Business|NZ

Business Planning Forecasts

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FORECASTS: DECEMBER QUARTER 2005

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
November 2005

Part 1: The New Zealand Economy

1.1. Economic Growth (GDP)

Most recent outcome: +3.1 % for the year-ended June 2005.

Gross Domestic Product (GDP) is a measure of total economic activity for a country over a given period. GDP growth has averaged 3.8% per annum over the past five years, which typifies a strongly performing economy over recent years.

GDP growth for the June quarter was again up on the previous quarter (rising 1.1% compared to 0.7% for the March quarter and 0.2% for the December quarter), which continued a bounce back after quarter growth slowed during 2004. Growth in the June quarter was due to a lift in strong business investment, with investment in fixed assets up 6.1%. It was the fourth consecutive quarterly increase in this area, largely due to investment in non-residential buildings (up 18%). Export volumes rose 1% over the quarter and 0.5% over the year, while import volumes rose at a much stronger pace of 4.2% over the quarter.

However, the lift in GDP growth over recent quarters somewhat hides the fact that much lower growth is expected over the short-medium term, with forecasts for economic growth being slightly revised down for the end of the 2005, and dropping further during 2006. However, long-term forecasts have been revised upwards, suggesting that GDP will increase by 3% for the year ended December 2007.

Forecasts: Real GDP % Growth

	Years Ending		
	Dec 05	*Dec 06*	*Dec 07*
Highest	2.7	2.4	3.3
Average	2.6	2.2	3.0
Lowest	2.4	1.9	2.8

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

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

Global Economic Outlook

Although global growth experienced a downwards trend during 2004 after reaching a peak of 5.4% at the end of 2003, there has been some recovery to reach 4.3% for mid 2005. Most Asian nations continue to show strong results, exemplified by China's almost double-digit growth, as well as Japan's noticeable pick up in activity. The improving Asian economy will play a key role in providing opportunities for New Zealand's tourist and education markets.

The UK and the EU area continue to exhibit modest results, while the US continues to show mixed results, although growth over 3% is expected for the short-medium term.

The General Election

Since the last forecast, the General Election saw a return of the Labour-led government, but with NZ First and the United Future parties also playing a role regarding supply and confidence. Overall, the short-term reaction by the markets was business as usual, although the uncertainty before the election and the significant amount of time taken to formally create a new government meant some businesses delayed investment and operation decisions. The outlook for medium term growth may partly depend on policy initiatives by the Government; especially how they decide to respond to increasing evidence that growth is expected to slide.

Interest rates

Interest rates have been a key discussion point over recent months. Since the last quarterly forecast the Reserve Bank have increased the Official Cash Rate (OCR) to 7.00% in late October (which was widely picked as a certainty by the market) since its last increase to 6.75% on the 10th of March 2005. The Reserve Bank has belatedly conceded, *"a noticeable slowing in economic activity".* However, the Reserve Bank has seen the slowing offset by further momentum in domestic demand and persistently tight capacity constraints. As a result, in the words of the Reserve Bank Governor, *"the prospect of further tightening may only be ruled out once a noticeable moderation in housing and consumer spending is observed".*

The Dollar

The performance of the New Zealand dollar over recent months has largely depended on which currency it is compared with. There is a continuing belief that the NZ$ is considered to be over-valued by many economists with a substantial downward correction largely expected. Looking at the Trade Weighted Index (TWI) the NZ$ has recovered from the sharp fall in June to levels similar to the start of 2005. While the NZ$ has experienced a similar recovery with the AUS$ and Euro$, the all-important US$ has been somewhat stagnant over the last 5 months, continuing to move within the US67-70c mark. The longer the dollar remains high the harder it will be for exporters to gain sufficient returns.

Tourism and net migration flows

Over the past two to three years strong tourism numbers have helped maintain retail sales growth, and 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 in the labour market. While the prospects for tourism appear good, net migration is continuing to turn downwards at a sharp rate.

The annual net migration gain peaked at 42,500 for the year ended June 2003 but has fallen to a 6,400 gain for the year ended September 2005. While the current net gain continues to remain above the long-run average and the number of arrivals has stabilised somewhat over the last few months, departures continue to increase at a fair clip, which may result in even lower net gains, or even losses in the near future.

There are two sides to the coin when discussing future net gains or losses regarding migration for New Zealand. A slowdown in migration should mean some of the heat should be taken out of the fiery housing market that continues to cause the Reserve Bank angst, especially as ongoing life in the housing market continues to surprise most commentators. The median sell price for a house continued to rise, reaching $290,000 for September 2005, up from $265,000 from the start of the year. The number of days taken to sell a house is down to its lowest level in 4 months, down to 27 day, compared with 30 for June and July. The ongoing rush to buy property is partly driven by the craze for property for investment purposes, as well as first home buyers looking to get into the market sooner rather than later as they see prices continuing to get beyond what they can afford in terms of a deposit. However, there is now evidence that certain types of housing (i.e. apartments) are already experiencing a bust cycle, with many purchases of small-sized apartments suited for student living (especially international students) now selling well previous market rates, as the drop in migration substantially lowers the opportunity for tenants in these forms of accommodation.

Short-term visitor numbers to New Zealand were down 3,800 (1%) from September 2004. Seasonally adjusted monthly visitor arrivals were up 2% in September 2005 following a rise of 1% a month earlier. The average length of stay was 19 days for both September 2005 and 2004, while there was an increase in the number of visitors from all major regions, with the exception of Asia for the same time period.

Commodity prices and farm incomes

International commodity prices have boomed since 2003 although there are signs that the slip downwards has gradually kicked into gear. ANZ Bank's World Commodity Price index shows that October prices recorded a 0.7% decline for the month, meaning a 3.6% fall from its peak recorded in May 2005. Leading the index fall in October were sharp drops in the prices of skins and apples, while other key commodities such as beef recorded a further fall. Prices for dairy and lamb were virtually unchanged. When converting the commodity index in New Zealand dollars, the Commodity Price Index eased 0.9%, sitting 3.3% below the level in October 2004.

Business confidence

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 early in the year and this pessimism has continued over more recent months.

The September 2005 NZIER Quarterly Survey of Business Opinion reported that firms continued to be pessimistic about future business conditions, given softening growth and costs pressures which remain high. A net 32% of firms expected business conditions to deteriorate over the next six months, which was slightly down from the net 35% during the June quarter. Resources are still stretched thin as capacity utilisation for certain industries remains very high. Manufacturers and builders were some of the hardest hit, with utilisation rates at 91.9%, close to the all time high of 92.6%. Output indicators also suggest declining growth in the manufacturing sector, with a net 4% of firms in the sector reporting a decline in output. Trading activity is still positive (only just), while pessimism has now crossed the Cook Strait with the North Island being more pessimistic than the South Island for the first time in two and half years.

The National Bank Business Confidence Index shows increasing pessimism expressed in October. A net 5% of businesses expected general conditions to deteriorate over the coming year compared with a net 37.5% in September. Confidence was particularly low amongst the agricultural sector (-77%), followed by the manufacturing sector (-54.6%). However, it is always important to note the figures for expectations of own activity, which was a positive 11.6 for October. However, it was below the 15.8% recorded in September. Generally, the service sector was the most confident of own activity, while construction was the only sector to expect a net deterioration (-4.7%).

The Business New Zealand Performance of Manufacturing Index (PMI) stood at 49.6 for October 2005, compared with 56.7 and 64.6 in October 2004 and 2003 respectively. While the results for 2004 showed it to be a relatively good year for manufacturing, 2005 can best be discussed as lacklustre so far. The highest level of activity recorded in 2005 was 54.4 in February. Activity for the sector has actually been in decline for 4 of the 10 months recorded. Like the results of the NZIER confidence survey, actual activity levels recorded in the PMI show the South Island fairing better than the North Island, with strong activity evident in the Otago/Southland region. Manufacturers continue to be hit by both the high NZ$, as well as persistent labour shortages for either skilled or unskilled workers.

Consumer confidence

The Westpac McDermott Miller Consumer Confidence Index was unchanged during the September 2005 quarter, being at its lowest level in two years. However, the overall result remains at historic highs. Although many consumers have become increasingly pessimistic about the current environment (spurred only by recent price hikes in petrol), they have actually become more optimistic about future economic prospects, which is the opposite of business confidence surveys mentioned above. Despite the lower optimism for the current situation, it is still at such high levels that there has been no significant curtailing of spending. When faced with record low unemployment and further lifts in wage rates, there is nothing in the immediate future that is telling consumers that saving for a rainy day might be a useful tactic for a slowing economy.

The one obvious curtailer for ongoing spending is an ongoing hike in interest rates for mortgages, with data implying that many borrowers may already be stretched to the limit. The number of years of work needed to buy the average dwelling in New Zealand has soared from around 5 in 2002 to almost 7 in 2005, implying house price rises have greatly exceeded income growth. Once most borrowers come off their existing fixed loan, increases in interest rates over the last 1-2 years will then begin to seriously bite the consumer wallet.

1.2 Inflation

Most recent outcome: +3.4% year-ended September 2005

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 a benchmark for wage demands. It is also the key reference point for monetary policy.

Inflation continued to increase in the September quarter (up 1.1%), with the impact of petrol, local rates and purchase and construction of new dwellings leading the charge. Overall, the inflation rate stood at 3.4% for the September year, which is above the limit of the 1-3% inflation target by the Reserve Bank. The booming housing market continues to be one of the main drivers of inflation (up 1.6% for the September quarter), along with transportation (up 3.5% for the September quarter which mainly reflects higher prices for petrol). The only respite came from the apparel group, which experienced a slight fall.

The fact that inflation has now gone beyond the upper band set by the Reserve Bank is significant, but at the same time it must be remembered that the Bank has the capacity to accept inflation levels beyond 3%, either for the short term or if one off increases in prices are beyond their control. However, in this case the worrying trend is that inflation looks set to continue further. Retail figures for the September quarter show that the spending spree continued, with sales up 2.4%. With good job security and further increases in house prices, inflation pressures are looking like continuing for the rest of 2005 and into 2006, which will cause the Reserve Bank to seriously consider further OCR rises in December and January.

CPI forecasts have been revised downwards for the medium-term, as the average shows the figures for 2006 onwards still below the all-important 1-3% inflation rate threshold. Most are predicting that current levels of inflation beyond the 3% upper threshold will not persist for much longer.

Forecasts: % Change in Inflation (CPI)

	Years Ending		
	Dec 05	*Dec 06*	*Dec 07*
Highest	3.6	3.0	3.0
Average	3.5	2.7	2.5
Lowest	3.4	2.4	1.7

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

1.3 Labour Costs

Most recent outcome: +3.1% year-ended September 2005

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 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. Not surprisingly, labour costs tend to have an inverse relationship with unemployment levels. The September quarter 2005 saw an increase of 1% for all salary and wage rates from June 2005, and an increase of 3.1% for the year ended June 2005. The quarterly increase in all salary and wage rates was the largest since the series began in 1992, and follows a 0.7% rise for the June 2005 quarter.

The public sector continues to attract the largest rises in labour cost. Over the quarter, wage and salaries rose 1.5%, compared with 0.8% for the private sector. This partially reflects the significant rise in the number of public servants over the last five years and the need to attract staff to fill new roles in the public sector.

The record values for wage and salary growth experienced during 2005 do not show any signs of slowing. The labour market remains extremely tight and with unemployment at historically low levels further wage pressures seems to be inevitable. While wage pressures do not necessarily lead to increased inflation (provided they are offset by strong productivity growth), New Zealand's overall record on productivity growth is relatively dismal compared to our major trading partners.

Labour cost forecast have remained relatively static compared with the last two quarters with expectations that wage and salary pressures will ease over the medium to long-term.

Forecasts: Labour Cost Index % Change

	Years Ending		
	Dec 05	*Dec 06*	*Dec 07*
Highest	3.0	3.0	2.6
Average	2.7	2.4	2.0
Lowest	2.5	2.0	1.5

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 hourly earnings grew by 4.2% for the year-ended September 2005.

1.4 Employment

Most recent outcome: +3.4% year-ended September 2005

Employment growth has been increasing on an annual basis since 1999. According to the Household Labour Force Survey, the number employed has grown by 71,000 in the year to September 2005, which represents an annual increase of 3.5%. New Zealand now has close to 2.1 million employed, which represents a sharp increase considering the number was still fewer than 2 million for the March 2004 quarter. Further gains in employment have also meant a fall in the number unemployed, with the unemployment rate at its lowest ever value of 3.4% (also the lowest unemployment rate in the OECD). The strength of the labour continues to surprise on the up side, with values well above predictions by commentators. Most countries tend to have natural unemployment rate, which is a rate in which is the rate of unemployment that occurs when the economy is at full employment. New Zealand is at least very close, if not already, at that point. The problem for many employers now is that the last remaining unemployed may either be the long-term unemployed or simply cannot provide the basic skill base in which to be productive. This will further exacerbate labour shortage issues.

The ANZ Job Advertisement series shows that strong employment growth during the past year has matched job-advertising growth to leave job vacancy rates hovering around 3%. However, newspaper job advertising and internet job advertising have shown differing fortunes over the last year, with the former going down and the later going up. This has come about as employers have broadened their search for suitable applicants to include the internet, which could argue has been successful as employment has grown as well as a lift in the labour force participation rate. In fact, the 68.2% participation rate was well ahead of the 67.0% recorded for the September 2004 quarter, and the highest value since records began in 1986.

Unemployment forecasts have largely remained unchanged for the short-medium term, but an increase in the unemployment rate to around 4.5% has been speculated for the end of 2007 (please note that forecasts were received before and after the September quarter unemployment rate of 3.4% was announced). It is important to reiterate that increases as forecast still represent an extremely low rate by historical standards and would continue New Zealand’s recent reputation as having one of the lowest unemployment rates within the OECD. Raising the unemployment rate by 1-1.5 percentage points would still do little to alleviate the labour shortages of many firms.

Forecasts: Unemployment % (HLFS)

	Years Ending		
	Dec 05	*Dec 06*	*Dec 07*
Highest	3.8	4.6	5.0
Average	3.7	4.2	4.5
Lowest	3.5	3.6	3.8

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

1.5 Interest Rates (90-day bill rate)

Most recent outcome: 7.58% as at 18 November 2005

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).

So far this year, the Reserve Bank has increased the OCR twice, with it now standing at 7%. The Bank is still concerned that strong inflationary pressures exist, with certain economic data showing the catalysts for further high levels of inflation have not subsided.

In a sense, the Reserve Bank is stuck between a rock and a hard place. Further increases in the OCR to curb inflation will make the New Zealand dollar more attractive to overseas investors, thus continuing to prop up the NZ$, which will continue to hurt New Zealand's exporters. However, the Reserve Bank certainly does not want inflation to get out of hand, which is a possibility given the strong level of domestic inflation taking place at the moment. Add to the mix that other economic data shows a slowing in sectors of the economy, and it puts the Bank in a difficult position as to what is best for New Zealand's future economic growth.

Most economists have revised up their predictions for the 90-day bill rate, both in the short, medium and long term. With continued speculation and warnings of further increases in the OCR, higher bill rates in the short-medium term would not be an unexpected outcome.

Forecasts: Interest Rates (90 day bills)

	As at End of		
	Dec 05	*Dec 06*	*Dec 07*
Highest	7.5	7.4	6.7
Average	7.4	6.8	6.2
Lowest	7.2	6.1	5.9

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

1.6 Exchange Rates

Most recent outcome: NZD = US$0.688 as at 18 November 2005
NZD = AU$0.937 as at 18 November 2005
TWI = 71.5 as at 18 November 2005

After a significant depreciation against the US$ and AUS$, in June 2005, the NZ$ has continued to regain most of the ground lost at the time of writing. Projections of exchange rates have become somewhat of a lottery in recent times, with commentators' moods towards appreciation or depreciation of the New Zealand dollar changing a few times during 2005. One would expect that the NZ$ is experiencing its last flourish, although future increases in the OCR may see the upward movement continue for some time yet. Interestingly, the performance of the

NZ$ against the US$ has been the least performing compared with the other major currencies. The fact that the U.S has experienced consistent increases in their official interest rates over recent times means the lure of New Zealand investments is perhaps not as strong as it used to be, subsequently causing US investors to keep their money at home.

Forecasters have generally revised up their expectations from the previous quarter as the strength of the New Zealand dollar continues.

AUD (cents)			
	Dec 05	*Dec 06*	*Dec 07*
Highest	93.3	87.1	86.9
Average	91.9	85.2	84.5
Lowest	91.0	83.0	83.0

USD (cents)			
	Dec 05	*Dec 06*	*Dec 07*
Highest	70.0	61.0	63.0
Average	68.5	58.5	57.5
Lowest	68.0	55.0	53.0

TWI			
	Dec 05	*Dec 06*	*Dec 07*
Highest	71.6	63.0	62.8
Average	70.4	60.7	59.8
Lowest	69.3	57.4	57.1

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 2005.

Forecasts (averages):
- Mid 2005: +2.7%
- Mid 2006: +3.3%

Source: The Economist

Australia's annual GDP rose to 2.3% for the June 2005 year, after coming off the 1.5% for the March 2005 year, which was the lowest annual GDP result since mid 2001 as consumer spending and home building cooled. However, forecasts point to a 2.7% growth rate over 2005, rising to 3.3% for 2006.

Some key recent economic statistics:

- Real retail sales up 3.3% in September 2005 compared to September 2004.
- Motor vehicle sales up 4.5% for September 2005 compared to September 2004.
- Manufacturers sales down 1% for June 2005 compared to June 2004.
- Dwelling unit approvals down 5.9% for September 2005 compared to September 2004.
- Employment up 2.8% for September 2005 compared to September 2004.
- Unemployment rate of 5.1% as at September 2005 compared to 5.8% in September 2005.
- Company profits before tax up 10.1% for June 2005 compared to June 2004.

The latest Australian PMI results show that Australian manufacturing faces a similar situation to New Zealand. The PMI experienced its third decline in activity in four months, reaching as low as 43.3 in August. The weaknesses were reflected in rising costs and patchy demand.

2.2 Headline Inflation

Most recent outcome: +3% for the year-ended September 2005

Forecasts:
- Mid 2006: 2.7%

Source: The Economist

Inflation in Australia has certainly picked up in recent months, with the headline rate of 3% at the very top of the target range for the Australian Reserve Bank of 2-3%. Most of the inflationary effects have been from petrol price increases, which excluded would have meant a yearly inflation figure well within the target range. If petrol prices ease, the annual rate is not expected to climb back to 3% before the second half of next year.

Australia's wage cost index increased by 4.1% for the year ended June 2005, while Australia's unemployment rate stands at 5.2% - considerably higher than New Zealand's current rate of 3.4%.

2.3 Interest rates (90-day bills)

Most recent outcome: 5.63% as at 18 November 2005

Late in 2003 the Reserve Bank of Australia (RBA) increased its OCR twice (from 4.75% to 5.25%) but left it untouched during the whole of 2004. In March, the RBA decided to increase the OCR by 25 basis points, due to reduced capacity, stronger inflationary pressures, stronger domestic and global demand, and increased prospects of spending growth.

Although consumer price inflation is current at the upper threshold of 3%, the Reserve Bank of Australia is unlikely to increase the OCR in the short term given the inflationary effects tend to be more 'one-off' events. However, they will remain vigilant if both petrol price inflation and core inflation continue to trend upwards.

Part 3: Rest of the World

The economic picture in the rest of the world is very important for New Zealand. Generally speaking, the international climate was not particularly favourable over the period 2000-03, although economic conditions started to pick up for 2003, with world GDP at 5.4% by the end of 2003. However, growth has tended to slide during 2004 to 4.1%, but has picked up slightly to currently register 4.3%.

United States

The recent natural disasters in the US of hurricanes Katrina and Rita have led to an varied mix of economic outcomes for the country, although the full effects won't be identified for some time.

US GDP growth increased to an annual rate of 3.8% in the September quarter 2005, up from 3.6% in the June quarter and on par with the March quarter. Most of the effects of the hurricane are embedded in retail sales, which is a key component of GDP. Therefore, future GDP growth may show some effects in the next few quarters.

Industrial production across the country was down, although the US PMI continues to fair better than most other countries, with values indicating healthy expansion.

The US Federal Reserve tightened interest rates in November 2005, for the twelfth straight meeting, which has meant interest rates are now not far below that of the UK, although still someway off the levels in New Zealand and Australia.

Job growth was somewhat weak, although the unemployment rate did fall from 5.1% to 5%. Consumer confidence has hit a two year low, while inflation has seen the biggest quarterly gain in 25 years.

Japan

Japan's economy continues to recover. Exports have continued to increase moderately, and industrial production has also been on an uptrend with some fluctuations. Business fixed investment has continued to increase against the background of high corporate profits and a modest improvement in business sentiment. Private consumption has been steady, while housing investment has recently shown some increases. Projections are for GDP growth rates of 2%+ for 2006.

Asia

Asian economies continue to boom with GDP in many Asian countries showing GDP growth well over 4%. Although down from recent double–digit growth rates, China's recent values show growth close to 10%. The country also continues to exhibit large monthly trade surpluses, with a recent 12-month surplus record of US$96.4 billion for the September year.

Singapore's growth quickened to 6% in the year to the September quarter, while South Korea continues to improve.

Europe

The United Kingdom continues to show weak economic results, with jobless numbers rising for the eighth consecutive month. UK CPI inflation increased 2.5% in the year to September, which was its fastest increase since the current index was launched in January 1997. Target inflation for the country is meant to be at 2.0%. Growth for Britain has also been revised down, with an average of 1.8% for 2005, increasing slightly to 2.1% for 2006.

Overall Industrial production in the Euro zone was mixed in August. France's industrial output expanded by 0.8%, compared with a 1.6% contraction in Germany. CPI inflation in the Euro zone was revised higher to 2.6% in the year to September. This compares to the original estimate of 2.5%, and 2.2% in the year to August.

Although raised slightly, current and projected growth rates for the euro area remain very low, with current growth of 1.3% for 2005 rising slightly to 1.7% in 2006. These are hardly the sorts of growth rates necessary to absorb some of the significant unemployment facing a number of euro members.

Forecasts: World GDP Growth (Selected Trading Partners)

Country	*2005*	*2006*
Australia	2.7%	3.3%
Canada	2.9%	3.0%
Japan	2.3%	2.0%
United Kingdom	1.8%	2.1%
United States	3.6%	3.3%
Euro Area	1.3%	1.6%

Source: Economist

Forecasts: World Consumer Price Inflation (Selected Trading Partners)

Country	*2005*	*2006*
Australia	2.8%	2.7%
Canada	2.4%	2.5%
Japan	-0.1%	0.3%
United Kingdom	2.2%	2.2%
United States	3.4%	3.1%
Euro Area	2.0%	1.9%

Source: Economist