

# Australian weekly

## Week beginning 28 September 2009

- Global Financial System Facing Challenges.
- Australia: RBA Governor Stevens & Treasury Secretary Henry to appear at Senate enquiry into fiscal stimulus Monday.
- Australian data focus: key retail sales data for August released; also dwelling approvals & private credit growth.
- New Zealand data: building consents, business & employment confidence due.
- US data: busy week includes house prices, consumer confidence, Chicago PMI, core PCE deflator, manufacturing ISM, pending home sales, construction spend, auto sales, factor orders, employment report & plenty of Fed speak.
- Key economic & financial forecasts.

Information contained in this report was current as at 25 September 2009

# Global Financial System Facing Challenges

In a very quiet week the most important development was the release of the Reserve Bank of Australia's Financial Stability Review. Not surprisingly the assessment of the health of the Australian banking system was glowing.

The banks' growth since the last recession has concentrated on mortgages. Whereas in the last recession mortgages represented around 30% of balance sheet assets they are now between 50% and 60%. According to the Review the quality of the banks' mortgage loan books is robust, with only 1% of borrowers having an LVR larger than 90%. Non performing loans represent only 0.6% of the mortgage books.

Business loans have deteriorated faster with non performers at 3.5% of business loans up from 1% a year ago but still well below the 6% which banks experienced in the last recession. The Bank pointed out that businesses had been able to raise substantial equity in 2009. Non financial and real estate companies raised a record \$63 bn of new equity in 2009 which has allowed a reduction in gearing of non resource companies from 95% in December 2008 to around 82% in June 2009. In addition large corporates have issued around \$23 bn (around 3% of the stock of business credit) of corporate bonds (mainly offshore) since the beginning of 2009. With business credit growth slowing from 17.1% in the year to June 2008 to 0.8% in the year to June 2009 this increased reliance on the global capital markets has offset only very marginally the picture in Australia of collapsing business credit (annualised growth rate of business credit over the last 6 months has been minus 6.5%).

From an interest rate perspective the RBA's assertion that rates are at inappropriate emergency levels cannot be supported by the business credit aggregates. The key driver must be the 42% rise in owner occupiers' mortgage finance approvals although the Bank does note that there has been a disconnect in this rate cycle with property investors, with the value of new loans to property investors up by only around 5% from the lows. With First Home Buyers pulling back and banks being increasingly challenged by continuing wide funding spreads in the global markets there must be some considerable risk to the sustainability of the current mortgage boom. New finance approvals fell by 2% in July and our industry data suggests a further fall in August.

With credit pressures possibly easing, the policy focus may switch to inflation. The next CPI will be released on October 21. We currently expect a 0.8% print for the September quarter underlying inflation. That would see annual underlying fall from 3.8% to 3.5% but still well short of the Bank's current forecast for 2009 of 3.25%. A read of around 0.5% would be required in the December quarter to deliver the 3.25% forecast – a substantial drop down from the 1.2%; 0.7%; 1.1%; 0/8%; 0.8% (forecast) prints of previous quarters. It would also jeopardise the 2% forecast for underlying inflation in 2010.

A decision by the Bank to revise up its inflation forecast could be sufficient justification for raising rates in November. However, as discussed previously, we think the uncertainty about the employment and consumer spending momentum will be enough to see the Bank delaying until 2010.

## Global Financial System

The second area of interest in the Review was the Bank's take on the state of the global financial system. The chart below sets out the estimates which the IMF produced in April for the extent of losses to entities lending to US borrowers. The IMF estimated that losses would eventually reach USD 2.7 tr up from the October estimate of USD 1.45 tr. That increase, rationally, took into account the much sharper than previously (October) expected rise in the unemployment rate and the sharper contraction in GDP growth. Losses on residential mortgages were estimated to have doubled and, in particular, losses to consumers were revised up sharply. Now, these estimates were made at probably the low point of confidence in the economic cycle so there is probably some scope for a better outlook. However we really do not know yet.

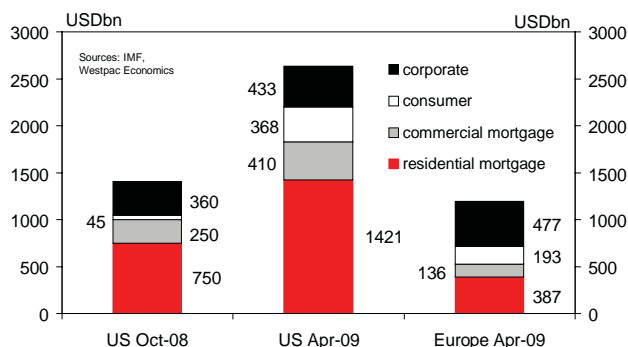
The RBA points out that losses on securities slowed from USD 215 bn in 2008 H2 to USD 60 bn in 2009 H1. The bulk of the remaining losses are held in the "hold to maturity" loan books of the lending entities. As the RBA notes, "favourable accounting treatment has also played a role in reducing write downs". That upward trend in the loan writedowns is confirmed in the Review with large global banks setting aside provisions of USD 142 bn for the first half of 2009 – a 70% increase on the first half of 2008.

I believe this dynamic is only in its early stages – banks progressively writing down "hold to maturity loan losses"; shrinking capital; constraining credit to delever as well as limit the need for new capital. While the IMF estimates may now prove to be too pessimistic the general theme of accounting changes allowing the banks to avoid the sharp writedowns on "hold to maturity loans" which we saw with securities held on balance sheet the pressure from the bad debt cycle in the US has years to run.

The pace of improvement in markets is likely to create a wide gap between market expectations and the capacity of an economy constrained by a slowly unfolding bad debt story to deliver on those expectations.

**Bill Evans**, Chief Economist

## IMF write downs-constraining recovery



# Data wrap

## RBA Financial Stability Review

- The Report highlights that conditions in the global financial system have improved significantly over the last half year. While markets remain under a degree of stress, extreme risk aversion has dissipated. The Australian financial system has, throughout the crisis period, remained resilient.
- The Australian banks have – in aggregate – experienced only a modest decline in profitability. The banks are well capitalised and have strengthened their balance sheets further with significant new equity raisings during the past year. The recent decline in bank profits has been mainly because of a rise in provisioning charges, reflecting a rise in banks' non-performing assets. The ratio of these to total on-balance sheet assets stood at around 1.5% as at June 2009, compared to 0.7% a year earlier. This is around 0.8% above its average of the past decade, but still well below the early 1990s peak of over 6%.
- Household financial conditions continued on a path of improvement. The significant decline in net worth through 2008 is being reversed – the RBA estimates that more than half of the peak-to-trough contraction has now been clawed back (including all of the small decline in house prices). Meanwhile, policy easing has been a major cushion, maintaining growth in real disposable income in the face of declining labour income.
- The Report noted improved consumer sentiment had seen some winding back in the very conservative financial attitudes apparent earlier in the year.
- The good underlying condition of household balance sheets continues to be apparent from loan performance. Although up from their lows, non-performing housing loan ratios remain historically and internationally low.
- Arrears on credit cards remain steady. Property repossession applications and bankruptcy data also suggest the number of households experiencing extreme financial difficulties remains low.
- Most businesses entered the crisis period with sound balance sheets after a long period of economic expansion. Even so, many businesses have strengthened their balance sheets, by taking advantage of the recovery in equity markets to raise additional equity. Debt reduction – with business credit declining – has also been evident.
- The Report notes that some borrowers are facing tighter credit conditions and rising borrowing costs, as banks review risk margins as lending facilities are renewed. For some sectors, particularly related to property, this is acting as a break on economic activity in the near term.
- The report highlights that a distinguishing feature of the current episode is the success of equity raisings. The amount raised in the first half of 2009 was equivalent to around 6% of GDP, more than double the average of the last 15 years.
- Conditions in wholesale credit markets have eased. Large non-financial corporations have issued around \$23bn in corporate bonds so far in 2009, compared with only around \$2bn in the second half of 2008.
- On the international architecture, the Bank acknowledges the need for a convergence of prudential and accounting standards, but argues for the maintenance of flexibility at the national level.

## Round-up of local data released last week

Date	Release	Previous	Latest	Mkt f/c
Mon 21	Aug vehicle sales	-6.9%	0.3%	-
Thu 24	RBA Financial Stability Review	-	-	-

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.

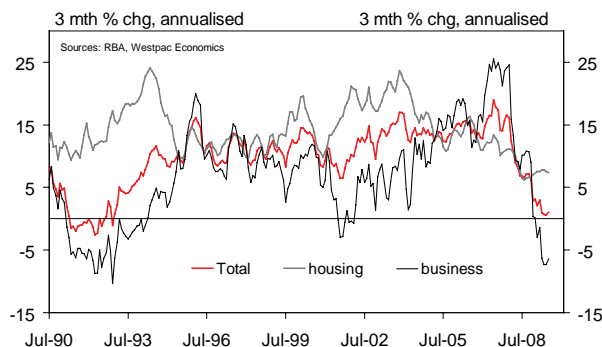
# Data previews

## Aus Aug private credit

Sep 30, Last: 0.2%, WBC f/c: 0.2%  
Mkt f/c: 0.2%, Range: 0.1% to 0.4%

- Total credit expanded by 0.2% in July. That was a slight improvement upon the previous five months, when credit was either stagnate or increased by 0.1%, with declines in business offsetting a modest upward trend in housing.
- We're forecasting another rise of 0.2%, judging that monthly credit growth is at or nearing a turning point.
- Housing credit growth, which was 0.6% in July, has stepped up from the low of mid-2008. Low interest rates and government incentives have triggered a surge in new lending, although the impact has been tempered by existing mortgage holders paying down debt more aggressively.
- Business credit may be beginning to decline at a slower rate, contracting by 0.3% in July. Business confidence is up, but firms are still focussed on strengthening their balance sheets.

## Credit: at a turning point ...

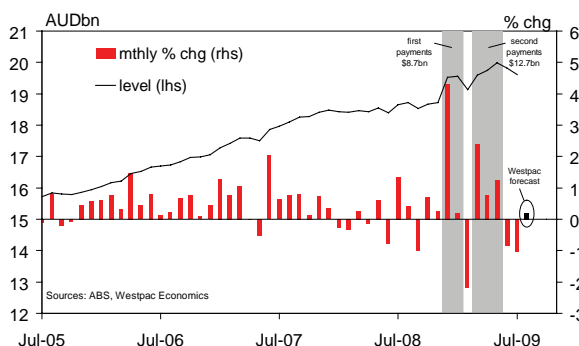


## Aus Aug retail trade

Sep 30, Last: -1.0% (sa, trend series suspended), WBC f/c: 0.2%  
Mkt f/c: 0.5%, Range: -0.5% to 0.8%

- Retail sales fell 1.0% in July after a 0.8% decline in June. The falls need to be read in the context of three strong months prior to this (+2.4% in March, +0.8% in April and +1.2% in May), with the overall pattern reflecting the substantial boost from the Govt's second round of fiscal stimulus payments.
- We expect the fall-back from this boost to continue in August – an effective drag on monthly growth of about -0.2ppts compared to about -0.5ppts in July. However, the record surge in the Westpac-Melbourne Insitute Consumer Sentiment Index between May and September points to an underlying improvement in spending (though the survey detail suggests consumers remain cautious about their finances). Overall we are forecasting a 0.2% rise in August sales, implying a pick-to a 4%+ underlying annual sales pace (long run average is 5.7%yr).

## Monthly retail sales

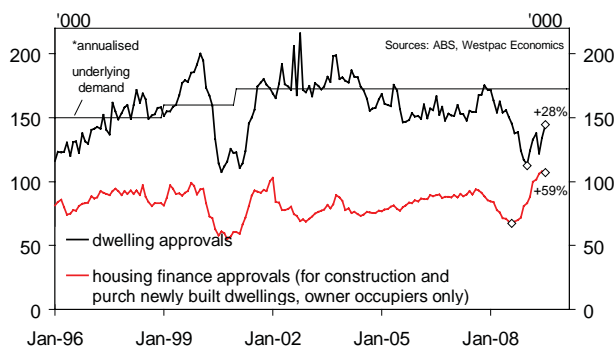


## Aus Aug dwelling approvals

Sep 30, Last: 7.7%, WBC f/c: 2.5%  
Mkt f/c: 2.5%, Range: -2.0% to 5.0%

- Dwelling approvals are still playing catch-up with other indicators showing a sharp improvement in housing activity. Approvals rose another 7.7% in July after a 9.9% jump in June, but were still up 'only' up 27.7% from their low compared to 60%+ gains for housing finance approvals for construction.
- The under-performance is partly due to developer financing problems which has seen apartment approvals particularly weak (and volatile). However we suspect it is more a case of delayed response. First Home Buyers require a signed contract to be eligible for Govt bonus payments and would have had more urgency in securing finance than building approval.
- We are forecasting August approvals to show a solid 2.5% rise led by a strengthening upturn in private houses.

## Dwelling approvals vs housing finance



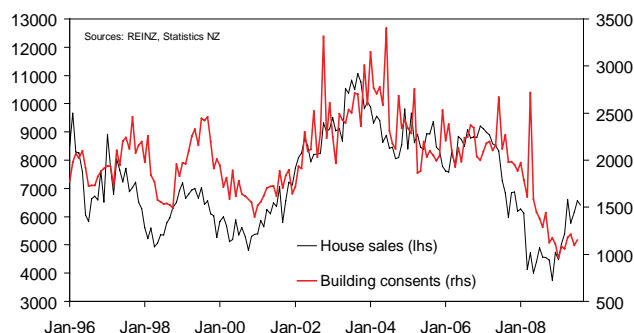
# Data previews

## NZ Aug building consents s.a.

Sep 29, Last: +5%, WBC f/c: +12%

- Total dwelling consents bounced back in July, despite a very weak outturn for the volatile apartment component (only 55 apartment consents were issued versus 133 consents in June).
- We expect some payback from the weak apartment figures in August, while the upward trend in ex-apartments should continue.
- Non-residential consents picked up in July, but remained relatively weak compared to a year ago. Recent surveys of investment intentions suggest further small gains in August.

## Housing activity monthly, seasonally adjusted

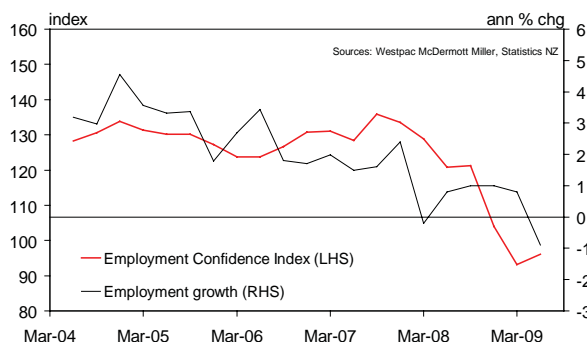


## NZ Q3 employment confidence index

Sep 30, Last: 96.1

- Employment confidence lifted off record lows in the second quarter, but remained in pessimistic territory.
- The recent run of positive economic news and the further sharp gain in consumer confidence are expected to provide support to employment confidence.
- Improved employment confidence in combination with the more buoyant mood of the consumer would certainly bode well for the emerging economic recovery.

## NZ employment and confidence

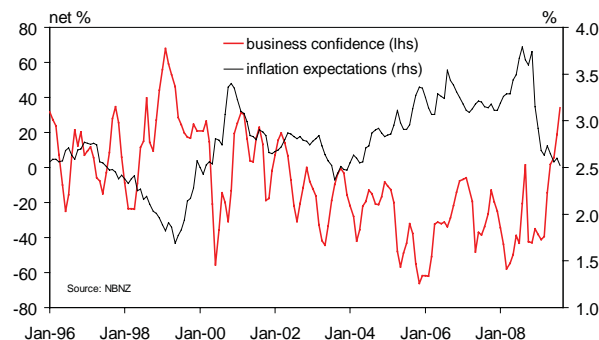


## NZ Sep NBNZ business confidence

Sep 30, Last: 34.2

- General business confidence posted strong gains in August to be at its highest level in 10 years. Further gains are expected in September following the results of other surveys. The BNZ business survey rose again in September and the manufacturing PMI joined the services PMI above 50.
- Agriculture was the only pessimistic sector in August (some 44 points below overall confidence). Large increases in world milk powder prices and a chunky increase in Fonterra's payout forecast is likely to see confidence in the agriculture and related sectors improve.
- More important than improving confidence is that it translates into more output and employment. We will be looking for further improvement in the indicators of own activity, employment and investment intentions as more evidence that the economy is on the road to recovery.

## NBNZ business confidence



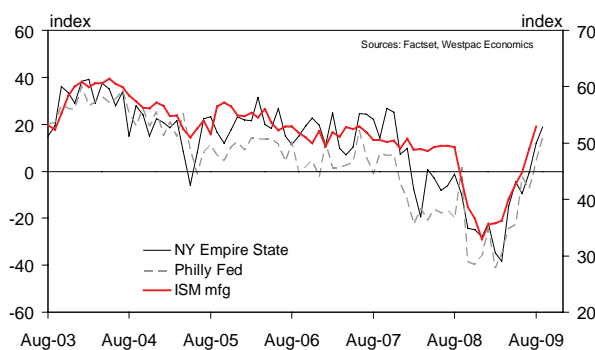
# Data previews

## US Sep ISM factory report

Oct 1, Factory Last: 52.9, WBC f/c: 53.5

- Since Q2, most US business surveys have shown varying degrees of improvement, as fears of economic Armageddon around the turn of the year were replaced by "normal" recession concerns. Since mid year, most regional surveys have risen above the neutral level, indicating factory sector expansion, and in Aug, the ISM factory index jumped from 48.9 to 52.9, its first >50 reading since Jan 2008.
- Regional factory surveys already available for September were either unchanged (Richmond) or quite a bit stronger in the headline (NY and Philly), although their detail was less impressive, with orders and shipments slipping in some districts and jobs falling at a faster pace than in Aug.
- Because the ISM factory headline is a composite of the activity detail, Sep's gain could be much less impressive than Aug's.

## US manufacturing surveys

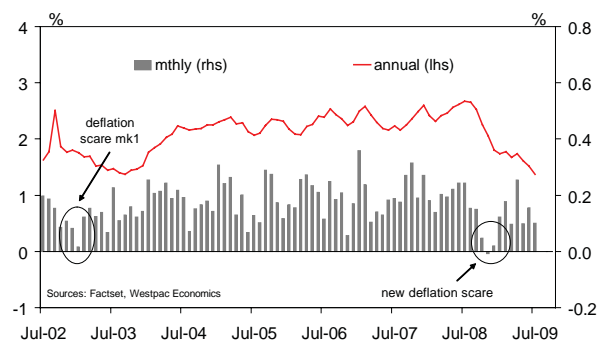


## US Aug core PCE deflator - approaching all-time lows

Oct 1, Last: 0.1%, WBC f/c: 0.0%

- The core PCE deflator slowed from a "soft" 0.2% gain in June to 0.1% in July, pulling the annual rate of gain down to 1.4%, a pace last seen in late 2003 during that year's relatively short-lived bout of deflation concern.
- The core CPI also recorded 0.2% and 0.1% gains in June-July, followed by a very soft 0.1% in Aug (0.068% before rounding). That is a strong signal that the core PCE deflator could record a flat Aug result (as it tends to run a little slower than the CPI). If so, the annual core PCE deflator could slip to as low as 1.2% yr, which, apart from the one month drop to 1.1% yr immediately after the 9-11 terror attacks, would be the equal lowest recorded since the early 1960s.
- The report will include modest personal income growth of 0.2% but solid auto-driven personal spending growth of >1%.

## US core PCE deflator



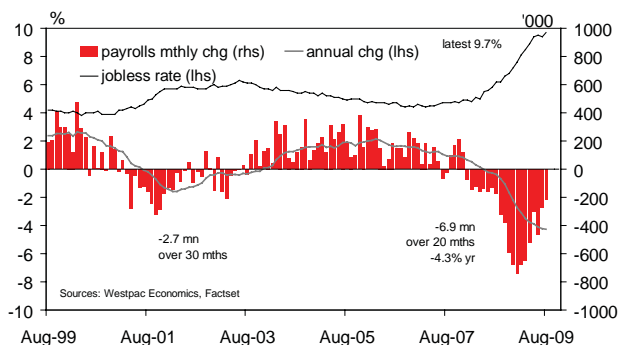
## US Sep non-farm payrolls to fall by 150k

Oct 2, Payrolls Last: -216k, WBC f/c: -150k

Oct 2, Unemployment Last: 9.7%, WBC f/c: 9.7%

- Payrolls fell by 216k in August, the smallest loss of jobs recorded in exactly a year, but the separate household survey found a loss of 392k jobs, the steepest since May, and that, combined with a small rise in the labour force, pushed the jobless rate up to a fresh cycle high of 9.7%, a rate last seen in 1982-83.
- With the economy likely expanding at a 2-3% pace in Q3, job shedding should further diminish, a view supported by falling initial jobless claims, and less weak job components in some business surveys. We forecast a 150k payrolls fall.
- We expect the household survey to show a small fall in the labour force as some unemployed stop the job search; if so the jobless rate should not rise further this month, but a 10% unemployment rate is still imminent.

## US jobs market: losses moderating



# Key data & event risk for the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
<b>Mon 28</b>					
Aus	RBA Gov. Stevens at Senate Committee	-	-	-	Senate enquiry into fiscal stimulus (9:15 AEST).
	Treasury Sec. Henry at Senate Committee	-	-	-	Senate enquiry into fiscal stimulus (14:35 AEST).
Ger	Sep CPI prelim %yr	0.0%	-0.1%	0.2%	Back to positive annual CPI after just two months.
UK	Sep house prices %yr	-6.7%	-	-	Hometrack survey.
	Sep house prices %yr	-2.7%	-0.1%	-	Tentative date for Nationwide survey, due 28-30/9.
US	Aug Chicago Fed national activity index	-0.74	-	-	Based on previously released data.
	Sep Dallas Fed factory index	-9.1	2.0	-5.0	Still contracting whereas most other regionals are growing again.
<b>Tue 29</b>					
Aus	RBA's Richards in panel discussion	-	-	-	CEDA Housing Forum: A National Round-up (13:05 AEST).
NZ	Aug building consents s.a.	5.0%	-	12.0%	Dwelling consents to remain on upward trend.
Jpn	Aug national CPI %yr	-2.2%	-2.2%	-	Deflation impulse entrenched in traded and non-traded sectors.
Eur	Sep retail PMI	47.1	-	-	Early guide to direction of official retail data.
	Sep business climate indicator	-2.21	-1.99	-1.90	Still weak but correcting quickly from earlier recession levels.
	Sep consumer confidence	-22	-21	-21	All the EC business and consumer surveys are trending higher and latest talk that global economy is growing again will be supportive.
	Sep economic confidence	80.6	82.7	85.0	
UK	Q2 GDP final	-0.7%	-0.6%	-0.7%	Revision still possible at this late stage.
	Q2 current account deficit £bn	-8.5	-7.8	-	Narrower trade deficits could see CAD narrow too.
	Aug net consumer credit £bn	-0.2	0.1	-	Both these measures of change in credit outstandings to households were at record lows in July.
	Aug net mortgage lending £bn	-0.4	0.2	-	
	Sep CBI distributive trades survey	-	-	-	Early clue to official retail data.
	Sep consumer confidence	-25	-24	-24	GfK survey. Recent uptrend stalled in Q3 so far.
US	Jul S&P-CS house price index %yr	-15.4%	-14.3%	-14.2%	Base effects will add 1% to annual rate, plus modest Aug gain.
	Sep consumer confidence	54.1	57.0	55.0	Latest weekly data suggest further confidence gain in Sep less likely.
	Fedspeak	-	-	-	Fisher and Plosser.
<b>Wed 30</b>					
Aus	Aug private credit	0.2%	0.2%	0.2%	Still weak, but monthly pace may have passed the low point.
	Aug dwelling approvals	7.7%	2.5%	2.5%	Houses to strengthen, units to consolidate. Still trailing finance surge.
	Aug retail sales	-1.0%	0.5%	0.2%	Small drag from end of fiscal boost. Uptick in underlying spending pace.
NZ	Q3 employment confidence index	96.1	-	-	Economic factors support improving confidence.
	Sep NBNZ business confidence	34.2%	-	-	BNZ monthly survey points to further gains.
Jpn	Aug industrial production	2.1%	1.8%	-	METI projection is for 2.2%. Re-stocking impetus remains in place.
	Sep Nomura PMI	53.6	-	-	July IP release was optimistic on Sep output: PMI should reflect that.
	Aug labour cash earnings %yr	-5.6%	-4.0%	-	Crash in hours worked, plus an absence of bonuses.
	Aug housing starts %yr	-32.1%	-31.7%	-	Annualised rate lowest since policy induced air pocket in 2007Q3.
	Aug construction orders %yr	-42.8%	-	-	Local govt contracts (+38%/yr) are the only game in town.
Chn	Sep HSBC PMI	55.1	-	55.4	Has lagged NBS by a month; short history make patterns unreliable.
Kor	Aug industrial production %yr	0.7%	-	-	Impressively quick return to +ive year-on-year IP growth.
	Aug leading index %yr	7.9%	-	-	Reflecting swift turnaround, Korean LI at vanguard of global bounce.
Eur	Sep CPI flash %yr	-0.2%	-0.2%	-0.1%	Euro gains and base effects should keep annual CPI negative in Sep.
	Aug unemployment rate %	9.5%	9.6%	9.6%	Uptrend still in place but has slowed.
Ger	Aug retail sales	0.7%	-0.1%	-0.2%	Retail PMI suggests slight pull-back from Jul bounce.
	Sep unemployment change	-1k	20k	-	Statistical changes have distorted recent jobless rate readings.
US	Sep ADP private payrolls change	-298k	-190k	-	Not a reliable guide to payrolls.
	Q2 GDP final % annualised	-1.0%	-1.2%	-1.0%	Partial data suggest any revision will be minor.
	Sep Chicago PMI	50.0	52.0	53.0	Some of the regional Fed surveys posted further gains in Sep.
	Fedspeak	-	-	-	Lockhart and Kohn
Can	Aug industrial product prices	-0.5%	0.5%	-	Recent upswing in commodity prices to be captured.

# Key data & event risk for the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
<b>Thu 1</b>					
Aus	Sep AiG PMI	51.7	-	-	Up 13pts in 2 mths, to be above 50. Points to developing momentum.
Jpn	Q3 Tankan large manuf.	-48	-33	-32	Manufacturing has bounced elastically from the depths of despair.
	Q3 Tankan large non-manuf	-29	-26	-26	Services sector improving at the margin, but still very weak.
	Aug retail sales %yr	-2.4%	-2.4%	-	See labour earnings decline above (Wed): sales are OK considering.
Chn	Sep NBS PMI	54.0	54.8	54.2	Rate of improvement in headline may have peaked for the minute.
Kor	Sep consumer prices %yr	2.2%	-	-	BoK is one of the few CBs looking nervously at "emergency" rates.
Inr	Sep Markit PMI	57.3	-	-	Seems a little excessive given positive but well below trend IP growth.
Eur	Sep PMI factory final	49.0 a	49.0	49.1	Recent revisions have tended to be slightly to upside.
	Aug unemployment rate %	9.5%	9.6%	9.6%	Uptrend still in place but has slowed.
UK	Sep house prices %yr	-10.1%	-	-	Tentative date for HBoS series, due 1-9/10
	Sep PMI factory	49.7	50.1	50.0	See-sawing about neutral 50 level in recent months.
US	Sep corporate layoff announcements	-	-	-	Slower pace of announcements consistent with less weak job mkt.
	Initial jobless claims w/e 26/9	530k	531k	535k	Claims trend now clearly downwards.
	Aug personal income	0.0%	0.1%	0.2%	No major distortions. Payrolls data point to modest gain.
	Aug personal spending	0.2%	1.0%	1.3%	Autos! But Sep data will pay back to the downside.
	Aug core PCE deflator	0.1%	0.1%	0.0%	Core CPI was 0.068%, core PCE should be a touch less.
	Sep ISM manufacturing	52.9	54.0	53.5	Regional headlines strong but detail less so and ISM is a composite.
	Aug pending home sales	3.2%	0.9%	2.0%	Uptrend continues with lower mortgage rates in Aug helpful.
	Aug construction spending	-0.2%	-0.3%	0.0%	Residential rising but drag from non-res.
	Sep auto sales mn annualised	14.1	10.0	8.0	Sep sales "disastrous" according to Chrysler.
	Fedspeak	-	-	-	Bernanke testifies; Lockhart and Pianalto.
<b>Fri 2</b>					
Aus	Sep TD-MI inflation gauge	0.0%	-	-	Despite flat Aug, Jul spike lifted 3mth pace to 1.29%, highest since Mar.
Jpn	Aug unemployment rate	5.7%	5.8%	-	Setting another record high.
Eur	Aug producer prices %yr	-8.5%	-7.5%	-7.7%	German data showed steep fall, partly due to base effects.
UK	Sep PMI construction	47.7	48.1	48.0	Upswing has slowed but still mildly in place.
	Q2 housing equity withdrawal £bn	-8.1	-	-	Has not been any withdrawal for over a year now.
US	Sep non-farm payrolls change	-216k	-190k	-150k	Claims and other measures point to further improvement in job mkt
	Sep unemployment rate %	9.7%	9.8%	9.7%	and jobless rate to hold steady this month.
	Aug factory orders	1.3%	1.1%	1.5%	Forecast assumes durables gain of 1.5%, due Friday 25/9.
<b>Sun 4</b>					
Aus	Daylight Saving begins	-	-	-	NSW, ACT, SA, Vic & Tas clocks go forward 1 hour at 2:00am.

# Economic & financial forecasts

## Interest rate forecasts

	Latest (Sep 25)	Dec 09	Mar 10	Jun 10	Sep 10	Dec 10
Cash	3.00	3.00	3.25	3.50	3.75	4.00
90 Day Bill	3.28	3.40	3.75	4.00	4.25	4.50
3 Year Swap	5.26	5.25	6.00	6.50	6.75	6.80
10 Year Bond	5.22	5.50	5.80	6.25	6.25	6.35
10 Year Spread to US (bps)	184	210	205	225	200	185

## International

Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	3.38	3.40	3.75	4.00	4.25	4.50
ECB Repo Rate	1.00	1.00	1.00	1.00	1.00	1.25

## New Zealand

Cash	2.50	2.50	2.50	2.50	3.00	4.00
90 day bill	2.79	2.80	2.80	2.90	3.60	4.60
2 year swap	4.22	4.10	4.30	4.60	5.00	5.40
10 Year Bond	5.59	5.80	5.90	6.00	6.20	6.30
10 Year spread to US	220	240	215	200	195	180

## Exchange rate forecasts

	Latest (Sep 25)	Dec 09	Mar 10	Jun 10	Sep 10	Dec 10
AUD/USD	0.8684	0.80	0.83	0.85	0.87	0.89
NZD/USD	0.7192	0.67	0.70	0.72	0.74	0.76
USD/JPY	90.62	90	93	96	99	103
EUR/USD	1.4688	1.40	1.42	1.44	1.46	1.49
AUD/NZD	1.2075	1.19	1.19	1.18	1.18	1.17

## Australian economic growth forecasts

	2009				2010			Calendar years			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	2007	2008	2009f	2010f
% change											
GDP	0.4	0.6	0.2	0.2	0.6	0.7	1.2	4.0	2.4	0.7	2.5
ann chg	0.3	0.6	0.5	1.4	1.6	1.8	2.9	-	-	-	-
Unemployment rate	5.3	5.7	6.0	6.7	7.1	7.3	7.4	4.4	4.3	5.9	7.3
CPI headline	0.1	0.5	0.9	0.4	0.4	0.6	0.6	-	-	-	-
ann chg	2.5	1.5	1.2	1.9	2.2	2.3	2.0	3.0	3.7	1.9	2.0
CPI core	1.1	0.8	0.8	0.6	0.5	0.5	0.5	-	-	-	-
ann chg	4.2	3.9	3.5	3.4	2.8	2.4	2.1	3.6	4.3	3.4	2.0

## New Zealand economic growth forecasts

	2008			2009				Calendar years			
	Q2	Q3	Q4	Q1	Q2	Q3f	Q4f	2007	2008	2009f	2010f
GDP % qtr	-0.4	-0.5	-1.0	-0.8	0.1	0.4	0.2	-	-	-	-
Annual avg change	2.5	1.5	0.0	-1.1	-1.8	-2.0	-1.5	3.2	0.0	-1.5	2.8
Unemployment rate %	4.0	4.3	4.7	5.0	6.0	6.4	6.8	3.5	4.7	6.8	6.8
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	2.1	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.