

Media Release



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ANZ releases its Quarterly Economic Outlook

ANZ today released its June quarter 2003 Economic Outlook.

The geo-political environment has cast a shadow over the global economy's prospects. However a victory by the US and its allies in Iraq, more stable financial markets and an oil price of US\$26-27 a barrel from mid-year, should provide a suitable platform for a strengthening in world economic growth, given the support imparted by very expansionary monetary and fiscal policy.

Under such a scenario, world economic growth is likely to strengthen from around 2.9% in 2003 to 3.9% in 2004.

Nevertheless, even in the event of a successful Iraqi war and a more stable Middle East, there are still a number of outstanding geo-political issues that could threaten a sustainable recovery in global economic growth, including that from a strident North Korea or from retaliatory terrorist attacks. There is also the 'fall-out' from the bursting of the 1990s equity bubble to contend with; all which suggest that the risks to the global economy are on the downside and that monetary policy settings in most countries will remain highly supportive of growth for some time.

Gross Domestic Product

	2001	2002(e)	2003(f)	2004(f)
World	2.1	2.9	2.9	3.9
United States	0.3	2.4	2.1	3.4
Euro area	1.5	0.9	1.1	2.3
Japan	0.4	0.3	0.5	1.3
Non-Japan Asia	5.3	6.9	6.4	6.5
Australia	2.7	3.8	3.0	4.0
New Zealand	2.7	4.4	3.0	2.4

The outlook for the Australian economy is little changed, although as with the global economy the risks remain on the downside.

The Australian economy is expected to average growth of 3% in 2003, after growth of 3.8% in 2002. The drought and sluggish global economy are expected to continue to weigh on exports, while dwelling investment appears on track to undergo an 'orderly unwinding' from mid-2003. Weakness in these sectors of the economy will be partly offset by the upturn in business investment.

Australian economic growth is forecast to strengthen to around 4% in 2004, assuming the drought breaks and the world economy recovers as expected. The temporary nature of the slowdown in growth suggests the Reserve Bank of Australia will leave monetary policy on hold for the time being.

The Australian dollar is expected to continue to appreciate over the medium-term, with a forecast of US0.65 by year-end. How the Australian dollar performs in the months ahead will have as much to do with the US dollar as the other more traditional factors such as commodity prices and interest rate differentials.

Also in this quarter's publication is a special article, '*Prospects for Australian exports*'. After two tough years for Australian exporters, trading conditions remain difficult in 2003, with unsteady global growth likely to deliver only marginal export growth this year. However, as the global recovery takes hold and the effects of the drought wane, Australian export volumes should begin to recover toward the end of this year, although a higher Australian dollar may temper the rebound somewhat.

The publication is available free of charge at www.anz.com, click on the 'Economics' link under 'ANZ Spotlight'.

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