

# AUSTRALIAN ECONOMICS

## AUSTRALIAN ECONOMICS WEEKLY

10 JUNE 2011

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### LOOKING FOR SIGNS OF US IMPROVEMENT

- Our first *In Focus* article looks at **the main indicators that we are monitoring to signal the end of the softer patch for US economic growth and a turn in US Treasuries**. This is important for markets in our region. While we do not expect a strong rebound in growth and still see major structural challenges that leave the US economy vulnerable to further bad news, we think the US bond market and sentiment toward growth is moving into over shoot territory. Several key data series should be watched closely in coming weeks which have the potential to trigger a reassessment of the outlook. These start next week with the Philly Fed survey. We are also watching Japanese Industrial Production expectations and the Japanese PMI, US jobless claims and oil prices particularly closely.
- In the second *In Focus* article (page 12), we summarise **the South Australian budget and preview the upcoming Queensland budget**. For South Australia, a return to surplus is still expected in 2012-13 despite lower than expected GST revenues. Net debt will continue to increase until 2013-14 due to infrastructure spending commitments. Growth expectations for 2011-12 have also been revised down. The cost of reconstruction after the summer floods and Cyclone Yasi will dominate the Queensland budget on Tuesday. The Tasmanian budget is brought down on Thursday.
- **Labour force data for May show a clear loss of momentum in employment**, particularly for full-time. This could reflect transitory factors (such as global supply chain disruptions) and/or more fundamental factors. Despite softer employment growth however, the labour market remains relatively tight with the unemployment rate unchanged at 4.9%. We continue to look for a re-strengthening in labour market conditions later in 2011 and into 2012. In the interim, we can expect the unemployment rate to remain broadly steady at its current low level.
- For the RBA, these figures do not rule out the possibility of a hike in coming months. However they do **suggest the chance of a July hike is more remote**, particularly given the lack of domestic economic data out between now and the next Board meeting. August remains the next opportunity for a further hike, however this is becoming increasingly dependent on the Q2 CPI due in late July.

### THE WEEK AHEAD

- In **Australia**, state budgets will be released for 2011-12 by Queensland and Tasmania. Other data include the NAB business survey, the RBA's preferred business survey and Westpac consumer confidence. RBA Governor Stevens speaks in Brisbane on Wednesday, which is an opportunity for the Bank to correct the market's interpretation of its June Board meeting communication as more dovish.
- In **New Zealand**, the Fonterra global dairy auction, retail sales and the business PMI will all be closely watched following this week's upbeat statement from the RBNZ.
- In the **US**, we will be closely watching the Philly fed manufacturing survey over the next few months as supply chain disruptions have been impacting on recent US data. The market is expecting a bounce back of 3.9 points to 7 in June. Other key data include retail sales, CPI and the NFIB index.
- In the **Euro zone**, CPI data will be closely followed as the ECB has kept up the tough rhetoric on inflation. The market is expecting core inflation of 1.6% and headline inflation of 2.7% in May. UK retail sales and CPI data will also be closely followed with the market expecting weaker retail sales and a slight easing of inflation pressures.
- In **China**, the data dump for May includes retail sales, CPI and industrial production. We expect inflation to rise further in May but to peak in Q3.

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## KEY US INDICATORS TO FOLLOW TO SIGNAL A REACCELERATION IN GROWTH AND A TURN IN US TREASURIES

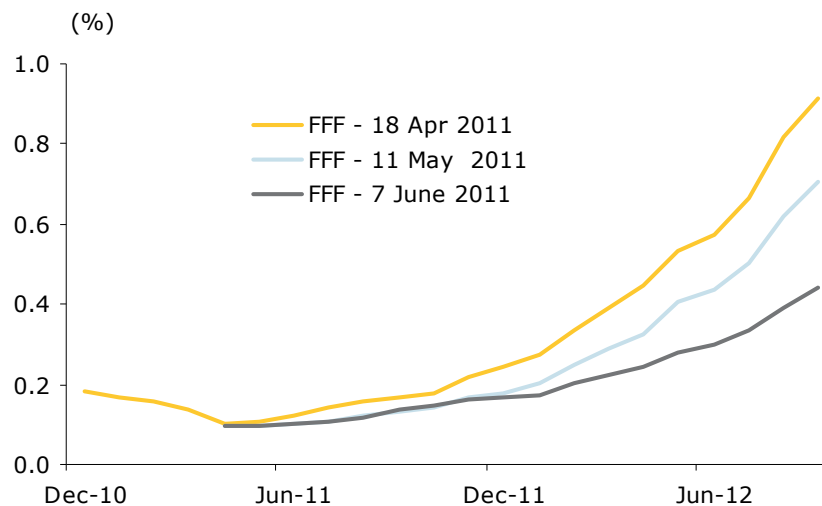
The US slowdown and rally for Treasuries has extended further than we expected. The market has moved to push out the timing of the start of the Fed's policy normalisation process amid contemplation of whether further policy support might even be forthcoming.

The key debate is whether this is another temporary soft patch for growth or the start of a new more subdued growth trend earlier than we expected.

Markets have responded to the combination of heightened cyclical and event risk by shifting from pricing Fed exit strategies to contemplating the Fed delivering QE3 or equivalent support. It appears this sharp shift in market expectations has prevented a broad-based downward correction in riskier assets as happened prior to QE2 in 2010.

While growth momentum has clearly eased more sharply even than we expected, we do not consider the broadly supportive world has shifted that much in the space of a couple of months and we do not consider we have migrated to a new much lower trend growth rate yet.

**FIGURE 1. MARKET EXPECTATIONS FOR FED FUNDS**



Source: ANZ & Bloomberg

The key question is whether the market has now swung excessively over a very short time frame. On balance we consider the sharp swing in market expectations from exit strategies to QE3 support over the space of a few months is excessive. This is particularly the case for those economies linked into the USD and US monetary policy that are already hitting against capacity constraints.

Much of the recent slowdown in US activity appears to have been driven by transitory factors such as higher oil prices, the impact of the Japanese disaster and a series of extreme weather events in the US.

If this is the case, then expectations of Fed tightening will be pulled back forward in coming months.

Central banks can draw some comfort from the relatively muted financial market reaction to these shocks and the associated sharp correction in commodity prices that have eased inflationary pressures. However, they are likely less comfortable regarding the magnitude of these swings in market expectations.

So the key issue now is whether at the current level of yields and rate expectations the market has now become overly complacent with respect to the prospects of QE3 and central bank tightening expectations. On balance we consider markets are expecting too much from the Fed to react to such short-term shifts in the business cycle.

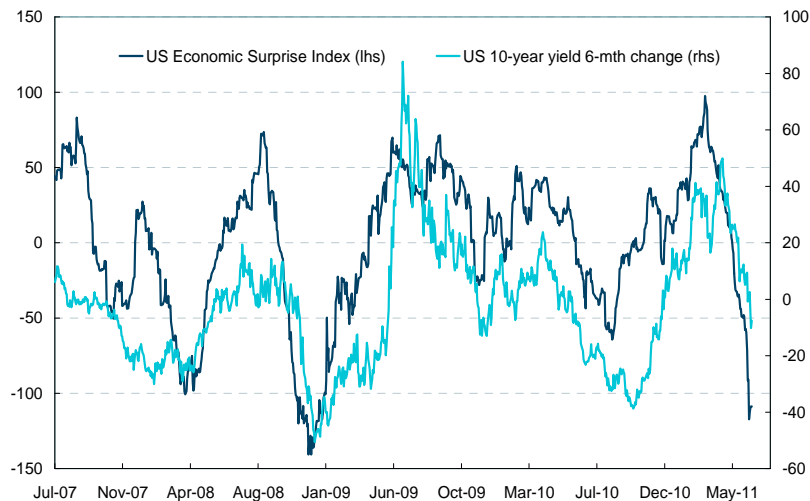
**FIGURE 2. 2-YEAR YIELDS ARE BACK NEAR QE2 LEVELS**



Source: ANZ & Bloomberg

The drop in US yields reflects a string of disappointing data in the US. In particular, the US economic surprise index has collapsed towards extremes not seen since 2008. The directional correlation with this index and change in US 10-year bond yields is clear.

**FIGURE 3. US ECONOMIC SURPRISE INDEX AND CHANGE ON 10-YEAR BONDS**

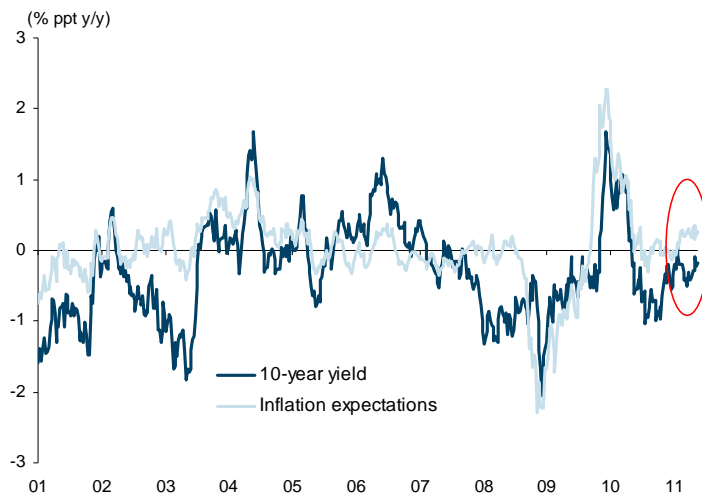


Sources: ANZ, Citi & Bloomberg

The 6-month percentage change in US yields will fall towards -20% later this month even if 10-year yields go sideways over the next couple of weeks. We think it unlikely these levels will hold even in light of recent downgrades to the growth outlook (i.e. it will become increasingly harder for news to disappoint) and especially if the data starts to improve as we expect.

Other measures of risk haven't moved to such extreme levels and do not support the view that the US economy is slipping back into recessionary conditions and suggests that bond prices have overshot fundamentals. For example: corporate spreads, the VIX and earnings momentum. In addition, recent movements in inflation expectations seem out of step with the changes in bond yields. This also suggests that the bond rally is over extended on a valuation basis.

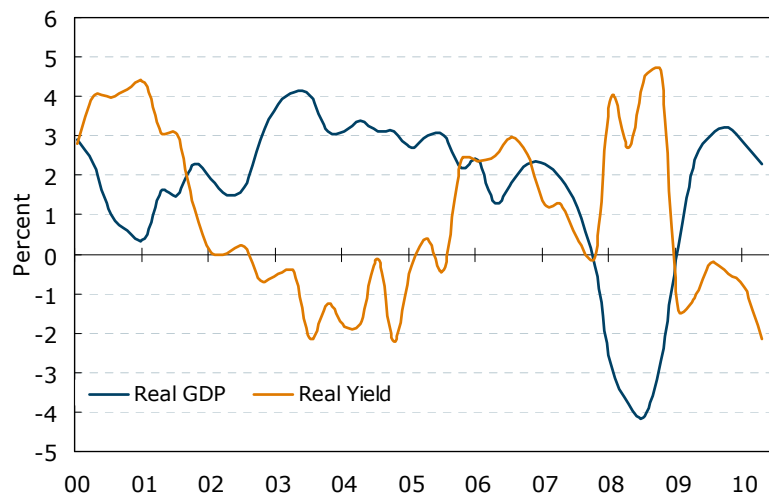
FIGURE 4. CHANGE (ANNUAL) INFLATION EXPECTATIONS AND 10-YEAR YIELDS



Source: ANZ & Bloomberg

Real yields now look particularly supportive of US growth relative to realised GDP data, even as growth forecasts are now being shaved for this year. The impact of QE2 has helped to drive 1-year real yields to lows not seen since 2004-05. US 10-year yields were above 4% through that period.

FIGURE 5. REALISED US GDP AND 1-YEAR REAL YIELDS



Source: ANZ & Bloomberg

**US RECOVERY - CENTRAL CASE**

Although the US recovery is necessarily going to be protracted given the collapse in asset prices and credit, our central case remains for a steady recovery. This underpins our call for the FOMC to be raising its Fed Funds rate in early 2012. Thus we view the recent slowing in growth as temporary. If so, a move below the 2.80% level for 10-year yields is unlikely to be sustained.

We are looking for a move back towards 4.0% by the end of the year. This is consistent with our view that real GDP will grow by a 3-3.5% annualized pace in H2 2011.



In our opinion the building blocks for both a reasonable and sustainable US recovery are in place. Central to the recovery will be the US household. On this front we are optimistic. The health of household balance sheets have improved over the past couple of years amid a mix of consolidation and, more recently, improving wealth. Moreover, household incomes are getting a boost from stronger jobs growth and tax cuts. Another positive factor for the US economic outlook is the corporate sector, both financial and non-financial. With regard to the latter, balances sheets are healthy and earnings are buoyant.

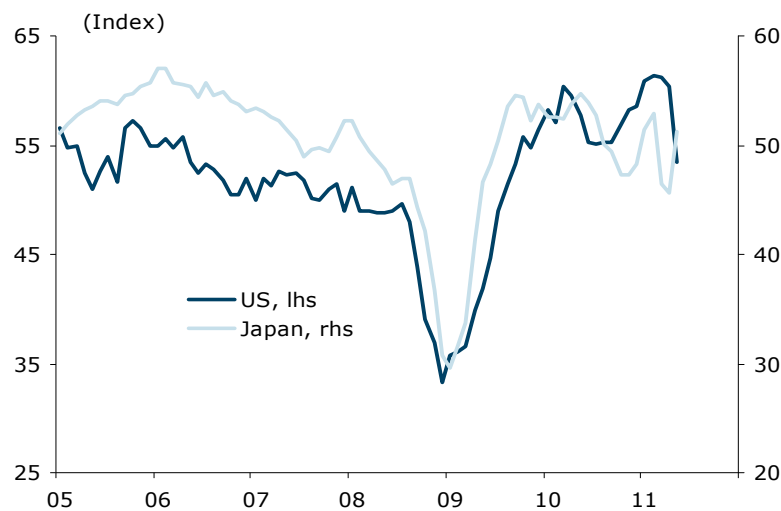
In terms of the latter, banks have reinvigorated balance sheets and are willing and able to provide funding. The downside to the economy remains the housing sector as there remains a considerable overhang of housing stock. That said, with the housing market already on its knees there seems limited additional downside risks.

**WHAT TO WATCH FOR**

So what are we watching to ascertain if the economy is performing as we expect (ie that the current slowing is just transitory)?

**a) Japanese Industrial Production and PMI**

**FIGURE 6. REGIONAL PMI SURVEYS – JAPAN REBOUNDS**

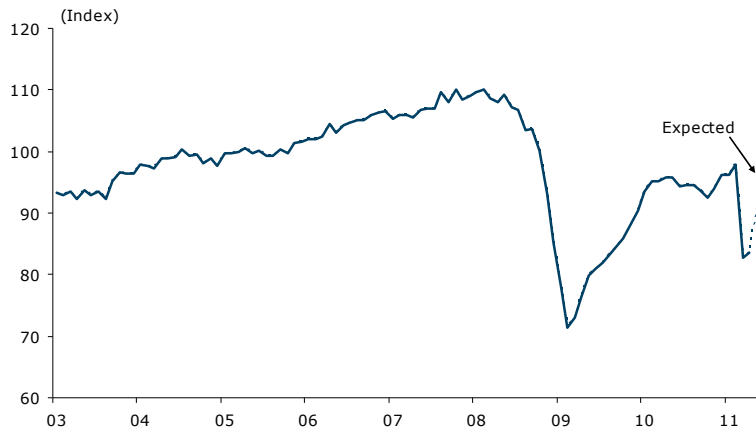


Source: ANZ

While there remains a degree of uncertainty about the extent of recovery in Japan, there are some heartening signs of a pick up in activity — the manufacturing PMI snapped back to 51 in May after sinking to 45.7 in April and expected industrial production has also bounced back to pre-quake levels.

In addition, the Bank of Japan has become more upbeat about the outlook for Japan remarking that the recovery is occurring faster than it had anticipated. The bounce in the Japanese PMI could well foretell a rebound in the US PMI.

**FIGURE 7. EXPECTATIONS FOR JAPAN INDUSTRIAL PRODUCTION ARE ALSO ENCOURAGING**



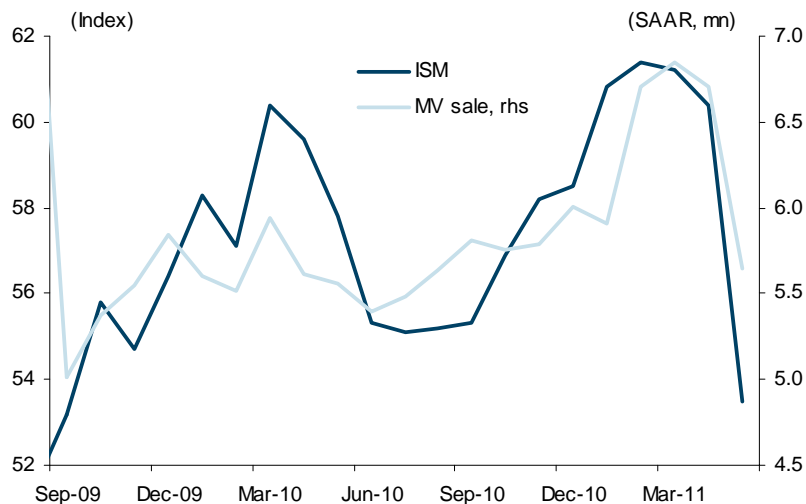
Source: ANZ

**b) US car sales/production**

The slowing in US manufacturing surveys coincides with the earthquake in Japan. Supply-chain disruptions to US auto makers have been substantial, particular for Japanese brand cars (which account for around one third of US production).

This slowdown in auto production is likely to have been a major factor behind the rolling over of the ISM manufacturing index (see chart). A return to more normal operating conditions in the next few months could thus at least see the ISM stabilise in expansionary territory.

**FIGURE 8. CAR SALES AND THE ISM**

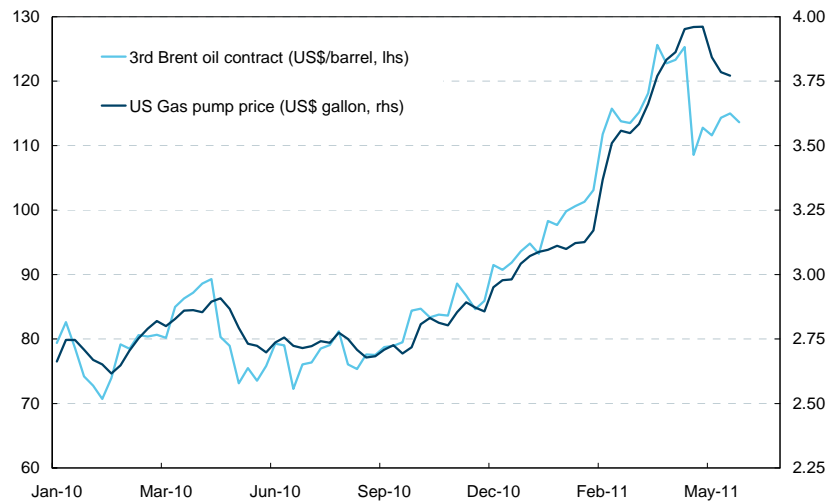


Source: ANZ

**c) Oil prices**

Higher oil prices largely driven by tensions in the Middle East also appear to have impacted economic activity and sentiment. These are now stabilising and a proposed increase in OPEC production could further stabilise or even reduce prices. In fact, pump prices in the US have only recently started to reflect more stable conditions in wholesale markets and should settle lower in coming weeks to further ease the pressure on US households.

FIGURE 9. OIL PRICES AND RETAIL GAS



Source: ANZ & Bloomberg

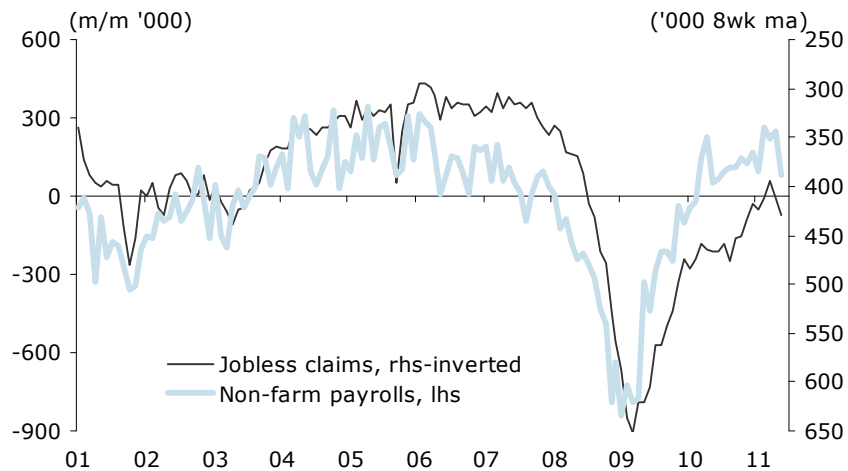
Lower mortgage rates as a result of the rally in Treasuries will also ease some pressure on indebted households although 30-year yields have lagged the drop in shorter maturities.

Taken with the attractive carry on long UST positions due to the steepness of the US curve, particularly from cash rates to 10-year yields, we would argue that current levels of US bond yields appear to be driven more by momentum rather than valuation and could therefore easily rebound. We find it difficult to construct a scenario where nominal GDP will fall below 3% over the next 2 years.

**d) Other high frequency data to watch:**

Of particular significance is the Philly Fed survey due to be released on the 16th June. This should be the first of the regional surveys to pick up some stabilisation and or rebound after the hit from Japan and weather events. The NYE survey is due out the day before.

FIGURE 10. JOBLESS CLAIMS AND PAYROLLS



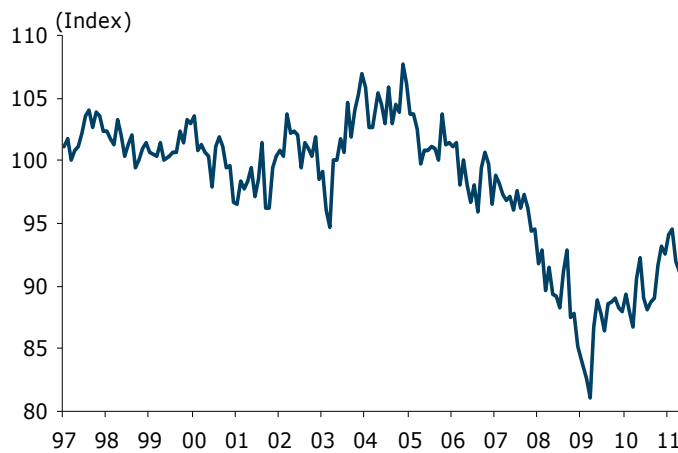
Source: ANZ & Bloomberg

Payrolls (see Figure 10 above) obviously remain key with a need to see several months above +200k jobs growth, but we would also look at the level of weekly jobless claims as being

important to watch in coming weeks. A move back below the 400k level would signal a more robust pace of jobs growth. We would feel more comfortable with a return to the 380k level seen prior to the Japan disaster. This series will be more difficult to read later in the summer due to the seasonal impact of the annual auto retooling shutdown, but this might also be more muted than usual or occur earlier than normal due to the recovery in production after the Japan disruption.

And confidence will also be important in the job creation process, particularly in the small and medium business sector, so the NFIB series is also worth monitoring considering confidence remains fragile.

**FIGURE 11. NFIB BUSINESS OPTIMISM**

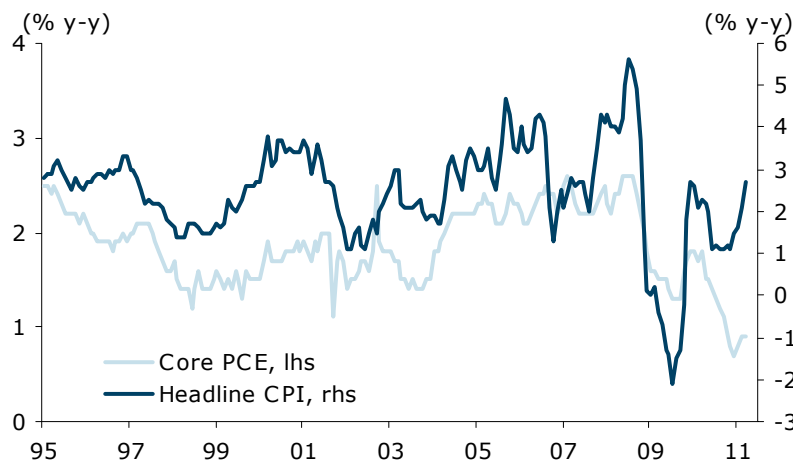


Source: ANZ & Bloomberg

**RISK SCENARIO – THE JAPAN PATH**

The US economy is obviously far more vulnerable to any new shock that might further underline activity and sentiment. The structural challenges in the housing sector and on fiscal policy remain major issues.

**FIGURE 12. CORE INFLATION IS STILL TOO LOW**



Source: ANZ & Bloomberg

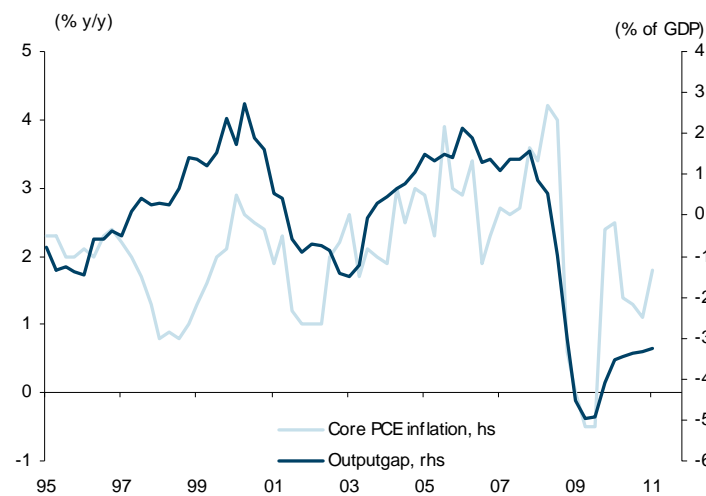
We would be concerned of a continued drop in the headline ISM below the 50 level that would signal a return to contractionary manufacturing conditions. While we have argued that the

quake has had a big impact on the US auto sector it is concerning that there is a broader slowdown in train that is also noticeable across the services sector.

With reference to the Fed's dual mandate on employment and inflation, the spare capacity in the US economy threatens another move lower in core measures of inflation that would renew concerns over the spectre of deflation (see Figure 12 above). This would represent a necessary condition for consideration of another round of stimulus measures. We would note that the diffusion of price rises is very weak.

So without stronger labour market outcomes, a weaker pulse on core inflation would bring both mandates more into focus on the need for further policy support.

**FIGURE 13. CORE INFLATION AND OUTPUT GAP**



Source: ANZ & Bloomberg

There is also a more central concern that an over-rapid tightening of fiscal policy to respond to sovereign debt could prove a major drag on a sustained recovery. This has been a feature of senior Fed commentary this week.

Circumspect comments from Bernanke and Dudley appear to support the maintenance of extended support measures without attempting to build a case for further accommodation. This has left stock markets looking more vulnerable and further weakness would undermine gains in household wealth to offset losses from the housing sector.

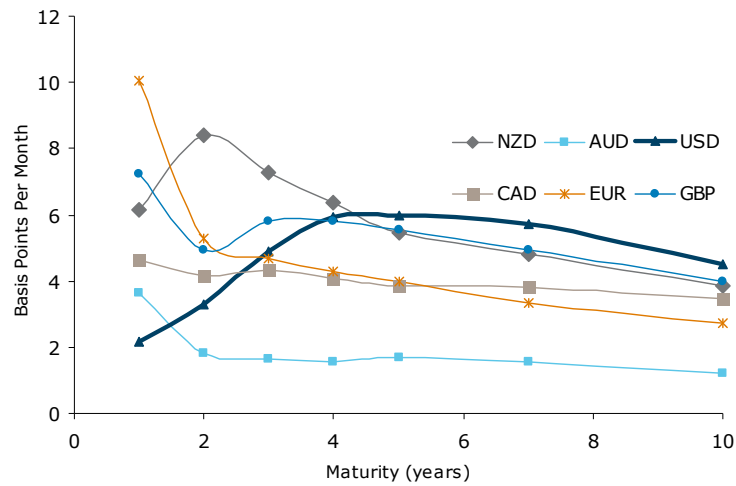
Carry is a factor that could yet drive US yields lower still. The shape of the curve and the cost of carry makes holding short positions very expensive, although the curve has moved lower in recent weeks. Cash to 10s has compressed by over 60bps since the start of April. Carry makes the timing on short trades much more critical, hence our focus on the start of the next round of regional surveys and high frequency readings.

With debt issues still a major uncertainty in Europe and the fiscal situation in Japan facing major challenges this could be seen to leave the US as the "least bad" G3 market even with the possibility of a sovereign downgrade.

So the carry argument will continue to be potent as long as the Fed maintains the "extended period" rhetoric.

We would view a move below 2.80% on 10-year yields as signalling a move towards more extended lows, perhaps in line with levels seen in the approach to the start of QE2.

FIGURE 14. SWAP ROLL AND CARRY COMPARISONS



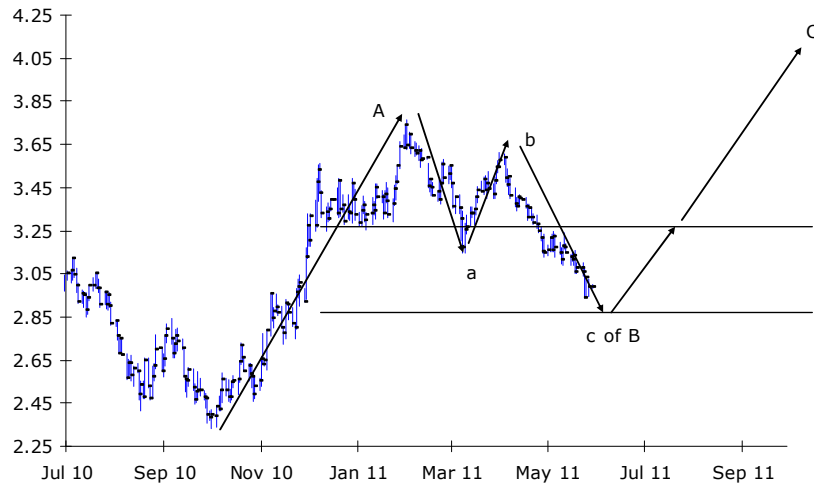
Sources: ANZ, Bloomberg

Source: ANZ

TECHNICAL FACTORS

We would target overshoot levels on 10-year bonds below 2.90%. This is a major re-tracement target. Near-term technical indicators suggest a divergence is now developing that signals a rise in US yields.

FIGURE 15. DAILY 10-YEAR CHARTS



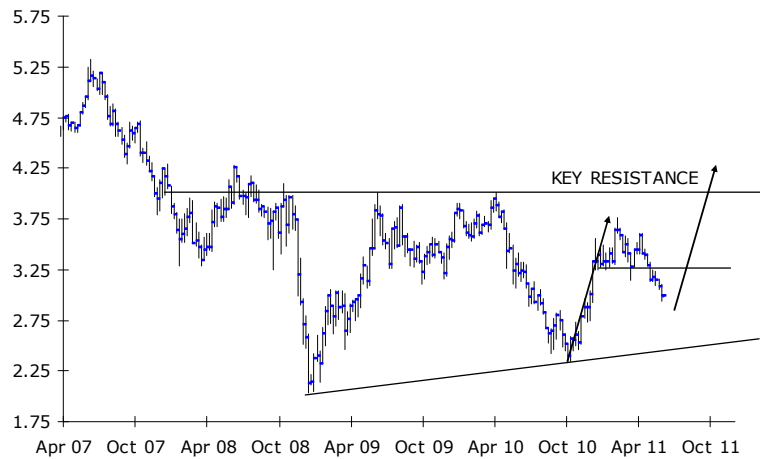
Source: ANZ

Direction: The decline in yields from 3.766% in Feb'11 looks set to complete around the deep (61.8% of rise off 1.33% in Oct'10) retracement target of 2.875%.

An initial rebound in yield above 3.13% would be encouraging, but a clear break of 3.275% is needed to confirm potential of a 1:1 repeat of the sell-off to Feb'11, implying a push to 4.00-05%.

RISK: Slippage below 2.80% will cause concern, with upside yield potential undermined below 2.70%.

FIGURE 16. WEEKLY 10-YEAR CHARTS



Source: ANZ

**CONCLUSION**

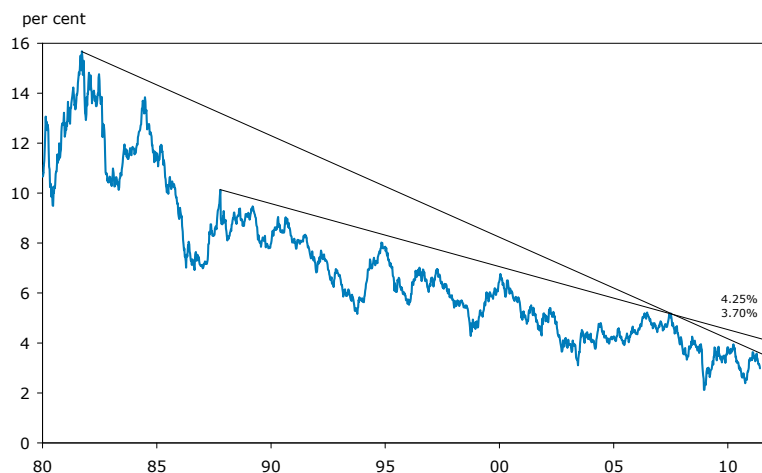
The strength of the US rebound is important for the impact on markets in our region.

It will be a long and slow adjustment process for the US that will limit the scope for US bond yields to rise significantly, while core inflation remains low.

In light of the above factors we would not look for a major sell-off for US Treasuries except on a technical basis. On a long-term basis only a move back above 3.70% would signal that the 30-year downtrend in bond yields has come to an end.

A break in confidence on fiscal issues or global inflation would risk a more significant surge in US and global bond yields.

FIGURE 17. LONG-TERM TREND FOR TREASURIES



Source: ANZ & Bloomberg

But if we do see some resilience in upcoming data from the US then we would expect to see some response in US markets. And this would argue for some compression in AUS-US spreads, especially with the current pause in the RBA’s gradual tightening cycle. The AUS-US spread has largely moved directionally with moves for Treasuries.

A turn in US yields would also reinforce a significant area of resistance for ACGBs near 5.10% yields.

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## STATE GOVERNMENT BUDGET SEASON

The **South Australian** Government released its budget for 2011-12. The key changes to South Australia's position and forecasts were:

- Reduced GST revenue (as in all other states) and hence a sizeable deficit in 2011-12 instead of the surplus that was previously forecast. Total revenue will be \$650mn lower than previously forecast. A return to surplus is still expected in 2012-13.
- Net lending will be in deficit and net debt will continue to increase until 2013-14, due to infrastructure spending commitments such as the new Royal Adelaide Hospital. Net debt is forecast to peak at \$4.2bn (4.3% of GSP) in 2013-14 and to decline thereafter.
- Minor changes to state tax arrangements, including indexation of land tax brackets from 1 July 2011 (costing \$170.7mn in foregone revenue) and abolishing stamp duty on non-real property transfers from 1 July 2012 (expected to cost \$131.2mn in foregone revenue).
- Minor cost cuts this year including 400 public servants (\$31mn per year), reducing the first home bonus from \$8,000 to \$4,000 from 1 July 2012 and then abolishing it from 1 July 2013 (saving \$10mn per year), and 'efficiency gains' from restructuring fire and emergency services (\$2mn per year).
- Deferred capital works projects (worth \$396.4 mn) over the next four years.
- State economic growth expectations have been revised down to 2¾% p.a. for 2011-12, from 3¼% in last December's mid-year review. Employment growth has been revised down in 2011-12 but up for 2012-13 and 2013-14, in line with the timing of the state's infrastructure and construction pipeline.

**FIGURE 18: SOUTH AUSTRALIA ECONOMIC AND FINANCIAL ESTIMATES**

	2009-10 (actual)	2010-11f	2011-12f	2012-13f	2013-14f	2014-15f
<b>GSP growth forecasts (% p.a.)</b>						
2010-11 mid-year review		1.50	3.50	3.25	2.75	
2011-12 Budget		1.50	3.50	2.75	2.75	2.75
<b>Employment growth forecasts (% p.a.)</b>						
2010-11 mid-year review		0.90	1.75	1.75	1.25	1.00
2011-12 Budget		0.90	1.75	1.50	1.50	1.25
<b>Operating Balance (\$m)</b>						
2010-11 Budget			389	55	216	370
2010-11 mid-year review			-493	81	127	382
2011-12 Budget			-427	-263	114	80
<b>Net debt (\$m)</b>						
2010-11 Budget			3,335	3,633	3,864	3,847
2010-11 mid-year review			1,402	3,209	3,622	3,859
2011-12 Budget			3,217	3,825	4,098	4,213
<b>Net liability/revenue (%)</b>						
2010-11 Budget			100	100	100	99
2010-11 mid-year review		85	98	99	99	98
2011-12 Budget			94	96	96	96

Next week will see the release of state budgets for **Queensland** (Tuesday) and **Tasmania** (Thursday).

We expect the cost of reconstruction after the summer floods and Cyclone Yasi will dominate **the 2011-12 Queensland Budget** next week. Many of the initial impacts, including a \$2 billion Natural Disaster Relief and Recovery payment from the Commonwealth Government, were incorporated in the mid-year review (MYFER) published in January (see table below). As a result of the Commonwealth's \$2 billion 2010-11 payment, the net operating deficit for 2010-11 decreased from \$1.745 billion to \$1.468 billion in the mid-year review. Partly offsetting the Federal injection were downward revisions to revenue due to the higher Australian dollar, the impact of lost coal production on royalty revenue, lost tax revenue from weaker property markets and downward estimates to GST revenue.

FIGURE 19: QUEENSLAND ECONOMIC AND FINANCIAL ESTIMATES

Economy	2010-11f		2011-12f		2012-13f	
	Budget	MYFER	Budget	MYFER	Budget	MYFER
GSP (% p.a.)	3.75	1.25	4.50	5.00	4.00	-
Employment (% p.a.)	2.75	2.75	3.25	3.25	2.75	-
Unemployment rate (%)	5.50	5.75	5.25	5.25	5.00	-
CPI (% p.a.)	3.00	3.25	3.00	3.00	2.75	-
<b>Operating Budget</b>						
Revenue (\$m)	40606	41829	41938	41796	43453	43731
Expenses (\$m)	42352	43297	43380	45755	44935	47287
Surplus/Deficit (\$m)	-1746	-1468	-1442	-3959	-1482	-3556
<b>General Government Liabilities</b>						
Net debt (\$m)	-6743	-9790	-1294	-1576	2095	4614
Net liability (\$m)	25576	22913	31974	31829	36235	38370
Net liability/revenue (%)	63.0	54.8	76.2	76.2	83.4	87.7
<b>Gross borrowing requirements</b>						
General Government (\$m)	23250	20497	30080	29521	34756	36487
Public non-financial corporations (\$m)	39578	32341	42712	34752	44216	36963
<b>Total gross borrowing</b>	<b>62828</b>	<b>52838</b>	<b>72792</b>	<b>64273</b>	<b>78972</b>	<b>73450</b>

Source: Queensland Treasury.

In the MYFER, the Queensland Government forecast state growth of just 1.25% in 2010-11 (revised down from 3.75% due to the floods) and 5% for 2011-12 (with a strong rebound assumed). The State's inflation forecasts were also revised up due to the floods, to 3.25% in 2010-11 from 3% expected prior to the floods. Employment growth was assumed to be unaffected.

Since the MYFER in January, the \$A has continued to appreciate (Queensland Treasury's latest assumption was \$US0.97 for 2010-11 and \$US0.95 for 2011-12) and the industry has revised up the total loss of coal production to 40 million tonnes. This is well above estimates made in January. These will both weigh on revenue. The positives include higher coal prices, which we expect to be well above the price assumptions made by Queensland Treasury in January.

In the meantime, government costs have apparently increased significantly. On 5 June, the Queensland Treasurer, Andrew Fraser upgraded the estimated cost of the disasters to State and Federal Governments to \$6.8 billion, \$1 billion above the February estimate. This followed a \$900 million upward revision by Queensland councils to their estimated repair costs, which are now estimated to be \$2.7 billion.

Under the Natural Disaster Relief and Recovery Arrangements, the State Government pays around 25% of the reconstruction and relief costs and the Federal government pays the remainder. Treasurer Fraser confirmed Queensland will end up being liable for around \$1.8 billion in damage costs up from \$1.45 billion when the mid-year review was published. So, the remaining (approx) \$3 billion payment to be made from the Commonwealth will be incorporated into the Queensland forward estimates for the first time next Tuesday. According to the Federal Budget in May, at least \$500 million of this will fall into 2011-12. As announced in the MYFER (but not yet incorporated into the Budget), the Premier intends to allocate the \$1.83 billion in proceeds expected from the 99 year lease of the Abbot Point Coal Terminal to the reconstruction effort. Standard and Poor's reaffirmed Queensland's AA+ credit rating on 1 April 2011 (its first review since the floods). A ratings upgrade seems unlikely in the near term, however, the effect of this natural disaster should clearly be viewed as a one-off and not reflective of any structural or cyclical change in Queensland's future prospects.

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## DATA WRAP

- The **AiG Performance of Construction Index** rose to 39.6 from 37.9 in May.
- **TD Securities Inflation Gauge** rose 0.2% in May following a 0.3% rise in April. The inflation gauge is now at 3.3% in annual terms with the core measure running at an annual pace of 2.4%.
- **ANZ Job Advertisements Series** fell 6.5% in May to be 8.3% higher than a year earlier. Newspaper job ads fell by 2.7%, while internet job advertising declined by 6.6%. Newspaper advertising has now fallen for three consecutive months, while internet advertising has fallen for two consecutive months.
- The **RBA kept the official cash rate at 4.75% in June** as the market expected. However, the market was looking for a more hawkish tone than that in the May statement and was disappointed, which has now seen Australian bills rally. Despite the Board's apparent comfort for the time being, the RBA's problematic inflation outlook means the Board must maintain a medium-term tightening bias. As such, the next move (up) in monetary policy is still a month by month proposition. But in the short-term, the next few weeks are unlikely to yield enough new information to materially change the RBA Board's current stance and trigger a rate rise at the July meeting.
- Amongst the **housing finance** data, the number of owner-occupier housing finance commitments (excluding refinancing) increased 5.2% in April (4.8% lower including refinancing) to be 2.9% lower over the year. The value of total housing finance commitments (excluding refinancing) was up 3.4% in April to be 8.0% below year earlier levels. Within this, owner-occupier approvals were up 6.6% and investor approvals were 1.6% lower in the month.
- Australian **employment** increased by 7.8K in May, with a fall in full-time employment (-22K) largely offsetting a rise in part-time employment (+29.8K). In trend terms, the pace of employment growth has now been easing for nine consecutive months, especially in full-time employment. The **unemployment rate** remained unchanged at 4.9% (as it was in December 2010). The participation rate remained broadly unchanged at 65.6%.

## DATA &amp; EVENT CALENDAR

## WEEK STARTING 13 JUNE

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
10-15 Jun	CH	Actual FDI y/y	MAY	--	--	15.2%		
11-15 Jun	CH	Money Supply - M0 y/y	MAY	--	--	14.7%		
		Money Supply - M1 y/y	MAY	13.7%	--	12.9%		
		Money Supply - M2 y/y	MAY	15.5%	--	15.3%		
		New Yuan Loans	MAY	650.0B	--	739.6B		
13-14 Jun	JN	BOJ to Hold Regular Policy Meeting						
12-Jun	UK	<b>BoE Publishes Quarterly Bulletin</b>					<b>23:01</b>	<b>09:01</b>
Monday	NZ	REINZ House Sales y/y	MAY	--	--	-4.2%	22:00	08:00
13-Jun		REINZ Housing Price Index m/m	MAY	--	--	1.1%	22:00	08:00
		REINZ Housing Price Index	MAY	--	--	3245.4	22:00	08:00
	AU	<b>Queens Birthday Holiday</b>						
	JN	Machine Orders m/m	APR	2.0%	--	2.9%	23:50	09:50
		Machine Orders y/y	APR	4.8%	--	6.8%	23:50	09:50
	EU	<b>ECB's Trichet Speaks at London School of Economics</b>					<b>13:00</b>	<b>23:00</b>
		<b>Whit Monday Public Holiday (Most Euro Countries)</b>						
	GE	<b>Whit Monday Public Holiday</b>						
		Germany Third Quarter Manpower Employment Outlook (Table)					22:01	08:01
	UK	<b>BoE's Weale Speaks at Finance Directors' Strategy Meeting</b>					<b>18:01</b>	<b>04:01</b>
		RICS House Price Balance	MAY	--	--	-21.0%	23:01	09:01
	US	<b>Fed's Lacker (non-voter) speaks on manufacturing in Roanoke, Virginia</b>					<b>13:30</b>	<b>23:30</b>
		<b>Fed's Fisher (voter) Speaks in dallas, Texas</b>					<b>23:00</b>	<b>09:00</b>
Tuesday	NZ	Food Prices m/m	MAY	--	--	0.1%	22:45	08:45
14-Jun		Non Resident Bond Holdings	MAY	--	--	--	03:00	13:00
		New Zealand Manpower Survey	Q3	--	--	18.0%	04:01	14:01
	AU	NAB Business Conditions	MAY	--	--	5	00:30	10:30
		NAB Business Confidence	MAY	--	--	7	01:30	11:30
		Lending Finance	APR	--	--	--	01:30	11:30
		Qld Budget	2011-12				04:00	14:00
		Australia Manpower Survey	Q3	--	--	23.0%	04:01	14:01
	JN	<b>BOJ Target Rate</b>	Jun-14	<b>0.1%</b>	--	<b>0.1%</b>	<b>14:00</b>	<b>00:00</b>
		Japan Manpower Survey	Q3	--	--	10	04:01	14:01
		Capacity Utilization m/m	APR	--	--	-21.5%	04:30	14:30
		Industrial Production m/m	APR F	--	--	1.0%	04:30	14:30
		Industrial Production y/y	APR F	--	--	-14.0%	04:30	14:30
	CH	China Manpower Survey	Q3	--	--	29.0%	00:01	10:01
		Consumer Price Index y/y	MAY	5.5%	5.6%	5.3%	02:00	12:00
		Fixed Assets Inv Excl. Rural YTD y/y	MAY	25.2%	25.2%	25.4%	02:00	12:00
		Industrial Production y/y	MAY	13.1%	13.0%	13.4%	02:00	12:00
		Industrial Production YTD y/y	MAY	14.0%	--	14.2%	02:00	12:00
		Producer Price Index y/y	MAY	6.5%	6.8%	6.8%	02:00	12:00
		Retail Sales y/y	MAY	17.0%	17.8%	17.1%	02:00	12:00
		Retail Sales YTD y/y	MAY	16.9%	--	16.5%	02:00	12:00
	EU	<b>Draghi Speaks at Confirmation Hearing for Top ECB Post</b>					<b>13:00</b>	<b>23:00</b>
	UK	Core CPI y/y	MAY	--	--	3.7%	08:30	18:30
		CPI m/m	MAY	0.2%	--	1.0%	08:30	18:30
		CPI y/y	MAY	4.4%	--	4.5%	08:30	18:30
		DCLG UK House Prices y/y	APR	--	--	0.9%	08:30	18:30
		Retail Price Index	MAY	--	--	234.4	08:30	18:30
		RPI m/m	MAY	0.4%	--	0.8%	08:30	18:30
		RPI y/y	MAY	5.3%	--	5.2%	08:30	18:30
		RPI Ex Mort Int.Payments y/y	MAY	--	--	5.3%	08:30	18:30
		Nationwide Consumer Confidence	MAY	--	--	43	23:01	09:01

## DATA &amp; EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
Tuesday	US	NFIB Small Business Optimism	MAY	90.6	--	91.2	11:30	21:30
14-Jun cont.		Advance Retail Sales	MAY	-0.4%	--	0.5%	12:30	22:30
		PPI Ex Food & Energy m/m	MAY	0.2%	--	0.3%	12:30	22:30
		PPI Ex Food & Energy y/y	MAY	2.1%	--	2.1%	12:30	22:30
		Producer Price Index m/m	MAY	0.0%	--	0.8%	12:30	22:30
		Producer Price Index y/y	MAY	6.6%	--	6.8%	12:30	22:30
		Retail Sales Ex Auto & Gas	MAY	0.3%	--	0.2%	12:30	22:30
		Retail Sales Less Autos	MAY	0.3%	--	0.6%	12:30	22:30
		Annual Revisions: Business Inventories (durables portion)					14:00	00:00
		Business Inventories	APR	0.8%	--	1.1%	14:00	00:00
		<b>Fed's Bernanke (voter) speaks on Fiscal Sustainability in Washington</b>					19:30	05:30
	CA	Capacity Utilization Rate	Q1	--	--	76.4%	12:30	22:30
Wednesday	NZ	Retail Sales Ex Inflationq/q	Q1	--	--	-0.1%	22:45	08:45
15-Jun		Fonterra Global Dairy Auction					12:00	22:00
	AU	Westpac Consumer Confidence Index	JUN	--	--	103.9	00:30	10:30
		Westpac Consumer Confidence sa m/m	JUN	--	--	-1.3%	00:30	10:30
		Westpac Leading Index m/m	APR	--	--	0.5%	00:30	10:30
		Consumer Inflation Expectations	JUN	--	--	3.3%	01:00	11:00
		Dwelling Starts	Q1	--	--	-5.3%	01:30	11:30
		ABARES Crop Report	Q2					
		<b>Stevens Speaks in Brisbane to Economic Society of Australia</b>					02:00	12:00
	JN	Machine Tool Orders y/y	MAY F	--	--	34.2	06:00	16:00
	EU	<b>EU Parliament Panel Votes on Draghi's ECB Candidacy</b>					08:45	18:45
		Euro-Zone Ind. Prod. sa m/m	APR	0.1%	--	0.0%	09:00	19:00
		Euro-Zone Ind. Prod. wda y/y	APR	5.0%	--	5.7%	09:00	19:00
		<b>Italy's Draghi Speaks at Panel Discussion in Brussels</b>					09:25	19:25
		<b>ECB's Bini Smaghi Speaks in Amsterdam</b>					12:00	22:00
		<b>Belgian Central Bank Updates Economic Forecasts</b>					14:00	00:00
	UK	Average Weekly Earnings 3M/y/y	APR	2.0%	--	2.3%	08:30	18:30
		Claimant Count Rate	MAY	4.6%	--	4.6%	08:30	18:30
		ILO Unemployment Rate (3mths)	APR	7.7%	--	7.7%	08:30	18:30
		Jobless Claims Change	MAY	5.2K	--	12.4K	08:30	18:30
		Weekly Earnings exBonus 3M/y/y	APR	2.0%	--	2.1%	08:30	18:30
		<b>BoE's King Speaks at Mansion House, London</b>					19:45	05:45
		<b>Interim Financial Policy Committee Holds First Meeting</b>					23:00	09:00
	US	MBA Mortgage Applications	Jun-10	--	--	-0.4%	11:00	21:00
		Consumer Price Index m/m	MAY	0.1%	--	0.4%	12:30	22:30
		Consumer Price Index y/y	MAY	3.3%	--	3.2%	12:30	22:30
		Consumer Price Index Nsa	MAY	--	--	224.906	12:30	22:30
		CPI Core Index sa	MAY	--	--	223.745	12:30	22:30
		CPI Ex Food & Energy m/m	MAY	0.2%	--	0.2%	12:30	22:30
		CPI Ex Food & Energy y/y	MAY	1.4%	--	1.3%	12:30	22:30
		Empire Manufacturing	JUN	13.5	--	11.88	12:30	22:30
		Net Long-term TIC Flows	APR	--	--	\$24.0B	13:00	23:00
		Total Net TIC Flows	APR	--	--	\$116.0B	13:00	23:00
		Capacity Utilization	MAY	77.1%	--	76.9%	13:15	23:15
		Industrial Production	MAY	0.3%	--	0.0%	13:15	23:15
		<b>Fed's Gibson (non-voter) Speaks on Dodd-Frank Act in Washington</b>					13:30	23:30
		<b>Fed's Foley (non-voter) Speaks on Banking Supervision in Washington</b>					14:00	00:00
		NAHB Housing Market Index	JUN	16	--	16	14:00	00:00
	CA	Manufacturing Sales m/m	APR	-2.3%	--	1.9%	12:30	22:30
		<b>BoC Governor Carney Speaks in Vancouver</b>					19:35	05:35

## DATA &amp; EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST	
Thursday 16-Jun	NZ	Westpac NZ Consumer Confidence	Q2	--	--	97.9	22:00	08:00	
		Business NZ PMI	MAY	--	--	51.5	22:30	08:30	
		Manufacturing Activity	Q1	--	--	3.1%	22:45	08:45	
		Manufacturing Activity Volume sa q/q	Q1	--	--	3.3%	22:45	08:45	
		ANZ Consumer Confidence Index	JUN	--	--	103.3	01:00	11:00	
		ANZ Consumer Confidence m/m	JUN	--	--	1.9%	01:00	11:00	
	AU	New Motor Vehicle Sales m/m	MAY	--	--	-3.5%	01:30	11:30	
		New Motor Vehicle Sales y/y	MAY	--	--	-8.4%	01:30	11:30	
		RBA Foreign Exchange Transaction	MAY	--	--	570M	01:30	11:30	
		<b>RBA's Bulletin Released</b>	Q2				01:30	11:30	
	TAS State Budget	2011-12				05:00	15:00		
	JN	Tokyo Condominium Sales y/y	MAY	--	--	-27.3%	04:00	14:00	
	CH	Conference Board China April Leading Economic Index					02:00	12:00	
	EU	Euro-Zone CPI - Core y/y	MAY F	1.6%	--	1.6%	09:00	19:00	
		Euro-Zone CPI m/m	MAY F	0.0%	--	0.6%	09:00	19:00	
		Euro-Zone CPI y/y	MAY F	2.7%	--	2.7%	09:00	19:00	
		Eurozone Employment q/q	Q1	--	--	0.2%	09:00	19:00	
		Eurozone Employment y/y	Q1	--	--	0.2%	09:00	19:00	
		<b>Draghi, Napolitano Speak at Rome University</b>						11:00	21:00
		<b>ECB's Mersch Speaks at Event in Hamburg</b>						16:30	02:30
		<b>ECB's Constancio Speaks in Paris</b>						17:00	03:00
		UK	Retail Sales Ex Auto Fuels/m	MAY	--	--	1.2%	08:30	18:30
			Retail Sales Ex Auto Fuels/y	MAY	--	--	2.7%	08:30	18:30
	Retail Sales w/Auto Fuel m/m		MAY	-0.6%	--	1.1%	08:30	18:30	
	Retail Sales w/Auto Fuel y/y		MAY	1.5%	--	2.8%	08:30	18:30	
	US	Annual Revisions: Current Account					12:30	22:30	
		Building Permits	MAY	553K	--	563K	12:30	22:30	
Building Permits m/m		MAY	-1.9%	--	-4.0%	12:30	22:30		
Continuing Claims		Jun-04	--	--	3676K	12:30	22:30		
Current Account Balance		Q1	-\$126.0B	--	-\$113.3B	12:30	22:30		
Housing Starts		MAY	540K	--	523K	12:30	22:30		
Housing Starts m/m		MAY	3.3%	--	-10.6%	12:30	22:30		
Initial Jobless Claims		Jun-10	--	--	427K	12:30	22:30		
Bloomberg Economic Expectations		Jun	--	--	-16	13:45	23:45		
Bloomberg Consumer Comfort		Jun-12	--	--	-45.9	13:45	23:45		
Philadelphia Fed. Survey		JUN	7	--	3.9	14:00	00:00		
CA		Int'l Securities Transactions	APR	--	--	6.339B	12:30	22:30	
Friday 17-Jun		AU	<b>AOFM Auctions A\$750m of June 2016 Bonds</b>						
	JN	<b>BOJ to Publish Minutes of May 19-20 Board Meeting</b>				23:50	09:50		
		Nationwide Dept. Sales y/y	MAY	--	--	-1.5%	05:30	15:30	
		Tokyo Dept. Store Sales y/y	MAY	--	--	-5.5%	05:30	15:30	
	EU	<b>ECB's Trichet Speaks in New York</b>				00:00	10:00		
	EU 25 New Car Registrations	MAY	--	--	-4.1%	06:00	16:00		
	Construction Output sa m/m	APR	--	--	-0.3%	09:00	19:00		
	Construction Output WDA y/y	APR	--	--	-4.9%	09:00	19:00		
	Euro-Zone Trade Balance	APR	-2.1B	--	2.8B	09:00	19:00		
	Euro-Zone Trade Balance sa	APR	-2.0B	--	-0.9B	09:00	19:00		
	<b>ECB's Bini Smaghi Speaks in Stockholm</b>						11:00	21:00	
	<b>ECB Publishes June Monthly Report</b>						14:00	00:00	
	US	U. of Michigan Confidence	JUN P	74.5	--	74.3	13:55	23:55	
		Leading Indicators	MAY	0.2%	--	-0.3%	14:00	00:00	
	CA	Wholesale Sales m/m	APR	--	--	0.1%	12:30	22:30	

## FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
<b>13 JUNE</b> AU: <b>Queens Birthday Holiday</b> JP: Machine Orders (Apr) GE & FR: <b>Whit Day Holiday</b> EU: <b>ECB's Trichet speaks</b> UK: RICS House Price Balance (May), <b>BoE's Weale Speaks</b>	<b>14 JUNE</b> NZ: Food Prices (May) AU: <b>Queensland Budget</b> , NAB Business Confidence (May) JP: <b>BoJ Target rate</b> , Industrial Prod (Apr F) CH: PPI (May), CPI (May), Industrial Prod (May), Retail Sales (May) UK: CPI & RPI (May) US: PPI (May), Retail Sales (May), Business Inventories (Apr), Small Business Optimism (May), <b>Fed's Bernanke Speaks</b>	<b>15 JUNE</b> NZ: Retail Volumes (Q1), Fonterra Auction AU: Westpac Consumer Confidence (Jun), Dwelling Starts (Q1), Inflation Expectation (Jun), <b>RBA's Stevens Speaks</b> , ABARES Crop Report (Q2) EU: IP (Apr) UK: Ave Weekly Earnings (Apr), ILO Unemp (Apr), Jobless Claims (May), <b>BoE's King Speaks</b> US: CPI (May), Empire Manuf. Index (Jun), Net TIC Flows (Apr), IP (May)	<b>16 JUNE</b> NZ: ANZ Consumer Confidence (Jun), Business PMI (May) AU: <b>TAS Budget, RBA Bulletin</b> CH: Conference Board China Leading Ind. (Apr) EU: CPI (May), Employment (Q1) UK: Retail Sales (May) US: Building Permits (May), Housing Starts (May), Philly Fed Survey (Jun), Current Acct. Bal (Q1)	<b>17 JUNE</b> JN: <b>BoJ Publish Minutes</b> EU: Construction Output (Apr), Trade Balance (Apr), <b>ECB Publishes Monthly Report (Jun)</b> US: Leading Indicators (May), Uni of Michigan Consumer Confidence (Jun P) CA: <b>BoC's Carney Speaks</b>
<b>20 JUNE</b> NZ: Credit Card Spending (May) JP: Trade (May), Leading Index (Apr F) EU: Current Account (Apr) GE: Producer Prices (May)	<b>21 JUNE</b> NZ: Net Migration (Jun) AU: <b>RBA Board Minutes (Jun)</b> , ABARES Commodities Report (Q2) JP: Industry Activity Index (Apr) EU: ZEW Survey (Jun) GE: ZEW Survey (Jun) UK: Public Finances (May) US: Home Sales (May) CA: Leading Indicators (May), Retail Sales (Apr)	<b>22 JUNE</b> NZ: Current Acc. Bal. (Q1) EU: Ind. New Orders (Apr), Consumer Conf. (Jun A) UK: <b>BoE Publish Minutes</b> US: <b>FOMC Rate Decision</b> , House Price Index (Apr), <b>Fed Chairman Bernanke Speaks</b>	<b>23 JUNE</b> AU: Leading Index (Apr) EU: PMI Composite, Manufac & Services (Jun A) GE: PMI Manufac & Services (Jun A) US: Chicago Fed Nat Activity Index (May), New Home Sales (May)	<b>24 JUNE</b> AU: <b>RBA's Lowe Speaks</b> JP: Corp Service Index (May) CH: MNI Business Condition Survey (Jun) GE: IFO Bus. Climate, Current Assess. & Expectations (Jun) US: Durable & Capital Goods Orders (May), GDP (Q1 T), Personal Consumption (Q1 T), Core PCE (Q1 T)
<b>27 JUNE</b> NZ: Trade (May) CH: Leading Index (May) US: PCE Core (May), Dallas Fed Manf Activity (Jun), Personal Income (May), Personal Spending (May)	<b>28 JUNE</b> JP: Retail Trade (May) GE: CPI (Jun P) UK: GDP (Q1 F) US: Case-Shiller Index (Apr), Consumer Conf. (Jun), Richmond Fed Index (Jun)	<b>29 JUNE</b> AU: DEWR Skilled Vacancies (Jun) JP: IP (May P) EU: Business Climate Indicator (Jun), Consumer Conf. (Jun F), Indust, Services and Economic Conf. (Jun) UK: GFK Consumer Conf. (Jun), Consumer Credit (May), Mortgage Approvals (May) US: Home Sales (May) CA: CPI (May)	<b>30 JUNE</b> NZ: Building Permits (May), Business Confidence (Jun) AU: Job Vacancies (May), Private Sector Credit (May) JP: Housing Starts (May), Vehicle Production (May) EU: CPI Est. (Jun) GE: Unemployment Rate (Jun) US: <b>Fed's Bullard Speaks</b> , Chicago PMI (Jun) CA: GDP (Apr)	<b>1 JULY</b> AU: AiG PMI (Jun) JP: CPI (Jun), Jobless Rate (May), Tankan Survey(Q2), Vehicle Sales (Jun) CH: PMI Mfg (Jun), <b>SAR Est. Day (HK)</b> EU: PMI Mfg (Jun F), Unemp. (May) GE: PMI Mfg (Jun F), Retail Sales (May) UK: PMI Mfg (Jun) US: U. of Michigan Conf. (Jun F), Const. Spending (May), ISM Manuf. (Jun) CA: <b>Canada Day Hol.</b>
<b>4 JULY</b> NZ: ANZ Commodity Price AU: AiG Perf of Const. Index (Jun), Building Approvals (May), ANZ Job Ads (Jun), Retail Sales (May) EU: Sentix Inv. Conf. (Jul), PPI (May) UK: PMI Const. (Jun) US: <b>Independence Day Public holiday</b>	<b>5 JULY</b> AU: <b>RBA Cash Rate</b> , Trade (May) EU: PMI Composite and Services (Jun F), Retail Sales (May) GE: Import Price Index (May), PMI Services (Jun F) UK: PMI Services (Jun) US: Factory Orders (May)	<b>6 JULY</b> AU: AiG Perf. of Services Index (Jun) JP: Coincident and Leading Index CI (May P) GE: Factory Orders (May) US: Challenger Job Cuts (Jun) CA: Building Permits (May)	<b>7 JULY</b> NZ: GDP (Q1) AU: Employment (Jun) JP: Machine Orders (May) EU: <b>ECB Announces Rates, Trichet Speaks</b> GE: Industrial Prod. (May) UK: <b>BoE Announces Rates</b> , NIESR GDP (Jun), Ind. and Mfg. Prod'n (May), US: ADP Employment (Jun) CA: New Housing Price Index (May), Ivey PMI (Jun)	<b>8 JULY</b> JN: Bank Lending (Jun), Money Stock (Jun) CH: Business Climate Index (Q2), Entrepreneur Confidence Index (Q2) GE: Trade (May), Current Account (May) UK: PPI (Jun) US: Payrolls (Jun), Employment (Jun), W'sale Inventories (May), Consumer Credit (May) CA: Employment (Jun)
<b>11 JULY</b> NZ: Card Spending (Jun) AU: Lending Finance (May) CH: New Yuan Loans (Jun), Money Supply (Jun), Fx Reserves (Jun) JP: Consumer Conf. (Jun) UK: RICS Housing Price Bal. (Jun) CA: Housing Starts (Jun)	<b>12 JULY</b> AU: NAB Business Confidence (Jun) JP: BoJ Target Rate, Dom. CGPI (Jun) GE: CPI (Jun F) UK: CPI (Jun), Trade Balance (May), RPI (Jun) US: Trade Bal. (May), NFIB Small Business Optimism (Jun), JOLTs Job Openings (May)	<b>13 JULY</b> NZ: Food Prices (Jun) AU: Westpac Consumer Confidence (Jul), DEWR Skilled Vacancies (Jul) JP: IP (May F) EU: IP (May) UK: Average Weekly Earnings (May), ILO Unemployment Rate (May) US: FOMC Minutes, Import Price Index (Jun), Monthly Budget Statement (Jun)	<b>14 JULY</b> NZ: Business PMI (Jun) EU: ECB Publishes Monthly Report (Jul), CPI (Jun) US: PPI (Jun), Retail Sales (Jun), Business Inventories (May)	<b>15 JULY</b> CH: GDP (Q2), CPI (Jun), PPI (Jun), IP (Jun), Retail Sales (Jun) EU: Trade Balance (May) US: CPI (Jun), Empire Manufacturing (Jul), IP (Jun), U. of Michigan Confidence (July P) CA: Manufacturing Sales (May)

## 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	2.0	4.1	4.8	5.6
Household consumption	2.8	2.7	2.7	3.0
Dwelling investment	4.0	3.8	-1.4	7.7
Business investment	-0.7	10.1	14.0	13.0
Public demand	9.0	3.3	3.2	2.0
Domestic final demand	3.6	3.9	4.4	4.8
Inventories (contribution to GDP )	0.4	-0.2	0.0	0.0
Gross National Expenditure (GNE)	4.1	3.7	4.4	4.7
Exports	5.3	-0.4	13.2	10.6
Imports	13.3	11.6	15.7	9.7
Net Exports (contribution to GDP )	-1.6	-2.8	-1.0	-0.1
<b>Gross Domestic Product (GDP)</b>	2.7	1.0	3.7	4.3
<b>Prices and wages (annual % change)</b>				
Inflation:	2.8	3.5	2.9	3.1
	2.6	2.6	3.1	3.0
Wages	3.3	3.3	3.8	4.1
				4.3
<b>Labour market</b>				
Employment (annual % change)	2.7	2.2	2.5	2.5
Unemployment rate (annual average %)	5.2	4.9	4.6	4.2
<b>External sector</b>				
Terms of trade (annual % change)	16.4	18.8	2.9	-2.0
Current account balance: A\$bn	-34.6	-25.3	-36.2	-43.9
% of GDP	-2.6	-1.7	-2.3	-2.6

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

AUSTRALIAN INTEREST RATES	CURRENT	SEP 11F	DEC 11F	MAR 12F	JUN 12F	SEP 12F
RBA cash rate	4.75	5.00	5.25	5.25	5.50	5.75
90 day bill	5.01	5.30	5.50	5.60	5.80	5.95
3 year bond	4.81	5.40	5.60	5.80	6.00	6.10
10 year bond	5.19	5.70	5.80	5.90	6.00	6.00
3s10s yield curve	0.38	0.30	0.20	0.10	0.00	-0.10
3 year swap	5.13	5.70	6.00	6.20	6.40	6.50
10 year swap	5.71	6.25	6.35	6.45	6.55	6.55

INTERNATIONAL INTEREST RATES	CURRENT	SEP 11F	DEC 11F	MAR 12F	JUN 12F	SEP 12F
RBNZ cash rate	2.50	2.50	2.75	3.25	3.50	3.75
NZ 90 day bill	2.65	2.69	3.14	3.67	3.75	4.17
US Fed funds note	0.25	0.25	0.25	0.75	1.50	2.00
US 2 year note	0.41	1.00	1.30	1.60	1.90	2.30
US 10 year note	2.98	3.70	3.90	4.10	4.20	4.30
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.25	1.50	1.50	1.50	1.75	2.00
UK repo rate	0.50	0.75	1.00	1.00	1.25	1.75

## FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	SEP 11F	DEC 11F	MAR 12F	JUN 12F	SEP 12F
<b>Australian exchange rates</b>						
A\$/US\$	1.06	1.08	1.04	1.02	1.00	0.98
NZ\$/US\$	0.83	0.77	0.75	0.74	0.72	0.71
A\$/¥	85.0	92.9	91.5	91.8	92.0	91.1
A\$/€	0.73	0.79	0.77	0.77	0.75	0.73
A\$/£	0.65	0.68	0.66	0.65	0.64	0.62
A\$/NZ\$	1.29	1.40	1.39	1.38	1.39	1.38
A\$/C\$	1.03	1.03	1.00	1.00	0.99	0.99
A\$/CHF	0.89	0.97	0.96	0.96	0.96	0.96
A\$/CNY	6.88	6.84	6.48	6.28	6.10	5.92
A\$ Trade weighted index	76.6	80.8	78.4	76.9	75.3	73.5
<b>International cross rates</b>						
US\$/¥	80.1	86.0	88.0	90.0	92.0	93.0
€/US\$	1.45	1.37	1.35	1.33	1.33	1.35
€/¥	116	118	119	120	122	126
£/US\$	1.63	1.60	1.58	1.57	1.57	1.57
€/£	0.89	0.86	0.85	0.85	0.85	0.86
US\$/C\$	0.97	0.95	0.96	0.98	0.99	1.01
US\$/CHF	0.84	0.90	0.92	0.94	0.96	0.98
US\$ index	74.2	77.4	78.6	80.4	80.1	80.5
<b>Asia exchange rates</b>						
US\$/CNY	6.48	6.33	6.23	6.16	6.10	6.04
US\$/HKD	7.78	7.78	7.80	7.80	7.80	7.80
US\$/IDR	8517	8900	8700	8500	8300	8100
US\$/INR	44.7	46.5	47.0	46.3	45.6	44.9
US\$/KRW	1082	1155	1175	1150	1125	1100
US\$/MYR	3.02	3.10	3.15	3.13	3.10	3.07
US\$/PHP	43.3	45.3	45.9	45.5	45.0	44.5
US\$/SGD	1.23	1.27	1.28	1.27	1.26	1.25
US\$/THB	30.41	30.90	31.70	31.50	31.30	31.10
US\$/TWD	28.74	30.00	30.50	30.25	30.00	29.75
US\$/VND	20580	21400	21400	22000	22000	22000
<b>Pacific exchange rates</b>						
PGK/US\$	0.429	0.385	0.378	0.372	0.366	0.366
FJD/US\$	0.571	0.548	0.538	0.530	0.522	0.522

## IMPORTANT NOTICE

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