



Cape Reinga lighthouse, North edge of New Zealand

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Playing in the V

All eyes were firmly on the Reserve Bank's January OCR Review last week. While we were always expecting the RBNZ to remain on hold, with the New Zealand economy gathering momentum and inflation printing above forecasts, markets were giving 30% odds on a hike. In the event the RBNZ opted to leave the OCR unchanged and firmly signalled its intention to hike in March. We're not sure what Mr Wheeler's batting style was when he played cricket for Wellington back in the 1980s. But as Governor of the RBNZ he seems more inclined to "play in the V" rather than try to pull the ball over mid-wicket for six.

Consistent with our expectations, the RBNZ acknowledged the stronger economy, commenting that *"New Zealand's economic expansion has considerable momentum"* and noting that it was now forecasting GDP growth around 3.5% in 2014 (upgraded from 2.9% in the December *Monetary Policy Statement*). High export commodity prices, growth in construction activity, strong inward migration and optimism among firms and households all rated a mention. Importantly the RBNZ also sounded more worried about inflation pressure than in the past. In particular the risk that increasing construction costs could feed through to the broader economy.

One sector where the bank acknowledged slowing activity was the housing market. As we noted previously, we have seen house sales fall around 11% in the three months to December as mortgage rates have risen and banks have reined in their low equity lending in response to new RBNZ rules. Our sense is the extent of slowing in the housing market is probably along the lines of what the RBNZ had been expecting to see. Data released last week showed the share of new low equity mortgage lending by banks (after exemptions) fell to 4.7% in December. This suggests banks have taken a conservative approach to this

Playing in the V continued

type of lending in order to ensure they are on track to comply with the Reserve Bank's 10% speed limit by the end of March. Indeed they may have room to ease up a little in the coming months.

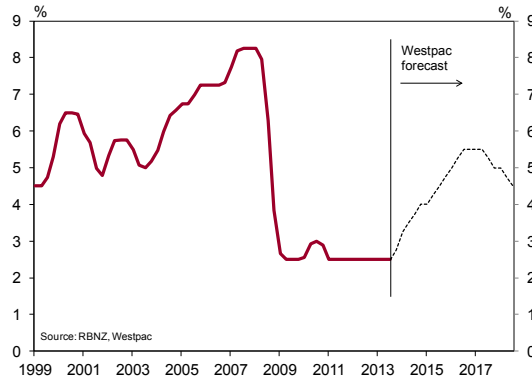
Uncertainties around the outlook for global growth in an environment where the US Federal Reserve has started to taper were acknowledged as a risk. And the RBNZ continues to express doubts that the "current level of the exchange rate is sustainable in the long run".

Governor Wheeler further elaborated on risks to the current economic expansion in a speech the day after the OCR Review. He noted that some of the reasons expansions end in economies like New Zealand include a slowdown in the global economy, a sharp decline in the terms of trade, a major shift in the stance of fiscal policy, or a large increases in interest rates in response to growing inflation pressures. But he largely went on to discount the likelihood of these happening in the current expansion. Slower global growth was possible but unlikely given forecasters were in the process of upgrading their outlooks, the terms of trade is expected to moderate in the near-term but be supported an improved outlook for world trade, and the outlook for fiscal policy is fairly stable. He was less dismissive of the risks posed by the increase in inflation pressure, and the rise in interest rates necessary to contain them, going to some lengths to explain where pricing pressure in the New Zealand economy are emanating from. Namely the construction sector and, potentially, via a lower exchange rate.

Yet there was nothing in either the January OCR Review nor Governor Wheeler's speech to alter our thinking of where the OCR is headed over the next couple of years. Barring disaster, the Reserve Bank is set to kick off a substantial tightening cycle in March.

While the OCR Review was certainly the focus of attention last week, out on the boundaries further evidence of a strengthening economy continues to trickle in. Immigration data showed another solid inflow of migrants in December, lifting the annual total above 20,000. We expect this trend to continue for some time yet, and are forecasting the annual net inflow of migrants to pass the 30,000 mark by the second half of this year.

Westpac OCR forecast



The key reason we expect inward migration to strengthen further is a continuation of the trend of fewer kiwis heading across the Tasman. Jobs have simply become much harder to come by for New Zealanders relocating to Australia. We expect this week's New Zealand labour market data to show employment growth of 0.6% in the quarter pushing annual growth to 2.8%. Compare that to the paltry 0.5% growth in Australian employment over 2013 and it's easy to see why the grass might be looking greener at home.

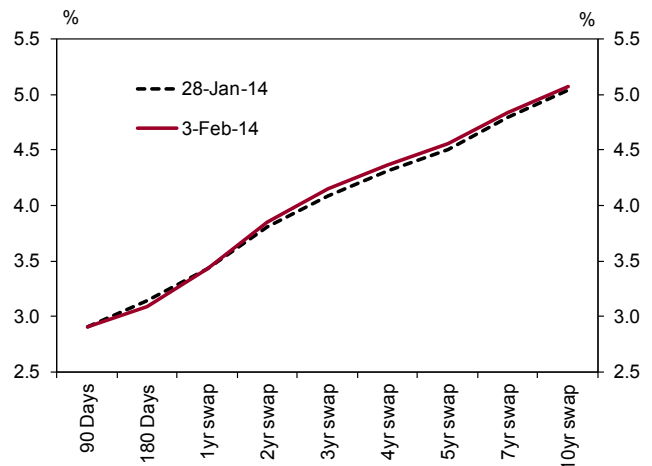
Tuesday's data should also show the unemployment rate falling a little further to 6.1%. This continues the trend of slow and steady improvement in the labour market. That said, with inflation low, pressure on wages has been muted so far, and likely remained so in the December quarter.

Job growth in construction sector has been one area of strength, especially in Canterbury. And looking at last week's building consent data it's not hard to see why. Consent issuance in the region continues to steam ahead, easily setting a new record for monthly issuance in December. The value of residential consents issued in the region is up 88% on a year ago while the value of non-residential building consents issued is up almost 140%. Nationwide residential consent issuance climbed an impressive 7.6% in the month and we continue to expect strong growth in construction activity to underpin faster growth this year.

Fixed vs Floating for mortgages

We are indifferent between fixing and floating at present. Interest rates are currently higher for longer fixed terms. However, we expect floating rates and short-term fixed rates to rise substantially over the coming three years. In our view, floating and short-term fixed rates offer no better or worse value than longer-term fixed rates.

NZ interest rates

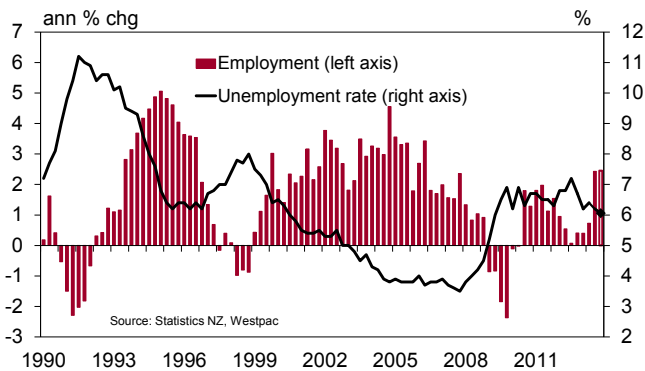


NZ Q4 household labour force survey

Feb 5, Employment: Last: 1.2%, Westpac f/c: 0.6%
Unemployment rate: Last: 6.2%, Westpac f/c: 6.1%

- We expect a small drop in the unemployment rate from 6.2% to 6.1%, which would be the lowest since June 2009. Near-term indicators of the labour market have been unanimously positive, albeit suggesting just a modest improvement.
- Employment growth tends to be much more volatile on a quarterly basis, in tandem with swings in the surveyed participation rate in the labour force. We expect a 0.6% increase in employment along with a steady 68.6% participation rate, but we feel the risks are more to the downside after both rose sharply in the September quarter.
- The employment figures shouldn't have much bearing on market expectations for the first OCR hike. The RBNZ is now convinced the economy has entered a sustainable upturn that will eventually generate inflation pressures, and is ready to start normalising interest rates "soon".

Household labour force survey

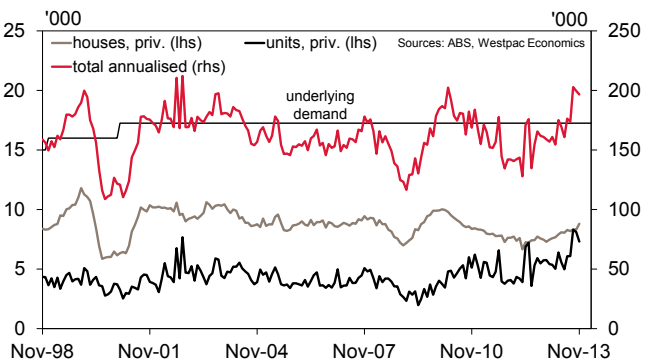


Aus Dec dwelling approvals

Feb 3, Last: -1.5%, WBC f/c: -1.5%
Mkt f/c: -0.5%, Range: -5.0% to 4.0%

- Dwelling approvals declined 1.5% in Nov after a 1.6% fall in Oct but remained at a relatively high level after a 16.8% spike in Sep. That spike was driven by units which are prone to big monthly moves. Subsequent falls in unit approvals however have been largely offset by strong rises in approvals for detached houses – typically a more stable component that gives a better guide to underlying trends.
- We expect headline dwelling approvals to retrace further in Dec although leaving approvals at a high level overall. Unit approvals were still 20% above their Aug level in Nov, indicating scope for a further pull-back in this segment. Private sector dwelling approvals more generally have also outstripped growth in construction-related finance approvals, suggesting some slowing is likely. We expect Dec to show a 1.5% decline.

Dwelling approvals

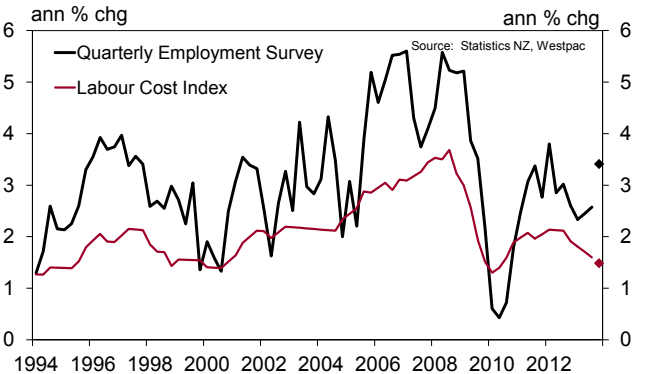


NZ Q4 labour cost index

Feb 5, Private sector wages: Last: 0.4%, Westpac f/c: 0.4%

- The Labour Cost Index, which adjusts for changes in labour productivity and the mix of jobs, has revealed a softening in wage inflation over the last year. We expect another modest quarterly increase of 0.4%, which would bring annual growth down to 1.5%, its slowest since June 2010.
- History suggests that the lag from stronger economic growth to higher wage inflation can be substantial. In the meantime, recent low inflation outturns and the existing degree of slack in the labour market are likely to have weighed on wage growth.
- The wage pressures generated by the post-quake rebuild in Canterbury have been fairly localised to date. Nevertheless we'll be watching this closely, in light of evidence that overall construction costs are now starting to rise nationwide.

NZ LCI and QES wages

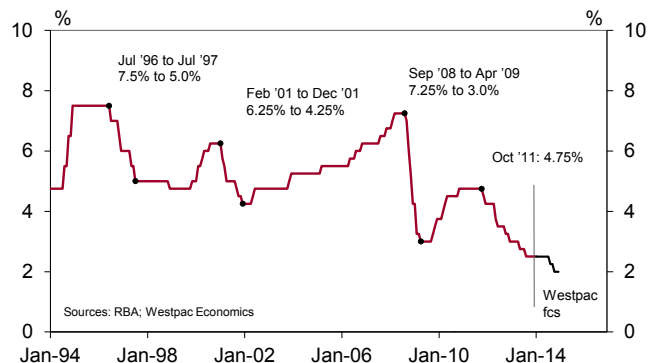


Aus RBA policy decision

Feb 4, 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 Feb meeting. The upside surprise on the Q4 CPI precludes further rate cuts for some months while the Bank ascertains whether there has been a sustained pick-up in inflation. The Bank is likely to shift its rhetoric as well, from an implied easing bias to a more neutral tone. In recent months this has been communicated via minutes and other commentary rather than the Governor's statements.
- We suspect the sharp fall in the AUD was the main driver of the Q4 CPI jump. With the AUD stabilising, continued downward pressure on wages should deliver more benign reads in 2014. As this becomes apparent and growth prospects remain challenging we expect the RBA to deliver two further 25bp rate cuts in Aug and Oct.

RBA cash rate: easing cycles

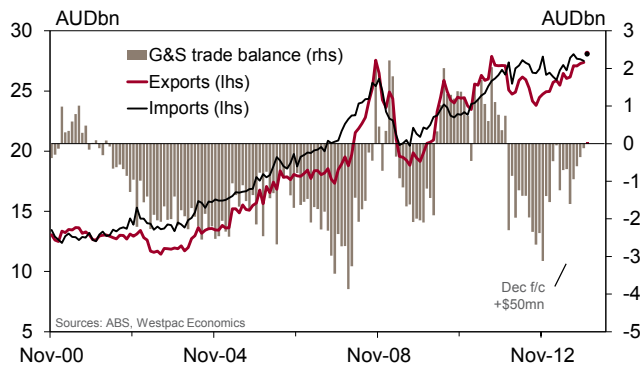


Aus Dec trade balance, AUDmn

Feb 6, Last: -118mn, WBC f/c: +50mn
Mkt f/c: -225mn, Range: -1000mn to +850mn

- Australia's trade position improved in the second half of 2013 on soft imports and a lift in resource export volumes. We're forecasting a surplus in the final month of the year, of \$50mn, the first surplus since December 2011.
- Imports are forecast to rise by 2.1%, with goods up 2.6%. This implies a softening of volumes given that prices were boosted by a lower currency. The AUD in December fell 3.7% vs USD and was down 3.3% on a TWI basis.
- Export values are up a forecast 2.7%. The currency effect is a key driver, as is an expected Lunar New Year spike in gold, partially offset by a pull-back in iron ore shipments following a strong run of late.

Australia's trade position

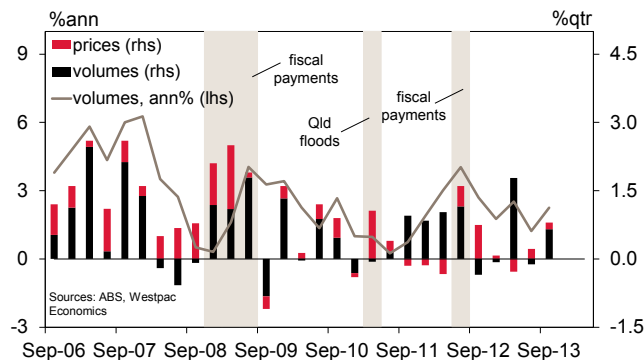


Aus Q4 real retail sales

Feb 6, Last: 0.7%, WBC f/c: 1.1%
Mkt f/c: 1.2%, Range: 0.8% to 1.8%

- Retail volumes were choppy through 2013, rising 1.8% in Q1, dipping 0.1% in Q2, and posting a 0.7% gain in Q3. At 2.2%yr, annual growth is weak, barely tracking above population growth.
- The December quarter should show a solid improvement. Nominal sales are expected to finish up 2.0% for the quarter, the strongest quarterly gains since Q1 2009 when fiscal stimulus payments were pumping up sales. Some of this reflects price rises: the surprisingly strong Q4 CPI included notable gains in food prices and imported goods. The detail suggests retail prices rose about 0.9% in the quarter. That leaves a still strong 1.1%qtr gain in sales volumes.

Quarterly retail volumes and prices

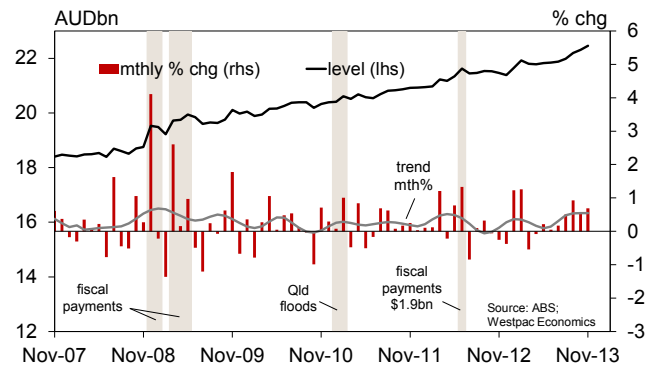


Aus Dec retail trade

Feb 6, Last: 0.7%, WBC f/c: 0.6%
Mkt f/c: 0.5%, Range: -0.2% to 0.9%

- Retail sales have regained momentum since mid-year with a solid run of monthly gains between Aug and Nov (+0.5%, +0.9%, +0.5% and +0.7%) lifting trend sales growth back to 0.5%mt, an annualised pace of 6.7%, the strongest since 2009.
- Consumer sentiment rallied in the December quarter but softened in the closing months of 2013, with job loss fears returning to the fore. Actual labour market conditions were also soft. Against this, housing activity continued to surge, Sydney in particular. We expect the 'wealth effects' from rising house prices on spending to be negligible while consumers remain risk averse and troubled by job insecurity. Business surveys suggest Dec was a good month for retailers, albeit broadly in line with the pick-up already observed. As such we expect to see a similar 0.6% gain in sales for Dec.

Monthly retail sales



US Jan ISM surveys

Feb 3, ISM manufacturing Last: 57.0, WBC f/c: 55.0
Feb 5, ISM non-manufacturing Last: 53.0, WBC f/c: 54.5

- The ISM Manufacturing Index posted a sustained upswing in H2 2013, averaging 56.7, its highest since H2 2010, and well above the 50.8 average in H2 2012. Yet the official manufacturing data compiled by the Fed show annual output growth little changed at 2.6%yr in Dec 2013 from 2.4%yr in Dec 2012. With durable orders weak in Dec and this ISM out-performance overdue for correction, we see a significantly lower headline in coming months.
- In contrast, the ISM non-manufacturing's surge to 58.6 in mid Q3 has since corrected back to levels consistent with subdued services growth. Indeed the turn of year seasonal upswing apparent in this ISM leading into early 2010, 2011 and 2012 did not show up in late 2013. A (temporarily) higher outcome is quite likely in Jan, but poor weather is a downside risk.

US ISMs

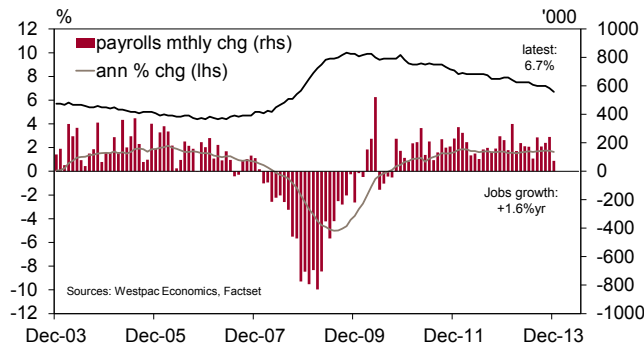


US Jan non-farm payrolls

Feb 7, Payrolls: Last: 74k, WBC f/c: 170k

- Payrolls rose 74k in Dec. Bad weather impacted (as may be the case in Jan) after mild weather boosted Nov (up 241k). Q4 saw 172k jobs month average, little changed from 167k in Q3 but slower than 195k in H1 2013 and 209k in Q4 2012.
- Jan's report will incorporate annual benchmark and seasonal factor revisions which may alter this weakening profile, but as the data stand we expect a modest 170k payrolls rebound, consistent with slower Q1 GDP growth from H2 2013's upswing.
- The jobless rate fell from 7.0% to 6.7% in Dec, due to a 347k fall in participation and 143k jobs gain in the separate household survey. New population benchmarks will be applied in the Jan data, and changed arrangements for long-term unemployment benefits might also impact, reaffirming the Jan report's 'most difficult to forecast' status! We forecast 6.8%.

US payrolls



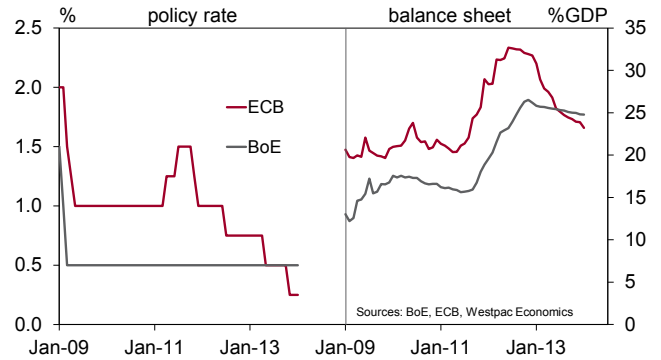
BoE and ECB policy decisions

Feb 6, BoE Last: 0.5%, WBC f/c: 0.5%

Feb 6, ECB Last: 0.25%, WBC f/c: 0.25%

- BoE Governor Carney pre-empted "evolving" forward guidance that policy would not be tightened before the jobless rate hit 7% because unemployment has fallen much faster than the policy committee expected back in August when the guidance was first formulated. Carney has reiterated that rates will not be rising any time soon even though the jobless rate dipped to 7.1% in Sep-Nov and the economy grew at 2.8% yr in Q4, its fastest in almost 6 years.
- ECB chief Draghi has continued to muse about further actions which would amount to easing, such as buying loans off the banks (a form of QE if the balance sheet expands). But that is still some way off. Meanwhile, falling inflation and rising market rates are concerns, but with the economy growing modestly it's likely all talk, no action from the ECB Council this month.

ECB & BoE



Data calendar

		Last	Market median	Westpac forecast	Risk/Comment
Mon 3					
Aus	Jan TD-MI inflation gauge	0.70%	-	-	Correctly picked up-tick in Q4 CPI ... kinda, sorta.
	Jan ANZ job ads	-0.7%	-	-	Only seen two positive reads in the last 22 months.
	Jan AiG PMI	47.6	-	-	Manufacturing index sub-50 throughout 2013, except in Sep & Oct.
	Jan RP Data-Rismark home price index	1.40%	-	1.20%	Jan data unreliable as markets are essentially closed.
	Dec dwelling approvals	-1.5%	-0.58%	-1.5%	Still at a high level after Sep's 16.8% jump.
Chn	Jan non-manufacturing PMI	54.6	-	-	Services GDP growth has levelled out, but profit margins have widened.
Eur	Jan PMI manufacturing final	53.9 a	53.9	53.8	ZEW, IFO current indices suggest upward revision possible.
	Dec PPI %yr	-1.2%	-0.9%	-1.0%	German PPI edged up from -0.8% to -0.5% yr in Dec.
UK	Jan house prices %yr	4.40%	-	-	Hometrack index.
	Jan PMI manufacturing	57.3	57.1	56	Recent official IP data not as solid as PMI surveys; some slippage due.
	Jan house prices %yr	7.50%	7.30%	-	Tentative date, due this week, for Halifax index
US	Jan ISM manufacturing	56.5	56	55	Tended to out-perform official IP data and regional surveys in 2013.
	Dec construction spending	1.00%	0.50%	-	Dwelling investment a drag on Q4 GDP; structures spending lower.
	Jan total vehicle sales mn annualised	15.3	15.6	-	Recent sales peak 16.4mn in Nov.
Can	Dec industrial product prices	0.10%	-	-	Modest Nov rise after falls in Sep and Oct.
Tue 4					
NZ	Jan commodity price index	1.00%	-	-	Commodity prices hovering near record levels.
Aus	RBA policy decision	2.50%	2.50%	2.50%	Q4 CPI surprise precludes moves near term. See commentary p2.
UK	Jan PMI construction	62.1	61.5	60	Running at record highs in late 2013: will FfL scheme changes impact?
US	Dec factory goods orders	1.80%	-1.2%	-1.5%	Durables fell 4.3% in Dec and Nov was revised lower..
	Jan ISM New York	63.8	-	-	Ended 2013 volatile but highly expansionary.
	Feb IBD-TIPP economic optimism	45.2	-	44.5	Weekly data show confidence slipping recently.
	Fedspeak	-	-	-	Lacker and Evans.
Wed 5					
NZ	GlobalDairyTrade auction	1.40%	-	-	Dairy prices remain high, buoyed by strong Chinese demand.
	Q4 HLFS employment	1.20%	0.60%	0.60%	Strong economy suggests solid jobs growth but can be volatile.
	Q4 HLFS unemployment rate	6.20%	6.00%	6.10%	U rate tells a more consistent story of gradual improvement.
	Q4 labour cost index	0.40%	0.50%	0.40%	Wage growth to remain modest on the back of low past inflation.
Eur	Dec retail sales	1.40%	-0.4%	-0.2%	German retail sales revised lower in Nov, may impact here too.
	Jan PMI services final	51.9 a	51.9	51.8	National data showed France less weak, Germany stalled.
UK	Jan BRC shop price index %yr	-0.8%	-	-	Deflation on High St since mid last year.
	Jan PMI services	58.8	59.1	58.3	Dec saw first sub 60 reading since June.
US	Jan ISM non-manufacturing	53	53.7	54.5	Turn of year seasonal upswing not yet apparent; bad weather risk.
	Jan ADP private payrolls	238k	190k	160k	ADP running 165k ahead of BLS private payrolls in H2 13. Correction due?
	Fedspeak	-	-	-	Plosser and Lockhart.
Can	Dec building permits	-6.7%	-	-	Nov fall broad-based across residential (single/multiples), non-res.
Thu 6					
NZ	Waitangi Day	-	-	-	Public holiday, markets closed.
Aus	Dec retail trade	0.70%	0.50%	0.60%	Another solid month following good gains through Aug-Nov ...
	Q4 real retail sales	0.70%	1.20%	1.10%	... although Q4 CPI suggests rising prices have played a part in gains.
	Dec trade balance, AUDmn	-118	-225	50	Exports +2.7%. Imports +2.1%, soft volumes. See text box.
	Q4 NAB business survey	-	-	-	Qtrly survey. Dec mthly survey showed a lift in conditions.
Eur	ECB rate decision	0.25%	0.25%	0.25%	ECB still mulling further easing but in what form? See text box.
Ger	Dec factory orders	2.10%	0.40%	-1.0%	Nov gain reversed Oct's fall. Orders up 6.8% yr.
UK	BoE policy decision £bn	375	375	375	Forecasts and maybe forward guidance to be revised? See text box.
US	Initial jobless claims w/e Feb 1	348k	-	335k	Higher claims in w/e 25/1 may have been holiday-distorted.
	Q4 non-farm productivity % ann'lsd	3.00%	2.50%	2.30%	GDP growth slowed, hours worked rose less slowly in Q4 indicating
	Q4 unit labour costs	-1.4%	-0.5%	-0.4%	slower productivity growth but ULC likely still fell as earnings slowed.
	Dec trade balance bn	-34.3	-35.9	-36.0	In Nov exports rose 0.9%; imports fell 1.4%. Dec imports to bounce.
	Jan corporate layoffs announced %yr	-5.9%	-	-	No clear trend over past year.
	Fedspeak	-	-	-	Rosengren.
Can	Dec trade balance C\$bn	-0.9	-	-	Exports and imports both little changed in Nov.
	Jan Ivey PMI	46.3	-	55	Dec plunged to recessionary levels. A bounce seems inevitable.
Fri 7					
Aus	Feb RBA Statement on Monetary Policy	-	-	-	Look for upward revision to CPI forecast, rhetoric shift to 'firmly neutral'.
Chn	Jan HSBC services PMI	50.9	-	-	Services GDP growth has levelled out, export logistics likewise.
Ger	Dec industrial production	1.90%	flat	0.50%	Nov gain reversed Sep-Oct falls. Running 3.5% yr pace, a 2 yr high.
	Dec exports	0.30%	0.50%	-	Exports growth has slowed after Q3 spurt.
UK	Dec industrial production	0.00%	0.70%	1.00%	Nov's flat data still left annual growth at respectable 2.5%yr.
	Dec trade balance £bn	-9.4	-9.3	-	In Nov exports rose 2%, imports rose 0.8%.
US	Jan non-farm payrolls change	74k	180k	170k	Annual benchmark and seasonal factor revisions will change recent
	Jan unemployment rate	6.70%	6.70%	6.80%	payrolls profile; some weather bounce possible too. See text box.
	Dec consumer credit \$bn	12.3	12.4	-	Student and auto loans the main drivers again in 2013.
Can	Jan employment ch	-46k	-	-10k	In H2 13 jobs grew just 21k, after 82k in H1 13 and 131k in H2 12.

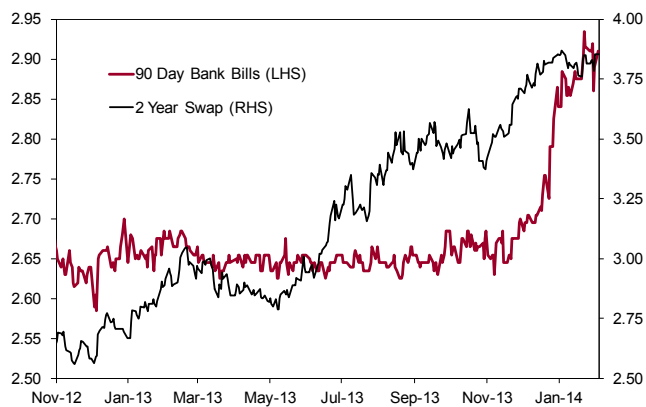


New Zealand forecasts

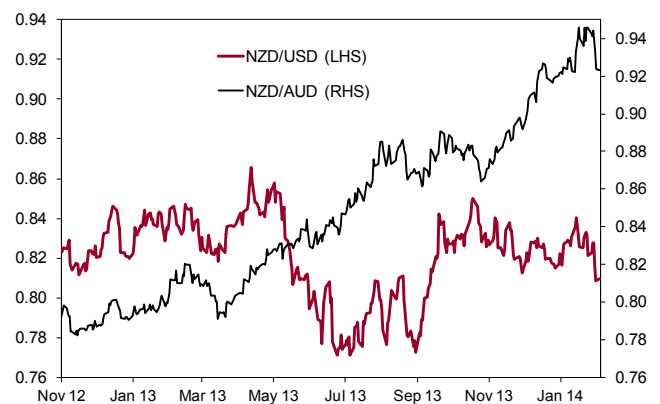
Economic Growth Forecasts	March years				Calendar years			
	2012	2013f	2014f	2015f	2011	2012	2013f	2014f
% change								
GDP (Production) ann avg	2.4	2.3	3.1	3.8	1.9	2.6	2.8	3.9
Employment	0.9	0.4	3.0	2.6	1.6	0.4	2.4	2.8
Unemployment Rate % s.a.	6.8	6.2	5.9	5.1	6.3	6.7	6.1	5.1
CPI	1.6	0.9	1.4	2.2	1.8	0.9	1.6	1.9
Current Account Balance % of GDP	-3.1	-3.9	-3.4	-4.0	-2.9	-4.1	-3.7	-3.4

Financial Forecasts	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15
Cash	2.75	3.25	3.50	3.75	4.00	4.00
90 Day bill	3.10	3.50	3.75	4.00	4.20	4.30
2 Year Swap	3.90	4.10	4.30	4.50	4.65	4.80
5 Year Swap	4.60	4.70	4.80	4.90	5.05	5.20
10 Year Bond	4.80	4.90	5.10	5.20	5.30	5.40
NZD/USD	0.84	0.83	0.82	0.81	0.80	0.79
NZD/AUD	0.93	0.94	0.94	0.94	0.94	0.93
NZD/JPY	85.7	83.8	82.0	80.2	80.0	78.4
NZD/EUR	0.63	0.64	0.63	0.64	0.63	0.64
NZD/GBP	0.53	0.52	0.52	0.51	0.49	0.48
TWI	79.5	79.4	78.6	78.1	77.6	76.8

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 3 Feb 2014

Interest Rates	Current	Two weeks ago	One month ago
Cash	2.50%	2.50%	2.50%
30 Days	2.72%	2.73%	2.71%
60 Days	2.77%	2.81%	2.80%
90 Days	2.91%	2.88%	2.87%
2 Year Swap	3.85%	3.77%	3.85%
5 Year Swap	4.56%	4.53%	4.72%

NZ foreign currency mid-rates as at Monday 3 Feb 2014

Exchange Rates	Current	Two weeks ago	One month ago
NZD/USD	0.8098	0.8252	0.8276
NZD/EUR	0.6005	0.6094	0.6089
NZD/GBP	0.4929	0.5025	0.5046
NZD/JPY	82.56	85.89	86.77
NZD/AUD	0.9232	0.9402	0.9239
TWI	76.85	78.47	78.3

Economic and Financial Forecasts

Economic Forecasts (Calendar Years)	2009	2010	2011	2012	2013f	2014f
Australia						
Real GDP % yr	1.5	2.3	2.6	3.6	2.4	2.6
CPI inflation % annual	2.1	2.8	3.0	2.2	2.7	2.3
Unemployment %	5.6	5.2	5.2	5.3	5.8	6.4
Current Account % GDP	-4.7	-3.5	-2.8	-4.1	-3.1	-3.8
United States						
Real GDP %yr	-2.8	2.5	1.8	2.8	1.6	1.6
Consumer Prices %yr	-0.3	1.6	3.1	2.1	1.5	1.7
Unemployment Rate %	9.3	9.6	8.9	8.1	7.5	7.1
Current Account %GDP	-2.7	-3.0	-2.9	-2.7	-2.5	-2.5
Japan						
Real GDP %yr	-5.5	4.7	-0.6	2.0	1.7	1.6
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	2.0	1.5	-0.6	-0.5	-0.1
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	-5.2	1.7	1.1	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 11 December 2013						

Interest Rate Forecasts	Latest	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Australia						
Cash	2.50	2.50	2.50	2.25	2.00	2.00
90 Day Bill	2.61	2.55	2.55	2.30	2.10	2.10
10 Year Bond	4.00	4.10	3.90	3.70	4.00	4.10
International						
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	2.69	2.80	2.80	2.60	2.80	3.00
ECB Repo Rate	0.25	0.25	0.25	0.25	0.25	0.25

Exchange Rate Forecasts	Latest	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
AUD/USD	0.8766	0.90	0.88	0.87	0.86	0.85
USD/JPY	102.49	102	101	100	99	100
EUR/USD	1.3542	1.34	1.30	1.30	1.27	1.26
AUD/NZD	1.0769	1.07	1.06	1.06	1.06	1.06

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