

THE AUSTRALIAN FINANCIAL REVIEW

FRIDAY 29 FEBRUARY 2008

www.afr.com Price \$2.70 (incl GST)

The Australian Financial Review
www.afr.com • Friday 29 February 2008

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Healthy dollar brings Europe closer to home

Emma Connors

The Australian dollar is gaining ground on the euro as well as the greenback, which is good news for those who like the finer things in life.

In the six years since euro notes and coins were introduced, the Australian dollar has traded at an average of €0.59.

That has now started to creep up. The strong commodity prices and geo-financial events that pushed the dollar past US94¢ for the first time in 24 years yesterday also propelled the dollar past €0.62 this week, and it is unlikely to fall back any time soon.

Australia and New Zealand Banking Group senior currency strategist specialist Tony Morriss expects the dollar to trade between

€0.61 and €0.64 for most of the calendar year.

"Our terms of trade are so high they are insulating us from the rest of the world and we are plugged into growth in Asia" Mr Morriss said.

The currency gain would not have a sudden impact on the price of imported goods, such as European wines, but it did help protect buyers from other cost increases, said Dan Murphy national merchandise manager Stephen Donohue in Melbourne.

"European wine producers are talking about price increases right now due to increased freight charges and the scarcity of glass," he said.

"There is also a limited supply of premium product that is wanted by increasingly large numbers. Those

influences on pricing are being offset to some extent by the increasing value of the dollar against the euro."

The story is similar for travellers, with any extra cents generated by a more favourable exchange rate often consumed by more expensive

The strong dollar has prompted some to add a US stopover.

airfares. The strong dollar had prompted some to add a US stopover to their itineraries but the overall economic climate was a more important influence on travellers, said Mary Rossi Travel marketing manager Christine Silink.

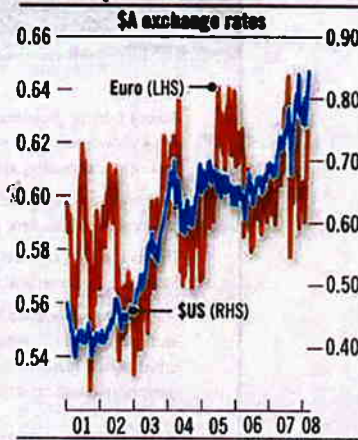
"If people start believing we need to tighten our belts due to rising interest rates and petrol prices then it will become a self-fulfilling prophecy but it's not happening yet," she said.

"A lot of people have had great success and made a lot of money in the last few years and they feel like they should reward themselves. Our forward bookings are very strong."

Lovers of European cars might see a few added extras in the months to come, said Greg Duncan, executive chairman of Sydney dealership Trivett Classic BMW.

"It is very rare to see the price of a car go backwards," he said. "But as the months progress, you might see more value coming into cars, with features that were options or extras becoming standard."

Two up



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