

# Australia & NZ weekly

week beginning 18 May 2009

- Government & RBA economic forecasts point to risk of further interest rate cuts.
- Westpac-MI Consumer Sentiment, gauging the mood post Budget.
- Australian events: Stevens speaking, RBA minutes, wages, car sales.
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Information contained in this report was current as at 15 May 2009

# Government & RBA economic forecasts point to risk of further interest rate cuts

There were two aspects of the Government's economic forecasts that we found most interesting in the Budget. The first related to the very short term outlook and the second to the long term outlook.

The short term outlook is interesting as it gives us a gauge on the Government's forecasts with respect to the likely momentum of the economy over the next 12 months. This momentum will be the key factor in deciding whether we move into the next stage of interest rate cuts that we are currently forecasting. We have been eager to compare the Government/RBA/Westpac forecasts on this issue.

The medium term outlook forecasts are important for assessing whether the Government's prediction that the budget will be back in surplus by 2015/16 is reasonable.

## Short term economic momentum

As the Government and the RBA provide forecasts only on an annual basis it is necessary for us to generate the likely quarterly profile underlying their annual forecasts. Furthermore, the Government produces "year average" forecasts for fiscal years while the RBA gives rolling through the year forecasts. Our estimates of the Government and RBA forecasts for GDP covering the eight quarters of 2009 and 2010, along with those of Westpac, are set out in the Table below.

We note that;

1. All the forecasts have the weakest point in the cycle in the first half of 2009 with Government (-1.8% annualised) slightly weaker than the RBA (-1.6% annualised) and Westpac (-1% annualised).
2. Both the Government and RBA expect economic conditions to contract further in the September quarter 2009, whereas Westpac looks for a flat quarter.
3. All forecasters expect very weak growth in the December quarter, ranging from flat (Westpac) to +0.2% (RBA).
4. The RBA forecasts that the pace of recovery in the first half of 2010 (1.2% annualised) will be slightly weaker than Westpac and Government at 1.6% annualised.
5. The growth pace in the second half of 2010 is expected to rise to 2.6% (Government); 2.8% (RBA) and 3.0% (Westpac).

As for sectoral conditions across the economy, while the RBA does not provide forecasts of the GDP components we can use the Government's annual forecasts and aspects of the commentary in the Budget papers to assess profiles for consumption, business investment and dwelling activity. While the GDP growth profiles forecast by Westpac and Government are broadly similar there are significant differences for the household sector components.

	GDP, qtrly growth		
	RBA	Treasury	Westpac
Mar-09	-0.5	-0.5	-0.2
Jun-09	-0.4	-0.3	-0.3
Sep-09	-0.4	-0.2	0.0
Dec-09	0.2	0.1	0.0
Mar-10	0.3	0.3	0.3
Jun-10	0.3	0.5	0.5
Sep-10	0.6	0.6	0.7
Dec-10	0.8	0.7	0.8

We assess that the Government is expecting three consecutive negative quarters of consumer spending growth, spanning 2009Q3 to 2010Q1, while Westpac expects essentially a 0.1% quarterly pace during that period. The Government explains its contractionary consumption profile in the context of weak confidence, job losses and the impact of collapsing wealth (household net financial wealth has fallen by a third over 2008).

Now, if the Government's consumption profile proves correct but if they are proven to be too optimistic on some of their other offsetting assumptions, particularly with respect to a quicker recovery in housing, then the overall GDP growth profile through 2009Q3 to 2010Q1 will be decidedly softer than currently anticipated by Westpac, the Government and the RBA.

In last week's note we concluded that the RBA's forecasts - which implied the economy will be contracting through most of 2009 and, most importantly, that the recovery will initially be tepid - left the door open for another round of interest rate cuts. We can only conclude that the Government's forecasts, as set out in the Budget Paper, paint a similarly subdued profile and that moreover, they highlight the added risk that consumer spending will be much weaker than expected by ourselves.

## Long term economic projections

The Government's projection of a return to budget surplus in 2015/16, with net debt peaking at 13.6% of GDP in 2014, depends on a range of forecasts for which limited details have been provided.

The Government expects the economy, after contracting in 2009/10, will average 3.75% growth over the recovery phase of the next 3 years. A comparison with the last two recovery episodes reveals that the 3.75% forecast is well below the 4.8% achieved in the early 1980's cycle and below the 4.0% of the early 1990's. We agree that it is appropriate to assume slower growth than in previous recoveries since the global deleveraging process will be a significant constraint for some time. Indeed, we assess the 3.75% forecast as a little optimistic. That said, the key metric, in our view, is the gap between growth rates in Commonwealth receipts and expenditure. On this there appears to be sufficient wriggle room.

Beyond the initial 3 year recovery phase, the Government appropriately forecasts a step-up in growth to 4½% for the next 3 years, before a return to trend 3% growth in the final 3 years of the 10 year profile.

As noted above, from our perspective, the most critical assumption in the Government's analysis is the pace of growth of real expenditure. The Government has decided to assume real spending growth of 2% during that period when the economy is expected to be notching up 4½% growth.

Our analysis indicates that the gap between real revenue and real expenditure growth in the 5-6 years of recovery following the 1970's, 1980's and 1990's recessions ranged between 1½% (70's) to 3.2% (80's) and 4.1% (90's). Accordingly, history suggests that the Government's 2½% assumption for real expenditure growth is not unreasonable and as such we can "live" with the conclusion that the budget will plausibly be back in surplus in 2015/16.

**Bill Evans**, Chief Economist

# Data wrap

## Apr NAB business survey

- The NAB survey reported less negative business conditions in April, with the conditions index improving to -10.0 from -16.8 in March. Notably, trading conditions improved to -2.8. However, profits remained under pressure. The employment index also showed some improvement but at -17.8 still describes a weak labour market.
- By sector, the survey found that retail has benefitted from the fiscal stimulus (one-off payments) and lower interest rates. However, other cyclical sectors, such as manufacturing and construction, have been hard hit in recent months.
- Despite the recovery in the business conditions index it remains at a level consistent with contracting domestic demand.
- The volatility of the index in recent months most likely reflects, in part, the temporary boost from the one-off cash payments to households. This points to the risk of an uneven recovery in conditions over the coming year, as the boost from the payments fades.
- Business confidence edged a little lower in the month, declining to -13.8 from -12.5 in March. However, that is still a vast improvement from the record low of -31.6 in January. The overall rebound in business confidence brings its back into line with readings for consumer sentiment, after a period of overshoot. We would still expect to see business cutting back on investment and hiring, notwithstanding this partial rebound in confidence.

## Mar housing finance

- The recovery in housing finance not only continued in March, with a strong 4.9% increase in lending to owner-occupiers, but it gained momentum. Notably:
  - finance for the construction of new dwelling surged;
  - there was an uptick in investor finance in the month;
  - non-banks are lending again; and
  - upgraders are the major driver of the upswing in 2009.
- Households are clearly responding to the very low interest rates that are now in place and to the bolstered First Home Owners scheme. New lending to owner-occupiers has rebounded by 30% from the low of seven months ago.
- Upgraders have been the more dominant driver of the upswing in 2009. Lending to this segment increased by 4.0% in the month and is up 17% this year. They account for 60% of the rise in owner-occupier finance this year.
- Lending to the smaller First Home Buyer segment increased by 8% in the month and is up 79% from the low of last August. The particularly sharp jump in lending to FHBs occurred over November and December.
- Rising demand for housing has now triggered a surge in finance approvals for the construction of new dwelling - with a 13.9% jump in the month and a 41% rise over the last four months, to the highest level since January 2002. This confirms that housing construction activity is set to recover from 2009H2.
- Investor finance showed some promise, with a 4.7% uptick in the month. While tighter lending standards will constrain the investor recovery, we expect some improvement.

## Round-up of local data released last week

Date	Release	Previous	Latest	Mkt f/c
Mon 11	Apr NAB business survey	-16.8	-10.0	-
Tue 12	Mar housing finance, no. Federal Budget, 2009/10 AUDbn	1.2% -	4.9% -	4.5% -

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.

# New Zealand: week ahead & data wrap

## Consumers cautious, banks berated

While recent data has shown some early signs of improvement, this week's retail sales figures for Q1 showed that the New Zealand economy is coming from an even worse starting point than expected. Meanwhile, an RBNZ report highlighted some of the headwinds to a recovery.

Consumer caution compounded retailers' misery in the first quarter of 2009. The volume of sales plunged a record 2.9%, double the previous record decline set during the 1997 Asian crisis – and unlike then, the latest quarterly decline was part of a long, sustained slide in retail spending. Sales volumes have now fallen for six quarters running, and are 6.8% below their June 2007 peak.

Rising unemployment and concerns around how the world recession will impact at home has left consumers too rattled to splash out on upgrades to durables items. Car sales fell a massive 11.4% in the quarter, and are now 32% down from the 2007 heyday. Along with the plunge in car sales, furniture and floor coverings (-3.5%), hardware (-4.5%), and appliances (-5.9%) all suffered. The only sector to post a convincing increase in sales was supermarkets, possibly as people cut back on takeaways and eating out.

The trend remained weak throughout the quarter, with nominal sales down a further 0.4% in the month of March. If there was any glimmer of good news in these figures, it was that lower spending on fuel was wholly responsible for the decline, leaving a little more cash in people's pockets to be used elsewhere (ex auto sales were up 0.5%). Last week's electronic transactions figures for April also showed a 0.3% increase in retail transactions. But that reads more like a lacklustre response to the tax cuts that came into effect on 1 April than a portent of sustained retailing recovery. It seems increasingly likely that most of the cash from tax cuts and lower interest rates will be saved rather than spent.

That's not surprising. The twin house and share-price busts have forced many New Zealanders to take a long hard look at their overall wealth and long-term spending power. When all is said and done, we must recognise that high consumer spending from 2002 until 2007 was unsupportable by New Zealand's national income. The long overdue correction to a more sustainable level of spending, financed by income rather than debt, is underway. Notably, on a per-person, inflation-adjusted basis, New Zealanders are now spending 8.8% less than they were two years ago. But with the current account balance still grossly in deficit, the transition from unsustainable to sustainable levels of spending still has a way to run. There are more hard times ahead for retailers. The silver lining is that lifting national savings by spending less is likely to please the credit rating agencies.

The retail sales figures were much weaker than we, the market and the RBNZ expected, and adds some downside risk to our forecast of a 1% decline in March quarter GDP. Despite some recent reasons for optimism (or less pessimism, at least), we still think there is a strong enough case for a 25bp OCR cut at the 11 June *Monetary Policy Statement*.

Rate cuts became a hot topic again when the RBNZ released its six-monthly *Financial Stability Report* this week. The RBNZ urged banks to keep lending to "creditworthy households and businesses", and cautioned against an excessive tightening of lending standards. In the following press conference they also expressed disappointment at how little of the 50 basis point OCR cut in April had been passed through to mortgage rates.

While it's true that floating rates haven't budged, fixed rates for terms of up to a year have been cut by 10-20 basis points since the OCR review, are now as much as 100bps below floating rates. But remarkably, borrowers seem to be actively avoiding these rates. Since last September, around \$15bn of mortgages – nearly 10% of the outstanding total – have been moved from fixed to floating in anticipation of a further drop in mortgage rates. And in March alone, as much as \$9bn of loans were switched out of terms of less than a year into terms of 2-5 years, where rates are substantially higher. It's this kind of behaviour, far more so than the lack of movement in floating rates, which threatens the recovery in household balance sheets that the RBNZ is aiming for.

That aside, the message of the *Report* was that New Zealand's financial system faces substantial pressures in terms of funding and, increasingly, asset quality, but remains better placed than in many other developed economies. The RBNZ appears to put little credence in the 'green shoots of recovery' that many have observed in the global economy: "Despite an improvement in world equity markets since March, and some modestly encouraging economic indicators, a global economic recovery appears some way off. Restoring sustainable economic growth is likely to prove a drawn-out process given the overhang of weak balance sheets and impaired credit markets." As a result, New Zealand faces a similarly drawn-out adjustment process, even with the weaker NZD and fiscal and monetary easing helping to smooth the way. Bad loans have risen quickly, albeit from extremely low levels, and are likely to rise much further through this downturn.

The data calendar turns relatively quiet next week. The highlight is likely to be net migration, which has picked up strongly in recent months as fewer New Zealanders head offshore. Then it will be all eyes on the crucial Government Budget the following week.

## Round-up of local data released last week

Date	Release	Previous	Latest
Mon 11 May	Apr electronic card transactions	-0.2%	0.7%
Tue 12 May	Apr food prices	0.5%	-0.6%
Wed 13 May	Apr REINZ house prices %yr	-4.0%	-1.4%
Fri 15 May	Q1 real retail sales	-0.7%	-2.9%
	Mar retail sales	0.3%	-0.4%

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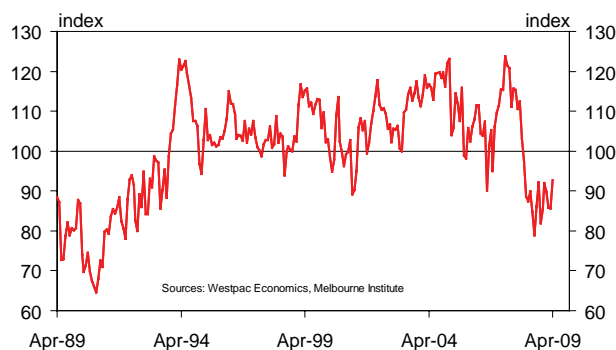
# Data previews

## Aus May Westpac-MI Consumer Sentiment

May 20, Last: 92.7

- The Westpac-MI Index of Consumer Sentiment increased 8.3% to 92.7 in April, up from 85.6. The surprisingly strong result came despite downgrades to world growth forecasts, official admissions of an Australia recession and rising unemployment.
- The May survey, which has been delayed to capture the full reaction to the Budget, is in the field from May 13 to 17. Aside from the Budget, sentiment is likely to be impacted by: the continued rally in global equities (ASX up another 3½% since the April survey); tentative improvements in economic data offshore described by many as the 'green shoots' of an eventual recovery; some surprisingly strong domestic data on retail sales, housing approvals and jobs; the RBA's 25bps rate cut in April (made after the previous survey) though only resulting in a small fall in mortgage rates; and the continued 'second round' of fiscal payments going out to households.

## Consumer Sentiment



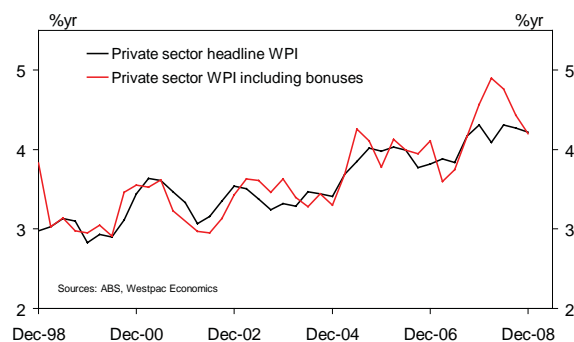
## Aus Q1 Wage price index

May 20, Last: 1.2%, WBC f/c: 0.9%

Mkt f/c: 0.8%, Range: 0.6% to 1.0%

- The Wage Price Index (ex bonuses) is forecast to rise by a moderage 0.9% in Q1. That follows a 1.2% rise in Q4, the largest increase in the history of this series (back to 1997). A delayed decision on public sector collective agreements drove the Q4 result, with public sector wages up 1.4%.
- We expect both private and public wages to increase by around 0.9% in Q1. That would hold annual growth at around 4.2% to 4.3% - depending upon rounding.
- Emerging labour market weakness is placing downward pressure on overall private sector wages growth. Annual growth in private wages including bonuses peaked at 4.9% back in 2008Q1, moderating to 4.2% in 2008Q4. We expect this downward trend to continue and for annual wages growth ex bonuses to ease as we move through 2009.

## Private wages growth moderating

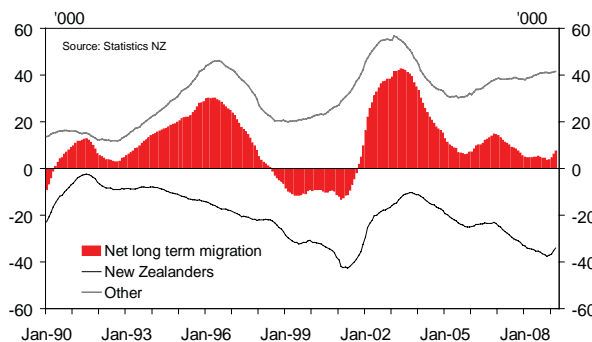


## NZ Apr external migration ann.

May 21, Last: 7,500, WBC f/c: 8,600

- Net migration has been weak for most of the past 18 months due to a strong outflow of New Zealanders. In particular, the number of Kiwis moving to Australia has been especially high. With the global recession now impacting Australia, that outflow is slowing abruptly.
- A second positive impulse to net migration may emanate from a wave of returning New Zealanders. Many of those who left 2 or 3 years ago will naturally elect to come home. Others will be fleeing the even-worse economic situation in the UK.
- We expect a net migration pickup to around 17,000 people this year, mainly due to movements of New Zealanders. This migration cycle is unlikely to be as large as the 2002 - 2003 episode, since arrivals of foreigners are more tightly controlled nowadays.

## NZ net migration



# Data previews

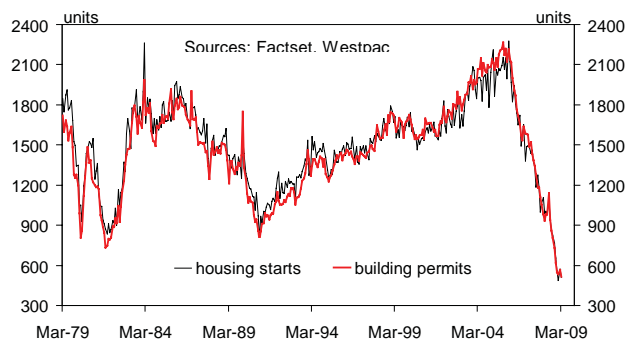
## US Apr housing starts and permits

May 19, Starts: Last: -10.8%, WBC f/c: -2.0%

May 19, Permits: Last: -8.5%, WBC f/c: 4.0%

- On a range of indicators, housing has shown tentative signs of bottoming out after several years of tumbling prices and activity. In Feb and Mar, single family house starts were close to unchanged, although total starts fell in Mar due to volatility on the multiples side, reversing Feb gains.
- Single family housing permits fell in Mar but did not fully reverse their Feb gain – further evidence of bottoming out. That still suggests some short-term risk of a modest decline in starts, but it should be temporary. We forecast a 2% starts decline.
- With homebuilder confidence rising sharply in April from its record lows in Q1, it follows that more permits to build may have sought. We expect a 4% rise.
- As always, multiples volatility could distort the picture.

## US housing starts & permits



# Key data & event risk for the week ahead

		Last	Market median	Westpac forecast	Risk/Comment
<b>Mon 18</b>					
NZ	Q1 producer prices - output	1.4%	-	0.5%	Small increase expected, helped by lower NZD.
	Q1 producer prices - input	-2.2%	-	0.0%	Lower diesel prices to offset upward pressure from weaker NZD.
Jpn	Apr consumer confidence	29.6	-	-	Modest improvement might be evinced from recent data.
Sing	Apr NODX %yr	-17.1%	-18.8%	-	The queue of idle ships off the coast a stark picture of new realities.
Eur	Mar trade balance €bn	-4.0	-	-	In deficit consistently since April last year.
UK	May house prices %yr	-7.3%	-	-8.0%	Rightmove index, still lagging in terms of the pace of price decline.
US	May NAHB housing market index	14	16	13	Solid rise in April may not be fully sustained.
<b>Tue 19</b>					
Aus	RBA Governor Stevens speaking, 8am	-	-	-	"Australia & Canada: comparing notes on recent experiences", Sydney
	RBA minutes of May meeting	-	-	-	Looking for any hints as to how long RBA will be on hold.
	Treasury Sec. Henry speaking to ABE	-	-	-	"Contemporary Challenges for Fiscal Policy"
Ger	May ZEW economic sentiment	13.0	-	20.0	Rising sharply as risk aversion declines, but current measure still falling.
UK	Apr CPI %yr	2.9%	2.4%	2.3%	Base effects favourable, BRC prices suggest downside risk.
US	Apr housing starts	-10.8	3.3%	-2.0%	Single family starts finding a base, but multiples volatile. But permits suggest some downside risk ahead for starts in short-term.
	Apr housing permits	-8.5	2.7%	4.0%	
	Fedspeak	-	-	-	Stern, topic tba.
<b>Wed 20</b>					
Aus	May Westpac-MI Consumer Sentiment	92.7	-	-	Up 8.3% in April. Gauge reaction to Budget, signs of global recovery.
	Q1 Wage Price Index	1.2%	0.8%	0.9%	Labour mkt softening dampening wages growth - particularly bonuses
	Apr merchandise imports, AUDbn	17.3	-	-	Fell 4.1% in Mar and trending lower on weaker domestic demand.
Jpn	Q1 GDP %saar	-12.1%	-16.2%	-12.2%	Statistical quirks in Q4 create uncertainty over Q1.
Thai	Bank of Thailand meeting	1.25%	1.00%	1.00%	Very tight call. Stabilisation of H1N1 will have calmed nerves.
Ger	Apr producer prices %yr	-0.7%	-	-	-0.5%yr in Mar, the 1st annual decline in 5yrs.
UK	May CBI industrial trends	-57	-	-	Orders have been very weak in last three CBI surveys.
	BoE minutes	-	-	-	Rates on hold and extended QE decisions likely unanimous.
US	Apr 29 FOMC meeting minutes	-	-	-	More detail on the slightly less downbeat Fed assessment of the eco'y
	US Treasury's Geithner	-	-	-	Senate hearing on TARP
Can	Apr consumer price index %yr	1.2%	0.6%	-	No forecast this month but factors at play will be the uptick in gas
	Apr CPI core ex 8 %yr	2.0%	1.8%	-	prices, recent rise in the C\$ and ongoing weakness in housing.
	Apr leading index	-1.3%	-	-	Down seven months running pointing to deepening recession.
<b>Thu 21</b>					
Aus	May MI Consumer inflation expectations	2.4%	-	-	Up 0.2% in April, but trend fell to 2.1%, the lowest since Jan '98
	May MI unemployment expectations	-3.6%	-	-	Improved (fell) in March & April, halting rapid trend deterioration.
	RBA monthly bulletin	-	-	-	Can include recent research articles
	Apr motor vehicle sales	-3.2%	-	flat	Industry figs suggest mthly declines have eased, esp for consumer segs.
NZ	Apr external migration ann.	7,500	-	8,600	Migration picking up as more Kiwis stay put to avoid global recession.
	Apr credit card transactions	-3.1%	-	-	Strong bounce expected from extreme weakness in March.
Jpn	Mar tertiary activity index	-0.8%	-	-	Loses impact by release date being post Q1 GDP.
Twain	Q1 GDP %yr	-8.4%	-9.7%	-	Korean activity stabilised in Q1, Twain should do something similar.
Sing	Q1 GDP %yr second est.	-11.5%	-	-	Domestic elements of GDP (the minority) still have room to slow.
Eur	May PMI factory advance	36.7	37.5	38.0	Both surveys have been less negative in recent months pointing to a
	May PMI services advance	43.8	44.0	44.5	slower pace of economic decline in Q2.
UK	Q1 business investment	-1.5%	0.5%	-	Clue to possible revision of Q1 GDP data.
	Apr retail sales volumes	0.3%	-	0.8%	Hot weather and Easter distortions apparent in private sector surveys.
	Apr money supply M4 %yr	17.8%	-	-	Data back in vogue but still hard to interpret.
	Apr PSNCR £bn	28.4	-	-	Budget blowout staggering.
US	Initial jobless claims w/e 16/5	637k	-	615k	Initial claims have past their peak suggesting slower pace of job loss.
	Apr leading index	-0.3%	0.6%	0.7%	Claims, permits, confidence, orders, equities all point to decent rise.
	May Philadelphia Fed	-24.4	-18.0	-20.0	April jump less steep than NY Fed so less risk or downward correction
	Fedspeak	-	-	-	Plosser, topic tba, but audience comprises economists and investors.
Can	Mar wholesale sales	-0.6%	-	-	Down five months running as economy contracts.
<b>Fri 22</b>					
Jpn	Bank of Japan meeting	0.1%	0.1%	0.1%	As with the US and the UK, focus now on unorthodox measures.
UK	Q1 GDP revision	-1.9%	-1.9%	-1.8%	IP, trade data suggest upward revision likely, but still a very weak qtr.
US	Fed's Bernanke	-	-	-	At law school graduation, no Q&A.
Can	Mar retail sales	0.2%	-	0.5%	Sales boost from known auto sales pickup.

# Economic & financial forecasts

## Interest rate forecasts

	Latest (May 15)	Jun 09	Sep 09	Dec 09	Mar 10	Jun 10
Cash	3.00	3.00	2.50	2.00	2.00	2.00
90 Day Bill	3.15	3.10	2.60	2.30	2.30	2.30
3 Year Swap	4.13	4.00	3.75	3.75	3.75	4.25
10 Year Bond	4.89	3.70	4.50	4.25	4.50	5.00
10 Year Spread to US (bps)	180	150	150	70	75	100

## International

Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	3.09	3.20	3.00	3.55	3.75	4.00
ECB Repo Rate	1.00	1.00	1.00	1.00	1.00	1.00

## New Zealand

Cash	2.50	2.25	2.00	2.00	2.00	2.00
90 day bill	2.85	2.50	2.30	2.30	2.30	2.30
2 year swap	3.43	3.50	3.60	3.70	3.70	4.10
10 Year Bond	5.44	5.30	5.40	5.50	5.50	5.70
10 Year spread to US	235	210	240	195	195	170

## Exchange rate forecasts

	Latest (May 15)	Jun 09	Sep 09	Dec 09	Mar 10	Jun 10
AUD/USD	0.7580	0.72	0.70	0.68	0.72	0.74
NZD/USD	0.5920	0.55	0.53	0.51	0.54	0.56
USD/JPY	95.90	97	93	96	98	101
EUR/USD	1.3630	1.29	1.27	1.30	1.32	1.34
AUD/NZD	1.2800	1.31	1.32	1.33	1.33	1.32

## Australian economic growth forecasts

% change	2008			2009				Calendar years			
	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	2007	2008	2009f	2010f
GDP	0.3	0.1	-0.5	-0.2(f)	-0.3	0.0	0.0	4.0	2.1	-0.8	1.0
ann chg	2.8	1.8	0.3	-0.4(f)	-1.0	-1.1	-0.5	-	-	-	-
Unemployment rate	4.2	4.3	4.5	5.3	5.8	6.6	7.5	4.4	4.2	6.3	8.5
CPI headline	1.5	1.2	-0.3	0.1	0.7	0.4	0.6	-	-	-	-
ann chg	4.5	5.0	3.7	2.5	1.7	0.9	1.8	3.0	3.7	1.8	2.4
CPI core	1.1	1.2	0.7	1.1	0.7	0.7	0.6	-	-	-	-
ann chg	4.4	4.7	4.3	4.2	3.8	3.2	3.1	3.6	4.3	3.1	2.4

## New Zealand economic growth forecasts

	2008			2009				Calendar years			
	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	2007	2008	2009f	2010f
GDP % qtr	-0.2	-0.5	-0.9	-1.0	-1.0	-0.3	0.2	-	-	-	-
Annual avg change	2.5	1.7	0.2	-0.9	-2.0	-2.7	-2.8	3.2	0.2	-2.8	1.1
Unemployment rate %	4.0	4.3	4.7	5.0	6.2	6.8	7.3	3.5	4.7	7.3	6.9
CPI %qtr	1.6	1.5	-0.5	0.3	0.6	0.3	0.2	-	-	-	-
Annual change	4.0	5.1	3.4	3.0	1.9	0.6	1.3	3.2	3.4	1.3	1.1

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