



Sawcut Gorge, Isolated Hill Scenic Reserve, South Marlborough

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## Stamp of approval

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Last week the Reserve Bank gave the official stamp of approval to the sentiments that Assistant Governor John McDermott delivered in a speech the previous week. As the speech explained, the RBNZ has stepped away from its previous neutral stance on the OCR outlook. Instead, the RBNZ has adopted a conditional easing bias.

The key policy guidance paragraph in last week's OCR Review was:

"The timing of future adjustments in the OCR will depend on how inflationary pressures evolve in both the non-traded and traded sectors. It would be appropriate to lower the OCR if demand weakens, and wage and price-setting outcomes settle at levels lower than is consistent with the inflation target."

This means that the OCR is on hold, unless two conditions are met, in which case the OCR could be reduced. The OCR will be cut only if demand weakens and wage and price-setting behaviour settle below the inflation target. The word "and" is very important here – both conditions have to be met.

The second of these conditions, that wage and price-setting behaviour settles below the inflation target, is certainly at risk of being met, although not until later this year. Surveys of inflation expectations have already dropped to about 2%, and in our view they could yet drop further. The RBNZ has pointed out that its market-based and model-based measures of inflation expectations are below the target, and its "factor model" of core inflation is currently 1.3%. Just last week the ANZ Business Outlook survey showed that businesses retain low expectations of inflation, and fewer firms intend to raise their prices. Next week we expect labour market data to show that wage growth is stuck at a very low level.

But it is worthwhile remembering that the RBNZ requires wage- and price-setting outcomes to *settle* below the target. Inflation expectations may be low right now, but it would be impossible to say that they have settled at a low level until later in the year.

# Stamp of approval continued

The first condition, that demand weakens, is a much tougher ask. The key drivers of today's strong economy have been the Canterbury rebuild, construction activity in Auckland, low interest rates, booming net immigration, rising house prices, and strong consumer spending. There has been absolutely no sign of any of these factors fading. Last week, annual net immigration hit a new record of 56,000 people. This week, the very same ANZBO survey showing low inflation expectations also showed that firms remain very upbeat about their own business prospects. Quotable Value and realestate.co.nz both submitted outrageously strong reports on the state of the Auckland housing market in April (although the gap between Auckland and the rest is starker than ever). And consents for new dwellings jumped 11% in March. True, export conditions have weakened – Fonterra surprised us by revising down its forecast of the 2015 farmgate milk price to \$4.50 per kg of milk solids, and we suspect that forestry prices are about to take another leg lower. But such is the state of domestic demand that business and consumer confidence has remained resilient throughout this export downturn.

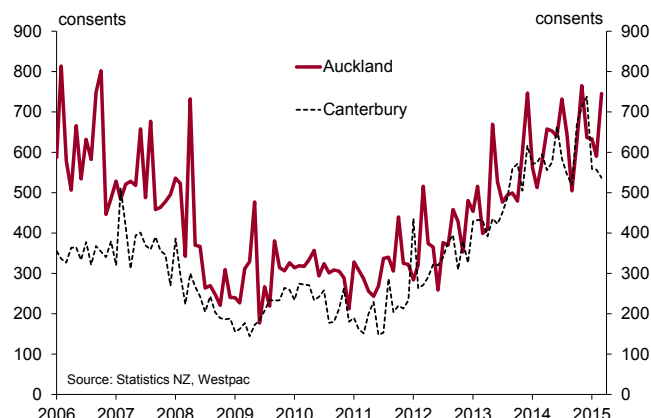
About the only thing we can envisage actually denting the strong economy this year is the RBNZ's proposed restrictions on mortgage lending to landlords. That could well slow the housing market, if not the other aspects of strong domestic demand. But our understanding is that these restrictions won't be ready to deploy until late in the year.

All of this leaves us broadly comfortable with the OCR outlook we issued last month. The most likely scenario is that the OCR will remain on hold for some time. However, we believe there is roughly a 40% chance of at least two OCR cuts, depending on what happens with inflation expectations. If cuts do occur, they will occur very late in the year, because only then can the RBNZ verify that inflation expectations have fallen, and only then will the RBNZ have new mortgage restrictions in place to help slow the housing market.

## State of the construction sector

Of all of the recent data mentioned above, the one that requires the most discussion is consents for new dwellings, which rose 11% in seasonally adjusted terms compared to February.

Residential building consents, seasonally adjusted



This sharp-seeming rise actually only reversed the decline seen in the two previous months. The level of consents remains below last year's peak, reinforcing the sense that the upward trend in residential building activity has stalled.

There are two quite separate aspects to stalling building consents. Consents in Canterbury have slowed quite significantly in recent months. That is consistent with our long-held view that the residential aspect of the Canterbury rebuild will peak around mid-2015. That is not to say that the whole Canterbury rebuild is peaking – accelerating construction of commercial and social buildings will see total activity continue to ramp up until around early-2016. But it does give us strong encouragement that our Canterbury rebuild assumptions, which play such an important role in our economic forecasts, are on the right track.

The other aspect of the trend in residential building is Auckland. Before the March data was published, we were puzzling over why Auckland building consents had mysteriously fallen, when a plethora of other evidence suggested construction activity in Auckland was ramping up. Fortunately, the March data registered a sharp rise in consents for Auckland, restoring the gentle upward trend that seems more consistent with what we are hearing from the industry.

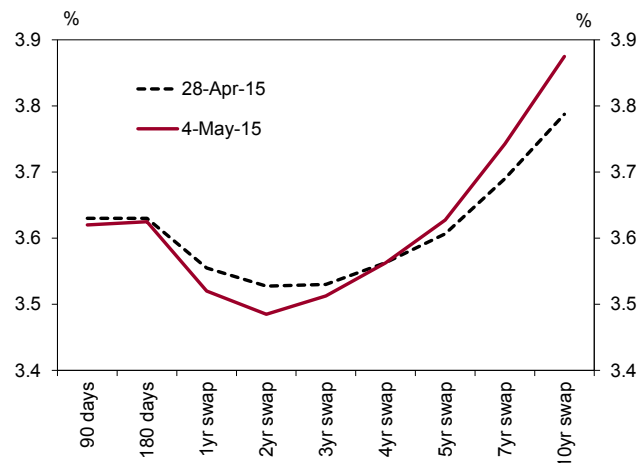
## Fixed vs Floating for mortgages

Among the current standard fixed rates, the best value for borrowers with a deposit of 20% or more probably lies in the two-year and three-year terms. However, there is a possibility that fixed mortgage rates will fall even further over the weeks ahead. Waiting a while before fixing might offer even better value.

Four- and five-year rates still seem high relative to where we think shorter-term rates are going to go over the coming four or five years, though the gap has narrowed in recent weeks, and these longer-term rates do offer the benefit of stability.

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

NZ interest rates

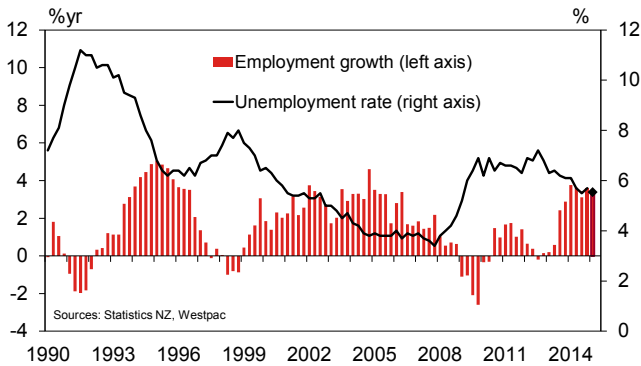


## NZ Q1 household labour force survey

**May 6, Employment: Last: 1.2%, WBC f/c: 0.8%, Mkt f/c: 0.7%**  
**Unemployment rate: Last: 5.7%, WBC f/c: 5.5%, Mkt f/c: 5.5%**

- With the economy growing at a healthy pace, we expect the Household Labour Force Survey to show that employment increased by 0.8% in the March quarter, to be up 3.3% for the year.
- Strength in hiring is expected to push the unemployment rate down from 5.7% to 5.5% in the March quarter. Such a strengthening in the labour market would accord with recent business surveys that have shown solid levels of hiring.
- Our expectation of a decline in the unemployment rate assumes a pullback in the labour force participation rate from 69.4% to 69.3%. This follows a large increase last quarter, but would still leave participation near record highs.

Household Labour Force Survey

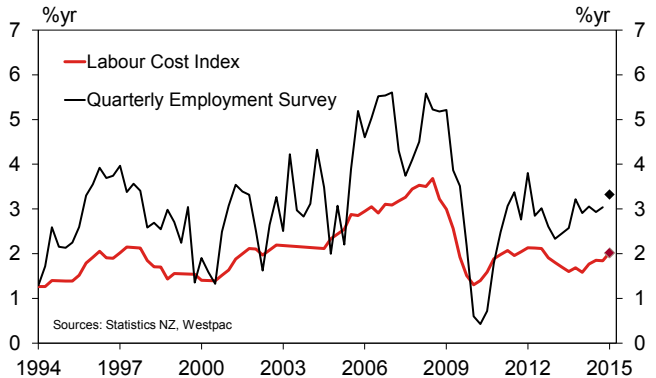


## NZ Q1 labour cost index

**May 6, Private sector wages: Last: 0.5%, WBC f/c: 0.4%, Mkt f/c: 0.4%**

- We expect the March quarter Labour Cost Index to show that private sector ordinary time wages rose by only 2% over the past year. While that's up slightly from last quarter, it would still be pretty modest in the context of an economy that's growing at rates above 3%.
- A key reason for low nominal wage growth is that we've had even lower consumer price inflation. In the year to March CPI inflation was only 0.1% - its lowest level in well over a decade. This has meant that cost of living adjustments to wages have been limited.
- With consumer price inflation expected to remain at low levels over 2015, any material pick-up in wage inflation is likely to be some way off.

Private sector wage growth

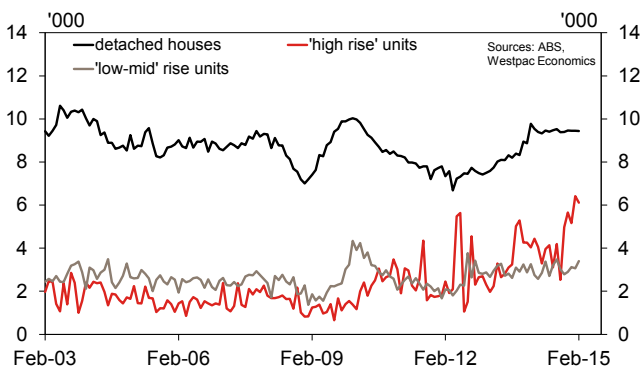


## Aus Mar dwelling approvals

**May 4 Last: -3.2%, WBC f/c: -2.0%**  
**Mkt f/c: -2.0%, Range: -6.0% to 5.1%**

- Dwelling approvals declined 3.2% in Feb, reversing much of Jan's 5.9% jump. The approvals data remains near record highs well above a 200k annual pace. That said, gains over the last 6mths have been entirely due to large 'high rise' projects. Hence there is significant risk of a sharp fall in approvals at some stage if we get a 'gap' in the pipeline of large projects.
- 'Underlying' approvals excluding these large projects is showing clear signs of flattening out. Construction-related finance approvals have also shown some signs of flattening. Overall we expect total approvals to decline 2% in Mar consistent with a flattening trend. However, the aforementioned concentration of large high rise projects makes calling monthly moves much more difficult.

Dwelling approvals: houses, low-mid & high rise

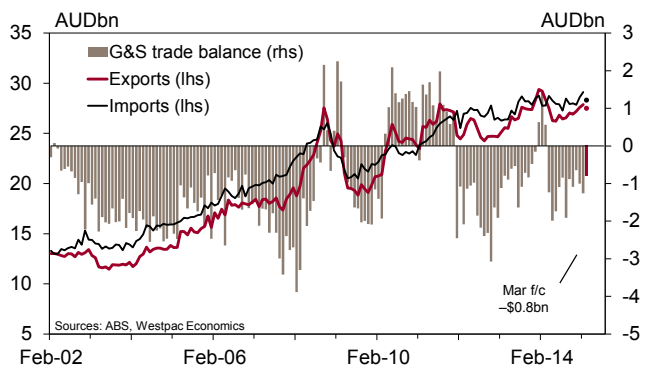


## Aus Mar trade balance, AUDbn

**May 5, Last: -1.3, WBC f/c: -0.8**  
**Mkt f/c: -1.0, Range: -2.0 to -0.2**

- Australia's trade account is set to be in deficit for a 12th consecutive month in March, with export earnings hit by the slump in global commodity prices.
- In March, we expect a narrowing of the deficit, to -\$0.8bn, down from a -\$1.3bn in February.
- A dip in import underpins the March improvement. Imports are forecast to decline by 2.8%, with the ABS advising that goods imports contracted by 3.5%.
- Exports are expected to fall, albeit by less, down 1.3%. Weakness is centred on iron ore, with prices tumbling. Outside of iron ore, there are some positives in March, with coal volumes rebounding.

Australia's trade position

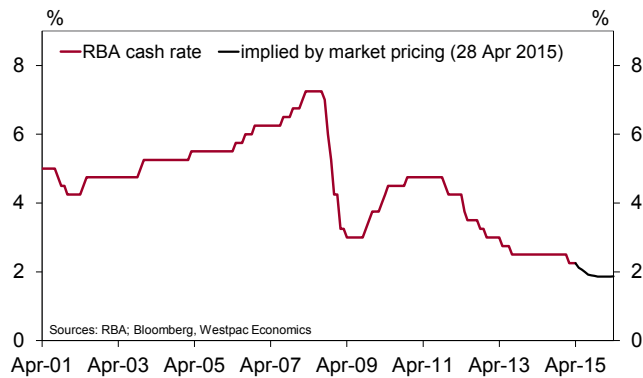


## Aus RBA policy decision

**May 5, Last: 2.25%, WBC f/c: 2.00%**  
**Mkt f/c: 2.00%, Range: 2.00% to 2.25%**

- The RBA cut the cash rate by 25bps at its first meeting of 2015 but left rates unchanged at its Mar and Apr meetings despite adopting a strong easing bias. The minutes to the Apr meeting show the Bank contemplated a further cut but held off in order to get more data (Q1 CPI in particular) and allow time for the economy to respond to the Feb move. Notably the minutes also pointed to a likely downgrade to the RBA's forecasts stemming from weaker prospects for business investment.
- We expect the Bank to finally deliver a follow-up 25bp cut at its May meeting, taking the cash rate to 2%. The Q1 CPI was essentially benign and although other domestic data has been okay (jobs in particular) the sharp fall in commodity prices since the start of the year and high AUD pose a new headwind to growth. The RBA's May Statement on Monetary Policy (out May 7) will likely see lower growth forecasts.

### RBA cash rate

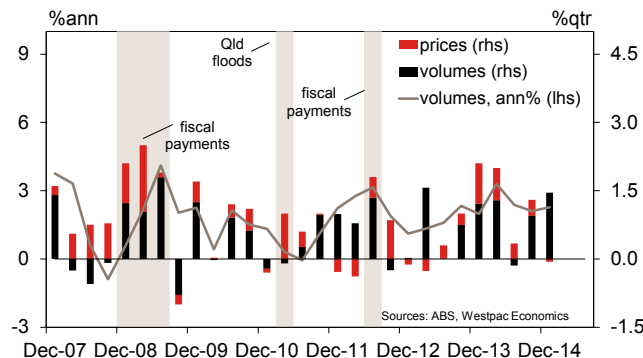


## Aus Q1 real retail sales

**May 6, Last: 1.5%, WBC f/c: 1.0%**  
**Mkt f/c: 0.9%, Range: 0.6% to 1.5%**

- Real retail sales posted a strong 1.5% surge in the final quarter of 2014. Note that a solid part of the gain (about 0.5ppts) was due to a big jump in household goods retail that was attributed to the iPhone 6 launch at the time but has since been shown not to have been a temporary boost. Exactly how this gets treated vis-à-vis revisions and in the national accounts estimates that draw on the retail data is uncertain.
- For Q1 though, nominal retail sales are heading for another robust gain of 1.2%qtr vs 1.3%qtr in Q4. The Q1 CPI component detail suggests retail prices were up about 0.2%qtr overall vs a 0.1% dip in Q4. Together this points to a 1%qtr rise for real retail sales, giving annual volume growth of 3.3%yr. Note that the retail survey remains a problematic guide to total spending in the national accounts which is expected to show a more subdued 0.7%qtr gain for Q1.

### Quarterly retail volumes and prices

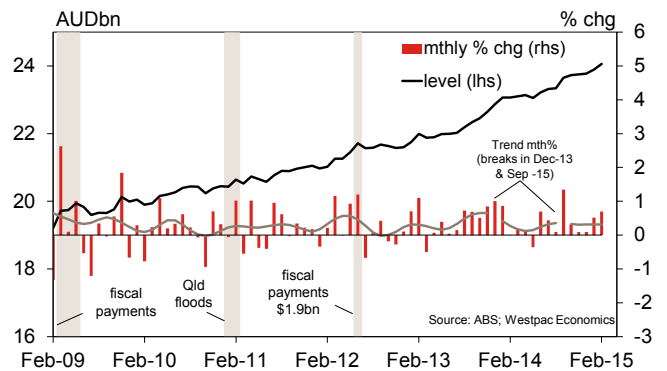


## Aus Mar retail trade

**May 6, Last: 0.7%, WBC f/c: 0.4%**  
**Mkt f/c: 0.4%, Range: 0.1% to 0.6%**

- Retail sales posted a solid 0.7% gain in Feb with Jan's rise revised up to 0.4% gain. The finer detail was more mixed though with strong gains for basic food and household goods offsetting declines across most other categories. The RBA's Feb rate cut and lower petrol prices gave a clear lift to the consumer mood (and their finances) that supported demand.
- Those positive factors waned in Mar and Apr. Expectations of a follow-on rate cut by the RBA were not met while petrol prices retraced all of the declines seen earlier in the year. The Westpac-Melbourne Institute Consumer Sentiment Index lost over half of Feb's 8% lift in Mar-Apr to be back in pessimistic territory.
- On balance, we expect Mar retail sales show a reasonable 0.4% gain, as previous positives still provide some momentum lift, albeit one that is likely easing again heading into Q2.

### Monthly retail sales

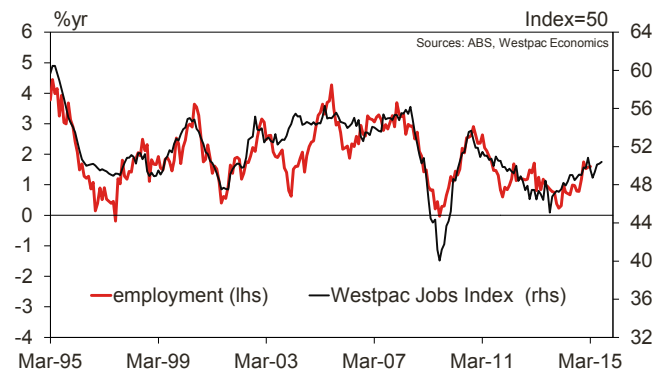


## Aus Apr employment

**May 7, Last: 37.7k, WBC f/c: -10.0k**  
**Mkt f/c: 5.0k, Range: -20.0k to +20.0k**

- The 37.7k rise in total employment was above Westpac's forecast of +20k and exceeded market expectations for +15k. The breakdown of the detail was quite robust. Full-time employment rose 31.5k while part-time employment rose 6.1k.
- We remain cautious of the monthly volatility in the Labour Force survey. The original data for Mar was more negative than usual and yet, the resulting changes to the seasonal adjustment provided a stronger employment gain. Was the result due to the changes in supplementary surveys in Feb overlaid with the new seasonal adjustment process?
- Our forecast for -10k in total employment will see annual growth in total employment ease back to 1.5%yr which is in line what the Westpac Jobs Index is suggesting.

### Jobs Index volatile around a 1½%yr jobs pace



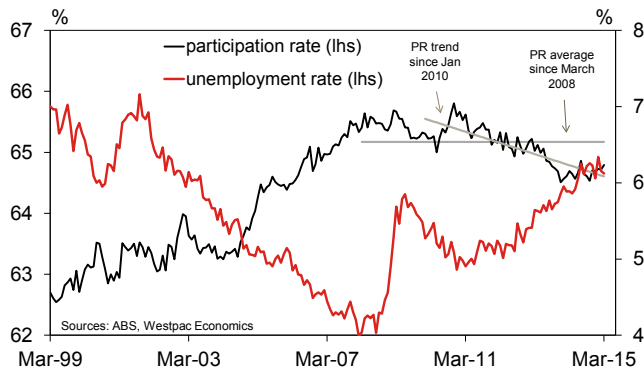
## Aus Apr unemployment rate

May 7, Last: 6.1%, WBC f/c: 6.2%

Mkt f/c: 6.2%, Range: 6.1% to 6.3%

- In March, the 37.7k rise in employment was enough, even with robust gain in working age population (slightly more than 30k per month) and the lift in the participation rate (to 64.8% from 64.7%) to see a drop in the unemployment rate. However, we do note that the reported number was rounded down to 6.1% (6.12%) from 6.2% (6.15%).
- In April, we normally see a moderation in the working age population growth so along with a modest drop in the participation rate to 64.7%, this will be enough to limit the rise in the unemployment rate to 6.2% (after rounding).
- There has been a recent trend lift in the participation rate. We are closely watching to see if this trend continues.

Unemployment and participation rates

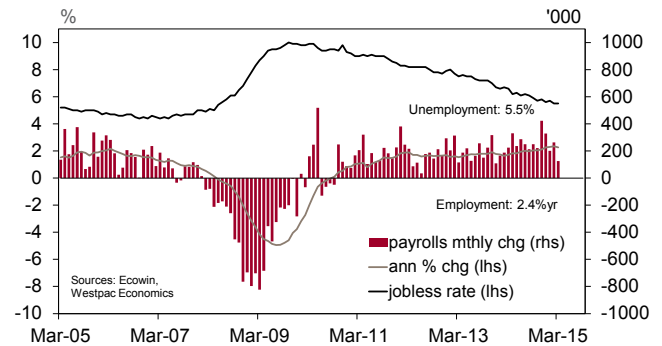


## US Apr non farm payrolls

May 8 Last: 126k, WBC f/c: 180k

- The March nonfarm payrolls gain of just 126k was close to half the consensus estimate. While partly the result of weather and volatility in leisure & hospitality job growth, additional elements of the report point to a weakening underlying trend. If sustained, this is a trend that could give cause to delay the timing and scale of rate hikes.
- GDP growth stalled in Q1, and unlike the situation last year when the economy was weather-disrupted in Q1 but business investment growth maintained a solid trend, in 2015 firms' capital spending has fallen sharply, in part due to weaker energy sector spending.
- Investment and jobs go hand in hand; we expect a second consecutive sub 200k payrolls gain in April.

US: unemployment declines to 5.5%



# Data calendar

		Last	Market median	Westpac forecast	Risk/Comment
<b>Mon 4</b>					
<b>NZ</b>	Apr ANZ commodity price index	4.6%	-	-6.0%	World dairy prices capitulated again in April.
<b>Aus</b>	Apr TD-MI inflation gauge %yr	1.5%	-	-	Petrol prices flat in Apr so a chance the annual pace may ease further.
	Apr ANZ job ads %yr	6.6%	-	-	Mar was first decline in ads in 10 months. Is this the start of new trend?
	Mar dwelling approvals	-3.2%	-2.0%	-2.0%	Trend surge last 6mths entirely driven by large high-rise projects.
<b>Chn</b>	Apr HSBC manufacturing PMI - final	49.2	49.4	-	Downside surprise on flash, a chance of correcting a little, NBS was flat.
<b>Eur</b>	Apr PMI factory final	51.9 a	51.9	51.9	Renewed slippage in April after four consecutive gains.
	May Sentix investor confidence	20.0	19.3	18.0	April saw 8 year high but equities upswing has stalled since then.
<b>UK</b>	Early May Bank Holiday	-	-	-	UK markets closed.
<b>US</b>	Mar factory goods orders	0.2%	2.1%	2.2%	Durables previously reported up 4% on autos but core orders weaker.
	Apr ISM New York	50.0	-	-	Dec's 4yr high followed by two weakest reads since mid '13 in Jan, Mar.
	Fedspeak	-	-	-	Evans.
<b>Tue 5</b>					
<b>Aus</b>	Mar trade balance, AUDbn	-1.3	-1.0	-0.8	To improve on a dip in imports (-2.8%). Exports -1.3%.
	RBA policy decision	2.25%	2.00%	2.00%	To act on easing bias held since Mar; expect non-committal statement.
<b>Eur</b>	Mar PPI %yr	-2.8%	-2.3%	-	PPI decelerated at fastest pace since 2009 in Jan-Feb.
	EC Spring Economic Forecasts	1.3%	-	-	2015 GDP growth forecast likely to prove optimistic.
<b>UK</b>	Apr PMI construction	57.8	57.3	-	Approaching lowest readings since mid 2013.
	Apr house prices %yr	8.1%	7.8%	-	Halifax index due 5-10 May.
<b>US</b>	May IBD-TIPP economic optimism	51.3	-	48.0	Weekly data and Conference Board data point to lower May outcome.
	Mar trade balance \$bn	-35.4	-34.8	-	In Feb, imports were down 4.4%; exports fell 1.6%.
	April PMI services final	57.8 a	57.8	-	Alternative to ISM non-manufacturing, and once again tracking quite
	Apr ISM non-manufacturing	56.5	56.2	54.0	closely after ISM spike in late 2014 didn't show up in Markit PMI.
<b>Can</b>	Mar trade balance C\$bn	-1.0	-	-	Exports up 0.4% in Feb, imports down 0.7%.
<b>Wed 6</b>					
<b>NZ</b>	GlobalDairyTrade auction	-3.4%	-	-	Dairy prices likely to remain under pressure in the near term.
	Q1 HLFS employment	1.2%	0.7%	0.8%	Business surveys suggest continued strong growth in hiring.
	Q1 HLFS unemployment rate	5.7%	5.5%	5.5%	Labour force participation expected to pull back from record highs.
	Q1 labour cost index	0.5%	0.4%	0.4%	Subdued inflation in recent years has kept the pressure off wages.
<b>Aus</b>	Mar retail sales	0.7%	-	0.5%	Will boost from Feb rate cut and lower petrol prices start to wane?
	Q1 real retail sales	1.5%	-	1.0%	Sales up 1.2%, prices up 0.2% => vols up 1%. Q4 may get revised down
<b>Chn</b>	Apr HSBC services PMI	52.3	-	-	Series average is 55, PBoC Q1 very soft, profitability under pressure.
<b>Eur</b>	Apr PMI composite final	53.5 a	53.5	54.0	Advance services PMI 53.7.
	Mar retail sales	-0.2%	-0.2%	-0.8%	German retail sales and French consumer spending both fell in March.
<b>UK</b>	Apr PMI services	58.9	58.6	-	Services growth at 7 month high in March.
	Apr BRC shop price index %yr	-2.1%	-	-	Clue to part of CPI basket, useful for flagging turning points in CPI.
<b>US</b>	Apr ADP private payrolls	189k	185k	170k	Slow Q1 GDP growth to weigh against payroll employment.
	Q1 productivity % ann	-2.2%	-1.8%	-2.5%	GDP growth stalled flat in Q1 despite employment gains.
	Fed Chair Yellen	-	-	-	Yellen, IMF's Lagarde on panel; also Kocherlakota, Gerorge, Lockhart.
<b>Can</b>	Apr Ivey PMI	47.9	-	-	First string of three sub 50 reads since Canada's recession last decade.
<b>Thu 7</b>					
<b>Aus</b>	Apr employment, ch '000	37.7k	5.0k	-10.0k	The lead indicators are pointing to an annual pace around 1½%yr.
	Apr unemployment rate %	6.1%	6.2%	6.2%	A small fall in participation is not enough to stop a rise in unemployment.
<b>Ger</b>	Mar factory orders	-0.9%	1.5%	-0.4%	Jan-Feb showed first back to back orders declines in a year.
<b>UK</b>	General elections	-	-	-	Polling suggests no major party will have governing majority.
	BoE policy meeting	0.50%	0.50%	0.50%	Decision to be announced Monday 11 May to avoid any election impact.
<b>US</b>	Initial jobless claims w/e May 3	262k	-	275k	Claims hit 15 year low in April.
	Mar consumer credit \$bn	\$15.5	\$16.0	-	Revolving credit in decline in recent months.
	Mar corporate layoffs %yr	6.4%	-	-	Challenger series.
<b>Can</b>	Mar building permits	-0.9%	-	-	Decline led by non-residential down 5.4% in Feb.
<b>Fri 8</b>					
<b>Aus</b>	RBA Statement on Monetary Policy	-	-	-	Growth forecasts set to be revised lower, 2016 the key.
<b>Chn</b>	Apr trade balance USDbn	3.1	34.3	-	Exports to normalise, imports restrained by both price & weak demand.
<b>Ger</b>	Mar industrial production	0.2%	0.4%	-	Factory orders down 1.3% yr, IP down 0.3% yr, pose downside risks
	Mar exports	1.4%	0.3%	-	to exports in near term.
<b>UK</b>	Mar trade balance £bn	-10.3	-9.8	-	Exports down 3.7% and imports up 0.8% saw deficit widen in Feb.
<b>US</b>	Apr non-farm payrolls ch'	126k	230k	180k	Q1 GDP growth stalled, unlikely to sustain jobs gains of 200k+ but
	Apr unemployment rate	5.5%	5.4%	5.5%	household survey jobs to correct higher, holding jobless rate steady.
	Mar wholesale inventories	0.3%	0.3%	-	Inventories supported by autos and stabilised gasoline prices.
	Fedspeak	-	-	-	Kocherlakota.
<b>Can</b>	Apr employment ch	29k	-	-	Jobs growth uptrend might be re-emerging.
	Apr housing starts	25.4%	-	-	Starts jump led by multiples up 48% in March.
<b>Sat 9</b>					
<b>Chn</b>	Apr CPI %yr	1.4%	1.6%	-	Main interest is in the m/m pulse in the shelter component.
	Apr PPI %yr	-4.6%	-4.6%	-	Deflationary pulse: raw material glut, excess capacity in basic materials.

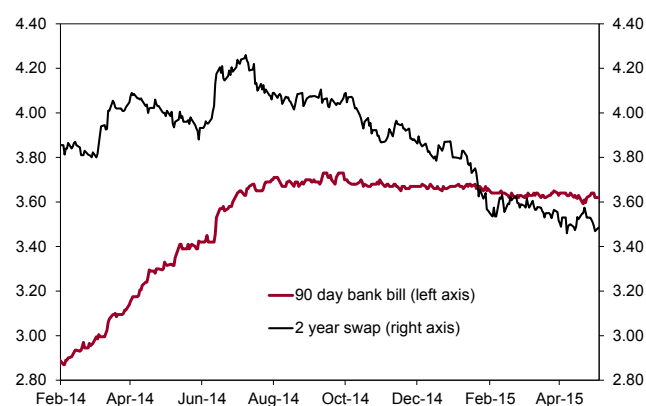


# New Zealand forecasts

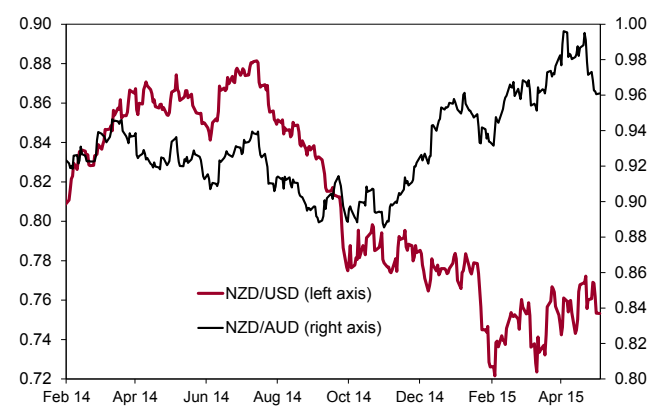
Economic Growth Forecasts		March years				Calendar years			
% change	2013	2014	2015f	2016f	2013	2014f	2015f	2016f	
GDP (Production) ann avg	2.2	2.5	3.3	3.0	2.3	3.3	3.0	3.4	
Employment	0.2	3.8	3.0	3.0	2.9	3.6	2.7	2.3	
Unemployment Rate % s.a.	6.3	6.1	5.9	5.1	6.1	5.7	5.2	4.9	
CPI	0.9	1.5	0.1	0.9	1.6	0.8	0.3	1.7	
Current Account Balance % of GDP	-3.7	-2.6	-4.1	-4.7	-3.3	-3.3	-4.8	-4.4	

Financial Forecasts	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Cash	3.50	3.50	3.50	3.50	3.50	3.75
90 Day bill	3.70	3.70	3.70	3.75	3.75	4.00
2 Year Swap	3.40	3.50	3.60	3.70	3.90	4.00
5 Year Swap	3.50	3.60	3.70	3.80	4.00	4.20
10 Year Bond	3.20	3.30	3.40	3.50	3.70	4.00
NZD/USD	0.74	0.72	0.71	0.71	0.71	0.72
NZD/AUD	0.99	0.99	0.99	0.99	0.99	1.00
NZD/JPY	88.8	87.8	88.2	88.0	88.8	90.7
NZD/EUR	0.70	0.70	0.70	0.70	0.70	0.71
NZD/GBP	0.51	0.50	0.50	0.49	0.48	0.48
TWI	79.8	78.9	78.6	78.4	78.4	79.5

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 4 May 2015

Interest Rates	Current	Two weeks ago	One month ago
Cash	3.50%	3.50%	3.50%
30 Days	3.61%	3.62%	3.63%
60 Days	3.62%	3.62%	3.64%
90 Days	3.62%	3.63%	3.64%
2 Year Swap	3.49%	3.52%	3.49%
5 Year Swap	3.63%	3.57%	3.56%

NZ foreign currency mid-rates as at Monday 4 May 2015

Exchange Rates	Current	Two weeks ago	One month ago
NZD/USD	0.7532	0.7705	0.7552
NZD/EUR	0.6726	0.7121	0.6903
NZD/GBP	0.4975	0.5151	0.5073
NZD/JPY	90.53	91.68	90.23
NZD/AUD	0.9610	0.9838	0.9935
TWI	78.04	80.10	78.87



## Economic and Financial Forecasts

Economic Forecasts (Calendar Years)	2011	2012	2013	2014	2015f	2016f
<b>Australia</b>						
Real GDP % yr	2.7	3.6	2.1	2.7	2.2	3.0
CPI inflation % annual	3.0	2.2	2.7	1.7	2.3	2.4
Unemployment %	5.2	5.3	5.8	6.2	6.7	6.4
Current Account % GDP	-2.8	-4.4	-3.3	-2.8	-3.3	-2.9
<b>United States</b>						
Real GDP %yr	1.6	2.3	2.2	2.4	2.6	3.2
Consumer Prices %yr	3.1	2.1	1.5	1.6	1.0	2.1
Unemployment Rate %	8.9	8.1	7.4	6.2	5.3	5.0
Current Account %GDP	-2.9	-2.9	-2.4	-2.4	-2.4	-2.4
<b>Japan</b>						
Real GDP %yr	-0.4	1.7	1.6	-0.1	1.0	1.7
<b>Euroland</b>						
Real GDP %yr	1.6	-0.6	-0.4	0.8	1.1	1.1
<b>United Kingdom</b>						
Real GDP %yr	1.1	0.3	1.7	2.6	2.5	2.7
<b>China</b>						
Real GDP %yr	9.3	7.7	7.7	7.4	7.1	7.3
<b>East Asia ex China</b>						
Real GDP %yr	4.5	4.5	4.3	4.1	4.8	5.1
<b>World</b>						
Real GDP %yr	4.1	3.4	3.3	3.2	3.5	4.1

Forecasts finalised 10 April 2015

Interest Rate Forecasts	Latest	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16
<b>Australia</b>						
Cash	2.25	2.00	2.00	2.00	2.00	2.00
90 Day Bill	2.20	2.20	2.20	2.20	2.20	2.20
10 Year Bond	2.68	2.45	2.60	2.60	2.80	3.00
<b>International</b>						
Fed Funds	0.125	0.125	0.375	0.625	0.875	1.125
US 10 Year Bond	2.05	2.10	2.30	2.50	2.70	3.00
ECB Repo Rate	0.05	0.05	0.05	0.05	0.05	0.05

Exchange Rate Forecasts	Latest	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16
AUD/USD	0.7902	0.75	0.73	0.72	0.72	0.72
USD/JPY	119.72	120	122	124	124	125
EUR/USD	1.1220	1.06	1.03	1.02	1.02	1.02
AUD/NZD	1.0405	1.01	1.01	1.02	1.01	1.01



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