



# ECONOMICS & GLOBAL MARKETS RESEARCH

## AUSTRALIAN ECONOMICS WEEKLY

15 APRIL 2011

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### FEDERAL BUDGET 2011-12 PREVIEW: WHAT WE WANT AND WHAT WE'LL PROBABLY GET

- In our *In Focus* article this week, we preview the Federal Budget, due to be handed down on 10 May. **We expect a deterioration in the estimated underlying cash balance for 2010-11 and 2011-12** due to: (a) disaster reconstruction spending which will only be partly offset by the flood levy and spending cuts; and (b) lower revenue growth stemming from the higher AUD and lower economic growth. **The return to surplus in 2012-13 however does not look in jeopardy**, partly because of beneficial parameter variations stemming from likely upward revisions to the terms of trade which will boost revenue estimates.
- **Chinese activity and inflation data today exceeded market expectations across the board.** In YoY terms, economic growth eased only slightly in Q1 to 9.7% from 9.8% in Q4. In sequential growth terms, GDP growth eased to an annualised rate of 8.7% from 10% in the previous quarter. Domestic demand indicators for March including retail sales, industrial production and fixed asset investment also remained resilient. Inflation meanwhile surged to 5.4% YoY, the highest rate since July 2008. Producer price inflation also climbed to 7.3% YoY, with strong passthrough from the PPI to the CPI suggesting that the latter is far from peaking. **As growth is not a concern, the policy focus should be on containing accelerating inflation.** Our economics team in China expects two more hikes in the reserve requirement for banks and up to two rate hikes in Q2. Meanwhile, the CNY exchange rate is forecast to appreciate at a fast pace, reaching a range between 6.38 and 6.43 by the end of Q2. The importance of China to Australia's current economic prosperity was again highlighted by RBA Governor Stevens in a speech in New York earlier this week.

### THE WEEK AHEAD

- In **Australia**, the focus next week will be on the RBA Board Minutes for April. With the RBA comfortable with the current monetary policy setting for now, we do not expect any surprises to come out of the Minutes. Any comments around higher oil prices and the appreciation of the \$A will be a focus for markets. The PPI for Q1 will also be released and likely show the impact of higher commodity prices (see our data preview below). In **New Zealand**, the CPI for Q1 is likely to be of reduced importance due to the Christchurch earthquake playing on upcoming data. The impact of the 50bps rate cut is likely to boost consumer confidence for April.
- In the **US**, housing sector data will be the focus with building permits, housing starts and existing home sales released. The housing sector is expected to be a drag on US growth, while manufacturing has been a recent driver. The Philadelphia Fed manufacturing index is expected to moderate slightly from the highest level since 1983 in April. In **Canada**, the March CPI is expected to push the annual rate to 2.8%, while retail sales are expected to bounce back in February and rise 0.5%.
- In the **Euro zone**, initial PMI reads and consumer confidence will not show any impact from the ECB rate rise last week. In the **UK**, retail sales will be the focus with the market expecting a fall of 0.5% in March.
- In Asia, **Japanese** merchandise trade for March will be the first piece of economic activity data to be affected by the earthquake.

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## FEDERAL BUDGET 2011-12 PREVIEW – WHAT WE WANT AND WHAT WE’LL PROBABLY GET

The Commonwealth Budget for 2011-12 will be delivered in just under a month on Tuesday 10 May. For the Government, the challenge will be to deliver a budget that meets the following (potentially conflicting) objectives:

- A first-year budget by a minority government set against a forthcoming mining investment boom, with increasing regional and sectoral divergences, in a tightening labour market and a 28-year high in the AUD and already relatively tight monetary policy.
- Fulfills the promised return to budget surplus in 2012-13 amidst a slowdown in revenue growth (natural disasters, higher AUD, weaker than expected non-resource profitability) and rising expenditure pressures (natural disaster relief).
- Does not add significantly to domestic spending and/or hamper the productivity of the economy and thus put upward pressure on interest rates, given the already strong medium-term outlook for the Australian economy.
- Adjusts policy-settings within a medium-term fiscal strategy that includes a return to a structural budget surplus.
- Delivers meaningful changes to public policy that will deliver long-term productivity gains and enhance labour force participation.
- Addresses the long-term issues confronting the Australian economy, namely the ageing of the population and climate change without compromising future productivity and economic growth.
- Navigates the delicate political position of this minority government (ie. keeps the Greens and the Independents happy).

### WHAT TO EXPECT

The usual softening up process for the budget has begun. What we are likely to see includes:

**A deterioration in the starting point budget deficit.** The government’s commitment to cap real expenditure at 2% per annum will be difficult to meet in 2010-11, 2011-12 and possibly 2012-13. This is because we doubt spending cuts in other areas will be enough to offset (post flood/Yasi) disaster reconstruction spending. The floods levy will lift revenue by \$1.8bn. However this will cover less than a quarter of the Commonwealth’s post-disaster spending commitments, estimated by the Treasurer today at \$9bn. Moreover, this higher spending is occurring amidst weaker than expected company tax and capital gains tax revenue growth. The government has already revealed that revenues in 2010-11 are running \$4.5bn below expectations due to the higher AUD and weaker economic growth and profitability.

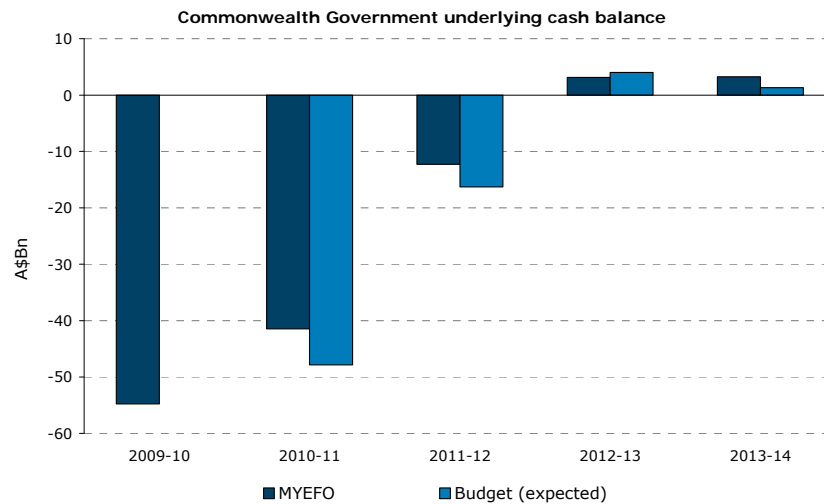
**Spending cuts.** These are required but will likely be relatively small in scale given the political backdrop. They will most likely target middle to higher income earners. We have already seen a deal made on pathology charges and a slated cut to health research. Expect further spending cuts across the health portfolio (eg. pharmaceuticals benefits scheme). While no details have yet been provided, a tightening of “middle class welfare” appears to be in the mix, including a further tightening of eligibility criteria for private health insurance and possibly childcare and family assistance.

**Favourable parameter variations to the rescue again.** According to the Treasurer, the Japanese earthquake is estimated to reduce commodity export revenue by \$2bn in the near term. However, reconstruction and greater power needs following the Japanese earthquake is expected to boost commodity demand and prices further out against a backdrop of already tight global supply. Indeed stronger than expected growth in the terms of trade (and hence nominal GDP) across most of the forecast horizon will provide an offset to higher spending on flood reconstruction and weaker spending growth elsewhere. ANZ’s forecasts are for the terms of trade to increase by 20% in 2010-11 and a further 12.5% in 2011-12, with only small

declines in the following two years. Treasury's forecasts are likely to be more conservative; for the purpose of this exercise we have factored in growth in the terms of trade of 18% in 2010-11, 6% in 2011-12 and falls of 5-6% in each of 2012-13 and 2013-14. While this will not be enough to offset other headwinds to the budget bottom line in 2010-11 and 2011-12, it will have a large beneficial impact in 2012-13 and we expect the budget surplus to actually be revised up (albeit slightly) for that year (see below).

**A larger budget deficit in 2011-12, but a return to surplus in 2012-13 still expected.** Our forecasts for the budget of course are likely to change as the government provides more guidance on spending and revenue decisions in the weeks ahead. For now, our preliminary estimates are for a deterioration in forecasts of the underlying cash balance in 2010-11 and 2011-12, with underlying cash deficits of \$48bn (3½% of GDP) and \$16bn (1% of GDP) likely in 2010-11 and 2011-12 respectively. The expected surplus in 2012-13 is expected to be slightly larger at \$4bn (¼% of GDP), but slightly smaller in 2013-14 at \$1bn (0.1% of GDP).

**FIGURE 1: ANZ ESTIMATES OF UNDERLYING CASH BALANCE 2011-12**



Sources: MYEFO, ANZ.

**An increase in government debt outstanding.** Our budget forecasts suggest that government gross debt outstanding will rise from around \$A207bn at the end of FY11 to around \$A223bn by the end of FY12. We expect the budget to move back into surplus in FY13 (\$A4.0bn) and expect it to be in surplus in FY14 (\$A1.3bn). This should allow the AOFM to begin retiring the \$A15bn in Treasury notes that are now on issue. Surpluses beyond 2014 will eventually put downward pressure on the supply of tradable bonds and put pressure on the AOFM to issue benchmark lines while retiring non-benchmark lines.

**A consolidation, but not necessarily a tightening of fiscal policy.** Bigger than expected deficits in the short term mean that a return to surplus in 2012-13 will require a more rapid turnaround in the government balance sheet. At MYEFO, the government estimated a fiscal consolidation of 4½% of GDP in the three years to 2012-13, the fastest fiscal consolidation in more than 40 years. We estimate that the deterioration in the budget in the short-term may add slightly to this fiscal consolidation in the three years to 2012-13. But, if, as we expect, the improvement in the 2012-13 budget balance since MYEFO largely reflects the positive impact of parameter variations, not policy decisions, it will not represent a significant tightening of fiscal policy. To give the RBA even more breathing space, the improvement in the budget position would preferably need to be at least partly attributable to policy decisions.

**A slower rate of improvement in the structural deficit.** Some would argue that one of the greatest policy failings in the last decade has been allowing the Australian budget to run into structural deficit amidst unprecedented national income growth. The structural budget

position is the budget position adjusted for the economic cycle. A deterioration in the structural budget position means an economy is not using the good times to save for the bad. Treasury estimates that the Australian budget fell into structural deficit in 2007-08 (ie. before the GFC and at the previous peak of the terms of trade). Treasury projects it won't return to structural surplus until 2019-20. The risk from this budget is a further delay in this planned return to structural surplus. In the meantime, Australia's fiscal position will remain highly vulnerable to any significant downturn in the commodity price cycle.

**New policies focused on population, participation, productivity and infrastructure.**

The government is making plenty of noises about this and so it should give acute skills shortages and an ageing population. A multi-departmental approach looks likely, although a weak budget starting point probably makes large-scale substantive reforms unlikely. The Prime Minister indicated this week that policy changes are likely to focus on streamlining the process for hiring skilled labour from overseas and on transitioning the long-term unemployed back into the labour force. Efforts to raise female labour force participation will be interesting in the context of possible cuts to childcare assistance. The government is also reportedly considering new tax and regulatory incentives to encourage superannuation funds to invest in infrastructure projects.

**No move towards creating a sovereign wealth fund.** This is unsurprising given current budgetary pressures and the lack of surpluses to contribute to a fund. It also appears that the government favours continued support for tax advantaged private superannuation saving, which remains a very strong fundamental positive for the Australian economy.

**Limited details on the proposed carbon tax.** The carbon pricing scheme, which is slated to start in July 2012, will not be included in this year's Budget. Details of the scheme, which the government wishes to be revenue neutral from its commencement, will be included in the Mid-year update (usually published in November or December).

**Commitments to a larger bond market?** There have been rumours of the possible announcement at budget time of a commitment by the government to an ongoing larger bond market going forward. Over the longer term it is possible that surpluses will continue to accumulate and that the government will again retire non-benchmark bonds. However, the new bank liquidity standards that will be introduced by APRA on 1 January 2015 mean that banks will become natural long-term holders of these increasingly scarce bonds. In this context, the minimum level of debt outstanding will probably need to be well above \$A60bn at the end of 2014 in order to keep the futures market liquid and functioning efficiently.

Back in 2002, the market became concerned that there were insufficient bonds on issue and the AOFM responded by issuing 3-year and 10-year benchmark bonds. Bonds on issue fell below \$A60bn at the time and remained below this level until 2009. However, the Treasurer decided that it was important to support pricing in the futures market (3-year and 10-year) and the AOFM continued to issue physical bonds at these maturities, despite the fact that the government was operating surpluses.

#### WHAT WE WOULD REALLY LIKE TO SEE IN THE BUDGET

What we would like to, but are unlikely, to see (note that some of these wishes are probably mutually exclusive, given the more challenging budget starting point):

**A commitment to broad-based tax reform.** The Henry Tax Review, one of the most important economic policy documents of the last decade, is gathering dust on the shelves. And now the government has downgraded July's tax summit to an October forum and ensured a rise in the GST rate is not on the agenda. Technological change (i.e. the rise of the internet) is now starting to compromise the GST, housing affordability is at record low levels, the resources tax plan has been downgraded, the interaction between the State and Commonwealth tax regimes remains convoluted, whilst the interaction between the income tax regime and welfare regime remains riddled with disincentives to maximise employment. The time to implement tax reform is when times are good. Failure to deliver, or even investigate, more of Henry's proposals during the current period of prosperity is a lost opportunity.

**A faster return to structural surplus.** The marked deterioration in the structural budget deficit means we have not been using good times to save for bad. The Australian economy (and budget revenues) are now highly sensitive to swings in commodity prices. A faster return to structural surplus would ensure Australia had an appropriate fiscal buffer should the next 'shock' to the terms of trade be to the downside.

**Avoiding unwarranted industry assistance.** We are not saying that the spoils of the resources boom should not be redistributed. But we would like the government to ensure any redistribution is used to boost future productivity. Transitional support may be appropriate. While not currently being flagged by the government, we would be disappointed if the current temporarily higher AUD was used as a reason to introduce permanent assistance to industries as this will subtract, not add, to Australia's growth potential. This also applies to the carbon tax, where no industry should be overcompensated for the effect of the scheme.

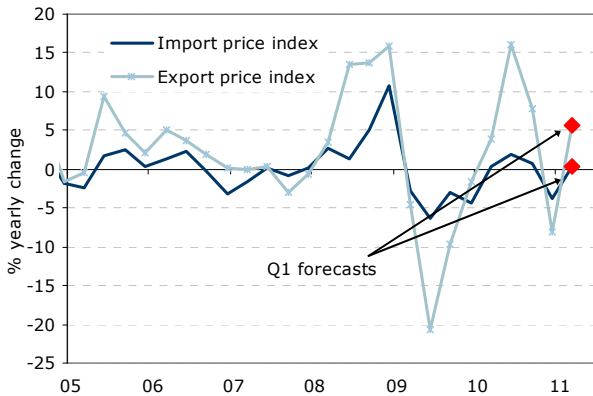
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## DATA WRAP

- The **NAB business survey** for March suggests that the Australian economy is poised to reaccelerate in the coming months. Business conditions surged in March, increasing by 11 points. Despite a number of adverse developments over the past month (Japanese earthquake, higher oil price and surging AUD) business confidence eased only slightly, falling by 5pts to 9.
- The **Westpac Consumer Confidence** rose 1.2 points in April to 105.3. Time to buy a major household item rose quite strongly (+4.6 points to 138.4) in April after a large fall in March (-6.7 points). Current conditions rose 2.4 points in April after falling 4.1 points in March. There is likely to be a Queensland floods effect in these numbers.
- The **DEWR Skilled Vacancies** rose 1.7% in April, with the March vacancies upwardly revised to a 1.2% rise (from 0.6%). After a soft patch towards the end of 2010, skilled vacancies have trended higher in 2011 thus far. This has been broadly in line with the weakness in employment from December through to February and the recent bounce back in March.
- **Consumer inflation expectations** moderated to 3.5% in April from 3.6% in March.
- **New motor vehicle sales** rose by 3.4% with widespread gains across vehicle types. Vehicle sales rose considerably in New South Wales (+1731 vehicles) and Queensland (+1150 vehicles) but were broadly flat in Victoria, South Australia and Western Australia.

# DATA PREVIEW

## TRADE PRICES (Q1)



## 20 APRIL: TRADE PRICES (Q1)

### Export prices:

**ANZ: +3.5% QoQ**

**Market: 4.5% QoQ**

**Last: -8.1% QoQ**

### Import prices:

**ANZ: -0.4% QoQ**

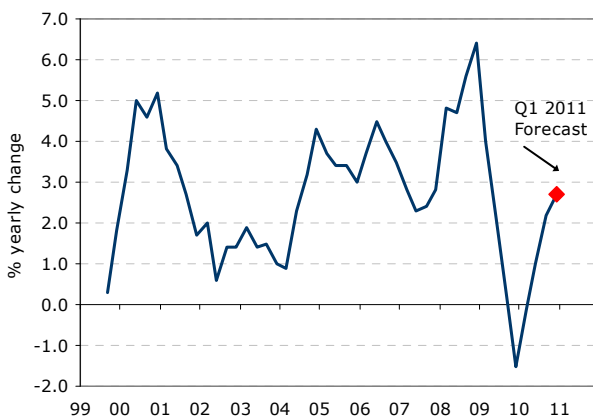
**Market: 0.3% QoQ**

**Last: -3.8% QoQ**

Goods export prices likely rose by approximately 3.5% in Q1 due to rises in rural and resource prices of around 4%. This was largely driven by stronger prices for Australia's major rural exports including wheat, wool and grains as well as higher hard commodity prices, particularly for iron ore and coal. Goods import prices are likely to have declined by 0.4% in Q1. The higher AUD led ex-fuel goods export prices to fall by 2%, which was largely offset by a 9% rise in fuel prices (in AUD terms).

The trend in goods imports prices is likely to continue through Q2 as the appreciating AUD and high petrol prices look to continue. Meanwhile, resource export prices are likely to be impacted by the Japanese earthquake in the near term (although greater demand from Japan for reconstruction and power needs further out is likely to be positive for these prices). We have also seen a recent pull-back in base metals, which may see more subdued export price rises in coming months. **(AM)**

## PRODUCER PRICE INDEX (Q1)



## 21 APRIL: PRODUCER PRICE INDEX (Q1)

**ANZ: +1.1% QoQ, +2.9% YoY**

**Market: +1.0% QoQ, +2.7% YoY**

**Last: +0.1% QoQ, +2.7% YoY**

Final stage input prices are expected to have been boosted by higher fuel prices, higher global agricultural prices and higher building costs (due to rising steel and other hard commodity prices). These will feed into higher domestic and imported input costs, although the rise in imported inputs will be broadly offset by the higher AUD in Q1. (These will start to feed through more comprehensively in later quarters as the AUD stabilises). A stronger rise in final stage input prices is also consistent with rising producer prices at the preliminary and intermediate stages of production in previous quarters; this will have flowed further down the production chain in Q1. **(RP)**

## DATA &amp; EVENT CALENDAR

## TWO WEEKS STARTING 18 APRIL

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
15-22 Apr	CH	Actual FDI YoY	MAR	--	--	32.2%	--	--
16-Apr	EU	<b>Germany's Weber, Schaeuble Hold Press Conference in Washington</b>						
17-Apr	UK	Rightmove House Prices MoM	APR	--	--	0.8%	23:01	09:01
		Rightmove House Prices YoY	APR	--	--	0.9%	23:01	09:01
Monday	NZ	Performance Services Index	MAR	--	--	50.8	22:30	08:30
18-Apr		Consumer Prices QoQ	1Q	1.0%	1.0%	2.3%	22:45	08:45
		Consumer Prices YoY	1Q	4.6%	4.6%	4.0%	22:45	08:45
	CH	China March Property Prices					02:00	12:00
	EU	<b>Bank Of Greece holds General Shareholders Meeting</b>					09:00	19:00
		Euro-Zone Consumer Confidence	APR A	-11.0	--	-10.6	14:00	00:00
	US	NAHB Housing Market Index	APR	17.0	--	17.0	14:00	00:00
		<b>Fed's Fisher (voter), Lockhart (non-voter) to Discuss Globalization in Atlanta</b>					14:30	00:30
		<b>Fed's Bullard (non-voter) to Speak on Banking Rules in Kentucky</b>					16:00	02:00
		<b>Fed's Fisher (voter) to Speak on U.S. Economic Outlook in Atlanta</b>					16:30	02:30
	CA	Int'l Securities Transactions	FEB	--	--	13.290B	12:30	22:30
19-29 Apr	AU	NAB Business Confidence	1Q	--	--	5.0	--	--
Tuesday	NZ	Fonterra Global Dairy Auction						
19-Apr	AU	<b>Reserve Bank's Board April Minutes</b>					01:30	11:30
		Merchandise Imports (BOP basis)	MAR	--	--	\$18.0Bn	01:30	11:30
		Building Activity	Q4	--	--	\$21.8Bn	01:30	11:30
		Construction Activity CVM	Q4	--	--	\$41.6Bn	01:30	11:30
	JN	Consumer Confidence	MAR	--	--	40.7	05:00	15:00
		Consumer Confidence Households	MAR	--	--	40.6	05:00	15:00
		Machine Tool Orders YoY	MAR F	--	--	49.5%	06:00	16:00
	CH	HSBC Flash China Manufacturing	APR	--	--	51.8	02:30	12:30
	EU	EU 25 New Car Registrations	MAR	--	--	0.9%	06:00	16:00
		PMI Composite	APR A	--	--	57.6	08:00	18:00
		Euro-Zone Current Account nsa	FEB	--	--	0.5B	08:00	18:00
		ECB Euro-Zone Current Account sa	FEB	--	--	-0.7B	08:00	18:00
		PMI Manufacturing	APR A	57.0	--	57.5	08:00	18:00
		PMI Services	APR A	56.9	--	57.2	08:00	18:00
		Construction Output sa MoM	FEB	--	--	1.8%	09:00	19:00
		Construction Output WDA YoY	FEB	--	--	-4.5%	09:00	19:00
	GE	PMI Manufacturing	APR A	60.0	--	60.9	07:30	17:30
		PMI Services	APR A	59.8	--	60.1	07:30	17:30
	US	Building Permits MoM	MAR	1.1%	--	-5.2%	12:30	22:30
		Housing Starts MoM	MAR	9.6%	--	-22.5%	12:30	22:30
		Building Permits	MAR	540K	--	534K	12:30	22:30
		Housing Starts	MAR	525K	--	479K	12:30	22:30
	CA	Consumer Price Index	MAR	--	--	118.1	11:00	21:00
		Consumer Price Index MoM	MAR	0.6%	--	0.3%	11:00	21:00
		Consumer Price Index YoY	MAR	2.8%	--	2.2%	11:00	21:00
		Bank Canada CPI Core MoM	MAR	0.3%	--	0.2%	11:00	21:00
		Bank Canada CPI Core YoY	MAR	1.3%	--	0.9%	11:00	21:00
		Leading Indicators MoM	MAR	--	--	0.8%	12:30	22:30
		Wholesale Sales MoM	FEB	--	--	1.5%	12:30	22:30
20-22 Apr	JN	Supermarket Sales YoY	MAR	--	--	0.6%	--	--
Wednesday	AU	Westpac Leading Index MoM	FEB	--	--	-0.1%	00:30	10:30
20-Apr		Import price index QoQ	1Q	0.6%	-0.4%	-3.8%	01:30	11:30
		Export price index QoQ	1Q	4.3%	3.5%	-8.1%	01:30	11:30
		<b>AOFM Auctions A\$700m of May 2021 bonds</b>						
	JN	Tertiary Industry Index MoM	FEB	0.1%	--	2.1%	23:50	09:50
		Merchnds Trade Balance Total	MAR	¥646.3B	--	¥653.3B	23:50	09:50
		Adjusted Merchnds Trade Bal.	MAR	¥323.4B	--	¥556.0B	23:50	09:50
		Merchnds Trade Exports YoY	MAR	-1.1%	--	9.0%	23:50	09:50
		Merchnds Trade Imports YoY	MAR	6.4%	--	10.0%	23:50	09:50
	CH	Conference Board China February Leading Economic Index					02:00	12:00
	GE	Producer Prices MoM	MAR	0.7%	--	0.7%	06:00	16:00
		Producer Prices YoY	MAR	6.5%	--	6.4%	06:00	16:00

## DATA &amp; EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT
Wednesday	UK	<b>Bank of England Minutes</b>					08:30
20-Apr cont.	US	MBA Mortgage Applications	15-Apr	--	--	-6.7%	11:00
		Existing Home Sales MoM	MAR	2.5%	--	-9.6%	14:00
		Existing Home Sales	MAR	5.00M	--	4.88M	14:00
Thursday 21-Apr	NZ	Net Migration sa	MAR	--	--	470.0	22:45
		ANZ Consumer Confidence Index	APR	--	--	101.4	01:00
		ANZ Consumer Confidence MoM	APR	--	--	-6.2%	01:00
		Credit Card Spending sa MoM	MAR	--	--	-0.3%	03:00
		Credit Card Spending YoY	MAR	--	--	5.3%	03:00
	AU	Producer Price Index QoQ	1Q	1.0%	1.1%	0.1%	01:30
		Producer Price Index YoY	1Q	2.7%	2.9%	2.7%	01:30
		RBA Foreign Exchange Transaction	MAR	--	--	414M	01:30
	JN	Japan Buying Foreign Bonds	15-Apr	--	--	¥176.5B	23:50
		Japan Buying Foreign Stocks	15-Apr	--	--	-¥161.0B	23:50
		Foreign Buying Japan Bonds	15-Apr	--	--	-¥445.4B	23:50
		Foreign Buying Japan Stocks	15-Apr	--	--	¥389.5B	23:50
		<b>BOJ Deputy Governor Nishimura to Speak in Yokohama City</b>					01:30
		Coincident Index CI	FEB F	--	--	106.3	05:00
		Leading Index CI	FEB F	--	--	104.2	05:00
	GE	IFO - Business Climate	APR	110.5	--	111.1	08:00
		IFO - Current Assessment	APR	116.0	--	115.8	08:00
	IFO - Expectations	APR	105.9	--	106.5	08:00	
UK	Public Finances (PSNCR)	MAR	--	--	7.0B	08:30	
	PSNB ex Interventions	MAR	19.9B	--	11.8B	08:30	
	Public Sector Net Borrowing	MAR	19.4B	--	10.3B	08:30	
	Retail Sales Ex Auto Fuel MoM	MAR	-0.3%	--	-1.0%	08:30	
	Retail Sales Ex Auto Fuel YoY	MAR	1.2%	--	1.2%	08:30	
	Retail Sales w/Auto Fuel MoM	MAR	-0.5%	--	-0.8%	08:30	
	Retail Sales w/Auto Fuel YoY	MAR	1.1%	--	1.3%	08:30	
US	Initial Jobless Claims	16-Apr	--	--	412K	12:30	
	Continuing Claims	9-Apr	--	--	3680K	12:30	
	Bloomberg Economic Expectations	APR	--	--	-8.0	13:45	
	House Price Index MoM	FEB	--	--	-0.3%	14:00	
	Leading Indicators	MAR	0.3%	--	0.8%	14:00	
	Philadelphia Fed.	APR	37.0	--	43.4	14:00	
	RPX Composite 28dy YoY	FEB	--	--	-3.4%	20:00	
	RPX Composite 28dy Index	28-Feb	--	--	179.5	20:00	
	<b>US Treasury auctions 5-year TIPS</b>						
CA	Retail Sales MoM	FEB	0.5%	--	-0.3%	12:30	
	Retail Sales Less Autos MoM	FEB	0.5%	--	0.0%	12:30	
Friday 22-Apr		<b>Good Friday Holiday</b>					

## DATA &amp; EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
25-28 Apr	CH	Leading Index	MAR	--	--	101.1	--	
Monday	AU, UK	<b>Easter Holiday</b>						
25-Apr	JN	Corp Service Price Index YoY	MAR	--	--	-1.0%	23:50	09:50
	US	New Home Sales MoM	MAR	--	--	-16.9%	14:00	00:00
		New Home Sales	MAR	--	--	250K	14:00	00:00
		Dallas Fed Manuf. Activity	APR	--	--	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	Conference Board Leading Index	FEB	--	--	0.1%	00:00	10:00
26-Apr	EU	Euro-Zone Govt Debt/GDP Ratio	2-Jul	--	--	79.2%	09:00	19:00
	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/CaseShiller Home Price Ind	FEB	--	--	140.9	13:00	23:00
		S&P/CS 20 City MoM sa	FEB	--	--	-0.2%	13:00	23:00
		S&P/CS Composite-20 YoY	FEB	--	--	-3.1%	13:00	23:00
		Consumer Confidence	APR	--	--	63.4	14:00	00:00
		Richmond Fed Manufact. Index	APR	--	--	20.0	14:00	00:00
		<b>US Treasury Auctions 2-year note</b>						
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	2.2%	2.0%	2.3%	01:30	11:30
		<b>AOFM Auctions</b>						
	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	<b>ECB Publishes its Bank Lending Survey</b>					08:00	18:00
		Industrial New Orders nsa YoY	FEB	--	--	22.1%	09:00	19:00
		Industrial New Orders sa MoM	FEB	--	--	1.1%	09:00	19:00
	GE	GfK Consumer Confidence Survey	MAY	--	--	5.9	06:00	16:00
		Consumer Price Index MoM	APR P	--	--	0.5%	--	--
		Consumer Price Index YoY	APR P	--	--	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	--	--	29923.0	08:30	18:30
		GfK Consumer Confidence Survey	APR	--	--	-28.0	23:01	09:01
	US	MBA Mortgage Applications	22-Apr	--	--	--	11:00	21:00
		Cap Goods Orders Nondef Ex Air	MAR	--	--	-1.3%	12:30	22:30
		Cap Goods Ship Nondef Ex Air	MAR	--	--	0.8%	12:30	22:30
		Durable Goods Orders	MAR	1.0%	--	-0.6%	12:30	22:30
		Durables Ex Transportation	MAR	--	--	-0.3%	12:30	22:30
		<b>FOMC Rate Decision</b>					16:30	02:30
		<b>Fed Chairman Bernanke Speaks at Fed Press Conference</b>					18:15	04:15
		<b>US Treasury Auctions 5-year Note</b>						
	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	<b>RBNZ Official Cash Rate</b>					21:00	07:00
28-Apr		Money Supply M3 YoY	MAR	--	--	5.2%	03:00	13:00
	JN	Job-To-Applicant Ratio	MAR	--	--	0.6	23:30	09:30
		Overall Hhold 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

## DATA &amp; EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
Thursday		National CPI YoY	MAR	--	--	0.0%	23:30	09:30
28-Apr cont	JN	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
		<b>BOJ Target Rate</b>		--	--	0.1%	--	--
	GE	Unemployment Change (000's)	APR	--	--	-55K	07:55	17:55
		Unemployment Rate sa	APR	--	--	7.1%	07:55	17:55
	US	Chicago Fed Nat Activity Index	MAR	--	--	0.0	12:30	22:30
		GDP QoQ (Annualized)	1Q A	2.1%	--	3.1%	12:30	22:30
		GDP Price Index	1Q A	--	--	0.4%	12:30	22:30
		Core PCE QoQ	1Q A	--	--	0.4%	12:30	22:30
		Personal Consumption	1Q A	--	--	4.0%	12:30	22:30
		Initial Jobless Claims	23-Apr	--	--	--	12:30	22:30
		Continuing Claims	16-Apr	--	--	--	12:30	22:30
		<b>Fed's Williams (non-voter) Speaks at Community Affairs Conference</b>					12:30	22:30
		Pending Home Sales MoM	MAR	--	--	2.1%	14:00	00:00
		Pending Home Sales YoY	MAR	--	--	-9.3%	14:00	00:00
		<b>US Auctions 7-year Note</b>						
Friday	NZ	Trade Balance	MAR	--	--	194M	22:45	08:45
29-Apr		Trade Balance 12 Mth YTD	MAR	--	--	758.0	22:45	08:45
		Exports	MAR	--	--	3.87B	22:45	08:45
		Imports	MAR	--	--	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	3.2%	3.2%	3.4%	01:30	11:30
		<b>AOFM Auctions</b>						
	JP	<b>Showa Day Holiday</b>						
	CH	MNI Business Condition Survey	APR	--	--	69.3	01:35	11:35
	EU	Euro-Zone M3 sa 3 mth ave	MAR	--	--	1.7%	08:00	18:00
		Euro-Zone M3 sa YoY	MAR	--	--	2.0%	08:00	18:00
		Euro-Zone CPI Estimate YoY	APR	--	--	2.6%	09:00	19:00
		Business Climate Indicator	APR	--	--	1.4	09:00	19:00
		Euro-Zone Consumer Confidence	APR F	--	--	-10.6	09:00	19:00
		Euro-Zone Economic Confidence	APR	--	--	107.3	09:00	19:00
		Euro-Zone Indust. Confidence	APR	--	--	6.6	09:00	19:00
		Euro-zone Services Confidence	APR	--	--	10.8	09:00	19:00
		Euro-Zone Unemployment Rate	MAR	--	--	9.9%	09:00	19:00
	UK	<b>Royal Wedding Holiday</b>						
	US	Employment Cost Index	1Q	--	--	0.4%	12:30	22:30
		PCE Core MoM	MAR	--	--	0.2%	12:30	22:30
		Personal Spending	MAR	--	--	0.7%	12:30	22:30
		PCE Core YoY	MAR	--	--	0.9%	12:30	22:30
		PCE Deflator YoY	MAR	--	--	1.6%	12:30	22:30
		Personal Income	MAR	--	--	0.3%	12:30	22:30
		Chicago Purchasing Manager	APR	--	--	70.6	13:45	23:45
		U. of Michigan Confidence	APR F	--	--	67.5	13:55	23:55
		Annual Revisions: Retail Sales					14:00	00:00
		NAPM-Milwaukee	APR	--	--	66.0	14:00	00:00
		<b>Fed Chairman Bernanke (voter) Speaks at Fed Community-Affairs Conference</b>					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
<b>18 APRIL</b> NZ: Consumer Prices (Q1), Performance of services index (Mar) CH: China Property Prices (Mar) EU: Consumer Confidence (Apr A) UK: House Prices (Apr) US: <b>Fed's Bullard, Lockhart and Fisher Speak</b>	<b>19 APRIL</b> AU: <b>RBA Board Minutes</b> CH: HSBC Flash Manufac (Apr) JP: Consumer Conf. (Mar), Machine Tool Orders (Mar) EU: Current Account (Feb), PMI Manufac. & Services (Apr A), Construction Output (Feb) GE: PMI Manufac. & Services (Apr A) US: Building Permits (Mar), Housing Starts (Mar) CA: CPI (Mar), Leading Indicators (Mar)	<b>20 APRIL</b> AU: Leading Index (Feb), Inflation exp (Apr) Trade Prices Index (Q1) CH: Leading Index (Feb) JP: Tertiary Industry Index (Feb), Trade (Mar) GE: Producer Prices (Mar) UK: <b>BoE Minutes</b> US: Existing Home Sales (Mar)	<b>21 APRIL</b> NZ: Net Migration (Mar), Credit Car Spending (Mar), Consumer Confidence (Apr) AU: PPI (Q1) JP: Leading Index (Feb F), <b>BoJ's Nishimura Speaks</b> GE: IFO Survey (Apr) UK: Retail Sales (Mar) US: Philly Fed (Apr), B'berg Eco Expectations (Apr), House prices (Feb) CA: Retail Sales (Feb)	<b>22 APRIL</b> <b>Markets Closed</b> (Good Friday) US, EC, GE, UK, CA, AU, NZ
<b>25 APRIL</b> <b>Markets closed</b> (Easter Monday): AU, NZ, GE  US: New Home Sales (Mar), Dallas Fed Manufacturing Activity (Apr)	<b>26 APRIL</b> <b>AU: Markets closed</b> (ANZAC Day)  AU: Leading Index (Feb) GE: Retail sales (Mar) US: Case Shiller Index (Feb), Consumer Confidence (Apr), Richmond Manufacturing Index (Apr)	<b>27 APRIL</b> NZ: Bus Confidence (Apr) AU: CPI (Q1) CH : Ind Profits (Mar) JP: Retail Trade (Mar) EU: Ind Orders (Feb) 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), <b>FOMC Decision, Fed Chairman Bernanke Press Conference</b>	<b>28 APRIL</b> <b>NZ: RBNZ Cash Rate Decision</b> JP: Jobless Rate (Apr), CPI (Mar), Tokyo CPI (Apr), Ind Production (Mar P), Housing Starts (Mar), <b>BoJ Target Rate</b> GE: Unemployment (Apr) UK: GfK Consumer Conf. (Apr) US: Chicago Fed Activity Index (Mar), GDP (Q1 A), Core PCE (Q1 A), Personal Consumption (Q1), Pending Home Sales (Mar), <b>Fed's Williams Speaks</b>	<b>29 APRIL</b> 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 (Mar), Chicago PMI (Apr), Uni of Michigan Confidence (Apr F), <b>Bernanke Speaks</b> CA: GDP (Feb) <b>1 May:</b> CH: PMI Manuf (Apr)
<b>2 MAY</b> NZ: ANZ Commodity Prices (Apr) AU: TD Inflation Gauge (Apr), ABS House Price Index (Q1), PMI (Apr) <b>CH: Market Holiday</b> EU: PMI Manuf (Apr F), <b>ECB's Constancio Speaks</b> GE: PMI Manuf (Apr F) US: ISM Manuf (Apr), Construction Spending	<b>3 MAY</b> AU: <b>RBA Cash Rate</b> CH: PMI (Apr) EU: PPI (Mar) GE: Retail Sales (Mar) UK PMI Manufacturing (Apr) US: Factory Orders (Mar), Vehicle sales (Apr) <b>2-3 May:</b> CA General Election	<b>4 MAY</b> NZ: Building Permits (Mar) 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)	<b>5 MAY</b> NZ: Employment (Q1) AU: Building Approvals (Mar), Retail Sales (Mar) EU: <b>ECB Rates Decision, Trichet Speaks</b> GE: Factory Orders (Mar) UK: PMI Services (Apr), <b>BoE Rates Decision</b> US: Labour costs (Q1), non-farm prod. (Q1), <b>Fed's Bernanke and Korcherlakota Speak</b> CA: Building Permits (Mar), Ivey PMI (Apr)	<b>6 MAY</b> <b>AU: Statement on Monetary Policy</b> GE: Industrial Production (Mar) UK: PPI (Apr) US: Non-Farm Payrolls (Apr) Unemployment (Apr), Earnings (Apr), Consumer Credit (Mar) CA: Employment (Apr)
<b>9 MAY</b> AU: ANZ Job Ads (Apr) EU: Sentix Investor Confidence (May) GE: Import Price Index (Mar), Trade (Mar), Current Account (Mar) CA: Housing Starts (Apr)	<b>10 MAY</b> NZ: Card Spending (Apr) AU: Trade (Mar), Bus Confidence (Apr) CH: Trade (Apr) EU: <b>ECB's Bini-Smaghi Speaks</b> US: NFIB Small Business Survey (Apr), Import Price Index (Apr), Economics Optimism (May), Wholesale Inventories (Mar), <b>Fed's Duke Speaks</b>	<b>11 MAY</b> NZ: <b>RBNZ Financial Stability Report</b> CH: PPI (Apr), Ind Production (Apr), CPI (Apr), Retail Sales (Apr) JP: Leading Index (Mar P) GE: CPI (Apr F) UK: Trade (Mar), <b>BoE Inflation Report</b> US: Trade (Mar), JOLTs Job Openings (Mar) CA: Merchandise Trade (Mar), <b>Fed's Korcherlakota and Lockhart Speak</b>	<b>12 MAY</b> NZ: Bus PMI (Apr) AU: Employment (Apr) JP: Money Stock (Apr), Trade (Mar), Current Account (Mar) EU: <b>ECB Monthly Report (May)</b> , Ind Production (Mar) UK: Ind Production (Mar), Manuf. Production (Mar), NIESR GDP Estimate (Apr) US: PPI (Apr), Retail Sales (Apr), Bus Inventories, <b>Fed's Plosser Speaks</b>	<b>13 MAY</b> Retail Sales Ex-Inflation (Q1) EU: GDP (Q1 A) GE: GDP (Q1 P) US: CPI (Apr), Univ of Michigan Consumer Confidence (May P)
<b>16 MAY</b> 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)	<b>17 MAY</b> AU: <b>RBA Board Minutes</b> EU: Zew Survey (May) GE: Zew Survey (May) UK: CPI (Apr) US: Building Permits (Apr), Housing Starts (Apr), Industrial Production (Apr)	<b>18 MAY</b> NZ: PPI (Q) AU: Consumer Confidence (May), DWER Skilled Vacancies (May), Wage Cost Index (Q1) JP: Tertiary Industry (Mar) EU: Constr'n Output (Mar) UK: <b>BoE Minutes</b> , ILO Unemployment Rate (Mar), Jobless Claims (Apr) US: <b>FOMC Minutes, Bullard Speaks</b>	<b>19 MAY</b> NZ: ANZ Consumer Confidence (May), <b>NZ Budget</b> JP: GDP (Q1), Capacity Utilisation (Mar), Industrial Production (Mar F) UK: Retail Sales (Apr) US: Existing Home Sales (Apr), Philly Fed Survey (May)	<b>20 MAY</b> NZ: Net Migration (Apr), Credit Card Spending (Apr) JP: <b>BoJ Target Rate Speaks</b> , Current Account, (Mar), Consumer Confidence (May) GE: Producer Prices (Apr) CA: CPI (Apr), Retail Sales (Mar)

## 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 Minutes 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
<b>Economic activity (annual % change)</b>				
Private final demand	2.0	3.6	5.7	5.6
Household consumption	2.7	2.8	2.8	2.5
Dwelling investment	4.8	-0.9	0.4	7.4
Business investment	-0.9	9.6	17.4	14.4
Public demand	9.1	4.3	3.1	2.0
Domestic final demand	3.6	3.8	5.1	4.8
Inventories (contribution to GDP )	0.4	-0.2	0.1	0.0
Gross National Expenditure (GNE)	4.1	3.6	5.1	4.7
Exports	5.3	2.5	11.2	9.7
Imports	13.2	10.7	14.7	9.6
Net Exports (contribution to GDP )	-1.6	-1.9	-1.1	-0.3
<b>Gross Domestic Product (GDP)</b>	<b>2.7</b>	<b>1.6</b>	<b>3.9</b>	<b>3.9</b>
<b>Prices and wages (annual % change)</b>				
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
<b>Labour market</b>				
Employment (annual % change)	2.7	2.5	2.4	2.1
Unemployment rate (annual average %)	5.2	4.6	4.3	4.1
<b>External sector</b>				
Terms of trade (annual % change)	16.2	17.5	2.9	-2.1
Current account balance: A\$bn	-34.5	-38.2	-47.3	-44.7
% of GDP	-2.6	-2.6	-3.0	-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	4.92	5.00	5.30	5.50	5.60	5.85
3 year bond	5.17	5.30	5.40	5.60	5.80	6.00
10 year bond	5.60	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	5.43	5.60	5.70	6.00	6.20	6.40
10 year swap	6.10	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	2.67	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	0.75	0.90	1.00	1.30	1.60	1.90
US 10 year note	3.48	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
<b>Australian exchange rates</b>						
A\$/US\$	1.05	1.02	1.05	1.03	1.02	1.00
NZ\$/US\$	0.79	0.74	0.75	0.75	0.74	0.72
A\$/¥	87.81	86.7	90.3	90.6	91.8	92.0
A\$/€	0.73	0.73	0.77	0.76	0.77	0.75
A\$/£	0.64	0.63	0.66	0.65	0.65	0.64
A\$/NZ\$	1.33	1.38	1.40	1.37	1.38	1.39
A\$/C\$	1.01	0.99	1.00	0.99	1.00	0.99
A\$/CHF	0.94	0.91	0.95	0.95	0.96	0.96
A\$/CNY	6.88	6.56	6.65	6.42	6.34	6.15
A\$ Trade weighted index	77.20	76.1	78.7	77.8	77.1	75.8
<b>International cross rates</b>						
US\$/¥	83.40	85.0	86.0	88.0	90.0	92.0
€/US\$	1.45	1.39	1.37	1.35	1.33	1.33
€/¥	120.65	118	118	119	120	122
£/US\$	1.63	1.61	1.60	1.58	1.57	1.57
€/£	0.89	0.86	0.86	0.85	0.85	0.85
US\$/C\$	0.96	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	74.75	76.9	77.7	78.9	80.2	80.6
<b>Asia exchange rates</b>						
US\$/CNY	6.53	6.43	6.33	6.23	6.22	6.15
US\$/HKD	7.78	7.80	7.80	7.80	7.80	7.80
US\$/IDR	8668	9000	9200	9250	8880	8880
US\$/INR	44.5	45.8	46.1	46.8	45.9	46.1
US\$/KRW	1090	1150	1175	1200	1165	1170
US\$/MYR	3.02	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	30.14	30.90	31.70	32.50	31.85	32.00
US\$/TWD	29.03	30.00	30.50	30.75	30.44	30.59
US\$/VND	20928	21200	21400	21600	21800	22000
<b>Pacific exchange rates</b>						
PGK/US\$	0.397	0.378	0.385	0.378	0.372	0.366
FJD/US\$	0.568	0.541	0.548	0.538	0.530	0.522

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