

# Australian weekly

week beginning 6 July 2009

- RBA to leave rates on hold.
- Medium term view on Australian interest rates.
- RBNZ: signs of stabilisation make further rate cuts unlikely
- Australian data: jobs, sentiment, housing finance due.
- US data: non-mfg ISM, trade, cons sentiment focus in light weak.
- Key economic & financial forecasts.

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

# Medium term view on interest rates

The Reserve Bank board next meets next Tuesday. There is little chance the Board will decide to change rates next week. In our note last week we pointed out that the two key factors (apart from an unexpected global meltdown) that will influence the Board from this point will be the unemployment rate and the need to support business lending.

The Bank is unlikely to watch a sharp increase in the unemployment rate (we expect our forecast move from 5.7% to 7.5% will be enough) without action particularly given the relative level of our rates.

Customers often ask for a longer term perspective on rates. Below we set out our thinking for the medium term outlook.

The future profile of interest rates will be largely dictated by the timing and the shape of the economic recovery over the next few years.

We expect that growth in the Australian economy will be particularly insipid over the next 18 months. For the second half of 2009 we expect the Australian economy to actually contract at a 1.6% annualised pace and to grow by only 1% in 2010. Thereafter we expect growth can pick up markedly as the massive headwinds from the global financial crisis ease significantly.

For Australia, with considerable excess capacity being accumulated through 2009 and 2010 as the unemployment rate settles around 8% (4 ppts above the lowpoint in early 2008) the economy will be able to react smoothly to a recovery in demand and confidence to more normal levels without pressuring inflation.

However we are suspicious about the current sharp increase in confidence which has many commentators talking about a 'V'-shaped recovery for both Australia and the major economies, the US, Europe and Japan. The clear issues for us are the reliable observations that economies take longer to recover from a recession associated with a financial crisis. That points to the recovery year (2010) being marked by very weak growth although an improvement from the savage contractions of 2009.

Markets are currently priced for central banks taking back a good part of the aggressive rate cuts which they implemented during the financial crisis but we expect that the profile of the recovery will be fragile and central banks will be reluctant to risk 'killing' the recovery before it gains a much more solid foundation than we expect will be likely through 2010. The attitude of central banks is likely to be that mistakes have been made in the past in countries like the US (1930s) and Japan (1990s) in tightening policy too early in the cycle only to see economies fall back into recession – we expect that central banks will view it as better to leave rate hikes as late as possible but then to move swiftly.

For that reason we expect that the Reserve Bank of Australia will keep rates steady through 2010 prior to a rapid move back to

'neutral' in 2011. That is likely to herald the beginning of a 12–18 month cycle of rising rates culminating in rates moving into the contractionary zone (5% – 6.5%) in 2012.

Swap rates have moved too far too quickly in this cycle with current pricing implying a 100–200 bp's increase in the cash rate in 2010. We expect swap rates will ease back over the course of the second half of 2009 as markets become more aware of the "patience" that the Reserve Bank and the US Federal Reserve are likely to exercise in 2010. We expect the unemployment rate to rise by around 2ppts to 7.5% by the end of 2009. That is likely to be met with a couple of 25 bp rate cuts from the RBA shaking the conviction of swap markets that the RBA will be reversing those moves as soon as early in the following year.

However, through the course of 2010 as the damage from the global financial crisis eases and the national unemployment rate appears to be stabilising, markets will more confidently focus on above trend growth in 2011 and a rapid rate hike response.

Note that when the Australian economy finally emerged from the aftermath of the early 1990's recession with growth prospects approaching 5% the swap rate soared to be over 400 bp's above the cash rate as the market envisaged a very sharp increase in the cash rate. This time we are unlikely to expect such a sharp increase in cash rates so we would envisage a more sustainable 300 bp peak excess of the 3 year swap rate over the cash rate. That peak spread is likely to be reached shortly before the RBA begins its tightening cycle.

The tightening cycle which is expected to begin in early 2011 should last 12 – 18 months. The last tightening cycle (first tightening to last tightening) started in May 2002 and ended in March 2008. That cycle was unusually long. The combination of solid growth without an associated rise in inflation enabled policy makers to run relatively easy policy. However it is generally accepted that during that period central banks kept rates low for too long sowing the seeds of the housing and credit excesses that have since been so devastating for the world economy. Prior tightening cycles were much shorter – 9 months (1999/2000) and 5 months (1994).

We are providing forecasts out to December 2013. The tightening cycle is likely to cover 2011 and into 2012 prior to a period of steady rates through the remainder of 2012 and 2013. The year 2013 is likely to be a year when cash rates are held at their peak. That peak will be below the previous peak of 7.25%. High levels of household gearing, which are not forecast to ease significantly in this cycle, are likely to bite hard when mortgage rates rise by at least 400 basis points. That likely growth slowdown should see markets expecting rate cuts by 2014 and swap rates easing below the cash rate by the end of 2013.

**Bill Evans**, Chief Economist

## Forecasts (% pa)

	Current	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013
Cash Rate	3.0	2.5	2.5	5.0	6.5	6.5
3 Year Swap rate	4.8	4.0	5.5	6.0	7.0	6.0

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 wrap

## May private credit

- Credit to the private sector has been weak since late 2008 as national income is hit by the global downturn. Credit contracted outright in May, declining 0.1%, following increases of 0.1% in each of the three months prior.
- The response of business to the global and domestic recession is coming through. Business credit contracted by 0.7% in the month and declined by 2.3% over the last half year.
- Housing credit disappointed in May, increasing by 0.5%. While new lending, housing finance is rebounding, existing households are looking to pay down debt more quickly.
- Going forward, while the RBA's sharp cuts to interest rates will continue to drive an upswing in new lending to the housing sector, we expect credit growth to be constrained by the weak economic environment – in particular, by business cutting back on spending and credit. Tighter lending standards will also be a constraining factor.

## May retail sales

- Retail sales rose 1.0% in May after a 0.3% rise in April and a 2.2% rise in March. Sales are up 7.1%yr. The May result was above consensus forecasts of a 0.5% rise. However, there was a wide range on forecasts for the month reflecting uncertainty over the timing and spending impact of fiscal payments.
- Despite the continued strength of retail sales and hints of a revival in discretionary spending, the short term outlook is still for a wind back as the fiscal boost to spending ends. June sales should hold up but a 'let down' in the order of 1-2% is likely through July-August, beyond which a modest cyclical revival in spending should become more apparent.

## May building approvals

- May dwelling approvals data were much weaker than expected. Total dwelling approvals fell 12.5% after rising 21.2% in the previous three months. Consensus was looking for a solid 3.3% gain.
- The May slump was heavily concentrated in private units (including apartments), which plunged 43.6%, the biggest monthly fall on records back to 1983. While this is a volatile segment, the size of the decline suggests difficult funding conditions are again contributing to weakness.

- Private sector house approvals saw a more modest decline of -2%*mt*, with the trend in this segment still positive and accelerating, consistent with finance approvals.
- By state, the falls in private units were heaviest for NSW (-54%*mt*), Qld (-38.7%*mt*) and Vic (-34.9%*mt*). Private houses were flat in NSW and Qld but slipped 0.6%*mt* in WA and 1.4%*mt* in Vic.
- The May approvals report casts a dark cloud over the upturn in new dwelling construction. Much of the fall may be due to volatility and there is a tendency for estimates to be revised up following late returns. However, the scale of the fall in apartment approvals is disconcerting and suggests there is a renewed credit squeeze impacting on activity. This in turn implies a much weaker initial upturn.

## May international trade balance

- The trade deficit was higher than expected, rising from an upwardly revised \$282mn in April to \$556mn in May (consensus -\$125mn, WBC *f/c* -\$700mn).
- Exports saw further price-driven weakness as we expected, down 5.2% in a month when the RBA AUD commodity price index fell 10.7%, suggesting higher volumes. This volumes resilience is unlikely to persist – note reports today of weakness in Brazil's iron ore exports in June after three strong months. The figures now incorporate an assumed 31% iron ore price fall from March to May. With the AUD non-rural commodity price index down 10.7%*mt*, non-rural and other exports fell 7.3%, with trend growth a weak -4.5%*mt* and -3.0%*mt* for total goods and services.
- Imports also saw a further price-led fall as expected, and continued to indicate volumes resilience in aggregate after their sharp falls through Q4 2008 and Q1 2009 had taken volumes below levels consistent with the slowing in domestic demand. While imports fell 3.8%, the 7.0% AUD/USD rise would have hit prices more, implying higher volumes. The detail showed falls in all categories, but concentrated in capital goods (-13.8%) reinforcing signals of weak business equipment investment. Trend imports growth was -1.9%*mt* with consumption goods -0.2%*mt* and capital goods -2.5%*mt* on their trends.

## Round-up of local data released last week

Date	Release	Previous	Latest	Mkt <i>f/c</i>
Tue 30	May private credit	0.1%	-0.1%	0.2%
Wed 1	Jun AiG PMI	37.5	38.4	-
	May retail sales	0.3%	1.0%	0.5%
	May building approvals	4.1%	-12.5%	3.3%
Thu 2	May international trade balance, AUDbn	-0.282	-0.556	-0.125
Fri 3	Jun AiG PSI	39.9	50.2	-

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# Data previews

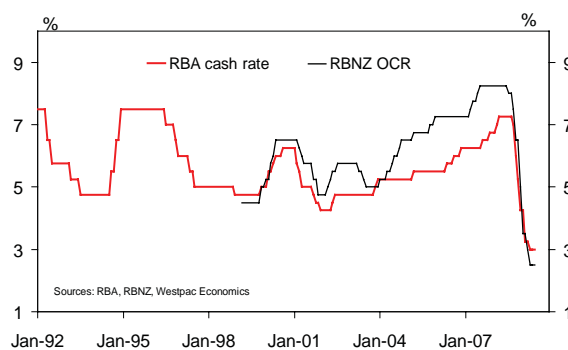
## Aus RBA policy announcement

Jul 7, Last: 3.00%, WBC f/c: 3.00%

Mkt f/c: 3.00%, Range: 3.00% to 3.00%

- The RBA is expected to again leave rates unchanged at its July meeting. The Bank has been in 'watch and wait' mode since March, assessing the impact of previous aggressive rate cuts. With a recovery gaining traction in the housing sector and evidence of stabilisation abroad the Bank is unlikely to see an immediate need for additional stimulus.
- At 3%, the cash rate is at an extreme low. Market interest rates are also at historic lows with variable mortgage rates in particular at their lowest levels in 40 years.
- Despite this, we continue to see the RBA making additional cuts by year end to counter an expected deterioration in labour markets. The timing and size of moves will be a tactical decision but we see 2.5% as the eventual low point.

## Official interest rates: pause continues

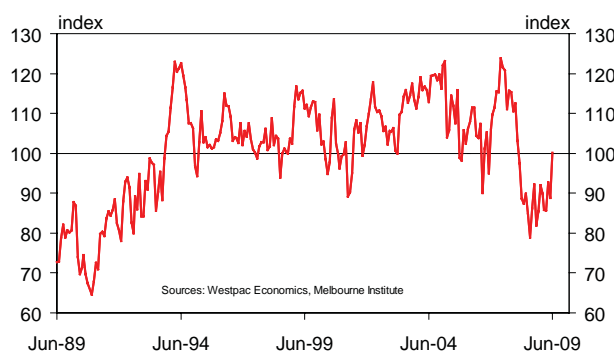


## Aus Jul Westpac-MI Consumer Sentiment

Jul 8, Last: 100.1

- The *Westpac-Melbourne Institute Index of Consumer Sentiment* jumped 12.7% in June from 88.8 in May to 100.1. This was the biggest monthly rise in 22 years. The burst of exuberance was mainly due to the release of Q1 GDP figures, which showed a small rise in activity, meaning the economy had dodged recession – or at least its 'technical' definition of two consecutive quarters of contraction.
- The July survey is in the field in the week ending July 6. Sentiment is likely to be impacted by: some slippage in equities (ASX down over 2% since the last survey); but better than expected retail sales figures for May (+1%) and more signs of firming in housing markets (albeit with a surprisingly sharp fall in dwelling approvals in May). Tax cuts rolled out on July 1. The CBA also increased its floating mortgage interest rate 10bps (though other banks left their rates unchanged). The survey is being conducted before the RBA's rate decision.

## Consumer sentiment



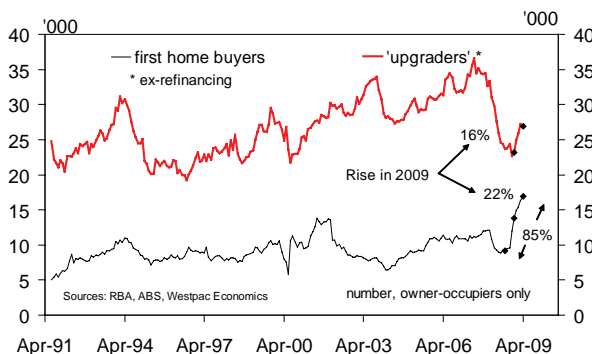
## Aus May housing finance

Jul 8, Last: 0.9%, WBC f/c: 2.5%

Mkt f/c: 1.3%, Range: flat to 2.5%

- We're forecasting housing finance approval numbers to rise by a moderate 2.5% in May. However, we're mindful of the risk of disappointment in May given uncertainty at that time. While the boost to the first home buyers grant has now been extended, on 24 April the Prime Minister said "All good things must come to an end".
- More generally, the upswing in housing finance is set to continue given extremely expansionary settings, pent-up demand and brisk population growth.
- New lending to owner-occupiers surged 32% over the eight months to April. Over the last four months, finance to upgraders rose by 16% and to first home buyers by 22%. Investor finance, jumped 15% over the last two months, but is only up 4% since last August.

## Finance upswing broadly based in 2009



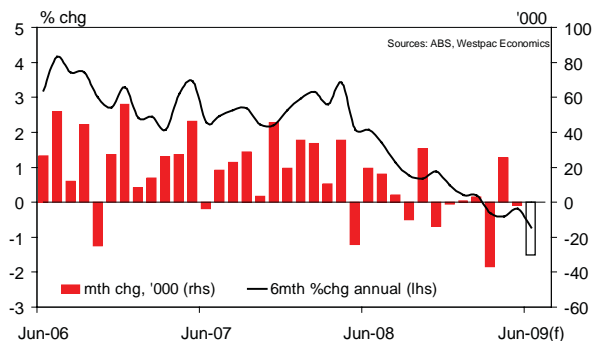
# Data previews

## Aus Jun employment chg

Jul 9, Last: -1.7k, WBC f/c: -30k  
Mkt f/c: -20k, Range: -40k to flat

- Although employment fell only 1.7k in May, full-time was weak (-26.2k), trends continued to deteriorate and the unemployment rate continued its uptrend. Total jobs trend growth slowed to 0.14%yr (weakest since May-93), trend full-time jobs fell 6.7k (9th consecutive fall) and annual full-time trend growth fell to -1.01%yr (weakest since Oct-01).
- While signs of turning points in our preferred leading indicators of labour demand saw us bring forward (to 2008Q4) and raise our low point for jobs growth (to -1.6%yr) in the cycle, the indicators remain consistent with a more rapid jobs deterioration over 2009H2 in the interim. Also, despite recent gains, our short-term labour demand indicator points to a fall in 3m MA jobs growth towards -12k from the current -4.4k pace. Hence, we continue to look for near-term weakness, forecasting -30k in June, slowing trend growth to -0.04%yr.

## Aust jobs: leads imply near-term weakness

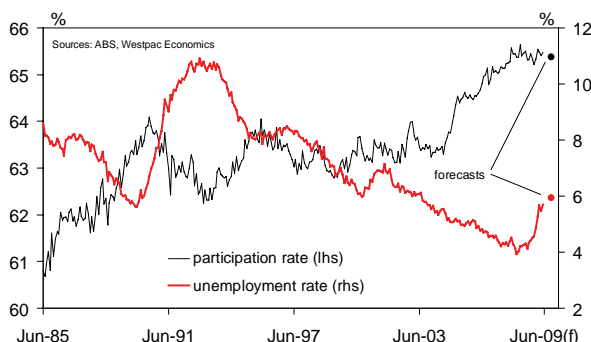


## Aus Jun unemployment rate

Jul 9, Last: 5.7%, WBC f/c: 5.9%  
Mkt f/c: 5.9%, Range: 5.8% to 6.1%

- Without a large fall in total jobs to weigh, the participation rate reacted to the prior month's fall in the unemployment rate, rising to 65.5% in May from 65.4%. Stronger labour force growth boosted the impact on the unemployment rate (rose to 5.7% from 5.5%). The trend rate rose to 5.7% (highest since Oct-03) from 5.6%, up from a low of 4.1% in Apr-08.
- With higher unemployment in May, and a larger fall forecast for June jobs, the participation rate should pull back. However, resilience in female and aged worker participation argues for a less than usual dip. We forecast 65.4% (-0.1ppt). This would partially offset the forecast 30k jobs fall, lifting unemployment to 5.9% (highest since Jul-03). Risks are to the upside from a greater jobs fall and/or more resilient participation rate, with our forecast 5.93% to two decimal places.

## Unemployment and participation rates

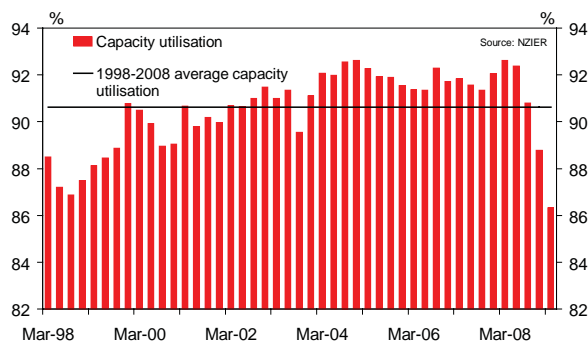


## NZ Q2 NZIER business confidence

Jul 7, Last: -65%

- The *Quarterly Survey of Business Opinion* was extremely weak in the March quarter, with many of the key components at or close to record lows. The survey indicated that firms were starting to feel the pinch from falling global demand, on top of the ongoing domestic recession.
- Low interest rates, rising net migration and a stabilisation in the housing market have provided some support to domestic activity in recent months, and there are also signs that the pace of contraction in the global economy is slowing. Monthly business confidence surveys have risen sharply from their lows, and we expect the quarterly survey to do the same.
- Since the *QSBO* excludes agriculture, it may not fully capture some of the recent negatives for the economy – weak world prices for dairy products and an unhelpfully strong NZ dollar.

## QSBO capacity utilisation



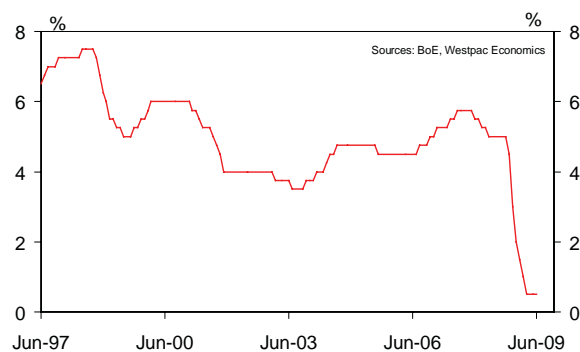
# Data previews

## Bank of England: no change to rates or QE

Jul 9, BoE Last: 0.5%, WBC f/c: 0.5%

- The BoE policy committee left rates on hold and made no adjustment to the asset purchase program started in March.
- Since the June meeting, there has been more evidence, acknowledged by BoE officials, that the economy might soon be bottoming out, even though the Q1 GDP contraction was revealed to be substantially deeper than first estimated (-2.4% vs -1.9% originally). Officials have also been musing about eventual policy tightening though that is still a long way off. The BoE's July quarterly credit survey found improved credit availability.
- Although the BoE still has a further £25bn of asset purchases it could announce without Treasury consultation, we suspect that won't happen before the August forecasting round, if at all, and rates will definitely not fall any further.

## BoE policy rate



## US May trade deficit to widen further.

Jul 10, Factory Last: -29.2, WBC f/c: -30.5

- The trade deficit widened for the second month in April, as exports fell more sharply than imports, despite rises in both import (mainly oil) prices and export prices. The underlying volumes picture was soft on both sides of the ledger, indicating ongoing weakness both in US and trading partner demand.
- In May, import prices rose a steeper 1.3% but volumes likely slipped further, although export prices also posted a steeper (but lesser) 0.6% gain. Durable goods shipments were down a fairly sharp 2.1% in May, but the export component of the ISM factory survey was significantly less weak and Boeing reported increased foreign sales that month.
- Assuming a 1% import rise, and flat exports, the deficit will widen by \$1.3bn to \$30.5bn in May.

## US trade: imports slump more than exports



# Key data & event risk for the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
<b>Mon 6</b>					
Aus	Jun TD-MI inflation gauge	-0.3%	-	-	Recent falls confirm price pressures easing rapidly; annual at low 1.5%yr.
	Jun ANZ job ads	-0.2%	-	-	Still in steep downtrend, but tentative sign of stabilisation in May.
Jpn	May leading index	76.2	77.0	-	Business surveys are consistent with sound improvement in H2.
Eur	Jul Sentix investor confidence	-27	-	-25	Less improvement, consistent with recent stock-market slippage.
US	Jun ISM non-manufacturing	44.0	46.0	45.5	Continuing to indicate a slower pace of contraction.
<b>Tue 7</b>					
Aus	RBA policy announcement, 2:30pm	3.00%	3.00%	3.00%	RBA firmly in 'watch and wait' mode.
NZ	Q2 NZIER business confidence, net%	-65%	-	-	Expected to rise, consistent with a smaller decline in Q2 GDP.
Ger	May factory orders	flat	-	-1.0%	Have not posted a decline since Feb - now bouncing along the bottom.
UK	May industrial production	0.3%	0.2%	-0.3%	PMI suggests recent upturn in factory output not beginning of trend.
Can	May building permits	-5.4%	0.8%	-	Sharp rise in March means permits downtrend less clear.
	Jun Ivey PMI nsa	48.4	50.3	47.0	Typically rises in June, so failure to do so would be weak.
<b>Wed 8</b>					
Aus	Jul Westpac-MI Consumer Sentiment	100.1	-	-	Will June's 'recession relief rally' be sustained?
	May housing finance	0.9%	1.3%	2.5%	Forecasting a moderate rise, but risk of disappointment (see text box).
Jpn	May machinery orders	-5.4%	2.4%	-	Excess capacity is extreme, so where is the incentive to invest?
	May current account ¥bn sa	966	1228	-	Trade position still under stress, but a better outcome on income.
	Jun bank lending %yr	3.1%	-	-	Credit multiplier to nominal GDP finally above one: but in a crisis?
Eur	Q1 GDP final	-2.5% a	-	2.5%	No revision expected.
Ger	May industrial production	-1.9%	-	flat	Orders data suggest IP might soon show signs of bottoming out.
UK	Jun consumer confidence	53	-	51	Nationwide index. Budget concerns, impact on tax, spending.
	Jun BRC shop price index %yr	1.3%	-	-	Clue to part of the CPI basket.
US	May consumer credit \$bn	-15.7	-10.0	-	Decline in credit consistent with increased saving, less spending.
	Fedspeak	-	-	-	Evans, subject TBA.
<b>Thu 9</b>					
Aus	Jun employment chg	-1.7k	-20k	-30k	Leads still imply greater near-term weakness; takes annual trend -ve.
	Jun unemployment rate	5.7%	5.9%	5.9%	Jobs fall partially offset by 0.1ppt participation dip; but upside risk.
	Jul WBC-MI unemployment expectations	-7.9%	-	-	Trended down (improved) since Feb, implying Q4'08 low for jobs%yr.
	Jul MI inflation expectations	2.8%	-	-	Expectations bounced with surprise Q1 GDP rise; trend now 2.5%.
NZ	Jun electronic card transactions	0.7%	-	-	Early indicator to retail sales in Jun, small rise expected.
Kor	Bank of Korea meeting	2.00%	2.00%	2.00%	On hold as activity is consolidating impressively.
Sing	Q2 GDP advance %yr (tentative date)	-10.1%	-	-	Sometime from today. Should jump on pharma-led manuf. rebound.
Php	BSP meeting	4.25%	4.00%	4.00%	Growth disappointment and subdued inflation keep on easing bias.
Eur	Jul ECB monthly bulletin	-	-	-	May include more detail re covered bond purchases and latest rate call.
UK	May visible trade balance, £bn	-7.0	-6.8	-	Exports and imports both falling sharply.
	BoE rate decision	0.50%	0.50%	0.50%	Firmly on hold; announcement re further QE more likely Aug than Jul.
US	Initial jobless claims w/e 4/7	614k	-	605k	Distortion risk in coming weeks from auto shutdowns taking place early
	May wholesale inventories	-1.4%	-1.0%	-1.0%	Further clue to pace of inventory rundown in Q2.
	Jun chain store sales %yr	-	-	-	Clue to official retail data, sometimes at odds with weekly retail figures.
	Fedspeak	-	-	-	Duke, subject TBA
Can	Jun housing starts	9.2%	2.0%	-	Volatile series, but trend downwards
<b>Fri 10</b>					
Jpn	Jun corp. goods prices %yr	-5.4%	-6.4%	-	Stronger yen, lower commodity prices, excess supply in capital goods.
Inr	May industrial production %yr	1.4%	-	-	Core infrastructure data points to a modest improvement vs April.
UK	Jun PPI %yr	1.2%	-	-	Core output measure.
US	May trade balance \$bn	-29.2	-30.0	-30.5	Import prices up more than exports. More Boeing foreign deliveries.
	Jun import prices	1.3%	2.0%	1.5%	Energy price gains and weaker US dollar pushing import prices higher.
	Jul UoM consumer sentiment prelim	70.8	70.6	67.5	CB confidence index sharply weaker in late June.
Can	Jun employment change	-42k	-40k	-45k	April rise still needs to be corrected for.
	May trade balance \$bn	-0.2	-0.6	-	Modest deficits now the norm after decades of surpluses.
	May new house prices	-0.6%	-0.4%	-	Prices falling in line with weak housing market.

# Economic & financial forecasts

## Interest rate forecasts

	Latest (Jul 3)	Sep 09	Dec 09	Mar 10	Jun 10	Sep 10
Cash	3.00	2.75	2.50	2.50	2.50	2.50
90 Day Bill	3.13	3.00	2.75	2.75	2.75	2.75
3 Year Swap	4.73	4.50	4.25	4.25	4.50	5.00
10 Year Bond	5.43	5.00	4.75	5.00	5.50	5.75
10 Year Spread to US (bps)	194	150	150	125	125	100

## International

Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	3.49	3.50	3.25	3.75	4.25	4.75
ECB Repo Rate	1.00	1.00	1.00	1.00	1.00	1.00

## New Zealand

Cash	2.50	2.50	2.50	2.50	2.50	3.00
90 day bill	2.81	2.80	2.80	2.80	2.80	3.60
2 year swap	3.70	3.90	4.10	4.30	4.30	5.00
10 Year Bond	5.78	5.80	5.90	6.00	6.00	6.20
10 Year spread to US	229	230	265	225	225	145

## Exchange rate forecasts

	Latest (Jul 3)	Sep 09	Dec 09	Mar 10	Jun 10	Sep 10
AUD/USD	0.7993	0.76	0.74	0.77	0.80	0.82
NZD/USD	0.6328	0.60	0.59	0.62	0.65	0.68
USD/JPY	96.035	95	92	96	99	103
EUR/USD	1.4014	1.38	1.36	1.39	1.42	1.45
AUD/NZD	1.2632	1.27	1.25	1.24	1.23	1.21

## Australian economic growth forecasts

	2008		2009				2010		Calendar years			
	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	2007	2008	2009f	2010f	
% change												
GDP	0.2	-0.6	0.4	-0.6	-0.5	-0.3	0.4	4.0	2.3	-0.6	1.0	
ann chg	2.2	0.8	0.4	-0.6	-1.3	-1.0	-1.0	-	-	-	-	
Unemployment rate	4.2	4.5	5.3	5.7	6.8	7.4	7.7	4.4	4.3	6.3	7.9	
CPI headline	1.2	-0.3	0.1	0.7	0.4	0.6	0.6	-	-	-	-	
ann chg	5.0	3.7	2.5	1.7	0.9	1.8	2.3	3.0	3.7	1.8	2.4	
CPI core	1.2	0.7	1.1	0.7	0.7	0.6	0.5	-	-	-	-	
ann chg	4.7	4.3	4.2	3.8	3.2	3.1	2.5	3.6	4.3	3.1	2.0	

## New Zealand economic growth forecasts

	2008		2009				Calendar years					
	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	2007	2008	2009f	2010f	
GDP % qtr	-0.2	-0.5	-1.0	-1.0	-1.0	-0.5	0.2	-	-	-	-	
Annual avg change	2.5	1.7	0.2	-1.0	-1.9	-2.7	-2.7	3.2	0.2	-2.7	1.2	
Unemployment rate %	4.0	4.3	4.7	5.0	6.2	6.9	7.4	3.5	4.7	7.4	6.8	
CPI %qtr	1.6	1.5	-0.5	0.3	0.6	0.3	0.2	-	-	-	-	
Annual change	4.0	5.1	3.4	3.0	1.9	0.6	1.3	3.2	3.4	1.3	1.1	

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.