

AUSTRALIAN ECONOMICS

AUSTRALIAN ECONOMICS WEEKLY

25 NOVEMBER 2011

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GLOBAL RISKS RISE FURTHER, INCREASING THE CHANCE OF A DECEMBER RATE CUT IN AUSTRALIA

- Global risks intensified this week due to renewed concerns that Europe's sovereign debt problems are spreading to Europe's core. French and German bond yields rose, the Italian 10-year yield is now back above 7% and Fitch downgraded Portugal's sovereign credit rating to BB+ (junk bond status). Meanwhile, a weaker than expected HSBC flash PMI for China could signal that China's economy is slowing more sharply than expected. Significantly, this preliminary PMI fell to 48 points, below the crucial 50 point marker that separates net expansion from net contraction. Equities, commodities and the \$A all fell further this week, as investors sought perceived safe haven assets such as the USD and US Treasury bonds.
- Against this worsening global backdrop however, the domestic data this week was positive. Construction work done posted a very strong result for Q3, led mainly by private sector engineering construction in Western Australia. This provides further evidence that the very large planning pipeline of resources-related investment projects is starting to spill through into current activity.
- In this week's *In Focus* article, we observe that the chance of the RBA cutting the policy rate in December has risen given heightened global risks, notwithstanding the recent stabilisation evident in the domestic economic data. Even so, we have not yet seen global conditions deteriorate to the extent needed to validate current market pricing that implies an expectation of 'emergency' rate cuts to take the cash rate below Australia's GFC low.

THE WEEK AHEAD

- In **Australia**, private capital expenditure for Q3 (ANZ: +10.0% q/q, market: +8.0% q/q), building approvals (ANZ: +8.5% m/m, Market: +3.0% m/m), private sector credit (ANZ: +0.4% m/m, Market: +0.4% m/m), retail sales (ANZ: +0.4% m/m, Market: +0.4% m/m) and RP-Rismark house prices will all be released. See *Data Previews* on page 5.
- In **Europe**, we continue to watch bond yields and bond auctions. Next week, Italian and Spanish bond auctions have been scheduled along with Italian, French and Belgian bill auctions.
- In Asia, the **Chinese PMI manufacturing data** will be released. This week the flash HSBC PMI pointed towards a contraction in Chinese manufacturing in November. While the HSBC flash PMI can be a volatile number, the fall to 48.0 from 51.0 is significant. China's recent fine tuning of policy looks to have been ineffective, and an outright easing by cutting the reserve requirement ratio for all banks will be needed. Vice-premier Wang also noted that global uncertainty has increased sharply, suggesting that policy easing is imminent. ANZ Research expects a cut in the RRR within the next two weeks.
- In the **United States**, components of the latest Philly Fed survey suggest that we'll see a stronger November result for the **ISM manufacturing index** and an improvement in manufacturing in the months ahead. The Philly Fed future new orders sub-index rose to 39.8 in November from 26.7 in October. Meanwhile, the Philly Fed employment sub-index also improved, rising 10.6 points to 12.0 in November. Together with the four-week moving average of initial jobless claims tracking downwards, and a rise in temporary help in the October payrolls report, the indicators point towards a rise in nonfarm payrolls. Indeed, the market is expecting a lift of 120k employed persons in November, driven by a 145k rise in private payrolls.

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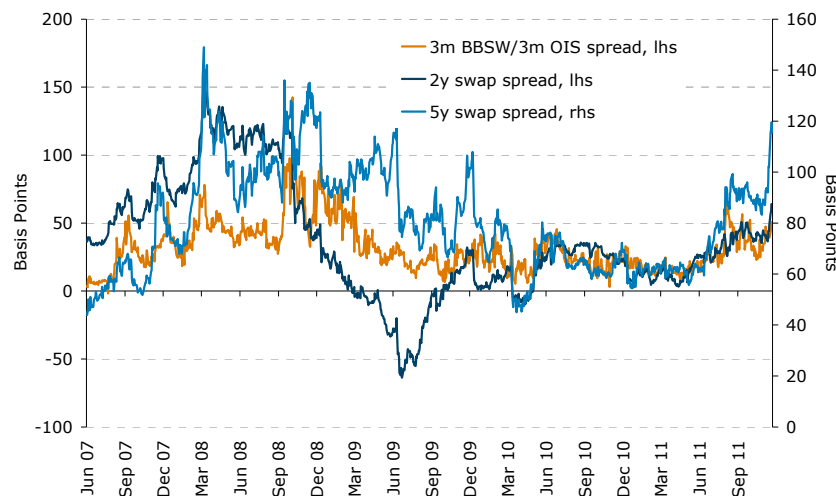
CASE BUILDING FOR ANOTHER RBA RATE CUT IN DECEMBER

The probability that the RBA will cut its official cash rate at its next policy meeting, on December 6, is rising. The OIS market is now pricing 27bps of cuts in December, and a terminal cash rate of 2.75% by mid-2012. This is lower than the 3% trough in the cash rate during the global financial crisis.

The case for a further easing is being driven by a further deterioration in global conditions in the last week. We have long-stated that the key transmission risks from European sovereign debt troubles, which could severely damage the Australian economy, were: (a) a systemic shock to the supply and/or cost of global credit; and (b) a sharper than expected slowdown in the Chinese economy. This week, we saw a range of worrying developments that signal these transmission risks have risen.

- **Australian credit spreads, and thus funding costs, have widened sharply.** At the short-end, the spread between 3-month interbank and OIS rates has risen to 51bps. Along the curve, the 5-year swap spread has jumped 13bps over the last week to 118, the widest level since June 2009 (Figure 1). The deterioration in global funding markets is of particular concern at this time of year, as we are now entering the period when Australian banks typically seek funding from these markets for the year ahead. If global credit costs fail to resettle, the cost of Australian wholesale bank funding will likely rise. This increases the risk that these higher wholesale costs will be passed on to the end-users of credit: businesses and households.

FIGURE 1: SWAP SPREADS AND 3M BBSW-OIS SPREAD



Sources: Bloomberg, ANZ.

- **China may now be slowing more sharply than the RBA expected.** Note this claim rests on just one indicator: this week's HSBC PMI, which unexpectedly fell back below the key expansion level of 50 in November, to 48. Our China economics team notes that this is a very volatile indicator, and so must be watched with care. We therefore await to see whether this week's HSBC PMI is corroborated by next week's official PMI. In the meantime, the fall in the HSBC PMI does suggest that the recent fine tuning of policy in China has been ineffective. It is reassuring of course that China has plenty of policy ammunition, and indeed an outright policy easing (e.g. cut in Bank's reserve requirement ratio) now looks imminent. The point though is that these data are suggesting the Chinese economy could now be underperforming relative to the RBA's earlier expectations.

The other issue for the RBA going into the December Board meeting is the question of timing. The RBA Board does not meet in January, and so February is the next scheduled policy meeting after December. This is a long gap between meetings when the environment could be evolving rapidly. There is nothing stopping the RBA from calling an emergency Board meeting in January

(or the Board giving the Governor discretion for an inter-meeting move) should conditions suddenly deteriorate sharply. But it could hardly be the preferred option. If the Board thinks that global risks are now evolving to the downside, then surely a further modest easing in December is the preferable policy path.

AN EVOLVING VIEW

While global risks have apparently increased in recent days, the domestic data has suggested that many parts of the Australian economy are now stabilising. Consumer and business confidence, at least prior to this week, has been holding fairly steady, we've seen two consecutive months of decent employment growth, three consecutive months of retail sales growth, finance approvals have risen for six consecutive months and, as shown this week, the investment pipeline is being fulfilled.

Indeed, amongst this week's turmoil, some very positive data on the Australian economy was ignored. Construction work done jumped 12% in Q3 (10% above consensus), led by a 30% rise in private engineering construction (most of which occurred in Western Australia). This highlights the important backstop that the 'second stage of the resources boom' is providing the Australian economy.

Prior to this week, our view has been that the Australian economy would be only modestly negatively impacted from the combination of negative offshore factors and the stresses from local structural change (as further consolidation in local retailing and manufacturing weigh on the labour market). Hence our view that the unemployment rate would rise to 5.5% next year, and that the RBA would need to ease by a further 25bps, most likely in February.

Going into the December meeting, the question for us and the RBA has become whether the Australian economy is now at even greater risk from offshore. In particular, are local firms and households now more at risk from a de-facto tightening of credit conditions and is the mining investment pipeline now at risk from both this and a slower than expected China? To answer this categorically, we must be of the view that current global and financial market conditions are inconsistent with the RBA's core view that Europe would 'muddle' through. And even if they are worse at the moment, as this week has shown, a couple of days can be a long time in these markets. Can we be sure that markets won't resettle again before the RBA meets in December?

Perhaps for now then, the best approach to considering how the RBA may react in December requires us to consider the range of possible scenarios. We consider these scenarios on the basis of global developments; the local data flow (including next week's retail sales) is likely to be of minimal influence at the December Board meeting:

1. Global conditions re-settle, funding market pressures ease again, and the official Chinese PMI prints better than expected (or at least doesn't deteriorate). This would be consistent with the view the RBA set out in its Statement on Monetary Policy, at which it implied policy settings were now around neutral. Most likely, this scenario would see the RBA stay on hold in December.
2. Global risks continue to rise as credit conditions worsen, but not drastically so. The China official PMI prints poorly, in line with the HSBC PMI. This could see the RBA deliver another 25bps cut in December, with another 25bps cut, to take rates to an explicit expansionary setting a possibility in early 2012.
3. Global credit conditions worsen significantly and the risks of a synchronised global downturn become heightened. This could well see the RBA cut rates by 50bps in December, and potentially deliver further easing in 2012. However, we would still expect that a lot of things would need to go wrong for current market expectations – which are for the RBA to cut the cash rate to below GFC lows – to be met. A very deep and synchronised global downturn, which took China and Australia's mining investment pipeline with it, together with a sharp withdrawal of credit from the local economy (or at least clear evidence this was starting to happen) would most likely be required. While global risks are rising again, we are still some way from such a disaster.

DATA WRAP

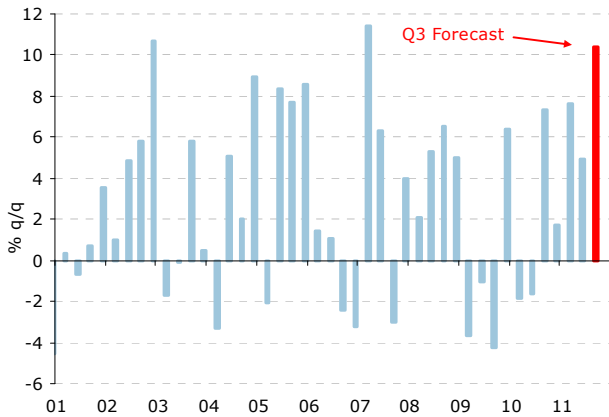
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DATA WRAP

- **Construction work done** surged 12.5% q/q in Q3, which is the strongest quarterly growth rate in these data since the commencement of this series in 1986. Total (public and private sector) engineering construction activity grew a very strong 22.6% q/q, non-residential building work grew 3.1% q/q, while residential building work fell 1.1% q/q. Engineering construction activity grew by 63.5% q/q in Western Australia (nearly double the level of Q3 2010, at 94.4% y/y). Excluding Western Australia, we estimate that engineering construction activity grew by 6.2% q/q and 30.2% y/y.
- The **Conference Board Leading Index** rose 0.1% in September. The index has been little changed since June.

DATA PREVIEW

PRIVATE CAPITAL EXPENDITURE (CAPEX) (Q3)



30 NOV: PRIVATE CAPITAL EXPENDITURE (Q3)

ANZ: +10.0% q/q, +26.0% y/y

Market: +8.0% q/q

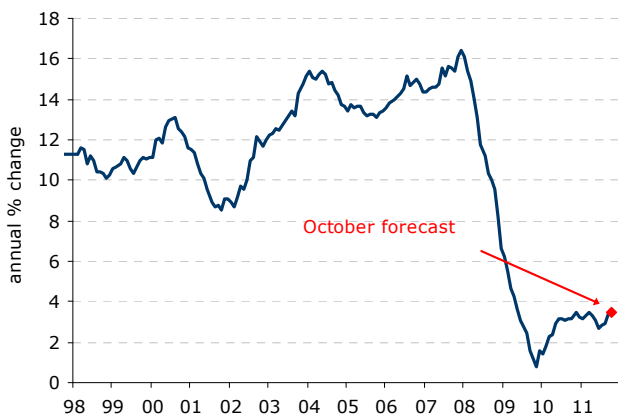
Last: +4.9%, +23.3% y/y

Last week's data on construction work done in Q3 surprised on the upside (+12.5% q/q against expectations for +2.0%). Private sector construction work was up 18.6% q/q (+30.8% y/y), driven by a big jump in private sector engineering construction (+36.1% q/q and 72.4% y/y), but also by a smaller but very encouraging lift in private sector non-residential building (+7.8% q/q).

In the last CAPEX survey, the forward expectations of CAPEX for 2011-12 were of a similar magnitude, with the last estimate (3rd for 2011-12) implying growth of around 32.5%y/y in 2011-12 (made up of 42%y/y for buildings and 12.8%y/y for equipment).

All of this points to a significant acceleration in CAPEX in Q3 (especially after weaker than expected growth in Q2) as the ever-growing pipeline of resources-related investment starts to really make its presence felt. At this stage in the cycle, we expect stronger growth for buildings and structures (which typically makes up about half of total CAPEX), and a slightly weaker result for equipment. (JT)

PRIVATE SECTOR CREDIT



30 NOV: PRIVATE SECTOR CREDIT (OCT)

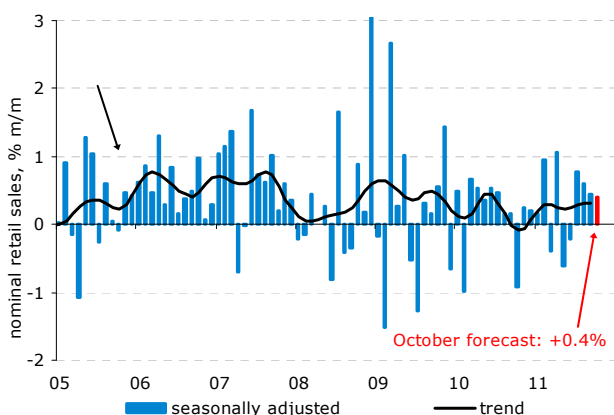
ANZ: +0.3% m/m, +3.5% y/y

Market: +0.4% m/m

Last: +0.5% m/m, +3.4% y/y

Private sector credit is expected to continue to grind marginally higher in October, with a modest monthly increase of around 0.3% and annual growth edging higher to 3.5%. With continued solid growth in commercial finance approvals, monthly business credit growth is expected to post moderate monthly growth. Softening house prices, weak housing market activity and an appetite to repay outstanding household debt is expected to continue to provide a drag on housing credit. Personal credit growth is expected to remain largely unchanged, weighed down by weak margin lending activity with ongoing equity market volatility. (DC)

RETAIL SALES, NOMINAL



1 DECEMBER: RETAIL SALES, NOMINAL (OCT)

ANZ: +0.4% m/m, +3.7% y/y

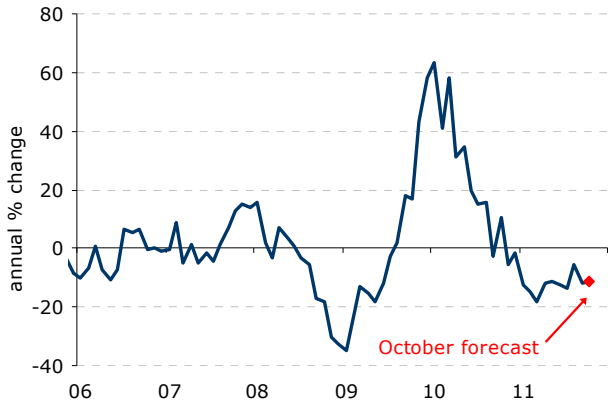
Market: +0.4% m/m

Last: +0.4% m/m, +2.3% y/y

Retail sales have surprised on the upside over the last few months in line with improving employment growth and consumer confidence. Consumer confidence rose 7.6 points from the August low in October (and rose a further 6.2 points in November). Meanwhile, employment gains of +22k and +10k in September and October, respectively, are an improvement from the recent low trend growth rates. As a result, household incomes and confidence should have provided support to retailers in October. However, market volatility and consumer caution remain, and will likely see trend growth in retail trade remain below long-run averages for some time. Indeed, the ASX200 index was down over 10% year-to-date by the end of October. (AM)

DATA PREVIEW

BUILDING APPROVALS



2 DEC: BUILDING APPROVALS (OCT)

ANZ: +8.5% m/m, -11.5% y/y

Market: +3.0% m/m

Last: -13.6% m/m, -12.0% y/y

Building approvals are expected to increase in October, recovering from a strong monthly fall in September. While October approvals data pre-dates the November rate cut, improving momentum in NSW and Queensland building activity should provide the drive for a modest increase in October building approvals. Looking forward, building approvals are expected to continue to soften despite the November rate cut. Ongoing uncertainty in the short-term economic outlook, weak housing market activity and moderate negative growth in house prices are expected to continue to weigh on developer sentiment in the short-term future. (DC)

DATA & EVENT CALENDAR

WEEK STARTING 28 NOVEMBER

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
25-30 NOV	UK	BoE Housing Equity Withdrawal	2Q	£6.0B	--	£5.8B		
27-Nov	CH	Industrial Profits YTD y/y	OCT	--	--	27.0%	03:00	13:00
27-30 NOV	CH	Leading Index	OCT	--	--	100.43		
Monday	NZ	NBNZ Activity Outlook	NOV	--	--	26.1	01:00	11:00
28-Nov		NBNZ Business Confidence	NOV	--	--	13.2	01:00	11:00
	JN	Small Business Confidence	NOV	--	--	46.4	06:00	16:00
	EU	Euro-Zone M3 sa y/y	OCT	3.4%	--	3.1%	10:00	20:00
		Euro-Zone M3 sa 3 mth ave.	OCT	3.1%	--	2.6%	10:00	20:00
		EC OECD November Economic Outlook					11:00	21:00
		ECB Calls for Bids in 7-Day Main Refinancing Tender					15:30	01:30
	GE	Consumer Price Index m/m	NOV P	0.1%	--	0.0%	00:00	10:00
		Consumer Price Index y/y	NOV P	2.4%	--	2.5%	00:00	10:00
		CPI - EU Harmonised m/m	NOV P	-0.1%	--	0.1%	00:00	10:00
		CPI - EU Harmonised y/y	NOV P	2.8%	--	2.9%	00:00	10:00
		GfK Consumer Confidence Survey	DEC	5.2	--	5.3	08:00	18:00
	UK	Hometrack Housing Survey m/m	NOV	--	--	-0.2%	01:01	11:01
		Hometrack Housing Survey y/y	NOV	--	--	-2.8%	01:01	11:01
		Lloyds Business Barometer	NOV	--	--	-15	01:01	11:01
		CBI Reported Sales	NOV	--	--	-11	12:00	22:00
	US	New Home Sales	OCT	310K	--	313K	16:00	02:00
		New Home Sales m/m	OCT	-1.0%	--	5.7%	16:00	02:00
		Dallas Fed Manf. Activity	NOV	5	--	2.3	16:30	02:30
		New York Fed to Release Q3 Report on Household Debt and Credit					17:00	03:00
28 NOV - 2 DEC	GE	Retail Sales m/m	OCT	0.2%	--	0.3%		
		Retail Sales y/y	OCT	2.0%	--	0.3%		
28 NOV - 5 DEC	GE	Import Price Index m/m	OCT	-0.2%	--	0.6%		
		Import Price Index y/y	OCT	6.9%	--	6.9%		
Tuesday	AU	HIA New Home Sales m/m	OCT	--	--	-3.5%	01:00	11:00
29-Nov	JN	Jobless Rate	OCT	--	--	4.1%	00:30	10:30
		Job-To-Applicant Ratio	OCT	--	--	0.67	00:30	10:30
		Overall Hhold Spending y/y	OCT	--	--	-1.9%	00:30	10:30
		Large Retailers' Sales	OCT	--	--	-3.6%	00:50	10:50
		Retail Trade m/m sa	OCT	--	--	-1.4%	00:50	10:50
		Retail Trade y/y	OCT	--	--	-1.1%	00:50	10:50
	EU	Business Climate Indicator	NOV	-0.23	--	-0.18	11:00	21:00
		Euro-Zone Consumer Confidence	NOV F	-20.4	--	-20.4	11:00	21:00
		Euro-Zone Economic Confidence	NOV	94	--	94.8	11:00	21:00
		Euro-Zone Indust. Confidence	NOV	-7	--	-6.6	11:00	21:00
		Euro-zone Services Confidence	NOV	0	--	0.2	11:00	21:00
		ECB Announces Allotment in 7-Day Main Refinancing Tender					11:15	21:15
		ECB Calls for Bids in 3-Month Tender					15:30	01:30
	UK	OBR Releases Economic and Fiscal Forecasts					00:00	10:00
		Nat'wide House prices say/y	NOV	1.2%	--	0.8%	08:00	18:00
		Nat'wide House prices sa m/m	NOV	-0.1%	--	0.4%	08:00	18:00
		M4 Ex OFCs 3M Annualised	OCT	--	--	4.9%	10:30	20:30
		M4 Money Supply m/m	OCT	--	--	-0.4%	10:30	20:30
		M4 Money Supply y/y	OCT	--	--	-1.7%	10:30	20:30
		Mortgage Approvals	OCT	52.0K	--	51.0K	10:30	20:30
		Net Consumer Credit	OCT	0.6B	--	0.6B	10:30	20:30
		Net Lending Sec. on Dwellings	OCT	0.5B	--	0.3B	10:30	20:30
		Osborne Makes Autumn Statement to Commons					13:30	23:30
	US	S&P/CaseShiller Home Price Ind	SEP	--	--	142.84	15:00	01:00
		S&P/Case-Shiller US HPI	3Q	--	--	130.12	15:00	01:00
		S&P/Case-Shiller US HPI y/y	3Q	--	--	-5.9%	15:00	01:00
		S&P/CS 20 City m/m sa	SEP	0.0%	--	-0.1%	15:00	01:00
		S&P/CS Composite-20 y/y	SEP	-3.0%	--	-3.8%	15:00	01:00
		Consumer Confidence	NOV	44.4	--	39.8	16:00	02:00
		House Price Index m/m	SEP	0.1%	--	-0.1%	16:00	02:00
		House Price Purchase Index q/q	3Q	--	--	-0.6%	16:00	02:00
		Fed's Yellen (voter) Speaks on Global Recovery in San Francisco					17:30	03:30
		Fed's Raskin (voter) Moderates Panels in San Francisco					18:15	04:15
		Fed's Lockhart (non-voter) to Speak on U.S. Economy in Atlanta					18:27	04:27
		Fed's Williams (non-voter) Speaks to Reporters in San Francisco					22:30	08:30
	CA	Current Account (BOP)	3Q	-\$11.1B	--	-\$15.3B	14:30	00:30

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
30 Nov - 1 Dec	EU	EU Finance Ministers Meeting						
Wednesday	NZ	Building Permits m/m	OCT	3.0%	5.0%	-17.1%	22:45	08:45
30-Nov		Money Supply M3 y/y	OCT	--	--	5.0%	03:00	13:00
	AU	RPData-Rismark House Px Raw	OCT	--	--	-0.2%	00:30	10:30
		RPData-Rismark House Px sa	OCT	--	--	-0.2%	00:30	10:30
		Private Capital Expenditure	3Q	8.0%	10.0%	4.9%	01:30	11:30
		Private Sector Credit m/m	OCT	0.4%	0.3%	0.5%	01:30	11:30
		Private Sector Credit y/y	OCT	3.6%	3.5%	3.4%	01:30	11:30
		AOFM auctions \$700mn in April 2023 bonds						
	JN	Markit/JMMA Manufacturing PMI	NOV	--	--	50.6	00:15	10:15
		Industrial Production m/m	OCT P	--	--	-3.3%	00:50	10:50
		Industrial Production y/y	OCT P	--	--	-3.3%	00:50	10:50
		Labor Cash Earnings y/y	OCT	--	--	-0.4%	02:30	12:30
		Vehicle Production y/y	OCT	--	--	-4.5%	05:00	15:00
		Annualized Housing Starts	OCT	--	--	0.745M	06:00	16:00
		Construction Orders y/y	OCT	--	--	-9.3%	06:00	16:00
		Housing Starts y/y	OCT	--	--	-10.8%	06:00	16:00
	EU	ECB's Stark Speaking in Dallas					01:30	11:30
		ECB'S Draghi Speaking in Rome					09:00	19:00
		Euro-Zone CPI Estimate y/y	NOV	3.0%	--	3.0%	11:00	21:00
		Euro-Zone Unemployment Rate	OCT	10.2%	--	10.2%	11:00	21:00
		ECB Announces Allotment in 3-Month Tender					11:15	21:15
	GE	Unemployment Change (000's)	NOV	-7K	--	10K	09:55	19:55
		Unemployment Rate (s.a)	NOV	7.0%	--	7.0%	09:55	19:55
	UK	GfK Consumer Confidence Survey	NOV	-33	--	-32	01:01	11:01
	US	Fed's Kocherlakota (voter) Speaks to Reporters in California					01:00	11:00
		Fed's Kocherlakota (voter) Speaks on Monetary Policy at Stanford					02:00	12:00
		MBA Mortgage Applications	Nov-11	--	--	-1.2%	13:00	23:00
		Challenger Job Cuts y/y	NOV	--	--	12.6%	13:30	23:30
		ADP Employment Change	NOV	130K	--	110K	14:15	00:15
		Nonfarm Productivity	3Q F	2.6%	--	3.1%	14:30	00:30
		Unit Labor Costs	3Q F	-2.1%	--	-2.4%	14:30	00:30
		Chicago Purchasing Manager	NOV	58.5	--	58.4	15:45	01:45
		NAPM-Milwaukee	NOV	--	--	55.5	16:00	02:00
		Pending Home Sales m/m	OCT	1.2%	--	-4.6%	16:00	02:00
		Pending Home Sales y/y	OCT	--	--	7.9%	16:00	02:00
		Fed Releases Beige Book Economic Survey					20:00	06:00
	CA	Bank of Canada Deputy Gov. Murray speaks in Plattsburgh, NY					01:15	11:15
		Gross Domestic Product m/m	SEP	0.2%	--	0.3%	14:30	00:30
		Gross Domestic Product y/y	SEP	2.7%	--	2.4%	14:30	00:30
		Industrial Product Price m/m	OCT	0.2%	--	0.4%	14:30	00:30
		Quarterly GDP Annualized	3Q	3.0%	--	-0.4%	14:30	00:30
		Raw Materials Price Index m/m	OCT	1.5%	--	1.4%	14:30	00:30
		Teranet/National Bank HP Index	SEP	--	--	149.46	15:00	01:00
		Teranet/National Bank HPI m/m	SEP	--	--	0.9%	15:00	01:00
		Teranet/National Bank HPI y/y	SEP	--	--	5.4%	15:00	01:00

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
Thursday	NZ	Terms of Trade Index q/q	3Q	--	1.5%	2.3%	22:45	08:45
1-Dec		ANZ Commodity Price	NOV	--	--	-3.5%	01:00	11:00
	AU	AiG Performance of Mfg Index	NOV	--	--	47.4	23:30	09:30
		Retail Sales sa m/m	OCT	0.4%	0.4%	0.4%	01:30	11:30
		RBA Commodity Index SDR y/y	NOV	--	--	19.4%	06:30	16:30
		RBA Commodity Price Index Au	NOV	--	--	107.5	06:30	16:30
		Building Approvals m/m	OCT	3.0%	8.5%	-13.6%	01:30	11:30
		Building Approvals y/y	OCT	-14.4%	-11.5%	-12.0%	01:30	11:30
	JN	Foreign Buying Japan Bonds	Nov-11	--	--	--	00:50	10:50
		Foreign Buying Japan Stocks	Nov-11	--	--	--	00:50	10:50
		Japan Buying Foreign Bonds	Nov-11	--	--	--	00:50	10:50
		Japan Buying Foreign Stocks	Nov-11	--	--	--	00:50	10:50
		Vehicle Sales y/y	NOV	--	--	28.3%	06:00	16:00
	CH	PMI Manufacturing	NOV	49.8	49.7	50.4	02:00	12:00
		HSBC Manufacturing PMI	NOV	--	--	51	03:30	13:30
	EU	ECB's Draghi Speaks at European Parliament in Brussels					09:00	19:00
		PMI Manufacturing	NOV F	46.4	--	46.4	10:00	20:00
	GE	PMI Manufacturing	NOV F	47.9	--	47.9	09:55	19:55
	UK	Bank of England Financial Policy Committee Press Conference					01:00	11:00
		BOE Publishes Statement on Financial Policy Committee Meeting					01:00	11:00
		PMI Manufacturing	NOV	47	--	47.4	10:30	20:30
	US	ICSC Chain Store Sales y/y	NOV	--	--	3.7%	00:00	10:00
		RBC Consumer Outlook Index	DEC	--	--	39.6	14:00	00:00
		Continuing Claims	Nov-11	--	--	--	14:30	00:30
		Initial Jobless Claims	Nov-11	390K	--	393K	14:30	00:30
		Fed's Lockhart (non-voter) to Give Welcome at Real Estate Conference					15:00	01:00
		Fed's Bullard (non-voter) Speaks at Bloomberg Event in New York					15:05	01:05
		Bloomberg Consumer Comfort	Nov-11	--	--	-50.1	15:45	01:45
		Construction Spending m/m	OCT	0.4%	--	0.2%	16:00	02:00
		ISM Manufacturing	NOV	51.5	--	50.8	16:00	02:00
		ISM Prices Paid	NOV	45	--	41	16:00	02:00
		Domestic Vehicle Sales	NOV	10.40M	--	10.29M	23:00	09:00
		Total Vehicle Sales	NOV	13.40M	--	13.20M	23:00	09:00
01-07 DEC	JN	Official Reserve Assets	NOV	--	--	\$1209.9B		
01-08 DEC	UK	Halifax House Price 3Mths/Year	NOV	--	--	-1.8%		
		Halifax House Prices sa m/m	NOV	--	--	1.2%		
Friday	AU	AOFM auctions \$700mn in October 2015 bonds						
2-Dec	JN	Capital Spending	3Q	--	--	-7.8%	00:50	10:50
		Capital Spending excl Sftwre	3Q	--	--	-8.2%	00:50	10:50
		Monetary Base y/y	NOV	--	--	--	00:50	10:50
	EU	Euro-Zone PPI m/m	OCT	0.2%	--	0.3%	11:00	21:00
		Euro-Zone PPI y/y	OCT	5.6%	--	5.8%	11:00	21:00
		ECB's Stark Gives Speech in New York					18:30	04:30
	UK	PMI Construction	NOV	--	--	53.9	10:30	20:30
	US	Avg Hourly Earning m/m All Emp	NOV	0.2%	--	0.2%	14:30	00:30
		Avg Hourly Earning y/y All Emp	NOV	2.0%	--	1.8%	14:30	00:30
		Avg Weekly Hours All Employees	NOV	34.3	--	34.3	14:30	00:30
		Change in Manufact. Payrolls	NOV	9K	--	5K	14:30	00:30
		Change in Nonfarm Payrolls	NOV	120K	--	80K	14:30	00:30
		Change in Private Payrolls	NOV	145K	--	104K	14:30	00:30
		Chg in Household Survey Empl	NOV	--	--	277	14:30	00:30
		Underemployment Rate (U6)	NOV	--	--	--	14:30	00:30
		Unemployment Rate	NOV	9.0%	--	9.0%	14:30	00:30
	CA	Full Time Employment Change	NOV	--	--	-71.7	13:00	23:00
		Net Change in Employment	NOV	20.0K	--	-54.0K	13:00	23:00
		Part Time Employment Change	NOV	--	--	17.7	13:00	23:00
		Participation Rate	NOV	--	--	66.7	13:00	23:00
		Unemployment Rate	NOV	7.3%	--	7.3%	13:00	23:00

FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
28 NOVEMBER NZ: RBNZ Business Confidence (Nov) GE: CPI (Nov) UK: Hometrack Housing Survey (Nov) US: New Home sales (Oct), Dallas Fed Manufacturing (Nov)	29 NOVEMBER JP: Jobless Rate (Oct), Retail Trade (Oct) EU: Consumer Confidence (Nov F), Economic, Industrial & Services Confidence (Nov) UK: Mortgage Approvals (Oct) US: Case Shiller House Prices (Sep), Consumer Confidence (Nov), Fed's Yellen, Raskin, Lockhart and Williams Speak CA: Current Account (Q3)	30 NOVEMBER NZ: Building Permits (Oct) AU: Private Sector Credit (Oct), Capex (Q3) JP: Industrial Production (Oct), Housing Starts (Oct) EU: CPI Estimate (Nov), Unemployment rate (Oct), ECB's Draghi Speaks, EU Finance Ministers Meet GE: Unemployment (Oct) UK: GfK Cons. Conf. (Nov) US: Fed's Beige Book, ADP Employment (Nov), Chicago PMI (Nov), Pending Home Sales (Oct) CA: GDP (Q3)	1 DECEMBER NZ: Terms of Trade (Q3) AU: Retail Sales (Oct) CH: PMI Manuf. (Nov) EU: PMI Manuf. (Nov F) GE: PMI Manuf. (Nov F) UK: PMI Manuf. (Nov) US: ICSC Chain Store Sales (Nov), ISM Manuf. (Nov), Construction Spending (Oct), Fed's Bullard and Lockhart Speak	2 DECEMBER AU: Building Approvals (Oct) JP: Capital Spending (Q3) EU: PPI (Oct) UK: PMI Construction (Nov) US Non-farm Payrolls (Nov) CA: Employment (Nov) 3 December CH: Non-Manuf. PMI (Nov)
5 DECEMBER AU: Inventories (Q3), Company Profits (Q3), ANZ Job Ads (Nov) EU: PMI Services (Nov F), Retail Sales (Oct), Sentix Investor Confidence (Dec) GE: PMI Services (Nov F) UK: PMI Services US: ISM Non-Manuf. (Nov), Factory Orders (Oct), Fed's Evans Speaks	6 DECEMBER AU: Current Account (Q3), ABARES Crop Report (Q4), RBA Rates Decision EU: GDP (Q3 P) GE: Factory Orders (Oct) CA: Building Permits (Oct), Ivey PMI (Nov), BoC Rates Decision	7 DECEMBER AU: GDP (Q3) GE: Ind. Production (Oct) UK: Ind. Production (Oct), Manuf. Production (Oct) US: Consumer Credit (Oct)	8 DECEMBER NZ: RBNZ Rates Decision , Manufacturing Activity (Q3) AU: Employment (Nov), RBA's Stevens Speaks JP: Current Account (Oct), Machine Orders (Oct) EU: ECB Rates Decision UK: BoE Rates Decision CA: Housing Starts (Nov), House Prices (Oct), BoC Publishes Financial System Review	9 DECEMBER NZ: ANZ Consumer Confidence (Dec) JP: GDP (Q3 F) CH: Industrial Production (Nov), Retail Sales (Nov), CPI (Nov) GE: Trade (Oct), Current Account (Oct), CPI (Nov F) UK: PPI (Nov), Trade (Oct) US: Trade (Oct), Uni Michigan Confidence (Dec P) CA: Merch. Trade (Oct) EU Leaders Summit
12 DECEMBER AU: Housing Finance (Oct), Trade (Oct)	13 DECEMBER NZ: Food Prices (Nov) AU: Dwelling Starts (Q3), NAB Business Survey (Nov) EU: ZEW (Dec) UK: CPI (Nov) US: NFIB Small Business Optimism (Nov), Retail Sales (Nov), Business Inventories (Oct), FOMC Rates Decision	14 DECEMBER AU: Westpac Consumer Confidence (Dec), RBA's Battellino Speaks JP: Industrial Production (Oct F) EU: CPI (Nov), Industrial Production (Oct) UK: Jobless Claims (Nov)	15 DECEMBER NZ: Business NZ PMI (Nov) AU: RBA Bulletin JP: Tankan Manufacturing Index (Q4) EU: Employment (Q3) UK: Retail Sales (Nov) US: PPI (Nov), Current Account (Q3), Empire Fed Manufacturing Index (Dec), Philly Fed Manufacturing Index (Dec), Industrial Production (Nov)	16 DECEMBER EU: Trade (Oct), ECB's Draghi, King, Bini Smaghi Speak US: CPI (Nov)
19 DECEMBER NZ: Performance of Services Index (Nov), NBNZ Business Confidence (Dec) EU: CA (Oct), Construction Output (Oct) US: NAHB Housing Market Index (Dec), Fed's Lacker Speaks	20 DECEMBER AU: RBA Minutes JP: Leading Index (Oct) GE: PPI (Nov), IFO (Dec), US: Housing Starts (Nov), Building Permits (Nov) CA: CPI (Nov)	21 DECEMBER NZ: CA (Q3), Net Migration (Nov) JP: BoJ Rates Decision , Merchandise Trade (Nov) EU: Consumer Confidence (Dec A) GE: GfK Consumer Confidence (Dec) UK: GfK Consumer Confidence (Dec), BoE minutes US: Existing Home Sales (Nov) CA: Retail Sales (Oct)	22 DECEMBER NZ: GDP (Q3) UK: GDP (Q3 F), CA (Q3) US: GDP (Q3 T), Personal Consumption (Q3 T), Uni of Michigan Confidence (Dec F)	23 DECEMBER JP: Emperor's birthday holiday UK: Index of Services (Oct) US: Durable Goods Orders (Nov), Capital Goods Orders (Nov), Personal Income & Spending (Nov), Core PCE (Nov), New Home Sales (Nov) CA: GDP (Oct)
26 DECEMBER AU, NZ, UK, GE, IT, US, CA: Christmas holiday	27 DECEMBER NZ, AU, CA: Boxing Day holiday JP: Vehicle Production (Nov), Construction Orders (Nov), Housing Starts (Nov) US: Case Shiller Home Prices (Oct), Consumer Confidence (Dec), Richmond Fed Manufacturing Index (Dec), Dallas Fed Manufacturing Index (Dec)	28 DECEMBER JP: Jobless Rate (Nov), CPI (Nov), Retail Trade (Nov), Industrial Production (Nov P)	29 DECEMBER GE: CPI (Dec P) US: Chicago PMI (Dec), Pending Home Sales (Nov), Kansas City Fed Manufacturing Activity Index (Dec)	30 DECEMBER AU: RP-Rismark House Prices (Nov), Private Credit (Nov)

CENTRAL BANK RELEASES FOR 2011-12

SEPTEMBER 2011	OCTOBER 2011	NOVEMBER 2011	DECEMBER 2011
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
JANUARY 2012	FEBRUARY 2012	MARCH 2012	APRIL 2012
4th – FOMC Minutes 12th – BoE 12th – ECB 18th – BoC 26th – FOMC 25th – BoE Minutes 25th – BoJ Monthly Report 25th – FOMC 26th – RBNZ 27th – BoJ Minutes	7th – RBA 8th – RBNZ 8th – RBNZ MP statement 9th – BoE 9th – ECB 16th – RBA Minutes 15th – BoE Inflation Report 15th – BoJ Monthly Report 13th – BoJ 17th – BoJ Minutes 21st – RBA minutes 22nd – BoE Minutes	6th – RBA 9th – BoC 8th – ECB 8th – BoE 12th – BoJ 13th – FOMC 14th – BoJ Monthly Report 16th – BoJ Minutes 21st – BoE Minutes 20th – RBA minutes	3rd – RBA 4th – ECB 5th – BoE 9th – BoJ 11th – BoJ Monthly Report 13th – BoJ Minutes 17th – BoC 17th – RBA Minutes 18th – BoE Minutes 25th – FOMC 26th – RBNZ 27th – BoJ
MAY 2012	JUNE 2012	JULY 2012	AUGUST 2012
1st – RBA 3rd – ECB 7th – BoJ Minutes 10th – BoE 15th – RBA Minutes 16th – BoE Inflation Report 22nd – BoJ 23rd – BoE Minutes 24th – BoJ Monthly Report 28th – BoJ Minutes	5th – RBA 5th – BoC 14th – RBNZ 14th – RBNZ MP Statement 7th – BoE 6th – ECB 14th – BoJ 18th – BoJ Monthly Report 19th – RBA Minutes 20th – BoE Minutes 20th – BoJ Minutes 20th – FOMC	3rd – RBA 5th – ECB 5th – BoE 17th – RBA Minutes 17th – BoC 18th – BoE Minutes 26th – RBNZ 31st – FOMC	1st – FOMC 2nd – ECB 2nd – BoE 7th – RBA 8th – BoE Inflation Report 21st – RBA Minutes 15th – BoE Minutes

***Notes:** Entries are the dates of central bank interest rate announcements for 2011, unless specified as minutes or otherwise.

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

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

Source: Central bank websites.

FORECASTS

AUSTRALIAN ECONOMIC INDICATORS	2010	2011F	2012F	2013F
Economic activity (annual % change)				
Private final demand	2.2	4.7	5.7	6.0
Household consumption	2.8	2.8	1.8	2.6
Dwelling investment	4.2	2.4	-1.1	7.6
Business investment	0.0	13.4	20.6	14.9
Public demand	9.1	1.5	1.6	1.7
Domestic final demand	3.8	3.9	4.7	5.0
Inventories (contribution to GDP)	0.4	0.4	-0.5	0.0
Gross National Expenditure (GNE)	4.2	4.3	4.2	4.9
Exports	5.7	-1.9	10.5	10.3
Imports	13.7	12.5	14.9	13.4
Net Exports (contribution to GDP)	-1.6	-3.4	-1.5	-1.4
Gross Domestic Product (GDP)	2.7	1.4	3.5	3.4
Prices and wages (annual % change)				
Inflation: Headline CPI	2.8	3.4	2.4	3.3
Underlying (RBA core)	2.8	2.5	2.8	3.4
Wages:	3.3	3.7	3.5	4.1
Labour market				
Employment (annual % change)	2.7	1.7	1.4	2.3
Unemployment rate (annual average %)	5.2	5.1	5.4	5.0
External sector				
Terms of trade (annual % change)	16.2	15.1	-4.9	-5.9
Current account balance: A\$bn	-36.0	-33.3	-64.9	-99.3
% of GDP	-2.7	-2.3	-4.3	-6.3

* Includes carbon tax. ^ Average of RBA trimmed mean and weighted statistical measures

AUSTRALIAN INTEREST RATES	CURRENT	DEC 11F	MAR 12F	JUN 12F	SEP 12F	DEC 12F
RBA cash rate	4.50	4.50	4.25	4.25	4.25	4.25
90 day bill	4.60	4.70	4.60	4.55	4.50	4.50
3 year bond	3.03	3.40	3.20	3.30	3.50	3.60
10 year bond	3.86	4.10	4.00	4.00	4.10	4.20
3s10s yield curve	0.83	0.70	0.80	0.70	0.60	0.60
3 year swap	3.79	3.90	3.70	3.80	3.95	4.05
10 year swap	4.63	4.70	4.60	4.60	4.65	4.75

INTERNATIONAL INTEREST RATES	CURRENT	DEC 11F	MAR 12F	JUN 12F	SEP 12F	DEC 12F
RBNZ cash rate	2.50	2.50	2.50	2.75	3.25	3.25
NZ 90 day bill	2.69	2.72	2.73	3.17	3.50	3.50
US Fed funds note	0.25	0.25	0.25	0.25	0.25	0.25
US 2 year note	0.27	0.20	0.20	0.20	0.20	0.40
US 10 year note	1.93	1.90	1.90	1.90	2.00	2.20
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.25	1.25	1.00	1.00	1.00	1.00
UK repo rate	0.50	0.50	0.50	0.50	0.50	0.50

FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	DEC 11F	MAR 12F	JUN 12F	SEP 12F	DEC 12F
Australian exchange rates						
A\$/US\$	0.97	0.97	1.00	1.05	1.10	1.10
NZ\$/US\$	0.74	0.77	0.80	0.83	0.86	0.89
A\$/¥	75.1	72.8	75.0	75.6	79.2	79.2
A\$/€	0.73	0.72	0.73	0.75	0.77	0.76
A\$/£	0.63	0.63	0.64	0.66	0.68	0.67
A\$/NZ\$	1.31	1.26	1.25	1.27	1.28	1.24
A\$/C\$	1.02	0.93	0.98	1.04	1.11	1.13
A\$/CHF	0.89	0.89	0.94	1.01	1.08	1.10
A\$/CNY	6.18	6.09	6.19	6.42	6.63	6.55
A\$ Trade weighted index	72.5	71.5	73.0	75.4	78.2	77.4
International cross rates						
US\$/¥	77.4	75.0	75.0	72.0	72.0	72.0
€/US\$	1.33	1.35	1.37	1.40	1.42	1.45
€/¥	103	101	103	101	102	104
£/US\$	1.55	1.55	1.57	1.59	1.61	1.63
€/£	0.86	0.87	0.87	0.88	0.88	0.89
US\$/C\$	1.05	0.96	0.98	0.99	1.01	1.03
US\$/CHF	0.92	0.92	0.94	0.96	0.98	1.00
US\$ index	79.2	78.6	76.6	75.2	74.7	73.9
Asia exchange rates						
US\$/CNY	6.37	6.28	6.19	6.11	6.03	5.95
US\$/HKD	7.79	7.80	7.80	7.80	7.80	7.80
US\$/IDR	9135	8925	8747	8572	8400	8232
US\$/INR	52.1	49.4	48.4	47.4	46.5	45.6
US\$/KRW	1158	1195	1171	1148	1125	1100
US\$/MYR	3.19	3.19	3.16	3.13	3.10	3.06
US\$/PHP	43.8	43.9	43.2	42.6	42.0	41.3
US\$/SGD	1.31	1.31	1.30	1.28	1.27	1.26
US\$/THB	31.20	31.20	31.00	30.90	30.70	30.60
US\$/TWD	30.45	30.60	30.40	30.30	30.10	30.00
US\$/VND	21008	21000	21400	21400	21400	21400
Pacific exchange rates						
PGK/US\$	0.467	0.378	0.372	0.366	0.366	0.366
FJD/US\$	0.538	0.538	0.530	0.522	0.522	0.522

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