

# Weekly Commentary

6 May 2013

## Rain and shine

Our latest quarterly *Economic Overview*, “Tug-of-war”, reflects the diverse range of forces acting on the New Zealand economy at the moment. Annual GDP growth has reached a five-year high at the same time that inflation is bumping along near a 13-year low; interest rates are low enough to fuel the housing market, yet high enough by world standards to support a post-float high in the exchange rate. Our view is that these tensions will continue to grow before they break decisively in the direction of higher interest rates – though probably not until next year.

One of the main surprises in the last three months was the severe drought that gripped the North Island, which substantially curtailed milk production but also sent world dairy prices higher at an unprecedented speed. We’re expecting the brunt of the drought to show up in the activity data relating to the middle of the year – we have revised down our June quarter GDP forecast to just 0.2% growth – before the income boost from higher dairy export prices helps to boost spending in late 2013 and early 2014.

Last week’s releases gave some guidance on how this will play out. Business confidence fell slightly in April, although confidence in the agricultural sector was up after a sharp drop in March. April was wet and warm across the North Island – conditions that will have supported pasture growth, though probably too late to make much difference to milk production for the current season ending in May. While the hit to agricultural activity this year is preordained, the apparent brevity of its impact on confidence is encouraging.

The recent easing of drought concerns will also have been a factor behind the 7.3% drop in dairy prices at the first GlobalDairyTrade auction for May, following a 46% jump over the previous two months. The other major factor is that the auction is now largely focused on next season’s production (contracts are for delivery one to six months ahead), which will not be as constrained. We expect auction prices to fall further but to remain at elevated levels by historical standards. Fonterra is due to give an update on its payout for the current season, and its first estimate for the next season, later this month. Our own forecast for the final payout (to be announced in September) is \$6.60/kg for this season and \$6.70/kg next season, for a fully share-backed farmer.

One of our long-held views is that the housing market will remain strong for some time. In fact, with global forces likely to mean low interest rates for longer, we have actually revised up our

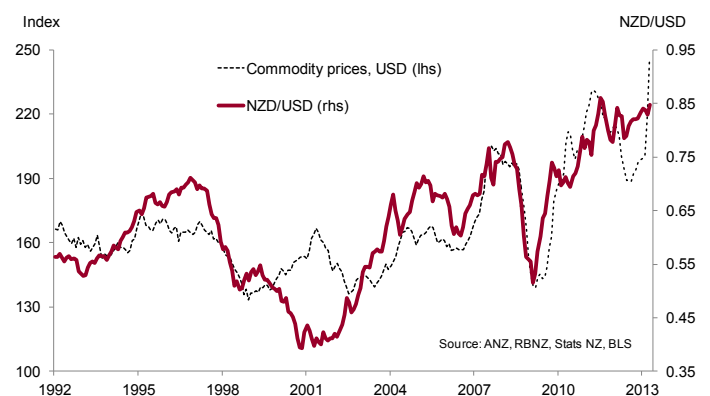
forecasts for house price growth to 9.5% this year and 7.5% next year. Figures last week from a major real estate agency showed that Auckland house prices continued to rise at a rapid clip in April, and we expect a similar flavour to the nationwide figures (possibly released this week).

Another aspect of our view that remains on track is that a lift in construction activity, led by the Canterbury rebuild, will provide a substantial boost to growth over the next two years. While nationwide dwelling consents fell 9% in March, we think this figure is misleading. Much of the drop was due to the volatile apartments component, which fell from 142 (around average) in February to 16 in March, the second-lowest month on record. This component will almost certainly provide a boost to the April consent figures. The 3% drop in non-apartment consents was probably affected by the early Easter holiday, which meant one less working day than usual in March this year – though we can’t be sure of this until we see the April figures.

Even with the possibility of an early Easter effect, housing consents rose to another record high in the Canterbury region, with the locus of activity increasingly shifting towards Christchurch City itself. Statistics NZ identified 162 quake-related housing consents worth \$29m, the highest month to date by value.

Electronic card spending may also have been affected by the timing of Easter, with a 1.2% drop in March; we’ll get some confirmation of this with the April figures being released this

### NZD and export commodity prices, inflation-adjusted





Friday. We expect that core retail spending could bounce by 1% or more, although total spending will be weighed down by a sharp fall in petrol prices over the month.

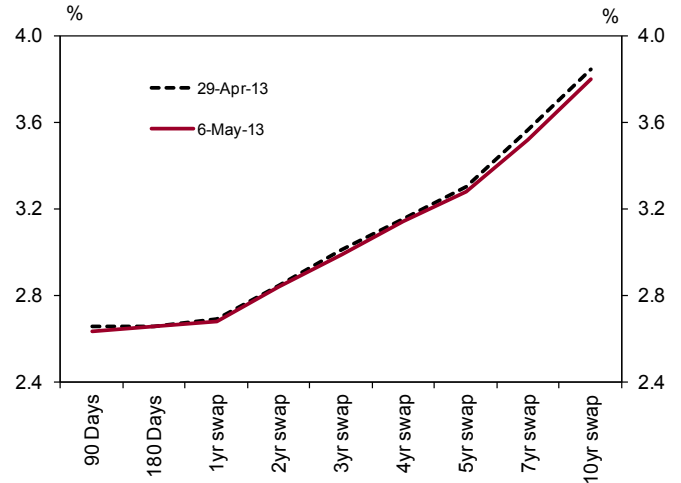
The most significant releases this week will be the employer-based Quarterly Employment Survey (QES) on Tuesday and the employee-based Household Labour Force Survey (HLFS) on Thursday. As we noted in our latest *Economic Overview*, the labour market has been a relative laggard in this recovery, with slow hiring rather than layoffs the apparent cause. That said, most indicators of the labour market – business surveys, consumer surveys, benefit numbers, and job advertisements – improved modestly in the March quarter. We expect this week's surveys to show similar signs of improvement.

The HLFS, while the most comprehensive of the labour market surveys, has been substantially weaker than other indicators over the last year. It may be that the survey is struggling to keep up with population movements in and out of Christchurch since the earthquakes – most glaringly in the construction sector, where employment has supposedly slumped as the rebuild has ramped up. Whatever the cause, we have no reason to believe this will 'correct' in the latest quarter, so we are picking just a slight drop in the unemployment rate to 6.8%.

Another release worth noting is the RBNZ's six-monthly *Financial Stability Report* on Wednesday – this will become increasingly relevant as the housing market heats up and the RBNZ sharpens its 'macroprudential' policy tools. Those tools remain a work in progress; we think it's unlikely they will be activated before the end of this year. Credit growth remains very modest by historical standards – household lending has been growing at about 5% annualised, while business lending has been broadly flat since late last year. The softness in business credit seems largely to be outside the property and business services sectors, consistent with the two-speed, and domestically-driven, nature of current economic growth.

**Fixed vs floating for mortgages:** At current mortgage rates we regard fixing as being better value than floating over the next few years. Fixed-term rates out to two years are currently well below floating rates, while three-year and longer fixed rates are only slightly higher. So staying on floating would only be the better option if the RBNZ actually cut the OCR – which we regard as unlikely.

**NZ interest rates**



**Key Data Previews**

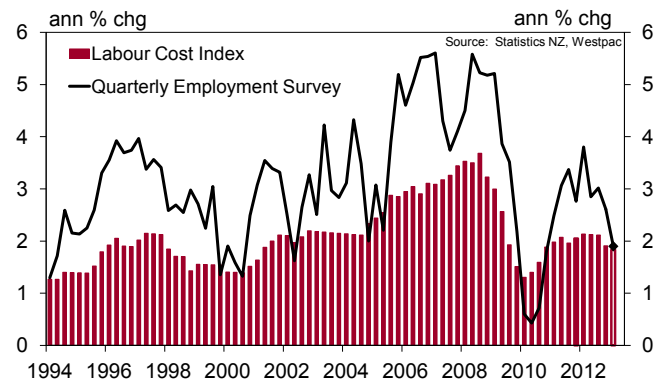
**NZ Q1 QES and LCI wages**

May 7, LCI Last: 0.5%, WBC f/c: 0.4%, Mkt f/c: 0.5%

QES last: -0.4%, WBC f/c: 0.6%, Mkt f/c: 1.0%

- Annual labour growth inflation (the private sector, all salary and wage rates measure preferred by the RBNZ) edged down slightly in the December quarter, from 2.1% to 2%.
- Our forecast implies a further nudge down to 1.9%. We expect signs of stronger labour demand to be outweighed by low living cost adjustments. Inflation expectations were the lowest in nearly 4 years in the March quarter. As always we recommend focusing on the LCI rather than the more volatile and less informative QES average wage.
- The Quarterly Employment Survey also provides employer-based estimates of employment and hours. These have been consistently stronger than the HLFS equivalents over most of 2012 – a discrepancy that definitional differences are unable to fully explain. We will be paying attention to these numbers, but they do not tend to get much of a market response.

**NZ LCI and QES wages**



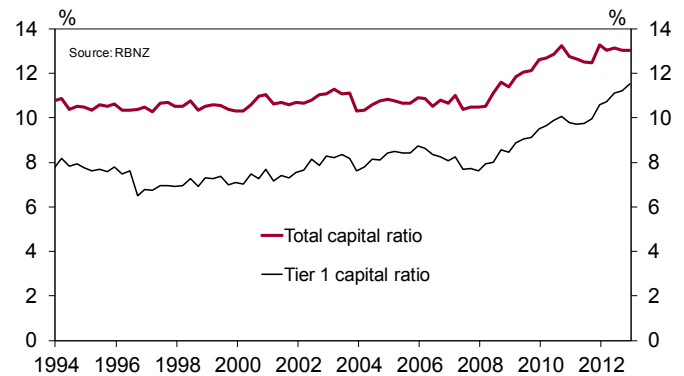


## RBNZ Financial Stability Report

May 8

- The RBNZ's six-monthly Financial Stability Report will be of increasing relevance to the market over time, as the RBNZ has stated that this document will be the main channel for reviewing the use of macro-prudential policy tools.
- At this stage, the framework for these tools remains under development. Public consultation just closed in mid-April, so we think it's unlikely that the RBNZ will have any firm decisions to announce in this week's report.
- However, there could well be a decision on a related proposal to increase banks' minimum capital requirements for high loan-to-value mortgages. Our view is that this would have only a marginal impact on mortgage rates; the main benefit would be a larger safety buffer for banks in the event of a downturn.

## Capital ratios for NZ incorporated banks



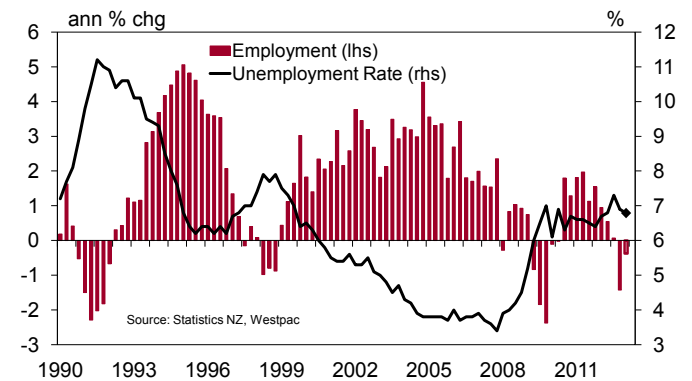
## NZ Q1 HLFS employment and unemployment

May 9, Employment last: -1.0%, WBC f/c: 1.3%, Mkt f/c: 1.0%

Unemployment rate Last: 6.9%, WBC f/c: 6.8%, Mkt f/c: 6.8%

- Most recent labour market indicators suggest the labour market improved in the March quarter. We expect the Household Labour Force Survey to follow suit, with the unemployment rate heading modestly lower and employment rebounding from last quarter's surprise drop.
- The HLFS has been weaker than other indicators for some time. Whether or not this gap persists is a source of risk surrounding these forecasts. We have assumed that it will - we are sceptical that the labour market has really been this weak, but have no strong reason to expect a correction this quarter.
- Surprises on either side have the potential to generate a significant market reaction. However anomalously weak outturns in the HLFS are increasingly being discounted by the RBNZ.

## Household labour force survey

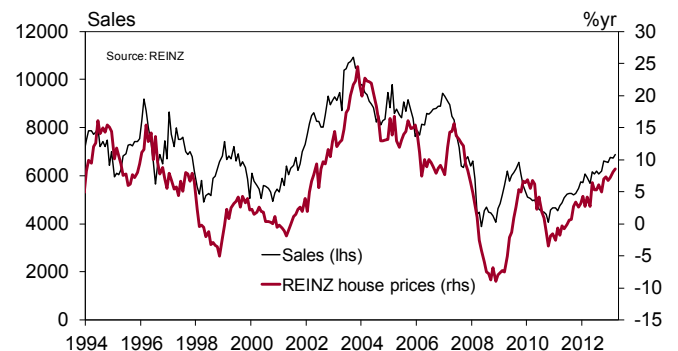


## NZ Apr REINZ house prices and sales

May 10, Sales last: 2.0%, Prices last: 8.6%yr

- House sales and annual price growth both reached new cycle highs in March. While there's no set release date for the April figures, they are generally published by the 10th of the month.
- Supporting evidence suggests that the housing market remained very tight in April. Mortgage approvals were steady, while listings remained tight and vendor asking prices rose to fresh highs. Figures from a major real estate agency showed that supply in the Auckland market was near all-time lows and that sale prices continued to rise at a rapid clip.
- We have revised up our forecasts of house price growth to 9.5% this year and 7.5% next year. Our view remains that rising house prices will fuel household spending and inflation pressures, warranting higher interest rates by next year.

## REINZ house prices and sales



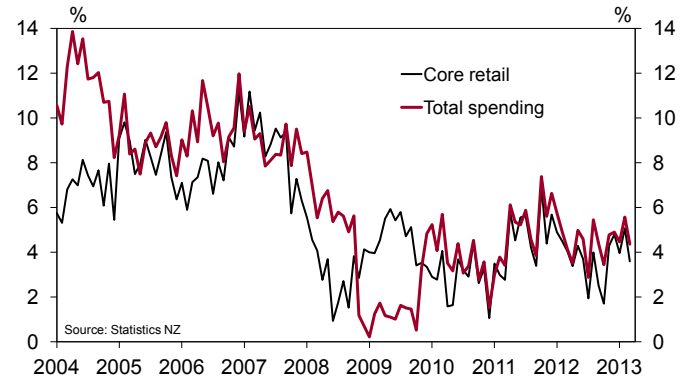


## NZ Apr electronic card transactions

May 10, Last: -1.2%, WBC f/c: 0.5%

- Card spending fell 1.2% in March, after five straight months of gains. We suspect that the figures were distorted by Good Friday falling in March this year, with spending up on fuel and hospitality but down for retailing and other services.
- If that's the case, we would expect to see a comparable bounce in the April spending figures (with one less public holiday than usual this year). However, the total is likely to be dragged down by a sharp drop in fuel spending, with petrol prices down 4% for the month in seasonally adjusted terms.
- Our forecast implies that growth in annual spending will slow to 4%. However, with downward pressure on retail prices due to the high NZ dollar (and lower crude oil prices), we suspect that volume growth remains solid.

## Card transactions, annual % change



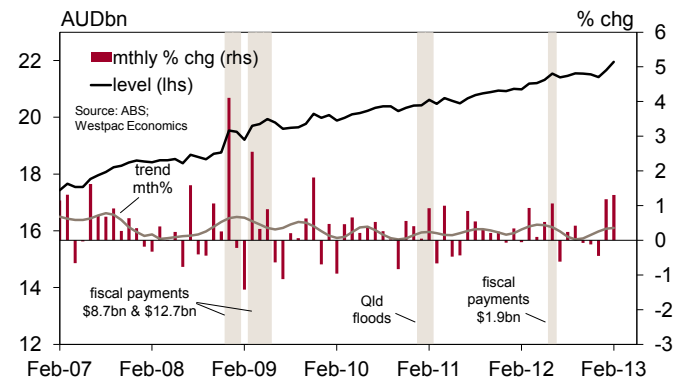
## Aus Mar retail sales

May 6, Last: 1.3%, WBC f/c: -0.5%

Mkt f/c: 0.1%, Range: -1.0% to 0.5%

- The Mar retail report is a difficult one to call. Sales bounced back in Jan-Feb after an abysmal finish to 2012. Sales declined three months in a row to be down 0.7% between Oct and Dec but surged 2.5% in the first two months of 2013. Although some of the initial gain was likely due to shifting pre and post-Xmas spending patterns, a rally in consumer sentiment suggests an underlying improvement as well.
- That rally in sentiment fizzled out in Apr although confidence remained in 'cautiously optimistic' territory overall and was still strong in the Mar month. Business surveys have been much softer throughout with retailers reporting very poor conditions in the Mar NAB monthly business survey. Overall, we expect retail sales to give back some of the Jan-Feb strength with a 0.5% decline but indicators are clearly mixed.

## Monthly retail sales



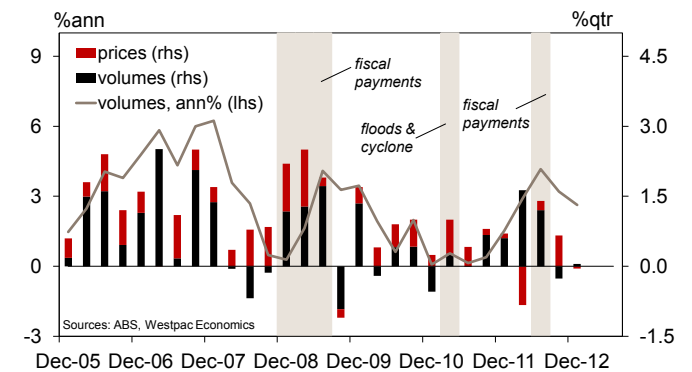
## Aus Q1 real retail sales

May 6, Last: 0.1%, WBC f/c: 1.7%

Mkt f/c: 1.7%, Range: 1.0% to 2.7%

- Even with a Mar pull-back in monthly sales and possible downward revisions, nominal retail sales will still post a strong Q1 – a 1.5%qtr gain looks locked in.
- The gain is likely to be even stronger in volume terms. The softer than expected Q1 CPI revealed sizeable declines in food prices and across a wide range of other retail categories, including clothing and household furnishings. The retail price deflator is expected to be down 0.2%qtr implying a volume gain of 1.7%qtr. That's a big kick-up on the 0.1% in Q4 and -0.3% in Q3 although annual growth will remain lacklustre at 2.7%yr. We see risks to both sides for the Q1 number given the mixed messages from consumer and business confidence, uncertainty around the impact of shifting pre and post-Xmas buying patterns, and question marks over the underlying cause of recent price declines (i.e. lower import costs or demand).

## Quarterly retail volumes and prices





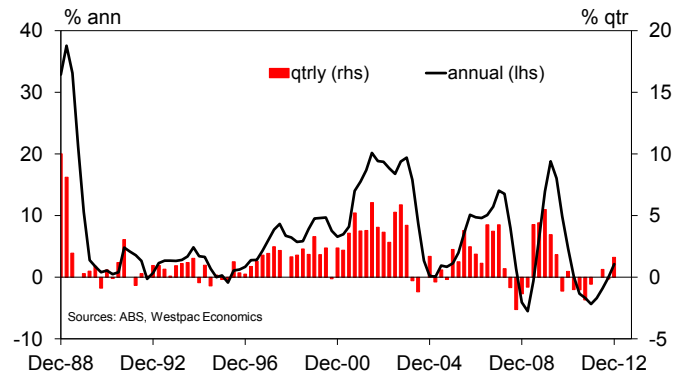
### Aus Q1 house price index ABS measure

May 7, Last: 1.6%, WBC f/c: 1.0%

Mkt f/c: 1.8%, Range: 0.5% to 2.0%

- House prices stabilised in 2012, firming late in the year. The official measure from the ABS is for detached houses only and is a preliminary estimate subject to revision as new data comes in. For Q4 it bounced 1.6%, the biggest rise since Q2 2010 and lifting annual price growth to 2.1%yr from flat in Q3.
- Private sector measures suggest the momentum carried into 2013. Available measures show Q1 price gains of 1.7%qtr, 3.2%yr (APM), 0.3%qtr, 1.9%yr (Residex); 1.7%qtr, 1.8%yr (RP Data-Rismark). A 1%qtr gain on the ABS measure would bring annual growth to 3.1%yr, in line with the APM measure which is most similar to the ABS in terms of construction method and historical peregrinations.

### Established house prices, ABS measure



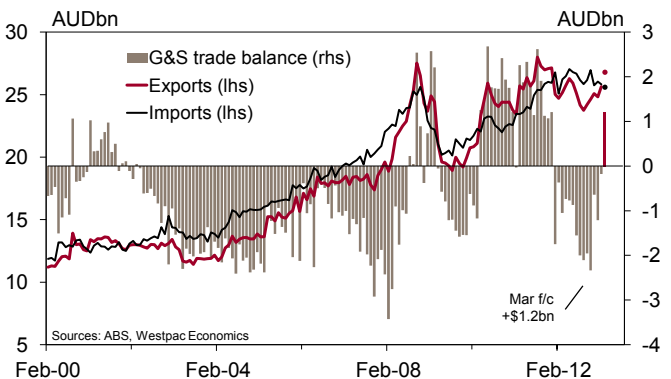
### Aus Mar trade balance, AUDbn

May 7, Last: -0.2, WBC f/c: 1.2

Mkt f/c: 0.0, Range: -1.0 to 1.2

- Australia may well record a trade surplus in the month of March, following a run of 14 consecutive deficits.
- We expect a surplus of \$1.2bn, after a \$0.2bn deficit.
- Imports were subdued in the month, declining by a forecast 1%. Note, the ABS advise that good imports fell by 1.2%.
- The Aussie rose 1% on a TWI basis, but was flat vs the USD.
- Exports advanced, rising by a forecast 4.5%. A jump in iron ore export earnings is the key driver, with volumes rising strongly and prices higher in the month.

### Australia's trade position



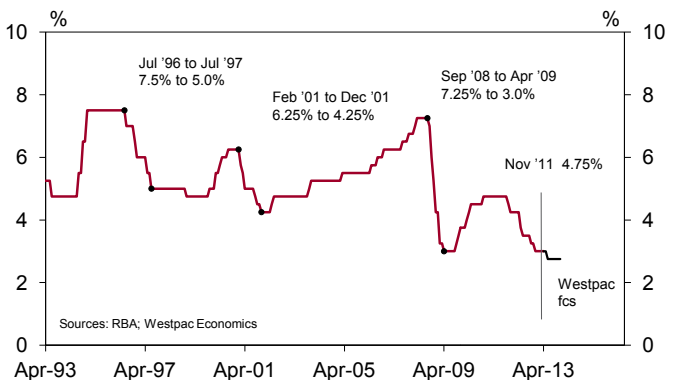
### Aus RBA policy announcement

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

Mkt f/c: 3.00%, Range: 2.75% to 3.00%

- The RBA Board left interest rates unchanged at 3.00% at each of the three meetings this year. This comes after the RBA lowered rates on four occasions between May and December last year, taking rates down by 1.0% in total.
- We expect the Board will keep rates on hold while maintaining its clear easing bias. This decision is likely to be a closely run event since we judge that the case for another cut has now been made.
- Inflation surprised to the downside in Q1, further enhancing the scope for lower rates. However, it may be that the RBA Board opts to wait another month for additional data on demand conditions to assess the need for lower rates.
- We expect rates to be lowered by 25bps to 2.75% in June.

### RBA cash rate: easing cycles





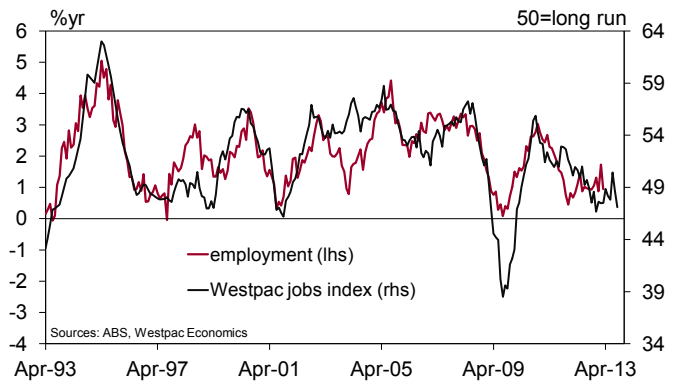
## Aus April Labour Force Survey - total employment

May 9, Last: -36.1, WBC f/c: 15k

Mkt f/c: 11k, Range: -10k to 30k

- Total employment fell by 36.1k in March. The outcome was well below our forecast of -10k as well as the market median of -7.5k. At just 0.9%yr, annual employment growth is now only half the current pace of population growth (1.8%).
- March also saw a large decline in part-time jobs (-28.7k); 7.4k full-time jobs were also lost in the month. Over the year, part-time employment is up 2.1%, but full-time employment is weak at just 0.4%yr.
- The annual growth rate in total employment looks about right to us and our current modelling of the labour market is pointing to a monthly average of around 18k per month over the last three months.
- Our forecast of +15k in April is consistent with these two observations.

## Employment has faded in the business surveys



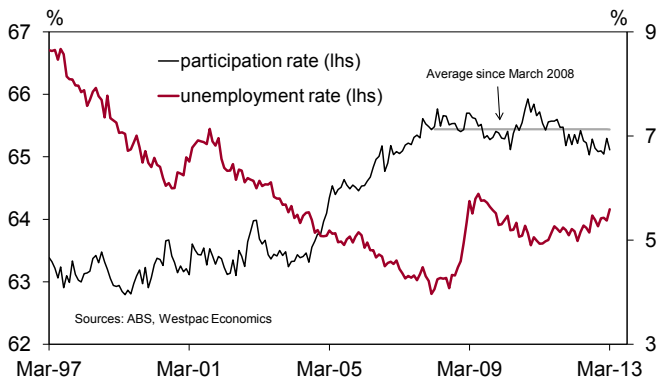
## Aus April Labour Force Survey - unemployment rate

May 9, Last: 5.6%, WBC f/c: 5.7%

Mkt f/c: 5.6%, Range: 5.5% to 5.8%

- The unemployment rate surprised in April, rising 0.2ppts to 5.6%. The decline in the participation rate was broadly as expected in March, down 0.2ppts to 65.1%. The employment to population ratio fell 0.3ppts to 61.5%.
- The unemployment is on the rise in most states. In particular, we have seen a 0.4ppt rise in the unemployment rate in NSW (to 5.5%) and Qld (to 5.9%) in the past two months as well as a 0.6ppt rise in WA (to 4.7%). For NSW and WA, this is a significant deterioration – their respective unemployment rates averaged 5.1% and 4.0% over the year to January 2013.
- Our forecast for a modest lift in participation, from 65.1% to 65.2%, is still enough to lift the labour force by 30k in the month and thus we see the unemployment rate rising to 5.7%.

## Unemployment and participation rates





**Key Data and Events**

		Market Last	Westpac median	Westpac forecast	Risk/Comment
<b>Mon 6</b>					
<b>Aus</b>	March retail trade	1.3%	0.1%	-0.5%	Difficult to call. Sentiment strong in March, but expect some give back.
	Q1 real retail trade	0.1%	1.7%	1.7%	Spending burst as retailers discount. Annual growth broadly steady, 2.7%.
	Apr TD-MI inflation gauge		-	-	Rose 0.2% <i>mt</i> /2.1% <i>yr</i> in Mar, slightly seasonally stronger in Apr.
	Apr ANZ job ads		-	-	-1.5% <i>mt</i> /-17% <i>yr</i> in Mar; has fallen in 19 of the last 23 months.
<b>Chn</b>	Apr HSBC services PMI	54.3	-	-	Running well ahead of broader PBoC survey.
<b>Eur</b>	May Sentix investor confidence	-17.3	-15.0	-16.0	Italian political deal and expectations of big things from ECB to help
	Apr PMI composite final	46.5 a	-	46.6	Final factory PMI revised up slightly.
	Mar retail sales	-0.3%	-0.2%	-0.5%	German retail sales fell in March and Feb revised lower.
<b>Ger</b>	Mar factory orders	2.3%	-0.5%	-2.5%	Have not posted back to back gains since Q2 12; factory PMI soft.
<b>UK</b>	Apr house prices %yr	1.1%	1.6%	-	Halifax index due 6-10 May.
<b>Can</b>	Mar building permits	1.7%	0.5%	-	Non-residential up 19%, residential down 7% yr in Feb
	Apr Ivey PMI	61.6	58.0	-	Volatile recovery from Nov's lowest reading since 2011 underway.
<b>Tue 7</b>					
<b>NZ</b>	Q1 Labour Cost Index	0.5%	0.5%	0.4%	Wage growth to head slightly lower on the back of low inflation
	Q1 Quarterly Employment Survey	-0.4%	1.0%	0.6%	Employment and hours paid can be useful labour market indicators
<b>Aus</b>	Q1 ABS house price index	1.6%	1.8%	1.0%	Prices advance, supported by low interest rates.
	Mar trade balance, AUDbn	-0.2	0.0	1.2	Return to surplus. Imports subdued, -1.0%. Exports +4.5%, on iron ore.
	RBA policy decision	3.00%	3.00%	3.00%	We expect RBA to lower rates further. Timing - we favour June.
<b>UK</b>	Apr BRC shop price index %yr	1.4%	-	-	Clue to part of CPI basket.
<b>US</b>	May IBD-TIPP economic optimism	46.2	46.3	50.0	First read on confidence for May.
	Mar consumer credit \$bn	18.1	16.0	-	Student and auto loans the main drivers in 2012 and so far this year.
<b>Wed 8</b>					
<b>NZ</b>	RBNZ Financial Stability Report	-	-	-	Progress on macroprudential policy will be of most interest.
<b>Chn</b>	Apr trade balance USDbn	-0.1	16.0	-	Surplus to widen with OK import and export growth.
<b>Ger</b>	Mar industrial production	0.5%	-0.2%	-0.5%	Factory PMI sub 50; IP has not posted back to back gains since Q2 11
<b>UK</b>	Apr BRC sales %yr	1.9%	-	-	Same store sales. Impact of freezing Mar-Apr weather to be expected.
<b>US</b>	Fedspeak	-	-	-	Governor Stein in Chicago.
<b>Can</b>	Apr housing starts	0.4%	-3.3%	-	Five straight declines in Sep-Jan followed by Feb bounce, Mar rise.
<b>Thu 9</b>					
<b>NZ</b>	Q1 HLFS Employment	-1.0%	1.0%	1.3%	A rebound expected from Q4, but not from weakness earlier in 2012
	Q1 HLFS Unemployment Rate	6.9%	6.8%	6.8%	Improving indicators point to modestly lower unemployment
<b>Aus</b>	Apr employment, chg '000	-36.1	11	15	A monthly average pace around 17k per month feels about right.
	Apr unemployment rate	5.6%	5.6%	5.7%	A lift in the participation rate is enough to lift the unemployment rate.
<b>Chn</b>	Apr consumer prices %yr	2.1%	2.3%	-	Modest unwinding of the March deceleration.
	Apr producer prices %yr	-1.9%	-2.2%	-	Deflationary forces in capital equipment, raw materials flat.
<b>UK</b>	Mar industrial production	1.0%	0.2%	-0.1%	Sub 50 PMI readings imply falling output outside oil/utility volatility
	BOE policy decision	0.50%	0.50%	0.50%	Asset purchases to remain suspended at £375bn.
<b>US</b>	Initial jobless claims w/e May 3	324k	332k	335k	Claims downtrend indicates fewer layoffs but firms still slow to hire
	Mar wholesale inventories	-0.3%	0.4%	0.5%	Inventories kept tight in Q4 but expanded in Q1.
	Fedspeak	-	-	-	Plosser and Lacker.
<b>Can</b>	Mar new house prices	0.2%	0.1%	-	Running a little over 2% yr annual pace since 2010.
<b>Fri 10</b>					
<b>NZ</b>	Apr electronic card transactions	-1.2%	-	0.5%	Lower fuel prices partly offset a technical bounce due to Easter timing.
	Apr REINZ house sales	2.0%	-	-	TBC but probably late this week. Low interest rates are the key...
	Apr REINZ house price index %yr	8.6%	-	-	...with prices expected to accelerate further this year.
<b>Aus</b>	RBA Statement on Monetary Policy	-	-	-	Economic overview, including updated inflation & growth forecasts.
<b>Chn</b>	Apr money & credit data - tentative	-	-	-	Listed as 10-15 May on Bloomberg.
<b>Jpn</b>	Mar current account ¥bn	637	-	-	s/adj still in mild deficit, but original is the relevant metric for the yen.
<b>Ger</b>	Mar exports	-1.5%	0.5%	0.0%	If IP is down, exports are unlikely to bounce much.
<b>UK</b>	Mar trade balance £bn	-9.4	-9.0	-	Exports down 2.1% and imports up 2.2% saw deficit widen in Feb.
	G8 meeting	-	-	-	Finance ministers with central bank governors in the UK
<b>US</b>	Apr federal budget \$bn	62.0	-	-	Impact of fiscal compromise/sequester to show up here.
	Fed Chairman Bernanke	-	-	-	Speaking on "monitoring finance". Also, Fed's George and Evans
<b>Can</b>	Apr employment chg	-55k	13.5k	30k	Steep falls in Jan & Mar: avge monthly change +33k in Q4, -9k in Q1

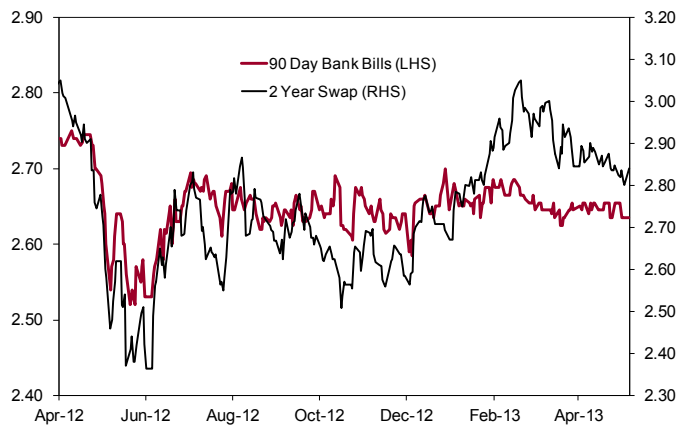


## New Zealand Economic and Financial Forecasts

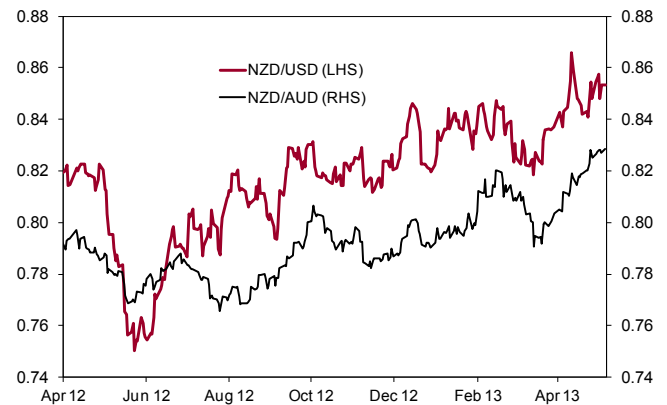
Economic Growth Forecasts	March years				Calendar years			
	2012	2013f	2014f	2015f	2011	2012	2013f	2014f
% change								
GDP (Production) ann avg	1.9	2.5	2.9	3.7	1.4	2.5	2.8	3.6
Employment	1.0	-0.4	2.7	2.7	1.5	-1.4	3.1	3.2
Unemployment Rate % s.a.	6.7	6.8	5.7	4.8	6.4	6.9	6.3	5.0
CPI	1.6	0.9	1.4	2.5	1.8	0.9	1.3	2.3
Current Account Balance % of GDP	-4.4	-4.9	-4.6	-5.6	-4.0	-5.0	-4.5	-5.3

Financial Forecasts	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14
Cash	2.50	2.50	2.50	2.75	3.00	3.25
90 Day bill	2.65	2.70	2.75	3.00	3.25	3.50
2 Year Swap	2.90	3.00	3.10	3.30	3.50	3.70
5 Year Swap	3.40	3.45	3.50	3.60	3.70	3.85
10 Year Bond	3.40	3.40	3.45	3.50	3.55	3.60
NZD/USD	0.86	0.86	0.86	0.85	0.84	0.83
NZD/AUD	0.83	0.84	0.85	0.86	0.87	0.86
NZD/JPY	82.6	81.7	80.0	78.2	75.6	73.9
NZD/EUR	0.66	0.67	0.69	0.70	0.71	0.70
NZD/GBP	0.57	0.57	0.57	0.57	0.56	0.55
TWI	79.1	79.4	80.0	79.9	79.6	78.8

### 2 Year Swap and 90 Day Bank Bills



### NZD/USD and NZD/AUD



### NZ interest rates as at market open on Monday 15 April 2013

Interest Rates	Current	Two Weeks Ago	One Month Ago
Cash	2.50%	2.50%	2.50%
30 Days	2.64%	2.64%	2.64%
60 Days	2.64%	2.64%	2.64%
90 Days	2.64%	2.66%	2.66%
2 Year Swap	2.84%	2.86%	2.85%
5 Year Swap	3.28%	3.32%	3.35%

### NZ foreign currency mid-rates as at Monday 15 April 2013

Exchange Rates	Current	Two Weeks Ago	One Month Ago
NZD/USD	0.8533	0.8400	0.8413
NZD/EUR	0.6508	0.6427	0.6488
NZD/GBP	0.5483	0.5515	0.5497
NZD/JPY	84.64	83.86	82.70
NZD/AUD	0.8284	0.8172	0.8119
TWI	78.67	77.71	77.68





## Economic and Financial Forecasts

Economic Forecasts (Calendar Years)	2009	2010	2011	2012	2013f	2014f
<b>Australia</b>						
Real GDP % yr	1.4	2.5	2.4	3.6	2.5	2.3
CPI inflation % annual	2.1	2.8	3.0	2.2	2.5	2.8
Unemployment %	5.6	5.2	5.2	5.3	5.9	5.8
Current Account % GDP	-4.2	-2.9	-2.3	-3.7	-2.8	-3.6
<b>United States</b>						
Real GDP %yr	-3.1	2.4	1.8	2.2	1.7	1.6
Consumer Prices %yr	-0.3	1.6	3.1	2.1	2.0	2.0
Unemployment Rate %	9.3	9.6	8.9	8.1	7.7	7.7
Current Account %GDP	-2.7	-3.0	-3.1	-3.1	-2.9	-2.9
<b>Japan</b>						
Real GDP %yr	-5.7	4.9	-0.4	1.9	1.3	1.9
Consumer Prices %yr	-1.3	-0.7	-0.3	0.0	-0.2	0.1
Unemployment Rate %	5.2	5.1	4.5	4.3	4.3	4.3
Current Account %GDP	2.8	3.6	2.0	2.1	2.0	2.0
<b>Euroland</b>						
Real GDP %yr	-4.4	1.9	1.5	-0.5	-0.5	-0.5
Consumer Prices %yr	0.3	1.7	2.7	2.2	1.4	1.2
Unemployment Rate %	9.5	10.0	10.1	11.7	12.4	13.0
Current Account %GDP	-0.2	-0.1	0.0	0.9	1.0	1.0
<b>United Kingdom</b>						
Real GDP %yr	-4.0	1.8	0.9	0.3	0.7	0.2
Consumer Prices %yr	2.2	3.2	4.0	2.7	2.3	1.8
Unemployment Rate %	7.6	7.8	8.4	8.0	8.5	8.5
Current Account %GDP	-1.3	-2.4	-1.9	-3.8	-2.5	-1.5

Forecasts finalised 8 April 2013

Interest Rate Forecasts	Latest	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14
<b>Australia</b>						
Cash	3.00	2.75	2.75	2.75	2.75	2.75
90 Day Bill	2.88	3.00	3.10	3.10	3.00	3.00
10 Year Bond	3.05	3.10	3.20	3.30	3.20	2.90
<b>International</b>						
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	1.63	1.70	1.90	2.10	2.00	1.80
ECB Repo Rate	0.50	0.50	0.50	0.50	0.50	0.50

Exchange Rate Forecasts	Latest	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14
AUD/USD	1.0265	1.04	1.03	1.01	0.99	0.97
USD/JPY	98.01	96	95	93	92	90
EUR/USD	1.3075	1.30	1.28	1.25	1.22	1.19
AUD/NZD	1.2055	1.22	1.21	1.19	1.18	1.17

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