



ECONOMICS & MARKETS RESEARCH

ANZ AUSTRALIAN ECONOMICS TOOLBOX

30 APRIL 2010

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ECONOMIC UPDATE: STRONG INFLATIONARY PULSE TO TRIGGER A THIRD-CONSECUTIVE RATE RISE NEXT WEEK

- **Producer and consumer prices both printed above market expectations in Q1 2010.** The disinflationary influence of upstream prices in 2009 appears to have come to an end, with final stage producer prices rising 1% in Q1. Headline CPI rose 0.9% QoQ and 2.9% YoY. Worryingly, core prices remain sticky, increasing by 0.8% in the quarter and 3.1% in annual terms – remaining above the upper limit of the RBA's medium-term 2-3% target band for 2½ years. Domestic economic activity is continuing to gain momentum, and it is now likely that the annual rate of core inflation will trough at 2.7%, above the RBA's forecast of 2½%. Upside pressure on prices will likely only build going forward given the strong income flows expected from the recommencement of the commodity boom, and with limited upside forecast for the AUD/USD, tradeables inflation is also expected to accelerate. While recent RBA commentary has suggested a more gradual monetary adjustment process from this point, we think the risk to inflation is too great and that the **RBA will need to raise the cash rate for a third-consecutive month next week by 25bp to 4.50%.**
- **Private sector credit growth accelerated in March.** Total credit rose 0.5% in the month to be 2.1% higher over the year. While **housing credit** expanded 0.7% (+8.5% YoY), driven by gains in both the owner-occupier and investor segments, growth is likely to moderate over the coming quarters as the market adjusts to the exodus of first home buyers, and as interest rates continue to rise. **House prices** also reflected continuing demand pressures in the housing market, with national median dwelling prices up 1.4% MoM in March and 12.5% over the year. Households' persistent appetite for debt despite tighter monetary policy saw **personal credit** growth of 0.5% in the month (+2.4% YoY). Meanwhile, **business credit** increased 0.1% in March, the first rise recorded since January 2009, as momentum shifts back towards credit intermediation. Indeed, with high levels of business confidence being sustained, it is likely that business credit growth will continue to improve as we move through 2010.
- **While European sovereign credit concerns continued to dominate markets, the impact on Australia remains minor.** This week, risk appetite plummeted on the back of sovereign credit ratings downgrades for Greece, Portugal and Spain by Standard and Poor's, before rebounding on the release of an additional Greek austerity package in return for a €120bn loan from the IMF and EU. While these concerns have provided a temporary headwind for the AUD/USD and local equity market, AUD crosses, particularly the AUD/EUR, continue to firm. Moreover, Australia's fundamental outlook remains solid (especially compared to other advanced economies), with our fortunes increasingly being tied to activity in the solidly recovering Asian region.

THE WEEK AHEAD

- The **Australian dataflow** next week will be very busy. The key focus will be the Henry tax review on Sunday, and the RBA's interest rate decision due on Tuesday. Also due for release are retail sales data, ABS house prices, building approvals, the trade balance and the RBA's Statement on Monetary Policy.
- In the **US**, markets will be keenly awaiting the release of personal income and spending figures, the ISM manufacturing series, and non-farm payrolls. Also due out are factory orders, pending home sales, construction spending, productivity, and consumer credit.
- In the **Euro zone**, monetary policy will be back in focus, with the ECB rate decision due on Thursday. Producer prices, the purchasing managers' indices, retail sales, and European Commission economic forecasts are also due out. **UK** markets will be closed on Monday for the May Day holiday. Thursday's general election will be keenly watched, and will delay the BoE rate decision until Monday 10 May. Data due out include the PMI, producer prices, consumer confidence, and Halifax house prices.
- Markets will be closed in **Japan** from Monday through to Wednesday. **China's** markets will be closed on Monday for Labour Day; watch for the release of PMI data.

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INFLATION PRESSURES RISE

Wednesday's Q1 CPI has materially lowered the bar for the RBA to lift the cash rate at next week's Board Meeting, despite recent rhetoric from the Bank indicating that a move in May was unlikely.

The data was disappointing on a number of fronts.

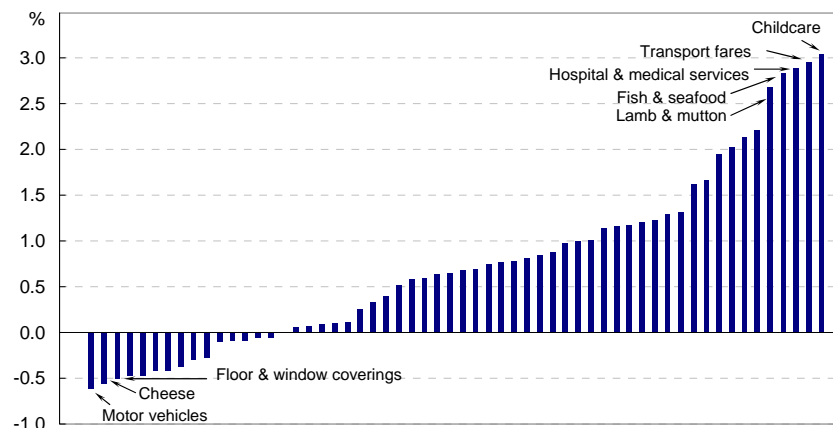
Firstly, the larger than expected rise in the underlying CPI will force the RBA to raise its inflation forecasts. The 0.8% rise in Q1 means that the Bank will be looking for a 0.3% rise in Q2 for the inflation rate to reach 2.5% and this is unlikely. Moreover, it appears that over the longer term inflation is likely to be higher than the Bank expects. In the February Statement on Monetary Policy the Bank was forecasting underlying inflation to be 2.75% at the end of next year. However, this week's data and the upside risks to growth around the rise in commodity prices suggest this is more likely to occur by the end of this year.

Secondly, the non-tradeable component of the CPI rose by a strong 1.5% in the quarter and 4.2% over the past year. This represents around 58% of the CPI and is driven mostly by domestic economic fundamentals around growth and capacity utilisation. In contrast, the tradable component of the index rose by a modest 0.2% in the quarter and only 1.1% over the past year due to the rise in the AUD and weak demand out of the major economies.

Thirdly, the services component of the CPI rose by a strong 1.3% in the quarter and, like the rise in non-tradeable prices, it is largely driven by domestic economic factors around the labour market. In the December quarter, services prices rose by 0.9%.

The distribution of the price changes is still problematic after adjusting for both seasonality and volatile price movements in the quarter. The distribution of the trimmed quarterly price changes shows that childcare, urban transport fares, hospital and medical services, fish and seafood, and lamb and mutton were the large drivers of the rise in the trimmed mean (Figure 1). In the quarter there were few price falls large enough to offset these rises. Indeed, the falls in motor vehicle prices, cheese, and floor and window coverings were only modest.

FIGURE 1: WEIGHTED QUARTERLY GROWTH: CENTRAL 70% OF THE CPI DISTRIBUTION Q110



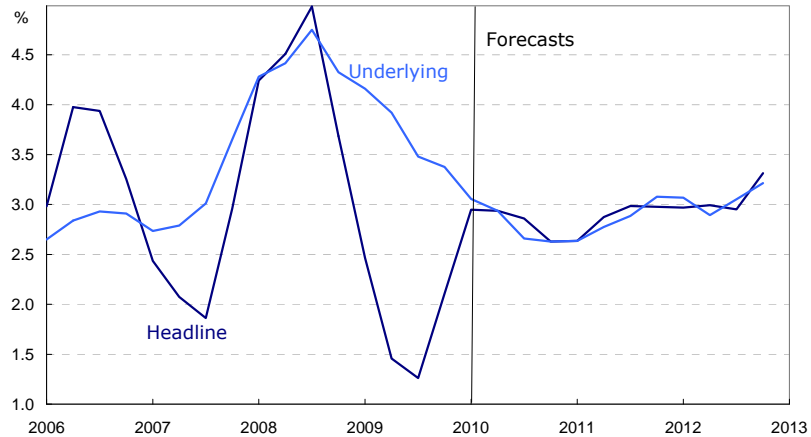
Source: ABS, ANZ

On the back of Wednesday's data we have raised both our short-term and long-term inflation forecasts. We now expect underlying inflation will trough around 2.7% in Q3 before it moves back to the top of the target band by Q3 2011. We expect underlying inflation to be above the top of the target band by H2 2012 (Figure 2). Prior to this week's data, we expected underlying inflation to be at the top of the target band by the end of 2012.

At this stage in Q2 2010, we expect a 0.5% rise in the headline CPI and a 0.7% rise in the underlying CPI. This would leave the headline inflation rate at 2.9% and slow the underlying inflation rate to 2.9%.

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FIGURE 2. INFLATION FORECASTS



Source: ABS

IMPLICATIONS FOR MONETARY POLICY

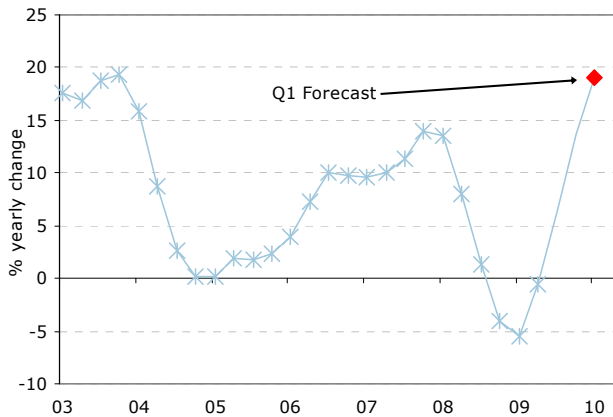
The large rise in both iron ore and coal prices in Q2 2010 will create a lift in income for the economy. It will also increase the return on investment and will raise the neutral cash rate from its current level because the return on savings needs to rise to bring the respective returns back into balance. This will put upward pressure on interest rates in short-medium term given that interest rates are now close to normal. However, the risk is that over the course of the next 12 months or so, policy will need to become restrictive in order to contain inflation.

Wednesday's data indicate that the starting point for the inflation upswing that naturally follows a recovery in the real economy is now going to be significantly higher than the RBA had expected. Moreover, keeping inflation within the target band over the course of the next year or so looks increasingly difficult as the rise in the terms of trade works its way through the broader economy.

The RBA has now very little margin for error and it will need to keep growth at trend. Indeed, any period of above-trend growth will naturally push inflation higher. The strong rise in bulk commodity prices already noted by the RBA at its last Board Meeting coupled with the stronger than expected Q1 inflation outcome have materially shifted up the balance of risks around the inflation outlook. As a result, we now expect the Bank to raise the target cash rate next week to 4.5%. Moreover, we expect it to follow up with another 25bp rise in July before the cash rate reaches 5.25% before at year end.

DATA & EVENT CALENDAR

Chart 1: House Price Index (Q1)



3 May: House Price Index (Q1)

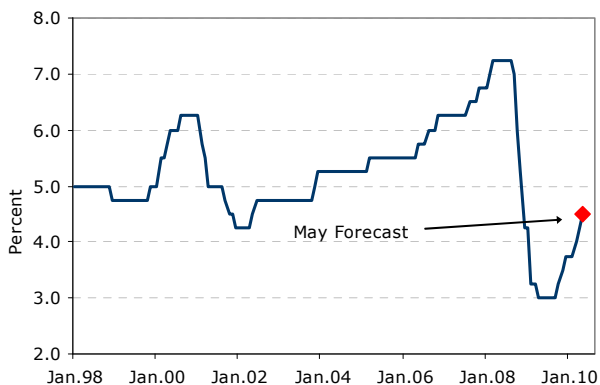
ANZ: +3.9% QoQ, +19.0% YoY

Market: +3.0% QoQ, +18.0% YoY

Last: +5.2% QoQ, +13.6% YoY

Building approvals levels are likely to expand in March, with an increase in 'other dwellings' approvals and continued moderate growth in approvals for detached housing. We expect 'other dwelling' approvals to rebound in March, led by increasing momentum from housing market 'investors and upgraders' segment.

Chart 2: RBA Cash Rate (May)



4 May: RBA Cash Rate (May)

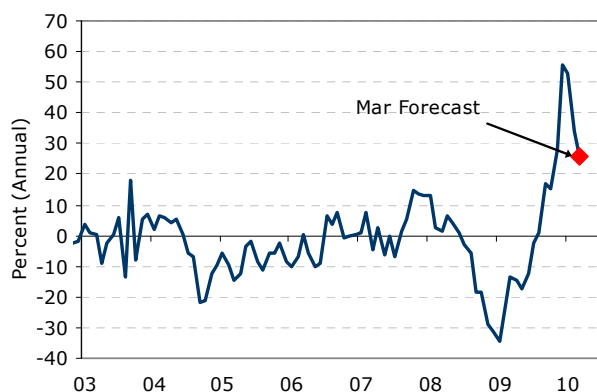
ANZ: 4.50%

Market: 4.50%

Last: 4.25%

The RBA rate decision will be a close one, but we think that on balance, the Board will pull the trigger on a third-consecutive hike. Recent commentary from Bank officials has suggested a more gradual policy adjustment path going forward, emphasising that borrowing rates in the economy are now close to 'average.' But this week's CPI result shows that underlying inflation has picked up earlier than the RBA had expected, and going forward, it will be difficult for the Bank to keep inflation within the target band. Further, while European sovereign credit issues continue to weigh on the market, the RBA does not believe that they will have a significant impact on Australia's economy. With little spare capacity in the local economy, we see rates heading to 5.25% by the end of the year.

Chart 3: Building Approvals (Mar)



5 May: Building Approvals (Mar)

ANZ: +1.2% MoM, +25.9% YoY

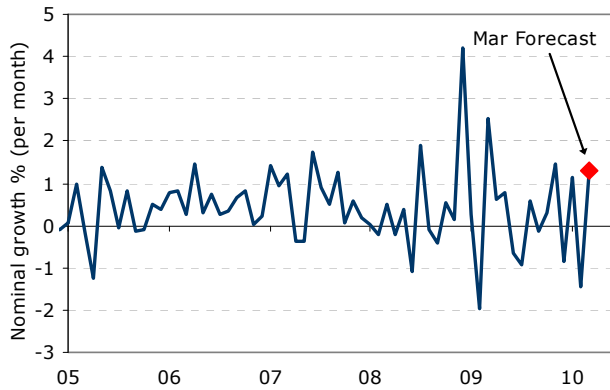
Market: +0.8% MoM, +25.6% YoY

Last: -3.3% MoM, +34.2% YoY

House prices are expected to have posted another solid quarter of growth in Q1 on the back of increasing activity from upgraders and investors. Going forward, we anticipate a deceleration in house prices from the current pace as first homebuyers continue to exit the market, non-resident house purchases slow on the FIRB policy backflip, and rising interest rates further erode housing affordability.

DATA & EVENT CALENDAR

Chart 4: Retail Trade (Mar)



6 May: Retail Trade (Mar & Q1)

Monthly (nominal)

ANZ: +1.3% MoM, +2.2% YoY

Market: +0.7% MoM

Last: -1.4% MoM, +3.4% YoY

Quarterly (real)

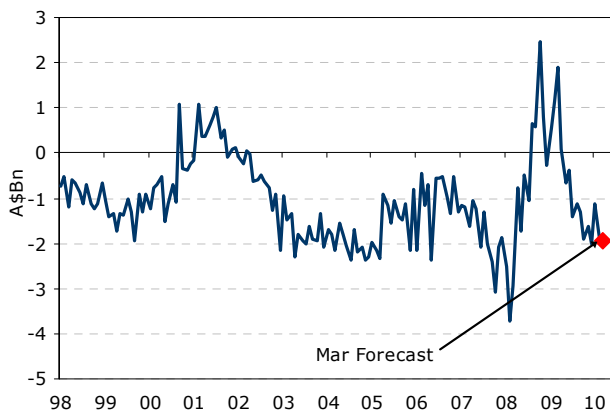
ANZ: +1.2% QoQ, +3.4% YoY

Last: +1.1% QoQ, +3.4% YoY

The monthly retail trade series has become very volatile over the past few months. Anecdotal reports suggest that March was a much better month for retailers following February's dismal 1.4% fall in turnover. In March, solid growth in employment (+19.6k) and on equity markets (+5%), and buoyant consumer confidence should support a bounce back in nominal sales growth of 1.3%. Internal ANZ transactions indicators also suggest a solid rebound in sales figures.

In Q1, while preliminary data suggest modest growth of just 0.5% in nominal terms, strong discounting in the sector should see prices retrace 0.7%, implying a step up in real retail trade of 1.2%.

Chart 5: International Trade Balance (Mar)



6 May: International Trade Balance (Mar)

ANZ: -A\$1.95bn

Market: -A\$2.13bn

Last: -A\$1.92bn

Imports rebounded in February while exports retraced, seeing the trade deficit widen to A\$1.92bn. For March, preliminary figures released by the ABS indicate continued strength in merchandise import demand, and we estimate that total imports of goods and services rose 3.8%. With Chinese demand for Australian bulk commodity exports soaring following last month's slowdown for Chinese New Year, we expect exports to tick up 4% in the month, and this should see the trade deficit remain broadly steady at A\$1.95bn. However, over the next few months we should see an improvement in export values due to the strong rise in both coal and iron ore contract prices, and in turn this should translate into a narrowing in the trade deficit.

DATA & EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT
1 May	CH	PMI Manufacturing – (Apr)	nf	55.9	55.1	01:00
2 May	AU	Henry Tax Review is released	-	-	-	04:30
3–7 May	GE	Retail Sales MoM – (Mar)	nf	-0.1%	1.1%	-
		Retail Sales YoY – (Mar)	nf	-0.6%	-0.9%	-
3 May	NZ	ANZ Commodity Price – (Apr)	nf	na	1.8%	03:00
	AU	AIG Performance of Manufacturing Index – (Apr)	nf	na	50.2	23:30
		TD Securities Inflation MoM – (Apr)	nf	na	0.5%	00:30
		TD Securities Inflation YoY – (Apr)	nf	na	2.5%	00:30
		House Price Index QoQ – (Q1)	3.9%	3.0%	5.2%	01:30
		House Price Index YoY – (Q1)	19.0%	18.0%	13.6%	01:30
		RBA Commodity Index SDR YoY – (Apr)	nf	na	1.4%	06:30
JP	Markets Closed	-	-	-	-	
CH	Markets Closed	-	-	-	-	
EU	PMI Manufacturing – (Apr F)	nf	57.5	57.5	08:00	
GE	PMI Manufacturing – (Apr F)	nf	61.3	61.3	07:55	
UK	Markets Closed	-	-	-	-	
US		Personal Income – (Mar)	nf	0.3%	0.0%	12:30
		Personal Spending – (Mar)	nf	0.7%	0.3%	12:30
		PCE Deflator YoY – (Mar)	nf	1.9%	1.8%	12:30
		PCE Core MoM – (Mar)	nf	0.0%	0.0%	12:30
		PCE Core YoY – (Mar)	nf	1.3%	1.3%	12:30
		ISM Manufacturing – (Apr)	nf	59.9	59.6	14:00
		ISM Prices Paid – (Apr)	nf	72.0	75.0	14:00
		Construction Spending MoM – (Apr)	nf	-0.5%	-1.3%	14:00
		Domestic Vehicle Sales – (Apr)	nf	8.90M	9.05M	21:00
		Total Vehicle Sales – (Apr)	nf	11.40M	11.77M	21:00
4 May	NZ	Private Wages Inc Overtime QoQ – (Q1)	0.7%	0.4%	0.3%	22:45
		Private Wages Exc Overtime QoQ – (Q1)	0.7%	0.4%	0.3%	22:45
		Average Hourly Earnings QoQ – (Q1)	0.9%	0.4%	-0.4%	22:45
AU	RBA CASH TARGET	4.50%	4.50%	4.25%	04:30	
JP	Markets Closed	-	-	-	-	
CH	HSBC Manufacturing PMI	nf	na	57.0	02:30	
EU		Euro-Zone PPI MoM – (Mar)	nf	0.7%	0.1%	08:00
		Euro-Zone PPI YoY – (Mar)	nf	0.9%	-0.5%	09:00

DATA & EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT	
May 4 Cont	EU	European Commission Releases Spring Economic Forecasts				-	
	UK	Net Consumer Credit – (Mar)	nf	0.5B	0.5B	08:30	
		Net Lending Sec. on Dwellings – (Mar)	nf	1.6B	1.6B	08:30	
		Mortgage Approvals – (Mar)	nf	50.0K	47.1K	08:30	
		M4 Money Supply MoM – (Mar F)	nf	na	0.1%	08:30	
		M4 Money Supply YoY – (Mar F)	nf	na	3.5%	08:30	
		PMI Manufacturing – (Apr)	nf	57.3	57.2	08:30	
	US	Factory Orders – (Mar)	nf	0.0%	0.6%	14:00	
		Pending Home Sales MoM – (Mar)	nf	3.1%	8.2%	14:00	
		Pending Home Sales YoY – (Mar)	nf	na	17.3%	14:00	
		ABC Consumer Confidence – (May 2)	nf	na	-49	21:00	
	5 May	AU	AIG Performance of Service Index	nf	na	48.4	23:30
			Building Approvals MoM – (Mar)	1.2%	0.8%	-3.3%	01:30
		Building Approvals YoY – (Mar)	25.9%	25.6%	34.2%	01:30	
		AOFM auctions \$500 mn of July 2022 Bonds					
JP		Markets Closed	-	-	-	-	
EU		PMI Services – (Apr F)	nf	55.5	55.5	08:00	
		PMI Composite – (Apr F)	nf	na	57.3	08:00	
		Euro-Zone Retail Sales MoM – (Mar)	nf	0%	-0.6%	09:00	
		Euro-Zone Retail Sales YoY – (Mar)	nf	na	-1.2%	09:00	
GE		PMI Services – (Apr F)	nf	55.0	55.0	07:55	
UK		BRC Shop Price Index – (Apr)	nf	na	-	23:01	
		Nationwide Consumer Confidence – (Apr)	nf	na	72	23:01	
		PMI Construction – (Apr)	nf	53.2	53.1	08:30	
US	MBA Mortgage Applications – (Apr 30)	nf	na	2.9%	11:00		
	Challenger Job Cuts YoY – (Apr)	nf	na	-55.0%	11:30		
	ADP Employment Change – (Apr)	nf	30K	-23K	12:15		
	ISM Non-Manf. Composite – (Apr)	nf	56.0	55.4	14:00		
	Fed's Rosengren Speaks in Boston	-	-	-	12:30		
	Fed's Lacker to Speak in Richmond	-	-	-	14:10		
	Fed's Rosengren Speaks in New York	-	-	-	23:00		
6 May	NZ	Unemployment Rate – (Q1)	7.1%	7.1%	7.3%	22:45	
		Participation Rate QoQ – (Q1)	68.0%	68.0%	68.1%	22:45	
		Employment Change QoQ – (Q1)	0.2%	0.2%	-0.1%	22:45	
		Employment Change YoY – (Q1)	-1.1%	-1.2%	-2.4%	22:45	
	AU	Trade Balance – (Mar)	-\$A1.95bn	-\$A2.13bn	-1924M	01:30	

DATA & EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT	
6 May Cont	AU	Retail Sales sa MoM – (Mar)	1.3%	0.7%	-1.4%	01:30	
		Retail Sales Ex Inflation QoQ – (Q1)	0.5%	0.3%	1.1%	01:30	
	JP	Vehicle Sales YoY – (Apr)	nf	na	37.2%	05:00	
	EU	ECB Announces Interest Rates	1.00%	1.00%	1.00%	11:45	
		Trichet Speaks at ECB News Conference	-	-	-	12:30	
	GE	Factory Orders MoM sa – (Mar)	nf	1.4%	0.0%	10:00	
		Factory Orders YoY nsa – (Mar)	nf	na	24.5%	10:00	
	UK	UK General Election	-	-	-	-	
		PMI Services – (Apr)	nf	56.4	56.5	08:30	
		Official Reserves (Changes) – (Apr)	nf	na	\$80M	08:30	
	US	Nonfarm Productivity – (Q1 P)	nf	2.5%	6.9%	12:30	
		Unit Labor Costs – (Q1 P)	nf	-0.5%	-5.9%	12:30	
		Initial Jobless Claims – (May 1)	nf	443K	448K	12:30	
		Continuing Claims – (Apr 24)	nf	na	4645K	12:30	
		ICSC Chain Store Sales YoY – (Apr)	nf	na	9.0%	14:30	
		Fed's Evans Gives Welcoming Remarks at Banking Conference in Chicago	-	-	-	13:20	
		Bernanke Speaks in Chicago	-	-	-	13:30	
		Fed's Parkinson Speaks in Chicago	-	-	-	14:50	
		CA	Building Permits MoM – (Mar)	nf	na	-0.5%	12:30
			Ivey Purchasing Managers Index – (Apr)	nf	na	57.8	14:00
7 May	AU	AIG Performance of Construction Index – (Apr)	nf	na	48.7	23:30	
		RBA Statement on Monetary Policy – (May)	-	-	-	01:30	
AOFM auctions \$700 mn of Nov 2012 Bonds		-	-	-	-		
	JP	Monetary Base YoY – (Apr)	nf	na	2.1%	23:50	
	EU	ECB's Trichet Speaks in Lisbon	-	-	-	09:30	
	GE	Industrial Production MoM sa – (Mar)	nf	1.5%	0.0%	10:00	
		Industrial Production YoY nsa wda – (Mar)	nf	na	5.8%	10:00	
	UK	New Car Registrations YoY – (Apr)	nf	na	26.6%	-	
		PPI Input nsa MoM – (Apr)	nf	0.6%	3.6%	08:30	
		PPI Input nsa YoY – (Apr)	nf	12.8%	10.1%	08:30	
		PPI Output nsa MoM – (Apr)	nf	0.5%	0.9%	08:30	
		PPI Output nsa YoY – (Apr)	nf	4.8%	5.0%	08:30	
		PPI Output Core nsa MoM – (Apr)	nf	0.3%	0.7%	08:30	
		PPI Output Core nsa YoY – (Apr)	nf	3.5%	3.6%	08:30	
		US	Unemployment Rate – (Apr)	nf	9.7%	9.7%	12:30
	Change in Nonfarm Payrolls – (Apr)		nf	176K	162K	12:30	

DATA & EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT
7 May Cont	US	Change in Private Payrolls – (Apr)	nf	na	123K	12:30
		Change in Manufact. Payrolls – (Apr)	nf	17K	17K	12:30
		Avg Hourly Earning MoM All Emp – (Apr)	nf	0.1%	-0.1%	12:30
		Avg Hourly Earning YoY All Emp – (Apr)	nf	na	1.8%	12:30
		Avg Weekly Hours All Employees – (Apr)	nf	34.1	34.0	12:30
		Consumer Credit – (Mar)	nf	na	-\$11.5B	19:00
		Fed's Plosser Speaks in Delaware	-	-	-	16:30
	Former Fed Chair Greenspan in Chicago	-	-	-	17:15	
	CA	Net Change in Employment – (Apr)	nf	20.0K	17.9K	11:00
		Unemployment Rate – (Apr)	nf	8.2%	8.2%	11:00

FIVE WEEKS AT A GLANCE

Monday	Tuesday	Wednesday	Thursday	Friday
<p>10 May NZ Card Spending (Apr) AU: ANZ Job Advertisements (Apr), Home Loans CH: Trade Balance (Apr), Exports (Apr), Imports (Apr) EU: Sentix Investor Confidence (May) GE: Trade Balance (Mar), Current Account (Mar) CA: Housing Starts (Apr)</p>	<p>11 May AU: 2010-11 Federal Budget released NAB Business Confidence (Apr) CH: PPI (Apr), PPI (Apr), CPI (Apr), Retail Sales (Apr), Industrial Production (Apr) EU: GDP (Apr) GE: CPI (Apr) UK: Industrial Production (Mar), Manufacturing Production (Mar), US: Wholesale Inventories (Mar)</p>	<p>12 May NZ Business PMI (Apr), Food Prices (Apr) AU: Home Loans (Mar), , AU. JP: Leading Index.(Mar) CH: House Prices (Apr) EU: GDP (Q1) GE: GDP (Q1) US: Trade Balance (Mar), Monthly Budget Statement (Apr) CA: Int'l Merchandise Trade (Mar)</p>	<p>13 May NZ: House Sales (Apr), Housing Price Index (Apr), Retail Sales (Mar) AU: UE Rate (Apr), Participation Rate (Apr) JP: Japan Money Stock, Bank Lending (Apr), Adjusted Current Account (Mar), Bank Lending Banks (Apr), Trade Balance (Mar) EU: ECB Publishes May Monthly Report</p>	<p>14 May US Advance Retail Sales (Apr), Industrial Production (Apr), Capacity Utilisation (Apr), U. of Michigan Confidence (May P), Business Confidence (Mar) CA: Manufacturing Sales (Mar), New Motor Vehicle Sales (Mar)</p>
<p>17 May JP: Domestic CGPI (Apr), Machine Orders (Mar), Domestic CGPI (Apr), CH: Actual FDI (Apr) EU: EU 25 New Car Registrations (Apr) US: Empire Manufacturing (May), Net Long-term TIC Flows (Mar), Total Net TIC Flows (Mar), NAHB Housing Index (May)</p>	<p>18 May NZ: PPI (Q1) AU: Reserve Bank's Board May Minutes JP: Tertiary Industry Index (Mar), Consumer Confidence (Apr) EU: CPI (Apr), Trade Balance (Mar) GE: ZEW Survey (Econ. Sentiment) (May) UK: CPI (Apr), RPI (Apr) US: PPI (Apr), Housing starts (Apr)</p>	<p>19 May AU: Westpac Consumer Confidence (May), Wage Cost Index (Q1), DEWR Skilled Vacancies (May) JP: Industrial Production (Mar), Capacity Utilization (Mar) EU: Construction Output (Mar) UK: BoE Minutes US: CPI (Apr)</p>	<p>20 May NZ: New Zealand Budget, ANZ Consumer Confidence Index (May) AU: Consumer Inflation Expectation (May), Ave Weekly Wages (Feb) JP: GDP (Q1), GDP Deflator (Q1) EU: Consumer Confidence (May) GE: Producer Prices (Apr) UK: Retail Sales (Apr) CA: Leading indic. (Apr)</p>	<p>21 May NZ: Visitor Arrivals (Apr) JP: BOJ Target Rate EU: Current Account (Mar) GE: GDP (Q1), IFO - Business Climate (May) UK: M4 Money Supply (Apr) US: Leading Indicators (Apr), Phil Fed Business Outlook Survey CA: CPI (Apr), Retail Sales (Apr)</p>
<p>24 May AU: New Motor Vehicle Sales (Apr) JP: All Industry Activity Index (Mar), BOJ Monthly Report CH: Leading Index EU: PMI for Services and Manufacturing GE: PMI for Services and Manufacturing UK: Nat'wide House prices sa (May) US: Existing Home Sales (Apr)</p>	<p>25 May EU: Industrial New Orders SA (Mar) UK: GDP (Q1), BBA Loans for House Purchase (Apr) US: Richmond Fed Manufact. Index (May), Consumer Confidence (May)</p>	<p>26 May AU: Construction Work Done (Q1) JP: BoJ Monetary Policy Meeting Minutes for Apr US: MBA Mortgage Applications (May 21), Durable Goods Orders (Apr), New Home Sales (Apr)</p>	<p>27 May NZ: Trade Balance (Apr) AU: Private Capital Expenditure (Q1) JP: Merchnds Trade Balance Total (Apr), Adjusted Merchnds Trade Bal. (Apr) US: GDP (Q1), Personal Consumption (Q1), Core PCE Q1, Initial Jobless Claims (May 22)</p>	<p>28 May NZ: Building Permits (Apr) JP: CPI (Apr), Retail Trade (Apr), Jobless Rate (Apr) GE: CPI (May) US: Personal Income (Apr), Personal Spending (Apr), Chicago Purchasing Manager (May) CA: Current Account (Q1)</p>
<p>31 May NZ: NBNZ Business Confidence (May) AU: TD Securities Inflation (May), Private Sector Credit (Apr), Current Account Balance (Q1), Company Operating Profit (Q1) JP: Industrial Production (Apr P), Housing Starts (Apr) EU: Industrial</p>	<p>1 June AU: RBA CASH TARGET, AiG Performance of Mfg Index (May), Building Approvals (Apr) JP: Vehicle Sales (May) CH: PMI Manu (May) EU: UE Rate (Apr) GE: UE Rate (Apr) UK: PMI Manu (May) US: ISM Manu (May), Construction Spending(Apr)</p>	<p>2 June NZ: ANZ Commodity Price (May) AU: GDP (Q1) EU: PPI (Apr) UK: Mortgage Approvals (Apr) US: MBA Mortgage Applications (May 28), Pending Home Sales (Apr)</p>	<p>3 June AU: Trade Balance (Apr) JP: Capital Spending (Q1) EU: Retail Sales (Apr), PMI Services and Composite (May F) GE: PMI Services (May F) UK: PMI Services US: ADP Employment Change (May), Initial Jobless Claims (May 29), Factory Orders (Apr), ISM Non-Manf. Composite</p>	<p>4 June EU: GDP (Q1 P) US: Change in Nonfarm Payrolls (May), Unemployment Rate (May) CA: Net Change in Employment (May), Unemployment Rate (May), Ivey Purchasing Managers Index (May)</p>
<p>7 June GE: Factory Orders (Apr) US: Consumer Credit (Apr)</p>	<p>8 June NZ: Manufacturing Activity (Q1) JP: Current Account Total (Apr), Trade Balance (Apr) GE: Trade Balance (Apr), Imports (Apr), Exports (Apr), Current Account (Apr), Industrial Production (Apr) US: ABC Consumer Confidence (Jun 6) CA: Housing Starts (May)</p>	<p>9 June AU: Home Loans (Apr), NAB Business Confidence (May), Value of Loans (Apr) JP: Machine Orders (Apr) GE: Total Trade Balance (Apr) US: MBA Mortgage Applications (Jun5), Wholesale Inventories (Apr), Fed's Beige Book</p>	<p>10 June NZ: RBNZ Official Cash Rate, Business PMI (May) AU: Employment Change (May), UE Rate (May), Participation Rate (May) JP: GDP (Q1), CH: Trade Balance (May), EU: ECB Announces Interest Rates GE: CPI (May F) UK: BOE ANNOUNCES RATES US: Trade Balance (Apr), Monthly Budget Statement (May)</p>	<p>11 June NZ: Food Prices (May) CH: PPI (May),CPI (May), Retail Sales (May), Industrial Production (May), UK: PPI (May), Industrial Production (Apr), Manu Production (Apr) US: Retail Sales Less Autos (May), Business Inventories (Apr) CA: Capacity Utilization Rate (Q1)</p>

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	1.1	4.3	4.6	4.6
Household consumption	2.2	2.4	2.9	2.8
Dwelling investment	-4.4	14.1	5.0	1.7
Business investment	-0.7	7.1	9.8	11.1
Public demand	3.1	8.2	4.1	2.2
Domestic final demand	1.6	5.2	4.5	4.1
Inventories (contribution to GDP)	-0.5	0.5	0.0	0.0
Gross National Expenditure (GNE)	1.0	5.7	4.4	4.0
Exports	0.5	2.4	5.4	6.1
Imports	-7.7	14.7	9.9	10.3
Net Exports (contribution to GDP)	1.8	-2.5	-1.2	-1.3
Gross Domestic Product (GDP)	1.3	3.2	3.3	3.5
Prices and wages (annual % change)				
Inflation: Headline CPI	1.8	2.8	2.9	3.1
Underlying *	3.8	2.8	2.8	3.1
Wages	3.6	2.8	3.3	3.7
Labour market				
Employment (annual % change)	0.3	2.3	2.0	2.2
Unemployment rate (annual average %)	5.6	5.1	4.8	4.5
External sector				
Current account balance: A\$bn	-51.7	-50.9	-40.0	-50.2
% of GDP	-4.1	-3.8	-2.7	-3.2

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

AUSTRALIAN INTEREST RATES	CURRENT	JUN 10 F	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F
RBA cash rate	4.25	4.50	5.00	5.25	5.50	5.75
90 day bill	4.63	4.70	5.10	5.40	5.70	5.90
3 year bond	5.27	5.40	5.50	5.75	5.75	6.00
10 year bond	5.71	5.70	5.80	5.90	5.90	6.00
3s10s yield curve	0.44	0.30	0.30	0.15	0.15	0.00
3 year swap	5.54	5.80	5.90	6.15	6.15	6.40
10 year swap	6.13	6.15	6.25	6.35	6.35	6.45
INTERNATIONAL INTEREST RATES	CURRENT	JUN 10 F	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F
RBNZ cash rate	2.50	2.50	2.75	3.25	3.50	4.00
NZ 90 day bill	2.73	2.73	3.17	3.67	3.75	4.58
US Fed funds note	0.25	0.25	0.25	0.75	1.25	1.75
US 2 year note	1.00	1.10	1.40	1.80	2.20	2.70
US 10 year note	3.73	4.60	4.70	4.80	4.80	4.80
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	1.50	1.75
UK repo rate	0.50	0.50	0.50	0.50	1.00	1.25

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



FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	JUN 10 F	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F
Australian exchange rates						
A\$/US\$	0.9308	0.95	0.96	0.94	0.92	0.90
NZ\$/US\$	0.7256	0.71	0.72	0.70	0.69	0.68
A\$/¥	87.54	88.4	91.2	90.2	89.2	88.2
A\$/€	0.7020	0.69	0.71	0.71	0.71	0.70
A\$/£	0.6061	0.62	0.62	0.61	0.60	0.59
A\$/NZ\$	1.2828	1.34	1.33	1.34	1.33	1.32
A\$/C\$	0.9337	0.94	0.94	0.90	0.87	0.85
A\$/CHF	1.0073	1.04	1.07	1.07	1.07	1.08
A\$/CNY	6.3535	6.40	6.39	6.18	5.97	5.81
A\$ Trade weighted index	72.30	74.0	74.6	73.1	71.4	69.8
International cross rates						
US\$/¥	94.08	93.0	95.0	96.0	97.0	98.0
€/US\$	1.3260	1.37	1.36	1.33	1.30	1.28
€/¥	124.75	127	129	128	126	125
£/US\$	1.5357	1.54	1.54	1.53	1.53	1.52
€/£	0.8640	0.89	0.88	0.87	0.85	0.84
US\$/C\$	1.0032	0.99	0.98	0.96	0.95	0.94
US\$/CHF	1.0821	1.09	1.11	1.14	1.16	1.20
US\$ index	82.00	80.2	80.8	82.0	83.2	84.2
Asia exchange rates						
US\$/CNY	6.8260	6.74	6.66	6.57	6.49	6.45
US\$/HKD	7.7652	7.76	7.76	7.75	7.75	7.75
US\$/IDR	9008	9500	9300	9000	8900	8850
US\$/INR	44.44	45.5	45.0	44.0	43.5	43.0
US\$/KRW	1108	1175	1125	1100	1050	1000
US\$/MYR	3.1895	3.34	3.37	3.40	3.40	3.35
US\$/PHP	44.540	45.5	45.0	44.0	44.0	43.5
US\$/SGD	1.3668	1.38	1.38	1.41	1.41	1.42
US\$/THB	32.320	32.50	32.50	32.50	32.00	32.00
US\$/TWD	31.369	32.20	31.50	30.50	30.00	30.00
US\$/VND	19015	19300	20000	20000	20000	20000
Pacific exchange rates						
PGK/US\$	0.3640	0.381	0.395	0.386	0.372	0.358
FJD/US\$	0.5215	0.507	0.501	0.495	0.484	0.476

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