



ECONOMICS & MARKETS RESEARCH

AUSTRALIAN ECONOMICS TOOLBOX

9 JULY 2010

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DON'T FORGET THE UPSIDE

- This week the **RBA left the cash rate unchanged at 4.5%**, seeing rates as “appropriate”. While the Bank is clearly more concerned about global prospects, it is also cognisant of the risks to the inflation outlook, noting the small pickup in wages growth.
- Furthermore, **this week’s trade and jobs data highlighted key areas of strength in the domestic economy**. Strong commodity price growth boosted the trade surplus to \$1.645bn in May (with April’s result revised up by almost \$1bn to \$1.123bn). Meanwhile, job creation continued unabated, with employment surging by 45.9K in June to take the unemployment rate down to a 17-month low of 5.1%.
- This served as a timely reminder that **the risks to the domestic outlook are broadly balanced, rather than skewed to the downside**. Combined with the IMF’s upgrade to its 2010 global growth forecasts to 4.6% (from 4.2% in April) this saw rates markets move to again price in the probability of rate hikes rather than cuts and boosted the AUD by 4½ US cents. This is more consistent with our view that **the next move in rates is still more likely to be up than down**.

THE WEEK AHEAD

- In **Australia**, housing finance (May) will be the main source of interest given recent weakness in the wake of higher interest rates and the retreat of first-time home owners. Other key data out include, new motor vehicle sales (Jun), and confidence readings of businesses (Jun) and consumers (Jun).
- The **US** dataflow steps up following a holiday-shortened week. The major attraction will be the price data — PPI (Jun) and CPI (Jun) — given recent weak inflation reads and talk of deflation. The senate will also hold hearing on the nominations for board of governors of the Fed.
- In **Europe** and **Germany**, the market’s attention will focus on the CPI (Jun) and the Zew survey of economic sentiment. There will be strong flow of **UK** data, with the most notable data releases being CPI (Jun) and RPI (Jun).
- In **Asia**, the Bank of Japan will announce its target rate which is expected to remain at 0.1%. Also in **Japan**, the market will focus on the release of industrial production (May) and the tertiary industry index (May). We will also get our monthly deluge of **Chinese** data, with the key releases including retails sales (Jun), producer price index (Jun), consumer price index and real GDP (Q2).

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DON'T FORGET THE UPSIDE

On leaving the cash rate unchanged at 4.5% this week, the RBA viewed the current level of the cash rate as “appropriate”. While cognisant that price pressures are building, with underlying inflation to remain in the upper half of the target band in H2 and a pick up in wage pressures specifically mentioned, the RBA is also aware that Australia is not impervious to the current global backdrop. Indeed a systemic banking sector crisis in Europe and/or a double-dip global recession and/or a hard landing in China are undeniably the biggest risks facing Australia at the moment.

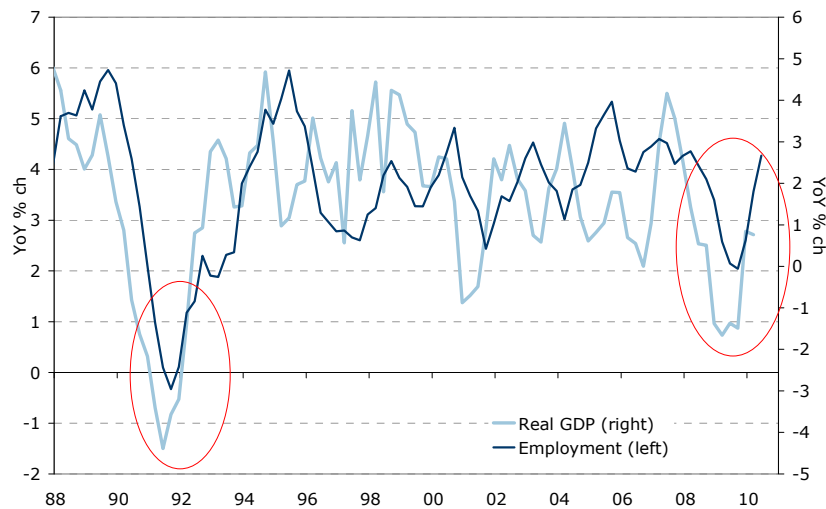
However this week’s strong data served as a timely reminder that there significant upside as well as downside risks to the domestic outlook. The trade surplus was more than triple expectations in May, coming in at \$1.645bn and driven by a sharp 6% boost to exports. We can expect further large trade surpluses over the coming months as rises in bulk commodity prices flow through. Meanwhile, employment surged by 45.9K in June, also tripling expectations. With the unemployment rate now at a 17-month low of 5.1%, the risk is that it could dip below 5% in coming months, thereby putting pressure on wages and inflation.

Our view therefore continues to be that the next move in rates is more likely to be up than down. While the RBA can afford to sit on the sidelines and watch global developments evolve for the time being, the upside risks to the domestic outlook must be heeded. Our core view remains for the cash rate to increase to 5% by the end of 2010. Indeed, this week’s data saw markets come towards our way of thinking again: on Monday, the 30-day interbank market was pricing in a 40% chance of a 25bp cut by December; the market is now pricing in a 1 in 4 chance of a 25bp hike.

UNEMPLOYMENT TO TEST THE 5% BARRIER

On labour, analysts (including us) have been persistently surprised by the strength of employment. Jobs growth has been running in step with economic growth. This contrasts with the previous cycle, where jobs growth lagged the upturn in growth (Figure 1 below).

FIGURE 1: AUSTRALIAN EMPLOYMENT VS GDP GROWTH



Source: ABS

Job creation has also been encouragingly broad-based in the past six months with the key exceptions of manufacturing and finance and insurance. In the six months to May, employment gains have been particularly pronounced in professional services, public administration, construction, and personal and other services. Mining employment has also picked up sharply, although it represents a smaller share of aggregate employment (1.6%).

This raises some important issues for the outlook. We had previously been expecting that the unemployment rate would only drift lower from here. This is partly because we had been looking for a faster increase in average hours worked given how far hours had fallen through the downturn and the significant underemployment evident as a result

We had also been mindful that investment, which we look to take over as the driver of economic growth, is capital, not labour-intensive. Employment in the construction industry is also at risk as public investment projects start to roll off, particularly if dwelling investment does not rebound sufficiently to soak up the slack (as recent poor building approvals figures may suggest). And finally, we are aware of the potential impact on hiring from greater uncertainty surrounding the global environment, although this is unlikely to result in job shedding.

Against this, leading indicators of employment, while easing, remain at relatively high levels. Trend annual growth in ANZ job ads is currently 30% compared to a long-run average rate of 8.5%, a rate which is actually consistent with an acceleration in employment from here. The employment component of the NAB Monthly Business Survey is also at an index level of 6.9 compared with a long-run average level of 2.2.

There is thus an increasing probability that the unemployment rate will fall below 5% this year, perhaps as early as Q3. This would help support household incomes and consumer spending, and provide a buffer to external headwinds. It could also be one trigger for the RBA to come back into the game. We would consider the NAIRU as lying somewhere between 4.5 to 4.75%. Any signs that the unemployment rate is rapidly approaching these levels would imply serious upside risk to the RBA's already high inflation forecasts.

TERMS OF TRADE YET TO PEAK

This week's trade data were a salient reminder that despite current global uncertainties, the boost to Australia from the recovering global (and especially Chinese) economy in late 2009 and early 2010 is only hitting now. The strong trade surpluses achieved in April and May can be predominantly attributed to higher bulk commodity prices which have sent resource exports up 8% and 28% in May and April, respectively.

Further, the lagged nature of the commodity contract cycle means we have not yet seen the peak in Australia's terms of trade, with prices for our major goods exports, the bulk commodities, set to rise again in the coming quarter. In Q3 we look for contract iron ore prices to rise another 23% and for coal contract prices to rise a further 2%. This suggests that Australia should enjoy additional large trade surpluses until August-September.

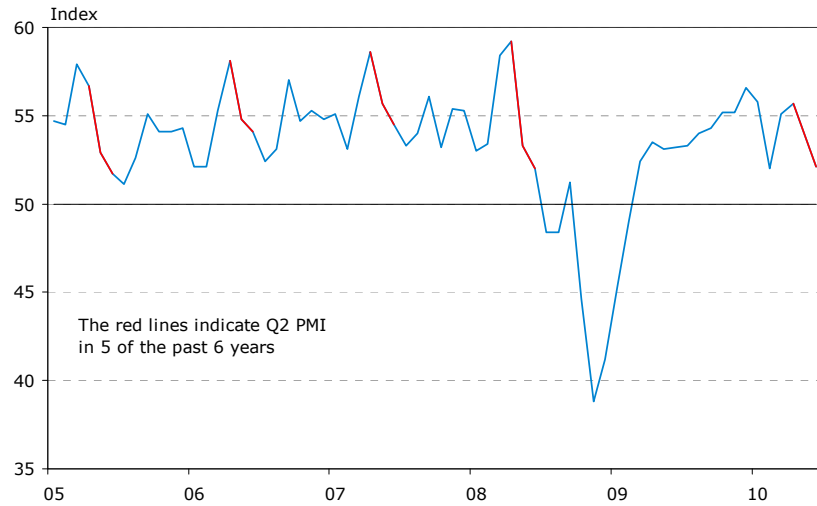
For 2010, we expect Q3 will be the peak in these commodity contract prices. But we do look for further coal price rises in 2011, mainly due to strong demand from India. And we look for current high iron ore prices to be maintained, not fall away sharply, with underlying demand from China likely to remain robust. Hence, we expect the terms of trade will rise further in Q3, maintain an elevated level in Q4, and then rise again to a new record high in Q1 2011.

This is good news for the Australian economy, with the stronger terms of trade helping to elevate domestic incomes and demand. Real gross domestic income (GDP adjusted for terms of trade effects) growth is forecast to accelerate to over 6% this year, and remain strong at 5½% in 2011. And indeed, this is in line with current RBA thinking.

This outlook is of course predicated on a 'soft landing' in China. At this stage, we believe fears of a sharp slowdown in China are overdone. While recent data has indicated a softening in Chinese economic momentum over recent months, these trends have been just what Chinese authorities have been trying to engineer. The major threat to the Chinese economy has been one of overheating and inflation as annual economic growth headed towards 12% in Q1, so a slowing to a more sustainable 9-10% pace is undeniably a good thing for China, and in turn, Australia.

Indeed, some Chinese indicators of activity are not always useful in signalling a slowdown. Over the past two months, global markets have become concerned that the weakening in the Purchasing Managers Index (PMI) is a sign that the economy is suffering a significant slowdown. But what our China analysts suggest is that China's PMI is very seasonal, peaking in April or May every year before declining sharply in Q2.

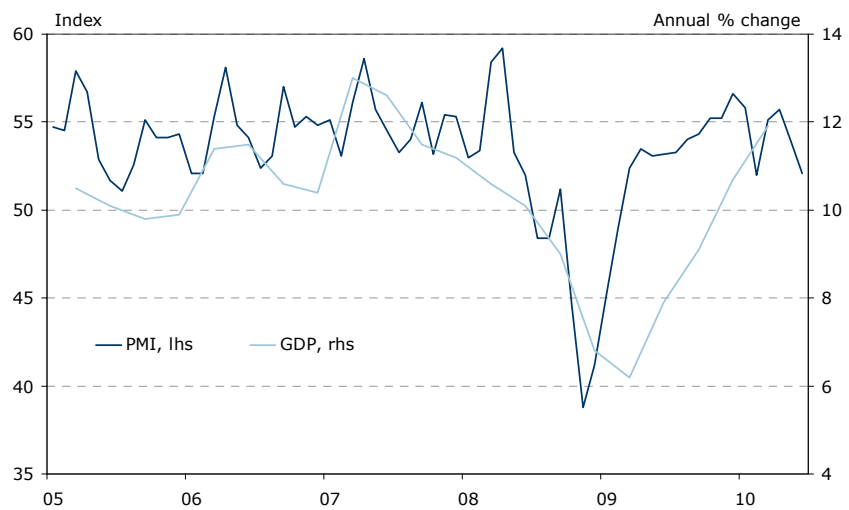
FIGURE 2: CHINESE PURCHASING MANAGERS INDEX



Source: Bloomberg, ANZ.

Moreover, as long as the PMI continues to remain above 50 (indicating expansion in the manufacturing sector), fears of a slowdown are overstated. Indeed, the PMI alone is arguably not a good forecaster of China's GDP growth due to its choppy nature, as Figure 3 highlights below. Overall, we believe that a 'soft landing' in China will see growth decelerate toward its potential rate of around 9.5%, on tightening measures and moderating external demand.

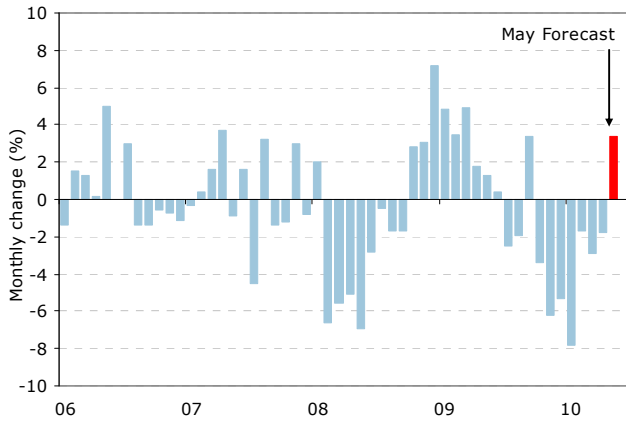
FIGURE 3: CHINESE PMI VERSUS GDP GROWTH



Source: Bloomberg, ANZ.

DATA PREVIEWS

CHART 1: HOUSING FINANCE (MAY)



12 JULY: HOUSING FINANCE (MAY)

ANZ: +3.4% MoM, -23.8% YoY

Market: +1.0% MoM

Last: -1.8% MoM, -25.3% YoY

Housing finance approvals are forecast to improve in May after seven consecutive months of decline. The data are expected to reflect a continued fall in finance commitments for dwelling construction, which has been especially soft since late 2009, but finance commitments for the purchase of dwellings (particularly for the investor and upgrader segments) will pull the aggregate into positive growth. Looking forward, this outcome will provide signs that while the housing market is continuing to moderate from the heat created in 2009, the fundamentals driving house price growth will start to have more of an impact in supporting housing finance.

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	ANZ	MARKET	LAST	GMT	
11-15 July	CH	China NDRC Housing Prices – (Jun)	nf	na	12.4	-	
	UK	Nationwide Consumer Confidence – (Jun)	nf	na	65	-	
12-15 July	CH	Money Supply - M0 YoY – (Jun)	nf	na	15.20%	-	
		Money Supply - M1 YoY – (Jun)	nf	25.9%	29.90%	-	
		Money Supply - M2 YoY – (Jun)	nf	18.9%	21.00%	-	
		New Yuan Loans – (Jun)	nf	600.0B	639.4B	-	
		Foreign Exchange Reserves – (Jun)	nf	\$2.47T	\$2.45T	-	
12-16 July	CH	Actual FDI YoY – (Jun)	nf	15.8%	27.50%	-	
	GE	Wholesale Price Index MoM – (Jun)	nf	na	0.3%	-	
		Wholesale price Index YoY – (Jun)	nf	na	6.2%	-	
12 July	NZ	QV House Prices YoY – (Jun)	nf	na	5.6%	12:00	
	AU	Housing finance – (May)	3.4%	1.0%	-1.8%	01:30	
		Investment Lending – (May)	na	na	1.3%	01:30	
		Value of Loans MoM – (May)	nf	na	0.6%	01:30	
	JP	Domestic CGPI MoM – (Jun)	nf	-0.2%	0.1%	23:50	
		Domestic CGPI YoY – (Jun)	nf	0.6%	0.4%	23:50	
	UK	GDP QoQ – (Q1 F)	nf	0.3%	0.3%	08:30	
		GDP YoY – (Q1 F)	nf	-0.2%	-0.2%	08:30	
		Current Account (BP) – (Q1)	nf	-4.5B	-1.7B	08:30	
		Index of Services (3mth/3mth) –(Apr)	nf	0.4%	0.20%	08:30	
		BRC Retail Sales Monitor – (Jun)	-	-	-	23:01	
		RICS House Price Balance – (Jun)	nf	na	22%	23:01	
	US	Fed's Lacker Speaks in Richmond	-	-	-	13:00	
		Fed's Bernanke speaks in Washington DC	-	-	-	14:00	
		Fed's Duke speaks in Washington DC	-	-	-	21:15	
	CA	Business Outlook Future Sales – (Q2)	nf	na	44.00	14:30	
		BoC Senior Loan Officer Survey – (Q2)	nf	na	-18.7	14:30	
13 July	NZ	Food Prices MoM – (Jun)	nf	na	-0.7%	22:45	
	AU	NAB Business Conditions – (Jun)	nf	na	6	01:30	
		NAB Business Confidence – (Jun)	nf	na	5	01:30	
	JP	Industrial Production MoM – (May F)	nf	na	-0.1%	04:30	
		Industrial Production YoY – (May F)	nf	na	20.2%	04:30	
		Capacity Utilization MoM – (May F)	nf	na	0.0%	04:30	
		Consumer Confidence – (Jun)	nf	na	42.7	05:00	
		Consumer Confidence Households – (Jun)	nf	na	42.8	05:00	
		EU	Zew Survey (Economic Sentiment) – (Jul)	nf	na	18.8	09:00

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	ANZ	MARKET	LAST	GMT	
13 July Cont	GE	Zew Survey (Economic Sentiment) – (Jul)	nf	25.0	28.7	09:00	
		Zew Survey (Current Situation) – (Jul)	nf	-3.0	-7.9	09:00	
	UK	CPI MoM – (Jun)	nf	0.1%	0.2%	08:30	
		CPI YoY – (Jun)	nf	3.2%	3.4%	08:30	
		Core CPI YoY – (Jun)	nf	na	2.9%	08:30	
		Retail Price Index – (Jun)	nf	na	223.6	08:30	
		RPI MoM – (Jun)	nf	0.1%	0.4%	08:30	
		RPI YoY – (Jun)	nf	4.9%	5.1%	08:30	
		RPI Ex Mortgage Interest Payments YoY – (Jun)	nf	4.9%	5.1%	08:30	
	US	DCLG UK House Prices YoY – (May)	nf	na	10.1%	08:30	
		NFIB Small Business Optimism – (Jun)	nf	na	92.2	11:30	
		Trade Balance – (May)	nf	-\$39.2B	-\$40.3B	12:30	
		IBD/TIPP Economic Optimism – (Jul)	nf	na	46.2	14:00	
		Monthly Budget Statement – (Jun)	nf	-\$73.8B	-\$135.9B	18:00	
		ABC Consumer Confidence – (Jul 11)	nf	na	-42	21:00	
		CA	International Merchandise Trade – (May)	nf	na	0.2B	12:30
	14 July	NZ	REINZ House Sales YoY - (Jun)	nf	na	-17.2%	22:00
			REINZ Housing Price Index - (Jun)	nf	na	3210	22:00
			REINZ Housing Price Index MoM - (Jun)	nf	na	-1.4%	22:00
Retail Sales MoM – (May)			0.6%	0.5%	-0.3%	22:45	
Retail Sales Ex-Auto MoM – (May)			0.7%	0.6%	-0.2%	22:45	
AU		Non Resident Bond Holdings – (Jun)	nf	na	64.1%	03:00	
		Westpac Consumer Confidence – (Jul)	nf	na	-5.7%	00:30	
		Westpac Consumer Confidence Index – (Jul)	nf	na	101.9	00:30	
			DEWR Skilled Vacancies MoM – (Jul)	nf	na	-0.3%	01:00
			AOFM auctions \$500 mn of Apr 2020 bonds	-	-	-	-
JP			BoJ Monetary Policy Meeting	-	-	-	04:00
EU		Euro-Zone CPI MoM – (Jun)	nf	0.0%	0.1%	09:00	
		Euro-Zone CPI YoY – (Jun F)	nf	1.4%	1.6%	09:00	
	Euro-Zone CPI Core YoY – (Jun)	nf	0.9%	0.8%	09:00		
	Euro-Zone Industrial Production sa MoM – (May)	nf	0.9%	0.8%	09:00		
	Euro-Zone Industrial Prod. wda YoY – (May)	nf	11.4%	9.5%	09:00		
UK	Claimant Count Rate – (Jun)	nf	na	4.6%	08:30		
	Jobless Claims Change – (Jun)	nf	-22.0K	-30.9K	08:30		
	Average Weekly Earnings 3M/YoY – (May)	nf	2.9%	4.2%	08:30		
	Weekly Earnings exBonus 3M/YoY – (May)	nf	1.9%	1.9%	08:30		

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	ANZ	MARKET	LAST	GMT
14 July Cont	UK	ILO Unemployment Rate (3mths) – (May)	nf	8.0%	7.9%	08:30
	US	MBA Mortgage Applications – (Jul 9)	nf	na	6.7%	11:00
		Import Price Index MoM – (Jun)	nf	-0.4%	-0.6%	11:00
		Import Price Index YoY – (Jun)	nf	5.2%	8.6%	12:30
		Advance Retail Sales – (Jun)	nf	-0.2%	-1.2%	12:30
		Retail Sales Less Autos – (Jun)	nf	-0.1%	-1.1%	12:30
		Retail Sales Ex Auto & Gas – (Jun)	nf	0.1%	-0.8%	12:30
		Business Inventories – (May)	nf	0.4%	0.4%	14:00
		Minutes of FOMC Meeting	-	-	-	18:00
		15 July	NZ	Business NZ PMI – (Jun)	nf	na
AU	New Motor Vehicle Sales YoY – (Jun)	nf	na	16.4%	00:30	
	Consumer Inflation Expectation – (Jul)	nf	na	3.4%	01:00	
	New Motor Vehicle Sales MoM – (Jun)	nf	na	-3.2%	01:30	
JP	Japan Buying Foreign Bonds – (Jul 9)	nf	na	¥1061.6B	23:50	
	Japan Buying Foreign Stocks – (Jul 9)	nf	na	¥143.3B	23:50	
	Foreign Buying Japan Bonds – (Jul 9)	nf	na	-¥9.8B	23:50	
	Foreign Buying Japan Stocks – (Jul 9)	nf	na	-¥93.0B	23:50	
	Tokyo Condominium Sales YoY – (Jun)	nf	na	7.1%	04:00	
		BOJ Target Rate	0.1%	0.1%	0.1%	-
		Machine Tool Orders YoY – (Jun F)	nf	na	138.8%	06:00
CH	Real GDP YoY – (Q2)	10.0%	10.5%	11.9%	02:00	
	GDP Year-to-Date YoY – (Q2)	nf	11.0%	11.9%	02:00	
	Producer Price Index YoY – (Jun)	6.8%	6.8%	7.1%	02:00	
	Purchasing Price Index YoY – (Jun)	nf	11.6%	12.2%	02:00	
	Consumer Price Index YoY – (Jun)	3.3%	3.3%	3.1%	02:00	
	Retail Sales YoY – (Jun)	18.7%	18.8%	18.7%	02:00	
	Retail Sales YTD YoY – (Jun)	nf	18.3%	18.2%	02:00	
	Industrial Production YoY – (Jun)	16.0%	15.4%	16.5%	02:00	
	Industrial Production YTD YoY – (Jun)	nf	18.2%	18.5%	02:00	
	Fixed Assets Inv Urban YTD YoY – (Jun)	25.5%	25.2%	25.9%	02:00	
EU	EU 25 New Car Registrations – (Jun)	nf	na	-9.30%	06:00	
	ECB Publishes Monthly Report – (Jul)	-	-	-	08:00	
UK	BoE Housing Equity Withdrawal – (Q1)	nf	na	-£4.0B	08:30	
US	Producer Price Index MoM – (Jun)	nf	-0.2%	-0.3%	12:30	

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	ANZ	MARKET	LAST	GMT	
15 July Cont	US	PPI Ex Food & Energy MoM – (Jun)	nf	0.1%	0.2%	12:30	
		Producer Price Index YoY – (Jun)	nf	3.1%	5.3%	12:30	
		PPI Ex Food & Energy YoY – (Jun)	nf	1.1%	1.3%	12:30	
		Initial Jobless Claims – (Jul 3)	nf	453K	454K	12:30	
		Continuing Claims – (Jul 3)	nf	na	4413K	12:30	
		Empire State Manufacturing Survey – (Jul)	nf	18.00	19.57	12:30	
		Industrial Production – (Jun)	nf	0.0%	1.3%	13:15	
		Capacity Utilization – (Jun)	nf	74.2%	74.1%	13:15	
		Philadelphia Fed Business Outlook Survey – (Jul)	nf	10	8	14:00	
		US Senate Holds Hearing on Nominations of Yellen, Raskin, Diamond	-	-	-	14:00	
		Treasury's Wolin Speaks in New York	-	-	-	16:00	
		Fed's Lacker Speaks Virginia	-	-	-	23:15	
		CA	New Motor Vehicle Sales MoM – (May)	nf	na	-4.7%	12:30
			Manufacturing Sales MoM – (May)	nf	na	0.2%	12:30
16 July	NZ	Consumer Prices QoQ – (Q2)	0.6%	na	0.4%	22:45	
		Consumer Prices YoY – (Q2)	2.1%	na	2.0%	22:45	
	AU	AOFM auctions \$700 mn of Apr 2015 bonds	-	-	-	-	
	JP	Tertiary Industry Index MoM – (May)	nf	-0.7%	2.1%	23:50	
	EU	Euro-Zone Trade Balance – (May)	nf	na	1.8B	09:00	
		Euro-Zone Trade Balance sa – (May)	nf	na	1.6B	09:00	
	US	Consumer Price Index MoM – (Jun)	nf	0.0%	-0.2%	12:30	
		Consumer Price Index YoY – (Jun)	nf	1.2%	2.0%	12:30	
		CPI Ex Food & Energy MoM – (Jun)	nf	0.1%	0.1%	12:30	
		CPI Ex Food & Energy YoY – (Jun)	nf	0.9%	0.9%	12:30	
		Net Long-term TIC Flows – (May)	nf	na	\$83.0B	13:00	
		Total Net TIC Flows – (May)	nf	na	\$15.0B	13:00	
		U. of Michigan Consumer Confidence – (Jul P)	nf	74	76	13:55	
	CA	Leading Indicators MoM – (Jun)	nf	na	0.9%	12:30	

FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
19 JULY NZ: Visitor Arrivals (Jun) JP Market Closed EU: Current Account (May) US: NAHB Housing Market Index (Jul)	20 JULY AU: Reserve Bank's Board July Minutes EU: Producer Prices (Jun) UK: M4 Money Supply (Jun) US: Housing Starts (Jun), Building Permits (Jun), ABC Consumer Confidence (Jul 18) CA: Bank of Canada Rate	21 JULY NZ: Credit Card Spending (Jun) AU: Westpac Leading Index (May) UK: Bank of England Minutes US: MBA Mortgage Applications (Jul 16) CA: Wholesale Sales (May)	22 JULY JP: All Industry Activity Index (May) EU: Industrial New Orders (May), Consumer Confidence (Jul) UK: Retail Sales Ex Auto Fuel (Jun) US: Initial Jobless Claims (Jul 17), Continuing Claims (Jul 10), Leading Indicators (Jun), Existing Home Sales (Jun), House Price Index (May), Existing Home Sales (Jun) CA: Retail Sales (May)	23 JULY AU: Import price index (Q2) EU: IFO - Business Climate (Jul), IFO - Current Assessment (Jul), IFO - Expectations (Jul) UK: GDP (Q2) CA: CPI, (Jun), Bank Canada CPI Core (Jun)
26 JULY AU: PPI (Q2) US: New Home Sales (Jun), Dallas Fed Manuf. Activity (Jul)	27 JULY EU: Euro-Zone M3 (Jun) US: Richmond Fed Manuf. Index (Jul), Consumer Confidence (Jul)	28 JULY NZ: Business Confidence (Jul), RBNZ Official Cash Rate, Trade Balance (Jun), Imports (Jun), Exports (Jun) AU: Consumer Prices (Q2) JP: Retail Trade (Jun) GE: CPI (Jul P) US: MBA Mortgage Applications (Jun), Durable Goods Orders (Jun)	29 JULY NZ: Building Permits (Jun) JP: CPI (Jul), Jobless Rate (Jun), Industrial Production (Jun) EU: Business Climate Indicator (Jul), Indust. Confidence (Jul), Consumer Confidence (Jul) GE: Unemployment Rate (Jul) UK: Mortgage Approvals (Jun), Net Consumer Credit (Jun) US: Fed's Beige Book CA: Industrial Product Price (Jun)	30 JULY AU: Private Sector Credit (Jun) JP: Housing Starts (Jun) EU: Unemployment Rate (Jun) US: GDP (Q2 A), Personal Consumption (Q2 A), Core PCE (Q2 A), U. of Michigan Confidence (Jul F), Employment Cost Index (Q2) CA: GDP (May)
2 AUGUST NZ: ANZ Commodity Price (Jul) AU: TD Securities Inflation (Jul), JP: Vehicle Sales (Jul) CH: HSBC Mfg PMI (Jul) EU: PMI Mfg (Jul) GE: PMI Mfg (Jul) UK: PMI Mfg (Jul) US: Construction spending (Jun)	3 AUGUST AU: RBA CASH TARGET , Building Approvals (Jun) JP: Monetary Base (Jul) EU: PPI (Jun) UK: PMI Construction (Jul) US: Personal Income (Jun), Factory Orders (Jun)	4 AUGUST AU: Trade Balance (Jun) EU: PMI Services (Jul), PMI Composite (Jul), Retail Sales (Jun) GE: PMI Services (Jul) UK: PMI Services (Jul) US: MBA Mortgage Applications (Jul 30)	5 AUGUST NZ: Unemployment Rate (Q2), Employment Change (Q2), Employment Change (Q2) EU: ECB Announces Interest Rates GE: Factory Orders (Jun) UK: BOE ANNOUNCES RATES US: Initial Jobless Claims (Jul 24) CA: Building Permits (Jun)	6 AUGUST AU: RBA Quarterly Monetary Policy Statement GE: Industrial Production (Jun) UK: PPI (Jul), Industrial Production (Jun) US: Change in Nonfarm Payrolls (Jul), Unemployment Rate (Jul) CA: Unemployment Rate (Jul)
9 AUGUST AU: Home Loans (Jul), Business Confidence (Jul) JP: Current Account Total (Jun), Bank Lending (Jul), Trade Balance (Jun) GE: Trade Balance (Jun) UK: RICS House Price Balance (Jul) CA: Housing Starts (Jul)	10 AUGUST JP: BOJ Target Rate GE: CPI (Jul) US: FOMC Rate Decision , Nonfarm Productivity (Q2), Wholesale Inventories (Jun)	11 AUGUST AU: Consumer confidence (Aug) JP: Machine Orders (Jun) CH: PPI (Jul), CPI (Jun), Retail Sales (Jun), UK: Jobless Claims Change (Jul), UE Rate (Jun), Bank of England Quarterly Inflation Report US: Trade Balance (Jun)	12 AUGUST NZ: Business PMI (Jul), Food Prices (Jul) AU: UE Rate (Jul) JP: Industrial Production (Jun), Consumer confidence (Jul) EU: Industrial Production (Jun) US: Initial Jobless Claims (Aug 7)	13 AUGUST NZ: House Sales (Jul), Retail Sales (Jun) EU: GDP (Q2) GE: GDP (Q2) US: CPI (Jul), Advanced Retail Sales (Jul), Consumer Confidence (Aug)
16 AUGUST AU: New Motor Vehicle Sales (Jul) JP: GDP (Q2), Tertiary Industry Index (Jun) EU: CPI (Jul)	17 AUGUST EU: Zew Survey (Econ. Sentiment) (Aug) GE: Zew Surveys (Econ. Sentiment and Current Situation) (Aug) UK: CPI (Jul), RPI (Jul)	18 AUGUST AU: DEWR Skilled Vacancies (Aug), Leading Index (Jun) UK: Bank of England Minutes US:	19 AUGUST NZ: Producer Prices (Q2), ANZ Consumer Confidence Index (Aug) UK: Retail Sales (Jul)	20 AUGUST NZ: Visitor Arrivals (Jul), Credit Card Spending (Jul) JP: All Industry Activity Index (Jun) UK: M4 Money Supply (Jul)

CENTRAL BANK RELEASES FOR 2010

JANUARY	FEBRUARY	MARCH	APRIL
6th – FOMC Minutes 7th – BoE 14th – ECB 19th – BoC 20th – BoE Minutes 25-26th – BoJ 27th – FOMC 28th – RBNZ	2nd - RBA 4th – BoE 4th – ECB 5th – RBA MP Statement 16th – RBA Minutes 17th – BoE Minutes 17th – FOMC Minutes 17-18th – BoJ 18th – ECB 23rd – BoJ Minutes	2nd – BoC 2nd - RBA 4th – BoE 4th – ECB 11th – RBNZ 11th – RBNZ MP Statement 11th – SNB 16th – FOMC 16th – RBA Minutes 17th – BoE Minutes 16-17th – BoJ 18th – ECB 23rd – BoJ Minutes	6th - RBA 6-7th – BoJ 8th – BoE 8th – ECB 12th – BoJ Minutes 20th – BoC 20th – RBA 21st – BoE Minutes 22nd – ECB 28th – FOMC 29th – RBNZ 30th – BoJ
MAY	JUNE	JULY	AUGUST
4th - RBA 6th – ECB 7th – RBA MP Statement 10th – BoE 10th – BoJ Minutes 18th – RBA Minutes 19th – BoE Minutes 20th – ECB 20-21st – BoJ 26th – BoJ Minutes	1st – BoC 1st - RBA 10th – BoE 10th – ECB 10th – RBNZ 10th – RBNZ MP Statement 14-15th – BoJ 15th – RBA Minutes 17th - SNB 18th – BoJ Minutes 23rd – BoE Minutes 23rd - FOMC 24th - ECB	6th - RBA 8th – BoE 8th – ECB 20th – RBA Minutes 20th – BoC 21st – BoE Minutes 22nd – ECB 29th - RBNZ	3rd - RBA 5th – BoE 5th – ECB 6th – RBA MP Statement 10th – FOMC 17th – RBA Minutes 18th – BoE Minutes
SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
2nd – ECB 7th - RBA 8th – BoC 9th – BoE 16th – ECB 16th – RBNZ 16th – RBNZ MP Statement 16th - SNB 21st – RBA Minutes 21st - FOMC 22nd – BoE Minutes	5th - RBA 7th – BoE 7th – ECB 19th – RBA Minutes 19th – BoC 20th – BoE Minutes 21st – ECB 28th - RBNZ	2nd - RBA 3rd - FOMC 4th – BoE 4th – ECB 5th – RBA MP Statement 16th – RBA Minutes 17th – BoE Minutes 18th - ECB	2nd – ECB 7th - RBA 9th – BoE 9th – RBNZ 9th – RBNZ MP Statement 14th - FOMC 16th – ECB 16th - SNB 21st – RBA Minutes 22nd – BoE Minutes

***Notes:** Entries are the dates of central bank interest rate announcements for 2010, unless specified as minutes or otherwise.

Dates are indicative only and are subject to change by central bank authorities.

BoJ data are available only to June.

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	2009	2010 F	2011 F	2012 F
Economic activity (annual % change)				
Private final demand	0.7	2.7	4.8	5.1
Household consumption	1.6	2.5	1.9	1.7
Dwelling investment	-4.6	7.4	5.0	1.7
Business investment	-0.8	1.7	14.1	16.1
Public demand	3.3	11.4	4.0	1.9
Domestic final demand	1.3	4.6	4.6	4.3
Inventories (contribution to GDP)	-0.5	0.6	0.0	-0.1
Gross National Expenditure (GNE)	0.7	5.2	4.6	4.3
Exports	1.4	2.1	6.0	7.3
Imports	-7.8	13.7	10.5	10.8
Net Exports (contribution to GDP)	2.0	-2.4	-1.2	-1.1
Gross Domestic Product (GDP)	1.3	2.7	3.6	3.7
Prices and wages (annual % change)				
Inflation:				
Headline CPI	1.8	2.8	2.9	3.1
Underlying *	3.7	2.8	2.8	3.1
Wages	3.6	3.3	4.0	4.2
Labour market				
Employment (annual % change)	0.3	2.2	1.9	2.0
Unemployment rate (annual average %)	5.6	5.3	5.2	4.8
External sector				
Current account balance: A\$bn	-52.7	-50.3	-62.0	-90.7
% of GDP	-4.2	-3.7	-4.2	-5.8

* Average of RBA weighted median and trimmed mean statistical measure.

AUSTRALIAN INTEREST RATES	CURRENT	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F
RBA cash rate	4.50	4.50	5.00	5.25	5.50	5.75
90 day bill	4.87	4.85	5.30	5.60	6.00	6.0
3 year bond	4.55	4.90	5.10	5.50	5.70	6.00
10 year bond	5.12	5.40	5.50	5.70	5.80	6.00
3s10s yield curve	0.57	0.50	0.40	0.20	0.10	0.00
3 year swap	5.09	5.30	5.50	5.90	6.10	6.40
10 year swap	5.64	5.95	6.05	6.25	6.35	6.55
INTERNATIONAL INTEREST RATES	CURRENT	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F
RBNZ cash rate	2.75	3.25	3.50	3.75	4.25	4.8
NZ 90 day bill	3.20	3.67	3.75	4.17	4.67	5.17
US Fed funds note	0.25	0.25	0.25	0.25	0.25	0.5
US 2 year note	0.62	0.80	1.00	1.20	1.50	2.00
US 10 year note	3.03	3.20	3.20	3.30	3.30	3.60
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.00	1.00	1.00	1.00	1.00	1.00
UK repo rate	0.50	0.50	0.50	0.50	0.50	0.75

For additional information on interest rates please refer to ANZ's *Interest Rate Strategy Weekly*.

FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F
Australian exchange rates						
A\$/US\$	0.8769	0.88	0.90	0.92	0.94	0.94
NZ\$/US\$	0.7085	0.70	0.71	0.72	0.73	0.73
A\$/¥	77.60	83.6	86.4	89.2	92.1	94.0
A\$/€	0.6907	0.73	0.76	0.81	0.84	0.84
A\$/£	0.5784	0.60	0.62	0.62	0.62	0.61
A\$/NZ\$	1.2377	1.26	1.27	1.28	1.29	1.29
A\$/C\$	0.9147	0.87	0.87	0.88	0.88	0.90
A\$/CHF	0.9203	1.03	1.07	1.11	1.16	1.18
A\$/CNY	5.9423	5.92	5.97	6.03	6.16	6.12
A\$ Trade weighted index	66.30	70.9	73.3	75.4	76.6	76.4
International cross rates						
US\$/¥	88.49	95.0	96.0	97.0	98.0	100.0
€/US\$	1.2695	1.21	1.18	1.14	1.12	1.12
€/¥	112.34	115	113	111	110	112
£/US\$	1.5161	1.46	1.46	1.49	1.52	1.54
€/£	0.8374	0.83	0.81	0.77	0.74	0.73
US\$/C\$	1.0431	0.99	0.97	0.96	0.94	0.96
US\$/CHF	1.0495	1.17	1.19	1.21	1.23	1.25
US\$ index	83.82	87.8	89.1	90.9	91.7	92.1
Asia exchange rates						
US\$/CNY	6.7763	6.73	6.63	6.55	6.55	6.51
US\$/HKD	7.7857	7.78	7.75	7.75	7.75	7.75
US\$/IDR	9065	9500	9900	10000	9700	9500
US\$/INR	46.87	48.7	50.4	50.7	49.0	48.50
US\$/KRW	1209	1270	1345	1390	1320	1275
US\$/MYR	3.2035	3.35	3.45	3.50	3.40	3.4
US\$/PHP	46.435	47.3	48.8	49.5	48.0	47.3
US\$/SGD	1.3794	1.43	1.47	1.50	1.45	1.4
US\$/THB	32.430	32.90	33.90	34.30	33.50	33.00
US\$/TWD	32.103	32.50	33.30	33.70	32.70	32
US\$/VND	19093	19000	19000	19000	20000	20000
Pacific exchange rates						
PGK/US\$	0.3595	0.395	0.386	0.372	0.358	0.34
FJD/US\$	0.5099	0.507	0.508	0.514	0.517	0.51

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