

# Economic briefing: Australia

## Westpac Economics, January 2010

### Australia: Economic update

The overall tone of the economic data flow through December and early January reinforced our assessment that the domestic economy gained momentum during the second half of 2009 and that the outlook for 2010 is very positive.

The National Accounts confirmed a second quarter of solid domestic demand growth, thereby reversing the 1.1% contraction over the previous half year. The housing construction upswing began in the September quarter as did the burst of Federal Government public construction. The commencement of these two investment cycles was key to the economy gaining momentum and will be the major growth engines through 2010. Housing finance figures point to a strong construction upswing, with the value of commitments for the construction of new dwellings (both owner-occupiers and investors) in October up 44% from the low of 14 months earlier. Dwelling approvals, after a near 6% rise in November, are up 39% so far in 2009.

The NAB monthly business conditions index supports our view. The index jumped to an above trend reading of 12 in October, after trending higher since May. The index held onto most of its gains in November, coming in at 10.3. Such a reading is broadly consistent with annual domestic demand growth accelerating to a little over 4% in coming quarters.

The labour market, responding to the improved environment and playing catch-up after cautious firms held-off hiring for the first half of 2009, reported a burst of jobs growth, with employment up 0.9% over the three months to November. It now appears that the unemployment rate has peaked at around 5.8%. So while there is some spare capacity as we enter the next upswing, there is considerably less than previously anticipated – a factor that will influence the RBA's tightening cycle.

Retail sales revealed a burst of spending late in 2009, with a 1.4% broadly based rise in November. This was at a time of historically high Consumer Sentiment. Indeed, Sentiment declined by only 3.8% to 114 in December, following a third consecutive RBA rate increase. With the burst of jobs growth households were in a position to spend more freely in the count down to Christmas. Although, keep in mind that the profile of retail sales was greatly distorted by large cash payments to the household sector. Even with this November spending burst, the annual growth rate will drop sharply next month. That's because the latest figure of 7.3% is inflated by a 4.1% jump in sales last December.

For more detail on Westpac Economics' view on interest rates, the Aussie dollar and the Australian economic outlook see Attachments.

### US & Europe: Economic update

Euroland GDP growth was confirmed at 0.4% in Q3, but partial data to hand covering the first half of Q4 suggests growth has slowed since then and may have even stalled completely. Retail sales posted their steepest one month decline in over a year in November; industrial orders fell steeply in October (their first decline for seven months); and German industrial production posted an average decline of 0.5% in Oct-Nov, compared to an average monthly gain of 1.2% in Q3 (Europe-wide industrial production data for November are due on 14/1). Westpac's view that European trade and production received a temporary boost (that is now diminishing) from car scrappage schemes around the world in Q3 has thus far been supported by the data flow. Also, the European Central Bank confirmed in late December that loans to households and business fell in annual terms for the third consecutive month – further evidence that the impaired banking system and weak demand will continue to undermine Europe's economic performance heading into 2010. Mounting concern about sovereign debt levels triggered by the Greek budget deficit blowout will limit the extent to which fiscal policy can provide any further stimulus, even in the European core. In early December, Westpac tweaked our European GDP growth forecasts a little: we expect 2009's 4% contraction to be followed in 2010 by modest growth of just over half a per cent. As at early January, those forecasts still stand.

The jury is still out on whether the UK economy remained in recession in Q4 2009. Q3's GDP contraction was revised from -0.4% to -0.3% to -0.2% in late 2009, somewhat undermining the prospect of a Q4 bounce, but Westpac is still cautiously forecasting a 0.2% rise in Q4 GDP (data due 26/1). However spending to beat the restoration of the 17.5% VAT rate in early January will be part of that growth story, which could mean the economy stalls again in early 2010. Certainly, after elections which must be held by May, the incoming government will be under considerable pressure to tighten fiscal policy and that will weigh against the economy in the second half of 2010, offsetting any benefit from the weaker pound. The UK economy shrank almost 5% in 2009 and is forecast to grow less than half a per cent in 2010.

The US economy grew at a revised 2.2% annualised pace in Q3 2009 and Q4 data due 29/1 are expected to show growth of up to 4% annualised. This is consistent with Westpac's view that the combination of fiscal stimulus and inventory building will deliver a sequence of positive quarterly growth outcomes that will run out of steam around the middle of 2010. Then, the realities of an impaired banking system, one in ten mortgages in default, increased household saving and constrained government budgets (especially at the state level) will combine to deliver a return to modestly negative GDP growth. A useful illustration of just how important fiscal stimulus has been to the US economy was shown by the 17% collapse in November home sales, when there was uncertainty about whether the tax credit for first home buyers would be extended. The credit was extended till April, but that will merely delay the renewed slump in housing sector growth that we expect later this year. Meanwhile, the US labour market continues to show job shedding, at a reduced pace in the payrolls survey, but at a still alarming pace in the separate household survey.

# Attachment A

## Australian interest rate outlook

As we expected the RBA board decided to raise the overnight cash rate by a further 25bps following its December meeting. The markets were not convinced about the likelihood of that move with only around a 50% probability of a 25bp rate hike being priced into the curve at that time. The Statement released with the decision included a slightly more positive assessment of the economic outlook than had been the case at the time of the previous rate hike in November (house prices; government spending; household wealth). However our assessment of the tone of the Statement, including the reference to "material adjustments" (three consecutive rate hikes) indicated that if there had been a Board meeting in January the Bank probably would have paused at that meeting. With no meeting actually scheduled for January, debt holders will enjoy a reprieve regardless.

Markets have moved quickly to price in a profile for rates in 2010 much closer to our view than had been the case over the last few months. We have consistently argued that ongoing uncertainties in the global capital markets; disappointments in the pace of recovery in the major economies (Europe; US and Japan); some difficulties with the availability of credit in the domestic market; and sensitivity of the household sector to a variable mortgage rate around 7% would move the RBA into a holding pattern for much of 2010.

We have assessed that the peak in the cash rate - 4.5% - would be reached by the middle of 2010. In contrast, markets had been consistently pricing in a peak in the cash rate of 5.25% to 5.50% through to end 2010. Markets have now scaled back the likely peak to around 5.0% - still, in our view, too high.

We expected a major test of the rate view with the release of the Westpac Consumer Sentiment Survey on December 8. Experience over multiple interest rate cycles is that the Consumer Sentiment Index (CSI) can provide the first signal of a major change in the monetary policy outlook. Most recently the June reading of the CSI signalled the change in mood ahead of other indicators. To the surprise of all at the time, the CSI surged by 12.7%, the second largest increase in since 1975. At the time markets were not expecting the RBA to begin raising rates until well into 2010 while the median forecast from 20 economists was that the cash rate would be 2.75% by end June 2010 - that is, the next move was likely to be down (from the 3% rate at the time) and rates would certainly not be rising in the foreseeable future.

Since the June spike the CSI has been extraordinarily resilient. The Index fell by 3.8% in December. That is a surprisingly modest fall in the Index given recent developments on interest rates. The standard variable mortgage rate has now increased to between 6.5% and 6.75% compared to around 5.75% as recently as September. Over that period the Index has fallen by just 4.7% from its near record highs.

There was a real possibility that the Index would fall much more sharply than the 3.8% decline it registered in December. Note that after the RBA tightened by 25bps in March 2005 the variable mortgage rate was increased to 7.30% from 7.05% and the Index fell by a massive 15.5%. Each subsequent increase in mortgage rates over the course of 2006 and 2007 generally saw double digit percentage falls in the Index. With households now holding even more debt relative to their incomes we expect that we must be getting close to levels of the variable mortgage rate where households will become much more sensitive to higher rates.

Other positive factors are clearly supporting the confidence of those households who are not mortgage debtors (the sentiment of those with a mortgage fell by 8.9%). The share market rose by 2.4%; the Australian dollar was slightly higher; and petrol prices were broadly stable (up by 0.7%). However, encouraging news on the labour market was probably the most important offset to the news on interest rates. Following the stunning increase of 40,000 jobs in September it was reported that a further 25,000 new jobs had been created in October despite market forecasts for job losses in each month. The subsequently released November jobs figure was another stellar result, up 31,000 - for a gain of 0.9% over the three months.

The Reserve Bank board does not meet again until February 2. With no meeting scheduled for January it appears likely that the Bank will opt to raise the overnight cash rate by 25 bps on a fourth consecutive occasion in February. The evidence from the CSI is that households overall are coping relatively well with the interest rate increases to date. Optimism about house prices and jobs are partially offsetting the impact of rate hikes on consumer sentiment. We have little doubt that we are nearing a point where the level of the variable mortgage rate will start to elicit a much more negative response across all households but is that we are not there yet.

## Attachment B

### Australian dollar outlook

After beginning November around US91¢ and briefly touching both 93½¢ and 90¢ the AUD returned to its original starting point.

We had been of the view that the momentum the Australian dollar had accumulated in October was likely to spur the AUD towards 96¢ by Christmas. While that task proved a little steep we are maintaining our view that the currency can reach 96¢ by the end of March. Recall that we have expected that the yield differential story was likely to spur the AUD over coming months. That view remains although we recognise a number of set backs in the last few weeks. Of most significance has been the support for the USD following the release of the extraordinary US payroll data for November, published on 5 December. The unemployment rate fell from 10.2% to 10.0% and the number of jobs lost plus revisions to earlier months showed the US jobs picture nearly 300,000 jobs better than had been anticipated.

Markets accordingly brought forward the timing of the first Fed rate hike from August to April and assessed that rates will have been increased by nearly 1% by the end of 2010 compared to previous expectations of only 50bps. By the same token Australian markets have revised back the peak in Australian rates in 2010 from 5.5% to around 5%. That downward revision includes assessing the probability of a 25bp rate hike in February at less than 50%. This reassessment of likely short term rate profiles explains much of the lacklustre performance of the AUD in December.

While we accept that markets have been correct in revising down the peak of the Australian rates in 2010 (in fact we see the peak rate for next year at "only" 4.50%) we cannot buy the urgency on the Fed or, paradoxically, the doubt about a February rate hike by the RBA. Over the next few weeks we expect that markets will firm up their views on the RBA continuing to raise rates steadily in the first half of 2010 while views on the Fed's timing will be pushed back to at least the pre payroll levels - if not further - towards our own view of the first half of 2011.

Indeed, the most recent US payrolls figure - printed on 8 January - disappointed the market, although coming in on our forecast. Payrolls declined by 85k in December, hours worked were stable and the unemployment rate remained at 10.0%. That dampened speculation the Fed would start raising the policy rate by June 2010 and depressing commodities and the US dollar. Fed funds futures now imply a 33% chance of a June hike, from 60% a week ago.

Moreover, Chinese trade data for December - published 10 January - also had a significant impact on markets. Both exports and imports came in well ahead of expectations, suggesting Chinese demand may play a bigger positive role in supporting the global economic recovery. Exports were up 17.7%yr vs market expectation of a 5%yr pace of recovery. That was the first rise in 14 months. The big news was on the import side though - vaulting 55.9% higher on year ago levels. Of course base effects are important, global trade was in free fall in December 2008 as the credit crisis hit. Notably, imports from Australia more than doubled over the twelve months. China also surpassed Germany as the world's biggest exporter of goods.

The Aussie dollar spiked in the wake of these two events, to be trading at US93¢ on Monday 11 January.

Readers will be aware of our ongoing concern that the underperformance of the US economy through 2010 will not only gradually push back expectations of the beginning of the Fed's tightening cycle but also lead to a severe questioning of equity market valuations. That contraction in equity prices (currently up 62% from the lows of 2009) will trigger a move away from risk assets, including the AUD. The link between the volatility of the Australian dollar and the US equity market is well established (chart 3).

Note that over the course of 2009, as the risk trade dominated, the AUD has risen by 28.4% against the USD - only the Brazilian real (up 31.3%) has appreciated further while the average move in other commodity/risk currencies has been 23.1% - outperformance of the AUD is clearly explained by our wider (risk adjusted) interest rate differential. This effect has probably been 'underdone' in our view - hence our call for AUD to go to 96¢ in the near term.

The anticipated temporary move out of risk assets could see the AUD lose 5 to 10 'big figures'. The rout will be stopped by the realistic assessment that Australia will continue to benefit from its unique position to service the (expected) ongoing surge in Chinese industrial demand. Wide interest rate differentials and the 'respectability' of Australia's secure position as a major provider to China are likely to see Australia's 'risky' tag start to be questioned. We have consistently looked for AUD to resume its uptrend through the latter part of 2010.

If we are wrong on the US economy and the Fed, with Fed rate hikes beginning by mid year then there is no doubt that the early stages of a Fed tightening will be very uncomfortable for the AUD - maybe either way the AUD loses ground mid year. But if the Fed has fine tuned its action to delay until it is clear that the US economy is on a strong recovery footing then AUD will eventually resume its uptrend. In those circumstances markets are likely to focus on the implications for commodity prices of a synchronised upswing in global growth.

The biggest nightmare for AUD is if the Fed makes a policy mistake - tightens too soon; sends the US economy into a sharp reversal; and destroys the risk trade. That is a most unlikely but nevertheless possible scenario that might concentrate the minds of the 'fanatics' as they try to digest their Christmas pudding and crackling!

# Attachment C

## Australian economic outlook

2010 will be the 19th consecutive year of positive growth for Australia. Only two countries can match this claim, none other than our increasingly important trading partners, China and India. Here we consider the big picture themes that point to Australia's run of growth continuing for another year, with a pace of around 3.5% looking readily achievable, up from 2.0% GDP growth through 2009. Indeed, domestic demand growth is forecast to accelerate to around 4.5% through 2010, up from a little under 1.5% through 2009.

Central to our analysis is the recognition that various investment cycles and exports will be supportive of growth in the near-term, as well as the medium-term. For 2010 a sharp housing investment upswing and a burst of public investment will be key growth engines. This is typical in the initial period following a downturn.

In the housing sector, pent-up demand emerged over recent years, with the RBA tightening monetary policy for the six years to 2008. Dwelling approvals slumped to 132,000 in 2008/09, some 30% below estimates of requirements. Owner-occupiers responded in large numbers to a 41 year low in interest rates and additional Government incentives. Finance commitments to owner-occupiers for new dwelling construction were up 100% in October from the low of 14 months earlier. Moreover, investors are beginning to return to the housing sector – a necessary development for a sustained upswing. Housing investment is forecast to add just over 1ppt to growth over the year to June 2010, a turnaround from a subtraction of around 0.6ppts over the previous year.

Public investment stepped higher in the September quarter as the Federal Government's stimulus packages kicked-in. The Government's "Nation Building" package included \$14.7bn for school building and \$6.6bn for public housing. The initial impact of this surge in public investment first became apparent in the September quarter - with public construction jumping 17.6% (\$1.7bn). The bulk of this September quarter increase was in infrastructure work, rather than building and hence suggests that this was largely the boost from the \$0.9bn in additional funding for roads work. Public investment is forecast to increase by around 30% (\$3.5bn) over the year to June 2010, adding 1.3ppts to GDP growth.

Where this cycle will differ from the norm is a more timely lift in business investment. Notably, the increasing significance of the mining sector in the economy will bring-forward the upswing in infrastructure investment. The key theme of this decade has been the upward shift in relative prices of commodities in response to greater demand from China. The global downturn of 2008 and 2009 is proving to be just a temporary punctuation. While our terms of trade tumbled by 16% over the last year from its September 2008 peak, it is still 40% above the long-run average.

The trade numbers highlight this structural shift. The value of resource exports (ex gold) accounted for 49% of total exports of goods and services in 2008/09, up sharply from 29% just five years earlier. This is associated with a re-direction of our exports towards China and India. They accounted for 29% of our merchandise exports in 2009, up from just 6% a decade earlier. While the US, EU 27 and NZ together now account for 18% of exports, down from 30% in 1999. With this re-orientation, Australia's export volumes bucked the global trend, increasing by 3% over the first half of 2009, to be flat for the year. For Australia, the world environment will be favourable in 2010, with growth in our major trading partners forecast to be around 3.7%.

This shift in relative prices remains a powerful signal to further boost mining investment, particularly in energy. Mining investment as a share of GDP was 4% in 2007/08, twice that of four years earlier. Further significant increases in mining investment and output are likely over the years ahead. The outlook for iron ore and coal remains strong. The RBA in their latest Statement on Monetary Policy argue that investment in the LNG segment could increase from around 0.5% of GDP currently to around 2.5% within the next four to five years. A stand-out example is the Gorgon LNG project, which has just commenced. With this \$43bn project expected to involve \$6bn of construction costs in 2010 and \$14bn in 2011, overall private infrastructure investment is expected to add to growth through this period.

In closing, a brief comment on the other two investment cycles. Private sector equipment spending is expected to turn positive during the 2010 year given that, in what has been a relatively mild downturn, capacity utilisation levels in the September quarter 2009 were only modestly below historic norms. By contrast, private non-residential building construction, crunched by the credit crisis, is experiencing a sharp downturn. That said, the majority of the downturn in this segment will be concentrated in 2009, with any lingering weakness in private non-residential building in 2010 to be swamped by upswings in investment elsewhere.

## Westpac Economics

# Economic Forecasts: Australia

## Activity\*

% change	2009		2010				Calendar years				
	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	2008	2009f	2010f	2011f
Private consumption	0.7	0.7	0.5	1.0	1.0	1.0	0.7	2.4	1.5	3.3	3.0
Dwelling investment	-5.8	5.8	3.9	4.7	4.7	4.5	2.3	2.6	-5.3	16.5	11.0
Business investment*	1.1	-2.5	0.0	0.1	0.8	1.1	1.4	12.7	-2.5	0.5	5.5
Private demand *	0.5	0.3	0.6	1.1	1.2	1.3	1.0	4.1	0.2	3.7	4.2
Public demand *	1.3	1.6	1.7	1.7	1.0	0.3	-0.1	6.2	2.4	5.0	0.7
Final demand	0.7	0.6	0.9	1.2	1.2	1.1	0.7	4.5	0.7	4.0	3.4
Stock contribution	0.2	0.8	0.2	0.1	0.0	0.0	-0.1	-0.4	-0.5	0.8	0.0
GNE	0.9	1.3	1.1	1.3	1.2	1.1	0.6	4.3	0.1	4.8	3.4
Exports	0.8	-2.3	1.0	1.0	0.7	1.5	1.5	3.8	1.2	2.5	7.5
Imports	0.7	5.8	3.0	2.5	2.7	2.4	1.5	11.4	-7.6	12.0	7.7
Net exports contribution	0.0	-1.6	-0.4	-0.3	-0.4	-0.2	0.0	-1.6	2.0	-1.9	-0.3
<b>GDP (1)</b>	<b>0.6</b>	<b>0.2</b>	<b>0.7</b>	<b>1.0</b>	<b>0.8</b>	<b>0.9</b>	<b>0.6</b>	<b>2.2</b>	<b>1.0</b>	<b>3.0</b>	<b>3.2</b>
annual chg	0.4	0.5	2.1	2.6	2.8	3.5	3.4	-	-	-	-

## Other macroeconomic variables

Employment (1)	-0.1	0.1	0.6	0.3	0.4	0.5	0.5	2.2	0.3	1.5	2.5
annual chg	0.1	-0.1	0.5	1.0	1.5	1.9	1.8	-	-	-	-
Unemployment rate % (1)	5.7	5.8	5.7	5.7	5.8	5.8	5.8	4.3	5.6	5.8	5.5
Wages (WPI) (sa) (2)	0.8	0.7	0.9	0.8	0.8	0.7	0.9	-	-	-	-
annual chg	3.8	3.6	3.2	3.2	3.2	3.2	3.3	4.3	3.2	3.3	3.8
CPI Headline (2)	0.5	1.0	0.4	0.4	0.5	0.8	0.5	-	-	-	-
annual chg	1.5	1.3	2.0	2.3	2.3	2.1	2.2	3.7	2.0	2.2	2.7
CPI average RBA core	0.8	0.8	0.6	0.6	0.6	0.7	0.6	-	-	-	-
annual chg	3.9	3.5	3.3	2.8	2.6	2.5	2.5	4.3	3.3	2.5	3.0
Current account AUDbn	-13.1	-16.2	-14.9	-15.2	-16.8	-17.3	-16.6	-54.3	-50.5	-66.0	-74.5
% of GDP	-4.4	-5.4	-4.9	-5.0	-5.4	-5.5	-5.2	-4.6	-4.2	-5.3	-5.6
Terms of trade annual chg (1)	-11.6	-15.8	-11.4	-5.1	0.5	0.3	0.1	13.6	-8.6	-1.0	3.7

Calendar year changes are (1) period average for GDP, employment and unemployment, terms of trade (2) through the year for inflation and wages.

\* GDP & component forecasts are reviewed following the release of quarterly national accounts.

\*\* Business investment and government spending adjusted to exclude the effect of private sector purchases of public sector assets.

## Macroeconomic variables – recent history

Monthly data	2009											
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Employment '000	2.8	-39.3	27.1	-9.7	-27.1	36.2	-23.6	41.1	27.2	31.2	-	
Unemployment rate %	5.3	5.7	5.5	5.7	5.8	5.8	5.8	5.7	5.8	5.7	-	
Westpac-MI Consumer Sentiment	85.8	85.6	92.7	88.8	100.1	109.4	113.4	119.3	121.4	118.3	113.8	
Retail Trade %mth	-2.3	2.6	0.6	0.9	-0.7	-0.8	0.5	0.0	0.4	1.4	-	
Dwelling approvals %mth	10.7	8.5	3.6	-9.5	8.5	7.4	-0.3	7.6	-1.8	5.9	-	
Private sector Credit %ann	5.8	4.9	4.5	3.8	3.3	2.9	2.6	1.7	1.2	0.8	-	
Trade balance AUDbn	1.31	1.83	0.08	-0.56	-0.41	-1.40	-1.21	-1.49	-2.08	-1.70	-	

# Economic & Financial Forecasts

## Interest rate forecasts

	Latest (Jan 11)	Mar 10	Jun 10	Sep 10	Dec 10	Mar 11
Cash	3.75	4.00	4.50	4.50	4.50	4.75
90 Day Bill	4.14	4.30	4.70	4.60	4.75	5.00
3 Year Swap	5.48	6.40	6.50	6.25	6.50	6.75
10 Year Bond	5.68	5.70	6.20	6.50	6.50	6.50
10 Year Spread to US (bps)	185	220	300	275	225	200

## International

Fed Funds	0.13	0.13	0.13	0.13	0.13	0.13
US 10 Year Bond	3.83	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

## New Zealand

Cash	2.50	2.75	3.25	3.75	4.25	4.75
90 day bill	2.76	3.20	3.70	4.20	4.70	5.20
2 year swap	4.56	5.10	5.40	5.70	5.90	6.10
10 Year Bond	5.78	6.10	6.20	6.30	6.30	6.40
10 Year spread to US	195	260	300	255	205	190

## Exchange rate forecasts

	Latest (Jan 11)	Mar 10	Jun 10	Sep 10	Dec 10	Mar 11
AUD/USD	0.9300	0.96	0.90	0.93	0.95	0.93
NZD/USD	0.7400	0.77	0.73	0.76	0.78	0.77
USD/JPY	92.30	88	88	93	96	100
EUR/USD	1.4470	1.51	1.47	1.50	1.51	1.47
AUD/NZD	1.2570	1.25	1.23	1.22	1.22	1.21

## Australian economic growth forecasts

% change	2009			2010				Calendar years			
	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	2008	2009f	2010f	2011f
GDP	0.6	0.2	0.7	1.0	0.8	0.9	0.6	2.2	1.0	3.0	3.2
ann chg	0.4	0.5	2.1	2.6	2.8	3.5	3.4	-	-	-	-
Unemployment rate	5.7	5.8	5.7	5.7	5.8	5.8	5.8	4.3	5.6	5.8	5.5
CPI headline	0.5	1.0	0.4	0.4	0.5	0.8	0.5	-	-	-	-
ann chg	1.5	1.3	2.0	2.3	2.3	2.1	2.2	3.7	2.0	2.2	2.7
CPI underlying	0.8	0.8	0.6	0.6	0.6	0.7	0.6	-	-	-	-
ann chg	3.9	3.5	3.3	2.8	2.6	2.5	2.5	4.3	3.3	2.5	3.0

## New Zealand economic growth forecasts

	2009				2010			Calendar years			
	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	2007	2008	2009f	2010f
GDP % qtr	-0.8	0.2	0.2	1.0	1.3	1.1	0.9	-	-	-	-
Annual avg change	-1.4	-2.1	-2.2	-1.4	-0.1	1.3	2.7	3.2	0.0	-1.4	3.7
Unemployment rate %	5.0	6.0	6.5	6.7	6.7	6.6	6.5	3.5	4.7	6.7	6.3
CPI % qtr	0.3	0.6	1.3	0.1	0.2	0.6	1.1	-	-	-	-
Annual change	3.0	1.9	1.7	2.2	2.1	2.2	2.0	3.2	3.4	2.2	2.2

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.