Weekly Commentary

Emerald Lakes, Tongariro National Park

In this issue

Export Gold

We take the opportunity of a quiet data week to review the state of the New Zealand export sector. Primary exporters are enjoying remarkably buoyant conditions, despite slower growth in China and other emerging economies. Recovery in traditional markets may be a factor; food producers may also be seeing the benefits of China's rotation from investment-led to more consumer-centric growth. Either way, it's one more positive for the NZ dollar – both against the USD and against its Australian counterpart.

The agricultural sector's recovery from drought has been rapid. For example, milk production in August was running 3.4% ahead of last season. At the same time, prices paid for New Zealand's key commodity exports have simply defied gravity. We had anticipated that global dairy, beef and forestry prices would fall in support with the slowdown in emerging economies and a post-drought rebound in New Zealand production levels. Instead, dairy prices have stayed high right through the period of peak volumes at the fortnightly GlobalDairyTrade auctions. Beef and forestry prices have also held up at remarkably high levels.

We can point to some specific reasons for the price strength. Global demand for beef has been supported by Indonesia's recent decision to allow more imports. And the Chinese government's efforts to break the alleged oligopoly in milk powder retailing will have benefited wholesalers of milk powder as well as Chinese consumers. The Chinese pricing inquiry has already led to some reduction in retail prices, which should boost end demand for dairy products.

Demand in weak traditional markets such the US and Europe may also have firmed just a little. For instance, the recovering US housing market may now be providing some support to global forestry markets, even as construction growth in China has slowed.

Export Gold continued

But it may also simply be that the recent slowdown in the overall Chinese economy has not been a good guide to trends in Chinese consumer markets that matter for New Zealand. In particular, the current Chinese slowdown reflects a rotation of growth away from less investment to more consumption – which is bad news for hard commodity producers, but good news for food exporters. New Zealand's terms of trade are set to hit a 40-year high in the second half of this year.

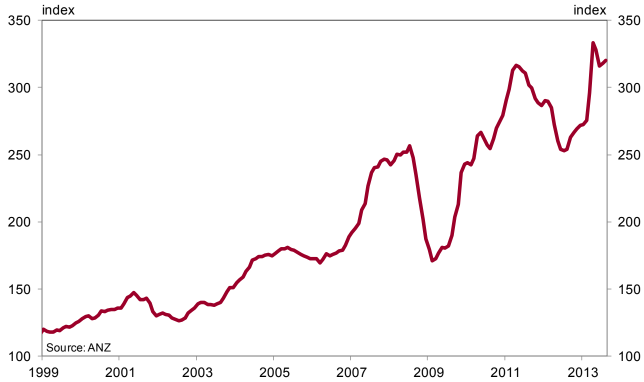
To get a sense what this is worth, consider that back in July we were still forecasting a farm gate milk price for the 2013/14 season of $NZ6.50/kg of milk solids. That forecast has steadily risen since. On 5 September, we lifted it to $8.30, and last week Fonterra followed suit. That milk price forecast could go higher still – we are still assuming a 10% fall in dairy auction prices between now and June 2014, and an exchange rate that hovers around 83 cents against the US dollar.

Based on our forecast for Fonterra's volumes and making allowance for non-Fonterra producers, the $1.80 revision to our milk price forecast since July is worth about $NZ3bn, or 1.3% of New Zealand's GDP. Compared to last season the gains look even bigger: the 2012/13 milk price was just $5.80, and on top of that we are expecting this season will show a 5% rebound in production volumes. Overall we now anticipate dairy revenues will be up about $4.5bn, an increase of more than 2% of GDP.

So these numbers are big, and will help support New Zealand's continued economic expansion over the next year. In line with this, the Westpac McDermott Miller Regional Economic Confidence survey is now showing a clear lift in households' economic optimism in some of the more rural parts of New Zealand. In the dairy strongholds of Southland and the Waikato, economic optimism is now at historically high levels for those regions and well above the national average.

But New Zealand's surprisingly strong export prospects also risk pushing the New Zealand exchange rate even higher than we have been forecasting to date – against both the USD and the AUD, given the divergent fortunes of the New Zealand agri sector and Australian hard commodity exporters. That would be to the detriment of non-commodity exporters and firms competing with imports.

World price for NZ's major export commodities



That said, underlying conditions are also looking brighter for some non-commodity exporters. One long-suffering sector where we now see some reason for optimism is the tourism industry. We took a closer look at the sector in a bulletin published last Tuesday.[1] In brief, after nearly a decade in the doldrums, in 2013 the tourism market has shown early signs of a cyclical lift which we expect to strengthen through next year.

In part this recovery reflects the slow return to a post-quake normality in Christchurch. So far in 2013, nearly 500 hotel rooms have come back on line, and about another 125 are due to be added by the end of the year. With more hotel capacity and the fear factor around the earthquakes dissipating, we estimate guest nights in Canterbury could return close to pre-quake levels by the end of next year.

But we are also seeing an improvement in offshore demand. Granted, about 30% of New Zealand's visitor spend comes from Australia – and this is likely to slow as Australian growth remains sub-par and the NZD/AUD rises. But judging from visitor numbers this year, hitherto depressed demand from Northern Hemisphere markets is stabilising (in Germany and the UK) or growing (in the US). And visitor numbers from China, while still only about 10% of the total, are growing very rapidly. In the year to June 2013, Chinese arrivals rose by just under 50,000 or over 25%, and we wouldn't be surprised to see a similar increase over next year. Again, rapid expansion in Chinese consumer markets seems to be swamping the effects of a cyclical Chinese slowdown.

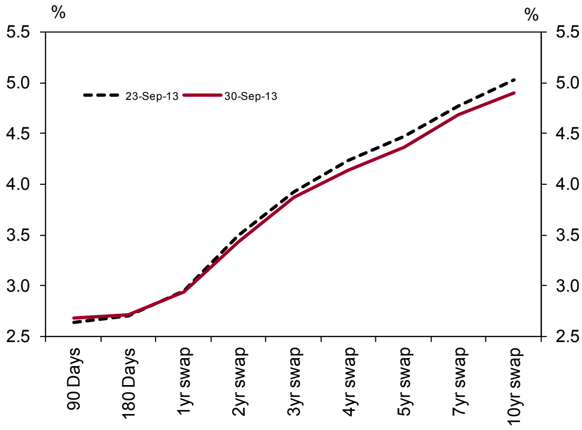
1 See 'Sleeping beauty is awake', 24 September, available on our website at http://www.westpac.co.nz/business/economic-updates/economic-research-and-market-strategy/.

Fixed vs Floating for mortgages

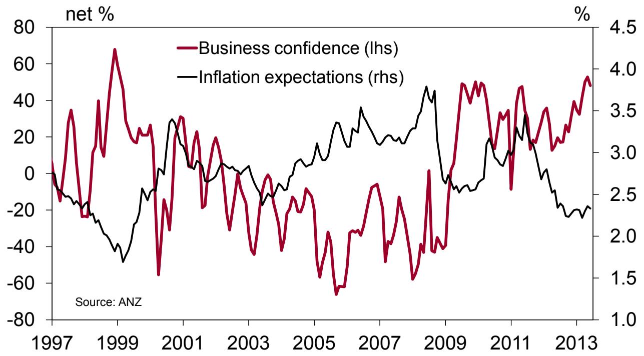
We are now indifferent between fixing and floating.

In our view, interest rate markets are now "fairly priced". We expect short-term rates to rise substantially over the next three years. The level of long-term fixed rates, which are higher than short-term rates, is in tune with that expectation. This means we can discern no obvious interest rate advantage in any particular term. The choice really comes down to individual circumstances and preferences.

NZ interest rates



NZ business confidence and inflation expectations

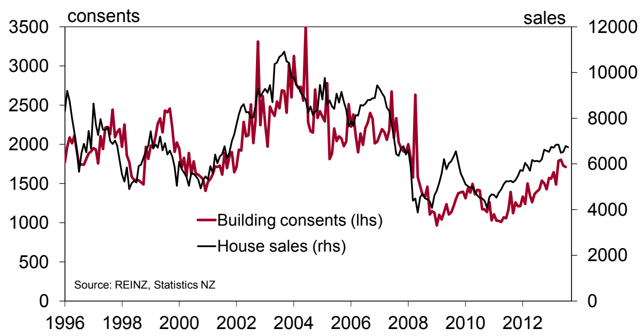


NZ Sep ANZ business confidence

Sep 30, Last: 48.1

- August business confidence was slightly softer on balance compared to July, though the decline was insignificant in the context of a sharp upturn since the start of the year. Confidence within the construction sector is at its highest in nearly 20 years as building activity has ramped up in Canterbury and elsewhere.
- With activity clearly gathering momentum this year outside of the drought-hit agricultural sector, the next step to watch for is when this will translate through to capacity constraints and price pressures. Pricing intentions have risen above their long-run average over the last few months, and capacity utilisation also jumped in Jul-Aug. While inflation expectations fell slightly in August, this immediately followed another soft CPI release - something that probably won't be repeated next quarter.

NZ housing activity

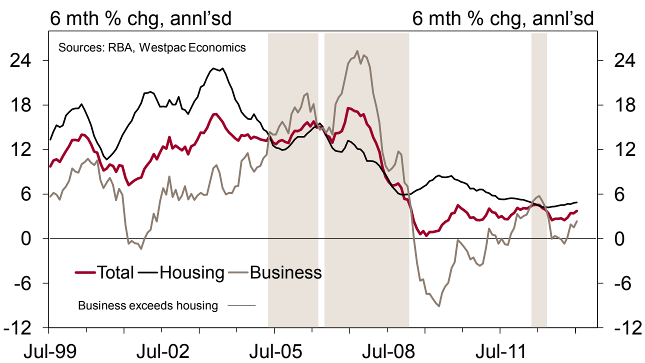


NZ Aug building consents

Sep 30, Last: -0.8%, WBC f/c: +2.0%

- Residential building consents were fractionally lower in July, with apartment units falling back to around average levels following three abnormally strong months. Ex-apartment consents rose by around 3%.
- We expect consents to maintain their growth trend in August. Gains should continue to be led by the under-supplied Auckland and Canterbury regions - while consents in Auckland reached a seven-year high in July, the pace of new home building is probably still behind what is needed to meet population growth.

Credit momentum

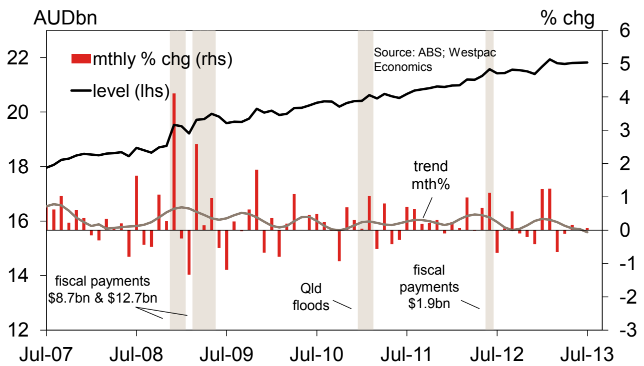


Aus Aug private credit

Sep 30, Last: 0.4%, WBC f/c: 0.4%
Mkt f/c: 0.4%, Range: 0.3% to 0.6%

- Credit growth has been weak, running at 3.2% over the year, with housing 4.7%yr and business 1.3%yr. However, an uptick has been evident in recent months. We anticipate a 0.4% gain in August, matching outcomes in June and July.
- A 1.3% gain in business credit over the past four months has boosted overall credit growth. This bounce in business credit reflects the impact of the lower AUD (via foreign currency valuation effects), the RBA advise. More fundamentally, a sustained upswing in business credit is yet to emerge in the current subdued growth environment.
- Housing credit is expanding by 0.4% a month. New lending is improving, but those with an existing mortgage are taking advantage of lower rates to pay down debt more quickly, thereby constraining overall housing credit growth.

Monthly retail sales

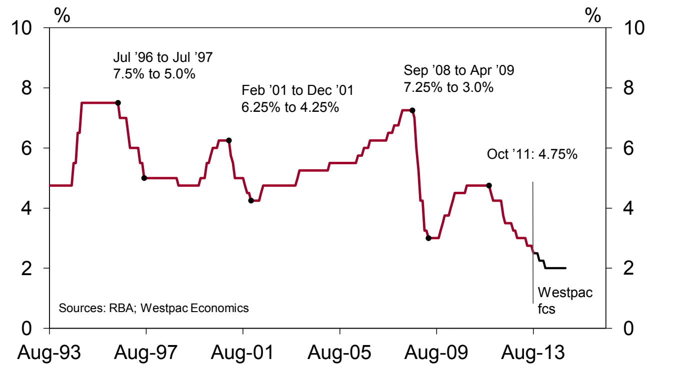


Aus Aug retail trade

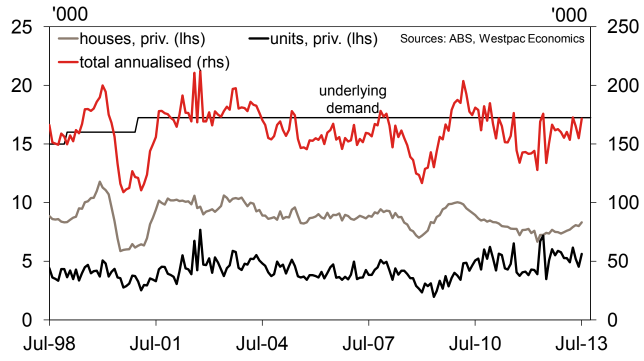
Oct 1, Last: 0.1%, WBC f/c: 0.3%
Mkt f/c: 0.3%, Range: 0.1% to 0.7%

- Retail sales were basically flat in July with a 0.1% gain following no change in June, a 0.2% gain in May and a 0.1% dip in April. The category detail again hinted at a cyclical shift from discretionary to 'basic' items; but with a surprisingly strong 1.8% gain for household good retail, and an extreme 7.9% drop for department store sales, that looks likely to have been exaggerated by shifts in the timing of seasonal sales.
- Consumer sentiment rose in August, the RBA's 25bp rate cut giving a welcome fillip. There was no change to consumers' unemployment expectations though, suggesting acute job loss fears will remain a restraint on discretionary spending. Business surveys point to weak retail conditions in July-August. Overall, we expect August sales to be up 0.3%, mainly on a 'correction' to the drop in department store sales.

RBA cash rate: easing cycles



Dwelling approvals



Aus RBA policy announcement

Oct 1, Last: 2.50%, WBC f/c: 2.50%
Mkt f/c: 2.50%, Range: 2.50% to 2.50%

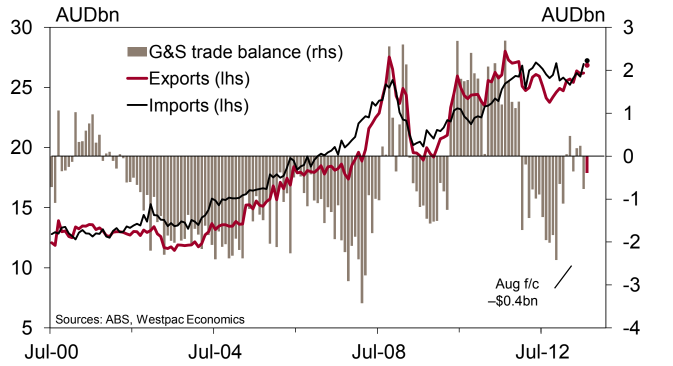
- The RBA is expected to leave the cash rate on hold at 2.5% at its October meeting.
- The minutes of the September meeting confirmed that the Board maintains a clear easing bias, with the general description of the domestic economy in the minutes markedly downbeat. The impact the historically-high AUD is having on key non-mining sectors of the economy is a key concern.
- To the extent that it has manifest more so in prices than economic activity, the strength apparent in the housing market has provided little offset.
- We remain of the view that the strong AUD, declining mining investment and a lack of momentum in non-mining sectors will see the cash rate cut in Q4 2013 and again in Q1 2014.

Aus Aug dwelling approvals

Oct 2, Last: 10.8%, WBC f/c: –3.0%
Mkt f/c: –1.0%, Range: –5.0% to 5.0%

- Dwelling approvals surged 10.8% in July, led by a 24% jump in private sector units. That was in turn driven by a 69% spike in Vic, concentrated in inner-city Melbourne. Changes in state assistance for first home buyers may have encouraged some developers to delay projects until the second half of the year. There was strength outside of this specific segment as well though – private sector house approvals rose 3.9%, with solid gains in NSW, Qld and WA.
- The RBA's 25bp rate cut helped drive a sustained pick-up in markets through July-August-September. However, dwelling approvals are typically slower to respond to rate moves. And, in the meantime, some statistical 'payback' looks likely in August. We expect a 3% decline in approvals, leaving a solid uptrend intact.

Australia's trade position



US ISMs

Aus Aug trade balance, AUDbn

Oct 2, Last: –0.8, WBC f/c: –0.4
Mkt f/c: –0.45, Range: –1.6 to 0.2

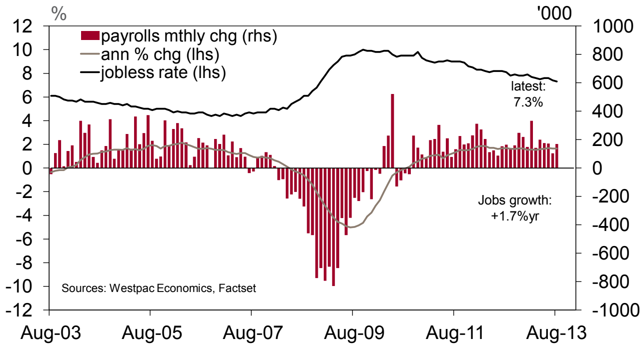
- Australia's monthly trade account fluctuated between surplus and deficit over the opening seven months of the year, in part due to volatility in global commodity prices.
- We anticipate back-to-back deficits, forecasting the deficit to narrow to –$0.4bn in August, from –$0.77bn in July.
- Imports are forecast to rise by 1.0%, with the cost of imports boosted by a 1.5% fall in the currency.
- Exports are forecast to rise by 2.5%. Commodity prices, which moved lower between March and June, recovered modestly in the month, up 2.7% in AUD terms. Iron ore and coal shipments are rising, a trend that most likely continued in August, as additional capacity came on stream.

US Sep ISM factory and non-manufacturing surveys

Oct 1, Factory: Last: 55.7, WBC f/c: 53.5
Oct 3, Non-man: Last: 58.6, WBC f/c: 55.5

- The ISM factory index rose from 55.4 to 55.7 in Aug. This survey had been outperforming relative to regional Fed survey detail and other US data, including the Fed's official industrial production figures, lacklustre prior to Aug. However, the regional survey picture has become wildly divergent, and IP picked up in mid Q3. That said, we expect GDP growth to slow back below 2% annualised in Q3; at some point, the ISM factory survey should fall back towards the low 50s (it averaged 51.5 in H1 2013, when GDP was 1.8% annualised).
- The ISM non-manufacturing index rose from 56.0 to 58.6 in Aug. This respected index has also showed strength inconsistent with most other indicators of the economy in Q3. The ISM non-man averaged 54.2 in H1 2013; that is the level it is likely to fall back towards in coming months.

US payrolls

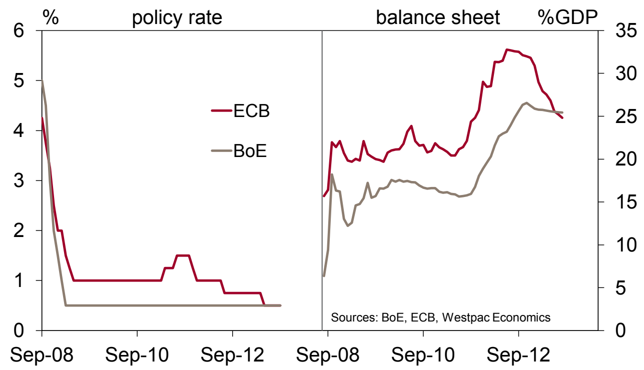


US Sep payrolls: bounce due but trend still sluggish

Oct 4, Payrolls: Last: 169k, WBC f/c: 192k

- Payrolls rose 169k in Aug, with downward revisions of 74k to June-July; that followed a similar July report with a disappointing headline and downward revisions. The 3mth avg gain of 148k in Jun-Aug followed 172k in Mar-May and 181k in Sep-Nov last year, when QE3 was started by the Fed.
- Aug saw jobs bounce in auto plants and government after July falls on temporary factors, so Q3's avg pace so far (132k total /140k private) is our forecast starting point. Lower jobless claims indicate fewer layoffs, yet one standout sector (business services) saw payrolls growth slump from Q2's 68k avg to just 28k in Jul-Aug. An 80k correction higher here could lift private payrolls to 200k for a 192k total and155k Q3 mth avg. That would still be the weakest qtr for payrolls since QE3 began in Q3 last year.
- Note: private payrolls grew by 200k or more in six months in both 2011 and 2012; but, so far this year, its only been seen in Feb.

ECB & BoE

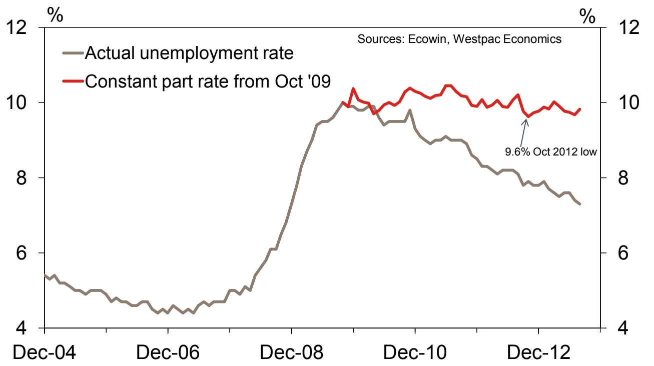


European Central Bank: nothing yet

Oct 2, ECB repo rate: Last: 0.5%, WBC f/c: 0.5%

- At the Sep 5 press conference, ECB Chief Draghi said that the ECB is ready to act as rising money-market rates threaten higher borrowing costs. "We will remain particularly attentive to the implications that these developments may have to the stance of monetary policy... I'm very, very cautious about the recovery. I can't share enthusiasm, it's just the beginning. The shoots are still very, very green."
- More recently, ECB Council member Nowotny said further LTROs are being debated; colleague Couere said the discussion was open.
- No new ECB policy measures are expected in Oct, but the guidance that exit from accommodation is distant will be reiterated, and the ECB is on standby for any signs that the "growth interruption" to the 2011-2013 recession might falter (as it surely will).

Fall in unemployment driven by part rate decline



US Sep unemployment rate to rise on participation

Oct 4, Unemp rate: Last: 7.3%, WBC f/c: 7.3%

- The jobless rate fell from 7.4% to 7.3% in Aug despite a 115k FALL in household survey jobs; this was due to a 312k fall in participation, including 198k previously unemployed. Indeed, the decline in the unemployment rate from the peak of 9.9% in April 2010 has been primarily driven by a decline in the participation rate (to a record low of 63.2% in Aug).
- A bounce in Sep jobs would likely be accompanied by a pick-up in participation, if only temporarily, holding the jobless rate steady at 7.3%.
- Household survey jobs growth has averaged 108k so far this year, down from the 208k average of Jan-Aug 2012, and compared to payrolls' 180k in 2013 ytd. Sep 2011/2012 saw 294k/810k gains; so a 300k+ jump should not surprise. As with the payrolls forecast, we are trying to pick monthly statistical noise; US jobs growth on both measures is trending softer this year.

Data calendar

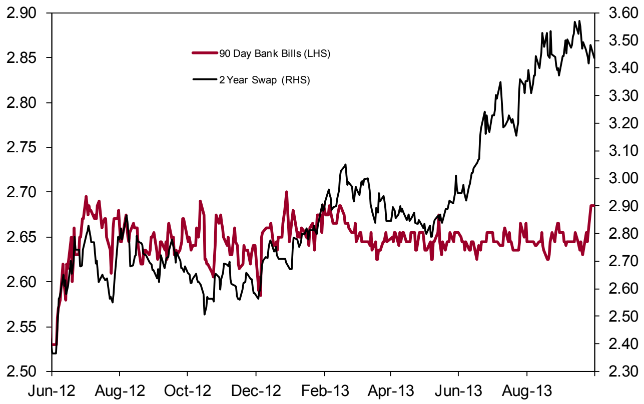
		Last	Market median	Westpac forecast	Risk/Comment
Mon 30					
NZ	Q3 Employment Confidence Index	104.2	-	-	Turned slightly to net optimism in Q1-Q2 as unemployment fell.
	Aug building consents	-0.80%	-	-	Trending up, led by Auckland and Christchurch.
	Sep ANZ business confidence	48.1	-	-	Confidence strong; capacity/inflation pressures the next to watch.
	Aug private sector credit	3.60%	-	-	Housing credit has been growing steadily, business credit remains volatile.
Aus	Aug private credit	0.40%	0.40%	0.40%	Firmer from April, as lower AUD impacts business credit, see textbox.
Chn	Sep HSBC manufacturing PMI - final	51.2	–	–	Flash modestly beat expectations, up from 50.1 in Aug.
Eur	Sep CPI flash %yr	1.30%	1.20%	1.30%	Ger Jun CPI due 27/9, expected to hold steady. Euro core was 1.1 yr%.
Ger	Aug retail sales	–0.5%	0.70%	–	Tentative date, data due by Oct 1.
UK	Sep house prices %yr	1.80%	–	–	Hometrack index
	Sep house prices %yr	5.40%	6.40%	–	Tentative date for Halifax index, due sometime this week.
	Aug net mortgage lending £bn	0.7	0.9	–	BoE/Treasury FLS credited with modest rise in household loan out-
	Aug net consumer credit £bn	0.6	0.6	–	standings, though demand for credit outside mortgages still weak.
	Aug M4 money supply ex IOFCs %yr	2.80%	–	–	Down from 7.9%yr in Aug 12, a function of BoE APP suspension.
US	Sep Chicago PMI	53	54.3	52	Sep regional surveys strong (Philly), neutral (NY) or weak (Richmond),
	Sep Milwaukee NAPM	48.2	–	–	but Chicago has been subdued lately. Michigan lesser watched.
	Sep Dallas Fed factory index	5	–	5	See comment above, substituting Dallas for Michigan.
Can	Jul GDP	–0.5%	0.50%	–	Monthly pace running behind that of Q1 in Q2; how will Q3 start?
	Aug industrial product prices	0.30%	–	–	Recent back to back gains yet to offset April decline.
Tue 1					
Aus	Aug retail sales	0.10%	0.30%	0.30%	Sentiment improved in Aug but job loss fears clearly restraining demand.
	Sep TD-MI inflation gauge %yr	2.20%	–	–	Underlying inflation benign. Import prices to lift on lower AUD.
	Sep AiG PMI	46.4	–	–	Manufacturing contracting, avg'd 43.6 ytd. Volatile month to month.
	Sep RP Data-Rismark home price index	0.50%	–	1.30%	Sydney auction clearance rates hit record high in Sep.
	RBA policy announcement	2.50%	2.50%	2.50%	On hold Oct, but holds clear easing bias.
Chn	Sep NBS manufacturing PMI	51	–	–	Private series now more in accord, especially in key inventory sub-index.
Eur	Sep PMI factory final	51.1 a	–	51.1	German IFO also reflected an element of caution in sentiment.
	Aug unemployment rate %	12.10%	–	12.10%	Steady German jobless rate and fewer rises elsewhere.
Ger	Sep unemployment ch'	7k	0k	–	Aug saw first rise since May.
UK	Sep factory PMI	57.2	57.3	–	Recent survey strength is not just royal baby/hot weather related!
US	Sep ISM factory index	55.7	55.2	53.5	ISM outperformance relative to economy surely cannot last!
	Aug construction spending	0.60%	0.40%	0.60%	Higher single family starts in Aug to lift residential spending
	Sep auto sales mn annualised	16	16	–	Sales in uptrend above Nov storm replacement spike to 15.5mn.
Wed 2					
NZ	GlobalDairyTrade auction	0.30%	-	-	Strong Chinese demand has kept dairy prices at high levels.
	Sep commodity price index	0.70%	-	-	Dairy, log, meat prices steady in Sep.
Aus	Aug dwelling approvals	10.80%	–1.0%	–3.0%	Solid uptrend coming through but some 'payback' likely on Jul's big jump.
	Aug trade balance, AUDbn	–0.8	–0.45	–0.4	Exports f/c +2.5%, prices & volumes up. Imports +1.0%. See textbox.
Eur	Aug PPI %yr	0.20%	–0.6%	0.20%	No price pressure from industry.
	ECB rate decision	0.50%	0.50%	0.50%	Draghi's cautious tone likely to be reiterated.
UK	Sep PMI construction	59.1	60	60	Highest since 2008 in Aug, BoE-T FFLS may be helping.
US	Sep ISM New York	60.5	–	–	Little watched but surged in July, only partially correcting lower in Aug.
	Sep ADP private payrolls	176k	175k	160k	Running stronger than official payrolls of late.
	Fed Chairman Bernanke	–	–	–	Bernanke on local banks and Rosengren on the economy.
Thu 3					
Chn	Sep NBS services PMI	53.9	–	–	Services seem relatively upbeat with profitability improving in Q3.
Eur	Sep PMI services final	52.1 a	52.1	52.1	Even French services PMI back above 50!
	Sep PMI composite final	52.1 a	–	52.1	PMI implies modest growth in Q3 but then it implied Q2 contraction.
	Aug retail sales	0.10%	0.10%	–	German data on 20/9 will provide key guidance.
UK	Sep PMI services	60.5	60.5	59.5	Highest since late 2006 in Aug.
US	Initial jobless claims, w/e 27/9	305k	315k	315k	Downtrend resumed with no special factors behind latest outcome.
	Sep ISM non-manufacturing	58.6	57	55.5	ISM outperformance relative to economy surely cannot last!
	Sep corporate layoffs %yr	56.50%	–	–	Challenger series.
	Aug factory goods orders	–2.4%	0.20%	2.00%	Durables known flat. Prices not a big factor for Aug non-durables
	Fedspeak	–	–	–	Powell on banking.
Fri 4					
Chn	Sep HSBC services PMI	52.8	–	–	Logistics activity has been firming, VAT revenues likewise.
Ger	Aug producer prices	0.50%	0.00%	–	Minimal price pressure apparent.
US	Sep non-farm payrolls ch'	169k	178k	192k	Stronger Sep gain still leaves trend weak. See text box.
	Sep jobless rate	7.30%	7.30%	7.30%	Higher participation stalling jobless rate improvement.
	Fedspeak	–	–	–	Dudley brief remarks; Stein at same conference.
Can	Sep IVEY PMI	51	–	54	Aug discontinued see-saw pattern of 2013 so far at the low end.

New Zealand forecasts

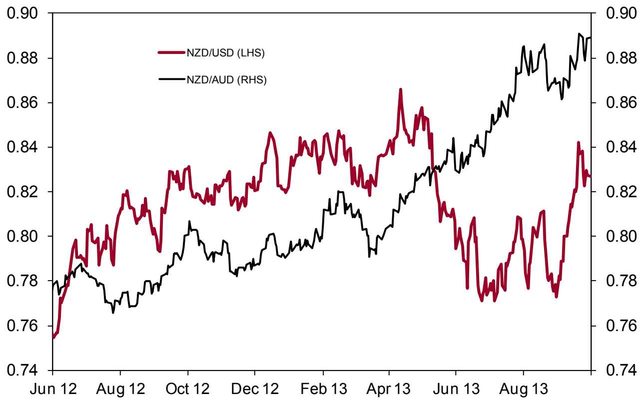
Economic Growth Forecasts	March years				Calendar years			
% change	2012	2013f	2014f	2015f	2011	2012	2013f	2014f
GDP (Production) ann avg	1.9	2.7	2.9	3.8	1.4	2.7	2.7	3.7
Employment	1.0	0.4	2.5	2.8	1.5	-1.4	3.7	2.8
Unemployment Rate % s.a.	6.8	6.2	5.6	4.8	6.3	6.8	5.8	4.8
CPI	1.6	0.9	1.6	2.3	1.8	0.9	1.5	2.1
Current Account Balance % of GDP	-3.8	-4.5	-4.4	-5.4	-3.6	-4.7	-4.2	-5.4

Financial Forecasts	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Cash	2.50	2.75	3.00	3.25	3.50	3.75
90 Day bill	2.75	3.00	3.25	3.50	3.75	4.00
2 Year Swap	3.40	3.50	3.60	3.80	4.00	4.20
5 Year Swap	4.20	4.20	4.30	4.40	4.50	4.70
10 Year Bond	4.30	4.30	4.40	4.50	4.60	4.70
NZD/USD	0.82	0.83	0.81	0.78	0.76	0.76
NZD/AUD	0.89	0.90	0.90	0.90	0.89	0.89
NZD/JPY	80.4	80.5	77.8	74.1	71.4	70.8
NZD/EUR	0.63	0.63	0.63	0.63	0.63	0.63
NZD/GBP	0.52	0.52	0.51	0.51	0.49	0.48
TWI	77.3	78.1	76.9	75.5	74.3	73.9

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 30 Sep 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	2.66%	2.65%	2.65%
90 Days	2.69%	2.66%	2.66%
2 Year Swap	3.44%	3.57%	3.42%
5 Year Swap	4.36%	4.55%	4.36%

NZ foreign currency mid-rates as at Monday 30 Sep 2013

Exchange Rates	Current	Two weeks ago	One month ago
NZD/USD	0.8270	0.8134	0.7765
NZD/EUR	0.6136	0.6114	0.5879
NZD/GBP	0.5132	0.5122	0.5003
NZD/JPY	80.69	80.79	76.42
NZD/AUD	0.8889	0.8778	0.8689
TWI	77.03	76.45	73.66

International forecasts

Economic and Financial Forecasts

Economic Forecasts (Calendar Years)	2009	2010	2011	2012	2013f	2014f
Australia						
Real GDP % yr	1.4	2.5	2.4	3.7	2.5	2.3
CPI inflation % annual	2.1	2.8	3.0	2.2	2.2	2.7
Unemployment %	5.6	5.2	5.2	5.4	6.0	6.5
Current Account % GDP	-4.2	-2.9	-2.3	-3.7	-2.6	-3.0
United States						
Real GDP %yr	-3.1	2.4	1.8	2.8	1.5	1.7
Consumer Prices %yr	-0.3	1.6	3.1	2.1	1.4	1.6
Unemployment Rate %	9.3	9.6	8.9	8.1	7.6	7.5
Current Account %GDP	-2.7	-3.0	-2.9	-2.7	-2.7	-2.9
Japan						
Real GDP %yr	-5.7	4.9	-0.5	1.9	1.9	2.4
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
Euroland						
Real GDP %yr	-4.4	1.9	1.6	-0.6	-0.5	-0.4
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
United Kingdom						
Real GDP %yr	-4.0	1.8	0.9	0.2	1.1	0.9
Consumer Prices %yr	2.2	3.2	4.0	2.8	2.3	1.8
Unemployment Rate %	7.6	7.8	8.4	8.0	8.5	8.5
Current Account %GDP	-1.3	-2.5	-1.9	-3.8	-2.5	-1.5
Forecasts finalised 9 September 2013						

Interest Rate Forecasts	Latest	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14
Australia						
Cash	2.50	2.25	2.00	2.00	2.00	2.00
90 Day Bill	2.60	2.30	2.10	2.10	2.10	2.10
10 Year Bond	3.87	3.70	3.40	3.40	3.50	3.70
International						
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	2.66	2.70	2.50	2.60	2.75	2.80
ECB Repo Rate	0.50	0.50	0.50	0.50	0.50	0.50

Exchange Rate Forecasts	Latest	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14
AUD/USD	0.9347	0.92	0.92	0.90	0.87	0.85
USD/JPY	98.73	98	97	96	95	94
EUR/USD	1.3481	1.31	1.31	1.28	1.23	1.20
AUD/NZD	1.1276	1.12	1.11	1.11	1.12	1.12

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Disclaimer continued

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