Business Planning Forecasts

11 September 2006

FORECASTS: SEPTEMBER QUARTER 2006

Introduction

This bulletin is designed to help plan your business. It brings together forecasts of important indicators to help you prepare budgets and business plans.

The forecasts are drawn from two main sources. The New Zealand information is based on a survey of the five main trading banks (ANZ, ASB, BNZ, National, and Westpac). The Australian information is based on consensus forecasts put together by the UK based magazine "The Economist". Sources of other information are as shown.

We stress that the information in this publication is by its nature uncertain. Your firm is unique, and you will need to make your own decisions. However, we believe the better informed you are about the way various business people see the future, the better decisions you can make.

Where appropriate we have not only included the average value across all forecasters, but also the highest and the lowest forecast. This gives some idea of the spread of forecasts, and therefore an idea of the uncertainty involved.

Business New Zealand
September 2006

Executive Summary – Economy Plodding Along

The economy is currently in a holding pattern with some economic indicators extremely positive while others are looking a bit sick. If the economy were a patient we would have to say that it has a case of schizophrenia.

To elaborate, recent trade figures give cause for optimism with strong export growth on the back of a lower NZ dollar and reasonably high international commodity prices.

On the downside, a number of potential risks are evident both at the international and domestic level. On the international scene, the future direction of world oil prices will be keenly followed, while the effective collapse in world trade talks is a strong negative for NZ. At the domestic level, moves by Government to signal greater intervention in a number of markets will likely cause businesses to take a wait and see approach to major new investments.

Part 1: The New Zealand Economy

1.1. Economic Growth (GDP) – Steady as she goes

Most recent outcome: 2.2% for the year-ended March 2006.

Gross Domestic Product (GDP) is a measure of total economic activity for a country over a given period. Over the past six years GDP growth has averaged 3.6% per annum, which indicates a strongly performing economy and higher growth rates than many other countries New Zealand compares itself with. However, recent data shows that annual rates of growth are likely to stabilise at around 1.5% for the next couple of years before turning up again.

Economic activity increased 0.7% in the March 2006 quarter, following a decrease of 0.1% in the December 2005 quarter. Growth for the quarter was largely driven by the services sector, up 0.9%.

The economy has recovered from the short lull in the second half of 2005 and projections are for increased growth for the remainder of this year and into the next. Both quantitative and qualitative data (business opinion surveys) would show that the economy is still reasonably buoyant as evidenced by output in a number of sectors, e.g. construction and the services sectors in particular. Manufacturing is also holding its own.

Forecasts: Real GDP % Growth

	Years Ending		
	Sep 06	*Sep 07*	*Sep 08*

Highest	1.8	2.1	3.1
Average	1.7	1.6	2.6
Lowest	1.6	1.2	2.1

Source: ANZ, ASB, BNZ, National, and Westpac

Key factors to influence GDP over the next two years will include:

Interest rates – To remain high over the short-term

New Zealand's Official Cash Rate (OCR) continues to rule the world, although other countries are snapping at our heels, including both Australia and the United States.

Since the last quarterly forecast the Reserve Bank has continued with its no change policy with the OCR remaining at 7.25%.

The Reserve Bank has quite rightly decided to look through current inflationary pressures (which are largely beyond New Zealand's control) and focus on the longer-term outlook. However, the Reserve Bank has clearly indicated that there will be no cuts in floating interest rates for a significant period while noting yet again that inflationary pressures are stronger than previously anticipated.

Interest rate rises are starting to bite as households' fixed term rates come up for renewal. Compared to a few months ago, the ability to lock into longer-term low rates has reduced and this, along with high fuel costs; has started to hit consumers in the pocket. Current changes in consumer behaviour illustrate the 'lag' effect of last year's Reserve Bank interest rate hikes.

The New Zealand Dollar – Up one day down the next?

Predicting the short-term direction of the NZ dollar is proving a futile exercise for most pundits.

The general consensus up until a month ago was that the NZ dollar would continue its decline against its major trading partners including Australia and the United States, while the respective strengthening of their economies and associated interest rates moves would encourage investors out of the NZ dollar and into other currencies.

A couple of factors have caused investors to take a wait and see approach rather than ditching the NZ dollar.

Firstly, the continued inflationary pressures in the NZ economy have significantly delayed any expectations that the Reserve Bank might drop interest rates in a hurry; hence investors are still willing to sink money into the New Zealand economy given the relative high real interest rate returns being achieved. Having said this, some investors appear oblivious to the fact that the NZ dollar could well fall thus seriously undermining real returns for investors. In this respect there would appear to be some naivety amongst some investors in the sense that they focus unduly on interest rates rather than ultimately expected returns taking into account wider issues such as the likely future direction of the NZ dollar.

Secondly, the NZ dollar appears to being propped up by some weaker expected GDP for Australia (GDP in Australia rose just 0.3% in the June quarter of 2006 – well below market forecasts of 0.7%) thus increasing the NZ cross rate.

Reduced inflationary concerns have also put a damper on future interest rate rises in the United States with softer output growth than previously anticipated.

All of the above are acting to give the NZ dollar a short-term artificial boost but expectations are for the NZ dollar to head southwards over the coming year. However, given current inflationary pressures, the Reserve Bank would probably be comfortable for the dollar to hang around to 62-64 cent mark on a Trade-Weighted Index (TWI) basis.

Net migration flows – showing signs of improvement

Over the past two to three years, large migration inflows have boosted domestic consumer spending, car sales and house building. Migration has also, to an extent, helped mitigate some of the pressures that have built up in the labour market.

The annual net migration gain peaked at +42,500 for the year ended June 2003 but fell as low as a +6,000 gain for the year ended October 2005 before improving to stand at +12,100 for the year ended July 2006. While arrivals of New Zealanders and non-New Zealanders have remained relatively stable over recent years, what has mainly halted the decline has been a drop in the number of departures from New Zealand, which had previously been steadily rising since the later half of 2003. Arrivals into New Zealand have remained relatively stable at around 80,000 per annum, with total departures at around 70,000. The key difference between New Zealand and Non-New Zealand arrivals and departures is that we are continuing to lose New Zealanders at a greater rate, with a net loss of 23,300 for the year ended July 2006.

Continuing positive net migration figures will help hold up the property market, as people arriving in the country obviously need somewhere to live. Although one could argue that the property boom of 2000-2003 is over where capital gains in some areas were nothing short of spectacular, latest figures show the trend is still positive, although at a much more leisurely pace.

Issues surrounding homeownership and rental returns should give would-be investors some consideration to rethink before investing too much into an already overheated market.

Indications are that home ownership is declining further as first home buyers find it increasingly difficult to get on the first rung of the housing ladder. Rents, in general, currently do not reflect reasonable economic returns on capital invested suggesting either that investors are continuing to expect capital gains on housing will continue or that rents will move up to more “acceptable” levels.

Over the year to June 2006 house prices were up by just over 12% while rents were up just 2.6%. Over the last 5 years the contrast has been just as stark. While house prices have close to doubled over the last 5 years (up 93%) rents have risen just 13.5%. In real (inflation-adjusted) terms, rents have fallen slightly over the last five years.

Commodity prices – Still riding high

The ANZ Commodity Price Index in world price terms has stabilised over the last four months but is slightly down on a year ago, following a record high posted 15 months ago. In New Zealand dollar terms the index slipped slightly in August (1.8%) reflecting the recent firming in the value of the NZ dollar. Despite the latest drop, NZ dollar priced exports are 10% higher than they were a year ago – reflecting the significant drop in the NZ dollar over the first quarter of this year. Despite the recent firming in the NZ dollar, a further significant weakening in the NZ dollar is expected over the next year which will provide a buffer for the possibility of slower world growth and hence any reduced demand for our exports.

	World Price Index	Monthly % Change	Annual % Change	NZ$ Index	Monthly % Change	Annual % Change
Aug 2001	125.4	0.2	7.0	148.1	-4.3	9.7
Aug 2002	112.4	0.1	-10.3	124.9	3.4	-15.6
Aug 2003	121.2	1.0	7.8	108.9	1.3	-12.8
Aug 2004	150.7	0.9	24.3	123.3	-0.3	13.2
Aug 2005	153.9	-0.9	2.1	118.0	-2.7	-4.3
Aug 2006	152.9	0.4	-0.6	130.3	-1.8	10.4

Source: ANZ Commodity Price Index NZ – 5 September 2006

Business confidence – Down but not out

Business confidence influences the propensity for businesses to invest in capital and employ staff, so is an important determinant for future economic growth. Businesses were somewhat pessimistic late last year and this pessimism has continued over the first two quarters of this year.

The June 2006 NZIER Quarterly Survey of Business Opinion (QSBO) reported that although businesses are still more negative than positive (a net 40% of firms expect deterioration compared to 41% in March 2006), the outlook for their own firms is generally positive.

A worrying factor for business and also the Reserve Bank is the continued concern from businesses over cost increases with a net 36% of firms intend increasing prices over the next 3-months, up significantly on the net 26% recorded in the March 2006 survey.

While a net 26% of respondents expect interest rates to fall over the next 12 months – this is not a guaranteed outcome.

Like the QSBO, the National Bank Business Confidence Index shows that businesses remain relatively negative about future business conditions, but the index shows general stability in confidence levels over the last 5 months. During August a net 34% of respondents expected business conditions to deteriorate over the coming year – similar levels to those of the previous 4 months but a significant improvement from a net 51% anticipating a decline in March.

Perhaps interestingly, firms own activity expectations – which is a key indicator of future economic growth – has fallen to +6, the lowest level in five months. Levels below +10 typically indicate very weak growth. A common theme coming through is persistent inflation and lower growth that will impact adversely on profit margins.

While there are some positive's in more recent data such as reduced fuel prices of late, inflation expectations now appear to be embedded in both firms and their employees expectations. This is fuelling relatively high wage demands by recent standards – helped along by a still relatively buoyant labour market – although evidence is mixed on the strength of the labour market with many businesses reducing their employment expectations.

The Business NZ Performance of Manufacturing Index (Business NZ PMI) shows that activity is positive (53.9 in July, up 1.9 points from June) and the key factors in the index show expansion e.g. new orders and production. However, on the downside, employment prospects are down slightly, albeit close to the 'no change' threshold.

Consumer confidence – Slip sliding away

The Westpac McDermott Miller Consumer Confidence Index has continued to slide, being at its lowest level in six years. Although there continues to be more optimists than pessimists with the index sitting at 106, the trend indicates that expectations are for the economy to weaken both over the next 12 months and over a longer 5-year horizon.

Consumers' assessment of their own financial situation has continued to deteriorate as high petrol and interest rate costs start to bite. Indications are that consumers are cutting back on the frenzy of consumption spending experienced over the last few years with consumption spending likely to slow even further. A softening housing market will also likely restrict consumers from funding further consumption out of “paper” increases in housing values over the last few years.

Although one might interpret the latest figures as indicating dire straits ahead, this overstates the case somewhat. Consumer confidence is still positive, albeit significantly reduced from the dizzy heights achieved in 2004 and the first half of 2005.

1.2 Inflation – Still looking ugly

Most recent outcome: +4.0% year-ended June 2006

The rate of inflation, as measured by the Consumer Price Index (CPI), provides an indication of the extent to which price levels have increased and is indirectly a benchmark for wage demands. It is also the key reference point for monetary policy.

Inflation rose 1.5% in the June quarter, with the impact of transportation (driven by higher prices for petrol) and housing prices (higher prices for the purchase and construction of new dwellings) leading the way. Household operation prices also increased significantly over the quarter with electricity being the main contributor. Overall, the inflation rate stood at 4% for the June year, which is again well outside the 1-3% inflation target by the Reserve Bank.

The Reserve Bank is continuing to watch these figures with extreme scrutiny. Although the headline rate is still well above the upper threshold, the good news is that inflation would appear to have peaked although significant pressures still remain. Concerns remain over the potential for higher inflationary expectation to be built into the behaviour of businesses, consumers and individuals in respect to wage demands.

The big question is whether firms will respond to reduced profit margins by trying to pass on cost increases thereby raising inflation or by reducing output by cost-cutting and reduced employment. The particular path followed could well determine the path of inflation adjustment.

The net result of the above is that the Government’s coffers will start to fell the pinch next year and with continued strong projected growth in government expenditure, the government's operating surplus (while still significant at around $7 billion (4.5% of GDP)) will start to come under pressure.

Forecasts: % Change in Inflation (CPI)

	Years Ending		
	Sep 06	*Sep 07*	*Sep 08*
Highest	4.0	3.1	2.8

Average	3.9	3.0	2.1
Lowest	3.7	2.7	1.8

Source: ANZ, ASB, BNZ, National, and Westpac

1.3 Labour Costs – Wage pressures persist

Most recent outcome: +3.2% year-ended June 2006

Statistics NZ produces an index that measures movements in the total cost of employing labour, the Labour Cost Index (LCI). The LCI has fixed industry and occupation weights and measures changes in wages and salaries for a fixed quantity and quality of labour input. As such, the LCI is preferred by the Reserve Bank as a measure of labour costs.

Stronger demand for labour over recent years has caused skills shortages in a number of industries and regions, so pushing up average labour costs. Growth in the LCI has increased steadily since 1999, which reflects stronger employment growth and lower levels of unemployment. The latest wage inflation results continue to show the ongoing stretch in the labour market, with wage inflation at historic highs. Private sector salary and ordinary time wage rates increased 0.6% for the June 2006 quarter, taking the annual rate up to 2.9%.

Notwithstanding rises in the private sector, it is the public sector that is continuing to lead the way with wage and salary rises. The public sector recorded an average rise of 1% for the June quarter 2006 and 4.1% for the year to June 2006, the largest annual increase for the public sector since the LCI began in the December 1992 quarter. This latest increase was driven by rises in the education industry.

For the year to the June 2006 quarter, Education salary and wage rates (including overtime) rose 5.1%.

Forecasts: Labour Cost Index % Change

	Years Ending		
	Sep 06	*Sep 07*	*Sep 08*
Highest	3.1	3.0	2.5
Average	2.9	2.6	2.2
Lowest	2.6	2.0	1.8

Source: ANZ, ASB, BNZ, National, and Westpac

An alternative measure of labour costs is the Quarterly Employment Survey (QES). The QES tends to be much more volatile than the LCI, mainly because it reflects compositional changes in the labour force. The most recent QES release shows that average total hourly earnings for all sectors grew by 4.4% for the year-ended June 2006.

1.4 Employment – still humming but slowdown evident

Most recent outcome: +3.0% year-ended June 2006

Employment growth has been increasing on an annual basis since 1999. According to the Household Labour Force Survey, the number employed has grown by 63,000 in the year to June 2006, which represents an annual increase of 3.0%. Although a number of business opinions surveys show employment slowing, this was not evident in the latest June quarter 2006 result with employment increasing by 22,000 (1.0%). Perhaps of more interest was that the quarterly growth in employment was wholly due to a 1.5% rise in full-time employment – with part-time employment falling by 0.8%. Annually full-time employment grew by 3.6% while part-time employment grew less strongly, at 1.3%.

One generally expects a slow-down in full-time employment and greater moves towards part-time employment as good indicators of a slowing labour market. These signs are not yet reflected in official data but are likely to be so over coming months as businesses generally are taking a “holding” approach to both existing and new staff, which should see employment growth, taper off.

The unemployment rate now stands at 3.6%, down from 3.9% for the March quarter, which was lower than most market expectations. A slowing economy will tend to cause the rate to lift over time, although the current rate remains at historic lows.

Statistics New Zealand’s Quarterly Employment Survey (QES) also show continued demand for labour. Employment, as measured by full-time equivalent employees increased 4% for the year to June 2006, drive by growth in full-time employment. The data continue to show stronger annual growth in full-time employment than in part-time employment, following stronger part-time growth before 2001.

The ANZ Job Vacancy series show that the level of job advertising in New Zealand hit a new record high in the June 2006 quarter. Underpinning the rise has been a continued surge in Internet based advertising, which rose 9% in June. The impact of Internet advertising can be seen from the fact that when the ANZ began collating Internet job advertising in March 2000, there were just over 10,000 advertisements posted on the main NZ websites at the time. This figure is now only marginally behind the 79,900 adverts that were placed on the seven major daily newspapers over the June quarter.

The ANZ Job Vacancy Rate (which measures job advertising as a proportion of employment) moved up slowly to 9.4% in June 2006. In would suggest that business are still advertising strongly, to keep pace with what has been a very resilient labour market to date.

Forecasts: Unemployment % (HLFS)

	Years Ending		
	Sep 06	*Sep 07*	*Sep 08*
Highest	4.1	4.9	4.7

Average	3.8	4.6	4.5
Lowest	3.6	4.1	3.8

Source: ANZ, ASB, BNZ, National, and Westpac

1.5 Interest Rates (90-day bill rate) – stability is the name of the game

Most recent outcome: 7.5% as at 8 September 2006

In general, overdraft and mortgage interest rates move in line with the 90-day bill rate, which is in turn heavily influenced by the Reserve Bank's OCR (although they may be in variance if the markets price in future increases or decreases in the OCR).

The Reserve Bank remains concerned that strong inflationary pressures exist, with certain economic data showing the catalysts for further high levels of inflation have not subsided to the level they would want (wage inflation is a particular concern at the moment, along with the possible passing on of costs to consumers by businesses).

Predictions for the 90-day bill rate have largely been revised down for the medium-long term, with the short-term level largely unchanged. Although further increases in the OCR cannot be totally ruled out over the short-medium term, we reiterate that it would be somewhat surprising if they were raised given the general slowing of the economy now evident.

Forecasts: Interest Rates (90 day bills)

	As at End of		
	Sep 06	*Sep 07*	*Sep 08*
Highest	7.5	6.9	6.2
Average	7.5	6.6	5.8
Lowest	7.4	6.1	5.5

Source: ANZ, ASB, BNZ, National, and Westpac

1.6 Exchange Rates – rollercoaster ride continues

Most recent outcome: NZD = US$0.6470 as at 8 September 2006
NZD = AU$0.8511 as at 8 September 2006
TWI = 64.70 as at 8 September 2006

While the NZ$ has risen over the last few weeks, after the significant drop experienced over the first quarter of 2006 (much to the relief of many export orientated businesses), the general consensus is that the NZ dollar will weaken over coming months. Over recent weeks, there has been some rallying of the NZ$, in part due to weakness in the US$ as the Federal Reserve has suggested further increases in their OCR may not be on the agenda while weaker than expected GDP data for Australia has assisted in the NZ cross-rate increasing of late.

Despite the recent rise in the NZ dollar compared to our major trading partners, forecasters have continued to forecast significant declines in the NZ dollar over the medium term.

AUD (cents)			
	Sep 06	*Sep 07*	*Sep 08*
Highest	83.6	77.0	83.3
Average	82.0	74.9	79.1
Lowest	80.0	74.0	77.0

USD (cents)			
	Sep 06	*Sep 07*	*Sep 08*
Highest	63.5	56.0	60.0
Average	62.1	54.5	57.5
Lowest	61.0	53.0	56.0

TWI			
	Sep 06	*Sep 07*	*Sep 08*
Highest	63.4	54.5	59.8
Average	61.9	53.3	57.0
Lowest	60.4	52.0	55.3

Source: ANZ, ASB, BNZ, National, and Westpac

Part 2: The Australian Economy

Monitoring the performance of the Australian economy is critical in that firstly, it provides a measure of how well New Zealand exporters are likely to fare (a stronger Australian economy will be generally ‘suck in’ imports) and secondly, it provides an indication of the likely strength of competition from Australian sourced products on the domestic market.

2.1 Economic Growth (GDP)

Most recent outcome: +2.3% for the year-ended June 2006.

Forecast 2007: +3.3%
Source: The Economist

Australia’s annual GDP fell to 2.3% for the June year. However, forecasts point to increases in growth, with a growth rate over 3% by mid 2007. Weaker than expected GDP for Australia in the June quarter of 2006 (GDP rose just 0.3%, which was well below market forecasts of 0.7%) can be seen as a temporary blip.

Despite the latest blip in GDP, growth prospects for Australia remain good on the back of continued strong commodity prices. A favourable business climate, strong profitability and high levels of capacity usage are contributing to rapid growth in investment spending. Consumers are also reasonably confident which is being reflected in consumption expenditure.

Some key recent economic statistics:

- Real retail sales up 6.1% in July 2006 compared with July 2005.
- New motor vehicle sales down 4.0% for July 2006 compared with July 2005.
- Manufacturers’ sales down 1.4% for the June quarter 2006 compared to June 2005.
- Dwelling unit approvals up 3.1% for July 2006 compared to July 2005.
- Employment up 2.2% for August 2006 compared to August 2005.
- Unemployment rate of 4.8% as at August 2006 – down from 5.2% in August 2005.
- Average weekly earnings, full-time adults rose 3.5% in May 2006 compared to May 2005.
- Company profits before tax up 10% for the June quarter 2006 compared to June 2005.

The latest Australian PMI results (August 2006) show that Australian manufacturing faces a similar situation to New Zealand. The PMI is currently at 52.1 (seasonally-adjusted). Cost pressures are now becoming an issue with material costs jumping sharply in August following two months of relatively slow increases.

2.2 Headline Inflation

Most recent outcome: +4.0% for the year-ended June 2006

Forecasts:
- Mid 2007: 2.8%

Source: The Economist

Inflation in Australia has increased of late and reached 4% for the year to June 2006 although this included the impact of increasing fuel prices and a sharp rise in the price of bananas in the wake of recent cyclones.

After holding interest rates at 5.25% for a long period of time, the Reserve Bank of Australia (RBA) lifted the cash rate to 5.5% in March 2005 and has subsequently moved it up to 5.75% (May 2006) and the latest movement to 6% in August 2006.

In announcing the latest increase, the RBA said the decision reflects that economic activity remains strong and that inflation pressures have increased. The RBA has not ruled out further increases.

Strong demand for finance over the past few months indicates that households and businesses have continued to find it attractive to borrow at recently prevailing interest rates.

Australia's wage cost index increased by 4.2% for the year ended June 2006, while Australia's unemployment rate stands at 4.8% - considerably higher than New Zealand's current rate of 3.6%.

Part 3: Rest of the World

The economic picture in the rest of the world is very important for New Zealand. Over recent quarters, growth in the world economy has picked up, which will lift demand for New Zealand products and commodities.

In short, the world economy continued to boom in the second quarter of 2006. *The Economists* world GDP indicator rose by 5.3% compared with a year ago, its highest rate for two years.

United States

Consumer confidence in the US continues to slide with the Conference Board's index falling to a nine-month low of 99.6 in August, from 107.0 in July. The decline was attributed to pessimism about the labour market, a weaker housing market and fears of inflation.

House sales dropped by 4.1% in July, the lowest level in 2.5 years. House prices in July 2006 were only marginally up on July 2005 (0.9%) marking the smallest year-on-year increase since May 1995.

In deciding to maintain interest rates at 5.25% after significant rises from mid 2004, the Federal Reserve has clearly considered that economic growth has moderated from its quite strong pace earlier this year, reflecting both a gradual cooling in the housing market and the lagged effects of increases in interest rates and energy prices.

Without being too explicit, the Federal Reserve implied that there remain some inflationary risks in the economy although when reading between the lines it is reasonably clear that interest rates are unlikely to rise any further, at least over this cycle.

The most recent data available (July 2006) show inflation running at 4.1% per annum. Output at 3.6% growth per annum (June 2006) is forecast to slow to around 2.7% for the year to June 2007.

Europe

In the Euro area, industrial production was up 4.3% in the year to June 2006, while unemployment has dropped from 8.6% to 7.8% currently.

Imports to the Euro area have increased by 13% in the year to June 2006, a sign of healthy consumption; exports have risen by 8%.

In Britain, second quarter GDP grew by 0.8%, its fastest in two years. Annual growth rose from 2.3% to 2.6% on the back of increased consumer spending. Industrial production declined by 0.2%, after increasing by 0.8% in the pervious quarter.

Japan

After being in the economic doldrums for some years with deflationary pressures evident, the economic recovery in Japan over recent months is expected to continue and deepen with GDP growth of 2-3% likely over the next 2-3 years. While consumer prices are expected to rise slightly, inflationary pressures, by international standards, will remain modest. This is reflected in the Bank of Japan (BOJ) raising its target for the overnight call rate to only 0.25%. It should be noted that this was the first such increase since August 2000. Some further “tightening” in interest rates is expected later this year or early next.

Deflationary pressures continue to fade. In June 2006 consumer prices rose by 1% year on year, and at the beginning of August it was announced that average national land prices were up 0.9% year on year, the first such increase in 14 years.

Companies have raised their investment spending by 16.6% in the year to June 2006. These figures were stronger than expected and have helped to lift the yen, which has been languishing over recent years.

China

Economic activity in China is showing no signs of slowing. Fixed investment is expanding by around 30% and lending was up by around 16%. As a result, GDP forecasts have been revised up to 9.6% growth forecast for 2006.

At the political level, the Government’s main priority is on trying to achieve more balanced economic growth, by orientating policy measures towards the poorer western and central provinces and the less well-off sections of the population. The government is also trying to make the economy less dependent on exports and investment while introducing measures to boost consumption.

Forecasts: World GDP Growth (Selected Trading Partners)

Country	*Latest*	*2007*
Australia	3.1%	3.3%
Canada	3.2%	2.9%
Japan	2.0%	2.4%
United Kingdom	2.6%	2.5%
United States	3.6%	2.7%
Euro Area	2.4%	1.8%

Source: Economist

Forecasts: World Consumer Price Inflation (Selected Trading Partners)

Country	*Latest*	*2007*
Australia	4.0%	2.8%
Canada	2.4%	2.1%
Japan	0.3%	0.6%
United Kingdom	2.4%	1.9%
United States	4.1%	2.6%
Euro Area	2.4%	2.1%

Source: Economist