Weekly Commentary

4 February 2013

The house view

Last week the RBNZ left the Official Cash Rate at 2.5% and maintained the "on hold" outlook for the OCR. The RBNZ acknowledged the overvalued exchange rate, the weak labour market, and the fact that inflation is currently below target. But all this culminated in only the slightest softening of the inflation outlook. Indeed, the RBNZ was very bullish on the global and domestic economic outlooks, and pointed out that the recent round of reductions in fixed mortgage rates amounts to easier monetary policy.

The bit that really grabbed attention was the RBNZ's comment on house prices and credit growth: *"House price inflation has increased and we are watching this and household credit growth closely. The Bank does not want to see financial stability or inflation risks accentuated by housing demand getting too far ahead of supply."* It looks as though the RBNZ is finally moving away from the idea that house prices are rising only because of localised shortages in Auckland and Canterbury. Housing markets are now warming across New Zealand, and last week's credit data suggested interest rates are playing a role. To be sure, household lending grew only 3.7% over 2012, but there is a clear accelerating trend evident in the monthly figures.

In making these comments, the RBNZ was invoking its new Policy Targets Agreement, which requires it to "monitor" asset prices and "have regard to financial stability" when setting monetary policy. In an environment of rapidly rising house prices, the RBNZ is now required to run with tighter monetary policy than inflation targeting alone would warrant. This means the OCR is unlikely to go down this year, even though inflation is below target.

The RBNZ's reassessment brings it a little closer to our long-held view that rising house prices and the Canterbury rebuild will provoke inflation pressure, necessitating higher interest rates. We continue to forecast an OCR hiking cycle that begins in December 2013 and extends far further than markets are currently pricing.

Macroprudential tools - no panacea

The OCR review has further increased the volume of chatter about macroprudential tools in New Zealand. This is a pertinent discussion to have, although we think any actual deployment of such tools is a way off yet.

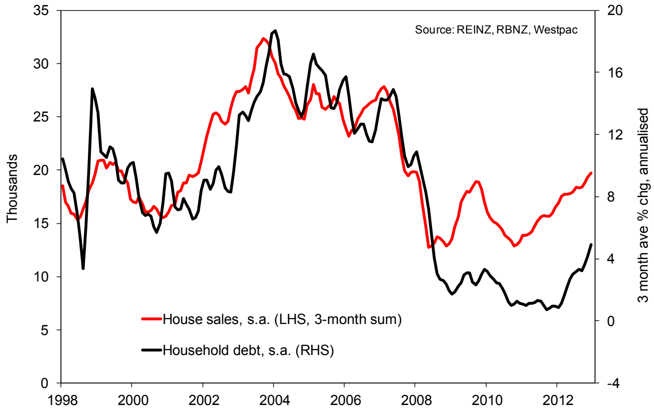
The Reserve Bank is New Zealand's banking regulator as well as its central bank. It has for years studied a range of tools that might reduce the odds of a GFC-style banking crisis occurring in New Zealand. Such crises can occur when declining asset prices cause (or force) banks to reduce lending, which leads to sharper asset price declines and a vicious cycle. As the events of 2008 in USA, Ireland and elsewhere illustrate, breaking the vicious cycle or cleaning up after the crisis imposes costs upon society far in excess of the losses borne by bank shareholders – hence the market should be regulated.

Macroprudential tools are designed to avoid creating conditions that could lead to a credit crunch. The idea is to prevent banks (and other institutions) from lending excessively or imprudently during good times. The potential benefits of this strategy are twofold. By lending more prudently, financial institutions remain more resilient. And limiting lending can actually slow the pace of asset price increases in the first place – thus minimising the potential for later asset price decline.

The Reserve Bank has proposed four macroprudential tools. Two relate to the amount of capital banks must hold in reserve, one relates to banks' sources of funding, and the last is setting maximum loan to value ratios (or minimum deposits) for mortgages.

Later this year the Reserve Bank will exchange a memorandum of understanding (MOU) with The Treasury outlining the circumstances under which macroprudential tools might be deployed. This is likely to emphasise that macroprudential tools are strictly for maintaining

House sales and household credit growth



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stability in the financial system, and will be used rarely. The MOU will not be explicit with numbers, but as a guideline we'd suggest that macroprudential tools might be used when credit is growing at a double-digit pace.

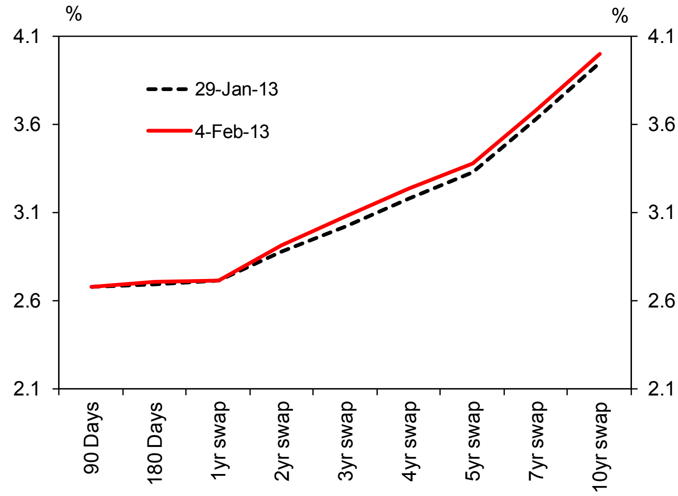
New Zealand is not currently close to such a situation. The banks are in a strong position, and credit growth is slow. That said, the housing market is moving in a direction that might eventually culminate in the deployment of macroprudential tools. Our pick is that macroprudential tools will be increasingly talked about over 2013, but not deployed before 2014.

The MOU will be a disappointment for those who hope that macroprudential tools will stabilise inflation, reduce the exchange rate, rebalance the economy, and make home ownership affordable for all. Macroprudential tools are much more modest in scope and effect. True, at times they might sometimes help with one or two of the bugbears listed above. But at other times they may work in the opposite direction. For example, minimum deposit requirements would lock some first homebuyers out of the market – hardly a boon for home ownership. Marcroprudential tools may at times oppose the direction of monetary policy – for example, last year Canada responded to low inflation and rising house prices with a combination of loose monetary policy and tight macroprudential regulations.

But last week's OCR review was not about macroprudential tools – it was about the OCR. It was a reminder of something Graeme Wheeler said in his first comment as Governor Designate of the Reserve Bank: *"it may be appropriate to use monetary policy to lean against the build-up of financial imbalances."* In other words, an easy way to prevent financial sector exuberance is to increase the OCR early.

Fixed vs floating: Fixing is likely to prove 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. Staying on floating would only be the better option if the RBNZ actually cut the OCR, and we regard that as fairly unlikely. Our view is that the OCR will stay on hold for now, and increase steadily from late 2013. Fixed-rate specials are becoming less prominent than they were late last year as mortgage market competition seems to be settling back into more normal levels, reinforcing the sense that there is limited value in waiting to fix.

NZ interest rates



Key Data Previews

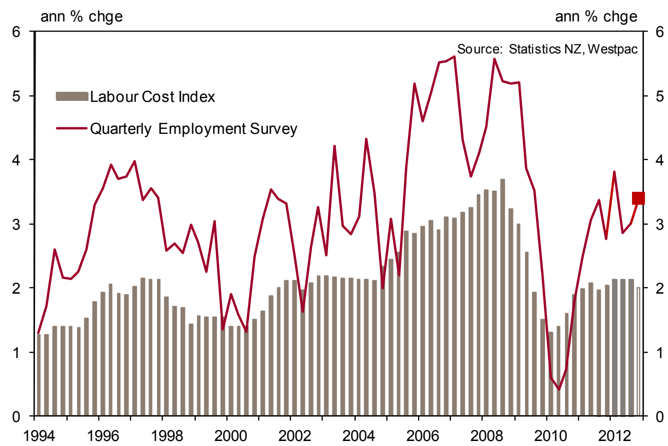
NZ Q4 wages

Feb 5, LCI Last: 0.5%, WBC f/c: 0.5%, Mkt f/c: 0.6%

QES Last: 1.4%, WBC f/c: 0.4%, Mkt f/c: 0.4%

- We expect LCI wage inflation to stay fairly steady around 2% annually. The survey indicators were mixed – businesses' reported skill shortages eased back, whereas households reported slightly stronger wage growth.
- We recommend focusing on the LCI rather than the QES average wage: the LCI is less sensitive to changes in the job mix, and is preferred by the RBNZ.
- The QES also provides employer-based estimates of jobs and hours. These won't necessarily be a good guide to Thursday's HLFS, but given current issues with the HLFS, we will be paying attention to them when assessing the state of the labour market. QES hours paid feed directly into estimates of activity in the service sectors for December quarter GDP.

Private sector earnings and labour costs



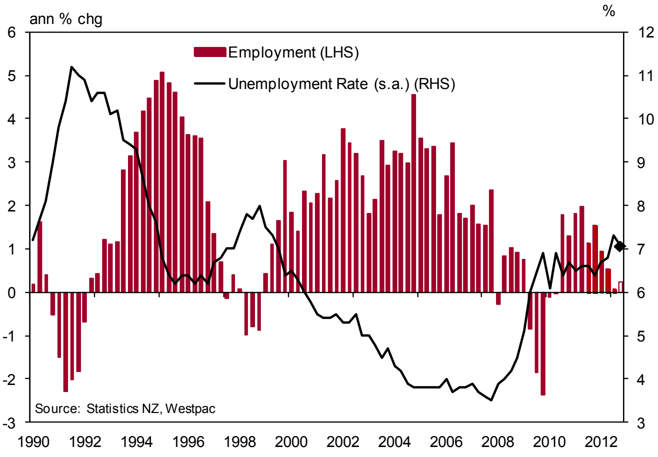
NZ Q4 HLFS employment and unemployment

Feb 7, Employment last: -0.4%, WBC f/c: 0.4%, Mkt f/c: 0.4%

Unemployment rate Last: 7.3%, WBC f/c: 7.0%, Mkt f/c: 7.1%

- Most labour market indicators softened over 2012, but not by nearly as much as the Household Labour Force Survey, which showed New Zealand's unemployment rate rising to the highest level in 13 years.
- There is considerable uncertainty surrounding Thursday's outturn. The Household Labour Force Survey is volatile at the best of times, and may also have been affected by disruption and population movements following the Canterbury earthquakes. On balance we have assumed a partial correction, with the unemployment rate falling back to a still high 7%.
- In view of the growing discrepancy between the HLFS and other indicators we are taking the survey with a grain of salt. It appears that the RBNZ and financial markets are increasingly doing the same.

Household labour force survey



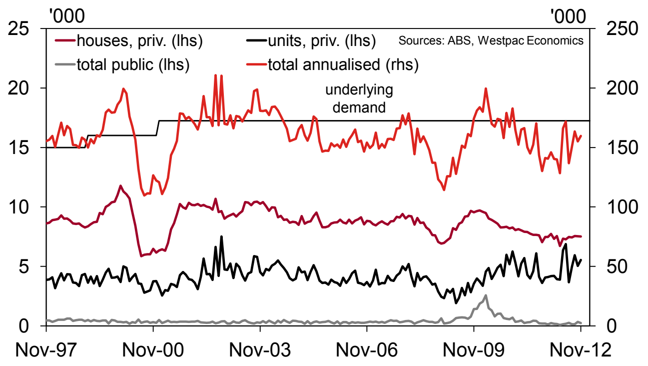
Aus Dec dwelling approvals

Feb 4, Last: 2.9%, WBC f/c: –1.0%

Mkt f/c: 1.0%, Range: –2.5% to 4.0%

- Dwelling approvals are in recovery mode, although the exact pace of the upturn is unclear due to high volatility in the monthly data. As at Nov, monthly trend approvals were up 12% for the year. The Nov report showed a 2.9% rise for the month, with an upward revision to Oct's weak read. Private detached house approvals were soft, slipping 0.3% after a 0.1% dip in Oct. That concurs with softer construction-related housing finance approvals late in the year, although investor finance approvals and new home sales saw a bit of a flourish.
- Overall, we expect dwelling approvals to edge down 1% in Dec. Rate cuts can take a while to impact new dwelling construction, and appear to be giving less impetus this time around. Be aware that Dec and particularly Jan can be more volatile and revision-prone due to the seasonal low.

Dwelling approvals



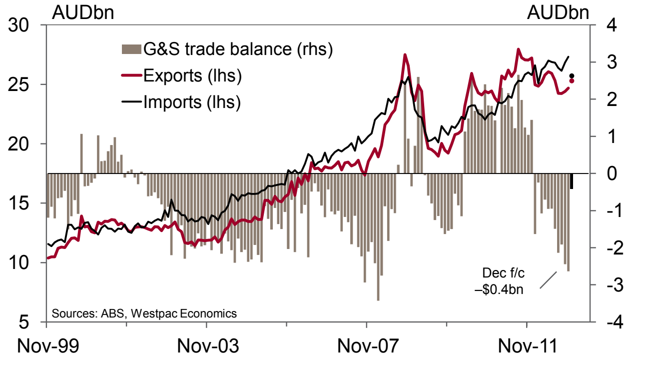
Aus Dec trade balance, AUDbn

Feb 5, Last: –2.6, WBC f/c: –0.4

Mkt f/c: –0.75, Range: –1.8 to 0.5

- Australia's trade position is expected to improve markedly in December, albeit remaining in deficit.
- We're forecasting a deficit of $0.4bn, following a $2.6bn deficit for November.
- Imports are the major swing factor, with a forecast decline of 6%. Customs data revealed a surprising 7.5% drop in good imports, with a slump in capital items. Service imports are expected to be little changed.
- Export earnings are forecast to rise by 2.5%. Shipments of coal and iron ore rose as Chinese buyers restocked. Gold exports to China (Lunar New Year) and India (wedding season) are likely to spike. While lower coal prices will provide a partial offset.

Australia's trade position

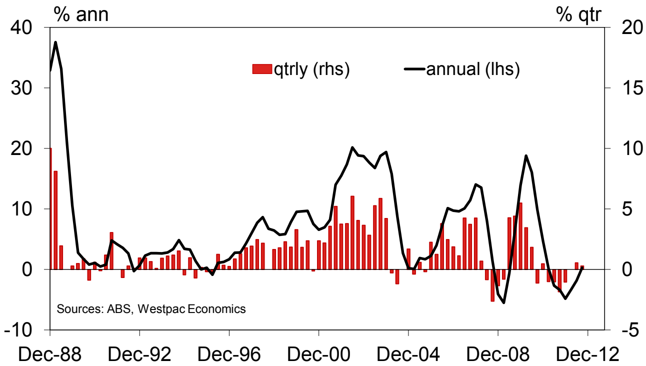


Aus Q4 house price index

Feb 5, Last: 0.3%, WBC f/c: 0.5%
Mkt f/c: 0.3%, Range: –0.5% to 1.0%

- House prices stabilised in 2012, firming slightly in the second half of 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 Q3, it showed a 0.3%qtr gain, taking the annual price growth to 0.3%yr – back in positive territory for the first time since 2011Q1.
- Private sector measures confirmed the improvement, and suggest it carried into Q4 and early 2012, albeit with some 'wobbles'. Available measures show Q4 price gains ranging from +0.1%qtr to +1.9%qtr (average +1.1%qtr). Annual price growth ranges from –0.6%yr to +2.1%yr (average 0.9%yr). Overall, we expect the ABS measure to show a 0.5% gain for Q4, taking annual price growth to 1.4%yr. Note, there does appear to be some residual seasonality to house prices, with a slight 'Spring selling season' drag in Q3.

Established house prices, ASB measure

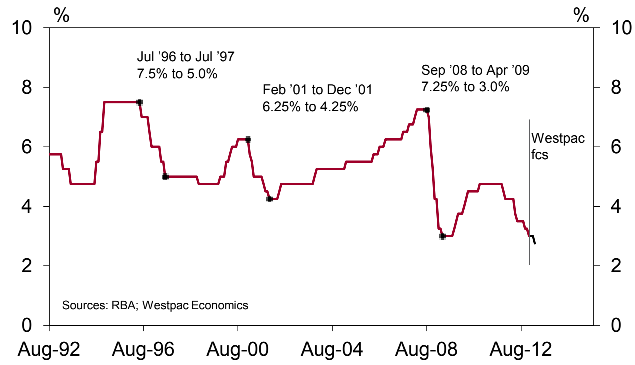


Aus RBA policy announcement

Feb 5, Last: 3.00%, WBC f/c: 3.00%
Mkt f/c: 3.00%, Range: 2.75% to 3.00%

- As expected, the Reserve Bank lowered the cash rate by 25bps to 3.00% at its December meeting.
- The summer break has seen a rally in global risk assets and investor confidence, but the global economy remains in a fragile state. Domestically, there have been some initial signs of improvement in the non-mining sector, but not of the scale and strength hoped for.
- A follow-up rate cut in February is not expected. Rather, we continue to expect a brief pause this month, followed by a 25bp cut in March.
- Between the February and March meetings, the RBA will receive another jobs report as well as the latest updates on wages and (crucially) firms' investment plans.

RBA casg rate: earning cycles

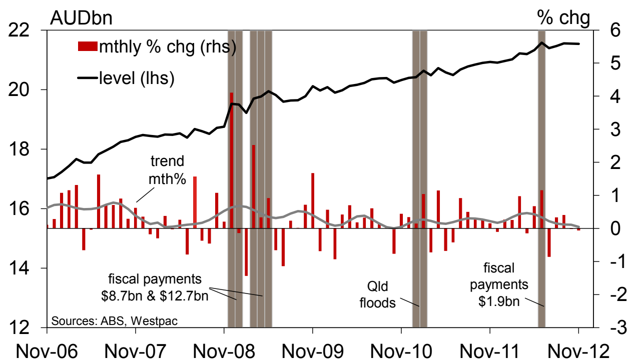


Aus Dec retail trade

Feb 6, Last: –0.1%, WBC f/c: 0.3%
Mkt f/c: 0.3%, Range: 0.0% to 0.7%

- Retailers had a poor lead-in to Christmas, with flat sales in Oct and a 0.1% dip in Nov. That was despite an Oct rate cut, and a mini-rally in consumer confidence. It was also despite a more concerted drive by retailers to promote online sales through the 'click frenzy' promotion. Reports suggest this did get a good response, although the monthly retail dip suggests this may have been offset in dollar terms by the heavy discounts required to get customers, and that it may have also cannibalised demand from other parts of retail.
- Prospects do not look a whole lot better for Dec. Although the RBA cut rates again, consumer confidence fell back. Soft labour market conditions and job-loss fears are likely weighing on discretionary spending. Overall, we expect Dec to show a 0.3% gain, slightly better than Oct-Nov, but still leaving a flat underlying sales trend.

Monthly retail sales

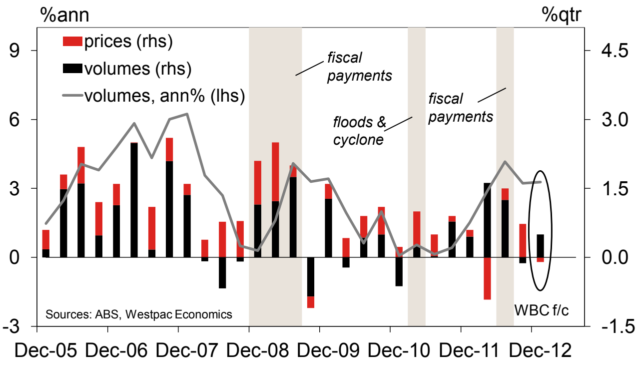


Aus Q4 real retail sales

Feb 6, Last: –0.1%, WBC f/c: 0.5%
Mkt f/c: 0.3%, Range: flat to 0.6%

- Real retail sales stalled in Q3 (–0.1%qtr) after a surprisingly strong first half (+1.6% in Q1; +1.2% in Q2). The Q2-Q3 pattern was mainly due to the impact of fiscal payments to consumers as part of the compensation package associated with the introduction of the carbon tax. Underlying trend growth was weak though, with some signs of a loss of momentum through the middle of the year.
- Nominal sales are expected to finish Q4 with a 0.4%qtr gain, down slightly from Q3's 0.5%. Retail prices were much flatter though, with CPI data pointing to a moderation in the retail deflator, from Q3's 0.6%qtr to a slight dip in Q4 – food, which accounts for 40% of retail, recorded no price change in the CPI. Some of this may be indirectly due to the carbon tax as well. Overall, this points to a real retail sales gain of 0.5%qtr.

Quarterly retail volumes and prices

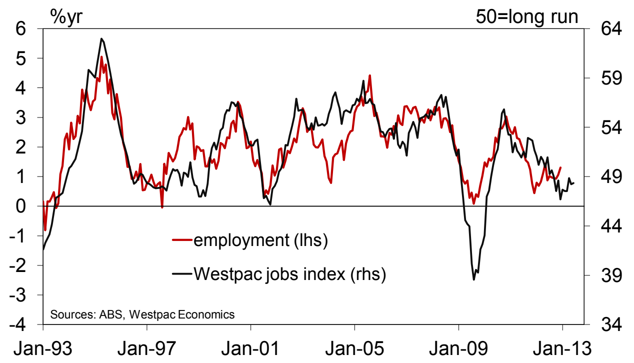


Aus Jan labour force survey - total employment

Feb 7, Last: –5.5k, WBC f/c: 18k
Mkt f/c: 8k, Range: –5.5k to 20k

- Total employment fell 5.5k in Dec; that was weaker than the market median of +5k, and more in line with Westpac's forecast of –10k. This took the total gain in 2012 to 148.3k, a rise of 1.3%.
- The leading indicators suggest that a pace of employment growth that is about a third of that seen over the past five years (and less than population growth) is about right.
- In Dec, weakness was also seen in the mix of employment (–13.8k full-time; +8.3k part-time), and the fall in hours worked (–0.1%mth; up just 0.1%yr).
- Monthly volatility will generate a positive employment number in the Dec Labour Force release, but the employment-to-population ratio will be flat around 65.5%.

Business surveys employment is still moderating

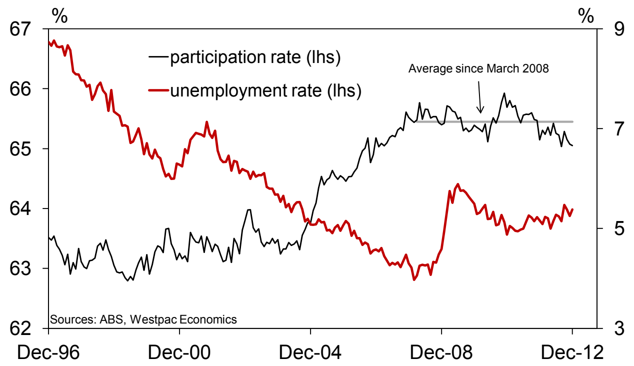


Aus Jan labour force survey - unemployment %

Feb 7, Last: 5.4%, WBC f/c: 5.5%
Mkt f/c: 5.5%, Range: 5.3% to 5.5%

- The unemployment rate rose to 5.4% in Dec, from a revised 5.3% in Nov (originally reported as 5.2%). The participation rate was flat at 65.1%, on par with where it was a year ago.
- By state, the numbers are quite startling. Unemployment in NSW rose to 5.1% (was 5.0% in Nov), Vic was 5.6% (flat), while WA started to unwind from a very strong level (4.3%, from 4.1%). The Qld outcome was very poor, with an unemployment rate of 6.2%, up from 6.1%.
- For Dec, it would be tempting to suggest that our positive employment forecast will generate a fall in the unemployment rate. But the participation rate is back to a cycle low, and a lift of just 0.1ppt to 65.2% (were it was in Oct '12) would lift the unemployment rate to 5.5%.

Unemployment and participation rates



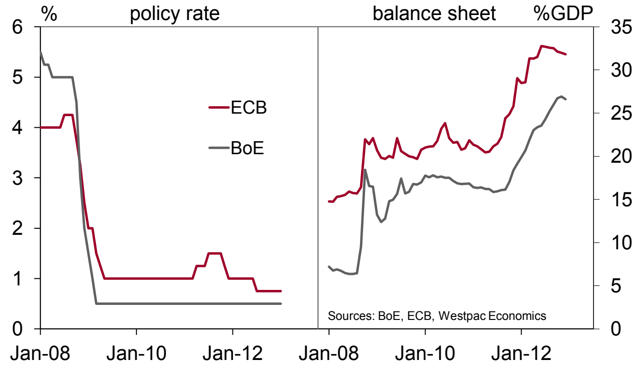
BoE and ECB on hold for now

Feb 7, BoE Last: 0.5%, WBC f/c: 0.5%

Feb 7, ECB Last: 0.75%, WBC f/c: 0.75%

- Only one (of 9) on the BoE policy committee voted for further asset purchases in Nov/Dec/Jan. Diminished "tail risks" in the US and Eurozone and some evidence that the Funding for Lending Scheme has boosted household credit growth strengthen the case against further QE for the time being.
- ECB Chief Draghi has made it clear that there is little prospect of further easing, despite collapsing growth at the end of 2012. Surging confidence driven in part by the apparent success of the ECB's OMT support for peripheral bond markets is part of the reason, providing support for the ECB's forecast that growth will pick up later this year. We remain sceptical and expect ongoing mild recession conditions, not just this year but in 2014 as well. If we are right, ECB easing will drift back on to the agenda later this year.

ECB $ BoE



Key Data and Events

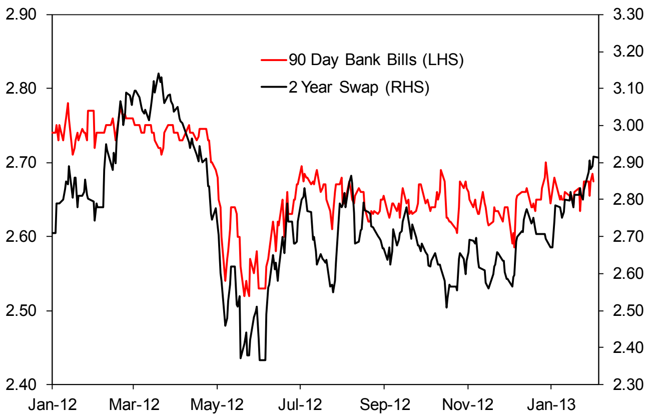
		Last	Market median	Westpac forecast	Risk/Comment
Mon 04					
NZ	Jan ANZ commodity price index	1.0%	–	1.0%	Dairy to lead sixth consecutive monthly gain in commodity prices.
Aus	Jan TD inflation gauge %yr	2.4%	–	–	Did lift 0.4% in Dec, but the annual pace was steady at 2.4%yr.
	Dec dwelling approvals	2.9%	1.0%	–1.0%	Volatile upturn in 2012. Underlying trend flattened out late in the year.
	Jan ANZ job ads %mth	–3.8%	–	–	Job ads fell again in Dec, 10th consecutive decline for a –16.1%yr pace.
Eur	Feb Sentix investor confidence	–7.0	0.7%	–16.0	Up five months running on ECB, Fed policy and US fiscal deal.
	Dec PPI %yr	2.1%	2.3%	2.2%	German PPI edged up from 1.4% to 1.5%yr in Dec.
UK	Jan house prices %yr	–0.3%	1.6%	–	Halifax index due 4-8 Feb.
US	Jan ISM New York	54.3	–	–	Ended 2012 expansionary after sub-50 readings in May, Jun and Oct.
	Dec factory goods orders	0.0%	2.0%	2.5%	Durables known up 4.6%.
Tue 05					
NZ	Q4 Labour Cost Index	0.5%	0.6%	0.5%	Wage growth to remain steady for now.
	Q4 Quarterly Employment Survey	1.4%	0.4%	0.4%	A less informative wage measure than the LCI.
Aus	Q4 house prices (ABS measure)	0.3%	0.3%	0.5%	All price measures showed improvement in 2012.
	Dec trade balance, AUDbn	–2.6	–0.75	–0.4	Imports f/c –6.0% (slump capital items), Exports f/c 2.5% (see textbox)
	RBA policy announcement	3.00%	3.00%	3.00%	On hold in Feb; cut expected in March.
Chn	Jan HSBC services PMI	51.7	–	–	Grinding higher, but revival has been mostly a heavy industry story.
Eur	Dec retail sales	0.1%	0.1%	–1.0%	German retail sales plunged 1.7% in Dec.
	Jan PMI services final	48.3 a	48.3	48.3	National data showed France very weak, Germany improving.
UK	Jan BRC sales %yr	0.3%	–	–	Same-store sales.
	Jan PMI services	48.9	50.1	48.3	Dec saw weakest reading since 2009 recession..
US	Jan ISM non-manufacturing	55.7	55.2	56.0	Turn of year seasonal upswing as in 2009, 2010, 2011.
	Feb IBD-TIPP economic optimism	46.5	–	48.0	All US confidence indices sharply lower at start of 2013.
Wed 06					
NZ	Waitangi Day	–	–	–	Market closed.
Aus	Dec retail sales	–0.1%	0.3%	0.3%	Underlying sales trend flat at best, although the quarter as a whole will ...
	Q4 real retail sales	–0.1%	0.3%	0.5%	... look better than Q3 as flat retail prices imply better real sales than Q3.
UK	Jan BRC shop price index %yr	1.5%	0.5	–	Sometimes useful guide to direction of change of annual CPI.
Ger	Dec factory orders	–1.8%	0.5	–1.0%	Nov fall partially reversed Oct's 3.8% jump. Orders down 1%yr.
Can	Jan Ivey PMI	52.8	53.8	55.0	Plunged to recessionary levels in Nov; Dec saw partial recovery.
Thu 07					
NZ	Q4 HLFS employment	–0.4%,	0.4%	0.4%	Has been underperforming other labour market indicators.
	Q4 HLFS unemployment	7.3%	7.1%	7.0%	Sep probably overstated reality – we assume a partial correction.
Aus	Jan labour force, total employment	5.5k	8k	18k	A statistical bounce but the annual pace to fall to 1% from 1.3%yr.
	Jan labour force, unemployment rate	5.4%	5.5%	5.5%	A lift from a cycle low in participation will see unemployment rise.
Jpn	Dec machinery orders %mth	3.9%	-0.9%	-	Bounce from China spat/EU recession trough continues in trend sense.
Eur	ECB rate decision	0.75%	0.75%	0.75%	Rate cut off the agenda while euro crisis in apparent remission.
Ger	Dec industrial production	0.2%	0.1%	–	Modest Nov gain after falling 3 months running Aug-Oct
UK	BOE policy decision	0.50%	0.50%	0.50%	Asset purchases to remain suspended at £375bn. See text box.
US	Initial jobless claims w/e Feb 2	368k	360k	360k	Recent swings due to seasonality issues rather than underlying trends.
	Q4 non-farm productivity % ann'lsd	2.9%	–1.0%	0.0%	GDP growth plunged from 3.1% to –0.1%; implies stalled productivity
	Q4 unit labour costs	–1.9%	2.5%	1.8%	growth and renewed gain in ULC.
	Dec consumer credit $bn	$16.0	$15.0	–	Student and auto loans the main drivers in 2012.
	Fedspeak	–	–	–	Stein.
Can	Dec new house prices	0.1%	0.1%	–	Running 2.2%yr annual pace.
	Dec building permits	–17.9%	–	–	Nov fall led by non-residential, but single/multiples down too.
Fri 08					
Aus	RBA Statement on Monetary Policy	–	–	–	Economic outlook according to RBA will be the focus.
Chn	Jan consumer prices %yr	2.5%	2.1%	–	Deceleration in January not a pointer to first-half trend.
	Jan producer prices %yr	–1.9%	–1.6%	–	Revival in raw and basic materials will push PPI higher in 2013H1.
	Jan trade balance USDbn	31.6	28.5	–	LNY timing to bias up trade growth in Jan, imports to bounce sharply.
Ger	Dec exports	–2.5%	2.0%	–	Exports have not posted back-to-back monthly gains since Q1 2012.
UK	Dec industrial production	0.3%	0.5%	–	Nov's modest rise due oil/mining; factory output hasn't risen since Jul.
	Dec trade balance £bn	–9.2	9.0	–	In Nov, exports rose 2.9%, imports rose 1.1%.
US	Dec wholesale inventories	0.6%	0.4%	0.2%	Inventories being kept tight.
	Nov trade balance bn	–48.7	–46.0	–	In Nov, exports rose 1%, but imports jumped nearly 4%.
Can	Jan housing starts	–1.7%	–	–	Four straight declines in Sep-Oct-Nov-Dec.
	Dec trade balance C$bn	–2.0	–1.5	–	Exports down 1% in Nov, imports up nearly 3%.
	Jan employment ch	40k	4k	–10k	Jobs up 100k in Nov-Dec, so risk of Jan fall.

New Zealand Economic and Financial Forecasts

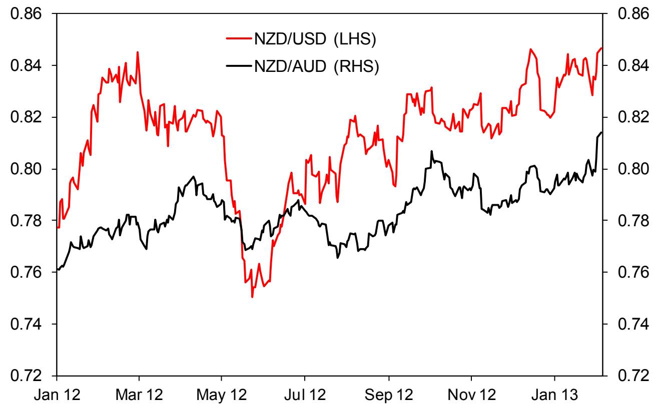
Economic Growth Forecasts	March years				Calendar years			
% change	2011	2012	2013f	2014f	2011	2012e	2013f	2014f
GDP (Production) ann avg	1.9	2.2	3.3	3.1	1.5	2.4	3.0	3.2
Employment	1.0	0.3	2.8	2.4	1.5	0.3	2.5	2.6
Unemployment Rate % s.a.	6.7	6.8	5.6	4.7	6.4	7.0	5.8	4.9
CPI	1.6	1.0	1.9	2.4	1.8	0.9	1.9	2.4
Current Account Balance % of GDP	-4.4	-4.9	-5.0	-6.3	-4.0	-5.0	-4.8	-6.1

Financial Forecasts	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14
Cash	2.50	2.50	2.50	2.75	3.25	3.50
90 Day bill	2.70	2.70	2.75	3.20	3.50	3.75
2 Year Swap	2.80	2.90	3.00	3.20	3.60	3.90
5 Year Swap	3.30	3.40	3.50	3.70	4.00	4.30
10 Year Bond	3.60	3.70	3.80	4.00	4.20	4.40
NZD/USD	0.85	0.86	0.87	0.87	0.85	0.83
NZD/AUD	0.80	0.80	0.83	0.84	0.84	0.84
NZD/JPY	72.3	71.4	70.5	69.3	66.3	65.6
NZD/EUR	0.64	0.64	0.66	0.67	0.67	0.67
NZD/GBP	0.52	0.51	0.52	0.52	0.52	0.49
TWI	75.7	75.7	77.0	77.1	76.3	75.4

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 4 February 2013

Interest Rates	Current	Two Weeks Ago	One Month Ago
Cash	2.50%	2.50%	2.50%
30 Days	2.67%	2.67%	2.65%
60 Days	2.68%	2.67%	2.66%
90 Days	2.68%	2.66%	2.65%
2 Year Swap	2.91%	2.81%	2.78%
5 Year Swap	3.38%	3.25%	3.23%

NZ foreign currency mid-rates as at Monday 4 February 2013

Exchange Rates	Current	Two Weeks Ago	One Month Ago
NZD/USD	0.8466	0.8370	0.8317
NZD/EUR	0.6206	0.6288	0.6413
NZD/GBP	0.5394	0.5279	0.5208
NZD/JPY	78.549	75.391	73.507
NZD/AUD	0.8139	0.7962	0.7963
TWI	76.270	75.340	75.370

Economic and Financial Forecasts

Economic Forecasts (Calendar Years)	2008	2009	2010	2011	2012f	2013f
Australia						
Real GDP % yr	2.5	1.4	2.5	2.4	3.5	2.7
CPI inflation % annual	3.7	2.1	2.8	3.0	2.4	2.1
Unemployment %	4.3	5.6	5.2	5.2	5.3	5.5
Current Account % GDP	-4.5	-4.2	-2.9	-2.3	-3.8	-3.4
United States						
Real GDP %yr	-0.3	-3.1	2.4	1.8	2.2	1.7
Consumer Prices %yr	3.8	-0.3	1.6	3.1	2.0	2.0
Unemployment Rate %	5.8	9.3	9.6	9.0	8.1	8.0
Current Account %GDP	-4.7	-2.7	-3.0	-3.1	-3.3	-3.5
Japan						
Real GDP %yr	-1.0	-5.5	4.8	-0.7	1.9	1.0
Consumer Prices %yr	1.4	-1.3	-0.7	-0.3	-0.1	-0.4
Unemployment Rate %	4.0	5.0	5.1	4.5	4.3	4.3
Current Account %GDP	3.3	2.8	3.6	2.0	2.1	2.0
Euroland						
Real GDP %yr	0.3	-4.4	1.9	1.5	-0.5	-0.4
Consumer Prices %yr	3.3	0.3	1.7	2.7	2.2	1.4
Unemployment Rate %	7.5	9.5	10.0	10.1	11.5	12.0
Current Account %GDP	-0.8	-0.2	-0.1	-0.0	0.9	1.0
United Kingdom						
Real GDP %yr	-1.0	-4.0	1.8	0.9	-0.1	0.8
Consumer Prices %yr	3.6	2.2	3.2	4.0	2.5	1.8
Unemployment Rate %	5.6	7.6	7.8	8.4	8.0	8.5
Current Account %GDP	-1.6	-1.3	-2.4	-1.9	-3.8	-2.0

Forecasts finalised12 December 2012

Interest Rate Forecasts	Latest	Mar 13	Jun 13	Sep 13	Dec 13	Mar 14
Australia						
Cash	3.00	2.75	2.75	2.75	2.75	2.75
90 Day Bill	2.94	2.95	3.00	3.10	3.10	3.00
10 Year Bond	3.50	3.10	3.20	3.20	3.50	3.60
International						
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	2.00	1.70	1.90	2.00	2.30	2.40
ECB Repo Rate	0.75	0.50	0.50	0.50	0.50	0.50

Exchange Rate Forecasts	Latest	Mar 13	Jun 13	Sep 13	Dec 13	Mar 14
AUD/USD	1.0407	1.06	1.07	1.05	1.03	1.01
USD/JPY	91.85	88	85	83	80	78
EUR/USD	1.3609	1.34	1.36	1.32	1.29	1.25
AUD/NZD	1.2366	1.25	1.24	1.24	1.23	1.22