ECONOMICS & MARKETS RESEARCH
AUSTRALIAN ECONOMICS TOOLBOX

6 AUGUST 2010

INSIDE

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RBA COMFORTABLE, AT LEAST FOR NOW

- **The RBA this week left the cash rate unchanged at 4.5%.** The tone of the accompanying *Statement* had a neutral tone, suggesting the Bank is comfortable with the current setting of monetary policy, at least for now.
- **The RBA also left its economic forecasts broadly unchanged** in today's quarterly *Statement on Monetary Policy*. However with underlying inflation already forecast near the top of the target band and economic growth above-trend until late 2012, **any small upside surprises will require an interest rate response**.
- **Indeed, we view the risks to the RBA's forecasts as tilted to the upside**. The capacity pressures, both in labour and product markets, arising from the 'Commodities Boom Mark II' could turn out to be more powerful than currently envisaged by the RBA. Indeed the export sector is booming, with **the trade balance surging to a record high of A$3.5bn in June**. While higher contract prices for iron ore and coal were the key drivers, with resource export values up 11.1%, manufactured exports also rose 3.5% and rural exports gained 6.1%. Moreover, we can expect further gains in rural export values with wheat prices rallying 70% in the past month.
- **There is also a significant risk the rise in the household savings rate envisaged by the RBA does not eventuate** amidst such a positive economic backdrop, resulting in upward surprises on household consumption, growth and inflation.
- For now however, **growth in interest-rate sensitive sectors of the economy remains soft.** Building approvals slumped another 3.3% in June and retail sales rose a meagre 0.2%, although this was largely driven by weak food sales and lower prices due to discounting. Retail sales volumes for Q2 were strong at 0.8%.

THE WEEK AHEAD

- In **Australia**, the market's attention will focus on **labour force** data for July. Previous results have surprised the market on the upside and another strong result could raise concerns about upward pressure on wages and inflation. ANZ and the market are looking for a moderation in employment growth to 20K in line with softer leading indicators which will see the unemployment rate unchanged at 5.1%. The market will also focus on **housing finance** (ANZ: -2.6% MoM, Market: -2.0%) and look for consumer confidence to continue its rebound of last month.
- Survey data this week includes the ANZ Jobs Advertisements Series and NAB Business Confidence and Conditions, both of which will provide greater clarity around whether the recent strength in employment will continue into H2. Data on capacity utilisation in the same survey will also be keenly watched, given the current focus on inflation.
- **The Australian equities reporting season continues** with JB Hi-Fi, CBA, Telstra and Qantas among the many companies providing outlooks.
- Internationally, there are rate decisions for the **US** and **Japan**. While the market expecting no change to monetary policy for either country, attention will be focused on the possibility of an extension to quantitative easing in the US. The **US** has a heavy data flow with the trade balance, retail sales, business inventories and CPI. The **Chinese** monthly data dump will see the CPI, PPI, retail sales, trade balance and industrial production figures all released. These data should provide an indication of the success of the governments' recent measures to rein in inflation and execute a soft landing.

IN FOCUS

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RBA FORECASTS LARGELY UNCHANGED …

A quick summary of the RBA's thinking is as follows:

- Global growth is expected to track around trend rates over the coming year, but uncertainty around the outlook remains elevated. H1's fast pace of recovery is expected to moderate in H2, with the extent of the recovery varying considerably across the regions. While Asian growth has been strong, that of the US and Europe has been more subdued.
- The RBA expects Australia's terms of trade to remain "*very high*" over the next few years on the back of strong demand from Asia for Australian exports of iron ore, coal and LNG. This suggests that income flows and domestic demand will also remain solid, and continue to put upward pressure on capacity and prices.
- The Bank also continues to look to the drivers of Australian economic growth to transition from the public sector to the private sector, with business investment expected to strengthen considerably, but growth in household consumption historically modest and dwelling investment soft.
- The RBA welcomed the "*moderation in the established housing market*."
- Overall, the RBA has left its core domestic economic forecasts largely unchanged from those published in May. The only notable revision is to Q2 2010 GDP growth in line with recent strength in partial indicators such as retail sales volumes. Further out, the RBA is still expecting Australian economic growth to return to above-trend rates, reaching 3¾% by June 2011 and to 4% by the end of 2012.
- The RBA's underlying inflation forecasts are identical to its May forecasts, with underlying inflation expected to remain in the top half of the target band through 2010 and 2011 before rising to 3% in 2012.

FIGURE 1. RBA FORECASTS, YOY % CHANGE

		Dec-09	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12	Dec-12
GDP growth	Latest	**2.8**	**3**	**3 ¼**	**3 ¾**	**3 ¾**	**3 ¾**	**4**
	May	2.7	2½	3¼	3¾	3¾	3¾	4
Non-farm GDP growth	Latest	**2.5**	**3**	**3 ¼**	**3 ¾**	**3 ¾**	**3 ¾**	**4**
	May	2.5	2½	3¼	3¾	3¾	3¾	4
CPI inflation	**Latest**	**2.1**	**3.1**	**3 ¼**	**3 ¼**	**2 ¾**	**3**	**3**
	May	2.1	3¼	3¼	3	2¾	3	3
Underlying inflation	**Latest**	**3 ¼**	**2 ¾**	**2 ¾**	**2 ¾**	**2 ¾**	**3**	**3**
	May	3¼	2¾	2¾	2¾	2¾	3	3

… BUT LITTLE ROOM FOR ERROR

While the RBA's forecasts are largely unchanged, **it is important to note they leave very little room for policy error.** The forecasts already show underlying inflation testing the top of the target band through 2011 and 2012 and GDP growth well above trend. **Any small upward revision to the RBA's forecasts will therefore require**

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an interest rate response. Further, while the RBA views the risks to the outlook as broadly balanced, we believe they are skewed to the upside.

The RBA's central case forecast is based on the key assumption that the household sector will maintain its cautious approach to spending, despite a very positive outlook for employment, wages and household incomes. This means that the savings rate will have to rise from 2.7% of gross household disposable income at present. This is a big assumption. Excluding the sharp increase in savings due to the global financial crisis and stimulus payments from late 2008 to late 2009, the savings rate has averaged just 1.0% since 2000. It is difficult to envisage a scenario in which the savings rate rises further from the current already high level, particularly against such a positive economic backdrop and in an environment of significantly lower uncertainty than at the height of the GFC. While we understand the RBA's thinking, a more reasonable assumption would be a flat profile for household savings.

The significant upside risks presented by elevated commodity prices and a strong investment outlook should also not be underestimated. The *Statement* mentions likely increases in wages and capacity utilisation (which it currently sees at average, or slightly above average levels), particularly in the mining sector, as a driving force behind the "*gradual move higher*" in underlying inflation in 2012. However, **it is likely that these forces could be more powerful and come earlier than the RBA expects.**

Indeed **the sheer magnitude of the income boost Australia is receiving from the 'Commodities Boom Mark II' was brought home this week by the sharp improvement in the trade surplus** to A$3.5bn, the largest monthly trade surplus since the series commenced in 1971. This compares with a deficit of A$1.5bn in March, a turnaround of A$5bn in just three months. The recent improvement has been largely driven by gains in iron ore and coal prices, which has boosted resource exports, as well as gains in rural exports.

There is also further upside risk to the terms of trade and exports stemming from current developments in agricultural markets. Wheat prices in particular have rallied 70% in the last month due to a lack of rainfall and abnormally high temperatures through Russia and Kazakstan. A downgrade to estimates of Canada's wheat production due to excessive rainfall and increased speculative fund activity have also driven prices higher. Overnight, Russian Prime Minister Vladimir Putin banned exports of wheat, barley, rye, corn and flour effective from 15 August to December 2010 to contain food inflation and ensure adequate domestic supplies of grain.

It therefore remains our view that the cash rate will need to rise faster than current market expectations. Just a one-in-four chance of a 25bp rate hike is priced into 30-day interbank futures by the end of 2010, with a 25bp rate hike only fully priced into the market by the end of 2011. . We think the next trigger point for the RBA will be the Q3 CPI read, due on 27 October. While a rate hike in September or October is a low probability risk, a bounce back in core inflation in Q3 could prompt back-to-back 25bps rate rises in November and December to push the cash rate to 5% by the end of the year.

WEEKLY DATA WRAP

- **Retail sales** rose by 0.2% in June. The soft result was partly driven by a fall in food retailing, likely reflecting lower fruit and vegetable prices but also discounting by the big grocery chains. Ex-food, retail sales increased by 0.5%. The volume of retail sales increased strongly by 0.8% in Q2 as a whole.
- **Building approvals** dropped by 3.3% in June following a 6.4% decline in May. Approvals for detached houses dropped 2.5% while other private sector dwelling approvals (apartments, units etc) increased by 2.7%.
- **The RBA left the official cash rate unchanged at 4.5%**.
- The ABS measure of **house prices** gained 3.1% in Q2, a slower pace of growth than 4.1% in Q1, and consistent with our view that house price growth would decelerate through 2010.

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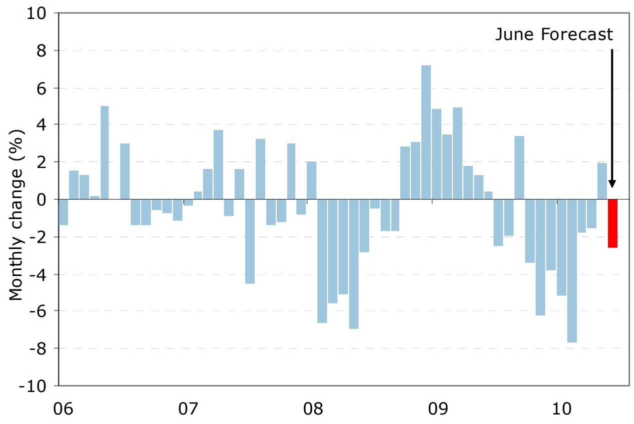
- The Australian **trade balance** came in at almost double expectations at $3.5bn. Exports surged 7.1%, driven by a massive 11.0% increase in resource exports, as well as strength in rural (6.1%) and manufactured goods (3.5%). Imports were broadly flat (0.2%).
- **The AiG Performance of Services** index eased to 46.6 from 48.8, suggesting that the sector is contracting at a faster pace.
- **The RBA Commodity Price Index** increased by 2.4% in AUD terms in July, after rising by 3.5% in June. The largest contributors were sharp increases in iron ore, coal and wheat, while gold prices fell.

DATA PREVIEWS

CHART 1: HOUSING FINANCE (JUN)

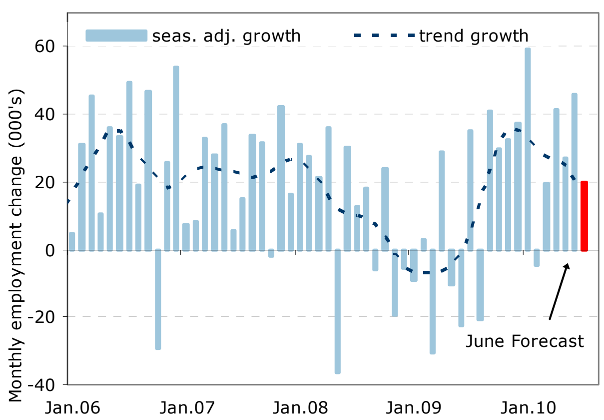


9 AUGUST: HOUSING FINANCE (JUN)

ANZ: -2.6% MoM, -26.6% YoY
Market: -2.0% MoM
Last: +1.9% MoM, -24.4% YoY

Despite a brief reprieve last month, with housing finance commitments increasing in the month for the first time since September 2009, data for June 2010 are expected to show slightly weaker housing finance commitments. The combined impact of higher borrowing costs (RBA cash rate increasing 75 basis points from March to May 2010) and slowing house price growth will weigh on both owner-occupier and investor demand for housing finance. Continued weakness flowing from this week's June building approvals data indicate that construction loan approvals should also continue to decline in trend terms. **(DC)**

CHART 2: EMPLOYMENT CHANGE (JUL)



12 AUGUST: LABOUR FORCE (JUL)

Employment growth
ANZ: +20K
Market: +20K
Last: +45.9K

Unemployment rate
ANZ: 5.1%
Market: 5.1%
Last: 5.2%

Participation rate
ANZ: 65.2%
Market: 65.2%
Last: 65.2%

Labour demand in the Australian economy is solid. Employment has accelerated to an annual rate of growth of 3.3%, with over 350k jobs added to the Australian economy over the 12 months to June (the majority being full-time jobs). But other indicators of economic activity and spending are now displaying signs of a slowing in growth, particularly those in the more interest-rate sensitive, labour-intensive sectors of the economy such as retailing. Leading indicators of employment growth, including the ANZ Job Advertisements series, have also suggested a near-term softening in labour demand. Given these trends, and following June's stellar 45.9k addition to jobs numbers, our forecast for the July labour force release is for net employment growth to moderate to 20k. We expect to see the participation rate remain steady at 65.2% after rising 0.1ppt in June; this would be sufficient to keep the unemployment rate unchanged at 5.1%. **(AR)**

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	ANZ	MARKET	LAST	GMT
10-12 Aug	CH	China NDRC Housing Prices	JUL	10.3	10.4	11.4	-
10-13 Aug	CH	Money Supply - M0 YoY	JUL	nf	na	15.7%	-
		Money Supply - M1 YoY	JUL	nf	23.3%	24.6%	-
		Money Supply - M2 YoY	JUL	nf	18.5%	18.5%	-
		New Yuan Loans	JUL	nf	600.0B	603.4B	-
08.Aug	US	**New York Fed's Baxter to Speak in San Francisco**			-	-	21:30
09.Aug	NZ	QV House Prices YoY%	JUL	nf	na	5.2%	12:00
	AU	ANZ Job Advertisements MoM	JUL	nf	na	2.7%	01:30
		Housing Finance	JUN	-2.6%	-2.0%	1.9%	01:30
		Investment Lending	JUN	nf	na	2.6%	01:30
		Value of Loans MoM	JUN	nf	na	-0.3%	01:30
		Foreign Reserves	JUL	nf	na	43.7B	06:30
	JP	Current Account Total	JUN	nf	¥1310.6B	¥1205.3B	23:50
		Japan Money Stock M2 YoY	JUL	nf	2.9%	2.9%	23:50
		Japan Money Stock M3 YoY	JUL	nf	2.2%	2.2%	23:50
		Bank Lending including Trusts YoY	JUL	nf	na	-2.0%	23:50
		Bank Lending excluding Trusts YoY	JUL	nf	na	-2.1%	23:50
		Bank Lending Adjusted YoY	JUL	nf	an	-1.9%	23:50
		Adjusted Current Account Total	JUN	nf	¥1447.0B	¥904.8B	23:50
		Trade Balance (BoP Basis)	JUN	nf	¥778.0B	¥391.0B	23:50
		BoJ Monetary Policy Meeting	**AUG**	**-**	**-**	**-**	**04:00**
		Bankruptcies YoY	JUL	nf	na	-19.3%	04:30
		Eco Watchers Survey: Current	JUL	nf	na	47.5	05:00
		Eco Watchers Survey: Outlook	JUL	nf	na	48.3	05:00
	EU	Sentix Investor Confidence	AUG	nf	na	-1.3	08:30
	GE	Trade Balance	JUN	nf	12.5B	9.7B	06:00
		Imports sa MoM	JUN	nf	-2.0%	14.8%	06:00
		Current Account (EURO)	JUN	nf	14.0B	2.2B	06:00
		Exports sa MoM	JUN	nf	1.5%	9.2%	06:00
10.Aug	NZ	NZ Card Spending MoM	JUL	nf	na	0.4	22:45
	AU	NAB Business Conditions	JUL	nf	na	8	01:30
		NAB Business Confidence	JUL	nf	na	4	01:30
	JP	Housing Loans YoY	Q2	nf	na	1.0%	23:50
		BOJ Target Rate	**AUG**	**0.10%**	**0.10%**	**0.10%**	**-**
		Machine Tool Orders YoY	JUL P	nf	na	143.8%	06:00
		Cabinet Office Monthly Economic Report	01.Apr	-	-	-	-
	CH	Trade Balance (USD)	JUL	$23.00B	$19.60B	$20.02B	-
		Exports YoY%	JUL	41.4%	33.8%	43.9%	-
		Imports YoY%	JUL	33.0%	30.0%	34.1%	-
	GE	Consumer Price Index (CPI) MoM	JUL F	nf	0.2%	0.2%	06:00
		Consumer Price Index (CPI) YoY	JUL F	nf	1.1%	1.1%	06:00
		CPI - EU Harmonised MoM	JUL F	nf	0.3%	0.3%	06:00
		CPI - EU Harmonised YoY	JUL F	nf	1.1%	1.2%	06:00
	UK	BRC Retail Sales Monitor	JUL	-	-	-	23:01
		RICS House Price Balance	JUL	nf	4.0%	9.0%	23:01
		Visible Trade Balance GBP/Mn	JUN	nf	-£7650	-£8062	08:30
		Trade Balance Non EU GBP/Mn	JUN	nf	-£4200	-£4487	08:30
		Total Trade Balance GBP/Mln	JUN	nf	-£3500	-£3817	08:30
		DCLG UK House Prices YoY	JUN	nf	na	11.0%	08:30
	US	NFIB Small Business Optimism	JUL	nf	na	89	11:30
		Nonfarm Productivity	Q2 P	nf	0.3%	2.8%	12:30
		Unit Labor Costs	Q2 P	nf	1.6%	-1.3%	12:30

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	ANZ	MARKET	LAST	GMT
10.Aug	US	Wholesale Inventories	JUN	nf	0.5%	0.5%	14:00
		IBD/TIPP Economic Optimism	AUG	nf	na	44.7	14:00
		FOMC Rate Decision	**AUG**	**0.25%**	**0.25%**	**0.25%**	**18:15**
		ABC Consumer Confidence	08.Aug	nf	na	-50	21:00
		US Treasury auctions 3-year Note	-	-	-	-	-
	CA	Housing Starts	JUL	nf	184.0K	192.8K	12:15
		New Housing Price Index MoM	JUN	nf	0.3%	0.3%	12:30
11.Aug	AU	Westpac Consumer Confidence	AUG	nf	na	11.1%	00:30
		Westpac Consumer Confidence Index	AUG	nf	na	113.1	00:30
		AOFM auctions A$500mn of Feb 2017 bonds					
	JP	Machine Orders MoM	JUN	nf	5.2%	-9.1%	23:50
		Machine Orders YoY%	JUN	nf	1.5%	4.3%	23:50
		Domestic CGPI MoM	JUL	nf	0.0%	-0.4%	23:50
		Domestic CGPI YoY	JUL	nf	0.0%	0.5%	23:50
	CH	Producer Price Index YoY	JUL	6.8%	5.9%	6.4%	02:00
		Purchasing Price Index YoY	JUL	nf	na	10.8%	02:00
		Consumer Price Index YoY	JUL	3.4%	3.3%	2.9%	02:00
		Retail Sales YoY	JUL	18.2%	18.5%	18.3%	02:00
		Retail Sales YTD YoY	JUL	nf	18.2%	18.2%	02:00
		Industrial Production YoY	JUL	13.5%	13.3%	13.7%	02:00
		Industrial Production YTD YoY	JUL	nf	16.9%	17.6%	02:00
		Fixed Assets Inv Urban YTD YoY	JUL	25.4%	25.3%	25.5%	02:00
	UK	Nationwide Consumer Confidence	JUL	nf	na	63.0	23:01
		Claimant Count Rate	JUL	nf	4.5%	4.5%	08:30
		Jobless Claims Change	JUL	nf	-18.0K	-20.8K	08:30
		Average Weekly Earnings 3M/YoY	JUN	nf	1.0%	2.7%	08:30
		Weekly Earnings exBonus 3M/YoY	JUN	nf	1.6%	1.8%	08:30
		ILO Unemployment Rate (3mths)	JUN	nf	7.8%	7.8%	08:30
		Bank of England Quarterly Inflation Report		-	-	-	**09:30**
	US	MBA Mortgage Applications	06.Aug	nf	na	1.3%	11:00
		Trade Balance	JUN	nf	-$42.2B	-$42.3B	12:30
		Monthly Budget Statement	JUL	nf	-$165.0B	-$180.7B	18:00
		US Treasury auctions 10-year Note	-	-	-	-	-
	CA	International Merchandise Trade	JUN	nf	na	-0.5B	12:30
12.Aug	NZ	Business NZ PMI	JUL	nf	na	56.2	22:30
		Food Prices MoM	JUL	nf	na	1.3%	22:45
	AU	Consumer Inflation Expectations	AUG	nf	na	3.3%	01:00
		Employment Change	JUL	20.0K	20.0K	45.9K	01:30
		Unemployment Rate	JUL	5.1%	5.1%	5.1%	01:30
		Full Time Employment Change	JUL	nf	na	18.4K	01:30
		Part Time Employment Change	JUL	nf	na	27.5K	01:30
		Participation Rate	JUL	65.2%	65.2%	65.2%	01:30
	JP	Industrial Production MoM	JUN F	nf	na	-1.5%	04:30
		Industrial Production YoY	JUN F	nf	na	17.0%	04:30
		Capacity Utilization MoM	JUN F	nf	na	0.8%	04:30
		Consumer Confidence	JUL	nf	na	43.6	05:00
		Consumer Confidence Households	JUL	nf	43.8	43.5	05:00
	EU	**ECB Publishes Monthly Report**	AUG	-	-	-	08:00
		Euro-Zone Industrial Production sa MoM	JUN	nf	0.7%	1.0%	09:00
		Euro-Zone Industrial Production wda YoY	JUN	nf	9.3%	9.6%	09:00

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	ANZ	MARKET	LAST	GMT
12.Aug	US	Import Price Index MoM	JUL	nf	0.4%	-1.3%	12:30
		Import Price Index YoY	JUL	nf	5.3%	4.5%	12:30
		Initial Jobless Claims	07.Aug	nf	na	479K	12:30
		Continuing Claims	31.Jul	nf	na	4537K	12:30
		Fed's Duke Speaks in Chicago	-	-	-	-	**14:00**
		US Treasury auctions 30-year Note	-	-	-	-	-
13.Aug	NZ	REINZ Housing Price Index	JUL	nf	na	3230.6	22:00
		REINZ Housing Price Index MoM%	JUL	nf	na	0.6%	22:00
		Retail Sales MoM	JUN	0.4%	0.5%	0.4%	22:45
		Retail Sales Ex Autos MoM	JUN	0.6%	0.5%	-0.2%	22:45
		Retail Sales Ex Inflation QoQ	Q2	0.3%	0.3%	0.2%	22:45
		Non Resident Bond Holdings	JUL	nf	na	64.1%	03:00
	AU	**AOFM auctions A$700mn of Dec 2013 bonds**					
	EU	Euro-Zone Trade Balance	JUN	nf	na	-3.4B	09:00
		Euro-Zone Trade Balance sa	JUN	nf	na	-3.0B	09:00
		Euro-Zone GDP sa QoQ	Q2 A	nf	0.7%	0.2%	09:00
		Euro-Zone GDP sa YoY	Q2 A	nf	1.4%	0.6%	09:00
	GE	GDP sa QoQ	Q2 P	nf	1.3%	0.2%	06:00
		GDP wda YoY	Q2 P	nf	2.4%	1.6%	06:00
		GDP nsa YoY	Q2 P	nf	na	1.7%	06:00
	US	Consumer Price Index (CPI) MoM	JUL	nf	0.2%	-0.1%	12:30
		Consumer Price Index (CPI) YoY	JUL	nf	1.2%	1.1%	12:30
		CPI Ex Food & Energy MoM	JUL	nf	0.1%	0.2%	12:30
		CPI Ex Food & Energy YoY	JUL	nf	0.9%	0.9%	12:30
		Advanced Retail Sales	JUL	nf	0.4%	-0.5%	12:30
		Retail Sales Less Autos	JUL	nf	0.3%	-0.1%	12:30
		Retail Sales Ex Auto & Gas	JUL	nf	0.3%	0.1%	12:30
		University of Michigan Confidence	AUG P	nf	69.8	67.8	13:55
		Business Inventories	JUN	nf	0.3%	0.1%	14:00
		Fed's Hoenig Speaks in Nebraska	-	-	-	-	15:30
	CA	New Motor Vehicle Sales MoM	JUN	nf	2.0%	0.2%	12:30

FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
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) AU: International Merchandise Imports (Jul) 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)
23 AUGUST EU: Euro-Zone Consumer Confidence (Aug A) UK: BBA Loans for House Purchase (Jul)	24 AUGUST NZ: RBNZ 2yr Inflation Expectation (Q3) JP: Merchandise Trade Balance Total (Jul) EU: Industrial New Orders (Jun) GE: GDP (Q2) US: Existing Home Sales (Jul), Richmond Fed Manufact. Index (Aug) CA: Retail Sales (Jun)	25 AUGUST AU: Construction Work Done (Q2) GE: IFO - Business Climate (Aug), IFO - Current Assessment (Aug), IFO – Expectations (Aug) US: Durable Goods Orders (Jul), New Home Sales (Jul)	26 AUGUST EU: Euro-Zone M3 (Jul) US: Initial Jobless Claims (Aug 21), Continuing Claims (Aug 14)	27 AUGUST JP: Jobless Rate (Jul), Job-To-Applicant Ratio (Jul), CPI (Jul) GE: CPI (Aug P) UK: GDP (Q2 P) US: GDP (Q2), Personal Consumption (Q2), U. of Michigan Confidence (Aug F)
30 AUGUST NZ: Trade Balance (Jul), NBNZ Business Confidence (Aug) EU: Consumer confidence (Aug) US: Personal Income (Jul) CA: Industrial Product Price (Jul)	31 AUGUST NZ: Building Permits (Jul) AU: Building Approvals (Jul) JP: Retail Trade (Jul), Industrial Production (Jul) EU: UE Rate (Jul) GE: UE Rate (Aug) UK: Mortgage Approvals (Jul) US: Consumer Confidence (Aug) CA: GDP (Jun)	1 SEPTEMBER AU: GDP (Q2), Private Sector Credit (Jul), Current Account Balance (Q2) CH: PMI Manufacturing (Aug) US: ISM Manufacturing (Aug), MBA Mortgage Applications (Aug 27)	2 SEPTEMBER AU: Trade Balance (Jul) EU: **ECB Announces Interest Rates** US: Initial Jobless Claims (Aug 28)	3 SEPTEMBER EU: Retail Sales (Aug) GE: PMI Services (Aug) US: Change in Nonfarm Payrolls (Aug)
6 SEPTEMBER AU: TD Securities Inflation (Aug), ANZ Jobs Ads (Aug) EU: Trade Balance (Jul)	7 SEPTEMBER AU: **RBA CASH TARGET** JP: **BOJ Target Rate** GE: Factory Orders (Jul) US: **Fed's Beige Book**	8 SEPTEMBER NZ: Manuf. Activity (Q2) AU: Home Loans (Jul) JP: Current Account Total (Jul), Machine Orders (Jul), Trade Balance (Jul) GE: Trade Balance (Jul), Industrial Production (Jul) UK: Industrial Production (Jul) US: MBA Mortgage Applications (Sep 3), Consumer Credit (Jul)	9 SEPTEMBER AU: Employment Change (Aug), Unemployment Rate (Aug) JP: Capital Spending (Q2) EU: **ECB Publishes Sept. Monthly Report** GE: CPI (Aug F) UK: **BOE ANNOUNCES RATES** US: Trade Balance (Jul), Initial Jobless Claims (Aug 28),	10 SEPTEMBER NZ: Terms of Trade (Q2) JP: GDP (Q2 F) CH: Trade Balance (Aug), Exports (Aug), Imports (Aug) UK: PPI (Aug) US: Wholesale Inventories (Jul) CA: Unemployment Rate (Aug)
13 SEPTEMBER NZ: House Prices (Aug) CH: PPI (Aug), CPI (Aug), Retail Sales (Aug), Industrial Production (Aug) EU: Industrial Production (Jul) UK: RICS House Price Balance (Aug) US: Monthly Budget Statement (Aug)	14 SEPTEMBER NZ: Retail Sales (Jul) AU: Business confidence (Aug) JP: Industrial Production (Jul F), Capacity Utilization (Jul F) EU: Zew Survey (Eco Sentiment (Sep) GE: Zew Survey (Econ. Sentiment) (Sep) UK: CPI (Aug), RPI (Aug) US: Advance Retail Sales (Aug), Business I Inventories (Jul) CA: Capacity Utilization Rate (Q2)	15 SEPTEMBER AU: Consumer Confidence (Sep) EU: CPI (Aug) UK: Jobless Claims Change (Aug), Employment (Aug) US: MBA Mortgage Applications (Sep 10), Import Price Index (Aug), Industrial Production (Aug) CA: Manufacturing Sales (Jul)	16 SEPTEMBER NZ: **RBNZ Official Cash Rate,** Business PMI (Aug) AU: DEWR Skilled Vacancies (Sep), International Merchandise Imports (Aug) JP: Tertiary Industry Index (Jul) UK: Retail Sales (Aug) US: Initial Jobless Claims (Aug 7), PPI (Aug), Current Account Balance (Q2)	17 SEPTEMBER EU: Current Account (Jul) GE: Producer Prices (Aug) US: CPI (Aug), Consumer Confidence (Sep)

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	2.6	4.6	5.1
Household consumption		1.6	2.6	2.0	1.7
Dwelling investment		-4.6	4.9	1.8	2.3
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	4.4	4.4
Inventories (contribution to GDP)		-0.5	0.6	0.0	-0.1
Gross National Expenditure (GNE)		0.7	5.2	4.4	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**	**2.9**	**3.7**	**3.8**
Prices and wages (annual % change)					
Inflation:	Headline CPI	1.8	2.8	2.9	3.1
	Underlying *	3.7	2.7	2.8	3.2
Wages		3.6	3.3	4.0	4.2
Labour market					
Employment (annual % change)		0.3	2.6	2.2	2.0
Unemployment rate (annual average %)		5.6	5.2	4.9	4.8
External sector					
Current account balance:	A$bn	-51.4	-54.9	-68.6	-98.4
	% of GDP	-4.1	-4.0	-4.7	-6.3

* 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	4.75	4.85	5.30	5.60	6.00	6.0
3 year bond	4.63	4.90	5.10	5.50	5.70	6.00
10 year bond	5.16	5.40	5.50	5.70	5.80	6.00
3s10s yield curve	0.54	0.50	0.40	0.20	0.10	0.00
3 year swap	5.03	5.30	5.50	5.90	6.10	6.40
10 year swap	5.59	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	3.00	3.25	3.25	3.50	4.00	4.5
NZ 90 day bill	3.28	3.50	3.50	3.92	4.42	4.92
US Fed funds note	0.25	0.25	0.25	0.25	0.25	0.5
US 2 year note	0.54	0.80	1.00	1.20	1.50	2.00
US 10 year note	2.92	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$/US$	0.9154	0.88	0.90	0.92	0.94	0.94
NZ$/US$	0.7281	0.70	0.71	0.72	0.73	0.73
A$/¥	78.70	83.6	86.4	89.2	92.1	94.0
A$/€	0.6945	0.73	0.76	0.81	0.84	0.84
A$/£	0.5768	0.60	0.62	0.62	0.62	0.61
A$/NZ$	1.2573	1.26	1.27	1.28	1.29	1.29
A$/C$	0.9308	0.87	0.87	0.88	0.88	0.90
A$/CHF	0.9595	1.03	1.07	1.11	1.16	1.18
A$/CNY	6.1966	5.92	5.96	6.00	6.03	5.94
A$ Trade weighted index	70.40	70.5	72.8	75.0	76.0	75.4
International cross rates						
US$/¥	85.97	95.0	96.0	97.0	98.0	100.0
€/US$	1.3181	1.21	1.18	1.14	1.12	1.12
€/¥	113.32	115	113	111	110	112
£/US$	1.5869	1.46	1.46	1.49	1.52	1.54
€/£	0.8306	0.83	0.81	0.77	0.74	0.73
US$/C$	1.0168	0.99	0.97	0.96	0.94	0.96
US$/CHF	1.0482	1.17	1.19	1.21	1.23	1.25
US$ index	80.82	87.2	88.5	90.2	91.0	91.5
Asia exchange rates						
US$/CNY	6.7694	6.73	6.62	6.52	6.42	6.32
US$/HKD	7.7648	7.76	7.75	7.75	7.75	7.75
US$/IDR	8944	9300	9500	9900	9600	9400
US$/INR	46.19	48.0	49.0	49.9	48.0	46.00
US$/KRW	1166	1270	1345	1390	1320	1275
US$/MYR	3.1570	3.30	3.38	3.45	3.35	3.3
US$/PHP	44.930	46.7	48.3	49.0	48.0	47.3
US$/SGD	1.3527	1.41	1.45	1.48	1.44	1.4
US$/THB	32.060	32.90	33.90	34.30	33.50	33.00
US$/TWD	31.774	32.50	33.30	33.70	32.70	32
US$/VND	19098	19000	19000	19000	20000	20000
Pacific exchange rates						
PGK/US$	0.3700	0.395	0.386	0.372	0.358	0.34
FJD/US$	0.5223	0.507	0.508	0.514	0.517	0.51

IMPORTANT NOTICE

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