



# ECONOMICS & MARKETS RESEARCH

## ANZ AUSTRALIAN ECONOMICS TOOLBOX

7 MAY 2010

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### CONTRIBUTORS

**Warren Hogan, Chief Economist, Australia**  
+61 2 9227 1562  
Warren.Hogan@anz.com

**Katie Dean, Senior Economist**  
+61 3 9273 1381  
Katie.Dean@anz.com

**Shane Lee, Senior Economist**  
+61 2 9227 4632  
Shane.Lee@anz.com

**Amber Rabinov, Senior Economist**  
+61 3 9273 4853  
Amber.Rabinov@anz.com

**David Cannington, Economist**  
+61 3 9273 4274  
David.Cannington@anz.com

**Andrew Dowman, Research Analyst**  
+61 3 9273 6881  
Andrew.Dowman@anz.com

### ECONOMIC UPDATE: MONETARY AND BUDGETARY POLICY IN FOCUS

- The RBA raised the cash rate by 25bp to 4.50% as expected.** Although actual interest rates in the economy are now around their 10-year average levels, we do not think that monetary policy has reached a 'neutral' setting. In particular, the re-commencement of the commodity boom, strong population growth and high rates of capital formation all suggest that **a neutral cash rate for the economy is perhaps 50bp higher than the current 4.50%.** Strong housing markets, high consumer confidence and rising credit growth are all consistent with the view that monetary policy is still stimulatory to the economy. Nonetheless, we expect that RBA to sit back and observe how the economy plays out for a few months. Momentum in the high frequency activity data is beginning to slow – note the **lacklustre rebound in the March retail sales figures released yesterday, rising just 0.3% following February's 1.2% slump.** And next week's labour force numbers are also expected to show a continuation in April of a slower, more sustainable pace of growth in jobs than the late 2009 – early 2010 surge. Nonetheless, with the RBA upgrading its outlook in this morning's Statement on Monetary Policy, policy rates will undoubtedly continue to rise. **The RBA now expects economic growth to reach 3¼% by the end of 2010, stepping up to 3¾% in 2011 and 4% by the end of 2012, and core inflation to trough at 2¾% before heading back up to 3% by mid-2012.** Under these conditions, we see the cash rate at 5.25% by year's end, and moving into restrictive territory of 6% in 2011.
- This week welcomed the release of the Government's response to the Henry Tax Review (HTR). At this stage, just three of the 138 recommendations from the HTR have been acted upon.** The Government's initial wave of reform will be focussed on resource, company, and small business taxation, as well as superannuation. Key to the reforms is the proposal to implement a 40% Resources Super Profits Tax, with the revenue raised to be used to fund a cut in company tax to 28% from 30%, and kick-start a state infrastructure fund. However, with the changes to be phased in over 2012-13 and 2013-14, they are unlikely to have much impact on the short-term economic outlook. In the long term, the government's own analysis suggests that Sunday's announcements will add 0.7 percentage points to GDP and 1.1 percentage points to real wages. **All eyes have now turned to next week's 2010-11 Federal Budget.** While we do not expect much improvement in the underlying cash deficit in 2010-11, we have factored in a significant upgrade of the 2011-12 balance the back of this year's sharp rise in commodity prices hitting government revenues, which in turn should help see the budget return to surplus by 2013-14.

### THE WEEK AHEAD

- Public policy will remain firmly centre stage in **Australia** next week, with the 2010-11 Federal Budget to be handed down on Tuesday evening. Employment data will be in focus, with the ANZ Job Advertisements series and ABS labour force survey both due for release. Also watch out for housing finance data and NAB business confidence, and a speech by RBA Assistant Governor Lowe to an investment forum.
- In the **US**, the key data releases next week will be advance retail sales, industrial production, and the trade balance. Also watch out for small business sentiment data, wholesale inventories, import prices, University of Michigan consumer confidence, capacity utilisation, and business inventories.
- In the **Euro zone**, the key release will be the first estimate of Q1 GDP. Industrial production, investor sentiment, and the ECB's monthly report will also be released. **UK** markets will welcome the (delayed) BoE rate decision on Monday, as well as the BoE's Quarterly Inflation Report on Wednesday. Consumer confidence numbers, industrial production, the trade balance and the unemployment rate are also due out.
- The monthly **Chinese** data dump is due next week, with inflation, industrial production, fixed asset investment, and international trade data the key data to watch. In **Japan**, look out for the minutes from last month's BoJ monetary policy meeting, and trade and bank lending data.

**Katie Dean**  
**Senior Economist**  
 +61 3 9273 1381  
 katie.dean@anz.com

## FEDERAL BUDGET OUTLOOK

With interest rates still more likely to go up than down, fiscal policy cannot afford to be unduly stimulatory. Next week's Budget therefore must both wind back last year's aggressive policy stimulus but also present a credible medium-term strategy to return to surplus.

Certainly Australia's relatively strong economic performance over the past year has set the platform for an improving budget outlook. The challenge for the Government will be to bank a good portion of these budget gains, as well as to cut some of the short-term stimulus out of the system.

In the short-term, the Government appears mindful of the need to ease policy stimulus. Several programs have already been scaled back, such as cuts to promised childcare places. However with the upcoming election front of mind, scope for further spending reductions in the short-term may be limited. We therefore expect that rapid improvement in the budget deficit may be difficult to achieve. In our view, the biggest improvement in the budget will not occur until 2011-12, when the impact of this year's sharp rise in commodity prices hits revenues. The deficit should more than halve in that year (see Figure 1).

A set of budget figures such as our estimates below should be 'enough' to satisfy markets that expansionary fiscal policy is being (gradually) unwound, and so should have little implications for monetary policy.

**FIGURE 1: UNDERLYING CASH BALANCE – ANZ PROJECTIONS - \$BN**

	2009-10	2010-11	2011-12	2012-13
<b>MYEFO Nov-09</b>	-58	-47	-31	-16
<b>(% of GDP)</b>	(-4.7)	(-3.6)	(-2.3)	(-1.1)
Parameter variations – ANZ estimates	8	17	19	12
<b>New Budget starting point</b>	-50	-30	-12	-4
Net discretionary spending \$bn	2.0	-3.0	-4.0	-5.0
<b>2010-11 Budget</b>	<b>-48</b>	<b>-33</b>	<b>-16</b>	<b>-9</b>
<b>(% of GDP)</b>	<b>(-3.6)</b>	<b>(-2.3)</b>	<b>(-1.0)</b>	<b>(-0.6)</b>

Source: Commonwealth Treasury and ANZ

Against this backdrop, the medium-term policy challenge is probably the more interesting part of this year's budget. The Government will need to return to surplus but also deliver on some new and potentially expensive medium-term policy commitments, such as the new federal-state health reform agreement. The Government has announced some new medium-term savings measures, including this week's proposed tax changes, the deferral of the emissions trading and reported cuts to pharmaceutical prices.

But there is nevertheless a risk that spending will accelerate once the budget returns to surplus. This will hamper the improvement in the budget position in the out-years and slowing the reduction in net debt. That said, we should still see a quicker return to surplus than previously thought. Our forecast is for the budget to return to surplus in 2013-14, two years earlier than the Government's previous forecast. Failure to deliver a surplus before 2015-16 would be viewed unfavourably by markets given Australia's strong economy.

The politics of deficits suggests the scope for 'big-bang' policy announcements next week may be limited. The Government may also wish to keep significant policy announcements for closer to the election. Aside from the focus on health reform, we therefore expect the Budget to focus on some new, 'smaller', medium-term policy initiatives. Further action on the Henry tax review seems likely, such as reducing the tax rate on deposits and measures to simplify business and personal tax reforms. Other policies will likely focus on education, infrastructure and possibly housing affordability.

We will also be closely watching the Government's economic forecasts, particularly the longer-term projections for nominal GDP growth. Any upgrade beyond 6.0% could suggest the Government is now officially incorporating a commodity 'super-cycle' into its forecasts. This would raise revenue projections and provide further scope for new discretionary spending pledges.

For further detail on the 2010-11 Budget, please refer to our reports posted [here](#).



**Shane Lee**  
**Senior Economist**  
 +61 3 9227 4632  
 shane.lee@anz.com

## RBA STATEMENT ON MONETARY POLICY

In today's Statement on Monetary Policy the RBA continued to remain positive on global growth, despite the concerns about sovereign debt in Europe and financial markets concerns about its impact on the global economy. The Bank stated that *"outside of Europe, the impact has been more limited"*. However, it acknowledged that recently yields in the major countries and global equity prices have both been lower.

The general tone of the statement suggests there is still longer-term upward pressure on the cash rate, but in the Bank's view lending rates to borrowers are now at normal levels. It has been the RBA's strategy over the past eight months to normalise rates provided both the global and domestic outlook have warranted it, and this has now effectively played out. As a result, there is probably little near-term upward pressure on the cash rate.

The rise in the terms of trade coming from the large increase in both contract iron ore and contract coal prices will raise the neutral rate of interest further over the next 12 months and over the medium term, and the Bank will need to respond to this. However, if the global economy is not derailed by the European sovereign debt issues then the risk remains that policy needs to become restrictive at some point in the cycle.

The Bank continues to acknowledge the positive outlook for investment in the resources sector and the flow-on effect that creates for the broader economy. This *"pick-up in investment will support growth in the Australian economy at a time when the boost from the earlier expansionary policy settings is diminishing. It will also expand the supply capacity of the economy, with growth in resource exports likely to pick up further over coming years"*.

The strong rise in house prices in both Sydney and Melbourne was acknowledged in the Statement and this remains a concern for the RBA, although the increase in mortgage rates over the past few months should slow growth in both of these cities over coming months.

The positive language from the Bank on the outlook is spelt-out more formally in upgrades to its growth and inflation forecasts. In 2011, it raised its GDP forecast to 3.75% from 3.5% and it is now forecasting 4% growth in 2012. RBA raised its underlying inflation forecasts for 2010 to 2.75% from 2.5% and by the middle of 2012 it now expects it to be at the top of the target band.

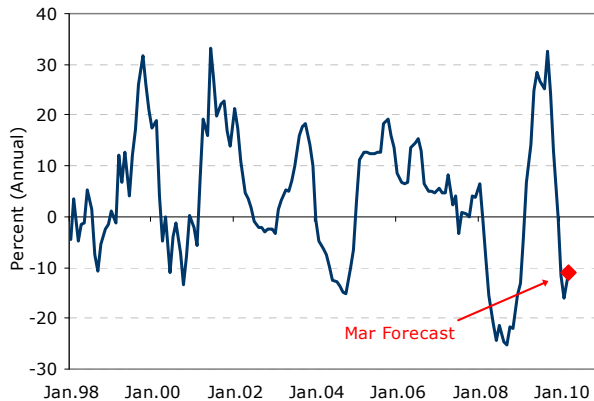
**FIGURE 2: GDP AND INFLATION FORECASTS**

	Q210	Q410	Q211	Q411	Q212	Q412
<b>RBA GDP</b>	2½	3¼	3¾	3¾	3¾	4
RBA GDP (previous)	2½	3¼	3½	3½	3½	
ANZ GDP	2.9	3.2	3.1	3.3	3.5	3.2
<b>CPI inflation</b>	3¼	3¼	3	2¾	3	3
CPI inflation (previous)	3	2½	2½	2¾	2¾	
ANZ CPI inflation	2.9	2.6	2.9	3.0	3.0	3.3
<b>RBA Underlying inflation</b>	2¾	2¾	2¾	2¾	3	3
RBA Underlying inflation (previous)	2½	2½	2½	2¾	2¾	
ANZ Underlying inflation	2.9	2.7	2.8	3.1	2.9	3.2

Source: RBA and ANZ

## DATA & EVENT CALENDAR

**Chart 1: Housing Finance Approvals (Mar)**



### 12 May: Housing Finance Approvals (Mar)

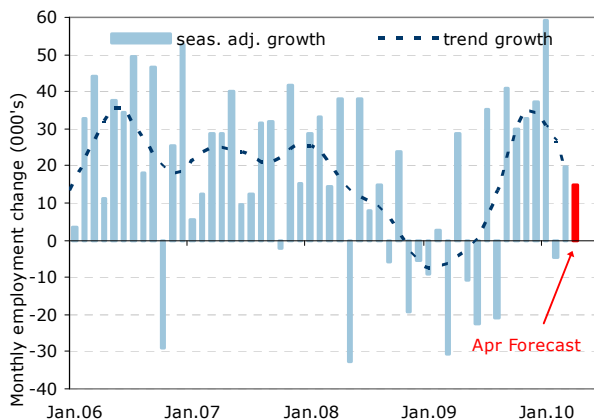
**ANZ: -4.4% MoM, -10.9% YoY**

**Market: -2.0%MoM**

**Last: -1.8% MoM, -16.1% YoY**

Housing finance approvals are expected to be slightly weaker in March. The data are expected to reflect a continued decline in finance commitments (in both value and number) for the owner-occupier segment of the market, while finance commitments for the investor segment are also expected to be down in response to the March interest rate hike. Slowing momentum of finance approvals is of particular concern for the underlying undersupply issue facing the housing market as monetary policy continues to tighten. Construction loan approvals have fallen 12.2% since October 2009 and are expected to be down again in March. Despite the recent backflip on FIRB housing purchase requirements, housing market indicators suggest house prices will moderate but continue to grow into 2010.

**Chart 2: Employment Change (Apr)**



### 13 May: Labour Force (Apr)

**Employment growth**

**ANZ: +15K**

**Market: +25K**

**Last: +19.6K**

**Unemployment rate**

**ANZ: 5.3%**

**Market: 5.3%**

**Last: 5.3%**

**Participation rate**

**ANZ: 65.2%**

**Market: 65.2%**

**Last: 65.1%**

We have welcomed the moderation in jobs growth over the past two months following the outsized gains enjoyed between September 2009 and January 2010. This stabilisation in employment numbers has also been accompanied by a conversion of part-time to full-time jobs.

While we do expect the unemployment rate to continue to head lower over the course of the year, the near-term activity data suggest that jobs growth in April has continued on its more moderate path. Our forecast is for net employment growth of 15,000 in the month. We could see the participation rate edge higher to 65.2% after dipping to 65.1% over the last two months; this would be sufficient to keep the unemployment rate steady at 5.3%.

## DATA &amp; EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT
9 May	NZ	QV House Prices YoY - (Apr)	nf	na	6.1%	10:00
10-12 May	CH	China NDRC Housing Prices - (Apr)	nf	11.6	11.7	-
10-14 May	CH	Money Supply - M0 YoY - (Apr)	nf	na	15.8%	-
		Money Supply - M1 YoY - (Apr)	nf	28.7%	29.9%	-
		Money Supply - M2 YoY - (Apr)	nf	22.0%	22.5%	-
		New Yuan Loans - (Apr)	nf	585.0B	510.7B	-
	UK	Nationwide Consumer Confidence	nf	na	72	-
10 May	AU	ANZ Job Advertisements MoM - (Apr)	nf	na	1.8%	01:30
		NAB Business Conditions - (Apr)	nf	na	13	01:30
		NAB Business Confidence - (Apr)	nf	na	16	01:30
	JP	<b>BoJ Monetary Policy Meeting Minutes - (Apr)</b>	-	-	-	<b>23:50</b>
	CH	Trade Balance (USD) - (Apr)	\$5.90B	-\$0.55B	-\$7.24B	04:00
		Exports YoY - (Apr)	35.0%	28.9%	24.3%	04:00
		Imports YoY - (Apr)	51.5%	51.5%	66.0%	04:00
	EU	Sentix Investor Confidence - (May)	nf	na	2.5	08:30
	GE	Trade Balance - (Mar)	nf	14.5B	12.6B	06:00
		Imports sa MoM - (Mar)	nf	na	0.2%	06:00
		Current Account - (Mar)	nf	14.0B	€9.1B	06:00
		Exports SA (MoM)	nf	2.5%	5.1%	06:00
	UK	<b>BOE ANNOUNCES RATES</b>	<b>0.50%</b>	<b>0.50%</b>	<b>0.50%</b>	<b>11:00</b>
		BOE Asset Purchase Target - (May)	nf	200B	200B	11:00
	US	<b>Fed's Kocherlakota Speaks in Minneapolis</b>	-	-	-	<b>17:00</b>
	CA	Housing Starts - (Apr)	nf	200.0K	200.9K	12:15
11 May	NZ	NZ Card Spending MoM - (Apr)	nf	na	2.1	
	AU	<b>Australia's 2010-11 Federal Budget delivered in Canberra</b>	-	-	-	09:30
	CH	Producer Price Index YoY - (Apr)	6.5%	6.5%	5.9%	02:00
		Purchasing Price Index YoY - (Apr)	nf	12.1%	11.5%	02:00
		Consumer Price Index YoY - (Apr)	2.9%	2.7%	2.4%	02:00
		Retail Sales YoY - (Apr)	18.2%	18.2%	18.0%	02:00
		Retail Sales YTD YoY - (Apr)	nf	18.0%	17.9%	02:00
		Industrial Production (YoY) - (Apr)	18.5%	18.5%	18.1%	02:00
		Industrial Production YTD YoY - (Apr)	nf	19.3%	19.6%	02:00

## DATA &amp; EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT
11 May	CH	Fixed Assets Inv Urban YTD YoY - (Apr)	26.0%	26.0%	26.4%	02:00
	EU	<b>ECB's Ordenez Speaks in Madrid</b>	-	-	-	<b>07:15</b>
	GE	Consumer Price Index MoM - (Apr F)	nf	-0.1%	-0.1%	06:00
		Consumer Price Index YoY - (Apr F)	nf	1.0%	1.0%	06:00
		CPI - EU Harmonised MoM - (Apr F)	nf	na	-0.1%	06:00
		CPI - EU Harmonised YoY - (Apr F)	nf	na	1.0%	06:00
	UK	BRC April Retail Sales Monitor - (Apr)	-	-	-	23:01
		RICS House Price Balance - (Mar)	nf	na	9%	23:01
		Industrial Production MoM - (Mar)	nf	0.3%	1.0%	08:30
		Industrial Production YoY - (Mar)	nf	0.4%	-0.1%	08:30
		Manufacturing Production MoM - (Mar)	nf	0.3%	1.3%	08:30
		Manufacturing Production YoY - (Mar)	nf	1.5%	1.4%	08:30
	US	NFIB Small Business Optimism - (Apr)	nf	na	86.8	11:30
		Wholesale Inventories - (Mar)	nf	0.5%	0.6%	14:00
		IBD/TIPP Economic Optimism - (May)	nf	na	48.4	14:00
		ABC Consumer Confidence - (May 9)	nf	na	-47	21:00
		<b>Fed's Lacker Speaks at University of North Carolina Greensboro</b>	-	-	-	<b>12:30</b>
		<b>Fed's Lockhart Speaks at Atlanta Financial Markets Conference</b>	-	-	-	<b>17:15</b>
		<b>Fed's Plosser Speaks at Atlanta Financial Markets Conference</b>	-	-	-	<b>17:30</b>
12 May	AU	Home Loans - (Mar)	-4.4%	-2.0%	-1.8%	01:30
		Investment Lending - (Mar)	nf	na	-1.1%	01:30
		Value of Loans MoM - (Mar)	nf	na	-4.4%	01:30
		<b>AOFM auctions \$700 mn of June 2011 Bonds</b>	-	-	-	-
	JP	Official Reserve Assets - (Apr)	nf	na	\$1042.7B	23:50
		Leading Index CI - (Mar P)	nf	na	98.5	05:00
		Coincident Index CI - (Mar P)	nf	na	100.5	05:00
	EU	Euro-Zone Ind. Prod. sa MoM - (Mar)	nf	0.7%	0.7%	09:00
		Euro-Zone Ind. Prod. wda YoY - (Mar)	nf	na	4.0%	09:00
		Euro-Zone GDP sa QoQ - (Q1 A)	nf	0.2%	0.0%	09:00
		Euro-Zone GDP sa YoY - (Q1 A)	nf	0.4%	-2.2%	09:00
	GE	GDP sa QOQ - (Q1 P)	nf	-0.1%	0%	06:00
		GDP wda YoY - (Q1 P)	nf	1.1%	1.0%	06:00
		GDP nsa YoY - (Q1 P)	nf	na	-	06:00
	UK	Claimant Count Rate - (Apr)	nf	na	4.8%	08:30

## DATA &amp; EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT	
12 May Cont	UK	Jobless Claims Change – (Apr)	nf	-20.0K	-32.9K	08:30	
		Average Weekly Earnings 3M/YoY – (Mar)	nf	na	2.3%	08:30	
		Weekly Earnings exBonus 3M/YoY – (Mar)	nf	na	1.7%	08:30	
		ILO Unemployment Rate (3mths) – (Mar)	nf	na	8.0%	08:30	
		<b>Bank of England Quarterly Inflation Report</b>	-	-	-	<b>09:30</b>	
	NIESR GDP Estimate – (Apr)	nf	na	0.4%	-		
	US	MBA Mortgage Applications – (May 7)	nf	na	4.0%	11:00	
		Trade Balance – (Mar)	nf	-\$39.9B	-\$39.7B	12:30	
		Monthly Budget Statement – (Apr)	nf	-\$20.0B	-\$20.9B	18:00	
		<b>Fed's Rosengren Moderates Financial Markets Panel in Atlanta</b>	-	-	-	<b>14:15</b>	
		<b>Fed's Lockhart Speaks at Atlanta Financial Markets Conference</b>	-	-	-	<b>16:30</b>	
		<b>Fed's Bullard Speaks on Economy in Nashville, Tennessee</b>	-	-	-	<b>17:15</b>	
		CA	New Housing Price Index MoM – (Mar)	nf	0.3%	0.1%	12:30
			Int'l Merchandise Trade – (Mar)	nf	1.6B	1.4B	12:30
	13 May	NZ	Business NZ PMI – (Apr)	nf	na	56.3	22:30
Food Prices MoM – (Apr)			nf	na	0.2%	22:45	
AU		<b>RBA Assistant Governor Lowe speaks in Sydney</b>	-	-	-	<b>01:00</b>	
		Employment Change – (Mar)	+15K	25.0K	19.6K	01:30	
		Unemployment Rate – (Mar)	5.3%	5.3%	5.3%	01:30	
		Full Time Employment Change – (Mar)	nf	na	30.1K	01:30	
		Part Time Employment Change – (Mar)	nf	na	-10.6K	01:30	
		Participation Rate – (Mar)	65.2%	65.2%	65.1%	01:30	
		JP	Current Account Total – (Mar)	nf	na	¥1470.6B	23:50
Adjusted Current Account Total – (Mar)			nf	na	¥1119.0B	23:50	
Trade Balance – (Mar)			nf	na	¥778.0B	23:50	
Japan Money Stock M2 YoY – (Apr)			nf	na	2.6%	23:50	
Japan Money Stock M3 YoY – (Apr)			nf	na	2.0%	23:50	
Bank Lending YoY – (Apr)			nf	na	-1.8%	23:50	
Bank Lending Banks YoY – (Apr)			nf	na	-2.0%	23:50	
Bank Lending Banks Adjust YoY – (Apr)	nf		na	-1.7%	23:50		
Bankruptcies YoY – (Apr)	nf	na	-14.5%	04:30			
Eco Watchers Survey: Current – (Apr)	nf	na	47.4	-			

## DATA &amp; EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT
13 May Cont	JP	Eco Watchers Survey: Outlook – (Apr)	nf	na	47.0	-
	EU	<b>ECB Publishes May Monthly Report</b>	-	-	-	<b>08:00</b>
	UK	Nationwide Consumer Confidence – (Apr)	nf	73	72	23:01
		Visible Trade Balance GBP/Mn	nf	na	-£6179	23:01
		Trade Balance Non EU GBP/Mn	nf	na	-£3329	08:30
		Total Trade Balance (GBP/Mln)	nf	na	-£2061	08:30
		DCLG UK House Prices (YoY)	nf	na	7.4%	08:30
	US	Import Price Index MoM – (Apr)	nf	0.8%	0.7%	12:30
		Import Price Index YoY – (Apr)	nf	11.3%	11.4%	12:30
		Initial Jobless Claims – (May 8)	nf	440K	444K	12:30
		Continuing Claims – (May 1)	nf	4590K	4594K	12:30
		<b>Fed's Kohn Speaks in Ottawa</b>	-	-	-	<b>13:00</b>
		<b>Bernanke Participates in Q&amp;A Session in Philadelphia</b>	-	-	-	<b>16:30</b>
		<b>Fed's Kocherlakota Speaks in Altoona, Wisconsin</b>	-	-	-	<b>17:00</b>
		<b>Fed's Fisher Speaks in Odessa, Texas</b>	-	-	-	<b>17:15</b>
14 May	NZ	REINZ Housing Price Index MoM – (Apr)	nf	na	1.7%	22:00
		REINZ House Sales YoY – (Apr)	nf	na	-8.0%	22:00
		Retail Sales MoM – (Mar)	1.6%	1.2%	-0.6%	22:45
		Retail Sales Ex-Auto MoM – (Mar)	1.5%	1.5%	-0.9%	22:45
		Retail Sales Ex Inflation QoQ – (Q1)	0.3%	0.4%	1.0%	22:45
		Non Resident Bond Holdings – (Apr)	nf	na	63.6%	03:00
	AU	<b>AOFM auctions 1000 mn of Dec 2013 bonds</b>	-	-	-	-
	EU	<b>ECB's Constancio Speaks in Lisbon</b>	-	-	-	<b>08:00</b>
	US	Advance Retail Sales – (Apr)	nf	0.3%	1.9%	12:30
		Retail Sales Less Autos – (Apr)	nf	0.5%	0.9%	12:30
		Retail Sales Ex Auto & Gas – (Apr)	nf	0.4%	0.7%	12:30
		Industrial Production – (Apr)	nf	0.6%	0.1%	13:15
		Capacity Utilization – (Apr)	nf	73.7%	73.2%	13:15
		U. of Michigan Consumer Confidence – (May P)	nf	73.5	72.2	13:55
		Business Inventories – (Mar)	nf	0.4%	0.5%	14:00
		<b>Fed's Evans Speaks in Illinois</b>	-	-	-	<b>17:40</b>
	CA	New Motor Vehicle Sales MoM – (Mar)	nf	-4.0%	8.1%	12:30
		Manufacturing Sales MoM – (Mar)	nf	1.0%	0.1%	12:30

# FIVE WEEKS AT A GLANCE

Monday	Tuesday	Wednesday	Thursday	Friday
<p><b>17 May</b> JP: Domestic CGPI (Apr), Machine Orders (Mar), Domestic CGPI (Apr), CH: Actual FDI (Apr) EU: EU 25 New Car Registrations (Apr) US: Empire Manufacturing (May), Net Long-term TIC Flows (Mar), Total Net TIC Flows (Mar), NAHB Housing Index (May)</p>	<p><b>18 May</b> NZ: PPI (Q1) AU: <b>RBA Board's May Policy Meeting Minutes</b> JP: Tertiary Industry Index (Mar), Consumer Confidence (Apr) EU: CPI (Apr), Trade Balance (Mar) GE: ZEW Survey (Econ. Sentiment) (May) UK: CPI (Apr), RPI (Apr) US: PPI (Apr), Housing starts (Apr)</p>	<p><b>19 May</b> AU: Westpac Consumer Confidence (May), Wage Cost Index (Q1), DEWR Skilled Vacancies (May) JP: Industrial Production (Mar), Capacity Utilization (Mar) EU: Construction Output (Mar) UK: <b>BoE Minutes</b> US: CPI (Apr)</p>	<p><b>20 May</b> NZ: <b>New Zealand Budget</b>, ANZ Consumer Confidence Index (May) AU: Consumer Inflation Expectation (May), Ave Weekly Wages (Feb) JP: GDP (Q1), GDP Deflator (Q1) EU: Consumer Confidence (May) GE: Producer Prices (Apr) UK: Retail Sales (Apr) CA: Leading indic. (Apr)</p>	<p><b>21 May</b> NZ: Visitor Arrivals (Apr) JP: <b>BoJ Target Rate</b> EU: Current Account (Mar) GE: GDP (Q1), IFO - Business Climate (May) UK: M4 Money Supply (Apr) US: Leading Indicators (Apr), Phil Fed Business Outlook Survey CA: CPI (Apr), Retail Sales (Apr)</p>
<p><b>24 May</b> AU: New Motor Vehicle Sales (Apr) JP: All Industry Activity Index (Mar), <b>BoJ Monthly Report</b> CH: Leading Index EU: PMI for Services and Manufacturing GE: PMI for Services and Manufacturing UK: Nat'wide House prices sa (May) US: Existing Home Sales (Apr)</p>	<p><b>25 May</b> EU: Industrial New Orders SA (Mar) UK: GDP (Q1), BBA Loans for House Purchase (Apr) US: Richmond Fed Manufact. Index (May), Consumer Confidence (May)</p>	<p><b>26 May</b> AU: Construction Work Done (Q1) JP: <b>BoJ Monetary Policy Meeting Minutes for Apr</b> US: MBA Mortgage Applications (May 21), Durable Goods Orders (Apr), New Home Sales (Apr)</p>	<p><b>27 May</b> NZ: Trade Balance (Apr) AU: Private Capital Expenditure (Q1) JP: Merchnds Trade Balance Total (Apr), Adjusted Merchnds Trade Bal. (Apr) US: GDP (Q1), Personal Consumption (Q1), Core PCE Q1, Initial Jobless Claims (May 22)</p>	<p><b>28 May</b> NZ: Building Permits (Apr) JP: CPI (Apr), Retail Trade (Apr), Jobless Rate (Apr) GE: CPI (May) US: Personal Income (Apr), Personal Spending (Apr), Chicago Purchasing Manager (May) CA: Current Account (Q1)</p>
<p><b>31 May</b> NZ: NBNZ Business Confidence (May) AU: TD Securities Inflation (May), Private Sector Credit (Apr), Current Account Balance (Q1), Company Operating Profit (Q1) JP: Industrial Production (Apr P), Housing Starts (Apr) EU: Industrial Confidence (May);M3 (Apr) CA: Industrial Product Price (Apr), GDP (Mar)</p>	<p><b>1 June</b> AU: <b>RBA CASH TARGET</b>, AiG Performance of Mfg Index (May), Building Approvals (Apr) JP: Vehicle Sales (May) CH: PMI Manu (May) EU: UE Rate (Apr) GE: UE Rate (Apr) UK: PMI Manu (May) US: ISM Manu (May), Construction Spending (Apr) CA: <b>Bank of Canada Rate Decision</b></p>	<p><b>2 June</b> NZ: ANZ Commodity Price (May) AU: GDP (Q1) EU: PPI (Apr) UK: Mortgage Approvals (Apr) US: MBA Mortgage Applications (May 28), Pending Home Sales (Apr)</p>	<p><b>3 June</b> AU: Trade Balance (Apr) JP: Capital Spending (Q1) EU: Retail Sales (Apr), PMI Services and Composite (May F) GE: PMI Services ( May F) UK: PMI Services US: ADP Employment Change (May), Initial Jobless Claims (May 29), Factory Orders (Apr), ISM Non-Manf. Composite (May)</p>	<p><b>4 June</b> EU: GDP (Q1 P) US: Change in Nonfarm Payrolls (May), Unemployment Rate (May) CA: Net Change in Employment (May), Unemployment Rate (May), Ivey Purchasing Managers Index (May)</p>
<p><b>7 June</b> GE: Factory Orders (Apr) US: Consumer Credit (Apr)</p>	<p><b>8 June</b> NZ: Manufacturing Activity (Q1) JP: Current Account Total (Apr), Trade Balance (Apr) GE: Trade Balance (Apr), Imports (Apr), Exports (Apr), Current Account (Apr), Industrial Production (Apr) US: ABC Consumer Confidence (Jun 6) CA: Housing Starts (May)</p>	<p><b>9 June</b> AU: Home Loans (Apr), NAB Business Confidence (May), Value of Loans (Apr) JP: Machine Orders (Apr) GE: Total Trade Balance (Apr) US: MBA Mortgage Applications (Jun5), Wholesale Inventories (Apr), Fed's Beige Book</p>	<p><b>10 June</b> NZ: <b>RBNZ Official Cash Rate</b>, Business PMI (May) AU: Employment Change (May), UE Rate (May), Participation Rate (May) JP: GDP (Q1), CH: Trade Balance (May), EU: <b>ECB Announces Interest Rates</b> GE: CPI (May F) UK: <b>BoE ANNOUNCES RATES</b></p>	<p><b>11 June</b> NZ: Food Prices (May) CH: PPI (May), CPI (May), Retail Sales (May), Industrial Production (May), UK: PPI (May), Industrial Production (Apr), Manu Production (Apr) US: Retail Sales Less Autos (May), Business Inventories (Apr) CA: Capacity Utilization</p>
<p><b>14 June</b> JP: BSI Large All Industry (Q2), BSI Large Manuf (Q2) EU: Euro-Zone Ind. Prod. (Apr)</p>	<p><b>15 June</b> NZ: Retail Sales (Apr) AU: <b>RBA Board's June Policy Meeting Minutes</b> JP: Industrial Prod. (Apr) EU: Employment (May), ZEW Survey (Jun) GE: ZEW Survey (Jun) UK: CPI (May), RPI (May), US Import Price Index (May), Empire Manufacturing (Jun), NAHB Housing Market Index (Jun) CA: Manuf Sales (Apr)</p>	<p><b>16 June</b> NZ: House Sales (May) AU: Westpac Leading Index (Apr), Dwelling Starts (Q1) JP: BOJ Target Rate EU: CPI (May) UK : Jobless Claims Change (May), ILO UE Rate (May) US: MBA Mortgage Applications (Jun 11), PPI (May), Housing Starts (May), Industrial Production (May),</p>	<p><b>17 June</b> NZ: ANZ Consumer Confidence (Jun) AU: RBA Foreign Exchange Transactions (May) JP: Tertiary Industry Index (Apr) UK: Retail Sales (May) US: CPI (May), Leading Indicators (May), Initial Jobless Claims (Jun 12), Current Account Balance (Q1)</p>	<p><b>18 June</b> JP: <b>BoJ Monetary Policy Meeting Minutes for May</b> EU: <b>ECB Publishes June Monthly Report</b> GE: Producer Prices (May) UK: M4 Money Supply (May P) CA: Leading Indicators (May)</p>

# CENTRAL BANK RELEASES FOR 2010

JANUARY	FEBRUARY	MARCH	APRIL
6th - FOMC Minutes 7th - BoE 14th - ECB 19th - BoC 20th - BoE Minutes 25-26th - BoJ 27th - FOMC 28th - RBNZ	2nd - RBA 4th - BoE 4th - ECB 5th - RBA MP Statement 16th - RBA Minutes 17th - BoE Minutes 17th - FOMC Minutes 17-18th - BoJ 18th - ECB 23rd - BoJ Minutes	2nd - BoC 2nd - RBA 4th - BoE 4th - ECB 11th - RBNZ 11th - RBNZ MP Statement 11th - SNB 16th - FOMC 16th - RBA Minutes 17th - BoE Minutes 16-17th - BoJ 18th - ECB 23rd - BoJ Minutes	6th - RBA 6-7th - BoJ 8th - BoE 8th - ECB 12th - BoJ Minutes 20th - BoC 20th - RBA 21st - BoE Minutes 22nd - ECB 28th - FOMC 29th - RBNZ 30th - BoJ
MAY	JUNE	JULY	AUGUST
4th - RBA 6th - ECB 7th - RBA MP Statement 10th - BoE 10th - BoJ Minutes 18th - RBA Minutes 19th - BoE Minutes 20th - ECB 20-21st - BoJ 26th - BoJ Minutes	1st - BoC 1st - RBA 10th - BoE 10th - ECB 10th - RBNZ 10th - RBNZ MP Statement 14-15th - BoJ 15th - RBA Minutes 17th - SNB 18th - BoJ Minutes 23rd - BoE Minutes 23rd - FOMC 24th - ECB	6th - RBA 8th - BoE 8th - ECB 20th - RBA Minutes 20th - BoC 21st - BoE Minutes 22nd - ECB 29th - RBNZ	3rd - RBA 5th - BoE 5th - ECB 6th - RBA MP Statement 10th - FOMC 17th - RBA Minutes 18th - BoE Minutes
SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
2nd - ECB 7th - RBA 8th - BoC 9th - BoE 16th - ECB 16th - RBNZ 16th - RBNZ MP Statement 16th - SNB 21st - RBA Minutes 21st - FOMC 22nd - BoE Minutes	5th - RBA 7th - BoE 7th - ECB 19th - RBA Minutes 19th - BoC 20th - BoE Minutes 21st - ECB 28th - RBNZ	2nd - RBA 3rd - FOMC 4th - BoE 4th - ECB 5th - RBA MP Statement 16th - RBA Minutes 17th - BoE Minutes 18th - ECB	2nd - ECB 7th - RBA 9th - BoE 9th - RBNZ 9th - RBNZ MP Statement 14th - FOMC 16th - ECB 16th - SNB 21st - RBA Minutes 22nd - BoE Minutes

**\*Notes:** Entries are the dates of central bank interest rate announcements for 2010, unless specified as minutes or otherwise.

Dates are indicative only and are subject to change by central bank authorities.

BoJ data are available only to June.

**Key:** BoC: Bank of Canada, BoJ: Bank of Japan, BoE: Bank of England, ECB: European Central Bank, FOMC: Federal Open Market Committee, RBA: Reserve Bank of Australia, RBNZ: Reserve Bank of New Zealand, SNB: Swiss National Bank

**Source:** Central bank websites.

## FORECASTS

AUSTRALIAN ECONOMIC INDICATORS	2009	2010 F	2011 F	2012 F
<b>Economic activity (annual % change)</b>				
Private final demand	1.1	4.3	4.6	4.6
Household consumption	2.2	2.4	2.9	2.8
Dwelling investment	-4.4	14.1	5.0	1.7
Business investment	-0.7	7.1	9.8	11.1
Public demand	3.1	8.2	4.1	2.2
Domestic final demand	1.6	5.2	4.5	4.1
Inventories (contribution to GDP )	-0.5	0.5	0.0	0.0
Gross National Expenditure (GNE)	1.0	5.7	4.4	4.0
Exports	0.5	2.4	5.4	6.1
Imports	-7.7	14.7	9.9	10.3
Net Exports (contribution to GDP)	1.8	-2.5	-1.2	-1.3
<b>Gross Domestic Product (GDP)</b>	<b>1.3</b>	<b>3.2</b>	<b>3.3</b>	<b>3.5</b>
<b>Prices and wages (annual % change)</b>				
Inflation: Headline CPI	1.8	2.8	2.9	3.1
Underlying *	3.8	2.8	2.8	3.1
Wages	3.6	2.8	3.3	3.7
<b>Labour market</b>				
Employment (annual % change)	0.3	2.3	2.0	2.2
Unemployment rate (annual average %)	5.6	5.1	4.8	4.5
<b>External sector</b>				
Current account balance: A\$bn	-51.7	-50.9	-40.0	-50.2
% of GDP	-4.1	-3.8	-2.7	-3.2

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

AUSTRALIAN INTEREST RATES	CURRENT	JUN 10 F	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F
RBA cash rate	4.50	4.50	5.00	5.25	5.50	5.75
90 day bill	4.89	4.80	5.20	5.50	5.80	6.00
3 year bond	4.98	5.40	5.40	5.55	5.55	5.85
10 year bond	5.46	5.70	5.70	5.70	5.70	5.85
3s10s yield curve	0.48	0.30	0.30	0.15	0.15	0.00
3 year swap	5.36	5.80	5.80	5.95	5.95	6.25
10 year swap	5.99	6.20	6.25	6.25	6.25	6.40
INTERNATIONAL INTEREST RATES	CURRENT	JUN 10 F	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F
RBNZ cash rate	2.50	2.75	3.25	3.50	3.75	4.25
NZ 90 day bill	2.93	3.07	3.67	3.75	4.17	4.67
US Fed funds note	0.25	0.25	0.25	0.75	1.25	1.75
US 2 year note	0.81	1.10	1.40	1.80	2.20	2.70
US 10 year note	3.43	4.60	4.70	4.80	4.80	4.80
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.00	1.00	1.00	1.00	1.50	1.75
UK repo rate	0.50	0.50	0.50	0.50	1.00	1.25

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



## FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	JUN 10 F	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F
<b>Australian exchange rates</b>						
A\$/US\$	0.8918	0.95	0.96	0.94	0.92	0.90
NZ\$/US\$	0.7127	0.71	0.72	0.70	0.69	0.68
A\$/¥	82.70	88.4	91.2	90.2	89.2	88.2
A\$/€	0.7020	0.70	0.72	0.71	0.71	0.70
A\$/£	0.5989	0.62	0.62	0.61	0.60	0.59
A\$/NZ\$	1.2513	1.34	1.33	1.34	1.33	1.32
A\$/C\$	0.9314	0.94	0.94	0.90	0.87	0.85
A\$/CHF	0.9929	1.04	1.07	1.07	1.07	1.08
A\$/CNY	6.0883	6.40	6.39	6.18	5.97	5.81
A\$ Trade weighted index	71.20	74.6	75.2	73.5	71.9	70.3
<b>International cross rates</b>						
US\$/¥	92.75	93.0	95.0	96.0	97.0	98.0
€/US\$	1.2708	1.35	1.34	1.33	1.30	1.28
€/¥	117.85	126	127	128	126	125
£/US\$	1.4891	1.54	1.54	1.53	1.53	1.52
€/£	0.8533	0.88	0.87	0.87	0.85	0.84
US\$/C\$	1.0446	0.99	0.98	0.96	0.95	0.94
US\$/CHF	1.1135	1.09	1.11	1.14	1.16	1.20
US\$ index	84.81	80.8	81.4	81.9	83.1	84.1
<b>Asia exchange rates</b>						
US\$/CNY	6.8267	6.74	6.66	6.57	6.49	6.45
US\$/HKD	7.7776	7.76	7.76	7.75	7.75	7.75
US\$/IDR	9280	9500	9300	9000	8900	8850
US\$/INR	45.56	45.5	45.0	44.0	43.5	43.0
US\$/KRW	1147	1175	1125	1100	1050	1000
US\$/MYR	3.2778	3.34	3.37	3.40	3.40	3.35
US\$/PHP	45.683	45.5	45.0	44.0	44.0	43.5
US\$/SGD	1.3993	1.38	1.38	1.41	1.41	1.42
US\$/THB	32.320	32.50	32.50	32.50	32.00	32.00
US\$/TWD	31.695	32.20	31.50	30.50	30.00	30.00
US\$/VND	19005	19300	20000	20000	20000	20000
<b>Pacific exchange rates</b>						
PGK/US\$	0.3615	0.381	0.395	0.386	0.372	0.358
FJD/US\$	0.5109	0.507	0.501	0.495	0.484	0.476

## IMPORTANT NOTICE

Australia and New Zealand Group Limited is represented in:

### AUSTRALIA

Australia and New Zealand Banking Group Limited  
ABN 11 005 357 522  
ANZ Centre Melbourne, Level 9, 833 Collins Street, Docklands  
Victoria 3008, Australia  
Telephone +61 3 9273 5555 Fax +61 3 9273 5711

### UNITED KINGDOM BY:

Australia and New Zealand Banking Group Limited  
ABN 11 005 357 522  
40 Bank Street, Canary Wharf, London, E14 5EJ, United Kingdom  
Telephone +44 20 3229 2121 Fax +44 20 7378 2378

### UNITED STATES OF AMERICA

ANZ Securities, Inc. is a member of FINRA ([www.finra.org](http://www.finra.org)) and registered with the SEC.  
277 Park Avenue, 31<sup>st</sup> Floor, New York, NY 10172,  
United States of America  
Tel: +1 212 801 9160 Fax: +1 212 801 9163

### NEW ZEALAND BY:

ANZ National Bank Limited  
Level 7, 1-9 Victoria Street, Wellington, New Zealand  
Telephone +64 4 802 2000

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