

AUSTRALIAN ECONOMICS

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17 JUNE 2011

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EMPLOYMENT GROWTH BASE LOOKS TO BE NARROWING

- This week's *In Focus* article looks at the recent developments in employment by industry and their implications for the labour market outlook. Employment gains have become more narrowly based in the six months to May, with gains in only 7 out of the major 19 industry classifications. While broader activity forecasts such as GDP point to a cyclical strengthening in employment growth, trends in industry composition make it difficult to identify any clear drivers of this pick up outside of mining and related industries in the near term. **This raises a key downside risk to our employment forecasts through H2 2011 and highlights the possibility of a temporary rise in the unemployment rate.** It also warns of greater than usual volatility in the monthly employment data going forward.
- **RBA Governor Glenn Stevens gave a hawkish speech** this week in which he reiterated the medium-term case for tighter monetary policy and played down arguments currently being circulated against the need for near term hikes, including the higher A\$, the weak housing market and mixed economic conditions. Indeed instead of touching on recent weakness in some high frequency indicators, Governor Stevens contextualised much of the softness in some sectors of the economy as evidence of required long-term structural change. August remains the next window for another RBA hike, although this will largely depend on the outcome of the Q2 CPI in late July. A rise in the unemployment rate, the risk of which we have flagged above, also has the potential to keep the RBA on the sidelines.
- **State Budget** season continued this week, with 2011-12 Budgets released by Queensland (see our separate *Economic Update* released last Tuesday) and Tasmania (see *In Focus* below). With national consumption growing only weakly, both states have suffered a decline in revenue derived from the GST. Queensland has had an increase in coal royalties to partially offset this loss, but Tasmania has no offsets. Indeed, Tasmania has chosen to also lower its payroll tax rate, reducing its immediate revenue base further. Both states have had increased spending needs, with Queensland facing a huge blow-out in costs due to January's flood damages (primarily roads). The flood damage is estimated by the Queensland Government to have brought state growth for 2010-11 to zero. Tasmania expects its growth to have been just 1 ¾%. Next year (2011-12), Queensland expects the reconstruction effort to push growth to 5%.

THE WEEK AHEAD

- In **Australia**, the data flow is slow next week. The highlight will be the RBA board minutes and a speech by RBA Assistant Governor Philip Lowe. After this week's hawkish rhetoric from RBA Governor Glenn Stevens, the Minutes will be examined for further clarity on what triggers the Board might need to see before the next rate rise.
- In **New Zealand**, card spending and net migration data for May will be the focus.
- In the **US**, the two day meeting of the FOMC is likely to involve plenty of debate about whether further stimulus may be needed, but also about possible exit strategies after QE2 is due to finish this month. The weekly initial jobless claims will be closely followed as markets look for a rebound after the Japanese natural disasters.
- In the **Euro zone**, as in the US, manufacturing data will be closely watched for signs of a rebound. Euro zone PMI's, industrial new orders and the ZEW survey of investors will all be closely followed. In the UK, the BoE minutes and in Germany the IFO Business survey will be released.
- In **Japan**, the trade balance is expected to fall further into deficit May. An expected pick-up in exports is likely to be more than offset by a continued rise in imports.

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BREADTH OF EMPLOYMENT GROWTH NARROWS

- Labour force data by industry suggest that employment gains have become more narrowly based in the six months to May. Employment increased in only 7 out of the major 19 industry classifications. This is consistent with the broader sharp slowdown in employment growth over this period.
- While broader activity forecasts such as GDP point to a cyclical strengthening in employment growth, trends in industry composition make it difficult to identify any clear drivers of this pick up outside of mining and related industries in the near term. This raises a key downside risk to our employment forecasts through H2 2011 and highlights the possibility of a temporary rise in the unemployment rate. It also warns of greater than usual volatility in the monthly employment data going forward. The recent slowdown in population growth is also a factor complicating the employment outlook, although this should have a neutral effect on the unemployment rate.

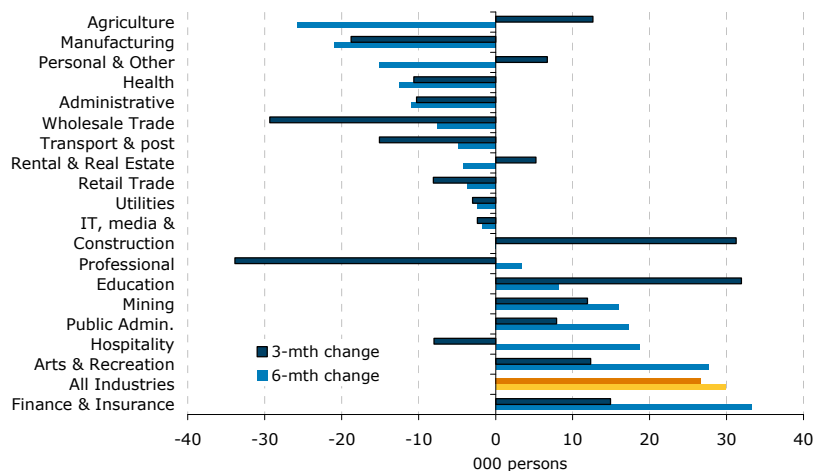
INDUSTRY COMPOSITION OF EMPLOYMENT: RECENT TRENDS

Detailed labour force data released this week give us greater clarity about where the recent slowdown in employment growth has come from. These show that in the three months to May, there were rises in only 9 out of 19 industry categories (see Figure 1 below).

These data however can be relatively choppy on a quarterly basis and can give a somewhat misleading picture of trend developments. Instead, **we focus below on developments over the six months to May, a period in which the pace of growth in employment has clearly slowed.** Indeed only 29.9K jobs were created overall in this period, compared with a gain of 228.4K jobs in the previous 6-month period.

Looking over this time period **clearly shows that gains in employment have become more narrowly based, with increases in only 7 out of 19 major industry groups in the six months to May.** (This compares with increases in 13 of the 19 categories in the previous 6 month period). There were large gains in finance and insurance, arts & recreation, hospitality, public administration, mining and education (see Figure 1 below). However these were largely offset by substantial losses in agriculture, manufacturing, personal & other services, health, administrative services, wholesale trade, rental and real estate and retail trade. In addition, there was a notable slowing in growth in professional services which has been a major driver of employment growth in recent years and construction (one of the largest employers) was flat.

FIGURE 1: CHANGE IN EMPLOYMENT BY INDUSTRY



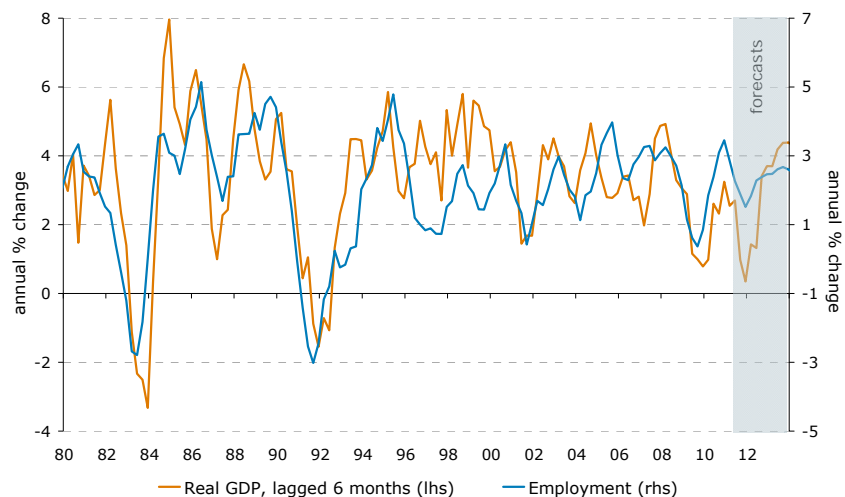
Source: ABS



IMPLICATIONS FOR THE LABOUR MARKET OUTLOOK

Looking forward, our relatively upbeat GDP forecasts point to an upturn in employment growth in H2, as the economy recovers from recent natural disasters and the mining investment boom takes hold. While the relationship between GDP and employment is by no means perfect (and is also affected by developments in wages and labour productivity), it does point to annualised employment growth in excess of 2% in H2 2011 and for the next few years.¹ Our forecasts are a bit more circumspect, given the recent softening in partial indicators of labour demand (including ANZ job ads, capacity utilisation and the employment component of the NAB Business Survey), but still suggest annual employment growth of around 1.5% in H2. On these figures, the unemployment rate will stay broadly steady around the current 4.9% for the remainder of the year.

FIGURE 2: EMPLOYMENT VS GDP GROWTH



Source: ABS

That said, **while broader activity indicators point to a cyclical strengthening in employment growth, trends in industry composition make it difficult to identify any clear drivers of this pick up outside of mining and related industries, at least in the near term.**

On the upside, employment is expected to turn around in some key industries, including agriculture, health and construction. The agricultural sector will rebound from the floods amidst strong crop conditions and high global agricultural prices. The long-term upward trend in health employment should also re-assert itself given the ageing of the population and shortages of qualified staff (although this will of course depend on a sufficient increase in labour supply). And construction will continue to benefit from the resources boom and flood reconstruction (eg. Queensland roads), despite weakness in housing and non-residential construction. Together with mining, these industries employ 25.4% of Australia's workforce (see Figure 3 below for industry shares).

Elsewhere however, it is difficult to see the continuation of employment strength in some areas that have recently outperformed. These include hospitality which is suffering from a loss of competition due to the high A\$ and consumer caution. It is also difficult to envisage further strong jobs growth in public administration given poor state budget positions and the federal

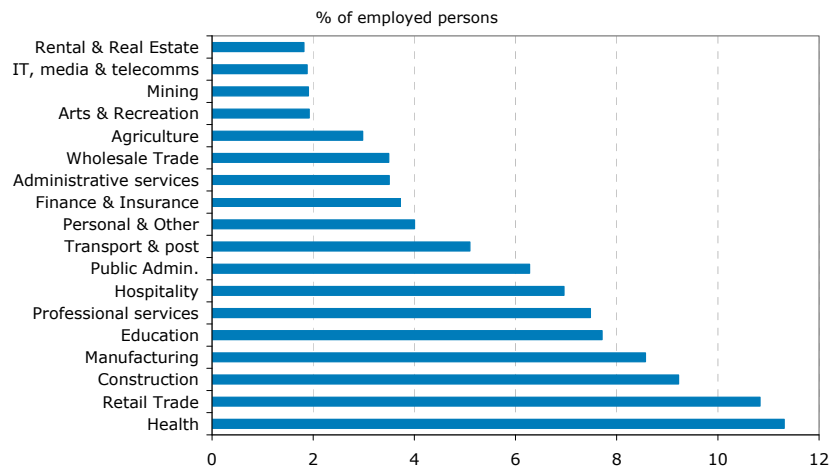
¹ Note that our forecasts for annual GDP growth in Figure 2 in the final three quarters of 2011 are still being affected by the sharp contraction in Q1 GDP due to natural disasters. Annualised GDP growth however, will be in excess of 3%.

government's efficiency dividend which will limit expenditure by government departments. These sectors together account for 13.2% of total employment.

Furthermore, softness in many of the industries currently experiencing job losses is likely to continue. These include sectors currently suffering from the high A\$ and high oil prices including manufacturing, retail trade and transport & storage as well as flow on industries such as wholesale trade. Retailers will also continue to suffer from less consumer spending on discretionary goods. Together these industries account for a fairly substantial 28.0% of total employment.

Industries that we will also be watching closely are professional services, IT, personal & other services and arts & recreation. While professional services should theoretically benefit from the flow on effect of the resources boom, employment in the sector was a major driver of employment growth in recent years and appears at risk of some consolidation or flattening. Indeed while volatile, employment in professional services fell in the three months to May and increased only modestly over the past 6 months. Employment in arts & recreation meanwhile has been exceptionally strong recently. This fits with other evidence that while households are clearly more cautious at the moment, there also appears to be a shift in spending preferences towards services and away from discretionary goods. Should this continue, we could see some relative strength in employment in this category and potentially a turnaround in employment in personal & other services (such as cleaning, gardening and hairdressing etc).

FIGURE 3: SHARE OF TOTAL EMPLOYMENT

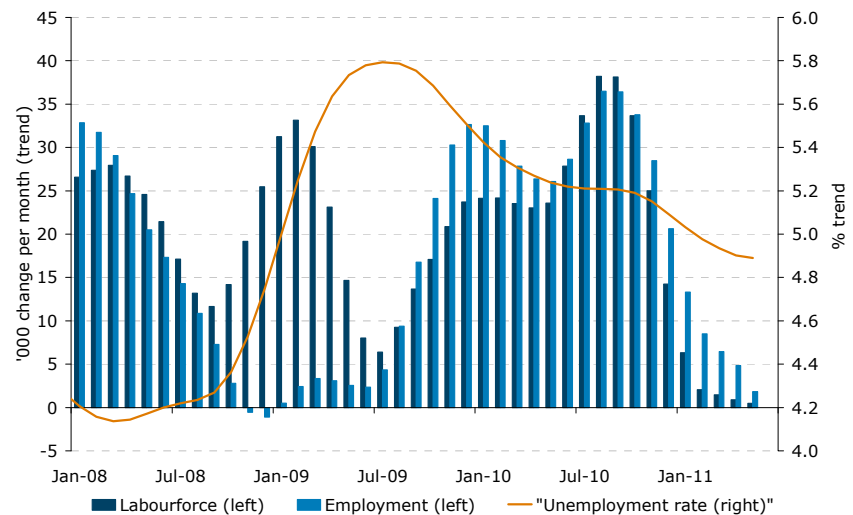


Sources: ABS

These observations on industry composition raise a key downside risk to our employment forecasts through H2 2011. They also raise the possibility of a temporary rise in the unemployment rate, particularly if we see a rebound in the participation rate. More narrowly-based employment growth also suggests greater than usual volatility in the monthly employment data going forward.

The other complicating factor with regards to the employment outlook is the recent slowing in population growth. Population growth has slowed to around 20K per month, down from a recent peak of 32K per month in August 2010 and from the earlier high of 42.6K per month in March 2010. Together with a small fall in the participation rate, this has seen trend growth in the labour force ease to 0.5K per month from a recent peak of 38.2K per month in September 2010 (see Figure 4 below). While this may turn around in part due to the federal government's renewed focus on streamlining skilled migration processes, only a modest pick up in population growth to around 1.75% p.a. is forecast. This is still well down from growth of 2.2% p.a. through most of 2010 and growth of 2.3% p.a. through 2009.

FIGURE 4: EMPLOYMENT, LABOUR FORCE AND UNEMPLOYMENT (TREND)



Sources: ABS

Weaker population/labour force growth suggests that the slowdown in employment in some industries may reflect supply constraints rather than deficiencies in demand for labour. In this instance partial indicators of labour demand (which continue to suggest moderately positive employment growth) and activity indicators such as GDP may be over-estimating the ability of employment to grow.

Note however that while we see near-term upside risk to the unemployment rate because of industry composition trends, softer population growth is actually neutral for the unemployment rate. Based on these population figures, employment growth of just 12K per month is necessary to keep the unemployment rate stable, down from 25K per month a year ago.²

TASMANIAN BUDGET 2011-12 INDICATES BIGGER DEFICITS, BUT DEBT FREE STATUS WILL BE RETAINED

As for other states, **Tasmania has suffered a significant fall in revenue derived from the GST.** In 2011-12, GST revenue is now expected to be \$77.6 mn less than the Government estimated in its last mid-year financial report, and \$239 mn (12.1%) less than had been projected in the (pre-GFC) 2008-09 Budget. Over the forward estimates period, total GST revenue will be around \$1.7 bn less than previously estimated.

Revenue from payroll tax and land tax have increased, due to increases in employment and in land values; both indicative of a relatively healthy local economy. Federal government grants are however, the main revenue source (62%), so this fall in GST revenue has left the Tasmanian Government with no alternative but to cut costs and face increased deficits. In addition, the Government has committed to **lowering the state payroll tax rate** for all new jobs created, at a cost of \$5.5mn over the next three years. This measure is expected to generate stronger jobs growth (and presumably, payroll tax revenue) in the longer term.

² Population features in both the numerator and the denominator of the unemployment rate calculation (unemployment rate = no. of unemployed / labour force). Population figures are used to gross up the surveyed employment, unemployment and labour force figures to come to a national total.

General Government spending estimates have increased slightly. The two key cuts to be made in order to keep further growth in check will be to public sector employment numbers and salary costs. **1,700 positions will be lost** (mainly through natural attrition) and public sector wage growth will be capped at 2% p.a. This will keep Tasmanian public sector wages growth well below national averages; wage price index (WPI) growth was 3.3% in 2010 and forecast (by ANZ) to be around 3.8% in 2011. These job cuts will be significant for an economy the size of Tasmania's, amounting to 0.7% of total employment (currently around 236,000).

The General Government **operating deficit** has blown out for 2011-12, from \$82 mn (2010-11 Budget) to \$113.8 mn (2011-12). Surpluses are still being forecast in 2012-13 (\$48.4 mn) and again in 2014-15 (\$1.9 mn).

This Budget confirms **\$1.6 bn in infrastructure investment** over the outlook period. Around 36% of this expenditure will be on health-related projects (the largest being the refurbishment of the Royal Hobart Hospital) and 31% will be on roads. Education and housing infrastructure will each get around 13% of the total in 2011-12.

The Tasmanian Government expects the **state economy to grow by 1¾% in 2010-11** and again in 2011-12 (compared with actual growth of just 0.4% in 2009-10, and below the state's long-term trend rate). The projected decline in public spending is identified in this Budget as part of the reason for such a weak growth outlook.

The Government expects **employment to grow by 0.5% in 2011-12** (but implying stronger private sector jobs growth given the large public sector cuts outlined above), and the unemployment rate to remain at around its current level of 5¾%. The Government expects population growth to ease as inter-state emigration steps up in response to job opportunities elsewhere, particularly in the resources states of WA and Queensland.

Tasmania's **net debt position has deteriorated** in this Budget but it remains positive (that is, no net debt for the General Government Sector). The Government intends to keep its net debt position positive throughout the outlook period, to at least 2015 and to further reduce its debt and liability ratios. In the forward estimates however, the ratio of net financial liabilities to revenue (non-financial public sector) is projected to fall only slightly, from 111% to 110%. With such little change evident, there are no implications here of the state's credit ratings. And meeting the stated target of a ratio of less than 110% remains a longer-term proposition.

FIGURE 5: TASMANIA BUDGET 2011-12, KEY NUMBERS

	2010-11 est	2011-12f	2012-13f	2013-14f	2014-15f
Operating Budget					
Revenue	4,745.8	4,617.8	4,767.7	4,748.4	4,783.0
Expenses	4,777.3	4,731.6	4,719.3	4,763.0	4,781.1
Surplus/Deficit	-31.5	-113.8	48.4	-14.6	1.9
General Government Liabilities					
Net debt*	-342.8	-53.0	-65.1	-151.1	-273.3
Net liability/revenue%					
Infrastructure investment					
	723.90	490.20	414.40	324.60	328.20

* Net debt balance is positive by these amounts.

Source: Tasmanian Treasury.

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DATA WRAP

- The **NAB business survey** showed a further moderation in both conditions and expectations in May. Business conditions fell 3.9 points to 0.7, while business confidence fell 1.6 points to 5.5. Employment slowed (-2.6 points) and capacity utilisation dipped (-0.1%) in May, signalling that key inflationary pressures lessened this month. Business conditions, business confidence and employment intentions are now below their 10-year average.
- The **Queensland State Budget 2011-12** highlighted the cost of the natural disasters of January 2011. The cost of rebuilding public infrastructure and supporting businesses and communities will cost \$6.8bn, with much of this to be spent on roads. State economic growth has been slashed by 2.25 ppts in 2010-11 (equal to \$6bn in lost real output). Economic growth is now estimated at zero for 2010-11. Rebuilding will add to growth in the outlook period. The state government expects growth of 5.0% in 2011-12 and 5.3% in 2012-13.
- **Lending finance** data showed housing finance for owner occupation rose 6.3% in April. Meanwhile, personal finance rose 0.4% m/m, lease finance rose 2.3% m/m, while commercial finance fell 8.8% m/m
- The **Westpac Consumer Confidence Index** fell 2.6% to 101.2 in June, the lowest level in two years. Whilst not a good result, we would note that consumer confidence tends to lag equity moves and has not given a good indication for retail sales of late.
- **Dwelling starts** rose 3.1% in Q1. While the total number of new houses fell slightly, the rise in other new residential buildings was more than offsetting.
- **Consumer inflation expectations** remained steady at 3.3% in June. Consumer inflation expectations have been moving steadily downward since peaking in January 2011.
- **New motor vehicle sales** fell 7.6% in June to be 14.5% lower than a year ago. Although this series is extremely volatile, this may be another sign that the Australian consumer remains cautious. We are also wary that the disruption to global auto manufacturing after the Japanese earthquake may have weighed on sales in June.

DATA & EVENT CALENDAR

WEEK STARTING 20 JUNE

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
19-Jun	EU	ECB's Trichet Speaks in Kiel, Germany					09:00	19:00
	UK	Rightmove House Prices m/m	JUN	--	--	1.3%	23:01	09:01
		Rightmove House Prices y/y	JUN	--	--	0.7%	23:01	09:01
Monday	NZ	Performance Services Index	JUN	--	--	52.6	22:30	08:30
20-Jun		Manufacturing Activity	1Q	--	0.0%	3.1%	22:45	08:45
		Manufacturing Activity Volume sa q/q	1Q	--	0.0%	3.3%	22:45	08:45
		Credit Card Spending y/y	MAY	--	3.4%	6.0%	03:00	13:00
		Credit Card Spending sa m/m	MAY	--	-0.5%	1.6%	03:00	13:00
	JN	Cabinet Office Monthly Economic Report					14:00	00:00
		Adjusted Merchnds Trade Bal.	MAY	-¥521.0B	--	-¥496.4B	23:50	09:50
		Merchnds Trade Balance Total	MAY	-¥713.0B	--	-¥464.8B	23:50	09:50
		Merchnds Trade Exports y/y	MAY	-8.3	--	-12.4	23:50	09:50
		Merchnds Trade Imports y/y	MAY	12.3	--	8.9	23:50	09:50
		Coincident Index CI	APR F	--	--	103.8	05:00	15:00
		Leading Index CI	APR F	--	--	96.4	05:00	15:00
		Convenience Store Sales y/y	MAY	--	--	1.6%	07:00	17:00
	EU	ECB Euro-Zone Current Account sa	APR	--	--	-4.7B	08:00	18:00
		Euro-Zone Current Account nsa	APR	--	--	-3.8B	08:00	18:00
		Euro-Zone Labour Costs y/y	1Q	1.9%	--	1.6%	09:00	19:00
		ECB's Stark Speaks in Munich					16:00	02:00
	GE	Producer Prices m/m	MAY	0.0%	--	1.0%	06:00	16:00
		Producer Prices y/y	MAY	6.2%	--	6.4%	06:00	16:00
Tuesday	NZ	Net Migration sa	MAY	--	0	-100	22:45	08:45
21-Jun	AU	Reserve Bank's Board June Minutes					01:30	11:30
		AOFM Auctions A\$200m of August 2015 Treasury Indexed Bonds						
		Mechandise Imports	May	--	--	A\$18.7B	01:30	11:30
		ABARES Australian Commodities Reports	Q2	--	--	--	--	--
	JN	All Industry Activity Index m/m	APR	1.8%	--	-6.3%	04:30	14:30
	EU	ZEW Survey (Econ. Sentiment)	JUN	--	--	13.6	09:00	19:00
	GE	Zew Survey (Current Situation)	JUN	91	--	91.5	09:00	19:00
		ZEW Survey (Econ. Sentiment)	JUN	-5	--	3.1	09:00	19:00
	UK	PSNB ex Interventions	MAY	17.0B	--	10.0B	08:30	18:30
		Public Finances (PSNCR)	MAY	--	--	3.3B	08:30	18:30
		Public Sector Net Borrowing	MAY	--	--	7.7B	08:30	18:30
		CBI Trends Selling Prices	JUN	--	--	24	10:00	20:00
		CBI Trends Total Orders	JUN	--	--	-2	10:00	20:00
	US	Existing Home Sales	MAY	4.85M	--	5.05M	14:00	00:00
		Existing Home Sales m/m	MAY	-4.0%	--	-0.8%	14:00	00:00
	CA	Leading Indicators m/m	MAY	--	--	0.8%	12:30	22:30
		Retail Sales Less Autos m/m	APR	0.5%	--	-0.1%	12:30	22:30
		Retail Sales m/m	APR	0.7%	--	0.0%	12:30	22:30
Wednesday	NZ	Account Deficit-GDP Ratio	1Q	0.4%	0.3%	-2.3%	22:45	08:45
22-Jun		Current Account Balance	1Q	+3.903B	+5.15b	-3.524B	22:45	08:45
	AU	Westpac Leading Index m/m	APR	--	--	0.5%	00:30	10:30
		AOFM Auctions A\$750m of May 2021 Bonds						
	JN	Supermarket Sales y/y	MAY	--	--	-1.3%	05:00	15:00
	EU	Industrial New Orders Nsa y/y	APR	14.0%	--	14.3%	09:00	19:00
		Industrial New Orders sa m/m	APR	1.4%	--	-1.6%	09:00	19:00
		Euro-Zone Consumer Confidence	JUN A	-10	--	-9.8	14:00	00:00
	UK	Bank of England Minutes					08:30	18:30
	US	MBA Mortgage Applications	Jun-17	--	--	13.0%	11:00	21:00
		House Price Index m/m	APR	-0.2%	--	-0.3%	14:00	00:00
		FOMC Rate Decision	Jun-22	0.25%	--	0.25%	16:30	02:30
		Bernanke (voter) Speaks at Fed Press Conference					18:15	04:15
	CA	Bank of Canada Financial System Review					14:30	00:30

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST	
Thursday	AU	Conference Board Leading Index	APR	--	--	0.4%	00:00	10:00	
23-Jun		Financial Accounts	MAR	--	--	A\$3878B	01:30	11:30	
	JN	Foreign Buying Japan Bonds	Jun-17	--	--	-¥341.3B	23:50	09:50	
		Foreign Buying Japan Stocks	Jun-17	--	--	-¥76.8B	23:50	09:50	
		Japan Buying Foreign Bonds	Jun-17	--	--	¥239.5B	23:50	09:50	
		Japan Buying Foreign Stocks	Jun-17	--	--	¥86.1B	23:50	09:50	
		BOJ Board Member Morimoto to Speak in Nagasaki City						01:30	11:30
	EU	PMI Composite	JUN A	--	--	55.8	08:00	18:00	
		PMI Manufacturing	JUN A	53.7	--	54.6	08:00	18:00	
		PMI Services	JUN A	55.4	--	56	08:00	18:00	
	GE	PMI Manufacturing	JUN A	56.7	--	57.7	07:30	17:30	
		PMI Services	JUN A	55.7	--	56.1	07:30	17:30	
	UK	BBA Loans for House Purchase	MAY	--	--	29355	08:30	18:30	
		CBI Reported Sales	JUN	--	--	18	10:00	20:00	
	US	US Treasury auctions 30-Year TIPS							
		Chicago Fed Nat Activity Index	MAY	--	--	-0.45	12:30	22:30	
		Continuing Claims	Jun-11	--	--	3675K	12:30	22:30	
		Initial Jobless Claims	Jun-17	--	--	414K	12:30	22:30	
		Bloomberg Consumer Comfort	Jun-19	--	--	-44	13:45	11:45	
		New Home Sales	MAY	310K	--	323K	14:00	00:00	
		New Home Sales m/m	MAY	-4.0%	--	7.3%	14:00	00:00	
		RPX Composite 28dy Index	Apr-30	--	--	179.78	20:00	06:00	
		RPX Composite 28dy y/y	APR	--	--	0.5%	20:00	06:00	
24 Jun - 1 Jul	GE	Retail Sales m/m	MAY	--	--	0.3%			
		Retail Sales y/y	MAY	--	--	3.6%			
Friday	AU	RBA's Lowe Gives Speech at Banking Luncheon in Adelaide						02:45	12:45
24-Jun		AOFM Auctions A\$750m of April 2015 Bonds							
	JN	Corp Service Price Index y/y	MAY	-0.8%	--	-0.8%	23:50	09:50	
	CH	MNI Business Condition Survey	JUN	--	--	61.22	01:35	11:35	
	EU	ECB's Gonzalez-Paramo Speaks at Award Ceremony in Malaga, Spain						10:00	20:00
	GE	IFO - Business Climate	JUN	--	--	114.2	08:00	18:00	
		IFO - Current Assessment	JUN	--	--	121.4	08:00	18:00	
		IFO - Expectations	JUN	--	--	107.4	08:00	18:00	
	UK	BOE's King Holds Financial Policy Committee Press Conference						09:30	19:30
	US	Cap Goods Orders Nondef Ex Air	MAY	0.8%	--	-2.6%	12:30	22:30	
		Cap Goods Ship Nondef Ex Air	MAY	--	--	-1.7%	12:30	22:30	
		Core PCE q/q	1Q T	1.4%	--	1.4%	12:30	22:30	
		Durable Goods Orders	MAY	1.6%	--	-3.6%	12:30	22:30	
		Durables Ex Transportation	MAY	1.0%	--	-1.6%	12:30	22:30	
		GDP Price Index	1Q T	1.9%	--	1.9%	12:30	22:30	
		GDP q/q (Annualized)	1Q T	1.9%	--	1.8%	12:30	22:30	
		Personal Consumption	1Q T	2.2%	--	2.2%	12:30	22:30	
25-28 JUN	CH	Leading Index	MAY	--	--	102.11			

FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
20 JUNE NZ: Credit Card Spending (May) JP: Trade (May), Leading Index (Apr F) EU: Current Account (Apr) GE: Producer Prices (May)	21 JUNE NZ: Net Migration (Jun) AU: RBA Board Minutes (Jun) , ABARES Commodities Report (Q2) JP: Industry Activity Index (Apr) EU: ZEW Survey (Jun) GE: ZEW Survey (Jun) UK: Public Finances (May) US: Home Sales (May) CA: Leading Indicators (May), Retail Sales (Apr)	22 JUNE NZ: Current Acc. Bal. (Q1) EU: Ind. New Orders (Apr), Consumer Conf. (Jun A) UK: BoE Minutes US: FOMC Rate Decision , House Price Index (Apr), Fed Chairman Bernanke Speaks	23 JUNE AU: Leading Index (Apr) JP: BoJ's Morimoto Speaks EU: PMI Composite, Manuf & Services (Jun A) GE: PMI Manufac & Services (Jun A) US: Chicago Fed Nat Activity Index (May), New Home Sales (May)	24 JUNE AU: RBA's Lowe Speaks JP: Corp Service Index (May) CH: MNI Business Condition Survey (Jun) GE: IFO Business Survey (Jun) US: Durable & Capital Goods Orders (May), GDP (Q1 T), Personal Consumption (Q1 T), Core PCE (Q1 T)
27 JUNE NZ: Trade (May) CH: Leading Index (May) US: PCE Core (May), Dallas Fed Manf Activity (Jun), Personal Income (May), Personal Spending (May)	28 JUNE JP: Retail Trade (May) GE: CPI (Jun P) UK: GDP (Q1 F) US: Case-Shiller Index (Apr), Consumer Conf. (Jun), Richmond Fed Index (Jun)	29 JUNE AU: DEWR Skilled Vacancies (Jun) JP: IP (May P) EU: Business Climate Indicator (Jun), Consumer Conf. (Jun F), Indust, Services and Economic Conf. (Jun) UK: GFK Consumer Conf. (Jun), Consumer Credit (May), Mortgage Approvals (May) US: Home Sales (May) CA: CPI (May)	30 JUNE NZ: Building Permits (May), Business Confidence (Jun) AU: Job Vacancies (May), Private Sector Credit (May) JP: Housing Starts (May), Vehicle Production (May) EU: CPI Est. (Jun) GE: Unemployment Rate (Jun) US: Fed's Bullard Speaks , Chicago PMI (Jun) CA: GDP (Apr)	1 JULY AU: AiG PMI (Jun) JP: CPI (Jun), Jobless Rate (May), Tankan Survey(Q2), Vehicle Sales (Jun) CH: PMI Mfg (Jun), SAR Est. Day (HK) EU: PMI Mfg (Jun F), Unemp. (May) GE: PMI Mfg (Jun F), Retail Sales (May) UK: PMI Mfg (Jun) US: U. of Michigan Conf. (Jun F), Const. Spending (May), ISM Manuf. (Jun) CA: Canada Day Public Holiday
4 JULY NZ: ANZ Commodity Price AU: AiG Perf of Const. Index (Jun), Building Approvals (May), ANZ Job Ads (Jun), Retail Sales (May) EU: Sentix Inv. Conf. (Jul), PPI (May) UK: PMI Const. (Jun) US: Independence Day Public holiday	5 JULY AU: RBA Cash Rate , Trade (May) EU: PMI Composite and Services (Jun F), Retail Sales (May) GE: Import Price Index (May), PMI Services (Jun F) UK: PMI Services (Jun) US: Factory Orders (May)	6 JULY AU: AiG Perf. of Services Index (Jun) JP: Coincident and Leading Index CI (May P) GE: Factory Orders (May) US: Challenger Job Cuts (Jun) CA: Building Permits (May)	7 JULY NZ: GDP (Q1) AU: Employment (Jun) JP: Machine Orders (May) EU: ECB Announces Rates, Trichet Speaks GE: Industrial Prod. (May) UK: BoE Announces Rates , NIESR GDP (Jun), Ind. and Mfg. Prod'n (May), US: ADP Employment (Jun) CA: New Housing Price Index (May), Ivey PMI (Jun)	8 JULY JN: Bank Lending (Jun), Money Stock (Jun) CH: Business Climate Index (Q2), Entrepreneur Confidence Index (Q2) GE: Trade (May), Current Account (May) UK: PPI (Jun) US: Payrolls (Jun), Employment (Jun), W'sale Inventories (May), Consumer Credit (May) CA: Employment (Jun)
11 JULY NZ: Card Spending (Jun) AU: Lending Finance (May) CH: New Yuan Loans (Jun) Money Supply (Jun), Fx Reserves (Jun) JP: Consumer Conf.(Jun) UK: RICS Housing Price Bal. (Jun) CA: Housing Starts (Jun)	12 JULY AU: NAB Business Confidence (Jun) JP: BoJ Target Rate , Dom. CGPI (Jun) GE: CPI (Jun F) UK: CPI (Jun), Trade Balance (May), RPI (Jun) US: Trade Bal. (May), NFIB Small Business Optimism (Jun), JOLTs Job Openings (May)	13 JULY NZ: Food Prices (Jun) AU: Westpac Consumer Confidence (Jul), DEWR Skilled Vacancies (Jul) JP: IP (May F) EU: IP (May) UK: Average Weekly Earnings (May), ILO Unemployment Rate (May) US: FOMC Minutes , Import Price Index (Jun), Monthly Budget Statement (Jun)	14 JULY NZ: Business PMI (Jun) AU: ECB Publishes Monthly Report (Jul) , CPI (Jun) US: PPI (Jun), Retail Sales (Jun), Business Inventories (May)	15 JULY CH: GDP (Q2), CPI (Jun), PPI (Jun), IP (Jun), Retail Sales (Jun) EU: Trade Balance (May) US: CPI (Jun), Empire Manufacturing (Jul), IP (Jun), U. of Michigan Confidence (July P) CA: Manufacturing Sales (May)
18 JULY NZ: CPI (Q2), Performance of Services Index (Jul) JP: Marine Day Holiday US: NAHB Housing Market Index	19 JULY AU: RBA Board Minutes EU: Construction Output (May) GE: ZEW Survey (Jul) US: Housing Starts (Jun), Building Permits (Jun) CA: BoC rates decision	20 JULY EU: Consumer Confidence (Jul A) GE: PPI (Jun) UK: BoE Minutes US: Existing Home Sales (Jun) CA: Wholesale Sales (May), Monetary Policy Report	21 JULY NZ: Net migration (Jun), ANZ Consumer Confidence (Jul) JP: Trade (Jun) EU: Current Account (May) UK : Retail Sales (Jun) US: Fed's Evans speaks , Leading Indicators (Jun), Philly Fed Index (Jul)	22 JULY AU: Trade price index (Q2) EU: Industrial New Orders (May) GE: IFO (Jul) CA: CPI (Jun), Retail Sales (May)

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	2.0	4.1	4.8	5.6
Household consumption	2.8	2.8	2.7	3.0
Dwelling investment	4.0	3.8	-1.4	7.7
Business investment	-0.7	10.1	14.0	13.0
Public demand	9.0	3.3	3.2	2.0
Domestic final demand	3.6	3.9	4.4	4.8
Inventories (contribution to GDP)	0.4	-0.2	0.0	0.0
Gross National Expenditure (GNE)	4.1	3.7	4.4	4.7
Exports	5.3	-0.4	13.2	10.6
Imports	13.3	11.6	15.7	9.7
Net Exports (contribution to GDP)	-1.6	-2.8	-1.0	-0.1
Gross Domestic Product (GDP)	2.7	1.0	3.7	4.3
Prices and wages (annual % change)				
Inflation:	2.8	3.3	2.9	3.1
	2.6	2.6	3.1	3.1
Wages	3.3	3.8	4.1	4.3
Labour market				
Employment (annual % change)	2.7	2.2	2.5	2.5
Unemployment rate (annual average %)	5.2	4.9	4.6	4.2
External sector				
Terms of trade (annual % change)	16.4	18.8	2.9	-2.0
Current account balance: A\$bn	-34.6	-25.3	-36.2	-43.9
% of GDP	-2.6	-1.7	-2.3	-2.6

* Average of RBA weighted median and trimmed mean statistical measure

AUSTRALIAN INTEREST RATES	CURRENT	SEP 11F	DEC 11F	MAR 12F	JUN 12F	SEP 12F
RBA cash rate	4.75	5.00	5.25	5.25	5.50	5.75
90 day bill	4.99	5.30	5.50	5.60	5.80	5.95
3 year bond	4.71	5.40	5.60	5.80	6.00	6.10
10 year bond	5.11	5.70	5.80	5.90	6.00	6.00
3s10s yield curve	0.40	0.30	0.20	0.10	0.00	-0.10
3 year swap	5.05	5.70	6.00	6.20	6.40	6.50
10 year swap	5.65	6.25	6.35	6.45	6.55	6.55

INTERNATIONAL INTEREST RATES	CURRENT	SEP 11F	DEC 11F	MAR 12F	JUN 12F	SEP 12F
RBNZ cash rate	2.50	2.50	2.75	3.25	3.50	3.75
NZ 90 day bill	2.67	2.69	3.14	3.67	3.75	4.17
US Fed funds note	0.25	0.25	0.25	0.75	1.50	2.00
US 2 year note	0.38	1.00	1.30	1.60	1.90	2.30
US 10 year note	2.92	3.70	3.90	4.10	4.20	4.30
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.25	1.50	1.50	1.50	1.75	2.00
UK repo rate	0.50	0.75	1.00	1.00	1.25	1.75

FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	SEP 11F	DEC 11F	MAR 12F	JUN 12F	SEP 12F
Australian exchange rates						
A\$/US\$	1.05	1.08	1.04	1.02	1.00	0.98
NZ\$/US\$	0.80	0.77	0.75	0.74	0.72	0.71
A\$/¥	84.9	92.9	91.5	91.8	92.0	91.1
A\$/€	0.74	0.79	0.77	0.77	0.75	0.73
A\$/£	0.65	0.68	0.66	0.65	0.64	0.62
A\$/NZ\$	1.31	1.40	1.39	1.38	1.39	1.38
A\$/C\$	1.04	1.03	1.00	1.00	0.99	0.99
A\$/CHF	0.89	0.97	0.96	0.96	0.96	0.96
A\$/CNY	6.81	6.84	6.48	6.28	6.10	5.92
A\$ Trade weighted index	76.9	80.8	78.4	76.9	75.3	73.5
International cross rates						
US\$/¥	80.6	86.0	88.0	90.0	92.0	93.0
€/US\$	1.41	1.37	1.35	1.33	1.33	1.35
€/¥	114	118	119	120	122	126
£/US\$	1.61	1.60	1.58	1.57	1.57	1.57
€/£	0.88	0.86	0.85	0.85	0.85	0.86
US\$/C\$	0.98	0.95	0.96	0.98	0.99	1.01
US\$/CHF	0.85	0.90	0.92	0.94	0.96	0.98
US\$ index	75.6	77.4	78.6	80.4	80.1	80.5
Asia exchange rates						
US\$/CNY	6.47	6.33	6.23	6.16	6.10	6.04
US\$/HKD	7.80	7.78	7.80	7.80	7.80	7.80
US\$/IDR	8605	8900	8700	8500	8300	8100
US\$/INR	44.9	46.5	47.0	46.3	45.6	44.9
US\$/KRW	1089	1155	1175	1150	1125	1100
US\$/MYR	3.05	3.10	3.15	3.13	3.10	3.07
US\$/PHP	43.6	45.3	45.9	45.5	45.0	44.5
US\$/SGD	1.24	1.27	1.28	1.27	1.26	1.25
US\$/THB	30.60	30.90	31.70	31.50	31.30	31.10
US\$/TWD	28.93	30.00	30.50	30.25	30.00	29.75
US\$/VND	20618	21400	21400	22000	22000	22000
Pacific exchange rates						
PGK/US\$	0.436	0.385	0.378	0.372	0.366	0.366
FJD/US\$	0.565	0.548	0.538	0.530	0.522	0.522

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