

AUSTRALIAN ECONOMICS

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27 JUNE 2011

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WAITING FOR Q2 CPI: THE NEXT POTENTIAL TRIGGER FOR THE RBA

- **RBA minutes this week indicated reduced pressure for an immediate rate rise.** The international and (non-resources) local economies appear to have slowed in recent months, partly due to temporary and one-off factors. While the RBA's medium-term tightening bias has not changed, there was greater emphasis on subdued conditions in many areas of the economy. Assistant Governor Lowe's speech today confirmed the RBA recognises the current "challenging environment" and the need to balance resources strength against weakness elsewhere. As in the minutes, a "gradual rise" in underlying inflation expected over the next couple of years. This language appears to be downplaying the RBA's forecast rise in underlying inflation from 2¼% in Q1 2011 to 3% by the end of the year and then up to 3¼% in 2013.
- The next major trigger for an RBA rate rise will be the **CPI data for Q2**, to be released on 27 July. In our *In Focus* article this week, we provide an early preview. We are currently forecasting relatively subdued underlying inflation of 0.6% q/q and 2.4% y/y and headline inflation of 0.7% q/q and 3.4% y/y in Q2. For monetary policy, underlying inflation is picking up in trend terms. However these preliminary forecasts suggest that, if there are no other strong data to act upon, an August rate hike may not be a clear-cut decision.
- In this week's *In Focus*, we also look in more detail at **which Australian states are benefiting most from the record high terms of trade.** While Western Australia is the obvious winner from the ongoing resources boom, other states are also benefiting (perhaps most surprisingly, including NSW). The investment outlook resulting from this boom also favours WA, but Queensland looks set for a big surge in activity also.

THE WEEK AHEAD

- In **Australia**, private sector credit will be released. It has been sluggish since the GFC, at well below an annual rate of 4%. Our monthly forecast of 0.4% for May will take the annual rate up to 3.1%. Markets will be watching a speech from RBA Assistant Governor (Financial Markets) Guy Debelle to the 'Basel III, Financial Stability and Regulation Conference', given the high level of interest surrounding proposed banking regulation changes. We will also get AiG's monthly performance indexes for manufacturing and services, DEWR's skilled vacancies data and the RBA Commodity Price Index (all for June), plus RP-Rismark house price data for May.
- In **New Zealand**, trade data and building permits will be released. We forecast a trade balance of NZ\$1,080 mn and building permits to grow by 5.0% in May.
- In the **US**, the main focus will be on the ISM manufacturing data with partial indicators suggesting the risk of a large fall (Market: 52.0 from 53.5 in May). Other key data include, the PCE deflator (the Fed's preferred measure of inflation), personal income and spending, house price data, manufacturing activity surveys from Dallas and Richmond, the Chicago Purchasing Managers' Index, the University of Michigan's Confidence Survey, construction spending and new vehicle sales.
- In the **Euro zone**, CPI, unemployment, confidence and PMI data will be released for the eurozone and for Germany. ECB President Trichet will speak and is likely to maintain his hard stance on inflation. In the UK, unemployment data will be released.
- In **Japan**, housing starts are expected to rise 3.5% in May in a sign that rebuilding is commencing. Retail sales (market: +1.2% m/m), industrial production (market: +4.8% m/m) and vehicle production are also expected to show a bounce back from the earthquake's negative effect. Japanese CPI is expected to have moderated (market: 0.2% y/y). Meanwhile, **Chinese** PMI manufacturing data is expected to show a further slowing of activity as the Chinese government attempts a soft landing.

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Q2 CPI: AN EARLY PREVIEW

Following exceptionally high inflation in the March quarter due to a range of one-off and seasonal factors, **our preliminary forecast for Q2 CPI suggests that inflationary pressures moderated in the June quarter.** ANZ is currently forecasting underlying inflation of 0.6% q/q and 2.4% y/y and headline inflation of 0.7% q/q and 3.4% y/y.

FIGURE 1: KEY Q2 INFLATION FORECASTS

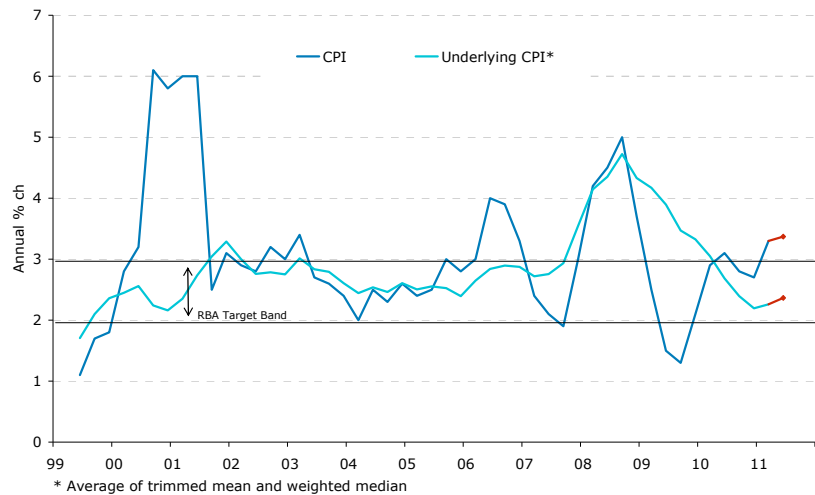
	q/q % change		y/y % change
	Jun-11	Mar-11	Jun-11
Underlying CPI	0.6	0.85	2.4
Trimmed Mean	0.6	0.9	2.4
Weighted Median	0.6	0.8	2.3
Headline CPI (All Groups)	0.7	1.6	3.4
CPI ex volatiles*	0.4	0.9	2.4

* Fuel and fruit & vegetables

Source: ANZ, ABS, RBA

For monetary policy, **these forecasts do show that underlying inflation is picking up in trend terms** and is higher than in late 2010 (see Figure 2 below). The average of the past two quarterly outcomes will have increased to 2.9% annualised from 1.8% annualised in the second half of 2010. **That said, our core inflation forecast of 0.6% q/q appears a touch lower than the RBA’s May forecast** for underlying inflation of 2½% y/y which implies a quarterly outcome of between 0.6% q/q and 0.8% q/q (after accounting for the RBA’s rounding).

FIGURE 2: ANNUAL INFLATION



Source: ANZ, ABS, RBA

These preliminary inflation forecast suggest that an August rate hike may not be a clear-cut decision, particularly if we get a temporary rise in the unemployment rate (see this week’s Australian Economics Weekly for more discussion on this). The risk is that these figures will not be enough to get the RBA Board over the line.

The major contributors to headline inflation in Q2 will be fruit (a flow-on effect from the Q1 natural disasters), health services, auto fuel and housing costs (including rents) (see Figure 3 below). The currency, however, will again be a moderating influence given the further 3.7% appreciation in the A\$TWI in Q2. This suggest further moderate outcomes in household contents and services and recreation goods, although clothing & footwear prices are expected to have increased due to less widespread discounting and higher global cotton prices.



For underlying inflation, both our tops down modelling and bottoms up approaches point to growth of 0.6% q/q. Large increases in the CPI are more narrowly based in Q2, suggesting that many of these components will be stripped out of the trimmed mean.

THE FINER DETAIL

FIGURE 3: Q2 CPI BY MAJOR GROUP

	Quarterly % change	Quarterly ppt contribution	Annual % change
Food	0.9	0.15	5.6
<i>of which: fruit & veg</i>	4.9	0.14	32.5
Alcohol & tobacco	0.9	0.07	6.0
Clothing & footwear	1.7	0.05	0.4
Housing	0.5	0.12	4.8
<i>of which: rents</i>	1.2	0.07	4.5
<i>of which: utilities</i>	-0.1	0.00	10.5
<i>of which: house purchase</i>	0.5	0.05	2.6
HH contents & services	0.1	0.01	-1.3
<i>of which: childcare</i>	0.8	0.00	7.4
Health	2.3	0.12	4.3
<i>of which: pharmaceuticals</i>	-0.9	-0.01	0.4
Transportation	1.4	0.17	3.7
<i>of which: auto fuel</i>	3.7	0.15	11.0
Communication	0.2	0.01	0.1
Recreation	-0.4	-0.04	-0.1
<i>of which: audio, visual and computing equipment</i>	-1.0	-0.01	-15.0
<i>of which: holiday travel & accommodation</i>	-0.9	-0.03	1.5
Education	0.0	0.00	5.9
Fin. & insurance services	0.4	0.03	3.0
CPI All Groups	0.7	0.68	3.4

Source: ANZ, ABS

Food prices are expected to have risen another 0.9% in Q2. Our tracking of fruit & vegetables suggest another sharp increase in fruit prices which will offset a fall in vegetable prices and further weakness in dairy due to ongoing supermarket competition in that space. (Note that while prices have fallen for some fruits throughout the quarter, the average price level in Q2 is still higher than in Q1).

Alcohol & tobacco prices are expected to have risen moderately in line with the usual seasonal pattern, although the higher AUD may have maintained downward pressure on prices of imported alcohol.

Clothing & footwear is expected to have increased solidly due to less widespread discounting in Q2 and higher cotton prices, although the higher A\$ and reduced consumer spending on discretionary items suggest some downside risk here.

Housing costs are forecast to increase 0.5% QoQ, driven largely by another solid increase in rents (+1.2%) in line with low and falling vacancy rates, as well as moderate growth in house purchase costs. Utilities do not usually move much in Q2, but watch out for Q3 with the NSW government announcing a 17.3% increase in electricity prices.

Household contents and services (+0.1% QoQ) are expected to have been soft in line with pass-through from the higher AUD and consumer caution.

Health costs will have increased strongly, primarily due to a seasonal increase in health & medical services due to a seasonal rise in health insurance premiums from 1 April.

Transportation costs will have been driven higher by petrol prices. Our tracking so far for the quarter suggest an increase in auto fuel of 3.7% q/q.

Communication costs will continue to be relatively flat for both postal and telecommunication services.

Recreation prices will also have been dragged down by the higher currency, particularly for audio, visual and computing equipment. We can also expect discounting for accommodation and travel, although this will be partly offset by increases in fuel surcharges on airline tickets in line with recent increases in crude oil prices.

Education prices will have been flat in the quarter, in line with the usual seasonal pattern.

Financial & insurance services are expected to have increased moderately. Deposit & loan facilities increased sharply in Q1 (+4.6% q/q), largely due to a widening in the difference between deposit and lending rates. This was a flow-on effect from the November cash rate increase and additional increases in bank lending rates. This is unlikely to have been unwound in Q2 however, with little movement in lending and deposit rates overall.

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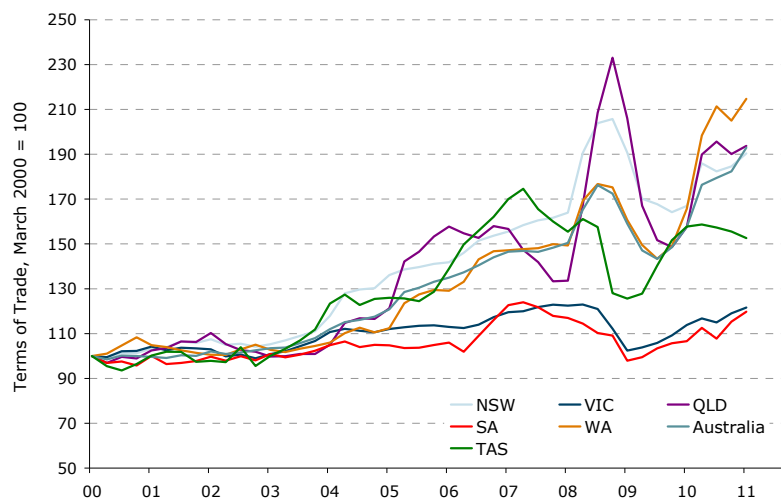
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THE TERMS OF TRADE: A STATES PERSPECTIVE

There has recently been a substantial amount of discussion about Australia’s record terms of trade, and the implications it is having on the national economy. Less discussed however, is the performance of each state’s terms of trade and its impact on state economies.

Although all the states have witnessed an improvement in their terms of trade over the past decade, significant differences exist in the magnitude of these improvements (Figure 4). Not surprisingly, Western Australia (WA) and Queensland have outperformed, with these states’ terms of trade rising by 114% and 94% respectively since March 2000. This compares with a rise in the aggregate Australian terms of trade of 92%. What is often overlooked however is that New South Wales has also outperformed, with its terms of trade rising by 90.3%. Iron ore accounts for 39% of WA’s exports while coal accounts for 39% of Queensland’s exports and 16% of NSW’s exports.

FIGURE 4. TERMS OF TRADE BY STATE



Sources: ABS and ANZ

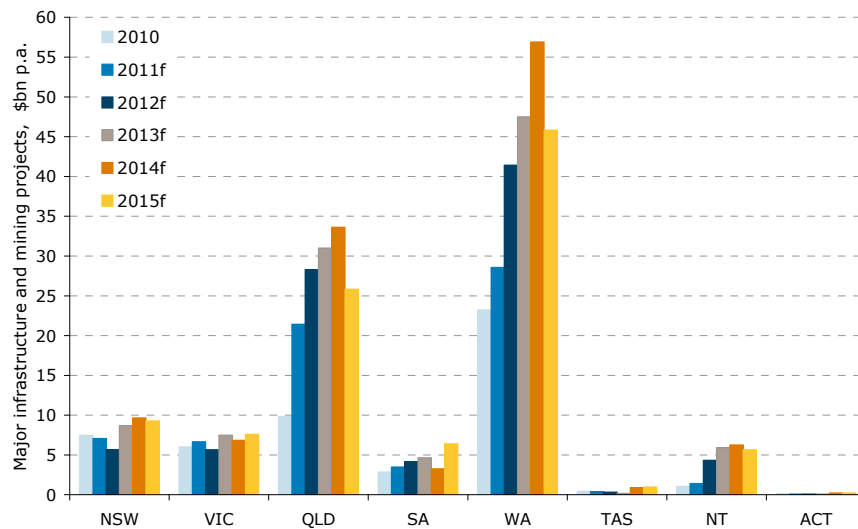


Victoria and South Australia in contrast have barely participated directly in the commodity boom. The terms of trade of these two States has risen by just 22% and 20% (respectively) since March 2000. This reflects the lower share that mining activity, and resources exports, have in their economies relative to WA, Queensland and even NSW. Moreover, this improvement in these States' terms of trade appears to reflect falling import prices as much as it reflects rising export prices.

THE UPSIDE TO NSW

Despite a higher terms of trade than the national aggregate, NSW is so far not participating in the 'recycling' of this windfall gain. A disappointing feature of Figure 5 below is the comparatively small investment pipeline for NSW relative to Queensland and WA.

FIGURE 5. MAJOR PROJECT INVESTMENT PIPELINE BY STATE



Sources: Access Economics and ANZ

NSW's relatively small mining investment pipeline does not reflect a lack of natural resources; coal deposits in this State are rich. A multitude of other factors are instead acting as a constraint. These include a less diverse resource base than WA and QLD, with NSW having a high dependence on one major resource, thermal coal. Perhaps more important however has been the underinvestment in port and related infrastructure in NSW, a function of the multi-ownership of the infrastructure facilities as well as the regulatory/political environment (see ANZ Research's recent report, *Australian Ports At the Crossroads*, for relevant comparisons).

The above constraints have been oft-used as a reason to expect the NSW economy to continue to underperform national aggregate conditions. However with the third highest terms of trade amongst the states (by a considerable margin), and with some now encouraging talk from key stakeholders (including the government), we see mining investment (i.e. the second stage of the resources boom) as a reason to be cautiously optimistic about NSW's medium-term investment prospects.

AN INTERESTING INSIGHT INTO THE BENEFICIARIES OF A HIGHER A\$

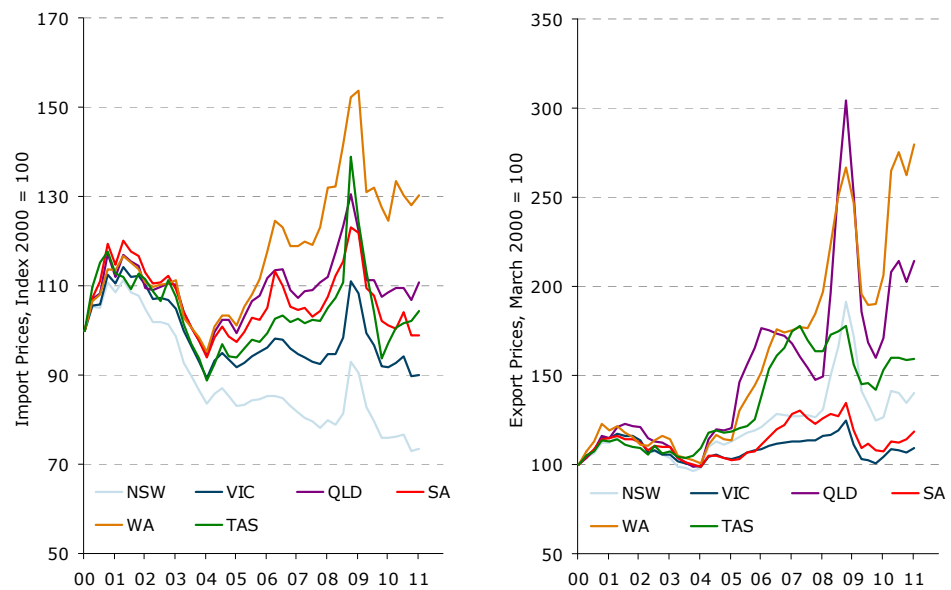
The composition of the terms of trade by State reveals some interesting trends in import prices. In particular, the fall in global manufacturing prices over the last decade and now the higher A\$ have not benefited all States equally. The winners from these price falls have been NSW and Victoria. Import prices for these States have fallen by 27% and 10%, compared with the national average of 9%. The larger fall in import prices in NSW has been part of the reason for this State's higher terms of trade.

Why is it that international goods import prices have declined by a greater margin in NSW and Vic? A possible explanation would be related to the composition of imports. Although we don't

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receive a breakdown of import categories by state, we can surmise that Queensland and Western Australia would have a higher proportion of specialised capital and technological equipment that is used within the mining and mining related sectors of the economy. In contrast, both the Victorian and New South Wales economies are tilted towards the services sector, which require large volumes of IT, telecommunications equipment, standard vehicles and the like (all of which have seen price deflation), but little to no specialised equipment. As a result, imports within these economies are more likely to consist of lower value manufactured goods and consumption goods, the price of which have been declining in A\$ terms.

FIGURE 6. EXPORT AND IMPORT PRICES BY STATE

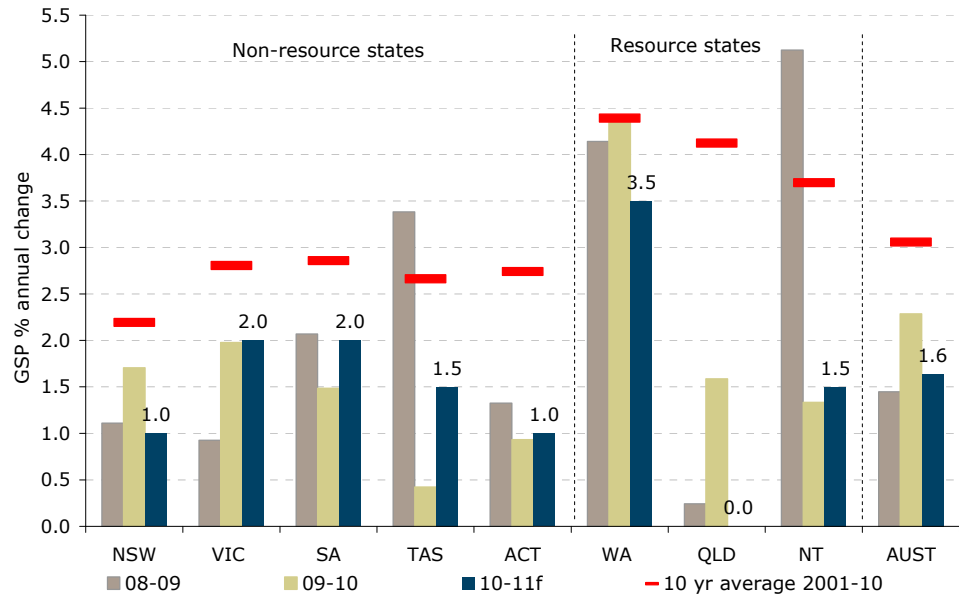


Sources: ABS and ANZ

This raises an interesting dimension to the impact of the higher A\$ on regional economies. Specifically, Victoria (primarily a 'manufacturing' and 'services' state) may not be as hurt by the higher A\$, in aggregate terms, as most people seem to assume. Indeed, Victoria's economy has performed extremely well in recent years, certainly better than most other non-resources states (see figure 7 below). Preliminary estimates indicate Victoria and (perhaps just as surprisingly) South Australia are likely to outperform the other non-resources states again this year, despite having the lowest share of mining in its total state production of any state (just 2% of Victoria's Gross State Product comes directly from mining). While South Australia appears to be enjoying an agriculture-related boom this year, Victoria's success appears to be based on a more complicated mix of factors including its diverse industry base, relatively strong population growth and relatively high residential construction rates. These two states have also largely avoided the headwinds that have driven NSW and Queensland's growth rates down again this year, including massive flood damage, weak tourism-related activity and sluggish residential construction markets.

More immediately, this evidence on the different effects of the terms of trade across states also demonstrates how a sharply rising national terms of trade (a key driver of the higher A\$) can generate potentially significant (but probably unexpected) benefits to certain segments of the 'non-mining' economy. Thus far, this benefit has primarily come in the form of reduced import prices for key investment goods.

FIGURE 7. STATE GROWTH*



* 2010-11 estimates of Gross State Product growth based on state final demand data available to date, state government Budget documents and other data. Queensland state growth of zero is expected due to the negative impact of January's floods (mainly on coal production and tourism). Sources: ABS and ANZ.

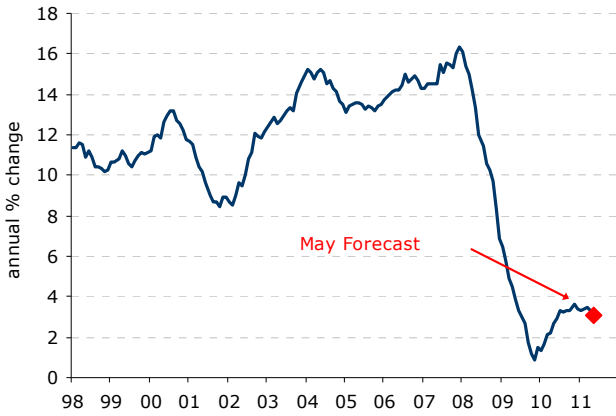
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DATA WRAP

- **RBA minutes** of the May Board meeting, released this week, indicate the RBA sees the immediate pressures for a rate rise reducing. The international and (non-resources) local economies appear to have slowed in recent months, due to a variety of temporary and one-off factors, not least being the flow-on effects of Japan's devastating earthquake. The RBA's upbeat outlook for Australia in the medium term has not changed however, and significant inflationary threats remain in play. But there was also greater emphasis on mixed economic conditions outside of the resources sector.
- **Assistant Governor Lowe's speech today** confirmed the RBA recognises the current "challenging environment" and the need to balance resources strength against weakness elsewhere. Structurally high commodity prices are complicating the picture. Lowe spoke at length about the difficulty of accurately modelling and forecasting inflation. Even so, the RBA's inflation outlook still confirms a medium term tightening bias will remain through 2011-12.
- **International merchandise imports** were broadly unchanged in May. Capital goods imports fell (-8%) on lower civil aircraft imports (-42%), consumption goods rose (4%) with a rebound in car sales (+23%) following a 31% fall the previous month. The ABS stated, "*Between April and May 2011 merchandise imports from Japan rose \$314m (40%) following a fall of \$711m (48%) between March and April 2011. The non-industrial transport equipment component fell \$494m (81%) between March and April 2011, but rose \$190m between April and May 2011.*"
- The **Westpac Leading Index** rose 0.2% in April with the March index revised 0.1% higher to 0.6%.
- The **Conference Board Leading Index** rose 0.1% in April with the March index downwardly revised to -0.1% from 0.4%.

DATA PREVIEW

PRIVATE SECTOR CREDIT (MAY)



30 JUNE: PRIVATE SECTOR CREDIT (MAY)

ANZ: +0.4% m/m, +3.1% y/y

Market: *not available at time of publication*

Last: 0.0% m/m, 3.3% y/y

Despite remaining flat in April, private sector credit is expected to post moderate growth in May. Credit is expected to record a monthly increase of 0.4% in May with annual growth slowing to 3.1% over the year. Despite evidence of pockets of weakness in the economy, business credit is expected to increase modestly in May with softening business confidence and conditions counterbalanced by increasing momentum in underlying business credit. Housing sector credit is expected to remain relatively stable, while equity market volatility and a cautious household sector is expected to continue to weigh on personal credit. (DC)

DATA & EVENT CALENDAR

WEEK STARTING 27 JUNE

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
25-28 JUN	CH	Leading Index	MAY	--	--	102.11		
26-Jun	UK	Lloyds Business Barometer	JUN	--	--	14	23:01	09:01
	EU	Bi-monthly Meeting of Bank for International Settlements					22:00	08:00
27-30 JUN	UK	Nat'wide House prices nsay/y	JUN	--	--	-1.2%		
		Nat'wide House prices sa m/m	JUN	--	--	0.3%		
27 Jun - 1 Jul	GE	Retail Sales m/m	MAY	0.7%	--	0.3%		
		Retail Sales y/y	MAY	1.3%	--	3.6%		
27 Jun - 5 Jul		Import Price Index m/m	MAY	-0.5%	--	0.3%		
		Import Price Index y/y	MAY	8.7%	--	9.4%		
Monday	NZ	Exports	MAY	--	4920M	4651M	22:45	08:45
27-Jun		Imports	MAY	--	3840M	3538M	22:45	08:45
		Trade Balance	MAY	--	1080M	1113M	22:45	08:45
		Trade Balance 12 Mth YTD	MAY	--	1500M	1187M	22:45	08:45
	CH	Industrial Profits YTD y/y	MAY	--	--	29.7%	02:00	12:00
	EU	ECB's Stark Speaks at Event in Frankfurt					07:00	17:00
		ECB's Stark Speaks at Conference in Berlin					10:30	20:30
		ECB Announces Bond Purchases					13:30	23:30
		ECB Calls for Bids in 7-Day Main Refinancing Tender					13:30	23:30
		ECB's Stark Speaks at Event in Hamburg					16:00	02:00
	GE	Merkel Hosts Dinner for China's Wen Jiabao: Berlin					00:00	10:00
	US	US Treasury auctions 2-Year Notes						
		PCE Core m/m	MAY	0.2%	--	0.2%	12:30	22:30
		PCE Core y/y	MAY	1.1%	--	1.0%	12:30	22:30
		PCE Deflator y/y	MAY	2.4%	--	2.2%	12:30	22:30
		Personal Income	MAY	0.4%	--	0.4%	12:30	22:30
		Personal Spending	MAY	0.1%	--	0.4%	12:30	22:30
		U.S.-India Economic Dialogue in Washington					13:00	23:00
		Dallas Fed Manf. Activity	JUN	-3.1	--	-7.4	14:30	00:30
		Fed's Kocherlakota (voter) Speaks on Leverage in Big Sky, Montana					15:00	01:00
		Fed's Hoenig (non-voter) Speaks in Washington					17:00	03:00
Tuesday	AU	RBA's Debelle Speaks at Financial Conference in Sydney					01:00	11:00
28-Jun	JN	Small Business Confidence	JUN	--	--	37.8	14:00	00:00
		Large Retailers' Sales	MAY	-1.9%	--	-1.9%	23:50	09:50
		Retail Trade m/m sa	MAY	1.0%	--	4.1%	23:50	09:50
		Retail Trade y/y	MAY	-2.2%	--	-4.8%	23:50	09:50
	EU	ECB Announces Allotment in 7-Day Main Refinancing Tender					09:15	19:15
		ECB Announces Allotment in 7-Day Term Deposits					11:00	21:00
		ECB's Trichet, Wellink, BoK's Choongsoo Kim Speak in Amsterdam					11:00	21:00
		ECB Calls for Bids in 3-Month Tender					13:30	23:30
		ECB's Trichet Speaks at Brussels Conference					18:45	04:45
		ECB's Trichet Speaks at Conference in Brussels					18:45	04:45
	GE	Consumer Price Index m/m	JUN P	0.1%	--	0.0%	00:00	10:00
		Consumer Price Index y/y	JUN P	2.3%	--	2.3%	00:00	10:00
		GfK Consumer Confidence Survey	JUL	5.3	--	5.5	06:00	16:00
		Merkel Holds Talks With China's Wen Jiabao: Chancellery					08:30	18:30
	UK	Current Account (BP)	1Q	-4.5B	--	-10.5B	08:30	18:30
		GDP q/q	1Q F	0.5%	--	0.5%	08:30	18:30
		GDP y/y	1Q F	1.8%	--	1.8%	08:30	18:30
		Total Business Investment q/q	1Q F	--	--	-7.1%	08:30	18:30
		Total Business Investment y/y	1Q F	--	--	-3.2%	08:30	18:30
		BoE's King, Tucker, Dale, Posen, Miles speak in London					09:00	19:00
		BoE's King, Ticker, Bean, Haldane, Bailey speak in London					10:00	20:00
	US	US Treasury auctions 5-Year Notes						
		U.S.-India Economic Dialogue in Washington					04:00	14:00
		S&P/CaseShiller Home Price Ind	APR	--	--	138.16	13:00	23:00
		S&P/CS 20 City m/m sa	APR	-0.2%	--	-0.2%	13:00	23:00
		S&P/CS Composite-20 y/y	APR	-4.0%	--	-3.6%	13:00	23:00
		Consumer Confidence	JUN	61.5	--	60.8	14:00	00:00
		Richmond Fed Manufact. Index	JUN	-2	--	-6	14:00	00:00
		Fed's Fisher (voter) Speaks in Round Rock, Texas					16:00	02:00
	CA	Bank of Canada Deputy Agathe Cote Speaks in Toronto					16:30	02:30

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
Wednesday 29-Jun	AU	DEWR Skilled Vacancies m/m	JUN	--	--	-0.4%	01:00	11:00
	JN	Industrial Production m/m	MAY P	5.5%	--	1.6%	23:50	09:50
		Industrial Production y/y	MAY P	-6.2%	--	-13.6%	23:50	09:50
	EU	ECB's Draghi / Weidmann speak at CDU-CSU Conference in Berlin					00:00	10:00
		ECB Calls for Bids in 7-Day Dollar Tender					07:15	17:15
		Business Climate Indicator	JUN	--	--	0.99	09:00	19:00
		ECB Announces Allotment in 7-Day Dollar Tender					09:00	19:00
		Euro-Zone Consumer Confidence	JUN F	-10	--	-10	09:00	19:00
		Euro-Zone Economic Confidence	JUN	105.1	--	105.5	09:00	19:00
		Euro-Zone Indust. Confidence	JUN	3.3	--	3.9	09:00	19:00
		Euro-zone Services Confidence	JUN	9.0	--	9.2	09:00	19:00
		ECB Announces Allotment in 3-Month Tender					09:15	19:15
		Draghi, Ackerman, Schaeuble Speak on Market Regulation					11:00	21:00
	UK	Index of Services (3mth/3mth)	APR	--	--	0.9%	08:30	18:30
		Index of Services m/m	APR	--	--	0.6%	08:30	18:30
		M4 Ex OFCs 3M Annualised	MAY	--	--	-2.0%	08:30	18:30
		M4 Money Supply m/m	MAY	--	--	0.1%	08:30	18:30
		M4 Money Supply y/y	MAY	--	--	-0.9%	08:30	18:30
		Mortgage Approvals	MAY	46.8K	--	45.2K	08:30	18:30
		Net Consumer Credit	MAY	0.4B	--	0.5B	08:30	18:30
		Net Lending Sec. on Dwellings	MAY	0.8B	--	0.7B	08:30	18:30
		GfK Consumer Confidence Survey	JUN	-24	--	-21	23:01	09:01
	US	US Treasury auctions 7-Year Notes						
		MBA Mortgage Applications	Jun-24	--	--	-5.9%	11:00	21:00
		Pending Home Sales m/m	MAY	-1.0%	--	-11.6%	14:00	00:00
		Pending Home Sales y/y	MAY	--	--	-26.8%	14:00	00:00
		Fed's Raskin (voter) Speaks on 'Economic Inclusion' in Washington					16:00	02:00
		Fed Board of Governors Meets on Swipe Fees					19:30	05:30
	CA	Bank Canada CPI Core m/m	MAY	0.2%	--	0.2%	11:00	21:00
		Bank Canada CPI Core y/y	MAY	1.5%	--	1.6%	11:00	21:00
		Consumer Price Index	MAY	--	--	119.8	11:00	21:00
		Consumer Price Index m/m	MAY	0.2%	--	0.3%	11:00	21:00
		Consumer Price Index y/y	MAY	3.2%	--	3.3%	11:00	21:00
		Teranet/National Bank HP Index	APR	--	--	138.94	13:00	23:00
		Teranet/National Bank HPI m/m	APR	--	--	0.6%	13:00	23:00
		Teranet/National Bank HPI y/y	APR	--	--	4.1%	13:00	23:00
Thursday 30-Jun	NZ	Building Permits m/m	MAY	--	5.0%	-1.6%	22:45	08:45
		NBNZ Activity Outlook	JUN	--	--	39.7	01:00	11:00
		NBNZ Business Confidence	JUN	--	--	38.3	01:00	11:00
		Money Supply M3 y/y	MAY	--	--	5.7%	03:00	13:00
	AU	Job vacancies	MAY	--	--	-1.7%	00:30	10:30
		RPData-Rismark House Px Raw	MAY	--	--	-0.1%	00:30	10:30
		RPData-Rismark House Px sa	MAY	--	--	-0.3%	00:30	10:30
		Private Sector Credit m/m	MAY	--	0.4%	0.0%	01:30	11:30
		Private Sector Credit y/y	MAY	--	3.1%	3.3%	01:30	11:30
	JN	Markit/JMMA Manufacturing PMI	JUN	--	--	51.3	23:15	09:15
		Foreign Buying Japan Stocks	Jun-24	--	--	-¥190.5B	23:50	09:50
		Japan Buying Foreign Stocks	Jun-24	--	--	¥129.1B	23:50	09:50
		Foreign Buying Japan Bonds	Jun-24	--	--	¥95.7B	23:50	09:50
		Japan Buying Foreign Bonds	Jun-24	--	--	¥104.9B	23:50	09:50
		Loans & Discounts Corp y/y	MAY	--	--	-1.7%	23:50	09:50
		Vehicle Production y/y	MAY	--	--	-60.1%	04:00	14:00
		Annualized Housing Starts	MAY	0.790M	--	0.798M	05:00	15:00
		Construction Orders y/y	MAY	--	--	31.4%	05:00	15:00
		Housing Starts y/y	MAY	3.1%	--	0.3%	05:00	15:00

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
Thursday	EU	ECB's Trichet Speaks at European Parliament in Brussels					07:00	17:00
30-Jun		Euro-Zone M3 sa y/y	MAY	2.1%	--	2.0%	08:00	18:00
(cont.)		Euro-Zone M3 sa 3 mth ave.	MAY	2.2%	--	2.1%	08:00	18:00
		Euro-Zone CPI Estimate y/y	JUN	2.8%	--	2.7%	09:00	19:00
	GE	Unemployment Change (000's)	JUN	-13K	--	-8K	07:55	17:55
		Unemployment Rate sa	JUN	7.0%	--	7.0%	07:55	17:55
	US	Continuing Claims	Jun-18	--	--	429K	12:30	22:30
		Initial Jobless Claims	Jun-24	--	--	3697K	12:30	22:30
		Chicago Purchasing Manager	JUN	54	--	56.6	13:45	23:45
		Fed's Bullard (non-voter) Gives Speech on QE					14:00	00:00
		NAPM-Milwaukee	JUN	60	--	62	14:00	00:00
		Fed's Hoenig (non-voter) Speaks in Des Moines, Iowa					17:00	03:00
	CA	Gross Domestic Product m/m	APR	-0.1%	--	0.3%	12:30	22:30
		Gross Domestic Product y/y	APR	2.7%	--	2.8%	12:30	22:30
01-07 JUL	JN	Official Reserve Assets	JUN	--	--	\$1139.5B		
Friday	AU	AiG Performance of Manufacturing Index	JUN	--	--	47.7	23:30	09:30
1-Jul		HIA New Home Sales m/m	MAY	--	--	0.2%	01:00	11:00
		RBA Commodity Index SDR y/y	JUN	--	--	29.4%	06:30	16:30
		RBA Commodity Price Index Au	JUN	--	--	107.3	06:30	16:30
		AOFM Auctions A\$1250m of October 2015 Bonds						
	JN	Jobless Rate	MAY	4.8%	--	4.7%	23:30	09:30
		Job-To-Applclicant Ratio	MAY	0.6	--	0.61	23:30	09:30
		Natl CPI Ex Food, Energy y/y	MAY	0.0%	--	-0.1%	23:30	09:30
		Natl CPI Ex-Fresh Food y/y	MAY	0.5%	--	0.6%	23:30	09:30
		Natl CPI y/y	MAY	0.2%	--	0.3%	23:30	09:30
		Overall Hhold Spending y/y	MAY	-1.7%	--	-3.0%	23:30	09:30
		Tokyo CPI Ex Food, Energy y/y	JUN	0.1%	--	0.1%	23:30	09:30
		Tokyo CPI Ex-Fresh Food y/y	JUN	0.2%	--	0.1%	23:30	09:30
		Tokyo CPI y/y	JUN	-0.1%	--	-0.1%	23:30	09:30
		Tankan Large All Indust Capex	2Q	2.0%	--	-0.4%	23:50	09:50
		Tankan Lge Manufacturers Index	2Q	-7	--	6	23:50	09:50
		Tankan Lge Manufacturing Outlook	2Q	2	--	2	23:50	09:50
		Tankan Non-Manufacturing	2Q	-4	--	3	23:50	09:50
		Tankan Non-Manufacturing Outlook	2Q	0	--	-1	23:50	09:50
		Vehicle Sales y/y	JUN	--	--	-38.0%	05:00	15:00
	CH	PMI Manufacturing	JUN	51.5	51.8	52	01:00	11:00
		HSBC Manufacturing PMI	JUN	--	--	51.6	02:30	12:30
		SAR Establishment Day Holiday (H.K)						
	EU	PMI Manufacturing	JUN F	52	--	52	08:00	18:00
		Euro-Zone Unemployment Rate	MAY	9.9%	--	9.9%	09:00	19:00
	GE	PMI Manufacturing	JUN F	54.9	--	54.9	07:55	17:55
	UK	PMI Manufacturing	JUN	52.5	--	52.1	08:30	18:30
	US	U. of Michigan Confidence	JUN F	72	--	71.8	13:55	23:55
		Construction Spending m/m	MAY	0.0%	--	0.4%	14:00	00:00
		ISM Manufacturing	JUN	52	--	53.5	14:00	00:00
		ISM Prices Paid	JUN	72	--	76.5	14:00	00:00
		Domestic Vehicle Sales	JUN	9.4M	--	9.22M	21:00	07:00
		Total Vehicle Sales	JUN	12.00M	--	11.76M	21:00	07:00
	CA	Canada Day Public Holiday						

FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
27 JUNE NZ: Trade (May) EU: ECB's Stark Speaks US: PCE Core (May), Dallas Fed Manf Activity (Jun), Personal Income (May), Personal Spending (May), Fed's Kocherlakota and Hoenig Speak	28 JUNE AU: RBA's Debelle Speaks JP: Retail Trade (May), Small Business Confidence (Jun) EU: ECB's Trichet and Wellink Speak GE: CPI (Jun F) UK: GDP (Q1 F), Current Account (Q1 F), BoE's King, Tucker, Dale, Bean, Posen, Miles and Bailey Speak US: Case-Shiller Index (Apr), Consumer Conf. (Jun), Richmond Fed Index (Jun), Fed's Fisher Speaks	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), Fed's Raskin Speaks, Fed Board of Governmors Meet on Swipe Fees CA: CPI (May)	30 JUNE NZ: Building Permits (May), Business Confidence (Jun) AU: Job Vacancies (May), Private Sector Credit (May), RP-Rismark House Prices (May) JP: Housing Starts (May), Vehicle Production (May) EU: CPI Est. (Jun), ECB's Trichet Speaks GE: Unemployment Rate (Jun) US: Fed's Bullard and Hoenig Speak , 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) EU: 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)
25 JULY AU: PPI (Q2) US: Chicago Fed Activity Index (Jun), Dallas Fed Manufacturing Index (Jul)	26 JULY NZ: Trade (Jun) AU: RBA's Glenn Stevens Speaks UK: GDP (Q2 A), Case Shiller House Prices (May), Consumer Confidence (Jul), Richmond Fed (Jul), New Home Sales (Jun)	27 JULY NZ: Business Confidence (Jul) AU: CPI (Q2) GE: CPI (Jul P), GfK Consumer Confidence (Aug) US: Fed's Beige Book , Durable Goods Orders (Jun), Capital Goods Orders (Jun)	28 JULY NZ: RBNZ Cash Rate decision JP: Retail Sales (Jun) EU: Consumer and Business Confidence (Jul) GE: Unemployment Rate (Jul) UK: GfK Consumer Confidence Survey (Jul), Pending Home Sales (Jun)	29 JULY NZ: Building Permits (Jun) AU: RP Rismark House Prices (Jun), Private Sector Credit (Jun) JP: Manufacturing PMI (Jul), Jobless Rate (Jun), CPI (Jun), IP (Jun P), Vehicle Production (Jun), Housing Starts (Jun), EU: CPI estimate (Jul) UK: Mortgage Approvals (Jun) US: WCI (Q2), GDP (Q2 A), Fed's Bullard and Lockhart Speak CA: GDP (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	1.9	4.1	4.8	5.6
Household consumption	2.7	2.8	2.7	3.0
Dwelling investment	4.0	3.4	-1.9	7.6
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:				
Headline CPI	2.8	3.3	2.9	3.1
Underlying*	2.6	2.5	3.0	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)	16.6	18.6	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	5.03	5.25	5.50	5.60	5.80	5.95
3 year bond	4.58	5.10	5.30	5.50	5.90	6.10
10 year bond	5.02	5.40	5.50	5.60	5.90	6.00
3s10s yield curve	0.44	0.30	0.20	0.10	0.00	-0.10
3 year swap	4.98	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	0.33	0.60	1.00	1.30	1.80	2.30
US 10 year note	2.86	3.30	3.60	3.80	4.10	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\$	1.04	1.08	1.08	1.06	1.03	1.01
NZ\$/US\$	0.80	0.80	0.81	0.79	0.77	0.75
A\$/¥	84.3	91.8	94.0	94.3	93.7	93.9
A\$/€	0.74	0.79	0.80	0.80	0.76	0.74
A\$/£	0.66	0.68	0.69	0.68	0.66	0.64
A\$/NZ\$	1.30	1.35	1.33	1.34	1.34	1.35
A\$/C\$	1.03	1.03	1.04	1.04	1.02	1.02
A\$/CHF	0.87	0.97	0.99	1.00	0.99	0.99
A\$/CNY	6.76	6.84	6.73	6.53	6.28	6.10
A\$ Trade weighted index	76.7	80.3	80.7	79.3	76.9	75.2
International cross rates						
US\$/¥	80.7	85.0	87.0	89.0	91.0	93.0
€/US\$	1.41	1.37	1.35	1.33	1.35	1.37
€/¥	114	116	117	118	123	127
£/US\$	1.59	1.59	1.56	1.55	1.57	1.58
€/£	0.89	0.86	0.87	0.86	0.86	0.87
US\$/C\$	0.99	0.95	0.96	0.98	0.99	1.01
US\$/CHF	0.84	0.90	0.92	0.94	0.96	0.98
US\$ index	75.9	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	7.79	7.78	7.80	7.80	7.80	7.80
US\$/IDR	8613	8704	8704	8573	8445	8318
US\$/INR	45.0	46.0	46.6	45.9	45.2	44.6
US\$/KRW	1087	1118	1137	1120	1103	1087
US\$/MYR	3.06	3.08	3.10	3.07	3.04	3.02
US\$/PHP	43.6	44.4	44.9	44.5	44.1	43.7
US\$/SGD	1.24	1.25	1.26	1.25	1.24	1.23
US\$/THB	30.79	31.10	31.40	31.20	31.10	30.90
US\$/TWD	28.95	29.40	29.70	29.40	29.10	28.90
US\$/VND	20595	20800	20800	21400	21400	21400
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

IMPORTANT NOTICE

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