



ECONOMICS & MARKETS RESEARCH

AUSTRALIAN ECONOMICS TOOLBOX

17 SEPTEMBER 2010

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THE OTHER COMMODITY SECTOR

- **This week we were reminded of the divergent prospects for 2010-11 of the advanced and emerging economic regions.** Strong Chinese investment and production figures and policy tightening from the Indian central bank highlighted the still favourable external demand conditions Australia is enjoying. However, Central Banks in Switzerland and New Zealand have become notably more dovish. The US data was a little more encouraging and while it has eased concerns around prospects for a double-dip it still undeniably points to a slowdown.
- **The RBA again highlighted the need for a cautious Australian consumer in the midst of this impending investment boom.** While this week revealed a big drop in consumer sentiment in August, we are unconvinced that this will translate into the desired slowdown in household consumption, given strong labour market prospects.
- **The strong Chinese data propelled the AUD/USD to a 4-month high.** This has been barely interrupted by the Bank of Japan's decision to intervene to try and weaken the JPY. A temporary lift in the AUD/USD above 0.96 now cannot be ruled out. But we struggle to see AUD/USD holding onto such gains given there is still a tail risk of a sharper US slowdown or European banking sector crisis.
- **We preview the outlook for Australia's agriculture sector ahead of next week's Commodity Outlook (Australian Commodities) from ABARE.** With mining dominating the spotlight it has been easy to miss the recent strong performance of our 'other' commodity sector - agriculture. 'Soft' commodity prices in some markets have rarely been better. Australia is well placed to take advantage, particularly in cotton and wheat. This will provide further upside to our terms of trade and export profile.

THE WEEK AHEAD

- In **Australia**, the focus will be on a speech by RBA Governor Stevens on 'Monetary Policy and the Regions' as well as the RBA Board September minutes for clues on whether policy could be tightened again as early as October. With no ABS data to speak of the other focus will be on ABARE's latest quarterly outlook (Australian Commodities) which will update the agency's view on resource and rural export returns.
- In **China** markets will be closed from Wednesday through to Friday but we should be alert to a risk of a 'surprise' policy tightening following last week's strong economic data. Markets are also closed in **Japan** on Monday and Thursday.
- In **Europe** we'll be watching the German IFO and PMI data for signs this economy is losing momentum. A range of ECB officials will also be speaking early in the week. In the UK the focus will be house price data and the minutes from the Bank of England's September meeting.
- **The most important event of the week is the FOMC policy meeting in the US.** Improving data suggests additional quantitative easing is unlikely, but the FOMC statement may provide some insight as to how the Fed is leaning in this regard. The market will also focus on housing starts and durable goods to get some sense of the extent of the slowdown in the US economy.

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THE H2 DIVERGENCE

We are loathe to call it a decoupling, but this week we were reminded of the divergent prospects for 2010-11 of the advanced and emerging economic regions. The week kicked off strongly with a raft of strong Chinese data. The data not only confirmed China was on track for a soft landing, but suggested that further policy tightening may be required in order to keep growth at a sustainable pace. The highlights included a pick up industrial production and new loans growth as well as broadly unchanged (at +25% YoY YTD) fixed asset investment.

Some of our customers have expressed alarm at a recent plunge in Chinese steel production following government orders to close smaller steel mills to speed up industry consolidation and energy efficiency goals. But we note that this action has pushed up steel prices and has mainly affected steel mills that use domestic (not imported) iron ore. Moreover, steel and especially iron ore inventory levels are falling. With Chinese manufacturing on track to enjoy its usual fourth quarter rebound, we continue to look for further Australian iron ore price rises in the months ahead.

The continued strength of the Indian economy was also highlighted this week with the Bank of India raising interest rates for the fifth time this year. India's GDP growth accelerated to 8.8% in Q2 and the economy faces strong price pressures with inflation at 8.5% YoY in August. The growing importance of India to Australia is catching our policy-maker's eye, with this month's RBA Bulletin devoting an article to the country's recent economic development.

Indeed, RBA Assistant Governor Philip Lowe used a speech yesterday to repeat the Central Bank's view that Australia's increasing ties to Asia has lifted our medium-term prospects. In a speech that appeared to call for a refreshed broader reform agenda (highlighting for example Australia's recent poor productivity performance) Lowe again emphasised the need for household consumption to make room for investment. We doubt this week's 5% drop in consumer sentiment would have done much to make the RBA comfortable on this front. The labour market, not confidence, is the bigger driver of household spending. We continue to expect Australian policy-makers will face the same challenges as their Asian counterparts in the months ahead.

That said, the RBA will be keeping one eye on conditions in advanced economies which remain sombre. UK data is starting to disappoint, and Eurozone industrial production and exports were also weak, adding to our suspicion that H2 growth across Europe risks a sharp slowdown. The Swiss National Bank became more downbeat, slashing its growth and inflation outlook. And across the Tasman the RBNZ surprised markets with a more dovish tone, particularly around household consumption, pushing out market expectations for further rate rises until early 2011.

The mood around the US at least lightened a little by end-week as the data flow suggested that yes, the US economy is slowing, but no, it is not double-dipping. There were some particularly encouraging signs on the labour market; weekly jobless claims are showing early signs of stabilising at a lower level and the employment sub-indices of the Philadelphia Fed Survey and the NY Empire manufacturing survey both improved.

AUD TO CONSOLIDATE RECENT GAINS

The strong Chinese data, combined with broad-based USD weakness, has spurred AUD/USD to a 4-month high above 0.94 this week. A little wind was taken out of the AUD's sails by the Bank of Japan's (well-flagged) move to intervene to try and weaken the JPY against the USD. This has provided short-term support to the USD which has helped cap AUD's rise.

While the BoJ has been successful so far, the jury is out on whether this will be sustained over the medium-term. After two successful joint BoJ-Fed interventions during the 1990s, the BoJ's last intervention in 2003-04—which was not jointly conducted with Fed—was unable to prevent further outright appreciation in the JPY. The BoJ is going it alone again now, but this time, our FX technical analyst, Tim Riddell notes that from a technical perspective, conditions may be supportive for a genuine turn

in the JPY (see *ANZ FX Technical Strategy 16 September*). From a fundamental perspective, however, it does not seem likely to be sustainable as the real exchange rate is not heavily overvalued thanks to years of deflation. So far the BoJ's efforts are working with the JPY maintaining its initial 3% depreciation.

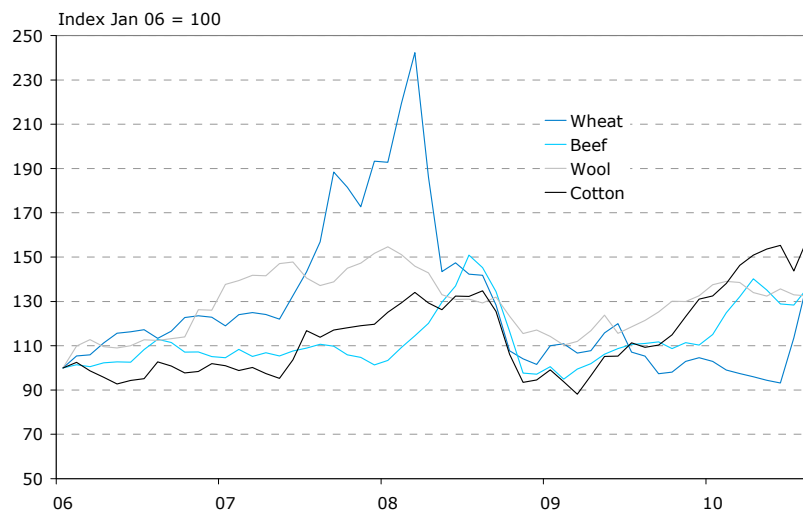
As noted earlier, the recent move by the AUD has been supported by broad-based USD weakness. This USD weakness could extend further as market expectations for additional quantitative easing measures from the Fed in the near-term build despite some more encouraging labour market data recently. This would be supportive of further strength in the AUD/USD and a temporary push above 0.96 cannot be ruled out in the near-term (a break of 0.9470 is the key level to watch for here). However, with the prospect of further BoJ intervention looming (which tends to provide a short-term boost to the USD) and a speculative market already quite long-AUD, we're not sure the market will be able to sustain a push higher in the near-term, especially while US QE or European banking sector issues remains tail-risks. Over the medium-term, strong fundamentals for the Australian economy point to further AUD strength.

THE OTHER COMMODITY SECTOR

While the mining sector has dominated the spotlight, it has been easy to miss the recent strong performance of our 'other' commodity sector, agriculture. Ahead of ABARE's quarterly Commodity Outlook, due on Tuesday, it is timely to consider the outlook in some of our key agriculture sectors.

Agricultural prices in some markets have rarely been better (Figure 1). We expect 'soft' commodities to provide further upside for Australia's terms of trade over at least Q3 and possibly into Q4. The magnitude of these price rises is dwarfed by the surge in 'hard' commodity prices. But we do believe that the benefits to Australia from the current agricultural price boom is a story that is often missed. As noted below, rural exports have rebounded strongly in recent months and the (albeit volatile) farm sector is now growing faster than the non-farm economy.

FIGURE 1: AGRICULTURE PRICES SURGING



Source: Bloomberg, ANZ.

That said, the ability of Australian farmers to reap the full dividends from the agricultural price boom is not without constraints. For starters, the higher AUD is taking some of the edge off export returns. In addition, the outlook for agricultural production is mixed owing to variable weather conditions. As detailed below, cotton and wheat should enjoy the biggest gains. That said, there will be a sharp divergence in fortunes for wheat farmers in the east and those in the west. The outlook for beef exports, which are traditionally sensitive to AUD moves, is also uncertain.

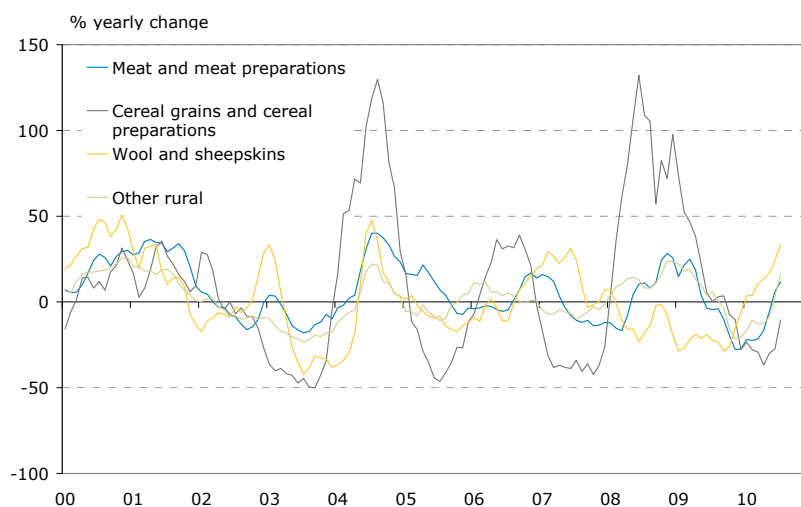
Nevertheless, we would still look for the agriculture sector to make a solid contribution to growth in the year ahead. For the broader economy, this raises another potential upside for investment (as farmers reinvest earnings) but also another strain on capacity, particularly in the labour market. Indeed, farmers may struggle to find sufficient temporary/seasonal workers without turning to temporary arrivals.

COTTON AND WHEAT TO LEAD THE REVIVAL

The value of Australian rural exports has surged 19.0% in the year to July. And in a rare coinciding of cycles, exports are rising strongly across all the major agricultural commodity groups. Wool and sheepskins are leading the rebound, followed by 'other' rural (mainly sugar), meat and then cereals (Figure 2). Most of this increase has been driven by higher prices with volumes a little more subdued. Nevertheless, farm GDP rebounded by 3.4% YoY in Q2, to be faster than non-farm GDP growth of 3.3% YoY over the period.

The two key Australian agricultural export markets that stand to benefit most over the next 12 months are wheat and cotton. For Australian cotton exports, strong prices, good subsoil moisture and an improvement in water storage levels in some areas should lead to a large increase in the area planted to cotton. Australian cotton output is expected to rise by around 50%, which should mean a major lift in cotton exports. However, this won't begin to flow through until mid-2011. Producers have also been able to take advantage of decade-high cotton prices, allowing producers to forward sell at levels as high as A\$500/bale.

FIGURE 2: RURAL EXPORTS RECOVERING STRONGLY



Source: ABS, ANZ.

In the grains sector, Australian producers have seen wheat prices rally from around A\$200 per tonne at sowing time in May/June, to levels as high as \$A300 per tonne in recent months. While some producers have been active in forward selling at these levels, many producers still have most of the crop unpriced. This will mean final prices received by producers will still hinge on prices at harvest (which starts from end of October). But we remain optimistic that wheat prices should hold around these current levels through to at least Christmas.

Russian Prime Minister Vladimir Putin has recently confirmed that the Russian wheat export ban won't be lifted until the end of the 2011 harvest. Russian wheat exports are therefore unlikely to recommence until June next year. This will support global wheat prices through the Australian harvest period and thus boost wheat export values in 2010-11.

However the picture for Australian wheat export volumes is mixed owing to the divergent prospects for farmers in the east versus those in the west. The expected size

of the Western Australian (WA) winter crop is deteriorating by the day due to lack of rainfall. As a result, WA wheat exports in 2010-11 could now be as low as 5 million tonnes, down by 30% on recent years.

On the east coast (including South Australia), the picture is the opposite. Seasonal rainfall has been near ideal in many areas, with winter crop yields likely to be the best seen in the last decade. While this will mean a large grain exportable surplus will exist across eastern Australia in 2010-11, east coast wheat export volumes are unlikely to fully reflect this. Capacity constraints in transport such as rail as well as a deregulated export market will be major factors in limiting a large jump in wheat export volumes out of the east coast in 2010-11.

WEEKLY DATA WRAP

- **NAB business confidence** rebounded a big 9pts to 11pts in August but business conditions remained unchanged at 5pts. The survey suggested inflationary pressures remain well contained with capacity utilisation unchanged and selling prices easing.
- **WBC/MI consumer confidence** dropped 5% to 113.2 in September as households became concerned about the economic outlook. The index remains well above its long-run average of 101.6.
- **DEWR skilled vacancies** rose 0.1% in September in another positive sign for labour demand.
- **Dwelling starts** rose just 0.8% in Q2, confirming the expected moderation in housing investment over the second half of the year.
- **MI inflation expectations** rose 3.1% in September, up from 2.8% in August. In a sign that domestic inflation has now troughed, this is the first reacceleration in expectations for six months but the series is well below its peak of 5.9% in 2008.

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
19-Sep	NZ	Performance Services Index	AUG	na	nf	50.5	-	-
	EU	ECB's Trichet speaking in Tallinn					16:00	02:00
20-Sep	NZ	ANZ Consumer Confidence Index	SEP	na	nf	116.3	03:00	13:00
		NZ Finance Minister English Speaks					21:00	07:00
	AU	RBA Governor Stevens speaks on 'Monetary Policy and the Regions'					03:30	13:30
	JN	Markets closed	-	-	-	-	-	-
	EU	ECB's Honohan speaks at conference in Dublin					08:30	18:30
		EU's Van Rompuy gives speech in Paris					14:00	00:00
	GE	German Finance Ministry publishes Monthly Report					06:00	16:00
		Appeals Court hears Commerzbank-Dresdner Bonus Cases					08:00	18:00
		German Finance Minister Schaeuble speaks in Mannheim					16:30	02:30
	UK	Rightmove House Prices - MoM	SEP	na	nf	-1.7%	23:01	09:01
		Rightmove House Prices - YoY	SEP	na	nf	4.3%	23:01	09:01
		Major Banks Mortgage Approvals	AUG	-	-	-	08:30	18:30
		M4 Money Supply - MoM	AUG	na	nf	0.4%	08:30	18:30
		M4 Money Supply - YoY	AUG	na	nf	2.3%	08:30	18:30
	CA	International Securities Transactions	JUL	8.00B	nf	5.389B	12:30	22:30
		Wholesale Sales - MoM	JUL	0.5%	nf	-0.3	12:30	22:30
	US	NAHB Housing Market Index	SEP	14	nf	13	14:00	00:00
21-Sep	NZ	Net Migration	AUG	na	nf	970	22:45	08:45
		Credit Card Spending SA - MoM	Jun	na	nf	1.2%	03:00	13:00
		Credit Card Spending - YoY	Jun	na	nf	2.7%	03:00	13:00
	AU	ABARE - Australian Commodities	Q3	-	-	-	00:00	10:00
		RBA Board Minutes (September)					01:30	11:30
	JN	Coincident Index CI	JUL	na	nf	101.8	05:00	15:00
		Leading Index CI	JUL	na	nf	98.2	05:00	15:00
		Machine Tool Orders	AUG	na	nf	170%	06:00	16:00
	UK	Public Finances	AUG	na	nf	-4.1B	08:30	18:30
		Public Sector Net Borrowing	AUG	na	nf	3.2B	08:30	18:30
	EU	EC Issues Quarterly Report on Euro Area					10:00	20:00
		EU to Propose Overhaul of Budget					11:00	21:00
	GE	German Chancellor Merkel addressed Law Conference					13:00	23:00
	CA	Consumer Price Index - MoM	AUG	0.0%	nf	0.5%	11:00	21:00
		Consumer Price Index - YoY	AUG	1.8%	nf	1.8%	11:00	21:00
		Bank Canada CPI Core - MoM	AUG	0.2%	nf	-0.1%	11:00	21:00
		Bank Canada CPI Core - YoY	AUG	1.7%	nf	1.6%	11:00	21:00
		Canadian Finance Minister Flaherty speaks in Ottawa					-	-
	US	Housing Starts	AUG	550k	nf	546k	12:30	22:30
		Housing Starts - MoM	AUG	0.7%	nf	1.7%	12:30	22:30
		Building Permits	AUG	560k	nf	559k%	12:30	22:30
		Building Permits MoM	AUG	0.2%	nf	-4.1%	12:30	22:30
		FOMC Rate Decision	SEP	0.25%	0.25%	0.25%	18:15	04:15
		ABC Consumer Confidence	19-Sep	-	-	-43.0	21:00	07:00
22-Sep	NZ	Current Account Balance	Q2	na	-0.8B	0.176B	22:45	08:45
		Current Account Balance to GDP	Q2	na	-3.5%	-2.4%	22:45	08:45
	AU	Westpac Leading Index (MoM)	Jul	na	na	0.0%	00:30	10:30
		AOFM auctions \$500mn of July 2022 bonds					-	-
	JN	BOJ Board Member Miyao to speak in Tokushima City					01:30	11:30
		All Industry Activity Index - MoM	JUL	1.1%	nf	0.1%	04:30	14:30
		Supermarkets Sales - YoY	AUG	na	nf	-1.2%	05:30	15:30
	CN	Markets closed	-	-	-	-	-	-
	EU	Industrial New Order SA - MoM	JUL	16.3%	nf	2.5%	09:00	19:00
		Industrial New Order SA - YoY	JUL	-2.0%	nf	22.8%	09:00	19:00
		Euro-Zone Consumer Confidence	SEP	-11	nf	-11	14:00	00:00

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
22 Sep cont'd	UK	Bank of England Minutes	-	-	-	-	-	-
	US	MBA Mortgage Applications	17-Sep	na	nf	-8.9	11:00	21:00
		House Price Index	JUL	-0.1%	nf	-0.3%	14:00	00:00
	CA	Leading Indicators - MoM	AUG	na	nf	0.4%	12:30	22:30
		Retail Sales - MoM	JUL	0.5%	nf	0.1%	12:30	22:30
		Retail Sales less Autos - MoM	JUL	0.5%	nf	-0.5%	12:30	22:30
23-Sep	NZ	GDP - QoQ	2Q	na	0.7%	0.6%	22:45	08:45
		GDP - YoY	2Q	na	2.5%	1.9%	22:45	08:45
		Fonterra Announces 2010 Milk payout					-	-
	AU	RBA Foreign Exchange Transaction	AUG	na	nf	570m	01:30	11:30
	JN	Markets closed	-	-	-	-	-	-
	CH	Markets closed	-	-	-	-	-	-
	EU	PMI Composite	SEP	55.7	nf	56.2	08:00	18:00
		PMI Manufacturing	SEP	54.7	nf	55.1	08:00	18:00
		PMI Services	SEP	55.4	nf	55.9	08:00	18:00
	GE	PMI Manufacturing	SEP	57.7	nf	58.2	07:30	17:30
		PMI Services	SEP	57.3	nf	57.2	07:30	17:30
		German Finance Minister Schaeuble speaks in Frankfurt					12:30	22:30
	UK	BBA Loans for House Purchase	AUG	na	nf	33698	08:30	18:30
	US	Geithner Speaks in Dallas					12:30	22:30
		Initial Jobless Claims	18-Sep	450k	nf	450k	12:30	22:30
		Continuing Claims	11-Sep	4450k	nf	4485k	12:30	22:30
		Existing Home Sales	AUG	4.1m	nf	3.83m	14:00	00:00
		Existing Home Sales - MoM	AUG	7.1%	nf	-27.2%	14:00	00:00
		Leading Indicators	AUG	0.1%	nf	0.1%	14:00	00:00
		Fed's Evans gives Welcome Remarks at Chicago Fed Conference					14:40	00:40
		Former Fed Chair Volcker Speaks at Chicago Fed Conference					17:00	03:00
24-Sep	AU	AOFM auctions \$700mn of July 2016 bonds					-	-
	CH	Markets closed	-	-	-	-	-	-
		MNI Business Condition Survey	SEP	na	nf	62.2	01:35	11:35
	GE	IFO - Business Climate	SEP	106.2	nf	106.7	08:00	18:00
		IFO - Current Assessment	SEP	108.6	nf	108.2	08:00	18:00
		IFO - Expectations	SEP	103.6	nf	105.2	08:00	18:00
	US	Federal Reserve Board holds Mortgage Hearing					04:00	14:00
		Fed Chairman Bernanke Speaks in Princeton					08:30	18:30
		Durable Goods Orders	AUG	-1.0%	nf	0.4%	12:30	22:30
		Durables Ex - Transportation	AUG	0.8%	nf	-3.7%	12:30	22:30
		Cap Goods Orders Non - Defence Ex-Air	AUG	na	nf	-8.0%	12:30	22:30
		Cap Goods Ship Non-defence Ex-Air	AUG	na	nf	-1.5%	12:30	22:30
		New York Fed's Cumming speaks in Chicago					13:15	23:15
		New Home Sales	AUG	295k	nf	276k	14:00	00:00
		New Home Sales - MoM	AUG	6.9%	nf	-12.4%	14:00	00:00
		Fed's Lacker Speaks on Economic Outlook in Kentucky					17:00	03:00

FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
27 SEPTEMBER JP: Merchandise Trade Balance Total (Aug) CH: Industrial Profits (Aug) UK: Nationwide House prices (Sep)	28 SEPTEMBER GE: CPI (Sep) UK: GDP (Q2) US: Consumer confidence (Sep)	29 SEPTEMBER NZ: Trade Balance (Aug), Imports (Aug), Exports (Aug) JP: Tankan Large Manufacturers Index (Q3), Tankan Large All Industrial Capex (Q3) EU: Consumer Confidence (Sep) US: MBA Mortgage Applications (Sep 24)	30 SEPTEMBER NZ: Building Permits (Aug) AU: Private Sector Credit (Aug), Building Approvals (Aug), RBA Financial Stability Review JP: Retail Trade (Aug), Industrial Production (Aug), House Starts (Aug) EU: CPI estimate (Sep) GE: Employment (Sep) US: GDP (Q2 T), Initial Jobless Claims (Sep 25) CA: GDP (Jul)	1 OCTOBER AU: Aig Performance of Manufact. Index (Sep) JP: Jobless Rate (Aug), Tokyo CPI (Sep), National CPI (Sep) CH: Market Closed , PMI Manufact.(Sep) EU: PMI Manufact. (Sep), Employment (Aug) GE: PMI Manufact. (Sep) US: Personal Income (Aug), ISM Manufact. (Sep)
4 OCTOBER NZ: ANZ Commodity Price (Sep) AU: Labour Day (NSW, ACT, SA) AiG Performance of Service Index (Sep) JP: Monetary Base (Sep) CH: Market Closed , HSBC Manufact. PMI (Sep) EU: PPI (Aug) UK: PMI Construction (Sep) US: Factory Orders (Aug)	5 OCTOBER AU: RBA CASH TARGET , ANZ Job Ads (Sep), Business Confidence and conditions (Sep) JP: BoJ Target Rate EU: PMI Composite (Sep), PMI Services (Sep), Retail Sales (Aug) CH: Market Closed GE: PMI Services (Sep) UK: PMI Services (Sep) US: ISM Non-Manf. Composite (Sep)	6 OCTOBER AU: RBA's Ellis speaks CH: Market Closed EU: GDP (Q2), Household Consumption (Q2) GE: Factory Orders (Aug) US: MBA Mortgage Applications (Oct 1) CA: Ivey Purchasing Managers Index (Sep)	7 OCTOBER AU: Employment (Sep) CH: Market Closed EU: ECB Announces Interest Rates GE: Industrial Prod. (Aug) UK: BoE ANNOUNCES RATES , Industrial Prod. (Aug) US: Initial Jobless Claims (Oct 2), Consumer Credit (Aug) CA: Building Permits (Aug)	8 OCTOBER AU: RBA's Battellino speaks GE: Trade Balance (Aug), Imports (Aug), Exports (Aug), Current Account (Aug) UK: PPI (Sep) US: Change in Nonfarm Payrolls (Sep), Employment (Sep), Wholesale Inventories (Aug) CA: Housing Starts (Sep), Employment (Sep)
11 OCTOBER JP: Market Closed UK: RICS House Price Balance (Sep)	12 OCTOBER GE: CPI (Sep F) UK: CPI (Sep), Retail Price Index (Sep)	13 OCTOBER NZ: Food Prices (Sep) AU: Consumer Confidence (Oct) JP: Machine Orders (Aug) CH: Trade Balance (Sep) UK: Claimant Count Rate (Sep), Jobless Claims Change (Sep) US: MBA Mortgage Applications (Oct 8)	14 OCTOBER NZ: Retail Sales (Aug), Business NZ PMI (Sep) JP: Domestic CGPI (Sep) EU: ECB Publishes Oct. Monthly Report US: Trade Balance (Aug), Producer Price Index (Sep), Initial Jobless Claims (Oct 9) CA: Int'l Merchandise Trade (Aug)	15 OCTOBER JP: Industrial Production (Aug), Capacity Utilization (Aug) EU: CPI (Sep) US: CPI (Sep), Advance Retail Sales (Sep), Retail Sales Less Autos (Sep), Empire Manufacturing Survey (Oct), U. of Michigan Confidence (Oct), Business Inventories CA: Manufacturing Sales (Aug)
18 OCTOBER NZ: CPI (Q3) JP: Tertiary Industry Index (Aug) US: Industrial Production (Sep), NAHB Housing Market Index (Oct), Capacity Utilization (Sep)	19 OCTOBER AU: RBA Board Minutes (Oct) EU: CA (Aug), Construction Output (Aug) GE: ZEW Survey (Oct) US: Housing Starts(Sep), Building Permits (Sep), ABC Consumer Confidence (Oct 17) CA: BoC rate decision	20 OCTOBER AU DEWR Skilled Vacancies (Oct), Westpac Leading Index (Aug) JP: Leading Index (Aug F) GE: PPI (Sep) UK: BoE Minutes, Public Finances (Sep) US: MBA Mortgage Applications (Oct 15), Fed's Beige Book Ca: Wholesale Sales (Aug)	21 OCTOBER NZ: ANZ Consumer Confidence (Oct) AU: CBAHIA Housing Affordability (Q3) CH: GDP (Q3), PPI (Sep), CPI (Sep), Retail Sales (Sep), Industrial Production (Sep) EU: Cons. Conf. (Oct A) UK: Retail Sales (Sep) US: Philli Fed (Oct), Leading Indicators (Sep)	22 OCTOBER EU: Govt debt/GDP ratio (Dec 31) GE: IFO Business Survey (Oct) CA: CPI (Sep), Retail Sales (Aug)
25 OCTOBER AU: PPI (Q2) EU: Industrial new orders (Aug) US: Chicago Fed Nat Activity Index (Sep), Existing home sales (Sep), Dallas Fed Manf Activity (Oct)	26 OCTOBER JN: Corp service price index (Sep) UK: GDP (Q3) US: S&P/CaseShiller home price (Aug) US: Consumer confidence (Oct), House price index (Aug), Richmond Fed manufact index (Oct)	27 OCTOBER AU: CPI (Q3) NZ: NBNZ Business Confidence (Oct) GE: CPI (Oct) US: MBA Mortgage Applications (Oct 22), Capital Goods Orders (Sep), Durable Goods Orders (Sep), New Home Sales (Sep)	28 OCTOBER NZ: RBNZ Official Cash Rate (Oct) JN: Retail Trade (Sep), BOJ Monetary Policy Meeting and BOJ Target Rate GE: Unemployment Rate (Oct) EU: Consumer Confidence (Oct), Business Climate Indicator (Oct) US: Trade Balance (Aug), Producer Price Index (Sep) Initial Jobless Claims (Oct 23)	29 OCTOBER NZ: Trade balance (Sep) AU: Private Sector Credit (Sep) JN: Unemployment rate (Sep) Household Spending (Sep), CPI (Sep), Industrial Production (Sep), Housing Starts (Sep), Construction Orders (Sep) EU: Unemployment rate (Sep) UK: House prices (Oct) CA: GDP (Aug)

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
Economic activity (annual % change)				
Private final demand	0.4	2.8	5.0	5.5
Household consumption	1.7	3.3	2.8	2.4
Dwelling investment	-4.5	5.0	2.3	2.3
Business investment	-2.3	0.6	13.6	16.4
Public demand	3.2	11.1	2.0	1.8
Domestic final demand	1.0	4.6	4.3	4.6
Inventories (contribution to GDP)	-0.5	0.5	0.0	0.0
Gross National Expenditure (GNE)	0.5	5.1	4.3	4.7
Exports	0.9	5.4	7.1	7.5
Imports	-8.3	13.7	10.2	10.8
Net Exports (contribution to GDP)	2.0	-1.7	-0.9	-1.0
Gross Domestic Product (GDP)	1.2	3.2	3.9	4.0
Prices and wages (annual % change)				
Inflation:				
Headline CPI	1.8	2.9	2.8	3.3
Underlying *	3.6	2.7	2.9	3.2
Wages	3.6	3.2	4.0	4.2
Labour market				
Employment (annual % change)	0.7	2.4	2.4	2.3
Unemployment rate (annual average %)	5.6	5.1	4.6	4.4
External sector				
Current account balance: A\$bn	-51.4	-31.9	-37.3	-62.8
% of GDP	-4.1	-2.3	-2.5	-3.9

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

AUSTRALIAN INTEREST RATES	CURRENT	DEC.10	MAR.11	JUN.11	SEP.11	DEC.11
RBA cash rate	4.50	5.00	5.25	5.50	5.75	6.00
90 day bill	4.78	5.30	5.60	6.00	6.00	6.2
3 year bond	4.76	5.10	5.50	5.70	6.00	6.00
10 year bond	5.12	5.50	5.70	5.80	6.00	5.90
3s10s yield curve	0.37	0.40	0.20	0.10	0.00	-0.10
3 year swap	5.16	5.50	5.90	6.10	6.40	6.40
10 year swap	5.59	6.05	6.25	6.35	6.55	6.45
INTERNATIONAL INTEREST RATES	CURRENT	DEC.10	MAR.11	JUN.11	SEP.11	DEC.11
RBNZ cash rate	3.00	3.00	3.25	4.00	4.50	5.00
NZ 90 day bill	3.18	3.25	3.67	4.42	4.92	5.4
US Fed funds note	0.25	0.25	0.25	0.25	0.50	0.75
US 2 year note	0.48	1.00	1.20	1.50	2.00	2.30
US 10 year note	2.77	3.20	3.30	3.30	3.60	3.60
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.00	1.00	1.00	1.00	1.00	1.00
UK repo rate	0.50	0.50	0.50	0.50	0.75	1.00

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

FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	DEC.10	MAR.11	JUN.11	SEP.11	DEC.11
Australian exchange rates						
A\$/US\$	0.9439	0.92	0.94	0.96	0.98	0.96
NZ\$/US\$	0.7303	0.71	0.72	0.73	0.73	0.72
A\$/¥	80.92	78.2	81.8	85.4	90.2	90.2
A\$/€	0.7192	0.74	0.78	0.80	0.82	0.81
A\$/£	0.6022	0.60	0.61	0.62	0.63	0.62
A\$/NZ\$	1.2927	1.30	1.31	1.32	1.34	1.33
A\$/C\$	0.9668	0.97	0.99	1.00	1.02	1.00
A\$/CHF	0.9580	0.98	1.02	1.05	1.08	1.07
A\$/CNY	6.3414	6.09	6.13	6.16	6.19	5.96
A\$ Trade weighted index	71.60	71.9	74.3	75.1	76.2	74.0
International cross rates						
US\$/¥	85.74	85.0	87.0	89.0	92.0	94.0
€/US\$	1.3124	1.25	1.20	1.20	1.20	1.18
€/¥	112.51	106	104	107	110	111
£/US\$	1.5676	1.54	1.55	1.55	1.55	1.56
€/£	0.8373	0.81	0.77	0.77	0.77	0.76
US\$/C\$	1.0241	1.05	1.05	1.04	1.04	1.04
US\$/CHF	1.0149	1.06	1.08	1.09	1.10	1.11
US\$ index	81.03	84.1	86.4	86.6	87.1	88.1
Asia exchange rates						
US\$/CNY	6.7180	6.62	6.52	6.42	6.32	6.21
US\$/HKD	7.7659	7.75	7.75	7.75	7.75	7.75
US\$/IDR	8981	9300	9525	9200	9000	8900
US\$/INR	46.00	48.6	49.9	48.0	46.0	44.0
US\$/KRW	1160	1245	1290	1200	1100	1000
US\$/MYR	3.1060	3.25	3.31	3.20	3.15	3.10
US\$/PHP	44.180	46.9	48.3	46.0	45.5	45.0
US\$/SGD	1.3358	1.40	1.43	1.39	1.36	1.34
US\$/THB	30.800	32.50	33.30	32.00	31.50	31.00
US\$/TWD	31.702	32.90	33.30	32.70	32.20	31.00
US\$/VND	19480	19500	20000	20000	20000	20000
Pacific exchange rates						
PGK/US\$	0.3695	0.386	0.372	0.358	0.344	0.330
FJD/US\$	0.5254	0.508	0.514	0.517	0.508	0.500

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