

AUSTRALIAN ECONOMICS

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16 SEPTEMBER 2011

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WEAK SENTIMENT OFFSETTING RESOURCES AND RURAL STRENGTHS

- **More evidence of deteriorating conditions outside resources and the rural sector.** Our *In Focus* article this week includes a summary of the anecdotal picture we are seeing emerge across our corporate and institutional client base. Our latest in-house survey suggests business conditions in Australia have deteriorated in Q3, as the ongoing strength in the mining and agricultural sectors is overwhelmed by weaker conditions in the rest of the economy.
- **This accords with the latest employment data by industry for the three months to August, which highlighted weakness in manufacturing, tourism and (more recently) education services, although surprising resilience in retail for the time being** (see *In Focus*, page 2). Employment has also flattened off in a number of market-based, more cyclical, services industries. These data confirm our previous observation that it is difficult to identify any clear drivers of a strong pick up in labour demand in the next six to nine months outside of the mining and related sectors. We remain cautiously optimistic about the longer-term employment outlook however.
- A change in seasonal adjustment methodology by the ABS this week led to **notable downward revisions to underlying inflation**. The biggest change was to Q2, with the trimmed mean and weighted median revised to 0.7% and 0.5% q/q (both previously 0.9% q/q). In annual terms, the trimmed mean is now running at 2.5% y/y (previously 2.7%) and the weighted median is now 2.6% y/y (previously 2.7%). The implications of these revisions for the RBA's forecasts will also depend on the impact of the changed weighting pattern which will affect data from Q3 onwards (released on Thursday 22nd September). However, it now appears less likely that the central bank's previous forecast of 3¼% for underlying inflation by Q4 will be met. Whilst this may lower the bar for the RBA to ease, the central bank's policy will largely be driven by its medium-term inflation forecasts, which will overwhelmingly depend on how the RBA's forecasts for the labour market, wages, GDP and productivity evolve.

THE WEEK AHEAD

- In **Australia**, a lack of top tier data will see markets focus on the RBA minutes and speeches from the RBA's Battellino and Lowe and the RBA's Financial Stability Review on Friday. We expect the RBA rhetoric will be fairly neutral, despite highlighting the downside risks, and still some way from market pricing of over 100bps of rate cuts by year end. The ABS will release the new CPI weighting pattern on Thursday (see above).
- In the **US**, the outcome of the 2-day FOMC meeting on 20-21 September will be key. While reduced deflation concerns and dissent within the FOMC make QEIII unlikely, alternatives such as extending duration of their asset portfolio and cutting interest paid to banks on reserves kept with the central bank are rumoured. Major data releases will be housing starts and building permits.
- In the **Euro-zone**, the meeting of EU Finance Ministers and Central bankers tonight and Saturday will be closely watched, with rumours that the ECB could implement a US-style TALF program reinforced by the attendance of US Treasury Secretary Geithner at the meeting. The ZEW survey and PMIs will be the key data releases next week.
- In the **UK**, the Bank of England decision will be the focus. With rates on hold, there has been growing talk of further quantitative easing (particularly by the BoE's Posen). This remains unlikely at this stage given the inflation concerns of some BoE members.
- In **Japan**, public holidays on Monday and Friday will see a shortened trading week. There is little top tier data from Japan or China to be released.
- In **New Zealand**, Q2 GDP, current account and net migration data will be released.

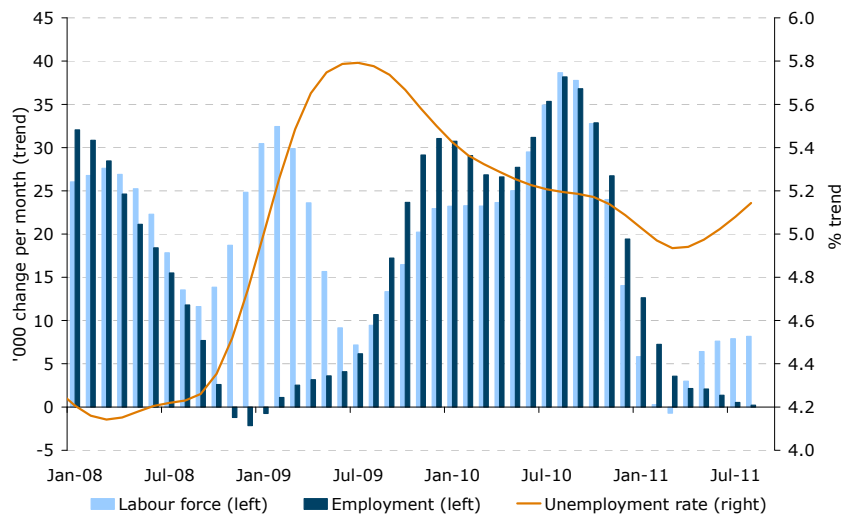
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EMPLOYMENT STRUCTURE: HOT SPOTS VERSUS THE WEAK SPOTS

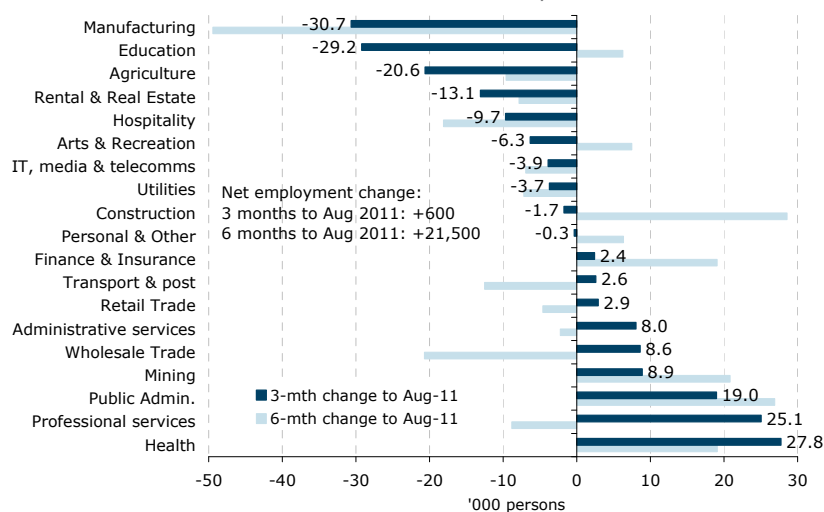
In the three months to August 2011, Australia's labour market slowed to a virtual standstill. Total employment increased by just 600 (a gain of 14,400 in June followed by a decline of 13,800 in July and August, seasonally adjusted) and the unemployment rate, while still relatively low, kicked up to 5.3% from this year's trough of 4.9%. Trend employment growth has slowed to just 200 per month (1.3%/y), while aggregate hours worked eased to 2.0%/y/y (trend). While some deceleration in employment growth in 2011 was expected, relative to the very strong employment (and labour force) growth of late 2010 and early 2011 (see figure 1), the speed of this recent deceleration is of concern. In particular, the rising unemployment rate is now reflecting soft labour demand rather than just a case of labour supply growth out-stripping labour demand growth.

FIGURE 1: EMPLOYMENT, UNEMPLOYMENT AND LABOUR FORCE GROWTH (TREND)



Source: ABS and ANZ.

FIGURE 2: EMPLOYMENT CHANGE BY SECTOR, 3 AND 6 MONTHS TO AUGUST 2011



Source: ABS and ANZ (seasonally adjusted data).

Detailed labour force data for the three months to August indicates that the structure of labour demand is still following a broadly similar pattern to that seen over the past

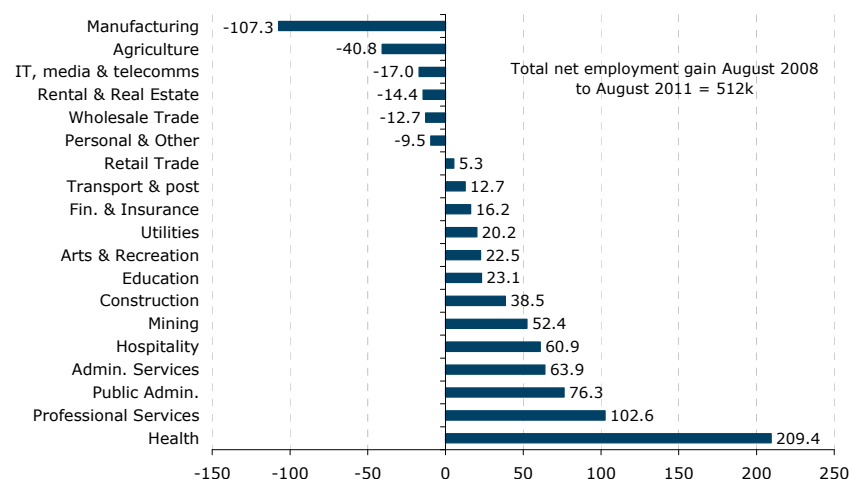


few years, albeit at a reduced level of demand (see Figures 2 and 3). That is, more jobs in selected services and mining, and fewer jobs in manufacturing, tourism and most recently education, which have been struggling to maintain competitiveness in the face of the high AUD.

In aggregate employment terms, **manufacturing is still by far the hardest hit sector** in our economy. With headwinds from the high AUD, fierce international competition and ongoing weakness in its traditional export markets (Japan, UK and the US), it has shed 30,000 in the past three months and over 100,000 jobs in the past three years. And despite the end of the long drought, **agriculture has also continued to contract** employment numbers, with 40,000 fewer jobs over the past three years (including 20,000 over the past three months). The **tourism-oriented hospitality sector** (accommodation, hotels, cafes and restaurants) on the other hand, has lost almost 10,000 jobs in the past three months but is still 60,000 up from three years ago, despite facing a similar set of dollar-centric difficulties to manufacturing. The more detailed data shows that all of this sector's jobs growth in the past three years has been in food and beverage services (+62,000, albeit including a loss of 20,000 in the past six months) while accommodation services have shed labour over the same period (-7,000).

At the other end of the ledger, **employment is still growing solidly in health and public administration as well as in mining. Health** (including welfare and aged care services) has added 20,000 workers over the past six months and 216,000 over the past three years (unadjusted data to August 2011). This jobs growth has been fairly evenly divided between hospitals (+57,000 over the past three years), medical services (+63,000) and residential care services (+60,000) with another 37,000 in social services. **In mining**, 52,000 jobs have been added in the past three years (unadjusted data to August 2011), including 20,000 in coal and 24,000 in iron ore, which are Australia's two largest exports by value. **Employment in construction has also been supportive**, adding 28,600 jobs in the past six months, despite a small loss of 1,700 jobs in the three months to August.

FIGURE 3: EMPLOYMENT CHANGE BY SECTOR, 3 YEARS TO AUGUST 2011



Source: ABS and ANZ (seasonally adjusted data).

At the same time however, an **increase in volatility** is apparent and the **pace of jobs growth across the market-based services sectors is clearly slowing**. Indeed, for the more cyclical, market-based services in aggregate (including wholesale, retail, hospitality, transport & postal services, finance & insurance, real estate, professional, administrative, recreational and other services), total employment has now *declined* for a second consecutive quarter, with around 100,000 jobs lost over the past six months (unadjusted data to August

2011). This reversed a large share of the strong gain of 240,000 jobs in these sectors in the six months previous to this (to Feb 2011).

Within this total, employment in some of these market-based services sectors, such as retail trade and finance and insurance, has been surprisingly resilient. One of the largest services employers, retail trade, gained 2,900 jobs in the three months to August, following a fall of 7,500 in the three months to May, but remains 16,800 higher over the year. Finance & insurance has also added 19,100 jobs over the past 6 months (2,400 over the past three months). **However there has also been a clear flattening off in employment in professional services, administrative services and transport & postal services, as well as a recent trend decline in employment in IT, media and telecommunications and real estate services.**

THE NARROWER BASE SUGGESTS NEAR-TERM WEAKNESS IN LABOUR DEMAND

Looking forward, forecasts of more narrowly based economic growth along industry lines will continue to weigh on employment growth. Indeed, **this week's industry composition data makes it difficult to identify any clear drivers of a strong pick up in labour demand outside of the mining sector and related industries in the short term.**

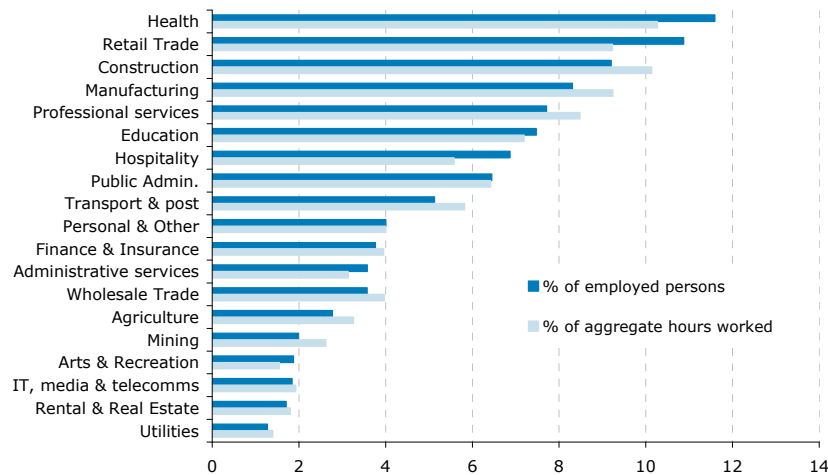
Certainly, the labour market will continue to receive base support from mining and related activity and more 'stable' and large employing industries such as health, with the long-term upward trend due to the ageing population and shortages of qualified staff, expected to continue (see Figure 4 for shares of total employment). The recent fall in agricultural employment has also been a surprise. However we can expect some rebound from the floods amidst strong crop conditions and relatively high global agricultural prices. Flood reconstruction will continue to support employment in engineering construction, and together with flow-on effects from the mining/investment boom, this should help to offset weakness in non-residential building.

However structural adjustment in industries vulnerable to the higher AUD, such as manufacturing, tourism and parts of education (dependent on foreign students), are expected to continue. And continued softness in retail sales turnover and ongoing structural change towards the internet (and higher overseas travel) suggests some contraction in retail employment lies ahead. Together these industries account for 26.1% of total employment. This accelerated structural change implies increased likelihood of a rise in frictional unemployment (due to skill and geographic mismatches) over the next 3-6 months. It also suggests there is less likelihood of "labour hoarding" and reductions in working hours to circumvent the aggregate employment impact than there was in the aftermath of the GFC.

The flattening off in employment in a number of services industries (see above) also bears close watching and remains a key downside risk. While some areas, such as professional services, administrative services and IT, should benefit in part from the mining boom, they remain vulnerable to the clear downshift in business confidence and discretionary business spending.

Bringing this all together, the narrower industry composition of growth going forward suggests that **labour demand will be softer than our aggregate GDP forecasts would normally imply over the next six to nine months, with the unemployment rate to rise to 5½% by mid-2012.** Medium term however, we remain confident at this stage that the benefits of the mining boom will start to filter more broadly through the economy as we enter the second half of 2012 and 2013, particularly if global economic and financial market conditions improve. This should help drive the unemployment rate lower in 2013. This should underpin a relatively high profile for wages growth, and together with poor productivity outcomes, unit labour costs, thereby making it difficult for inflation to fall much below the top of the 2-3% target band. There seems little scope for significant or sustained monetary policy easing, even if a small insurance cut is required in the near term due to global factors.

FIGURE 4: SHARE OF TOTAL EMPLOYMENT AND HOURS WORKED (%)



Source: ABS and ANZ (seasonally adjusted data).

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SLOW CONDITIONS OUTSIDE RESOURCES AND THE RURAL SECTOR

Every two months we collect anecdotes and feedback from across ANZ's Australian corporate and institutional business. The latest survey, with responses collected in late August/early September, suggests business conditions in Australia have deteriorated. Ongoing strength in the mining and agricultural sectors is currently being overwhelmed by weaker conditions in the rest of the economy.

KEY INSIGHTS FROM OUR AUGUST-SEPTEMBER SURVEY

In the latest survey, **15% of respondents reported that business conditions deteriorated**, considerably higher than the 5% reported in July, and the highest proportion since our survey began in 2010. 58% of respondents stated that conditions remained the same, which was down from 67% in June. The proportion of respondents who reported that business conditions had improved remained steady at 27% in August.

On a positive note, **recent global events have had little impact on investment intentions in mining**, given many of the projects in the resource sector are either committed to, or in advanced stages. Indeed, the main issue for these firms is not a lack of demand, but ongoing constraint in supply, with businesses in these areas reporting **significant labour and skills shortages** and, in some regions, wage spirals.

Outside of the mining and resources sector however conditions have notably turned down. There is evidence of firms either delaying or shelving investment decisions due to the uncertain economic conditions. Similarly, the labour market in these industries is also looking considerably more vulnerable, with firms either holding off on hiring new workers or in some instances shedding staff.

SUMMARY OF FINDINGS BY SECTOR

- Increased global economic uncertainty, particularly in relation to the growth prospects of the US and European economies, along with weaker domestic economic conditions are resulting in **some non-commodity firms delaying or shelving investment plans. However, within the mining, resources and agricultural spaces there are no signs of investment decisions being delayed or postponed.** This partly reflects the fact that

many investment decisions in these sectors have already being committed and in the instance of agriculture investment is actually being increased.

- **The retail sector remains weak and as a result, some retailers are now looking for a decrease in rents. However, margins are being maintained due to the high Australian dollar,** which means that retailers are not passing the full benefit of the higher A\$ through to Australian consumers. Although wholesalers have performed strongly, firms are concerned that the weak retail sector will significantly reduce orders later this year, reducing profits.
- **Conditions in the residential property market remain soft,** with stock taking longer to sell and developers having to spend more money on advertising in order to move stock. Although there are supply overhangs in some market segments (e.g. Gold Coast), more broadly there is a housing shortage which shows little inclination of improving. **High housing costs and government charges continue to constrain the supply side.** Property markets in mining communities are booming however, with accommodation at capacity across all levels. This is inducing a supply response in the accommodation sector with motels and apartments in the pipeline.
- **The higher Australian dollar is continuing to provide a challenging operating environment for manufacturing firms.** Firms are beginning to delay investment decisions due to the higher A\$ and increased competition from offshore markets. Cheaper imported goods are causing firms to shift away from domestically manufactured items.
- **Tourism operators also noted some struggles,** reporting that tourism numbers (domestic and international) were down.
- **Skilled labour shortages remain acute within the resource and mining industries.** In some areas, labour shortages are having flow on effects through the broader labour market. Firms outside of the mining and resource sectors are finding it difficult to hire and retain workers, with workers continually moving to higher paid jobs. Further, increased living costs in some regions are placing upwards pressure on wages and making it difficult for lower paying industries such as retail and hospitality to attract staff. Firms in the agricultural sector are also finding it difficult to find skilled staff, with some firms now looking internationally to find suitable staff. However, outside of these sectors hiring intentions are more subdued, with firms either holding off on hiring new workers or in some instances have begun to shed staff.
- **Within the agricultural sector conditions are mixed.** In Queensland, solid rainfall and the floods earlier in the year should provide good crop conditions over the next 12 months. However, variation in rainfall across New South Wales has seen grain production estimates lowered with reports that as a whole, the Australian grain belt has had a below average growing season. Beef exports to the US have slowed recently and although the ban on live exports to Indonesia has been lifted, export activity has not increased. Wine exporters remain under pressure not just from the higher A\$ but also a softening in global demand and excess supply. The outlook for cotton growers remains buoyant with a record crop likely to be planted this year. This will place further constraints on labour, with some in the industry now looking internationally to fill vacancies.

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DATA WRAP

- The **NAB Business Survey** showed that business confidence collapsed by 9.2 points to -7.7 in August, largely reflecting market volatility and uncertainty. The conditions index fell by a much smaller 1.7 points to -2.9. Profitability, forward orders, trading and exports all remained in net contraction. More positively, the employment index rose 2.1 points, turning slightly positive to 0.3. Capacity utilisation, retail prices and labour costs all indicated a slight easing in inflationary pressures.
- The **Westpac Consumer Sentiment Index** rose by 7.3 points to 96.9 in September. The link between consumer confidence and consumption is often tenuous and was given little market attention.
- The **international trade** surplus (A\$1.826Bn) was broadly unchanged in July from the downwardly revised June figure. Both exports and imports fell 0.9% m/m in value terms. Export values were weaker on a fall in coal, coke and briquettes exports (-12.1% m/m), as well as exports of mineral fuels (-18.5% m/m) and rural exports (-1.4% m/m). The fall in imports was driven by a 13.4% m/m fall in fuel import values. In contrast, imports of capital goods (+3.0% m/m) continue to show signs that the mining investment boom is building. Consumption goods imports were also up solidly, rising 3.2% m/m.
- **New motor vehicle sales** continued to recover in August, up 3.3% m/m in volume terms. The annual rate of sales is now at 4.4%.
- **Dwelling starts** fell 4.7% in Q2. New house starts fell 2.2% q/q, while private-sector dwelling unit starts fell 3.8% q/q.
- **Consumer inflation expectations** rose to 2.8% in September from 2.7% in August. The average expected hourly wage change fell to 5.2% from 5.8% in August and a peak of 6.3% in June, largely due to falls in expectations for tradespersons and operators and labourers.

DATA & EVENT CALENDAR

WEEK STARTING 19 SEPTEMBER

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
16-17 SEP	EU	EU Finance Ministers, Central Bankers Meet in Poland					--	--
18-Sep	UK	Bank of England Publishes Quarterly Bulletin					23:01	09:01
		Rightmove House Prices m/m	SEP	--	--	-2.1%	23:01	09:01
		Rightmove House Prices y/y	SEP	--	--	-0.3%	23:01	09:01
Monday	NZ	Westpac NZ Consumer Confidence	3Q	--	--	112	22:00	08:00
19-Sep		Performance Services Index	AUG	--	53	54.5	22:30	08:30
	JN	Respect for the Aged Day						
	EU	Construction Output sa m/m	JUL	--	--	-1.8%	09:00	19:00
		Construction Output WDA y/y	JUL	--	--	-11.3%	09:00	19:00
		ECB's Gonzalez-Paramo Speaks in Frankfurt					13:00	23:00
		ECB's Liikanen Speaks at Bank of Finland Quarterly Briefing					08:00	18:00
		ECB Announces Bond Purchases					13:30	23:30
		ECB Calls for Bids in 7-Day Main Refinancing Tender					13:30	23:30
	GE	Weidmann, Regling at Open Parliamentary Debt Hearing Debt:					09:30	19:30
	UK	Bank of England Financial Policy Committee Holds Meeting					23:00	09:00
	US	NAHB Housing Market Index	SEP	15	--	15	14:00	00:00
	CA	Bank of Canada's Lane Speaks at Sibos Conference in Toronto					17:45	03:45
Tuesday	AU	Reserve Bank's Board September Minutes					01:30	11:30
20-Sep		ABARES Commodities Report						
	JN	Coincident Index CI	JUL F	--	--	109	05:00	15:00
		Leading Index CI	JUL F	--	--	106	05:00	15:00
		Nationwide Dept. Sales y/y	AUG	--	--	-0.1%	05:30	15:30
		Tokyo Dept. Store Sales y/y	AUG	--	--	-1.3%	05:30	15:30
		Convenience Store Sales y/y	AUG	--	--	9.5%	07:00	17:00
	EU	ZEW Survey (Econ. Sentiment)	SEP	--	--	-40	09:00	19:00
		ECB Announces Allotment in 7-Day Main Refinancing Tender					09:15	19:15
		ECB Announces Allotment in 7-Day Term Deposits					11:00	21:00
	GE	Producer Prices m/m	AUG	0.1%	--	0.7%	06:00	16:00
		Producer Prices y/y	AUG	6.0%	--	5.8%	06:00	16:00
		Zew Survey (Current Situation)	SEP	37.5	--	53.5	09:00	19:00
		ZEW Survey (Econ. Sentiment)	SEP	-40	--	-37.6	09:00	19:00
	UK	Nationwide Consumer Confidence	AUG	48	--	49	23:01	09:01
	US	Building Permits	AUG	590K	--	601K	12:30	22:30
		Building Permits m/m	AUG	-1.8%	--	-3.2%	12:30	22:30
		Housing Starts	AUG	590K	--	604K	12:30	22:30
		Housing Starts m/m	AUG	-0.023	--	--	12:30	22:30
	CA	Leading Indicators m/m	AUG	--	--	0.2%	12:30	22:30
		Wholesale Sales m/m	JUL	0.3%	--	0.2%	12:30	22:30
		Bank of Canada Gov. Carney Speaks in Saint John, New Brunswick					15:30	01:30
Wednesday	NZ	Current Account Balance	2Q	-.671B	-1.0B	-0.097B	22:45	08:45
21-Sep		Current Account to GDP Ratio YTD	2Q	-4.0%	-4.2%	-4.3%	22:45	08:45
		Net Migration sa	AUG	--	--	-220	22:45	08:45
		Credit Card Spending y/y	AUG	--	--	7.3%	03:00	13:00
		Credit Card Spending sa m/m	AUG	--	--	1.0%	03:00	13:00
	AU	Westpac Leading Index m/m	JUL	--	--	0.1%	00:30	10:30
		DEWR Internet Skilled Vacancies m/m	AUG	--	--	-0.8%	01:00	11:00
		RBA's Battellino Speaks in New York					13:20	23:20
		AOFM Auctions A\$700 million of July 2022 Bonds						
	JN	Adjusted Merchnds Trade Bal.	AUG	-¥51.6B	--	-¥130.5B	23:50	09:50
		Merchnds Trade Balance Total	AUG	-¥299.5B	--	¥70.0B	23:50	09:50
		Merchnds Trade Exports y/y	AUG	8.1	--	-3.4	23:50	09:50
		Merchnds Trade Imports y/y	AUG	15.2	--	9.9	23:50	09:50
		All Industry Activity Index m/m	JUL	0.2%	--	2.3%	04:30	14:30

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
Wednesday	CH	Conference Board China July Leading Economic Index					02:00	12:00
21-Sep con'd	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
	UK	Bank of England Minutes					08:30	18:30
		PSNB ex Interventions	AUG	--	--	0.0B	08:30	18:30
		Public Finances (PSNCR)	AUG	--	--	-5.6B	08:30	18:30
		Public Sector Net Borrowing	AUG	10.0B	--	-2.0B	08:30	18:30
	US	MBA Mortgage Applications	Sep-11	--	--	6.3%	11:00	21:00
		Existing Home Sales	AUG	4.75M	--	4.67M	14:00	00:00
		Existing Home Sales m/m	AUG	1.7%	--	-3.5%	14:00	00:00
		FOMC Rate Decision	Sep-11	0.3%	--	0.3%	18:15	04:15
	CA	Bank Canada CPI Core m/m	AUG	0.2%	--	0.2%	11:00	21:00
		Bank Canada CPI Core y/y	AUG	1.6%	--	1.6%	11:00	21:00
		Consumer Price Index	AUG	--	--	120	11:00	21:00
		Consumer Price Index m/m	AUG	0.1%	--	0.2%	11:00	21:00
		Consumer Price Index y/y	AUG	2.9%	--	2.7%	11:00	21:00
	PO	Bank of Portugal Releases Monthly Statistical Report					12:00	22:00
22-25 SEP	CH	HSBC Flash China Manufacturing PMI	SEP	--	--	49.9	--	--
Thursday	NZ	GDP q/q	2Q	0.5%	0.7%	0.8%	22:45	08:45
22-Sep		GDP y/y	2Q	1.7%	1.9%	1.4%	22:45	08:45
	AU	RBA's Lowe Speaks at Australia Economic Forum in Sydney					23:00	09:00
	JN	Supermarket Sales y/y	AUG	--	--	2.1%	05:00	15:00
	EU	Industrial New Orders nsa y/y	JUL	--	--	11.1%	09:00	19:00
		Industrial New Orders sa m/m	JUL	--	--	-0.9%	09:00	19:00
		Euro-Zone Consumer Confidence	SEP A	-17.5	--	-16.5	14:00	00:00
	UK	CBI Trends Selling Prices	SEP	--	--	9	10:00	20:00
		CBI Trends Total Orders	SEP	--	--	1	10:00	20:00
	US	Continuing Claims	Sep-11	--	--	--	12:30	22:30
		Initial Jobless Claims	Sep-11	--	--	428K	12:30	22:30
		Bloomberg Consumer Comfort	Sep-11	--	--	-49.3	13:45	23:45
		Bloomberg Economic Expectations	SEP	--	--	-34	13:45	23:45
		House Price Index m/m	JUL	-0.1%	--	0.9%	14:00	00:00
		Leading Indicators	AUG	0.1%	--	0.5%	14:00	00:00
		US Treasury Auctions 10-year TIPS					--	--
	CA	Retail Sales Less Autos m/m	JUL	0.2%	--	-0.1%	12:30	22:30
		Retail Sales m/m	JUL	-0.3%	--	0.7%	12:30	22:30
Friday	AU	Conference Board Leading Index	JUL	--	--	-0.8%	00:00	10:00
23-Sep		RBA's Financial Stability Review					01:30	11:30
		AOFM Auctions A\$700 million of January 2018 Bonds						
	CH	MNI September Flash Business Sentiment Survey					01:35	11:35
	JN	Autumnal Equinox Day						
	EU	PMI Composite	SEP A	--	--	50.7	08:00	18:00
		PMI Manufacturing	SEP A	49	--	49	08:00	18:00
		PMI Services	SEP A	51	--	51.5	08:00	18:00
		ECB's Trichet Speaking in Washington					20:30	06:30
	GE	PMI Manufacturing	SEP A	50.5	--	50.9	07:30	17:30
		PMI Services	SEP A	50.5	--	51.1	07:30	17:30
	UK	BBA Loans for House Purchase	AUG	--	--	33417	08:30	18:30
	US	Fed's Dudley (voter) to Speak on Panel in Washington					17:30	03:30
		Fed's Williams (non-voter) on Unconventional Monetary Policy in Zurich					18:00	04:00
Saturday	EU	ECB's Stark Speaking in Washington					15:40	01:40
24-Sep		ECB's Trichet Speaking in Washington					23:00	09:00

FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
19 SEPTEMBER NZ: Consumer Conf. (Q3), PSI (Aug) AU: ABARES Australian Commodities Report JP: Respect for the Aged Holiday EU: Construction Output (Jul), ECB's Liikanen & Gonzalez-Paramo Speak US: NAHB Housing Market Index (Sep) CA: BOC's Lane speaks	20 SEPTEMBER AU: RBA minutes JN: Leading Index (Jul F) EU: ZEW Survey (Sep) GE: Producer Prices (Aug), Zew Survey (Sep) UK: BOE policy meeting US: Housing Starts (Aug), Building Permits (Aug), CA: Leading Indicators (Aug), Wholesale Sales (Jul), BOC Governor Carney Speaks	21 SEPTEMBER NZ: Current Account (Q2), Net Migration (Aug), Credit Card Spending (Aug) AU: RBA's Battellino Speaks JP: Trade (Aug) UK: BOE minutes US: Existing Home Sales (Aug), FOMC Rates Decision CA: CPI (Aug)	22 SEPTEMBER NZ: GDP (Q2) AU: RBA's Lowe Speaks EU: Industrial New Orders (Jul), Cons. Conf. (Sep A) US: House Prices (Jul), Leading Indicators (Aug) CA: Retail Sales (Jul)	23 SEPTEMBER AU: RBA Financial Stability Review CH: MNI September Flash Business Sentiment Survey JP: Autumnal Equinox Day Holiday EU: PMI services, PMI Manf. (Sep), ECB's Trichet Speaks GE: PMI services, PMI Manf. (Sep) UK: BBA Loans for House Purchase (Aug) US: Fed's Dudley and Williams speak
26 SEPTEMBER NZ: Trade Balance (Aug) GE: IFO Survey (Sep) US: Chicago Fed Activity Index (Aug), New Home Sales (Aug), Dallas Fed Survey (Sep), Fed's Raskin and Bullard Speak	27 SEPTEMBER CH: Industrial Profits (Aug) US: Case-Shiller house prices (Jul), Consumer Confidence (Sep), Richmond Fed (Sep), Fed's Lockhart Speaks CA: BOC's Macklem Speaks	28 SEPTEMBER GE: GfK Consumer Confidence (Oct), CPI (Sep P) US: Capital & Durable Goods Orders (Aug), Fed's Rosengren Speaks	29 SEPTEMBER JN: Retail Trade (Aug) GE: German Parliament votes on EFSF changes 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) Fed's Rosengren, Plosser & Lockhart Speak	30 SEPTEMBER NZ: Building Permits (Aug), Bus. Conf. (Sep) AU: Private Credit (Aug) JN: Jobless Rate (Aug), CPI (Aug), Tokyo CPI (Sep), Ind Prod. (Aug P), Vehicle Prod. (Aug), House Starts (Aug) EU: Flash CPI (Sep), Unemployment Rate (Aug) US: Personal Income & Spending (Aug), Core PCE (Aug), Chicago PMI (Sep), Univ of Mich Consumer Confidence (Sep F), NAPM Milwaukee (Sep), Fed's Bullard Speaks CA: GDP (Jul)
3 OCTOBER NZ: Commod. Prices (Sep) AU: AiG PMI (Sep) CH: Non-manuf. 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 Spend (Aug), ISM (Sep)	4 OCTOBER NZ: Fonterra Global Diary Auction AU: Trade (Aug), Building Approvals (Aug), RBA Cash Rate EU: PPI (Aug) UK: PMI Construction (Sep) US: Factory Orders (Aug)	5 OCTOBER AU: Retail Sales (Aug) EU: PMI Services (Sep F), Retail Sales (Aug) (Aug), PMI Services (SepF) UK: PMI Services (Sep), GDP (Q2 F), Trade (Q2 P) US: ADP Employment (Sep), ISM Non - Manf. (Sep)	6 OCTOBER EU: ECB Rates Decision, ECB's Trichet Speaks GE: Factory Orders (Aug) UK: BoE Rates Decision CA: Building Permits (Aug), Ivey PMI (Sep)	7 OCTOBER JP: BoJ Rates Decision 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)
10 OCTOBER AU: ANZ Job Ads (Sep), TD Sec. inflation (Sep) CH: Trade (Sep), HSBC Manuf. PMI (Sep) JP: Sports Day Holiday GE: Current Acc. (Aug), Trade (Aug) EU: Sentix Survey (Oct) US Columbus Holiday CA: Thanksgiving Hol.	11 OCTOBER NZ: Card Spending (Sep) AU: NAB Business Survey (Sep) JP: Current Account (Aug), Consumer Conf. (Sep), Trade (Aug) UK: Trade (Aug) US: FOMC Minutes , NFIB Small Business Survey (Sep) CA: Housing Starts (Sep)	12 OCTOBER AU: Westpac Consumer Conf. (Oct), Housing Finance (Aug), RBA's DeBelle Speaks JP: Machine Orders (Aug) EU: Industrial Prodn (Aug) UK: AWE (Aug), Unemp. (Aug), Jobless Claims Change (Sep) US: JOLT Jobs (Aug) CA: New House Price (Aug)	13 OCTOBER NZ: Business PMI (Sep), Food Prices (Sep), ANZ Consumer Conf. (Oct) AU: Employment (Sep) JP: BoJ minutes EU: ECB publishes Monthly Report (Oct) GE: CPI (Sep F) US: Trade (Aug) CA: Trade (Aug)	14 OCTOBER CH: CPI (Sep), PPI (Sep) EU: CPI (Sep), Trade (Aug) US: Import Prices (Sep), Retail Sales (Sep), Uni of Michigan Conf. (Oct P), Business Inventories (Aug) CA: Manf. Sales (Aug)
17 OCTOBER NZ: Performance of Services Index (Sep) AU: Vehicle Sales (Sep) JP: Industrial Production (Aug F) US: Empire Manf. Index (Oct), Ind. Production (Sep) CA: BoC loan officers Survey (Q3)	18 OCTOBER AU: RBA Minutes CH: GDP (Q3), IP (Sep), Retail Sales (Sep) EU: ZEW Survey (Oct) GE: ZEW Survey (Oct) UK: CPI (Sep), Retail Prices (Sep) US: Fed's Rosengreen and Bernanke Speak , PPI (Sep), TIC flows (Aug), NAHB Housing Market Index (Oct).	19 OCTOBER AU: Consumer Inflation Expectations (Oct), DEWR Vacancies (Sep), RBA's DeBelle Speaks EU: Current Account (Aug), Construction Output (Aug) UK: BoE minutes US: Fed's Beige Book , CPI (Sep), Housing Starts (Sep), Building Permits (Sep)	20 OCTOBER AU: NAB Business Survey (Q3), RBA's Edey Speaks EU: Consumer Confidence (Oct A) GE: PPI (Sep) UK: Retail Sales (Sep) US: Philly Fed. (Oct), Existing Home Sales (Sep), Leading Indicators (Sep) CA: Wholesale Sales (Aug)	21 OCTOBER NZ: Net Migration (Sep), Credit Card Spending (Sep) AU: Trade Prices (Q3) EU: ECB's Trichet, Praet Speak GE: IFO (Oct) CA: CPI (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
Economic activity (annual % change)				
Private final demand	2.2	4.3	5.7	6.4
Household consumption	2.8	2.7	2.1	2.3
Dwelling investment	4.2	1.6	-2.0	7.6
Business investment	0.0	12.0	20.0	17.6
Public demand	9.1	1.8	2.7	2.0
Domestic final demand	3.8	3.7	5.0	5.4
Inventories (contribution to GDP)	0.4	0.3	-0.4	0.0
Gross National Expenditure (GNE)	4.2	4.0	4.5	5.4
Exports	5.7	-0.8	12.2	10.3
Imports	13.7	12.0	14.6	12.2
Net Exports (contribution to GDP)	-1.6	-3.0	-1.0	-0.9
Gross Domestic Product (GDP)	2.7	1.2	3.1	3.9
Prices and wages (annual % change)				
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
Labour market				
Employment (annual % change)	2.7	1.8	0.8	2.1
Unemployment rate (annual average %)	5.2	5.1	5.5	5.3
External sector				
Terms of trade (annual % change)	16.5	16.3	5.1	-3.5
Current account balance: A\$bn	-36.0	-26.4	-14.7	-33.8
% of GDP	-2.7	-1.8	-1.0	-2.1

* 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	4.78	4.81	4.90	4.90	4.90	4.90
3 year bond	3.63	3.80	3.70	3.80	4.00	4.20
10 year bond	4.23	4.41	4.40	4.40	4.50	4.70
3s10s yield curve	0.60	0.61	0.70	0.60	0.50	0.50
3 year swap	4.16	4.36	4.10	4.20	4.40	4.60
10 year swap	4.96	5.13	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	2.85	2.8075	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	0.19	0.20	0.20	0.20	0.20	0.20
US 10 year note	2.07	2.22	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
Australian exchange rates						
A\$/US\$	1.03	1.10	1.12	1.12	1.12	1.14
NZ\$/US\$	0.82	0.88	0.91	0.92	0.93	0.93
A\$/¥	79.1	82.5	84.0	84.0	80.6	82.1
A\$/€	0.74	0.75	0.75	0.74	0.74	0.74
A\$/£	0.65	0.67	0.68	0.67	0.67	0.67
A\$/NZ\$	1.25	1.25	1.23	1.22	1.20	1.23
A\$/C\$	1.02	1.05	1.08	1.10	1.11	1.15
A\$/CHF	0.90	0.99	1.03	1.05	1.08	1.12
A\$/CNY	6.58	7.02	7.06	6.97	6.88	6.92
A\$ Trade weighted index	74.6	77.8	78.4	77.6	76.5	77.1
International cross rates						
US\$/¥	76.8	75.0	75.0	75.0	72.0	72.0
€/US\$	1.38	1.47	1.50	1.52	1.52	1.55
€/¥	106	110	113	114	109	112
£/US\$	1.58	1.65	1.65	1.68	1.68	1.70
€/£	0.88	0.89	0.91	0.90	0.90	0.91
US\$/C\$	0.99	0.95	0.96	0.98	0.99	1.01
US\$/CHF	0.87	0.90	0.92	0.94	0.96	0.98
US\$ index	76.4	77.4	78.6	80.4	80.1	80.5
Asia exchange rates						
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	8789	8400	8200	7900	7700	7500
US\$/INR	47.6	44.1	42.9	41.8	40.6	39.5
US\$/KRW	1111	1040	1020	990	970	950
US\$/MYR	3.09	2.96	2.92	2.88	2.83	2.79
US\$/PHP	43.4	42.1	41.4	40.8	40.2	39.6
US\$/SGD	1.24	1.20	1.18	1.17	1.15	1.13
US\$/THB	30.35	29.60	29.30	28.90	28.60	28.20
US\$/TWD	29.59	28.70	28.40	28.10	27.80	27.50
US\$/VND	20832	20800	21000	21400	21400	21400
Pacific exchange rates						
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

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