ANZ RESEARCH
AUSTRALIAN ECONOMICS WEEKLY

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INSIDE

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NO SMOKING GUN FOR RBA IN NEXT WEEK'S CPI

- In our *In Focus* article this week, we provide a short preview of next week's inflation data. Our current forecasts are for **the headline CPI to come in at 1.3% QoQ and 3.1% YoY**. Petrol and fruit and vegetables will be the largest contributors, as well as strong price increases for a range of essentials including health, education and utilities. Encouragingly however, **underlying inflation is expected to be subdued at 0.5% QoQ and less than 2% YoY.**
- These forecasts would have been higher if not for the offsetting impact of supermarket competition on food prices outside of fruit and vegetables and soft or negative price growth in a number of discretionary retail categories. This is in line with continued pass through from earlier AUD appreciation, together with seasonal discounting against a backdrop of consumer caution. It is also consistent with profit results from two large retailing groups this week, both of whom mentioned price deflation in food outside of fresh produce and in non-food retailing.
- **A key upside pressure to the inflation outlook stems from high oil prices.** In the near term, the impact of higher petrol prices will most likely be limited to the (large) effect on petrol prices. The indirect effects however will become more pronounced in the second half of 2011 and 2012 as capacity utilisation and domestic demand strengthen. **Pass-through however is expected to be more limited than in 2008 given subdued consumer spending and mixed economic conditions more broadly.**
- **The RBA's Board Minutes for April this week showed that the RBA is very comfortable.** Slightly restrictive monetary policy settings were again deemed appropriate given the buoyant mining investment outlook which will put pressure on scarce resources, but mixed conditions elsewhere in the economy are providing an important offset. Nevertheless, the RBA remains alert to potential inflationary threats. In particular, the RBA explicitly mentioned evidence of rising export prices out of China. This is another potential risk to tradeable goods inflation in Australia.

THE WEEK AHEAD

- In **Australia,** CPI data will be the major release in a shortened week, with public holidays fro Easter and ANZAC day on Monday and Tuesday. In **New Zealand,** there is a public holiday on Monday. The RBNZ is widely expected to keep rates on hold at 2.5%. Business confidence will be examined for impacts of the 50bps rate cut after the Christchurch earthquake, as will the trade balance for March, due out on Friday.
- In the **US**, the FOMC rates decision will be the focus. After hearing many opinions from Fed members of late, the consensus view will draw much market attention. We expect the Fed will run the full course of QE2, with the first rate rise in Q1 2012. In **Canada**, GDP data for February will be the focus for markets. Prices accelerated faster than expected in March resulting in markets bringing forward expectations of a BoC rate rise. A strong February GDP will likely add to the case for a rate rise in the near-term.
- In the **Euro zone,** CPI will again be the focus in shaping ECB rate hike expectations. The multi-speed nature of the Euro zone is likely to be apparent. In the **UK**, Easter Monday is a public holiday. The first (advanced) estimate of Q1 2011 GDP will be the focus, before the Royal Wedding Holiday on Friday.
- In Asia, the **Japanese** data dump will be released next week and likely show the initial impacts of the March 11 earthquake and tsunami. Retail sales, jobless rate, industrial production and vehicle production are all likely to be affected. The response from the BoJ is likely to be limited, with interest rates near 0%. There is a public holiday in Japan on Friday.

IN FOCUS

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NO SMOKING GUN FOR THE RBA IN NEXT WEEK'S CPI

The RBA Board Meeting Minutes for April this week showed the RBA is very comfortable: slightly restrictive monetary policy settings were again deemed appropriate given the buoyant mining investment outlook which will put pressure on scarce resources, but mixed conditions elsewhere in the economy are providing an important offset. As such the Board concluded that no case existed for a rate change.

In addition, the AUD is doing much of the heavy lifting. While the RBA was typically cautious about discussing currency movements in the Minutes, it did mention the AUD with regard to the impact on trade-exposed sectors such as tourism and manufacturing. The Treasurer Mr Swan has also been vocal about this topic as the Government continues its softening up process ahead of the Federal Budget. The Treasurer yesterday reiterated that the currency averaged USD0.78 through Commodity Boom Mark I compared with an average USD0.98 through Commodity Boom Mark II so far. This was decreasing the international competitiveness of some sectors and resulting in differing profit results across the economy. This was unlike the first boom where profits were growing solidly across the board. In 2010 by contrast, mining sector profits grew 59 per cent, while non-mining profits fell slightly.

We expect labour, wages and price indicators will ultimately determine the timing of the next rate rise. Next week's CPI however is unlikely to provide a clear trigger for the next move (see short preview below). While headline inflation is expected to be high, boosted by the impact of recent natural disasters, the RBA has already stated that it will "look through these fluctuations." Instead, the RBA will find it difficult to justify a rate rise following another expected subdued reading for underlying inflation.

Q1 CPI – A SHORT PREVIEW

Partial information so far suggests a very high rate of headline inflation at 1.3% QoQ and 3.1% YoY. This is underpinned by sharp price rises for petrol and fruit and vegetables (due to the floods and Cyclone Yasi), which will together add 0.7ppt to the headline CPI, as well as strong rises for other essentials including health, education and utilities (see Figure 2 below).

FIGURE 1: CPI FORECASTS, Q1 2011

	Quarterly % change		Annual % change
	Mar-11	Dec-10	Mar-11
Core CPI	**0.5**	**0.4**	**1.9**
Trimmed Mean	0.5	0.3	1.9
Weighted Median	0.5	0.5	2.0
CPI (All groups)	**1.3**	**0.4**	**3.1**
CPI ex volatiles*	0.6	0.1	2.3

Source: ANZ, ABS

This forecast would have been higher if not for the offsetting impact of supermarket competition on food prices outside of fruit and vegetables and soft or negative price growth in a number of discretionary retail categories. In particular, prices for household appliances, audio, visual and computing equipment and clothing and footwear are expected to have fallen. This is in line with continued pass through from earlier AUD appreciation, together with seasonal discounting against a backdrop of consumer caution. It is also consistent with profit results from two large retailing groups this week, both of whom mentioned price deflation in food outside of fresh produce and in non-food retailing. The divergence between strong price rises for essentials and soft/negative price growth for discretionary items will continue.

Underlying inflation however is expected to have remained modest at 0.5% QoQ, with many of the large price rises stripped out of the trimmed mean and weighted median measures. The annual pace of underlying inflation is expected to drop below 2.0% for the first time since

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mid-1999. For a more detailed preview of next week's CPI data, please see our *In Focus* article in the Australian Economics Weekly on 25 March.[1]

FIGURE 2: Q1 CPI QUARTER INFLATION BY CPI GROUP

	Quarterly % change	Quarterly %pt contribution	Annual % change
Food	2.3	0.38	3.8
of which: fruit & veg	*16.3*	*0.40*	*22.5*
Alcohol & tobacco	0.4	0.03	10.5
Clothing & footwear	-2.3	-0.08	-3.0
Housing	1.1	0.24	4.6
of which: rents	*0.9*	*0.05*	*4.1*
of which: utilities	*3.4*	*0.14*	*11.0*
of which: house purchase	*0.8*	*0.04*	*2.3*
HH contents & services	0.0	0.00	1.1
of which: childcare	*3.5*	*0.01*	*7.5*
Health	4.3	0.21	4.6
of which: pharmaceuticals	*13.1*	*0.13*	*0.6*
Transportation	2.6	0.32	3.0
of which: auto fuel	*8.7*	*0.33*	*9.2*
Communication	0.2	0.00	-0.1
Recreation	-0.8	-0.08	-1.7
of which: audio, visual and computing equipment	*-4.0*	*-0.02*	*-16.7*
of which: holiday travel & accommodation	*-1.5*	*-0.06*	*-2.2*
Education	5.4	0.16	5.8
Fin. & insurance services	1.0	0.09	1.2
CPI All Groups	**1.3**	**1.28**	**3.1**

Source: ANZ, ABS

OIL PRICE PASS THROUGH - A RISK BUT SHOULD BE RELATIVELY LIMITED, AT LEAST IN THE NEAR TERM

The outlook for inflation however is not quite as benign and suggests further policy tightening lies ahead. Indeed under the RBA's February forecasts, underlying inflation was still expected to reach 3% by late 2012. This is a forecast barely acceptable to an inflation targeting central bank. While the stronger AUD could see these forecasts lowered somewhat, this could well be offset by expectations that China will continue to export inflation; this week's RBA Minutes stated that "Renminbi-denominated export prices had been increasing since late 2009, after an extended period when they had been flat or declining."

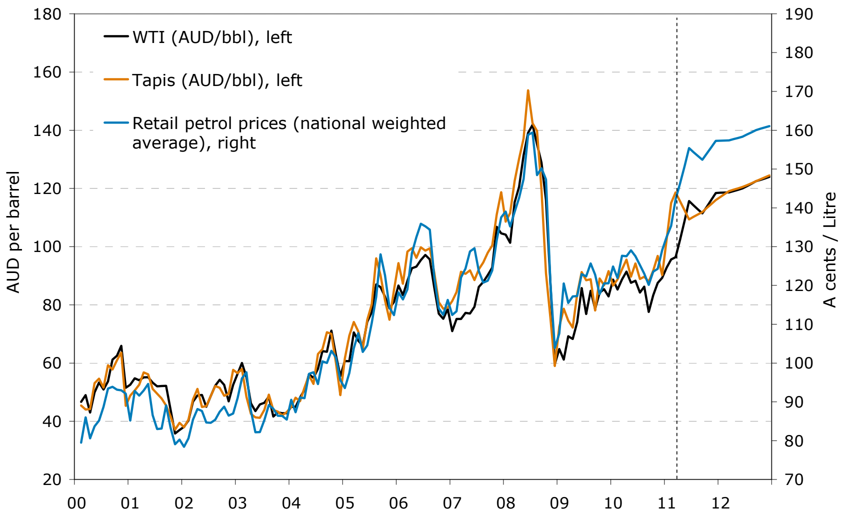
Another upside pressure to the inflation outlook stems from high oil prices. Indeed our commodity analysts have recently upgraded ANZ Research's oil price forecasts; WTI crude oil is now expected to reach USD122 per barrel by late 2012, Brent is expected to reach USD130 per barrel and Tapis is expected to rise to USD135 per barrel. Oil prices impact inflation both directly via petrol prices and indirectly as an input into other goods and services. Higher petrol prices can potentially indirectly impact on broader consumer price inflation (and underlying inflation measures) by leading to higher wage demands, although this depends on the flexibility and tightness of the labour market. Headline inflation also tends to lead core inflation when commodity prices are trending strongly.

The direct effect on the CPI from higher oil prices is straightforward via petrol prices. Figure 3 below shows an almost 1:1 relationship between Tapis oil prices (in AUD terms) and petrol

[1] Note there are some slight differences in the forecasts which have now been refined as new partial information has become available.

prices, allowing for some variation in margins. Petrol prices in turn account for 3.8% of the CPI basket, **so this quarter's 8.8% increase in petrol prices is expected to add approximately 0.3ppt to the headline CPI** (Figure 4 below). Fuel prices are also expected to add another 0.6ppt to the headline CPI between Q2 2011 and Q4 2011.

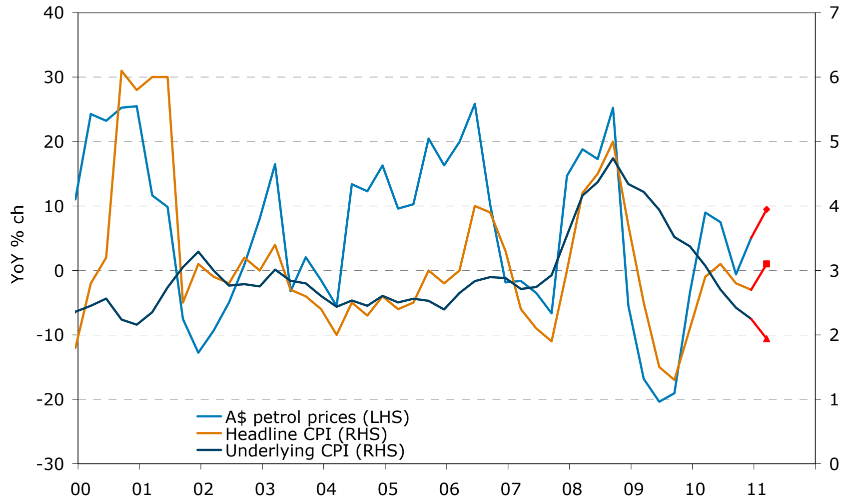
FIGURE 3: PETROL PRICES CLOSELY TRACK A$ OIL PRICES



Sources: Motormouth, RBA

While the direct effects are clear, the indirect (second-round) effects are less clear. RBA modelling provides mixed evidence on the relationship between oil prices and underlying inflation.[2] The variable relationship between petrol prices and the headline CPI can also be seen in Figure 2 below. Between 2004 and 2006, strong growth in petrol prices did not appear to result in high rates of inflation. In 2007 and 2008 however, growth was high for both petrol prices and the CPI.

FIGURE 4: A$ PETROL PRICES AND HEADLINE CPI



Sources: Motormouth, Bloomberg, ABS, ANZ

[2] Norman, D., and Richards, A., *Modelling Inflation in Australia*, RBA Research Discussion Paper, June 2010.

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This is largely because pass through depends on the pricing power of firms, which in turn depends on the strength of the domestic economy and capacity utilisation. It also depends on how other input costs are moving (for example import prices and unit labour costs) – firms may be willing or able to absorb some cost increases, but there is a point at which this becomes uneconomic.

The table below shows developments in a range of relevant economic variables through previous periods in which oil/petrol prices were rising strongly. There appears to have been greater pass through from oil prices to inflation in the 2007-08 period when capacity utilisation and domestic demand were stronger, while differences in labour costs and import prices (ex-oil) were negligible.

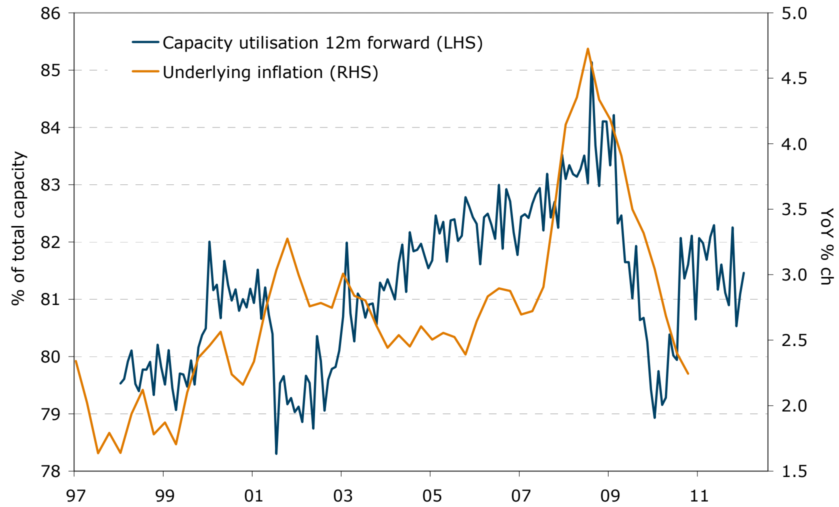
FIGURE 5: SNAPSHOT OF PREVIOUS PERIODS WHEN OIL PRICES RISING STRONGLY

	Tapis Oil prices (US$)	Petrol prices (A$)	Headline CPI	Underlying CPI	Domestic demand	Capacity utilisation	Wage Price Index	Unit Labour Costs (nominal, non-farm)	Import prices ex-oil (tariff-adjusted)
	Av qq % ch	Av qq % ch	Av qq % ch	Av qq % ch	Av qq % ch	Average %	Av qq % ch	Av qq % ch	Av qq % ch
Jan-04 - Jun-06	8.6	4.8	0.8	0.7	1.0	82.3	1.0	1.1	-0.4
Jan-07 - Sep-08	6.4	3.7	1.0	1.0	1.3	83.1	1.0	1.0	-0.5
Q1 2011 (est)	18.4	8.8	1.3	0.5	1.0	80.8	1.0	1.3	-2.0

Sources: ABS, ANZ, NAB

In the current period, capacity utilisation is lower than through the previous two periods (near long-term average levels) (see Figure 6 below). This should limit the second round effects on both headline and core inflation in the near term. Lower import prices (ex oil) will also assist, and offset slightly higher labour costs (largely due to poor productivity).

FIGURE 6: CAPACITY UTILISATION VS UNDERLYING INFLATION



Sources: RBA, NAB

Nevertheless, should higher oil prices be sustained, **the second-round effects should start to come through later in 2011 as capacity utilisation is expected to rise and domestic demand strengthens** (due to the ramp up in mining investment and reconstruction efforts). However mixed economic conditions and subdued consumer spending suggest that capacity utilisation will most likely remain below the levels seen in the previous two episodes (at least until 2012). **This suggests that pass through will be more limited than in 2007 and 2008.**

Tighter labour market conditions also raise the possibility that high CPI inflation (as a result of higher petrol prices) could start to feed through to higher wage demands. This could then feed

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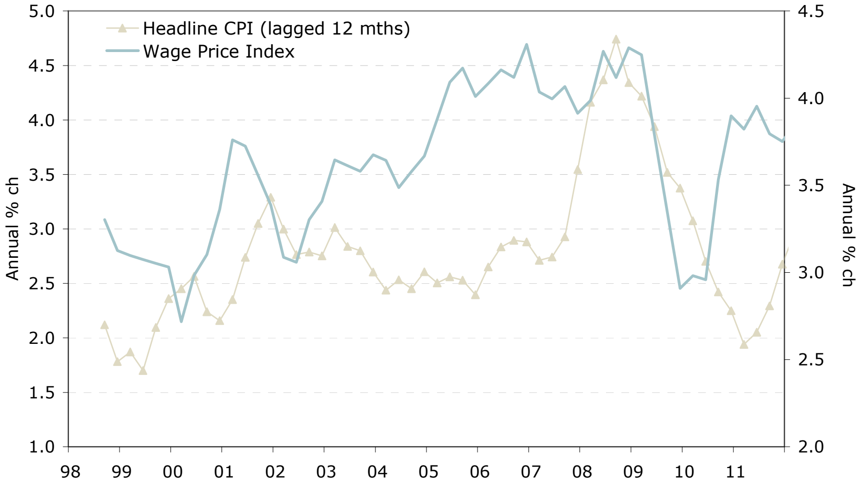
back into consumer price inflation by raising firms' operating costs. We do not want to overstate this risk: greater labour market flexibility suggests that a 1970s style wage price spiral is highly unlikely (see Figure 7 below). However, it could lead to some upward pressure on wages and inflation, particularly if inflation expectations start to shift upwards (there has been little evidence of this to date; consumer inflation expectations did increase to over 4% in January and February, but eased off to 3.6% in March). This is a greater risk for 2012 when the unemployment rate is forecast to drop below 4½%. At this stage, as the RBA Minutes outlined this week, wage pressures have not become widespread.

FIGURE 7: WAGE PRICE INDEX AND HEADLINE INFLATION



Sources: ABS, RBA

DATA WRAP

DATA WRAP

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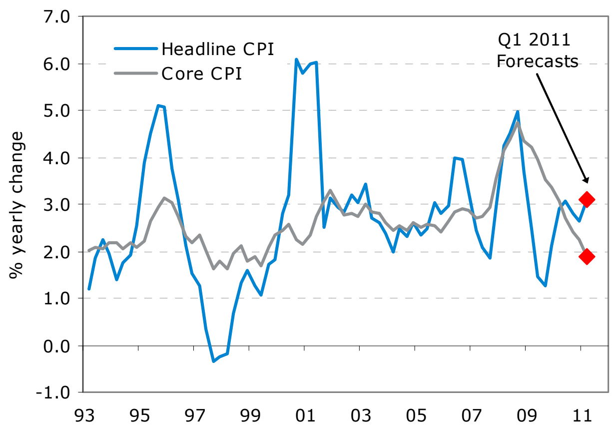
- The **RBA Board minutes for April** concluded a slightly restrictive monetary policy stance as appropriate, given the high level of the terms of trade and the prospective further large increase in investment. The RBA's liaison program did not give evidence for widespread wage increases as yet. On prices, the RBA noted that higher commodities prices had led to a build-up in global inflationary pressures, resulting in exported inflation from China.
- The **Westpac leading index** rose by 0.4% in February with the January level upwardly revised by 0.4% to +0.3% MoM. The stock market, real money supply, overtime worked, productivity and US industrial output outweighed the negative contribution by dwelling approvals.
- Australia's **export prices** rose by 5.2% in Q1 2011 to be 21.0% higher than a year ago, while Australia's **import prices** rose by 1.4% in Q1 2011 to be 0.2% higher than a year ago. As a result, Australia's terms of trade likely rose around another 5% in Q1 2011. Export prices were primarily higher on commodities prices. Import prices rose mainly on fuel prices, which were largely offset by the higher AUD.
- Final stage **producer price inflation** picked up to 1.2% QoQ and 2.9% YoY. This was primarily driven by higher domestic prices. Imported prices continued to fall (-0.3%). The intermediate and preliminary PPI indexes rose 2.3% and 2.6% in the quarter respectively (4.4% and 5.5% YoY respectively).

DATA PREVIEW

CONSUMER PRICE INDEX (Q1)



27 APRIL: CONSUMER PRICE INDEX (Q1)

Headline CPI

ANZ: +1.3% QoQ, +3.1% YoY

Market: +1.2% QoQ, +3.0% YoY

Last: +0.4% QoQ, +2.7% YoY

Underlying CPI (Average of trimmed mean and weighted median)

ANZ: +0.5% QoQ, +1.95% YoY

Market: +0.6% QoQ, +2.1% YoY

Last: +0.4% QoQ, 2.25% QoQ

Trimmed mean

ANZ: +0.5% QoQ, +1.9% YoY

Market: +0.7% QoQ, +2.1% YoY

Last: +0.3% QoQ, +2.2% YoY

Weighted Median

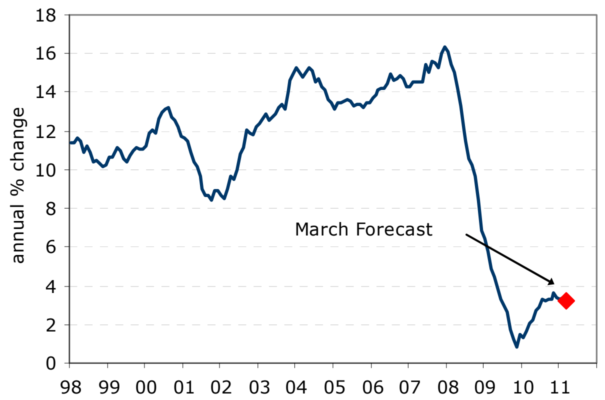
ANZ: +0.5% QoQ, +2.0% YoY

Market: +0.6% QoQ, +2.1% YoY

Last: +0.5% QoQ, +2.3% YoY

For more detail, please see *In Focus* article on page 2.

PRIVATE SECTOR CREDIT (MAR)



29 APRIL: PRIVATE SECTOR CREDIT (MAR)

ANZ: +0.3% QoQ, +3.2% YoY

Market: +0.4% QoQ, +3.3% YoY

Last: +0.5% QoQ, +3.4% YoY

Private sector credit is forecast to post a moderate increase in March. Following eight months of consecutive decline, business credit posted solid positive growth in February and is expected to show positive growth again in March on the back of improving business confidence. Household sector credit is also expected to show positive growth in March, driven by stable growth in housing credit and moderate growth in personal credit. **(DC)**

DATA & EVENT CALENDAR

WEEK STARTING 25 APRIL

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
20-28 Apr	JN	Convenience Store Sales YoY	MAR	- -	- -	6.5%	- -	- -
21-28 Apr	JN	Supermarket Sales YoY	MAR	- -	- -	0.6%	- -	- -
23-30 Apr	AU	NAB Business Confidence	1Q	- -	- -	5.0	- -	- -
25-28 Apr	CH	Leading Index	MAR	- -	- -	101.1	- -	
Monday	NZ AU UK	**Easter Monday Holiday**						
25-Apr	NZ	**ANZAC Day Holiday**						
	JN	Corp Service Price Index YoY	MAR	- -	- -	-1.0%	23:50	09:50
	US	New Home Sales MoM	MAR	12.0%	- -	-16.9%	14:00	00:00
		New Home Sales	MAR	280k	- -	250K	14:00	00:00
		Dallas Fed Manuf. Activity	APR	13.4	- -	11.5	14:30	00:30
26-29 Apr	UK	Nat'wide House prices sa MoM	APR	- -	- -	0.5%	- -	- -
		Nat'wide House prices nsa YoY	APR	- -	- -	0.1%	- -	- -
Tuesday	AU	**ANZAC Day Holiday**						
26-Apr		Conference Board Leading Index	FEB	- -	- -	0.1%	00:00	10:00
	EU	Eurozone Govt Debt/GDP Ratio	2-Jul	- -	- -	79.2%	09:00	19:00
		ECB's Gonzalez-Paramo Speaks in Cordoba, Spain					12:00	22:00
	UK	CBI Business Optimism	APR	- -	- -	7.0	10:00	20:00
		CBI Trends Total Orders	APR	- -	- -	5.0	10:00	20:00
		CBI Trends Selling Prices	APR	- -	- -	33.0	10:00	20:00
	US	S&P/Case Shiller Home Price Ind	FEB	- -	- -	140.9	13:00	23:00
		S&P/CS 20 City MoM sa	FEB	-0.4%	- -	-0.2%	13:00	23:00
		S&P/CS Composite-20 YoY	FEB	-3.3%	- -	-3.1%	13:00	23:00
		Consumer Confidence	APR	64.7	- -	63.4	14:00	00:00
		Richmond Fed Manufact. Index	APR	20.0	- -	20.0	14:00	00:00
		US Treasury Auctions 2-year note						
Wednesday	NZ	NBNZ Activity Outlook	APR	- -	- -	14.7	01:00	11:00
27-Apr		NBNZ Business Confidence	APR	- -	- -	-8.7	01:00	11:00
	AU	Consumer Prices MoM	1Q	1.2%	1.3%	0.4%	01:30	11:30
		Consumer Prices YoY	1Q	3.0%	3.1%	2.7%	01:30	11:30
		RBA Trimmed Mean MoM	1Q	0.7%	0.5%	0.3%	01:30	11:30
		RBA Trimmed Mean YoY	1Q	2.1%	1.9%	2.2%	01:30	11:30
		RBA Weighted Median MoM	1Q	0.6%	0.5%	0.5%	01:30	11:30
		RBA Weighted Median YoY	1Q	2.1%	2.0%	2.3%	01:30	11:30
	JN	Retail Trade YoY	MAR	- -	- -	0.1%	23:50	09:50
		Retail Trade MoM sa	MAR	- -	- -	0.8%	23:50	09:50
		Large Retailers' Sales	MAR	- -	- -	0.5%	23:50	09:50
		Small Business Confidence	APR	- -	- -	49.5	01:00	11:00
	CH	Industrial Profits YTD YoY	MAR	- -	- -	34.3%	02:00	12:00
	EU	**ECB Bank Lending Survey**					08:00	18:00
		ECB's Orphanides presents Annual Report 2010 on Economy					09:00	19:00
		Bank of Portugal Bank Survey on Credit Market					- -	- -
		Industrial New Orders nsa YoY	FEB	- -	- -	22.1%	09:00	19:00
		Industrial New Orders sa MoM	FEB	1.8%	- -	1.1%	09:00	19:00
	GE	GfK Consumer Confidence Survey	MAY	5.8	- -	5.9	06:00	16:00
		Consumer Price Index MoM	APR P	0.2%	- -	0.5%	- -	- -
		Consumer Price Index YoY	APR P	2.4%	- -	2.1%	- -	- -
		CPI - EU Harmonised MoM	APR P	- -	- -	0.5%	- -	- -
		CPI - EU Harmonised YoY	APR P	- -	- -	2.2%	- -	- -
	UK	GDP QoQ	1Q A	- -	- -	-0.5%	08:30	18:30
		GDP YoY	1Q A	- -	- -	1.5%	08:30	18:30
		Index of Services (3mth/3mth)	FEB	- -	- -	-0.5%	08:30	18:30
		Index of Services MoM	FEB	- -	- -	1.3%	08:30	18:30
		BBA Loans for House Purchase	MAR	- -	- -	29923	08:30	18:30
		GfK Consumer Confidence Survey	APR	- -	- -	-28.0	23:01	09:01

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
Wednesday	US	MBA Mortgage Applications	22-Apr	- -	- -	- -	11:00	21:00
27-Apr		Cap Goods Orders Nondef Ex Air	MAR	- -	- -	-1.3%	12:30	22:30
(cont.)		Cap Goods Ship Nondef Ex Air	MAR	- -	- -	0.8%	12:30	22:30
		Durable Goods Orders	MAR	1.5%	- -	-0.6%	12:30	22:30
		Durables Ex Transportation	MAR	2.2%	- -	-0.3%	12:30	22:30
		FOMC Rate Decision		0.25%	0.25%	0.25%	16:30	02:30
		Fed Chairman Bernanke (voter) Speaks at Fed Press Conference					18:15	04:15
		US Treasury Auctions 5-year Note						
	CA	Teranet/National Bank HPI MoM	FEB	- -	- -	0.4%	13:00	23:00
		Teranet/National Bank HP Index	FEB	- -	- -	138.0	13:00	23:00
		Teranet/National Bank HPI YoY	FEB	- -	- -	3.9%	13:00	23:00
Thursday	NZ	**RBNZ Official Cash Rate**		2.5%	2.5%	2.5%	21:00	07:00
28-Apr		Money Supply M3 YoY	MAR	- -	- -	5.2%	03:00	13:00
	JN	Markit / JMMA Manufacturing PMI	APR	- -	- -	46.4	23:15	09:15
		Job-To-Applicant Ratio	MAR	- -	- -	0.6	23:30	09:30
		Overall Household Spending YoY	MAR	- -	- -	-0.2%	23:30	09:30
		Jobless Rate	MAR	- -	- -	4.6%	23:30	09:30
		Tokyo CPI YoY	APR	- -	- -	-0.3%	23:30	09:30
		Tokyo CPI Ex-Fresh Food YoY	APR	- -	- -	-0.3%	23:30	09:30
		Tokyo CPI Ex Food, Energy YoY	APR	- -	- -	-0.3%	23:30	09:30
		National CPI YoY	MAR	- -	- -	0.0%	23:30	09:30
		National CPI Ex-Fresh Food YoY	MAR	- -	- -	-0.3%	23:30	09:30
		National CPI Ex Food, Energy YoY	MAR	- -	- -	-0.6%	23:30	09:30
		Industrial Production MoM	MAR P	- -	- -	- -	23:50	09:50
		Industrial Production YoY	MAR P	- -	- -	- -	23:50	09:50
		Japan Buying Foreign Bonds	22-Apr	- -	- -	- -	23:50	09:50
		Japan Buying Foreign Stocks	22-Apr	- -	- -	- -	23:50	09:50
		Foreign Buying Japan Bonds	22-Apr	- -	- -	- -	23:50	09:50
		Foreign Buying Japan Stocks	22-Apr	- -	- -	- -	23:50	09:50
		Vehicle Production YoY	MAR	- -	- -	-5.5%	04:00	14:00
		Housing Starts YoY	MAR	- -	- -	10.1%	05:00	15:00
		Annualized Housing Starts	MAR	- -	- -	0.872M	05:00	15:00
		Construction Orders YoY	MAR	- -	- -	19.5%	05:00	15:00
		BOJ Target Rate		- -	- -	0.1%	- -	- -
	EU	**ECB's Mersch Speaks in Luxembourg**					- -	- -
	GE	Unemployment Change (000's)	APR	-34k	- -	-55K	07:55	17:55
		Unemployment Rate sa	APR	7.0%	- -	7.1%	07:55	17:55
	US	Chicago Fed Nat Activity Index	MAR	- -	- -	0.0	12:30	22:30
		GDP QoQ (Annualized)	1Q A	1.8%	- -	3.1%	12:30	22:30
		GDP Price Index	1Q A	2.5%	- -	0.4%	12:30	22:30
		Core PCE QoQ	1Q A	1.3%	- -	0.4%	12:30	22:30
		Personal Consumption	1Q A	2.1%	- -	4.0%	12:30	22:30
		Initial Jobless Claims	23-Apr	- -	- -	- -	12:30	22:30
		Continuing Claims	16-Apr	- -	- -	- -	12:30	22:30
		Fed's Williams (non-voter) Speaks at Community Affairs Conference					12:30	22:30
		Bloomber Consumer Comfort	24-Apr	- -	- -	- -	13:45	23:45
		Pending Home Sales MoM	MAR	1.0%	- -	2.1%	14:00	00:00
		Pending Home Sales YoY	MAR	- -	- -	-9.3%	14:00	00:00
		US Auctions 7-year Note						

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
Friday	NZ	Trade Balance	MAR	200M	600M	194M	22:45	08:45
29-Apr		Trade Balance 12 Mth YTD	MAR	375.0	750M	758.0	22:45	08:45
		Exports	MAR	4.20B	4.59B	3.87B	22:45	08:45
		Imports	MAR	3.90B	3.99B	3.68B	22:45	08:45
	AU	RP Data-Rismark House Px MoM nsa	MAR	- -	- -	0.7%	00:30	10:30
		RP Data-Rismark House Px MoM sa	MAR	- -	- -	0.0%	00:30	10:30
		Private Sector Credit MoM	MAR	0.4%	0.3%	0.5%	01:30	11:30
		Private Sector Credit YoY	MAR	3.3%	3.2%	3.4%	01:30	11:30
		AOFM Auction of $700 million of June 2016 Bonds						
	JN	**Showa Day Holiday**						
	CH	MNI Business Condition Survey	APR	- -	- -	69.3	01:35	11:35
	EU	Euro-Zone M3 sa 3 mth ave	MAR	1.9%	- -	1.7%	08:00	18:00
		Euro-Zone M3 sa YoY	MAR	2.2%	- -	2.0%	08:00	18:00
		Euro-Zone CPI Estimate YoY	APR	2.7%	- -	2.6%	09:00	19:00
		Business Climate Indicator	APR	- -	- -	1.4	09:00	19:00
		Euro-Zone Consumer Confidence	APR F	-11.0	- -	-10.6	09:00	19:00
		Euro-Zone Economic Confidence	APR	107.0	- -	107.3	09:00	19:00
		Euro-Zone Indust. Confidence	APR	7.0	- -	6.6	09:00	19:00
		Euro-Zone Services Confidence	APR	10.5	- -	10.8	09:00	19:00
		Euro-Zone Unemployment Rate	MAR	9.9%	- -	9.9%	09:00	19:00
	UK	**Royal Wedding Holiday**						
	US	Employment Cost Index	1Q	0.6%	- -	0.4%	12:30	22:30
		PCE Core MoM	MAR	0.1%	- -	0.2%	12:30	22:30
		Personal Spending	MAR	0.5%	- -	0.7%	12:30	22:30
		PCE Core YoY	MAR	- -	- -	0.9%	12:30	22:30
		PCE Deflator YoY	MAR	1.9%	- -	1.6%	12:30	22:30
		Personal Income	MAR	0.4%	- -	0.3%	12:30	22:30
		Chicago Purchasing Manager	APR	70.0	- -	70.6	13:45	23:45
		U. of Michigan Confidence	APR F	70.0	- -	67.5	13:55	23:55
		Annual Revisions: Retail Sales					14:00	00:00
		NAPM-Milwaukee	APR	- -	- -	66.0	14:00	00:00
		Fed's Bernanke (voter) Speaks at Fed Community Affairs Conference					16:30	02:30
	CA	Gross Domestic Product MoM	FEB	- -	- -	0.5%	12:30	22:30
		Gross Domestic Product YoY	FEB	- -	- -	3.3%	12:30	22:30

FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
25 APRIL **Markets closed** (Easter Monday): AU, NZ, GE US: New Home Sales (Mar), Dallas Fed Manufacturing Activity (Apr)	26 APRIL **AU: Markets closed** (ANZAC Day) AU: Leading Index (Feb) EU: **ECB's Gonzalez-Paramo Speaks** US: Case Shiller Index (Feb), Consumer Confidence (Apr), Richmond Manufacturing Index (Apr)	27 APRIL NZ: Bus Confidence(Apr) AU: CPI (Q1) CH : Ind Profits (Mar) JP: Retail Trade (Mar) EU: Ind Orders (Feb), **ECB's Orphanides Speaks** GE: GfK Consumer Conf. (May), CPI (Apr P) UK: GDP (Q1 A), GfK Consumer Confidence (Apr), Services Index (Feb), House Loans (Mar) US: Capital and Durable Goods Orders (Mar), **FOMC Decision, Bernanke Press Conf.**	28 APRIL **NZ: RBNZ Cash Rate Decision** JP: Jobless Rate (Apr), CPI (Mar), Tokyo CPI (Apr), Ind Production (Mar P), Auto production (Mar) Housing Starts (Mar), Const. orders (Mar), **BoJ Target Rate** EU: **ECB's Mersch Speaks** GE: Unemployment (Apr) US: Chicago Fed Activity Index (Mar), GDP (Q1 A), Core PCE (Q1 A), Personal Consumption (Q1), Pending Home Sales (Mar), **Fed's Williams Speaks**	29 APRIL NZ: Trade (Mar) AU: Private Credit (Mar), House prices (Mar) CH: Bus Conditions (Apr) EU: Flash CPI (Apr), Ind, Eco & Ser Confidence (Apr), Unemploy. (Mar) UK: Markets closed US: PCE Core (Mar), Personal Income and Spending (Mar), Chicago PMI (Apr), Uni of Michigan Confidence (Apr F), **Bernanke Speaks** CA: GDP (Feb) **1 May:** CH: PMI Manuf (Apr)
2 MAY NZ: ANZ Commodity Prices (Apr) AU: TD Inflation Gauge (Apr), ABS House Price Index (Q1), PMI (Apr) **CH: Market Holiday** EU: PMI Manuf (Apr F), **ECB's Constancio Speaks** GE: PMI Manuf (Apr F) US: ISM Manuf (Apr), Construction Spending	3 MAY AU: **RBA Cash Rate, Victorian, NT, ACT State Budgets** CH: PMI (Apr) EU: PPI (Mar) GE: Retail Sales (Mar) UK PMI Manufacturing (Apr) US: Factory Orders (Mar), Vehicle sales (Apr) **2-3 May:** CA General Election	4 MAY NZ: Building Permits (Mar), Net Migration (Q1) AU : HIA New Home Sales (Mar), PSI (Apr) EU: PMI (Apr F), Retail Sales (Mar) GE: PMI Services (Apr F) UK: PMI Construction (Apr), Mortgage Approvals (Mar), Credit (Mar) US: Job Cuts (Apr), ADP Employment (Apr), ISM Non-Manufac. (Apr), **Fed's Rosengren and Williams Speak**	5 MAY NZ: Employment (Q1) AU: Building Approvals (Mar), Retail Sales (Mar) CH: Non-Manufac PMI (Apr EU: **ECB Rates Decision, Trichet Speaks** GE: Factory Orders (Mar) UK: PMI Services (Apr), **BoE Rates Decision** US: Labour costs (Q1), non-farm prod. (Q1), **Fed's Bernanke and Korcherlakota Speak** CA: Building Permits (Mar), Ivey PMI (Apr)	6 MAY **AU: Statement on Monetary Policy** GE: Industrial Production (Mar) UK: PPI (Apr) US: Non-Farm Payrolls (Apr) Unemployment (Apr), Earnings (Apr), Consumer Credit (Mar), **Fed's Dudley Speaks** CA: Employment (Apr)
9 MAY AU: ANZ Job Ads (Apr) EU: Sentix Investor Confidence (May) GE: Import Price Index (Mar), Trade (Mar), Current Account (Mar) CA: Housing Starts (Apr)	10 MAY NZ: Card Spending (Apr) AU: Trade (Mar), Bus Confidence (Apr), **Federal Budget** CH: Trade (Apr) EU: **ECB's Bini-Smaghi Speaks** US: NFIB Small Business Survey (Apr), Import Price Index (Apr), Economics Optimism (May), Wholesale Inventories (Mar), **Fed's Duke Speaks**	11 MAY NZ**: RBNZ Financial Stability Report** CH: PPI (Apr), Ind Production (Apr), CPI (Apr), Retail Sales (Apr) JP: Leading Index (Mar P) GE: CPI (Apr F) UK: Trade (Mar), **BoE Inflation Report** US: Trade (Mar), JOLTs Job Openings (Mar) CA: Merchandise Trade (Mar), **Fed's Korcher-lakota and Lockhart Speak**	12 MAY NZ: Bus PMI (Apr) AU: Employment (Apr) JP: Money Stock (Apr), Trade (Mar), Current Account (Mar) EU: **ECB Monthly Report (May),** Ind Production (Mar) UK: Ind Production (Mar), Manuf. Production (Mar), NIESR GDP Estimate (Apr) US: PPI (Apr), Retail Sales (Apr), Bus Inventories, **Fed's Plosser Speaks**	13 MAY NZ: Retail Sales Ex-Inflation (Q1) EU: GDP (Q1 A) GE: GDP (Q1 P) US: CPI (Apr), Univ of Michigan Consumer Confidence (May P)
16 MAY AU: Housing Finance (Mar) JP: Machine Orders (Mar), Domestic CGPI (Apr), Consumer Confidence (Apr) EU: CPI (Apr), Trade (Mar) US: Empire Manufac (May), Net TIC Flows (Mar)	17 MAY AU: **RBA Board Minutes** EU: Zew Survey (May) GE: Zew Survey (May) UK: CPI (Apr) US: Building Permits (Apr), Housing Starts (Apr), Industrial Production (Apr)	18 MAY NZ: PPI (Q1) AU: Consumer Confidence (May), DWER Skilled Vacancies (May), Wage Cost Index (Q1) JP: Tertiary Industry (Mar) EU: Constr'n Output (Mar) UK: **BoE Minutes**, ILO Unemployment Rate (Mar), Jobless Claims (Apr) US: **FOMC Minutes, Bullard Speaks**	19 MAY NZ: ANZ Consumer Confidence (May), **NZ Budget** AU: **WA State Budget** JP: GDP (Q1), Capacity Utilisation (Mar), Industrial Production (Mar F) UK: Retail Sales (Apr) US: Existing Home Sales (Apr), Philly Fed Survey (May)	20 MAY NZ: Net Migration (Apr), Credit Card Spending (Apr) JP: **BoJ Target Rate** EU: **ECB's Mersch Speaks,** Current Account, (Mar). Consumer Confidence (May) GE: Producer Prices (Apr) CA: CPI (Apr), Retail Sales (Mar)
23 MAY US: Chicago Fed Activity Index (Apr)	24 MAY EU: Ind New Order (Mar) GE: GDP (Q1 F), IFO Survey (May) US: New Home Sales (Apr), Richmond Fed Manufac (May), **Fed's Hoenig Speaks**	25 MAY AU: Westpac Leading Index (Mar) JP: Trade (Apr) UK: GDP (Q1 P) US: Capital & DurablesGoods Orders (Apr), **Fed's Korcherlakota Speaks**	26 MAY AU: CAPEX (Q1) GE: GfK Consumer Confidence (Jun) UK: GfK Consumer Confidence (May) US: GDP (Q1 S), Core PCE (Q1 S), Personal Consumption (Q1 S)	27 MAY CH: Business Conditions (May), Ind Profits (Apr) JP: CPI (Apr), Tokyo CPI (May), Large Retailer Sales (Apr) EU: Consumer Confidence (May F), Eco, Indl & Ser Confidence (May) GE: CPI (May P) US: PCE Core (Apr), Personal Spending (Apr), Personal Income (Apr), Pending Homes Sales

CENTRAL BANK RELEASES FOR 2011

JANUARY	FEBRUARY	MARCH	APRIL
5th – FOMC Minutes 13th – BoE 13th - ECB 25th – BoJ 26th – FOMC 26th – BoE Minutes 27th - RBNZ 28th – BoJ Minutes	1st – RBA 3rd – ECB 4th – RBA MP Statement 10th - BoE 15th – RBA Minutes 15th – BoJ 22nd – BoJ Minutes 23rd – BoE Minutes	1st - RBA 1st – BoC 3rd – ECB 10th – RBNZ 10th – RBNZ MP Statement 10th - BoE 15th – BoJ 15th – RBA Mintues 15th – FOMC 17th – SNB 18th – BoJ Minutes 23rd – BoE Minutes	5th – RBA 7th – BoJ 7th – BoE 7th – ECB 12th – BoJ Minutes 12th – BoC 19th – RBA Minutes 20th – BoE Minutes 27th – FOMC 28th – RBNZ 28th – BoJ
MAY	**JUNE**	**JULY**	**AUGUST**
3rd – RBA 6th – RBA MP Statement 5th – BoE 5th – ECB 9th – BoJ Minutes 17th – RBA Minutes 18th – BoE Minutes 20th – BoJ 25th – BoJ Minutes 31st – BoC	7th – RBA 9th – RBNZ 9th - RBNZ MP Statement 9th – BoE 9th - ECB 14th – BoJ 16th – SNB 17th – BoJ Minutes 21st – RBA Minutes 22nd– BoE Minutes 22nd - FOMC	5th – RBA 7th – ECB 7th – BoE 12th – BoJ 13th – FOMC Minutes 15th – BoJ Minutes 19th – RBA Minutes 19th – BoC 20th – BoE Minutes 28th - RBNZ	2nd – RBA 4th – ECB 4th – BoE 5th – BoJ 9th – FOMC 10th – BoJ Minutes 16th – RBA Minutes 17th – BoE Minutes 30th – FOMC Minutes
SEPTEMBER	**OCTOBER**	**NOVEMBER**	**DECEMBER**
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

***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		2.0	3.5	5.3	5.9
Household consumption		2.7	2.8	3.0	2.7
Dwelling investment		4.8	-0.9	0.4	7.4
Business investment		-0.9	8.7	15.2	15.2
Public demand		9.1	4.3	3.1	2.0
Domestic final demand		3.6	3.7	4.8	4.9
Inventories (contribution to GDP)		0.4	-0.2	0.1	0.0
Gross National Expenditure (GNE)		4.1	3.5	4.8	4.9
Exports		5.3	2.0	10.8	10.7
Imports		13.2	10.7	14.7	9.6
Net Exports (contribution to GDP)		-1.6	-2.0	-1.2	0.0
Gross Domestic Product (GDP)		**2.7**	**1.6**	**3.8**	**4.1**
Prices and wages (annual % change)					
Inflation:	Headline CPI	2.8	3.1	2.5	2.9
	Underlying*	2.6	2.2	3.1	3.0
Wages		3.3	4.0	4.1	3.9
Labour market					
Employment (annual % change)		2.7	2.5	2.5	2.5
Unemployment rate (annual average %)		5.2	4.9	4.4	4.0
External sector					
Terms of trade (annual % change)		16.2	16.6	2.7	-1.5
Current account balance:	A$bn	-34.5	-42.0	-53.5	-45.2
	% of GDP	-2.6	-2.9	-3.4	-2.7

* Average of RBA weighted median and trimmed mean statistical measure

AUSTRALIAN INTEREST RATES	CURRENT	JUN 11F	SEP 11F	DEC 11F	MAR 12F	JUN 12F
RBA cash rate	4.75	4.75	5.00	5.25	5.25	5.50
90 day bill	4.90	5.00	5.30	5.50	5.60	5.85
3 year bond	5.12	5.30	5.40	5.60	5.80	6.00
10 year bond	5.55	5.70	5.70	5.80	5.90	6.00
3s10s yield curve	0.43	0.40	0.30	0.20	0.10	0.00
3 year swap	5.41	5.60	5.70	6.00	6.20	6.40
10 year swap	6.08	6.25	6.25	6.35	6.45	6.55

INTERNATIONAL INTEREST RATES	CURRENT	JUN 11F	SEP 11F	DEC 11F	MAR 12F	JUN 12F
RBNZ cash rate	2.50	2.50	2.50	2.75	3.25	3.50
NZ 90 day bill	2.65	2.65	2.69	3.14	3.67	3.75
US Fed funds note	0.25	0.25	0.25	0.25	0.75	1.50
US 2 year note	0.68	0.90	1.00	1.30	1.60	1.90
US 10 year note	3.41	3.60	3.70	3.90	4.10	4.20
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.25	1.25	1.50	1.50	1.50	1.75
UK repo rate	0.50	0.50	0.75	1.00	1.00	1.25

FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	JUN 11F	SEP 11F	DEC 11F	MAR 12F	JUN 12F
Australian exchange rates						
A$/US$	1.07	1.02	1.05	1.03	1.02	1.00
NZ$/US$	0.80	0.74	0.75	0.75	0.74	0.72
A$/¥	88.37	86.7	90.3	90.6	91.8	92.0
A$/€	0.74	0.73	0.77	0.76	0.77	0.75
A$/£	0.65	0.63	0.66	0.65	0.65	0.64
A$/NZ$	1.34	1.38	1.40	1.37	1.38	1.39
A$/C$	1.02	0.99	1.00	0.99	1.00	0.99
A$/CHF	0.95	0.91	0.95	0.95	0.96	0.96
A$/CNY	7.01	6.56	6.65	6.42	6.34	6.15
A$ Trade weighted index	77.50	76.1	78.7	77.8	77.1	75.8
International cross rates						
US$/¥	82.32	85.0	86.0	88.0	90.0	92.0
€/US$	1.46	1.39	1.37	1.35	1.33	1.33
€/¥	119.95	118	118	119	120	122
£/US$	1.64	1.61	1.60	1.58	1.57	1.57
€/£	0.89	0.86	0.86	0.85	0.85	0.85
US$/C$	0.95	0.97	0.95	0.96	0.98	0.99
US$/CHF	0.89	0.89	0.90	0.92	0.94	0.96
US$ index	74.18	76.9	77.7	78.9	80.2	80.6
Asia exchange rates						
US$/CNY	6.53	6.43	6.33	6.23	6.22	6.15
US$/HKD	7.77	7.80	7.80	7.80	7.80	7.80
US$/IDR	8638	9000	9200	9250	8880	8880
US$/INR	44.3	45.8	46.1	46.8	45.9	46.1
US$/KRW	1080	1150	1175	1200	1165	1170
US$/MYR	3.01	3.04	3.09	3.16	3.13	3.14
US$/PHP	43.2	43.9	45.3	45.9	45.0	45.2
US$/SGD	1.24	1.27	1.30	1.32	1.30	1.31
US$/THB	29.91	30.90	31.70	32.50	31.85	32.00
US$/TWD	28.92	30.00	30.50	30.75	30.44	30.59
US$/VND	20915	21200	21400	21600	21800	22000
Pacific exchange rates						
PGK/US$	0.402	0.378	0.385	0.378	0.372	0.366
FJD/US$	0.564	0.541	0.548	0.538	0.530	0.522

IMPORTANT NOTICE

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