# Weekly Commentary

25 February 2013

## Tough talk

**In a week that was light on domestic developments, the highlight was a speech by RBNZ Governor Wheeler which grabbed the market's attention with its comments on the exchange rate, but struck us more for its hawkish rhetoric on the housing market. The odds are rising that the RBNZ will open its 'macro-prudential toolkit' before too long. We also saw yet another increase in global dairy prices, though not for altogether rosy reasons.**

Dairy prices rose another 3.1% in the latest Fonterra auction, to be up 13% in NZ dollar terms over the year to date. While the ongoing US drought and improving Asian demand are continuing to support prices, a new, less favourable factor may be starting to play a role – dry weather in New Zealand. After a good spring much of the North Island has been experiencing an extremely dry summer, and we wouldn't be surprised if milk production levels have come down accordingly.

As the second largest dairy exporter globally (after the EU) New Zealand is a major player in international markets, so local production levels have global price effects. While that will be small comfort to the worst hit North Island farmers, growing conditions have held up better in the South Island, and given the good start to the season we expect overall production to be roughly the same as last year. We'll keep monitoring developments as the season approaches its close.

We've long emphasized the close relationship between commodity prices and the NZ dollar. Certainly the broad uptrend in the NZ dollar over the past decade is in line with rising prices for dairy and other major commodity exports over that time. However over the past year or so a growing gap between the two has opened up, which recent dairy price rises haven't done much to close.

New Zealand's overvalued exchange rate was the main theme of a speech by RBNZ Governor Graeme Wheeler last week. The Governor spoke in strong terms, saying that the RBNZ 'would like to see a lower exchange rate', and reminding his audience that the RBNZ stood ready to intervene in the market when the moment was opportune.

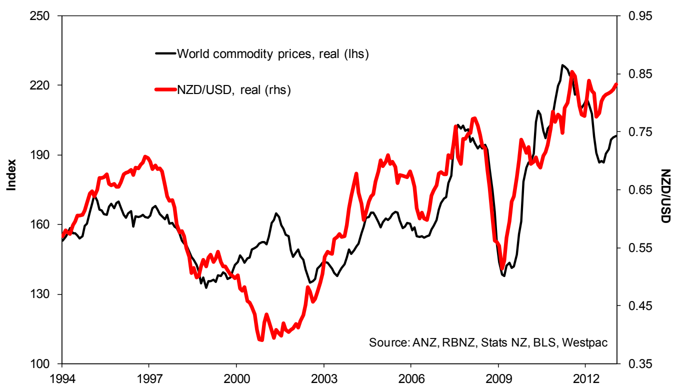
The NZD fell around half a cent in response. That said, there was not actually that much that was new in the Governor's comments. He once again emphasized that all intervention would realistically do is 'smooth the peaks' of the exchange rate cycle. In particular, the RBNZ was up against the massive wave of quantitative and other monetary easing in the world's major economies, which had pushed down yields in those economies and driven up investors' appetite for risk. Seriously trying to counteract those forces would ultimately just be inflationary.

We agree. Once you add factors like sovereign investors' growing appetite for NZ government bonds to the mix, it's hard to see a major correction in the kiwi happening any time soon. Indeed, as we explained in our latest Economic Overview, we think the NZ dollar could easily move higher still. After all, easy monetary policy in our trading partners is a reflection of their relatively weak growth prospects, and New Zealand's economy will continue to outperform as the Canterbury rebuild accelerates.

While Governor Wheeler's rhetoric on the exchange rate struck a familiar note, the speech did show a further evolution in the RBNZ's thinking on the housing market, in a noticeably more hawkish direction. The housing market is now described as 'overheating', at least in Auckland.

The RBNZ's concern at this stage doesn't seem to be around the possible inflationary consequences, but more about the 'increasing challenges to financial stability' if house prices keep

***NZD and commodity prices, adjusted for inflation***



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rising. That raises the odds that the RBNZ will use its new macro-prudential tools to counter those threats to financial stability.

When is that time likely to be? If it wanted to, the RBNZ could use at least some of the measures it's considering tomorrow. However the RBNZ is taking care to put in place good processes for their use. It will go through a consultation process in March and also has yet to sign a memorandum of understanding with the Minister of Finance.

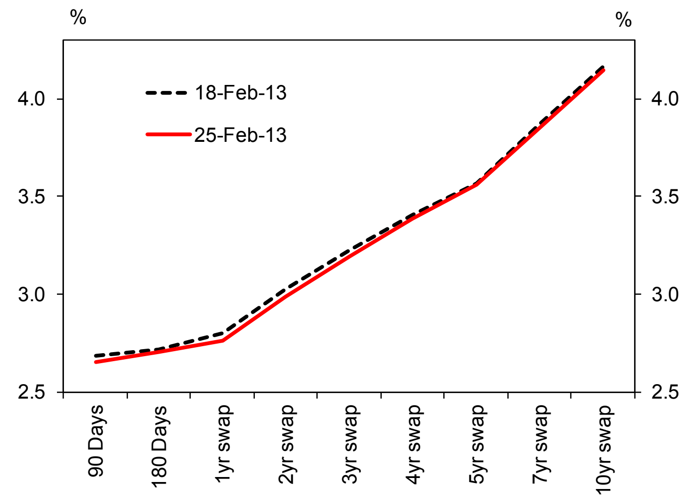
So macro-prudential tools still look some months off. But late 2013 is now starting to look like a real possibility (at least if house prices keep rising as we expect). In the meantime, the RBNZ will become increasingly vocal in this area. In upcoming bulletins we'll canvas these various tools, and their likely implications, in more detail.

In a research bulletin we published on Wednesday, we took a closer look at household incomes – on which Statistics NZ frustratingly only releases data once a year. The data confirm that disposable incomes have been growing modestly over the past few years. What's more interesting is where those income gains have come from. The vast bulk has been due to tax cuts in 2008 and 2010, as well as lower interest rates for the mortgage belt. By contrast labour income growth has been meagre, and business income went backwards. And of course lower interest rates have meant lower incomes for savers.

Over the next few years, we expect that pattern to be reversed. A lot of the income growth will come from the billions of dollars in insurance money funding much of the Canterbury rebuild, which will show up in stronger growth in labour and business income. By contrast the Government is looking to return to surplus and will increasingly subtract from income growth. And our call for rising interest rates from late this year means that those with mortgages will feel more of a squeeze, while savers will benefit.

**Fixed vs floating for mortgages:** 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.

***NZ interest rates***



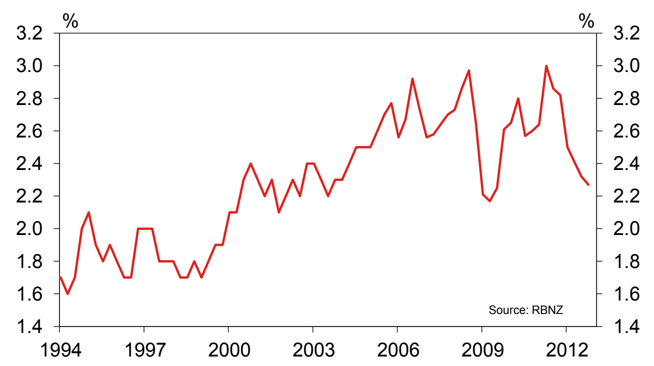

## Key Data Previews

### NZ Q1 RBNZ survey of inflation expectations

**Feb 26, Last: 2.3%, WBC f/c: 2.2%**

- The new Governor of the RBNZ places heavy emphasis on inflation expectations, making this data critical for monetary policy. Inflation expectations hovered between 2.5% and 3% for most of the past decade. The RBNZ would like to see them fall to 2% and stay there.
- In recent quarters there has been a general decline in inflation expectations, to 2.27% in December 2012. It is impossible to tell whether the decline has been due to low headline inflation or the Governor's tough talk.
- The last headline inflation print once-again undershot expectations, and there are currently few signs of inflationary pressures. We expect another small decline in inflation expectations.

***RBNZ 2 yr inflation expectations***

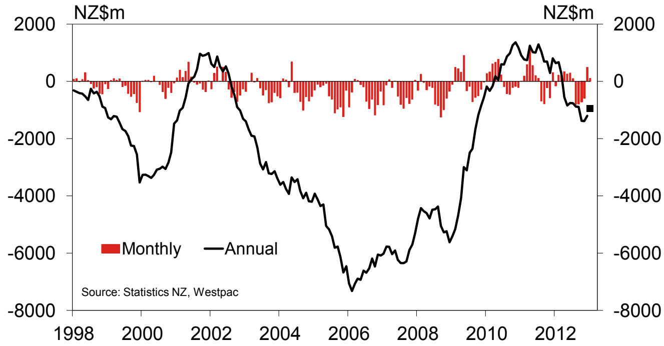


## NZ Jan merchandise trade

**Feb 27, Last: $486m, WBC f/c: $100m, Mkt f/c: $125m**

- We expect earlier improvements to world dairy prices to continue to shine through in the January trade data; dairy prices rose as Northern hemisphere drought and recovering Chinese demand combined to push prices higher over the second half of 2012.
- A rise in the volatile petroleum imports category, after a weak December, should see seasonally adjusted import values pick up in December. Overall, we expect the trade balance to decrease on a seasonally adjusted basis.
- On an annual basis, we expect the trade deficit to narrow in January, as a previous spike in import values falls out of the calculation. Further out, the annual trade deficit should narrow further as dairy export values rise over the first half of 2013.

***NZ merchandise trade balance***

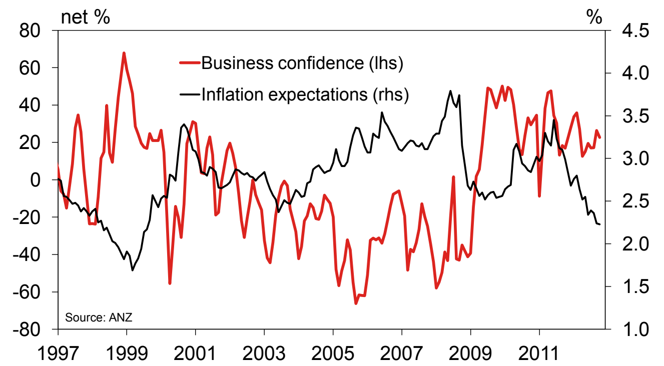



## NZ Feb business confidence

**Feb 28, Last: 22.7**

- The ANZ (formerly National Bank) Business Outlook slipped a little in the last survey of 2012, although it was consistently stronger over the December quarter compared to the September quarter - a theme that was repeated across a range of indicators.
- That momentum appears to have been maintained into this year, although further gains in the exchange rate has added to the strain on exporters.
- Inflation expectations are likely to tick lower again, after another lower than forecast CPI reading in January. However, recent fuel price increases could attract some attention.

***NZ business confidence and inflation expectation***

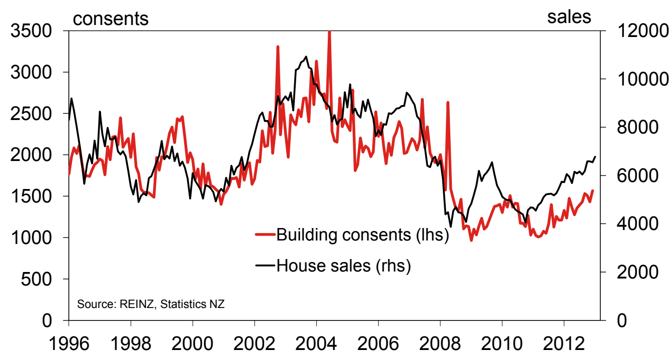



## NZ Jan building consents

**Feb 28, Last: +9.4%, WBC f/c: –3%**

- The 9.4% jump in residential consents in December was entirely due to the volatile apartment units component, which went from minimal to well above average. Other consents were down 1% for the month. We've assumed a partial reversal in January, with apartments moderating and a small rise in other consents.
- Consents in the Canterbury region have flattened out in the last few months, although this may reflect a shortage of staff to process consents rather than a drop-off in demand. Meanwhile, consents are on the rise in Auckland, the other region with a notable shortage of housing supply.
- Non-residential building consents have turned sharply higher, led entirely by the Canterbury rebuild. However, the lag to building activity tends to be long and variable, and the 12% surge in building work in Q3 is likely to have reflected a backlog of consented work.

***NZ housing activity***

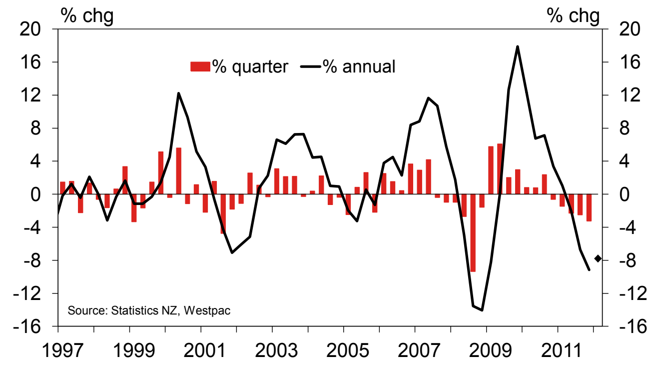


## NZ Q4 terms of trade

**Mar 1, Last: -3.2%, WBC f/c: 0.0%, Mkt f/c: 1.3%**

- We expect a flat terms of trade in Q4, though after falls in the first three quarters of 2012, it will remain 7.8% lower than a year ago.
- The Q4 data will reflect the last remnants of weak export commodity prices from the first half of 2012. We expect a 1% fall in export prices, largely due to a fall in dairy export prices of circa 2%. Import prices are forecast to fall by 1.0% largely on the back of a higher NZD.
- Export volumes are likely to see some payback from the record 9.7% quarterly jump in Q3 - we expect a 3% fall.
- Export commodity prices, particularly dairy, turned higher in mid-2012; combined with continued weak import prices, we expect this to lead to the terms of trade ticking upwards over 2013.

*NZ terms of trade*

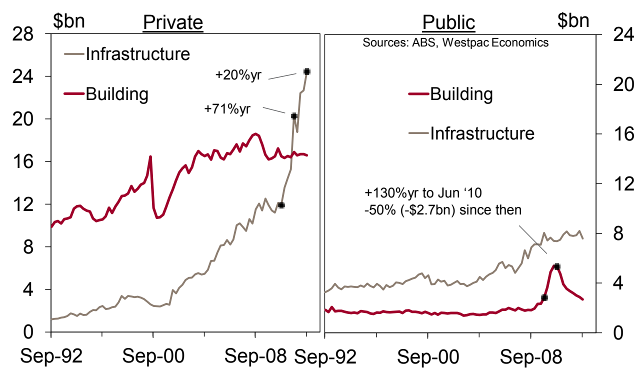



## Aus Q4 construction work

**Feb 27, Last: 1.7%, WBC f/c: 1.3%**
**Mkt f/c: 1.5%, Range: –1.0% to 4.6%**

- Construction advanced over the three years 2010 to 2012, however growth was lopsided and lumpy.
- We expect total construction activity to rise by 1.3% in the December quarter, to be 12% higher than the same period a year earlier. This follows a 10% rise through calendar 2011 and a near 9% gain during 2010.
- Private infrastructure work is not expected to match the 7.8% outcome for Q3, with a rise of 2.5% forecast for Q4.
- Overall building activity is expected to be little changed. We anticipate that housing activity, which turned positive in Q3, will rise modestly, private non-residential will be soft and public building will lose further altitude.

*Construction work: divergent trends*

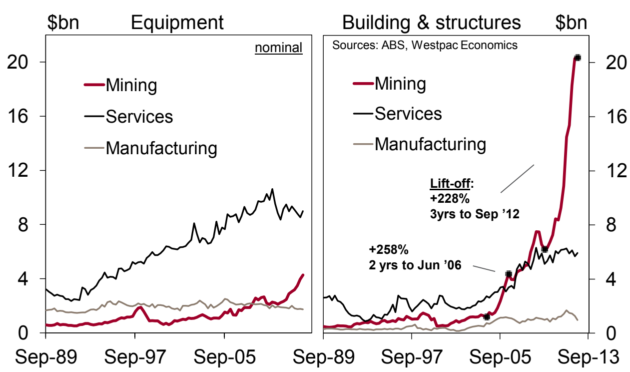



## Aus Q4 CAPEX

**Feb 28, Last: 2.8%, WBC f/c: –0.7%**
**Mkt f/c: 1.0%, Range: –2.0% to 4.0%**

- The CAPEX survey of private business investment spending provides a partial update of total business investment.
- CAPEX is expected to decline in Q4, down 0.7%, the first decline since December 2011 and before that, June 2010.
- The risk is that equipment spending corrects lower, down a forecast 5.0%. This would largely reverse a surprise 6.2% jump in Q3, a result at odds with weak capital imports and an outcome boosted by a spike in services sector spending.
- Building & structures spend advanced by a relatively sedate 1.0% in Q3 and annual growth moderated to 20% from 45% in Q2. Another quarter of more modest growth appears likely, with a forecast rise of 1.8%.

*CAPEX: by industry asset*

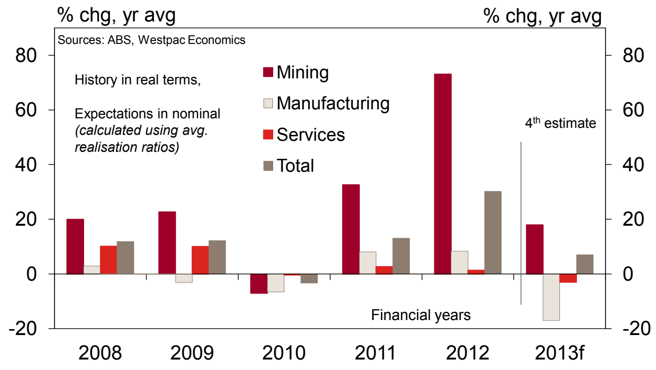


## Aus CAPEX plans, AUDbn

**Feb 28**

- The survey will include the 5th estimate of capex plans for the 2012/13 year and the 1st estimate of plans for 2013/14.
- Investment intentions for this year have been scaled back, particularly by the mining sector, a development that is likely to be confirmed in this survey.
- Estimate 4 for 2012/13 was $173.4bn, downgraded from Est. 3 of $179bn. We calculate, from average realisation ratios, that Est. 4 implies an outcome for the year of $166bn, some 7% above that for 2011/12. Est. 2 implied 33% growth.
- Est. 5 at around $179bn would also imply an outcome of $166bn and growth of 7%.
- We see the risk that Est. 1 for 2013/14 is on the soft side. The peak in mining investment is approaching and non-mining sector investment is likely to remain subdue.

***CAPEX plans by industry***

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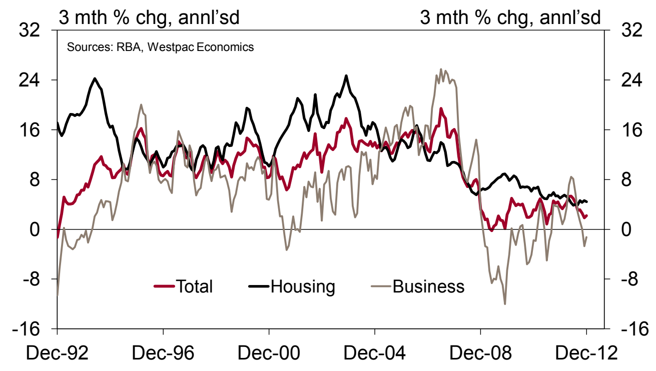
## Aus Jan private credit

**Feb 28, Last: 0.4%, WBC f/c: 0.2%**
**Mkt f/c: 0.3%, Range: 0.1% to 0.4%**

- Credit growth lost momentum during the second half of 2012. A subdued start to the 2013 year appears likely.
- We expect growth of 0.2% for the month of January, matching the average monthly pace over the previous six months, but moderating from a gain of 0.4% rise in December, an outcome boosted by a rebound in lending to business.
- Housing credit growth is soft, at 0.3%, 4.5%yr in December. Lower interest rates will provide a boost but the response is likely to be relatively modest and has been delayed by timing distortions in the first home buyer segment.
- Business credit, which is volatile month to month, stalled over the last six months. A lack of confidence and mixed fundamentals, point to softness extending over the near-term.

***Credit momentum***

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## Key Data and Events

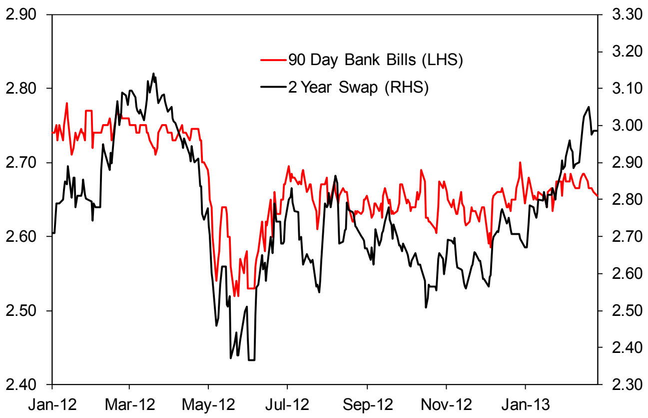
| | | Last | Market median | Westpac forecast | Risk/Comment |
|---|---|---|---|---|---|
| **Mon 25** | | | | | |
| **Chn** | Feb HSBC flash manufacturing PMI | 52.3 | 52.2 | – | Seasonal adjustment will be a challenge: possible downside as a result. |
| **UK** | Feb house prices %yr | flat | –0.1% | – | Nationwide index due 25/2-4/3. Hometrack index also due (last –0.3%). |
| **US** | Feb Dallas Fed factory index | 5.5 | – | 3.0 | Dallas Fed has never posted three consecutive gains when above zero. |
| **Tue 26** | | | | | |
| **NZ** | Q1 RBNZ 2yr inflation expectations | 2.3% | – | 2.2% | The RBNZ emphasises this data, wants it at 2%. |
| **Aus** | RBA Assistant Gov Debelle speaking | – | – | – | Adelaide, 8.45am AEDT, "effect of the exchange rate on the economy". |
| **US** | Jan new home sales | –7.3% | 3.0% | 5.5% | Surprise end year fall may be revised away or reversed. |
| | Dec S&P/C-S house prices %yr | 5.5% | 6.6% | – | S&P/Case Shiller 20 city index firmed over 2012 ... |
| | Dec FHFA house prices %yr | 0.6% | 0.6% | – | ... less so for the FHFA index. |
| | Feb Conf. Board consumer confidence | 58.6 | 60.6 | 61.0 | Weekly data suggest confidence will bounce after Jan decline. |
| | Feb Richmond Fed factory index | –12 | – | 0 | Unusually weak in Jan given renewed optimism elsewhere. |
| | Fed semi-annual monetary policy report | – | – | – | Fed chair Bernanke testimony. Also Lockhart. |
| **Wed 27** | | | | | |
| **NZ** | Jan net migration (s.a.) | 0 | – | 100 | NZ'er departures still high, but foreign migrants have picked up. |
| | Jan trade balance $m | 486 | 125 | 100 | Dairy prices on the up. |
| **Aus** | Q4 construction work done | 1.7% | 1.5% | 1.3% | Private infrastructure to rise but not match Q3's 7.8% gain. See textbox. |
| **Eur** | Feb business climate indicator | –1.09 | – | –0.85 | Business outlook surveys have mostly kept improving despite weaker ... |
| | Feb economic confidence | 89.2 | 89.9 | 90.0 | ... end to 2012 GDP. Consumer confidence is well off its lows. |
| | Jan money supply M3 %yr | 3.3% | 3.1% | – | Slowed from 3.9%yr peak in Oct 2012. Private loans down –0.7%yr. |
| | ECB LTRO repayment begins | – | – | – | 1 year after the second LTRO, banks can repay none/some/all. |
| **Ger** | Mar GfK consumer confidence | 5.8 | 5.9 | – | Surveyed early Feb but labelled March. |
| **US** | Jan durable goods orders | 4.3% | –4.4% | –4.0% | Boeing orders plunged, autos likely weak, see text box. |
| | Jan pending home sales | –4.3% | 1.8% | 1.0% | Sales constrained by lack of quality homes for sale. |
| | Fedspeak | – | – | – | Fisher. |
| **Thu 28** | | | | | |
| **NZ** | Jan building consents | 9.4% | –2.0% | –3.0% | Normalisation in apartment units; trend still up. |
| | Feb ANZ business confidence | 22.7 | – | – | Momentum in activity has continued into 2013. |
| | Private sector credit, January (%yr) | 3.5 | – | – | Household credit growth has picked up noticeably. |
| **Aus** | Q4 private CAPEX | 2.8% | 1.0% | –0.7% | Equipment's surprise 6.2% jump in Q3 to be largely unwound. |
| | 2012/13 CAPEX plans, AUDbn | 173.4 | – | – | 2012/13 plans scaled back 3mths ago. Risk 2013/14 plans are soft. |
| | Jan private credit | 0.4% | 0.3% | 0.2% | Housing weak, ahead of rate cut boost, and business trend flat for now. |
| **Jpn** | Jan industrial production %yr | 2.4% | 1.5% | – | Basic materials and autos up in Dec, electronics down. |
| **Eur** | Jan CPI core %yr | 1.5% | 1.6% | 1.6% | Some upward pressure possible from tax hikes. Flash headline 2.0%. |
| **Ger** | Feb unemployment ch | –16k | –5k | – | German joblessness back to falls in Dec-Jan despite Q4 GDP fall. |
| | Feb CPI prelim %yr | 1.7% | 1.8% | – | Jan CPI matching 1.7% yr cycle lowpoint seen in mid 2012. |
| **UK** | Feb GfK consumer confidence | –26 | –28 | –25 | Economy not doing much but markets higher. |
| **US** | Q4 GDP 1st revision | –0.1% | 0.5% | 0.3% | Economy probably did not contract slightly in late 2012. |
| | Feb Chicago PMI | 55.6 | 54.0 | 55.0 | Way down on 60 a yr ago and 70 two yrs ago. |
| | Initial jobless claims w/e 24/2 | 362k | 360k | 360k | Claims have been noisy but are running a little lower than last year. |
| **Fri 1** | | | | | |
| **NZ** | Q4 terms of trade | –3.2% | 1.3% | 0.0% | Export commodity prices to rise over 2013. |
| **Aus** | Feb AiG PMI | 40.2 | – | – | Suggests manufacturing sector contracting, down 4.1pts in Jan. |
| **Eur** | Feb manufacturing PMI final | 47.8 a | 47.8 | 47.6 | Sub 50 since Aug 2011. Not France/Germany differential. |
| | Feb CPI flash %yr | 2.0% | 2.0% | 1.9% | Euro appreciation an added downsisde risk to inflation. |
| | Jan unemployment rate % | 11.7% | 11.8% | 11.7% | Lower German jobless rate to offset rises elsewhere. |
| **UK** | Feb factory PMI | 50.8 | 51.3 | 50.6 | If European surveys are a guide, expect little change in Feb. |
| | Jan net mortgage lending £bn | 1.0 | – | – | BoE/Treasury FLS credited with modest rise in household loan ... |
| | Jan net consumer credit £bn | 0.6 | – | – | ... outstandings, though demand for credit remains weak. |
| | Jan M4 money supply %yr | –1.0% | – | – | M4 ex IOFCs up 3.8% yr in Dec (from 7.9% yr in Aug). |
| **US** | Jan core PCE deflator | flat | 0.1% | 0.2% | Core CPI was 0.3% but core PCE likely less. |
| | Jan personal income | 2.6% | –2.0% | –2.2% | Sharp Dec-Jan swings due to income pull-forward to beat Jan tax rises ... |
| | Jan personal spending | 0.2% | 0.2% | 0.2% | ... but spending seemingly unaffected. |
| | Jan construction spending | 0.9% | 0.4% | 0.6% | Housing spending momentum continues. |
| | Feb manufacturing ISM | 53.1 | 52.5 | 53.0 | Mixed regional survey detail suggests ISM composite will hold steady. |
| | Feb auto sales mn annualised | 15.23 | 15.10 | – | Guide to extent of consumer spending momentum in Q1. |
| | Feb UoM consumer sentiment final | 76.3 a | 76.3 | 76.0 | Downward revision may be due to gasoline price rises. |
| | Fedspeak | – | – | – | Evans. |
| | Sequester deadline | – | – | – | Spending cuts kick in unless Congress reaches alternative compromise. |
| **Can** | Q4 GDP % annualised | 0.6% | 0.7% | 2.0% | BoC forecast is around 2% for final qtr of 2011. |
| | Dec GDP | 0.3% | –0.1% | – | Some softening in Q4 vs Q3. |

# New Zealand Economic and Financial Forecasts

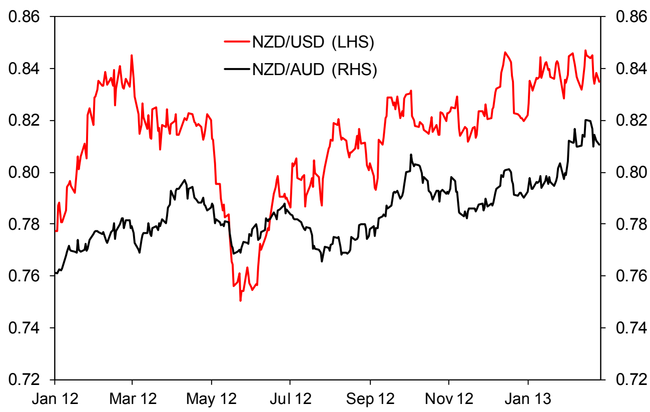
| Economic Growth Forecasts | | March years | | | | Calendar years | | |
|---|---|---|---|---|---|---|---|---|
| % change | 2012 | 2013f | 2014f | 2015f | 2011 | 2012e | 2013f | 2014f |
| GDP (Production) ann avg | 1.9 | 2.2 | 3.3 | 3.1 | 1.5 | 2.4 | 3.0 | 3.2 |
| Employment | 1.0 | 0.1 | 2.8 | 2.5 | 1.5 | -1.4 | 4.1 | 2.6 |
| Unemployment Rate % s.a. | 6.7 | 6.8 | 5.8 | 4.8 | 6.4 | 6.9 | 6.0 | 5.0 |
| CPI | 1.6 | 1.1 | 1.9 | 2.3 | 1.8 | 0.9 | 2.0 | 2.3 |
| 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 | 2.90 | 3.00 | 3.10 | 3.30 | 3.60 | 3.90 |
| 5 Year Swap | 3.40 | 3.50 | 3.60 | 3.80 | 4.00 | 4.30 |
| 10 Year Bond | 3.70 | 3.80 | 3.90 | 4.10 | 4.30 | 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 | 77.4 | 76.5 | 75.7 | 73.6 | 70.6 | 67.2 |
| NZD/EUR | 0.63 | 0.63 | 0.66 | 0.67 | 0.68 | 0.67 |
| NZD/GBP | 0.54 | 0.53 | 0.54 | 0.54 | 0.53 | 0.51 |
| TWI | 76.4 | 76.4 | 78.0 | 78.2 | 77.5 | 76.0 |

### *2 Year Swap and 90 Day Bank Bills*




### *NZD/USD and NZD/AUD*




**NZ interest rates as at market open on Monday 25 February 2013**

| Interest Rates | Current | Two Weeks Ago | One Month Ago |
|---|---|---|---|
| **Cash** | 2.50% | 2.50% | 2.50% |
| **30 Days** | 2.67% | 2.66% | 2.66% |
| **60 Days** | 2.67% | 2.68% | 2.67% |
| **90 Days** | 2.66% | 2.67% | 2.68% |
| **2 Year Swap** | 2.99% | 2.90% | 2.88% |
| **5 Year Swap** | 3.56% | 3.37% | 3.33% |

**NZ foreign currency mid-rates as at Monday 25 February 2013**

| Exchange Rates | Current | Two Weeks Ago | One Month Ago |
|---|---|---|---|
| **NZD/USD** | 0.8362 | 0.8356 | 0.8323 |
| **NZD/EUR** | 0.6318 | 0.6261 | 0.6186 |
| **NZD/GBP** | 0.5528 | 0.5290 | 0.5303 |
| **NZD/JPY** | 78.870 | 77.494 | 75.477 |
| **NZD/AUD** | 0.8116 | 0.8109 | 0.7991 |
| **TWI** | 76.380 | 75.890 | 75.010 |

## Economic and Financial Forecasts

| Economic Forecasts (Calendar Years) | 2009 | 2010 | 2011 | 2012e | 2013f | 2014f |
|---|---|---|---|---|---|---|
| **Australia** | | | | | | |
| Real GDP % yr | 1.4 | 2.5 | 2.4 | 3.5 | 2.5 | 2.3 |
| CPI inflation % annual | 2.1 | 2.8 | 3.0 | 2.2 | 2.3 | 2.8 |
| Unemployment % | 5.6 | 5.2 | 5.2 | 5.3 | 6.0 | 6.2 |
| Current Account % GDP | -4.2 | -2.9 | -2.3 | -3.8 | -3.3 | -4.0 |
| **United States** | | | | | | |
| Real GDP %yr | -3.1 | 2.4 | 1.8 | 2.2 | 1.6 | 1.5 |
| Consumer Prices %yr | -0.3 | 1.6 | 3.1 | 2.0 | 2.0 | 2.0 |
| Unemployment Rate % | 9.3 | 9.6 | 8.9 | 8.1 | 8.0 | 7.9 |
| Current Account %GDP | -2.7 | -3.0 | -3.1 | -3.3 | -3.5 | -3.5 |
| **Japan** | | | | | | |
| Real GDP %yr | -5.7 | 4.9 | -0.4 | 2.1 | 1.4 | 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 | -0.4 | -0.5 |
| Consumer Prices %yr | 0.3 | 1.7 | 2.7 | 2.2 | 1.4 | 1.4 |
| Unemployment Rate % | 9.5 | 10.0 | 10.1 | 11.7 | 12.0 | 12.5 |
| 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 | 0.0 | 0.7 | 0.2 |
| Consumer Prices %yr | 2.2 | 3.2 | 4.0 | 2.7 | 1.8 | 1.5 |
| 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 | -2.0 | -1.5 |

Forecasts finalised 11 February 2013

| 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 | 2.96 | 2.85 | 3.00 | 3.10 | 3.10 | 3.00 |
| 10 Year Bond | 3.54 | 3.25 | 3.60 | 3.50 | 3.30 | 3.10 |
| **International** | | | | | | |
| Fed Funds | 0.125 | 0.125 | 0.125 | 0.125 | 0.125 | 0.125 |
| US 10 Year Bond | 1.99 | 1.85 | 2.20 | 2.30 | 2.10 | 2.00 |
| ECB Repo Rate | 0.75 | 0.75 | 0.75 | 0.50 | 0.50 | 0.50 |

| Exchange Rate Forecasts | Latest | Mar 13 | Jun 13 | Sep 13 | Dec 13 | Mar 14 |
|---|---|---|---|---|---|---|
| AUD/USD | 1.0314 | 1.06 | 1.07 | 1.05 | 1.03 | 1.01 |
| USD/JPY | 93.30 | 91 | 89 | 87 | 85 | 83 |
| EUR/USD | 1.3214 | 1.34 | 1.36 | 1.32 | 1.29 | 1.25 |
| AUD/NZD | 1.2312 | 1.25 | 1.24 | 1.21 | 1.18 | 1.19 |