AUSTRALIAN ECONOMICS
AUSTRALIAN ECONOMICS WEEKLY

18 NOVEMBER 2011

INSIDE

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GLOBAL RISKS STEP UP ANOTHER NOTCH, BUT MEDIUM TERM OUTLOOK FOR AUSTRALIA REMAINS BUOYANT

- After another week of global financial market volatility emanating from the (possibly now contagious) European debt situation, the risk of a European recession and weaker global economic growth has increased. Commodity prices, equities and the AUD all slid lower as risk appetite dropped away in favour of the traditional safe havens (USD, US bonds and, to a lesser extent this week, gold).
- In Australia this week we saw further evidence of easing in inflationary pressures in the labour market. Although employment growth is starting to pick up very slightly (around +6k per month, trend), the wage price index decelerated significantly to 0.7%q/q in Q3, from 0.9% q/q in Q2, driven mainly by very weak public sector wage outcomes (+0.5% q/q). Private sector wage pressures remain contained, at 0.9% q/q (unchanged from Q2). Also in the labour market, DEWR internet job vacancies fell 1.9%m/m in October, in line with the trends seen in other job vacancy data (SEEK and ANZ Job Ads) and the NAB business survey. These data confirm a moderation in inflation pressures but also continued soft employment growth going forward. We continue to expect Australia's unemployment rate will drift higher from here, to a peak of 5½% around mid-2012. Weaker wages provides scope for the RBA to deliver a further modest easing of policy. Provided we don't see a sharp deterioration in global conditions, February seems the most likely window for another 25bps cut in the cash rate to 4.25%.
- This week our '*In Focus*' article looks at the investment pipeline for bulk commodities (iron ore and coal) and related mining, as a follow-up to our recent articles on the outlook for commodity prices and the implications of the energy investment pipeline. ANZ Research forecast that Australia has seen the peak in the terms of trade, as we enter the next stage of the current mining boom cycle - the investment and supply response stage.

THE WEEK AHEAD

- In **Australia**, the focus is likely to be on speeches by the RBA's Stevens and Debelle. Construction work done data, the first of the component data for Q3 GDP, will also be released.
- In **Europe**, we continue to look for medium-term fiscal plans. Data has largely been ignored as structural problems have been the market focus. Nevertheless, German GDP and the IFO Survey will be released. In the **UK**, the BoE minutes and GDP will be the focus after the BoE recently downgraded the global and domestic growth outlook.
- In Asia, it will be a quiet week for data with **Japanese** trade data and CPI the key releases.
- In the **US**, the FOMC minutes will be released along with income and spending, durable goods and capital goods data early in the week, ahead of the Thanksgiving Holiday on Thursday.
- In **New Zealand**, trade and net migration data will be released with the rugby world cup likely to still impact on these numbers.

IN FOCUS

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THE MINING INVESTMENT PIPELINE

KEY POINTS

- Mining investment's contribution to growth is estimated to be over ½ a percent in 2012 to 2014.
- The net exports contribution to growth is likely to subtract ¼ of a percent from GDP growth over 2012 and 2013 but positively contribute over ½ of a percent to growth in the outer years between 2014 and 2017.
- The total direct contribution to growth is forecast to average over ¼ of a percent from 2012-2017. Further, the indirect impacts on the economy are expected to be quite large.

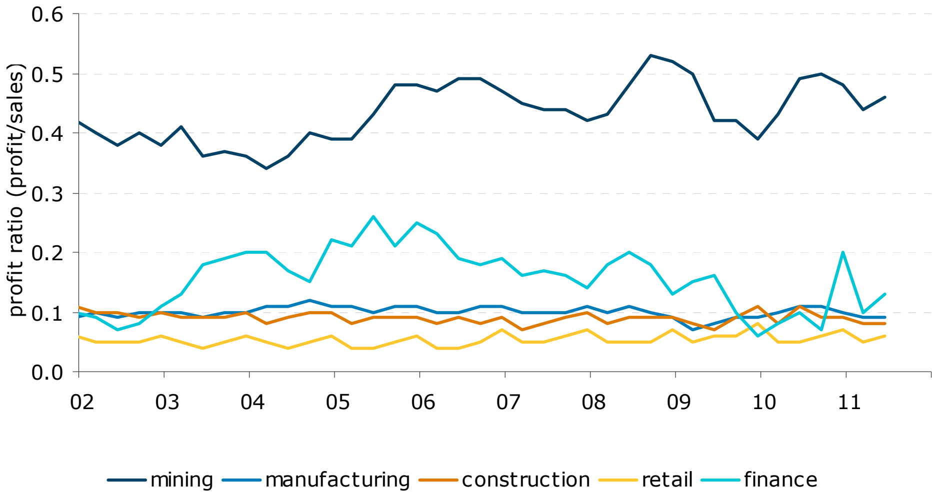
INVESTMENT PIPELINE

Australia's mining investment pipeline mainly consists of iron ore, coking coal and thermal coal projects. A small number of other types of mining are also being expanded. These projects are predominantly open cut mines. The large scale and physical nature of these projects means the mining investment pipeline will be extremely capital intensive. Large-scale, expensive, excavation machinery will be employed to undertake both the expansion and operation of these sites, although the lower level of processing required means it is probably a touch less capital-imports-intensive than the gas and other energy investments pipeline (see our In Focus article last week).

In Australia, mining investment is expected to more than double between 2010 and 2013. During the construction/expansion phase, the direct employment requirements of this investment is likely to be at least 3,000 additional jobs in each month during 2012 and 2014 (around half of the current trend rate of employment growth, which is just under 6,000 per month). The second-round effects on the Australian economy from this activity and its net employment additions may be quite large, but such second-round or 'multiplier' effects are notoriously difficult to quantify.

The mining investment pipeline, like the energy pipeline, is much further advanced now than it was in 2008. This advanced stage of planning (including projects already commenced) helps reduce the risk of disruptions caused by global economic events. The large profit margins earned by Australian iron ore and coal producers further reduce the risk of disruptions. In fact, the average cost of production is far below current prices such that a 15% correction in bulk commodity prices would not see major disruptions to the investment pipeline (Figure 1). Even so, downside risks from a sharp global slowdown do exist for these projects.

FIGURE 1: MINING CORPORATE PROFIT RATIO (TO JUNE 2011)



Sources: ABS, ANZ.

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There is also less certainty in predicting the economic outcomes of the mining investment pipeline, relative to the energy pipeline we examined last week. The mining investment pipeline consists of a larger number of smaller projects compared with energy investment. These smaller projects might be at greater risk of disruption (and are also harder to accurately estimate in aggregate). The mining investment projects examined in this study include only projects greater than A$100m. Compared with the ABS capital expenditure survey (capex), it appears that these larger projects constitute approximately 50% of the total mining investment pipeline. We have therefore adjusted our results in order to derive a more complete picture of the total mining investment pipeline.

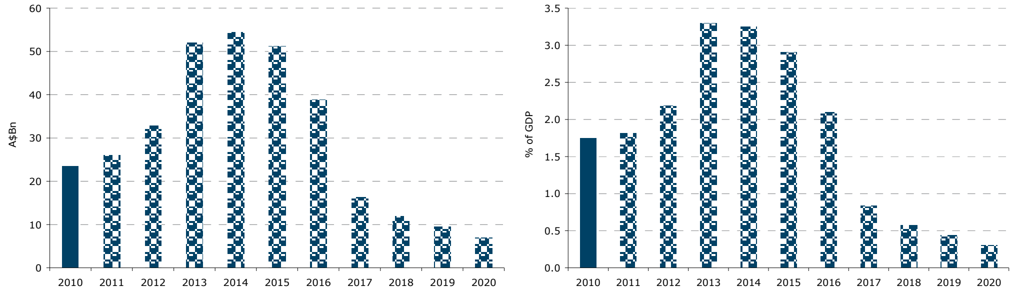
The majority of iron ore projects are to be located in Western Australia, while the majority of coal projects will be located in Queensland. However, some thermal coal projects will also be located in New South Wales. Examples of typical bulk commodity projects can be seen in Figure 2. We have estimated that the Wandoan project will add 30mtpa in thermal coal production, create 1,300 construction jobs and 844 ongoing jobs. Likewise, we expect the Caval Ridge project to add 5.5mtpa in coking coal production, create 2,000 construction jobs and 500 ongoing jobs. The BHP Rapid growth 5 iron ore project is expected to add 50mtpa to production, create 2,000 construction jobs and a further 1,000 ongoing jobs.

FIGURE 2: EXAMPLES OF THE MINING INVESTMENT PIPELINE

Major LNG Projects	Status	Total $Bn	Start	Years	% of Nominal GDP* per year
Wandoan thermal coal mine, QLD	Seeking approvals for late 2011 start	6.0	2013	4	0.09
Caval Ridge coking coal project, QLD	Committed - Approvals Granted	4.2	late 2011	3	0.09
BHP Rapid Growth 5 project (iron ore), WA	Under Construction	6.7	2009	4	0.12

Source: Access Economics, ABARES, state government papers, BHP, Xstrata, ANZ

FIGURE 3: MINING INVESTMENT PIPELINE (AS OF JUNE 2011)



Sources: Access economics, ABARES, state government budget papers and ANZ

NB: If the strong demand for commodities continues over the coming years, the investment pipeline for 2016 and beyond is likely to be upwardly revised, as investment decisions past 2016 become more certain.

EMPLOYMENT IMPLICATIONS

Mining projects in Australia are predominantly open cut iron ore and coal mines. These projects are highly capital intensive, but in the investment/expansion phase, the labour requirements are expected to be higher than for gas and other types of energy resources projects (as explored for example, in last week's article on the energy pipeline). The number of jobs - including ongoing employees after the construction phase is complete – is expected to be larger for mining projects than for the energy pipeline. Through 2012 and 2013, the number of additional jobs created

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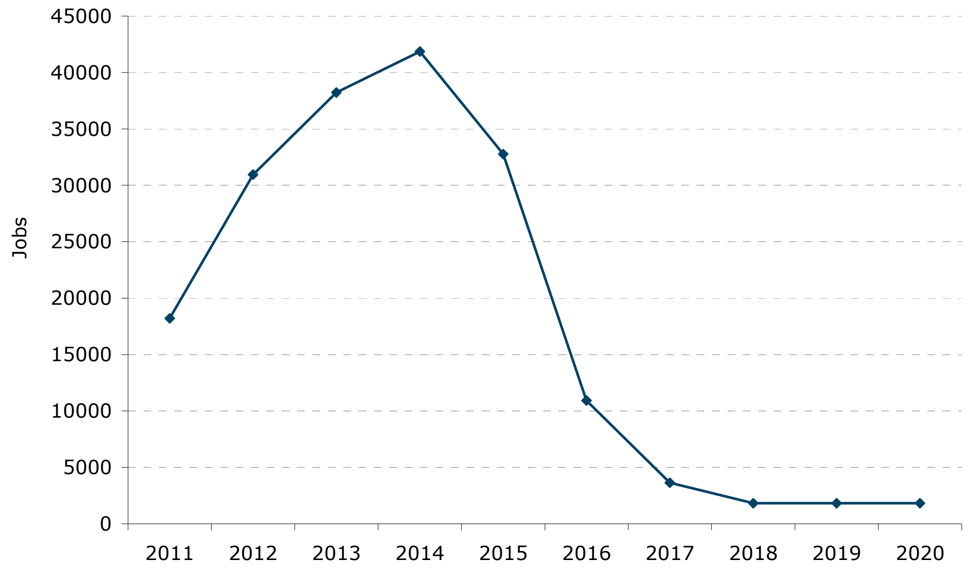
directly by the mining pipeline is forecast to average over 3,000 per month, falling to below 1,000 per month in 2016 as the more labour-intensive construction phase starts to wind down.

While there is likely to be a substantial number of indirect jobs also created (for example in upstream contractors and suppliers or downstream processing, transport and transaction services), it is not possible to accurately identify and quantify all of these additional employment opportunities.

This will be a considerable contribution to total employment, particularly in the regional locations in which it will be (temporarily) concentrated. To put these numbers into context, the Australian economy is currently generating around 6,000 net additions to employment per month (trend growth), but it needs around 10,000 jobs per month to be created to absorb labour force growth and maintain the unemployment rate at 5.1% to 5.3%. As population and labour force growth re-accelerate in 2012 however, it is likely that 20,000 jobs or more per month will need to be created in order to reduce the unemployment rate from 2013 to 2015.

FIGURE 4: ADDITIONAL EMPLOYMENT CREATION



Sources: Access Economics, ABARES, state government papers, BHP, Xstrata, CITIC, Hancock Prospecting, Fortescue, Murchison Metals, Waratah Coal, Rio Tinto, Anglo American, Aquila, ANZ.

CAPITAL IMPORTS

The nature and scale of these projects means they are extremely capital intensive. Much of the machinery required is highly specialised and will need to be imported, either in total, or by component for assembly and finishing off here in Australia. The capital import requirements for mining projects are estimated to average around 40% of the total investment for each project. We forecast that the capital imports of mining projects will double over the next two years to be more than A$20bn (over 5% of total imports) from 2013 to 2015. The large increase in capital imports will detract from the direct net contribution to GDP growth.

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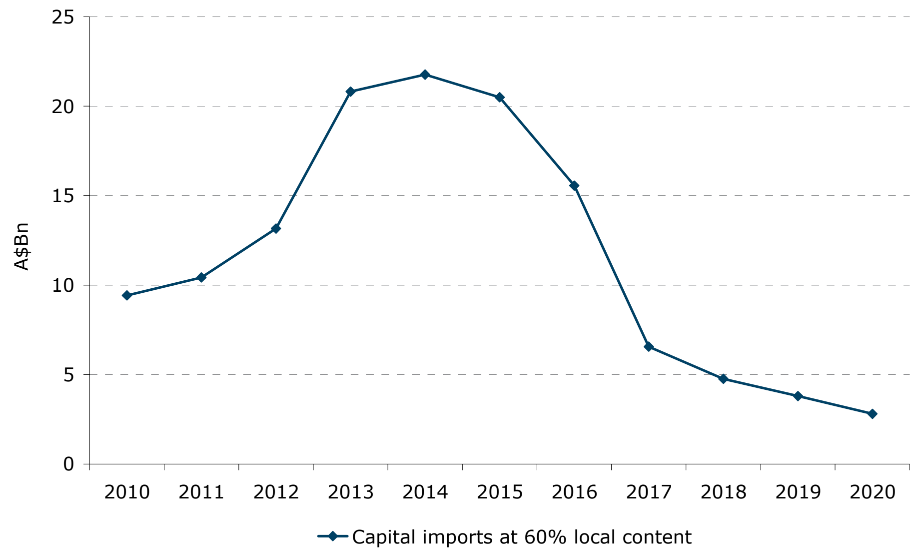
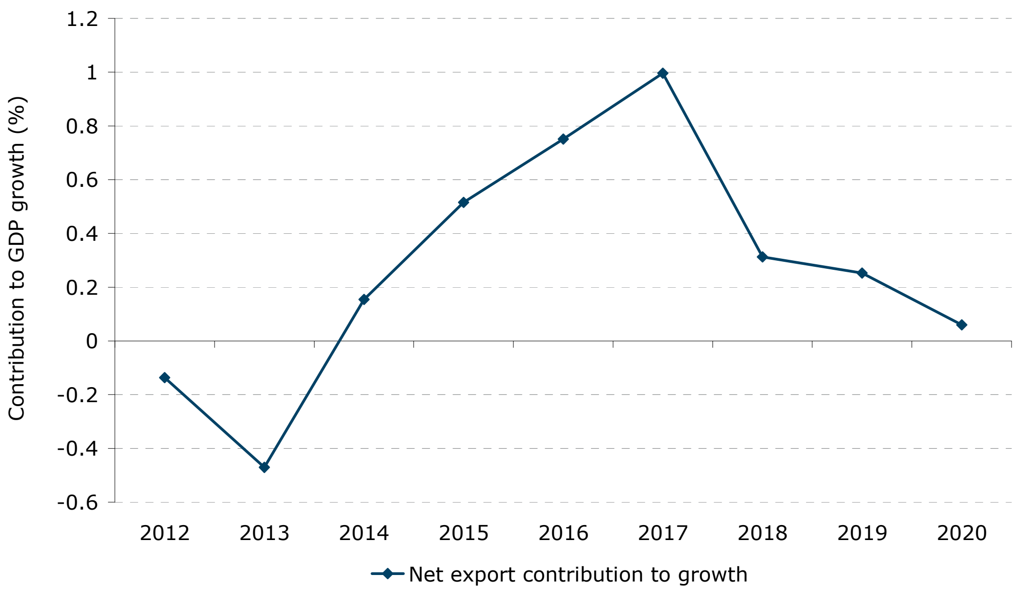
FIGURE 5: CAPITAL IMPORTS



Sources: Access Economics, ABARES, state government papers, BHP, Xstrata, CITIC, Hancock Prospecting, Fortescue, Murchison Metals, Waratah Coal, Rio Tinto, Anglo American, Aquila, ANZ.

TRADE PROFILE

FIGURE 6: CAPITAL IMPORTS



Sources: Access Economics, ABARES, state government papers, BHP, Xstrata, CITIC, Hancock Prospecting, Fortescue, Murchison Metals, Waratah Coal, Rio Tinto, Anglo American, Aquila, ANZ.

While capital goods imports will see a net detraction from growth over the next two years (during the construction/expansion phase), the increased production that will start to come on line after that will likely see significant contributions to growth from net exports as a result of these projects from 2014 onwards. Additional production from the (vastly expanded) mining sector is expected

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to rise significantly from 2014, to reach around A$25Bn from 2017. The largest contribution to the increase in production is likely to be from iron ore, followed by thermal coal. While there are also many coking coal projects, the scarcity in discovered coking coal will see comparatively less investment. We have assumed iron ore prices of $145 per t, coking coal of $230 per t and thermal coal of $130 per t over the forecast horizon (2011 - 2020). During this period, we expect that net exports will likely subtract ¼ of a percent from GDP growth in 2012 and 2013 but will positively contribute over ½ of a percent to growth in the later years, between 2014 and 2017.

RISKS

The risks to these projections are fairly evenly balanced. But the **downside risks** arising from weaker global growth and from the current European debt crisis remain heightened in the short term. The biggest risk in the short term is a freezing of capital markets or dramatic falls in commodity prices, as was seen in 2008. We expect our forecasts for commodity prices to move up or down by 15% over a typical cycle. However, a credit disruption in Europe could have the potential to see commodity prices fall by a far greater margin than 15%.

Apart from the risk of weaker global growth or a financial crisis dampening commodity prices, the other major **downside risks** to these projects are rising domestic construction costs and especially labour costs. A shortage of appropriately skilled labour and infrastructure could see wages, transport and construction costs escalate sharply. Currently, there is some evidence of cost pressures arising in these projects, but so far there have been no major project cancellations as a result of cost blow-outs. In any case, elevated commodity prices provide a large buffer zone for local production cost increases; the average cost of production for the bulk commodities (coal and iron ore) in Australia is currently estimated to average around $50 per tonne for iron ore, $58 per tonne for thermal coal and $79 per tonne for coking coal, compared with quarter average prices of around $170, $130 and $320 per tonne respectively in Q3 2011.

On the **upside**, continued demand from Asia may see commodity prices remain elevated for many years. The industrialisation of emerging economies, the rising incomes and especially the rising urbanisation across Asia may result in an unusually prolonged investment cycle. This would see the already large mining investment pipeline being extended well beyond 2016.

Mitigating against these downside and upside risks, many mining projects have already commenced or are well advanced (and are certainly further advanced than in 2008, a year in which there were many delays and cancellations to such projects due to financial market upheavals). Currently, there have been few cancellations to prospective mining projects, with all projects remaining within expected realisation ratios. Given the larger number of smaller mining projects however, this pipeline of mining projects remains more vulnerable to disruption than the energy pipeline. On balance, we believe these risks are evenly balanced.

CONCLUSION

The mining investment pipeline is expected to be an important source of growth for the Australian economy over the next decade. Along with the direct impacts on investment, net exports and employment that are outlined here, there will be significant flow on effects throughout the Australian economy, but especially for the regional locations in which these projects are concentrated. A further study of the multiplier effects is warranted as the incomes from company profits, government tax revenue and wages will be highly important for the Australian economic outlook.

DATA WRAP

DATA WRAP

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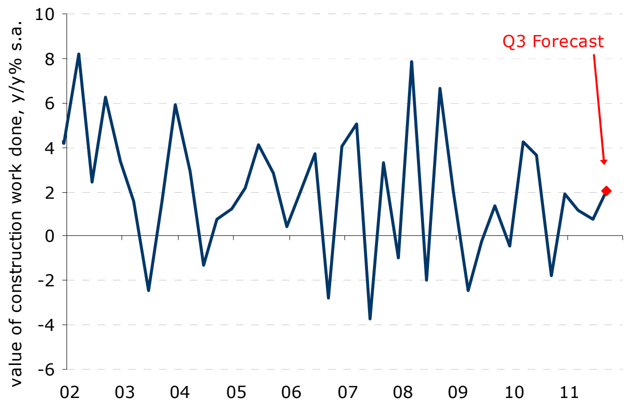
- The **wage price index (WPI)** of hourly pay rates excluding bonuses eased significantly to 0.7% q/q in Q3 (3.6% y/y), from 0.9% q/q in Q2. Weak public sector wage growth (+0.5% q/q) was driven in part by a delay in some large public sector wage agreements, which led to an understatement in the headline index. Private sector wage growth remained unchanged at 0.9% q/q or 3.7% y/y.
- The **average weekly ordinary time earnings (AWOTE)** rose by 1.2% q/q during the quarter ending August. With upward revisions to the previous quarter to 1.4% q/q, the annual pace of wages growth accelerated to 5.3% y/y. The fastest wage growth was in the health, transport, construction, utilities and mining industries.
- The **DEWR Internet Job Vacancies** series fell 1.9% m/m in October (in trend terms). The trends in DEWR vacancies were again broadly in line with the ANZ Job Advertisements Series. Job vacancies remained weak across all states in September but the more populous states of New South Wales (-2.3% m/m) and Victoria (-2.8% m/m) continue to underperform. The largest fall in vacancies last month was in the ACT (-3.0% m/m) and may reflect the reduction in spending from the public sector. In annual terms, the mining states of Western Australia (+9.6% y/y), Queensland (+6.6% y/y) and the Northern Territory (+10.5% y/y), are the only ones to have positive growth, again consistent with the ANZ Job Advertisement Series.
- **New motor vehicle sales** rose 1.1% m/m to be 4.4% higher than a year ago in October. Sales grew in the populous states of New South Wales, Victoria and Queensland.
- The **Westpac Leading Index** fell 0.3% m/m in September after solid rises of 0.7% m/m in August and July. The trend growth in the index remained at 3.2% y/y. The fall in Australian stocks was the major drag on the index.

DATA PREVIEW

CONSTRUCTION WORK DONE (Q3)



23 NOV: CONSTRUCTION WORK DONE (Q3)

ANZ: +2.0% q/q, +6.0% y/y

Market: +2.0% q/q

Last: +0.7%, +2.0% y/y

Growth in construction work done has held up over the past year solely due to expanding engineering construction. The value of work done (inflation adjusted) in engineering construction grew by 21.2%y/y last quarter, although the rate of growth has decelerated (in quarterly growth terms) since Q4 2010. We expect another solid quarter of growth in this sector, of at least 4.0% q/q in Q3. This reflects the large pipeline of engineering projects (mainly mining and transport infrastructure projects) known to be in the advanced planning stages and/or already commencing at present. The recent global financial market problems do not appear to have disrupted any local engineering construction to date.

In contrast, the value of non-engineering building work (residential and non-residential) has declined in each of the past four quarters, to be down 14.6% y/y in Q2. Forward indicators such as building approvals suggest another, smaller, decline in Q3, of around 0.7% q/q. Taken together, these two contrasting trends imply growth in total construction work done in Q3 of around 2.0% q/q. **(JT)**

DATA & EVENT CALENDAR

WEEK STARTING 21 NOVEMBER

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
Monday	NZ	Credit Card Spending y/y	OCT	- -	5.7%	5.2%	03:00	13:00
21-Nov		Credit Card Spending sa m/m	OCT	- -	1.0%	1.6%	03:00	13:00
	AU	**RBA's Debelle Speaks to Securitization Forum in Sydney**					**04:00**	**14:00**
	JN	Adjusted Merchnds Trade Bal.	OCT	-¥185.0B	- -	-¥21.8B	00:50	10:50
		Merchnds Trade Balance Total	OCT	¥33.0B	- -	¥296.2B	00:50	10:50
		Merchnds Trade Exports y/y	OCT	0.9	- -	2.3	00:50	10:50
		Merchnds Trade Imports y/y	OCT	15.3	- -	12.1	00:50	10:50
		All Industry Activity Index m/m	SEP	-0.8%	- -	-0.5%	05:30	15:30
		Coincident Index CI	SEP F	- -	- -	88.9	06:00	16:00
		Leading Index CI	SEP F	- -	- -	91.6	06:00	16:00
		Convenience Store Sales y/y	OCT	- -	- -	-4.0%	08:00	18:00
	EU	ECB Euro-Zone Current Account sa	SEP	- -	- -	-5.0B	09:00	19:00
		Euro-Zone Current Accountnsa	SEP	- -	- -	-6.3B	09:00	19:00
		ECB Calls for Bids in 7-Day Main Refinancing Tender					14:30	00:30
		ECB's Stark Speaking in Dublin					**12:45**	**22:45**
	UK	Rightmove House Prices m/m	NOV	- -	- -	2.8%	00:01	10:01
		Rightmove House Prices y/y	NOV	- -	- -	1.2%	00:01	10:01
	US	Chicago Fed Nat Activity Index	OCT	- -	- -	-0.22	13:30	23:30
		Existing Home Sales	OCT	4.80M	- -	4.91M	15:00	01:00
		Existing Home Sales m/m	OCT	-2.2%	- -	-3.0%	15:00	01:00
		Fed's Lockhart (non-voter) to Speak on Economy in Sao Paulo, Brazil					**19:30**	**05:30**
		US Treasury Auctions 2-Year Note						
	CA	Wholesale Sales m/m	SEP	0.5%	- -	0.2%	13:30	23:30
Tuesday	NZ	Net Migration sa	OCT	- -	-300	-660	22:45	08:45
22-Nov		RBNZ 2yr Inflation Expectation	4Q	- -	2.8%	2.9%	03:00	13:00
	AU	**AOFM Auctions A$100m of August 2020 and A$100m of September 2030 Indexed Bonds**						
	JN	Supermarket Sales y/y	OCT	- -	- -	-3.6%	06:00	16:00
	EU	ECB Announces Allotment in 7-Day Main Refinancing Tender					10:15	20:15
		Euro-Zone Consumer Confidence	NOV A	- -	- -	-19.9	15:00	01:00
		ECB's Coene Speaks at Financial Forum Conference in Brussels					**16:00**	**02:00**
		ECB's Costa, Finance Minister Speak at Event in Lisbon					**09:00**	**19:00**
	UK	PSNB ex Interventions	OCT	- -	- -	14.1B	09:30	19:30
		Public Finances (PSNCR)	OCT	- -	- -	19.9B	09:30	19:30
		Public Sector Net Borrowing	OCT	- -	- -	11.4B	09:30	19:30
	US	Core PCE q/q	3Q S	2.1%	- -	2.1%	13:30	23:30
		GDP Price Index	3Q S	2.5%	- -	2.5%	13:30	23:30
		GDP q/q (Annualized)	3Q S	2.5%	- -	2.5%	13:30	23:30
		Personal Consumption	3Q S	2.4%	- -	2.4%	13:30	23:30
		Richmond Fed Manufact. Index	NOV	-2	- -	-6	15:00	01:00
		Fed's Kocherlakota (voter) Speaks in Winnipeg, Manitoba					**18:00**	**04:00**
		Fed Releases Minutes from Nov. 1-2 FOMC Meeting					**19:00**	**05:00**
		Minutes of FOMC Meeting					**19:00**	**05:00**
		US Treasury Auctions 5-Year Note						
	CA	Retail Sales Less Autos m/m	SEP	0.3%	- -	0.4%	13:30	23:30
		Retail Sales m/m	SEP	0.5%	- -	0.5%	13:30	23:30
	PO	Bank of Portugal Releases Monthly Statistical Report					13:00	23:00

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
Wednesday	AU	Conference Board Leading Index	SEP	- -	- -	-0.1%	00:00	10:00
23-Nov		Construction Work Done	3Q	1.5%	2.0%	0.7%	01:30	11:30
		RBA's Debelle Speaks to APRA Basel III Implementation Workshop in Sydney					**00:20**	**10:20**
		AOFM auctions $700mn in April 2020 Bonds						
	CH	HSBC Flash China Manufacturing PMI	NOV	- -	- -	51.1	03:30	13:30
	EU	PMI Composite	NOV A	46	- -	46.5	09:00	19:00
		PMI Manufacturing	NOV A	46.5	- -	47.1	09:00	19:00
		PMI Services	NOV A	46	- -	46.4	09:00	19:00
		Industrial New Ordersnsa y/y	SEP	8.0%	- -	6.2%	10:00	20:00
		Industrial New Orders sa m/m	SEP	-2.5%	- -	2.0%	10:00	20:00
	GE	PMI Manufacturing	NOV A	48.2	- -	49.1	08:30	18:30
		PMI Services	NOV A	50	- -	50.6	08:30	18:30
	UK	Bank of England Financial Policy Committee Holds Meeting					00:00	10:00
		Bank of England Minutes					**09:30**	**19:30**
		BBA Loans for House Purchase	OCT	- -	- -	33130	09:30	19:30
	US	MBA Mortgage Applications	Nov-11	- -	- -	-10.0%	12:00	22:00
		Cap Goods Orders Nondef Ex Air	OCT	- -	- -	2.4%	13:30	23:30
		Cap Goods Ship Nondef Ex Air	OCT	- -	- -	-0.9%	13:30	23:30
		Continuing Claims	Nov-11	- -	- -	3608K	13:30	23:30
		Durable Goods Orders	OCT	-1.0%	- -	-0.6%	13:30	23:30
		Durables Ex Transportation	OCT	0.0%	- -	1.8%	13:30	23:30
		Initial Jobless Claims	Nov-11	385K	- -	388K	13:30	23:30
		PCE Core m/m	OCT	0.1%	- -	0.0%	13:30	23:30
		PCE Core y/y	OCT	1.7%	- -	1.6%	13:30	23:30
		PCE Deflator y/y	OCT	2.7%	- -	2.9%	13:30	23:30
		Personal Income	OCT	0.3%	- -	0.1%	13:30	23:30
		Personal Spending	OCT	0.3%	- -	0.6%	13:30	23:30
		Bloomberg Consumer Comfort	Nov-11	- -	- -	-50	14:45	00:45
		U. of Michigan Confidence	NOV F	64.5	- -	64.2	14:55	00:55
		Kansas City Fed Manf. Activity	NOV	9	- -	8	16:00	02:00
		US Treasury Auctions 7-Year Note						
24-30 NOV	UK	BoE Housing Equity Withdrawal	2Q	-£6.0B	- -	-£5.8B		
Thursday	NZ	Exports	OCT	$3.75B	$3.78B	3.44B	22:45	08:45
24-Nov		Imports	OCT	$4.30B	$4.23B	4.19B	22:45	08:45
		Trade Balance	OCT	-550M	-450M	-751M	22:45	08:45
		Trade Balance 12 Mth YTD	OCT	295	490M	724	22:45	08:45
	AU	**RBA's Stevens Addresses Economic Outlook Conference in Sydney**					**10:20**	**20:20**
	GE	Capital Investment	3Q	1.2%	- -	0.3%	07:00	17:00
		Construction Investment	3Q	- -	- -	-0.9%	07:00	17:00
		Domestic Demand	3Q	- -	- -	0.4%	07:00	17:00
		Exports	3Q	1.7%	- -	2.3%	07:00	17:00
		GDPnsa y/y	3Q F	0.025	- -	- -	07:00	17:00
		GDP sa q/q	3Q F	0.5%	- -	0.5%	07:00	17:00
		GDP wda y/y	3Q F	0.026	- -	- -	07:00	17:00
		Government Spending	3Q	0.0%	- -	0.2%	07:00	17:00
		Imports	3Q	1.6%	- -	3.2%	07:00	17:00
		Private Consumption	3Q	0.6%	- -	-0.7%	07:00	17:00
		IFO - Business Climate	NOV	105.5	- -	106.4	09:00	19:00
		IFO - Current Assessment	NOV	115.5	- -	116.7	09:00	19:00
		IFO - Expectations	NOV	96	- -	97	09:00	19:00
	UK	Exports	3Q P	- -	- -	-1.3%	09:30	19:30
		GDP q/q	3Q P	0.5%	- -	0.5%	09:30	19:30
		GDP y/y	3Q P	- -	- -	0.5%	09:30	19:30
		Government Spending	3Q P	- -	- -	1.1%	09:30	19:30
		Gross Fixed Capital Formation	3Q P	- -	- -	1.7%	09:30	19:30
		Imports	3Q P	- -	- -	-0.3%	09:30	19:30
		Index of Services (3mth/3mth)	SEP	- -	- -	0.6%	09:30	19:30
		Index of Services m/m	SEP	- -	- -	0.3%	09:30	19:30
		Private Consumption	3Q P	- -	- -	-0.8%	09:30	19:30
		Total Business Investmentq/q	3Q P	- -	- -	11.6%	09:30	19:30
		Total Business Investmenty/y	3Q P	- -	- -	3.8%	09:30	19:30
		CBI Trends Selling Prices	NOV	- -	- -	1	11:00	21:00
		CBI Trends Total Orders	NOV	- -	- -	-18	11:00	21:00

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
Friday	AU	**AOFM auctions $700mn in June 2016 Bonds**						
25-Nov	JN	Natl CPI Ex Food, Energy y/y	OCT	-0.9%	- -	-0.4%	00:30	10:30
		Natl CPI Ex-Fresh Food y/y	OCT	-0.1	- -	- -	00:30	10:30
		Natl CPI y/y	OCT	-0.1%	- -	0.0%	00:30	10:30
		Tokyo CPI Ex Food, Energy y/y	NOV	-0.9%	- -	-1.0%	00:30	10:30
		Tokyo CPI Ex-Fresh Food y/y	NOV	-0.3%	- -	-0.4%	00:30	10:30
		Tokyo CPI y/y	NOV	-0.5%	- -	-0.5%	00:30	10:30
		Corp Service Price Index y/y	OCT	-0.1%	- -	-0.1%	00:50	10:50
		Foreign Buying Japan Bonds	Nov-11	- -	- -	¥297.3B	00:50	10:50
		Foreign Buying Japan Stocks	Nov-11	- -	- -	-¥49.9B	00:50	10:50
		Japan Buying Foreign Bonds	Nov-11	- -	- -	-¥232.0B	00:50	10:50
		Japan Buying Foreign Stocks	Nov-11	- -	- -	-¥76.6B	00:50	10:50
	CH	MNI November Business Condition Survey					02:35	12:35
25 NOV to 5 DEC	GE	Import Price Index m/m	OCT	-0.2%	- -	0.6%		
		Import Price Index y/y	OCT	6.9%	- -	6.9%		
25-28 NOV	CH	Leading Index	OCT	- -	- -	100.43		

FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
21 NOVEMBER AU: **RBA's Debelle Speaks** JP: Trade (Oct) EU: Current Account (Sep) US: Chicago Fed Nat Activity (Oct), Existing Home Sales (Oct)	22 NOVEMBER NZ: Net Migration (Oct) EU: **ECB's Coene Speaks** US: GDP (Q3 S), Richmond Fed Manuf. (Nov), **FOMC Minutes, Fed's Kocherlakota Speaks** CA: Retail Sales	23 NOVEMBER AU: Construction Work Done (Q3) JP: **Thanksgiving Day Holiday** EU: Industrial New Orders (Sep) UK: **BoE Minutes** US: Durable & Capital Goods Orders (Oct), Personal Income & Spending (Oct), PCE Core (Oct), Kansas City Manuf. (Nov),	24 NOVEMBER NZ: Trade (Oct) AU: **RBA's Stevens Speaks** GE: GDP (Q3), IFO Survey (Nov) UK: GDP (Q3 P) US: **Thanksgiving Day Holiday**	25 NOVEMBER JP: CPI (Oct) CH: MNI Business Conditions Survey (Nov)
28 NOVEMBER NZ: RBNZ Business Confidence (Nov) GE: CPI (Nov) UK: Hometrack Housing Survey (Nov) US: New Home sales (Oct), Dallas Fed Manufacturing (Nov)	29 NOVEMBER JP: Jobless Rate (Oct), Retail Trade (Oct) EU: Consumer Confidence (Nov F), Economic, Industrial & Services Confidence (Nov) UK: Mortgage Approvals (Oct) US: Case Shiller House Prices (Sep), Consumer Confidence (Nov), **Fed's Yellen Speaks** CA: Current Account (Q3)	30 NOVEMBER NZ: Building Permits (Oct) AU: Private Sector Credit (Oct), RP-Data Rismark House Prices (Oct) JP: Industrial Production (Oct), Housing Starts (Oct) EU: CPI Estimate (Nov), Unemployment rate (Oct) GE: Unemployment (Oct) UK: GfK Cons. Conf. (Nov) US: Fed's Beige Book, ADP Employment (Nov), Chicago PMI (Nov), Pending Home Sales (Oct) CA: GDP (Q3)	1 DECEMBER NZ: Terms of Trade (Q3) AU: Retail Sales (Oct) CH: PMI Manuf. (Nov) EU: PMI Manuf. (Nov F) GE: PMI Manuf. (Nov F) UK: PMI Manuf. (Nov) US: ICSC Chain Store Sales (Nov), ISM Manuf. (Nov), Construction Spending (Oct)	2 DECEMBER AU: Building Approvals (Oct) JP: Capital Spending (Q3) EU: PPI (Oct) UK: PMI Construction (Nov) US Non-farm Payrolls (Nov) CA: Employment (Nov) **3 December** CH: Non-Manuf. PMI (Nov)
5 DECEMBER AU: Inventories (Q3), Company Profits (Q3), ANZ Job Ads (Nov) EU: PMI Services (Nov F), Retail Sales (Oct), Sentix Investor Confidence (Dec) GE: PMI Services (Nov F) UK: PMI Services US: ISM Non-Manuf. (Nov), Factory Orders (Oct)	6 DECEMBER AU: Current Account (Q3), ABARES Crop Report (Q4), **RBA Rates Decision** EU: GDP (Q3 P) GE: Factory Orders (Oct) CA: Building Permits (Oct), Ivey PMI (Nov), **BoC Rates Decision**	7 DECEMBER AU: GDP (Q3) GE: Ind. Production (Oct) UK: Ind. Production (Oct), Manuf. Production (Oct) US: Consumer Credit (Oct)	8 DECEMBER NZ: **RBNZ Rates Decision**, Manufacturing Activity (Q3) AU: Employment (Nov), **RBA's Stevens Speaks** JP: Current Account (Oct), Machine Orders (Oct) EU: **ECB Rates Decision** UK: **BoE Rates Decision** CA: Housing Starts (Nov), House Prices (Oct), BoC Publishes Financial System Review	9 DECEMBER NZ: ANZ Consumer Confidence (Dec) JP: GDP (Q3 F) CH: Industrial Production (Nov), Retail Sales (Nov), CPI (Nov) GE: Trade (Oct), Current Account (Oct), CPI (Nov F) UK: PPI (Nov), Trade (Oct) US: Trade (Oct), Uni Michigan Confidence (Dec P) CA: Merchandise Trade (Oct)
12 DECEMBER AU: Housing Finance (Oct), Trade (Oct)	13 DECEMBER NZ: Food Prices (Nov) AU: Dwelling Starts (Q3), NAB Business Survey (Nov) EU: ZEW (Dec) UK: CPI (Nov) US: NFIB Small Business Optimism (Nov), Retail Sales (Nov), Business Inventories (Oct), **FOMC Rates Decision**	14 DECEMBER AU: Westpac Consumer Confidence (Dec), **RBA's Battellino Speaks** JP: Industrial Production (Oct F) EU: CPI (Nov), Industrial Production (Oct) UK: Jobless Claims (Nov)	15 DECEMBER NZ: Business NZ PMI (Nov) AU: **RBA Bulletin** JP: Tankan Manufacturing Index (Q4) EU: Employment (Q3) UK: Retail Sales (Nov) US: PPI (Nov), Current Account (Q3), Empire Fed Manufacturing Index (Dec), Philly Fed Manufacturing Index (Dec), Industrial Production (Nov)	16 DECEMBER EU: Trade (Oct), **ECB's Draghi, King, Bini Smaghi Speak** US: CPI (Nov)
19 DECEMBER NZ: Performance of Services Index (Nov), NBNZ Business Confidence (Dec) EU: CA (Oct), Construction Output (Oct) US: NAHB Housing Market Index (Dec), **Fed's Lacker Speaks**	20 DECEMBER AU: **RBA Minutes** JP: Leading Index (Oct) GE: PPI (Nov), IFO (Dec), US: Housing Starts (Nov), Building Permits (Nov) CA: CPI (Nov)	21 DECEMBER NZ: CA (Q3), Net Migration (Nov) JP: **BoJ Rates Decision**, Merchandise Trade (Nov) EU: Consumer Confidence (Dec A) GE: GfK Consumer Confidence (Dec) UK: GfK Consumer Confidence (Dec), **BoE minutes** US: Existing Home Sales (Nov) CA: Retail Sales (Oct)	22 DECEMBER NZ: GDP (Q3) UK: GDP (Q3 F), CA (Q3) US: GDP (Q3 T), Personal Consumption (Q3 T), Uni of Michigan Confidence (Dec F)	23 DECEMBER UK: Index of Services (Oct) US: Durable Goods Orders (Nov), Capital Goods Orders (Nov), Personal Income & Spending (Nov), Core PCE (Nov), New Home Sales (Nov) CA: GDP (Oct)

CENTRAL BANK RELEASES FOR 2011-12

SEPTEMBER 2011	OCTOBER 2011	NOVEMBER 2011	DECEMBER 2011
6th – RBA 7th – BoJ 7th – BoC 8th – ECB 8th – BoE 12th – BoJ Minutes 15th - RBNZ 28th - RBNZ MP Statement 15th – SNB 20th – RBA Minutes 20th – FOMC 21st – BoE Minutes	4th – RBA 6th – ECB 6th – BoE 7th – BoJ 11th – FOMC Minutes 13th – BoJ Minutes 18th – RBA Minutes 19th – BoE Minutes 25th – BoC 27th - RBNZ 27th – BoJ	1st – RBA 1st – BoJ Minutes 2nd – FOMC 3rd – ECB 10th – BoE 16th – BoJ 18th – RBA Minutes 21st – BoJ Minutes 22nd – FOMC Minutes 23rd – BoE Minutes	6th – RBA 6th – BoC 8th - RBNZ 8th - RBNZ MP Statement 8th – ECB 8th – BoE 13th – FOMC 15th – SNB 20th – RBA Minutes 21st – BoJ 21st – BoE Minutes 27th – BoJ Minutes

JANUARY 2012	FEBRUARY 2012	MARCH 2012	APRIL 2012
4th – FOMC Minutes 12th – BoE 12th – ECB 18th - BoC 26th – FOMC 25th – BoE Minutes 25th – BoJ Monthly Report 25th - FOMC 26th - RBNZ 27th – BoJ Minutes	7th – RBA 8th - RBNZ 8th – RBNZ MP statement 9th – BoE 9th – ECB 16th – RBA Minutes 15th – BoE Inflation Report 15th – BoJ Monthly Report 13th – BoJ 17th – BoJ Minutes 21st – RBA minutes 22nd – BoE Minutes	6th - RBA 9th – BoC 8th – ECB 8th - BoE 12th – BoJ 13th – FOMC 14th – BoJ Monthly Report 16th – BoJ Minutes 21st - BoE Minutes 20th – RBA minutes	3rd – RBA 4th – ECB 5th – BoE 9th – BoJ 11th – BoJ Monthly Report 13th – BoJ Minutes 17th – BoC 17th – RBA Minutes 18th – BoE Minutes 25th – FOMC 26th – RBNZ 27th – BoJ

MAY 2012	JUNE 2012	JULY 2012	AUGUST 2012
1st – RBA 3rd – ECB 7th – BoJ Minutes 10th – BoE 15th – RBA Minutes 16th – BoE Inflation Report 22nd – BoJ 23rd – BoE Minutes 24th – BoJ Monthly Report 28th – BoJ Minutes	5th – RBA 5th – BoC 14th – RBNZ 14th - RBNZ MP Statement 7th – BoE 6th - ECB 14th – BoJ 18th – BoJ Monthly Report 19th – RBA Minutes 20th – BoE Minutes 20th – BoJ Minutes 20th - FOMC	3rd – RBA 5th – ECB 5th – BoE 17th – RBA Minutes 17th – BoC 18th – BoE Minutes 26th - RBNZ 31st - FOMC	1st – FOMC 2nd – ECB 2nd – BoE 7th – RBA 8th – BoE Inflation Report 21st – RBA Minutes 15th – BoE Minutes

***Notes:** Entries are the dates of central bank interest rate announcements for 2011, unless specified as minutes or otherwise.
Dates are indicative only and are subject to change by central bank authorities.
Key: BoC: Bank of Canada, BoJ: Bank of Japan, BoE: Bank of England, ECB: European Central Bank, FOMC: Federal Open Market Committee, RBA: Reserve Bank of Australia, RBNZ: Reserve Bank of New Zealand, SNB: Swiss National Bank.
Source: Central bank websites.

FORECASTS

AUSTRALIAN ECONOMIC INDICATORS	2010	2011F	2012F	2013F
Economic activity (annual % change)				
Private final demand	2.2	4.3	5.2	5.9
Household consumption	2.8	2.8	1.8	2.6
Dwelling investment	4.2	1.6	-2.0	7.6
Business investment	0.0	12.0	19.0	14.6
Public demand	9.1	1.5	1.6	1.7
Domestic final demand	3.8	3.7	4.4	4.9
Inventories (contribution to GDP)	0.4	0.3	-0.5	0.0
Gross National Expenditure (GNE)	4.2	3.9	3.9	4.9
Exports	5.7	-1.9	10.5	10.3
Imports	13.7	12.5	14.9	13.4
Net Exports (contribution to GDP)	-1.6	-3.4	-1.5	-1.4
Gross Domestic Product (GDP)	**2.7**	**1.2**	**3.2**	**3.3**
Prices and wages (annual % change)				
Inflation: Headline CPI	2.8	3.4	2.5	3.6
Underlying (RBA core)	2.8	2.5	2.8	3.4
Wages:	3.3	3.8	3.7	4.1
Labour market				
Employment (annual % change)	2.7	1.7	1.4	2.3
Unemployment rate (annual average %)	5.2	5.1	5.4	5.0
External sector				
Terms of trade (annual % change)	16.2	15.2	-4.2	-6.1
Current account balance: A$bn	-36.0	-33.0	-62.2	-97.3
% of GDP	-2.7	-2.3	-4.1	-6.2

* Includes carbon tax. ^ Average of RBA trimmed mean and weighted statistical measures

AUSTRALIAN INTEREST RATES	CURRENT	DEC 11F	MAR 12F	JUN 12F	SEP 12F	DEC 12F
RBA cash rate	4.50	4.50	4.25	4.25	4.25	4.25
90 day bill	4.60	4.70	4.60	4.55	4.50	4.50
3 year bond	3.27	3.40	3.20	3.30	3.50	3.60
10 year bond	4.03	4.10	4.00	4.00	4.10	4.20
3s10s yield curve	0.76	0.70	0.80	0.70	0.60	0.60
3 year swap	3.86	3.90	3.70	3.80	3.95	4.05
10 year swap	4.78	4.70	4.60	4.60	4.65	4.75

INTERNATIONAL INTEREST RATES	CURRENT	DEC 11F	MAR 12F	JUN 12F	SEP 12F	DEC 12F
RBNZ cash rate	2.50	2.50	2.50	2.75	3.25	3.25
NZ 90 day bill	2.68	2.72	2.73	3.17	3.50	3.50
US Fed funds note	0.25	0.25	0.25	0.25	0.25	0.25
US 2 year note	0.26	0.20	0.20	0.20	0.20	0.40
US 10 year note	1.97	1.90	1.90	1.90	2.00	2.20
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.25	1.25	1.00	1.00	1.00	1.00
UK repo rate	0.50	0.50	0.50	0.50	0.50	0.50

FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	DEC 11F	MAR 12F	JUN 12F	SEP 12F	DEC 12F
Australian exchange rates						
A$/US$	1.00	0.97	1.00	1.05	1.10	1.10
NZ$/US$	0.76	0.77	0.80	0.83	0.86	0.89
A$/¥	77.1	72.8	75.0	75.6	79.2	79.2
A$/€	0.74	0.72	0.73	0.75	0.77	0.76
A$/£	0.64	0.63	0.64	0.66	0.68	0.67
A$/NZ$	1.32	1.26	1.25	1.27	1.28	1.24
A$/C$	1.03	0.93	0.98	1.04	1.11	1.13
A$/CHF	0.92	0.89	0.94	1.01	1.08	1.10
A$/CNY	6.37	6.09	6.19	6.42	6.63	6.55
A$ Trade weighted index	74.6	71.5	73.0	75.4	78.2	77.4
International cross rates						
US$/¥	76.9	75.0	75.0	72.0	72.0	72.0
€/US$	1.35	1.35	1.37	1.40	1.42	1.45
€/¥	104	101	103	101	102	104
£/US$	1.58	1.55	1.57	1.59	1.61	1.63
€/£	0.86	0.87	0.87	0.88	0.88	0.89
US$/C$	1.03	0.96	0.98	0.99	1.01	1.03
US$/CHF	0.92	0.92	0.94	0.96	0.98	1.00
US$ index	78.1	78.6	76.6	75.2	74.7	73.9
Asia exchange rates						
US$/CNY	6.35	6.28	6.19	6.11	6.03	5.95
US$/HKD	7.79	7.80	7.80	7.80	7.80	7.80
US$/IDR	9055	8925	8747	8572	8400	8232
US$/INR	50.9	49.4	48.4	47.4	46.5	45.6
US$/KRW	1134	1195	1171	1148	1125	1100
US$/MYR	3.16	3.19	3.16	3.13	3.10	3.06
US$/PHP	43.3	43.9	43.2	42.6	42.0	41.3
US$/SGD	1.29	1.31	1.30	1.28	1.27	1.26
US$/THB	30.97	31.20	31.00	30.90	30.70	30.60
US$/TWD	30.22	30.60	30.40	30.30	30.10	30.00
US$/VND	21008	21000	21400	21400	21400	21400
Pacific exchange rates						
PGK/US$	0.469	0.378	0.372	0.366	0.366	0.366
FJD/US$	0.547	0.538	0.530	0.522	0.522	0.522

IMPORTANT NOTICE

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