

Weekly Commentary

14 December 2009

Strength in numbers

The RBNZ presented a stronger set of numbers on the NZ economy in last week's *Monetary Policy Statement*, and shifted its language to match.

While freely acknowledging the risks around the economic outlook, the RBNZ expect growth in New Zealand's trading partners as a whole to be at or above trend over the next two years. (It helps that we have greatly increased our share of trade with China, the fastest-growing economy by some margin.) The New Zealand economy is expected to grow by 3.5% next year and 4.1% in 2011 as it reclaims pre-recession levels of activity.

Their inflation forecasts were actually lower over the short term compared to the September *Statement*, but the underlying picture is not so benign. Non-tradables inflation, the RBNZ's long-running bugbear, is expected to settle at around 3%, compared to a forecast of 2% in September (and an average of 4% under the current inflation target). That is offset in the near term by lower tradables inflation, due to the stronger NZ dollar. Overall, prices are projected to fall to -0.2% in the December quarter – a little weaker than we expect, although we have revised our forecast down to 0.1% after last week's data showing that food prices fell for the fourth month in a row.

The RBNZ were clearly more concerned about the persistence of inflation, noting that "it seems the recession simply took

the heat out of inflation, rather than driving it to an especially low rate... Similarly, inflation expectations, while falling sharply, did not move below the centre of the CPI inflation target band." The RBNZ survey found that firms' expectations of inflation two years ahead have jumped from 2.3% to 2.6% in the last quarter.

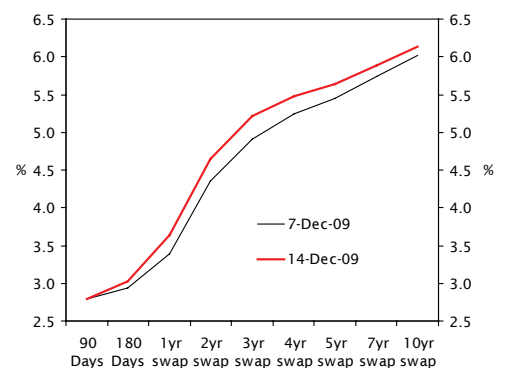
The upgrades to the growth and inflation outlooks led to a sizeable shift in the RBNZ's interest rate projections. The 90-day rate is now projected to start moving higher from Q2 next year, two quarters earlier than in the September *MPS*, and the overall profile was moved about 60 basis points higher than before. The rate projections hammered home that there is a lot of work to be done once the RBNZ starts to tighten: the 90-day rate is projected to be around 5% – and still rising sharply – by the end of 2011, which would still only put it at the low point of past easing cycles.

Perhaps the most significant change from the RBNZ was in the language around the risks for interest rates. Up until now they've been quite insistent that they don't expect to be increasing the OCR before the second half of 2010. This time, they stated that "conditions may support beginning to remove monetary stimulus around the middle of 2010" – a small shift forward in their central view – but they also acknowledged

that "the timing of the removal of stimulus could well be adjusted" if the economy panned out better or worse than their projections. Since recoveries have a tendency to be stronger than expected in the early stages, we think there's a good chance that the RBNZ could be prompted into action as early as March next year.

Indeed, their discussion around monetary policy judgements suggested that were it not for a range of mitigating factors, there might have been a case for hiking rates now. The most prominent factor was the exchange rate, which they assume will remain at or above current levels through next year. But as we've noted before, the higher NZD is a product of the stronger growth outlook and rising commodity prices, which underpin the RBNZ's more optimistic world view. What's more, the higher NZD doesn't cancel out

NZ Interest Rates



*Yield curve is yields on bank bills to 180 days, fixed interest rate swaps for 1 year onwards.

the benefits of stronger export prices, but rather redistributes the benefit towards consumers and businesses through cheaper imports.

Higher interest rates, via market expectations of OCR hikes and higher than usual funding costs for banks, have done some of the tightening work so far. But this is more apparent in long-term rates than in the short-term rates that borrowers are currently favouring. And the share of loans on floating or short-term fixed rates is no higher than it was at the start of previous tightening cycles; there is little reason to think the RBNZ will get more bang for its buck from OCR hikes, at least through this avenue.

The RBNZ also noted that they will be watching the actions of other central

banks, as confirmation that the global recovery is self-sustaining. The risk here is that these central banks retain their track record of waiting too long to tighten. Plus, given the two-speed nature of the global recovery, waiting for the slowpokes (such as the Fed and the ECB) to catch up would risk acting too late as well.

Overall, the MPS supported our view that the RBNZ will begin hiking rates in March next year. The RBNZ have indicated that the timing of hikes will now be data-dependent, and given the shape of their near-term forecasts we think there is scope for them to be surprised on the upside in coming months.

Fixed vs. floating: The growing prospect of OCR hikes in the first half of next year will soon flow through to short-term

fixed rates, which have only seen small increases to date and remain at historically low levels. As a result we could see more borrowers moving to fix at the favourable rates still on offer – and the experience of March/April this year shows that these types of flows can put a great deal of upward pressure on mortgage rates. With floating and one-year fixed rates around similar levels, there may not seem to be much advantage in fixing right now, but those who wait until they see the whites of the RBNZ’s eyes before fixing are likely to face much less attractive options. Repaying more than the minimum amount and spreading the loan over a mix of terms can help to reduce overall risk regarding uncertain future interest rate changes.

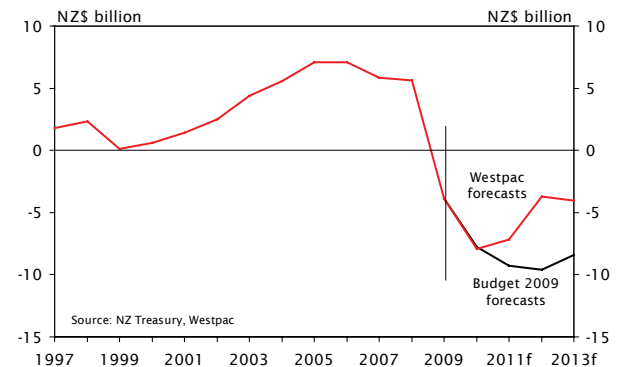
Key Data Previews

NZ Half Year Economic and Fiscal Update

Dec 15

- The Government’s Half Year Economic and Fiscal Update will be released on December 15.
- We expect marked upward revisions to the economic and fiscal forecasts.
- It will be some time before the Government’s coffers reap the full benefit of the economic recovery. We expect an operating deficit of around \$8bn in the year ended June 2010, similar to that forecast in the Budget.
- Operating deficits should narrow sharply from the June 2011 year, relative to the Budget forecasts. That will see a lower borrowing requirement in future years and a slower build up in debt.

NZ Operating Balance (excludes gains and losses)

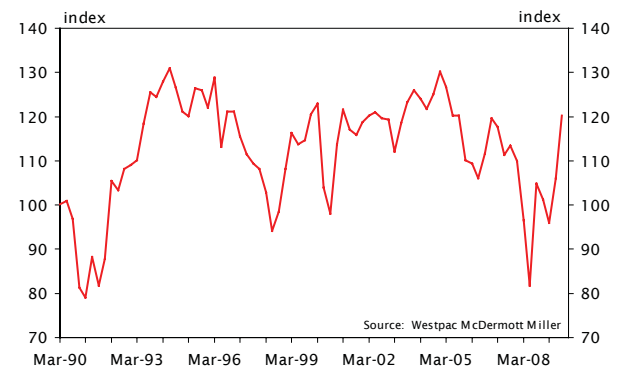


NZ Q4 consumer confidence

Dec 17, Last: 120.3

- Consumer confidence leapt to a four-year high in the September 2009 quarter, led by a material improvement in the short term economic outlook and year-ahead financial conditions. However, present conditions continued to provide sombre reading, highlighting still tight cash flows and rising unemployment.
- In general, economic conditions over the past few months have continued to improve. In particular, house prices are rising and Fonterra’s 2009/10 dairy payout forecast has been revised substantially higher. Higher unemployment and rising longer term mortgage rates are the key offsets.

NZ Consumer Confidence

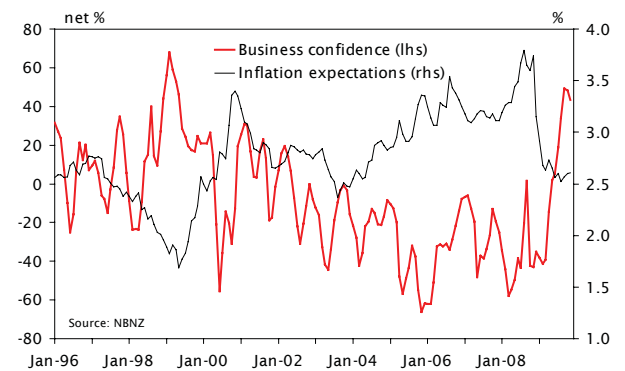


NZ Dec NBNZ business confidence

Dec 17, Last: 43.4%

- The November business survey saw a small drop in the headline confidence measure, but the details were overwhelmingly stronger. Own-activity expectations rose to a new cycle high, and intentions for hiring, investment, exports and prices were all higher.
- Monthly business indicators suggest that confidence will have remained high in early December. Retail spending is starting to tick higher, manufacturers are benefiting from strong demand in Australia and a favourable cross rate, and residential building activity is set to pick up into the new year.
- Expectations for improvement over the next 12 months are probably close to a peak. However, current levels are consistent with strong growth in coming quarters – our forecast for 1% growth in Q4 GDP looks quite achievable and even a little light.

NBNZ Business Confidence

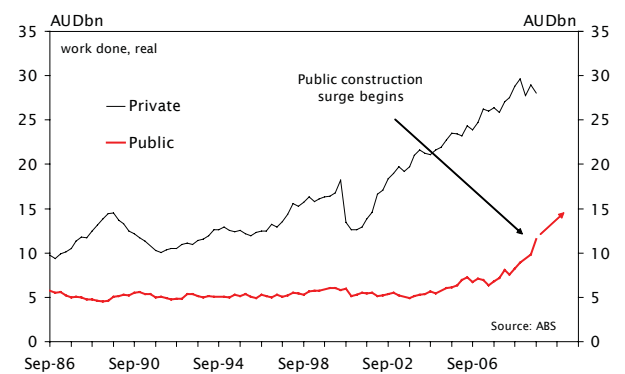


Aus Q3 public demand

Dec 15, Last: 0.7%, WBC f/c: 3.5%, Mkt f/c: 2.7%, Range: 1.2% to 3.5%

- Public demand (22% of the economy) is set for a burst of strength. We're forecasting a 3.5% jump in Q3, after a moderate 0.7% increase in Q2.
- Phase II of the Federal Government's fiscal stimulus began to kick-in Q3, as evident from the already reported 17.6% leap in public construction work. The centrepiece of Phase II is \$14bn in school building spread over two years. To place that in perspective, total public investment was worth \$50bn over the last year.
- Public consumption (80% of total public demand) has been uninspiring, increasing by only 2.6% over the last year, as the Commonwealth Government keeps a lid on public servant numbers at a time of fiscal strain. We're forecasting a moderate 0.7% rise in Q3.

Public and private construction

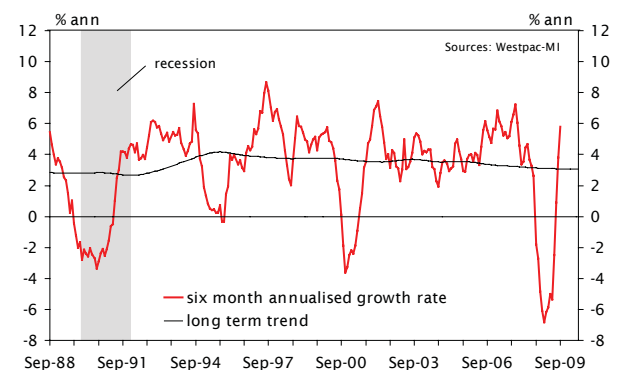


Aus Oct Westpac-MI Leading Index

Dec 16, Last: 5.8% 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, surged to 5.8% in September to be well above its long term trend of 3.1%. The index has shown an extraordinary turnaround from the -5.4% contraction recorded in May – the four months since have seen the fastest turnaround in the growth rate of the Leading Index since the economy bounced out of recession in the mid 1970s.
- Monthly components were mostly softer in October: equity markets slipped back (ASX down 2.1% in the month); dwelling approvals also dipped 0.7% mth though with significant upward revisions to previous months; the money supply continued to contract (M3 down 0.3% for the second month running). US industrial production was up 0.1%, a fourth successive monthly rise but a much smaller one than July, August and September.

Westpac-MI Leading Index

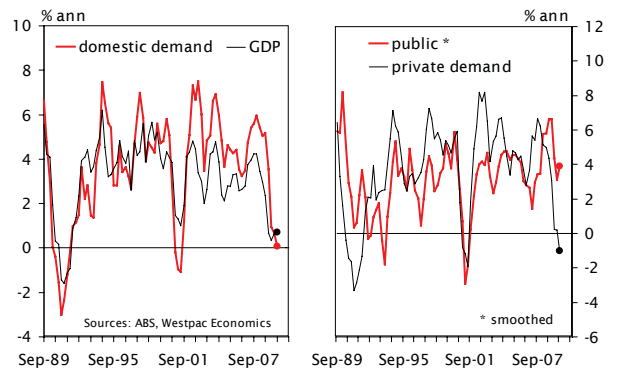


Aus Q3 GDP

Dec 16, Last: 0.6%, WBC f/c: 0.4%, Mkt f/c: 0.4%, Range: 0.2% to 0.9%

- The Australian economy, after rebounding to expand by 1.0% over the first half of 2009, is forecast to grow by 0.4%qtr, 0.7%yr in Q3.
- A burst of public investment, the start of the housing construction boom and an end to the run-down of inventories were the key positives.
- That likely more than offset a decline in business investment (after the bring-forward into Q2), flat consumer spending (with the end of the cash splash) and a large net exports subtraction.
- Caution: The risk of surprises and large revisions in this set of National Accounts is greater than usual with the Statistician introducing the System of National Accounts 2008 standards.

Australian economic conditions

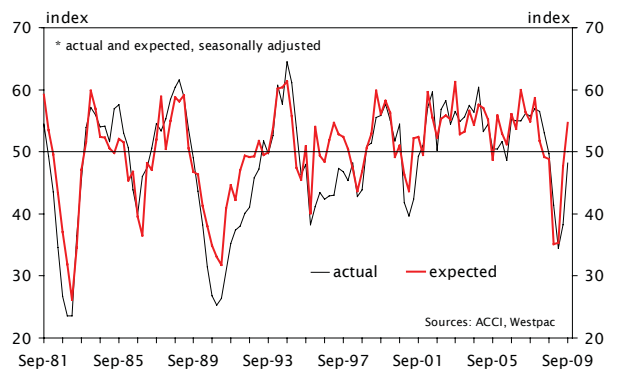


Aus Q4 Westpac-ACCI Survey of Industrial Trends

Dec 17, Last: Actual Composite Index: 48.2

- The Q3 Westpac-ACCI Survey showed a 9.8pt leap in the Actual Composite Index to 48.2 (highest since 2008Q3), after a 3.9pt rise previously. The Index remained below its decade average (52.1) for the fifth consecutive quarter, but significantly is approaching the 50 break-even level that signals an end to contracting manufacturing activity. The Labour Market Composite net balance rose 13pts to -12, historically consistent with annual jobs growth turning positive in 2010H1. The net balance reporting finance as 'harder to get' rose to 16% from 11%, but was well below Q1's peak of 40%.
- An improving economic backdrop and rising respondents' orders saw gains in expectations. The Expected Composite Index rose 7.1pts to 54.7 (highest since 2007Q4) and general business sentiment jumped 46pts to +42 (highest since 1994Q3).
- The Q4 Survey was concluded in the week ended 11 December.

Westpac-ACCI composite indexes*



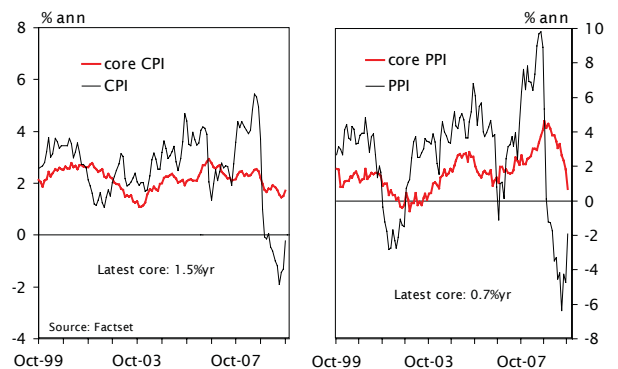
US Nov PPI and CPI

Dec 15, PPI headline Last: 0.3%, WBC f/c: 0.3%, Mkt f/c: 0.8%

Dec 16, CPI headline Last: 0.3%, WBC f/c: 0.2%, Mkt f/c: 0.4%

- The PPI rose 0.3% in Oct, reflecting 1.6% gains in both food and energy which together make up 36% of the PPI. But a 0.6% fall in the core PPI prevented a much steeper jump in the headline. That reflected a 5.2% plunge in light truck (SUV) prices, suggesting new 2010 model year prices were constrained by weak sales in the post cash for clunkers environment. In Nov, there will likely be a partial but not complete rebound in vehicle prices, which we expect to push the core rate up by 0.4%. The headline may be a little softer as Nov food and energy price gains slow.
- The CPI headline also rose 0.3% in Oct; the core rate was up a soft 0.2%, and would have been much softer – almost flat – were it not for a 1.7% spike in new vehicle prices – in contrast to the PPI! Modest gasoline price gains and lower auto prices will see the Nov CPI rise 0.2%, with the core held to a 0.1% rise.

US inflation

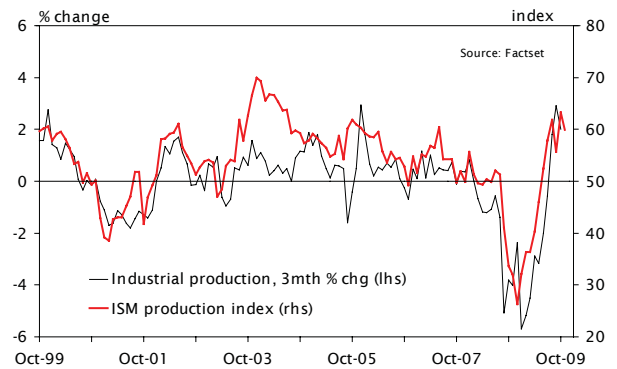


US Nov industrial production

Dec 15, Last: 0.1%, WBC f/c: 0.2%, Mkt f/c: 0.5%

- Industrial production posted a meagre 0.1% rise in October, Manufacturing output fell slightly, due to ongoing weakness in business equipment and a modest pull-back in auto production after the 38% surge of the previous three months. Mining output posted a 0.2% fall so it was the 1.6% rise in utilities (due to the onset of cold weather a little earlier than usual this year) that explained all of October's IP gain.
- Business survey evidence for Nov included mixed regional surveys, and a lower national ISM factory index headline but strong orders and production readings. The Nov payrolls report showed a 0.4% rise in hours worked in manufacturing after a 0.1% fall in Oct. However, utility output will have fallen back as the weather normalised in November.
- Hence we're forecasting a 0.2% rise in total industrial production in November.

US industrial production rebounds



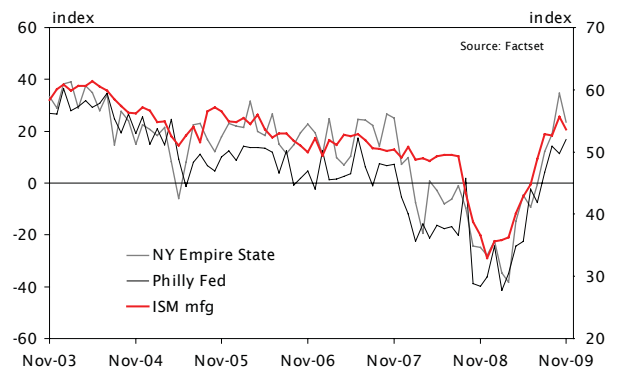
US Dec NY and Philly Fed surveys

Dec 15, New York Fed: Last: 23.5, WBC f/c: 20.0, Mkt f/c: 24.0

Dec 17, Philadelphia Fed: Last: 16.7, WBC f/c: 14.0, Mkt f/c: 16.0

- These surveys helped kick off the "green shoots of recovery" story that emerged in March-April, by turning sharply less negative – consistent with a slower pace of industrial contraction. Since August, both rose above 0 (joining the Richmond Fed), indicative of industrial sector expansion, and the NY Fed in particular has been especially strong, although it pulled back from Oct's five year high in Nov. Philly Fed has hovered in the mid teens of late; at these levels, the surveys are consistent with 3% GDP growth persisting in Q4.
- Without local agents it is difficult to forecast these surveys of just 100 bosses. However, with the ISM factory index in Nov (whose survey period overlaps with the regional Fed surveys for Dec) easing somewhat, we expect both Empire and Philly to drift a little lower.

US manufacturing surveys



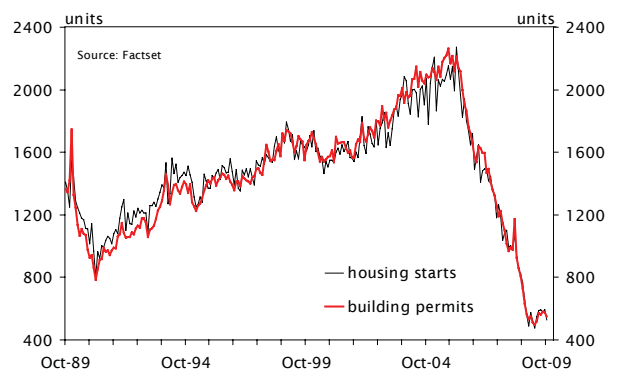
US Nov housing starts and permits

Dec 16, Starts: Last: -10.6%, WBC f/c: 8.8%

Dec 16, Permits: Last: -4.0%, WBC f/c: 3.5%

- The less up-beat tone of some housing data lately turned decidedly darker with Oct housing starts plunging more than 10%, including a 7% fall in single family starts. Multiple starts collapsed a further 35% to be down more than 75% on year ago levels, probably a reflection of the difficulties developers have experienced raising funding for commercial property projects such as blocks of condos. Permits to build posted back to back declines in Sep and Oct. Very wet Oct weather was probably a factor.
- We are forecasting sizeable rebounds in both starts and permits, which would confirm that weather was a key factor at play in Oct. However we also suspect that "exhaustion" of first home buyers compounded Oct weakness, so the Nov rebounds won't fully recover Oct's losses.

US housing starts and permits

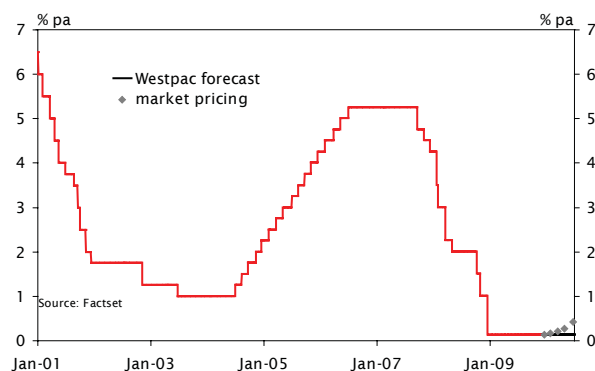


US FOMC rate decision

Dec 16, Last: 0-0.25%, WBC f/c: 0-0.25%, Mkt f/c: 0-0.25%

- At the Nov 4 window, the Fed committed again to maintain its current easy policy stance for “an extended period”. Since then, unemployment has risen above 10%, Q3’s growth was revised to below 3% annualised, and some business surveys and housing data have been surprisingly weak.
- These developments have added weight to the view that although the economy is growing again thanks to the extraordinary degree of fiscal and monetary policy stimulus and measures to support the banking sector, an ongoing self-sustaining recovery has probably not yet have arrived.
- On Dec 3, Fed chair Bernanke said that “ we must be prepared to withdraw... policy support in a smooth and timely way... however determining the appropriate time and pace will require careful analysis and judgment.” Our judgement remains that withdrawal of monetary stimulus is unlikely to become a live issue before 2011 at the earliest.

Fed funds target rate



Key Data and Events

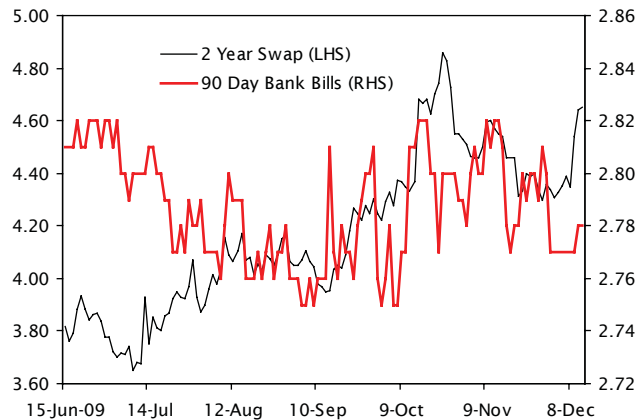
	Last	Market Median	Westpac Forecast	Comments	
Mon 14 Dec					
Jpn	Q4 Tankan Large Manufacturing	-33	-27	-25	Global stimulus inspiring a recovery in durables demand.
	Q4 Tankan Large Non-Manufacturing	-24	-23	-23	Weak household incomes and soggy profits keep services subdued.
Eur	Oct Industrial Production	0.3%	-0.7%	-0.3%	German data disconcertingly weak, down 1.8%.
UK	Dec House Prices %yr	1.6%	-	-	Rightmove index. Now showing prices rising again on an annual basis.
Can	Q3 Capacity Utilisation	67.4%	66.9%	-	In trend decline since early 2006.
Tue 15 Dec					
NZ	Half Year Economic and Fiscal Update	-	-	-	Stronger economy to eventually boost fiscal position.
Aus	RBA Minutes (Dec Meeting)	-	-	-	Provide more colour to policy of gradually lessening stimulus.
	Q3 Public Spending	0.7%	2.7%	3.5%	Investment surge began - Commonwealth stimulus package kicks in.
	Q3 Dwelling Commencements	-3.7%	6.0%	10.0%	Approvals surged 20.9% in Q2-Q3.
US	Oct TIC Data \$bn	133.5	-	-	Total net capital flows.
	Nov Producer Price Index	0.3%	0.8%	0.3%	Oct PPI held down by extreme weakness in new model year vehicle prices which will only partly reverse in Nov.
	Nov PPI Core	-0.6%	0.2%	0.4%	Nov saw correction from excessive Oct strength but low 20s still solid.
	Dec NY Fed Empire State Factory Index	23.5	24.0	20.0	Nov saw correction from excessive Oct strength but low 20s still solid.
	Nov Industrial Production	0.1%	0.5%	0.2%	Factory hours worked rose 0.4% in Nov but utilities likely softer.
	Dec NAHB Housing Market Index	17	18	19	Extended first home owners' tax credit to boost builder mood.
Eur	Q3 Labour Costs %yr	4.0%	3.5%	-	Surprisingly solid growth given weak job market.
Ger	Dec ZEW Analysts' Survey	51.1	50.0	-	German analyst sentiment slipped in Oct and Nov.
UK	Nov CPI %yr	1.5%	1.8%	1.8%	Base effects and weaker sterling to lift CPI back towards target.
	Oct House Prices %yr	-4.1%	-	-	Lesser watched DCLG (government) index.
Can	Nov Leading Index	0.7%	0.8%	-	Up for four months running (and non-negative for six).
	Oct Auto Sales	1.2%	3.0%	3.0%	StatCan guidance for Oct is a 3% gain.
	Q3 Labour Productivity	0.0%	-0.3%	-	Has not risen since Q3 last year.
Wed 16 Dec					
Aus	Oct Westpac-MI Leading Index	5.8%	-	-	Remarkable rebound now sees growth well above trend.
	Q3 GDP	0.6%	0.4%	0.4%	Burst of public investment, inventories & housing key positives in Q3.
	RBA Deputy Gov Battellino	-	-	-	Speaking in Sydney.
US	Nov Consumer Price Index	0.3%	0.4%	0.2%	Gasoline prices will lift headline rate but core CPI forecast to round down to just 0.1%.
	Nov CPI Core	0.2%	0.1%	0.1%	
	Q3 Current Account Balance \$bn	-98.8	-108.0	-	Q2 saw smallest deficit since 2002 but trade deficit widening again.
	Nov Housing Starts	-10.6%	8.7%	8.8%	Oct was wettest Oct on record which could explain surprising starts and permits slump. Failure of both to bounce would be a major concern.
	Nov Building Permits	-4.0%	3.4%	3.5%	
	FOMC Rate Decision	0-0.25%	0-0.25%	0-0.25%	Policy still firmly on hold "for an extended period".
Jpn	Oct Tertiary Activity Index	-0.5%	0.5%	-	Rose 2.8% in Q3: looks a bit curious with GDP now revised much lower.
Eur	Nov CPI (F) %yr	0.6%a	0.6%	0.6%	Revisions rare. Core rate was 1.2% yr in Oct.
UK	Nov Unemployment ch'	13k	13k	15k	Economy may be growing in Q4 but not fast enough to prevent job loss.
Can	Oct Manufacturing Sales	1.4%	0.9%	-	Autos and aerospace drivers of recent activity.
Thu 17 Dec					
NZ	Q4 Consumer Confidence	120.3	-	-	Economic conditions support strong confidence.
	Dec NBNZ Business Confidence	43.4%	-	-	Confidence holding steady, hiring and investment plans picking up.
Aus	Q4 WBC-ACCI Survey of Indust Trends	48.2	-	-	+9.8pts in Q3 to highest since 2008Q3 = much milder mfg contraction.
	Nov Merchandise Imports, nsa AUDbn	18.0	-	-	+1.9% in Oct = -1.6% sa (price drag from A\$) but cont'd vol-led uptrend.
	RBA Monthly Bulletin	-	-	-	Expected to include results of RBA's periodic survey of FX hedging.
US	Initial Jobless Claims w/e Dec 12	474k	465k	470k	Complicated by holiday distortions & extended time-limits on eligibility.
	Nov Leading Index	0.3%	0.7%	-	Rising for seven months running now.
	Dec Philadelphia Fed Factory Index	16.7	16.0	14.0	Softer Nov ISM has some overlap with Philly fed survey period.
UK	Nov Retail Sales	0.4%	0.5%	0.4%	Official data have been lagging less weak private sector retail surveys, such as BRC and CBI (which will give us an early look at Dec sales).
	Dec CBI Distributive Trades Survey	-	-	-	
Can	Nov CPI %yr	0.1%	0.8%	0.3%	Base effects to lift headline annual rate further but will pull down ...
	Nov BoC Core %yr	1.8%	1.3%	1.4%	... core annual rate.
Fri 18 Dec					
Jpn	Bank of Japan Decision	0.10%	0.10%	0.10%	Extraordinary meeting and shift to QE takes the focus off this moot.
Eur	Oct Current Account €bn sa	-5.4	-	-	Return to trade surplus not sufficient to prevent overall current
	Oct Trade Balance €bn sa	6.8	5.7	-	account deficit in late 2009.
Ger	Nov Producer Prices %yr	-7.6%	-5.9%	-	Base effects to lift annual rate sharply less negative into early 2010.
	Dec Ifo Business Climate Index	93.9	94.5	-	Up for 8 months running, Apr-Nov.
UK	Q3 Business Investment (F)	-3.0%a	-3.0%	-	Contracted for six out of last seven quarters.
	Nov Bank Mortgage Approvals	61k	64k	-	Has been trending higher.
	Nov Public Sector Net Borrowing £bn	11.4	23.0	-	Budget deficit is reaching alarming, possible rating downgrade levels.
	Nov Money Supply %yr	10.8%	10.0%	-	Watched for signs BoE QE program is impacting.
Can	Oct Wholesale Sales	0.2%	0.5%	-	Auto sales were soft in September.

New Zealand Economic and Financial Forecasts

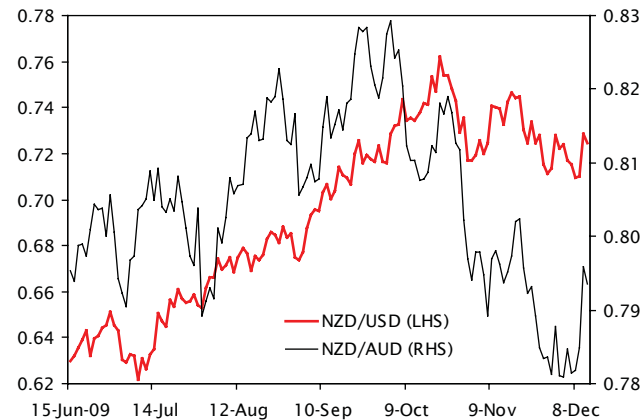
Economic Growth Forecasts	March years				Calendar years			
	2008	2009	2010f	2011f	2008	2009f	2010f	2011f
% change								
GDP (Production) ann avg	3.1	-1.1	0.0	3.8	0.0	-1.3	3.5	3.8
Employment	-0.3	0.7	-0.8	1.6	0.9	-2.1	1.0	1.8
Unemployment Rate % s.a.	3.8	5.0	6.7	5.3	4.7	6.7	6.3	5.5
CPI	3.4	3.0	2.4	2.8	3.4	2.5	2.4	2.8
Current Account Balance % of GDP	-7.9	-8.1	-2.2	-4.4	-8.9	-2.3	-4.2	-5.2

Financial Forecasts	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11
Cash	2.75	3.25	3.75	4.25	4.75	5.25	5.75
90 Day bill	3.20	3.70	4.20	4.70	5.20	5.70	6.10
2 Year Swap	5.10	5.40	5.70	5.90	6.10	6.30	6.20
5 Year Swap	6.00	6.10	6.20	6.30	6.40	6.50	6.50
10 Year Bond	6.10	6.20	6.30	6.30	6.40	6.50	6.50
NZD/USD	0.77	0.73	0.76	0.78	0.77	0.75	0.72
NZD/AUD	0.80	0.81	0.82	0.82	0.83	0.83	0.84
NZD/JPY	67.8	67.9	73.0	78.0	81.6	81.8	80.6
NZD/EUR	0.51	0.50	0.51	0.52	0.52	0.51	0.49
NZD/GBP	0.43	0.42	0.42	0.43	0.43	0.40	0.38
TWI	67.4	65.9	67.9	69.6	70.2	69.0	67.0

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 14 December 2009

Interest Rates	Current	Two Weeks Ago	One Month Ago
Cash	2.50%	2.50%	2.50%
30 Days	2.79%	2.77%	2.79%
60 Days	2.81%	2.77%	2.79%
90 Days	2.79%	2.80%	2.81%
2 Year Swap	4.65%	4.36%	4.54%
5 Year Swap	5.64%	5.48%	5.66%

NZ foreign currency midrates as at Monday 14 December 2009

Exchange Rates	Current	Two Weeks Ago	One Month Ago
NZD/USD	0.7235	0.7135	0.7422
NZD/EUR	0.4946	0.4763	0.4975
NZD/GBP	0.4451	0.4351	0.4449
NZD/JPY	64.370	61.580	66.510
NZD/AUD	0.7937	0.7812	0.7952
TWI	65.110	63.440	66.070

Economic and Financial Forecasts

Economic Forecasts (Calendar Years)	2005	2006	2007	2008	2009e	2010f	2011f
Australia							
Real GDP % yr	2.8	2.9	4.0	2.4	1.0	3.0	3.2
CPI inflation % annual	2.8	3.3	3.0	3.7	2.0	2.2	2.7
Unemployment %	5.1	4.8	4.4	4.3	5.6	6.0	5.9
Current Account % GDP	-5.8	-5.3	-6.3	-4.6	-4.1	-5.1	-5.4
United States							
Real GDP %yr	3.1	2.7	2.1	0.4	-2.5	1.5	3.1
Consumer Prices %yr	3.4	3.2	2.9	3.8	-0.5	1.3	2.4
Unemployment Rate %	5.1	4.6	5.8	5.8	9.3	10.7	10.6
Current Account %GDP	-6.1	-6.0	-5.3	-4.9	-3.0	-2.6	-1.8
Japan							
Real GDP %yr	1.9	2.8	2.2	-0.9	-5.8	1.6	1.8
Consumer Prices %yr	-0.3	0.2	0.1	1.4	-1.2	-0.7	0.3
Unemployment Rate %	4.4	4.1	3.9	4.0	5.1	5.3	5.2
Current Account %GDP	3.6	3.9	4.8	3.2	2.6	3.1	3.9
Euroland							
Real GDP %yr	1.7	2.9	2.7	0.6	-4.0	0.6	1.2
Consumer Prices %yr	2.5	2.0	3.1	1.6	0.3	0.7	1.2
Unemployment Rate %	8.8	7.9	7.3	7.8	10.0	11.5	10.8
Current Account %GDP	-0.2	-0.5	0.0	-0.2	0.0	0.4	0.4
United Kingdom							
Real GDP %yr	2.2	2.9	2.6	0.7	-4.7	0.4	1.2
Consumer Prices %yr	2.1	3.0	2.1	3.5	1.5	2.8	1.5
Unemployment Rate %	2.8	3.0	2.5	3.1	5.5	7.0	7.3
Current Account %GDP	-2.6	-3.0	-2.8	-2.3	-3.0	-3.0	-2.0

Forecasts finalised 9 December 2009

Interest Rate Forecasts	Latest (Dec 14)	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11
Australia						
Cash	3.75	4.00	4.50	4.50	4.50	4.75
90 Day Bill	4.18	4.30	4.70	4.60	4.75	5.00
10 Year Bond	5.51	5.70	6.20	6.50	6.50	6.50
International						
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	3.55	3.50	3.20	3.75	4.25	4.50
ECB Repo Rate	1.00	1.00	1.00	1.00	1.25	2.00
Exchange Rate Forecasts						
AUD/USD	0.9116	0.96	0.90	0.93	0.95	0.93
USD/JPY	88.98	88	93	96	100	106
EUR/USD	1.4629	1.51	1.47	1.50	1.51	1.47
AUD/NZD	1.2600	1.25	1.23	1.22	1.22	1.21

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