



# ECONOMICS & MARKETS RESEARCH

## AUSTRALIAN ECONOMICS TOOLBOX

27 AUGUST 2010

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### GRINDING HIGHER

- It has been almost a week since the Federal election and **it is still uncertain as to whether the ALP or Coalition will form a minority government**. The official AEC results have the ruling ALP holding 72 seats and the Coalition holding 73 seats. Four independents and one Greens party member will round out the numbers in the House of Representatives, and it is these five non-major party parliamentarians who will decide which party will form government (see *In Focus* article on page 6 for more detail).
- **Partial indicators of business investment for Q2 were mixed this week**; while construction work done was strong, capex data showed significant falls in machinery, plant and equipment spending. **Despite this, next week's National Accounts release is expected to show some acceleration in real GDP**, with solid but unspectacular economic growth of 0.7% QoQ and 2.6% YoY (for ANZ's complete GDP preview, please refer to the *In Focus* piece on page 2, and partial data previews on page 7).
- While real GDP will be moderate as the economy transitions from public to private sector drivers of growth, **measures of national income are expected to surge** on the back of higher contract prices for iron ore and coal which will see the terms of trade hit a new record high. This income boost is expected to translate into an investment boom in 2010-11, with investment intentions in this week's capex survey showing an increase of over 30% in nominal terms.
- **Current RBA forecasts are predicated on a moderate outlook for consumer spending**, with cautious households making way for the investment boom. However, **a fall in the savings ratio and pick up in household consumption remains a key upside risk to forecasts of growth, inflation and interest rates**. As such, developments in the household income and spending accounts will be watched very closely as part of next week's GDP release, as will next week's July retail sales and credit data.

### THE WEEK AHEAD

- It will be a very busy week for **Australian** dataflow. The market will focus on the Q2 GDP figures and partial data (see data previews on page 7 for a complete forecast breakdown). Other key releases of data for July include private sector credit, retail trade, building approvals, and the trade balance. By the end of the week we should have a much clearer understanding of how the domestic economy is performing within an increasingly more subdued international environment. There will also be a speech from the RBA's Guy Debelle at the *Risk Australia 2010 Conference* on Tuesday.
- Internationally, it's PMI week, with releases scheduled in China, Japan, the US (ISM index), and throughout Europe. Given the degree of uncertainty surrounding the state of **US** economy, the market will focus closely on the August non-farm payrolls numbers for confirmation that job generation in the economy remains weak. Other key data releases for the US are personal income and spending data for July and the Conference Board's measure of consumer confidence.
- In **Japan**, retail trade, industrial production and housing starts data are also to be released. In Europe, the focus will be on **German** retail sales and unemployment, and **UK** house prices and mortgage approvals. The ECB will announce its interest rate decision, with the market widely expecting rates to remain unchanged at 1%. Other **Euro zone** data include the second estimate and breakdown of Q2 GDP, various confidence measures, retail sales and unemployment.

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## GRINDING HIGHER

- Partial indicators of business investment for Q2 were mixed this week; while construction work done was strong, capex data showed significant falls in machinery, plant and equipment spending.
- Despite this, next week's National Accounts release is expected to show some acceleration in real GDP, with solid but unspectacular economic growth of 0.7% QoQ and 2.6% YoY.
- While real GDP will be moderate, measures of national income (and corporate profits) are expected to surge on the back of higher contract prices for iron ore and coal which will see the terms of trade hit a new record high.
- This income boost is expected to translate into an investment boom in 2010-11, with investment intentions in the capex survey showing an increase of over 30% in nominal terms. While mining investment will lead the way, investment intentions outside of mining were also revised up, suggesting that the impending investment boost won't be as narrowly based as earlier anticipated.
- Current RBA forecasts are predicated on a moderate outlook for consumer spending, with cautious households making way for the investment boom. However, a fall in the savings ratio and pick up in household consumption remains a key upside risk to forecasts of growth, inflation and interest rates. As such, developments in the household income and spending accounts will be watched very closely as part of next week's GDP release.

## BUSINESS INVESTMENT MIXED IN Q2 ...

With Australia looking to the impending terms of trade and investment boom as the next driver of economic growth, this week's partial data on business investment for Q2 took centre stage.

**Construction work done data were encouraging** and showed a rebound in private engineering work done of 5.6% in Q2 and a solid 2% increase in private non-residential building work done. Unfortunately however, this appears to have been **offset by weak spending on equipment, plant and machinery investment**, with the capex survey showing a fall of 4.1% in that component in the quarter. This suggests that **business investment will be broadly flat in next week's Q2 GDP release**.

In addition, **the Australian economy looks to have received a much smaller boost to growth from public investment spending in Q2**, with construction work done in the public sector rising just 0.4% in Q2 following a 13.1% surge in Q1.

On a more positive note, private **dwelling investment rose strongly**, with construction work done figures showing a 6.9% boost to new building and a 1.4% increase in alterations and additions. This will boost GDP in Q2 by approximately 0.2ppt.

## ... SUGGESTING MODERATE Q2 GDP GROWTH AS ECONOMY TRANSITIONS

Despite this week's somewhat disappointing outcomes for business investment, next Wednesday's National Accounts release is still expected to show that the Australian economy accelerated in Q2 with **solid but unspectacular real GDP growth of 0.7% QoQ and 2.6% YoY**.

This moderate outcome is not surprising - **we have warned repeatedly that the pick up in economy growth may be gradual and a little patchy as the economy transitions from public to private sector drivers of growth**. As explored above, public spending looks to have had a neutral impact on Q2 growth as government stimulus measures started to be withdrawn or were completed. Meanwhile, business investment was yet to pick up the slack, although the outlook is certainly bright (see below).

**The main contributor to GDP growth on the expenditure side will be household consumption**, with partial figures suggesting household spending was relatively buoyant in Q2, at least in volume terms. Real retail sales rose 0.8% in Q2, although this appears to have been driven at least in part by widespread discounting. Motor vehicle sales also increased sharply, with sales of passenger motor vehicles up 4.8% in volume terms.

Stock rebuilding is also expected to have continued, consistent with strong growth in import volumes which has not been matched by domestic purchases. While this is an encouraging signal going forward, suggesting that businesses are increasingly confident about future sales, inventories will not add to Q2 GDP growth as it follows a similarly-sized increase in stock levels last quarter.

**The other key bright spot in Q2 was exports**, with the monthly data showing export earnings surging over 20% in the quarter. This surge was primarily due to a sharp rise in resource export prices of almost 40% as coal and iron ore contracts were re-set, as well as some more modest gains in rural export prices. **This will see the terms of trade soar another 13% to a new record high in Q2.** Importantly for real GDP growth, export volumes also look to have expanded by around 5% in Q2, although this was likely more than offset by a 5½% gain in imports and we therefore expect net exports subtracted 0.2ppt from growth.

**This expansion in commodity export earnings will undoubtedly have boosted corporate profits** in Q2, as will the broadly positive results so far this company reporting season. Together with another solid increase in compensation of employees in line with strong employment growth, this suggests very strong income growth in nominal terms. Indeed, nominal GDP is expected to have risen 3¾% in Q2 alone, taking the annual rate of growth up to 9½%. And real gross domestic income, which adjusts real GDP for the terms of trade effect, is forecast to jump 3½% in Q2 to over 7% YoY. **These rapid rates of income growth have not been seen since the height of the 'Commodities Boom Mark I' in mid 2008.**

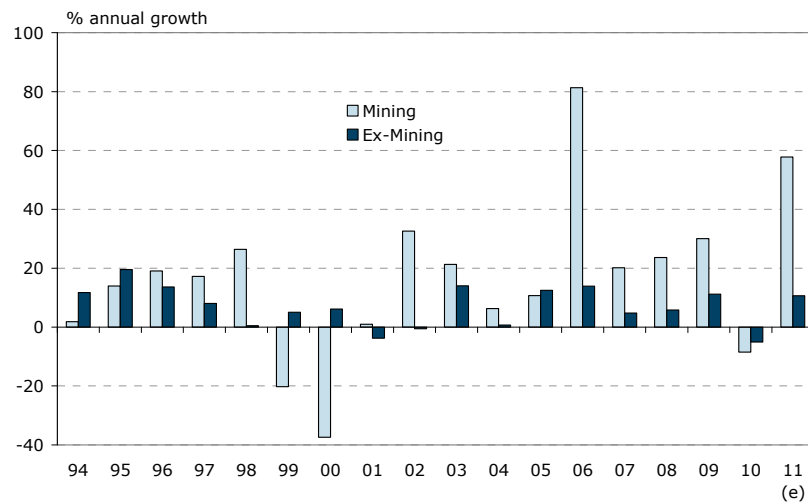
#### THE INVESTMENT BOOM APPROACHES ...

Indeed, 'Commodities Boom Mark II' is still coming. The expectations data in this week's capex survey showed exceptionally strong investment intentions economy-wide, but most notably in the mining sector.

**Overall nominal capital expenditure intentions for 2010-11 have been upgraded** to \$103.7bn, a 17.5% upward revision from the previous estimate and 16.3% higher than actual capital expenditure in 2009-10. Mining investment will account for around 40% of this, with \$54.8bn in capex foreshadowed, up from \$34.8bn in 2009-10. **Encouragingly, the upward revisions to investment intentions came from non-mining companies, suggesting that upcoming strength in business investment will not be as narrowly-based as earlier thought.** Non-mining investment was revised up by \$7bn (or 10%) from three months ago.

**Using realisation ratios (an assumption about how investment intentions translate into actual spending, based on historical information), the investment outlook is even brighter.** Applying the standard 5-year realisation ratio suggests an increase in total capital expenditure of over 33% in 2010-11 compared with 2009-10, driven by a 70%+ increase in mining investment. Non-mining investment is also projected to be relatively firm, with a 13% gain expected. It could be argued that these figures are over-estimates as they utilise the very high realisation ratios during 'Commodities Boom Mark I'. But even using more conservative 10-year realisation ratios, the outlook for business investment is very strong; aggregate capital expenditure is expected to rise by 30% in 2010-11, with mining investment up over 55% and non-mining investment expanding by 10% (see Figure 1 below).

**FIGURE 1: BUSINESS INVESTMENT INTENTIONS (USING 10-YR REALISATION RATIO)**



Source: Australian Bureau of Statistics, ANZ

### WILL THE HOUSEHOLD SECTOR MAKE WAY?

The impending terms of trade/investment boom will be a key feature of the Australian economic landscape going forward, driving economic growth to above-trend rates in both 2011 and 2012. **Exactly how fast growth will be, and to what extent this growth will be inflationary, will crucially depend on another crucial piece of the puzzle - household consumption and savings.**

**At this stage, the Reserve Bank of Australia (RBA) is forecasting household consumption growth to remain relatively moderate,** despite a solid outlook for employment and household incomes, with the savings ratio to rise from an already high level. However, there remains a significant risk that households may abandon their current cautious behaviour.

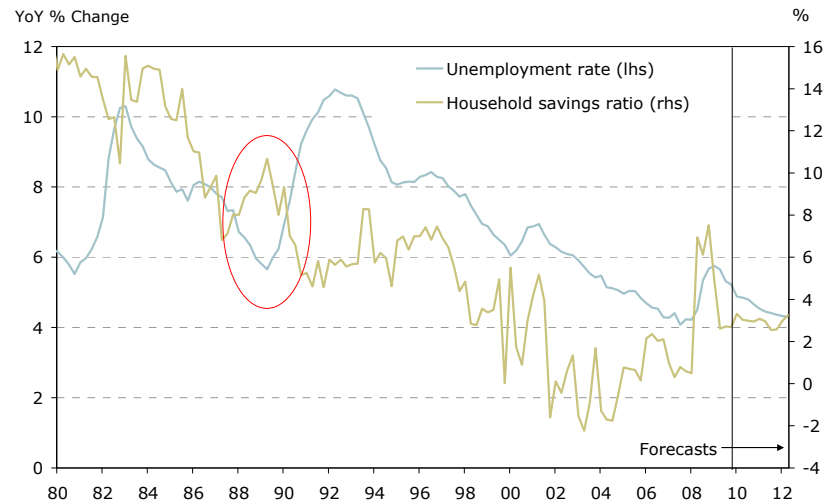
If this occurs, recent RBA communications have suggested that **the RBA will be concerned about the ability of the domestic economy to accommodate twin consumption and terms of trade/investment booms:**

*"Household surveys suggested some change in attitudes to saving and a greater degree of caution about household finances. Looking ahead, members observed that the challenges of dealing with a terms of trade boom and strong growth in investment would be lessened if these trends in household behaviour continued."*  
(RBA August Board Meeting Minutes)

**Movements in household savings and consumption will therefore be closely watched in next week's GDP release.** On our numbers, the savings rate will be broadly unchanged at 2.7% of gross household disposable income, with the relatively strong increase in household disposable income due to solid employment growth largely spent. But any significant deviation from these figures could be taken as a sign that household behaviour is starting to shift.

**Certainly, the risk to household seems to be to the upside,** with history telling us that it is highly unusual for the household savings ratio to rise for an extended period whilst unemployment is falling (the only exception was immediately following the 1987 stock market crash) (See Figure 2 below).

FIGURE 2: HOUSEHOLD SAVINGS RATIO AND UNEMPLOYMENT RATE



Source: Australian Bureau of Statistics, ANZ

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#### WEEKLY DATA WRAP

- **Construction Work Done** rose 3.5% in Q2 (+8.3% YoY) with the previous quarter's number revised up to 4.2% from 1.9%. A 7.7% boost to residential work done was the key driver, with engineering work (+1.5%) and non-residential work done (+2.6%) also higher. Importantly, the private sector (+4.9% QoQ) seemed to pick up the slack from the public sector (+0.4% QoQ) as the Federal Government's fiscal stimulus starts to wane. Much of the growth came from the mining states of Western Australia (+11.9% QoQ) and the Northern Territory (+34.9% QoQ), with the other states enjoying more moderate growth (see page 2 for what these data mean for Q2 GDP).
- The **Conference Board Leading Index** rose 0.1% in June to 115.9 with rural goods exports, the yield spread and the sales to inventory ratio driving the increase. The leading index is a gauge of economic growth over the next three to six months; while it indicates a slowdown in H2, positive growth remains.
- **New Private Capital Expenditure** fell 4.0% in Q2, with spending on buildings and structures down 3.9% and spending on equipment, plant and machinery down 4.1%. However, the outlook for business investment remains bright, with investment intentions pointing to a 30% increase in nominal capital expenditure in 2010-11 (using a 10-year realisation ratio) (see page 3 for more details).

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## AUSTRALIAN FEDERAL ELECTION UPDATE 2010

### STATE OF PLAY

It has been almost a week since the Federal election and it is still uncertain as to which party will form a minority government. At the time of writing, the Australian Electoral Commission (AEC) no longer considers any seats in doubt. The official AEC results have the ruling Labor Party (ALP) holding 72 seats and Liberal/National Party Coalition holding 73 seats, meaning that each party will fall short of the 76 seats required to form government in their own right. With 81.6% of all votes counted, the remaining postal and absentee votes to be counted are not expected to affect the result. The AEC results show that there will be four independents and one Greens party member in the new House of Representatives. It is these five parliamentarians who will decide which party will form government.

**FIGURE 1: HOUSE OF REPRESENTATIVES RESULTS**

PARTY	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Divisions Won*		
									2010	2007	Swing
<b>ALP</b>	26	21	8	3	6	4	2	1	<b>72</b>	83	-4.98%
<b>Coalition</b>	20	14	20	11	5	0	0	1	<b>73</b>	55	+1.53%
<b>Greens</b>	0	1	0	0	0	0	0	0	<b>1</b>	0	+3.59%
<b>Independent</b>	2	0	1	0	0	1	0	0	<b>4</b>	2	+0.33%
<b>Total</b>	48	37	30	15	11	5	2	2	<b>150</b>	150	

\*Between 2007 and 2010 the boundaries of several divisions were changed.

Source: Australian Electoral Commission

### WHAT'S NEXT?

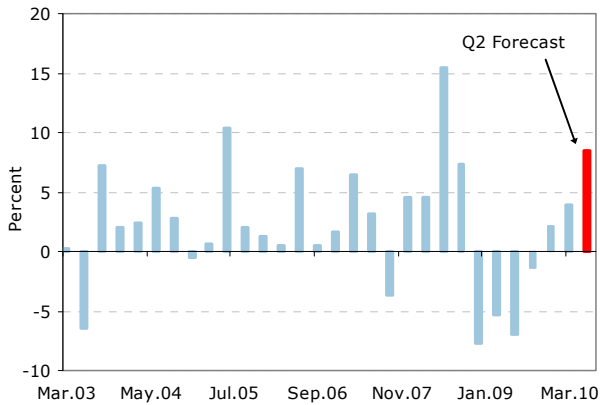
This week has seen the start of what could be lengthy discussions between the independents and both major parties. Left-leaning independent Andrew Wilkie has remained largely on the sidelines but he is set to meet both leaders of the major parties over the next couple of days. The Greens' Adam Bandt has already stated that he will support the ALP. Therefore much of the attention has turned to the independents Tony Windsor, Robert Oakeshott and Bob Katter. They have not given any indication as to which party they are likely to support. The three independents are currently acting as a bloc and have made a joint "request for information" from the ALP and the Coalition. They are seeking more information about the cost of election promises, a commitment for parliamentary reform and access to senior ministers from both parties. Once the information has been made available the independents intend to start formal negotiations on 3 September.

### MARKET REACTION

So far, financial markets have taken the election confusion in their stride. It was surprising to see such a relatively benign reaction to the inconclusive election result during Monday's trading session. The AUD/USD gapped one US cent lower on the open, but thin trade and solid exporter demand saw the move reversed by the end of the day. The equity finished flat, and moves seen on domestic financial markets since Monday have been largely dictated by offshore events. This may be because minority governments have been common in many industrialised countries in recent years including Canada, Germany, and the UK. We still believe that should the Coalition form government, this may have a small positive impact on the AUD as offshore markets would likely welcome the cancellation of the ALP's mining tax proposals. However, markets dislike uncertainty - the longer this state of indecision persists, the more such uncertainty is likely to weigh on the AUD.

# DATA PREVIEWS

CHART 1: COMPANY OPERATING PROFIT (Q2)



30 AUGUST: BUSINESS INDICATORS (Q2)

**Company Operative Profit**

**ANZ: +8.5% QoQ**  
**Market: +5.8% QoQ**  
**Last: +3.9% QoQ**

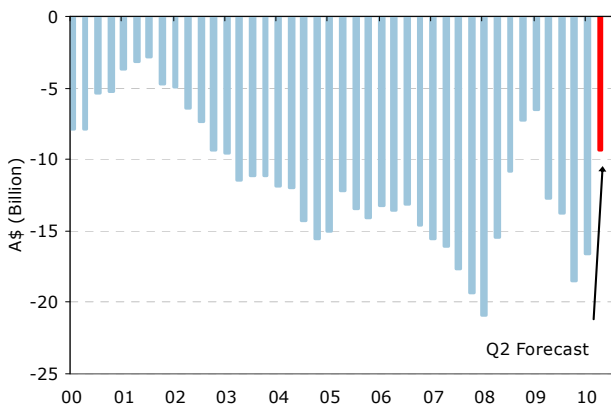
**Inventories**

**ANZ: +0.6% QoQ**  
**Market: +0.4% QoQ**  
**Last: +0.5% QoQ**

Corporate profits should post a solid 8½% rise in Q2 after a respectable 3.9% increase in Q1. The mining industry is expected to drive much of the gain given solid commodity prices and a better than expected reporting season for the sector in the quarter. There is also evidence that margin rebuild has started to take place in food retailing. More broadly, at this stage we have seen somewhat limited wages pressure despite the tightening of the labour market, thereby helping to support corporate profits.

Meanwhile, inventories are expected to enjoy a moderate rise of 0.6% in Q2, with the solid economic recovery likely to have raised demand for production. Strong import demand in the quarter (running in excess of domestic demand) points also points to an improvement in stock levels. **(AR)**

CHART 3: CURRENT ACCOUNT BALANCE (Q2)



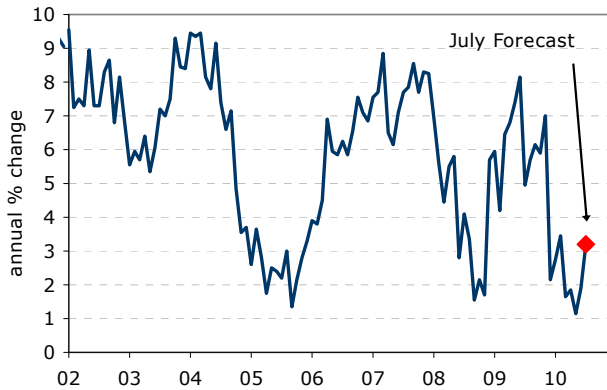
31 AUGUST: CURRENT ACCOUNT BALANCE (Q2)

**ANZ: -\$7.1bn QoQ**  
**Market: -\$6.5bn QoQ**  
**Last: -\$16.551bn QoQ**

We expect an improvement in the current account balance to a deficit of A\$7.1bn in Q2 from A\$16.55bn in Q1. The major driver of this improvement has been through the increase in net exports. The increase in commodity prices (with the renegotiation of bulk contracts) and volumes will give a boost to exports of around 20%. On the imports side, volumes are likely to see a modest rise of around 7% on the back of the strong domestic economy, with average prices over the quarter to remain relatively steady despite the fall in the TWI in May. As a result, we expect a trade surplus of A\$6bn. The net income deficit should slightly offset some of the gains from the trade balance as Australia has continued to draw upon international finance to fund growth. We expect a net income deficit of A\$13bn, which with the rise in the trade balance, will produce a current account deficit of 2.1% of GDP in Q2 (an improvement from the 5.1% of GDP deficit in Q1). **(AM)**

## DATA PREVIEWS

CHART 2: RETAIL SALES (JULY)



31 AUGUST: RETAIL SALES (JULY)

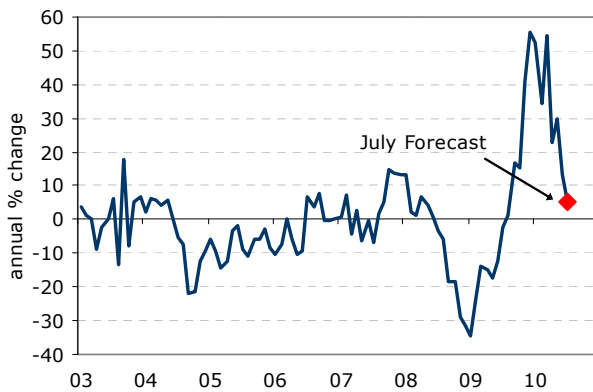
ANZ: +0.4% MoM

Market: +0.4% MoM

Last: +0.2% MoM

Monthly retail sales growth is expected to pick up moderately in July. Most forward-looking indicators are positive. Consumer confidence bounced in July after three consecutive monthly falls. In addition, earlier announced tax cuts came through from 1 July and employment surged, both of which will have boosted household disposable incomes. However, if recent high rates of household savings are anything to go by, it is unlikely that these positives translated into a sharp increase in retail sales, at least at this stage. Furthermore, we expect that the heavy discounting evident in June continued in July, putting downward pressure on prices and turnover in value terms. (RP)

CHART 4: BUILDING APPROVALS (JULY)



31 AUGUST: BUILDING APPROVALS (JULY)

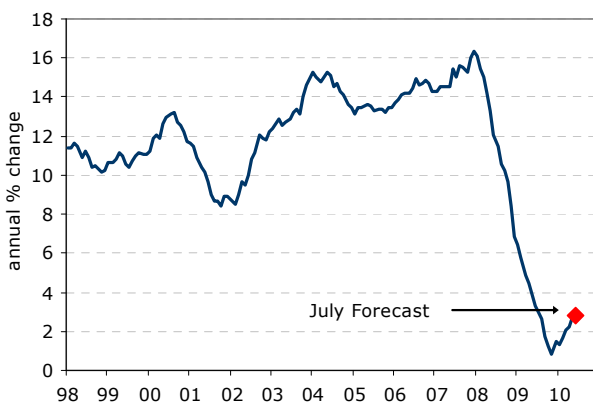
ANZ: -2.1% MoM, +5.0% YoY

Market: -0.7% MoM, +6.1% YoY

Last: -3.3% MoM, +13.2% YoY

Building approvals are likely to continue to decline in July to record their fourth consecutive month of negative growth. Much of the recent falls that we have witnessed over the past months can be attributed to the spate of interest rate rises by the RBA at the end of 2009 and into H1 2010, which continue to impact building decisions as affordability deteriorates. In terms of composition, we expect a slight decline in approvals for both 'other' residential buildings and detached housing. (DE)

CHART 5: RBA CREDIT AGGREGATES (JULY)



31 AUGUST: RBA CREDIT AGGREGATES (JULY)

ANZ: +0.3% MoM, +2.9% YoY

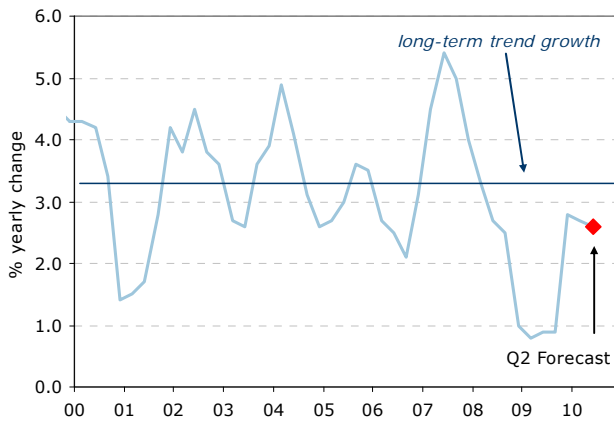
Market: +0.3% MoM, +3.0% YoY

Last: +0.2% MoM, +2.8% YoY

We expect total private sector credit growth to remain subdued in July, as uncertainty over the global economic recovery continues to prevail. Continued weakness in equity markets is also likely to moderate credit growth. Furthermore, interest rate rises have seen finance approvals decline, and along with elevated repayments, will act to soften credit growth. (DE)

# DATA PREVIEWS

**CHART 6: GROSS DOMESTIC PRODUCT (Q2)**



**1 SEPTEMBER: GROSS DOMESTIC PRODUCT (Q2)**

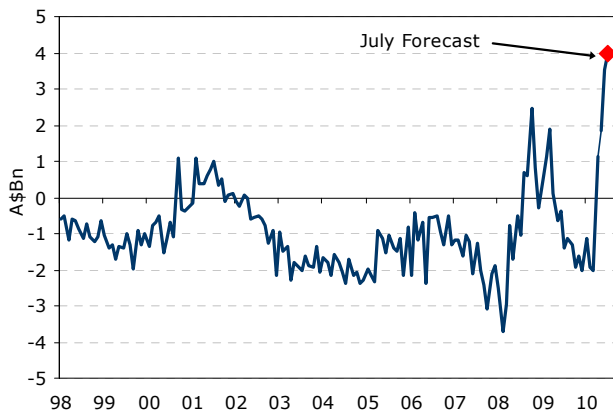
**ANZ: +0.7% QoQ, +2.6% YoY**

**Market: +0.9% QoQ, +2.8% YoY**

**Last: +0.5% QoQ, +2.7% YoY**

Real GDP growth is expected to be solid but unspectacular in Q2 as the economy transitions from public to private sector drivers of economic growth. The key drivers of growth on the expenditure side will be household consumption and dwelling investment which will offset a negative contribution from net exports; business investment and public spending are likely to have a relatively neutral impact on growth. On the income side, strong growth in profits (due to a significant rise in mining profitability as resource export prices surge) and employment will be the key drivers. While real GDP growth will be modest, a solid growth in the terms of trade will underpin nominal GDP of around 3¾% in Q2, with annual growth accelerating to 9½% YoY - a rate not seen since the height of the commodities boom in mid 2008. For more detail on Q2 GDP and the broader economic outlook, please see our *In Focus* article on page 2. **(RP)**

**CHART 7: TRADE BALANCE (JULY)**



**2 SEPTEMBER: TRADE BALANCE (JULY)**

**ANZ: +A\$4.0bn**

**Market: +A\$3.1bn**

**Last: +A\$3.539bn**

The trade balance has enjoyed a remarkable turn around since March's deficit of A\$1.55bn to post a record surplus of A\$3.54bn in June. The RBA reported that commodity prices remained flat through July and that the coal and iron ore price increases that affected the May and June trade data should not have the same impact on this month's read. Volumes have continued to rise, with indications that Chinese steel producers have begun the seasonal re-stocking earlier than expected. Rural exports look to have had the largest growth in value terms, driven by an 18% rise in wheat prices through July. Import values seemed to have posted modest gains on the back on increased volumes. **(AM)**

## DATA &amp; EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	ANZ	MARKET	LAST	GMT	AEST
27 Aug - 03 Sep	GE	Retail Sales MoM	JUL	nf	0.5%	-0.3%	-	-
	GE	Retail Sales YoY	JUL	nf	na	4.7%	-	-
<b>28.Aug</b>	<b>UK</b>	<b>BoE's Bean speaks at Jackson Hole</b>	-	-	-	-	<b>14:00</b>	<b>00:00</b>
30.Aug	NZ	Trade Balance	JUL	-100M	-10M	276M	22:45	08:45
		Imports	JUL	3.6B	na	3.51B	22:45	08:45
		Exports	JUL	3.7B	na	3.78B	22:45	08:45
		NZ Trade Balance 12 Mth YTD	JUL	700M	810M	639M	22:45	08:45
		NBNZ Business Confidence	AUG	nf	na	27.9	03:00	13:00
		Money Supply M3 YoY	JUL	nf	na	-3.3%	03:00	13:00
		NBNZ Activity Outlook	AUG	nf	na	32.4	03:00	13:00
	AU	HIA New Home Sales MoM	JUL	nf	na	-5.1%	01:00	11:00
		Company Operating Profit QoQ	Q2	8.5%	5.8%	3.9%	01:30	11:30
		Inventories	Q2	0.6%	0.4%	0.5%	01:30	11:30
	<b>JP</b>	<b>BoJ's Yamagucki speaks in Tokyo</b>	-	-	-	-	<b>04:30</b>	<b>14:30</b>
	EU	Business Climate Indicator	AUG	nf	na	0.66	09:00	19:00
		Euro-Zone Industrial Confidence	AUG	nf	-5.0	-4.0	09:00	19:00
		Euro-Zone Consumer Confidence	AUG F	nf	-12.0	-12.0	09:00	19:00
		Euro-Zone Economic Confidence	AUG	nf	101.3	101.3	09:00	19:00
		Euro-Zone Services Confidence	AUG	nf	na	6.0	09:00	19:00
	UK	<b>Market closed for Summer Bank Holiday</b>	-	-	-	-	-	-
		Hometrack Housing Survey MoM	AUG	nf	na	-0.1%	23:01	09:01
		Hometrack Housing Survey YoY	AUG	nf	na	2.0%	23:01	09:01
	US	Personal Income	JUL	nf	0.3%	0.0%	12:30	22:30
		Personal Spending	JUL	nf	0.3%	0.0%	12:30	22:30
		PCE Deflator YoY	JUL	nf	1.4%	1.4%	12:30	22:30
		PCE Core MoM	JUL	nf	0.1%	0.0%	12:30	22:30
		PCE Core YoY	JUL	nf	1.4%	1.4%	12:30	22:30
		Dallas Fed Manf. Activity	AUG	nf	-	-21.0%	14:30	00:30
		<b>Fed's Bullard speaks in St. Louis</b>	-	-	-	-	<b>17:30</b>	<b>03:30</b>
	CA	Current Account (BOP)	Q2	nf	-\$10.0B	-\$7.8B	12:30	22:30
		Industrial Product Price MoM	JUL	nf	0.4%	-0.9%	12:30	22:30
		Raw Materials Price Index MoM	JUL	nf	0.2%	-0.3%	12:30	22:30
31.Aug	NZ	Building Permits MoM	JUL	2.0%	na	3.5%	22:45	08:45
	AU	Private Sector Credit MoM	JUL	0.3%	0.3%	0.2%	01:30	11:30
		Private Sector Credit YoY	JUL	2.9%	3.0%	2.8%	01:30	11:30
		Retail Sales sa MoM	JUL	0.4%	0.4%	0.2%	01:30	11:30
		Current Account Balance	Q2	-7.1B	-6.5B	-16.551B	01:30	11:30
		Building Approvals MoM	JUL	-2.1%	-0.7%	-3.3%	01:30	11:30
		Building Approvals YoY	JUL	5.00%	6.1%	13.2%	01:30	11:30
		Australia Net Exports cont. to GDP	Q2	-0.2	0.3	-0.5	01:30	11:30
		<b>RBA's Guy Debelle speaks in Sydney</b>	-	-	-	-	<b>23:00</b>	<b>09:00</b>
	JP	Nomura/JMMA Manufacturing PMI	AUG	nf	na	52.8	23:15	09:15
		Loans & Discounts Corp YoY	JUL	nf	na	-4.1%	23:50	09:50
		Industrial Production MoM	JUL P	nf	-0.2%	-1.1%	23:50	09:50
		Industrial Production YoY	JUL P	nf	14.3%	17.3%	23:50	09:50
		Retail Trade MoM sa	JUL	nf	0.5%	0.4%	23:50	09:50
		Retail Trade YoY	JUL	nf	3.5%	3.3%	23:50	09:50
		Large Retailers' Sales	JUL	nf	-1.3%	-3.1%	23:50	09:50
		Labor Cash Earnings YoY	JUL	nf	na	1.8%	01:30	11:30
		Vehicle Production YoY	JUL	nf	na	25.9%	04:00	14:00
		Housing Starts YoY	JUL	nf	2.0%	0.6%	05:00	15:00

## DATA &amp; EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	ANZ	MARKET	LAST	GMT	AEST	
31.Aug	JP	Small Business Confidence	AUG	nf	na	48.1	05:00	15:00	
		Annualized Housing Starts	JUL	nf	0.756M	0.750M	05:00	15:00	
		Construction Orders YoY	JUL	nf	na	-10.2%	05:00	15:00	
EU		Euro-Zone CPI Estimate YoY	AUG	nf	1.6%	1.7%	09:00	19:00	
		Euro-Zone Unemployment Rate	JUL	nf	10.0%	10.0%	09:00	19:00	
GE		Unemployment Change (000's)	AUG	nf	-20K	-20K	07:55	17:55	
		Unemployment Rate sa	AUG	nf	7.6%	7.6%	07:55	17:55	
UK		Gfk Consumer Confidence Survey	AUG	nf	na	-22.0	23:01	09:01	
		M4 Ex OFCs 3M Annualised	JUL	nf	na	6.0%	08:30	18:30	
		Net Consumer Credit	JUL	nf	na	-0.1B	08:30	18:30	
		Net Lending Sec. on Dwellings	JUL	nf	na	0.7B	08:30	18:30	
		Mortgage Approvals	JUL	nf	na	47.6K	08:30	18:30	
		M4 Money Supply MoM	JUL F	nf	na	0.4%	08:30	18:30	
		M4 Money Supply YoY	JUL F	nf	na	2.3%	08:30	18:30	
	US		S&P/Case Shiller 20 City MoM sa	JUN	nf	0.35%	0.47%	13:00	23:00
			S&P/Case Shiller Composite-20 YoY	JUN	nf	3.5%	4.6%	13:00	23:00
			Chicago Purchasing Manager	AUG	nf	57.6	62.3	13:45	23:45
		Consumer Confidence	AUG	nf	51.0	50.4	14:00	00:00	
		NAPM-Milwaukee Business Activity Index	AUG	nf	na	66.0	14:00	00:00	
	<b>Minutes of FOMC Meeting</b>	<b>10.Aug</b>	-	-	-	<b>18:00</b>	<b>04:00</b>		
	ABC Consumer Confidence	29.Aug	nf	na	-44.0	21:00	07:00		
CA		Gross Domestic Product MoM	JUN	nf	0.2%	0.1%	12:30	22:30	
		Quarterly GDP Annualized	Q2	nf	2.5%	6.1%	12:30	22:30	
01.Sep	NZ	ANZ Commodity Prices	AUG	nf	na	-0.8%	03:00	13:00	
		Aig Performance of Mfg Index	AUG	nf	na	54.4	23:30	09:30	
	AU	Gross Domestic Product QoQ	Q2	0.7%	0.9%	0.5%	01:30	11:30	
		Gross Domestic Product YoY	Q2	2.6%	2.8%	2.7%	01:30	11:30	
		RBA Commodity Index SDR YoY	AUG	nf	na	51.0%	06:30	16:30	
		RBA Commodity Price Index Au	AUG	nf	na	97.4	06:30	16:30	
		<b>AOFM auctions A\$500mn of July 2022 Bonds</b>	-	-	-	-	-	-	
	JP	Vehicle Sales YoY	AUG	nf	na	15.0%	05:00	15:00	
	CH	PMI Manufacturing	AUG	52.4	51.6	51.2	01:00	11:00	
		HSBC Manufacturing PMI	AUG	nf	na	49.4	02:30	12:30	
EU	PMI Manufacturing	AUG F	nf	55.0	56.7	08:00	18:00		
GE	PMI Manufacturing	AUG F	nf	58.2	58.2	07:55	17:55		
UK	PMI Manufacturing	AUG	nf	56.8	57.3	08:30	18:30		
US		MBA Mortgage Applications	27.Aug	nf	na	4.9%	11:00	21:00	
		Challenger Job Cuts YoY	AUG	nf	na	-57.2%	11:30	21:30	
		ADP Employment Change	AUG	nf	20K	42K	12:15	22:15	
		ISM Manufacturing	AUG	nf	53.0	55.5	14:00	00:00	
		ISM Prices Paid	AUG	nf	56.0	57.5	14:00	00:00	
		Construction Spending MoM	JUL	nf	-0.5%	0.1%	14:00	00:00	
		Domestic Vehicle Sales	AUG	nf	8.80M	9.11M	21:00	07:00	
		Total Vehicle Sales	AUG	nf	11.60M	11.56M	21:00	07:00	
		<b>Fed's Duke Speaks in Washington</b>	-	-	-	-	<b>14:45</b>	<b>00:45</b>	
		<b>Fed's Fisher Speaks in Houston</b>	-	-	-	-	<b>17:40</b>	<b>03:40</b>	
		<b>Fed's Evans Speaks in Washington</b>	-	-	-	-	<b>21:15</b>	<b>07:15</b>	

## DATA &amp; EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	ANZ	MARKET	LAST	GMT	AEST
02.Sep	AU	Trade Balance	JUL	4.0B	3.1B	3.539B	01:30	11:30
	JP	Monetary Base YoY	AUG	nf	na	6.1%	23:50	09:50
		Japan Buying Foreign Bonds	27.Aug	nf	na	¥1040.8B	23:50	09:50
		Japan Buying Foreign Stocks	27.Aug	nf	na	¥32.0B	23:50	09:50
		Foreign Buying Japan Bonds	27.Aug	nf	na	-¥129.5B	23:50	09:50
		Foreign Buying Japan Stocks	27.Aug	nf	na	-¥39.1B	23:50	09:50
	EU	Euro-Zone Gross Fixed Capital QoQ	Q2 P	nf	na	-1.2%	09:00	19:00
		Euro-Zone Government Expenditure QoQ	Q2 P	nf	na	0.2%	09:00	19:00
		Euro-Zone Household Cons QoQ	Q2 P	nf	na	-0.1%	09:00	19:00
		Euro-Zone PPI MoM	JUL	nf	0.1%	0.3%	09:00	19:00
		Euro-Zone PPI YoY	JUL	nf	na	3.0%	09:00	19:00
		Euro-Zone GDP sa QoQ	Q2 P	nf	1.0%	1.0%	09:00	19:00
		Euro-Zone GDP sa YoY	Q2 P	nf	1.7%	1.7%	09:00	19:00
		<b>ECB Announces Interest Rates</b>	<b>SEP</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>11:45</b>	<b>21:45</b>
		<b>ECB's Trichet speaks at ECB Monthly News Conference</b>					<b>12:30</b>	<b>22:30</b>
	UK	Nat'wide House prices sa MoM	AUG	nf	-0.3%	-0.5%	06:00	16:00
		Nat'wide House prices nsa YoY	AUG	nf	5.0%	6.6%	06:00	16:00
		PMI Construction	AUG	nf	na	54.1	08:30	18:30
		<b>BoE's Haldane speaks in Beijing</b>	-	-	-	-	<b>12:00</b>	<b>22:00</b>
	US	Nonfarm Productivity	Q2 F	nf	-2.0%	-0.9%	12:30	22:30
		Unit Labor Costs	Q2 F	nf	1.4%	0.2%	12:30	22:30
		Initial Jobless Claims	28.Aug	nf	480K	473K	12:30	22:30
		Continuing Claims	21.Aug	nf	na	4456K	12:30	22:30
		Factory Orders	JUL	nf	0.6%	-1.2%	14:00	00:00
		Pending Home Sales MoM	JUL	nf	-1.5%	-2.6%	14:00	00:00
		Pending Home Sales YoY	JUL	nf	na	-20.1%	14:00	00:00
		ICSC Chain Store Sales YoY	AUG	nf	na	2.8%	14:30	00:30
		<b>Fed's Rosengren, Pianalto Speak in Washington</b>					<b>13:00</b>	<b>23:00</b>
		<b>US Treasury auctions 10-year TIPS</b>	-	-	-	-	-	-
03.Sep	AU	Aig Performance of Services Index	AUG	nf	na	46.6	23:30	09:30
		<b>AOFM auctions A\$700mn of July 2016 Bonds</b>						
	JP	Capital Spending excl Sftwre	Q2	nf	-5.9%	-12.9%	23:50	09:50
		Capital Spending	Q2	nf	-6.5%	-11.5%	23:50	09:50
	CH	China Non-manufacturing PMI	AUG	nf	na	60.1	01:00	11:00
		China HSBC Services PMI	AUG	nf	na	56.3	02:30	12:30
	EU	PMI Services	AUG F	nf	55.6	55.8	08:00	18:00
		PMI Composite	AUG F	nf	na	56.1	08:00	18:00
		Euro-Zone Retail Sales YoY	JUL	nf	na	0.8%	09:00	19:00
		Euro-Zone Retail Sales MoM	JUL	nf	0.2%	0.0%	09:00	19:00
		<b>ECB's Gonzalez-Paramo speaks in Cyprus</b>					<b>12:00</b>	<b>22:00</b>
	GE	PMI Services	AUG F	nf	58.5	58.5	07:55	17:55
	UK	PMI Services	AUG	nf	53.1	53.1	08:30	18:30
		Official Reserves (Changes)	AUG	nf	na	-\$24M	08:30	18:30
		<b>BoE's Tucker speaks in Seoul</b>	-	-	-	-	<b>00:45</b>	<b>10:45</b>
	US	Change in Nonfarm Payrolls	AUG	nf	-106K	-131K	12:30	22:30
		Change in Private Payrolls	AUG	nf	45K	71K	12:30	22:30
		Change in Manufact. Payrolls	AUG	nf	8K	36K	12:30	22:30
		Unemployment Rate	AUG	nf	9.6%	9.5%	12:30	22:30
		Average Hourly Earning MoM	AUG	nf	0.1%	0.2%	12:30	22:30
		Average Hourly Earning YoY	AUG	nf	1.8%	1.8%	12:30	22:30
		Avg Weekly Hours All Employees	AUG	nf	34.2	34.2	12:30	22:30
		ISM Non-Manufacturing Composite	AUG	nf	53.6	54.3	14:00	00:00
		<b>Fed's Lockhart speaks in Tennessee</b>	-	-	-	-	<b>14:00</b>	<b>00:00</b>

# FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
<b>6 SEPTEMBER</b> AU: TD Securities Inflation (Aug), ANZ Jobs Ads (Aug) EU: Trade Balance (Jul)	<b>7 SEPTEMBER</b> AU: <b>RBA CASH TARGET</b> JP: <b>BoJ Target Rate</b> GE: Factory Orders (Jul) US: <b>Fed's Beige Book</b>	<b>8 SEPTEMBER</b> 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) CA: <b>Bank of Canada Rate</b> , Ivey Purchasing Managers Index (Aug)	<b>9 SEPTEMBER</b> AU: Employment Change (Aug), Unemployment Rate (Aug) JP: Capital Spending (Q2) EU: <b>ECB Publishes Sept. Monthly Report</b> GE: CPI (Aug F) UK: <b>BoE ANNOUNCES RATES</b> US: Trade Balance (Jul), Initial Jobless Claims (Aug 28), CA: Housing Starts (Aug)	<b>10 SEPTEMBER</b> 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)
<b>13 SEPTEMBER</b> 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)	<b>14 SEPTEMBER</b> 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)	<b>15 SEPTEMBER</b> 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)	<b>16 SEPTEMBER</b> NZ: <b>RBNZ Official Cash Rate</b> , 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)	<b>17 SEPTEMBER</b> EU: Current Account (Jul) GE: Producer Prices (Aug) US: CPI (Aug), Consumer Confidence (Sep)
<b>20 SEPTEMBER</b> NZ: Confidence (Sep), Net Migration (Aug) JP: Public Holiday UK: M4 Money Supply (Aug P) US: NAHB Housing Market Index (Sep) CA: Wholesale Sales (Jul)	<b>21 SEPTEMBER</b> NZ: Current Account (Q2) AU: <b>RBA Board Minutes</b> , ABARE Australian Commodities Outlook JP: Leading Index (JUL F) UK: Public Sector Net Borrowing (Aug) UK: <b>FOMC Rates Decision</b> , ABC Consumer Confidence (Sep 19), Housing Starts (Aug), Building Permits (Aug) CA: CPI (Aug)	<b>22 SEPTEMBER</b> NZ: GDP (Q2) AU: Westpac Leading Index (Jul) JP: All Industry Activity Index (Jul) EU: Industrial New Orders (Jul), Consumer Confidence (Sep) UK: <b>BoE Minutes</b> US: MBA Mortgage Applications (Sep 17), House Price Index (Jul) CA: Leading Indicators (Aug), Retail Sales (Jul)	<b>23 SEPTEMBER</b> AU: <b>RBA Foreign Exchange Transactions (AUG)</b> JP: Public Holiday UK: BBA Loans for House Purchase (Aug) US: Initial Jobless Claims (Sep 18), Leading Indicators (Aug), Existing Home Sales (Aug)	<b>24 SEPTEMBER</b> CH: MNI Business Conditions Survey (Sep) GE: IFO Business Climate (Sep) US: Durable Goods Orders (Aug), Capital Goods Orders (Aug), New Home Sales (Aug)
<b>27 SEPTEMBER</b> JP: Merchandise Trade Balance Total (Aug) CH: Industrial Profits (Aug) UK: Nationwide House prices (Sep)	<b>28 SEPTEMBER</b> GE: CPI (Sep) UK: GDP (Q2) US: Consumer confidence (Sep)	<b>29 SEPTEMBER</b> NZ: Trade Balance (Aug), Imports (Aug), Exports (Aug) JP: Tankan Large Manufacturers Index (Q3), Tankan Large All Industrial Capex (Q3) EU: Consumer Confidence (Sep) US: MBA Mortgage Applications (Sep 24)	<b>30 SEPTEMBER</b> NZ: Building Permits (Aug) AU: Private Sector Credit (Aug), Building Approvals (Aug) JP: Retail Trade (Aug), Industrial Production (Aug), House Starts (Aug) EU: CPI estimate (Sep) GE: Employment (Sep) US: GDP (Q2 T), Initial Jobless Claims (Sep 25) CA: GDP (Jul)	<b>1 OCTOBER</b> AU: Aig Performance of Manufact. Index (Sep) JP: Jobless Rate (Aug), Tokyo CPI (Sep), National CPI (Sep) CH: PMI Manufact. (Sep) EU: PMI Manufact. (Sep), Employment (Aug) GE: PMI Manufact. (Sep) US: Personal Income (Aug), ISM Manufact. (Sep)
<b>4 OCTOBER</b> NZ: ANZ Commodity Price (Sep) AU: AiG Performance of Service Index (Sep) JP: Monetary Base (Sep) CH: HSBC Manufact. PMI (Sep) EU: PPI (Aug) UK: PMI Construction (Sep) US: Factory Orders (Aug)	<b>5 OCTOBER</b> AU: <b>RBA CASH TARGET</b> , ANZ Job Ads (Sep), Business Confidence and conditions (Sep) JP: <b>BoJ Target Rate</b> EU: PMI Composite (Sep), PMI Services (Sep), Retail Sales (Aug) GE: PMI Services (Sep) UK: PMI Services (Sep) US: ISM Non-Manf. Composite (Sep)	<b>6 OCTOBER</b> EU: GDP (Q2), Household Consumption (Q2) GE: Factory Orders (Aug) US: MBA Mortgage Applications (Oct 1) CA: Ivey Purchasing Managers Index (Sep)	<b>7 OCTOBER</b> AU: Employment (Sep) EU: <b>ECB Announces Interest Rates</b> GE: Industrial Prod. (Aug) UK: <b>BoE ANNOUNCES RATES</b> , Industrial Prod. (Aug) US: Initial Jobless Claims (Oct 2), Consumer Credit (Aug) CA: Building Permits (Aug)	<b>8 OCTOBER</b> GE: Trade Balance (Aug), Imports (Aug), Exports (Aug), Current Account (Aug) UK: PPI (Sep) US: Change in Nonfarm Payrolls (Sep), Employment (Sep), Wholesale Inventories (Aug) CA: Housing Starts (Sep), Employment (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
<b>Economic activity (annual % change)</b>				
Private final demand	0.7	2.6	5.0	5.5
Household consumption	1.6	3.0	2.7	2.4
Dwelling investment	-4.6	6.1	2.1	2.3
Business investment	-0.8	0.2	13.6	16.3
Public demand	3.3	10.4	3.6	2.0
Domestic final demand	1.3	4.4	4.7	4.7
Inventories (contribution to GDP )	-0.5	0.6	0.0	-0.1
Gross National Expenditure (GNE)	0.7	5.0	4.6	4.6
Exports	1.4	5.3	7.2	7.4
Imports	-7.8	16.8	11.4	10.8
Net Exports (contribution to GDP)	2.0	-2.4	-1.2	-1.1
<b>Gross Domestic Product (GDP)</b>	<b>1.3</b>	<b>2.7</b>	<b>3.6</b>	<b>3.9</b>
<b>Prices and wages (annual % change)</b>				
Inflation:				
Headline CPI	1.8	2.8	2.1	2.2
Underlying *	3.6	2.6	2.2	2.3
Wages	3.6	3.2	4.0	4.2
<b>Labour market</b>				
Employment (annual % change)	0.7	2.4	2.4	2.3
Unemployment rate (annual average %)	5.6	5.1	4.6	4.4
<b>External sector</b>				
Current account balance: A\$bn	-51.4	-38.9	-48.5	-75.8
% of GDP	-4.1	-2.8	-3.3	-4.8

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

AUSTRALIAN INTEREST RATES	CURRENT	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F
RBA cash rate	4.50	4.50	5.00	5.25	5.50	5.75
90 day bill	4.75	4.85	5.30	5.60	6.00	6.0
3 year bond	4.32	4.90	5.10	5.50	5.70	6.00
10 year bond	4.81	5.40	5.50	5.70	5.80	6.00
3s10s yield curve	0.49	0.50	0.40	0.20	0.10	0.00
3 year swap	4.78	5.30	5.50	5.90	6.10	6.40
10 year swap	5.26	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	3.23	3.50	3.50	3.92	4.42	4.92
US Fed funds note	0.25	0.25	0.25	0.25	0.25	0.25
US 2 year note	0.53	0.60	0.60	0.60	0.80	1.00
US 10 year note	2.51	2.80	2.80	3.00	3.00	3.20
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
<b>Australian exchange rates</b>						
A\$/US\$	0.8873	0.88	0.90	0.92	0.94	0.94
NZ\$/US\$	0.7044	0.70	0.71	0.72	0.73	0.73
A\$/¥	75.20	77.4	86.4	89.2	92.1	94.0
A\$/€	0.6974	0.70	0.75	0.81	0.84	0.84
A\$/£	0.5716	0.57	0.58	0.59	0.60	0.61
A\$/NZ\$	1.2597	1.26	1.27	1.28	1.29	1.29
A\$/C\$	0.9385	0.87	0.87	0.88	0.88	0.90
A\$/CHF	0.9085	1.03	1.07	1.11	1.16	1.18
A\$/CNY	6.0314	5.92	5.96	6.00	6.03	5.94
A\$ Trade weighted index	68.90	68.9	72.2	74.6	75.6	75.2
<b>International cross rates</b>						
US\$/¥	84.75	88.0	96.0	97.0	98.0	100.0
€/US\$	1.2722	1.25	1.20	1.14	1.12	1.12
€/¥	107.82	110	115	111	110	112
£/US\$	1.5519	1.55	1.55	1.57	1.57	1.54
€/£	0.8198	0.81	0.77	0.73	0.71	0.73
US\$/C\$	1.0577	0.99	0.97	0.96	0.94	0.96
US\$/CHF	1.0240	1.17	1.19	1.21	1.23	1.25
US\$ index	82.95	84.3	87.3	90.0	91.0	91.8
<b>Asia exchange rates</b>						
US\$/CNY	6.7983	6.73	6.62	6.52	6.42	6.32
US\$/HKD	7.7792	7.76	7.75	7.75	7.75	7.75
US\$/IDR	8992	9300	9500	9900	9600	9400
US\$/INR	46.87	48.0	49.0	49.9	48.0	46.00
US\$/KRW	1197	1270	1345	1390	1320	1275
US\$/MYR	3.1418	3.30	3.38	3.45	3.35	3.3
US\$/PHP	45.220	46.7	48.3	49.0	48.0	47.3
US\$/SGD	1.3557	1.41	1.45	1.48	1.44	1.4
US\$/THB	31.310	32.90	33.90	34.30	33.50	33.00
US\$/TWD	32.004	32.50	33.30	33.70	32.70	32
US\$/VND	19485	19000	19000	19000	20000	20000
<b>Pacific exchange rates</b>						
PGK/US\$	0.3675	0.395	0.386	0.372	0.358	0.34
FJD/US\$	0.5225	0.507	0.508	0.514	0.517	0.51

## IMPORTANT NOTICE

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