

# AUSTRALIAN ECONOMICS

## AUSTRALIAN ECONOMICS WEEKLY

2 SEPTEMBER 2011

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### THE STRONG AND THE WEAK

- Our *In Focus* article this week looks at next week's key Q2 GDP release. **ANZ's preliminary forecast is for quarterly GDP growth of 0.6% q/q and 0.2% y/y (Market: 1.0% q/q and 0.6% y/y)**, representing only a partial bounce-back from Q1's -1.2% q/q. This is well below the RBA's latest forecast of 1.0% y/y and would make the RBA's forecast for 3½% by end-2011 difficult to achieve.
- Thematically, the GDP data should **confirm that the Australian economy has entered the current period of heightened uncertainty at a more fragile stage**. This partly reflects the lingering impact of natural disasters in Queensland, but also the (much-publicised) slowdown in the non-mining economy. **On the other hand, the data should illustrate that the 'strong' part of the Australian economy is getting stronger**, with business investment continuing to accelerate and the terms of trade hitting a fresh record high. It will also illustrate further strengthening of household balance sheets (with the household savings ratio remaining well above 10%) and another improvement (fall) in Australia's current account deficit and hence external reliance.
- Also In Focus this week is yesterday's Q2 private capital expenditure data (capex). **This reinforced that the investment boom, the major driver of the strong medium-term economic outlook, remains on track**. Growth in capex plans for 2011-12 are still in the double digits. Even a conservative interpretation of these figures suggests that relatively soft growth in other areas of the economy remains necessary to achieve a growth rate consistent with the RBA's inflation target. While this does not imply that the RBA won't be responsive to a sharp deterioration in the non-mining economy, it is a reminder that softer growth in consumption for instance, is not at odds with how the RBA intends to manage Australia through this investment cycle.
- For now, **a change at the RBA's September board meeting would be a huge surprise**. The accompanying statement is again expected to acknowledge the downside risks to growth whilst emphasising the uncomfortably high inflation outlook.
- Despite little coming out of the Jackson Hole symposium of central bankers over the weekend, **some relative calm returned to financial markets this week** with global equities rallying. News that the German cabinet provisionally approved changes to the European Stability Fund were well received, but further weak data out of Europe (including regional PMIs) highlighted ongoing economic fragility in the region. The US manufacturing ISM was not as weak as earlier feared, but markets remain jittery ahead of tonight's crucial non-farm payrolls report.

### THE WEEK AHEAD

- In **Australia**, next week will see a very busy schedule of data and events. The RBA board meets on Tuesday, with markets and ANZ expecting no change in rates. RBA Governor Stevens speaks in Perth the following day. Data releases will be centred around Q2 GDP on Wednesday (see above), with the related company profits, inventories and current account releases released separately before it. Labour market data will also be closely watched, with ANZ Job Advertisements released on Monday and the official employment and unemployment data for August out on Thursday. Housing finance approvals for July will also be released.
- In the **US**, non-farm payrolls and the unemployment rate for August are the key data releases (Friday night Australian time). The Fed will publish its next edition of the Beige Book and several voting Fed members will be speaking. *(continued over page)*

- In **Japan**, data releases will include the current account, trade balance, machine orders, consumer confidence and final GDP for Q2. The BOJ will announce its target rate and is widely expected to stay on hold.
- **China** will see the release of the key CPI and PPI indexes for August. Other data will include non-manufacturing PMI, industrial production and retail sales.
- **Eurozone** data will include the PPI and PMI services plus eurozone GDP for Q2. The ECB will announce interest rate policy with markets expecting no change. Germany will publish PMI services, factory orders, industrial production, trade, CPI and PPI.
- The focus in the **UK** will be on the BOE's rates announcement (with no change expected) and data releases include PMI services, house prices, industrial production, manufacturing production and the PPI.
- **New Zealand** will have a relatively quiet week with data released for house prices, manufacturing activity and credit card spending.

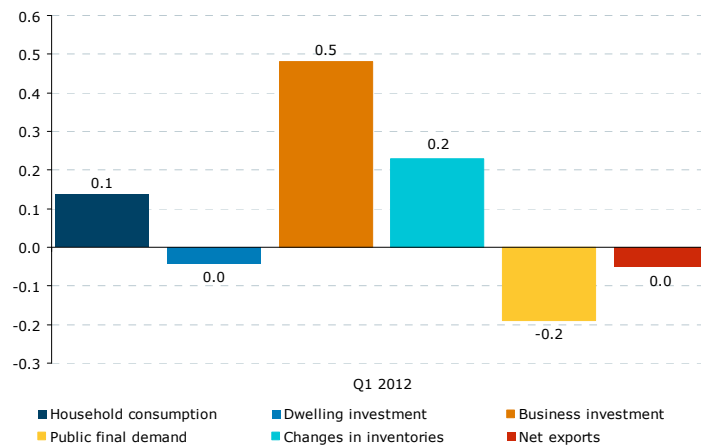
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## Q2 GDP: FAILURE TO LAUNCH (ALBEIT WITH HIDDEN PROMISE)

We expect Australian GDP to stage only a modest bounce-back from Q1's flood-driven collapse. Our current forecast is for growth of just 0.6% q/q, which is only a partial recovery from Q1's 1.2% decline. Such a quarterly result would push the yearly rate of growth down to just 0.2% y/y, the lowest rate since 1992. This is well below the RBA's latest forecast of 1.0% y/y in Q2, and indeed would make it difficult to achieve the RBA's August forecasts for GDP growth to accelerate to 3½% by end-2011 and 4½% by mid-2012.

Our GDP forecasts will be refined early next week following the release of Q2 company profits, inventories, government expenditure and net exports data.

FIGURE 1: COMPONENTS OF Q2 GDP (ANZ FORECASTS)



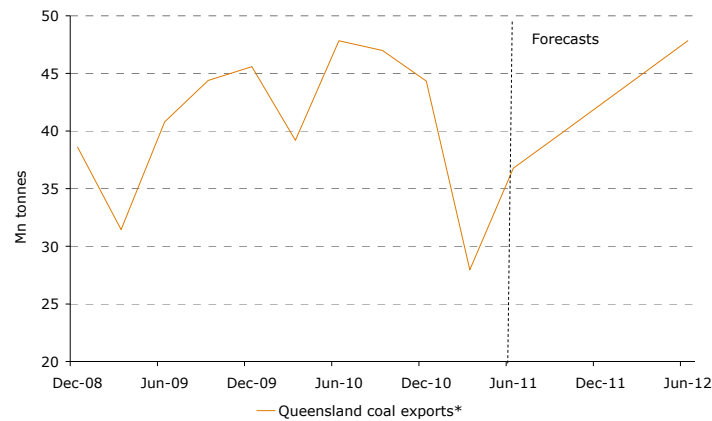
Source: ANZ

Even if next week's partial data affect our point expectations, they are unlikely to change the thematics. We expect the key takeaways from Q1 GDP will be:

1. **Confirmation that the Australian economy has entered the current period of heightened uncertainty at a more fragile stage than policy-makers initially thought.**

- In large part, this reflects **the lingering impact of the natural disasters that hit Queensland in Q1**. The size of the rebound in coal production in particular has been limited by the prolonged recovery in Queensland's still water-logged coal mines; while resource exports are expected to rise around 6% in Q2, this does not fully recover Q1's 14% collapse (see Figure 2 below).
- But **the weakness also reflects the (much-publicised) slowdown in the non-mining economy**. Retail sales and housing activity have both consistently surprised on the downside, employment growth has slowed sharply and non-mining profits have been hit by weaker than expected spending and higher input costs (eg. oil).

FIGURE 2: QUEENSLAND COAL EXPORTS

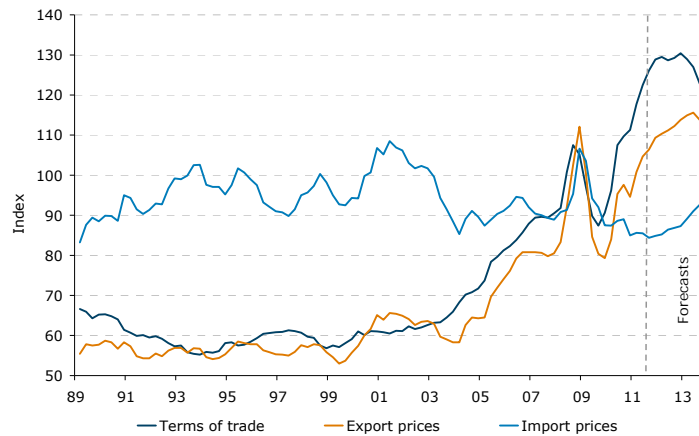


\*Coal exports through the Dalrymple, Abbots Point and Gladstone ports

Source: CPQA, NQBP, Bloomberg, ANZ

2. **The 'strong' part of the Australian economy is getting stronger.** While overall growth has disappointed, the transition in the drivers of growth towards the mining and related sectors is occurring, albeit in the expected choppy fashion. Next week's Balance of Payments will confirm Australia's terms of trade hit a record high in Q2 (driven primarily by stronger export prices) (Figure 3). This should underpin some rebound in mining profits in Q2, helping to offset expected weakness if profits in other sectors. Moreover, the execution of the very strong mining investment pipeline will again show up in the Q2 GDP numbers, with this week's capital expenditure survey suggesting investment was up 4.9% in Q2. Whilst capex doesn't fully translate into GDP, it nevertheless confirms investment as the 'strong point' in the Australian economy.

FIGURE 3: TERMS OF TRADE

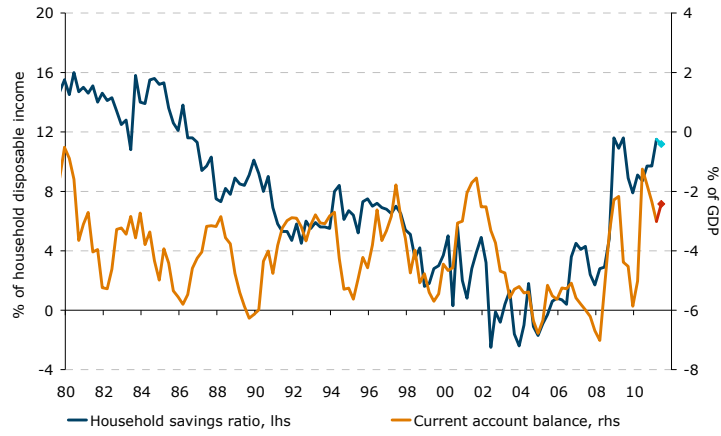


Sources: ABS and ANZ

3. **Future-proofing.** On the face of it, a 0.6% quarterly growth rate doesn't look good, especially when it follows a 1.2% contraction in the previous quarter. But we would argue that a good part of this slow growth is both deliberate and necessary (Figure 4).
- Most notably, we expect the GDP figures will reveal a continued **strengthening of household balance sheets**, with the household savings ratio forecast to remain above 10%. While this ratio may dip slightly in Q2, we would warn this is a quirk of the data, not a sign of household 're-leveraging'. This is because household income in Q1 was boosted strongly by insurance payments following the Queensland floods (the ABS counts these payments as occurring at the time of the event/claim, not at the time of the actual payment to households). The strengthening of household balance sheets in Australia ('deleveraging through growth') has been a unique feature of this country's economic performance in recent years, and certainly sets Australia apart from many of its developed economy peers. It provides households with an important buffer as we head into a short-term period of slightly higher unemployment, but also sets a firm base for a more sustainable path of growth in the years ahead.
  - The strengthening of household balance sheets has occurred in conjunction with, and may well prove a symptom of, **Australia's record-breaking climb in the terms of trade**. In Q2, a record terms of trade should combine with a rebound in exports to drive a solid improvement in Australia's current account deficit, to around 2½% of GDP. The sharp improvement in Australia's external vulnerabilities (it wasn't so long ago that we were used to CAD's of 5% or more) is another reason for Australia to stand out amongst its peers at the moment (and indeed goes a long way in explaining the ongoing strength of the AUD).

FIGURE 4: HOUSEHOLD SAVINGS RATIO VS THE CURRENT ACCOUNT DEFICIT

# IN FOCUS



Sources: ABS and ANZ.

## INVESTMENT PIPELINE CONFIRMED

Wednesday's Q2 data will reveal what the starting point is for growth as we enter H2. More important however is where we are going. This week's capex survey, which confirmed strong double-digit investment intention plans for next year, would have been welcome news for the RBA. It also highlighted (yet again) that the monthly data flow in Australia is tilted towards the 'soft side' of the economy (eg. the consumer) whilst, excluding exports (which the market tends to ignore), we have to wait every three months for a reading on the 'strong' parts of this economy. We have highlighted previously that this means markets (and indeed many observers) will tend to underestimate Australia's true path of economic growth (and thus overestimate the extent of any downward pressure on policy interest rates).

This week's capex survey showed that the third estimate of expected capital expenditure for 2011-12 was \$148.8bn. This is an upward revision of \$8.7bn, or 6% from the second estimate (three months ago).

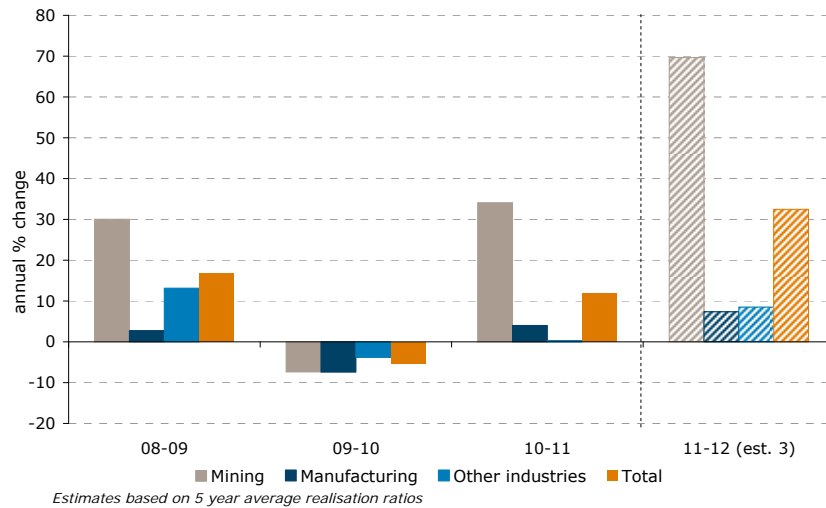
Interestingly, the upward revision (in unadjusted) investment intentions for 2011-12 was *despite* a slight downward revision (of \$200mn) to mining investment plans. Instead, the upward revision was concentrated in manufacturing (+\$1.2bn), property and business services (+1.2bn) and 'other' services (+1.3bn). Apart from mining, retail (-\$0.8bn) and wholesale trade (-\$0.3bn) were the only other sectors to revise down investment intentions for the year ahead. This is not surprising, given soft consumer spending, and indeed we would look for investment intentions in these industries to weaken further in the quarters ahead.

**In original terms, these intentions suggest investment spending will rise 24% in 2011-12. Grossing up using the five-year realisation ratio points to even higher growth of 33%** (Figure 5 below). Even a conservative approach to these figures offers some pointed issues for the Australian growth outlook:

- Investment is currently 16% of GDP. Growth of even just 20% in this part of the economy (all other things unchanged), would see economic growth of 3.2% in 2010-11. Assuming 40% of investment is imported goods still yields economic growth of 1.9%.
- To keep growth total Australian economic growth at 3.0% (which is probably the most desirable growth target given inflation is now rising again) would therefore require the rest of the economy to grow by just 1.3%.
- In other words, soft conditions in the non-mining economy are consistent with the RBA's approach to managing inflation. That of course doesn't mean the RBA won't be responsive to a sharp deterioration in the non-mining economy. But soft growth in consumption (ie. around 1%), isn't necessarily at odds with how the RBA intends to manage Australia through this investment cycle.

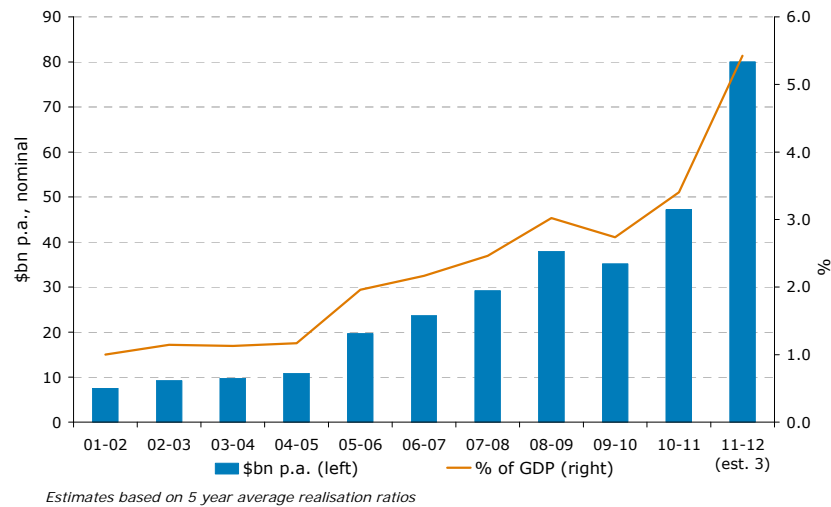
Mining (of course) dominates, with this industry intending a 70% rise in investment next year (adjusted for the 5-year realisation ratio). This would lift mining investment as a share of GDP to over 5.0% (Figure 6 below). Adjusting for realisation ratios, investment is also expected to rise in manufacturing, wholesale trade, transport and property and business services. In contrast, investment next year is expected to decline in retail trade, finance, construction and 'other' services.

**FIGURE 5: CAPITAL EXPENDITURE BY INDUSTRY**



Source: ABS and ANZ.

**FIGURE 6: MINING INVESTMENT (% OF NOMINAL GDP)**

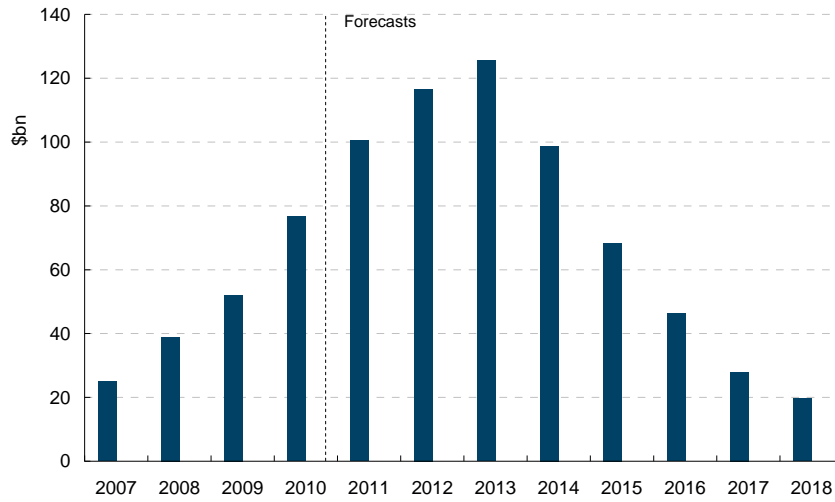


Source: ABS and ANZ.

At 33%, the third estimate of capex, adjusted for realisation ratios, is actually lower than the 38% growth in investment implied by realisation ratios at Estimate 2. But we would note that this largely reflects a quirk of the 5-year realisation ratio, which falls by a very large 15% between Estimate 2 and Estimate 3.

This week's capex numbers are consistent with ANZ's (bottom's up) estimate of Australia's major investment project pipeline (Figure 6). This analysis points to a cumulative increase of 52% in the value of major projects ready to commence or under construction between 2011 and 2013.

FIGURE 7: MAJOR PROJECTS: INFRASTRUCTURE, MINING AND ENERGY



Source: Access Economics and ANZ.

Importantly, yesterday's capex result, realisation ratios or not, are still well above our own forecasts, which have conservatively accounted for around 15% growth in business investment in 2011-12 (followed by another 20% in 2012-13).

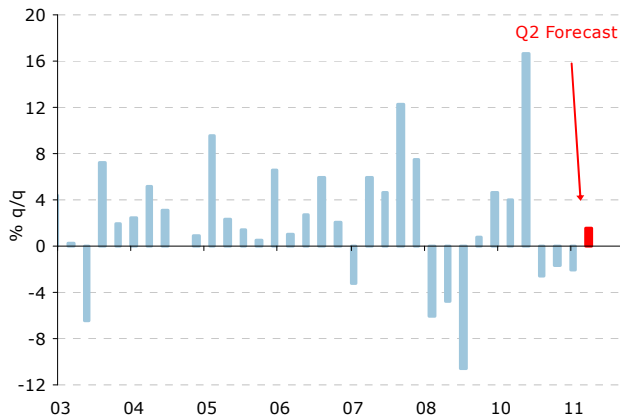
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## DATA WRAP

- **HIA new home sales** fell 8.0% in July, after a similar decline in June (-8.7%).
- **Building approvals** grew a modest 1.0% m/m in July, weaker than expected (market: 2.0%) but an improvement from the fall of 3.6% in June. Total building approvals remain 15.0% lower than a year ago. Within this total, residential building approvals rose 1.0% in July, buoyed by a lift in public sector approvals. However, private sector house approvals and private other dwelling approvals declined further in the month (by -0.2% and -1.4% respectively). Non-residential building approvals fell by 9.7% in July to be 6.6% lower y/y.
- **RP Data-Riskmark house prices** show that national home prices fell by 0.6% in seasonally adjusted terms in July. Prices have now declined for seven consecutive months and are 2.9% lower than a year ago. The top 20% of capital city suburbs continue to experience the sharpest falls.
- **Total private sector credit** growth was moderate at 0.2% m/m in July, a slight rebound from the 0.1% m/m decline in June. Business credit was flat, personal credit posted a slightly smaller decline (-0.3% m/m) and housing credit picked up slightly to 0.4% m/m. Nevertheless, housing credit has hit a fresh record low in annual terms (5.9% y/y), while personal credit and business credit are both declining in three-month annualised terms.
- **AiG's Performance of Manufacturing Index** fell slightly to 43.3 points in July, from 43.4 points previously. This index has been at 'net contraction' levels (under 50 points) for five out of eight months so far this year.
- **Retail trade nominal sales** jumped up by 0.5% m/m in July. This lift came as a welcome surprise after two consecutive months of decline, but annual growth remained at just 1.4%/y/y (seas. adj.), the same as last month.
- **Private capital expenditure (capex)** rose a strong 4.9% in Q2 (market: 4.0%). Q1 capex spending was revised up significantly, to 7.7% from 3.4%, mostly it seems because of updated information on Queensland expenditure, the collection of which was interrupted by the floods. For 2010-11 fiscal year, capex rose 13.6% (in volume terms). The third estimate of expected capital expenditure for 2011-12 was \$148.8bn, an upward revision of \$8.7bn, or 6% from the second estimate (three months ago).
- **RBA commodity price index** for August increased to 113.3 points from 109.4 points last month in AUD terms (revised up from 108.3). The index is now up 25.2% y/y, compared with 28.9% y/y last month (in AUD terms).

## DATA PREVIEW

## COMPANY PROFITS



## 5 SEP: COMPANY PROFITS (Q2)

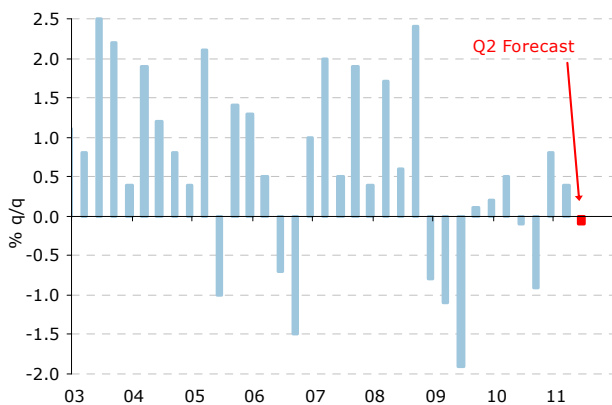
ANZ: +1.5% q/q

Market: +2.0% q/q

Last: -2.0% q/q

Company profits are expected to rise modestly in Q2, driven almost entirely by the mining sector after the terms of trade likely hit another record high in Q2. Some recovery in the profits of Queensland coal producers, with the recommencement of exports after the floods, is also likely to have occurred. Offsetting this however is downside risk to the profits of other coal producers, and also potentially manufacturers, after the disruption to sales from the Japanese earthquake. Moreover, profits amongst most non-mining sectors, and especially in retailing, are likely to have been flat to negative. (KD)

## INVENTORIES



## 5 SEP: INVENTORIES (Q2)

ANZ: -0.1% q/q

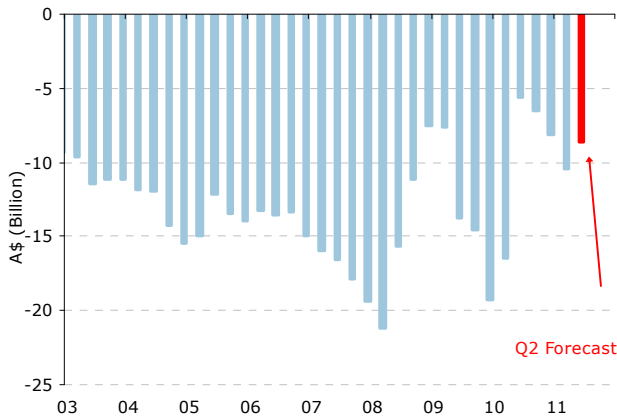
Market: +0.4% q/q

Last: +0.4% q/q

We expect a small fall in inventories in Q2. This will be driven mostly by the mining sector, with poor weather likely having contributed to some build up of both coal and iron ore stocks in the previous quarter. But we also look for a draw down in manufacturing inventories, partly due to the disruption to some industries (especially the motor vehicle industry) after the Japanese earthquake. Whilst there may be some upside risk to this forecast from any unexpected build in retail inventories (in light of recent weak retail sales). But with inventories rising notably in the last two quarters (+0.8% in Q4 and +0.4% in Q1), we actually see the risk as tilted to a bigger than expected fall as firms return to leaner stock holdings. Any downside surprise to inventories would in turn create yet another headwind for Q2 GDP growth. (KD)

# DATA PREVIEW

## CURRENT ACCOUNT BALANCE



## 6 SEP: BALANCE OF PAYMENTS (Q2)

### Current account balance

**ANZ: -A\$8.6bn (-2.4% of GDP)**

**Market: -A\$7.1bn**

**Previous: -A\$10.40bn (-3.0% of GDP)**

### Net exports (% of GDP)

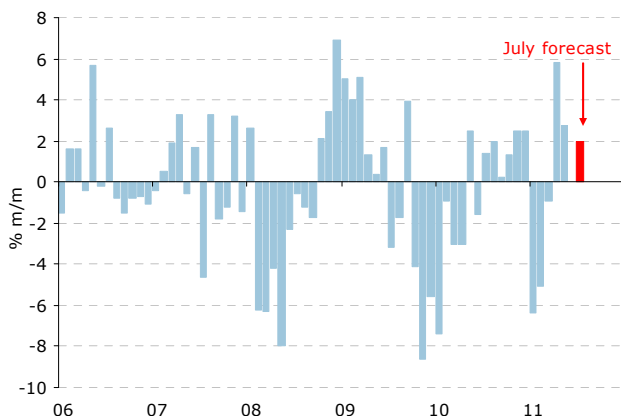
**ANZ: 0.0% q/q**

**Market: +0.1% q/q**

**Last: -2.4% q/q**

The current account deficit is forecast to have narrowed to 2.4% of GDP in Q2 from 3.0% of GDP in Q1. This is almost entirely driven by another 4% q/q expected increase in export prices, which will see Australia's terms of trade hit a fresh record high in Q2. Export volumes are also expected to contribute to the improvement in the CAD (with partial data suggesting rises in rural, resources and to a lesser extent manufacturing exports). However the extent of the improvement will be disappointing given the slower than expected recovery in Queensland coal production and exports (see Figure 2 on page 2). Indeed resource exports overall are expected to rebound by 6%, only partly offsetting the 14% drop in Q1. As a result, the increase in export volumes is expected to be broadly offset by strength in import volumes, with strength in capital and intermediate goods imports more than offsetting weakness in consumption goods imports. Net exports are forecast to be broadly neutral for growth in the quarter. **(RP)**

## HOUSING FINANCE APPROVALS



## 6 SEP: HOUSING FINANCE (JUL)

**ANZ: +2.0% m/m, +6.3% y/y**

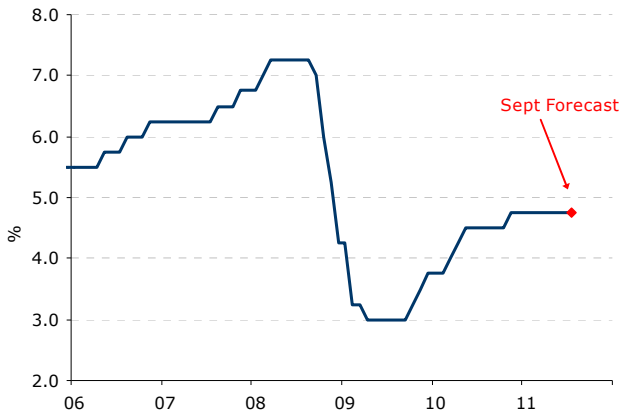
**Market: +1.3% m/m**

**Last: +0.0% m/m, +5.7% y/y**

Following a flat month in June (+0.0% m/m) housing finance is expected to be slightly higher in July. While house prices continued to soften in July and housing sales activity remained weak, housing finance activity should continue to show modest improvement from the 10-year lows posted earlier in 2011. However, ongoing weak household sentiment should contain any potential recovery in housing finance and housing market activity for some months yet. **(DC)**

# DATA PREVIEW

## RBA CASH RATE



## 6 SEP: RBA CASH RATE (SEPTEMBER)

**ANZ: 4.75%**

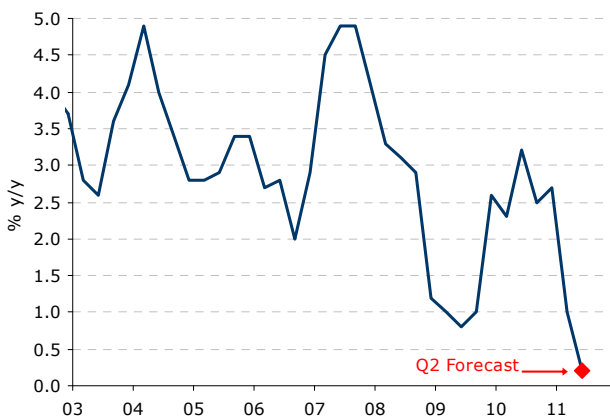
**Market: 4.75%**

**Last: 4.75%**

A move from the RBA at its September meeting would be a huge surprise. Just last week at his semi-annual testimony, RBA Governor Stevens asserted that in periods of heightened volatility and uncertainty, the most useful approach from a central bank is to "sit still".

For markets, the focus will as usual be on the statement accompanying the decision, and whether it contains hints of a move towards a dovish stance. We strongly doubt such a change of policy stance will be revealed next week, with the RBA only just apparently moving to a neutral stance, again at last Friday's testimony from the Governor. Instead, expect the RBA to acknowledge the downside risks to growth whilst also emphasising the uncomfortably high inflation outlook. Most interesting will be any thoughts the Board communicates on labour developments, and how any further slowing in employment growth might impact the RBA's inflation forecasts. We still expect a sharper than expected rise in the unemployment rate would be the most likely trigger for any near-term policy easing. **(KD)**

## GDP



## 7 SEP: GDP(Q2)

**ANZ: +0.6% q/q, +0.2% y/y**

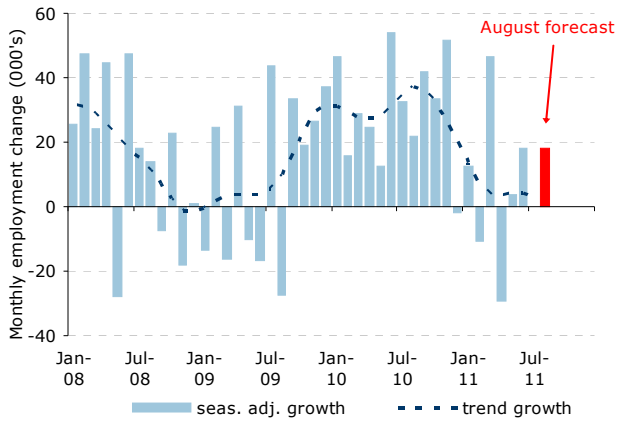
**Market: +1.0% q/q, 0.6%**

**Last: -1.2%, +1.0% y/y**

See In Focus article on page 2.

# DATA PREVIEW

## EMPLOYMENT



## UNEMPLOYMENT RATE



## 8 SEPTEMBER: LABOUR FORCE (AUG)

### Employment:

ANZ: +18.0K

Market: +10.0k

Last: -0.1K

### Unemployment Rate:

ANZ: 5.0%

Market: 5.1%

Last: 5.1%

### Participation Rate:

ANZ: 65.6%

Market: 65.6%

Last: 65.6%

Following a broadly flat outcome in July, employment is expected to have rebounded moderately in August. This is partly due to the positive impact of the Census (which we estimate will add around 7500 jobs), as well as the likelihood of some statistical payback in full-time employment which has been running well below trend over the past four months on average. The seasonal factors also tend to provide support to the level of employment in August.

Looking through the volatility, our forecast remains consistent with the trend weakening in employment growth so far in 2011, the less "labour-friendly" mix of economic growth, as well as softening in leading indicators of the labour demand such as job advertisements in previous months.

The unemployment rate is forecast to fall slightly to 5.0%, although it is very sensitive to changes in the participation rate. A 0.05ppt fall in the participation rate could easily see the unemployment rate head back down to 4.9%. On the flipside, a 0.05ppt rise in the participation rate could keep the unemployment rate unchanged at 5.1%. **(RP)**

## DATA &amp; EVENT CALENDAR

## WEEK STARTING 29 AUGUST

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
4-Sep	UK	Lloyds Employment Confidence	AUG	--	--	-53	23:01	09:01
5 - 8 Sep	UK	Halifax House Price 3Mths/Year	AUG	--	--	-2.6%	--	--
		Halifax House Prices sa m/m	AUG	--	--	0.3%	--	--
Monday	NZ	Treasury Monthly Economic Indicators	AUG	--	--	--	02:00	12:00
5-Sep	AU	AiG Performance of Service Index	AUG	--	--	48.8	23:30	09:30
		TD Securities Inflation m/m	AUG	--	--	0.3%	00:30	10:30
		TD Securities Inflation y/y	AUG	--	--	3.2%	00:30	10:30
		ANZ Job Advertisements m/m	AUG	--	--	-0.7%	01:30	11:30
		Company Operating Profit q/q	2Q	2.0%	1.5%	-2.0%	01:30	11:30
		Inventories	2Q	0.4%	0.1%	0.4%	01:30	11:30
	CH	China HSBC Services PMI	AUG	--	--	53.5	02:30	12:30
	EU	<b>ECB's Trichet Speaks in Paris</b>					<b>08:00</b>	<b>18:00</b>
		PMI Composite	AUG F	--	--	51.1	08:00	18:00
		PMI Services	AUG F	51.5	--	51.5	08:00	18:00
		Sentix Investor Confidence	SEP	-18	--	-13.5	08:30	18:30
		Euro-Zone Retail Sales m/m	JUL	-0.1%	--	0.7%	09:00	19:00
		Euro-Zone Retail Sales y/y	JUL	0.8%	--	-0.7%	09:00	19:00
		<b>ECB Announces Bond Purchases</b>					<b>13:30</b>	<b>23:30</b>
		<b>ECB Calls for Bids in 7-Day Main Refinancing Tender</b>					<b>13:30</b>	<b>23:30</b>
	GE	PMI Services	AUG F	50.3	--	50.4	07:55	17:55
	UK	Official Reserves (Changes)	AUG	--	--	\$2082M	08:30	18:30
		PMI Services	AUG	54.3	--	55.4	08:30	18:30
		BRC Sales Like-For-Like y/y	AUG	0.1%	--	0.6%	23:01	09:01
	US	<b>Labor Day Holiday</b>						
Tuesday	AU	Australia Net Exports of GDP	2Q	0.1	0.0	-2.4	01:30	11:30
6-Sep		Current Account Balance	2Q	-7086M	-8574M	-10447M	01:30	11:30
		Home Loans m/m	JUL	1.3%	2.0%	0.0%	01:30	11:30
		Investment Lending	JUL	--	--	-4.4%	01:30	11:30
		Owner-Occupied Home Loan Value m/m	JUL	--	--	0.0%	01:30	11:30
		<b>RBA CASH TARGET</b>	Sep-11	<b>4.75%</b>	<b>4.75%</b>	<b>4.75%</b>	<b>04:30</b>	<b>14:30</b>
	EU	Euro-Zone GDP sa q/q	2Q P	0.2%	--	0.2%	09:00	19:00
		Euro-Zone GDP sa y/y	2Q P	1.7%	--	1.7%	09:00	19:00
		Euro-Zone Govt Expenditure q/q	2Q P	--	--	0.5%	09:00	19:00
		Euro-Zone Gross Fixed Capital q/q	2Q P	--	--	1.9%	09:00	19:00
		Euro-Zone Household Consumption q/q	2Q P	--	--	0.2%	09:00	19:00
		<b>ECB Announces Allotment in 7-Day Main Refinancing Tender</b>					<b>09:15</b>	<b>19:15</b>
		<b>ECB Announces Allotment in 7-Day Term Deposits</b>					<b>11:00</b>	<b>21:00</b>
	GE	Factory Orders m/m sa	JUL	-1.0%	--	1.8%	10:00	20:00
		Factory Orders y/y nsa	JUL	10.3%	--	9.5%	10:00	20:00
	UK	New Car Registrations y/y	AUG	--	--	-3.5%	00:00	10:00
		<b>BOE's Kohn Speaks at London School of Economics</b>					<b>17:30</b>	<b>03:30</b>
		BRC Shop Price Index y/y	AUG	--	--	2.8%	23:01	09:01
	US	ISM Non-Manf. Composite	AUG	51.2	--	52.7	14:00	00:00
		<b>Fed's Kocherlakota (non - voter) Speaks at University of Minnesota</b>					<b>17:10</b>	<b>03:10</b>
Wednesday	NZ	QV House Prices y/y	AUG	--	--	-0.4%	00:00	10:00
7-Sep	AU	AiG Perf of Construction Index	AUG	--	--	36.1	23:30	09:30
		<b>RBA's Stevens Speaks to Chamber of Commerce in Perth</b>					<b>23:30</b>	<b>09:30</b>
		Gross Domestic Product q/q	2Q	1.0%	0.6%	-1.2%	01:30	11:30
		Gross Domestic Product y/y	2Q	0.7%	0.2%	1.0%	01:30	11:30
		Foreign Reserves	AUG	--	--	A\$40.7B	06:30	16:30
		<b>AOFM Auctions A\$700 million of January 2018 Bonds</b>						
	JN	<b>BOJ Target Rate</b>	Sep-11	--	--	<b>0.1%</b>	<b>14:00</b>	<b>00:00</b>
		Official Reserve Assets	AUG	--	--	\$1150.9B	23:50	09:50
		Coincident Index CI	JUL P	108.9	--	108.8	05:00	15:00
		Leading Index CI	JUL P	105.9	--	103.2	05:00	15:00

## DATA &amp; EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
Wednesday 7-Sep cont.	EU	ECB Calls for Bids in 7-Day Dollar Tender					07:15	17:15
		ECB Announces Allotment in 7-Day Dollar Tender					09:00	19:00
	GE	Industrial Prod. y/y (nsa wda)	JUL	6.7%	--	6.7%	10:00	20:00
		Industrial Production m/m sa	JUL	0.5%	--	-1.1%	10:00	20:00
	UK	NIESR GDP Estimate	AUG	--	--	0.6%	00:00	10:00
		Industrial Production m/m	JUL	0.0%	--	0.0%	08:30	18:30
		Industrial Production y/y	JUL	-0.6%	--	-0.3%	08:30	18:30
		Manufacturing Production m/m	JUL	0.0%	--	-0.4%	08:30	18:30
		Manufacturing Production y/y	JUL	1.9%	--	2.1%	08:30	18:30
	US	MBA Mortgage Applications	Sep-11	--	--	-9.6%	11:00	21:00
		JOLTs Job Openings	JUL	--	--	3109	14:00	00:00
		<b>Fed's Evans (voter) Speaks in London</b>					<b>15:15</b>	<b>01:15</b>
		<b>Fed Releases Beige Book Economic Survey</b>					<b>18:00</b>	<b>04:00</b>
		<b>Fed's Williams (non-voter) Speaks to Seattle Rotary Club</b>					<b>20:00</b>	<b>06:00</b>
	CA	<b>Bank of Canada Rate Announcement</b>	Sep-11	1.0%	--	1.0%	13:00	23:00
		Ivey Purchasing Managers Index sa	AUG	--	--	46.8	14:00	00:00
		Ivey Purchasing Mangers nsa	AUG	--	--	45.4	14:00	00:00
Thursday 8-Sep	NZ	Manufacturing Activity	2Q	--	--	2.9%	22:45	08:45
		Manufacturing Activity Volume sa q/q	2Q	--	--	1.9%	22:45	08:45
		Value of All Buildings sa	2Q	--	--	-6.3	22:45	08:45
	AU	Employment Change	AUG	10.0K	18.0K	-0.1K	01:30	11:30
		Full Time Employment Change	AUG	--	--	-22.2K	01:30	11:30
		Part Time Employment Change	AUG	--	--	22.1K	01:30	11:30
		Participation Rate	AUG	65.6%	65.6%	65.6%	01:30	11:30
		Unemployment Rate	AUG	5.0%	5.0%	5.1%	01:30	11:30
	JN	Adjusted Current Account Total	JUL	¥990.8B	--	¥922.8B	23:50	09:50
		Bank Lending Ex-Trusts y/y	AUG	--	--	-0.6%	23:50	09:50
		Bank Lending incl Trusts y/y	AUG	--	--	-0.5%	23:50	09:50
		Current Account Balance y/y	JUL	-31.9%	--	-50.2%	23:50	09:50
		Current Account Total	JUL	¥1180.0B	--	¥526.9B	23:50	09:50
		Trade Balance - BOP Basis	JUL	¥149.1B	--	¥131.5B	23:50	09:50
		Machine Orders m/m	JUL	-4.0%	--	7.7%	23:50	09:50
		Machine Orders y/y	JUL	8.4%	--	17.9%	23:50	09:50
		Foreign Buying Japan Bonds	Sep-11	--	--	-¥138.5B	23:50	09:50
		Foreign Buying Japan Stocks	Sep-11	--	--	-¥338.0B	23:50	09:50
		Japan Buying Foreign Bonds	Sep-11	--	--	¥38.2B	23:50	09:50
		Japan Buying Foreign Stocks	Sep-11	--	--	¥146.3B	23:50	09:50
		Bankruptcies y/y	AUG	--	--	1.4%	04:30	14:30
		Eco Watchers Survey: Current	AUG	--	--	52.6	05:00	15:00
		Eco Watchers Survey: Outlook	AUG	--	--	48.5	05:00	15:00
	EU	<b>ECB Announces Interest Rates</b>	Sep-11	1.5%	--	1.5%	11:45	21:45
		<b>Trichet Speaks at ECB Monthly News Conference</b>					<b>12:30</b>	<b>22:30</b>
	GE	Current Account (EURO)	JUL	9.5B	--	11.9B	06:00	16:00
		Exports sa m/m	JUL	0.3%	--	-1.2%	06:00	16:00
		Imports sa m/m	JUL	--	--	0.3%	06:00	16:00
		Trade Balance	JUL	11.0B	--	12.7B	06:00	16:00
		Labor Costs Seas. Adj. q/q	2Q	--	--	2.0%	06:00	16:00
		Labor Costs Workday Adj y/y	2Q	--	--	2.8%	06:00	16:00
	UK	<b>BOE Rates Announcement</b>	SEP	0.5%	--	0.5%	11:00	21:00
		<b>BOE Asset Purchase Target</b>	SEP	200B	--	200B	11:00	21:00
	US	Continuing Claims	27-Aug	--	--	--	12:30	22:30
		Initial Jobless Claims	02-Sep	--	--	--	12:30	22:30
		Trade Balance	JUL	-\$50.0B	--	-\$53.1B	12:30	22:30
		Bloomberg Consumer Comfort	04-Sep	--	--	-49.1	13:45	23:45
		<b>Fed's Bernanke (voter) Speaks to Economics Club in Minnesota</b>					<b>17:00</b>	<b>03:00</b>
		Consumer Credit	JUL	\$6.000B	--	\$15.532B	19:00	05:00
	CA	Building Permits m/m	JUL	--	--	2.1%	12:30	22:30
		Int'l Merchandise Trade	JUL	-0.70B	--	-1.56B	12:30	22:30
		New Housing Price Index m/m	JUL	--	--	0.3%	12:30	22:30
		New Housing Price Index y/y	JUL	--	--	2.1%	12:30	22:30

## DATA &amp; EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
09-16 SEP	GE	Wholesale Price Index m/m	AUG	--	--	-0.6%	--	--
		Wholesale price Index y/y	AUG	--	--	8.2%	--	--
Friday	NZ	NZ Card Spending - Total m/m	AUG	--	--	0.2%	22:45	08:45
9-Sep	AU	<b>AOFM Auctions A\$750 million of October 2015 Bonds</b>						
	JN	GDP Annualized	2Q F	--	--	-1.3%	23:50	09:50
		GDP Deflator y/y	2Q F	--	--	-2.2%	23:50	09:50
		Gross Domestic Product q/q	2Q F	--	--	-0.3%	23:50	09:50
		Japan Money Stock M2 y/y	AUG	2.9%	--	2.9%	23:50	09:50
		Japan Money Stock M3 y/y	AUG	2.3%	--	2.3%	23:50	09:50
		Nominal GDP q/q	2Q F	--	--	-1.4%	23:50	09:50
		Consumer Confidence	AUG	--	--	37	05:00	15:00
	CH	Fixed Assets Inv Excl. Rural YTD y/y	AUG	25.2%	25.3%	25.4%	--	--
		Industrial Production y/y	AUG	13.7%	14.2%	14.0%	--	--
		Industrial Production YTD y/y	AUG	14.1%	--	14.3%	--	--
		Retail Sales y/y	AUG	16.9%	17.7%	17.6%	--	--
		Retail Sales YTD y/y	AUG	--	--	18.0%	--	--
		Consumer Price Index y/y	AUG	6.1%	6.4%	6.5%	02:00	12:00
		Producer Price Index y/y	AUG	7.2%	7.2%	7.5%	02:00	12:00
	GE	Consumer Price Index m/m	AUG F	-0.1%	--	-0.1%	06:00	16:00
		Consumer Price Index y/y	AUG F	2.3%	--	2.3%	06:00	16:00
		CPI - EU Harmonised m/m	AUG F	--	--	-0.1%	06:00	16:00
		CPI - EU Harmonised y/y	AUG F	2.4%	--	2.4%	06:00	16:00
	UK	PPI Inputnsa m/m	AUG	-1.5%	--	0.6%	08:30	18:30
		PPI Inputnsa y/y	AUG	16.9%	--	18.5%	08:30	18:30
		PPI Output Corensa m/m	AUG	0.2%	--	0.3%	08:30	18:30
		PPI Output Corensa y/y	AUG	3.4%	--	3.3%	08:30	18:30
		PPI Output n.sa m/m	AUG	0.1%	--	0.2%	08:30	18:30
		PPI Output n.sa y/y	AUG	6.0%	--	5.9%	08:30	18:30
	US	Wholesale Inventories	JUL	0.8%	--	0.6%	14:00	00:00
		<b>Fed's Williams (non-voter) Speaks at Symposium in San Francisco</b>					<b>15:30</b>	<b>01:30</b>
	CA	Full Time Employment Change	AUG	--	--	--	11:00	21:00
		Net Change in Employment	AUG	31.0K	--	7.1K	11:00	21:00
		Part Time Employment Change	AUG	--	--	--	11:00	21:00
		Participation Rate	AUG	--	--	--	11:00	21:00
		Unemployment Rate	AUG	7.3%	--	7.2%	11:00	21:00
		Housing Starts	AUG	200.0K	--	205.1K	12:15	22:15
		Labor Productivity q/q	2Q	--	--	0.4%	12:30	22:30
10 - 12 Sep	NZ	REINZ Housing Price Index m/m	AUG	--	--	-0.6%	--	--
10 - 14 Sep	GE	Germany Fourth Quarter Manpower Employment Outlook (Table)					--	--
10 - 15 Sep	CH	Actual FDI y/y	AUG	--	--	19.8%	--	--
Saturday	CH	Exports y/y	AUG	21.0%	20.5%	20.4%	14:00	00:00
10-Sep		Imports y/y	AUG	21.0%	19.6%	22.9%	14:00	00:00
		Trade Balance (USD)	AUG	\$23.40B	\$25.1B	\$31.48B	14:00	00:00

## FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
<b>5 SEPTEMBER</b> AU: AiG Perf. Services (Aug), TD Inflation expectations (Aug), ANZ Job Ads (Aug), Company Profits and Inventories (Q2) EU: PMI Services (Aug F), Sentix Investor Confidence (Sep), Retail Sales (Jul), <b>ECB's Trichet Speaks</b> GE: PMI Services (Aug) UK: PMI Services (Aug) US & CA: <b>Labor Day Holiday</b>	<b>6 SEPTEMBER</b> AU: Current Account (Q2), Net Exports contribution to GDP (Q2), Housing Finance (Jul), <b>RBA Rates Decision</b> EU: GDP (Q2 P) GE: Factory Orders (Jul) US: ISM non-manufacturing (Aug), <b>Fed's Kocherlakota Speaks</b>	<b>7 SEPTEMBER</b> AU: GDP (Q2), <b>RBA Governor Stevens Speaks</b> JP: <b>BoJ Rates Decision</b> GE: Ind Production (Jul) UK: Ind Production (Jul), Manufac Production (Jul), NIESR GDP Estimate (Aug) US: <b>Fed's Beige Book, Fed's Evans and Williams Speak</b> CA: <b>BoC rates decision</b>	<b>8 SEPTEMBER</b> NZ: Manf. Activity (Q2) AU: Employment (Aug) JP: CA (Jul), Trade (Jul), Machine Orders (Jul) EU: <b>ECB rates decision, ECB's Trichet Speaks</b> , GE: Current Account (Jul), Trade (Jul) UK: <b>BoE rates decision</b> US: Trade (Jul), <b>Fed Chairman Bernanke Speaks</b> CA: Building Permits (Jul), Trade (Jul),	<b>9 SEPTEMBER</b> NZ: Card Spending (Aug) JP: GDP (Q2), Consumer Confidence (Aug) CH: CPI (Aug), PPI (Aug), Ind Production (Aug), Retail Sales (Aug) GE: CPI (Aug F) UK: PPI (Aug) US: <b>Fed's Williams Speaks</b> CA: Employment (Aug), Housing Starts (Aug) <b>10/09</b> CH: Trade (Aug)
<b>12 SEPTEMBER</b> AU: Trade (Jul) JN: <b>BoJ minutes</b> , BSI large manufacturing (Q3) CH: <b>Mid-Autumn Festival Holiday</b> UK: RICS House Prices (Aug) US: <b>Fed's Fisher Speaks</b>	<b>13 SEPTEMBER</b> NZ: Food Prices (Aug) AU: NAB Business Confidence (Aug), ABARES Australian Crop Report UK: CPI (Aug), Trade (Jul) US: NFIB Small Business Survey (Aug), Monthly Budget Statement (Aug), Import Price Index (Aug), <b>Fed's Bullard Speaks</b>	<b>14 SEPTEMBER</b> AU: Westpac Consumer Confidence (Sep), DEWR Internet Skilled Vacancies (Aug) JP: Ind Production (Jul F) EU: Ind Production (Jul) UK: Jobless Claims Change (Aug), Unemployment (Jul) US: PPI (Aug), Retail Sales (Aug), Bus Inv (Jul)	<b>15 SEPTEMBER</b> NZ: <b>RBNZ Rate Decision</b> EU: <b>ECB's Praet Moderates Panel, Trichet Speaks, ECB Publishes monthly report</b> CPI (Aug), Employment (Q2) UK: Retail Sales (Aug) US: CPI (Aug), Current Account (Q2), Empire Fed Manuf. (Sep), Philly Fed (Sep), Ind Production (Aug)	<b>16 SEPTEMBER</b> NZ: ANZ Consumer Confidence (Sep) EU: <b>Finance ministers and Central Bankers meet</b> , Current Account (Jul), Trade (Jul) US: TIC flows, Uni of Michigan Confidence (Sep P)
<b>19 SEPTEMBER</b> NZ: Westpac Consumer Confidence (Q3), Perf. Of Services Index (Aug) AU: ABARES Australian Commodities Report JP: <b>Respect for the Aged Holiday</b> EU: Construction Output (Jul) US: NAHB Housing Market Index (Sep)	<b>20 SEPTEMBER</b> AU: <b>RBA minutes</b> JN: Leading Index (Jul F) EU: ZEW Survey (Sep) GE: Producer Prices (Aug), Zew Survey (Sep) US: Housing Starts (Aug), Building Permits (Aug), CA: Leading Indicators (Aug), Wholesale Sales (Jul), <b>BoC Governor Carney Speaks</b>	<b>21 SEPTEMBER</b> NZ: Current Account (Q2), Net Migration (Aug), Credit Card Spending (Aug) JP: Trade (Aug) UK: <b>BoE minutes</b> US: Existing Home Sales (Aug), <b>FOMC Rates Decision</b> CA: CPI (Aug)	<b>22 SEPTEMBER</b> AU: <b>RBA's Lowe Speaks</b> NZ: GDP (Q2) EU: Industrial New Orders (Jul), Consumer Confidence (Sep A) US: House Price Index (Jul), Leading Indicators (Aug) CA: Retail Sales (Jul)	<b>23 SEPTEMBER</b> AU: <b>RBA Financial Stability Review</b> CH: MNI September Flash Business Sentiment Survey JP: <b>Autumnal Equinox Day Holiday</b> UK: BBA Loans for House Purchase (Aug)
<b>26 SEPTEMBER</b> NZ: Trade Balance (Aug) GE: IFO Survey (Sep) US: Chicago Fed Activity Index (Aug), New Home Sales (Aug), Dallas Fed Survey (Sep), <b>Fed's Raskin and Bullard Speak</b>	<b>27 SEPTEMBER</b> CH: Industrial Profits (Aug) GE: Import Price Index (Aug) US: Case-Shiller (Jul), Consumer Confidence (Sep), Richmond Fed (Sep)	<b>28 SEPTEMBER</b> GE: GfK Consumer Confidence (Oct), CPI (Sep P) US: Capital & Durable Goods Orders (Aug)	<b>29 SEPTEMBER</b> JN: Retail Trade (Aug) EU: Consumer Confidence (Sep F), Eco, Ind & Services Confidence (Sep) UK: Consumer Credit (Aug), Mortgage Approvals (Aug), GfK Consumer Confidence (Sep) US: GDP (Q2 T), Personal Consumption (Q2 T), Pending Home Sales (Aug), Kansas City Fed Manf. Activity (Sep) <b>Fed's Rosengren and Plosser Speak</b>	<b>30 SEPTEMBER</b> NZ: Building Permits (Aug), NBNZ Business Confidence (Sep) AU: Private Credit (Aug) JN: Jobless Rate (Aug), CPI (Aug), Tokyo CPI (Sep), Ind Production (Aug P), Vehicle Prodn (Aug), Housing Starts (Aug) EU: Flash CPI (Sep), Unemployment (Aug) US: Personal income & Spending (Aug), Core PCE (Aug), Chicago PMI (Sep), Univ of Michigan, NAPM Milwaukee (Sep) Confidence (Sep F), <b>Fed's Bullard Speaks</b> CA: GDP (Jul)
<b>3 OCTOBER</b> NZ: ANZ Commodity Price Index (Sep) AU: AiG PMI (Sep) CH: Non-manufacturing PMI (Sep), HSBC PMI Services (Sep) JP: Tankan Survey (Q3) EU: PMI Manf. (Sep F) GE: PMI Manf. (Sep F) UK: PMI Manf. (Sep) US: Construction Spending (Aug), ISM (Sep)	<b>4 OCTOBER</b> AU: Trade (Aug), Building Approvals (Aug), <b>RBA Cash Rate</b> EU: PPI (Aug) GE: Retail Sales (Aug) UK: PMI Construction (Sep) US: Factory Orders (Aug) GE	<b>5 OCTOBER</b> AU: Retail Sales (Aug) EU: PMI Services (Sep F), Retail Sales (Aug) GE: Import Price Index (Aug), PMI Services (SepF) UK: PMI Services (Sep), GDP (Q2 F), Trade (Q2 P) US: ADP Employment (Sep), ISM Non - Manf. (Sep)	<b>6 OCTOBER</b> EU: <b>ECB Rates Decision, ECB's Trichet Speaks</b> GE: Factory Orders (Aug) UK: <b>BoE Rates Decision</b> CA: Building Permits (Aug), Ivey PMI (Sep)	<b>7 OCTOBER</b> JP: <b>BoJ Rates Decision</b> GE: Ind Production (Aug) UK: Ind Production (Aug) Manf. Production (Aug), PPI (Sep), NIESR GDP Est (Sep) US: Non-farm Payrolls (Sep), Unemployment Rate (Sep) CA: Employment (Sep)

## 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	3.5	5.1	6.3
Household consumption	2.8	2.0	1.8	2.3
Dwelling investment	4.0	2.6	-2.1	7.6
Business investment	-0.7	10.3	18.7	17.3
Public demand	9.0	2.8	3.0	2.0
Domestic final demand	3.6	3.3	4.6	5.3
Inventories (contribution to GDP)	0.4	-0.1	0.0	0.0
Gross National Expenditure (GNE)	4.1	3.2	4.6	5.2
Exports	5.3	-1.3	12.3	10.3
Imports	13.3	11.3	14.6	12.1
Net Exports (contribution to GDP)	-1.6	-3.0	-0.9	-0.9
<b>Gross Domestic Product (GDP)</b>	<b>2.7</b>	<b>0.7</b>	<b>3.1</b>	<b>3.9</b>
<b>Prices and wages (annual % change)</b>				
Inflation:				
Headline CPI	2.8	3.4	2.7	3.6
Underlying*	2.6	2.7	2.9	3.4
Wages:	3.3	3.8	3.7	4.1
<b>Labour market</b>				
Employment (annual % change)	2.7	1.8	0.8	2.1
Unemployment rate (annual average %)	5.2	5.1	5.5	5.3
<b>External sector</b>				
Terms of trade (annual % change)	16.4	16.6	4.6	-3.7
Current account balance: A\$bn	-34.6	-30.5	-22.1	-41.7
% of GDP	-2.6	-2.1	-1.5	-2.6

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

AUSTRALIAN INTEREST RATES	CURRENT	SEP 11F	DEC 11F	MAR 12F	JUN 12F	SEP 12F
RBA cash rate	4.75	4.75	4.75	4.75	4.75	4.75
90 day bill	4.81	4.81	4.90	4.90	4.90	4.90
3 year bond	3.78	3.78	3.70	3.80	4.00	4.20
10 year bond	4.38	4.38	4.40	4.40	4.50	4.70
3s10s yield curve	0.61	0.61	0.70	0.60	0.50	0.50
3 year swap	4.35	4.34	4.10	4.20	4.40	4.60
10 year swap	5.11	5.11	4.98	4.95	5.05	5.25

INTERNATIONAL INTEREST RATES	CURRENT	SEP 11F	DEC 11F	MAR 12F	JUN 12F	SEP 12F
RBNZ cash rate	2.50	2.50	3.00	3.25	3.50	3.75
NZ 90 day bill	2.94	2.8175	3.47	3.50	3.92	4.00
US Fed funds note	0.25	0.25	0.25	0.25	0.25	0.25
US 2 year note	0.18	0.18	0.20	0.20	0.20	0.20
US 10 year note	2.13	2.12	2.10	2.20	2.40	2.70
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.50	1.50	1.50	1.50	1.50	1.50
UK repo rate	0.50	0.50	0.50	0.50	0.50	0.50

## FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	SEP 11F	DEC 11F	MAR 12F	JUN 12F	SEP 12F
<b>Australian exchange rates</b>						
A\$/US\$	1.07	1.10	1.12	1.12	1.12	1.14
NZ\$/US\$	0.85	0.88	0.91	0.92	0.93	0.93
A\$/¥	82.2	82.5	84.0	84.0	80.6	82.1
A\$/€	0.75	0.75	0.75	0.74	0.74	0.74
A\$/£	0.66	0.67	0.68	0.67	0.67	0.67
A\$/NZ\$	1.26	1.25	1.23	1.22	1.20	1.23
A\$/C\$	1.05	1.05	1.08	1.10	1.11	1.15
A\$/CHF	0.85	0.99	1.03	1.05	1.08	1.12
A\$/CNY	6.82	7.02	7.06	6.97	6.88	6.92
A\$ Trade weighted index	76.6	77.8	78.4	77.6	76.5	77.1
<b>International cross rates</b>						
US\$/¥	76.9	75.0	75.0	75.0	72.0	72.0
€/US\$	1.43	1.47	1.50	1.52	1.52	1.55
€/¥	110	110	113	114	109	112
£/US\$	1.62	1.65	1.65	1.68	1.68	1.70
€/£	0.88	0.89	0.91	0.90	0.90	0.91
US\$/C\$	0.98	0.95	0.96	0.98	0.99	1.01
US\$/CHF	0.79	0.90	0.92	0.94	0.96	0.98
US\$ index	74.6	77.4	78.6	80.4	80.1	80.5
<b>Asia exchange rates</b>						
US\$/CNY	6.38	6.38	6.30	6.22	6.14	6.07
US\$/HKD	7.79	7.80	7.80	7.80	7.80	7.80
US\$/IDR	8519	8400	8200	7900	7700	7500
US\$/INR	46.1	44.1	42.9	41.8	40.6	39.5
US\$/KRW	1064	1040	1020	990	970	950
US\$/MYR	2.97	2.96	2.92	2.88	2.83	2.79
US\$/PHP	42.2	42.1	41.4	40.8	40.2	39.6
US\$/SGD	1.20	1.20	1.18	1.17	1.15	1.13
US\$/THB	29.97	29.60	29.30	28.90	28.60	28.20
US\$/TWD	29.01	28.70	28.40	28.10	27.80	27.50
US\$/VND	20819	20800	21000	21400	21400	21400
<b>Pacific exchange rates</b>						
PGK/US\$	0.447	0.385	0.378	0.372	0.366	0.366
FJD/US\$	0.578	0.548	0.538	0.530	0.522	0.522

**IMPORTANT NOTICE**

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