

Fiji Australia Business Council

November 2009

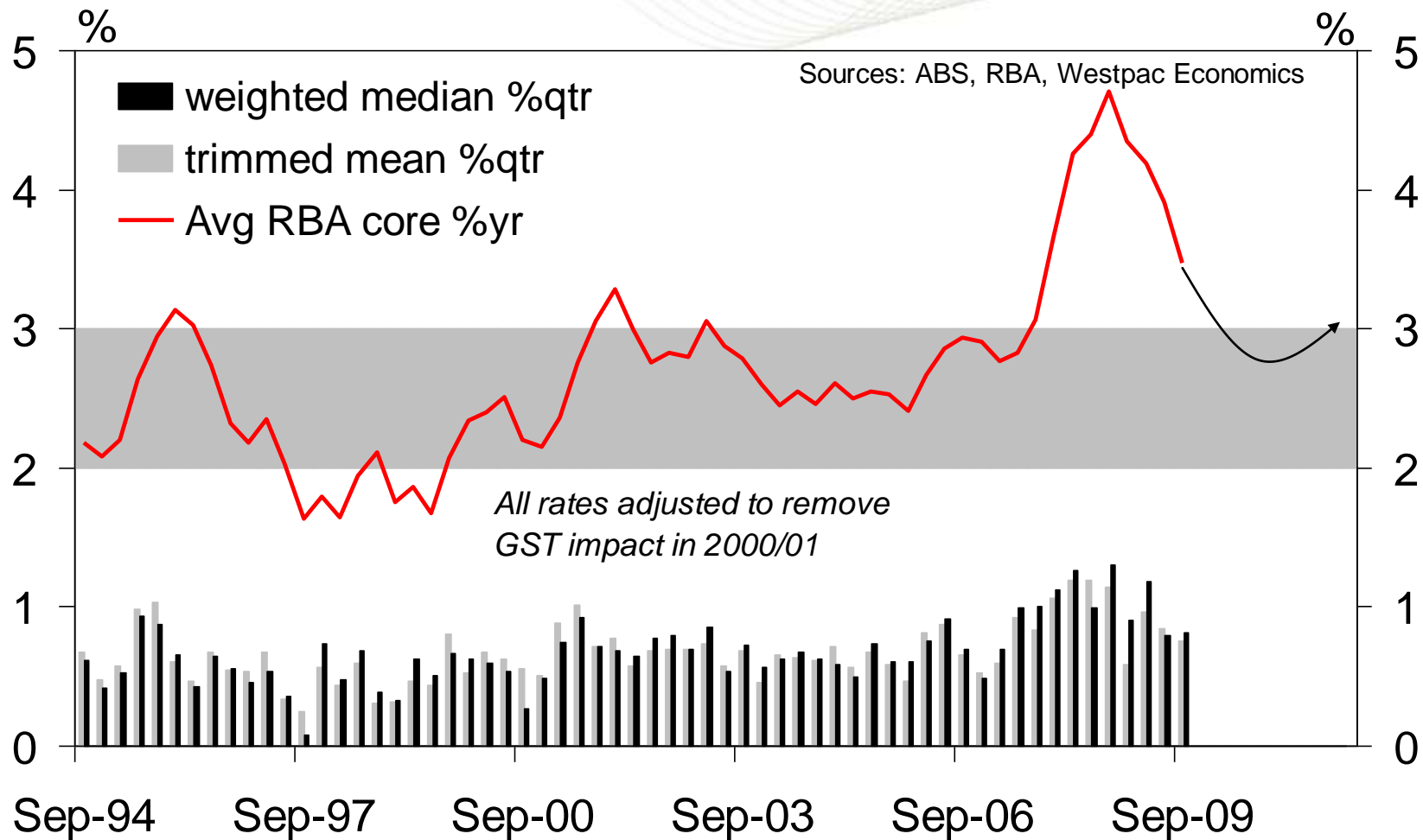
Bill Evans

Chief Economist,
Economics & Research

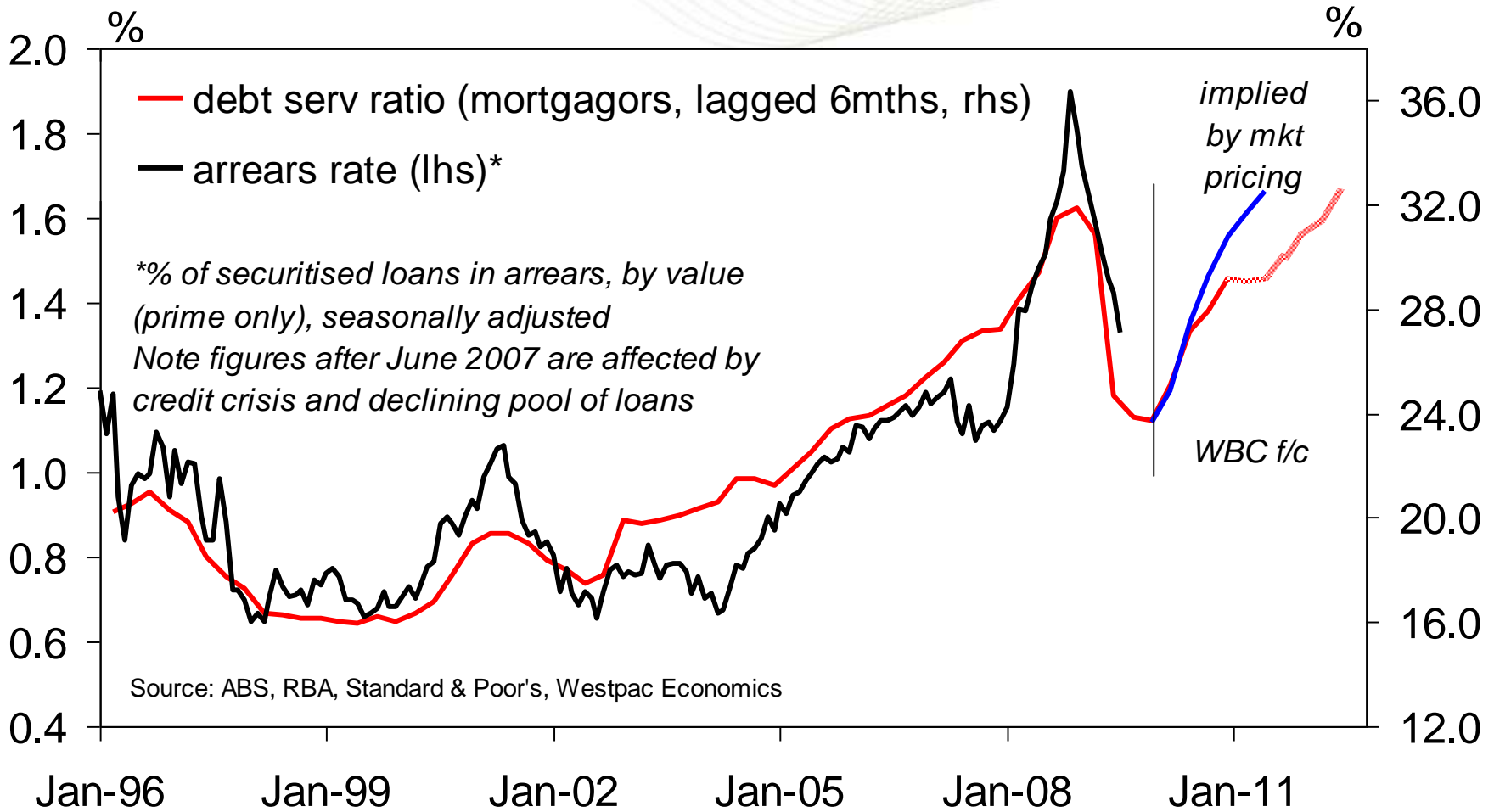
Current Forecasts- November 2009

	Latest	Mar-09	Jun-10	Dec-10
RBA Cash	3.50	4.25	4.50	4.50
3yr swap	5.55	6.00	5.75	6.25
10yr	5.52	5.70	5.80	6.00
US 10 yr	3.33	3.20	3.20	4.00
AUD/USD	0.92	0.96	0.90	0.95
USD/JPY	89	87	94	99
USD/EUR	1.47	1.48	1.40	1.48

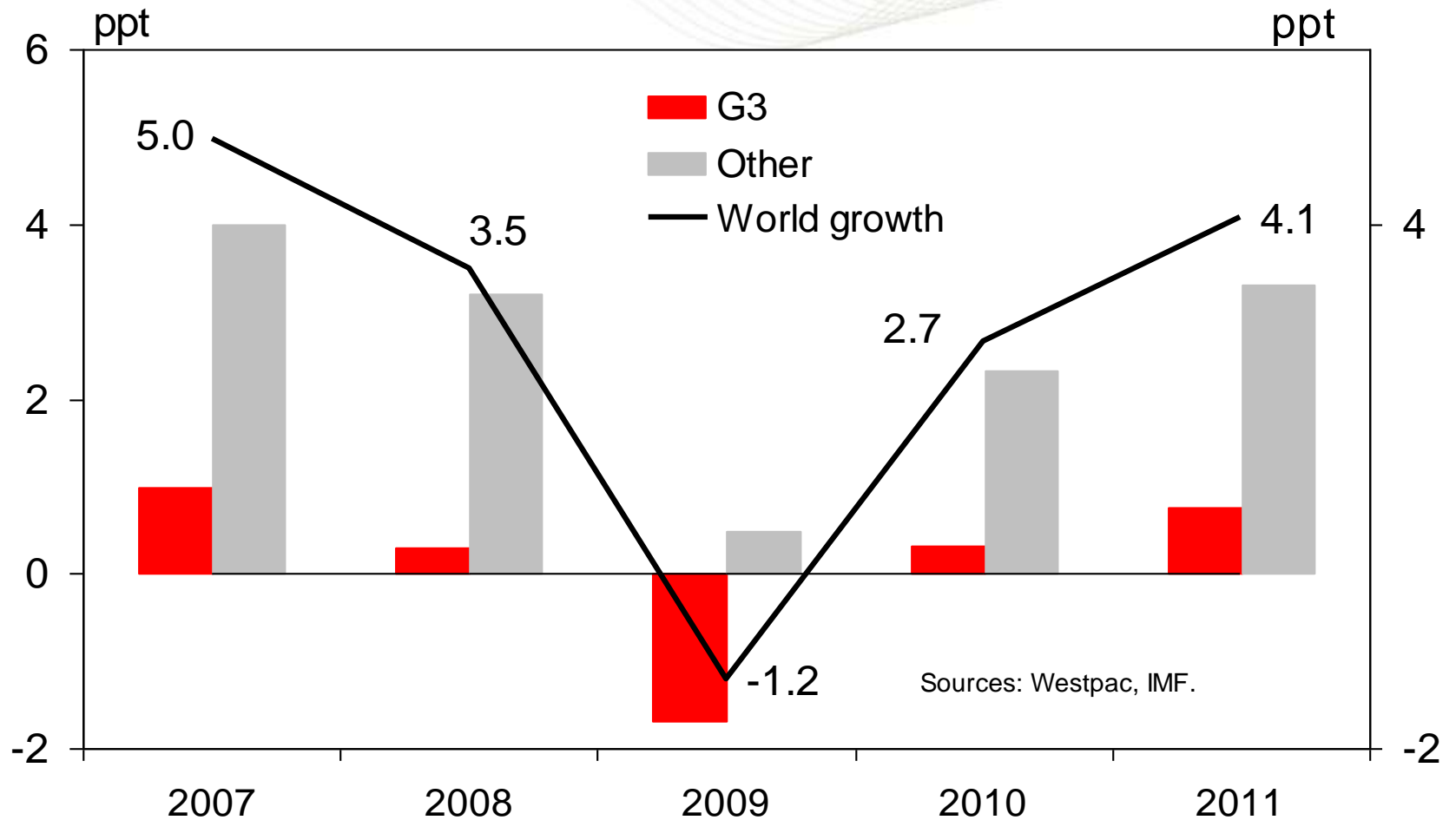
RBA core: trimmed mean & weighted median



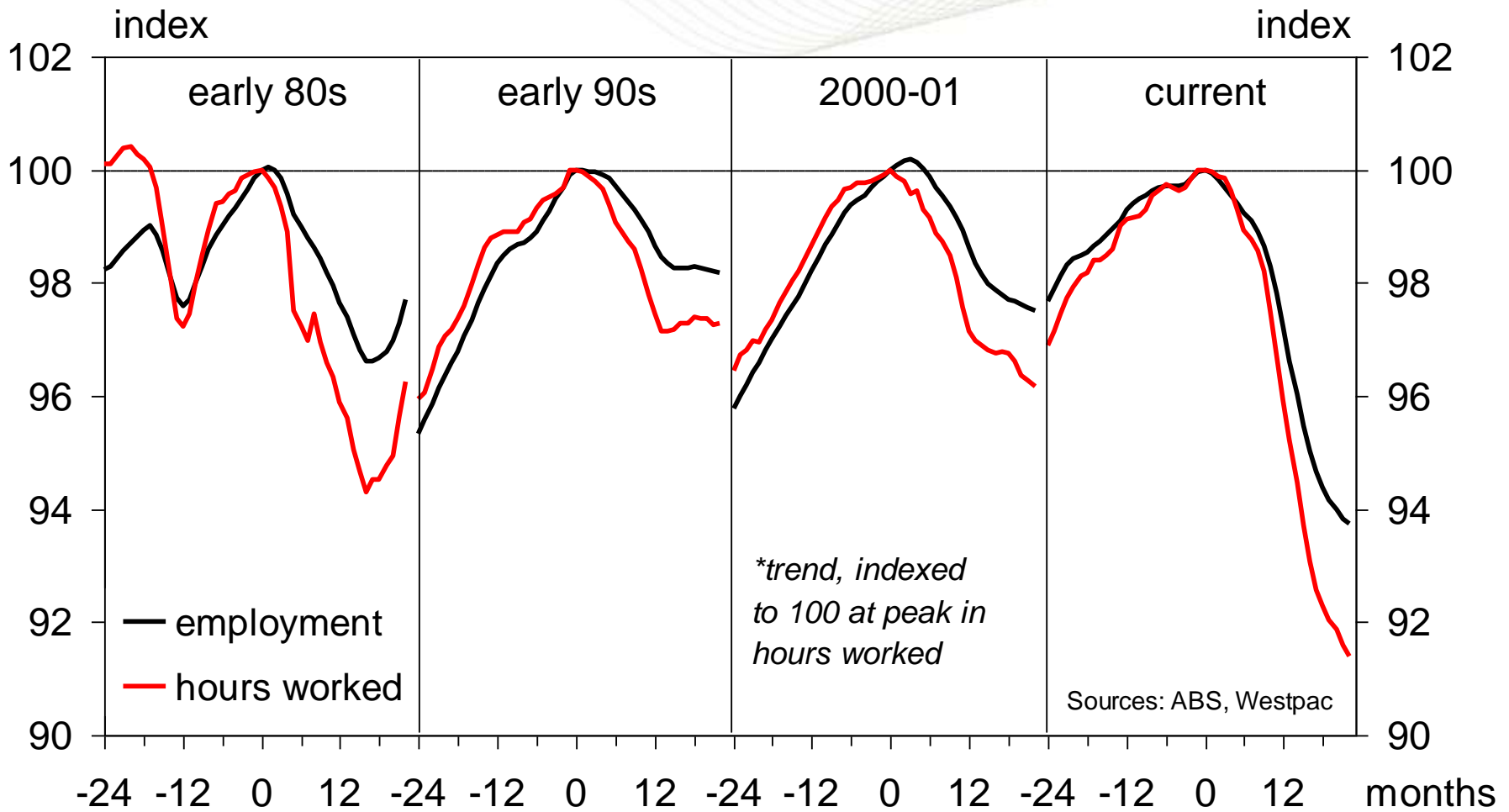
Debt burden vs mortgage arrears



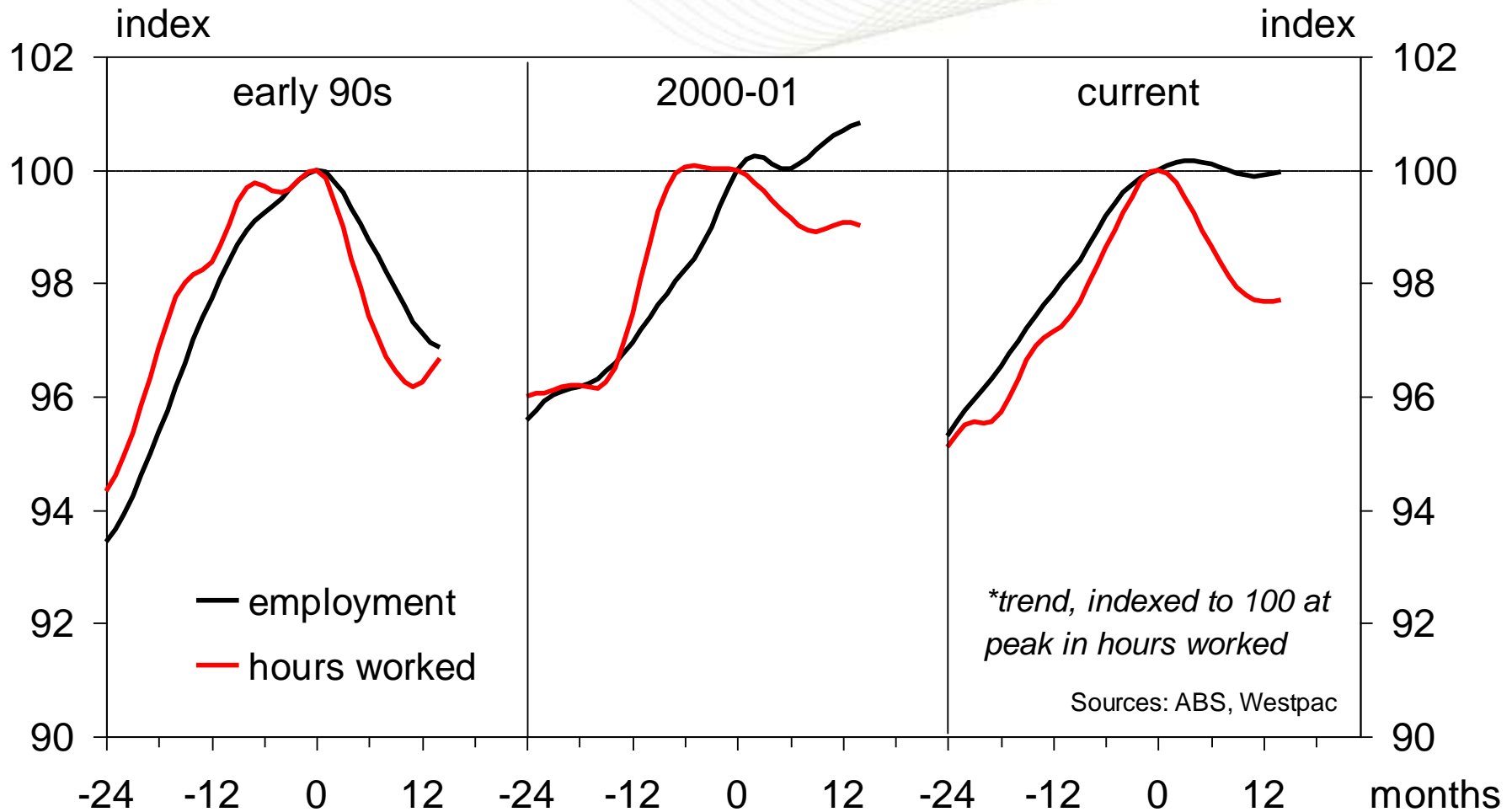
Contributions to world growth



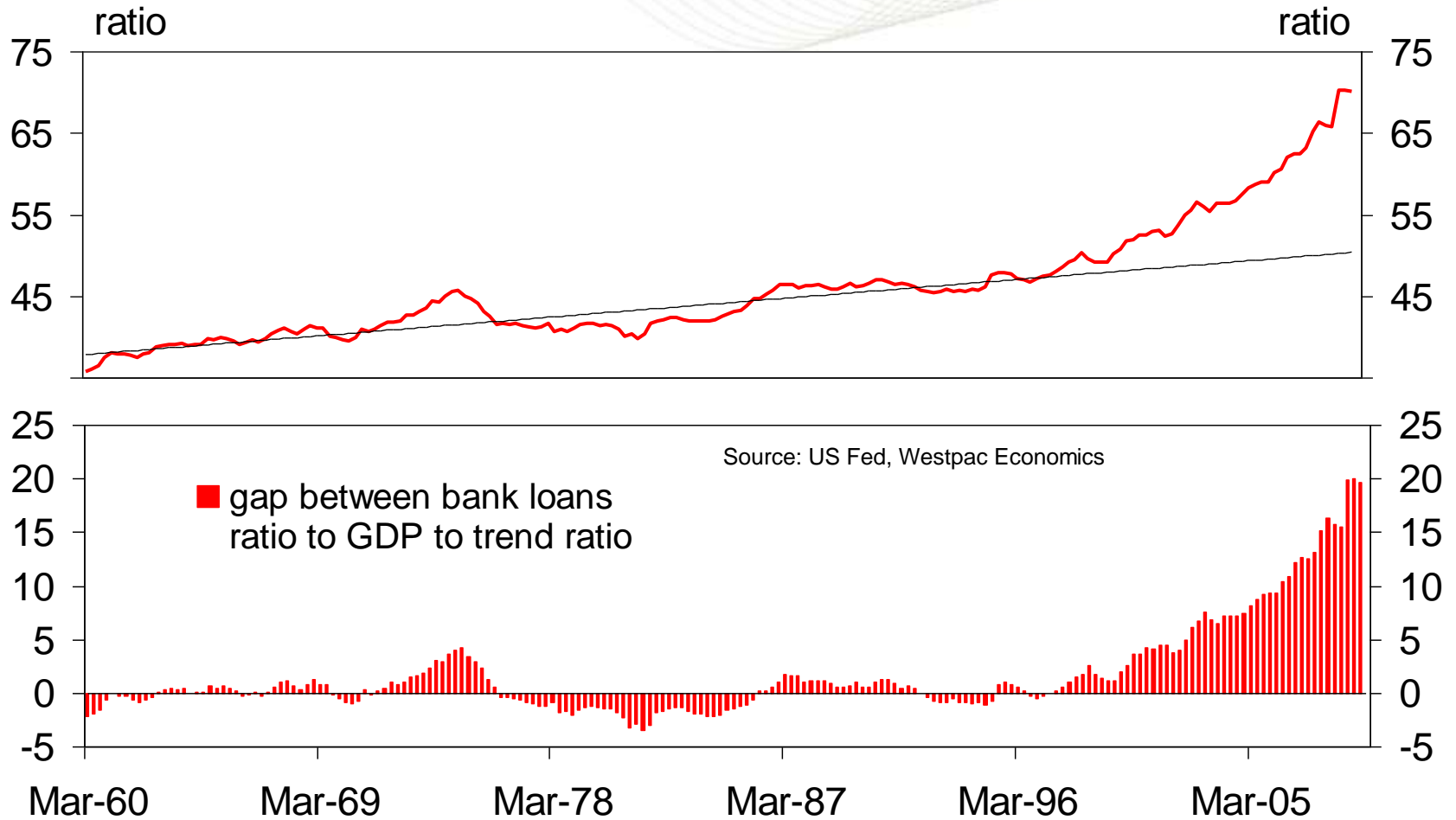
Labour hoarding: US



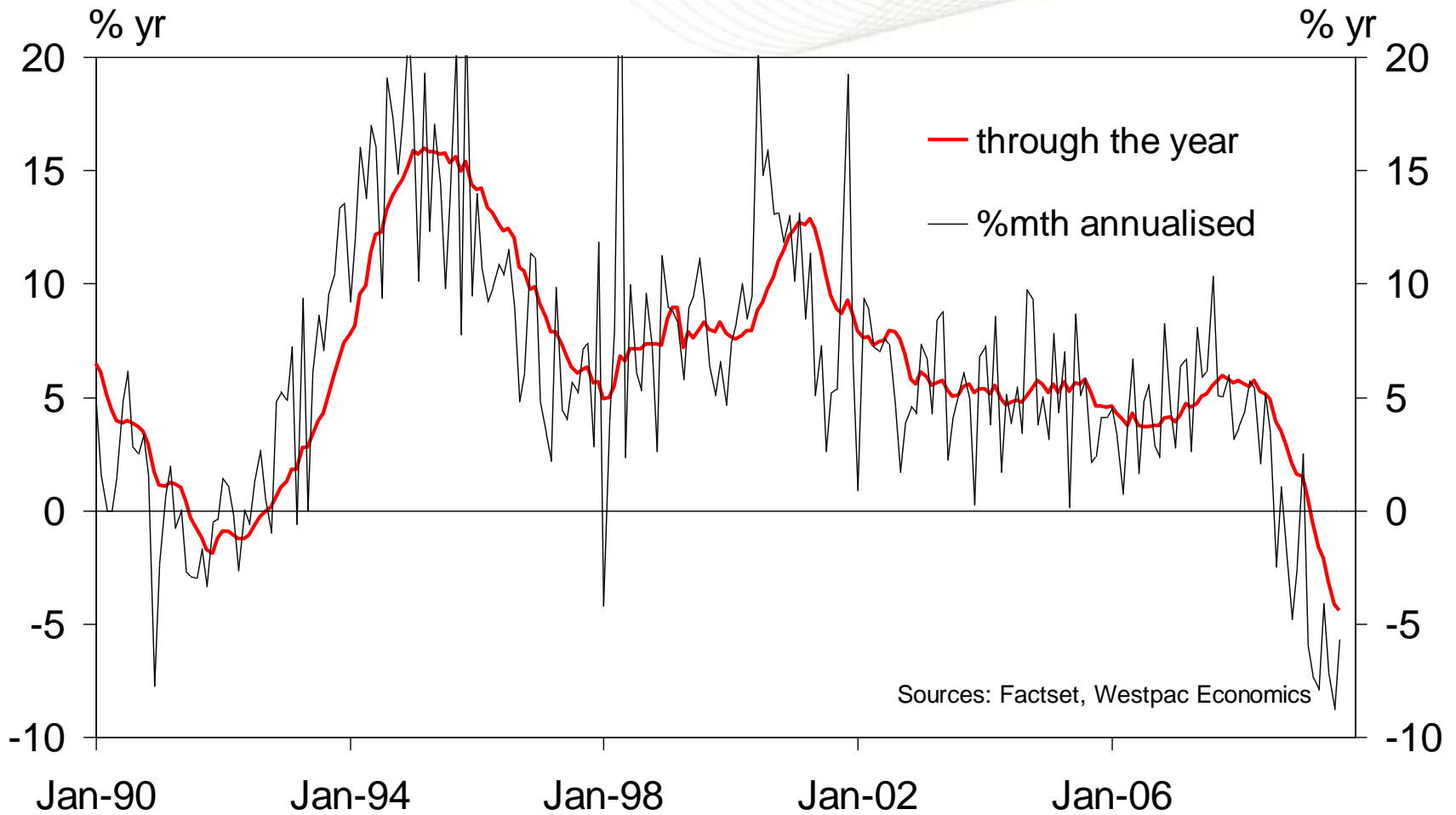
Labour hoarding: Australia



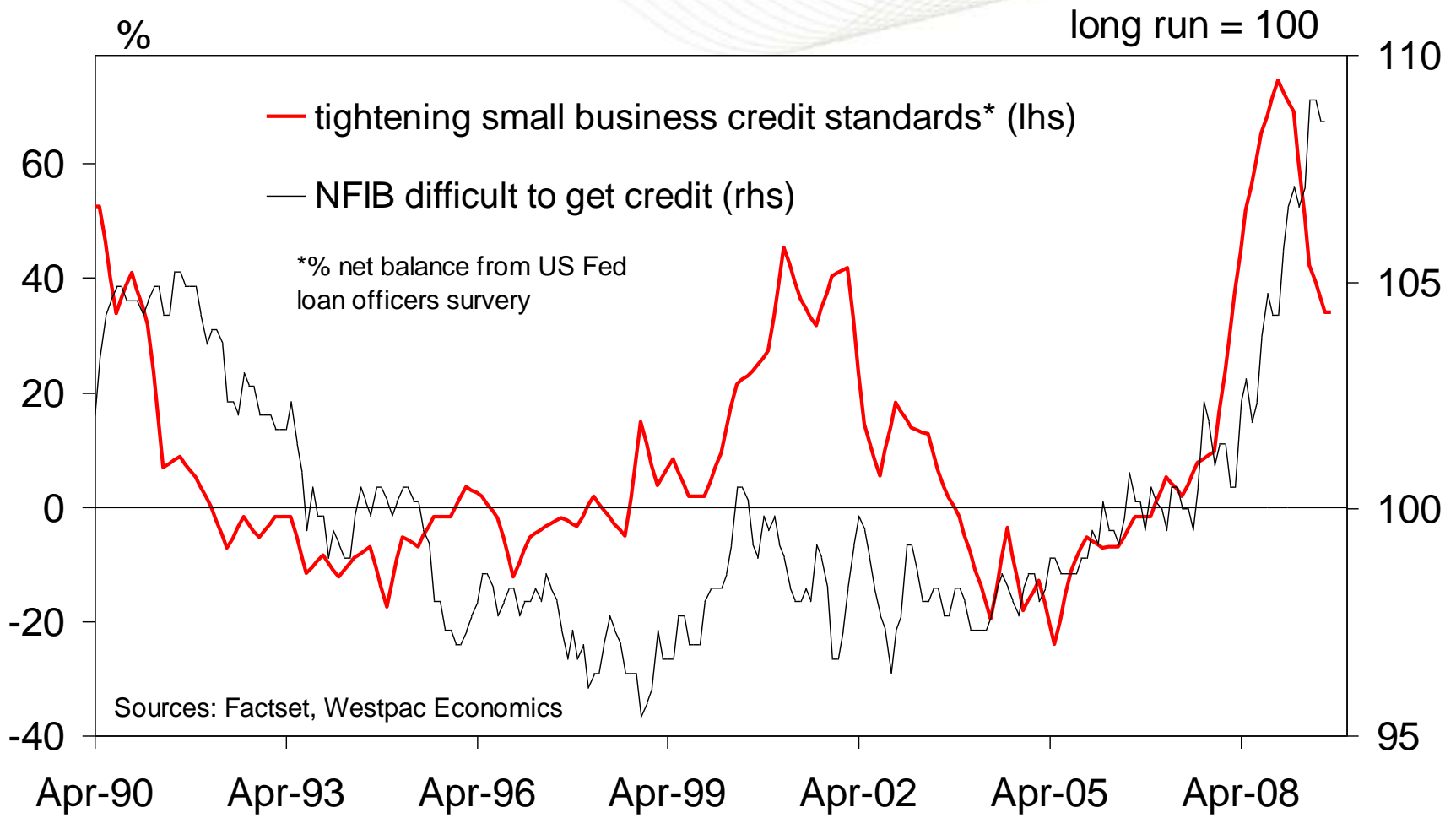
US banks remain highly leveraged



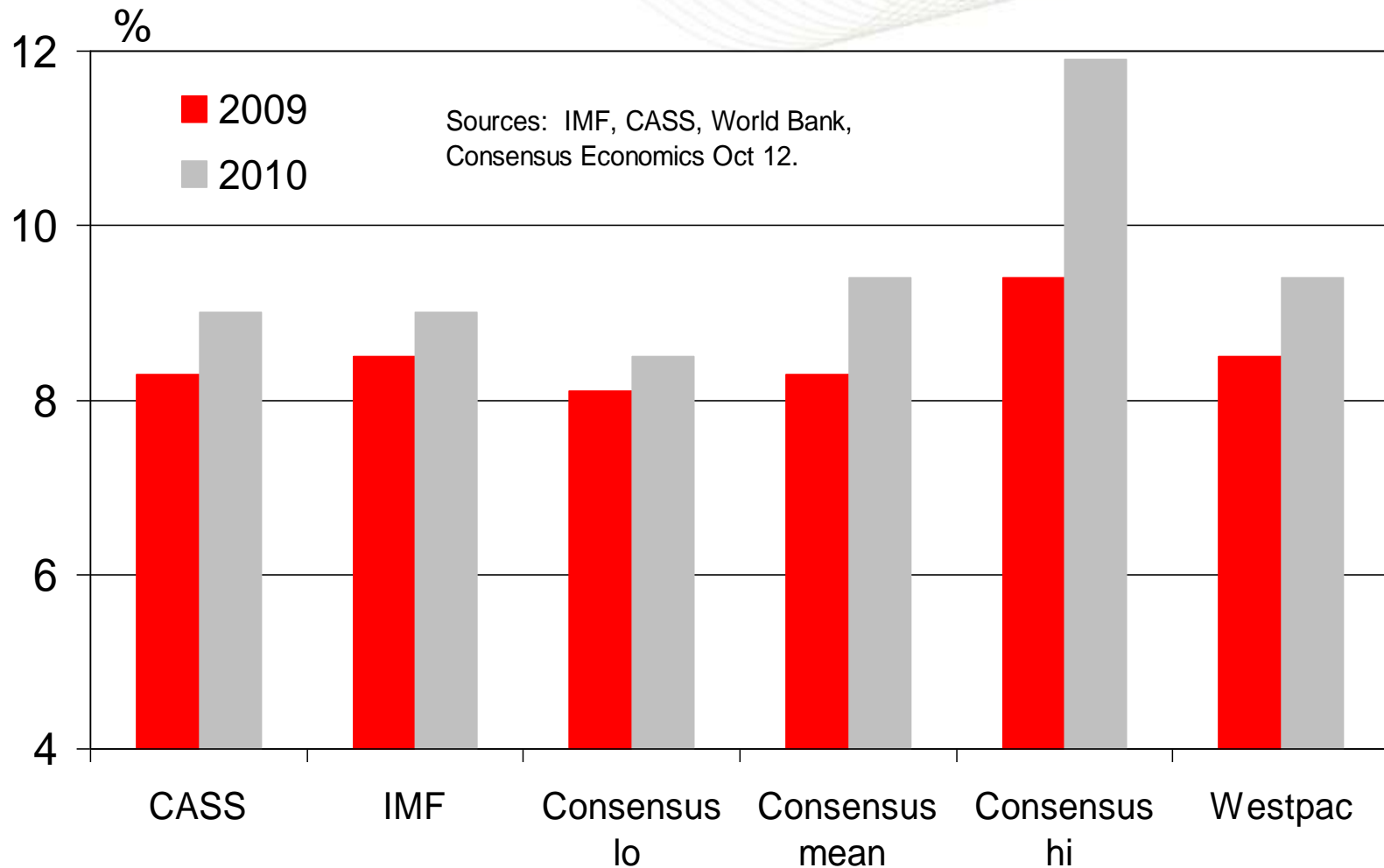
US consumer credit



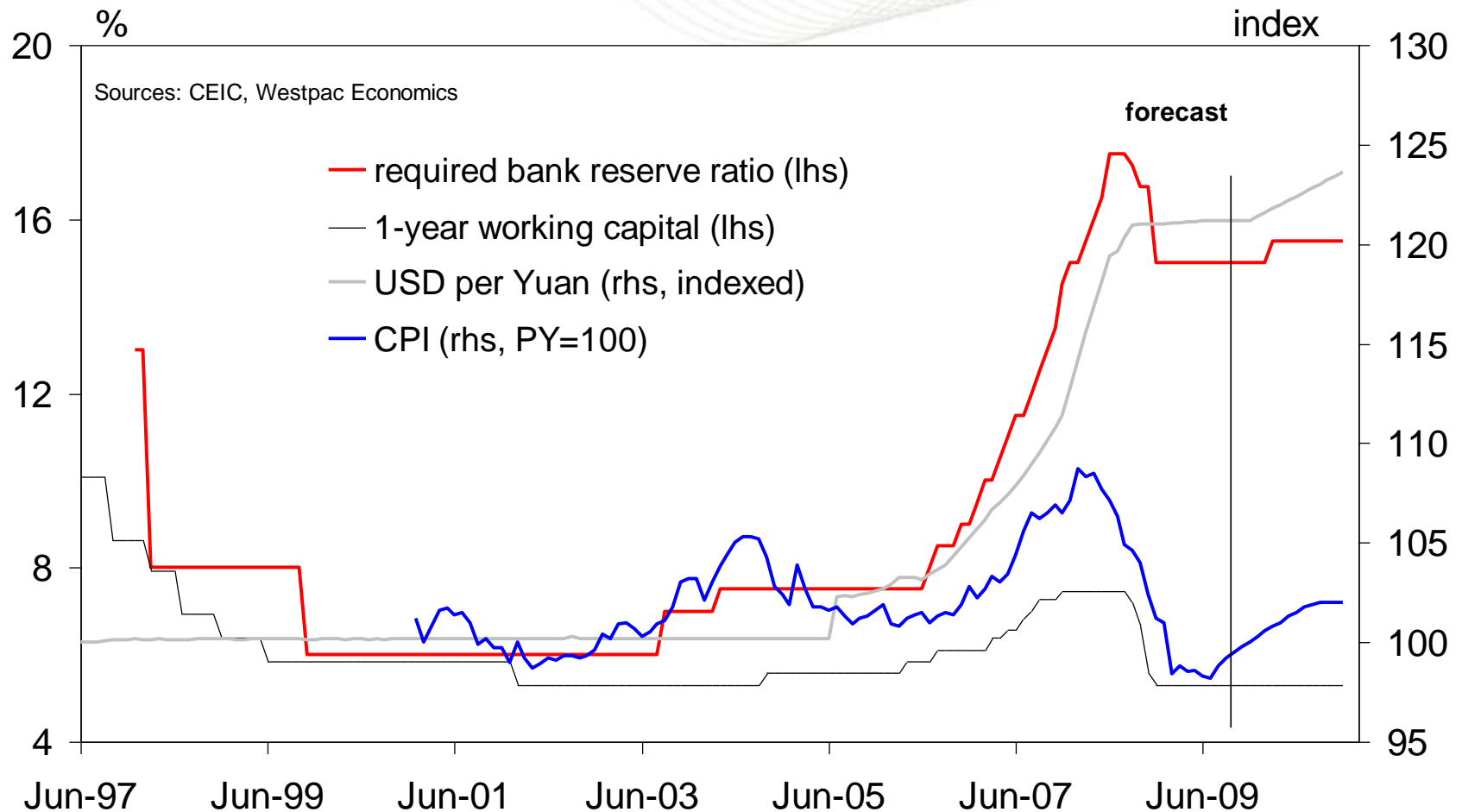
Credit crunch continues for SMEs



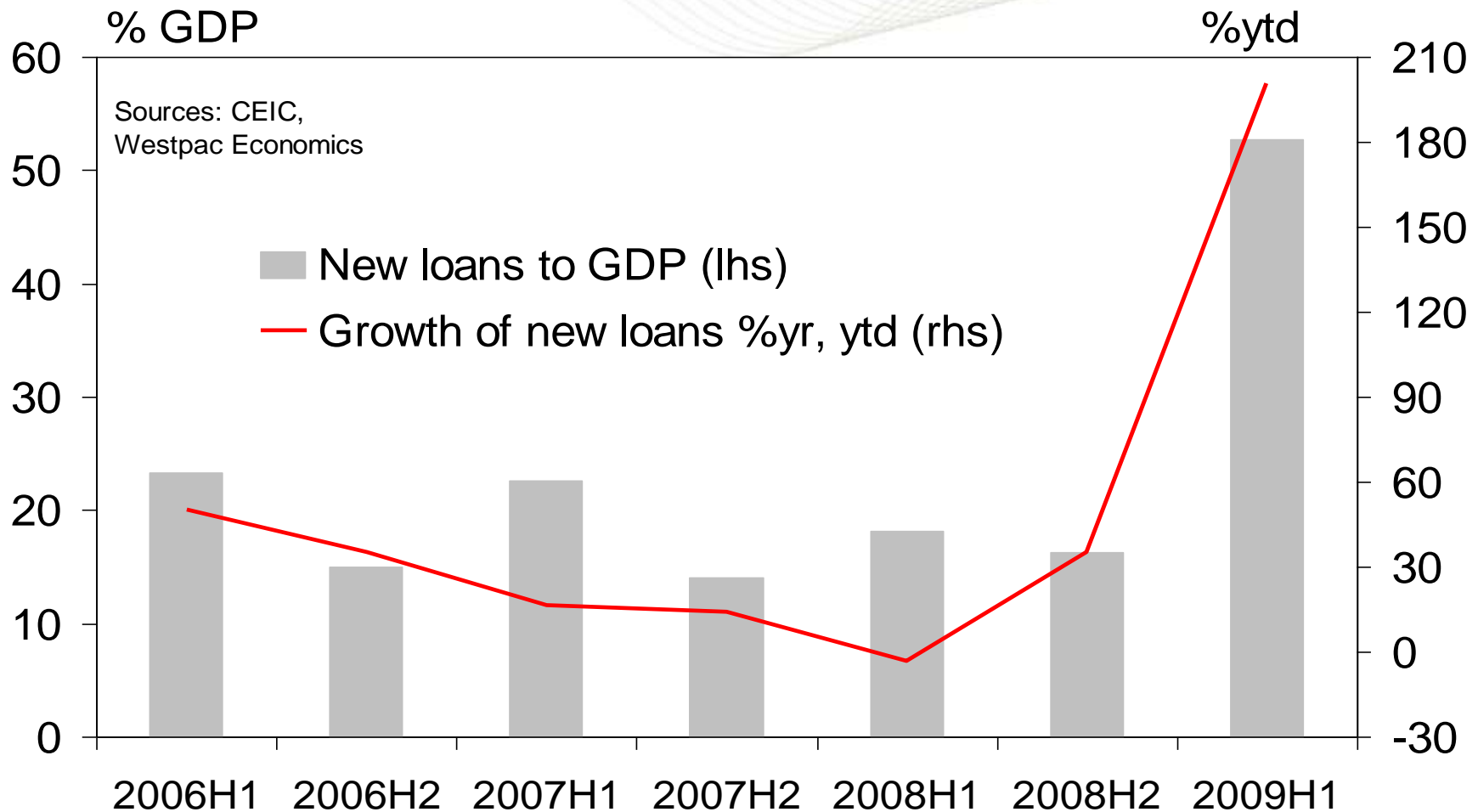
Various views of Chinese GDP growth



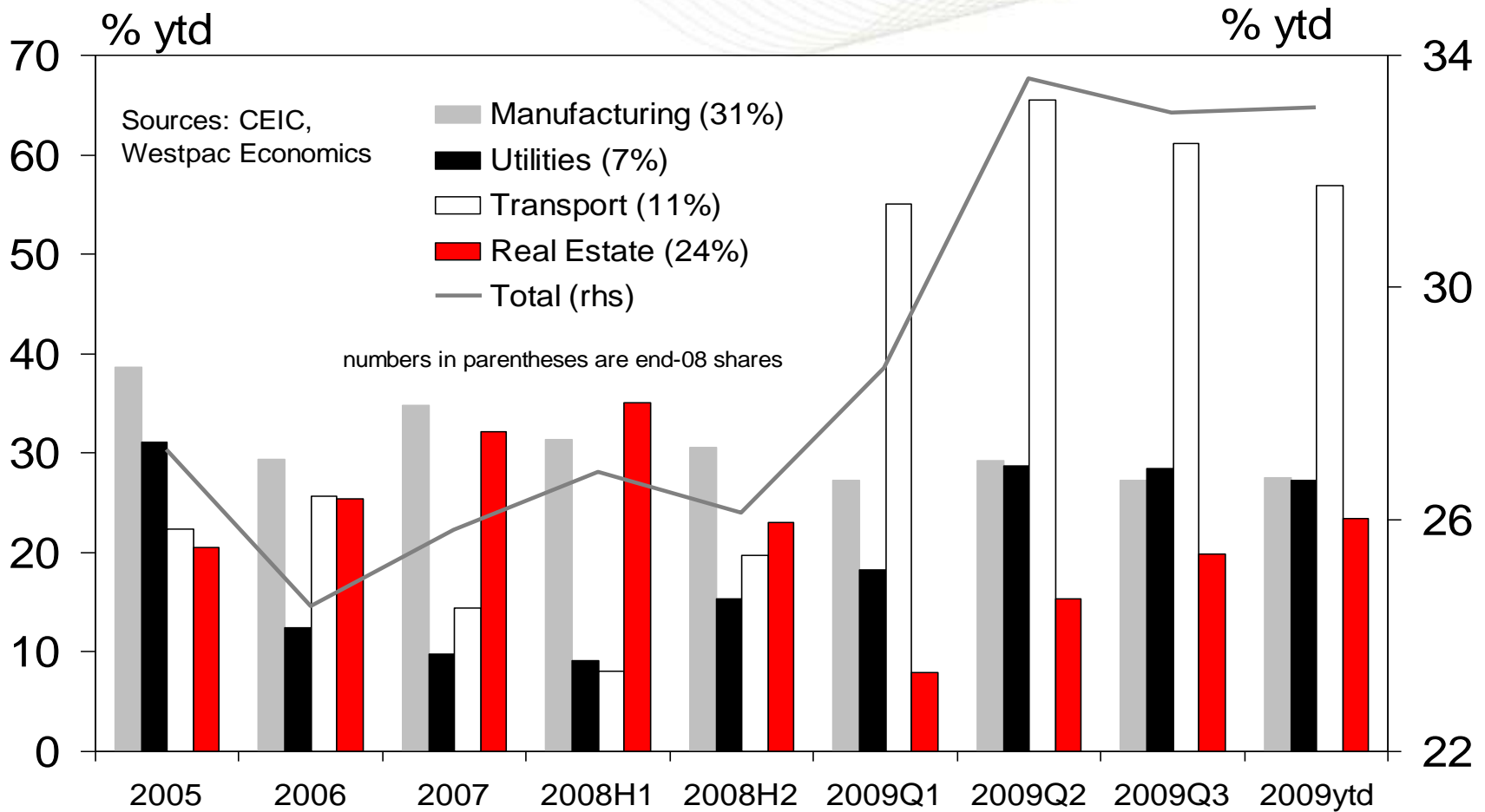
Chinese monetary policy & inflation



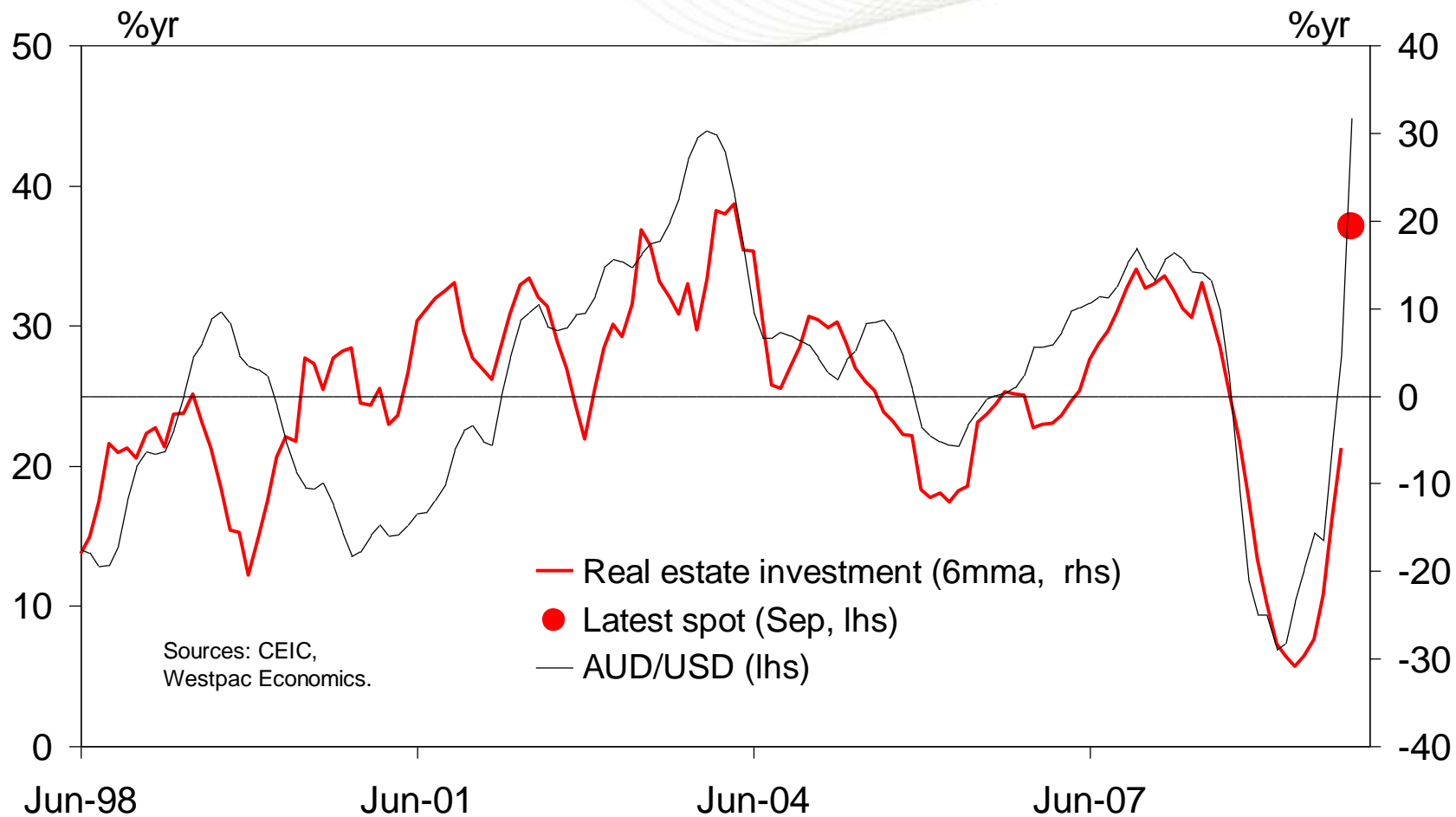
New loans to GDP: monster stimulus



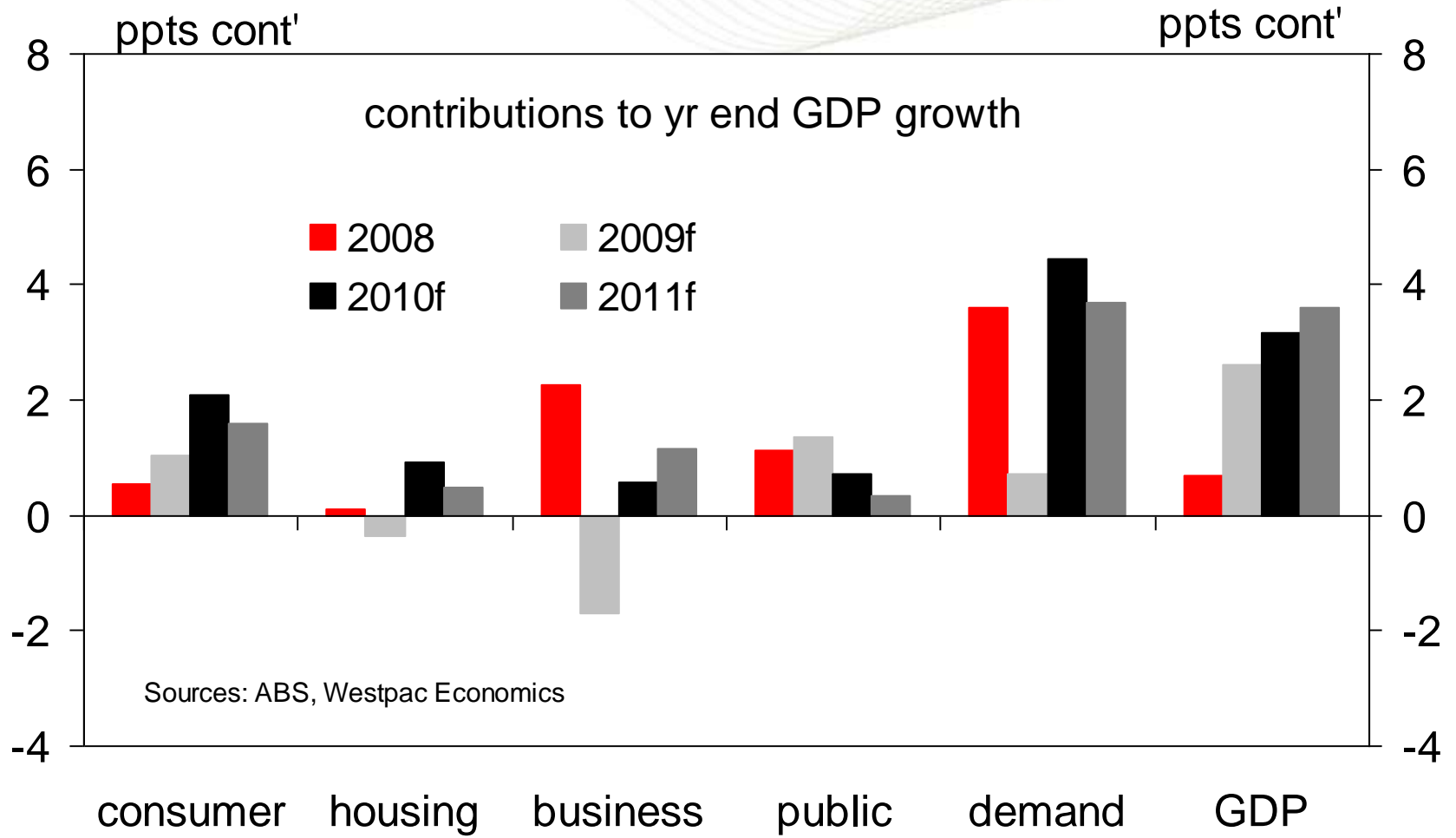
Investment growth by sector



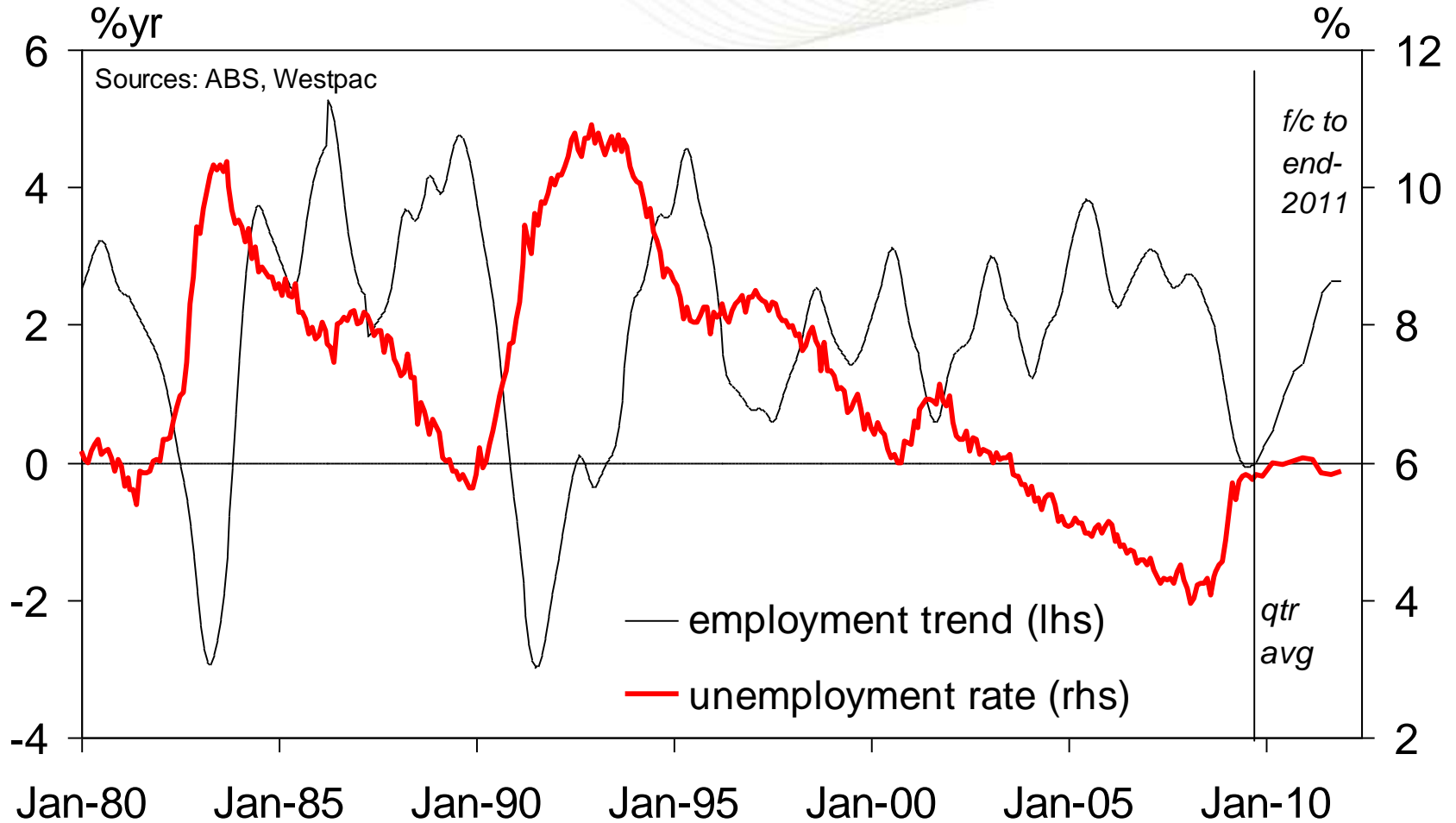
Chinese construction and the AUD



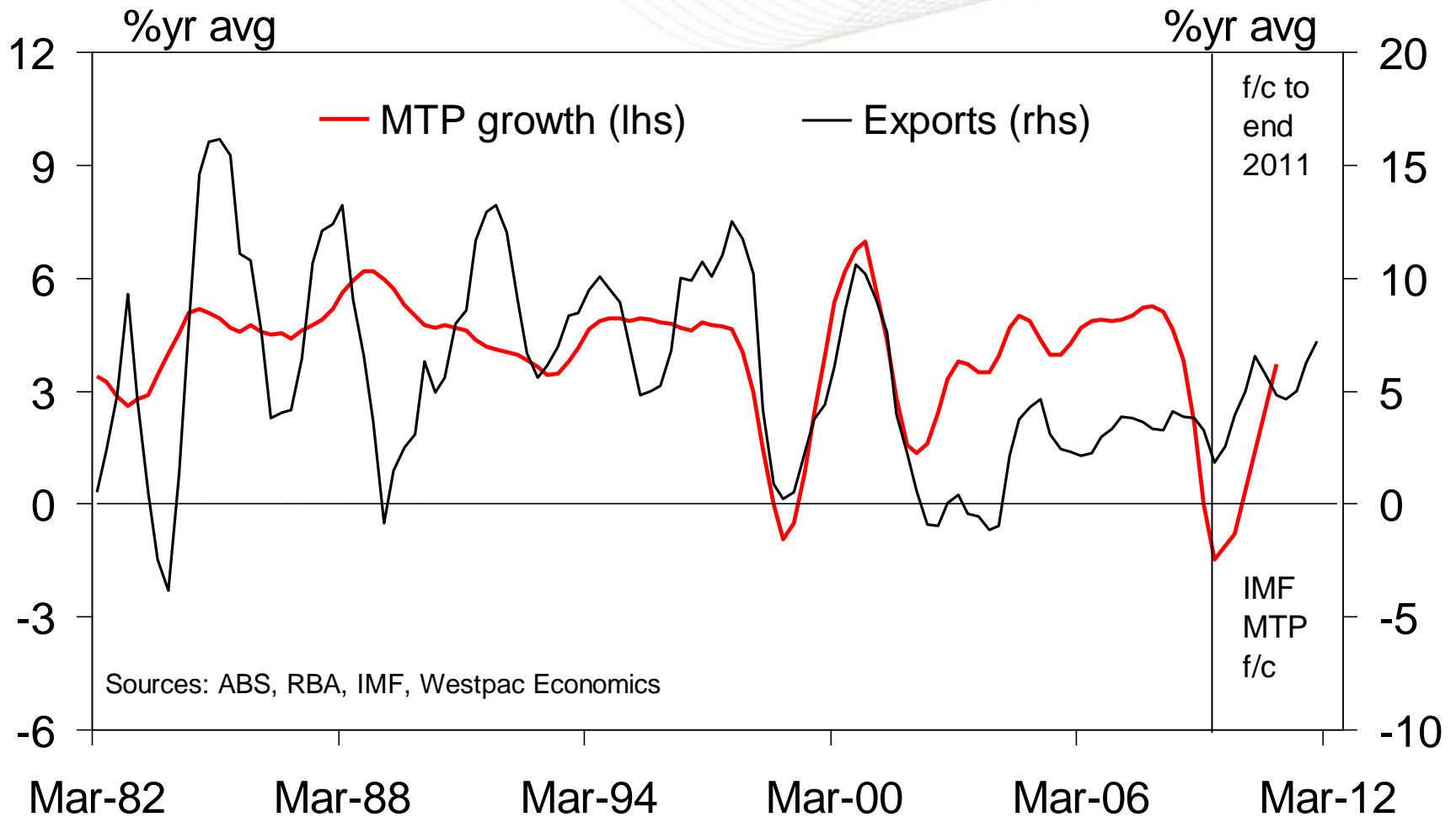
Australia: upbeat outlook



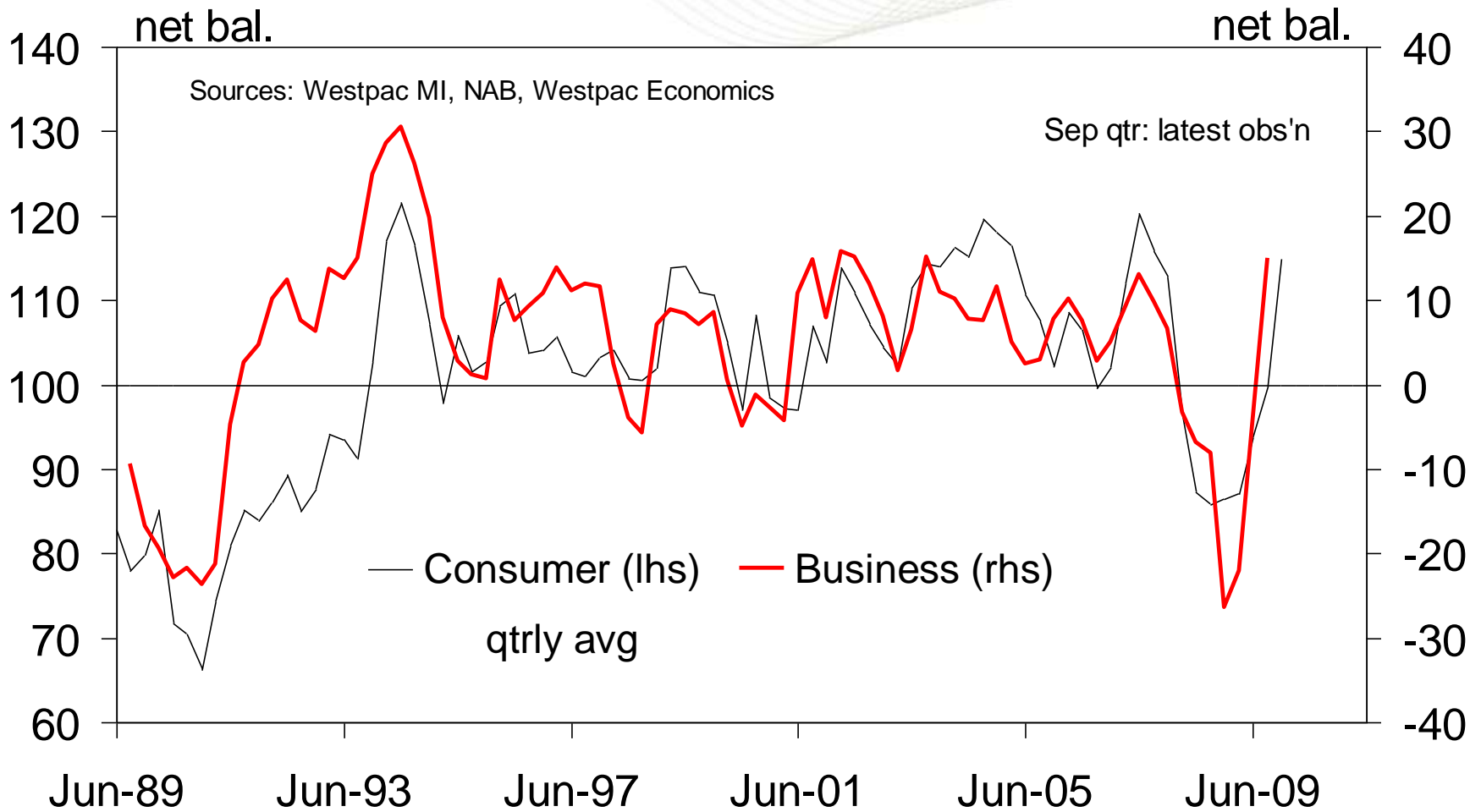
Employment growth & unemploy't rate



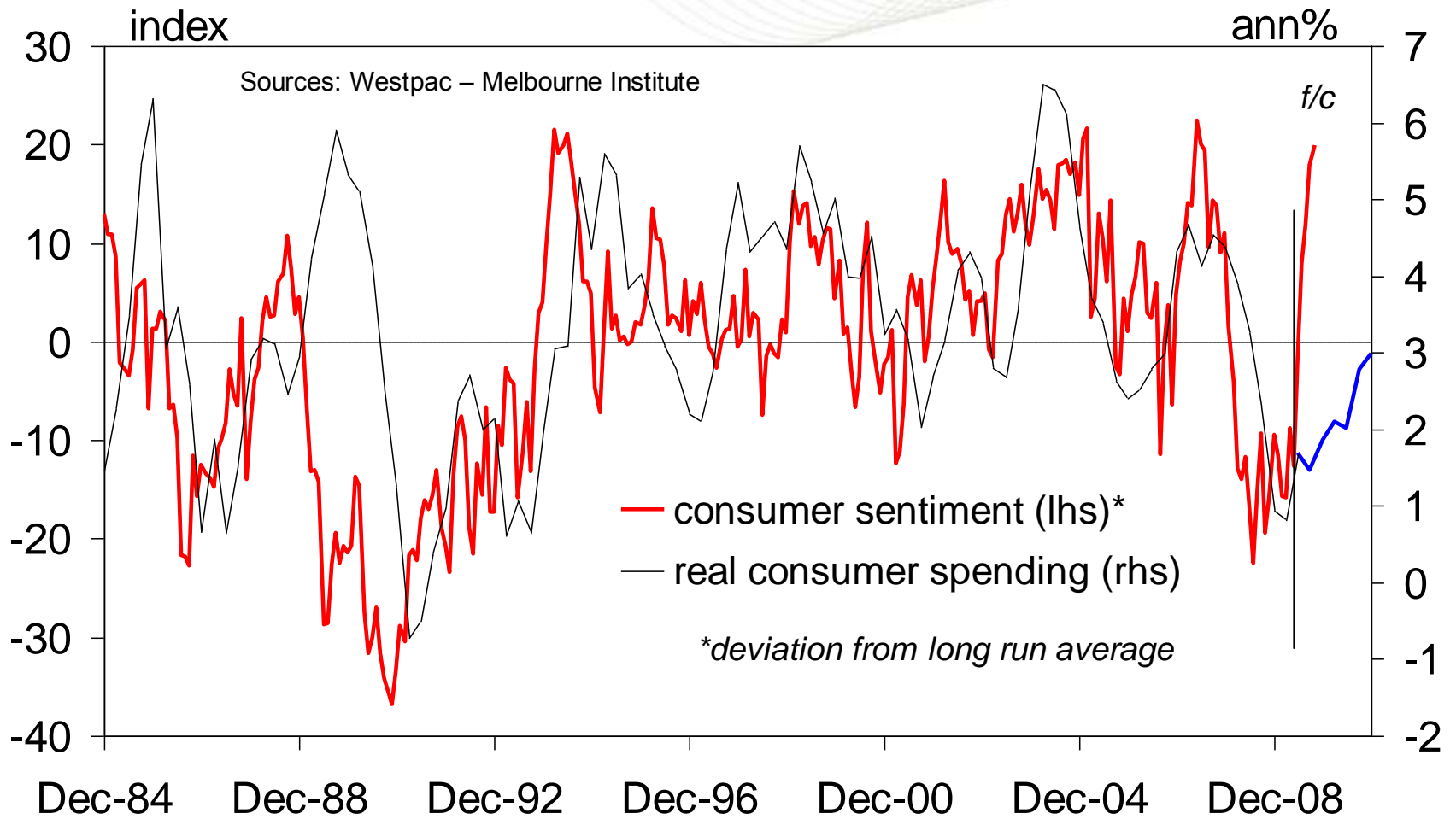
Export volumes vs MTP growth



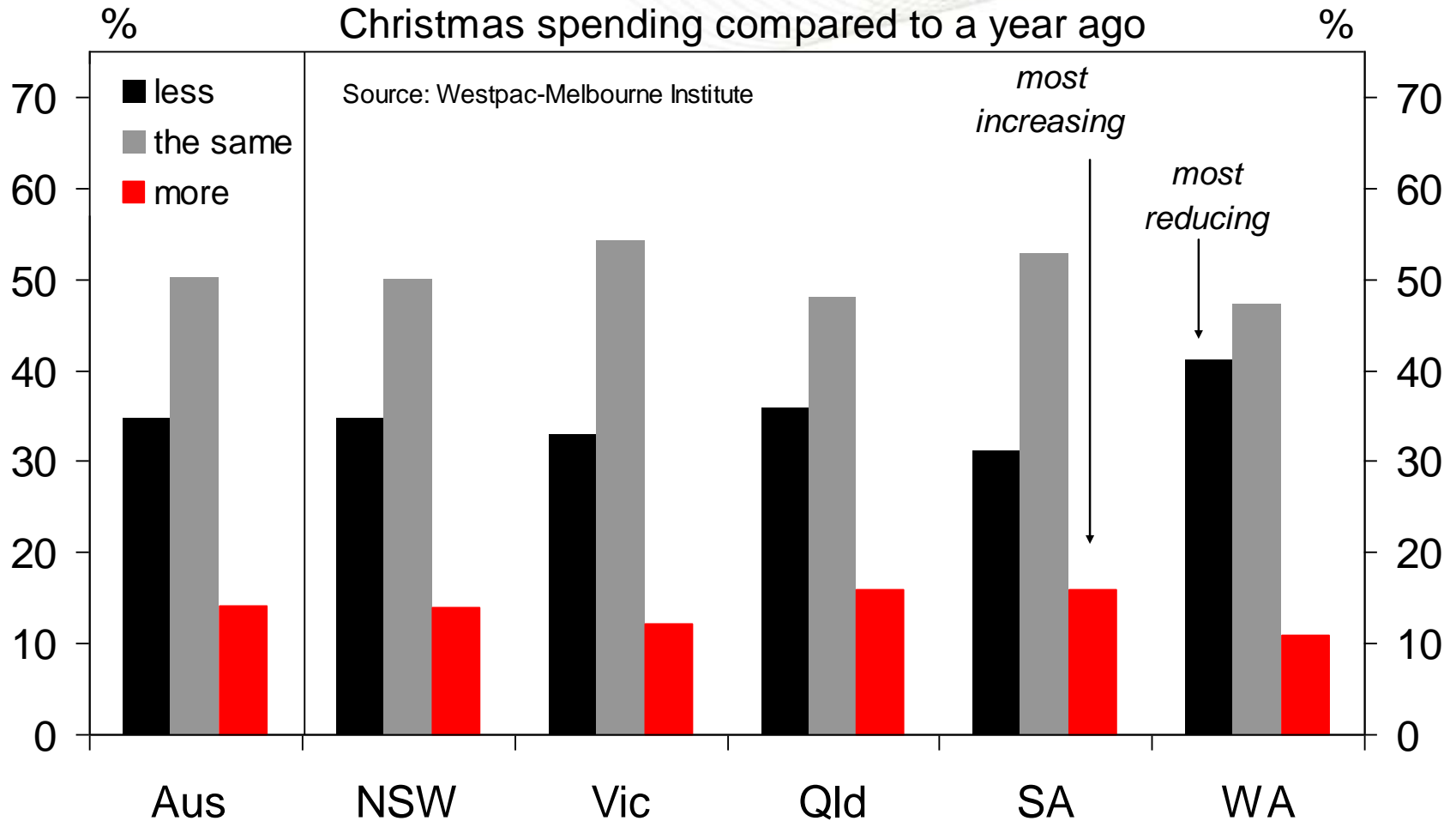
Confidence up sharply but not sustainable



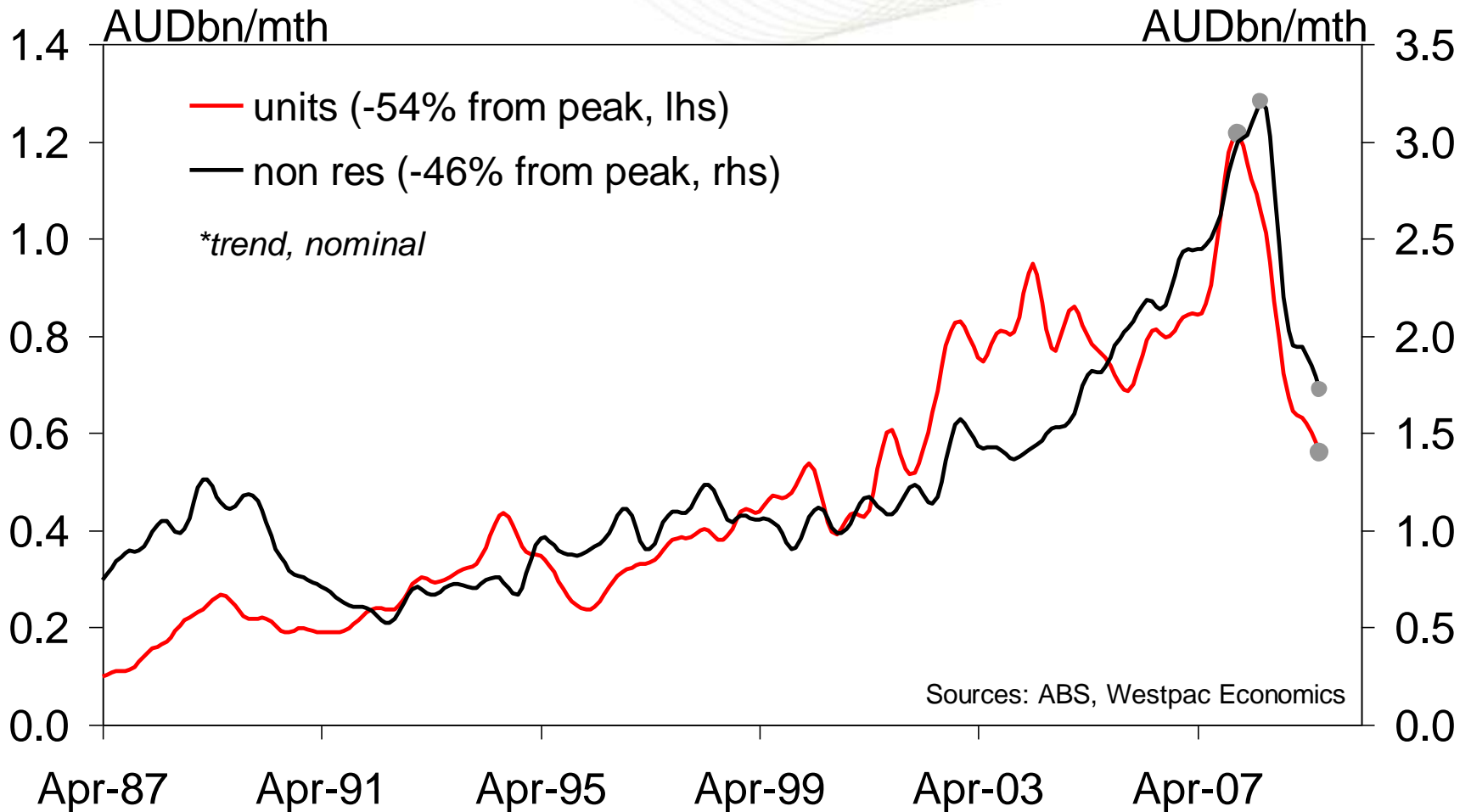
If Confidence holds expect a Consumer Boom



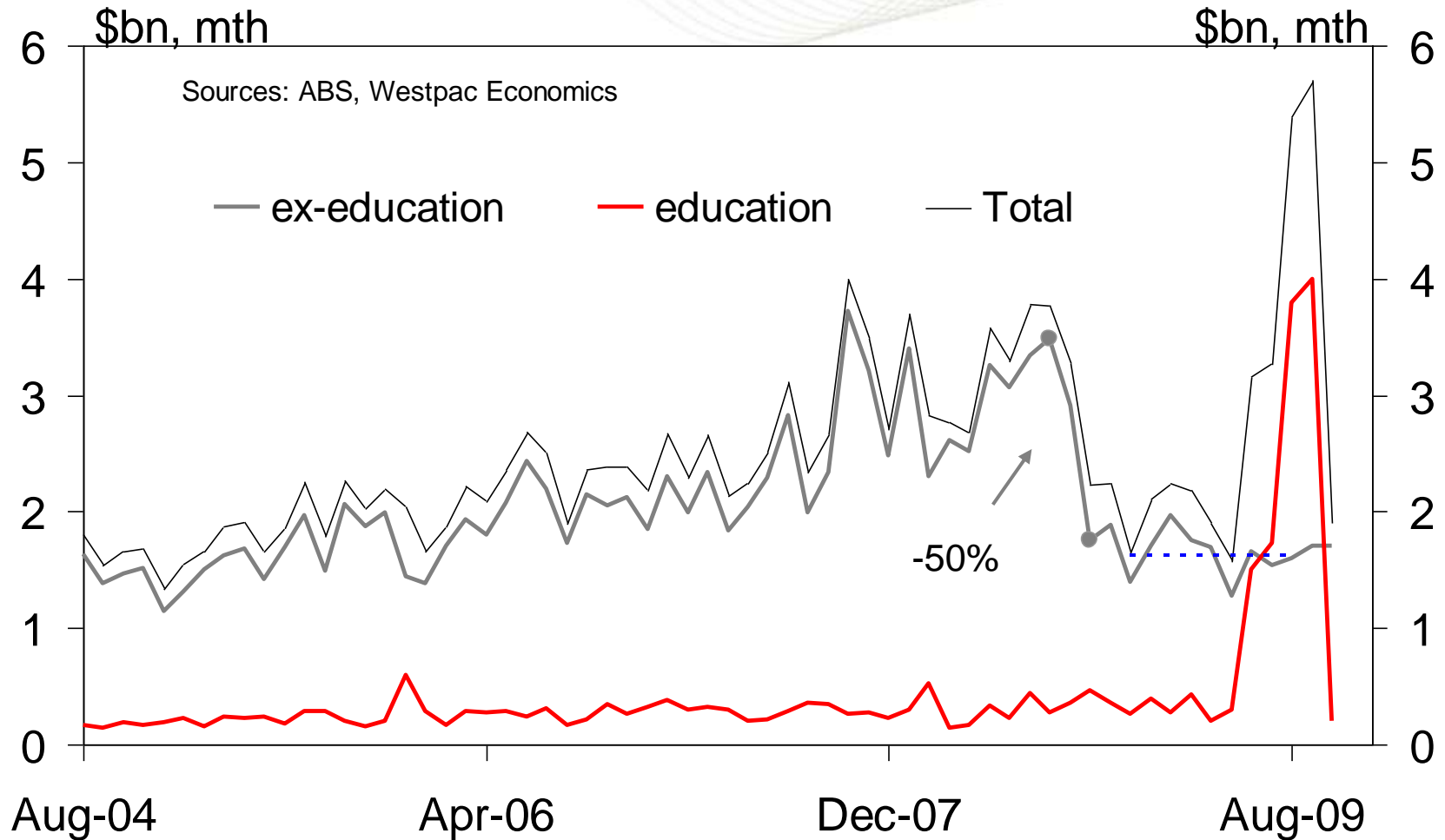
Xmas spending plans: decidedly downbeat



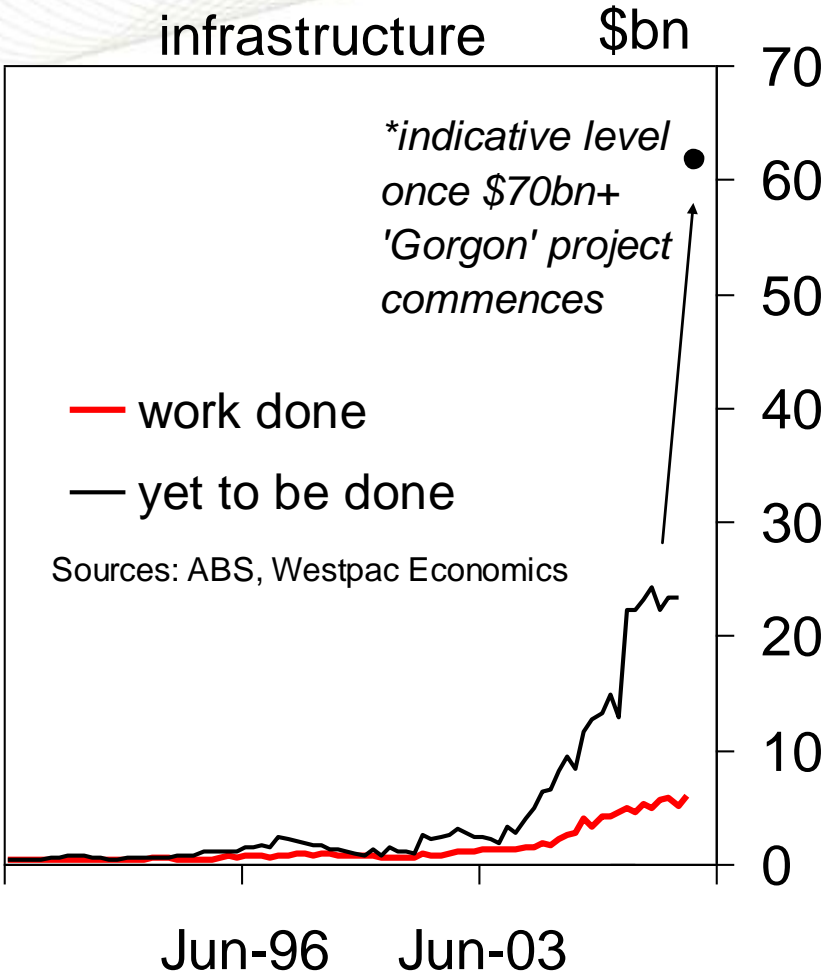
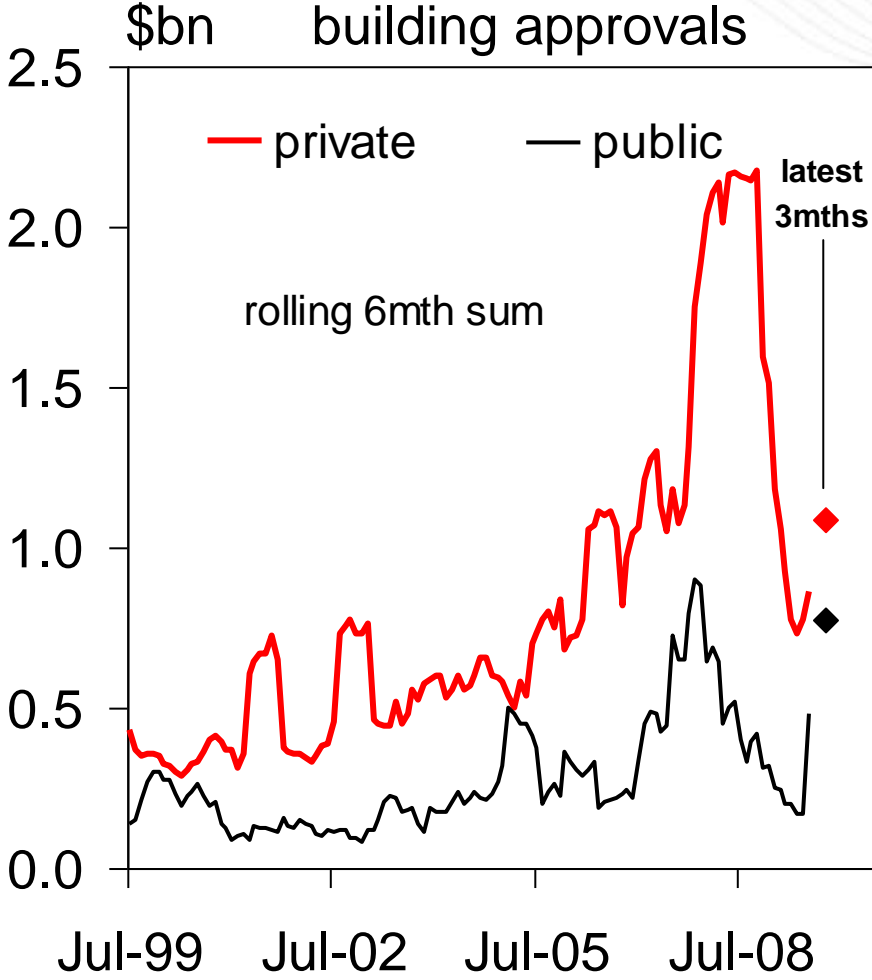
Parts of building sector credit crunched



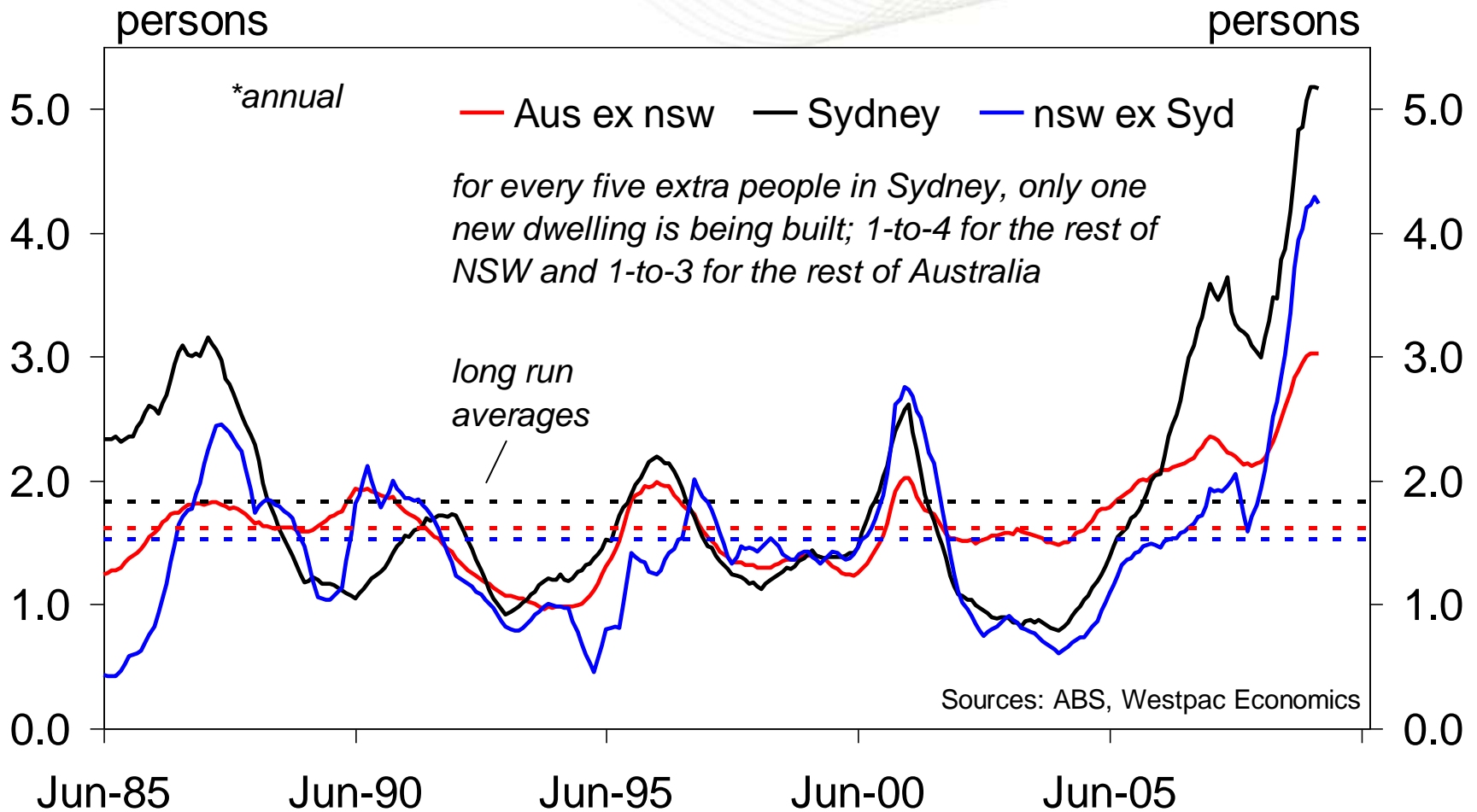
Non-residential building: approvals



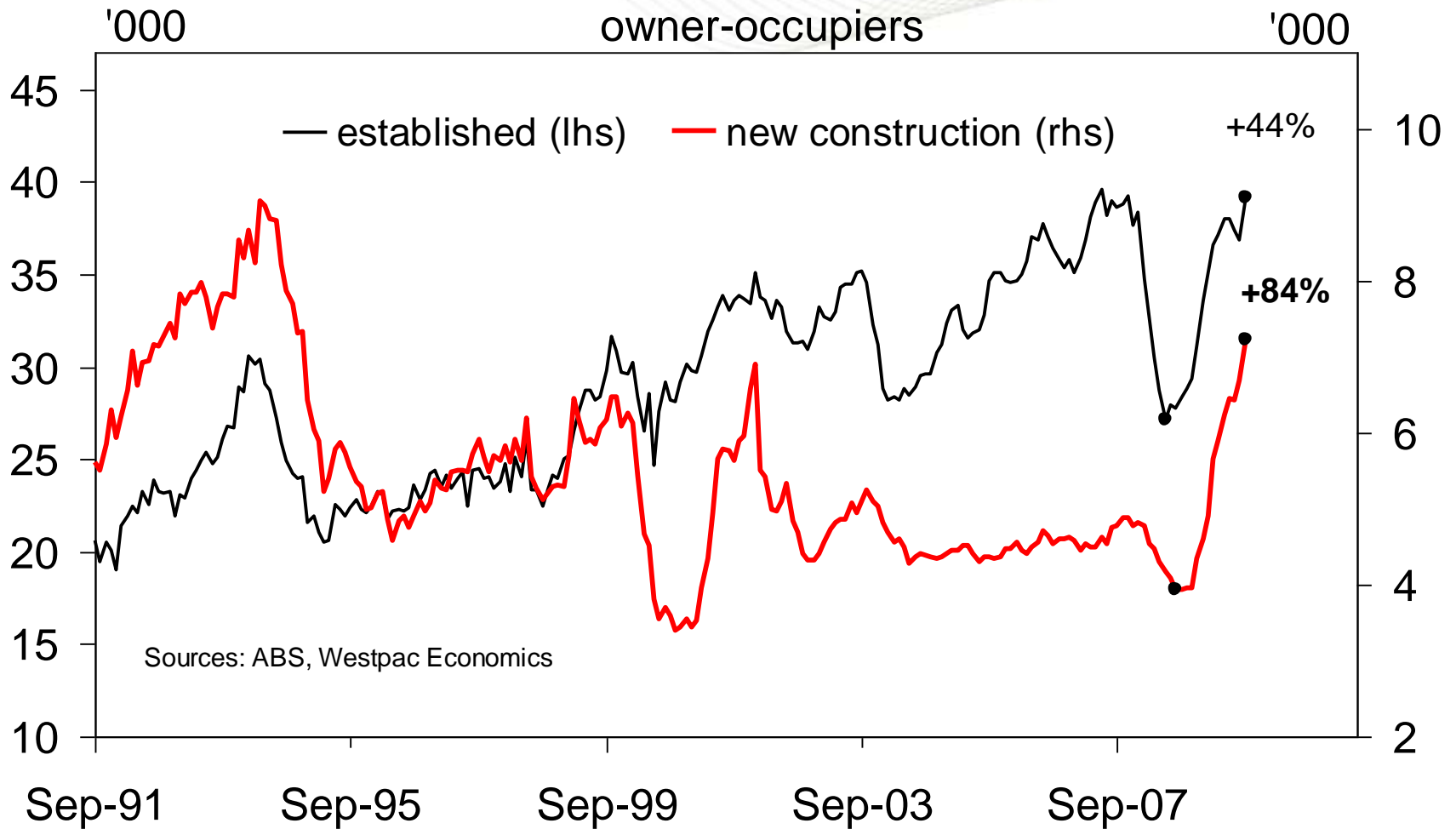
Western Australia : mining boom not over



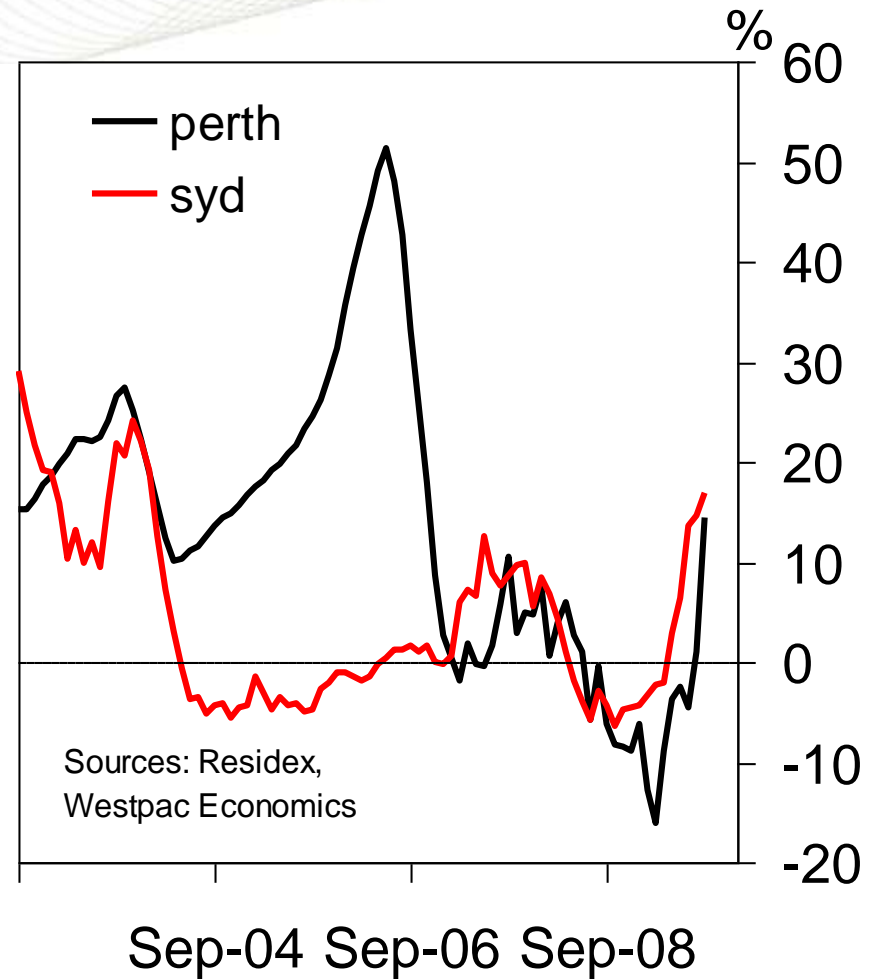
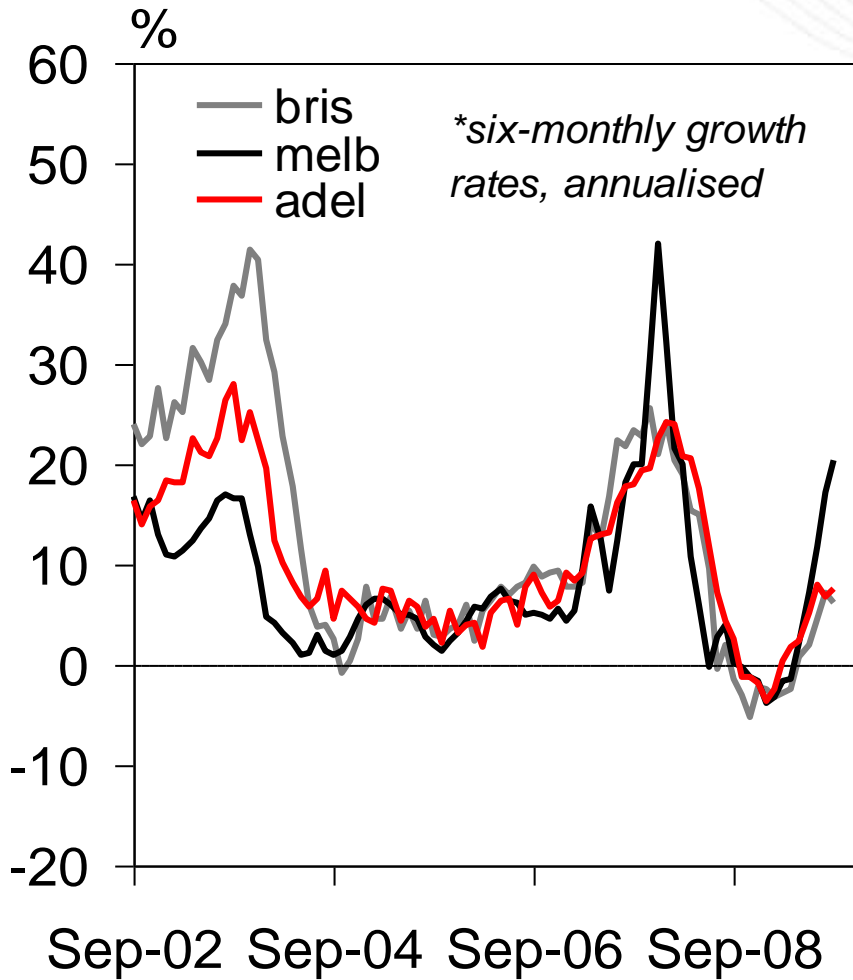
Ratio of new persons to new dwellings



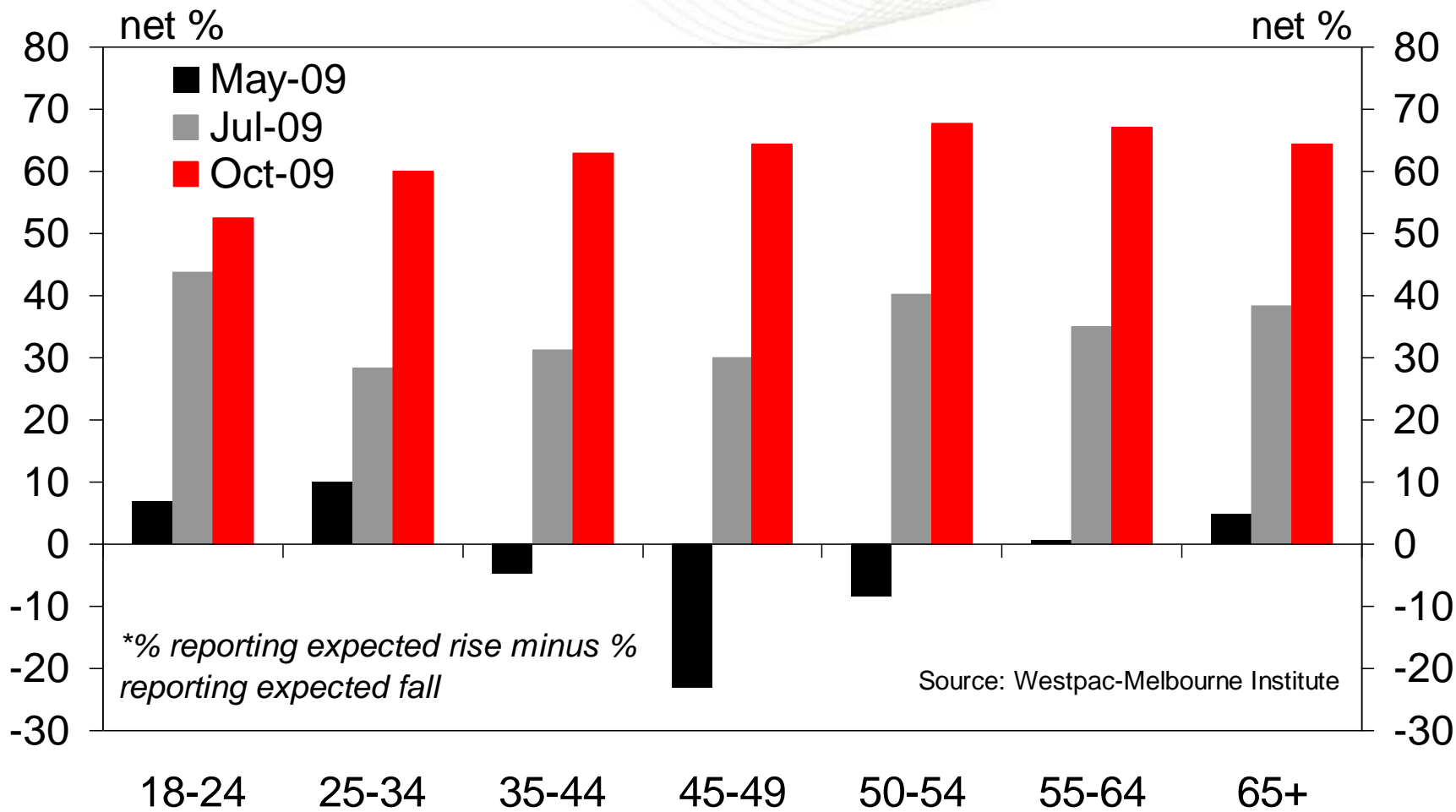
Finance for new construction leaps 84%



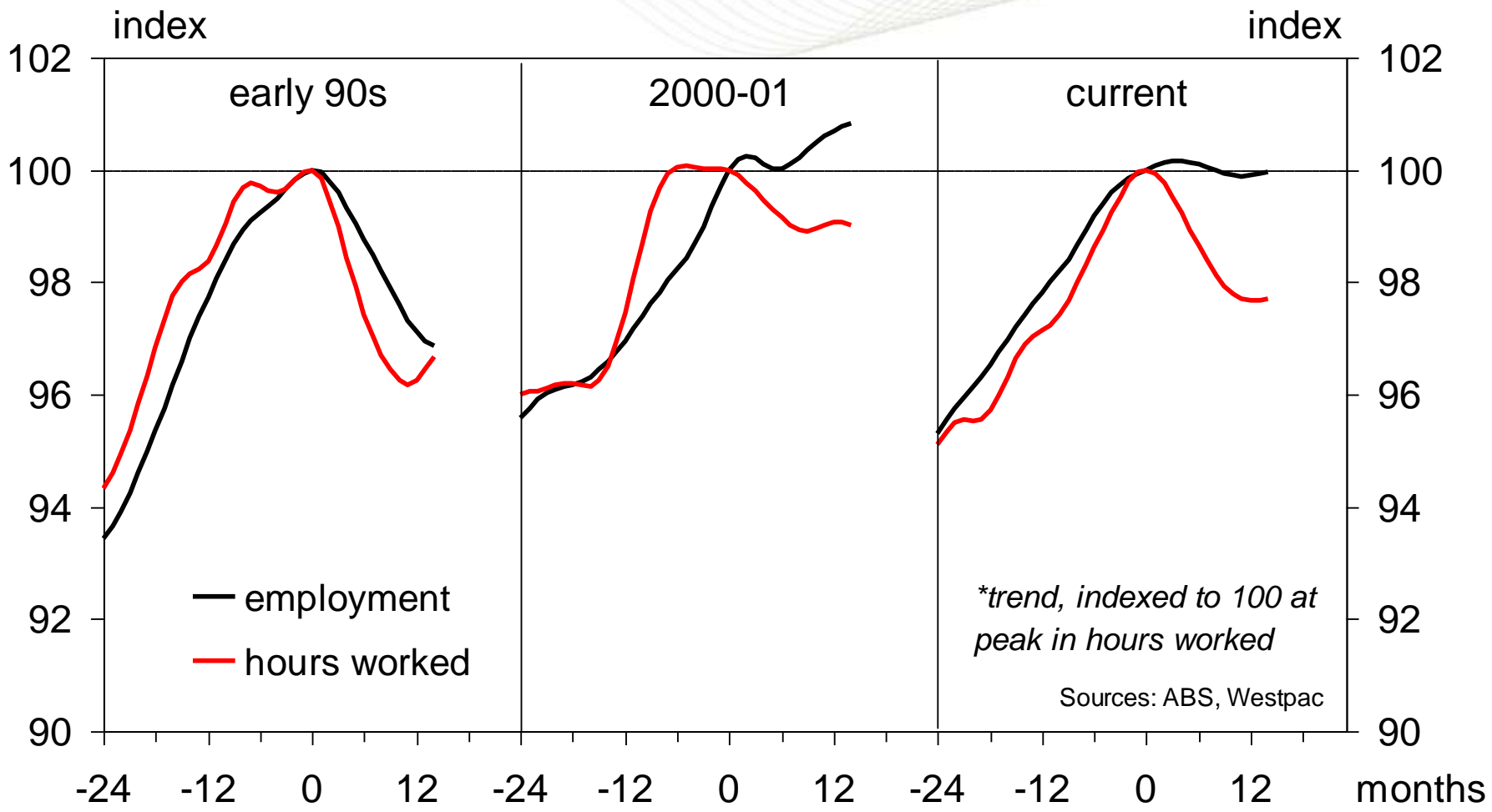
House price growth



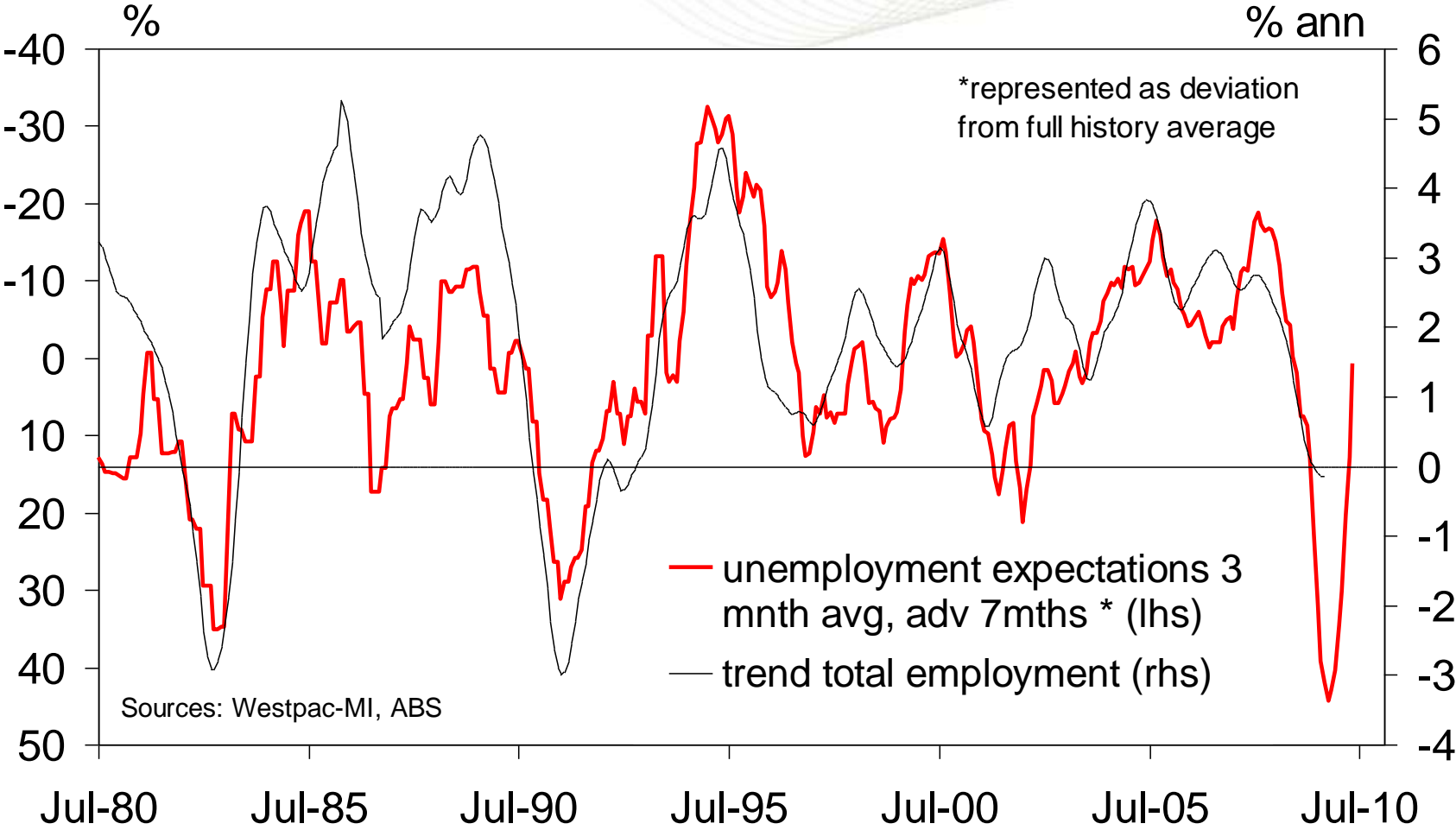
House price expectations by age group



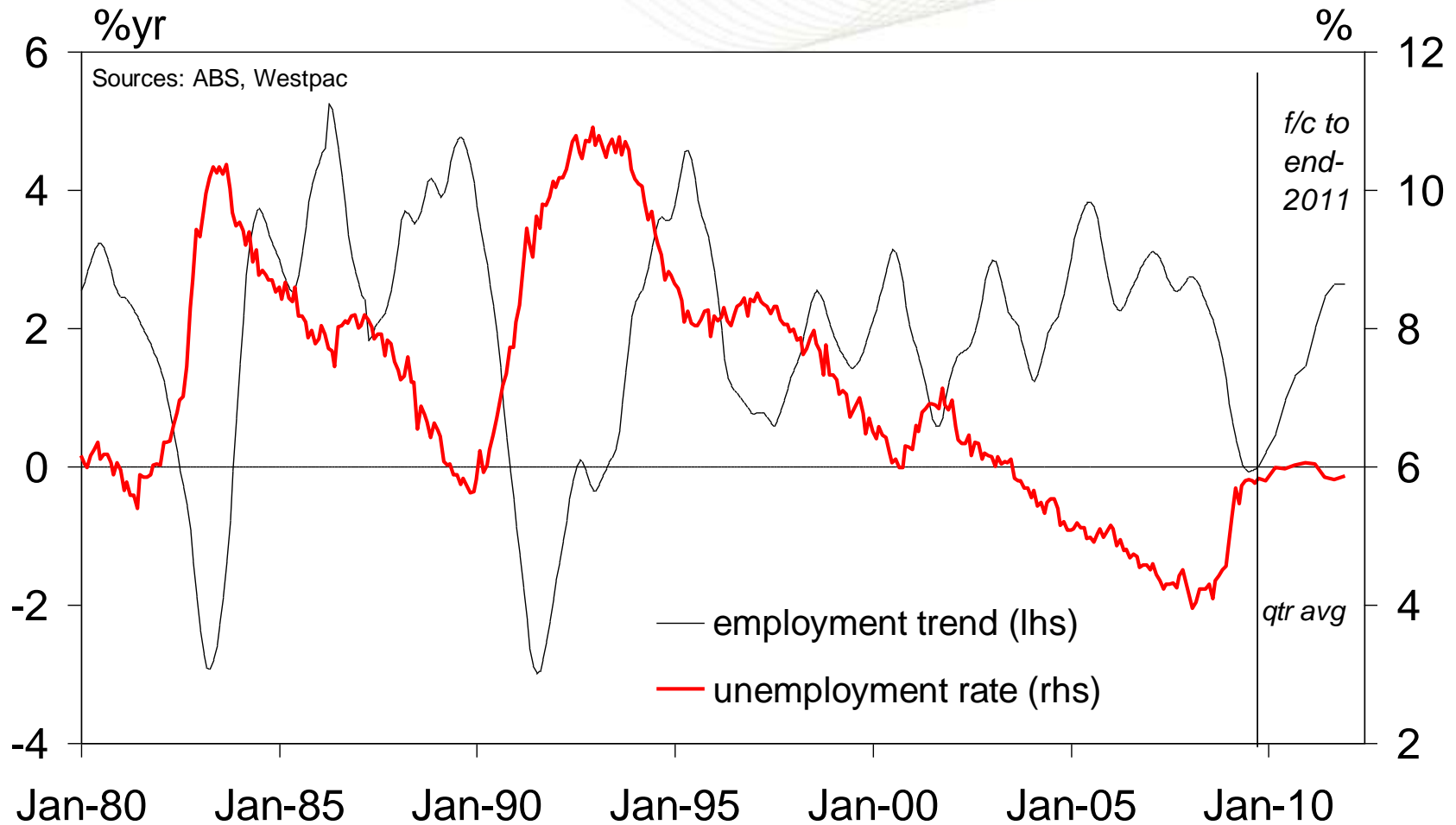
Labour hoarding: Australia



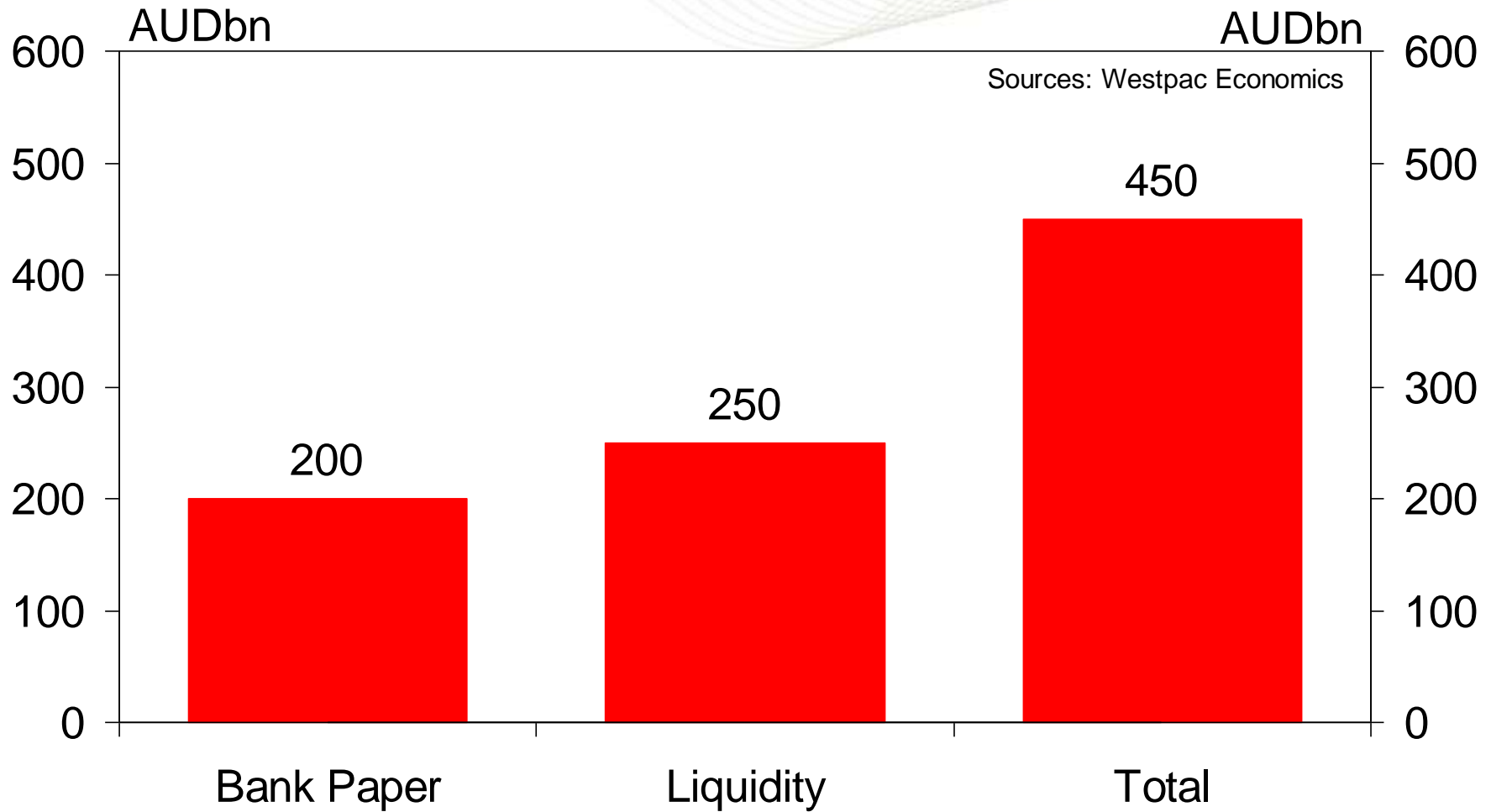
Westpac-MI unemployment expectations



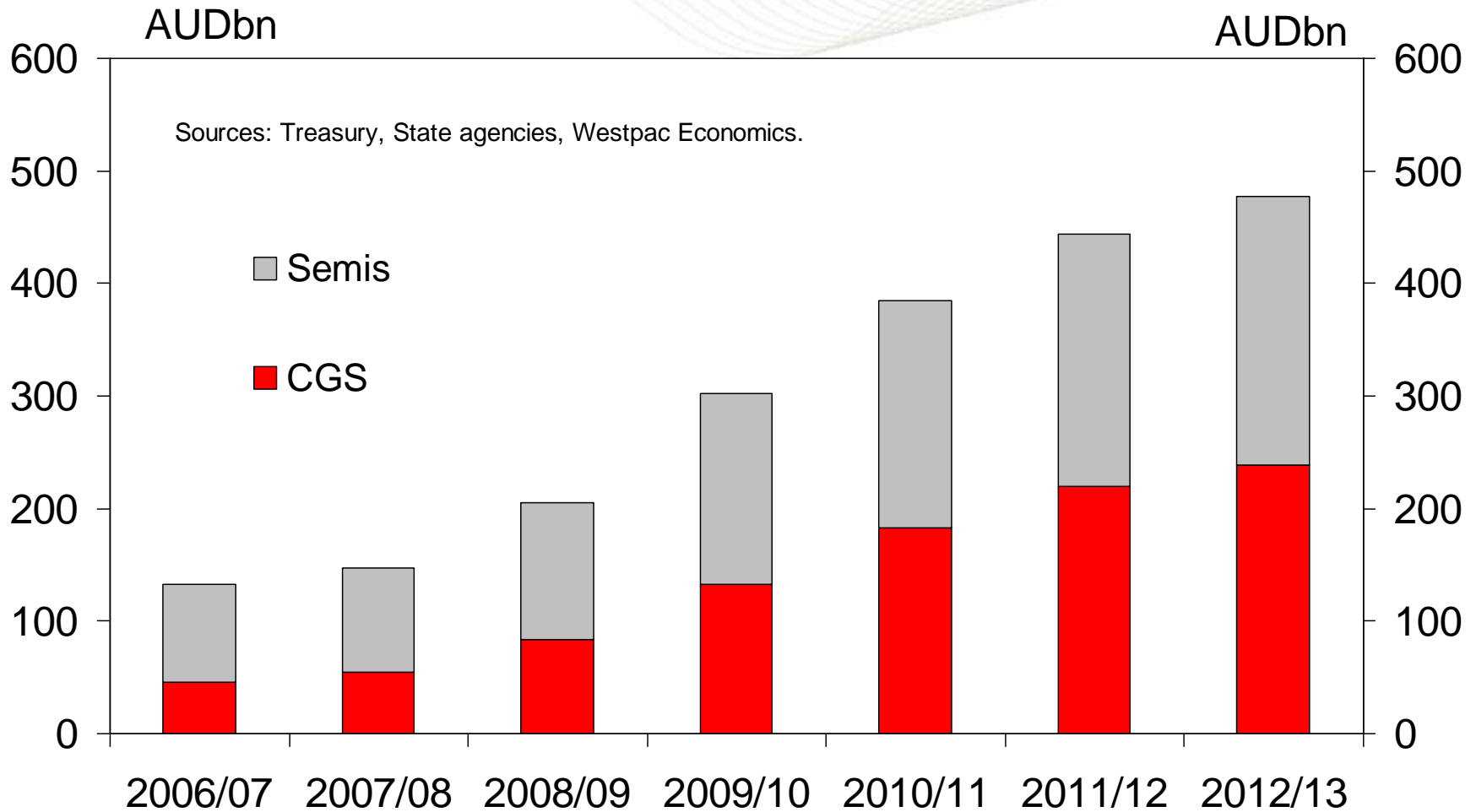
Employment growth & unemploy't rate



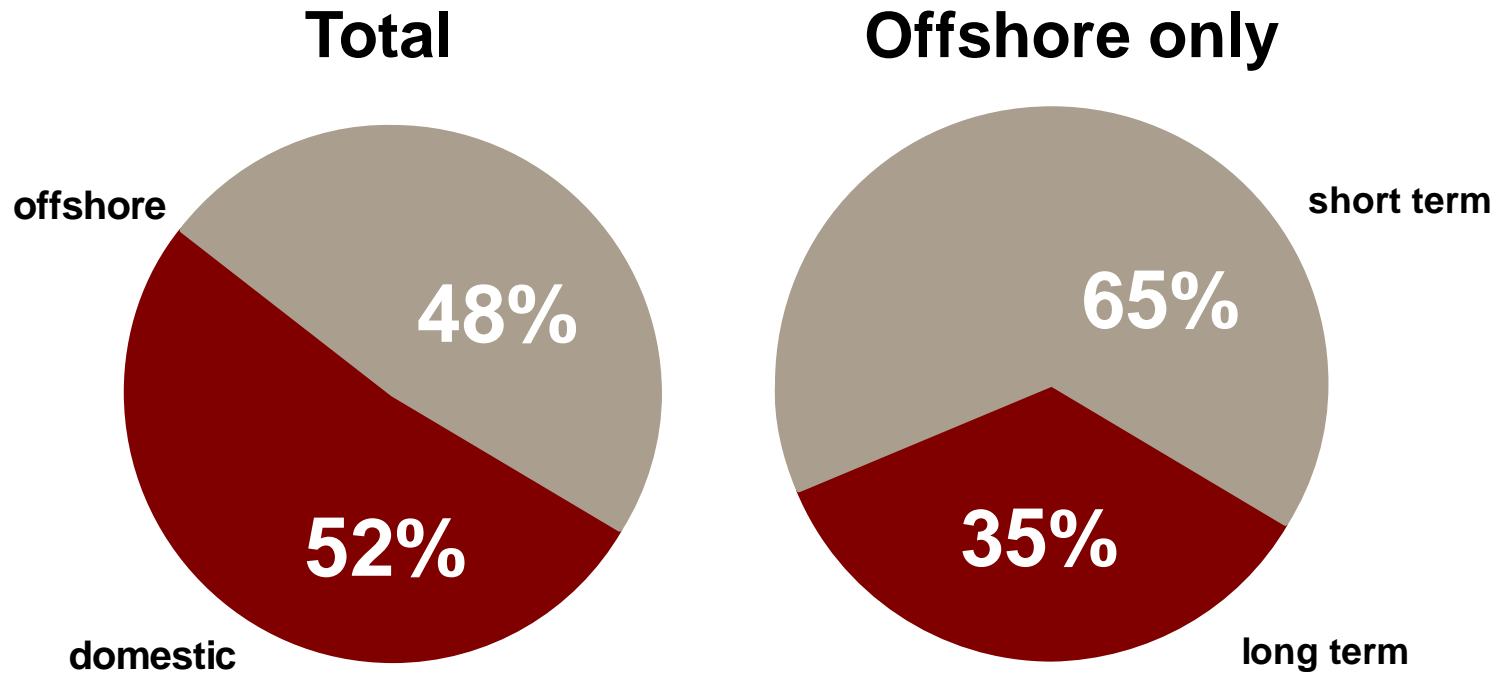
Increase in bonds for banks under APS210



Total government sector bonds on issue

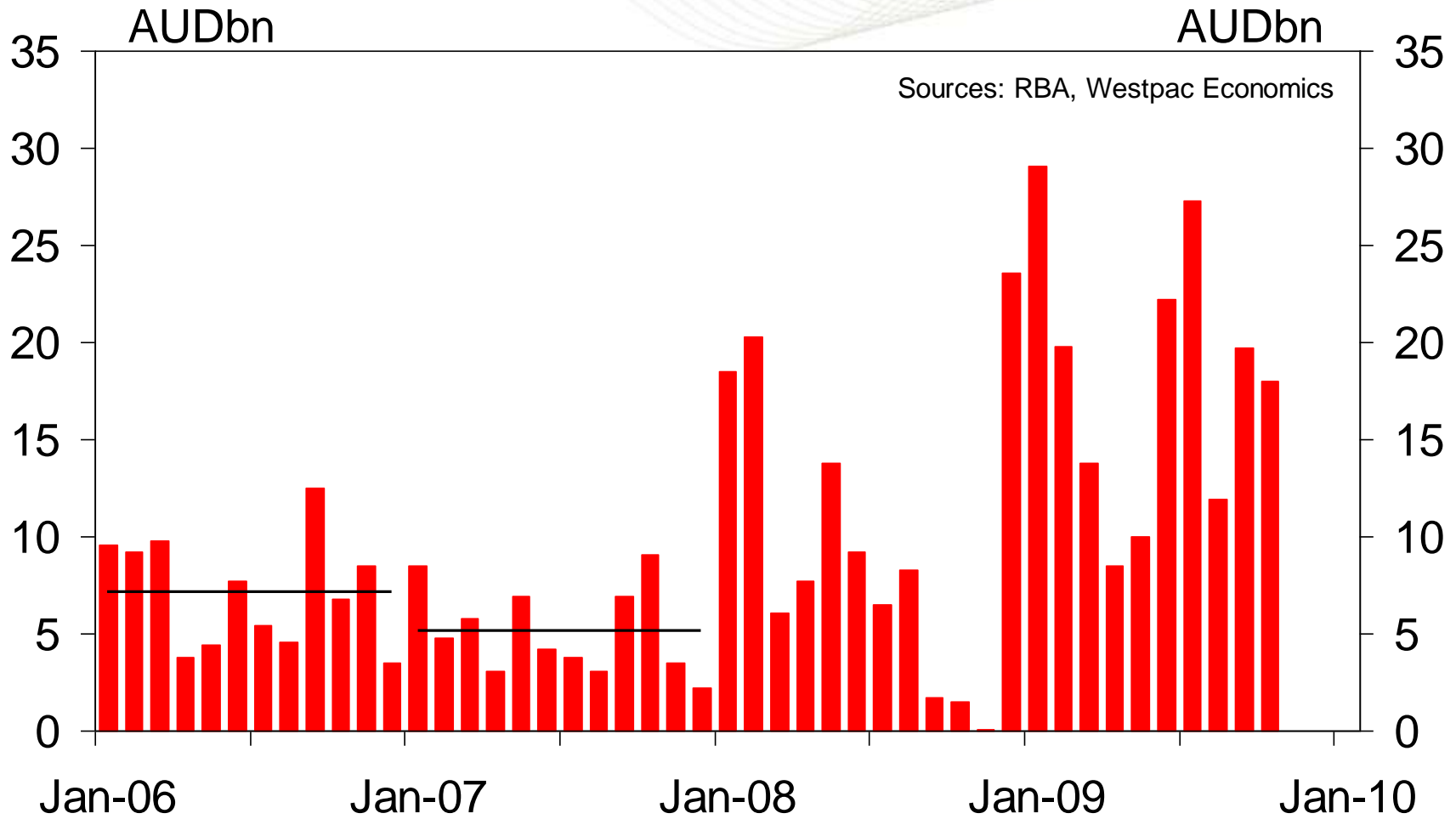


Typical bank funding sources

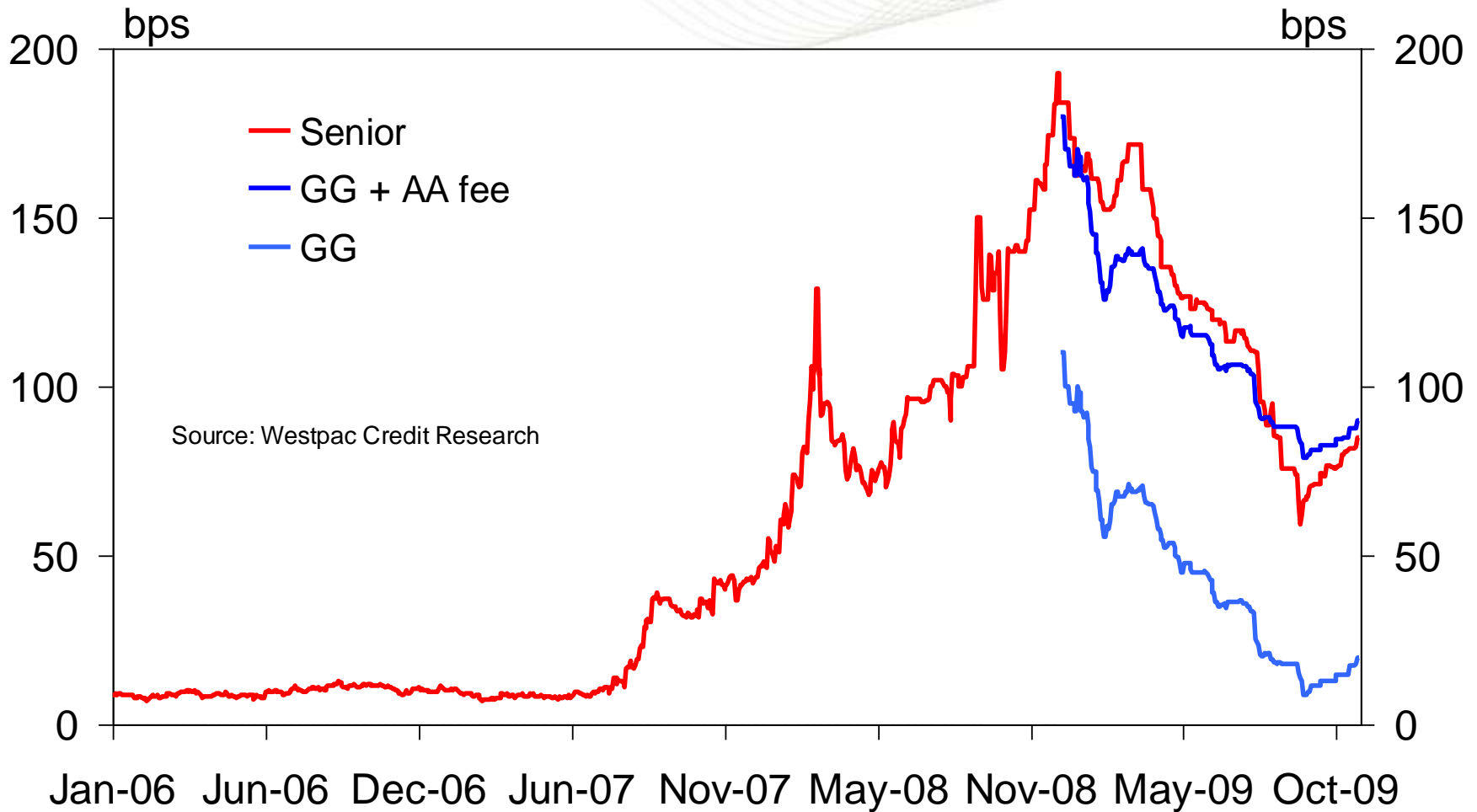


Source: Westpac Economics

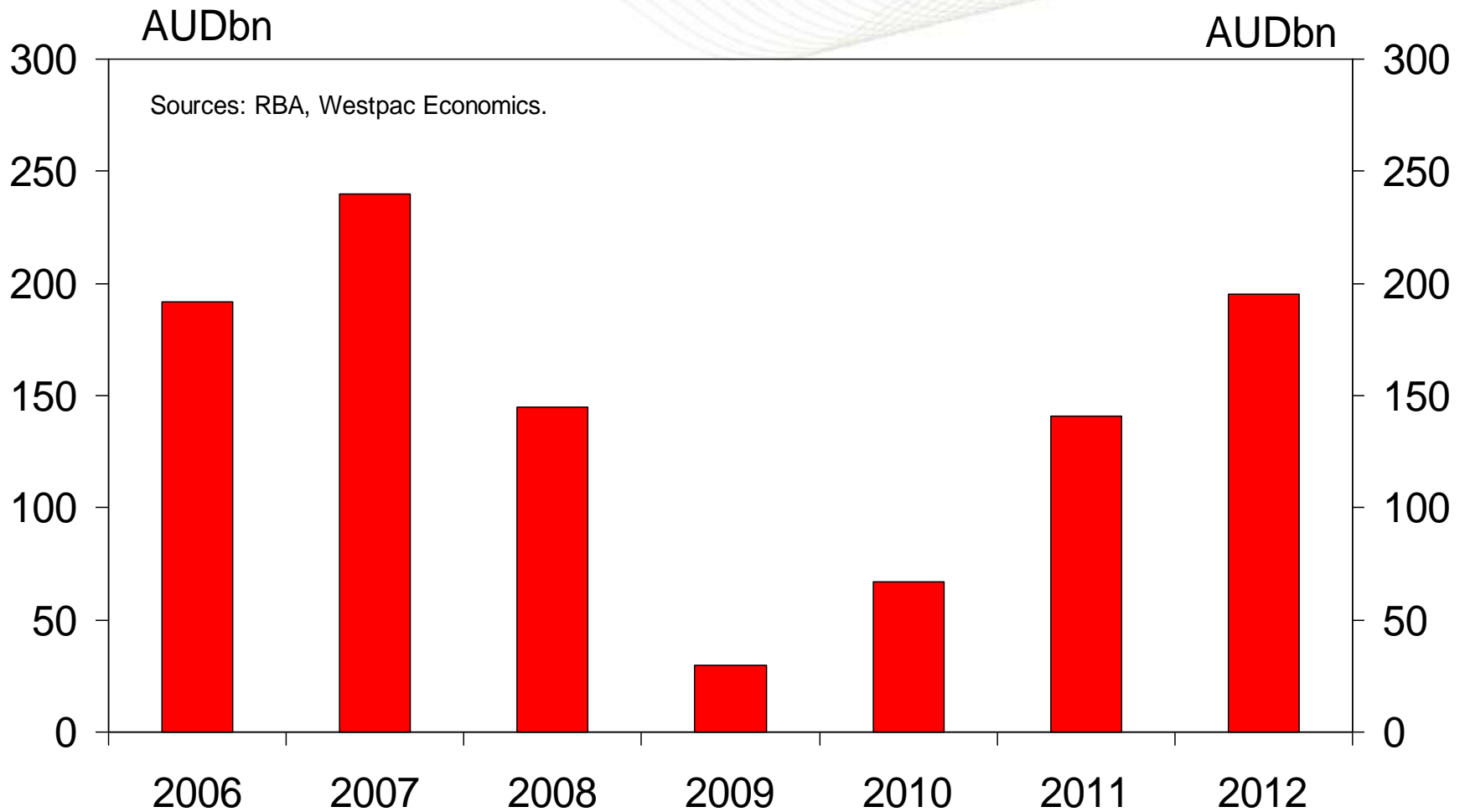
Australian banks' issuance – near limits



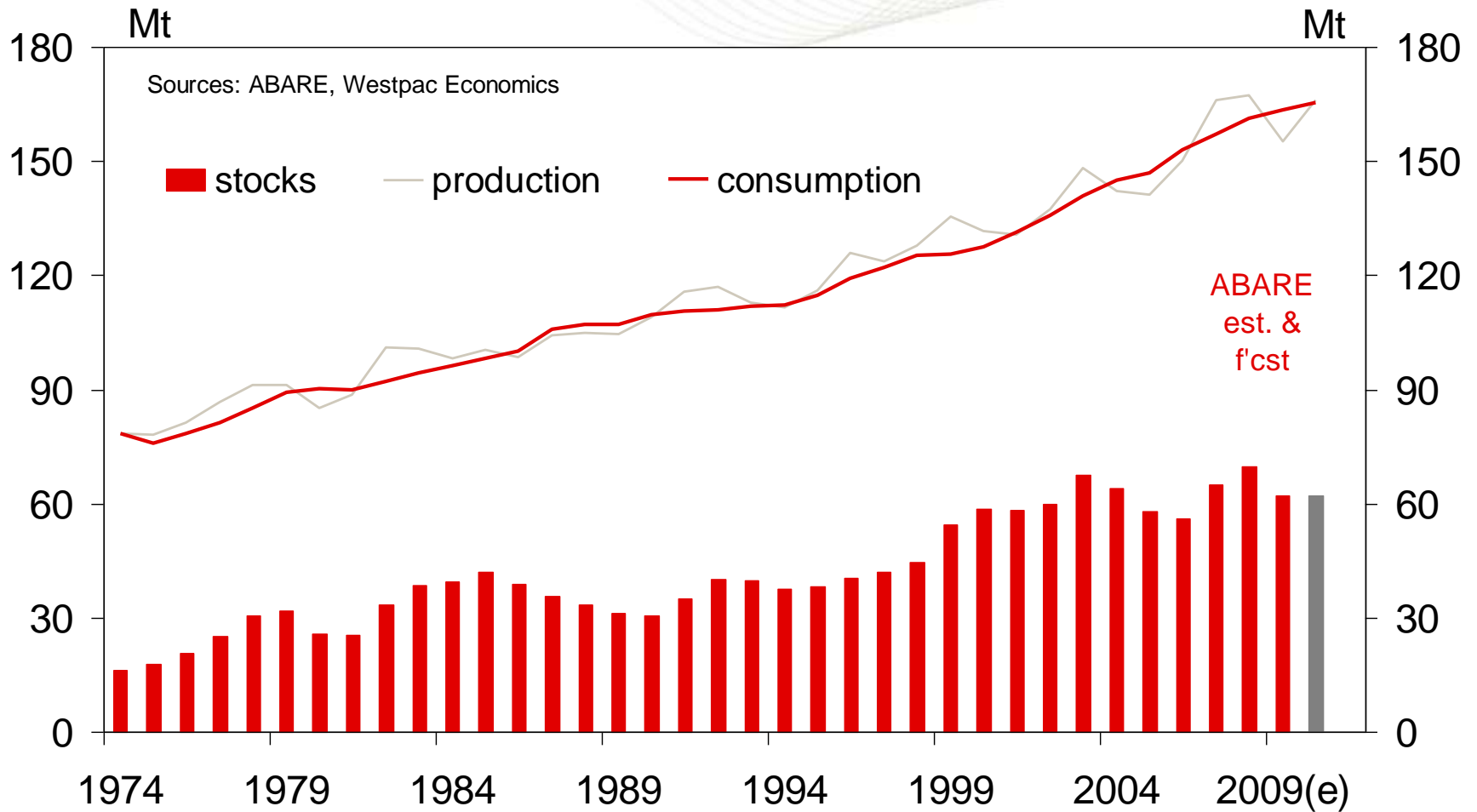
Big four term funding - 2½ to 5 year ave



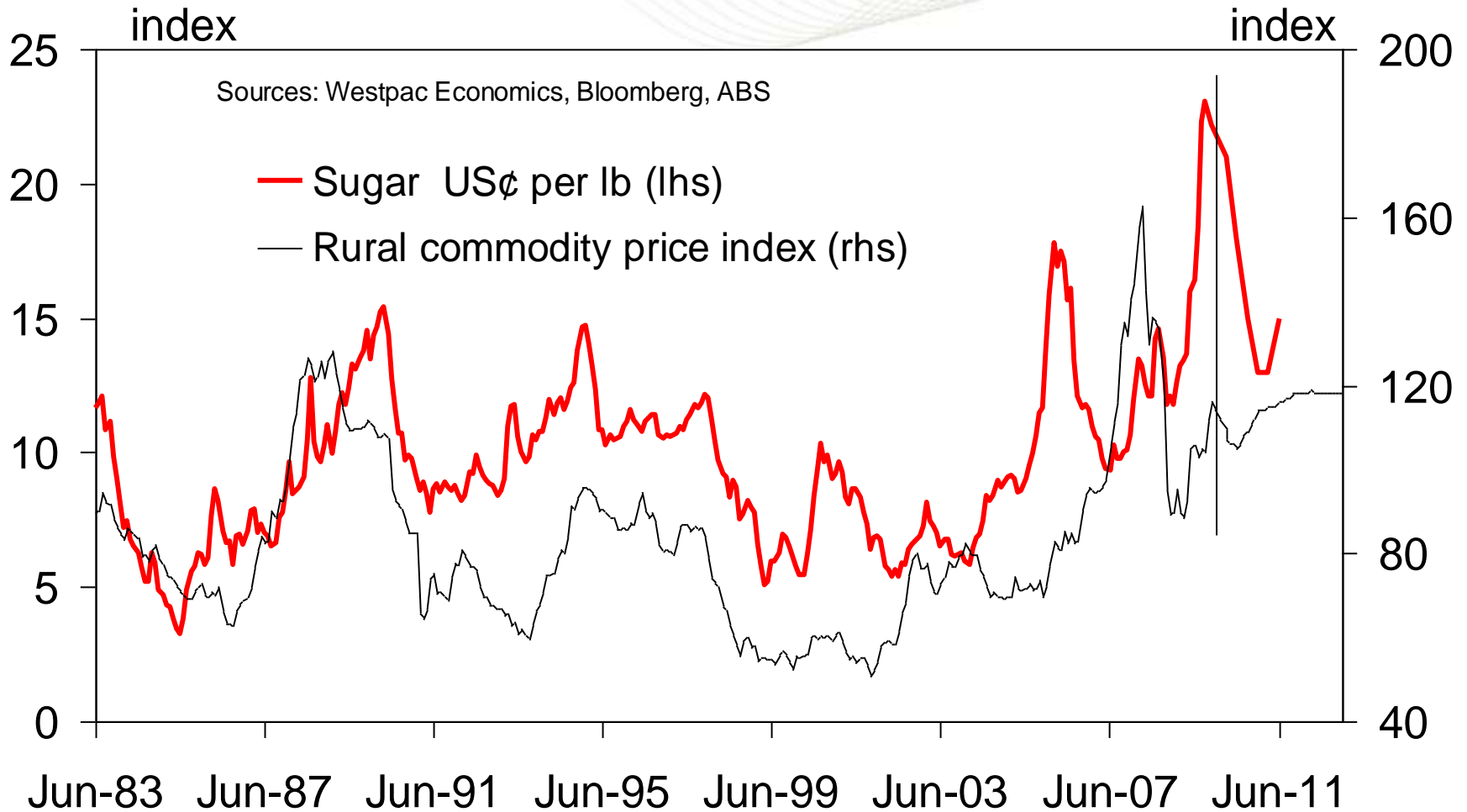
Change in total credit outstanding



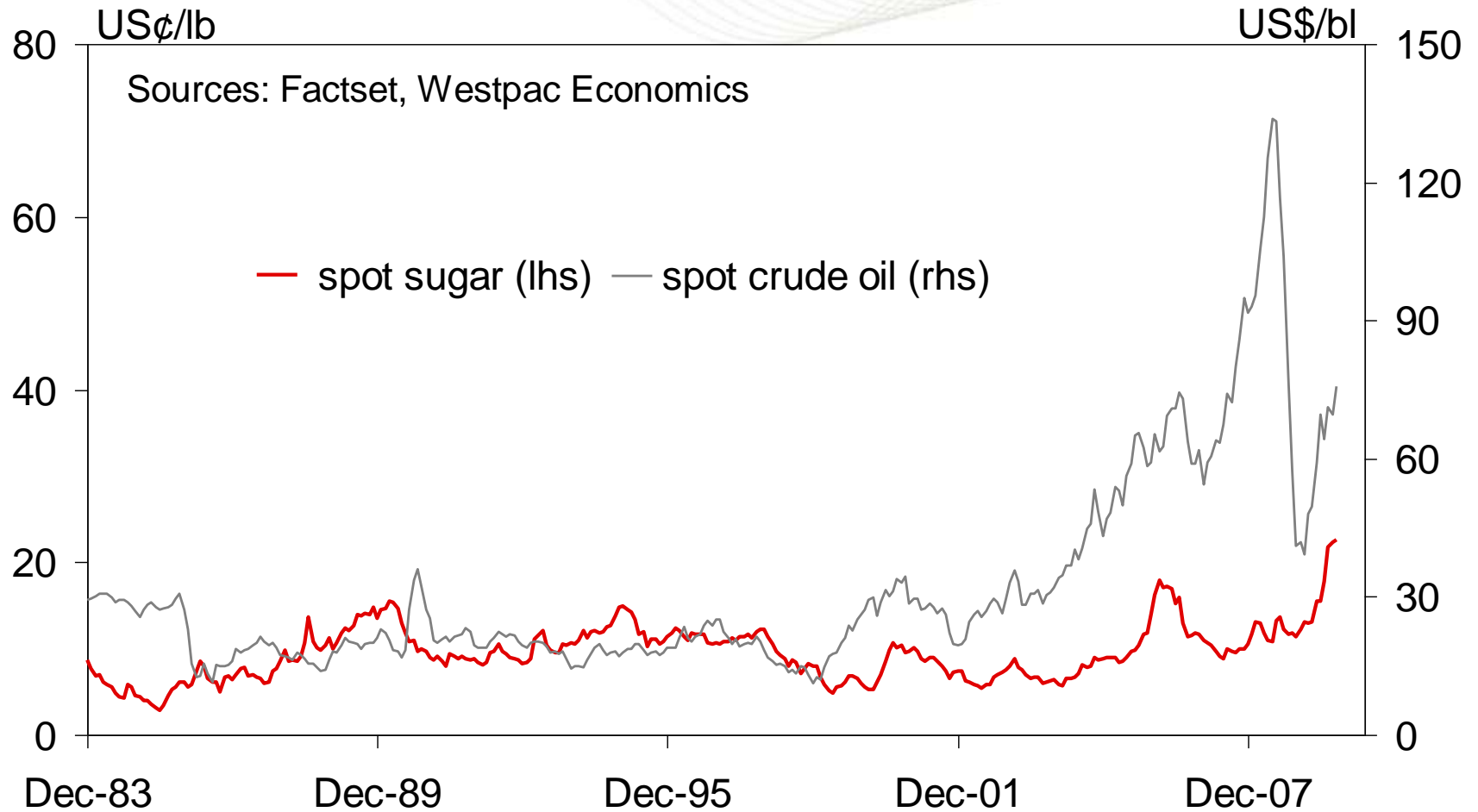
Global sugar market tightens



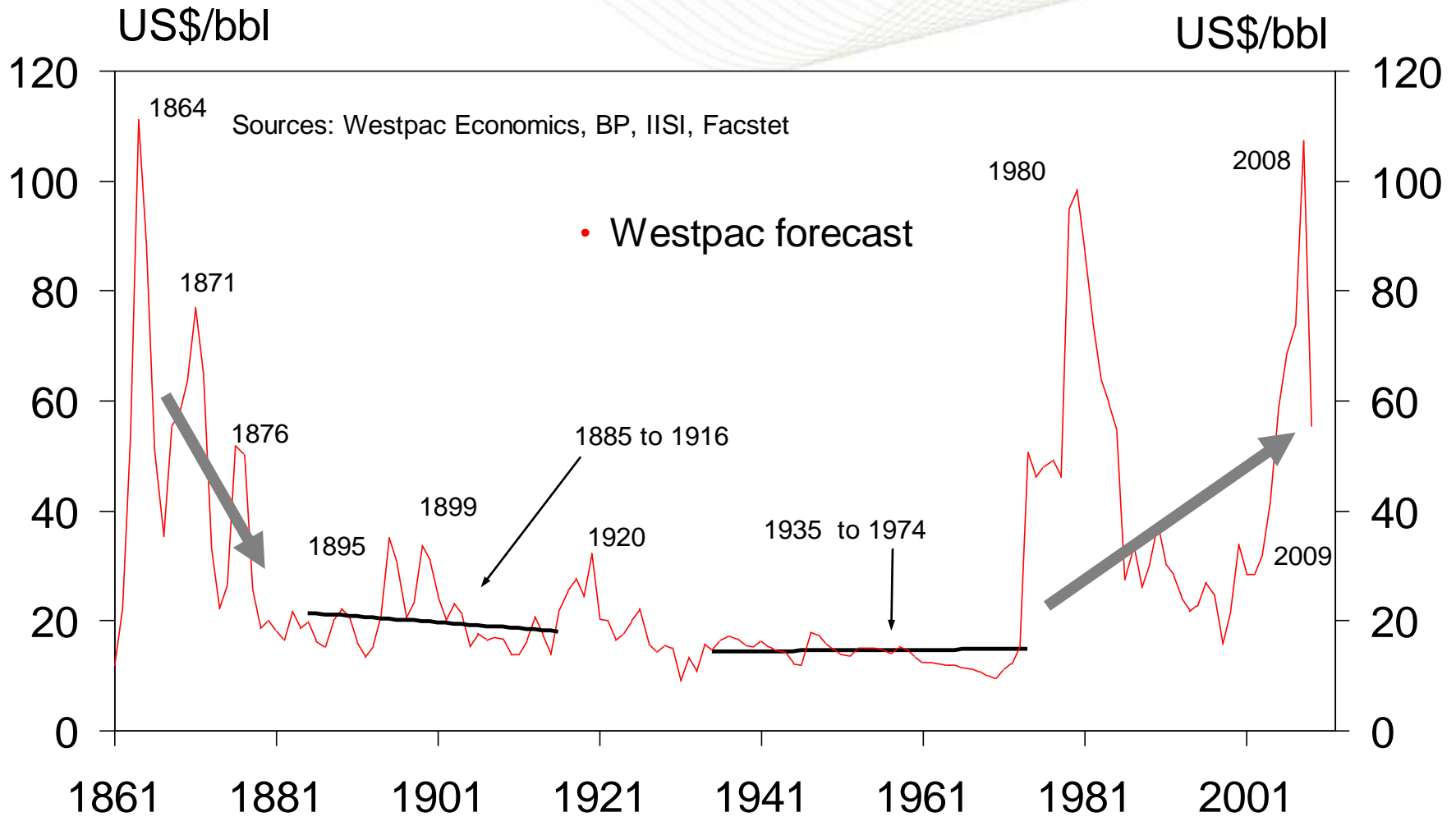
Commodity price forecasts



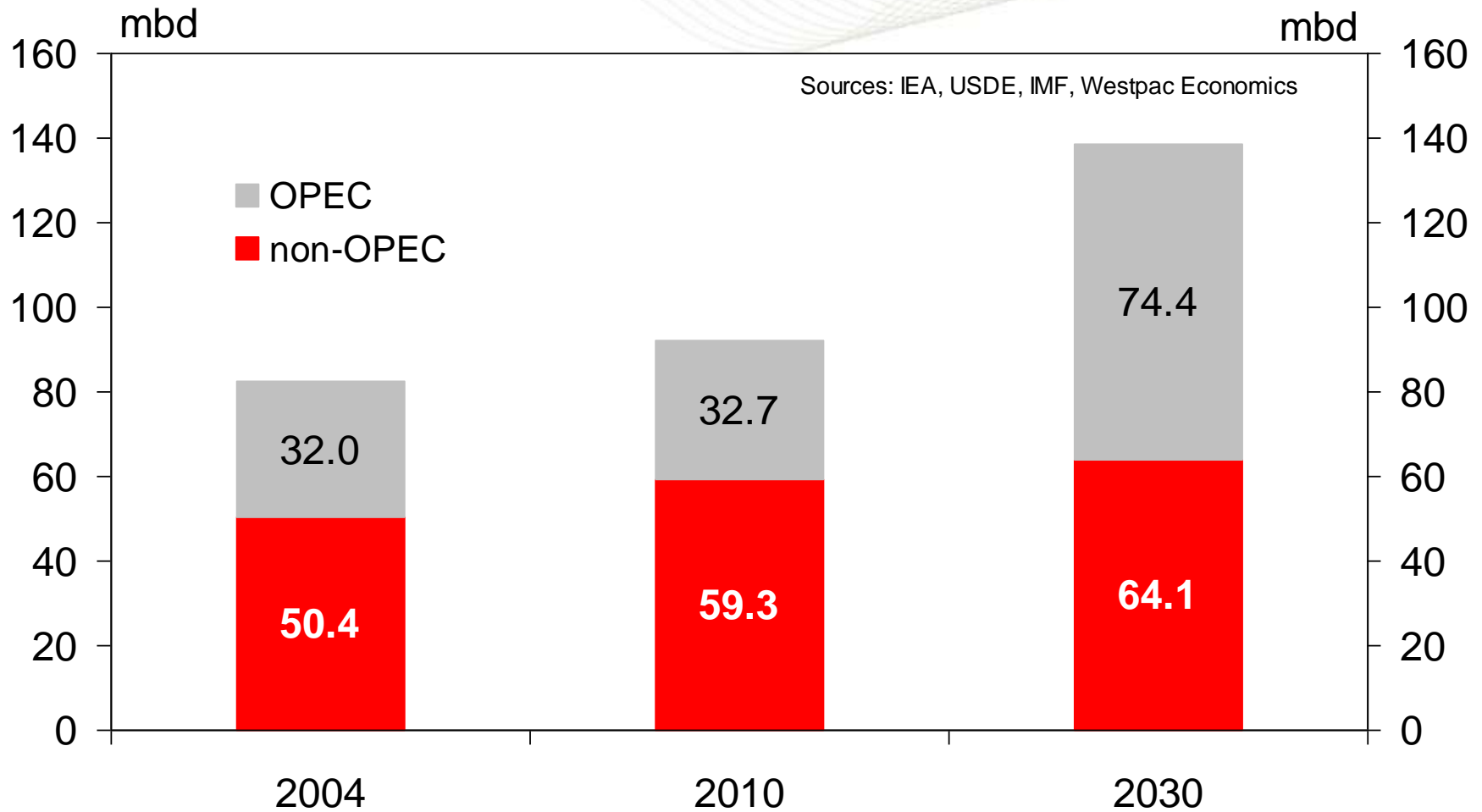
Sugar prices jump



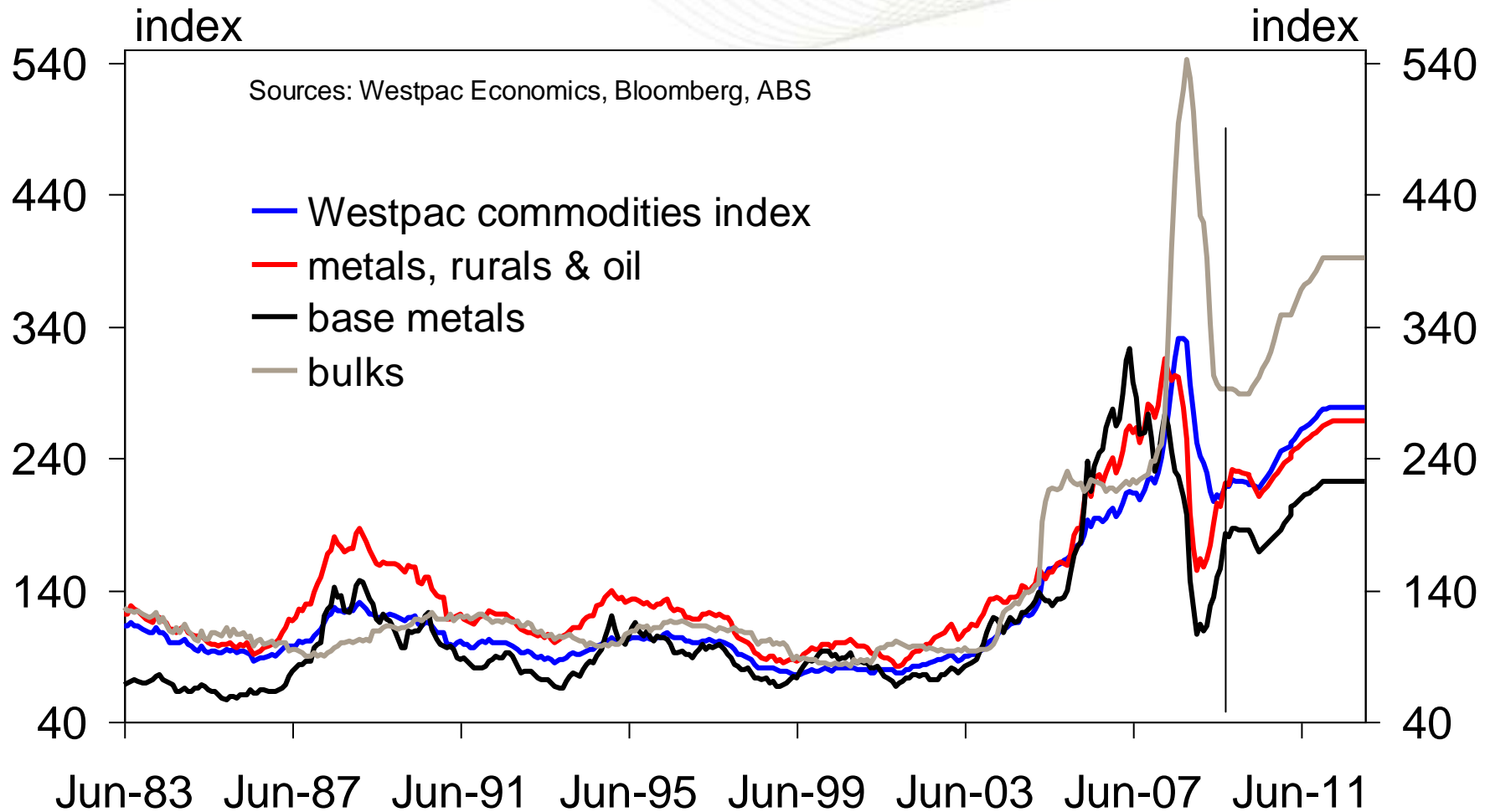
Real oil price in 2008 dollars



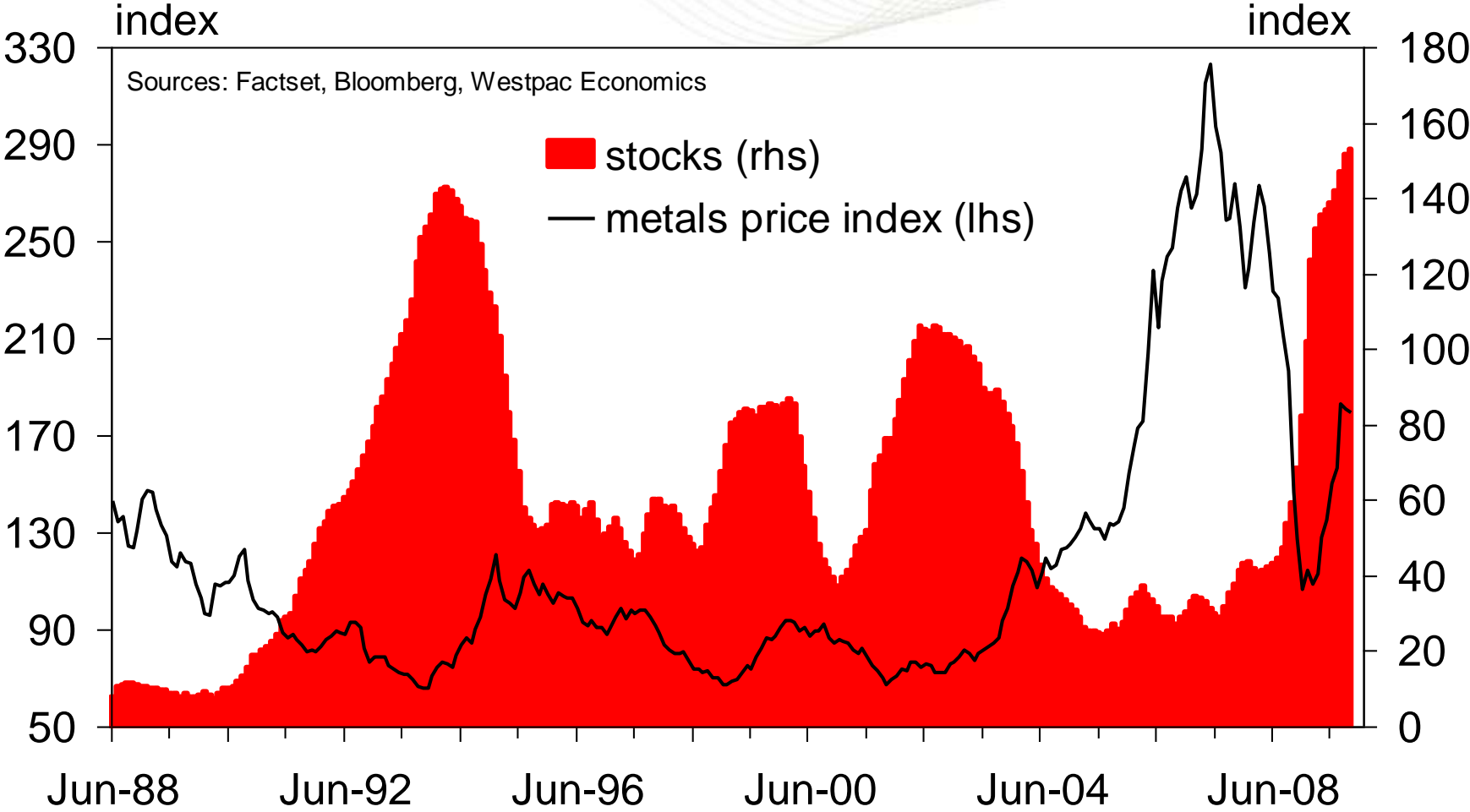
OPEC share of world capacity to rise



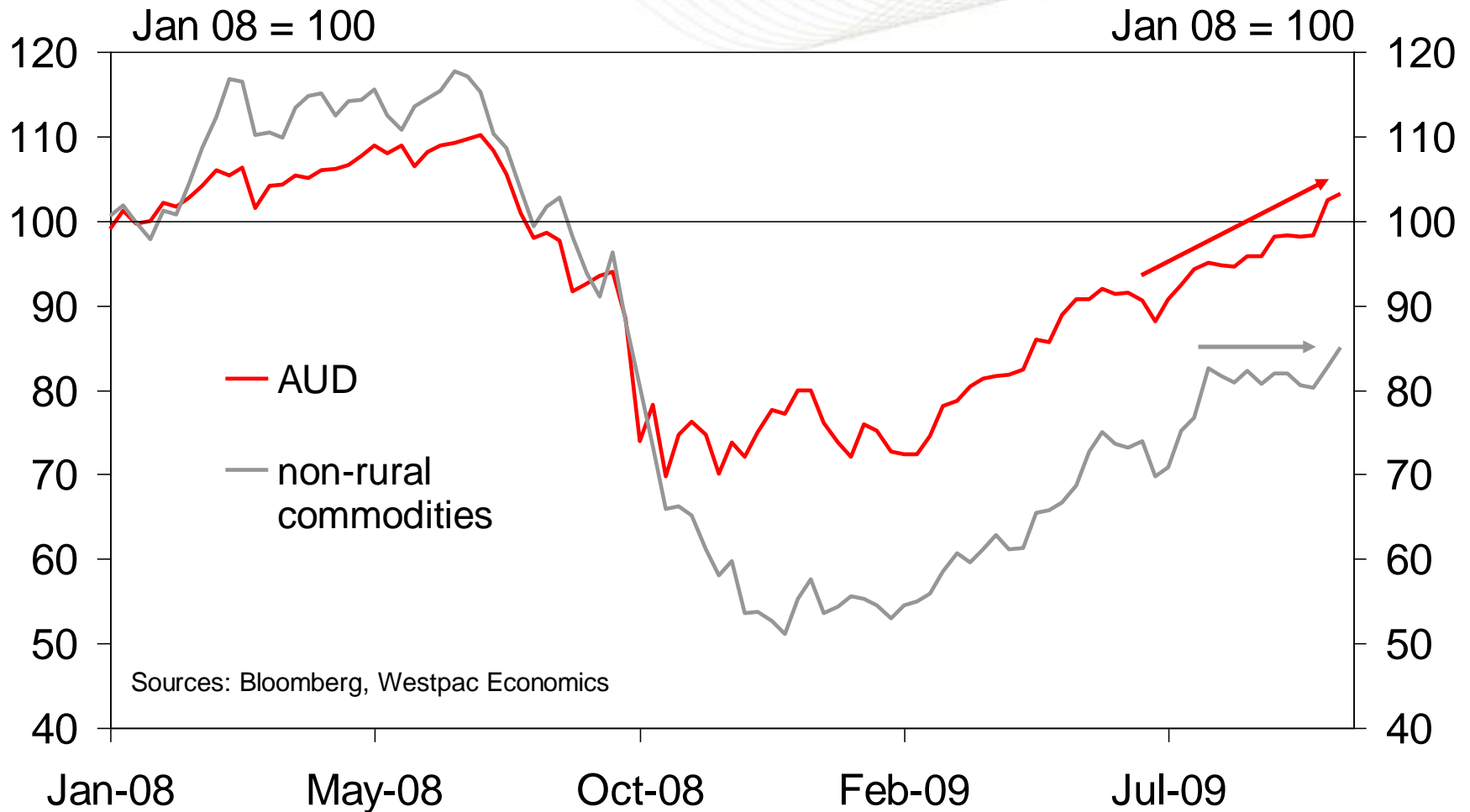
Commodities stabilise then upswing



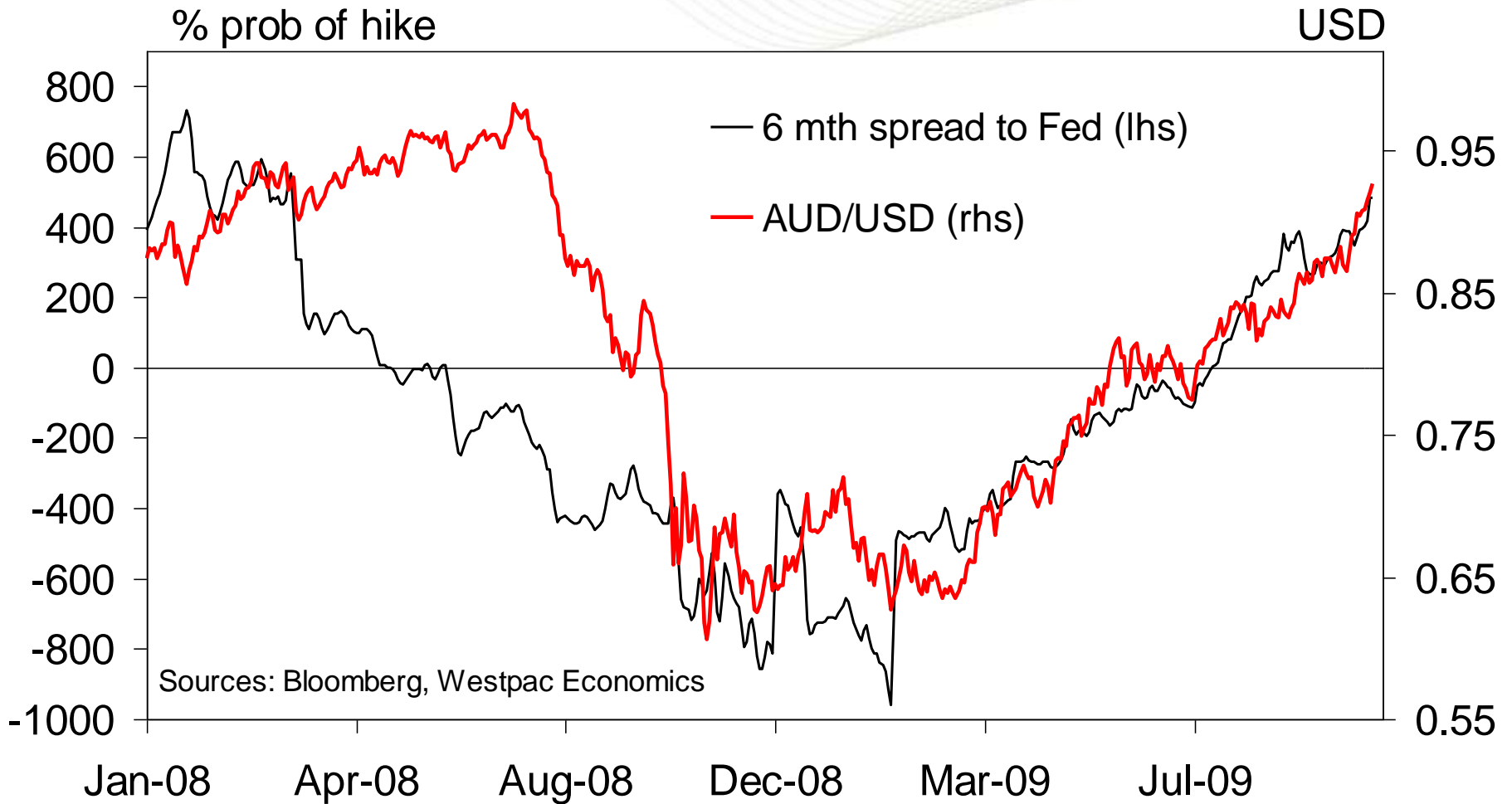
Westpac LME metals inventories index



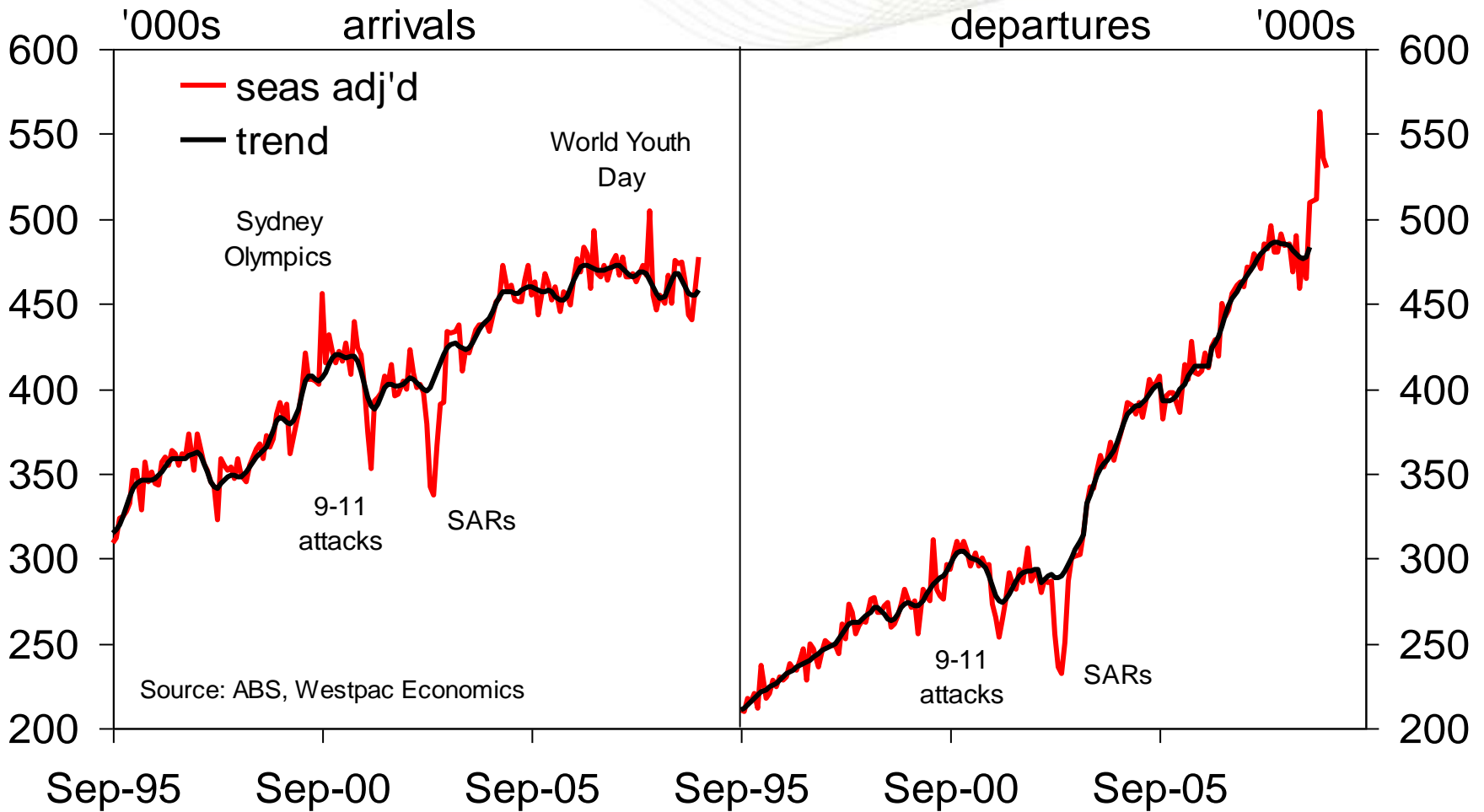
Commodities flat: AUD continues to surge



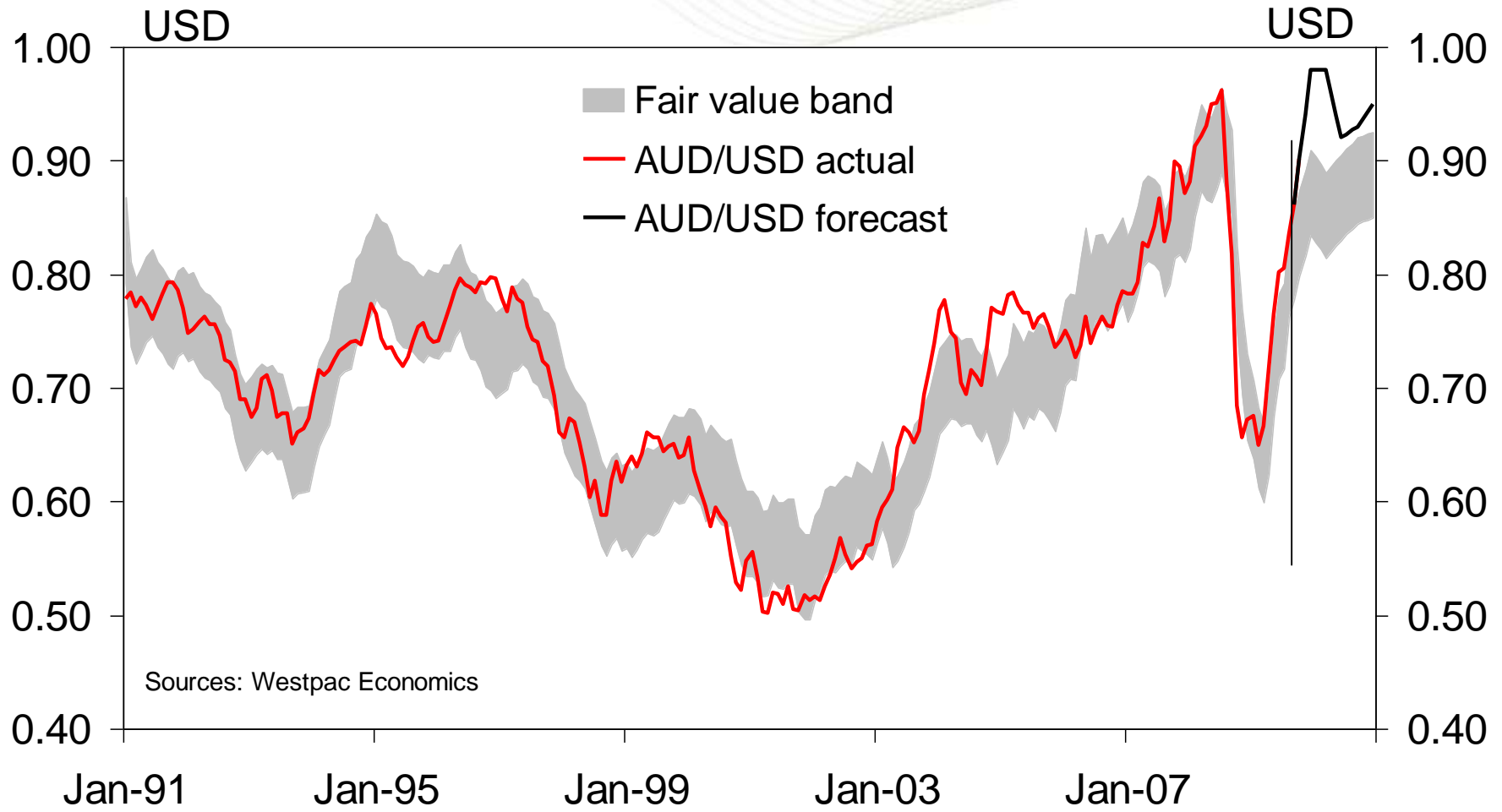
Interest rate spread drives AUD



Short term arrivals and departures



Aussie dollar- can overshoot fair value



Sources: Westpac Economics

Key Points

- Global recovery in 2010 will be dominated by the developing world.
- Balance sheet concerns; unemployment fears and the shortage of credit will constrain the US consumer (70% of economy) risking double dip in 2010.
- Australia will grow by 4% in 2010 supported by the consumer and housing; mining and equipment investment will be resilient.
- Consumer spending and housing investment will be solid although constrained by uncertainty about employment; rates and US.
- Building approvals are running well short of construction due to shortage of multi units and investors. Supply constraints remain but demand should recover as investors sense rising prices.
- Global sugar prices have boomed – strong supply response is likely to see a large pullback.
- Surge in AUD is promoting record tourism departures.
- RBA rate hikes will run well short of market expectations due to sensitivity of economy to cash rates above 4.5%.
- AUD could reach US96¢ in 2009/early 2010 but encounter headwinds when US growth disappoints markets in 2010.

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