



ECONOMICS & MARKETS RESEARCH

AUSTRALIAN ECONOMICS TOOLBOX

30 JULY 2010

INSIDE

Economic Update	1
The Week Ahead	1
In Focus	2
Data previews	6
Data Calendar	8
Forecasts	13

CONTRIBUTORS

Warren Hogan, Chief Economist, Australia
+61 2 9227 1562
Warren.Hogan@anz.com

Katie Dean, Senior Economist
+61 3 9273 1381
Katie.Dean@anz.com

Shane Lee, Senior Economist
+61 2 9227 4632
Shane.Lee@anz.com

Amber Rabinov, Senior Economist
+61 3 9273 4853
Amber.Rabinov@anz.com

Tom Kenny, Senior Economist
+61 2 9227 1741
Tom.Kenny@anz.com

Riki Polygenis, Senior Economist
+61 3 9273 4060
Riki.Polygenis@anz.com

David Cannington, Economist
+61 3 9273 4274
David.Cannington@anz.com

Andrew Dowman, Research Analyst
+61 3 9273 6881
Andrew.Dowman@anz.com

Andrew McManus, Analyst Economics
+61 2 92271742
Andrew.McManus@anz.com

Dylan Eades, Analyst Economics
+61 3 9273 2708
Dylan.Eades@anz.com

BEYOND THE INFLATION SWEET SPOT

- CPI data for Q2 was surprisingly low, with underlying inflation coming in at 0.5% QoQ and falling to 2.7% YoY. This is the first time core inflation has fallen within the target band since 2007. Headline inflation was also moderate at 0.6% QoQ and 3.1% YoY, particularly given the rise in the tobacco excise which added 0.2ppt. This has caused markets to price only a slim chance of RBA cash rate hike before year end.
- However the Q2 result may prove to be the sweet spot in the inflation outlook with large price cuts in many discretionary items in the CPI unlikely to be repeated and some significant rises at the top of the price distribution consistent with a faster pace of overall inflation.
- The longer-term inflation outlook is less benign with the rise in the terms of trade to drive another phase of investment in the mining sector, putting pressure on the labour market and capacity more broadly, particularly in the resource states.
- In the short term, the recent pull back in inflation expectations gives the RBA some latitude. However, we expect the RBA to raise the cash rate twice in Q4 to 5.0% and expect inflation to be above the top of the target band by late 2011.
- The results of the European bank stress tests came in better than expected, even through some question marks remained over the credibility of these tests with only a mild recession assumed and a 'worst-case' scenario that did not include a sovereign debt default. The European data flow also suggested that the Eurozone economy is not uniformly weak, with the German unemployment rate falling for the 13th consecutive month to 7.6%. UK Q2 GDP also surprised on the upside, printing almost double market expectations at 1.1% QoQ.
- US economic data were mixed although broadly consistent with our view that growth is losing momentum, as was the general tone of the Fed's Beige Book.

THE WEEK AHEAD

- In Australia, the softer than expected CPI data this week has the markets forecasting a definite hold for **Tuesday's rates decision**. The wording around this decision will again be the focus for markets. We will also get an update on how the RBA's economic forecasts have evolved over the past quarter, and how it is viewing the balance of risks to the outlook in its quarterly **Statement on Monetary Policy** on Friday.
- A swathe of domestic data released this week should give a clearer picture of how well the domestic economy is coping with the transition from public to private drivers of growth within a higher interest rate environment. **Retail sales** growth is likely to remain modest with any improvement in volumes moderated by lower prices due to heavy discounting (ANZ 0.3% MoM, market 0.4% MoM). Data on **building approvals** for June should also show that housing construction remains weak (ANZ -2.6%, market +2.0%), while house price growth is expected to have moderated from +4.8% in Q1 to +2.4% in Q2 (market +2.0%). On the flip side, the June trade data are likely to show that the export sector has continued to drive growth and incomes, with the **trade balance** expected to improve further to \$1.9bn (market \$2.0bn). Further, the equities reporting season begins with AXA Asia Pacific, Tabcorp and Rio Tinto all providing outlooks.
- Internationally, there are rate decisions for the **BoE** and the **ECB** which will dominate the European data flow. The **US** has a heavy data flow with payrolls, ISM, and personal income and spending. This should give us a better indication of the state of the US private sector and consumer. **China** PMI data will be released over the weekend and will give an indication of how the Chinese soft landing is developing.

Shane Lee,
Senior Economist
+61 2 9227 4632
Shane.Lee@anz.com

BEYOND THE INFLATION SWEET SPOT

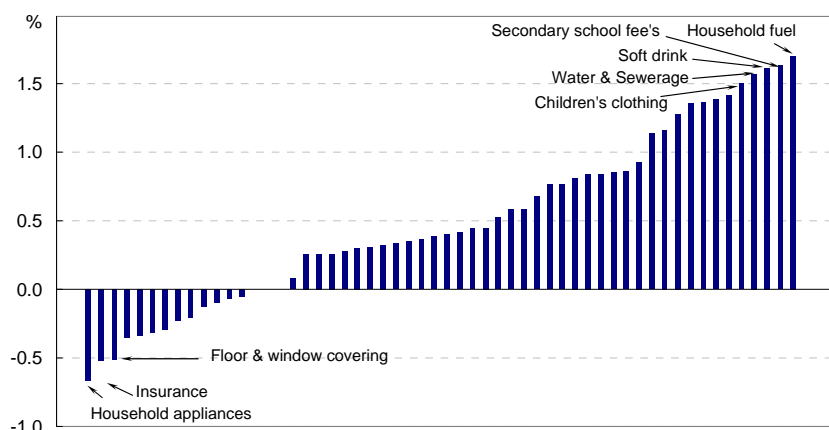
- This week's better-than-expected inflation data have caused markets to price only a slim chance of the RBA raising the cash rate before year end. Indeed, December 30-day interbank futures are priced for only 4bp of tightening over this period.
- The Q2 result may prove to be the sweet spot in the inflation outlook for several reasons: Firstly, it's unlikely that the large price cuts to many discretionary items in the CPI basket during Q2 will be repeated in Q3. Indeed, the extent of the discounting on these items may even set the scene for some payback in Q3. Secondly, there were still some significant price rises at the top of the price distribution that are consistent with a faster pace of overall inflation.
- The longer-term outlook for inflation depends on the broader economic outlook and the capacity of the economy. The rise in the terms of trade is driving another phase of investment in the mining sector and this will put pressure on the labour market particularly in the resources states. Moreover, even at this very early stage in the upswing, spare capacity is reasonably scarce.
- In the short term, the recent pull back in inflation expectations gives the RBA some latitude, and the fact that the recent strength of employment growth hasn't yet translated into stronger demand gives it some breathing space as well.
- Nonetheless, we expect the RBA to raise the cash rate twice in Q4 to 5.0% and expect inflation to be above the top of the target band by the end of next year.

This week's inflation data surprise has led to financial markets removing any risk that the RBA will raise rates by year end. Indeed, the market now has only 14bp priced in over the next nine months. In our view, the risks around this are skewed firmly to the upside.

It should be acknowledged upfront that the Q2 inflation reading was an exceptionally good number. This is especially true for an economy that has been expanding for twenty years, had an inflation problem prior to the 2008/09 slowdown and has now seen the unemployment rate fall to around 5%. In the previous cycle, inflation picked up when the economy was pushing up against capacity constraints with the unemployment rate around 4.5% and this suggests the economy now has very limited spare capacity.

Despite the good Q2 inflation news, some information in the data suggests that the good news is unlikely to be repeated over coming quarters and Q210 may prove to be the inflation "sweet spot."

FIGURE 1. TRIMMED DISTRIBUTION: AVE QUARTERLY PRICE CHANGES: Q210

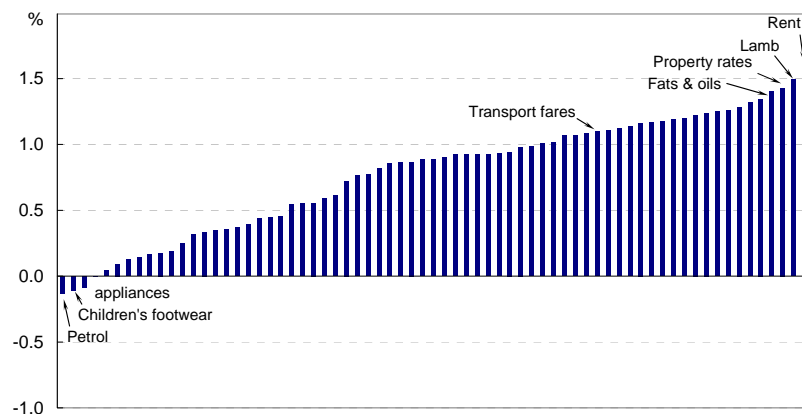


Source: ABS, ANZ

There were significant price falls in the quarter, led by appliances, insurance and floor and window coverings, but the magnitude of these price falls seems unlikely to be repeated (Figure 1 above). Furthermore, at the other end of the distribution, there were still a large number of significant price rises, led by household fuel and secondary school fees. The central part of the distribution saw a good breadth of only modest price rises and this is perhaps the most pleasing aspect of the Q2 price distribution.

It's also worth looking at price movements in the trimmed distribution relative to recent history. In the past few years, the drivers of underlying inflation have been broad and led by rents, lamb, fats and oil, and property rates (Figure 2). Items such as electricity, water and sewerage, insurance, hospital services and secondary school fees have, on average, been trimmed out at the top end of the distribution even though they have been a longer-term driver of headline inflation. At the bottom end of the distribution, the falls in AV equipment, clothing, childcare and footwear have been on average trimmed out as well, even though they have been the main inflation anchors.

FIGURE 2: TRIMMED DISTRIBUTION: AVE QUARTERLY PRICE CHANGES: Q108 TO Q110



Source: ABS and ANZ.

Given the surprising magnitude of the price falls, there is some risk that there will be some payback next quarter, although the broader moderation in price rises in the middle of the distribution provide some comfort around this risk.

Another unusual result was the modest rise (0.6%) in the house purchase item, which has the largest weight in the CPI. This occurred despite a 1.1% rise in residential construction material prices in the quarter as reported in the producer price data. It isn't unusual to see such a soft quarterly rise during a housing slowdown, but it would be unusual for it to be repeated consecutively. Since 2002 this series has averaged a quarterly rise of 1.0%.

Apart from the statistical nuances that may influence the data next quarter, the outlook for the economy leaves the RBA with significant inflationary challenges ahead. The economy has very limited spare capacity on various measures of capacity utilisation such as the unemployment rate and business surveys. Moreover, underlying inflation looks like it has troughed at around 2.7%, which is relatively high following a slowdown.

On top of this, the investment outlook, particularly in mining, looks strong and it will draw on resources from the supply-side of the economy which are already reasonably stretched. Indeed, as investment growth picks up it will be the RBA's job to squeeze out the household sector to make room for the lift in investment.

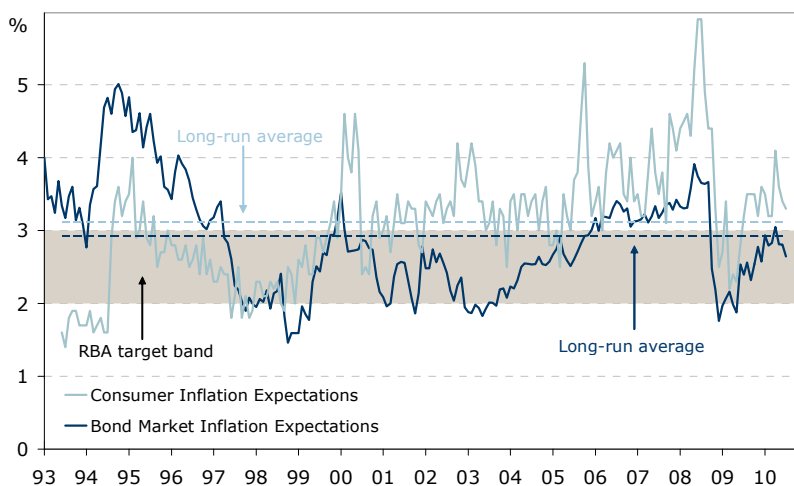
Still, in the short-term the current setting of policy looks about right. The strong employment growth over the past few months and the recent rebound in consumer sentiment have not yet translated into stronger demand that could risk the inflation outlook. Going forward it will be the RBA's task to retain this status quo

because it is virtually assured that the unemployment rate will continue to fall over the longer term.

Indeed, recent lead indicator data supports this assessment that demand is still well contained, despite the fall in the unemployment rate. Trend monthly retail trade is rising by only 0.2% per month and trend monthly owner-occupier loan approvals are falling by 1.2%. Similarly, auction clearance rates in both Sydney and Melbourne have moderated to around 60% since the May interest rate rise.

Apart from demand being contained for the time being, **recent developments in inflation expectations provide the Bank with some latitude as well (see Figure 3 below).** The break-even inflation rate has fallen back to around 2.6% and survey measures of consumer inflation expectations are now only slightly above long-run average. Only four months ago, both of these measures of inflation expectations were consistent with inflation above the top of the target band.

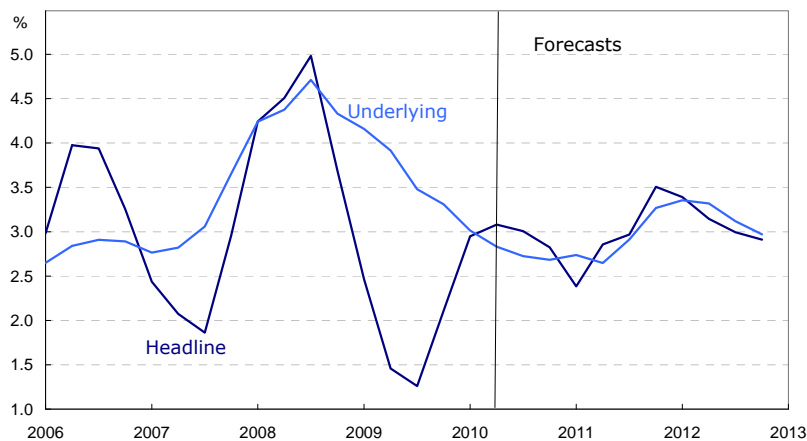
FIGURE 3: INFLATION EXPECTATIONS



Source: RBA, Bloomberg, ANZ

We expect that as the investment begins to pull the unemployment rate back below 5% that private sector wages growth will begin to pickup and this will push up inflation more broadly by the end of 2011 (Figure 4).

FIGURE 4: THE INFLATION OUTLOOK



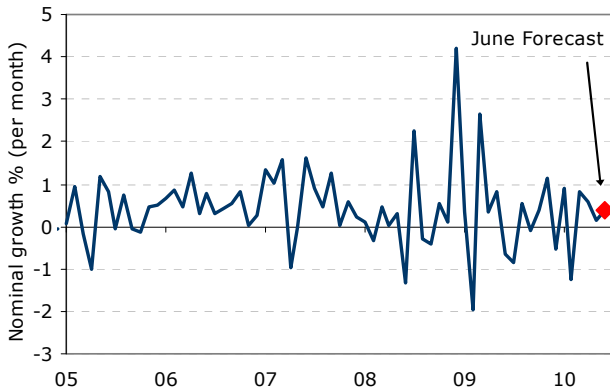
Source: ABS and ANZ

WEEKLY DATA WRAP

- The **Producer Price Index (PPI)** showed a 0.3% rise in final stage prices for the quarter, although price pressures were stronger at earlier stages of production increases of 1.5% and 0.9% at the initial and intermediate stages respectively.
- The **Consumer Price Index (CPI)** surprised on the downside, with headline inflation of 0.6% QoQ and 3.1% YoY. The weaker house price rises was a major contributor to the weaker CPI. Underlying inflation (the average of the RBA's trimmed mean and weighted median measures) was 0.5% in Q2, the weakest quarterly outcome in three years. This saw the yearly rate of underlying inflation ease to 2.7%, the first time it has fallen within the RBA's 2 to 3% target band since 2007.
- **Private sector credit** increased 0.2% in June (2.8% YoY) with housing credit growth weakening to 0.4% MoM, business credit flat and personal credit down 0.3%.
- **RP-Rismark Median House Prices** showed the first fall (0.7% MoM) in 17 months.

DATA PREVIEWS

CHART 1: RETAIL SALES (JUN)



3 AUGUST: RETAIL SALES (JUN)

Nominal (June)

ANZ: +0.3%% MoM
Market: +0.4% MoM
Last: +0.2% MoM

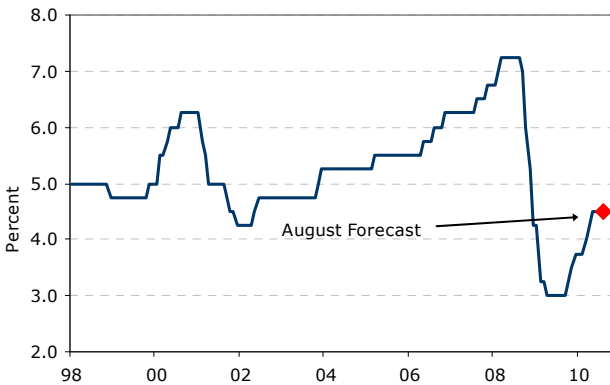
Real (Q2)

ANZ: +0.9%% MoM
Market: +0.7% MoM
Last: +0.1% MoM

Retail sales are expected to be modest in nominal terms in June. Leading indicators are mixed. Consumer confidence fell sharply, equities were down and personal credit growth was negative. On the flipside, strong employment growth would have been supportive of household incomes in the month and cold weather reportedly drove a sharp increase in sales of heaters and winter clothing and footwear. Discounting is also expected to have driven volumes, although this is likely to have been at least partly offset by lower prices. Overall we expect nominal retail sales increased 0.3% in June.

Translating this forecast into quarterly figures shows a strong increase in nominal terms in Q2 overall. If we assume prices were weak as evident in this week's Q2 CPI, this suggests a strong outcome for real retail sales of +0.9% in Q2. (RP)

CHART 2: RBA CASH RATE



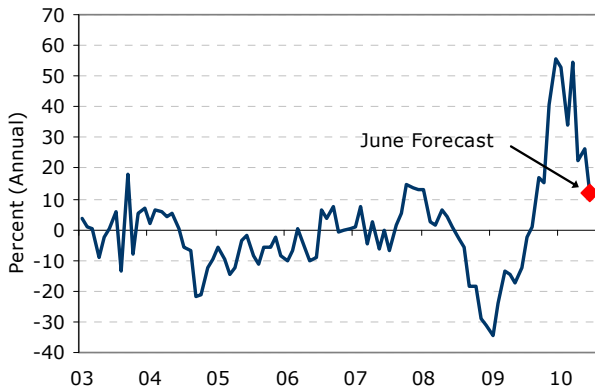
3 AUGUST: RBA CASH RATE

ANZ: 4.50%
Market: 4.50%
Last: 4.50%

The RBA is widely expected to keep interest rates unchanged at 4.50% when its August Board meeting is concluded next week. Wednesday's weaker than expected inflation read allows the RBA some breathing space to continue to watch developments in the domestic and global economies. In Australia, while recent high frequency data have indicated a slowing in growth momentum of such interest-rate sensitive areas of the economy as retail spending and housing, the strong outlook for the economy (with already limited capacity) leaves the RBA with significant inflationary challenges ahead. It is on this basis that we believe that the RBA will raise the cash rate to 5% by the end of the year. (RP)

DATA PREVIEWS

CHART 3: BUILDING APPROVALS (JUN)

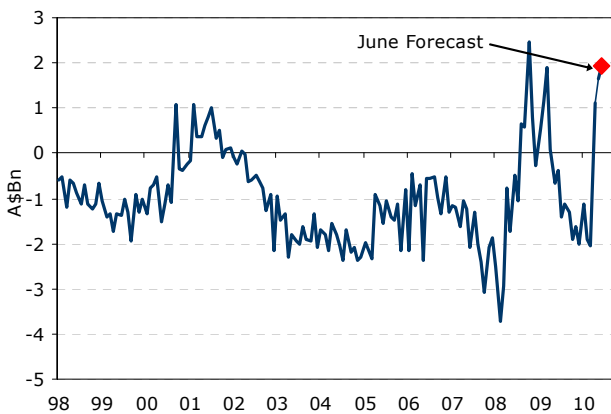


3 AUGUST: BUILDING APPROVALS (JUN)

ANZ: -2.6% MoM, +12.2% YoY
Market: +2.0% MoM, +16.0% YoY
Last: -6.6% MoM, +26.6% YoY

Building approvals levels are likely to post moderate negative growth in June. Following last month's continued weakness in building approvals we expect to see a moderate decrease in this number for June. The number of 'other' residential building approvals is expected to fall again in June posting negative growth for the third straight month as the effects of the recent round of RBA rate hikes continues to impact residential building decisions. The number of detached house building approvals are expected to post moderate growth in June on the back of underlying housing market forces. (DC)

CHART 4: TRADE BALANCE (JUN)

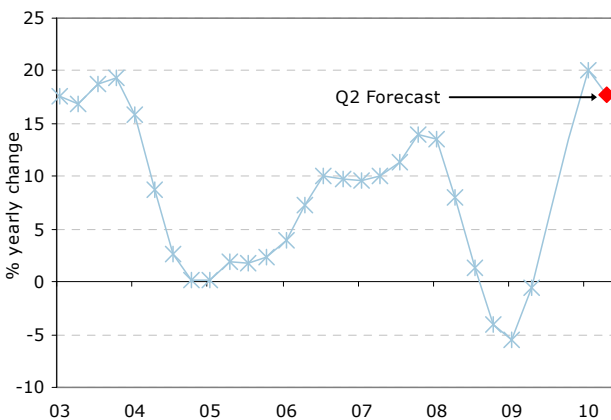


4 AUGUST: TRADE BALANCE (JUN)

ANZ: +A\$1920mn
Market: +A\$1800mn
Last: +A\$1645mn

Commodity price increases will again dominate this month's trade balance. We expect resources to be the largest contributor to the increase in the trade balance, with the rural sector again adding to exports. Manufacturing and services exports are likely to be slightly weaker. Preliminary data shows imports were flat in the month. (AM)

CHART 5: HOUSE PRICES (Q2)



4 AUGUST: HOUSE PRICES (Q2)

ANZ: +2.4% QoQ, +17.8% YoY
Market: +2.0% QoQ, +17.2% YoY
Last: +4.8% QoQ, +20.0% YoY

House price growth in Q2 is expected to moderate on the back of weaker demand as housing affordability tightened under increasing mortgage rates and global financial market uncertainty cooled some of the interest from the housing market investors built up in early 2010. Going forward, we anticipate house prices will continue to decelerate from the rates of growth seen in Q1 2010 and through 2009 as tighter monetary policy and increasing mortgage rates continue to erode housing affordability. (DC)

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	ANZ	MARKET	LAST	GMT	AEST
01.Aug	CH	PMI Manufacturing	JUL	53.1%	51.4%	52.10	01:00	11:00
2-6 Aug	JP	Official Reserve Assets	JUL	nf	na	\$1050.2B	-	-
02.Aug	NZ	ANZ Commodity Price	JUL	nf	na	-1.2%	03:00	13:00
	AU	Bank Holiday in NSW, ACT & NT						
		AIG Performance of Manufacturing Index	JUL	nf	na	52.9	23:30	09:30
		TD Securities Inflation MoM	JUL	nf	na	0.3%	00:30	10:30
		TD Securities Inflation YoY	JUL	nf	na	3.6%	00:30	10:30
		HIA New Home Sales MoM	JUN	nf	na	-6.4%	01:00	11:00
		RBA Commodity Index SDR YoY	JUL	nf	na	43.0%	06:30	16:30
		RBA Commodity Price Index	JUL	nf	na	94.4	06:30	16:30
	JP	Labor Cash Earnings YoY	JUN	nf	0.5%	0.1%	01:30	11:30
		Vehicle Sales YoY	JUL	nf	na	20.6%	05:00	15:00
	CH	HSBC Manufacturing PMI	JUL	nf	na	50.4	02:30	12:30
	EU	PMI Manufacturing	JUL F	nf	56.5	56.5	08:00	18:00
	GE	PMI Manufacturing	JUL F	nf	61.2	61.2	07:55	17:55
	UK	PMI Manufacturing	JUL	nf	57	57.5	08:30	18:30
	US	ISM Manufacturing	JUL	nf	54.5	56.2	14:00	00:00
		ISM Prices Paid	JUL	nf	55	57	14:00	00:00
		Construction Spending MoM	JUN	nf	-0.5%	-0.2%	14:00	00:00
		Bernanke Speaks in South Carolina	-	-	-	-	14:15	00:15
		Geithner speaks in New York	-	-	-	-	20:00	06:00
	CA	Market closed for Civic Holiday						
3-7 Aug	UK	Halifax House Prices sa MoM	JUL	nf	-0.4%	-0.6%	-	-
		Halifax House Price 3Mths/Year	JUL	nf	4.6%	6.3%	-	-
03.Aug	NZ	Private Wages Inc Overtime QoQ	Q2	nf	na	0.3%	22:45	08:45
		Private Wages Exc Overtime QoQ	Q2	0.4%	na	0.3%	22:45	08:45
		Average Hourly Earnings QoQ	Q2	nf	na	-0.4%	22:45	08:45
	AU	Retail Sales sa MoM	JUN	0.3%	0.4%	0.2%	01:30	11:30
		Retail Sales Ex Inflation QoQ	Q2	0.9%	0.7%	0.1%	01:30	11:30
		Building Approvals MoM	JUN	-2.6%	2.0%	-	01:30	11:30
		Building Approvals YoY	JUN	12.2%	16.0%	26.6%	01:30	11:30
		RBA CASH TARGET	-	4.5%	4.5%	4.5%	04:30	14:30
	JP	Monetary Base YoY	JUL	nf	na	3.6%	23:50	09:50
	CH	China Non-manufacturing PMI	JUL	nf	na	57.4	01:00	11:00
	EU	Euro-Zone PPI MoM	JUN	nf	0.4%	0.3%	09:00	19:00
		Euro-Zone PPI YoY	JUN	nf	3.2%	3.1%	09:00	19:00
	UK	PMI Construction	JUL	nf	58	58.4	08:30	18:30
	US	Personal Income	JUN	nf	0.2%	0.4%	12:30	22:30
		Personal Spending	JUN	nf	0.1%	0.2%	12:30	22:30
		PCE Deflator YoY	JUN	nf	1.3%	1.9%	12:30	22:30
		PCE Core MoM	JUN	nf	0.2%	0.2%	12:30	22:30
		PCE Core YoY	JUN	nf	1.3%	1.3%	12:30	22:30
		Factory Orders	JUN	nf	0.0%	-1.4%	14:00	00:00
		Pending Home Sales MoM	JUN	nf	1.1%	-30.0%	14:00	00:00
		Pending Home Sales YoY	JUN	nf	na	-15.6%	14:00	00:00
		ABC Consumer Confidence	Aug 01	nf	na	-48	21:00	07:00
		Domestic Vehicle Sales	JUL	nf	8.80M	8.57M	21:00	07:00
		Total Vehicle Sales	JUL	nf	11.70M	11.08M	21:00	07:00
04.Aug	AU	AIG Performance of Service Index	JUL	nf	na	48.8	23:30	09:30
		Trade Balance	JUN	1920M	1800M	1645M	01:30	11:30
		House Price Index QoQ	Q2	2.4%	2.0%	4.8%	01:30	11:30
		House Price Index YoY	Q2	17.4%	17.2%	20.0%	01:30	11:30
	CH	China HSBC Services PMI	JUL	nf	na	55.6	02:30	12:30

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	ANZ	MARKET	LAST	GMT	AEST
04.Aug	EU	PMI Services	JUL F	nf	56	56	08:00	18:00
		PMI Composite	JUL F	nf	na	56.7	08:00	18:00
		Euro-Zone Retail Sales YoY	JUN	nf	-0.2%	0.2%	09:00	19:00
		Euro-Zone Retail Sales MoM	JUN	nf	-0.1%	0.1%	09:00	19:00
	GE	PMI Services	JUL F	nf	57.3	57.3	07:55	17:55
	UK	BRC Shop Price Index	JUL	-	-	-	23:01	09:01
		PMI Services	JUL	nf	54.7	54.4	08:30	18:30
		Official Reserves (Changes)	JUL	nf	na	\$435M	08:30	18:30
	US	MBA Mortgage Applications	Jul 30	nf	na	-4.4%	11:00	21:00
		Challenger Job Cuts YoY	JUL	nf	na	-47.1%	11:30	21:30
ADP Employment Change		JUL	nf	35K	13K	12:15	22:15	
ISM Non-Manf. Composite		JUL	nf	53.3	53.8	14:00	00:00	
05.Aug	NZ	Unemployment Rate	Q2	6.5%	6.4%	6.0%	22:45	08:45
		Participation Rate QoQ	Q2	68.3%	68.2%	68.1%	22:45	08:45
		Employment Change QoQ	Q2	0.3%	0.4%	1.0%	22:45	08:45
		Employment Change YoY	Q2	0.7%	na	-0.1%	22:45	08:45
	EU	ECB Announces Interest Rates	-	1.0%	1.0%	1.0%	11:45	21:45
		Trichet Speaks at News Conference	-	-	-	-	12:30	22:30
	GE	Factory Orders MoM sa	JUN	nf	1.4%	-0.5%	10:00	20:00
		Factory Orders YoY nsa	JUN	nf	21.6%	24.8%	10:00	20:00
	UK	New Car Registrations YoY	JUL	nf	na	10.8%	-	-
		BOE Asset Purchase Target	AUG	200B	200B	200B	11:00	21:00
BOE ANNOUNCES RATES		-	0.5%	0.5%	0.5%	11:00	21:00	
US	San Francisco Fed holds mortgage hearing	-	-	-	-	04:00	14:00	
	Initial Jobless Claims	Jul 31	nf	457K	457K	12:30	22:30	
	Continuing Claims	Jul 24	nf	4536K	4565K	12:30	22:30	
	ICSC Chain Store Sales YoY	JUL	nf	na	3.0%	14:30	00:30	
06.Aug	CA	Building Permits MoM	JUN	nf	0.5%	-10.8%	12:30	22:30
	AU	AIG Performance of Construction Index	JUL	nf	na	46.4	23:30	09:30
		RBA Statement on Monetary Policy	AUG				01:30	11:30
	JP	Japan Buying Foreign Bonds	Jul 30	nf	na	¥1043.0B	23:50	09:50
		Japan Buying Foreign Stocks	Jul 30	nf	na	¥24.3B	23:50	09:50
		Foreign Buying Japan Bonds	Jul 30	nf	na	¥106.3B	23:50	09:50
		Foreign Buying Japan Stocks	Jul 30	nf	na	-¥29.6B	23:50	09:50
		Leading Index CI	JUN P	nf	98.7	98.6	05:00	15:00
		Coincident Index CI	JUN P	nf	101.2	101.2	05:00	15:00
		Tokyo Average Office Vacancies (%)	JUL	-	-	9.14	-	-
GE	Industrial Production MoM sa	JUN	nf	1.0%	2.6%	10:00	20:00	
	Industrial Prod. YoY nsa wda	JUN	nf	11.4%	12.4%	10:00	20:00	
UK	PPI Input nsa MoM	JUL	nf	-0.5%	-0.2%	08:30	18:30	
	PPI Input nsa YoY	JUL	nf	11.4%	10.7%	08:30	18:30	
	PPI Output nsa MoM	JUL	nf	0.1%	-0.3%	08:30	18:30	
	PPI Output nsa YoY	JUL	nf	4.9%	5.1%	08:30	18:30	
	PPI Output Core nsa MoM	JUL	nf	0.1%	-0.3%	08:30	18:30	
	PPI Output Core nsa YoY	JUL	nf	4.5%	4.8%	08:30	18:30	
	Industrial Production MoM	JUN	nf	0.2%	0.7%	08:30	18:30	
	Industrial Production YoY	JUN	nf	2.0%	2.6%	08:30	18:30	
	Manufacturing Production MoM	JUN	nf	0.5%	0.3%	08:30	18:30	
	Manufacturing Production YoY	JUN	nf	4.3%	4.3%	08:30	18:30	

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	ANZ	MARKET	LAST	GMT	AEST
06.Aug	US	Change in Nonfarm Payrolls	JUL	nf	-70K	-125K	12:30	22:30
		Change in Private Payrolls	JUL	nf	110K	83K	12:30	22:30
		Change in Manufacturing Payrolls	JUL	nf	13K	9K	12:30	22:30
		Unemployment Rate	JUL	nf	9.6%	9.5%	12:30	22:30
		Avg Hourly Earning MoM All Employees	JUL	nf	0.1%	-0.1%	12:30	22:30
		Avg Hourly Earning YoY All Employees	JUL	nf	1.7%	1.7%	12:30	22:30
		Avg Weekly Hours All Employees	JUL	nf	34.1	34.1	12:30	22:30
	Consumer Credit	JUN	nf	-\$6.0B	-\$9.1B	19:00	05:00	
	CA	Net Change in Employment	JUL	nf	10.0K	93.2K	11:00	21:00
		Unemployment Rate	JUL	nf	7.9%	7.9%	11:00	21:00
		Full Time Employment Change	JUL	nf	na	48.9	11:00	21:00
		Part Time Employment Change	JUL	nf	na	44.2	11:00	21:00
		Participation Rate	JUL	nf	67.4	67.4	11:00	21:00
		Ivey Purchasing Managers Index	JUL	nf	56	58.9	14:00	00:00
07.Aug	UK	NIESR GDP Estimate	JUL	nf	-	0.7%	-	-

FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
9 AUGUST AU: Home Loans (Jul), Business Confidence (Jul) JP: Current Account Total (Jun), Bank Lending (Jul), Trade Balance (Jun) GE: Trade Balance (Jun) UK: RICS House Price Balance (Jul) CA: Housing Starts (Jul)	10 AUGUST JP: BOJ Target Rate GE: CPI (Jul) US: FOMC Rate Decision , Nonfarm Productivity (Q2), Wholesale Inventories (Jun)	11 AUGUST AU: Consumer confidence (Aug) JP : Machine Orders (Jun) CH : PPI (Jul), CPI (Jun), Retail Sales (Jun), UK: Jobless Claims Change (Jul), UE Rate (Jun), Bank of England Quarterly Inflation Report US: Trade Balance (Jun)	12 AUGUST NZ: Business PMI (Jul), Food Prices (Jul) AU: UE Rate (Jul) JP: Industrial Production (Jun), Consumer confidence (Jul) EU: Industrial Production (Jun) US: Initial Jobless Claims (Aug 7)	13 AUGUST NZ: House Sales (Jul), Retail Sales (Jun) EU: GDP (Q2) GE: GDP (Q2) US: CPI (Jul), Advanced Retail Sales (Jul), Consumer Confidence (Aug)
16 AUGUST AU: New Motor Vehicle Sales (Jul) JP: GDP (Q2), Tertiary Industry Index (Jun) EU: CPI (Jul)	17 AUGUST EU: Zew Survey (Econ. Sentiment) (Aug) GE: Zew Surveys (Econ. Sentiment and Current Situation) (Aug) UK: CPI (Jul), RPI (Jul)	18 AUGUST AU: DEWR Skilled Vacancies (Aug), Leading Index (Jun) UK: Bank of England Minutes US:	19 AUGUST NZ: Producer Prices (Q2), ANZ Consumer Confidence Index (Aug) AU: International Merchandise Imports (Jul) UK: Retail Sales (Jul)	20 AUGUST NZ: Visitor Arrivals (Jul), Credit Card Spending (Jul) JP : All Industry Activity Index (Jun) UK: M4 Money Supply (Jul)
23 AUGUST EU: Euro-Zone Consumer Confidence (Aug A) UK: BBA Loans for House Purchase (Jul)	24 AUGUST NZ: RBNZ 2yr Inflation Expectation (Q3) JP: Merchandise Trade Balance Total (Jul) EU: Industrial New Orders (Jun) GE: GDP (Q2) US: Existing Home Sales (Jul), Richmond Fed Manufact. Index (Aug) CA: Retail Sales (Jun)	25 AUGUST AU: Construction Work Done (Q2) GE: IFO - Business Climate (Aug), IFO - Current Assessment (Aug), IFO - Expectations (Aug) US: Durable Goods Orders (Jul), New Home Sales (Jul)	26 AUGUST EU: Euro-Zone M3 (Jul) US: Initial Jobless Claims (Aug 21), Continuing Claims (Aug 14)	27 AUGUST JP: Jobless Rate (Jul), Job-To-Applclicant Ratio (Jul), CPI (Jul) GE: CPI (Aug P) UK: GDP (Q2 P) US: GDP (Q2), Personal Consumption (Q2), U. of Michigan Confidence (Aug F)
30 AUGUST NZ: Trade Balance (Jul), NBNZ Business Confidence (Aug) EU: Consumer confidence (Aug) US: Personal Income (Jul) CA: Industrial Product Price (Jul)	31 AUGUST NZ: Building Permits (Jul) AU: Building Approvals (Jul) JP: Retail Trade (Jul), Industrial Production (Jul) EU: UE Rate (Jul) GE: UE Rate (Aug) UK: Mortgage Approvals (Jul) US: Consumer Confidence (Aug)	1 SEPTEMBER AU: GDP (Q2), Private Sector Credit (Jul), Current Account Balance (Q2) CH: PMI Manufacturing (Aug) US: ISM Manufacturing (Aug), MBA Mortgage Applications (Aug 27)	2 SEPTEMBER AU: Trade Balance (Jul) EU: ECB Announces Interest Rates US: Initial Jobless Claims (Aug 28)	3 SEPTEMBER EU: Retail Sales (Aug) GE: PMI Services (Aug) US: Change in Nonfarm Payrolls (Aug)
6 SEPTEMBER AU: TD Securities Inflation (Aug), ANZ Jobs Ads (Aug) EU: Trade Balance (Jul)	7 SEPTEMBER AU: RBA CASH TARGET JP: BOJ Target Rate GE: Factory Orders (Jul) US: Fed's Beige Book	8 SEPTEMBER NZ: Manuf. Activity (Q2) AU: Home Loans (Jul) JP: Current Account Total (Jul), Machine Orders (Jul), Trade Balance (Jul) GE: Trade Balance (Jul), Industrial Production (Jul) UK: Industrial Production (Jul) US: MBA Mortgage Applications (Sep 3), Consumer Credit (Jul) CA: Bank of Canada Rate , Ivey Purchasing Managers Index (Aug)	9 SEPTEMBER AU: Employment Change (Aug), Unemployment Rate (Aug) JP: Capital Spending (Q2) EU: ECB Publishes Sept. Monthly Report GE: CPI (Aug F) UK: BOE ANNOUNCES RATES US: Trade Balance (Jul), Initial Jobless Claims (Aug 28), CA: Housing Starts (Aug)	10 SEPTEMBER NZ: Terms of Trade (Q2) JP: GDP (Q2 F) CH: Trade Balance (Aug), Exports (Aug), Imports (Aug) UK: PPI (Aug) US: Wholesale Inventories (Jul) CA: Unemployment Rate (Aug)

CENTRAL BANK RELEASES FOR 2010

JANUARY	FEBRUARY	MARCH	APRIL
6th – FOMC Minutes 7th – BoE 14th – ECB 19th – BoC 20th – BoE Minutes 25-26th – BoJ 27th – FOMC 28th – RBNZ	2nd - RBA 4th – BoE 4th – ECB 5th – RBA MP Statement 16th – RBA Minutes 17th – BoE Minutes 17th – FOMC Minutes 17-18th – BoJ 18th – ECB 23rd – BoJ Minutes	2nd – BoC 2nd - RBA 4th – BoE 4th – ECB 11th – RBNZ 11th – RBNZ MP Statement 11th – SNB 16th – FOMC 16th – RBA Minutes 17th – BoE Minutes 16-17th – BoJ 18th – ECB 23rd – BoJ Minutes	6th - RBA 6-7th – BoJ 8th – BoE 8th – ECB 12th – BoJ Minutes 20th – BoC 20th – RBA 21st – BoE Minutes 22nd – ECB 28th – FOMC 29th – RBNZ 30th – BoJ
MAY	JUNE	JULY	AUGUST
4th - RBA 6th – ECB 7th – RBA MP Statement 10th – BoE 10th – BoJ Minutes 18th – RBA Minutes 19th – BoE Minutes 20th – ECB 20-21st – BoJ 26th – BoJ Minutes	1st – BoC 1st - RBA 10th – BoE 10th – ECB 10th – RBNZ 10th – RBNZ MP Statement 14-15th – BoJ 15th – RBA Minutes 17th - SNB 18th – BoJ Minutes 23rd – BoE Minutes 23rd - FOMC 24th - ECB	6th - RBA 8th – BoE 8th – ECB 20th – RBA Minutes 20th – BoC 21st – BoE Minutes 22nd – ECB 29th - RBNZ	3rd - RBA 5th – BoE 5th – ECB 6th – RBA MP Statement 10th – FOMC 17th – RBA Minutes 18th – BoE Minutes
SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
2nd – ECB 7th - RBA 8th – BoC 9th – BoE 16th – ECB 16th – RBNZ 16th – RBNZ MP Statement 16th - SNB 21st – RBA Minutes 21st - FOMC 22nd – BoE Minutes	5th - RBA 7th – BoE 7th – ECB 19th – RBA Minutes 19th – BoC 20th – BoE Minutes 21st – ECB 28th - RBNZ	2nd - RBA 3rd - FOMC 4th – BoE 4th – ECB 5th – RBA MP Statement 16th – RBA Minutes 17th – BoE Minutes 18th - ECB	2nd – ECB 7th - RBA 9th – BoE 9th – RBNZ 9th – RBNZ MP Statement 14th - FOMC 16th – ECB 16th - SNB 21st – RBA Minutes 22nd – BoE Minutes

***Notes:** Entries are the dates of central bank interest rate announcements for 2010, unless specified as minutes or otherwise.

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

BoJ data are available only to June.

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

Source: Central bank websites.

FORECASTS

AUSTRALIAN ECONOMIC INDICATORS	2009	2010 F	2011 F	2012 F
Economic activity (annual % change)				
Private final demand	0.7	2.5	4.6	5.1
Household consumption	1.6	2.5	1.9	1.7
Dwelling investment	-4.6	4.9	1.8	2.3
Business investment	-0.8	1.7	14.1	16.1
Public demand	3.3	11.4	4.0	1.9
Domestic final demand	1.3	4.5	4.4	4.4
Inventories (contribution to GDP)	-0.5	0.6	0.0	-0.1
Gross National Expenditure (GNE)	0.7	5.1	4.4	4.3
Exports	1.4	2.1	6.0	7.3
Imports	-7.8	13.7	10.5	10.8
Net Exports (contribution to GDP)	2.0	-2.4	-1.2	-1.1
Gross Domestic Product (GDP)	1.3	2.9	3.7	3.8
Prices and wages (annual % change)				
Inflation:				
Headline CPI	1.8	2.8	2.9	3.1
Underlying *	3.7	2.7	2.8	3.2
Wages	3.6	3.3	4.0	4.2
Labour market				
Employment (annual % change)	0.3	2.6	2.2	2.0
Unemployment rate (annual average %)	5.6	5.2	4.9	4.8
External sector				
Current account balance: A\$bn	-51.4	-53.1	-66.1	-95.7
% of GDP	-4.1	-3.9	-4.5	-6.2

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

AUSTRALIAN INTEREST RATES	CURRENT	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F
RBA cash rate	4.50	4.50	5.00	5.25	5.50	5.75
90 day bill	4.78	4.85	5.30	5.60	6.00	6.0
3 year bond	4.56	4.90	5.10	5.50	5.70	6.00
10 year bond	5.20	5.40	5.50	5.70	5.80	6.00
3s10s yield curve	0.65	0.50	0.40	0.20	0.10	0.00
3 year swap	4.97	5.30	5.50	5.90	6.10	6.40
10 year swap	5.63	5.95	6.05	6.25	6.35	6.55
INTERNATIONAL INTEREST RATES	CURRENT	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F
RBNZ cash rate	3.00	3.25	3.25	3.50	4.00	4.5
NZ 90 day bill	3.27	3.50	3.50	3.92	4.42	4.92
US Fed funds note	0.25	0.25	0.25	0.25	0.25	0.5
US 2 year note	0.56	0.80	1.00	1.20	1.50	2.00
US 10 year note	2.97	3.20	3.20	3.30	3.30	3.60
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.00	1.00	1.00	1.00	1.00	1.00
UK repo rate	0.50	0.50	0.50	0.50	0.50	0.75

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

FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F
Australian exchange rates						
A\$/US\$	0.8997	0.88	0.90	0.92	0.94	0.94
NZ\$/US\$	0.7222	0.70	0.71	0.72	0.73	0.73
A\$/¥	77.74	83.6	86.4	89.2	92.1	94.0
A\$/€	0.6882	0.73	0.76	0.81	0.84	0.84
A\$/£	0.5754	0.60	0.62	0.62	0.62	0.61
A\$/NZ\$	1.2458	1.26	1.27	1.28	1.29	1.29
A\$/C\$	0.9316	0.87	0.87	0.88	0.88	0.90
A\$/CHF	0.9355	1.03	1.07	1.11	1.16	1.18
A\$/CNY	6.0938	5.92	5.97	6.03	6.16	6.12
A\$ Trade weighted index	69.50	71.8	74.3	76.5	77.7	77.5
International cross rates						
US\$/¥	86.41	95.0	96.0	97.0	98.0	100.0
€/US\$	1.3073	1.21	1.18	1.14	1.12	1.12
€/¥	112.95	115	113	111	110	112
£/US\$	1.5636	1.46	1.46	1.49	1.52	1.54
€/£	0.8361	0.83	0.81	0.77	0.74	0.73
US\$/C\$	1.0355	0.99	0.97	0.96	0.94	0.96
US\$/CHF	1.0398	1.17	1.19	1.21	1.23	1.25
US\$ index	81.55	87.5	88.8	90.5	91.4	91.8
Asia exchange rates						
US\$/CNY	6.7731	6.73	6.63	6.55	6.55	6.51
US\$/HKD	7.7672	7.78	7.75	7.75	7.75	7.75
US\$/IDR	8951	9500	9900	10000	9700	9500
US\$/INR	46.49	48.7	50.4	50.7	49.0	48.50
US\$/KRW	1184	1270	1345	1390	1320	1275
US\$/MYR	3.1798	3.35	3.45	3.50	3.40	3.4
US\$/PHP	45.605	47.3	48.8	49.5	48.0	47.3
US\$/SGD	1.3617	1.43	1.47	1.50	1.45	1.4
US\$/THB	32.280	32.90	33.90	34.30	33.50	33.00
US\$/TWD	31.971	32.50	33.30	33.70	32.70	32
US\$/VND	19080	19000	19000	19000	20000	20000
Pacific exchange rates						
PGK/US\$	0.3700	0.395	0.386	0.372	0.358	0.34
FJD/US\$	0.5178	0.507	0.508	0.514	0.517	0.51

IMPORTANT NOTICE

Australia and New Zealand Group Limited is represented in:

AUSTRALIA

Australia and New Zealand Banking Group Limited
 ABN 11 005 357 522
 ANZ Centre Melbourne, Level 9, 833 Collins Street, Docklands
 Victoria 3008, Australia
 Telephone +61 3 9273 5555 Fax +61 3 9273 5711

UNITED KINGDOM BY:

Australia and New Zealand Banking Group Limited
 ABN 11 005 357 522
 40 Bank Street, Canary Wharf, London, E14 5EJ, United Kingdom
 Telephone +44 20 3229 2121 Fax +44 20 7378 2378

UNITED STATES OF AMERICA

ANZ Securities, Inc. is a member of FINRA (www.finra.org) and registered with the SEC.
 277 Park Avenue, 31st Floor, New York, NY 10172,
 United States of America
 Tel: +1 212 801 9160 Fax: +1 212 801 9163

NEW ZEALAND BY:

ANZ National Bank Limited
 Level 7, 1-9 Victoria Street, Wellington, New Zealand
 Telephone +64 4 802 2000

This document ("document") is distributed to you in Australia and the United Kingdom by Australia and New Zealand Banking Group Limited ABN 11 005 357 522 ("ANZ") and in New Zealand by ANZ National Bank Limited ("ANZ NZ"). ANZ holds an Australian Financial Services licence no. 234527 and is authorised in the UK and regulated by the Financial Services Authority ("FSA").

This document is being distributed in the United States by ANZ Securities, Inc. ("ANZ S") (an affiliated company of ANZ), which accepts responsibility for its content. Further information on any securities referred to herein may be obtained from ANZ S upon request. Any US person(s) receiving this document and wishing to effect transactions in any securities referred to herein should contact ANZ S, not its affiliates.

This document is being distributed in the United Kingdom by ANZ solely for the information of its eligible counterparties and professional clients (as defined by the FSA). It is not intended for and must not be distributed to any person who would come within the FSA definition of "retail clients". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the FSA.

This document is issued on the basis that it is only for the information of the particular person to whom it is provided. This document may not be reproduced, distributed or published by any recipient for any purpose. This document does not take into account your personal needs and financial circumstances. Under no circumstances is this document to be used or considered as an offer to sell, or a solicitation of an offer to buy.

In addition, from time to time ANZ, ANZ NZ, ANZ S, their affiliated companies, or their respective associates and employees may have an interest in any financial products (as defined by the Australian Corporations Act 2001), securities or other investments, directly or indirectly the subject of this document (and may receive commissions or other remuneration in relation to the sale of such financial products, securities or other investments), or may perform services for, or solicit business from, any company the subject of this document. If you have been referred to ANZ, ANZ NZ, ANZ S or their affiliated companies by any person, that person may receive a benefit in respect of any transactions effected on your behalf, details of which will be available upon request.

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable. The views expressed in this document accurately reflect the author's personal views, including those about any and all of the securities and issuers referred to herein. The author however makes no representation as to its accuracy or completeness and the information should not be relied upon as such. All opinions and estimates herein reflect the author's judgement on the date of this document and are subject to change without notice. No part of the author's compensation was, is or will directly or indirectly relate to specific recommendations or views expressed about any securities or issuers in this document. ANZ, ANZ NZ, ANZ S, their affiliated companies, their respective directors, officers, and employees disclaim any responsibility, and shall not be liable, for any loss, damage, claim, liability, proceedings, cost or expense ("Liability") arising directly or indirectly (and whether in tort (including negligence), contract, equity or otherwise) out of or in connection with the contents of and/or any omissions from this communication except where a Liability is made non-excludable by legislation.

Where the recipient of this publication conducts a business, the provisions of the Consumer Guarantees Act 1993 (NZ) shall not apply.