# Weekly Commentary

15 April 2013

# Unstoppable force versus immovable object

**New Zealand monetary policy seems stuck between an unstoppable force and an immovable object. The unstoppable force is economic growth, which has been propelled higher by the Christchurch rebuild and rising house prices. But inflation has been an immovable object, remaining stubbornly and surprisingly low mainly because the exchange rate has remained stubbornly and surprisingly high.**

The Reserve Bank has sensibly occupied a middle ground, signalling no impending change in the OCR. Of course, the RBNZ recognises that one force could eventually prove more important than the other. In the March Monetary Policy Statement the RBNZ noted that if the exchange rate were to stay high and continue to suppress inflation, OCR cuts might be on the agenda. But last week Deputy Governor Grant Spencer said in a speech that if the housing market were to stay strong and provoke consumer spending, the OCR may have to go up early. There is no contradiction between these two statements. It simply reflects the two large risks facing the Reserve Bank. The central bank is not compelled to decide which of the two is more important – it can wait and see.

As market participants and economic forecasters, we don't have that luxury. We must try to figure out which of high growth and low inflation is the most important for monetary policy. To that end, we had critically important data last week, and there is more to come this week. Unfortunately, the data has so far served only to deepen the conundrum rather than resolve it.

Last week's Quarterly Survey of Business Opinion unambiguously confirmed that the New Zealand economy continued to gather momentum in early 2013, after registering stonking GDP growth of 1.5% in the final quarter of 2012. Not only that, but the upturn appears to be broadening beyond the narrow confines of the construction industry.

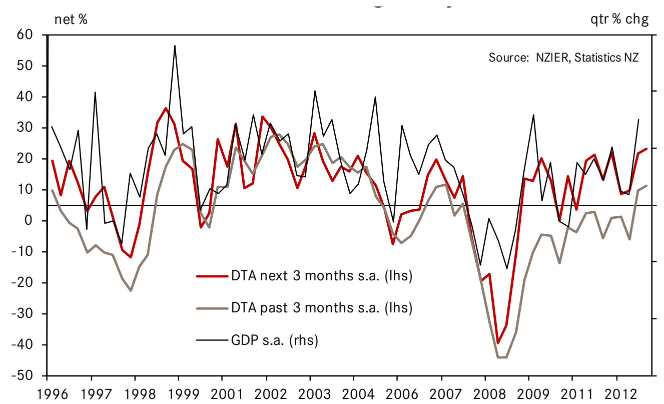
The QSBO's headline measure of business confidence rose to +32%, the highest in three years. Firms' reports of domestic activity levels remained strong, suggesting that March quarter GDP growth could be higher than our preliminary forecast of 0.8%. Hiring and investment intentions and profit expectations were all stronger. Capacity utilisation among manufacturers and builders rose, and is now almost back at pre-recession levels.

Looking at the sectoral breakdown, there can be no doubt that construction is playing a major role in this upturn. A net 46% of builders expect better times over the next six months, and are at the forefront in reporting more hiring, greater difficulty finding skilled workers, more new orders, more output and greater cost pressures. Architects' expectations for work over the next two years – both residential and commercial – are at or near their highest in 20 years.

But optimism was shared across every sector covered in the survey. Manufacturing was far from crisis mode, reporting a strong pickup in confidence and output – a reminder that the industry's fortunes are not universally tied to the exchange rate. As the RBNZ detailed in a recent article, many of the sub-sectors of manufacturing are tightly linked into the building industry. That was borne out by the QSBO – together, the manufacturing and building sectors reported their best quarter in nine years, and expectations for the next quarter were the highest in 11 years.

For us, the QSBO was confirmation of something we've been saying since the Christchurch earthquake struck in early 2011. Throwing $30bn-odd at the nation's construction industry was always going to create a big lump of extra economic activity, even if the timing was uncertain. The buoyant housing market has made the case for higher economic growth all the more obvious. Now that the data is rolling in, any lingering doubt about

***Domestic Trading Activity & GDP***



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New Zealand's near-term economic trajectory must be dispelled (although there will be lumps and bumps along the way, such as the summer drought).

The one shoe that didn't drop in the QSBO was prices. The survey emphatically showed that, outside the building industry, cost pressures remain at historically low levels. Accordingly, not many firms plan to raise their prices in the near term.

We expect this sentiment to be repeated this week when the Consumer Price Index for the March quarter is released. We forecast annual inflation to hold steady at 0.9%, a view shared by the Reserve Bank in its March Monetary Policy Statement. Inflation has often fallen short of forecasts over the past eighteen months. In an effort to guard against another downside surprise, we've gone through this forecast with a fine-toothed comb. But there is still plenty of room for surprises – this forecast cannot be delivered with a high degree of confidence.

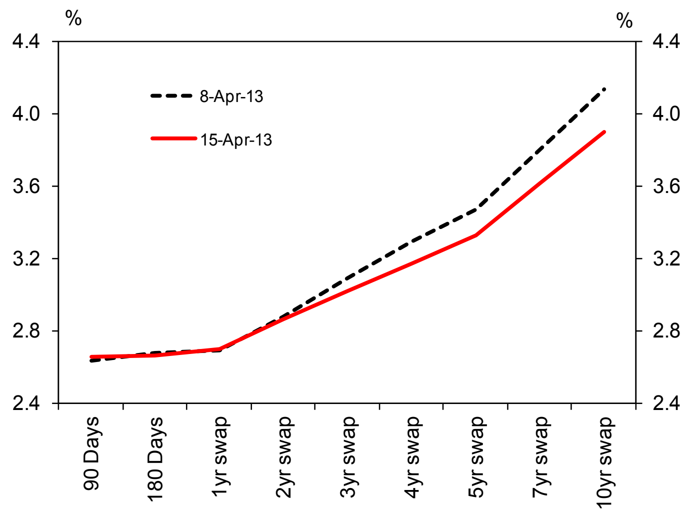
Another large undershoot on inflation would seriously strengthen the case for an easier monetary policy stance. We would definitely alter our OCR call in the direction of later hikes (we are currently calling for a December hike). And we would contemplate the possibility of an OCR cut in the near term. Certainly, markets would have to price in the risk of a near-term OCR cut, which could be quite wrenching for the yield curve.

But an upside surprise on inflation would be equally important. It would put to bed any concern that New Zealand inflation has undergone structural change. The RBNZ's medium-term inflation forecast would have to be revised above 2%, bolstering the case for OCR hikes.

We wait with bated breath.

**Fixed vs floating for mortgages:** At current mortgage rates we regard fixing as being 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. So staying on floating would only be the better option if the RBNZ actually cut the OCR – which we regard as unlikely.

***NZ interest rates***



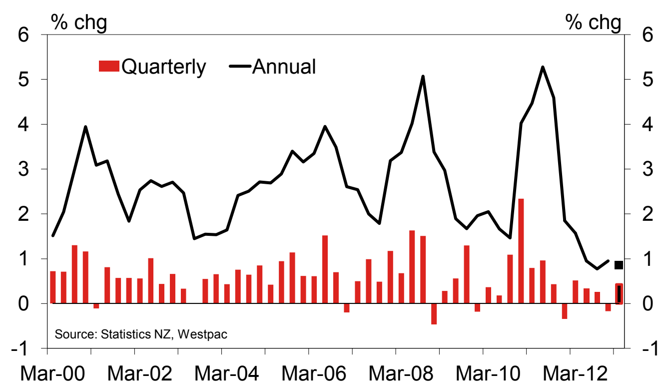

## Key Data Previews

### NZ Q1 CPI

**Apr 17, Last: -0.2%, WBC f/c: +0.4%, Mkt f/c: +0.5%**

- We estimate that consumer prices rose 0.4% in the March quarter, leaving annual inflation at 0.9%. Annual increases in tobacco excise duty and education fees, and higher food and fuel prices, were the main increases for the quarter.
- Annual inflation has slowed more than expected over the last year and a half. The high New Zealand dollar appears to have had an unusually strong dampening effect on the prices of tradable goods.
- But stronger GDP growth, an accelerating housing market and the Christchurch rebuild all point to higher inflation over the Reserve Bank's medium-term horizon.

***NZ CPI Infaltion***



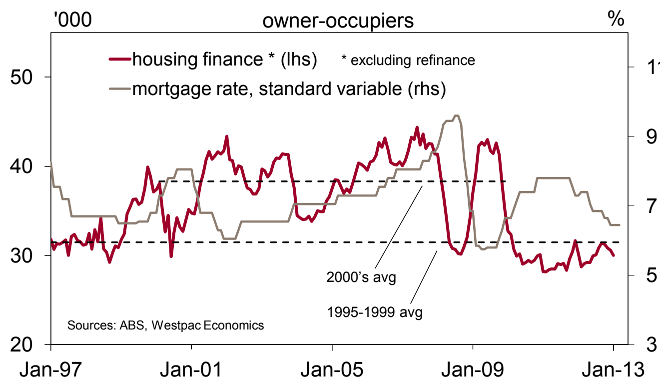
## Aus Feb housing finance (no.)

**Apr 15, Last: –1.5%, WBC f/c: 1.0%**

**Mkt f/c: 1.5%, Range: 0.5% to 4.0%**

- Housing finance approvals posted a soft open to 2013 with Jan showing a 1.5% fall in the number of approvals to owner-occupiers. That followed a weak finish to 2012 with approvals down 4%yr, dropping at a 16% annualised pace in the three months to Jan. Changes to state incentives for first home buyers (FHBs) in NSW and Vic likely contributed to the weakness over this period – approvals to FHBs have been particularly weak.
- We expect Feb to show a modest improvement with a 1% rise forecast. Auction activity, prices, sentiment measures and anecdotal reports all suggest housing markets picked up through Feb-Mar. However, available indicators suggest Feb was still a sluggish month for housing finance approvals.

***Owner-occupier finance & the rate cycle***

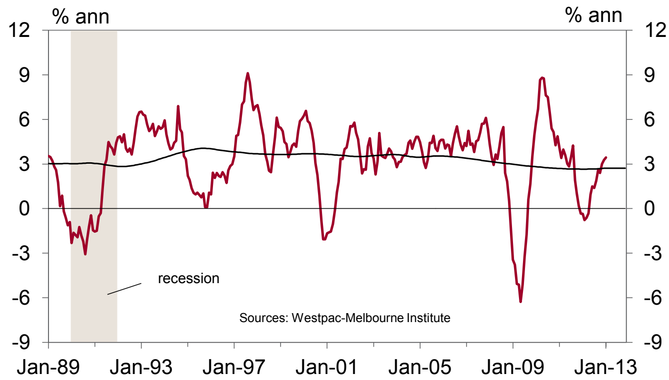



## Aus Feb Westpac–MI Leading Index

**Apr 17, Last: 3.4% annualised**

- The annualised growth rate of the **Westpac–Melbourne Institute Leading Index**, which indicates the likely pace of economic activity three to nine months into the future, was 3.4% in Jan, above its long term trend of 2.7%. Having improved significantly since the first half of 2012, momentum looks to be tracking marginally above trend in the first half of 2013.
- The Feb release will include mostly positive updates of monthly data: equities up +4.5% vs +5.1% in Jan; money supply +0.3% vs 0.7%; US industrial production +0.8% vs +0.1%; and dwelling approvals +3.1% vs –2.0%.

***Westpac-MI Leading Index***



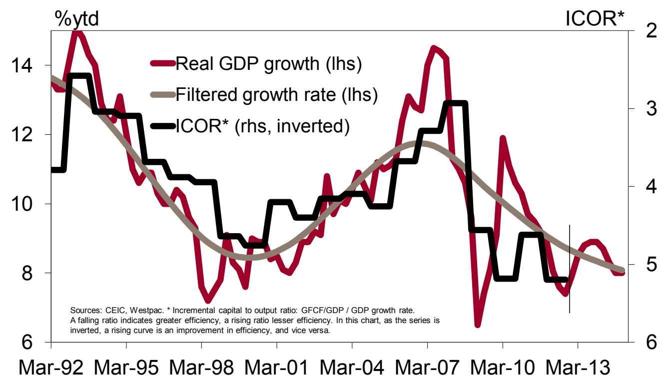

## Chn Q1 GDP

**Apr 15, Last: 7.9%yr, WBC f/c: 8¼% to 8½%.**

**Mkt f/c: 8.0%, Range: 7.5% to 8.3%**

- There is *arithmetic* and then there is *politik*. The art of forecasting China's quarterly GDP estimates falls somewhere in between. The facts are as follows. Assuming no revisions, the starting point is 7.8%yr. A 1.5%qtr is dropping out from March 2012, so an unchanged quarterly pace (Q4 was 2.0%) should add 0.5ppts to the yoy rate.
- How realistic is the assumption that momentum was unchanged from Q4? Net exports should support growth; real estate activity improved; fixed investment and business conditions were firmer overall. On balance, a modest pick-up from Q4 seems reasonable. That would imply a 0.6ppt pick-up to 8.5%yr. This is where the politics comes in. China has historically appeared to smooth the GDP growth rate, which has such symbolic resonance. So while we have 8.5% in our spreadsheet, a slightly lower number is probably more likely.

***Chinese Economic Growth***



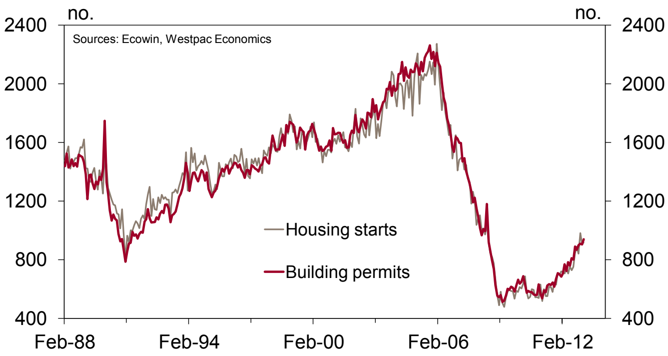
## US housing starts/permits in Mar

**Apr 16, Housing starts: Last: 0.8%, WBC f/c: 1.0%**

**Apr 16, Housing permits: Last: 3.9%, WBC f/c: 2.0%**

- Housing starts rose 0.8% in Feb, but single family starts up 0.5% followed a downward revision to Jan, now a fall of 0.3%, while multiples rose a modest 2% after falling a revised 19% in Jan. Permits rose 3.9%, with single family permits up 2.7% (multiples 8%); singles permits have not posted a fall since March last year, although they continue to run at a slower annualised pace than starts, at 600k vs 618k, suggesting some starts temporary downside risk ahead. Indeed single family starts are up 31.5% yr while permits are 25.5% yr higher.
- Homebuilder sentiment surged last year and has levelled off close to the recent peak so far in 2013. New home sales have been volatile but are trending higher. These factors suggest gains ahead for starts and especially permits, though multiples volatility can impact in both directions in any month.

***US Housing Starts & Permits***

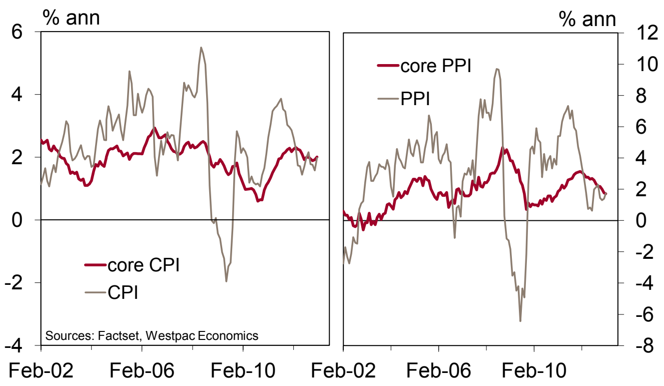



## US Mar consumer price index

**Apr 16, CPI Last: 0.7%, WBC f/c –0.1%**

- The CPI up 0.7% in Feb, lifted by energy (5.4% gain was first since Oct last year, including a 9.1% gasoline price rise), although food prices rose just 0.1%. The 0.2% core rate was constrained by lower auto prices, airfares and apparel; medical and housing costs were up by a moderate 0.2%. The annual headline and core CPI gains were both higher in Feb at 2.0% yr.
- Gasoline prices drifted lower through March and after seasonal adjustment should reverse some of their Feb spike. The Feb PPI suggested retail food prices should be constrained to flat or a small rise at most. Some of the below trend outcomes noted in the Feb summary above will reverse in March but we see risks favouring the core CPI rounding down to 0.1% rather than up to 0.2% as in Feb. The headline CPI should be a modest negative in March, taking the annual rate back down to around 1.6% yr; the core annual rate might ease back to its recent low of 1.9% yr.

***US Price Inflation***

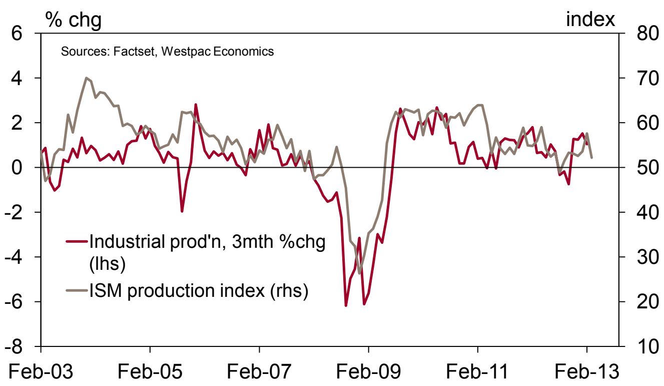



## US Mar industrial production

**Apr 16: Last: 0.8%, WBC f/c: 0.0%**

- Industrial production rose 0.7% in Feb reflecting a broad-based 0.8% factory output rise (autos 3.6%, machinery 1.7%); utilities posted a 1.6% rise on top of their 4.9% weather-driven Jan surge.
- Factory hours worked fell 0.5% in Mar. Auto sales were a little softer in the month and back in Feb, core capital goods orders fell 2.7%. The ISM factory survey showed accelerating orders in Jan and Feb but in Mar these were almost fully reversed; ISM production in Mar reversed more than it gained in Jan-Feb. These factors point to a contraction in factory output of around –0.2%.
- The IP bottom line will be driven by the Fed's estimate of utility output. The weather was unseasonally cold again in Mar as in Jan so utilities will probably post a further gain but there are some indicators pointing to lower mining output. Hence we expect a flat IP outcome in Mar.

***US Industrial Sector***



## Key Data and Events

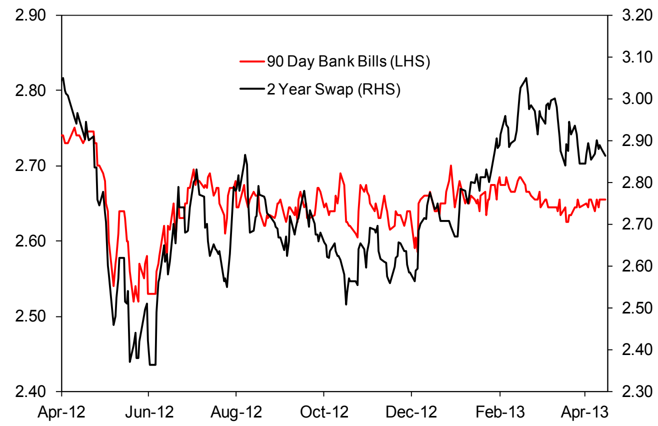
| | | Last | Market median | Westpac forecast | Risk/Comment |
|---|---|---|---|---|---|
| **Mon 15** | | | | | |
| **NZ** | Mar services PSI | 55.5 | – | – | Has pointed to renewed momentum since late 2012. |
| **Aus** | Feb housing finance | –1.5% | 1.5% | 1.0% | Coming off a weak run but markets clearly firmed through Feb-Mar. |
| **Chn** | Mar industrial production %yr | 9.9% | 9.9% | – | Firmer PMIs in March, re-stocking a factor, but less so than late '12. |
| | Mar fixed investment %ytd | 21.2% | 21.3% | – | Infra and real estate both moving higher, but heavy industry a drag. |
| | Mar retail sales %yr | 12.3% | 12.6% | – | Austere LNY lowered starting point. Auto unit sales up 10.7%yr in March. |
| | Q1 real GDP %yr | 7.9% | 8.0% | 8.5% | See box. A 2.1%qtr should add 0.6ppt to the yoy rate. |
| **Eur** | Feb exports | 2.0% | – | –1.0% | German exports known down 1.5% in Feb. |
| **UK** | Apr house prices %yr | 1.2% | – | – | Rightmove index of asking prices. |
| **US** | Apr NAHB housing market index | 44 | 45 | 44 | Has not posted a rise yet this year. |
| | Apr NY Fed factory survey | 9.2 | 7.0 | 2.0 | Seasonal distortion causes mid year slump, starting in Apr or May. |
| | Feb TIC data, $bn | 25.7 | 40 | – | Net long term TIC flows. |
| **Can** | Mar existing home sales | –2.1% | – | – | Declines in 7 out of the nine months of this new data series. |
| **Tue 16** | | | | | |
| **Aus** | RBA minutes of April Board meeting | – | – | – | Detail around decision to leave rates unchanged for a 3rd month. |
| | RBA Assist Gov, Financial Markets | – | – | – | Debelle, "Funding the Resources Investment Boom", Canberra, 12:55. |
| | Mar new motor vehicle sales | flat | – | –3.0% | Industry figures suggest a fall in Mar led by trucks and SUVs. |
| **Eur** | Feb core CPI %yr | 1.3% | 1.3% | – | Steady at lowest since mid 2011. Feb flash headline CPI was 1.8%. |
| **Ger** | Apr ZEW analyts' expectations | 48.5 | 42.0 | 42.0 | Stalled in March, fall likely in April but steeper on Euroland survey. |
| **UK** | Mar PPI %yr | 1.3% | – | – | Core ouput measure. |
| | Feb ONS house prices %yr | 2.2% | – | – | Feb eased from 3.3% in Jan, fastest pace of gain since late 2010. |
| | Mar CPI %yr | 2.8% | 2.8% | – | BoE holds out little hope of fall back to 2% target within 2 years. |
| **US** | Mar housing starts | 0.8% | 1.4% | 1.0% | Starts pace for (single family dwellings) has been running ahead of |
| | Mar building permits | 3.9% | 0.6% | 2.0% | permits. See text box. |
| | Mar CPI | 0.7% | 0.0% | –0.1% | Gasoline prices turned lower in Mar and food price pressures abating. |
| | Mar CPI core | 0.2% | 0.2% | 0.1% | Jan's 0.3% core should settle back to a 0.1% rise in Mar via Feb's 0.2%. |
| | Mar industrial production | 0.8% | 0.2% | 0.0% | Factory hours worked down 0.5%. See text box. |
| | Fedspeak | – | – | – | Dudley, Duke and Kockerlakota. |
| **Can** | Feb manufacturing sales | –0.2% | 0.5% | – | Down in four of last five months, in Jan on transport. |
| **Wed 17** | | | | | |
| **Aus** | Feb Westpac–MI leading index | 3.4% | – | – | Monthly components were mostly positive in Feb. |
| **NZ** | NZ Q1 consumer prices | –0.2% | 0.5% | 0.4% | Strong NZD continues to dampen goods prices. |
| **Eur** | Feb construction output | –1.4% | – | –2.0% | Construction fell nearly 3% in Germany, but it rose in Jan. |
| **UK** | Apr BoE minutes | – | – | – | Will be interesting to see discussion about the new target remit. |
| | Mar unemployment ch' | –1.5k | –1.5k | –3k | Benefit claimants. Jobs up, jobless down despite near flat economy. |
| **US** | Fed beige book | – | – | – | Prepared ahead of the next FOMC meeting at the turn of the month. |
| | Fedspeak | – | – | – | Bullard and Rosengren |
| **Can** | Mar house prices %yr | 2.7% | – | – | Teranet/National Bank index. |
| | Bank of Canada rate decision | 1.0% | 1.0% | 1.0% | Policy on hold "for a period of time", but next move eventually up. |
| **Thu 18** | | | | | |
| **Aus** | Q1 NAB business survey | – | – | – | March monthly survey, released on 9 April, reported weak conditions. |
| **Chn** | Mar 70 city property prices net % rising | 92.9% | – | – | 67 up, 2 down and 1 unchanged. |
| **UK** | Mar retail sales inc fuel | 2.1% | –0.8% | –2.0% | BRC slowed in Feb, CBI retail survey more so. Snow disruption a factor. |
| **US** | Initial jobless claims w/e 13/4 | 346k | 347k | 356k | Easter seasonality swings mask mild downtrend in claims this year. |
| | Mar leading indicators | 0.5% | 0.1% | 0.2% | Has not posted a decline for six months; same as in Q4 11 - Q1 12. |
| | Apr Philadelphia Fed factory survey | 2.0 | 3.0 | –3.0 | Seasonally distorted mid-year slump in 2011, 2012 began in April. |
| | Fedspeak | – | – | – | Lacker, Raskin and Kockerlakota. |
| **Fri 19** | | | | | |
| **Eur** | Feb current a/c balance sa €bn | 14.8 | – | – | In surplus since late 2011, Dec's was the largest at €16bn. |
| **Ger** | Mar producer prices %yr | 1.2% | 0.7% | – | Bottomed at 0.9% yr in July last year. |
| **US** | IMF-World Bank meeting | – | – | – | In Washington, regular semi annual meeting. |
| **Can** | Feb wholesale sales | 0.3% | – | – | Partial unwind of Dec fall in Jan. Essentially stalled since May last year. |
| | Mar CPI %yr | 1.2% | 1.0% | – | BoC core rate was 1.4% yr in Feb. |
| | Mar PPI core | 0.2% | 0.2% | 0.2% | Core trend now around 0.2%, few special factors at play in Feb. |
| | Feb business inventories | 1.0% | 0.4% | 0.2% | Inventories being kept tight. |
| | Apr UoM consumer sentiment prelim | 78.6 | 78.3 | 78.0 | 300 responses in prelim; IBD-TIPP rebounded with 900 replies. |
| | Fedspeak | – | – | – | Bernanke, Rosengren |

## New Zealand Economic and Financial Forecasts

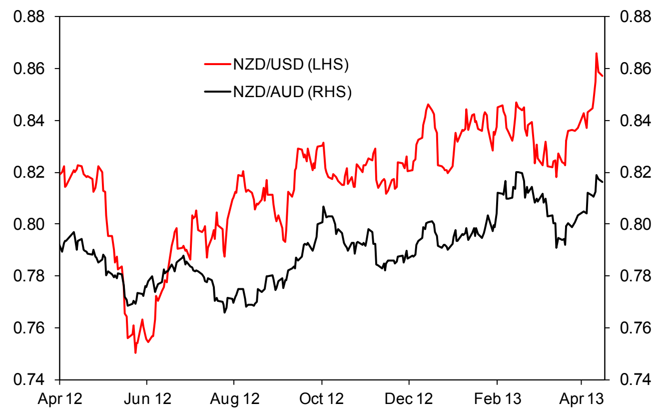
| Economic Growth Forecasts | | March years | | | | Calendar years | | |
|---|---|---|---|---|---|---|---|---|
| % change | 2012 | 2013f | 2014f | 2015f | 2011 | 2012 | 2013f | 2014f |
| GDP (Production) ann avg | 1.9 | 2.5 | 3.0 | 3.4 | 1.4 | 2.5 | 3.0 | 3.2 |
| Employment | 1.0 | 0.0 | 2.6 | 2.5 | 1.5 | -1.4 | 3.7 | 2.6 |
| Unemployment Rate % s.a. | 6.7 | 7.0 | 6.1 | 5.1 | 6.4 | 6.9 | 6.3 | 5.3 |
| CPI | 1.6 | 0.9 | 1.8 | 2.2 | 1.8 | 0.9 | 1.7 | 2.0 |
| Current Account Balance % of GDP | -4.4 | -4.9 | -5.0 | -6.0 | -4.0 | -5.0 | -4.8 | -5.8 |

| Financial Forecasts | Jun-13 | Sep-13 | Dec-13 | Mar-14 | Jun-14 | Sep-14 |
|---|---|---|---|---|---|---|
| Cash | 2.50 | 2.50 | 2.75 | 3.25 | 3.50 | 3.75 |
| 90 Day bill | 2.70 | 2.75 | 3.20 | 3.50 | 3.75 | 4.00 |
| 2 Year Swap | 3.00 | 3.10 | 3.30 | 3.60 | 3.90 | 4.20 |
| 5 Year Swap | 3.50 | 3.60 | 3.80 | 4.00 | 4.30 | 4.50 |
| 10 Year Bond | 3.80 | 3.90 | 4.10 | 4.30 | 4.40 | 4.50 |
| NZD/USD | 0.85 | 0.85 | 0.85 | 0.84 | 0.83 | 0.82 |
| NZD/AUD | 0.82 | 0.83 | 0.84 | 0.85 | 0.86 | 0.85 |
| NZD/JPY | 81.6 | 80.8 | 79.1 | 77.3 | 74.7 | 72.2 |
| NZD/EUR | 0.65 | 0.66 | 0.68 | 0.69 | 0.70 | 0.70 |
| NZD/GBP | 0.56 | 0.56 | 0.56 | 0.56 | 0.56 | 0.54 |
| TWI | 78.1 | 78.5 | 79.1 | 79.0 | 78.7 | 77.9 |

### *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% | 2.65% |
| **60 Days** | 2.65% | 2.65% | 2.65% |
| **90 Days** | 2.66% | 2.66% | 2.64% |
| **2 Year Swap** | 2.86% | 2.86% | 2.88% |
| **5 Year Swap** | 3.32% | 3.38% | 3.47% |

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

| Exchange Rates | Current | Two Weeks Ago | One Month Ago |
|---|---|---|---|
| **NZD/USD** | 0.8579 | 0.8369 | 0.8273 |
| **NZD/EUR** | 0.6546 | 0.6517 | 0.6327 |
| **NZD/GBP** | 0.5590 | 0.5496 | 0.5474 |
| **NZD/JPY** | 84.52 | 78.10 | 78.83 |
| **NZD/AUD** | 0.8162 | 0.8030 | 0.7948 |
| **TWI** | 78.73 | 76.79 | 75.60 |

## 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 | 2.5 | 2.8 |
| Unemployment % | 5.6 | 5.2 | 5.2 | 5.3 | 5.9 | 5.8 |
| Current Account % GDP | -4.2 | -2.9 | -2.3 | -3.7 | -2.8 | -3.6 |
| **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 | 2.0 | 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 | -3.1 | -2.9 | -2.9 |
| **Japan** | | | | | | |
| Real GDP %yr | -5.7 | 4.9 | -0.4 | 1.9 | 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 | 1.9 | 1.5 | -0.5 | -0.5 | -0.5 |
| 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 | 0.3 | 0.7 | 0.2 |
| Consumer Prices %yr | 2.2 | 3.2 | 4.0 | 2.7 | 2.3 | 1.8 |
| Unemployment Rate % | 7.6 | 7.8 | 8.4 | 8.0 | 8.5 | 8.5 |
| Current Account %GDP | -1.3 | -2.4 | -1.9 | -3.8 | -2.5 | -1.5 |

Forecasts finalised 8 April 2013

| Interest Rate Forecasts | Latest | Jun 13 | Sep 13 | Dec 13 | Mar 14 | Jun 14 |
|---|---|---|---|---|---|---|
| **Australia** | | | | | | |
| Cash | 3.00 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 |
| 90 Day Bill | 3.07 | 3.00 | 3.10 | 3.10 | 3.00 | 3.00 |
| 10 Year Bond | 3.30 | 3.50 | 3.50 | 3.30 | 3.20 | 3.00 |
| **International** | | | | | | |
| Fed Funds | 0.125 | 0.125 | 0.125 | 0.125 | 0.125 | 0.125 |
| US 10 Year Bond | 1.78 | 2.00 | 2.20 | 2.10 | 2.00 | 1.80 |
| ECB Repo Rate | 0.75 | 0.75 | 0.75 | 0.50 | 0.50 | 0.50 |

| Exchange Rate Forecasts | Latest | Jun 13 | Sep 13 | Dec 13 | Mar 14 | Jun 14 |
|---|---|---|---|---|---|---|
| AUD/USD | 1.0550 | 1.04 | 1.03 | 1.01 | 0.99 | 0.97 |
| USD/JPY | 99.60 | 96 | 95 | 93 | 92 | 90 |
| EUR/USD | 1.3120 | 1.30 | 1.28 | 1.25 | 1.22 | 1.19 |
| AUD/NZD | 1.2222 | 1.22 | 1.21 | 1.19 | 1.18 | 1.17 |

## Westpac Economics Team Contact Details

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