ECONOMICS & MARKETS RESEARCH
ANZ AUSTRALIAN ECONOMICS TOOLBOX

14 MAY 2010

INSIDE

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MAKING ROOM FOR THE RESOURCES BOOM

- This week's April jobs data provided a timely reminder of the underlying strength of the economic recovery. 34k new jobs were created in the month and 250k over the past eight months. For the household sector, this strong jobs growth is offsetting the interest rate headwinds.
- However, as interest rates continue to rise, housing and consumer spending will need to make room for business investment and job creation. This week's housing finance data showed another fall in owner-occupier loan approvals. Investor loan approvals, on the other hand, have been resilient thus far to the interest rate rises given the good underlying fundamentals of property as an asset class. Rental markets remain tight and prices are continuing to rise.
- A speech by RBA Assistant Governor Philip Lowe further reinforced the RBA's positive take on the Asian-led global recovery and its implications for Australia. However, his speech also provided a timely reminder that inflation is going to remain a challenge for the RBA as the economy gears up for the next upswing in the terms of trade.
- The anticipated rise in the terms of trade will again put pressure on the mining industry to find suitably skilled labour. This will again stretch the domestic labour market, but if immigration can be used to target the relevant areas of skilled job demand then wage pressures may remain relatively contained. Indeed, the global pool of labour is much larger now than it was in the lead up to the global recession.

THE WEEK AHEAD

- After a couple of busy weeks, the **Australian** dataflow will slow next week. The main focus will be on the release of the wage price index and the RBA's May Board meeting minutes.
- In the **US**, the market will keenly follow the release of housing starts and building permits data, and the consumer price index. Also released next week are the FOMC policy meeting minutes from late April, the Philadelphia Fed business outlook survey and leading indicators.
- It will be a busy week of European data releases. In the **Euro zone**, the key releases will be the CPI, trade balance and consumer confidence. There will be a number of **German** data points released next week. The market will focus on Zew survey of economic sentiment on Tuesday and GDP detail on Friday. **UK** markets will focus on the CPI and retail price index on Tuesday, the BoE monetary policy meeting minutes in Wednesday, and the release of retail sales on Wednesday.
- In **Japan**, the market will monitor the release of GDP figures on Thursday. On Friday, the BoJ will announce its target cash rate. A very quiet week for **Chinese** data with the only release being foreign direct investment figures for April.

IN FOCUS

MAKING ROOM FOR THE RESOURCES BOOM

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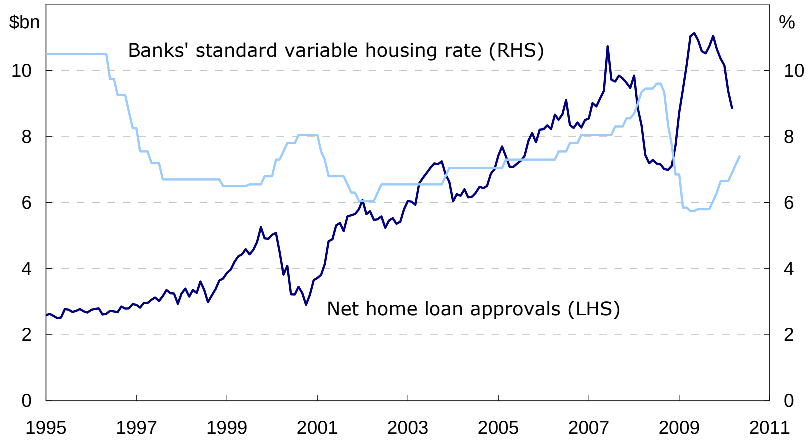
Despite the volatility in financial markets in recent weeks the data both from Australia and offshore has been solid. China's April imports data showed strong growth (30.5%) over the past year, which was considerably stronger than expectations. Key CPI data for April showed that inflation is picking up, but at the moment it is remaining well contained at 2.8%.

This week's domestic data showed that housing finance is continuing on its downward adjustment following the phasing down of the First Home Buyer's Grant and the lift in mortgage rates. The value of home loan approvals less refinancing and cancellations has fallen by 20% since its peak in October (Figure 1). In coming months this will slow housing credit growth further.

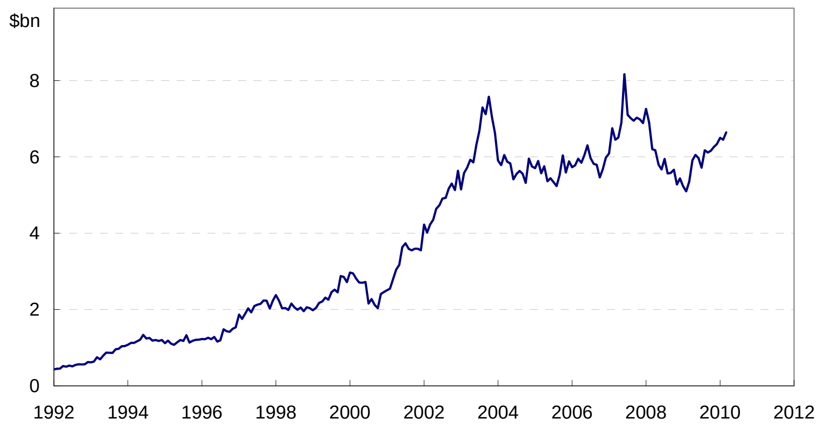
FIGURE 1: HOUSING FINANCE AND MORTGAGE RATES



Source: ABS and ANZ

Investor loan approvals have remained more resilient to the interest rate headwinds and have been rising solidly since last February when risk appetite began to improve. In March, investor home loan approvals rose by 3.0%. Of course, the fundamentals of the property market for investors remain good with prices rising and rental markets tight.

FIGURE 2: INVESTOR HOME LOAN APPROVALS



Source: ABS

While owner-occupier housing continues to soften and investor interest in residential property continues, policy action by the RBA will ensure that the household sector makes room for the business sector during the coming upswing in the terms of trade. This week's data on employment highlighted the robust outlook

IN FOCUS

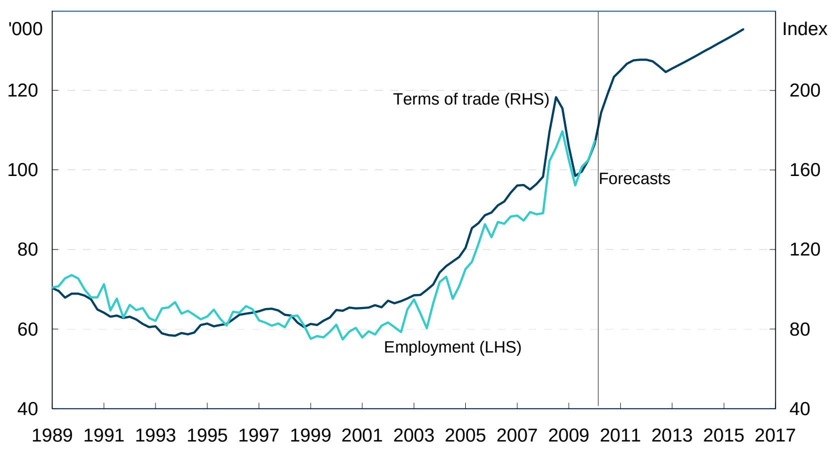
for the business and the need for policy to remain ahead of the curve. The April employment data showed another strong employment gain (33.7k) led by a 37.5k gain in full-time employment. Part-time employment fell and is now giving way for full-time jobs as the outlook continues to improve. Hours worked surprisingly fell in the month (-0.5%) and have only risen 0.5% in the past year as employment has risen by 2.2%.

Employment remained flat as hours worked were cut during the downturn, suggesting that firms had some surplus capacity in place prior to demand accelerating again.

However, firms seem to have reacted to the pick up in demand by hiring new staff rather than push their existing work force to work more hours. This may indicate that competition for skilled staff may have picked up earlier than most would have expected at this stage of the recovery. Indeed, it may be firms' strategy to firstly get suitable staff in place before squeezing them for hours. The alternative approach would be to squeeze existing staff for more hours and then reverting to hiring more staff. However, if firms are convinced that the jobs market will become more competitive then the former strategy may be more appropriate.

The expected rise in the terms of trade suggests that at least in the mining industry this "hiring first squeezing hours" strategy may be the right one. The rise in the terms of trade that we expect over the next couple of years is consistent with an increase in employment in the mining industry of around 20k or 20% of the total industry workforce, if it responds as it normally does to shifts in the terms of trade (Figure 3).

FIGURE 3: TERMS OF TRADE AND MINING INDUSTRY EMPLOYMENT



Source: ABS

This looks to be a difficult task given the already low level of unemployment across the economy. However, the industry will have access to a greater pool of global skilled staff, given the high unemployment rates in most of the North Atlantic economies.

IN FOCUS

RBA UPBEAT ABOUT GROWTH PROSPECTS

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The positive outlook for Australian and global growth prospects was reiterated yesterday by RBA Assistant Governor, Phillip Lowe, who gave an upbeat assessment of recent economic developments. He seemed assured that recent financial market fears about European government debt would be overcome by the measures put in place by the EU, the IMF and the ECB. Mr Lowe implied that these worries would likely translate into market volatility in the short run and that there were limited implications for real economic activity.

Mr Lowe said the recent upswing in global activity, particularly that arising from emerging markets, has pushed Australia's terms of trade sharply higher. Soon Australia's terms of trade would surpass the 2008 peak. This increase will provide a massive stimulus to Australian national income. The May Statement of Monetary Policy clearly indicated just how much — the RBA is forecasting nominal GDP to grow by around 10% YoY by December 2010.

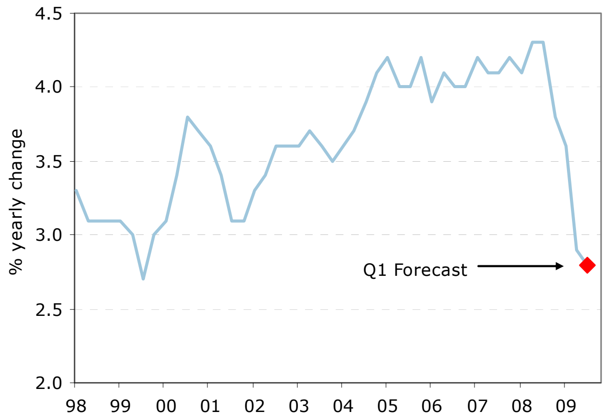
This sizable stimulus comes at a time when there isn't much spare capacity in the Australian economy. In addition, underlying inflation is already sitting atop of the central bank's 2-3% target band. Mr Lowe said that the RBA was forecasting that a reasonable component of this income injection would be saved and consequently this episode of sharply strengthening terms of trade wasn't going to be as inflationary as it was in 2008 (the RBA’s measure of core inflation peaked at 4.8% in Q3 2008). In particular, he expects that: (1) households will continue to display a degree of circumspection toward spending and build up savings; and (2) fiscal policy will move toward surplus.

We think these are brave assumptions. First, households are likely to be cautious and add to savings when the value of their wealth is falling. This is not happening at the moment, house prices are increasing at 20% YoY (their fastest pace since 2002) and the equity market is up almost 25% YoY. Second, with an election set for H2 2010, we find it hard to believe the government will show the austerity that is needed. Indeed, it's highly probable the government will introduce new spending and/or tax cuts in the lead up to the election. As such, the economy needs to brace itself for more rate rises over the next 18 months as the RBA will need to apply the brakes to spending. We expect a further 150bp over this time frame.

Finally, it is worth highlighting Mr Lowe's view that the Australian economy will be better equipped to deal with faster growth without igniting inflationary pressures in a couple of years. In particular, he said that Australia's supply-side potential will be boosted by faster labour force growth and an expanded capital stock (after a sizable amount of investment)

DATA & EVENT CALENDAR

Chart 1: Wage Price Index YoY (Q1)



19 May: Wage Price Index (Q1)

ANZ: 0.7% MoM, 2.8% YoY

Last: 0.6% QoQ, 2.9% YoY

Business surveys suggest that labour costs rose in Q1, albeit from low levels. Consistent with this, the strength of the labour market in Q4 will eventually push up growth in labour costs from its pace of growth in H2 2009, and (adjusting for lags) this should begin to emerge in the March quarter data. We expect a 0.7% rise in the labour price index during the quarter following a 0.6% gain in Q4 2009.

DATA & EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT
13-17 May	CH	Actual FDI YoY – (Apr)	nf	21.40%	12.08%	-
16 May	NZ	Performance Services Index – (Apr)	nf	na	57.3	-
17 May	JP	Machine Orders MoM – (Mar)	nf	na	-5.4%	23:50
		Loans & Discounts Corp YoY – (Mar)	nf	na	-3.3%	23:50
		Machine Orders YoY – (Mar)	nf	na	-7.1%	23:50
		Domestic CGPI MoM – (Apr)	nf	na	0.2%	23:50
		Domestic CGPI YoY – (Apr)	nf	na	-1.3%	23:50
		Tokyo Condominium Sales YoY – (Apr)	nf	na	54.2%	04:00
	EU	EU 25 New Car Registrations – (Apr)	nf	na	10.8%	06:00
		ECB's Nowotny Speaks at Berlin Congress	**-**	-	**-**	**09:00**
	UK	Rightmove House Prices MoM – (May)	nf	na	2.6%	23:01
		Rightmove House Prices YoY – (May)	nf	na	6.0%	23:01
	US	Empire Manufacturing – (May)	nf	30.00	31.86	12:30
		Net Long-term TIC Flows – (May)	nf	$50.0B	$47.1B	13:00
		Total Net TIC Flows – (May)	nf	na	$9.0B	13:00
		NAHB Housing Market Index – (May)	nf	20	19	17:00
18 May	NZ	Producer Prices- Inputs QoQ – (Q1)	-0.3%	na	0.3%	22:45
		Producer Prices- Outputs QoQ – (Q1)	0.5%	na	-0.4%	22:45
	AU	CBAHIA House Affordability – (Q1)	nf	na	120.1	00:30
		Reserve Bank's May Board Minutes	**-**	-	**-**	**01:30**
		RBA's Luci Ellis speaks in Sydney	**-**	-	**-**	**04:35**
	JP	Tertiary Industry Index MoM – (Mar)	nf	na	-0.2%	23:50
		Consumer Confidence – (Apr)	nf	na	41.0	05:00
		Consumer Confidence Households – (Apr)	nf	42.0	40.9	05:00
		Nationwide Dept. Sales YoY – (Apr)	nf	na	-3.5%	05:30
		Machine Tool Orders YoY – (Apr F)	nf	na	220.5%	06:00
	EU	Euro-Zone CPI MoM – (Apr)	nf	0.4%	0.9%	09:00
		Euro-Zone CPI YoY – (Apr)	nf	1.5%	1.4%	09:00
		Euro-Zone CPI - Core YoY – (Apr)	nf	0.8%	1.0%	09:00
		ZEW Survey (Economic Sentiment) – (May)	nf	na	46.0	09:00
		Euro-Zone Trade Balance – (Mar)	nf	na	2.6B	09:00
		Euro-Zone Trade Balance sa – (Mar)	nf	na	3.3B	09:00
	GE	Zew Survey (Economic. Sentiment) – (May)	nf	45.0	53.0	09:00
		Zew Survey (Current Situation) – (May)	nf	-33.0	-39.2	09:00
	UK	CPI MoM – (Apr)	nf	0.4%	0.6%	08:30

DATA & EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT
18 May Cont	UK	CPI YoY – (Apr)	nf	3.5%	3.4%	08:30
		Core CPI YoY – (Apr)	nf	2.8%	3.0%	08:30
		RPI MoM – (Apr)	nf	0.6%	0.7%	08:30
		RPI YoY – (Apr)	nf	5.0%	4.4%	08:30
		RPI Ex Mortgage & Interest Payments YoY – (Apr)	nf	na	4.8%	08:30
		UK CBI May Industrial Trends – (Apr)	nf	na		10:00
	US	Producer Price Index MoM – (Apr)	nf	0.1%	0.7%	12:30
		Producer Price Index YoY – (Apr)	nf	5.6%	6.0%	12:30
		PPI Ex Food & Energy MoM – (Apr)	nf	0.1%	0.1%	12:30
		PPI Ex Food & Energy YoY – (Apr)	nf	0.9%	0.9%	12:30
		Housing Starts – (Apr)	nf	650K	626K	12:30
		Housing Starts MoM – (Apr)	nf	3.8%	1.6%	12:30
		Building Permits – (Apr)	nf	677K	680K	12:30
		Building Permits MoM – (Apr)	nf	-0.5%	6.8%	12:30
		ABC Consumer Confidence – (May 16)	nf	na	-47	21:00
		Fed's Pianalto Speaks in Pittsburgh	**-**	**-**	**-**	**16:20**
	CA	International Securities Transactions – (Mar)	nf	na	6.720B	12:30
19 May	AU	Westpac Consumer Confidence – (May)	nf	na	-1.0%	00:30
		Westpac Cons. Confidence Index – (May)	nf	na	116.1	00:30
		DEWR Skilled Vacancies MoM – (May)	nf	na	1.3%	01:00
		Wage Price Index QoQ – (Q1)	0.6%	na	0.6%	01:30
		Wage Price Index YoY – (Q1)	2.8%	na	2.9%	01:30
		RBA's Malcolm Edey speaks in Sydney	**-**	**-**	**-**	**03:35**
		AOFM auctions 500mn of Feb 2017 bonds	-	-	-	-
	JP	Industrial Production MoM – (Mar F)	nf	na	0.3%	04:30
		Industrial Production YoY – (Mar F)	nf	na	30.7%	04:30
		Capacity Utilization MoM – (Mar F)	nf	na	0.0%	04:30
	EU	Construction Output sa MoM – (Mar)	nf	na	-3.3%	09:00
		Construction Output wda YoY – (Mar)	nf	na	-15.2%	09:00
		ECB's Constancio, Schroder's Wade Speak at Lisbon Conference	**-**	**-**	**-**	**08:00**
	UK	**Bank of England Minutes**	**-**	**-**	**-**	**08:30**
	US	MBA Mortgage Applications – (May 14)	nf	na	3.9%	11:00
		Consumer Price Index MoM – (Apr)	nf	0.1%	0.1%	12:30
		Consumer Price Index YoY – (Apr)	nf	2.4%	2.3%	12:30
		CPI Ex Food & Energy MoM – (Apr)	nf	0.1%	0.0%	12:30

DATA & EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT
19 May Cont	US	CPI Ex Food & Energy YoY – (Apr)	nf	1.0%	1.1%	12:30
		Minutes of FOMC Meeting	-	-	-	**18:00**
		Volcker Speaks at Stanford University	-	-	-	**01:45**
	CA	Wholesale Sales MoM – (Mar)	nf	na	-1.2%	12:30
20 May	NZ	**New Zealand's 2010 budget is released**	-	-	-	**02:00**
	AU	Consumer Inflation Expectation – (May)	nf	na	4.1%	01:00
		RBA Foreign Exchange Transactions – (Apr)	nf	na	892M	01:30
		Average Weekly Wages QoQ – (Feb)	nf	na	2.0%	01:30
		Average Weekly Wages YoY – (Feb)	nf	na	5.9%	01:30
	JP	Housing Loans YoY – (Q1)	nf	na	1.6%	23:50
		Gross Domestic Product QoQ – (Q1 P)	nf	1.4%	0.9%	23:50
		GDP Annualized – (Q1 P)	nf	5.5%	3.8%	23:50
		Nominal GDP (QoQ) – (Q1 P)	nf	1.3%	0.1%	23:50
		GDP Deflator YoY – (Q1 P)	nf	-3.0%	-2.8%	23:50
		BoJ Monetary Policy Meeting	-	-	-	04:00
		Convenience Store Sales YoY – (Apr)	nf	na	-4.9%	07:00
	EU	Euro-Zone Consumer Confidence – (May A)	nf	na	-15	14:00
	GE	Producer Prices MoM – (Apr)	nf	0.6%	0.7%	06:00
		Producer Prices YoY – (Apr)	nf	0.4%	-1.5%	06:00
	UK	Retail Sales Ex Auto Fuel MoM – (Apr)	nf	na	0.2%	08:30
		Retail Sales Ex Auto Fuel YoY – (Apr)	nf	na	4.0%	08:30
		Retail Sales w/Auto Fuel MoM – (Apr)	nf	0.2%	0.4%	08:30
		Retail Sales w/Auto Fuel YoY – (Apr)	nf	1.8%	2.2%	08:30
	US	Initial Jobless Claims – (May 15)	nf	440K	444K	12:30
		Continuing Claims – (May 8)	nf	na	4627K	12:30
		RPX Composite 28 day Index – (May 31)	nf	na	186.24	13:00
		RPX Composite 28 day YoY – (May)	nf	na	-0.18%	13:00
		Philadelphia Fed Business Outlook Survey – (May)	nf	21.5	20.2	14:00
		Leading Indicators – (Apr)	nf	0.2%	1.4%	14:00
	CA	Leading Indicators MoM – (Apr)	nf	na	1.0%	12:30
		Bank of Canada Publishes its Quarterly Review	-	-	-	**14:30**
21 May	NZ	Visitor Arrivals – (Apr)	nf	na	1.1%	22:45
		New Zealand Net Migration sa – (Apr)	nf	na	980.0	22:45
		Credit Card Spending sa MoM – (Apr)	nf	na	1.2%	03:00
		Credit Card Spending YoY – (Apr)	nf	na	6.3%	03:00

DATA & EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT
21 May Cont	NZ	ANZ Consumer Confidence Index – (Apr)	nf	na	121.9	03:00
		ANZ Consumer Confidence MoM – (Apr)	nf	na	0.0%	03:00
	AU	**AOFM auctions 700mn of Nov 2012 bonds**	-	-	-	-
	JP	**BOJ Target Rate**	**0.10%**	**0.10%**	**0.10%**	**-**
		Leading Index CI – (Mar F)	nf	na	102.8	05:00
		Coincident Index CI – (Mar F)	nf	na	101.1	05:00
	EU	ECB Euro-Zone Current Account sa – (Mar)	nf	na	-3.9B	08:00
		Euro-Zone Current Account nsa – (Mar)	nf	na	-5.2B	08:00
		PMI Services – (May A)	nf	55.5	55.6	08:00
		PMI Manufacturing – (May A)	nf	57.1	57.6	08:00
		PMI Composite – (May A)	nf	56.8	57.3	08:00
	GE	GDP sa QOQ – (Q1 F)	nf	0.2%	0.0%	06:00
		GDP wda YoY – (Q1 F)	nf	1.6%	-2.4%	06:00
		GDP nsa YoY – (Q1 F)	nf	1.7%	-1.7%	06:00
		Private Consumption – (Q1 F)	nf	na	-1.0%	06:00
		Government Spending – (Q1 F)	nf	na	-0.6%	06:00
		Domestic Demand – (Q1 F)	nf	na	-2.1%	06:00
		Imports – (Q1 F)	nf	na	-1.8%	06:00
		Exports – (Q1 F)	nf	na	3.0%	06:00
		Construction Investment – (Q1)	nf	na	-0.5%	06:00
		Capital Investment – (Q1 F)	nf	na	-0.7%	06:00
		PMI Services – (May A)	nf	55.4	55.2	07:30
		PMI Manufacturing – (May A)	nf	61.0	61.5	07:30
		IFO - Business Climate – (May)	nf	102.0	101.6	08:00
		IFO - Current Assessment – (May)	nf	100.5	99.3	08:00
		IFO - Expectations – (May)	nf	103.3	104.0	08:00
	UK	Total Business Investment QoQ – (Q1 P)	nf	na	-4.3%	08:30
		Total Business Investment YoY – (Q1 P)	nf	na	-23.5%	08:30
		Public Finances (PSNCR) – (Apr)	nf	na	25.8B	08:30
		Public Sector Net Borrowing – (Apr)	nf	na	23.5B	08:30
		M4 Money Supply MoM – (Apr P)	nf	na	0.2%	08:30
		M4 Money Supply YoY – (Apr P)	nf	na	3.6%	08:30
		Major Banks Mortgage Approvals – (Apr)	nf	na	52K	08:30
	US	**Fed's Dudley to Speak in Florida**	**-**	**-**	**-**	**23:00**
	CA	Consumer Price Index MoM – (Apr)	nf	0.3%	0.0%	11:00
		Consumer Price Index YoY – (Apr)	nf	1.8%	1.4%	11:00
		Bank Canada CPI Core MoM – (Apr)	nf	0.2%	-0.2%	11:00

DATA & EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT
21 May	CA	Bank Canada CPI Core YoY – (Apr)	nf	1.8%	1.7%	11:00
		Retail Sales MoM – (Apr)	nf	na	0.5%	12:30
		Retail Sales Less Autos MoM – (Apr)	nf	na	-0.1%	12:30

FIVE WEEKS AT A GLANCE

Monday	Tuesday	Wednesday	Thursday	Friday
24 May AU: New Motor Vehicle Sales (Apr) JP: All Industry Activity Index (Mar), **BoJ Monthly Report** CH: Leading Index EU: PMI for Services and Manufacturing GE: PMI for Services and Manufacturing UK: Nat'wide House prices sa (May) US: Existing Home Sales (Apr)	**25 May** EU: Industrial New Orders SA (Mar) UK: GDP (Q1), BBA Loans for House Purchase (Apr) US: Richmond Fed Manufact. Index (May), Consumer Confidence (May)	**26 May** AU: Construction Work Done (Q1) JP: **BoJ Monetary Policy Meeting Minutes for Apr** US: MBA Mortgage Applications (May 21), Durable Goods Orders (Apr), New Home Sales (Apr)	**27 May** NZ: Trade Balance (Apr) AU: Private Capital Expenditure (Q1) JP: Merchnds Trade Balance Total (Apr), Adjusted Merchnds Trade Bal. (Apr) US: GDP (Q1), Personal Consumption (Q1), Core PCE Q1), Initial Jobless Claims (May 22)	**28 May** NZ: Building Permits (Apr) JP: CPI (Apr), Retail Trade (Apr), Jobless Rate (Apr) GE: CPI (May) US: Personal Income (Apr), Personal Spending (Apr), Chicago Purchasing Manager (May) CA: Current Account (Q1)
31 May NZ: NBNZ Business Confidence (May) AU: TD Securities Inflation (May), Private Sector Credit (Apr), Current Account Balance (Q1), Company Operating Profit (Q1) JP: Industrial Production (Apr P), Housing Starts (Apr) EU: Industrial Confidence (May);M3 (Apr) CA: Industrial Product Price (Apr), GDP (Mar)	**1 June** AU: **RBA CASH TARGET**, AiG Performance of Mfg Index (May), Building Approvals (Apr) JP: Vehicle Sales (May) CH: PMI Manu (May) EU: UE Rate (Apr) GE: UE Rate (Apr) UK: PMI Manu (May) US: ISM Manu (May), Construction Spending(Apr) CA: **Bank of Canada Rate Decision**	**2 June** NZ: ANZ Commodity Price (May) AU: GDP (Q1) EU: PPI (Apr) UK: Mortgage Approvals (Apr) US: MBA Mortgage Applications (May 28), Pending Home Sales (Apr)	**3 June** AU: Trade Balance (Apr) JP: Capital Spending (Q1) EU: Retail Sales (Apr), PMI Services and Composite (May F) GE: PMI Services (May F) UK: PMI Services US: ADP Employment Change (May), Initial Jobless Claims (May 29), Factory Orders (Apr), ISM Non-Manf. Composite (May)	**4 June** EU: GDP (Q1 P) US: Change in Nonfarm Payrolls (May), Unemployment Rate (May) CA: Net Change in Employment (May), Unemployment Rate (May), Ivey Purchasing Managers Index (May)
7 June GE: Factory Orders (Apr) US: Consumer Credit (Apr)	**8 June** NZ: Manufacturing Activity (Q1) JP: Current Account Total (Apr), Trade Balance (Apr) GE: Trade Balance (Apr), Imports (Apr), Exports (Apr), Current Account (Apr), Industrial Production (Apr) US: ABC Consumer Confidence (Jun 6) CA: Housing Starts (May)	**9 June** AU: Home Loans (Apr), NAB Business Confidence (May), Value of Loans (Apr) JP: Machine Orders (Apr) GE: Total Trade Balance (Apr) US: MBA Mortgage Applications (Jun5), Wholesale Inventories (Apr), Fed's Beige Book	**10 June** NZ: **RBNZ Official Cash Rate,** Business PMI (May) AU: Employment Change (May), UE Rate (May), Participation Rate (May) JP: GDP (Q1), CH: Trade Balance (May), EU: **ECB Announces Interest Rates** GE: CPI (May F) UK: **BoE ANNOUNCES RATES** US: Trade Balance (Apr), **Monthly Budget Statement (May)**	**11 June** NZ: Food Prices (May) CH: PPI (May),CPI (May), Retail Sales (May), Industrial Production (May), UK: PPI (May), Industrial Production (Apr), Manu Production (Apr) US: Retail Sales Less Autos (May), Business Inventories (Apr) CA: Capacity Utilization Rate (Q1)
14 June JP: BSI Large All Industry (Q2), BSI Large Manuf (Q2) EU: Euro-Zone Ind. Prod. (Apr)	**15 June** NZ: Retail Sales (Apr) AU: **RBA Board's June Policy Meeting Minutes** JP: Industrial Prod. (Apr) EU: Employment (May), ZEW Survey (Jun) GE: ZEW Survey (Jun) UK: CPI (May), RPI (May), US Import Price Index (May), Empire Manufacturing (Jun), NAHB Housing Market	**16 June** NZ: House Sales (May) AU: Westpac Leading Index (Apr), Dwelling Starts (Q1) JP: BOJ Target Rate EU: CPI (May) UK : Jobless Claims Change (May), ILO UE Rate (May) US: MBA Mortgage Applications (Jun 11), PPI (May), Housing Starts	**17 June** NZ: ANZ Consumer Confidence (Jun) AU: RBA Foreign Exchange Transactions (May) JP: Tertiary Industry Index (Apr) UK: Retail Sales (May) US: CPI (May), Leading Indicators (May), Initial Jobless Claims (Jun 12), Current Account Balance (Q1)	**18 June** JP: **BoJ Monetary Policy Meeting Minutes for May** EU: **ECB Publishes June Monthly Report** GE: Producer Prices (May) UK: M4 Money Supply (May P) CA: Leading Indicators (May)
21 June NZ: Visitor Arrivals (May) AU: New Motor Vehicle Sales (May) JP: All Industry Activity Index (Apr) EU: PMI Services (Jun), PMI Manuf (Jun), PMI Composite (Jun) UK: Rightmove House Prices (Jun)	**22 June** NZ: Credit Card Spending (May) JP: Merchnds Trade Balance Total (May) EU: Consumer Confidence (Jun A), Current A/C (Apr) GE : IFO Business Climate (Jun), IFO Expectations (Jun) US: Existing Home Sales (May) CA: CPI (May)	**23 June** NZ: Current Account Balance (Q1) UK: **Bank of England Minutes**, BBA Loans for House Purchase (May) US: **FOMC Rate Decision**, New Home Sales (May) CA: Retail Sales (Apr)	**24 June** NZ: GDP (Q1) AU: Conference Board Leading Index (Apr) US: Durable Goods Orders (May), Initial Jobless Claims (Jun 19),	**25 June** NZ: Trade Balance (May) JP: CPI (May) CH: Industrial Profits (May) EU: Industrial New Orders (Apr) US : GDP (Q1), Personal Consumption (Q1)

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		1.1	4.4	4.6	4.9
Household consumption		2.2	2.7	2.8	2.9
Dwelling investment		-4.4	14.1	5.0	1.7
Business investment		-0.7	6.9	10.4	11.9
Public demand		3.1	8.1	3.7	2.1
Domestic final demand		1.6	5.3	4.4	4.3
Inventories (contribution to GDP)		-0.5	0.5	0.0	0.0
Gross National Expenditure (GNE)		1.0	5.8	4.4	4.2
Exports		0.5	2.4	6.1	7.4
Imports		-7.7	13.1	8.1	10.3
Net Exports (contribution to GDP)		1.8	-2.2	-0.6	-0.9
Gross Domestic Product (GDP)		**1.3**	**3.6**	**3.7**	**3.4**
Prices and wages (annual % change)					
Inflation:	Headline CPI	1.8	2.8	2.7	3.1
	Underlying *	3.7	2.9	2.7	2.9
Wages		3.6	3.6	2.8	3.7
Labour market					
Employment (annual % change)		0.3	2.3	2.1	2.2
Unemployment rate (annual average %)		5.6	5.1	4.7	4.4
External sector					
Current account balance:	A$bn	-51.7	-47.4	-29.0	-31.9
	% of GDP	-4.1	-3.5	-2.0	-2.0

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

AUSTRALIAN INTEREST RATES	CURRENT	JUN 10 F	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F
RBA cash rate	4.50	4.50	5.00	5.25	5.50	5.75
90 day bill	4.88	4.80	5.20	5.50	5.80	6.00
3 year bond	5.04	5.40	5.40	5.55	5.55	5.85
10 year bond	5.49	5.70	5.70	5.70	5.70	5.85
3s10s yield curve	0.45	0.30	0.30	0.15	0.15	0.00
3 year swap	5.38	5.80	5.80	5.95	5.95	6.25
10 year swap	5.99	6.20	6.25	6.25	6.25	6.40

INTERNATIONAL INTEREST RATES	CURRENT	JUN 10 F	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F
RBNZ cash rate	2.50	2.75	3.25	3.50	3.75	4.25
NZ 90 day bill	2.91	3.07	3.67	3.75	4.17	4.67
US Fed funds note	0.25	0.25	0.25	0.75	1.25	1.75
US 2 year note	0.82	1.10	1.40	1.80	2.20	2.70
US 10 year note	3.52	4.60	4.70	4.80	4.80	4.80
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	1.50	1.75
UK repo rate	0.50	0.50	0.50	0.50	1.00	1.25

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

FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	JUN 10 F	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F
Australian exchange rates						
A$/US$	0.8962	0.95	0.96	0.94	0.92	0.90
NZ$/US$	0.7123	0.71	0.72	0.70	0.69	0.68
A$/¥	83.12	88.4	91.2	90.2	89.2	88.2
A$/€	0.7150	0.70	0.72	0.71	0.71	0.70
A$/£	0.6139	0.62	0.62	0.61	0.60	0.59
A$/NZ$	1.2583	1.34	1.33	1.34	1.33	1.32
A$/C$	0.9155	0.94	0.94	0.90	0.87	0.85
A$/CHF	1.0018	1.04	1.07	1.07	1.07	1.08
A$/CNY	6.1191	6.40	6.39	6.18	5.97	5.81
A$ Trade weighted index	70.90	74.2	74.7	73.0	71.1	69.6
International cross rates						
US$/¥	92.74	93.0	95.0	96.0	97.0	98.0
€/US$	1.2534	1.35	1.34	1.33	1.30	1.28
€/¥	116.24	126	127	128	126	125
£/US$	1.4599	1.54	1.54	1.53	1.53	1.52
€/£	0.8585	0.88	0.87	0.87	0.85	0.84
US$/C$	1.0216	0.99	0.98	0.96	0.95	0.94
US$/CHF	1.1179	1.09	1.11	1.14	1.16	1.20
US$ index	85.44	81.0	81.6	82.1	83.3	84.3
Asia exchange rates						
US$/CNY	6.8280	6.74	6.66	6.57	6.49	6.45
US$/HKD	7.7821	7.76	7.76	7.75	7.75	7.75
US$/IDR	9091	9500	9300	9000	8900	8850
US$/INR	45.08	45.5	45.0	44.0	43.5	43.0
US$/KRW	1128	1175	1125	1100	1050	1000
US$/MYR	3.1975	3.30	3.20	3.20	3.00	3.00
US$/PHP	44.805	45.2	45.0	44.0	44.0	43.5
US$/SGD	1.3830	1.38	1.37	1.36	1.35	1.34
US$/THB	32.370	32.50	32.50	32.50	32.00	32.00
US$/TWD	31.645	31.90	31.50	30.50	30.00	30.00
US$/VND	18985	19000	19000	19000	19000	20000
Pacific exchange rates						
PGK/US$	0.3595	0.381	0.395	0.386	0.372	0.358
FJD/US$	0.5126	0.507	0.501	0.495	0.484	0.476

IMPORTANT NOTICE

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