



Castle Hill, Canterbury.

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# Piling on the pressure

The New Zealand dollar's small post-election relief bounce last week was quickly swamped by far greater forces from both locally and overseas. The currency has now fallen below 80c against the US dollar for the first time in over a year.

Most major currencies have lost ground against the US dollar in recent weeks, which can be put down to at least two factors. One is that relative economic conditions appear to be turning more in the US's favour, and consequently expectations for interest rate hikes by the Federal Reserve are being brought forward. Our forecast for a September 2015 start date for rate hikes is a little later than the market consensus, but we share the general sentiment that higher interest rates in the US are the most likely catalyst for a sustained rise in the US dollar.

Another factor has been a fading of investor risk appetite as questions are increasingly asked about the state of China's economy. Chinese growth has remained slow (by its own standards) this year, and policymakers have resisted providing the broad-based stimulus that the market seems to be hoping for. Prices for commodities such as oil, gold, copper and iron ore have been sliding for several weeks, taking down the so-called commodity currencies such as the NZ and Australian dollars with them.

The Westpac-MNI consumer sentiment index for China, released last week, shows that households are a particularly weak spot in the Chinese economy at the moment – a crucial point for New Zealand, given that our exports to China are largely oriented towards consumption and homebuilding. House prices are falling in all of the major cities and the authorities continue to crack down on property speculation, and concerns about job security are growing. Our view remains that some fiscal stimulus will be forthcoming, though with a selective focus.

Local developments have also contributed to the change in sentiment on the NZ dollar. Last week Fonterra downgraded its forecast milk price for the current dairying season from \$6.00 to \$5.30 per kilo of milk solids, in line with our current forecast. After a milk price of \$8.40 last season, this represents a drop in revenue for more than \$5bn for dairy farmers. Fonterra noted that this new forecast reflected the "uncertain outlook for the global economic environment and an expectation of continued volatility for dairy prices driven by geo-political events and the supply/demand imbalance."

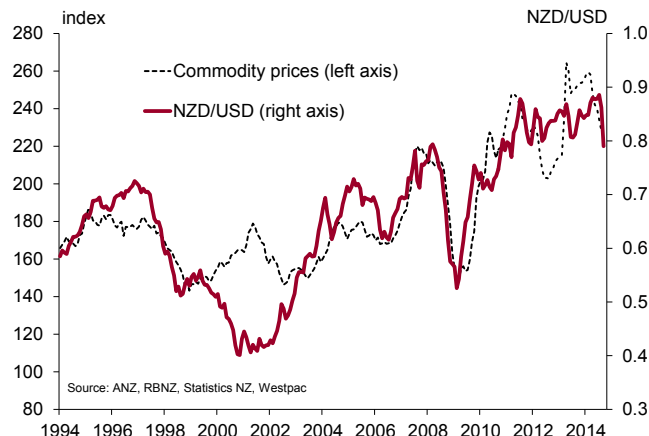
# Piling on the pressure continued

A sharp drop in this season's milk price has been on the cards for some time, given the steep declines we've seen in world dairy prices in the twice-monthly GlobalDairyTrade auctions. In that light, it's somewhat surprising that consumer confidence has held up so well in recent months. The Westpac-McDermott Miller survey for the September quarter showed a drop in the headline confidence index from 121.2 to 116.7, still comfortably above its long-run average. Notably, confidence remained robust even in the more rural regions. It may be that consumers have been shielded to date from the effects of lower dairy earnings, with dairy farmers still receiving the final cash payments from last season. If so, the knock-on effects to confidence and spending may become more apparent in the next few quarters.

The NZ dollar's tough week was completed when the Reserve Bank released an unscheduled statement reiterating its view that the level of the exchange rate is "unjustified and unsustainable", and that a further significant depreciation is warranted. This afternoon the RBNZ will be reporting its foreign exchange transactions during August, a month when it was widely rumoured that the RBNZ had intervened to sell the NZ dollar. We suspect the statement was meant as a pre-emptive justification for whatever shows up in those figures.

Interestingly, the RBNZ's degree of concern about the exchange rate doesn't appear to have been softened at all by the fall in the NZ dollar to date (the trade-weighted index is now down almost 6% from its July peak). The RBNZ's view that the currency should fall even further from here implies a much weaker path for the exchange rate than was assumed in the September *Monetary Policy Statement*, and consequently a higher inflation rate than forecast. (The *MPS* forecasts did leave some room to absorb an upside surprise on inflation over the near term, given that it wasn't expected to reach the 2% target midpoint until September 2016.)

NZD and commodity prices, adjusted for inflation



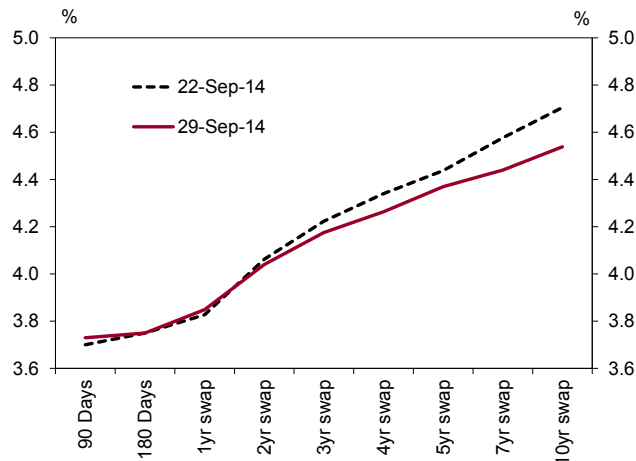
We revised down our NZ dollar forecasts earlier this month, from 84 to 81 cents over the next two quarters, to reflect a later resumption of rate hikes and a slower recovery in export prices. However, we're not inclined to revise our view further on the basis of the RBNZ statement. Decades of experience from around the world has shown that neither verbal nor actual intervention has any sustained impact on exchange rates ("sustained" being the operative word; of course it's possible to disrupt the market temporarily). Rather, large and sustained falls in the NZD have typically coincided with a severe recession, often coupled with a financial crisis. Obviously that's not our central view, and is certainly not something that anyone should be hoping for.

## Fixed vs Floating for mortgages

Floating mortgage rates usually work out to be more expensive for borrowers than short-term fixed rates, such as the six-month rate. However, floating may still be the preferred option for those who require flexibility in their repayments.

Among the standard fixed rates, the best deals for borrowers with a deposit of 20% or more are clustered around the two-year term, and these offer substantial value relative to where we expect shorter-term rates to go over the next two years. There is little point in fixing for just one year, given that these rates are higher than the two-year rate in most cases. Opting for three- or four-year terms would require higher payments up front, but could help to insulate the borrower if the Reserve Bank follows through with an extensive OCR hiking cycle.

NZ interest rates

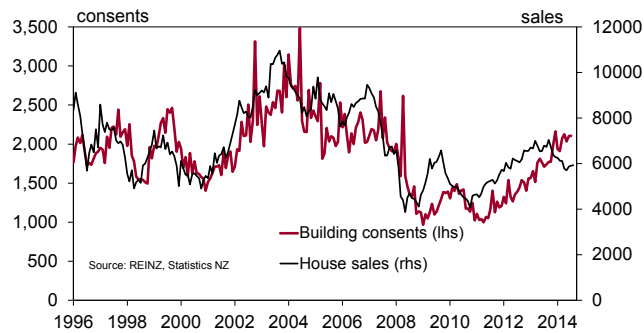


## NZ Aug building consents

Sep 30, Last: +0.1%, Westpac f/c: -1.0%

- The strong upward trend in building consents has remained intact this year, albeit with the usual choppiness in the totals from month to month largely due to the apartment units category. Apartment consents pulled back from extremely high in June to quite high in July, and our August forecast assumes a further moderation.
- The post-quake Christchurch rebuild is still gathering momentum, and construction in Auckland has room to expand much further given population pressures and still-rising house prices. Consents have also picked up modestly in the rest of the country, though there's little evidence of a shortfall in the supply of housing.

NZ housing activity

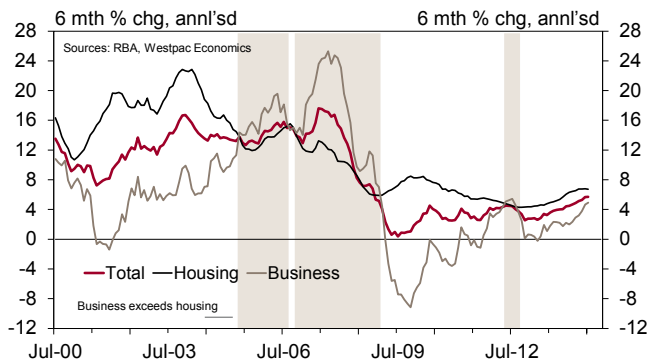


## Aus Jul private sector credit

Sep 30, Last: 0.4%, WBC f/c: 0.5%  
Mkt f/c: 0.5%, Range: 0.3% to 0.6%

- Credit growth is tracking a little higher in 2014 than 2013 as record low interest rates encourage a lift in borrowing. The business segment is advancing after a patchy performance last year. Annual credit growth is 5.1%, up from 3.2% a year ago.
- For August, we expect credit growth to round to 0.5% following a 0.44% outcome for July. Both business and housing could potentially print a little firmer given the recent lift in new lending.
- Business credit grew by 3.1% over the past eight months, including a 0.3% increase in July. Annual growth is now 3.4%, up from 1.2% a year ago.
- Housing credit consolidated in the first half of 2014 after an acceleration over the second half of last year in response to RBA rate cuts. The July outcome was 0.5% mth, 6.5% yr.

Credit momentum

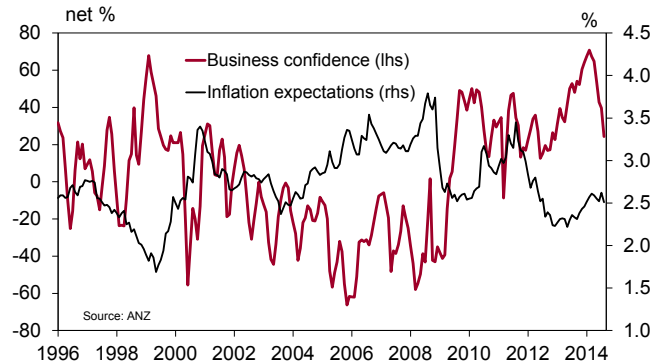


## NZ Sep business confidence

Sep 30, Last: 24.4

- Having started the year at a two-decade high, business confidence has lost significant altitude in recent months. The most recent survey readings have been consistent with about-trend GDP growth of 0.7% per quarter, which is indeed what we saw in Q2 and what we expect for Q3.
- This survey pre-dates the 20 September general election. The pre-election 'uncertainty' trope has been trotted out in recent months, but confirmation of any such effect will have to wait until October. More tangibly, the September survey also pre-dates the latest downgrade to Fonterra's milk price forecast for this season.

NZ business confidence & inflation expectations

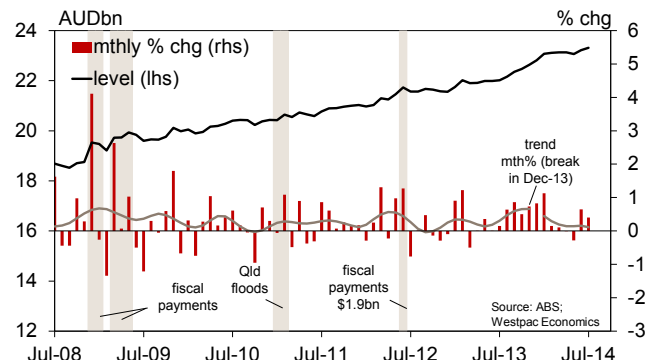


## Aus Aug retail trade

Oct 1, Last: 0.4%, WBC f/c: 0.3%  
Mkt f/c: 0.4%, Range: 0.1% to 0.7%

- Retail sales rose 0.4% in July following a 0.6% gain in June, a decent back to back result after a 0.3% dip in May and a flat run between February and April. That said, trend sales growth is still basically flat. The detail showed a solid gain in food-related sectors, but softness elsewhere.
- Consumer sentiment posted a promising gain in Aug, the first real lift since its post-Budget fall in May. However, that proved short lived, with confidence retracing in September. Monthly business surveys and anecdotes suggest the improved demand picture in July carried into August, although momentum does not appear to have accelerated further. On balance, we expect another 'ho-hum' 0.3% gain for retail sales in Aug.

Monthly retail sales

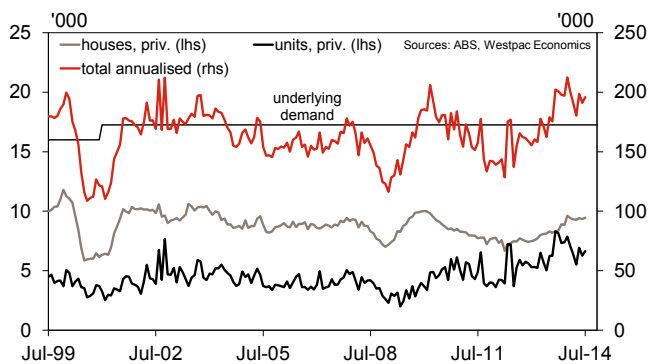


## Aus Aug dwelling approvals

**Oct 2 Last: 2.5%, WBC f/c: -2.5%**  
**Mkt f/c: 1.0%, Range: -3.0% to 3.0%**

- Dwelling approvals posted a small but better than expected rise in July, up 2.5% mth, with revisions also on the positive side. The detail suggests one-offs were a factor, with a big rise in WA unit approvals carrying the gain (approvals ex WA units were actually down a touch on a combined basis). The overall picture remains consistent with a modest cooling in activity coming from a high starting point.
- We expect this modest downtrend to continue in Aug, although it may start to flatten out. Consumer attitudes towards 'time to buy a dwelling' have cooled notably, but this has an uncertain link with new building. Meanwhile, investor demand has remained strong, with the segment showing a clear preference for newly-constructed dwellings. Construction-related finance approvals also remain firm. On balance, we expect approvals to decline 2.5% in Aug, mainly on a fall back in WA units.

### Dwelling approvals

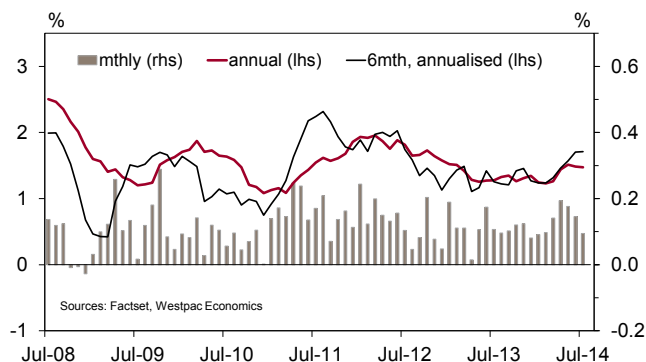


## US core PCE deflator and personal income/spending

**Sep 29, Core PCE deflator: Last: 0.1%, WBC f/c: 0.0%**  
**Sep 29, Personal income: Last: 0.2%, WBC f/c: 0.3%**  
**Sep 29, Personal spending: Last -0.1%, WBC f/c: 0.5%**

- The core PCE deflator was steady at 0.1% in July, holding the annual rate at 1.5% yr for the third month running, helping to ease concerns from earlier this year that inflation might be picking up steam in a sustained sense. Personal income rose a modest 0.2%, but personal spending fell 0.1%; autos and utilities were shunned by households in the early part of Q3, with savings rebuilt further despite weak income growth.
- The core CPI was flat in Aug and a similar low inflation outcome for the core PCE deflator is expected. Personal income growth may have picked up slightly in line with modest rises in hourly earnings and hours worked. Personal spending likely rose 0.5%, driven by rising auto sales, a core retail upswing and renewed purchases of household services.

### US core PCE deflator

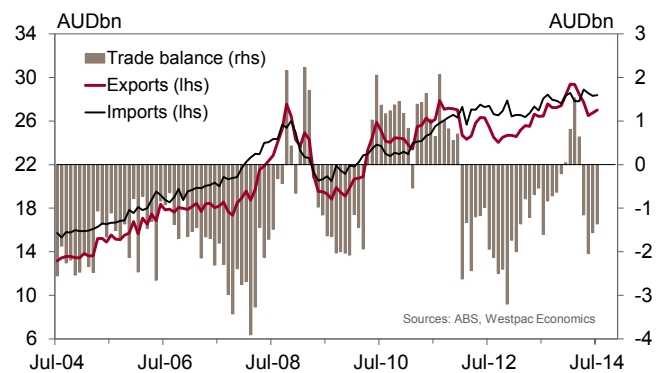


## Aus Aug trade balance, AUDbn

**Oct 3, Last: -1.36, WBC f/c: -0.9**  
**Mkt f/c: -0.8, Range: -1.5 to -2.0**

- Australia's trade account has been in deficit for the four months to July, on weaker commodity prices as well as some adverse volatility in import and export volumes.
- In August, the deficit is expected to narrow on lower imports.
- Imports are expected to decline by 2.4%, with goods imports down by a reported 3.1%.
- Exports are also likely to be down in the month, albeit by a more modest 0.9%. Prices weakened in August; we expect volumes to be broadly flat.
- The Australian dollar moved lower in August, down 0.5% on a TWI basis and -0.9% against the US dollar – a move that would act to boost imports and exports.

### Australia's trade balance: -\$1.36bn in July



## US Sep ISM factory and non-manufacturing surveys

**Oct 1, Factory: Last: 59.0, WBC f/c: 57.0**  
**Oct 3, Non-man: Last: 59.6, WBC f/c: 58.0**

- The ISM factory index jumped from 57.1 to 59.0 in August, its second highest reading in 10 years; that brings it into line with the Markit factory PMI which reached a multi-year high in August (57.9), and held there in September. But the correlation between the two surveys is tenuous; we expect the ISM factory index to dip to 57.0 on lower auto output in September.
- The ISM non-manufacturing index rose from 58.7 to 59.6 in August, just shy of the 60 level which has only been exceeded twice this century. Strong readings are typical this time of year. The Markit PMI non-manufacturing tracks quite closely and it has drifted lower in the three months since its multi-year high in June. We expect imminent slippage in the ISM survey equivalent.

### US ISMs

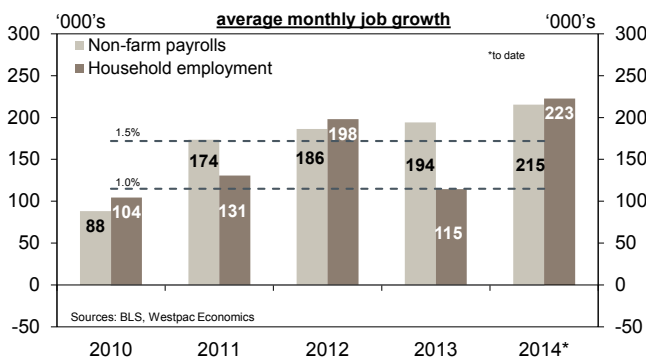


## US Sep payrolls: bounce due but trend still slower

Oct 3, Payrolls: Last: 142k, WBC f/c: 185k

- Payrolls rose 142k in Aug, for a 177k average jobs gain so far in Q3; that compares to a 267k average pace of jobs growth in Q2. A slower pace of jobs growth in H2 2014 makes sense given the weak output growth that accompanied those H1 hires; i.e. H2 should see productivity growth recover.
- Manufacturing job losses in Aug included 5k auto workers who were not rehired because they were not laid off in July, when auto jobs rose 13k; so the 4k average of the two months is a guide to what Sep auto jobs might show. Retail jobs lost 17k from food and beverage alone due to disruption at Market Basket, a New England grocery chain. Retail jobs should see a 17k boost in Sep seeing as the dispute was resolved in late August.
- These two factors will lift the Sep payrolls' gain 43k relative to Aug, but outcomes well in excess of 200k per month are not sustainable near term, given the recent jobs/activity picture.

US jobs: cumulative improvement continues

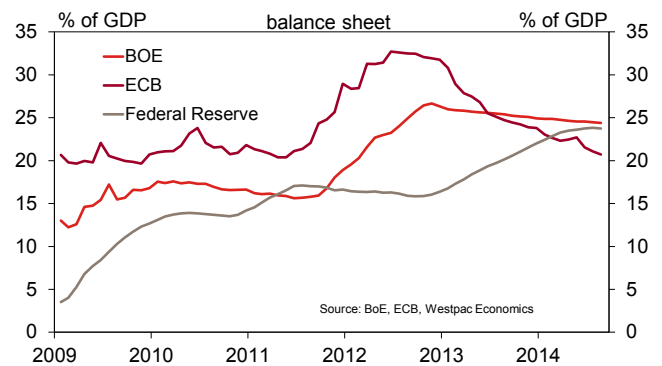


## ECB to detail asset purchase plan.

Oct 2, ECB repo rate: Last: 0.05%, WBC f/c: 0.05%

- At the Sep 4 press conference, in addition to further rate adjustments, ECB Chief Draghi pre-empted the October announcement of an asset purchase plan. The intention is to restore the ECB's balance sheet to early 2012 levels, requiring about €1 trillion; so Draghi will be pressed on how and when that will be achieved, given the small size of the ABS and covered bond markets to be targeted, and the limited take-up of the first round of TLTRO funds.
- Since that meeting, the ECB's preferred measure of inflation expectations has fallen to below the Aug 22 level that Draghi referenced at Jackson Hole, suggesting markets are not convinced Draghi is doing enough. The man himself has sounded downbeat about growth prospects in recent interviews. If Draghi is to "over-deliver" on Oct 2, as is his style, he must detail other assets to be purchased, be they sovereign bonds or something else.

North Atlantic – central bank balance sheets



# Data calendar

		Last	Market median	Westpac forecast	Risk/Comment
<b>Mon 29</b>					
<b>NZ</b>	Daylight saving time	–	–	–	Starts from Sunday
<b>Eur</b>	Sep business climate indicator	0.16	–	–0.10	Business surveys losing altitude as sanctions and Chinese growth concerns question sustainability of upswing, already stalled in Q2.
	Sep economic confidence	100.6	100.0	99.9	
<b>Ger</b>	Sep CPI prelim %yr	0.8%	0.8%	0.8%	No base effect at play in German data, unlike elsewhere in Europe.
	Aug retail sales	–1.1%	–	–	Tentative date, data due by Oct 1.
	Aug net mortgage lending £bn	2.3	2.0	–	Household loan outstandings have picked up more rapidly, though demand for credit outside mortgages is still lagging.
	Aug net consumer credit £bn	1.1	0.9	–	
	Aug M4 money supply ex IOFCs % ann	2.8%	–	–	Down from 7.9%yr in Aug 12, a function of BoE APP suspension.
<b>US</b>	Aug core PCE deflator	0.1%	0.0%	0.0%	Core CPI was 0.0% in Aug.
	Aug personal income	0.2%	0.3%	0.3%	Hourly earnings up 0.2% and hours worked up 0.1% in Aug.
	Aug personal spending	–0.1%	0.4%	0.5%	Spending on autos up and core retail sales higher.
	Sep Dallas Fed factory index	7.1	10.5	9.0	Richmond and Philly Fed surveys higher.
	Aug pending home sales	3.3%	–0.5%	3.0%	New home sales jumped in Aug; some spillover likely here.
	Fedspeak	–	–	–	Evans
<b>Tue 30</b>					
<b>NZ</b>	Aug building consents	0.1%	–	–1.0%	Uptrend in Auckland and Canterbury remains intact.
	Sep ANZ business confidence	24.4	–	–	Survey was held during the election campaign.
	Aug private sector credit %yr	4.6%	–	–	Housing lending growth has continued to slow.
<b>Aus</b>	Aug private sector credit	0.4%	0.5%	0.5%	Growth tracking a little higher in 2014 as business advances.
<b>Chn</b>	Sep HSBC manufacturing PMI - final	50.5	50.5	–	Flash surprised positively. 50.48 to two decimals: could round down.
<b>Eur</b>	Sep CPI flash %yr	0.4%	0.3%	0.2%	Base effects create potential for sharp decline.
	Aug unemployment rate %	11.5%	11.5%	11.5%	Steady German jobless rate and falls elsewhere though not in France.
<b>Ger</b>	Sep unemployment ch'	2k	–5k	–	Unemployment fell just once (July) in last three months.
<b>UK</b>	Sep house prices %yr	11.0%	10.4%	–	Nationwide index, peaked at 11.8%yr in June.
	Q2 GDP final	0.8% a	0.8%	0.8%	Some risk of downward revision to 0.7%.
	Q2 current account £bn	–18.5	–18.7	–	Deficit data volatile and often revised.
	Q2 business investment	5.0% a	–	–	Measured on different basis to national accounts.
<b>US</b>	Jul house prices %yr	8.1%	7.4%	–	S&P-Case Shiller 20 city index.
	Sep Conf Board consumer confidence	92.4	92.4	92.5	Weekly confidence indicators little changed of late.
	Sep Chicago PMI	64.3	61.5	59.0	Sep regional surveys lower (Philly, NY), higher (Richmond, Kansas City) but Chicago rarely correlates to other surveys. Milwaukee unwatched.
	Sep Milwaukee NAPM	59.6	–	–	
<b>Can</b>	Jul GDP %yr	3.1%	–	–	Fastest annual growth pace since H2 2011.
	Aug industrial product prices	–0.3%	–0.2%	–	Fallen in 3 of last 4 months.
<b>Wed 1</b>					
<b>Aus</b>	Sep AiG PMI	47.3	–	–	Manufacturing index avg'd 49.6 in 3mths to July, fell –3.4pts in Aug.
	Sep RP Data–Rismark home price index	1.2%	–	–0.4%	Prices appear to have dipped again after strong gains in Jun-Aug.
	Aug retail sales	0.4%	0.4%	0.3%	Retail sales better but trend growth still basically flat.
<b>Chn</b>	National Day holiday	–	–	–	Markets closed. Beginning of Golden Week holidays (3 days paid leave).
	Sep manufacturing PMI	51.1	51.0	–	Flash surprised due to orders; similar jumping off point(s) for NBS.
<b>Eur</b>	Sep PMI factory final	50.5 a	50.5	50.3	German IFO also reflected deteriorating sentiment.
<b>UK</b>	Sep factory PMI	52.5	52.9	51.0	Recent plunge due to Chinese, European and geopolitical concerns.
<b>US</b>	Sep ADP private payrolls	204k	204k	185k	Running slower pace so far in H2 2014.
	Sep factory PMI final	57.9 a	–	57.7	Markit PMI correlation with ISM not consistent but both strong now.
	Sep ISM factory index	59.0	58.5	57.0	ISM spike may have been auto related, and hence unsustainable.
	Aug construction spending	1.8%	0.4%	0.5%	Residential spending softer in Aug.
	Sep auto sales mn annualised	17.5	16.9	–	Sales spiked in Aug but pull-back consistent with ongoing uptrend.
<b>Can</b>	Sep factory PMI	54.8	–	–	Less volatile than Ivey PMI.
<b>Thu 2</b>					
<b>NZ</b>	GlobalDairyTrade auction	0.0%	–	–	Dairy prices are down 45% from their Feb peaks.
	Sep ANZ commodity price index	–3.3%	–	–	Falling for dairy, rising for meat.
<b>Aus</b>	Aug dwelling approvals	2.5%	1.0%	–2.5%	WA units more than offset softness elsewhere in July.
	Aug trade balance, AUDbn	–1.36	–0.8	–0.9	Deficit to narrow on lower imports, –2.4%. Exports –0.9%. See textbox.
<b>Eur</b>	Aug PPI %yr	–1.1%	–	–1.1%	German PPI running similar steady pace of decline.
	ECB rate decision	0.05%	0.05%	0.05%	More details on asset purchase plan.
<b>UK</b>	Sep PMI construction	64.0	63.3	64.0	Just shy of Jan high at 64.6.
<b>US</b>	Initial jobless claims, w/e 27/9	293k	–	285k	Downtrend resumed with no special factors behind latest outcomes.
	Sep corporate layoffs %yr	–20.7%	–	–	Challenger series.
	Aug factory goods orders	10.5%	–9.0%	–11.0%	Durables known down 18%. Prices for non-durables lower in Aug.
	Sep ISM New York	57.1	–	–	Surged in June-July, partially correcting lower in Aug.
<b>Fri 3</b>					
<b>Chn</b>	Sep non-manufacturing PMI	54.4	–	–	Gap between NBS & HSBC narrowed in Aug due to bounce in latter.
<b>Eur</b>	Sep PMI services final	52.8 a	–	52.6	Risk of downward revision though Spanish contribution may offset.
	Sep PMI composite final	52.3 a	–	52.1	PMI implies modest growth in Q3 but it missed Q2 contraction.
	Aug retail sales	0.1%	0.1%	–	German data on 20/9 will provide key guidance.
<b>UK</b>	Sep PMI services	60.5	59.0	59.5	Highest since 62.5 in Oct last year.
<b>US</b>	Sep non-farm payrolls ch'	142k	210k	185k	Boost from resolved retail disruption.
	Sep jobless rate	6.1%	6.1%	6.2%	Higher participation stalling jobless rate improvement.
	Aug trade balance \$bn	–40.5	–40.7	–41.0	Exports down 0.6%, imports up 0.7% in July.
	Sep ISM non-manufacturing	59.6	58.5	58.0	ISM tends to outperform economy this time each year.
	Sep PMI services final	58.5 a	–	–	Has drifted lower in recent months after reaching multi-year high in June.
<b>Can</b>	Aug trade balance C\$bn	2.6	1.5	–	Exports up 1.4%, imports down 0.3% in July.

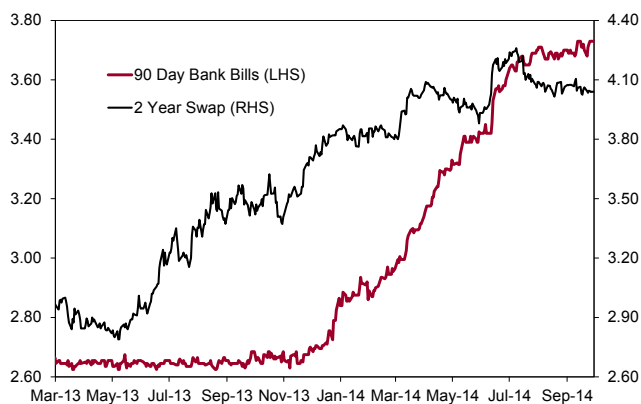


# New Zealand forecasts

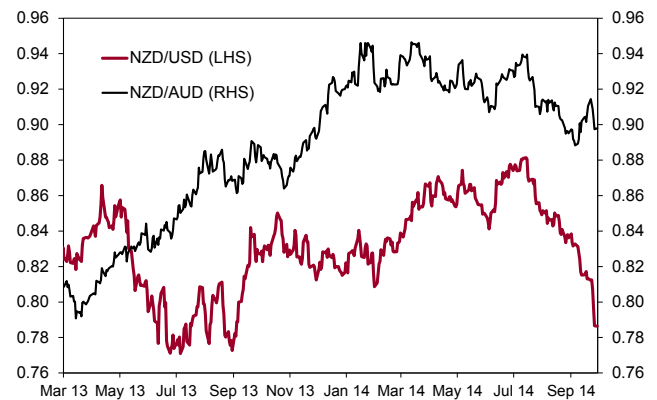
Economic Growth Forecasts	March years				Calendar years			
	2013	2014	2015f	2016f	2012	2013	2014f	2015f
% change								
GDP (Production) ann avg	2.3	3.2	3.4	3.1	2.5	2.8	3.6	3.1
Employment	0.4	3.8	2.8	2.6	0.4	2.9	3.0	2.9
Unemployment Rate % s.a.	6.2	5.9	5.3	4.7	6.8	6.0	5.4	4.7
CPI	0.9	1.5	1.7	2.1	0.9	1.6	1.4	2.0
Current Account Balance % of GDP	-3.8	-2.7	-4.9	-4.8	-4.1	-3.3	-3.8	-5.2

Financial Forecasts	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Cash	3.50	3.50	3.75	4.00	4.25	4.50
90 Day bill	3.70	3.70	3.90	4.20	4.40	4.60
2 Year Swap	4.20	4.40	4.60	4.80	5.00	5.10
5 Year Swap	4.60	4.80	5.00	5.10	5.20	5.30
10 Year Bond	4.40	4.70	4.80	4.90	5.00	5.10
NZD/USD	0.81	0.81	0.84	0.83	0.82	0.81
NZD/AUD	0.90	0.90	0.91	0.89	0.87	0.85
NZD/JPY	83.4	84.2	88.2	88.0	87.7	87.5
NZD/EUR	0.64	0.64	0.66	0.65	0.64	0.62
NZD/GBP	0.51	0.50	0.50	0.48	0.46	0.45
TWI	77.9	77.9	80.1	79.0	77.7	76.4

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 29 September 2014

Interest Rates	Current	Two weeks ago	One month ago
Cash	3.50%	3.50%	3.50%
30 Days	3.68%	3.66%	3.66%
60 Days	3.71%	3.67%	3.69%
90 Days	3.73%	3.73%	3.71%
2 Year Swap	4.04%	4.06%	4.08%
5 Year Swap	4.37%	4.44%	4.36%

NZ foreign currency mid-rates as at Monday 29 September 2014

Exchange Rates	Current	Two weeks ago	One month ago
NZD/USD	0.7864	0.8149	0.8353
NZD/EUR	0.6196	0.6280	0.6362
NZD/GBP	0.4842	0.5008	0.5034
NZD/JPY	85.88	87.36	87.04
NZD/AUD	0.8979	0.9049	0.8959
TWI	76.63	78.19	78.92

## International forecasts

### Economic and Financial Forecasts

Economic Forecasts (Calendar Years)	2010	2011	2012	2013	2014f	2015f
<b>Australia</b>						
Real GDP % yr	2.3	2.6	3.6	2.3	3.2	3.2
CPI inflation % annual	2.8	3.0	2.2	2.7	2.3	2.8
Unemployment %	5.2	5.2	5.3	5.8	6.4	6.1
Current Account % GDP	-3.5	-2.8	-4.4	-3.3	-3.0	-2.0
<b>United States</b>						
Real GDP %yr	2.5	1.8	2.3	2.2	2.0	2.5
Consumer Prices %yr	1.6	3.1	2.1	1.5	1.9	1.9
Unemployment Rate %	9.6	8.9	8.1	7.4	6.3	5.7
Current Account %GDP	-3.0	-2.9	-2.9	-2.4	-2.5	-2.4
<b>Japan</b>						
Real GDP %yr	4.9	-0.3	1.5	1.6	1.6	1.4
<b>Euroland</b>						
Real GDP %yr	1.9	1.6	-0.6	-0.4	0.7	1.0
<b>United Kingdom</b>						
Real GDP %yr	1.7	1.1	0.3	1.8	2.6	2.1
<b>China</b>						
Real GDP %yr	10.4	9.3	7.7	7.7	7.4	7.5
<b>East Asia ex China</b>						
Real GDP %yr	7.8	4.4	4.0	4.0	3.9	5.0
<b>World</b>						
Real GDP %yr	5.2	3.9	3.2	3.0	3.1	3.7
Forecasts finalised 5 September 2014						

Interest Rate Forecasts	Latest	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15
<b>Australia</b>						
Cash	2.50	2.50	2.50	2.50	2.75	3.00
90 Day Bill	2.73	2.55	2.55	2.65	3.00	3.25
10 Year Bond	3.49	3.60	3.80	4.20	4.50	4.70
<b>International</b>						
Fed Funds	0.125	0.125	0.125	0.125	0.250	0.500
US 10 Year Bond	2.53	2.70	2.70	2.80	3.20	3.20
ECB Repo Rate	0.05	0.05	0.05	0.05	0.05	0.05

Exchange Rate Forecasts	Latest	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15
AUD/USD	0.8758	0.90	0.90	0.92	0.93	0.94
USD/JPY	109.30	103	104	105	106	107
EUR/USD	1.2682	1.27	1.27	1.28	1.28	1.29
AUD/NZD	1.1132	1.11	1.11	1.10	1.12	1.15



## Westpac economics team contact details

**Dominick Stephens**, Chief Economist  
+64 9 336 5671

**Michael Gordon**, Senior Economist  
+64 9 336 5670

**Felix Delbrück**, Senior Economist  
+64 9 336 5668

**Anne Boniface**, Senior Economist  
+64 9 336 5669

Any questions email:  
economics@westpac.co.nz

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