Australian weekly

week beginning 6 April 2009

- Australia: RBA on hold until August, before 2nd easing cycle of 125bps.
- Westpac-MI Consumer Sentiment - gauging the mood.
- Australian data: labour force, job ads, housing finance.
- New Zealand data: NZIER Q1 survey.
- BoJ: focus on quantitative easing.
- BoE: to pause and assess.
- US events: FOMC minutes, trade balance.
- Key economic & financial forecasts.

Information contained in this report was current as at 3 April 2009

Economic Research Sydney +61 2 9284 8720 economics@westpac.com.au New Zealand +64 4 470 8255 London +44 20 7621 7061

RBA on hold until August before second rate cut cycle of 125 basis points

The Reserve Bank Board meets next week to decide the next move on interest rates. We have argued for some weeks that we expect the Bank to pause again following the pause at the March meeting. Indeed we do not expect another move from the Bank until August when we expect them to resume easing with the objective of bringing rates down by a further 125bp's. The first move in the new cycle could easily be 50bp's.

That profile differs significantly from current market pricing in a number of respects. Firstly the market is expecting a 25bp cut next week. Secondly the market is expecting that the easing cycle will be completed by August/September and thirdly it is only looking for a further 50–75bp's in easing. By predicting no move until August and a larger total move we diverge from market pricing on all counts.

In this week's note we ponder the profile of a recession/recovery. Previous recessions point to a cycle of up to 3 years. The events which precipitate recession are usually associated with central banks pushing interest rates too far and/or global developments. The current episode is no different. We look to the RBA's high interest rate policy in 2007 and early 2008 combined with the shocks to household wealth; credit availability and confidence associated with the global financial crisis.

In the first year of the cycle GDP contracts as consumers slash their spending on cyclical items such as autos and household goods. Housing construction tumbles and consumers' concerns about job security soar. Businesses detect this contraction in consumer activity and are usually also unnerved by high interest rates and global economic conditions. Accordingly they slow investment and cut production and inventories. Unemployment starts to rise and the authorities respond with lower interest rates and expansionary fiscal policy.

By the second year the contraction in GDP is curtailed; the monetary and fiscal stimulus starts to take hold; consumers who have kept their jobs start to raise spending on cyclicals and housing; and the world economy begins to recover. However, job losses continue and businesses are still cutting investment. Economic growth, while positive, remains sluggish in the second year.

The second year is also marked by weakening labour income as unemployment continues to rise and falling profits as the sales slowdown hits corporate bottom lines. By the end of the second year the economy is still responding to the economic stimulus; the global economy is well into its upswing; confidence has returned and recovery in spending on cyclicals and housing gathers momentum. Unemployment stabilises.

The third year is marked by above trend growth. Labour income growth gathers pace; consumers boost spending on non cyclical items and businesses boost investment and production. Central banks prepare to withdraw some stimulus.

At present we are around the middle of the "first" year of this recession cycle. Non farm GDP started to contract in Q3 2008 and we expect it to continue to fall in H1 2009. Unemployment expectations (our measure of Job Insecurity) are at record highs; spending on cyclicals has collapsed and we expect residential investment to contract by 15% in the first half of 2009. Business investment has slowed and all lead indicators are pointing to a sharp contraction through 2009. The authorities have responded with aggressive fiscal and monetary policy stimulus.

If this current recession evolves as described above there is a strong case for the RBA's current pause to actually herald the low point in rates. However we expect that the risks around the normal evolution of the recession are much greater than in the past. Firstly the "second" year of the cycle has, previously, been in an environment of positive world growth whereas recent forecasts from the OECD point to world growth continuing to weaken through at least H2 2009. Our forecasts are for the sharp contraction we have recently seen in global growth and particularly the advanced economies to probably stabilise through the second half of 2009 but we are certainly not anticipating the typical strong recovery in world growth that has marked the second year of previous recessions.

This global recession is deeper than any previous recessions; has been precipitated by a financial crisis and is likely to persist for much longer than previous global recessions. While equity markets have recently recovered somewhat, the improvement in credit markets and credit spreads has been modest at best and we remain deeply suspicious of these early recovery signs.

From a domestic perspective there are complications likely to constrain the normal household spending recovery that would be associated with the second year of the cycle. First, we have seen an unprecedented 10% reduction in household wealth which has been the direct result of the global crisis; second we have seen an extraordinary surge in household savings as households focus on repairing balance sheets and lowering debt.

Finally, we believe that while recessions are always characterised by tighter credit, 2009 is likely to be a year where credit availability is much more constrained than usual due to difficult funding conditions in global capital markets. For example, we saw a 50% contraction in building approvals for apartments last year which points to greater than normal difficulty in rebooting the residential construction cycle.

For these reasons we expect that the RBA has more work to do but is likely to give it the benefit of the doubt for a few more months to test whether the "normal" recovery profile unfolds. We know that the RBA is nervous with rates down even at current levels and decisions to go even lower from here will not be taken lightly.

The task is likely to be centred around the second half of 2009 when it becomes abundantly clear that the typical recovery in the second year of the cycle is not forthcoming – the global economy will fail to rebound; domestic spending including housing and consumer cyclicals will not recover as usual. But for now the RBA is likely to extend its pause until these issues become clearer.

Markets are currently pricing in a modest "tail" of 50–75bp's to the current easing cycle to play out over the next three months or so. We expect to see an extended pause of almost 6 months to be followed by a 125bp cycle which will extend through to the end of 2009. That second easing cycle will be required to supplement continued expansionary fiscal policy to support recovery in domestic spending in the face of the current unusual and dangerous headwinds associated with the global crisis.

Bill Evans, Chief Economist

Data wrap

Feb private credit

- Credit to the private sector was unchanged in February, with the upswing in housing offset by contractions in business and personal.
- We're expecting business credit to contract during 2009 and into 2010. It appears that period of adjustment may have begun, with a 0.6% decline reported in February - although keep in mind that business credit figures are choppy on a monthly basis.
- Housing credit growth gradually accelerated over the last two months, boosted by the jump in new lending.
- Going forward, while the RBA's recent sharp cuts to interest rates are a positive, we expect credit growth to be constrained by the weak economic environment - in particular, by business cutting back on spending and credit.

Feb retail sales

- Retail sales fell 2.0% in Feb as the boost from the Govt's $8.4bn fiscal bonus payments in Dec started to wind down. The result was below market expectations of a –0.5% drop but given the upward revision to Jan, not far off the level implied by our forecast of a 1% decline.
- Overall, Feb retail sales were still 2.3% higher than the Nov level that preceded the fiscal package, and 4.1% higher than Feb 2007. All store categories recorded declines in Feb in proportion to the Dec boost. Dept stores (–9.8%) and household goods (–3.8%) saw the biggest falls.
- The next round of fiscal payments to consumers began in early March. However, this stimulus is more of a drip-feed than a one-off hit and is likely to have a less dramatic impact on retail sales. Indeed, the unwind from the Dec-Jan boost is likely to continue dominating in March.

Feb building approvals

- Dwelling approvals jumped 7.8% in Feb, the first substantive increase since April last year and the biggest rise since May 2005. The gain was well above market expectations of a 1.8% rise, but not far off our forecast of a 5% increase.
- While the jump confirms the upturn signals coming from finance approvals and new home sales, the detail was less supportive. Private house approvals continue show a lacklustre recovery, rising just 0.1%mth in Feb. The Feb bounce was mainly due to a 34% jump in the volatile apartments segment. Although this suggests some of the effects of the credit crunch on investor demand and developer finance may be easing, it is a less reliable guide to trends.
- By state, private house approvals were up 0.8% in NSW and 1.8% in Vic but were flat in WA and fell 1.8% in Qld.
- The value of renovation approvals fell 3.3% in Feb to be down 21.8%yr, although the trend rate of decline eased. The value of non-res approvals bounced 18.5% in Feb, but this was mainly due to a jump in public office approvals.
- The clear rise in demand since late last year should continue to translate into a sustained rise in approvals over the course of 2009.

Feb trade balance

- The trade surplus was higher than expected in February at $2109mn, a $1183mn improvement from a revised $926mn previously (was $970mn). The consensus forecast was a surplus of $700mn and Westpac forecast $1600mn.
- Exports saw a partial rebound from recent weakness, but it was narrowly based, heavily dependent on a surge in volatile re-exports of non-monetary gold. Even with this support, the export trend deterioration has continued to gather pace. Total exports rose 4.4%, but trend growth fell to –1.7%mth (weakest since May-03). Non-rural and other exports (led by gold in 'other') rose 5.2%, but trend growth slowed to –2.7%mth, while non-rural exports in isolation rose only 0.4% with trend growth slumping to –3.8%mth (weakest pace on record - monthly data commenced 1977).
- Imports saw their third consecutive fall, down 0.6%, taking trend growth to –2.4%mth, the equal weakest since February 1975. A weaker AUD would have supported prices, so volumes continue to fall rapidly. And imports would have been weaker still if not for the 79% jump in non-monetary gold (that showed in re-exports). Consumption goods plunged steepening their downtrend to its weakest on record, and the downtrend in capital goods gathered pace despite a partial rebound this month.

Round-up of local data released last week

Date	Release	Previous	Latest	Mkt f/c
Tue 31	Feb private credit	0.6%	0.0%	0.4%
	RBA Deputy Gov. Battellino speech	–	–	–
	RBA Assist Gov. Debelle speech	–	–	–
Wed 1	Mar AiG PMI factory	31.7	33.4	–
	Feb building approvals	–4.0%	7.8%	1.8%
	Feb retail sales (seas adj)	0.5%	–2.0%	–0.5%
Thu 2	Feb trade balance, AUDbn	0.93	2.11	0.7

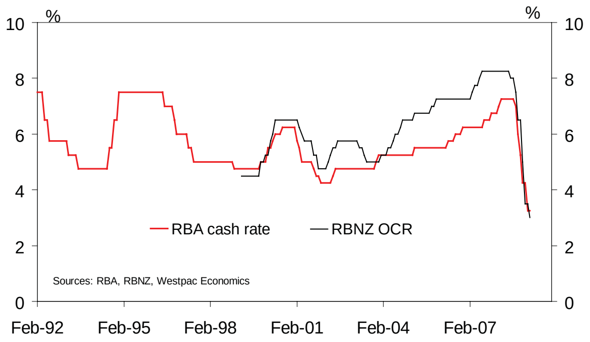
Data previews

Aus RBA policy announcement

Apr 7, Last: 3.25%, WBC f/c: 3.25%
Mkt f/c: 3.25%, Range: 2.75% to 3.25%

- The Reserve Bank appears to be in "pause mode". Rates were left unchanged in March, after being lowered at the previous five meetings. We expect no change at the April meeting.
- Arguably, it is appropriate to assess the impact of the recent rapid reduction in interest rates and the boost from fiscal policy. The 4.0% cut in the cash rate to 3.25% has flowed through to lending rates. Variable mortgage rates are now extremely low - at levels not seen for forty years! No surprise that there has been some response from households - the question is, will this be enough?
- We still anticipate a low point of 2.0% for the cash rate, most likely by year end. The risk is that overall economic conditions will disappoint (see page 2 for discussion), thus triggering a second round of rate cuts by the RBA.

A time to pause: official rates now very low

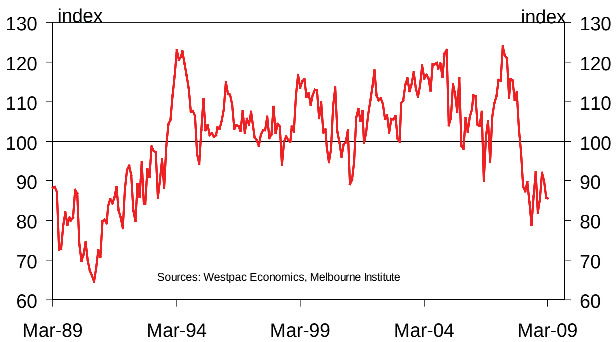


Aus Mar Westpac-MI Consumer Sentiment

Apr 8, Last: 85.6

- The *Westpac-Melbourne Institute Index of Consumer Sentiment* edged 0.2% lower from 85.8 in Feb to 85.6 in March. Despite the fall, the result was surprisingly good given the continued deterioration in global economic and financial conditions, the RBA's decision to leave rates on hold in March and news that the Australian economy contracted in Q4. There may have been some lagged support to sentiment from the RBA's 100bp rate cut and further fiscal stimulus measures announced in Feb.
- The April survey is in the field from March 30 to April 5. Sentiment is likely to be impacted by: more weak data on the global economy including a sharp downgrade to OECD forecasts; admissions by the Govt and RBA that an Australian recession now looks unavoidable; the first of the second round of fiscal payments going out to households; and a rally in equities (Dow Jones up over 20% since the last survey). The survey will be conducted before the RBA's April 7 rate decision.

Westpac-MI Consumer Sentiment Index

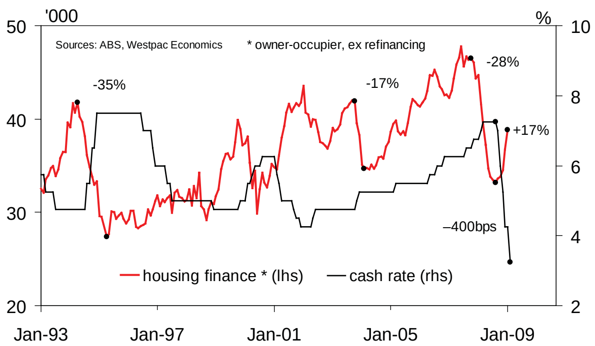


Aus Feb housing finance

Apr 8, Last: 3.5%, WBC f/c: 1.5%
Mkt f/c: 2.0%, Range: 1.0% to 7.0%

- The recovery in demand for housing finance is well underway, in response to lower rates and FHB incentives. Loan approvals to owner-occupiers are forecast to rise by 1.5% in February.
- Interest rates have tumbled. The standard bank variable mortgage rate fell to 5.85% in February, down from 9.60% last September, to be at the lowest level since 1968.
- New lending to owner-occupiers is up 17% in five months, with strong gains in December, 6.5%, and January, 5.6%.
- First home buyers have been the major driver, with lending to this segment up 61%, as they respond to the 'temporary' boost to the Commonwealth Government FHB scheme
- Upgraders now appear to be responding, with lending to this segment up 5.9% in February - although the rise is just 3.3% over the last five months.

Housing finance rebounds



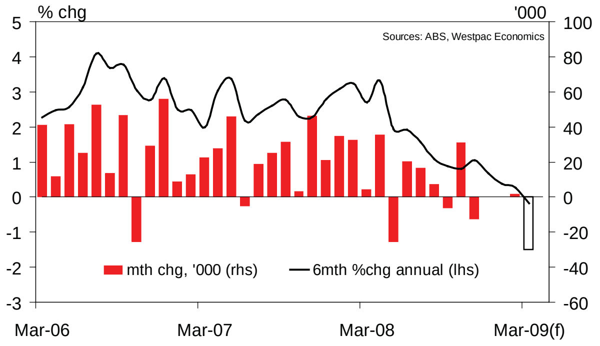
Data previews

Aus Mar employment chg

Apr 9, Last: +1.8k, WBC f/c: –30k
Mkt f/c: –25k, Range: –50k to flat

- Employment was again more resilient than expected in Feb with a 1.8k rise. However, the breakdown was weak with full-time jobs –53.8k, and trend growth continued to slow nonetheless. Total employment trend growth slowed to 0.78%yr (lowest since Oct-01) with full-time growth considerably weaker at 0.05%yr (lowest since Mar-02).
- Our preferred lead indicators of employment continue to imply a more rapid deterioration in jobs growth through 2009, and payback for resilience over recent months is overdue. Our composite of business survey employment indexes points to a sharp fall in 3m MA jobs growth to around –15k from the current +0.7k mth pace, implying a steep fall in Mar, and we forecast –30k. This would take monthly trend growth negative (–4.1k vs +0.4k prev) and slow annual growth to +0.48%yr (weakest since Jul-93) from +0.78%yr previously.

Aust jobs: lead indicators imply weakness

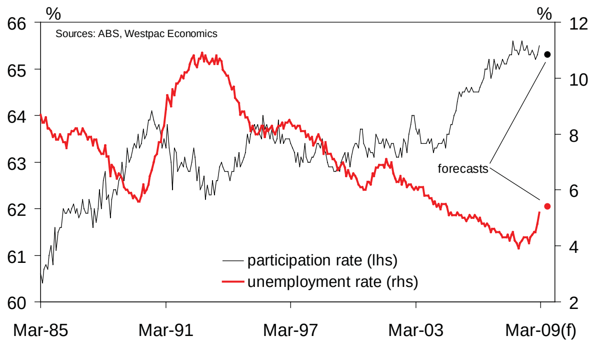


Aus Mar unemployment rate

Apr 9, Last: 5.2%, WBC f/c: 5.4%
Mkt f/c: 5.4%, Range: 5.1% to 5.6%

- While jobs were resilient in Feb, a further rise in the participation rate to 65.5% from 65.3% saw the labour force jump 48.8k, boosting the unemployment rate to 5.2% from 4.8%, the highest since Sep-04.
- Historically, the participation rate pulls back in months of employment weakness, with falls in the order of 30k, following a month when the unemployment rate has jumped, seeing an average participation rate fall of 0.32ppts. But with participation of females and those close to retirement age supported (ASX200 fell 7%mth to beginning of Mar), we look for a lesser 0.15ppt pullback to 65.3% in Mar. This would only provide a partial offset to our forecast jobs fall, lifting the unemployment rate to 5.4% (5.35% to two decimals) from 5.2% (5.18% to two decimals), the highest since Sep-04.

Unemployment and participation rates

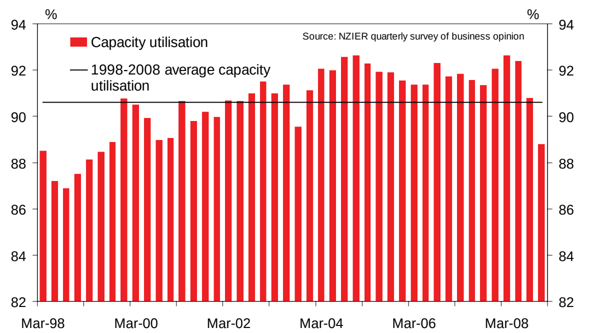


NZ Q1 NZIER business confidence

Apr 7, Last: –64%

- Business confidence, in seasonally adjusted terms, fell to its lowest level in decades in Q4 last year. Most activity indicators were near or below the lows seen in the 1991 recession.
- We expect a similarly weak read this time, consistent with a GDP decline in the order of 1% for Q1. Interest rate cuts and a weaker NZD have provided only some relief against the headwinds of collapsing global demand and tight credit.
- The survey may tell a slightly bleaker tale than the national accounts. Agriculture and government, two relative bright spots, are not surveyed, and capacity utilisation is heavily influenced by meat processing, where lack of livestock rather than demand is the issue.

QSBO capacity utilisation



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.

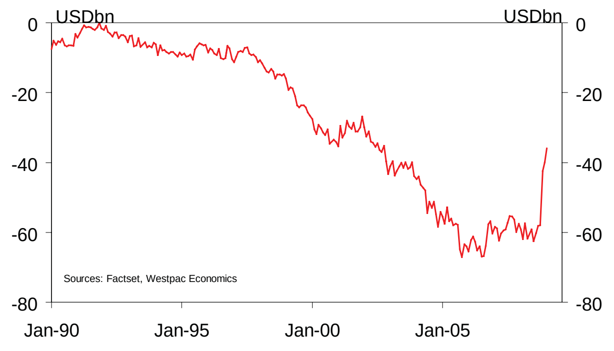
Data previews

US Feb Trade deficit to continue shrinking

Apr 9, Last: –$36bn, WBC f/c: –$34bn

- The US trade deficit shrank to $36bn in Jan, down from over $60bn per month in mid-2008. If Americans are to repair their balance sheets and rebalance the economy, the trade balance will have to move closer to the zero to $10bn range that prevailed in the 1990s. We have moved a long way in that direction, but to date the deficit reduction has been aided by the falling price of oil. Without that tail wind, future deficit reductions must come from curtailed imports of consumer goods or investment goods. Prospects for growing exports are dim.
- America's spending retrenchment has a very long way to run. We expect to see the deficit shrink only slightly this month, to $34bn. Plunging import volumes will outweigh sinking exports, but the rising price of oil will prevent a bigger reduction in the deficit.

US trade balance: on the mend

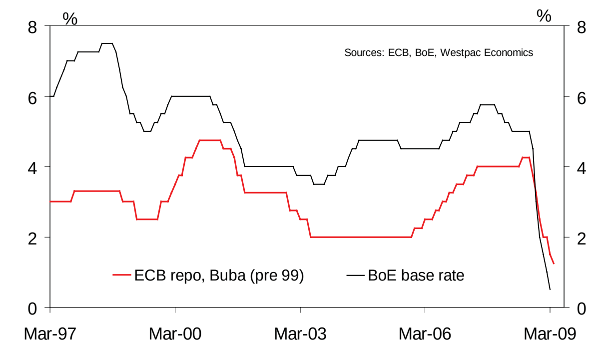


Bank of England pause to assess QE

Apr 9, Bank rate Last: 0.5%, WBC f/c: 0.5%
Apr 9, Quantitative Easing Last: £75bn, WBC f/c: £75bn

- The BoE cut the Bank Rate 50bps to 0.5% in March, in a unanimous decision. Minutes of the meeting revealed that although the MPC saw the need for further monetary policy easing, they were wary that setting interest rates too low could compromise the sound functioning of the banking system. We expect the BoE to leave the Bank Rate unchanged for the foreseeable future.
- The MPC also unanimously agreed to engage in £75bn worth of quantitative easing (QE) over 3 months. The BoE is currently authorised to extend that to £150bn, with MPC voting each month on the quantum and timing of the QE. We expect MPC to pause to allow more time to assess the impact of the first £75bn before extending the QE programme at future meetings.

BoE: to hold at 0.5%



Key data & event risk for the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 6					
Aus	Mar TD-MI inflation gauge	0.7%	–	–	Petrol boosted Feb, taking 3mth rate to 1.25% implying Q1 CPI rebound.
	Mar ANZ job ads	–10.4%	–	–	Steep downtrend continues at –6.8%mth & –37.5%yr.
Eur	Apr Sentix investor confidence	–42.7	–	–	Recent European economic news rapidly deteriorating.
	Feb Eurozone PPI %yr	–0.5%	–	–1.1%	Base effects sure to send PPI lower.
	Feb retail sales	0.1%	–	–0.2%	German sales known down 0.2%, ongoing deterioration elsewhere.
UK	Mar new car registrations %yr	–21.9%	–	–	Car sales began to implode more than a year ago.
Can	Feb building permits %mth	–4.6%	–	–10%	Renewed severity to economic downturn will keep developers wary.
	Mar Ivey PMI	45.2	–	–	Has February's bounce been sustained?
Tue 7					
Aus	RBA policy announcement, 2:30pm	3.25%	3.25%	3.25%	Pausing - assessing impact of recent rapid 4.0% cut in rates.
NZ	Q1 NZIER business confidence	–64%	–	–	Little reason for confidence to improve from record lows in Q4.
Jpn	Bank of Japan policy meeting	0.10%	0.10%	0.10%	No room to move on rates, alternatives will be the focus.
Eur	Dec qtr GDP, final	–1.5% a	–	–1.6%	Revision could be larger than usual, with risks skewed to downside.
UK	Feb industrial production	–2.6%	–	–2.1%	No sign of letup in worst manufacturing contraction since 1940s.
Wed 8					
Aus	Apr Westpac-MI Consumer Sentiment	85.6	–	–	Will equity recovery outweight sticker shock of 'official' Aus recession?
	Feb housing finance (no.)	3.5%	2.0%	1.5%	Recovery well underway in response to lower rates & FHB incentives.
Jpn	Feb current account (adj) ¥bn	258.0	508.8	350	Large seasonal factors with the Lunar New Year holidays.
	BoJ Monthly Report	–	–	–	Focus on economic review and policy alternatives.
Ger	Feb factory orders	–8.0%	–	–2.4%	Autos may improve slightly, machinery may deteriorate.
	Feb trade balance €bn	8.5	–	5.0	Exports falling faster than imports.
UK	Mar Nationwide consumer confidence	43	–	41	Stockmarket rally versus deteriorating UK labour market.
	Mar NIESR GDP estimate	–1.8%	–	–1.9%	Jan and Feb reads suggest Q1 worse than 2008 Q4's –1.6%.
US	Feb wholesale inventories	–0.7%	–0.6%	–0.8%	Improved sales and lower production indicate successful destocking.
	Minutes of March FOMC	–	–	–	Assessment of QE effectiveness will be interesting.
Can	Mar housing starts	–12.3%	–	–8%	Canadian new-build housing market collapsing.
Thu 9					
Aus	Mar employment chg	1.8k	–25k	–30k	Catch-up to weakness in lead indicators; takes trend to 0.5%yr from 0.8%.
	Mar unemployment rate	5.2%	5.4%	5.4%	U to highest since Sep-04; participation pullback to 64.3% a partial offset.
	Apr MI consumer inflation expectations	2.2%	–	–	Steep downtrend continues; Mar trend level lowest since Dec-1997.
	Apr WBC–MI unemploy't expectations	–0.7%	–	–	Stabilised somewhat in Mar, but at historically pessimistic levels.
NZ	Mar electronic card transactions	–	–	–	Earliest read on retail spending - may be down slightly on fuel prices.
Jpn	Feb core machinery orders %mth	–3.2%	–6.9%	–5.0%	The annual fall of –39.5%yr was the steepest in 20 years.
Kor	Bank of Korea policy meeting	2.00%	2.00%	2.00%	Surprise pause in Mar to be extended given signs of stabilisation.
Ger	Mar CPI final	–0.1% a	–	–0.1%	Revision possible in either direction.
	Feb industrial production	–7.5%	–	–3.5%	Surveys for Feb did not improve on Jan.
Itl	Feb industrial production	–0.2%	–	–3.5%	Anomalous benign Jan figure to unwind.
UK	Mar PPI %yr	3.1%	–	2.1%	Base effects from 2008 energy price increases.
	Bank of England rate decision	0.5%	0.5%	0.5%	No change in QE quantum as BoE pauses to assess impact.
US	Feb trade balance $bn	–36	–36.5	–30	Imports plunging, exports falling more slowly.
	Initial jobless claims w/e 4/4	669k	–	660k	Job market deterioration showing no sign of letup.
	Mar ICSC chain store sales %yr	–0.1%	–	–	More evidence on consumer's newfound conservatism.
	Fedspeak	–	–	–	Stern in Sioux Falls.
Can	Feb new house prices	–0.6%	–	–0.5%	Canadian housing market has taken a clear leg down.
	Feb trade balance C$bn	–1.0	–	–1.0	Crashing commodity prices and auto exports generating deficits.
	Mar unemployment %	7.7%	–	–8.1%	Vicious downturn across manufacturing and commodities now
	Mar employment net change '000	–82.6	–	–77.0	hitting labour market hard.
Fri 10					
Aus, NZ	Good Friday	–	–	–	Public holiday
Jpn	BoJ Monetary Policy Meeting Minutes	–	–	–	Background and details of policy alternatives.
Fra	Feb industrial production	–3.1%	–	–1.9%	Downturn gathering momentum, even if auto production improves.
US	Feb federal budget $bn	–192.8	–148.5	–	Fortunate to be released when most markets are closed.
Asia	Some time in the next fortnight				
Chn	Apr trade balance US$bn	$4.84	–	–	–
Kor	Mar producer price index %yr	4.4%	–	–	–

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.

Economic & financial forecasts

Interest rate forecasts

	Latest (Apr 3)	Jun 09	Sep 09	Dec 09	Mar 10	Jun 10
Cash	3.25	3.25	2.75	2.00	2.00	2.00
90 Day Bill	3.10	3.10	2.60	2.30	2.30	2.30
3 Year Swap	3.93	3.95	3.70	3.45	3.70	3.95
10 Year Bond	4.42	4.10	3.65	3.95	4.20	4.40
10 Year Spread to US (bps)	166	160	140	120	120	120
International						
Fed Funds	0.25	0.25	0.25	0.25	0.25	0.25
US 10 Year Bond	3.59	3.20	3.00	3.55	4.10	4.90
ECB Repo Rate	1.25	1.00	0.75	0.75	0.75	0.75
New Zealand						
Cash	3.00	2.00	2.00	2.00	2.00	2.00
90 day bill	3.24	2.30	2.30	2.30	2.30	2.30
2 year swap	3.91	3.30	3.30	3.40	3.50	3.60
10 Year Bond	5.17	4.70	4.80	4.90	5.00	5.10
10 Year spread to US	74	60	115	95	80	70

Exchange rate forecasts

	Latest (Apr 3)	Jun 09	Sep 09	Dec 09	Mar 10	Jun 10
AUD/USD	0.7146	0.68	0.65	0.62	0.60	0.64
NZD/USD	0.5838	0.52	0.50	0.47	0.45	0.48
USD/JPY	99.68	105	105	103	102	100
EUR/USD	1.3433	1.30	1.25	1.20	1.20	1.20
AUD/NZD	1.2240	1.31	1.30	1.32	1.33	1.33

Australian economic growth forecasts

	2008			2009				Calendar years			
% change	**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	4.3	4.5	5.1	5.5	6.0	6.6	4.4	4.2	5.8	7.6
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				Calendar years			
	Q2	**Q3**	**Q4**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**2007**	**2008**	**2009f**	**2010f**
GDP % qtr	–0.2	–0.5	–0.9	–1.0	–0.1	0.2	0.3	–	–	–	–
Annual avg change	2.5	1.7	0.2	–0.9	–1.8	–2.2	–1.9	3.1	0.2	–1.9	1.7
Unemployment rate %	3.9	4.2	4.6	5.4	5.8	6.2	6.8	3.4	4.6	6.8	6.7
CPI %qtr	1.6	1.5	–0.5	0.3	0.8	0.4	0.4	–	–	–	–
Annual change	4.0	5.1	3.4	3.0	2.2	1.0	1.9	3.2	3.4	1.9	0.6