Weekly Commentary

13 May 2013

The tug-of-war report

Last week was a dramatic one on both sides of the Tasman, featuring a surprise cut by the Reserve Bank of Australia, a surprise (ex-post) announcement of currency intervention by the RBNZ, and surprisingly positive labour market reports out of both NZ and Australia. The NZD/AUD swung accordingly but is now roughly back where it started. In our own view, none of these developments help resolve the tug-of-war between strong growth and low inflation that is currently such a feature of New Zealand's economy – if anything, the RBA move and the New Zealand labour market data intensify it.

The strong growth story was bolstered by Thursday's Household Labour Force Survey. The unemployment rate fell from 6.8% to 6.2% (the lowest since early 2010), and employment rose by 38,000 people, mostly in full-time jobs. These numbers remove any residual doubt that the economy is picking up steam. Our overall assessment remains that the labour market is improving modestly after trending broadly sideways over the last year. The HLFS had been much weaker than other labour market indicators for a while and we strongly suspect some of the latest improvement is catch-up. (Tuesday's Quarterly Employment Survey also showed positive, but unspectacular jobs growth.)

New Zealand's low inflation story has in large part been due to the high exchange rate. The RBA's surprise rate cut (with hints of more to come) has added fuel to the fire. What really surprised us here was the RBA hinting that it may do more – we now expect the RBA to continue cutting its cash rate into early 2014, as the RBNZ starts to hike rates. That will put further pressure on the exchange rate – we now expect the NZD/AUD to average $0.88 in the first quarter of 2014. At the margin this will put even more downward pressure on traded goods inflation in New Zealand.

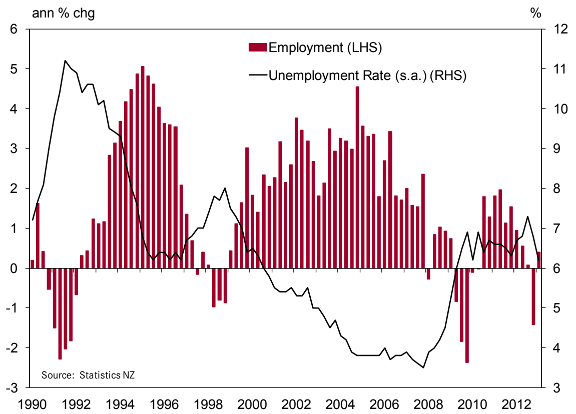
This comes on top of a wage report last Tuesday which provided further confirmation that there is little inflation pressure about. The labour market may be picking up, but there is still plenty of slack. Annual wage growth was just 1.7% in the March quarter, with significant pressures remaining confined to the Canterbury construction sector.

The combination of stronger growth and low inflation may be good news for businesses, but it comes at the cost of economic imbalances which are an increasing headache for the RBNZ. One of the RBNZ's concerns is around the rising housing market. In its latest *Financial Stability Report*, the RBNZ issued perhaps its starkest warning yet that interest rates at unsustainably low levels are fuelling house prices – and that when interest rates inevitably rise, a market correction could potentially place the financial system under significant strain.

Indeed, the RBNZ is becoming so concerned about this risk that it's prepared to act now. The *Financial Stability Report* was dominated by the announcement that the major banks will soon be required to hold a higher minimum level of capital against mortgages with a loan-to-value ratio above 80%. (This is over and above any 'macro-prudential tools', which remain a work in progress.)

But while higher capital requirements will ensure that banks have a bigger safety buffer in case things do turn sour, they are likely to have only a minimal impact on borrowing costs, or the housing market itself. In our latest *Economic Overview* we explained why. In short, these rules alter the mix of the funding side of a bank's balance sheet. While capital tends to be a more expensive source of funding, it also makes up a small fraction of the total, so any increase will have a proportionately small impact on overall funding costs. The new rule raises the minimum capital requirement for high-LVR loans by about 35% on average, but the RBNZ estimates that the impact on lending rates would probably be less than a single OCR hike.

New Zealand Employment and Unemployment



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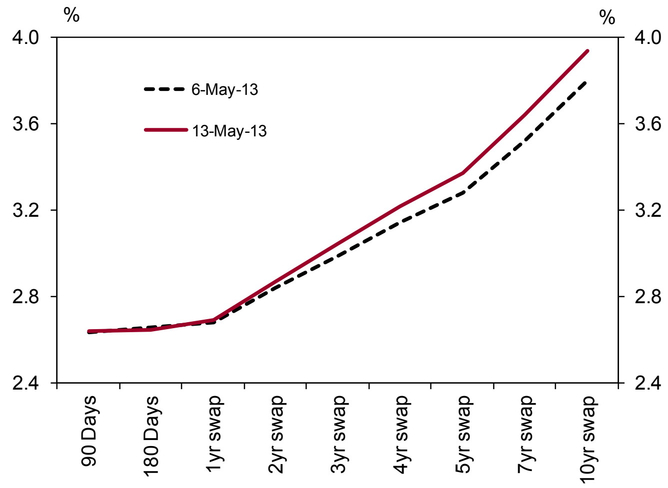
The RBNZ's second major concern is around the growing divide between the tradable and non-tradable sectors of the economy, which the high exchange rate is exacerbating. At a parliamentary select committee meeting after the release of the *Financial Stability Report*, the RBNZ Governor said that the RBNZ had intervened to sell NZ dollars over the past month. This looks like an ex-post acknowledgement of 'covert' intervention, rather than an 'overt' announcement of intervention to come – though the Governor did add that 'further intervention is possible'. The NZ dollar promptly fell by a cent.

Clearly, intervention (or its announcement) has the ability to 'take the tops off rallies', in the Governor's words. But again, we don't think this will do much to shift the balance of economic forces. We don't know what quantities the RBNZ sold in April – but over that period NZD rose sharply against the AUD (this rate should be the cleanest indicator of any NZ-specific influences on the currency). And we remind readers of the RBNZ's experiment at overt intervention back in mid-2007, when it sold billions of NZ dollars over two months. The NZ dollar fell a little, but quickly reverted to its previous level. Subsequent interventions that year had progressively smaller impacts on the currency.

This week's Budget will provide an update on another major theme shaping New Zealand's economic outlook – fiscal consolidation. Thanks to a stronger economy, we are likely to see a smaller deficit than the Government projected back in December – both revenue and expenses have been tracking better than expected. However we expect this Budget to remain fairly conservative. The Minister of Finance has confirmed a return to surplus by 2015, and there continues to be limited wiggle room in the fiscal accounts. Few new spending initiatives have been pre-announced. We will be looking for details on the Government's upgraded estimates of quake-related costs.

Fixed vs floating for mortgages: Fixed-term rates out to two years are currently well below floating rates, while three-year and longer fixed rates are only slightly higher. So staying on floating would only be the better option if the RBNZ actually cut the OCR – which we regard as unlikely. That said, there is little upward pressure on banks' funding costs, and fixed-rate 'specials' remain a feature of the mortgage market. Consequently, while we favour fixing over floating for the next couple of years, there's scope to time your entry to take advantage of further fixed-rate deals.

NZ interest rates



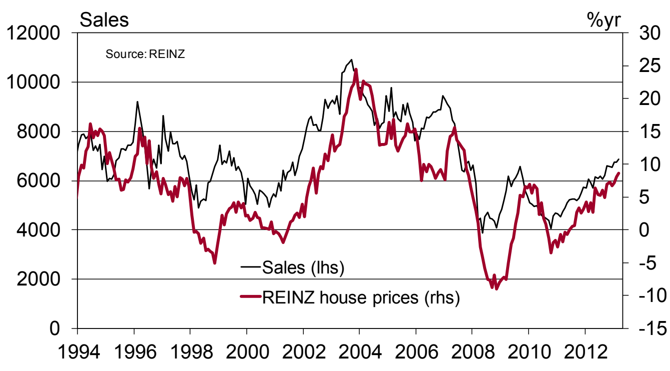
Key Data Previews

NZ Apr REINZ house prices and sales

May 13-17, Sales last: 2.0%, Prices last: 8.6%yr

- House sales and annual price growth both reached new cycle highs in March, with the under-supplied Auckland market now well ahead of the quake-affected Christchurch market in terms of price gains.
- Supporting evidence suggests that the housing market remained very tight in April. Mortgage approvals were up slightly, while listings remained tight and vendor asking prices rose to fresh highs. Figures from a major real estate agency showed that supply in the Auckland market was near all-time lows and that sale prices continued to rise at a rapid clip.
- We have revised up our forecasts of house price growth to 9.5% this year and 7.5% next year. Our view remains that rising house prices will fuel household spending and inflation pressures, warranting higher interest rates by next year.

REINZ house prices and sales

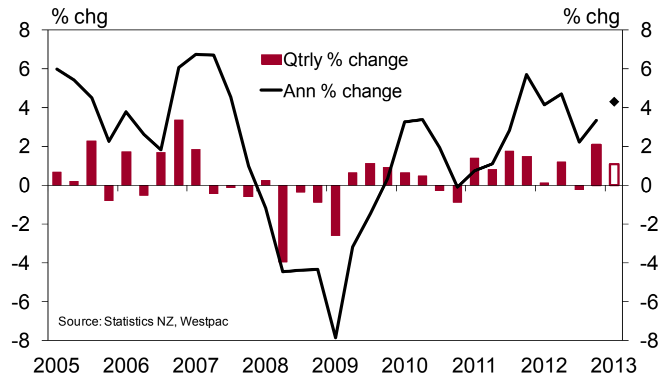


NZ Q1 real retail sales

May 14, Last: 2.1%, WBC f/c: 1.1%

- Real retail sales have shown steady growth over the last two years, with the exception of a weak patch in Q3 2012 that was soundly reversed in Q4 - a consistent theme across the wider economy. Low interest rates, rising house prices and quake-related spending are likely supporting factors.
- Monthly card spending figures point to another solid rise in spending over Q1. We estimate a 0.8% rise in core retail volumes, with a strong rise in vehicle sales (which are not seasonally adjusted) lifting total growth to 1.1%.
- We've been sceptical of the view that volume growth has been dependent on widespread discounting, and this was even less obviously the case in Q1 - we estimate that the retail price deflator rose by 0.3% after small declines in the previous three quarters.

Real retail sales

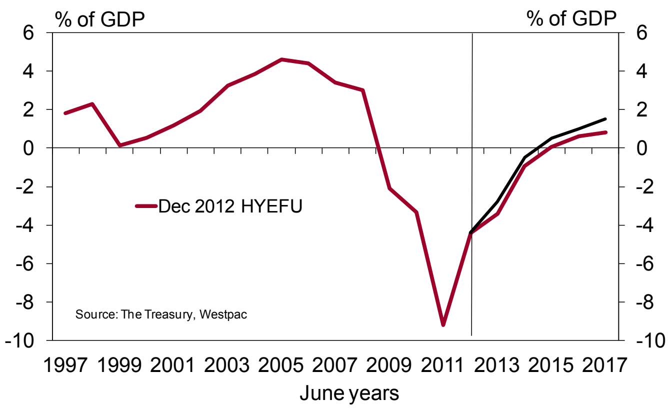


NZ Budget 2013

May 16, Last: -$9.2bn, WBC f/c: -$5.9bn

- The Half-Year Fiscal and Economic Update (HYEFU) of last December projected an operating deficit of $7.3bn for the 2012/13 fiscal year, returning to a surplus of just $66m in 2014/15.
- Since then, both revenue and expenses have been tracking better than expected as the economy has gained momentum. We estimate a $5.9bn deficit for the current fiscal year; the Finance Minister has confirmed a return to surplus by 2015, but it should be by a more meaningful margin.
- Even so, there is limited wiggle room in the fiscal accounts, and few new spending initiatives have been announced ahead of the Budget. Quake-related costs remain uncertain, and the Government has signalled that its liability has increased by $2bn - we await details on this.

Operating balance (excluding gains and losses)

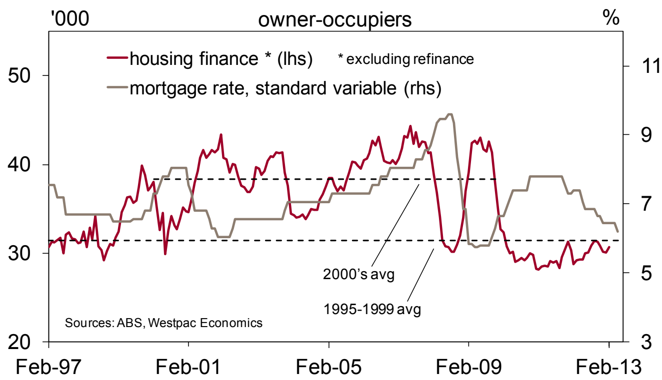


Aus Mar housing finance (no.)

May 13, Last: 2.0%, WBC f/c: 2.5%
Mkt f/c: 4.0%, Range: –0.6% to 6.9%

- After a patchy Q4 and a weak start to 2013, finance approvals posted a better result in Feb, rising 2%. The detail was mostly positive as well. The main exception is first home buyers (FHBs) with approvals in this segment remaining at very weak levels. Much of this is due to changes in state government policy support for FHBs. However, the extent of the weakness is still of concern given where rates are.
- Abstracting from state government policy effects, there does still appear to be a slight uptrend coming through. This should show through more clearly in Mar as the state policy effects diminish. Industry data suggests a stronger month as well, although that depends on how figures are adjusted for seasonality and the timing of Easter. On balance, we expect a solid 2.5% gain.

Owner-occupier finance & the rate cycle

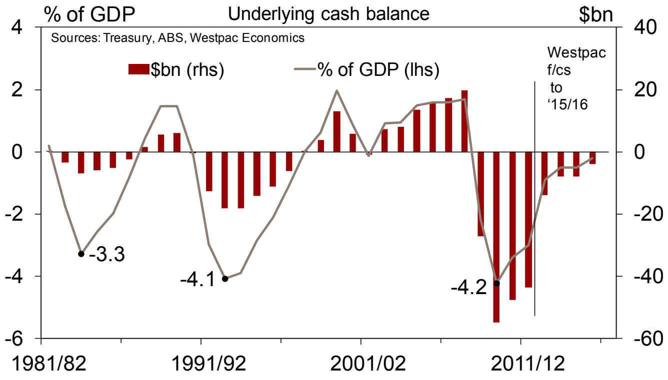


Aus Federal Budget

May 14

- Treasurer Swan will announce the annual Budget on Tuesday ahead of the Federal Election scheduled for 14 September.
- We expect a $14bn deficit in 2012/13. The government, in their October Mid-Year update, forecast a surplus of $1.1bn.
- Revenue is down $12bn (centred on company profits and the mining tax); spectrum sale proceeds are delayed a year ($4bn in MYEFO); but expenditures may be $1bn below forecast.
- The budget is likely to remain in deficit given a lower starting point for revenue, and a likely downgrading of economic growth for 2013/14. We forecast the budget deficit to be: $8bn in 2013/14, $8bn in 2014/15, and $4bn in 2015/16.
- This presumes that savings measures fund new spending initiatives, including Gonski and the National Disability Insurance Scheme. For more detail, see our preview Bulletin.

Federal budget: $14bn deficit in 2012/13 (f/c)



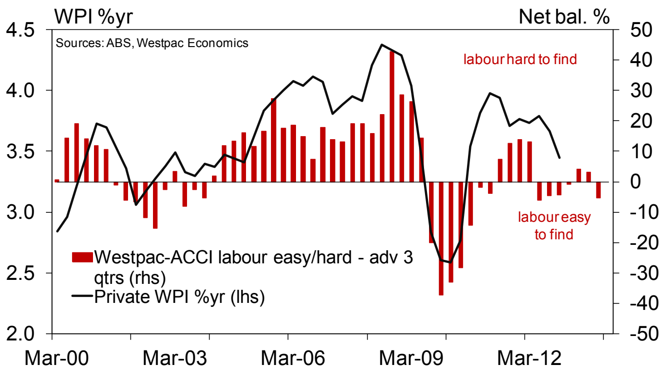
Aus 2013Q1 wage price index: %qtr

May 15, Last: 0.8%, WBC f/c: 0.8%

Mkt f/c: 0.8%, Range: 0.7% to 0.9%

- The December quarter Wage Price Index (WPI) printed spot on market expectations of 0.8%qtr.
- Private sector wage growth continued to moderate, printing 0.8%qtr in Q4, on par with the Q3 print; this had the annual rate dipping to 3.4%yr, from 3.7%yr in Q3 and 3.8%yr in Q2.
- The mining/non-mining divergence is still there. Although even in WA, where wages were growing at the fastest pace, the pace has slowed to 4.3%yr.
- The labour market has continued to soften, with the unemployment rate rising to 5.5%/5.6% and firms again reporting it is easier to find staff. However, there has not been a collapse in the labour market, with mass staff shedding. So the moderation in wage inflation is modest.

Labour market has eased softened again

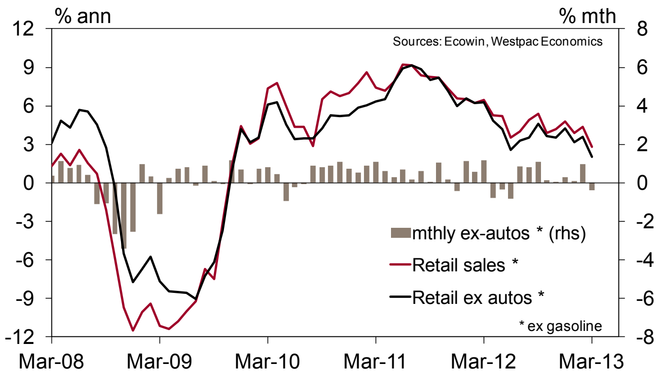


US Apr retail sales to fall again

May 13, Last: –0.4%, WBC –0.4%

- Retail sales fell 0.4% in Mar, their second fall this year and the steepest since last June. Eight of the fourteen storetypes recorded declines, including autos and gasoline (due to lower prices). Ex autos/gas, core retailing fell 0.1%, its first fall since Oct. In Q1, core retailing rose 3.6% annualised, down from 4.7% and 4.1% in the previous two quarters. Slower income growth and lower confidence would be factors at play.
- Recent job market gains and the ready availability of auto loans have been supporting household spending. However, the ongoing structural impediments to growth (substantial household sector debt and fiscal restraint) continue to restrict growth to sporadic bursts.
- Auto sales fell again in Apr, and gasoline prices eased. Falling sales here won't be fully offset by a modest core retail bounce.

US retail sales



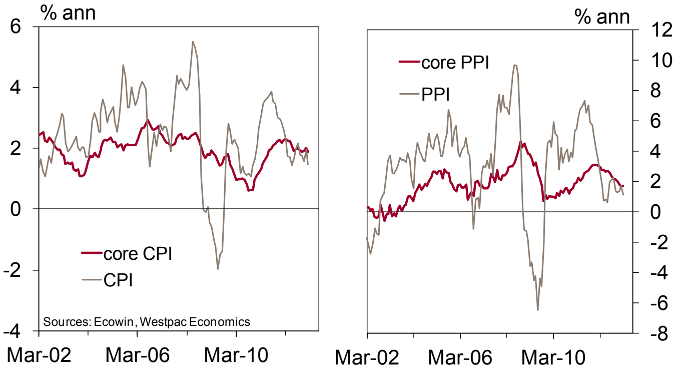
US Apr producer and consumer price indices

May 15, PPI: Last: –0.6%, WBC f/c: –0.4%

May 16, CPI: Last: –0.2%, WBC f/c: –0.1%

- The PPI fell 0.6% in Mar, reversing most of Feb's 0.7% rise; gasoline was down 6.8%, but food rose 0.8%. The core PPI rose 0.2% for the third month running, constrained by flat truck prices; however, autos were up 0.2%, and prescription drugs rose 0.4%. The core intermediate and crude PPIs saw gains of 0.2% and 0.9% respectively. Ongoing energy price declines should see a further headline PPI fall; vehicle prices are an upside risk to the core.
- The CPI fell 0.2% in Mar; gasoline prices fell 4.4%, food prices were flat, clothing was down 1.0% and high-weighted rents posted a below-trend 0.1% rise (as did the core CPI). The headline CPI should be a smaller negative in April, with gasoline prices still falling, but food at risk of a rise and the other soft factors in March unlikely to be repeated in entirety. That will still leave a subdued inflation picture intact.

US price inflation

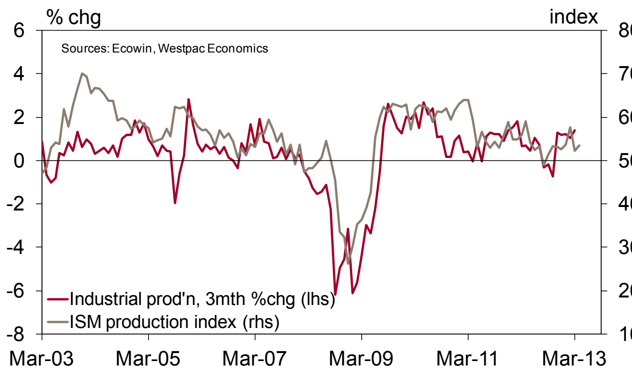


US Apr industrial production

May 15: Last: 0.4%, WBC f/c: 0.0%

- Industrial production rose 0.4% in Mar. A weather-induced 5.3% surge in utility output was the main driver; the other sectors were softer, with manufacturing down 0.1%, mining down 0.2%, and business equipment up just 0.1%. Capacity utilisation rose to a five-year high of 78.5%.
- Factory hours worked fell 0.2% in Apr. Auto sales were down 2% in the month and, back in Mar, auto and core capital goods orders were flat. The April ISM factory survey showed orders and production recovering a little of March's plunge in Apr. These factors point to a (at best) modest gain in factory output.
- The IP bottom line will be driven by the Fed's estimate of utility output. March's unseasonally cold weather did not stretch far enough into April to prevent a fall in heating usage. Hence, we expect a flat IP outcome in April, provided mining output rises.

US industrial sector



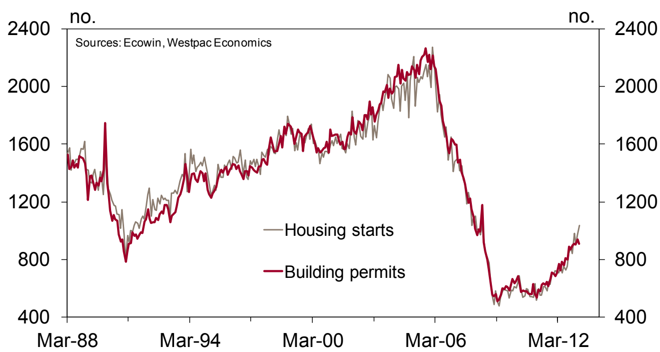
US housing starts/permits in Apr

May 16, Housing starts: Last: 7.0%, WBC f/c: –4.5%

May 16, Housing permits: Last: –3.4%, WBC f/c: 2.5%

- Housing starts surged 7% in March, mainly due to the volatile multiples component, up 31%. Single-family home starts fell 4.8%. Building permits fell 3.4% in Mar, off cycle highs in February. Singles permits fell 0.5%, their first fall since March last year; although they continue to run at a slower annualised pace than starts, 595k vs 619k, the gap no longer suggests material downside risk ahead for starts. Indeed, single family starts are up 29%yr while permits are 28%yr higher.
- Homebuilder sentiment surged last year but has slipped from the recent peak so far in 2013. New home sales have been volatile but are trending higher. Existing home sales are constrained by a lack of supply. Mortgages are cheap. These factors suggest gains ahead for starts and permits, though multiples volatility can impact in both directions in any month.

US housing starts & permits

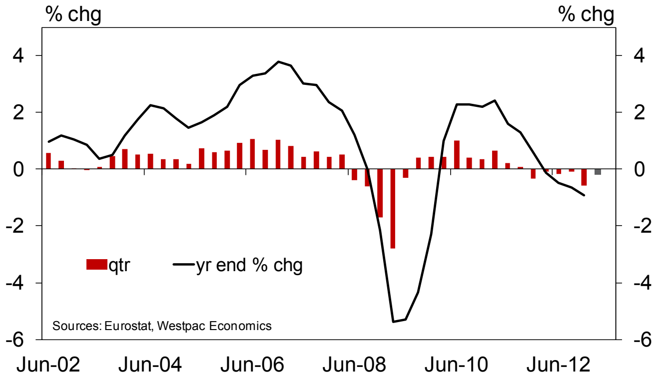


Euroland GDP to contract 0.2% in Q1

May 15: Last: –0.6%, WBC f/c: –0.2%

- Euroland GDP has fallen every quarter since Q4 2011. A temporary new-year upswing in the composite PMI (since reversed) suggests Q1 GDP will not contract as fast as in Q4.
- After falling 0.6% in Q4, we expect German Q1 growth of 0.2% (better than the late April "stabilised" official guidance) given the latest March partial data. This will be offset by contraction in France (now in recession for the second time since early 2012), Italy, Spain (–0.5% already reported) and elsewhere for a 0.2% Eurozone contraction.
- If April's PMI readings don't improve, Q2 could see a steeper decline, but confidence does seem to be recovering somewhat with Italian politics less uncertain, the ECB mulling further easing and in Draghi's words, other central banks "throwing helicopter money around". Our pessimism remains, and we continue to expect a third year of recession in 2014.

Euro zone GDP growth



Key Data and Events

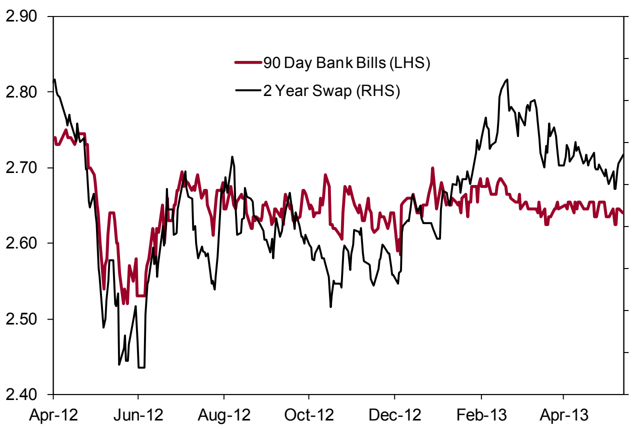
		Last	Market median	Westpac forecast	Risk/Comment
Mon 13					
NZ	Apr food price index	–1.3%	–	0.3%	Seasonal uptick in produce prices; annual inflation remains near zero.
	Apr REINZ house sales	2.0%	–	–	Due this week. Low interest rates, rising demand and low listings...
	Apr REINZ house price index %yr	8.6%	–	–	...suggest that prices will rise further this year.
Aus	Mar housing finance	2.0%	4.0%	2.5%	Underlying uptrend should shown through more clearly in March.
	Apr NAB business survey	–7	–	–	Conditions index down 3pts to –7 in Mar, lowest since May '09.
Chn	Apr new loans RMBbn	1060	755	–	Tentative date. Lower mortgage lending. Med-Long term share of interest.
	Apr M2 money supply %yr	15.7%	15.5%	–	Tentative date. Upside risk on capital inflows.
	Apr total social financing RMBbn	2540	1500	–	Tentative date. Should drop away for policy and seasonal reasons.
	Apr industrial production %yr	8.9%	9.4%	–	PMI undershot expectations, but base effect favourable for next 4 mths.
	Apr fixed investment %ytd	20.9%	21.0%	–	Real estate and infrast. consolidate uptrend, heavy ind. to remain soft.
	Apr retail sales %yr	12.6%	12.8%	–	Auto sales were modest in April, cautioning against improvement here.
Eur	EU finance ministers meeting	–	–	–	Eurozone fin-mins today; EU-25 join on Tuesday.
US	Apr advance retail sales	–0.4%	–0.3%	–0.4%	Auto sales down, gasoline prices lower. See text box
	Apr retail sales ex auto, gas	–0.1%	0.3%	0.2%	Core retailing lost momentum late in Q1 which we doubt will resume.
	Mar business inventories	0.1%	0.3%	0.4%	Inventories generally being kept tight, but retail stocks may have risen.
Tue 14					
NZ	Q1 real retail sales	2.1%	–	1.1%	Further steady growth as the domestic economy gains momentum.
Aus	Federal Budget, AUDbn	–43.7	–16.5	–14	Expect $14bn deficit in '12/13, following $43.7bn deficit in '11/12.
Eur	Mar industrial production	0.4%	0.3%	1.0%	Weak PMI but German factory output up 1.4%; energy up 4% in Mar.
Ger	May ZEW analysts' expectations	36.3	38.0	40.0	Sentix improved in May on ECB action, Italian political developments.
UK	Apr house prices net balance	–1%	–	2%	RICS (surveyors) index. Still slightly pessimistic, last > 0% in mid 2010.
US	NFIB small business optimism	89.5	90.5	89.0	Slippage in most other business surveys in April.
	Apr import prices	–0.5%	–0.5%	–0.5%	Oil prices a little lower on avg than in Mar; US$ higher.
	Fedspeak	–	–	–	Plosser
Can	Apr house prices %yr	2.6%	–	–	Teranet/National Bank index.
Wed 15					
Aus	Q1 wage cost index %qtr	0.8%	0.8%	0.8%	The labour market has softened & it is easier to find staff.
	Apr new vehicle sales	–0.6%	–	–0.5%	Peaked in Sep, down about 3½% since then but still up 4.8%yr.
Eur	Q1 GDP	–0.6%	–0.1%	–0.2%	6th straight quarter of contraction, see text box.
Ger	Q1 GDP	–0.6%	0.3%	0.2%	German finance ministry described Q1 as "stabilisation".
UK	BoE inflation report	–	–	–	Last one presided over by Mervyn King; Carney takes over July 1.
	Apr unemployment ch'	–7k	–4k	–3k	Benefit claimants. Jobs down in 3 mths to Feb, first fall since 2011.
US	May NAHB housing market index	42	43	43	Has not posted a rise yet this year.
	May NY Fed factory survey	3.1	4.0	0.0	Tends to slump mid year, but 3 falls in row as we f'cast is quite rare.
	Mar TIC data, $bn	–17.3	–	–	Net long-term TIC flows.
	Apr PPI	–0.6%	–0.6%	–0.4%	Energy prices unwind continuing.
	Apr PPI core	0.2%	0.1%	0.2%	Core trend now around 0.2%, some upside risk from vehicle prices.
	Apr industrial production	0.4%	–0.1%	0.0%	Factory hours worked down 0.2%. Weather milder. See text box.
Can	Apr existing home sales	2.4%	–	–	Gains in Jan and Mar after declines through most of H2 2012.
	Mar manufacturing sales	2.6%	–	–	Autos led Feb's fastest gain since 2011.
Thu 16					
NZ	Budget 2013 NZDbn	–9.2	–	–5.9	Tracking better than forecasts, but limited scope for new spending.
	Apr manufacturing PMI	53.4	–	–	Drought could weigh on food processing.
Jpn	Q1 GDP % annualised	0.2%	2.7%	2.9%	OK domestic demand, net exports swing back to positive.
Eur	Apr CPI %yr final	1.2% a	–	1.2%	Flash report now includes core which fell to 1.0%yr in April.
	Mar exports	0.1%	–	0.5%	German exports data due 10/5, but orders and IP up in Feb-Mar.
US	Initial jobless claims w/e 11/5	323k	330k	330k	Clear downtrend in claims this year suggests layoffs less frequent.
	Apr housing starts	7.0%	–5.4%	–4.5%	Starts pace for (single family dwellings) has been running ahead of
	Apr building permits	–3.4%	3.6%	2.5%	permits. See text box.
	Apr CPI	–0.2%	–0.2%	–0.1%	Gasoline prices still falling in Apr, but PPI food price pressures a risk.
	Apr CPI core	0.1%	0.2%	0.1%	Jan's 0.3% core the outlier, trend running between 0.1%-0.2%.
	May Philadelphia Fed factory survey	1.3	2.5	–3.0	Seasonally distorted mid-year slump in 2010-12 began in Q2.
	Fedspeak	–	–	–	Plosser, Rosengren, Fisher and Williams
Fri 17					
NZ	Q1 producer prices (inputs)	–0.3%	–	–	Lift in dairy payout and higher power generation costs in Q1.
Jpn	Mar machinery orders %mth	7.5%	3.3%	–	Post LNY bounce from Asian buyers, domestic segment on uptrend.
Eur	Mar construction output	–0.8%	–	–1.5%	Construction fell 3.1% in Germany, perhaps weather related.
US	Apr leading indicators	–0.1%	0.2%	0.2%	Had not posted a decline for 6 mth till Mar; same as in Q4 11 - Q1 12.
	May UoM consumer sentiment prelim	76.4	77.7	76.0	300 responses in prelim; IBD-TIPP weaker in May with 900 replies.
	Fedspeak	–	–	–	Kockerlakota. Bernanke is speaking at a school ceremony Sat 18/5.
Can	Mar wholesale sales	0.0%	0.4%	–	Autos prevented decline in Feb. Essentially stalled since May last year.
	Apr CPI %yr	1.0%	0.9%	–	BoC core rate was steady at 1.4%yr in Mar.
Sat 18					
Chn	Apr property prices % net bal	95.7%	–	–	April daily sales volumes around two fifths of March levels.

New Zealand Economic and Financial Forecasts

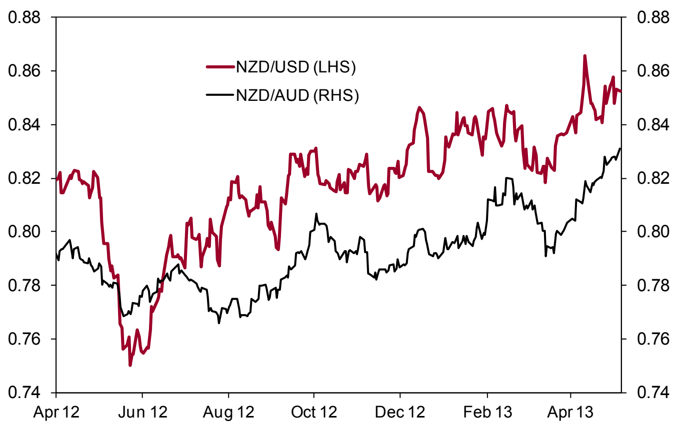
Economic Growth Forecasts		March years				Calendar years		
% change	2012	2013f	2014f	2015f	2011	2012	2013f	2014f
GDP (Production) ann avg	1.9	2.5	2.9	3.7	1.4	2.5	2.8	3.6
Employment	1.0	0.4	2.4	2.8	1.5	-1.4	3.2	3.2
Unemployment Rate % s.a.	6.7	6.2	5.7	4.8	6.3	6.8	6.1	5.0
CPI	1.6	0.9	1.4	2.5	1.8	0.9	1.3	2.3
Current Account Balance % of GDP	-4.4	-4.9	-4.6	-5.6	-4.0	-5.0	-4.5	-5.3

Financial Forecasts	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14
Cash	2.50	2.50	2.50	2.75	3.00	3.25
90 Day bill	2.65	2.70	2.75	3.00	3.25	3.50
2 Year Swap	2.90	3.00	3.10	3.30	3.50	3.70
5 Year Swap	3.40	3.45	3.50	3.60	3.70	3.85
10 Year Bond	3.30	3.35	3.45	3.50	3.55	3.60
NZD/USD	0.83	0.84	0.85	0.85	0.84	0.83
NZD/AUD	0.82	0.84	0.86	0.88	0.88	0.86
NZD/JPY	81.3	81.5	81.6	80.8	79.0	77.2
NZD/EUR	0.64	0.66	0.67	0.69	0.69	0.68
NZD/GBP	0.55	0.56	0.56	0.57	0.55	0.53
TWI	77.0	78.4	79.5	80.4	79.7	78.5

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



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

Interest Rates	Current	Two Weeks Ago	One Month Ago
Cash	2.50%	2.50%	2.50%
30 Days	2.64%	2.64%	2.64%
60 Days	2.64%	2.64%	2.65%
90 Days	2.64%	2.66%	2.66%
2 Year Swap	2.87%	2.85%	2.86%
5 Year Swap	3.37%	3.30%	3.32%

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

Exchange Rates	Current	Two Weeks Ago	One Month Ago
NZD/USD	0.8288	0.8482	0.8579
NZD/EUR	0.6393	0.6500	0.6546
NZD/GBP	0.5397	0.5473	0.5590
NZD/JPY	84.46	83.09	84.52
NZD/AUD	0.8284	0.8251	0.8162
TWI	77.52	78.23	78.73

Economic and Financial Forecasts

Economic Forecasts (Calendar Years)	2009	2010	2011	2012	2013f	2014f
Australia						
Real GDP % yr	1.4	2.5	2.4	3.6	2.5	2.3
CPI inflation % annual	2.1	2.8	3.0	2.2	2.0	2.8
Unemployment %	5.6	5.2	5.2	5.4	6.2	6.0
Current Account % GDP	-4.2	-2.9	-2.3	-3.7	-2.6	-3.3
United States						
Real GDP %yr	-3.1	2.4	1.8	2.2	1.7	1.6
Consumer Prices %yr	-0.3	1.6	3.1	2.1	1.9	2.0
Unemployment Rate %	9.3	9.6	8.9	8.1	7.7	7.7
Current Account %GDP	-2.7	-3.0	-3.1	-3.0	-3.1	-3.2
Japan						
Real GDP %yr	-5.7	4.9	-0.4	2.0	1.3	1.9
Consumer Prices %yr	-1.3	-0.7	-0.3	0.0	-0.2	0.1
Unemployment Rate %	5.2	5.1	4.5	4.3	4.3	4.3
Current Account %GDP	2.8	3.6	2.0	2.1	2.0	2.0
Euroland						
Real GDP %yr	-4.4	2.0	1.4	-0.6	-0.8	-0.6
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	0.7	0.2
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 10 May 2013

Interest Rate Forecasts	Latest	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14
Australia						
Cash	2.75	2.50	2.50	2.25	2.00	2.00
90 Day Bill	2.80	2.55	2.55	2.30	2.10	2.10
10 Year Bond	3.16	3.20	3.40	3.25	3.10	2.85
International						
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	1.81	2.00	2.20	2.10	2.00	1.80
ECB Repo Rate	0.50	0.50	0.50	0.50	0.50	0.50

Exchange Rate Forecasts	Latest	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14
AUD/USD	1.0087	1.01	1.00	0.99	0.97	0.96
USD/JPY	100.71	98	97	96	95	94
EUR/USD	1.3040	1.30	1.28	1.26	1.23	1.22
AUD/NZD	1.2013	1.22	1.19	1.16	1.14	1.14

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