

# MONTHLY ECONOMIC OUTLOOK

April 2009

Tuesday, 7 April 2009

- The Reserve Bank cut the cash rate by 25bp today, in line with our forecast. Weak economic conditions, globally and domestically, likely encouraged the RBA to return to cutting rates. But the RBA needed to weigh these economic trends against the financial ones. Improving conditions in global financial markets may have been a key factor in steering the RBA to a smaller rate cut of just 25bp.
- On the domestic front, data has largely been weak over the past month. The labour market continues to soften. In February, the unemployment rate shot up 0.4 percentage points to 5.2%. Leading indicators of employment, such as job advertisements, indicate that more rises in the unemployment rate are in store. Moreover, confidence among both consumers and businesses remains fragile at best, suggesting spending plans by these groups may continue to be curtailed. Indeed, retail sales in February witnessed its sharpest monthly percentage drop in almost nine years. And private-sector credit has slowed to an annual growth rate of just 5.4% in February (from the cyclical peak of 16.4%) – the weakest pace since early 1994. The only ray of light in the local economy is that the pick up in housing lending is advancing and there are now early signs it is flowing through to more building approvals.
- Global growth prospects continue to be marked lower with a number of international agencies recently lowering further their growth forecasts. It includes the International Monetary Fund downgrading global growth to a contraction this year of ½-1%.
- Conditions in global financial markets appear to be improving gradually, notably in equity markets, although sentiment remains fragile. Many key share market indices are up considerably from their lows; the S&P/ASX 200 index is currently up nearly 18% from its lows. The improvement in share markets has coincided with declines in risk aversion among investors. But risk aversion remains elevated by historical standards.
- The Aussie dollar has lifted by more than 8 US cents since the end of February, spurred higher by an improvement in risk appetites and a recovery in equity markets. We have kept our profile for the AUD unchanged but have bumped up our projections for the AUD. We now expect the AUD to end this year near US 77 cents.

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## SPECIAL FEATURE ARTICLE – UPDATE & OUTLOOK ON CHINA

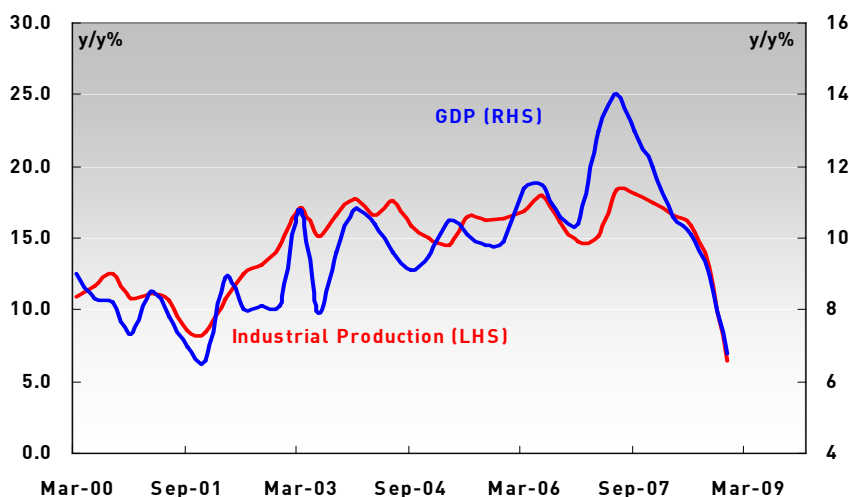
China remains better placed than other major economies. But China's trade links with other economies means that it has not emerged unscathed from this crisis. Nonetheless, while foreign demand is and likely will continue to be a key problem area for China, more domestically focused areas have proved to be more resilient. So there are several reasons to believe that although Chinese growth will remain hampered by poor global growth prospects in the year ahead, it should continue to outperform other economies. It also then puts Australia in a better position to continue its outperformance.

**Economic Growth:** In a recent speech (dated March 31), RBA Deputy Governor Ric Battellino noted that China might have passed its low point in the current slowdown. In particular, he noted that, "While China is not going to return to a 12% pa growth rate any time soon, it is quite possible that the past six months will turn out to have been the period of maximum weakness in the Chinese economy". According to Battellino, there are some signs that China's monetary and fiscal stimulus measures are starting to work.

Chinese GDP growth moved down from double-digit annual rates throughout most of the last three years to a 6.8% annual rate in the December quarter. It marks the slowest pace of growth since the December quarter 2001 and is well below the five-year average of 10.6%. Weak exports growth and investment spending are likely to remain major dampeners on the overall performance of the Chinese economy.

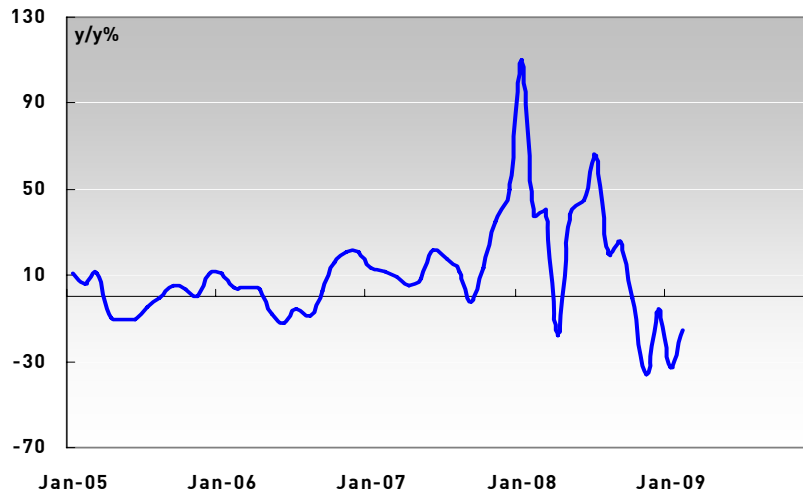
Consensus forecasts are for the Chinese economy to slow further in the March quarter to a 6.5% annual pace. This rate, however, is not too far away from the current pace and leading indicators of GDP suggest that downside risks to this forecast could be limited. For the year, consensus expectations are that China will grow by 7% this year and 8.3% next year.

China GDP Vs Industrial Production



Exports growth and foreign direct investment (FDI) have scaled back significantly as a result of the sharply slowing global economy. These sectors play a major role in the performance of the Chinese economy. The December quarter 2008, following the collapse of Lehman Brothers (which saw the financial crisis escalate to be the worst since the 1930s), turned out to be a period of pronounced weakness in the global economy. The global economy contracted by a 5.0% annualised rate in this quarter. China has not been immune to this sharp setback given that most of its main trading partners and FDI sources were contracting during this period. The US, China's number one export destination and fourth largest source of foreign direct investment (after Hong Kong, the British Virgin Islands and Japan) has been entrenched in a recession since December 2007. So it has been no surprise then that overall exports growth and FDI in China have scaled back sharply. Consensus forecasts are for these relevant countries to continue to slow, in line with a contraction in global growth of around 1-2% this year. This means that Chinese export growth and FDI should continue to slow.

China Foreign Direct Investment



Bank lending growth in China has been unexpectedly strong and (even after excluding all bill financing) rose 18.9% in the year to February. Banks, having de-leveraged in recent years, are keen to expand credit. A significant proportion of this is lending to infrastructure projects.

Consumption spending has been another area that has been quite resilient. The current crisis means that consumers have been reluctant to purchase big-ticket (or big-ticket related) items such as cars and household related goods. Accordingly, retail spending growth has slowed steadily from the peak of 23.3% y/y reached mid 2008 to 11.6% y/y in February. The current rate is well below the five-year average of 18.0%, but is still quite robust. Factors that are supporting spending are lower consumer prices and fiscal payments. Meanwhile, government consumption, which picked up late last year and takes up more than 25% of overall consumption, is cushioning the overall slowdown in spending.

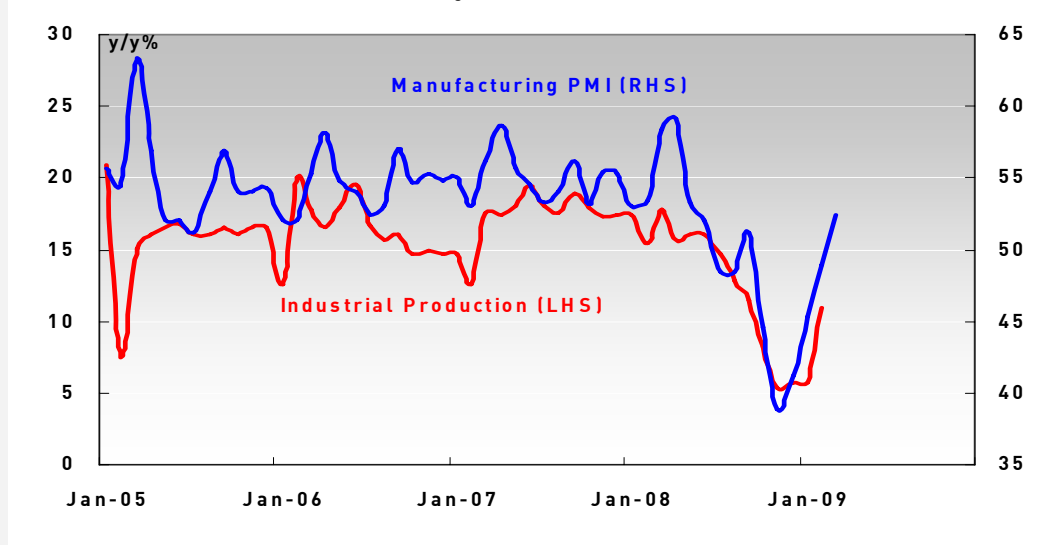
Investment spending in market-based sectors (including real estate and manufacturing) has been pulled back by weaker sentiment, the sharp slowdown in exports and deteriorating global growth prospects. But the introduction of various fiscal stimulus measures since November 2008 has seen a lift in government-related investment.

Chinese manufacturing activity has improved for four consecutive months and is back in expansionary territory, despite the fact that manufacturing accounts for a large proportion of FDI. The purchasing managers index (PMI), a gauge of manufacturing activity, moved up for the fourth month in a row in March, to 52.4 points from the recent low of 38.8 points in November. But even when data for this sector showed declines, it had only occurred for a short period; the last time the index was above the benchmark-50 level separating growth from an expansion was in September 2008 and it was just in the two months following this that declines to contractionary territory were observed.

Data has indicated that the manufacturing inventory build-up due to the economic slowdown has not been very large, and this could explain why manufacturers have been quick to revive production. The manufacturing index tends to be a good guide to industrial production, with the latter having improved in February. Industrial production, in turn, tends to be a good guide to GDP growth. Despite the recent improvements in manufacturing, it is still too soon to predict a sharp turnaround in the Chinese economy. But it may provide signs that the weakest part of the Chinese economic cycle has occurred (reinforcing RBA's Battellino's remarks on China).

Employment: One of the impacts of the global financial crisis on China's economy is a lift in joblessness. While the lift in the official unemployment rate has been modest to date (rising from 4% in Q3 2008 to 4.2% in Q4 2008), anecdotal evidence suggests job losses are rising. China's authorities have responded with some targeted initiatives. But more gains in the unemployment rate seem unavoidable; this will hamper the Chinese economy this year.

China Manufacturing PMI Vs Industrial Production



**Inflation:** The broad Chinese economic slowdown has caused an unwinding of prior price increases for food, oil and raw materials. The latest figures for February showed that consumer prices were 1.6% lower from a year ago. It marks the first year-on-year decline since December 2002 and the largest drop since 1999. Current forecasts are for inflationary pressures to remain weak given slower growth. The consensus view is that inflation would move down to -0.2% y/y by the June quarter before rising gradually to 1.1% y/y by the December quarter of this year. Despite the pick up in the second half of this year, inflation is expected to remain well below the 4.0% - 8.7% y/y rates seen for most of last year.

**Monetary Policy:** China's financial system has been largely protected from this crisis due to deleveraging in prior years and the belief that China has not invested heavily in toxic US sub-prime related securities. This, along with the fact that interest rates had previously been at a very high level, has provided policymakers with more scope to introduce macroeconomic stimulus measures to prop up domestic economic growth. The People's Bank of China (PBoC) begun lowering interest rates for the first time since 2002 in September last year. Lending and deposit rates have since been cut a cumulative 216bp (to 5.31%) and 1.89bp to (2.25%), respectively. The reserve requirement ratio has also been reduced to 15.5% for large banks and 13.5% for small banks.

**Fiscal Policy:** The government's main priority is to support the economy and jobs growth. The authorities' main response so far has been to announce a CNY4 trillion (or US\$586 billion) fiscal stimulus package (announced on 9<sup>th</sup> November 2008) spread over 2009 and 2010 as well as an aggressive easing of monetary policy. This fiscal stimulus package consists of fiscal spending (mainly dedicated to infrastructure projects) and tax breaks. This spending will lead to a marked rise in the budget deficit. The government is targeting a 3% fiscal deficit for this year.

The annual session of the National People's Congress (NPC) took place in March. No new major economic stimulus packages were announced at the NPC.

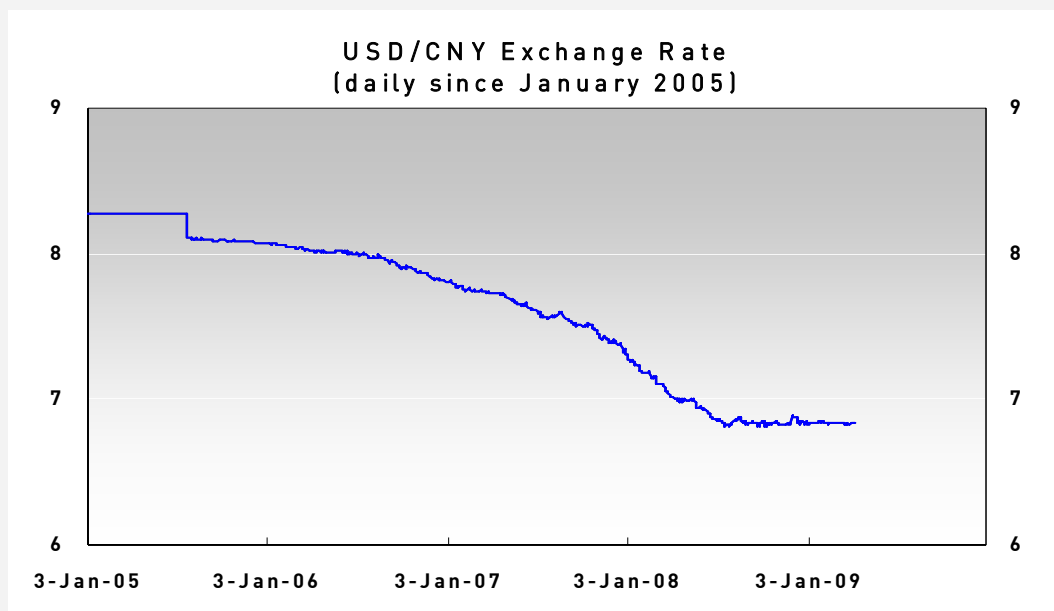
Looking ahead, policy measures with a focus towards consumption spending rather than investment spending are encouraged. This is because it should help growth to be more sustainable in the long run as key downside risks to the Chinese economy stems from China's over-dependence on exports.

**Stock market:** China's Shanghai share market index has lifted considerably from the closing low of 1706.7 recorded on 4 November 2008. At the time of writing, the share market is up over 40%. Improved sentiment over the global economic outlook has spurred a recovery from the lows in global share markets. This improvement in sentiment has been driven by the raft of extra measures announced by central banks and governments to fight the credit crisis. These measures include stimulus from the G-20 and further stimulus plans from the US government.

**Chinese Yuan:** From July 2005 to mid 2008, the Chinese yuan (CNY) has appreciated around 16% against the USD. The appreciation trend halted with the deepening global credit crisis. Indeed, since mid 2008, the USD/CNY has held relatively steady. In H2, 2008, it traded in a range of 6.8113 to 6.8871. And this year to date, the range has been tighter of 6.8212 – 6.8562.

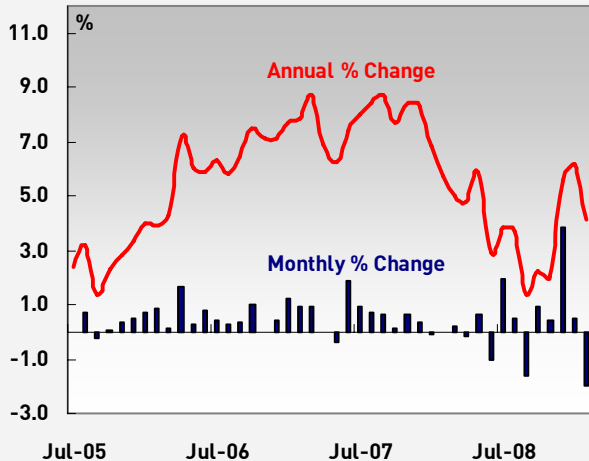
The USD has generally appreciated since mid last year; Chinese authorities are also intervening in currency markets to cap the CNY's rise against the greenback amid concerns over the weakness of exports. We expect the CNY to appreciate only slightly against the US dollar by the end of the year, to 6.7600. Consensus expectations are for a firmer appreciation of 6.7500.

In the medium term, the CNY will be well supported by the large current account surpluses recorded by China. China's structural growth story over the long term also remains intact and suggests a long-term appreciation trend for the CNY. Recently, Chinese officials have been suggesting that the international community adopt an alternative international reserve currency to the USD. The most common suggestion is a super-sovereign currency such as the IMF's Special Drawing Rights in trade and financial transactions.



# Australian Economic Data

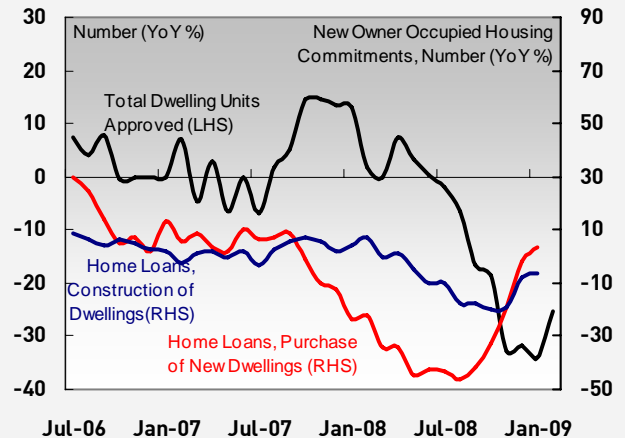
## Retail Sales



Data Source: EcoWin, ABS

Retail sales dropped 2% in February. It marks the largest monthly drop in almost nine years and occurred despite falls in petrol prices and lower mortgage rates. The annual pace of retail growth has slowed to 4.1% from 6.2% previously. All retailing categories fell in the month but the hardest hit were the discretionary spending areas. It reveals the wariness consumers have about the outlook for the economy and financial markets.

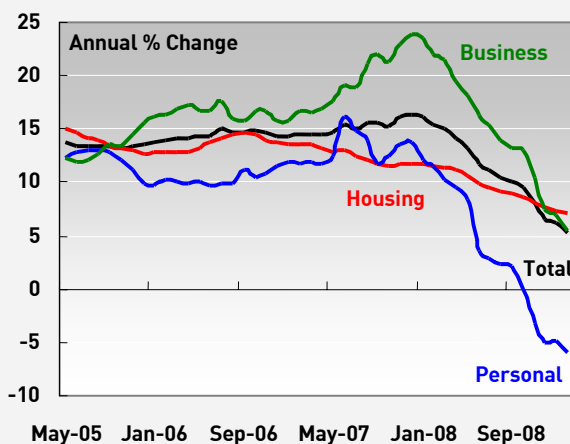
## Building Approvals



Data Source: EcoWin, ABS

Dwelling units approved jumped 7.8% in February. We had expected approvals to eventually show a turnaround this year following the increase in the First Home Buyers grant in November and much lower mortgage rates. The monthly increase, however, follows a string of non-stop hefty declines since mid last year. Accordingly, despite the large gain, approvals are still significantly lower from a year ago, by 25.5%.

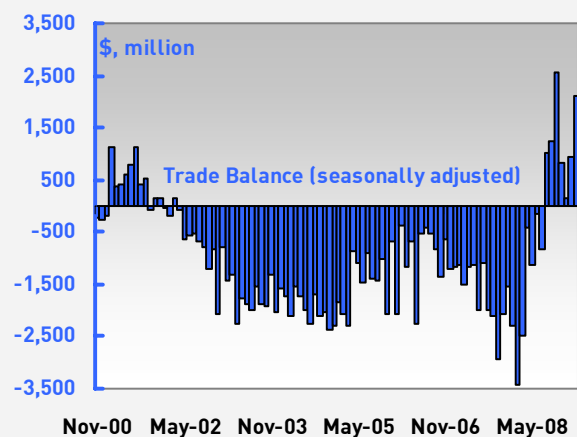
## Private Sector Credit



Data Source: EcoWin, RBA

Private sector credit was flat in February. In annual terms, credit growth has slowed further to 5.4% from the recent peak of 16.4% in Dec-07. A breakdown of the data shows that both personal (-0.8%) and business credit (-0.6%) fell in the month but housing credit (+0.6%) picked up. The annual growth rates of business and personal credit have moderated considerably versus 2008. That for housing credit has also slowed but by a much smaller extent.

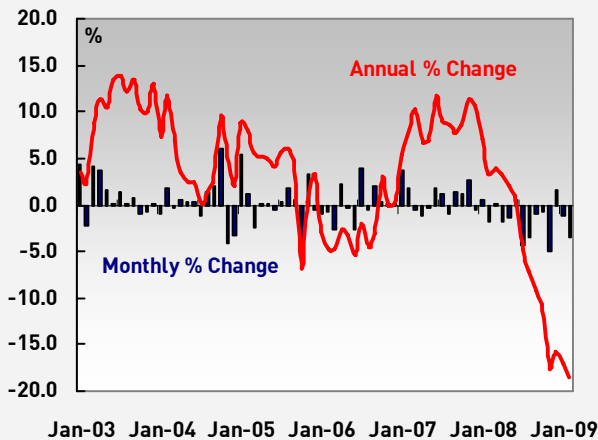
## International Trade Balance



Data Source: ABS, EcoWin

The trade surplus widened to \$2.1bn in February, from \$0.9bn in January. It marked the seventh consecutive month in which the trade balance has been in surplus and it was the largest surplus in four months. Exports rose by 4.4%, driven by a surge in non-monetary gold exports. Meanwhile, imports dropped 0.6% in the month. Consumption goods were particularly weak, posting the sharpest monthly percent drop in over 22 years.

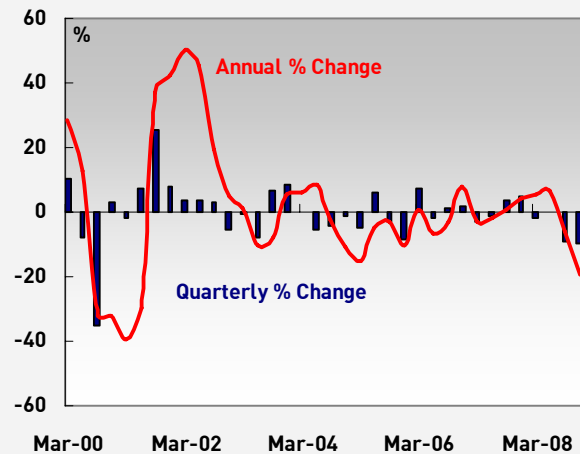
## Motor Vehicle Sales



Data Source: EcoWin, ABS

New motor vehicle sales fell 3.5% in February after a 1.1% drop in January. Sales have dropped for 10 months out of the last 14 months. In the month, all vehicle types decreased with passenger vehicles lower by 3.8%, sports vehicles falling 1.7% and other vehicles down 4.4%. Overall new vehicle sales are down a large 18.6% from a year ago. With the Australian economy moving closer to recessionary territory, households would be much less inclined to undertake big-ticket expenditures.

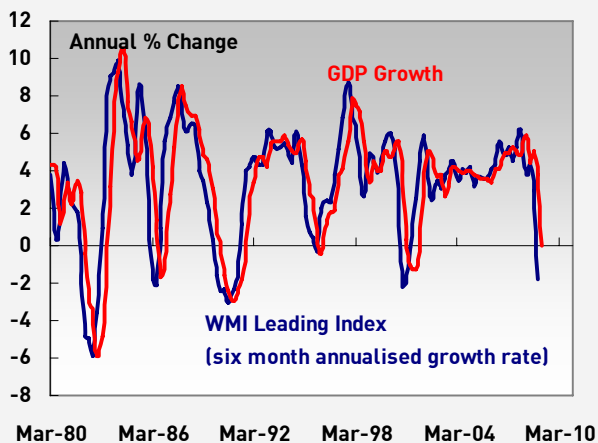
## Dwelling Starts



Data Source: EcoWin

The number of new dwelling units commenced fell 9.9% in the December quarter. It follows a loss of 8.9% in the September quarter. From a year ago, dwelling unit commencements are down 19.5%. This year, however, we expect the effects of lower mortgage rates and the tripling in the First Home Owners grant for the purchase of a new home and to build a home to start to filter through. Indeed, the impact of this has already been seen in the housing finance and building approvals data.

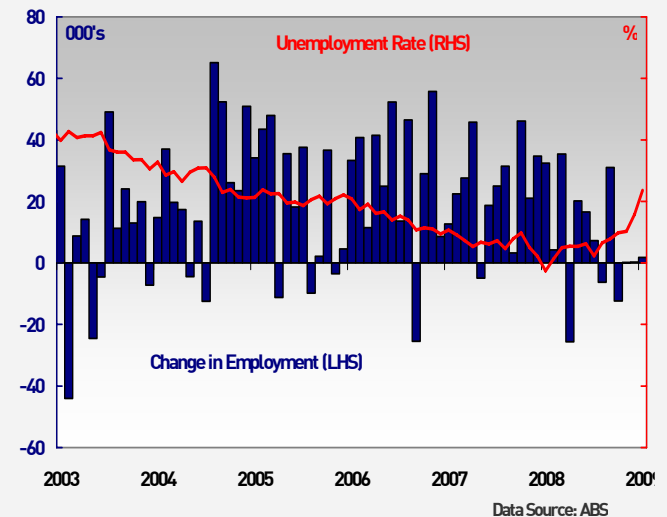
## WMI Leading Index



Data Source: EcoWin, Westpac-Melbourne Institute

The annualised growth rate of the WMI Leading Index (which indicates the likely pace of economic activity three to nine months ahead) was -3.1% in January. This is well below the long-term trend of 3.2%. According to WMI, the leading index is now deeply in negative territory and suggests a contraction in domestic economic growth. There has only been four occasions in which the index has been lower than the current level (the early 1960s, the mid-70s, early 80s and early 90s) all of which were followed by recessions.

## Employment



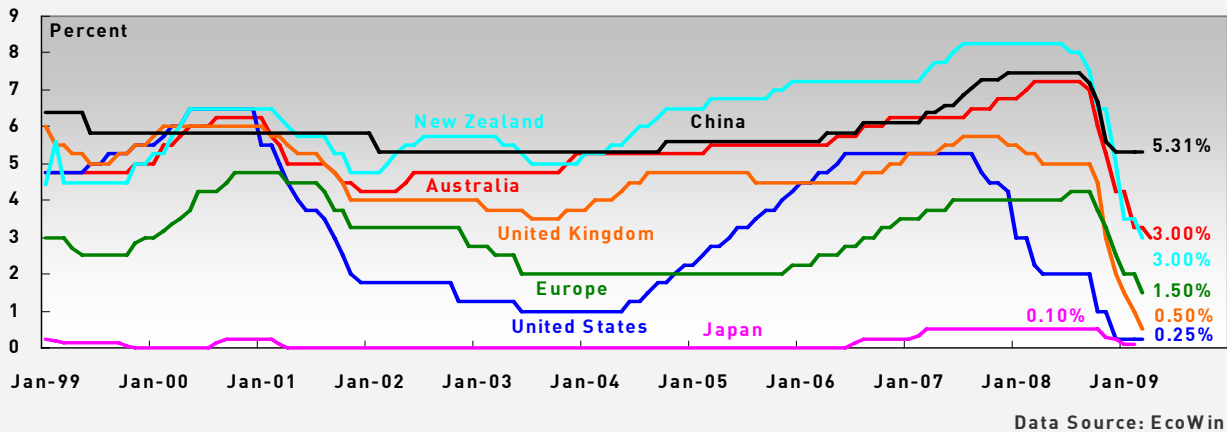
Data Source: ABS

The number of people employed rose by 1,800 in February. It is the third consecutive month jobs have been created. Nevertheless, the gains are significantly lower than the average increase of 11,500 per month in 2008. There was also a large fall in the number of full-time positions, which fell by 53,800. The unemployment rate edged higher by 0.4 percentage points to 5.2% - this is the highest rate in four years. Further gains in the unemployment rate are likely over coming months.

# Interest Rate Markets

## Central Bank Outlook

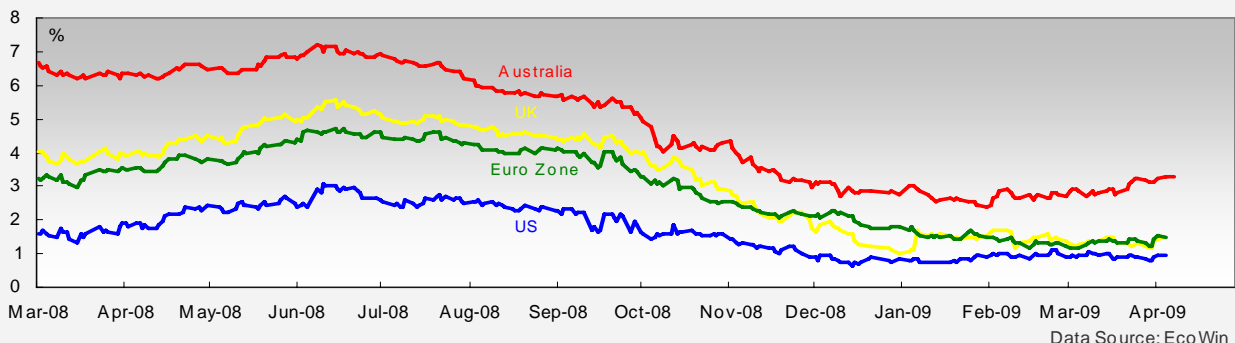
Central Bank's Official Interest Rates



With the Australian economy moving closer to recessionary territory, we had long highlighted the risk of further rate cuts by the RBA. Indeed, this month, the RBA returned to cutting rates, delivering a cut of 25bp as we had anticipated. We had judged this month's decision, however, be a close call. We believe that the RBA opted for a cut of 25bp once it weighed up economic conditions with financial conditions. Weak economic conditions likely encouraged the RBA to return to cutting rates. But the RBA needed to weigh these economic trends against other developments. There have been significant macroeconomic stimulus plans announced in recent weeks. It includes the US Fed's plans to inject an additional US\$1 trillion into the US economy. Investors have also been encouraged by the wealth of detail in the US Treasury's plans to buy up to US\$1 trillion in toxic assets, thus helping to cleanse banks' balance sheets. Recent improvements in the US housing data also suggest that the suffering housing sector could be stabilizing. The G-20 has also pledged to inject more than \$US1 trillion into the global economy. These events have contributed to an improvement in global financial market conditions, which may have been a key factor in steering the RBA to a smaller cut of just 25bp. While market sentiment is still fragile, the recent run up in equities is fuelling some home that economic conditions will improve later this year. Hence, the RBA likely judged a small rate cut of 25bp was more warranted, especially when considering "the considerable economic stimulus in train in most countries". Furthermore, by slicing rates by a small amount, it leaves scope to cut rates further in the future if needed. Looking ahead, we think that we cannot rule out more rate cuts later this year.

## Bond Yields

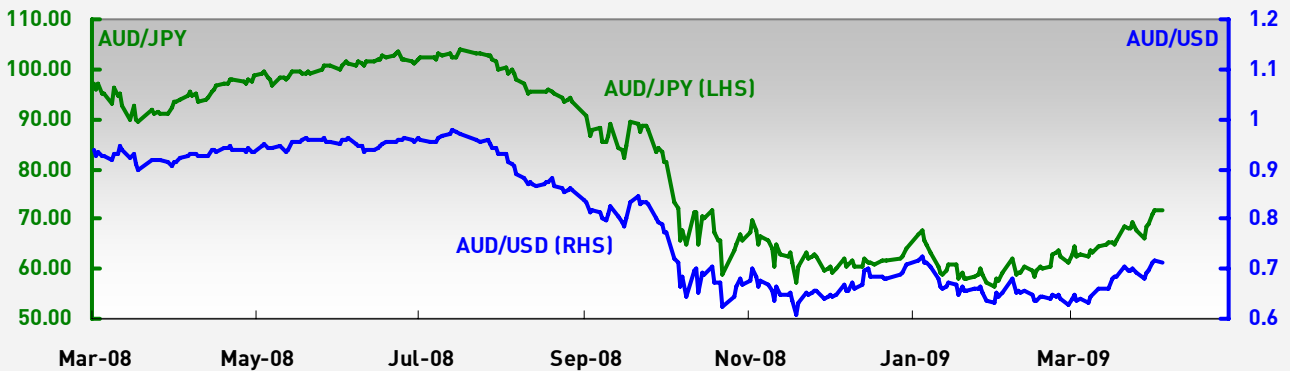
Global 2-Year Bond Yields



Risk aversion, while still at a historically high level, has improved to now be half of October's peak. So the appeal of safe-haven government debt has waned. This along with supply concerns in the US (given expectations for the US government to sell record amounts of debt in response to the deepening recession) continues to place upward pressure on US treasury yields. But offsetting this upward pressure has been the US Federal Reserve's plans to purchase long-term government debt. Accordingly, US yields were little changed over the last month. Two-year UK government bond yields, meanwhile, rose 15bp. In Australia, yields rose 62bp as markets lengthened the odds of an RBA 50bp rate cut on April 7. Eurozone yields also rose, by 22bp. Yields jumped after the European Central Bank surprised markets by delivering a lower than expected rate cut this month (of 25bp rather than the projected 50bp).

# Currency Markets

## Australian Dollar

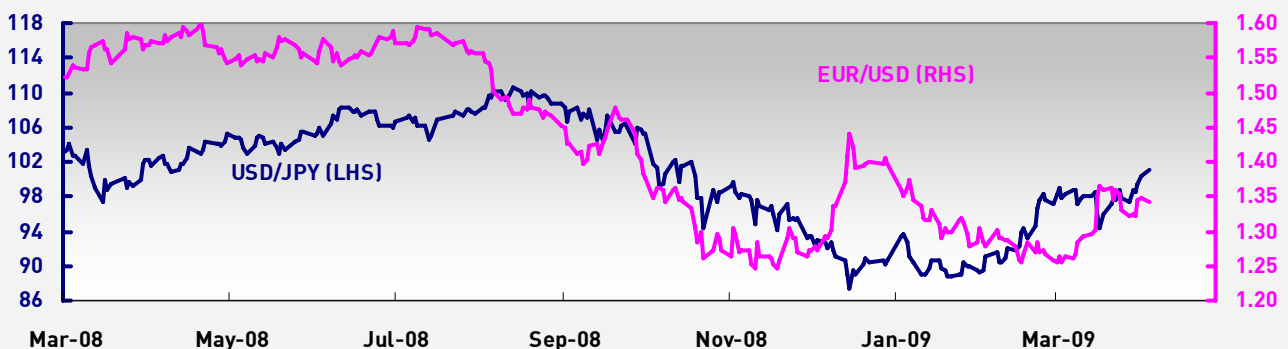


Data Source: EcoWin

After moving below 63 US cents in early March, the Aussie dollar has rallied strongly to now trade just above 71 US cents. The AUD has received a major boost from further bold macroeconomic stimulus measures in recent weeks to breathe life into the banking system and prop up global growth conditions. The domestic currency tends to perform as a bellwether for global growth prospects. So the various growth-promoting measures introduced by the US Fed, the Obama administration and the G20 in recent days have provided major support to the AUD. The fall in risk aversion and the improvements in equity markets and commodity prices as a result of these economic stimulus measures have also helped push up the domestic currency.

We believe that a more pronounced improvement in the AUD could occur in the second half of this year; by this time, in our view, it would be clear that the bulk of the RBA's interest rate cuts would already have been carried out. The USD should also become more vulnerable to downside risks given the growing 'twin-deficits' in the US and the Fed's decision to purchase long-term government debt for the first time in more than 40 years. Consensus forecasts are also for a gradual recovery in the global economy in 2010. Provided these forecasts are retained, the AUD could benefit from this anticipated improvement in global growth prospects. We see AUD moving up to 77 US cents by year-end.

## Global Currencies

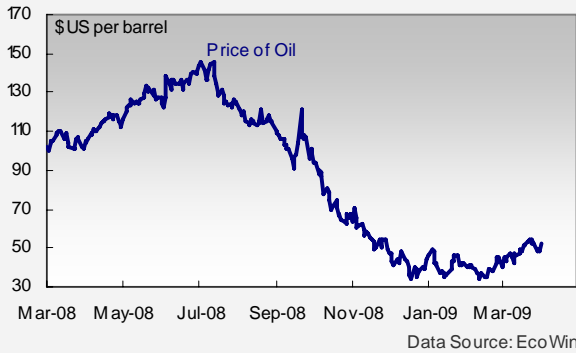


Data Source: EcoWin

The US dollar sold off in the last four weeks after a broad rally that has lasted since December 2008. The USD had previously benefited from repatriation flows as a result of the current crisis. But the Fed's new measure, i.e. the purchase of long-term government debt has offset such flows. The Fed's new move could theoretically lower US yields, or in other words lower the attractiveness of US assets to overseas investors. Accordingly, investors have sold off the greenback on speculation that the Fed's new measure could cause an outflow of funds from the US. From early March, the USD has depreciated 4.5% on a trade-weighted basis. Against the majors, it is 6.3% lower versus the euro and down 7.1% against sterling. The USD has, however, gained 2.2% versus the Japanese yen. The growing deterioration in Japanese economic conditions are beginning to gain greater influence on the demand for the yen.

# Commodity Markets

## Oil



The price of crude oil has gained 8.5% (or \$US4) since early March to now trade above \$US51 per barrel. The oil price has benefited from improved global growth prospects. Recent hefty measures by top policymakers across the globe are providing a cushion to the current global growth slowdown. These moves are also providing reasons to believe that forecasts for a gradual recovery in global growth next year could be retained. Meanwhile, there have been some recent developments adding to the view that the US economy, the world's largest oil consumer, may be nearing its trough. In particular, there have been some odd positive economic indicators following a string of negative outcomes. Oil prices are, however, still lower from year ago levels, by about \$US58.

## Gold & Base Metals



While the price of most commodities has gained from improved investor sentiment, the reverse has been the case for the price of gold. The latter fell \$US60 in the month to trade around \$US876 an ounce. Gold has lost its appeal as a safe-haven asset given increased optimism (or lower pessimism) surrounding global growth prospects. From the peak of above \$US1,000 reached last year, gold is down about \$US126.50. From year ago levels, it is lower by about \$US51.

Base metal prices rose by 14.3% since early March, based on the LME index (a basket of six base-metal prices). Base metals that rose were copper (+18.2%), aluminium (+12.8%), nickel (+11.1%), zinc (+11.0%) and lead (+6.4%). The price of tin was little changed.

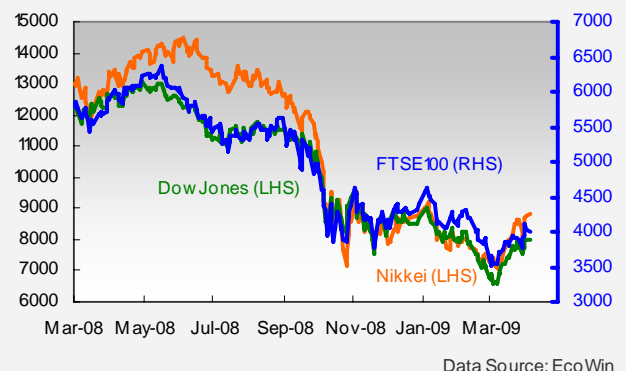
# Share Markets

## Australia



The S&P/ASX200 surged 12.3% since the end of February, taking its lead from an improvement in Wall Street. There were strong (double-digit) gains seen in the financial, industrials, materials, consumer discretionary and energy sectors. The overall gain in the share market, however, was hampered somewhat by weakness among health and telecommunication stocks.

## International Markets



The US Dow Jones Index surged nearly 13% since the end of February. Equity markets across the globe have also rallied on improved global growth prospects and lower risk aversion. The index measuring the latter has remained well below last year's peak for all of this year. From the end of February, the UK FTSE Index was up 4.3%, the German Dax rallied 13.2% and the Nikkei rose 17%.

## Recent Australian Data

**Red** – Indicates the result was **weaker** than consensus expectations

**Blue** – Indicates the result was **stronger** than consensus expectations

**Black** – Indicates the result was **in line** with consensus expectations

<p><b>March 2009</b>  ANZ Job Ads <b>-8.5% m/m</b>, Previous -10.4% 6/4  TD-MI Inflation <b>-0.1% m/m</b>, Previous +0.7% 6/4  WMI Consumer Confidence <b>-0.2% m/m</b>, Previous -4.6% 11/3</p> <p><b>February 2009</b>  Trade Balance <b>\$2.1bn</b>, Consensus \$0.7bn 2/4  Retail Sales <b>-2.0% m/m</b>, Consensus -0.5% 1/4  Building Approvals <b>+7.8% m/m</b>, Consensus +1.8% 1/4  Private Sector Credit <b>0.0% m/m</b>, Consensus +0.5% 31/3  Employment Change <b>1.8k</b>, Consensus -20k 12/3  NAB Business Confidence <b>-22 pts</b>, Previous -32 10/3  TD-MI Inflation Gauge <b>0.7% m/m</b>, Previous 0.8% 2/3  WMI Consumer Confidence <b>-4.6% m/m</b>, Previous 2.2% 11/2</p> <p><b>January 2009</b>  Housing Finance <b>3.5% m/m</b> Consensus 4.0% 11/3  Building Approvals <b>-3.7% m/m</b>, Consensus 1.0% 5/3  Trade Balance <b>\$1.0b</b>, Consensus \$1.1bn 5/3  Retail Sales (sa) <b>0.2% m/m</b>, Consensus -0.5% 3/3  Private Sector Credit <b>0.6% m/m</b>, Consensus 0.3% 27/2  Employment Change <b>1.2k</b>, Consensus -10k 12/2  NAB Business Confidence <b>-32 pts</b>, Previous -20 pts 10/2</p>	<p>TD-MI Inflation Gauge <b>0.8% m/m</b>, Previous -0.2% 2/2  WMI Consumer Confidence <b>-2.2% m/m</b>, Previous 7.5% 21/1</p> <p><b>December 2008</b>  Gross Domestic Product <b>-0.5% q/q</b>, Consensus 0.2% 4/3  Current Account <b>-\$6.5b</b>, Consensus -\$7.4b 3/3  Company Operating Profit <b>-6.5% q/q</b>, Consensus -2.0% 2/3  Private Capital Expenditure <b>6.0% q/q</b>, Consensus -3.0% 26/2  Wage Cost Index <b>1.2% q/q</b>, Consensus 0.9% 25/2  Housing Finance <b>6.4% m/m</b>, Consensus 3.5% 11/2  Building Approvals <b>-2.9% m/m</b>, Consensus 2.0% 4/2  Retail Sales (sa) <b>3.8% m/m</b>, Consensus 1.4% 4/2  Trade Balance <b>\$0.6bn</b>, Consensus \$1.1bn 3/2  House Price Index <b>-0.8% q/q</b>, Consensus -1.0% 2/2  Private Sector Credit <b>-0.3% m/m</b>, Consensus 0.5% 30/1  Consumer Price Index <b>-0.3% q/q</b>, Consensus -0.4% 28/1  Producer Price Index <b>1.3% q/q</b>, Consensus 0.4% 27/1  NAB Business Confidence <b>-20 pts</b>, Previous -30 pts 27/1  TD-MI Inflation Gauge <b>-0.2% m/m</b>, Previous -0.6% 19/1  Employment Change <b>-1.2k</b>, Consensus -20k 15/1  WMI Consumer Confidence <b>7.5% m/m</b>, Previous 4.3% 10/12</p>
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## Upcoming Data and Events – Australia & US

Australian Data / Events Underlined

<p><b>April 7</b>  <u>AU RBA Interest Rate, Apr</u>  US Consumer Credit, Feb</p> <p><b>April 8</b>  <u>AU WMI Consumer Confidence, Mar</u>  <u>AU Housing Finance, Feb</u>  US Wholesale Stocks, Feb  US Fed FOMC Minutes, Mar</p> <p><b>April 9</b>  <u>AU Inflation Expectations, Apr</u>  <u>AU Employment, Mar</u>  US Trade Balance, Feb</p> <p><b>April 10</b>  US Budget Statement, Mar</p> <p><b>April 13</b>  AU Easter Monday Public Holiday</p>	<p><b>April 14</b>  <u>AU NAB Business Survey, Mar</u>  US Producer Prices, Mar  US Retail Sales, Mar  US Business Inventories, Feb</p> <p><b>Apr 15</b>  <u>AU RBA's Head of Financial Stability Delivers Speech</u>  <u>AU WMI Leading Index, Mar</u>  US CPI, Mar  US Empire Manufacturing, Apr  US TICS, February  US Industrial Production, Mar  US NAHB Housing Market Index, Apr  US Fed's Beige Book</p>	<p><b>April 16</b>  <u>AU RBA Bulletin</u>  US Housing Starts, Mar  US Philadelphia Fed Index, Apr  US Initial Jobless Claims, Apr 12</p> <p><b>April 17</b>  <u>AU Import &amp; Export Prices, Q1</u>  US Fed's Hoenig Speech  US Fed's Bernanke Speech  Uni of Michigan Cons. Confidence, Apr</p> <p><b>April 20</b>  <u>AU Producer Prices, Q1</u>  US Leading Indicators, Mar</p> <p><b>April 21</b>  <u>AU RBA Board Minutes for Apr 7 Meeting</u></p>
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# Forecasts

End Period:	2008		2009			2010		
	Q3	Q4	Q1	Q2 (f)	Q3 (f)	Q4 (f)	Q1 (f)	Q2 (f)
RBA Cash, %	7.00	4.25	3.25	2.50	2.25	2.25	2.25	3.00
3 Year Bond, %	5.09	3.90	3.40	2.70	2.65	3.00	3.20	3.50
10 Year Bond, %	5.40	3.99	4.42	4.10	4.20	4.40	4.60	4.80
AUD/USD	0.7924	0.7073	0.6913	0.7000	0.7300	0.7700	0.7800	0.7900
USD/JPY	106.11	90.60	98.96	102.00	104.00	106.00	108.00	110.00
EUR/USD	1.4092	1.3978	1.3250	1.2900	1.2800	1.3000	1.3300	1.3500
GBP/USD	1.7805	1.4626	1.4323	1.4500	1.4700	1.4900	1.5100	1.5300
USD/CHF	1.0644	1.0669	1.1394	1.1600	1.1500	1.1700	1.1800	1.1800
USD/CAD	1.1221	1.2165	1.2602	1.2600	1.2400	1.2300	1.2200	1.2200
NZD/USD	0.6698	0.5835	0.5595	0.5500	0.5700	0.5900	0.6100	0.6300
USD/CNY	6.8460	6.8225	6.8339	6.8200	6.7900	6.7600	6.7200	6.7100
USD/SGD	1.4354	1.4303	1.5529	1.5500	1.5400	1.5300	1.5200	1.5100
AUD/EUR	0.5623	0.5055	0.5217	0.5426	0.5700	0.5920	0.5860	0.5850
AUD/JPY	84.08	64.03	68.41	71.40	75.90	81.60	84.20	86.90
AUD/GBP	0.4451	0.4835	0.4827	0.4830	0.4970	0.5170	0.5170	0.5160
AUD/CHF	0.8892	0.7549	0.7877	0.8120	0.8400	0.9010	0.9200	0.9320
AUD/CAD	0.8435	0.8604	0.8712	0.8820	0.9050	0.9470	0.9520	0.9640
AUD/NZD	1.1830	1.2109	1.2356	1.2730	1.2810	1.3050	1.2790	1.2540
AUD/CNY	5.4248	4.8256	4.7243	4.7740	4.9570	5.2050	5.2420	5.3010
AUD/SGD	1.1374	1.0117	1.0528	1.0850	1.1240	1.1780	1.1860	1.1930

Source: Bloomberg for historical data. St George forecasts are effective 7 April 2009 and AUD cross exchange rates have been rounded.

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