

Australian weekly

week beginning 27 July 2009

- Australia: Revised forecasts – technical recession averted.
- RBA Governor: "Challenges for Economic Policy".
- Australian data: dwelling approvals, credit.
- RBNZ OCR review: no move, may drop easing bias.
- New Zealand data: trade, building consents, business survey.
- US Fed : Bernanke, Beige book.
- US data: Q2 GDP, durable goods, manufacturing & housing updates.
- Key economic & financial forecasts.

Information contained in this report was current as at 24 July 2009

Revised forecasts – technical recession averted

We have revised our growth forecasts. While the changes are not major they are significant in that we are no longer forecasting a technical recession.

We assess that the signals from the Australian economy in the last few months necessitate a less pessimistic growth forecast. We have identified the following factors that we expect will be instrumental in moderating the slowdown in the Australian economy. We summarise our changes in the attached charts. Note that we now expect year average growth in GDP in 2009 to be 0.2% compared to our previous forecast of minus 0.6%. For 2010 we expect growth of 1.8% compared to 1% in our previous forecast.

These might seem to be minimal changes but because GDP growth switches from positive to negative and our quarterly profile changes from three consecutive negative quarters (Q2; Q3; Q4) to only one (Q3) the technical recession label (two consecutive negative quarters) is no longer appropriate.

We do not believe that these changes are sufficiently material to change our rate or currency views.

Reasons behind our upward revisions are:

1) Critically, we saw a sharper than expected fall in export prices (21%) in the second quarter – we are aware of export values for April and May and our estimate for June values now suggests that export volumes for Q2 will increase by 1% rather than contract by 2%. We estimate that will mean that net exports will add 0.3% to growth rather than subtract 0.3% pushing our Q2 GDP estimate to 0.2% from minus 0.4%. The upward revision to net exports plays a significant part in our overall revision to growth in 2009. However, a word of caution – that was the biggest fall in export prices since the series began in 1974 (second largest decline was 6.5%) and therefore indicates extreme volatility in the net export/inventory/statistical discrepancy mix.

2) Both business and consumer Confidence have increased to their highest levels since December 2007. While these spectacular recoveries in Confidence are likely to prove fragile and can potentially partly retrace we expect that Confidence will establish higher base levels than we had feared earlier in the year.

We also believe that it is difficult to envisage events that could see Confidence plunging to levels prevailing earlier in the year. We remain very sceptical about the outlook for the major economies and anticipate ongoing problems with the financial systems of both US and Europe. But these developments will mainly affect the pace of growth in these economies rather than providing dramatic signals that would jolt Confidence in the way we saw earlier this year.

Households still have to negotiate the upcoming 6 month period in which nominal incomes will be contracting as hours worked fall; government handouts cease and interest rates are on hold rather than declining. However, we assess that households have been successful in saving a decent proportion of the cash handouts – one bank reports that 90% of those folks with owner occupier mortgages have opted to pay down debt rather than reduce interest payments.

We expect that as Confidence levels remain relatively high households will be prepared to reduce savings to maintain expenditure levels even as incomes contract. When Confidence is low households are likely to seek to maintain savings at the expense

of spending – as we are seeing in the US but contrast the level of Australia's Consumer Sentiment Index (109) with the US (66). That observation has prompted an increase to our consumer spending profile increasing growth over 2009 from 1.3% to 1.6%. In 2010 we have raised spending growth from 2.0% to 2.3%.

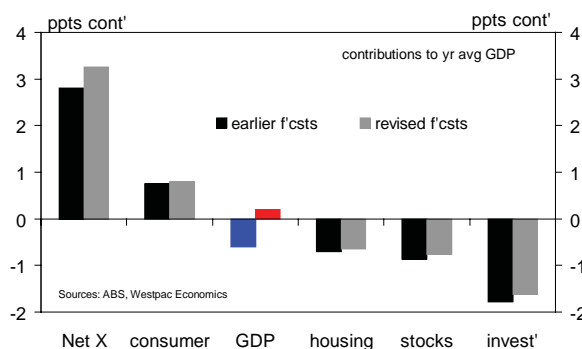
Higher than expected Business Confidence will also moderate the downturn in business investment. That will mainly affect plant and equipment since we expect non-residential property and engineering investment will be largely driven by exogenous events (credit availability; external demand; government spending). We have revised the expected downturn in plant and equipment to minus 18% from minus 22% in 2009; and from minus 7% to minus 1% in 2010.

3) Finally, we have increased the strength of the recovery in housing construction. New lending for housing construction continues to surge – number of new loans for housing construction (owner occupied) is up 60%. That will eventually see strong positive prints on housing construction. We have raised the growth forecast for housing construction in Q4 from 2.5% to 4% and through the year growth in 2010 in housing construction to 23% from 19%.

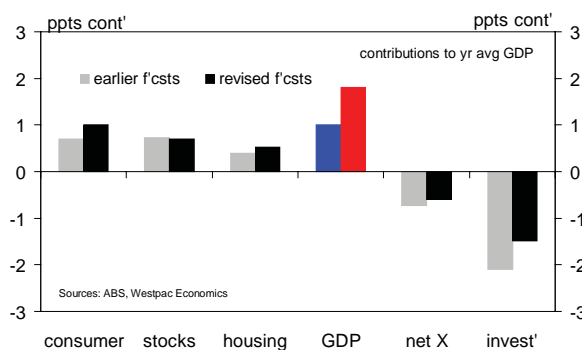
While the "debate" about recession is occupying great coverage in media and official circles these forecast changes are significant in that they indicate that Australia may now avert a technical recession. That is our current best estimate but please respect the particularly challenging forecasting task stemming from unprecedented fluctuations in commodity prices; fiscal settings; monetary policy; global growth; and currencies.

Bill Evans, Chief Economist

Australian growth 2009



Australian growth 2010



Data wrap

Q2 PPI

- Q2 Final Stage PPI inflation was well below consensus at -0.8% qtr (consensus -0.1% , Westpac -1.2%), almost halving the annual rate to 2.1% yr from 4.0% , the lowest since 2004Q1.
- Non-core elements subtracted slightly more from the PPI than expected, with weaker than expected food prices (fell 1.2% , subtracting 0.21 ppts) but a larger than expected rise in petroleum refining prices ($+4.9\%$, adding 0.11 ppts), giving a net 0.10 ppt subtraction from the quarterly PPI.
- The 1.2% fall in food components builds on a 0.9% fall previously. While CPI food prices are not well correlated with PPI equivalents, the back to back falls in PPI food prices affirm our forecast of much tamer Q2 CPI food prices (our f/c is $+0.3\%$ qtr vs $+2.2\%$ qtr prev).
- Ex-food and petroleum, the core PPI was very weak as we expected, courtesy of the stronger AUD cutting import prices. The core PPI was -0.9% qtr (weakest on record since 1998) slowing the annual rate to 3.4% yr (lowest since 2008Q1) from 5.2% yr previously.
- With the AUD import weighted TWI up 10.2% qtr in Q2, the core imports PPI was -6.2% qtr.
- Building construction prices continued to fall in aggregate (-0.5%) despite a bounce in house construction prices, weighing on the core PPI in addition to the import drag. Abstracting from these, domestic core pressures rebounded amidst firmer demand, but not enough to prevent a further fall in the annual rate. The domestic core PPI ex-construction & utilities was $+0.7\%$ qtr (vs -0.3% prev), slowing annual growth to 2.5% yr from 3.0% .
- With improved new housing demand led by FHB's, house construction output prices rebounded 1.4% qtr (vs -0.5% prev).

Q2 CPI

- Annual headline inflation falls below RBA target band courtesy of dropping out of strong 1.5% qtr from 2008Q2, and subdued 2009Q2 courtesy of pullbacks in food prices and further falls in bank interest rate margins (deposit and loan facilities -4.3% qtr vs -14.1% qtr prev).
- Average RBA underlying CPI came in above consensus as we expected, at $+0.8\%$ qtr, allowing only a gradual slowing in annual underlying inflation to 3.9% yr from 4.2% yr previously.
- Notably stronger than expected rebounds from New Year Sales discounted prices in several areas of discretionary retailing, reflecting recent strength in household demand, including clothing & footwear, furniture & furnishings, and household appliances, utensils & tools. This is acting to keep the slowing in annual underlying inflation very gradual.
- We don't expect that these numbers will come as any surprise to the Reserve Bank. Their most recent forecast for underlying inflation to June 2009 is 3.75% yr and this number prints at 3.8% yr. Their forecast for headline inflation is 1.5% yr, the same as today's result.
- However the stronger rhetoric from the Bank since on May 8 it released its somewhat controversial forecast that inflation will drop to 1.5% by June 2011 suggests a decent case for that forecast to be revised up to say 2% when we see the revised forecasts on August 7. With a less pessimistic forecast the obligation to consistently refer to cutting rates will be eliminated. Markets would be quite surprised if that terminology no longer appears in RBA rhetoric but we do not believe that it would mean the Bank is near to tightening.

Round-up of local data released last week

Date	Release	Previous	Latest	Mkt f/c
Mon 20	Q2 PPI	-0.4%	-0.8%	-0.1%
Tue 21	Jul RBA meeting minutes	–	–	–
	Jun new motor vehicle sales	5.4%	5.7%	–
Wed 22	Q2 headline CPI	0.1%	0.5%	0.5%
	Q2 avg RBA underlying CPI	1.1%	0.8%	0.75%
	RBA Assistant Governor Debelle speaking	–	–	–
Thu 23	RBA Assistant Governor Debelle speaking	–	–	–

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

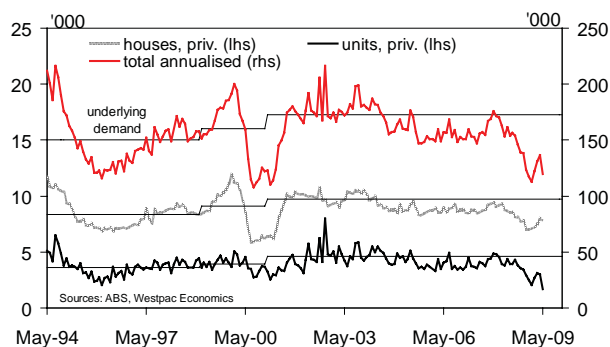
Aus Jun dwelling approvals

Jul 30, Last: -12.5%, WBC f/c: 9.0%

Mkt f/c: 8.0%, Range: 3.0% to 11.5%

- May dwelling approvals were much weaker than expected, dropping 12.5% after a 21% recovery in the previous 3 months. Weakness was mainly in private units (incl apartments), which plunged 43.6%, the biggest fall on records back to 1983. Although this segment is famously volatile the scale of the pull back suggests funding difficulties are again influencing activity. The RBA also noted weakness ex capital cities attributed to weaker demand for holiday units (Gold Coast etc).
- That said, demand for new housing is clearly rising strongly. Finance approvals for the construction & purchase of newly built dwellings are up 60% from mid-2008 lows. We expect this to overwhelm the effects of credit problems in June, with a 9% bounce in approvals forecast. Indeed, there is significant upside risk if the May figure turns out to be mostly a rogue.

Dwelling approvals



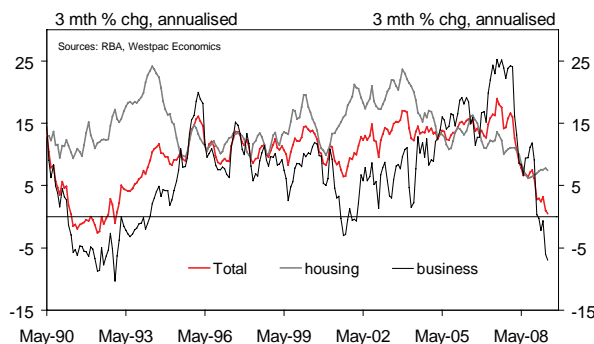
Aus Jun private credit

Jul 31, Last: -0.1%, WBC f/c: flat%

Mkt f/c: 0.1%, Range: 0.0% to 0.4%

- Private credit declined fractionally in May as business contracted for a fourth consecutive month and more than offset a 0.5% rise in housing credit.
- The positive is that an upswing in housing finance (new lending) is supporting growth in the stock of housing credit. However, existing mortgage holders paying down debt more quickly is providing an offset.
- Business credit (representing a little less than 40% of total credit) is contracting, declining by 2.3% over the last six months. The downturn has some way to go and we expect a further decline in June. That said, the recent rebound in business confidence is encouraging.

Credit

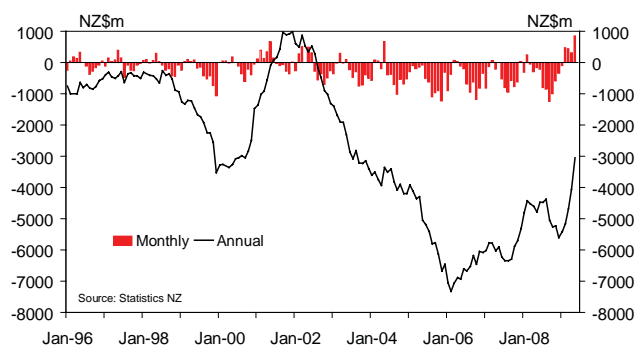


NZ Jun merchandise trade NZDm

Jul 28, Last: 859, WBC f/c: 200

- The merchandise trade balance has moved aggressively into positive territory over the past few months. Expenditure on imports has plunged as demand for consumer durables, especially cars, has dried up. By contrast, export receipts have held up as commodity prices have ceased declining, and local production conditions have been solid.
- We predict the first June surplus since 2002. The predicted surplus is not as strong as recent months, even after allowing for seasonal factors. Rising retail sales suggests consumer imports will be recovering, and car imports have lifted off their base.
- On the export side, international dairy prices fell in June, and the higher exchange rate will have reduced NZD-denominated returns for many exporters.

NZ merchandise trade balance



Data previews

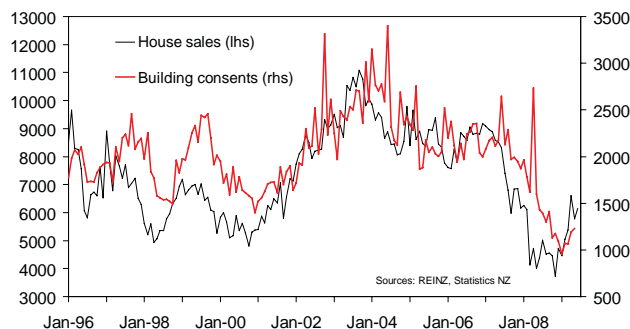
NZ Jun building consents s.a.

Jul 29, Last: 3.5%, WBC f/c: -4.6%

- Dwelling consents posted another solid gain in May, but with just over 1,200 consents being issued per month, the number of new homes being built is still well below that required to keep pace with population growth.
- As such, we expect a solid lift in ex-apartment consents in June (+4.0%), and see risks to the upside. However, unless consents for the more volatile apartment component keep pace with May (at 275), the overall number of consents is likely to decline.
- The trend in non-residential consents declined for the ninth consecutive month in May, although in unadjusted terms consents growth remains strong, up 35% on a year ago. Business confidence surveys continue to point to weakness in non-residential building over the remainder of this year, but it remains to be seen how much of the slack will be picked up by the government sector.

Housing activity

monthly, seasonally adjusted

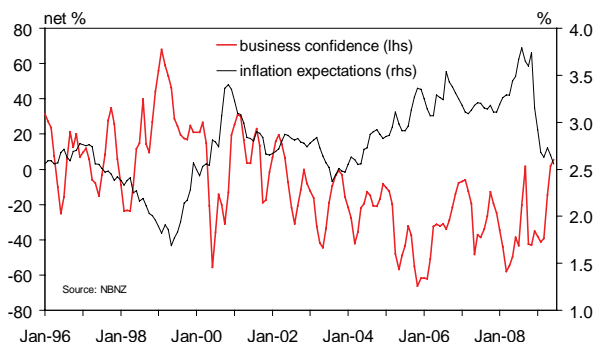


NZ Jul NBNZ business confidence

Jun 29, Last: 5.5%

- Headline confidence improved further in June, reaching a seven-year high. Confidence in the agricultural sector fell on concerns about lower dairy payouts, but all other sectors moved into net positive territory.
- We expect a similar outcome in the July survey. Recent commentary about the dairy industry will have done little to improve sentiment, but retail, manufacturing and services have each shown recent signs of stabilisation. Construction in particular is benefiting from increased housing demand and infrastructure spending.
- The own-activity measure is a useful indicator for current quarter GDP. An unchanged read would be broadly consistent with our forecast of 0.2% growth in Q3.

NBNZ business confidence

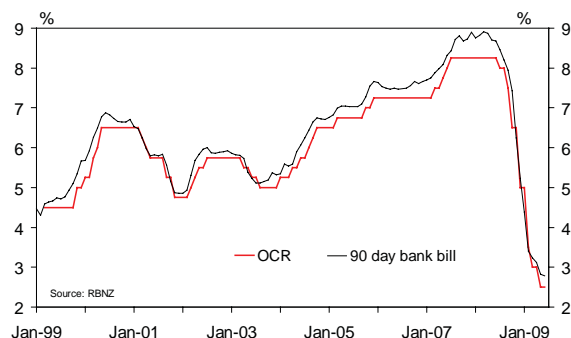


NZ RBNZ OCR review

Jul 30, Last: 2.50%, WBC f/c: 2.50%, Mkt f/c: 2.50%

- The improving outlook for the global and domestic economies means the RBNZ will again leave the OCR unchanged at 2.50% next week.
- The RBNZ is becoming more concerned about a return to debt-driven consumption as the economy recovers, which suggests that they no longer see further interest rate cuts as appropriate.
- While the high NZ dollar remains a bugbear for the RBNZ, recent commentary suggests they now see the risk of a lopsided recovery rather than a stifled one.

NZ OCR and 90 day rate



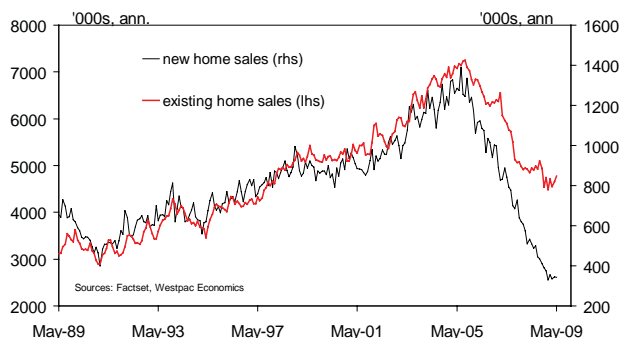
Data previews

US June new home sales

Jul 27, Last: -0.6%, WBC f/c: 6.0%

- Across a range of indicators, the US housing market is showing signs of stirring, after four years of decline (new home sales peaked in July 2005!). The upswing in pending and finalised existing home sales is largely due to the distressed sale of foreclosed properties at knock-down prices, but homebuilder confidence and new housing starts and permits are also moving higher.
- We are particularly impressed that single family home starts have not posted a monthly decline since January, and are up a cumulative 32% over the latest four months. Given the still large glut of unsold new and established dwellings, the risk is that this upswing won't be sustained, but in the short-term at least, it's likely that higher sales have been a driving factor.
- Hence we expect new home sales to jump 6% in June.

US housing sales



US regional factory surveys for July

Jul 27, Dallas Fed: Last: -20, WBC f/c: -10

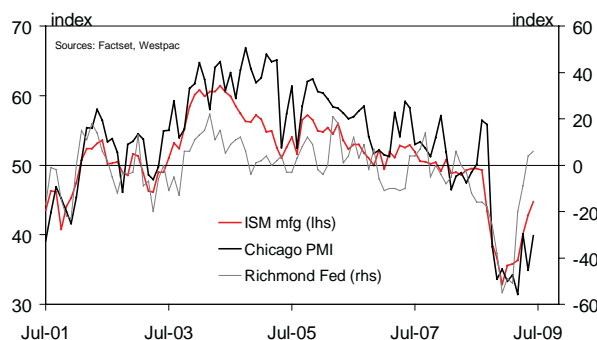
Jul 28, Richmond Fed: Last: 6, WBC f/c: -2

Jul 31, Chicago PMI: Last: 39.9, WBC f/c: 44.0

Jul 31, Milwaukee NAPM: Last: 50, WBC f/c: 48

- These surveys have been a big part of the cliched "green shoots of recovery" story that first emerged in March. The Richmond Fed survey has been in positive territory (>50) for two months running, and the private sector Milwaukee NAPM improved dramatically in March-June, just touching 50. The others have lagged behind somewhat, but all are stronger in trend terms, consistent with a much slower pace of industrial contraction.
- Thus far for July we have seen the New York Fed which rose from -9 to -1 and the Philly Fed which fell from -2 to -8 after soaring 20 pts back in June. These results suggest the other regionals should all keep trending higher, though the strongest two (Richmond and Milwaukee) may temporarily correct lower.

US manufacturing

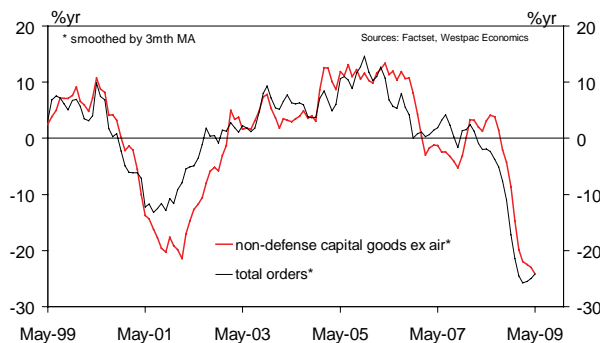


US June durable goods orders to correct lower

Jul 29, Last: 1.8%, WBC f/c: -1.5%

- Durable orders posted back to back 1.8% gains in April-May, the first consecutive rises in orders since mid 2008, adding to the body of evidence pointing to a stabilising economy. Core capital goods orders (ie ex defence and aircraft) were especially strong, as were defence orders.
- The prospect of a third straight orders gain in June is not strong, with both core capital goods orders and defence likely to correct lower. The orders component of the factory ISM switched from a gain in May to a fall in June, adding to the case for a correction lower. Also Boeing received 20 orders for new aircraft in both May and June, but those in May were of higher value, adding to the downside risk in the June report.
- Putting all this together we expect June orders to fall 1.5% keeping the recent trend just barely positive.

US durable goods orders



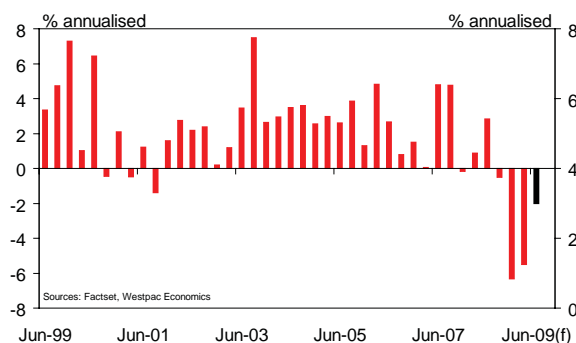
Data previews

US Q2 GDP advance: slower pace of contraction

Jul 31, Last: -5.5% annualised, WBC f/c: -2.0%

- US GDP plunged at around a 6% annualised pace in Q4 and Q1, but a string of less weak survey and partial data since March has pointed to a much slower pace of contraction in Q2 and, looking ahead, modestly positive growth in Q3 is achievable if recent trends continue.
- We expect a 2% annualised contraction in Q2, driven mainly by a renewed but modest fall in consumer spending; much less steep falls in both housing and business investment; continued inventory rundown (setting up a positive Q3 stocks contribution) but another positive contribution from net exports.
- The Q2 report will also include historic revisions. As the data stand, prior to Q2 there were contractions in the three qtrs Q3 2008-Q1 2009, and also Q4 2007, but that profile could change substantially in these once a year revisions.

US GDP growth



Key data & event risk for the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 27					
Jpn	Jun corp. services prices %yr	-3.3%	-	-	Discretionary services demand has collapsed, driving prices lower.
Eur	Jun money supply M3 %yr	4.5%	3.6%	4.2%	Decelerating sharply and of clear ongoing concern to the ECB.
Ger	Aug GfK consumer confidence	2.9	2.5	-	Surveyed in early Jul but labelled Aug.
UK	Jul house prices %yr	-8.7%	-	-7.0%	Hometrack index. Base effects favourable, monthly prices higher.
	Jul house prices %yr	-9.3%	-7.5%	-7.0%	Tentative date for Nationwide index, due 27-31/7.
US	Jun new home sales	-0.6%	3.8%	6.0%	Strong housing starts suggest sales of new homes might be firming.
	Jul Dallas Fed factory index	-20.4	-9.5	-10.0	Regional Fed surveys improved but mostly still signalling contraction.
	Fedspeak	-	-	-	Fed chair Bernanke on the Lehrer Newshour.
Tue 28					
Aus	RBA Governor Stevens speaking	-	-	-	Topic: "Challenges for Economic Policy", Sydney (1.00PM AEST).
	RBA Ass Gov Edey	-	-	-	Senate hearing on bank funding guarantees, 10am
	Q2 NAB business survey	-	-	-	Already have June mthly survey, which showed sharp improvement.
NZ	Jun merchandise trade NZDm	859	-	200	A large surplus but not as large as May.
Inr	RBI policy decision (rev.repo)	3.25%	3.25%	3.25%	Domestic demand has gained traction, no need for policy change.
Vnm	Jul industrial output %yr - tentative date	4.8%	-	-	One of the resilient few, with IP above year ago levels.
UK	Jul CBI distributive trades survey	-17	-	-	Reported sales index. Risk that June supported by warm weather.
US	May house prices %yr	-18.1%	-17.9%	-17.7%	S&P Case Shiller index. Prices still falling, at lesser pace than last year.
	Jul Richmond Fed factory index	6	8	-2	Richmond out of line with other regional surveys, risks correction lower.
	Fedspeak	-	-	-	Janet Yellen on the economy in Idaho. Also Bernanke on Lehrer again.
Wed 29					
NZ	Jun building consents	3.5%	-	-4.6%	Risks to the upside given shortage developing in new dwellings.
	Jul NBNZ business confidence	5.5%	-	-	Likely to maintain recent gains; agri soft but construction improving.
Jpn	Jun retail trade %yr	-2.7%	-	-	Deflation accounts for half the decline, discretionary cutbacks the rest.
	Jul small business confidence	38.0	-	-	As inventory cuts slow at large firms, so pressure on SMEs declines.
Myr	BNM policy decision	2.00%	2.00%	2.00%	Rally in regional trade activity argues against a move right now.
Ger	Jul CPI prelim %yr	0.1%	-0.3%	-0.2%	Base effects turn after July, putting upward pressure on annual rate.
UK	Jun net consumer credit £bn	0.3	0.3	0.0	Lenders still cautious about consumer credit.
	Jun net mortgage lending £bn	0.3	0.6	1.0	Some signs of life in the mortgage market.
US	Jun durable goods orders	1.8%	-0.5%	-1.5%	Defence, core capital goods driven correction lower. ISM orders weaker.
	Fed beige book	-	-	-	Regional economic survey prepared ahead of Aug 12 FOMC meeting.
	Fedspeak	-	-	-	NY Fed president Dudley on the economy. Also Bernanke/Lehrer again.
Thu 30					
Aus	Jun HIA new home sales	-5.7%	-	-	Poor guide to apps. Aligned in Jun but with houses weak, units strong.
	Jun dwelling approvals	-12.5%	8.0%	9.0%	Finance for construction up 60%. Upside if May proves to be a rogue.
NZ	RBNZ OCR review	2.50%	2.50%	2.50%	Greater confidence on recovery may see RBNZ drop its easing bias.
Jpn	Jun industrial production	5.7%	-	-	Consecutive months of 5% plus gains - official June proj. is +3.1%.
Eur	Jul retail PMI	47.5	-	-	Early guide to official retail data.
	Jul business climate indicator	-2.97	-2.86	-2.90	Still deeply negative, but less so than earlier this year.
	Jul consumer confidence	-25	-23	-23	European consumers less pessimistic despite ongoing eco woes.
	Jul economic confidence	73.3	75.0	75.0	Surveys recovering despite European economy still contracting.
Ger	Jun retail sales	-1.3%	0.3%	-0.2%	Retail PMI points to another soft result.
	Jul unemployment change	31k	50k	25k	Slump in eco activity will continue to push up joblessness into 2010.
UK	Jul GfK consumer confidence	-25	-23	-24	Confidence improving as economy shows signs of bottoming out.
US	Initial jobless claims w/e 25/7	554k	588k	580k	Distortion from auto sector layoffs seasonality now correcting higher.
Can	Jun industrial product prices	-1.1%	-	-	Falling again in April-May after stabilising in Q1.
Fri 31					
Aus	Jun private credit	-0.1%	0.1%	flat	Falling business credit offsets boost from housing finance upswing.
	Jul TD-MI inflation gauge	0.4%	-	-	Broad based easing of price pressures. Up in June on petrol prices.
Jpn	Jun unemployment rate	5.2%	-	-	Labour market in outright distress with jobs-to-apps ratio below a ½.
	Jun national CPI %yr	-1.1%	-	-	Excess supply of durables plus deflationary base effects on energy.
	Jul Tokyo CPI %yr	-1.5%	-	-	Deflation well entrenched with goods and services prices both falling.
	Jun household spending %yr	0.3%	-	-	Volume series outperforming retail sales, but very volatile.
	Jun housing starts %yr	-30.8%	-	-	Job insecurity and risk aversion the worst of all backdrops for housing.
	Jun construction orders	-41.9%	-	-	Yet to show any signs of fiscal stimulus. Private capex heading south.
	Jul Nomura PMI manufacturing	48.2	-	-	ISM equivalent has highlighted the rapidity of adjustment in manuf.
Kor	Jun industrial production %yr	-9.0%	-	-	Splitting the difference between the Taiwanese and Singaporean data.
	Jun leading index %yr	2.6%	-	-	Bottomed in December, decent recovery path since.
Sing	Q2 unemployment rate	3.2%	3.8%	-	Jump is a lagged response to the collapse in exports in Q4/Q1.
Eur	Jul CPI flash %yr	-0.1%	-0.4%	-0.1%	Base effects now begin to add to CPI annual rate.
	Jun unemployment rate %	9.5%	9.7%	9.6%	Still rising although German data suggest a little less steeply.
US	Q2 GDP advance % annualised	-5.5%	-1.5%	-2.0%	Economy still contracting but at much slower pace. See text box.
	Q2 employment cost index	0.3%	0.3%	0.4%	Supply and demand: slumping labour market sapping compensation.
	Jul Chicago PMI factory index	39.9	42	44	Regional factory surveys are heading back towards neutrality (50);
	Milwaukee NAPM factory index	50.0	52	48	for those that are already there, there is risk of correction lower.
Can	May GDP	-0.1%	-0.4%	-	Has not posted a gain since July last year.

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Economic & financial forecasts

Interest rate forecasts

	Latest (Jul 24)	Sep 09	Dec 09	Mar 10	Jun 10	Sep 10
Cash	3.00	3.00	3.00	3.00	3.00	3.00
90 Day Bill	3.11	3.20	3.20	3.20	3.20	3.30
3 Year Swap	4.99	4.60	4.40	4.25	4.75	5.50
10 Year Bond	5.68	5.50	5.20	5.50	5.60	5.75
10 Year Spread to US (bps)	204	195	185	175	135	125

International

Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	3.64	3.55	3.35	3.75	4.25	4.50
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	2.79	2.80	2.80	2.80	2.80	3.60
2 year swap	3.93	3.90	4.10	4.30	4.30	5.00
10 Year Bond	5.74	5.80	5.90	6.00	6.00	6.20
10 Year spread to US	210	225	255	225	175	170

Exchange rate forecasts

	Latest (Jul 24)	Sep 09	Dec 09	Mar 10	Jun 10	Sep 10
AUD/USD	0.8140	0.76	0.74	0.77	0.80	0.82
NZD/USD	0.6550	0.60	0.59	0.62	0.65	0.68
USD/JPY	94.80	92	90	93	96	99
EUR/USD	1.4160	1.38	1.36	1.39	1.42	1.45
AUD/NZD	1.2430	1.27	1.25	1.24	1.23	1.21

Australian economic growth forecasts

	2008		2009		2010			Calendar years			
	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	2007	2008	2009f	2010f
% change											
GDP	0.2	-0.6	0.4	0.2(f)	-0.3	0.3	0.3	4.0	2.3	0.2	1.8
ann chg	2.2	0.8	0.4	0.2(f)	-0.2	0.6	0.6	-	-	-	-
Unemployment rate	4.2	4.5	5.3	5.7	6.6	7.3	7.7	4.4	4.3	6.2	7.9
CPI headline	1.2	-0.3	0.1	0.5	0.4	0.6	0.6	-	-	-	-
ann chg	5.0	3.7	2.5	1.5	0.7	1.6	2.1	3.0	3.7	1.6	2.4
CPI core	1.2	0.7	1.1	0.8	0.7	0.6	0.5	-	-	-	-
ann chg	4.7	4.3	4.2	3.9	3.4	3.2	2.6	3.6	4.3	3.2	2.0

New Zealand economic growth forecasts

	2008		2009		Calendar years						
	Q2	Q3	Q4	Q1	Q2e	Q3f	Q4f	2007	2008	2009f	2010f
GDP % qtr	-0.2	-0.5	-1.0	-1.0	-0.4	0.2	0.1	-	-	-	-
Annual avg change	2.5	1.6	0.2	-1.0	-2.0	-2.4	-2.1	3.2	0.2	-2.1	2.6
Unemployment rate %	4.0	4.3	4.7	5.0	5.7	6.3	6.7	3.5	4.7	6.7	6.5
CPI %qtr	1.6	1.5	-0.5	0.3	0.6	0.7	0.6	-	-	-	-
Annual change	4.0	5.1	3.4	3.0	1.9	1.1	2.1	3.2	3.4	2.0	1.2

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.