

# AUSTRALIAN ECONOMICS

## AUSTRALIAN ECONOMICS WEEKLY

7 OCTOBER 2011

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### RBA OPENS THE DOOR TO EASE MONETARY POLICY

- ANZ now expects the RBA to cut its cash rate by 50bps by the end of Q1 2012.** Whilst the timing, is as usual, highly uncertain, our best estimate at the moment is for a 25bps cut in November, followed by a further 25bps cut in February. Whilst leaving its cash rate unchanged at 4.75% at this week's Board meeting as expected, the RBA presented a very clear shift in tone. **The RBA opened the door for a modest easing of policy**, lowering both its short-term growth and 2012-13 inflation forecasts for Australia. As a result of these downgrades, the RBA acknowledged that it now had scope for monetary policy to "provide some support to demand" should that prove necessary. Our *In Focus* article below examines the key reasons for this change in outlook by the RBA.
- Also In Focus this week is the spectre of rising structural unemployment in the Australian economy.** The unemployment rate has started to tick up in recent months, during what is arguably a period of structural change in the economy. We find evidence that structural unemployment has risen, albeit modestly to date. Labour is failing to move as much as is needed to the mining states, and there may be some mismatch in skills between the unemployed and the jobs available. We cautiously estimate that higher structural unemployment may, in the last few years, have added between ¼ to 1 ppts to Australia's NAIRU. If the RBA were to reach a similar conclusion, this puts some upward pressure on interest rates relative to market expectations for steep rate cuts over the next few months.
- Australian policy leaders were this week preoccupied with two policy forums in Canberra:

  - First up was two days to discuss tax reform.** This was a follow-up to last year's Henry Tax Review. While no detailed policies or changes were confirmed, Treasurer Swan announced an intention to an increase the tax free threshold to \$21,000 per year from the current \$6,000 (with timing to depend on national 'affordability'). This is on top of the tax free threshold increase announced as part of the carbon tax reimbursement plans (to \$18,000) and will take an estimated one million low income earners out of the tax system completely (including many retirees). It will be accompanied by changes to tax offsets and welfare payments. Other tax reform proposals that will be further examined by various working groups include harmonisation of state taxes (e.g. payroll tax), changes to tax concessions (e.g. for negative gearing) and small business taxes.
  - This was followed by two days discussing Australia's labour market**, with the future of manufacturing jobs a focal point. At the conclusion of the conference, the Prime Minister established an implementation group to make minor policy changes requiring projects with Government contributions to report their Australian content. Firms seeking tariff exemptions under the Government's existing Enhanced Project By-law Scheme will have to provide evidence that Australian firms get equal opportunity to secure project contracts. Also, companies receiving Government money will be required to complete Australian Industry Participation Plans, which will be posted on the internet. This extends an existing program that only requires companies with projects worth \$20 million or more to make such Plans. The changes will increase transparency regarding Australian content but do not insist on it, as this would threaten the Government's pro-trade platform and likely be in breach of international trading rules. The implementation group will report by the end of the year. Prime Minister Gillard also said she would chair a special prime ministerial taskforce on manufacturing.

### THE WEEK AHEAD

- In **Australia**, the ANZ Job Advertisement Series will be released ahead of labour force data on Thursday. ANZ expects the recent softening in employment growth to continue in September, with only 7.0K jobs created (Market: 10.0K). This will likely keep the unemployment rate at 5.3%. Other Australian releases will include the NAB business survey, housing finance and consumer confidence, plus a speech from the RBA's DeBelle.

- In the **US**, a public holiday on Monday will likely see a quiet start to the week for markets. The key event will be the FOMC minutes in a quiet week for data.
- In **Europe**, data will likely take a back seat again. We now look toward the G20 meeting on 3-4 November as being critical for an organised policy response to the European debt crisis. However, industrial production and inflation data will also be released. In the UK, industrial production and unemployment data will be the key for markets.
- In Asia, **Chinese** CPI, PPI and trade data will likely be the key releases for the region. ANZ expects CPI inflation to rise to 6.3% y/y (market: 6.1% y/y) and PPI to fall to 6.8% y/y (market: 6.9% y/y). In **Japan**, a public holiday on Monday will be followed by machine orders and the BoJ minutes later in the week.
- In **New Zealand**, card spending and the ANZ Consumer Confidence survey will be the key releases and a further indicator of spending by households.

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### RBA OPENS THE DOOR TO EASE

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Whilst leaving its cash rate unchanged at 4.75% at this week's Board meeting as expected, the RBA presented a very clear shift in tone. In particular, **the RBA opened the door for a modest easing of policy**, lowering both its short-term growth and 2012-13 inflation forecasts for Australia. As a result of these downgrades, the RBA acknowledged that it now had scope for monetary policy to "provide some support to demand" should that prove necessary. The reasons for this change in outlook for the RBA are examined below.

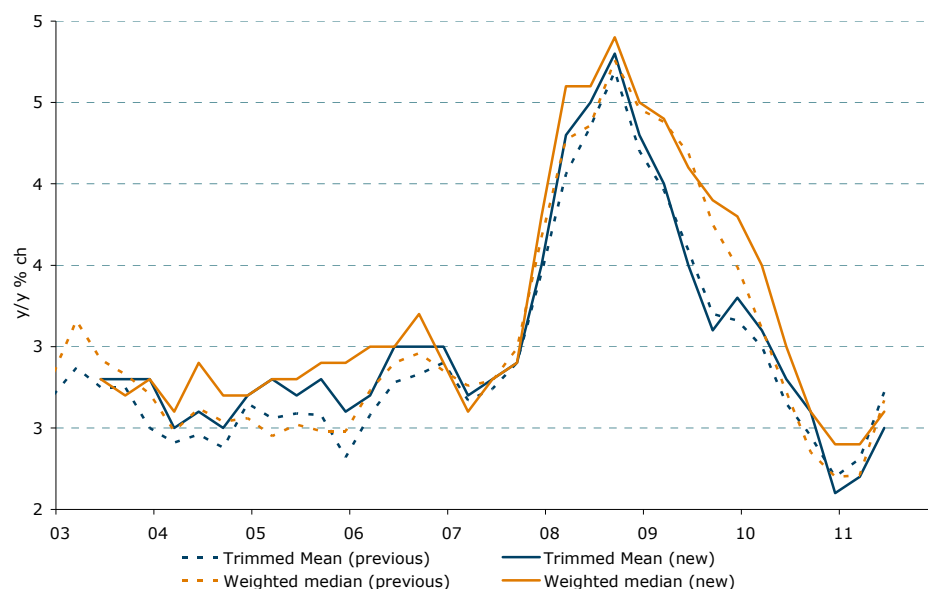
### A NOVEMBER WINDOW

With Q3 inflation (due for release in late October) likely to confirm domestic inflationary pressures aren't as high as previously thought, a November rate cut, which can then be explained in detail in the November Statement on Monetary policy, seems the most likely window. **For now, we forecast an initial 25bps easing, but we can't completely rule out a 50bps easing in November, should global credit markets deteriorate even more sharply and quickly in the coming weeks.**

Whilst the medium-term outlook for Australian GDP growth is around trend (around 3% y/y), it is increasingly becoming focussed on mining investment and related sectors. With global risks intensifying and a more modest domestic inflation outlook, current marginally tight monetary policy settings are arguably no longer appropriate for the rest of the Australian economy which is not benefiting directly from the mining investment surge. Indeed, the RBA, at its October Board meeting, acknowledged that it had downgraded its near-term Australian growth and inflation forecasts, despite the continuing strength in the resources-related outlook.

**The change in the inflation outlook in Australia is material.** The RBA now expects inflation (ex-carbon tax) to be "more consistent" with its 2-3% target. This compares with its August forecast for underlying inflation to breach 3% by end-2011. The RBA's downward revision reflects both a lower starting point after the ABS's downwards revisions to seasonally adjusted underlying inflation (see figure 1). They also reflect the recent softening in labour market conditions, which have left the RBA less concerned about wage pressures spilling outside of the resources sector.

FIGURE 1: UNDERLYING INFLATION TRENDS AND REVISIONS



Sources: ABS and ANZ.

**Partial indicators for Q3's CPI are already pointing to a relatively subdued outcome.** The TD-MI Inflation Gauge rose by just 0.4% in Q3 after a rise of 1.2% in Q2 and our petrol price tracking suggests petrol prices fell by approximately 1.0% in Q3. Indicators of prices in the monthly NAB business survey (including retail prices, business selling and purchase prices) were also weaker in August, and capacity utilisation eased to the lowest level since September 2009.

#### SHOULD IT PROVE NECESSARY

The phrase *'should that prove necessary'*, suggests that a modest inflation print, by itself, may be insufficient to prompt an interest rate cut. Global and local conditions, and/or the outlook, may need to deteriorate further in order to get the Board over the line and cut rates. A further slight rise in the unemployment rate in next week's September data may also, by itself, be insufficient to prompt a policy easing (see our *In Focus* article on structural unemployment below to see why). While a rise in the unemployment rate in September is not our central forecast (see our *Data Preview* below), we do expect it to drift up over the coming months.

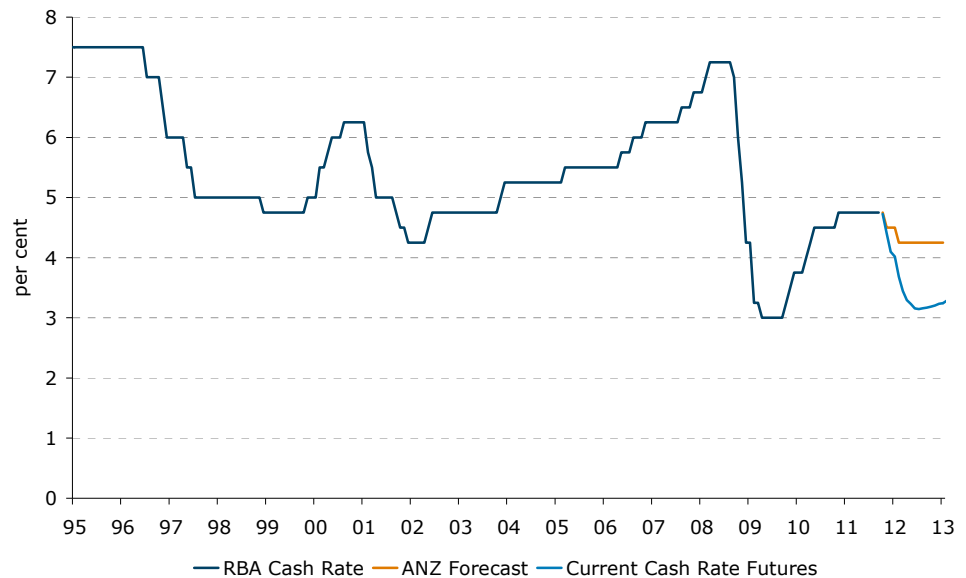
To us, the biggest concern - and indeed, arguably the most likely source of intensifying local risks - is **the rising cost of funding across the global financial system**, particularly for banks. Australian banks are less reliant on global capital markets than in 2008 but they are not immune to these trends. A sustained rise in bank funding costs over the next six months will raise funding costs for all businesses across the economy. The RBA will want to offset these pressures with interest rate reductions.

#### A GRADUAL EASING CYCLE

**At this stage, we expect the RBA's strategy will be to take monetary policy back to neutral.** Notwithstanding any pass-through of potentially higher bank funding costs, this would involve around 50bps of cuts to the cash rate. Without a further very sharp deterioration in global conditions, we see little chance that the RBA will embark on the substantial policy easing currently priced into the OIS market (more than 160bps of cuts in just over six months, taking the cash rate to near its GFC low of 3.0%) (see Figure 2).

Should China and Australian export commodity prices escape most of the severity of current global risks, and thus Australia's significant investment pipeline remain on track, the RBA may look to remove this expected policy easing, and return local rates to a mildly restrictive setting by mid-2013. But there is also the risk of a more severe global downturn in the meantime that could force more substantial cuts from the RBA in 2012. This is the path currently being priced in by markets, which imply the expectation of a 'double-dip' global recession or another GFC-type event (see Figure 2). While the risk of such a downturn is a real and immediate possibility, we do not see this as the most likely scenario from here. As such, we have left the cash rate at 4.25% over the forecast horizon, reflecting these opposing forces.

**FIGURE 2: RBA CASH RATE**



Sources: RBA, Bloomberg and ANZ.

**TERM RATE FORECASTS**

As a result of our new cash rate forecasts, we now expect 3-year bond yields to trough at 3.20% in March 2012, before rising to 3.60% by the end of 2012 and 4.40% by the end of 2013. Our forecast is for 10-year bond yields to trough at 4.00% in March 2012, before slowly rising to 4.20% by the end of 2012 and 4.90% by the end of 2013.

Also weighing on Australian term rates at present are persistently low US term rates. We have recently downgraded our forecasts for US term rate yields in light of the Federal Reserve's 'operation twist', whereby the Fed will be actively purchasing securities at the longer end, in an effort to keep US longer-term rates low. Given the very different economic and policy circumstances in Australia and the US, AUS- US spreads are therefore expected to remain wide, even with one or more impending RBA rate cuts.

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## IS STRUCTURAL UNEMPLOYMENT ON THE RISE?

### KEY POINTS

- The unemployment rate has started to tick up in recent months. While it may be reasonable to assume this reflects a cyclical slowdown, the structural change that is arguably currently occurring in the Australian economy raises the spectre that some of the recent rise in unemployment is due to a rise in structural unemployment.
- We find evidence that structural unemployment has risen, albeit modestly to date. Labour is failing to move as needed to the mining states, and there may be some mismatch in skills between unemployed workers and the jobs available.
- We cautiously estimate that higher structural unemployment may, in the last few years, have added between ¼ to 1 ppts to Australia's NAIRU (the minimum level of unemployment that can be sustained before inflation picks up). But getting a precise estimate of this change is difficult.
- For our forecasts, a rise in the structural unemployment rate would suggest upward pressure on the unemployment rate beyond normal cyclical factors, should non-resource sectors continue to underperform.
- For now, monetary policy will be focussed on containing the growing downside risks from the deteriorating global economy and financial market ructions.
- But for any given level of unemployment, we will not be as far above the NAIRU as in 'normal times'. This means, to the extent that structural unemployment in Australia is rising, wages pressures, and thus inflation risks, for any given level of unemployment may be slightly higher. In 'normal' conditions (i.e. without current global risks) this may also mean that monetary policy needs to be slightly tighter for any given level of unemployment, relative to recent history. Indeed, if global risks were to suddenly abate, or perhaps even not considerably worsen, it is not clear that ANZ's forecast rise in the unemployment rate to 5½% would be sufficient, by itself, to prompt a policy easing.
- In the medium-term, a sustained rise in the NAIRU as a result of persistent structural change, *ceteris paribus*, may see the RBA consider the 'neutral' level of interest rates is also a little higher in these circumstances. This would mean that, should global conditions settle, the risk may still be for a resumption of 'pre-emptive' tightening, even as the unemployment rate stays above 5.0%.

### SHOULD WE WORRY ABOUT STRUCTURAL UNEMPLOYMENT?

Australia's unemployment rate has jumped from 4.9% to 5.3% in recent months. The economy is facing a number of conflicting forces at the moment, including the pressures of reallocating resources away from the (slow-growing) non-commodities sectors to the (fast-growing) resources and related sectors. The question must therefore be asked as to whether the recent rise in the unemployment rate is due to cyclical forces alone. Has there also been some rise in *structural* unemployment in Australia?

**Structural unemployment** is unemployment that is due to mismatches between the jobs that are available and the workers who are looking for employment. These mismatches may be due to available jobs requiring different skill sets to those possessed by unemployed workers, or the jobs and workers being located in different geographic areas. Structural unemployment is *in contrast* to cyclical, seasonal and frictional unemployment (the latter existing simply because job-hunting takes time), and is typically more entrenched in nature and difficult to address.

A rise in structural unemployment is not surprising during a period of structural change in the economy. The commodities boom – if sustained – will require a large shift in labour and capital away from some traditional sectors of the economy towards the resources sector and other related sectors. Mining and construction jobs, however, are currently mainly in parts of Australia where there are relatively few existing workers. While there is strong demand for labour in these sectors, the geographic barrier to filling these jobs (which has been combated in part through the use of 'fly-in, fly-out' work arrangements) makes a rise in structural unemployment a real possibility.

Structural unemployment is closely related to the *non-accelerating inflation rate of unemployment* (NAIRU). The **NAIRU** represents the lowest rate of unemployment that is consistent with stable inflation. At unemployment rates lower than the NAIRU, excess demand for labour from firms bids up wages, which flows through to higher consumer demand and hence higher prices. Structural unemployment is not especially amenable to conventional monetary or fiscal policy: decreasing the cash rate in the presence of structural unemployment does not reduce the unemployment rate because the problem is a lack of (suitable) labour supply, not labour demand. So, in isolation of other risks to the Australian economy (e.g. euro zone debt problems), there is an important implication for monetary policy if the recent upward trend in the unemployment rate is mainly due to structural factors.

Recent Australian studies (Kennedy, 2007; MacDonald, 2007) estimated that the NAIRU for Australia was declining throughout the 2000s. Steven Kennedy of the Treasury estimated that the NAIRU was around 4½–5% in 2007, which was a bit above the trough in the unemployment rate at 4% in early 2008. While the NAIRU is difficult to estimate with any precision, Australia's inflation experience around this period is telling. Growth in employee compensation (on the broad, national accounts measure) shot up to a high of 9%y/y in real terms in 2007, which was far in excess of the 10 year average of 3½%. Not surprisingly then, underlying inflation rose strongly from late 2007 and peaked at nearly 5% in late 2008 (before higher interest rates and slower global growth reigned inflation back in). This is broadly what one would expect to see when the unemployment rate breaches the NAIRU (the threshold for rising inflation), and so lends significant weight to Kennedy's estimate.

#### WHAT ARE THE LATEST DATA TELLING US?

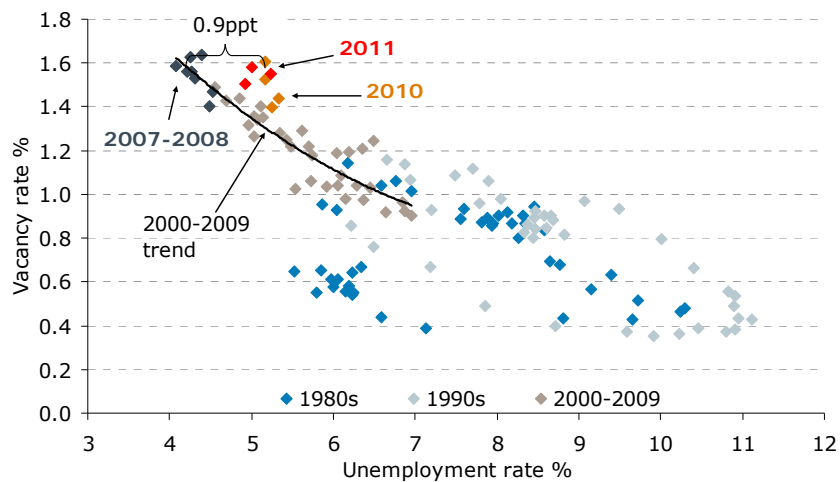
Structural unemployment is not directly observable, and in practice it is difficult to untangle structural and cyclical unemployment from the data. The best that can be done is to look for evidence on whether and why it is getting harder for unemployed workers to find jobs.

The Beveridge curve, which plots the relationship between the unemployment rate and the job vacancy rate, is commonly used to examine changes in labour market rigidities. When labour demand increases, as evidenced by higher vacancy rates, the unemployment rate will be lower. An outward shift in the Beveridge curve indicates that the labour market has become less efficient in matching labour supply to labour demand.

The Beveridge curve for Australia suggests that there has been a modest decline in job-matching efficiency over the last couple of years compared to the 2000–2009 experience (see Figure 3). The Beveridge curve has shifted to the right by around 0.9 percentage points, with vacancy rates having risen but falls in the unemployment rate having been more sluggish. We suggest the most likely candidate for such a shift in this period is the structural change caused by the resources boom and the associated higher \$A.

Interestingly, we don't observe the same shift during the commodities boom Mki (see Figure 3); rather, the labour market moved *along* the curve. This is arguably because conditions for non-mining industries were less restrictive at that time. This time, the current boom is accompanied by cyclical factors that are accelerating the structural transition: the \$A has been, until recently, at much higher levels; policy (both monetary but especially fiscal) is more restrictive this time; and, affected by the GFC and renewed global uncertainty, household and business behaviour is notably more 'cautious'.

**FIGURE 3: BEVERIDGE CURVE**

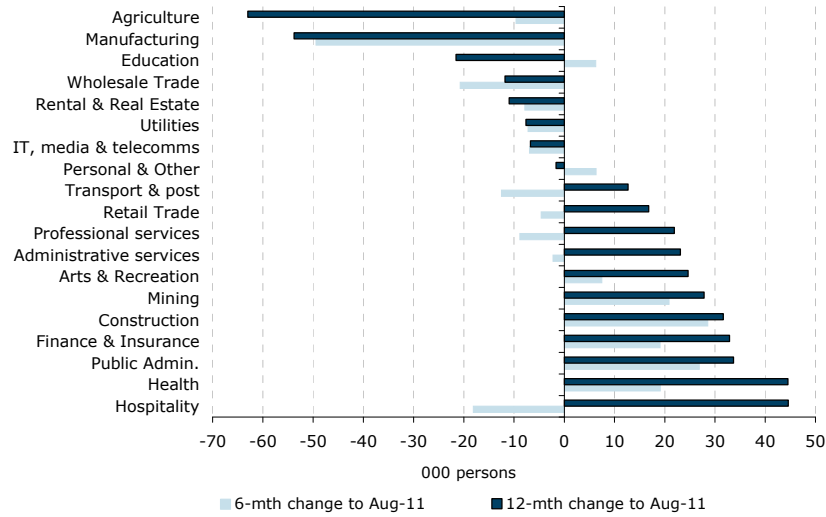


Note: the job vacancies series was temporarily discontinued between Aug-08 and Aug-09 inclusive  
 Source: ABS.

There is now clear evidence that such structural change is occurring in the Australian economy. In particular, average employment growth over the last three years in manufacturing and retail has been well below the average of the previous ten years. For manufacturing, this has involved a higher rate of job shedding: manufacturing employment has averaged -3.5% pa in the last three years compared with -0.1% pa in the previous ten years. Meanwhile, retail employment growth has slowed sharply to 0.1% pa from 2.4% pa in the corresponding periods. In contrast, employment growth in mining has been strong, and employment has continued to grow in other sectors benefiting from the resources boom – especially construction and some services (see Figure 4).

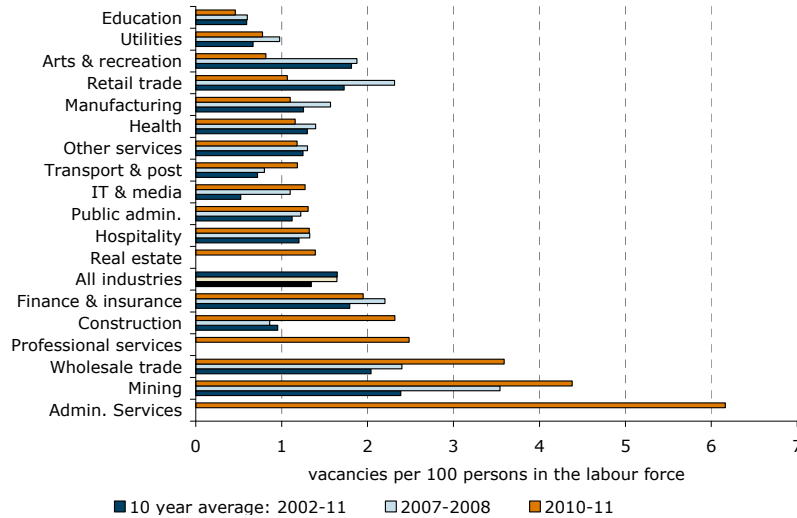
Labour demand trends suggest there is further restructuring in the economy to go. Vacancy rates for mining and construction are both well above their industry averages, as well as above the rates seen during 2007–2008 when the labour market was tight (see Figure 5). Professional services vacancies are also very high (although an ABS classification change means we can't calculate a long-run average to compare). Vacancy rates in many of the larger employing sectors (e.g. retail and manufacturing), meanwhile, remain lower than average.

**FIGURE 4: NET EMPLOYMENT GAINS BY INDUSTRY**



Source: ABS

**FIGURE 5: VACANCY RATES BY INDUSTRY**



Note: data to compute long-run averages are unavailable for real estate, professional services and administrative services industries

Source: ABS.

Not surprisingly, many of these jobs are in the mining states. Job vacancies are well above average in Western Australia and the Northern Territory, and are also above average in Queensland (see Figure 6). This is despite a recent notable rise in the unemployment rate in both Queensland and the Northern Territory (the Western Australian unemployment rate in contrast is falling). While lower, vacancy rates are also above their state averages in Victoria and South Australia. This may partly reflect flow-on benefits from mining to service industries in these states.

**FIGURE 6: JOB VACANCIES BY STATE**

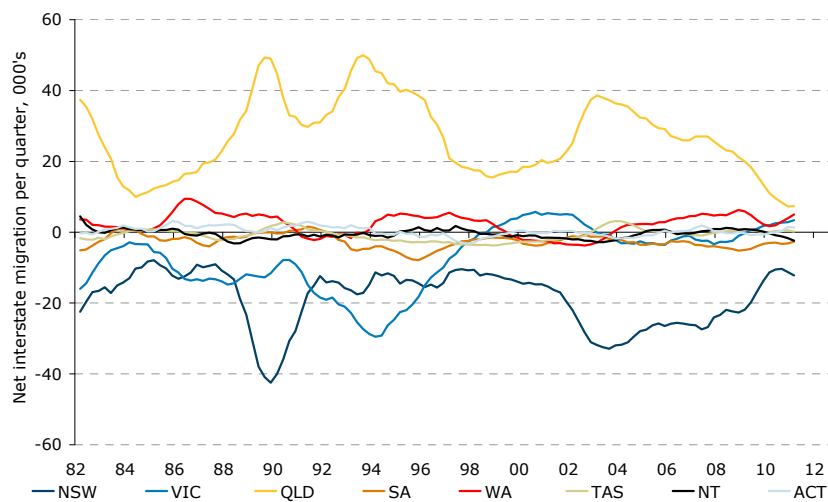


Note: 2007-2008 includes the first six months of 2008 only, as the series was temporarily discontinued  
Source: ABS.

Does an economy that has not finished the job of restructuring explain the fall in the efficiency of the labour market, as evidenced by the Beveridge curve? In a frictionless labour market, we should see workers flooding from non-resource states to the mines in Western Australia, Queensland and the Northern Territory.

Yet the data tell a different story. Net interstate migration to Western Australia is low (although starting to pick up a bit) while flows to the Northern Territory are now negative (see Figure 7). Large population flows have typically occurred from New South Wales and, until the late 1990s, Victoria to Queensland. But even these flows have been trending downward since the commodities boom began in 2004. One caveat to this analysis is that 'fly-in, fly-out' workers are not captured in these data. Nonetheless, there appears to be a pronounced reticence among Australian workers to relocate.

**FIGURE 7: INTERSTATE MIGRATION FLOWS**



Source: ABS.

Measuring the degree of skills mismatch between unemployed workers and job vacancies is much more difficult to do. But we can get some indication of changes in the degree of mismatch by looking at data on the long-term unemployed. From Figure 8 we can see that the rate of long-term unemployment has risen sharply over the last two years. Although the sharper rise for men is starting to unwind, for females the rise has accelerated in 2011.

The steep rise in the long-term unemployment rate is suggestive of an increasing mismatch between the skills of unemployed workers and those required for the jobs available. The gender data may indicate that mining and construction (which are male-dominated) are starting to absorb some of these long-term unemployed. Retail (the second-largest employer and female-dominated) has shown very weak employment growth, and this may partly explain the continuing upward trend in long-term unemployment among women. This suggests further upside risk to female long-term unemployment.

**FIGURE 8: LONG TERM UNEMPLOYMENT RATIO**



Source: ABS.

### A LIFT IN THE AUSTRALIAN NAIRU?

That structural change is occurring in the Australian economy, and needs to progress further, is clear. Yet it appears that this transition faces particular challenges, given the uneven geographic impacts of the commodities boom. The Beveridge curve suggests that in the past few years the labour market has become a bit less efficient at matching jobs to workers. Supporting this, there is evidence that labour is not flowing to the mining states as much as is needed to satisfy demand for workers. A mismatch in skills is also of some concern (as it is for any structural change) although evidence for this is less clear.

What does this mean for the NAIRU? At most, the NAIRU may have risen by as much as the rightward shift in the Beveridge curve (around 0.9 percentage points). The San Francisco Fed Reserve points to evidence that the NAIRU shifted by around half of the shift in the Beveridge curve in the US over the last few decades. Estimates by Kennedy (2007) suggest that for Australia there is not always a one-to-one relationship either.

Taking this into account, we might (somewhat cautiously) conclude that the 0.9 percentage point shift in the Beveridge curve has increased the NAIRU by between ¼ and 0.9 percentage points. Based on Kennedy's estimate for the NAIRU in 2007,

this probably puts the current unemployment rate of 5.3% at around the current NAIRU. How long this higher NAIRU persists will depend on whether: (1) workers in non-resource states become more willing to move interstate; and/or (2) there is enough retraining of workers who are exiting weaker sectors (like manufacturing) to allow these workers to move into growing sectors (especially mining and construction).

For our forecasts, a rise in the structural unemployment rate would suggest further upward pressure on the unemployment rate beyond normal cyclical factors, should non-resource sectors continue to underperform. That is, the unemployment rate may rise beyond the 5½% peak that we are currently predicting.

Higher structural unemployment means that the economy hits supply constraints earlier, and in the face of strong demand for labour in the resources and related sectors. A rise in structural unemployment thus means that for any given level of unemployment, we will not be as far above the NAIRU as in 'normal times'. This implies that wages pressures, and thus inflation risks, for any given level of unemployment may be slightly higher in the current circumstances.

This has important implications for monetary policy. In 'normal' conditions (i.e. without current global risks) a rise in structural unemployment may mean that monetary policy needs to be slightly tighter for any given level of unemployment, relative to recent history.

In the short-term, it suggests that a further modest rise in the unemployment rate, *by itself*, may well not be enough to prompt the RBA to cut interest rates. If global risks intensify and force the RBA to act, it suggests that any short term interest rate cuts will be smaller than expected by the market, which currently has priced in a total of 150bp in cuts by June 2012.

In the medium-term, should the RBA judge that higher structural unemployment has slightly lifted the NAIRU, any resumption in the fall in the unemployment rate or notable pick up in employment growth may be met by swifter action by the RBA than in 'normal' times. In other words, 'pre-emptive' interest rate rises may occur, even as the unemployment rate remains above 5.0%.

## DATA WRAP

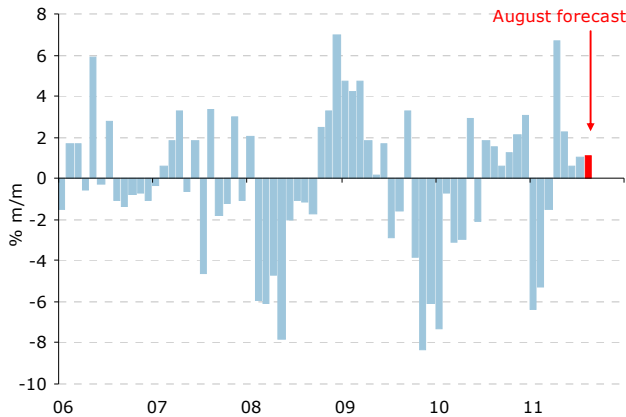
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## DATA WRAP

- The **RBA kept the cash rate at 4.75%** at the October meeting. The accompanying statement opened the door for a modest easing of policy due to a slight downward revision to the outlook for inflation (see our *In Focus* article above).
- The **trade surplus** widened by A\$1.28Bn to A\$3.1Bn in August as export growth of 8.0% m/m outpaced import growth of 3.3% m/m. Export values were predominantly stronger for commodity exports, in particular large rises in iron ore and coal exports. But manufacturing exports continue to surprise expectations given the dampening effect of the elevated A\$. Resources exports (ex gold) rose 10.0% m/m, rural exports rose 5.9% m/m and manufacturing exports rose 2.2% m/m. On the imports side, consumption goods imports grew by 3.1% m/m, capital goods imports fell by 1.4% (but remain 10.8% higher than a year ago) and services imports grew by 3.2% m/m.
- Residential **building approvals** increased 11.4% in August driven by a significant lift in the volatile private sector approvals of flats/units/townhouses (mainly in NSW). However, the more stable indicator of residential construction activity private sector house approvals declined further in the month (-1.0% m/m).
- Nominal **retail sales** jumped up by another 0.6% m/m in August (July's strong growth was revised up to 0.6% m/m from 0.5% previously). Household goods (+1.7% m/m), food retailers (+0.6% m/m) and caf  s restaurants and takeaway outlets (+1.2% m/m) led the rise while weakness remains in department store sales (-0.8% m/m).
- The **AiG performance of manufacturing index** fell 1.0 point to 42.3 in September. The production (-4.7 points) and employment (-2.7 points) indicators fell but new orders (+1.2 points) rose for a second consecutive month.
- The **AiG performance of services index** fell 1.8 points to 50.3 in September but remain in positive growth levels. The employment (-4.3 points) was the major drag on the headline index, while sales (+1.0 points) rose.
- The **AiG performance of construction index** fell 2.1 points to 30.0 in September as housing construction remains weak. Most components in the index fell except for the engineering index, which rose by 3.4 points to 41.6.
- The **TD Securities Inflation Gauge** rose 0.1% m/m to be at an annual pace of 2.8%.

# DATA PREVIEW

## HOUSING FINANCE



## 12 OCT: HOUSING FINANCE (AUG)

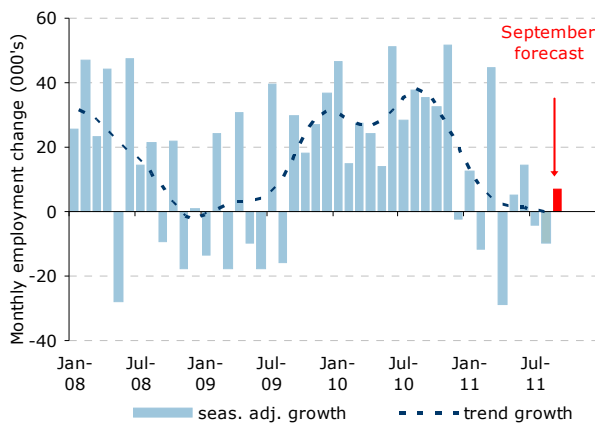
**ANZ: +1.1% m/m, +5.0% y/y**

**Market: +1.1% m/m**

**Last: +1.0% m/m, +5.4% y/y**

Housing finance growth is expected to be subdued for the third straight month in August (+1.1% m/m). With the escalation in financial market volatility through July and August continuing to weaken household confidence, housing finance activity is expected to remain subdued. Housing finance levels should continue to edge higher than the recent 10-year lows. However, soft house prices, continuing household balance sheet repair and weak housing market activity will remain a drag on housing finance at least until year's end. **(DC)**

## EMPLOYMENT



## 13 OCTOBER: LABOUR FORCE (SEP)

**Employment:**

**ANZ: +7.0K**

**Market: +10.0K**

**Last: -9.7K**

**Unemployment Rate:**

**ANZ: 5.3%**

**Market: 5.3%**

**Last: 5.3%**

**Participation Rate:**

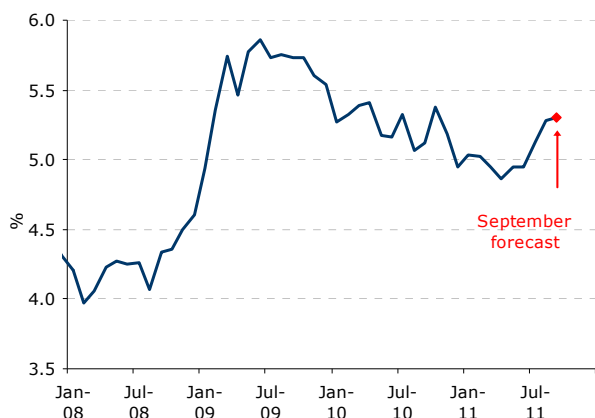
**ANZ: 65.6%**

**Market: 65.6%**

**Last: 65.6%**

After falling in both July and August, employment is expected to have rebounded in September, but only moderately. Strong rises in job advertisements in WA and Qld in particular suggest that employment could rebound in those states following recent soft outcomes (small declines in WA and only slightly positive outcomes in Qld). There would also seem some chance of statistical payback in full-time employment (which has fallen by 39K in the past two months). Offsetting this however, the change in aggregate employment will be weighed down by the completion of the Census, which is expected to have added approximately 7.5K jobs to total employment in recent months, as well as the seasonal factors which tend to weight on employment in seasonally adjusted terms in September.

## UNEMPLOYMENT RATE



Looking through the monthly volatility, our forecast remains consistent with the modest trend weakening in most forward-looking indicators of labour demand in recent months, and the currently less labour-intensive industry mix of economic growth.

Assuming the participation rate and the rate of population growth remains unchanged, this suggests that the unemployment rate will have held steady at 5.3% in September. **(RP)**

## DATA &amp; EVENT CALENDAR

## WEEK STARTING 10 OCTOBER

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
9-Oct	UK	Lloyds Employment Confidence	SEP	--	--	-66	23:01	10:01
10-14 Oct	NZ	REINZ House Sales y/y	SEP	--	24.5%	21.1%	--	--
		REINZ Housing Price Index	SEP	--	--	3223.7	--	--
		REINZ Housing Price Index m/m	SEP	--	0.0%	0.5%	--	--
10-15 Oct	CH	Actual FDI y/y	SEP	--	--	11.1%	--	--
10-Oct	AU	ANZ Job Advertisements m/m	SEP	--	--	-0.6%	00:30	11:30
	EU	<b>ECB's Constancio Speaks in Milan</b>					<b>08:00</b>	<b>19:00</b>
		Sentix Investor Confidence	OCT	--	--	-15.4	08:30	19:30
	GE	Current Account (EURO)	AUG	5.1B	--	7.5B	06:00	17:00
		Exports sa m/m	AUG	1.3%	--	-1.9%	06:00	17:00
		Imports sa m/m	AUG	0.6%	--	-0.5%	06:00	17:00
		Trade Balance	AUG	8.2B	--	10.4B	06:00	17:00
	UK	BRC Sales Like-For-Like y/y	SEP	--	--	-0.6%	23:01	10:01
		RICS House Price Balance	SEP	--	--	-23.0%	23:01	10:01
11-14 OCT	JN	Machine Tool Orders y/y	SEP P	--	--	15.2%	--	--
	US	Monthly Budget Statement	SEP	-\$65.0B	--	-\$134.2B	--	--
11-15 OCT	CH	Foreign Exchange Reserves	SEP	--	--	--	--	--
		Money Supply - M0 y/y	SEP	--	--	14.7%	--	--
		Money Supply - M1 y/y	SEP	12.1%	--	11.2%	--	--
		Money Supply - M2 y/y	SEP	14.0%	14.3%	13.5%	--	--
		New Yuan Loans	SEP	550.0B	600.0B	548.5B	--	--
11-18 OCT	GE	Wholesale Price Index m/m	SEP	--	--	0.1%	--	--
		Wholesale price Index y/y	SEP	--	--	6.5%	--	--
Tuesday 11-Oct	NZ	NZ Card Spending - Retail m/m	SEP	1.1%	2.0%	-0.7%	21:45	08:45
		NZ Card Spending - Total m/m	SEP	--	2.5%	-0.5%	21:45	08:45
		Government full-year financial statements					23:00	09:30
	AU	NAB Business Conditions	SEP	--	--	-3	00:30	11:30
		NAB Business Confidence	SEP	--	--	-8	00:30	11:30
	JN	Adjusted Current Account Total	AUG	¥509.9B	--	¥752.5B	23:50	10:50
		Current Account Balance y/y	AUG	-65.3%	--	-42.4%	23:50	10:50
		Current Account Total	AUG	¥420.0B	--	¥990.2B	23:50	10:50
		Trade Balance - BOP Basis	AUG	-¥686.3B	--	¥123.3B	23:50	10:50
		Bankruptcies y/y	SEP	--	--	-3.6%	04:30	15:30
		<b>Bank of Japan Monthly Economic Report</b>					<b>05:00</b>	<b>16:00</b>
		Consumer Confidence	SEP	--	--	37	05:00	16:00
		Eco Watchers Survey: Current	SEP	--	--	47.3	06:00	17:00
		Eco Watchers Survey: Outlook	SEP	--	--	47.1	06:00	17:00
	EU	<b>ECB's Reserve Maintenance Period Ends</b>					<b>00:00</b>	<b>11:00</b>
		<b>European Commission quarterly report on Euro Area</b>					--	--
	UK	DCLG UK House Prices y/y	AUG	--	--	-1.5%	08:30	19:30
		Industrial Production m/m	AUG	0.1%	--	-0.2%	08:30	19:30
		Industrial Production y/y	AUG	-1.0%	--	-0.7%	08:30	19:30
		Manufacturing Production m/m	AUG	-0.1%	--	0.1%	08:30	19:30
		Manufacturing Production y/y	AUG	1.7%	--	2.0%	08:30	19:30
		NIESR GDP Estimate	SEP	--	--	0.2%	14:00	01:00
	US	NFIB Small Business Optimism	SEP	--	--	88.1	11:30	22:30
		IBD/TIPP Economic Optimism	OCT	--	--	39.9	14:00	01:00
		<b>Minutes of FOMC Meeting</b>					<b>18:00</b>	<b>05:00</b>
		<b>US Treasury Auctions 3-year Note</b>						
	CA	Housing Starts	SEP	186.1K	--	184.6K	12:15	23:15

## DATA &amp; EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
Wednesday	NZ	QV House Prices y/y	SEP	--	0.2%	0.1%	23:00	10:00
12-Oct	AU	Westpac Consumer Confidence Index	OCT	--	--	96.9	23:30	10:30
		Westpac Consumer Confidence sa m/m	OCT	--	--	8.1%	23:30	10:30
		Home Loans m/m	AUG	1.1%	1.1%	1.0%	00:30	11:30
		Investment Lending	AUG	--	--	1.9%	00:30	11:30
		Owner-Occupied Home Loan Value m/m	AUG	--	--	1.4%	00:30	11:30
		<b>RBA's Debelle Gives Speech to Forex Market Conference, Sydney</b>					<b>04:00</b>	<b>15:00</b>
		<b>AOFM Auctions A\$700m of July 2017 Bonds</b>						
	JN	Machine Orders m/m	AUG	5.5%	--	-8.2%	23:50	10:50
		Machine Orders y/y	AUG	-2.9%	--	4.0%	23:50	10:50
	EU	<b>ECB's Stark Speaks in Riga</b>					<b>08:30</b>	<b>19:30</b>
		Euro-Zone Ind. Prod. sa m/m	AUG	-0.7%	--	0.9%	09:00	20:00
		Euro-Zone Ind. Prod. wda y/y	AUG	2.2%	--	4.2%	09:00	20:00
		<b>ECB's Trichet Speaks in London</b>					<b>18:30</b>	<b>05:30</b>
	UK	Average Weekly Earnings 3M/y/y	AUG	2.9%	--	2.8%	08:30	19:30
		Weekly Earnings ex Bonus 3M/y/y	AUG	2.0%	--	2.1%	08:30	19:30
		Claimant Count Rate	SEP	5.0%	--	4.9%	08:30	19:30
		Jobless Claims Change	SEP	19.0K	--	20.3K	08:30	19:30
		ILO Unemployment Rate (3mths)	AUG	8.0%	--	7.9%	08:30	19:30
	US	MBA Mortgage Applications	7-Oct-11	--	--	-4.3%	11:00	22:00
		JOLTs Job Openings	AUG	--	--	3228	14:00	01:00
		<b>Fed's Pianalto (non-voter) Speaks at University of Akron</b>					<b>17:15</b>	<b>04:15</b>
		<b>Fed's Plosser (voter) Speaks in Philadelphia</b>					<b>17:30</b>	<b>04:30</b>
		<b>FOMC Minutes</b>	SEP				<b>18:00</b>	<b>05:00</b>
		<b>US Treasury Auctions 10-year Note</b>						
	CA	New Housing Price Index m/m	AUG	0.1%	--	0.1%	12:30	23:30
		New Housing Price Index y/y	AUG	--	--	2.3%	12:30	23:30
Thursday	NZ	Business NZ PMI	SEP	--	51	52.9	21:30	08:30
13-Oct		Food Prices m/m	SEP	--	0.5%	-1.3%	21:45	08:45
		ANZ Consumer Confidence Index	OCT	--	--	112.6	00:00	11:00
		ANZ Consumer Confidence m/m	OCT	--	--	-0.6%	00:00	11:00
	AU	Employment Change	SEP	10.0K	7.0K	-9.7K	00:30	11:30
		Full Time Employment Change	SEP	--	--	-12.6K	00:30	11:30
		Part Time Employment Change	SEP	--	--	2.9K	00:30	11:30
		Participation Rate	SEP	65.6%	65.6%	65.6%	00:30	11:30
		Unemployment Rate	SEP	5.3%	5.3%	5.3%	00:30	11:30
	JN	Bank Lending Ex-Trusts y/y	SEP	-0.5%	--	-0.5%	23:50	10:50
		Bank Lending incl Trusts y/y	SEP	--	--	-0.5%	23:50	10:50
		<b>BOJ Board meeting Minutes</b>	SEP				<b>23:50</b>	<b>10:50</b>
		Tertiary Industry Index m/m	AUG	-0.4%	--	-0.1%	23:50	10:50
		Tokyo Condominium Sales y/y	SEP	--	--	1.7%	04:00	15:00
	CH	Business Climate Index	3Q	--	--	135.6	02:00	13:00
		Entrepreneur Confidence Index	3Q	--	--	132.4	02:00	13:00
		Exports y/y	SEP	20.7%	22.1%	24.5%	02:00	13:00
		Imports y/y	SEP	24.6%	24.6%	30.2%	02:00	13:00
		Trade Balance (USD)	SEP	\$16.40B	\$17.40B	\$17.76B	02:00	13:00
	EU	<b>ECB's Constancio Takes Part in Brussels Roundtable</b>					<b>00:00</b>	<b>11:00</b>
		<b>ECB Publishes Monthly Bulletin</b>	OCT				<b>08:00</b>	<b>19:00</b>
		<b>Bundesbank's Thiele Speaks in Muenster</b>					<b>18:30</b>	<b>05:30</b>
	GE	Consumer Price Index m/m	SEP F	0.1%	--	0.1%	06:00	17:00
		Consumer Price Index y/y	SEP F	2.6%	--	2.6%	06:00	17:00
		CPI - EU Harmonised m/m	SEP F	--	--	0.1%	06:00	17:00
		CPI - EU Harmonised y/y	SEP F	2.8%	--	2.8%	06:00	17:00
	UK	Total Trade Balance (GBP/Mln)	AUG	--	--	£4450	08:30	19:30
		Trade Balance Non EU GBP/Mn	AUG	--	--	£5505	08:30	19:30
		Visible Trade Balance GBP/Mn	AUG	£8700	--	£8922	08:30	19:30
	US	Continuing Claims	1-Oct-11	--	--	401K	12:30	23:30
		Initial Jobless Claims	7-Oct-11	--	--	3700K	12:30	23:30
		Trade Balance	AUG	-\$46.0B	--	-\$44.8B	12:30	23:30
		Bloomberg Consumer Comfort	9-Oct-11	--	--	-50.2	13:45	00:45
		<b>Fed's Kocherlakota (voter) Speaks in Montana</b>					<b>18:30</b>	<b>05:30</b>
		<b>US Treasury Auctions 30-year Bond</b>						
	CA	Int'l Merchandise Trade	AUG	-0.90B	--	-0.75B	12:30	23:30

## DATA &amp; EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
Friday	NZ	Non Resident Bond Holdings	SEP	--	--	62.5%	02:00	13:00
14-Oct	AU	<b>AOFM Auctions A\$700m of October 2014 Bonds</b>						
	JN	Domestic CGPI m/m	SEP	-0.2%	--	-0.2%	23:50	10:50
		Domestic CGPI y/y	SEP	2.5%	--	2.6%	23:50	10:50
		Foreign Buying Japan Bonds	7-Oct-11	--	--	¥258.8B	23:50	10:50
		Foreign Buying Japan Stocks	7-Oct-11	--	--	-¥169.3B	23:50	10:50
		Japan Buying Foreign Bonds	7-Oct-11	--	--	¥972.8B	23:50	10:50
		Japan Buying Foreign Stocks	7-Oct-11	--	--	¥132.9B	23:50	10:50
		Japan Money Stock M2 y/y	SEP	2.7%	--	2.7%	23:50	10:50
		Japan Money Stock M3 y/y	SEP	2.2%	--	2.2%	23:50	10:50
	CH	Consumer Price Index y/y	SEP	6.1%	6.3%	6.2%	02:00	13:00
		Producer Price Index y/y	SEP	6.9%	6.8%	7.3%	02:00	13:00
	EU	Euro-Zone CPI - Core y/y	SEP	1.5%	--	1.2%	09:00	20:00
		Euro-Zone CPI m/m	SEP	0.8%	--	0.2%	09:00	20:00
		Euro-Zone CPI y/y	SEP	3.0%	--	2.5%	09:00	20:00
		Euro-Zone Trade Balance	AUG	--	--	4.3B	09:00	20:00
		Euro-Zone Trade Balance sa	AUG	--	--	-2.5B	09:00	20:00
	US	Advance Retail Sales	SEP	0.4%	--	0.0%	12:30	23:30
		Import Price Index m/m	SEP	-0.4%	--	-0.4%	12:30	23:30
		Import Price Index y/y	SEP	12.5%	--	13.0%	12:30	23:30
		Retail Sales Ex Auto & Gas	SEP	0.2%	--	0.1%	12:30	23:30
		Retail Sales Less Autos	SEP	0.2%	--	0.1%	12:30	23:30
		U. of Michigan Confidence	OCT P	60	--	59.4	13:55	00:55
		Business Inventories	AUG	0.4%	--	0.4%	14:00	01:00
	CA	Manufacturing Sales m/m	AUG	0.5%	--	2.7%	12:30	23:30

# FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
<p><b>10 OCTOBER</b>                      AU: ANZ Job Ads (Sep)                      JP: <b>Sports Day Holiday</b>                      GE: Current Acc. (Aug), Trade (Aug)                      EU: Sentix Survey (Oct)                      US <b>Columbus Holiday</b>                      CA: <b>Thanksgiving Hol.</b></p>	<p><b>11 OCTOBER</b>                      NZ: Card Spending (Sep)                      AU: NAB Business Survey (Sep)                      JP: Current Account (Aug), Consumer Conf. (Sep), Trade (Aug)                      UK: Ind Production (Aug) Manf. Production (Aug), NIESR GDP Est (Sep), Trade (Aug)                      US: NFIB Small Business Survey (Sep), <b>FOMC Minutes</b>                      CA: Housing Starts (Sep)</p>	<p><b>12 OCTOBER</b>                      AU: Westpac Consumer Conf. (Oct), Housing Finance (Aug), <b>RBA's Debelle Speaks</b>                      JP: Machine Orders (Aug)                      EU: Ind Production (Aug)                      UK: AWE (Aug), Unemp. (Aug), Jobless Claims Change (Sep)                      US: JOLT Jobs (Aug), <b>Fed's Plosser Speaks</b>                      CA: New House Price (Aug)</p>	<p><b>13 OCTOBER</b>                      NZ: Business PMI (Sep), Food Prices (Sep), ANZ Consumer Conf. (Oct)                      AU: Employment (Sep)                      CH: Trade (Sep)                      JP: <b>BoJ minutes</b>                      GE: CPI (Sep F)                      US: Trade (Aug)                      CA: Trade (Aug)</p>	<p><b>14 OCTOBER</b>                      CH: CPI (Sep), PPI (Sep)                      EU: CPI (Sep), Trade (Aug)                      US: Import Prices (Sep), Retail Sales (Sep), Uni of Michigan Conf. (Oct P), Business Inventories (Aug)                      CA: Manf. Sales (Aug)</p>
<p><b>17 OCTOBER</b>                      NZ: Performance of Services Index (Sep)                      AU: Vehicle Sales (Sep)                      JP: Industrial Production (Aug F)                      US: Empire Manf. Index (Oct), Ind. Production (Sep)                      CA: BoC loan officers Survey (Q3)</p>	<p><b>18 OCTOBER</b>                      NZ: Fonterra Global Diary Auction                      AU: <b>RBA Minutes</b>                      CH: GDP (Q3), IP (Sep), Retail Sales (Sep)                      EU: ZEW Survey (Oct)                      GE: ZEW Survey (Oct)                      UK: CPI (Sep)                      US: <b>Fed's Rosengreen and Bernanke Speak</b>, PPI (Sep), TIC flows (Aug), NAHB Housing Market Index (Oct).</p>	<p><b>19 OCTOBER</b>                      AU: Consumer Inflation Expectations (Oct), DEWR Vacancies (Sep), <b>RBA's Debelle Speaks</b>                      EU: Current Account (Aug), Construction Output (Aug)                      UK: <b>BoE minutes</b>                      US: <b>Fed's Beige Book</b>, CPI (Sep), Housing Starts (Sep), Building Permits</p>	<p><b>20 OCTOBER</b>                      AU: NAB Business Survey (Q3 ), <b>RBA's Edey Speaks</b>                      EU: Consumer Confidence (Oct A)                      GE: PPI (Sep)                      UK: Retail Sales (Sep)                      US: Philly Fed. (Oct), Existing Home Sales (Sep), Leading Indicators (Sep)                      CA: Wholesale Sales (Aug)</p>	<p><b>21 OCTOBER</b>                      NZ: Net Migration (Sep), Credit Card Spending (Sep)                      AU: Trade Prices (Q3)                      EU: <b>ECB's Trichet, Praet, Stark and Nowotny Speak</b>                      GE: IFO (Oct)                      SZ: <b>SB Publishes Monthly Nulletin</b>                      CA: CPI (Sep)</p>
<p><b>24 OCTOBER</b>                      NZ: <b>Labour Day Holidayec</b>                      AU: PPI (Q3)                      JP: Trade (Sep)                      EU: Industrial New Orders (Aug)                      US: Chicago Fed Activity Index (Sep)</p>	<p><b>25 OCTOBER</b>                      NZ: CPI (Q3)                      AU: <b>RBA's Battellino Speaks</b>                      EU: <b>EU's Juncker Speaks</b>                      UK: GDP (Q3 A), Services Index (Aug)                      US: Case-Shiller House Prices (Aug), Cons. Conf. (Oct), Richmond Fed Manf. Index (Oct)                      CA: Retail Sales (Aug), <b>BoC Rates Decision</b></p>	<p><b>26 OCTOBER</b>                      NZ: NBNZ Business Conf. (Oct)                      AU: CPI (Q3)                      EU: <b>ECB Bank Lending Survey</b>                      GE: GfK Consumer Conf. (Nov)                      US: Durable Goods Orders (Sep), Capital Goods Orders (Sep), New Home Sales (Sep)                      CA: <b>Monetary Policy Report</b></p>	<p><b>27 OCTOBER</b>                      NZ: <b>RBNZ Cash Rate Decision</b>, Trade (Sep)                      JP: <b>BoJ Rates Decision</b>, Retail Sales (Sep)                      CH: Industrial Profits YTD (Sep)                      EU: Consumer Confidence (Oct F), Economic, Industrial &amp; Service Confidence (Oct)                      GE: CPI (Oct P)                      US: GDP (Q3 A), Personal Consumption (Q3 A), Pending Home Sales (Sep), Kansas City Fed Manf (Oct)</p>	<p><b>28 OCTOBER</b>                      JP: Jobless Rate (Sep), Household Spending (Sep), CPI (Sep), Industrial Production (Sep P)                      UK: GfK Consumer Conf. (Oct)                      US: Personal Income (Sep), Personal Spending (Sep), PCE Deflator (Sep), Uni of Michigan Conf. (Oct F)</p>
<p><b>31 OCTOBER</b>                      NZ: Building Permits (Sep)                      AU: RP-Rismark House Prices (Sep), Private Credit (Sep)                      JP: Housing Starts (Sep), Construction Orders (Sep),                      EU: Unemployment (Sep), CPI est. (Oct)                      UK: Mortgage Approvals (Sep), Consumer Credit (Sep)                      US: Chicago PMI (Oct), Dallas Fed Manuf. (Oct)                      CA: GDP (Aug)</p>	<p><b>1 NOVEMBER</b>                      NZ: Wages (Q3), Fonterra Global Diary Auction                      AU: House Prices (Q3), <b>RBA Cash Rate</b>                      JP: <b>BoJ minutes</b>, Vehicle Sales (Oct)                      CH: PMI Manuf. (Oct)                      EU: PMI Manuf. (Oct F)                      GE: PMI Manuf. (Oct F)                      UK: PMI Manuf. (Oct)                      US: ISM Manuf. (Oct), Construction Spending (Sep)</p>	<p><b>2 NOVEMBER</b>                      AU: Building Approvals (Sep)                      GE: Unemployment (Oct)                      UK: PMI Construction (Oct)                      US: <b>FOMC Rates Decision</b>, <b>Fed's Bernanke Speaks</b>, ADP Employment (Oct)</p>	<p><b>3 NOVEMBER</b>                      NZ: Employment (Q3)                      AU: Retail Sales (Sep), Real Retail Sales (Q3)                      CH: Non-manufacturing PMI (Oct)                      JP: <b>Culture Day Holiday</b>                      EU: PMI Services (Oct F), <b>ECB rates decision</b>, <b>ECB's Trichet Speaks</b>                      GE: PMI Services (Oct F)                      UK: PMI Services (Oct)                      US: ISCS Chain Store Sales (Oct), ISM non-manuf. (Oct), Factory Orders (Sep)</p>	<p><b>4 NOVEMBER</b>                      AU: <b>RBA SoMP</b>                      EU: PPI (Sep)                      GE: Factory Orders (Sep)                      US: Nonfarm Payrolls (Oct)                      CA: Employment (Oct), Building Permits (Sep)</p>
<p><b>7 NOVEMBER</b>                      AU: ANZ Job Ads (Oct), TD Sec. Inflation (Oct)                      EU: Retail Sales (Sep), <b>ECB's Stark Speaks</b>                      GE: Industrial Production (Sep)                      US: Consumer Credit (Sep)</p>	<p><b>8 NOVEMBER</b>                      AU: NAB Business Survey (Oct), Trade (Sep)                      EU: <b>ECB's Stark Speaks</b>                      GE: Trade (Sep)                      UK Industrial Production (Sep)                      US: NFIB Small Bus. Optimism (Oct), JOLTs Job Openings (Sep), <b>Fed's Plosser and Kocherlakota Speak</b>                      CA: Housing Starts (Oct)</p>	<p><b>9 NOVEMBER</b>                      NZ: Card Spending (Oct)                      AU: Westpac Consumer Confidence (Nov), Housing Finance (Sep)                      JP: Current Account (Sep)                      CH: Industrial Production (Oct), Retail Sales (Oct), CPI (Oct), PPI (Oct)                      UK: Trade (Sep)</p>	<p><b>10 NOVEMBER</b>                      NZ: Business NZ PMI (Oct), ANZ Cons. Conf. (Nov)                      AU: Employment (Oct)                      JP: Machine Orders (Sep)                      CH: Trade (Oct)                      GE: CPI (Oct F)                      UK: <b>BoE Rates Decision</b>                      US: Trade (Sep)                      CA: Trade (Sep)</p>	<p><b>11 NOVEMBER</b>                      NZ: Food Prices (Oct)                      UK: PPI (Oct)                      US: Uni of Michigan Conf. (Nov P)</p>

## 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
<b>Economic activity (annual % change)</b>				
Private final demand	2.2	4.3	5.4	6.8
Household consumption	2.8	2.7	1.7	2.8
Dwelling investment	4.2	1.6	-2.0	7.6
Business investment	0.0	12.0	20.0	17.6
Public demand	9.1	1.9	2.9	2.0
Domestic final demand	3.8	3.7	4.8	5.6
Inventories (contribution to GDP)	0.4	0.3	-0.4	0.0
Gross National Expenditure (GNE)	4.2	4.0	4.3	5.6
Exports	5.7	-0.2	12.8	10.4
Imports	13.7	11.7	14.2	12.2
Net Exports (contribution to GDP)	-1.6	-2.8	-0.7	-0.9
<b>Gross Domestic Product (GDP)</b>	<b>2.7</b>	<b>1.3</b>	<b>3.1</b>	<b>4.0</b>
<b>Prices and wages (annual % change)</b>				
Inflation:				
Headline CPI*	2.8	3.4	2.7	3.6
Underlying*^	2.6	2.7	2.9	3.4
Wages:	3.3	3.8	3.7	4.1
<b>Labour market</b>				
Employment (annual % change)	2.7	1.7	0.8	2.2
Unemployment rate (annual average %)	5.2	5.1	5.5	5.3
<b>External sector</b>				
Terms of trade (annual % change)	16.2	16.3	5.1	-3.5
Current account balance: A\$bn	-36.0	-23.7	-7.8	-25.7
% of GDP	-2.7	-1.6	-0.5	-1.6

\* 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	4.75	4.50	4.25	4.25	4.25	4.25
90 day bill	4.70	4.70	4.60	4.55	4.50	4.50
3 year bond	3.61	3.40	3.20	3.30	3.50	3.60
10 year bond	4.27	4.10	4.00	4.00	4.10	4.20
3s10s yield curve	0.66	0.70	0.80	0.70	0.60	0.60
3 year swap	4.13	3.90	3.70	3.80	3.95	4.05
10 year swap	4.89	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	2.75	3.00	3.25	3.50
NZ 90 day bill	2.77	2.80	3.17	3.25	3.67	3.75
US Fed funds note	0.25	0.25	0.25	0.25	0.25	0.25
US 2 year note	0.26	0.20	0.20	0.20	0.20	0.40
US 10 year note	1.98	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	1.50	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
<b>Australian exchange rates</b>						
A\$/US\$	0.98	1.12	1.12	1.12	1.14	1.14
NZ\$/US\$	0.77	0.91	0.92	0.93	0.93	0.93
A\$/¥	75.0	84.0	84.0	80.6	82.1	82.1
A\$/€	0.73	0.75	0.74	0.74	0.74	0.74
A\$/£	0.63	0.68	0.67	0.67	0.67	0.67
A\$/NZ\$	1.27	1.23	1.22	1.20	1.23	1.23
A\$/C\$	1.01	1.08	1.10	1.11	1.15	1.17
A\$/CHF	0.90	1.03	1.05	1.08	1.12	1.14
A\$/CNY	6.22	7.06	6.97	6.88	6.92	6.83
A\$ Trade weighted index	71.7	79.0	78.1	77.0	77.6	77.4
<b>International cross rates</b>						
US\$/¥	76.6	75.0	75.0	72.0	72.0	72.0
€/US\$	1.34	1.50	1.52	1.52	1.55	1.55
€/¥	103	113	114	109	112	112
£/US\$	1.55	1.65	1.68	1.68	1.70	1.70
€/£	0.87	0.91	0.90	0.90	0.91	0.91
US\$/C\$	1.04	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	78.6	78.6	80.4	80.1	80.5	80.8
<b>Asia exchange rates</b>						
US\$/CNY	6.36	6.30	6.22	6.14	6.07	5.99
US\$/HKD	7.78	7.80	7.80	7.80	7.80	7.80
US\$/IDR	8970	8200	7900	7700	7500	7500
US\$/INR	49.0	42.9	41.8	40.6	39.5	39.5
US\$/KRW	1179	1020	990	970	950	950
US\$/MYR	3.16	2.92	2.88	2.83	2.79	2.79
US\$/PHP	43.6	41.4	40.8	40.2	39.6	39.6
US\$/SGD	1.29	1.18	1.17	1.15	1.13	1.13
US\$/THB	30.91	29.30	28.90	28.60	28.20	28.20
US\$/TWD	30.53	28.40	28.10	27.80	27.50	27.50
US\$/VND	20832	21000	21400	21400	21400	21400
<b>Pacific exchange rates</b>						
PGK/US\$	0.450	0.378	0.372	0.366	0.366	0.366
FJD/US\$	0.544	0.538	0.530	0.522	0.522	0.522

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