Australian weekly

Week beginning 26 October 2009

- Core CPI trend may unnerve RBA.
- Australian data: Q3 PPI & Q3 CPI, private credit.
- New Zealand: RBNZ OCR review, trade, building consents, business survey.
- BoJ meeting.
- US data: Q3 GDP, durable goods, regional surveys.
- Key economic & financial forecasts.

Information contained in this report was current as at 23 October 2009

Economic Research Sydney +61 2 8254 8720 economics@westpac.com.au New Zealand +64 4 470 8255 London +44 20 7621 7061

Core CPI trend may unnerve RBA

Next week we will see prints of the September quarter CPI. The Reserve Bank has recently indicated considerable nervousness about its inflation forecasts. The most recent RBA forecasts which were released on August 7 had underlying inflation slowing from 4.3% in 2008 to 3.25% in 2009 and 2% in 2010.

The October Board Minutes clearly indicate that the Bank is now likely to revise up its inflation forecasts: "while current forecasts suggested it (inflation) would fall in the coming year the expected trough in inflation was significantly higher than earlier thought" and "by 2011 inflation could be rising again."

A concern for the Bank is that underlying inflation built up much more rapidly through 2008 than in any period since the 1990/91 recession. This was at a time when the economy was operating near or at full-capacity, as evident from the unemployment rate which declined to just 4.0%, the lowest since 1974. Housing stock shortages were a compounding factor, with rents increasing strongly.

In the aftermath of the 1990/91 recession underlying inflation slowed from 6.1% in 1990 to 1.9% in 1992. Over the subsequent 15 years to September 2007 the highest print for annual underlying inflation was 3.3%. That was in December 2001, although even that read was indirectly affected by the introduction of the GST. By comparison, core inflation hit 4.3% in 2008 – clearly indicating that underlying inflation had stepped up to a higher peak in this cycle.

Turning to the September quarter 2009, our forecast for underlying inflation is 0.9%. That follows 1.2% (September quarter 2008); 0.7% (December quarter 2008); 1.1% (March quarter 2009); and 0.8% (June quarter 2009).

Disconcertingly, our forecast indicates an increase in the quarterly measure. This is at a time when the lagged effect of the slowdown in spending through 2008 (domestic demand growth slowed from 6% in 2007 to 3.5% in 2008) and 2009 (we estimate that domestic demand growth will slow further to –0.4% in 2009) should be indicating a fall in the quarterly measure as a clear beginning of a downward cycle in underlying inflation.

If the underlying CPI number does print at 0.9% it would be necessary for the December underlying CPI to print 0.45% to achieve the Bank's forecast of 3.25% for 2009. Given the run of quarterly underlying measures that seems particularly unlikely. Even a 0.7% read for the December quarter would be required to achieve a 3.5% result for 2009 – any evidence that quarterly underlying inflation has troughed in 2009 would be very disturbing for the RBA. However, it is still most likely that underlying inflation will bottom out in 2010.

With annual underlying inflation printing 4.3% in 2008; and forecast to print 3.5% in 2009 and the Bank forecasting that GDP growth would return to trend in 2010, "and subsequently to strengthen somewhat" the substantial risk is that the lowpoint in underlying inflation which can be expected in 2010 is much higher than the current 2% forecast and even substantially higher than the 2.5% which might now be on their radar screen. That would be considered absolutely the maximum acceptable lowpoint in any inflation cycle for a central bank targeting "2–3% on average through the cycle".

Given the growth outlook of both the Bank (at trend) and Westpac for 2010 (domestic demand growth in 2010 expected to be 4% up from –0.4% in 2009) inflation can be expected to be rising in 2011.

The concern for the Bank should be that the starting point for the next upcycle in inflation is too high and more urgent action needs to be taken with monetary policy.

We expect that the Bank will be very anxious to see that quarterly underlying inflation has trended down in September. Clear evidence that it has started to pick up before the impact of the usual lags would be disturbing.

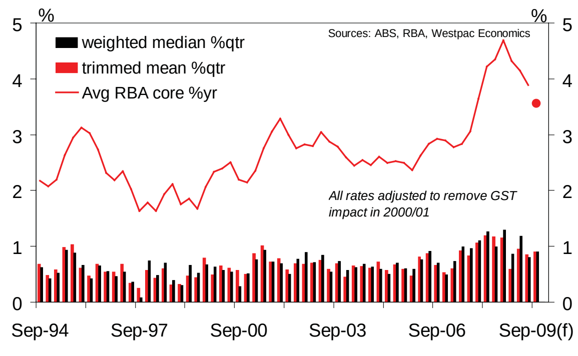
It would be very unlikely that a central bank would be comfortable running a highly stimulatory monetary policy when evidence was building that the lowpoint of inflation in the next cycle was too high, thereby risking the whole credibility of the "2–3% on average through the cycle" target. An associated consideration for the RBA is that there will be considerably less slack in the labour market following this downturn than after the last two recessions, with the unemployment rate now expected to peak in 2010 below 7%.

Concerns about an unacceptably high lowpoint for inflation in the next cycle would certainly expose a highly stimulatory policy stance.

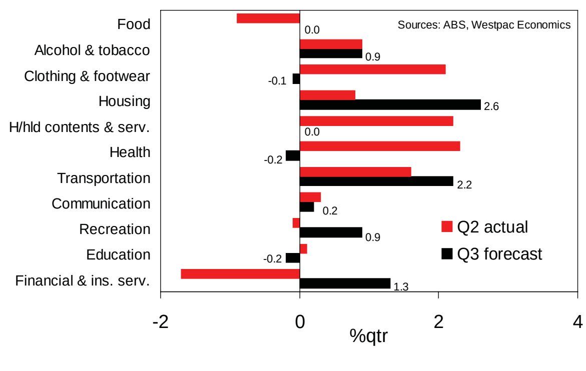
With policy currently seen to be exceptionally stimulatory it is reasonable to expect the Bank to accelerate any plans to withdraw the stimulus – that would put a 50bp tightening right into the forefront in November.

Bill Evans, Chief Economist

RBA core: trimmed mean & weighted median



Group forecasts in Q3 headline CPI



Data wrap

Aug Westpac–MI Leading Index

- 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 1.7% in August just below its long term trend of 2.8%. The annualised growth rate of the Coincident Index was –0.1%, also below its long term trend of 2.8%.
- The pace of recovery in the growth rate of the Leading Index has been remarkable. The annualised growth rate has moved from –6.9% in May to today's print of 1.7% in August – an increase of 8.6ppts.
- The rate of recovery in the Index was not as rapid following the recessions of the early 1980's and 1990's. The current sharp improvement in the growth rate of the Leading Index strongly supports the view that the Australian economy is moving onto a much stronger growth trajectory in 2010.

Sep motor vehicle sales

- Vehicle sales increased 2.9% in September, to be 2.0% lower than a year-ago. The rise suggests an underlying cyclical upturn is underway. Notably, passenger vehicle sales increased for the 6th consecutive month, rising by 1.6% to be up 12% from the March low.

Sep merchandise imports

- Merchandise imports valued $17.6bn in September. The ABS advise that this represents a rise of 6% in seasonally adjusted terms, on a balance of payments basis.
- Intermediate and other merchandise goods rose $656m (10%) with fuels and lubricants up $448m (25%), non-monetary gold rose $182m (33%), consumption goods rose $123m (2%) and capital goods rose $74m (2%).

Q3 trade price indexes

- Export prices fell sharply again in Q3 by 9.6%qtr (weaker than expected) after a 20.6%qtr fall previously as a minor rise in USD commodity prices was more than offset by the valuation drag from a 9.6%qtr AUD/USD appreciation. The fall was led by coal, coke and briquettes (–34.2%) and metalliferous ores and metal scrap (–12.1%), with partially offsetting rises in non-ferrous metals (16.1%) and petroleum and related products (5.4%).
- Import prices fell 3.0%qtr in Q3 (on our Westpac forecast after a 6.4% fall previously, led by broad valuation effects of the stronger AUD, as well as lower prices in general industrial machinery and equipment and machine parts (–7.4%). Food and beverage prices fell again (–5.3%), but mineral fuels jumped 15.1%. Abstracting from these non-core items, core import prices fell sharply by 5.4% as the import weighted AUD TWI jumped 6.6% in the quarter.
- The data has no implications for our Q3 CPI forecast as the currency pass-through from imports to consumer prices is often largely absorbed or passed on with a longer lag – although the weakness in core import prices provides scope for Q4 discounting, if it is required by softer spending momentum from the drop out of fiscal stimulus, and rate hikes.

Round-up of local data released last week

Date	Release	Previous	Latest	Mkt f/c
Mon 19	RBA Assist.Gov. Lowe speech	–	–	–
Tue 20	Sep merchandise imports, AUDbn (nsa)	15.5	17.6	–
	Oct RBA meeting minutes	–	–	–
Wed 21	Aug Westpac–MI Leading Index, ann'lsd	–1.0%	1.7%	–
	Sep motor vehicle sales	0.1%	2.9%	–
Fri 23	Q3 export price index	–20.6%	–9.6%	–4.7%
	Q3 import price index	–6.4%	–3.0%	–2.8%

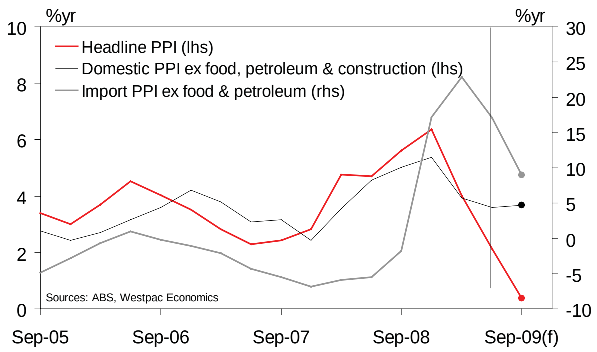
Data previews

Aus Q3 PPI

Oct 26, Last: –0.8%, WBC f/c: 0.2%
Mkt f/c: 0.3%, Range: –0.8% to 1.5%

- The Q2 PPI was a weak –0.8%qtr, 2.1%yr. Non-core items subtracted 0.10ppts from the qtly rate (food –1.2%, petroleum +4.9%). Core import prices fell 6.2% as the AUD import weighted TWI rose 10.2%, driving a weak overall core PPI of –0.9%qtr (record low). The core PPI was also subdued by –0.5% for building construction prices, offsetting a domestic core ex-construction & utilities PPI of +0.7%qtr.
- The core PPI is f/c to rebound slightly in Q3, despite further AUD strength cutting core import prices (f/c –5.1%), with building construction to stabilise (f/c flat), and a strong utilities led jump in the domestic core ex-construction (f/c 2.2%). This gives 0.2%qtr for the core PPI, slowing the annual rate to 1.6%yr from 3.4%yr. Food prices are f/c at –1.3%, petroleum +12.0%, giving a minor net addition, for a total PPI rise of 0.2%qtr (but cutting annual to 0.4%yr vs 2.1%yr prev).

PPI: utilities boost domestic, core M weak

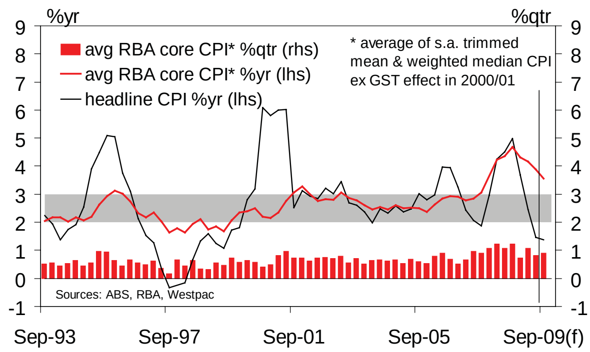


Aus Q3 CPI

Oct 28, Last: 0.5%, WBC f/c: 1.1%
Mkt f/c: 0.9%, Range: 0.5% to 1.2%

- Our Q3 headline CPI f/c allows a minor fall in the annual rate to 1.4%yr from 1.5%yr. Drivers of the higher qtly pace include utilities (9.2%) from big one-off jumps. Petrol rose 4.3%. Financial & insurance services are f/c up 1.3% with deposit & loan facilities +1.0% (greater rate rises in loan products vs depo products) & higher insurance premiums. Alcohol & tobacco rise 0.9% (excise up); rents are f/c to slow to a 1.1% pace; house purchase costs are f/c to repeat Q2's 0.8% rise. Other +ves include property rates, meals out, & holidays.
- Our avg RBA underlying CPI f/c is 0.9%qtr, 3.6%yr (vs 0.8%qtr, 3.9%yr prev). 3 main factors give the higher qtly pace: a +ve for D&L facil. (vs –ves of Q1, Q2) pushes items with price falls out of the trimmed mean; much lesser dept store July discounting with lower stocks; strong utilities rises (even after SAdj) account for large share of top of distribution.

Inflation: annual core CPI falling slowly

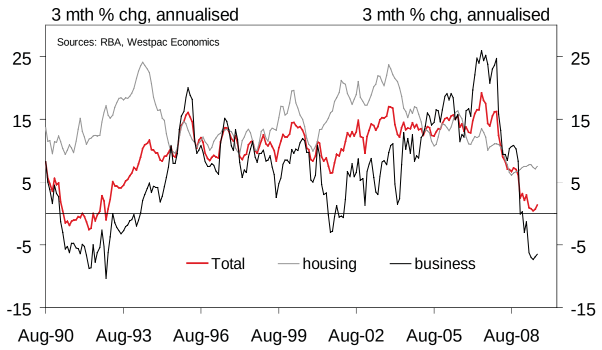


Aus Sep private credit

Oct 30, Last: 0.1%, WBC f/c: 0.2%
Mkt f/c: 0.2%, Range: 0.1% to 0.3%

- Private credit growth may be at a turning point, reflecting improved economic conditions. We're forecasting a 0.2% increase in September. That follows a 0.1% rise in August and an average 0.06% increase over the six months prior to that.
- Housing credit growth stepped up to 7½% annualised over the last three months, up from a low of 6.1% last August. New lending has been particularly strong. Moreover, credit to investors was stronger over the last two months.
- Personal credit increased by 0.5% in August, after contracting by almost 8% since the end of 2007.
- The question is when will business credit, which declined by 0.6% in August, show some improvement. While business credit typically lags the recovery, the rate of decline may begin to moderate given improving confidence and conditions.

Credit: at a turning point



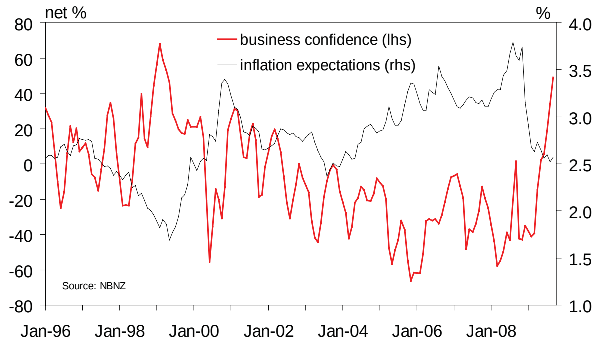
Data previews

NZ Oct NBNZ business confidence

Oct 28, Last: 49.1

- General business confidence has risen sharply in the last six months, to reach its highest level in more than 10 years. We expect more moderate gains over coming months.
- The similar BNZ survey at the start of this month was down slightly, with real estate confidence a little more subdued. Since then, we have seen that house sales and prices were stronger in September. We've also had another positive outcome from Fonterra's online milk powder auction, retail card transactions rose, and the manufacturing and services PMIs pointed to further growth in September.
- More importantly, we will be looking for further improvement in the details of the survey. Employment intentions turned slightly positive in September and anecdotes suggest more businesses are now looking to hire. Improving profits would help to fund expansion plans.

NBNZ business confidence

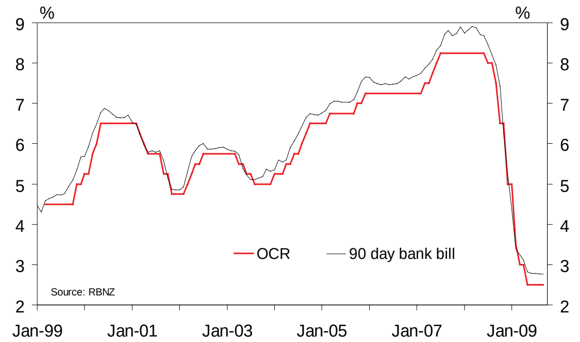


NZ RBNZ OCR review

Oct 29, Last: 2.50%, WBC f/c: 2.50%, Mkt f/c: 2.50%

- The New Zealand economy continues to recover at a faster pace than the RBNZ expected.
- 'Emergency' monetary policy settings will need to be withdrawn earlier than previously thought.
- A key issue for next week is the RBNZ's expectation that rates will remain "at or below current levels until the latter part of 2010". We think that this statement has served its purpose and can safely be removed.

NZ OCR and 90 day rate

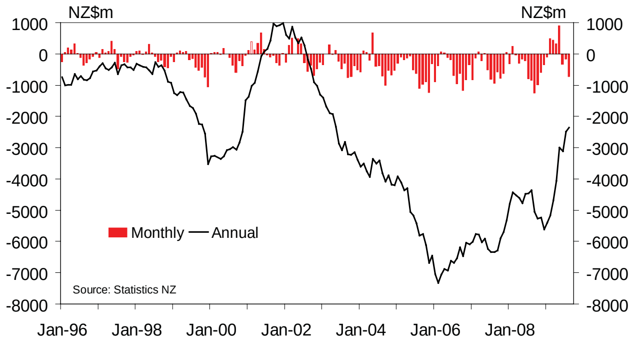


NZ Sep merchandise trade NZDm

Oct 29, Last: –725, WBC f/c: –450

- After a period in surplus early this year, the merchandise trade balance has been slipping steadily back into deficit. The prices of both imports and exports have been rising. But the consumer recovery has added extra punch to import volumes, while the volume growth in exports has been slower. We expect more of the same flavour this month. Our forecast deficit is larger than earlier this year, but still small by the standards of 2003 - 2008.
- We expect September imports to be turbo-charged as importers restock following the surprise jump in retail spending in August.
- We expect export receipts to begin reflecting the 64% increase in international dairy prices over the past three months, although with stocks running low and the new season not really up to speed the volume of exports will be low.

NZ merchandise trade balance



Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.

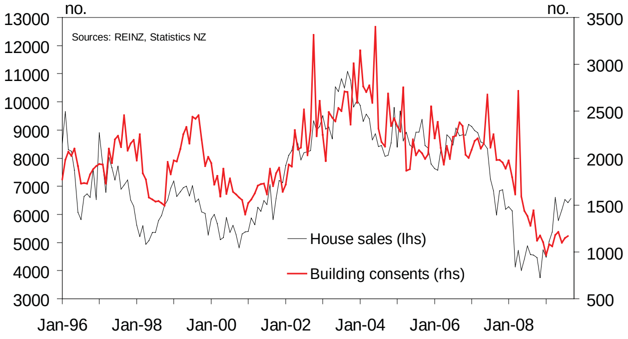
Data previews

NZ Sep building consents s.a.

Oct 30, Last: 1.7%, WBC f/c: 4.0%

- Dwelling consents have, to date, been reasonably slow to respond to the changing dynamics in the housing market. While consent issuance is 21% off the multi-decade lows reached in January this year, solid housing demand and weak supply suggest that growth should be even stronger if we are to avoid a housing shortage. Credit conditions and a lack of confidence have been dampening influences, but with both now more supportive, the pace of increase is set to pick up.
- We expect a sturdy 4% increase in dwelling consents this month, driven by another strong gain in ex-apartment consents (7% m/m). Apartment consents remain the wildcard. Following last month's woeful issuance (just 30) we have factored in 50 apartment consents in Sept, but a return to average since the beginning of this year (around 150) risks a more spectacular increase in the monthly total (+10%).

Housing activity
monthly, seasonally adjusted

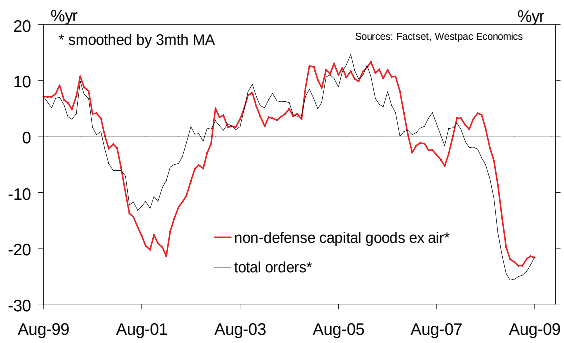


US Sep durable goods orders to remain soft

Oct 28, Last: 1.8%, WBC f/c: –1.5%

- Durable goods orders corrected lower in August, with a pull-back in civilian aircraft orders and a second month of slippage in core capital goods orders. The contribution from autos was minimal, probably because orders were cut back sharply later in the month as the cash for clunkers scheme drew to a close.
- September orders are expected to be just flat. Boeing orders were down again, and after two monthly gains, defence might correct lower. Also, auto orders should more clearly lose their recent upward momentum, and business equipment production growth stalled last month, suggesting orders there have fallen away.
- Those developments would offset gains elsewhere: the Sep ISM factory index orders pulled back from 65 to 61, but that is still strong. Core capital goods orders are due to bounce (after Jul-Aug falls), a positive in an otherwise sluggish report.

US durable goods orders

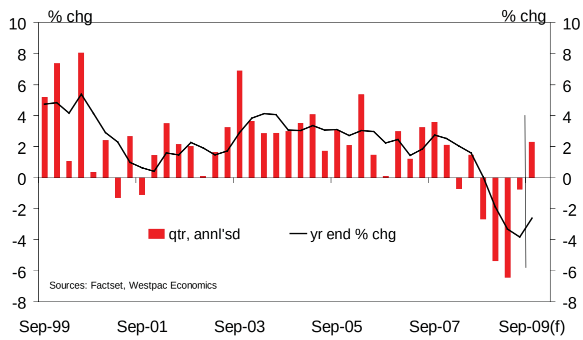


US Q3 GDP advance: confirmation recession is over

Oct 29, Last: –0.7% annualised, WBC f/c: 2.3%

- US GDP plunged at around a 6% annualised pace in Q4 and Q1, but the pace of contraction eased markedly in Q2, and partial data available for Q3 suggest the economy is expanding once again. This will focus attention on the question: is growth self sustaining (ie a genuine recovery) or entirely dependent on extensive fiscal, interest rate and quantitative easing?
- Spending on autos received a temporary boost from cash for clunkers, so consumer spending should bounce after falling in Q2. We may also start to see the early signs of long-awaited inventory rebuilding, although that process may make a bigger contribution to Q4 than Q3. Business investment should fall at a slower pace than in Q2; ditto for housing, though a housing expansion is not yet apparent in the monthly construction underway figures. Net exports and public sending should be positive.

US GDP growth



Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.

Key data & event risk for the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
Mon 26					
Aus	Q3 PPI	–0.8%	0.3%	0.2%	Utilities led 2.2% leap in domestic core, weak M core = 0.2%qtr core PPI.
NZ	Labour Day	–	–	–	Public holiday.
Sing	Sep industrial production %yr	12.3%	–	–	Due to pullback once pharmaceutical effect drops back.
Ger	Nov GfK consumer confidence	4.3	4.4	–	Surveyed in early Oct but labelled Nov.
UK	Oct house prices %yr	–5.6%	–	–	Hometrack survey.
	Oct house prices %yr	0.0%	2.0%	–	Tentative date for Nationwide BS series, due 26-30/10.
US	Sep Chicago Fed national activity index	–0.90	–	–	Deteriorated in Aug after steady improvement between May-July.
	Oct Dallas Fed factory index	–6.4	–	–5.0	Mixed signals from other regional Fed factory surveys so far in Oct.
Tue 27					
Aus	Q3 NAB business survey	–	–	–	Sep mthly survey confirmed strengthening business conditions.
Inr	RBI decision (repo rate)	4.75%	4.75%	4.75%	No pressure yet but this is one place inflation could rise in 2010.
Eur	Sep money supply M3 %yr	2.5%	2.1%	2.2%	Still decelerating; credit to private sector growth likely to turn neg.
UK	Oct CBI distributive trades survey	3	–	–	Sharply stronger Sep survey - can it be maintained?
US	Aug house prices %yr	–13.3%	–11.8%	–11.3%	S&P-CS series. Base effects and 1% rise in the month to lift annual rate
	Oct consumer confidence	53.1	54.0	51.5	Confidence is down on a range of measures so far in Oct.
	Oct Richmond Fed factory index	14	–	14	Mixed signals from other regional surveys so far this month.
Wed 28					
Aus	Q3 headline CPI	0.5%	0.9%	1.1%	Utilities surge, fuel & housing up, D&L up, less dept store discounting.
	Q3 avg RBA underlying CPI	0.8%	0.75%	0.9%	Higher qtly core from D&L +, strong SAdj utilities, less July discounting.
	RBA Assist. Gov. Edey (Financial System)	–	–	–	speaking at Finsia Financial Services conference, 11:00am Sydney
NZ	Oct NBNZ business confidence	49.1	–	–	Headline confidence settling at high levels, details improving.
Jpn	Sep retail sales %yr	–1.8%	–	–	August household spending was quite a bit firmer than retail implied.
Myr	BNM decision	2.00%	2.00%	2.00%	Firmly on hold. BNM barely tightened in the boom: why go now?
Ger	Oct CPI %yr prelim	–0.3%	0.0%	–0.1%	Base effects now tending to push CPI annual rate higher.
Nor	Norges rate decision	1.25%	1.50%	–	All analysts expect rate rise; a minority expect 50bp rather than 25bp.
US	Sep durable goods orders	–2.4%	1.0%	0.0%	Further weakness in Boeing orders makes bounce unlikely.
	Sep new home sales	0.7%	2.6%	–1.0%	Recent softer housing data tone to show up in new home sales too.
Can	Sep industrial product prices	0.5%	0.1%	–	No clear trend recently.
Thu 29					
NZ	RBNZ OCR review	2.50%	2.50%	2.50%	On hold, reference to "latter part of 2010" removed.
	Sep merchandise trade NZDm	–725	–	–450	Deficit increasing as importers restock.
Jpn	Sep industrial production	1.8%	–	–	Official projection has solid growth continuing for next two months.
	Oct small business PMI	43.5	–	–	Tentative date: Big firms squeezing contractors to cut costs.
	Oct Nomura PMI	54.5	–	–	Tentative date: Reflects decent IP growth, even if capU is still low.
Eur	Oct business climate index	–2.07	–	–2.00	Business and consumer confidence have picked up sharply recently
	Oct consumer confidence	–19	–18	–19	as the economy has emerged from recession and the worst fears of
	Oct economic sentiment	82.8	84.5	83.0	late 2008 were not realised. But upswing may now be losing steam.
Ger	Oct unemployment change '000	–12	20	–	Data series currently distorted and not good guide to labour mkt.
UK	Sep net consumer credit £bn	0.3	–	–	Together these two credit outstandings measures have shown that
	Sep net mortgage lending £bn	1.0	–	–	lending to the household sector has virtually stalled this year.
US	Q3 GDP advance % annualised	–0.7%	3.0%	2.3%	Recession over. See text box.
	Initial jobless claims w/e 24/10	531k	523k	520k	Downtrend still in place but slowing as firms hold off on new hires.
Fri 30					
Aus	Sep private credit	0.1%	0.2%	0.2%	Housing: modest upswing. Business: rate of decline set to moderate?
NZ	Sep building consents s.a.	1.7%	–	4.0%	Dynamics in housing market point to strong upward trend.
Jpn	Sep unemployment rate	5.5%	–	–	Unexpectedly fell in August - a correction higher seems due.
	Sep national CPI %yr	–2.2%	–	–	Deflation is broadening across categories.
	Oct Tokyo CPI %yr	–2.0%	–	–	Outside of education and health, price falls are entrenched.
	Sep household spending %yr	2.6%	–	–	Real index. Quite a good outcome given the rate of decline in income.
	Sep housing starts %yr	–38.3%	–	–	Level of housing starts is woeful. Dwellings a consistent drag on GDP.
	Sep construction orders %yr	–25.2%	–	–	Improved last month, but public works can only do so much alone.
	Bank of Japan decision	0.1%	0.1%	0.1%	Meeting decision plus publication of six monthly Outlook forecasts.
Sing	Q3 unemployment rate	3.3%	–	–	Activity has rallied, but too recently to material help job market yet.
Kor	Sep industrial production %yr	1.2%	–	–	Weak won, proximity of China and reviving home demand all help.
	Sep leading index %yr	9.0%	–	–	Pointing to above trend growth. BoK will be watching closely.
Eur	Oct CPI flash %yr	–0.3%	–0.1%	–	Base effects neutral in Oct. German data due 28/10 will provide clue.
	Sep unemployment rate %	9.6%	9.7%	9.6%	German jobless rate ticked lower in Sep, but rising elsewhere.
Ger	Sep retail sales	–1.5%	0.7%	–	Tentative date, due 30/10-5/11.
UK	Oct GfK consumer confidence	–16	–14	–17	Slight pullback after sharp jump in confidence in Sep.
US	Sep personal spending	1.3%	–0.5%	–0.8%	Auto spending pull-back.
	Sep personal income	0.2%	0.1%	0.0%	Falling hours worked and stalled earnings growth.
	Sep core PCE deflator	0.1%	0.2%	0.1%	Core CPI up 0.164% in Sep but core tends to come in a bit lower.
	Q3 employment cost index	0.4%	0.4%	0.4%	Labour market still very soft, no upward pressure on costs yet.
	Oct Chicago PMI	46.1	48.1	50.0	Sep decline was out of line with trends in other surveys.
	Oct UoM consumer sentiment final	69.4 a	70.0	69.4	Other surveys have backed weaker Oct UoM message.
	Oct NAPM Milwaukee	58.0	–	–	One of the more volatile regional surveys.
Can	Aug GDP	0.0%	0.1%	–	No longer declining.

Economic & financial forecasts

Interest rate forecasts

	Latest (Oct 23)	Dec 09	Mar 10	Jun 10	Sep 10	Dec 10
Cash	3.25	4.00	4.25	4.50	4.50	4.50
90 Day Bill	3.85	4.30	4.50	4.70	4.60	4.75
3 Year Swap	5.80	6.25	6.50	6.50	6.25	6.50
10 Year Bond	5.66	6.00	5.70	6.20	6.50	6.50
10 Year Spread to US (bps)	223	250	250	245	225	200
International						
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	3.43	3.50	3.20	3.75	4.25	4.50
ECB Repo Rate	1.00	1.00	1.00	1.00	1.00	1.25
New Zealand						
Cash	2.50	2.50	2.75	3.25	3.75	4.25
90 day bill	2.81	2.90	3.20	3.70	4.20	4.70
2 year swap	4.74	4.90	5.30	5.50	5.70	5.90
10 Year Bond	5.78	6.00	6.10	6.20	6.30	6.30
10 Year spread to US	235	250	290	245	205	180

Exchange rate forecasts

	Latest (Oct 23)	Dec 09	Mar 10	Jun 10	Sep 10	Dec 10
AUD/USD	0.9280	0.98	0.98	0.92	0.93	0.95
NZD/USD	0.7580	0.79	0.79	0.75	0.76	0.79
USD/JPY	91.40	87	87	93	96	100
EUR/USD	1.5050	1.52	1.52	1.47	1.50	1.51
AUD/NZD	1.2250	1.24	1.24	1.23	1.22	1.20

Australian economic growth forecasts

	2009				2010			Calendar years			
% change	**Q1**	**Q2**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**Q3f**	**2007**	**2008**	**2009f**	**2010f**
GDP	0.4	0.6	0.3	0.2	0.6	0.7	1.2	4.0	2.4	0.7	2.5
ann chg	0.3	0.6	0.6	1.5	1.8	1.9	2.9	–	–	–	–
Unemployment rate	5.3	5.7	5.8	6.0	6.2	6.4	6.5	4.4	4.3	5.8	6.9
CPI headline	0.1	0.5	1.1	0.4	0.4	0.6	0.6	–	–	–	–
ann chg	2.5	1.5	1.4	2.1	2.4	2.5	2.0	3.0	3.7	2.1	2.0
CPI core	1.1	0.8	0.9	0.6	0.5	0.5	0.5	–	–	–	–
ann chg	4.2	3.9	3.6	3.4	2.9	2.5	2.1	3.6	4.3	3.4	2.0

New Zealand economic growth forecasts

	2009				2010			Calendar years			
	Q1	**Q2**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**Q3f**	**2007**	**2008**	**2009f**	**2010f**
GDP % qtr	–0.8	0.1	0.4	0.2	1.1	0.8	0.9	–	–	–	–
Annual avg change	–1.1	–1.8	–2.0	–1.5	–0.5	0.7	1.7	3.2	0.0	–1.5	2.8
Unemployment rate %	5.0	6.0	6.5	6.6	6.7	6.7	6.6	3.5	4.7	6.6	6.4
CPI % qtr	0.3	0.6	1.3	0.4	0.3	0.6	0.7	–	–	–	–
Annual change	3.0	1.9	1.7	2.5	2.5	2.6	2.0	3.2	3.4	2.5	1.8