domestic demand over the period ahead". That contrasts with the Statement in February which noted "The combination of expansionary monetary and fiscal policies now in place will help to cushion the Australian economy from the contractionary forces coming from abroad."
- We certainly do not believe that this represents the end of the easing cycle. Our estimate has been that the low point in this cycle will be 2% for the cash rate, giving the Bank another 125bp to use to be seen to be addressing the future economic contraction. We would expect that low point to be reached in the September quarter, with the process being extended by using only 25bp or 50bp moves.

Data wrap

- With the momentum in the global economy remaining contractionary, news on the world over the next few months is likely to result in more rate cuts. The flexibility to cut further is clearly provided in the wording in the last paragraph, where it notes "the Board judged that the stance of monetary policy was appropriate for the moment."

Q4 GDP

- The Australian economy contracted by 0.5% in Q4, slowing annual growth to 0.3%.
- Clearly the most important aspect of this release is the evidence of the surge in saving by consumers. Despite the \$8.7bn fiscal handout in early December and the 250bp cut in the prime variable mortgage rate through the quarter consumer spending only rose by 0.1% well below trend and at the same pace as in the third quarter when there was no such boost to household incomes. The household savings rate rocketed to 8.5% from 3.4% and actual savings increased from \$5.7bn in the third quarter to \$15.1bn in the fourth quarter. The government and the Reserve Bank will be disappointed at the lack of response of households to these income boosts.
- Despite the stimulus it was bizarre to see spending on: motor vehicles; clothing; leisure; restaurants/hotels; and alcohol/cigarettes all actually falling in the quarter.
- Partly reflecting this weak consumer spending we saw a sharp fall in profits which were down 5.4% following annual growth in the profits over the year to September of 20%. While business investment continued to grow, the growth pace is slowing. We expect that the recognition of a weak consumer who has failed to respond to the fiscal and monetary stimulus will see business scaling back investment and employment through 2009.

Jan trade balance

- The trade surplus was lower than expected in January at \$970mn, a \$553mn improvement from a revised \$417mn previously (was \$589mn). The consensus forecast was a surplus of \$1200mn and Westpac forecast \$750mn.
- Exports were weak, falling 5.0% which took trend growth to -1.2%*mth*, the weakest since Sep-07. Non-rural and other

exports fell 6.7%, their third straight fall, taking trend growth to -2.0%*mth*, the weakest since Sep-07, led by significant weakness in coal volumes.

- Imports were weaker still, driving the improved trade surplus, falling 7.3% which took trend growth to -1.2%*mth*, the weakest since Apr-91. Volumes have clearly continued to fall after their 6.8%*qtr* plunge in Q4. Consumption goods fell 3.4%, slowing trend growth to 0.5%*mth*.
- The stand out on the import side was weakness in capital goods, a sign that the resilience in business equipment investment in the Q4 GDP accounts will not last. They fell 15.2%, taking trend growth to -0.8%*mth*, the weakest since Apr-06.

Jan dwelling approvals

- Dwelling approvals continued to slide in January, falling 3.7%*mth* to be down 33.5%*yr*. This was well below market expectations of a 1.6% rise.
- There was little to like in the detail. Private sector house approvals rose for the first time since April last year but the 1.1%*mth* gain was well short of the 10%+ bounces in other indicators. Apartment approvals continued to fall at an alarming rate, down another 15.4%*mth* in Jan to be 53% lower than a year ago. The credit crunch is clearly hitting this segment hard. Also notable in the January detail is a continued weakening in the resource states.
- Dwelling construction is now set for big a fall in the first half of 2009. That said, the rise in demand evident in new home sales and housing finance approvals should see activity stabilise over the course of the year. The weak economic backdrop will be a drag but most medium term demand-side fundamentals remain positive. While the funding/financial crisis is clearly affecting the supply side, we still expect approvals to move into a modest recovery later in the year.

Round-up of local data released last week

Date	Release	Previous	Latest	Mkt f/c
Mon 2	Feb TD-MI inflation gauge	0.8%	0.7%	-
	Q4 company profits	7.3%	-6.5%	-2.0%
	Q4 business inventories	1.1%	-1.9%	0.3%
Tue 3	Jan retail sales	3.8%	0.2%	-0.5%
	Q4 current account balance, AUDbn	-9.5	-6.5	-7.4
	Q4 net exports contribution to GDP	-0.4ppts	1.5ppts	0.1ppts
	RBA policy decision	3.25%	3.25%	3.0%
Wed 4	Q4 GDP	0.1%	-0.5%	0.2%
Thu 5	Jan trade balance, AUDbn	0.42	0.97	1.10
	Jan dwelling approvals	-1.9%	-3.7%	1.0%

Past performance is not a reliable indicator of future performance. The forecasts given above 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 results ultimately achieved may differ substantially from these forecasts.

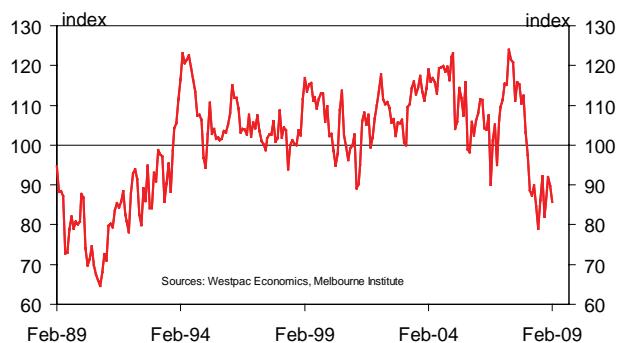
Data previews

Aus Mar Westpac-MI Consumer Sentiment

Mar 11, Last: 85.8

- The *Westpac-Melbourne Institute Index of Consumer Sentiment* fell by 4.6% in February from 89.9 in Jan to 85.8 in Feb. The fall came in spite of a 100bp rate cut that was fully passed on to mortgage rates by the banks; and a \$42bn fiscal stimulus package announced by the Govt that included \$12.7bn in cash payments to households, and is a measure of the depth of concern consumers have over the economic outlook.
- The March survey is in the field from the 2nd to the 8th. Sentiment is likely to be impacted by: the RBA leaving interest rates on hold at its March meeting; worse than expected economic data including confirmation of a contraction in GDP; media reports of company layoffs; and more savage declines in global equity markets (S&P500 down 21% since the last survey, although the ASX is down a milder 9% or so).

Consumer Sentiment



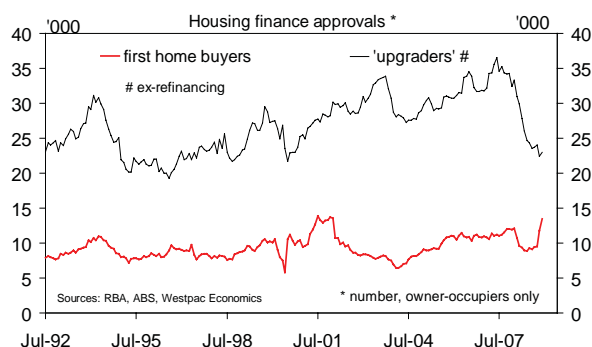
Aus Jan housing finance (no.)

Mar 11, Last: 6.4%, WBC f/c: 6.5%

Mkt f/c: 3.0%, Range: -2.0% to 6.5%

- The recovery in demand for housing finance gathered momentum in December - momentum that extended into January, anecdotes suggest.
- We're forecasting the number of finance approvals for owner-occupier to rise by 6.5% in January.
- Lending to first home buyers (FHB) is up almost 50% over the last four months. The Commonwealth Government is giving FHBs \$14,000 for the purchase of established dwelling and \$21,000 for a newly constructed dwellings.
- Upgraders have been hesitant so far, despite sharply lower interest rates now in place. Lending to this segment of the owner-occupier market has edged down 2.6% over the last four months.

Recipe for recovery: just add 1st home buyers



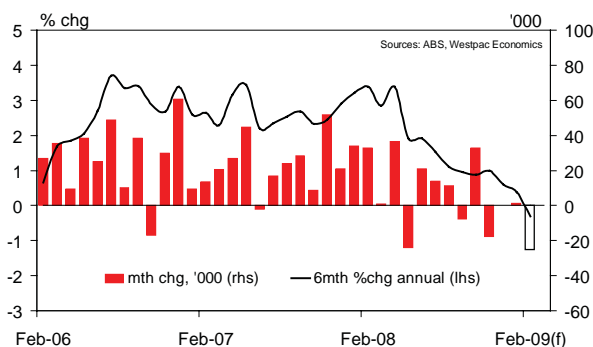
Aus Feb employment chg

Mar 12, Last: +1.2k, WBC f/c: -25k

Mkt f/c: -20k, Range: -40k to -5k

- Employment was resilient again in Jan with a 1.2k rise. Still, the largely flat performance of the past two months has seen trend growth continue to slow, with monthly growth 0.3k (weakest since May-03) and annual growth slowing to 1.00%yr from 1.26%yr previously (weakest since Nov-01).
- Our preferred indicators of labour demand have been implying a more rapid deterioration in jobs growth through 2009H1, and with layoff announcements intensifying in Feb we expect weakness to appear this month. Business survey employment indices soured notably in Feb, and our composite of these implies a fall in the 3mth MA jobs change to -10k. To get there after two flat months requires a steep fall in Feb, and we forecast -25k. This would take monthly trend growth negative (-4.0k) and slow annual growth to +0.66%yr (weakest since Sep-01).

Aust jobs growth: slowdown building



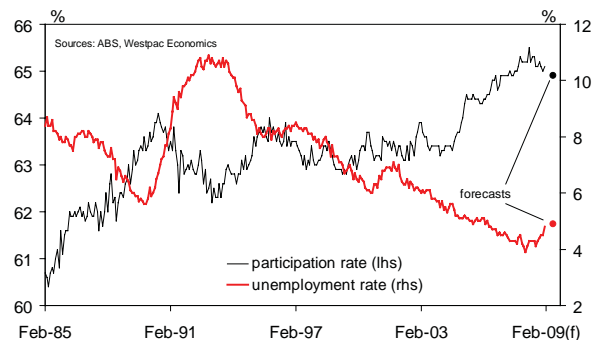
Data previews

Aus Feb unemployment rate

Mar 12, Last: 4.8%, WBC f/c: 4.9%
Mkt f/c: 5.0%, Range: 4.8% to 5.2%

- While jobs posted a small gain in Jan, a rise in the participation rate to 65.1% from 65.0% amplified its net effect on the unemployment rate, lifting it to 4.8% from 4.5%, the highest since Jun-06.
- Historically, months of significant employment weakness are accompanied by falls in the participation rate, with falls in the order of 25k jobs seeing an average participation rate pullback of 0.5ppts. But this time we expect a lesser fall in participation, with the rate supported by the impact of the destruction of superannuation wealth on those close to retirement age. Consequently, we look for a 0.2ppt dip in participation to 64.9%. This would only partially offset the jobs decline forecast, lifting the unemployment rate to 4.9% from 4.8%, the highest since Apr-06.

Unemployment and participation rates

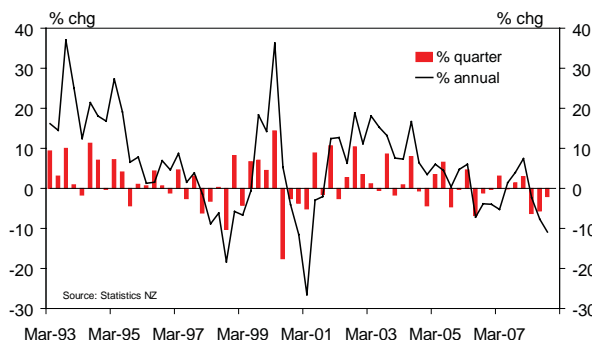


NZ Q4 Building work put in place

Mar 9, Last: -2.1%

- Tough domestic trading conditions took a heavy toll on the construction industry in the first nine months of 2008. However, indicators suggest another sizeable decline is on the cards in the fourth quarter, led by the residential sector.
- Dwelling consents point to at least another 5% decline in residential construction in Q4, which would swamp the small increase in commercial building activity implied by non-residential consents.
- Monetary policy clearly has its work cut out. Rising unemployment and tight credit are sizeable headwinds to offset.

NZ Real Building Work Put in Place

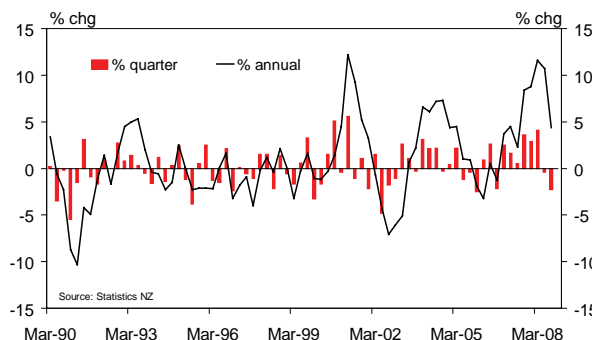


NZ Q4 terms of trade

Mar 11, Last: -2.3%, WBC f/c: 0.7%, mkt f/c: -3.7%

- We expect a 2.2% rise in export prices, with a 12% fall in the NZD helping to offset weakness in world prices for some commodities. Surprisingly, the contracted dairy prices paid to Fonterra appear to have risen again in Q4, lagging even further behind the plunge in spot prices. We estimate that import prices rose by just 1.4%, with a steep fall in petroleum prices – NZ's largest import item – almost completely swamping the effect of the weaker dollar on other imported goods.
- The breakdown of prices and volumes suggests that export volumes were broadly flat, while import volumes were down 5%, mostly due to a sharp fall in car imports.
- The terms of trade have remained close to 35-year highs for longer than expected, but are likely to slide over the next year as contracted dairy prices fall into line with spot prices.

NZ terms of trade



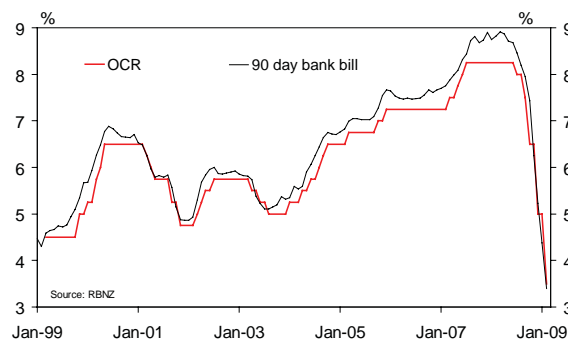
Data previews

NZ RBNZ Monetary Policy Statement

Mar 12, Last: 3.50%, WBC f/c: 2.50%, mkt f/c: 3.00%

- A further deterioration in the global economy has put the RBNZ on track for an OCR of 2% in coming months.
- So far the RBNZ has favoured delivering most of the expected easing up front, and with good reason. We expect another 100bp next week.
- However, there is a strong risk that they decide to keep something in reserve for later in the year, as the RBA did earlier this week.

NZ OCR and 90 day rate

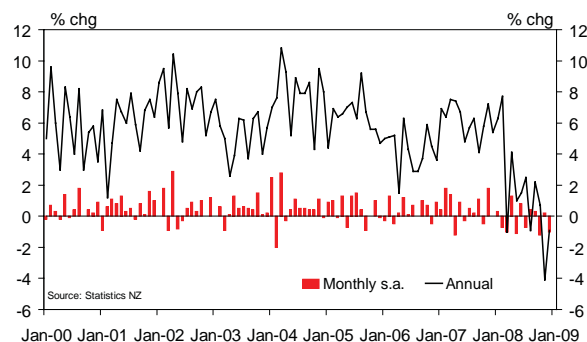


NZ Jan retail sales

Mar 13, Last: -1.0%, WBC f/c: -0.3%, mkt f/c: -0.1%

- Total retail sales are expected to show a slight fall compared to December, as consumers remain cautious in their spending decisions.
- Electronic transaction and credit card data are giving mixed signals for the month. Electronic transactions in the retail sector fell 0.6% in January, while credit card billings were up a solid 1.7%.
- Mixed messages are also coming from the automotive sector. While fuel prices were up 4% (which would arguably lift nominal fuel sales assuming no change in volumes), car registrations fell sharply, implying another fall in auto retailing.

NZ nominal retail sales

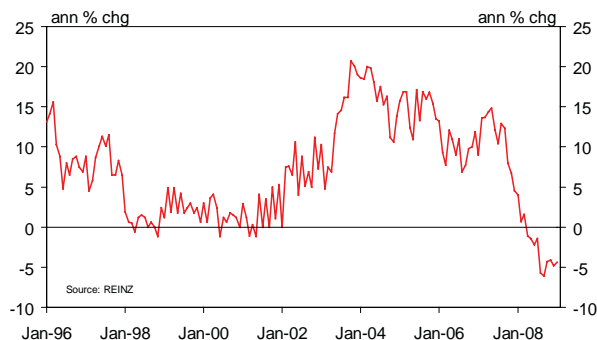


NZ Feb REINZ house prices

Mar 13-17, Last: -4.4% yr

- January REINZ data showed the housing market remained weak, with sales recording another sharp fall in seasonally adjusted terms and days to sell still very high. As such, prices continue to drift downwards.
- Nevertheless, housing activity does look to have found a floor, as lower interest rates entice buyers back into the market. That view was reinforced by February data from a major real estate player in the Auckland region – sales lifted 2% in the month (seasonally adjusted).
- The February REINZ report is expected to show a continuation of the recent consolidation in sales, although prices will likely remain weak.

REINZ house prices



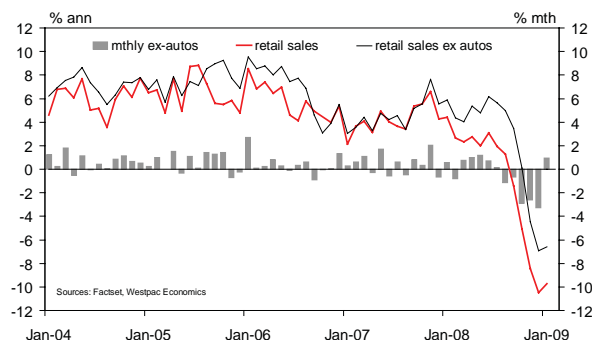
Data previews

US Feb retail to resume downward trend

Mar 12, Last: -1.0%, mkt f/c: -0.4%, WBC f/c: -0.5%

- Jan retail sales took a breather, increasing 1% after an unbroken six month slide. Lower petrol prices had begun boosting ex-auto sales, household incomes had been boosted by increased federal benefit payments, and consumer confidence had moved to slightly less-pessimistic levels.
- We expect a return to declining retail sales as confidence has once again been shattered by the accelerating pace of job losses, and as gasoline prices have risen.
- Weekly retail sales have been flat to slightly down during February, suggesting a small 0.2% fall in core sales. Adding in autos, plunging car sales will outweigh a small increase in expenditure on gasoline, meaning a -0.5% fall in total sales.

US retail sales



US Jan trade deficit to widen temporarily

Mar 13, Last: -\$39.9bn, mkt f/c: -38.2, WBC f/c: -\$41.0bn

- The trade deficit imploded in Nov and then fell further in December. Over two months a 12% drop in exports has been overwhelmed by a 17.5% slump in imports. Weak imports reflected both rapidly falling oil prices and weak consumer demand in the US. Both outcomes amply illustrated the collapse in global trade during Q4.
- We expect the Jan report will show further declines on both sides of the ledger, reflecting weak demand in the US and abroad. However, there may be scope for exports to fall further than imports this month, since imports will no longer be affected by the price of oil, which had stopped falling by January.
- This will be a slight blip on the path to a steep reduction in the trade deficit, as Americans increase savings and consume fewer imports.

US trade: imports slump more than exports



Key data & event risk for the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 9					
NZ	Q4 building work put in place	-2.1%	-	-	Consents point to another sharp decline.
Jpn	Jan current account, s.a. ¥bn	498.5	420.0	-	Net income remains the key source of the surplus.
	Feb economy watchers' survey, current	17.1	17.3	-	Business surveys in export nations may have found a base.
Twn	Feb total exports %yr	-44.1%	-25.7%	-30%	While still dismal a modest export recovery widely expected.
Eur	Mar Sentix investor confidence	-36.1	-	-39	Deteriorating economic headlines.
Can	Feb housing starts '000	154	149	-	Canadian housing market now clearly trending weaker.
Tue 10					
Aus	Feb NAB business survey	-11	-	-	Conditions at -11 in Jan & avg for Q4. Confidence fell to -32 in Jan.
	Feb ANZ job ads	-6.3%	-	-	Steepening downtrend of late, -30.3%yr, implying greater jobs falls.
Chn	Feb producer price index %yr	-3.3%	-4.4%	-4.0%	Food, energy and raw material remain a disinflationary pulse.
Eur	Jan Eurozone PPI %yr	1.8%	0.7%	-	Base effects from lower energy prices.
UK	Feb BRC retail survey %yr	-3.3%	-	-	Same store sales measure. Early clue to official retail report.
	Feb RICS house price survey net bal %	-76%	-	-	Still very weak, but less so than in mid 2008 when at -94%.
	Jan Industrial production	-1.7%	-	-1.8%	PMIs suggest Q1 as least as weak as 2008 Q4.
US	Jan wholesale inventories	-1.4%	-1.0%	-1.2%	Inventories shrinking as suppliers anticipate weak orders.
	Mar IBD/TIPP economics optimism	44.6	-	-	Confidence affected by worsening news around labour market.
	Fedspeak	-	-	-	Bernanke on bank regulation.
Wed 11					
Aus	Mar Westpac-MI Consumer Sentiment	85.8	-	-	No interest rate or fiscal measures to bolster sentiment this month.
	Jan housing finance, no.	6.4%	3.0%	6.5%	Demand recovering, boosted by 1st Home Buyer Scheme & rate cuts.
NZ	Q4 terms of trade	-2.3%	-3.7%	0.7%	Contracted dairy prices up yet again, fuel import prices sharply lower.
Jpn	Jan machinery orders %yr	-26.8%	-40.2%	-37%	An unexpected December bounce is expected to reversed.
	Feb corporate goods prices %yr	-0.2%	-1.2%	-0.7	Weaker Yen is boosting prices but base effects means the yr% falls.
Chn	Feb trade balance US\$bn	39.11	28.50	30.0	Imports falling faster than exports boosted the surplus in January.
UK	Jan visible trade £bn	-7.4	-	-7.1	Imports falling even faster than exports.
US	Feb federal budget \$bn	-176	-200	-	Deficit numbers will be mind-blowing through 2009.
Can	Dec new house prices	-0.1%	-0.3%	-	Canadian housing market now clearly trending weaker.
	Dec trade balance C\$bn	-0.5	-0.8	-	Surplus has turned to deficit on lower commodity prices.
	Feb unemployment rate	7.2%	7.4%	-	Recession hits labour market.
	Feb employment chg	-129k	-50k	-	Recession hits labour market.
Thu 12					
Aus	Feb employment chg	1.2k	-20k	-25k	Layoff announcements intensified & business surveys soured notably.
	Feb unemployment rate	4.8%	5.0%	4.9%	Jobs fall partially offset by 0.2ppt participation pullback to 64.9%.
	Mar WBC-MI unemployt expectations	1.3%	-	-	Historically weak levels of consumers' outlook for labour market.
	Mar MI consumer inflation expectations	2.3%	-	-	May tick up with some New Year price rises, but in steep downtrend.
NZ	RBNZ OCR review	3.50%	2.75%	2.50%	We expect -100bp but wouldn't be surprised if they hold some back.
	Feb food prices	0.8%	-	-	Expect an easing in food price inflation following Jan's 0.8% increase.
Jpn	Q4 GDP, final %qtr	-3.3%p	-3.5%	-3.4%	Looking for only small revisions to a very dismal number.
Kor	Bank of Korea policy meeting	2.00%	-	1.50%	Following global central banks down.
Chn	Feb retail sales %yr	19%	17%	17%	The pace of growth has eased back as global crisis bites.
	Feb industrial production %yr	5.7%	6.0%	3%	Risk the lunar holiday may have dragged it lower than usual this year.
Eur	Jan industrial production	-2.6%	-1.0%	-1.0%	A smaller decline than in recent months.
US	Feb retail sales	1.0%	-0.5%	-0.5%	Gasoline prices up, auto sales down 5%, weekly retail data flat in Feb.
	Feb retail sales ex autos	0.9%	-0.4%	-0.2%	
	Initial jobless claims w/e 7/3	639k	640k	660k	Pace of job market deterioration now clearly accelerating.
	Jan business inventories	-1.3%	-1.1%	-1.1%	Inventories shrinking as suppliers anticipate weak orders.
Fri 13					
NZ	Jan retail sales	-1.0%	-0.1%	-	Mixed anecdotes, but overall sales expected to be down in Jan.
	Feb REINZ house prices %yr	-4.4%	-	-	Due 13-20th. Ongoing weakness in prices, sales consolidating.
Jpn	Feb industrial production %mth	-10.0%	-	-	The January plunge followed a 9.8% collapse in December.
	Feb consumer confidence	27.0	-	-	At such low levels it must be close to a base.
Eur	Jan retail sales	flat	0.2%	-0.4%	German retail sales down, Euro retail PMI down.
US	Jan trade balance \$bn	-39.9	-38.4	-42	Expect both imports and exports to fall.
	Mar prelim Uni M consumer sentiment	56.3	55.7	55.2	Confidence dented by job losses.
Sometime in the next two weeks					
Chn	March leading index	98	-	-	Leading index are yet to bounce globally.

Economic & financial forecasts

Interest rate forecasts

	Latest (Mar 6)	Jun 09	Sep 09	Dec 09	Mar 10	Jun 10
Cash	3.25	2.50	2.00	2.00	2.00	2.00
90 Day Bill	3.29	2.30	2.30	2.30	2.30	2.30
3 Year Swap	3.13	2.80	2.60	2.80	2.80	3.10
10 Year Bond	4.27	3.60	3.50	3.75	4.00	4.20
10 Year Spread to US (bps)	146	130	135	100	100	100

International

Fed Funds	0.25	0.25	0.25	0.25	0.25	0.25
US 10 Year Bond	2.81	2.25	2.50	2.75	3.00	3.20
ECB Repo Rate	1.50	1.00	0.75	0.75	0.75	0.75

New Zealand

Cash	3.50	2.50	2.00	2.00	2.00	2.00
90 day bill	3.16	3.10	2.20	2.20	2.20	2.20
2 year swap	3.25	2.60	2.40	2.50	2.60	2.70
10 Year Bond	4.55	4.10	3.90	4.00	4.10	4.20
10 Year spread to US	174	160	165	150	135	120

Exchange rate forecasts

	Latest (Mar 6)	Jun 09	Sep 09	Dec 09	Mar 10	Jun 10
AUD/USD	0.6431	0.62	0.60	0.58	0.55	0.55
NZD/USD	0.5023	0.46	0.45	0.43	0.41	0.41
USD/JPY	98.2	105	105	103	102	100
EUR/USD	1.2581	1.22	1.15	1.12	1.10	1.10
AUD/NZD	1.2800	1.35	1.35	1.35	1.34	1.34

Australian economic growth forecasts

% change	2008			2009				Calendar years			
	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	2007	2008	2009f	2010f
GDP	0.3	0.1	-0.5	-0.6	-0.2	0.3	0.3	4.0	2.1	-1.0	1.5
ann chg	2.8	1.8	0.3	-0.8	-1.3	-1.1	-0.3	-	-	-	-
Unemployment rate	4.3	4.2	4.4	4.8	5.2	5.7	6.3	4.4	4.2	5.5	7.2
CPI Headline	1.5	1.2	-0.3	1.0	0.6	0.4	0.6	-	-	-	-
ann chg	4.5	5.0	3.7	3.4	2.5	1.7	2.6	3.0	3.7	2.6	2.4
CPI core	1.1	1.2	0.7	0.7	0.6	0.6	0.6	-	-	-	-
ann chg	4.4	4.7	4.4	3.8	3.3	2.7	2.5	3.6	4.4	2.5	2.4

New Zealand economic growth forecasts

	2008		2009		March financial years			Calendar years		
	Q2	Q3	Q4e	Q1f	06/07	07/08	08/09f	2007	2008f	2009f
GDP % qtr	-0.2	-0.4	-0.9	-0.6	-	-	-	-	-	-
Annual avg change	2.5	1.7	0.3	-0.8	1.8	3.1	-0.8	3.1	0.3	-1.3
Unemployment rate %	3.9	4.2	4.6	5.2	3.7	3.7	5.2	3.4	4.6	6.4
CPI %qtr	1.6	1.5	-0.5	-0.2	-	-	-	-	-	-
Annual change	4.0	5.1	3.4	2.5	2.5	3.4	2.5	3.2	3.4	1.4

Past performance is not a reliable indicator of future performance. The forecasts given above 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 results ultimately achieved may differ substantially from these forecasts.