



ECONOMICS & MARKETS RESEARCH

ANZ AUSTRALIAN ECONOMICS TOOLBOX

25 JUNE 2010

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NEW LEADERSHIP AND A POSSIBLE MINING TAX COMPROMISE

- It has been an historic week in Australian politics with the ascension of Julia Gillard to Prime Minister.
- We do not expect a significant change in the way the Government manages the economy given Wayne Swan has retained the Treasury portfolio.
- The new Prime Minister has already indicated that she is keen to fast-track a negotiated solution to the RSPT stand-off with the mining industry.
- Globally it was also a week of big events, kick-started by the Chinese government's surprise announcement that they will allow greater RMB exchange rate flexibility.
- This is clearly aimed at reducing tension with the US, which has perceived that the RMB has been undervalued for some time.

THE WEEK AHEAD

- **AUS:** The major local data this week will be house price data, building approvals, private credit and retail sales. We should get indications for household consumption out of this data, which is likely to drive local markets next week.
- **US:** After the finishing of the tax breaks for the housing sector, markets will closely follow the CaseShiller house prices, MBA mortgage applications and pending home sales. Personal income and payrolls data will also be closely followed as housing prices and payrolls are a large determinant of US consumer confidence and spending.
- **EU:** German CPI and unemployment figures will indicate whether this economy can grow amid sovereign debt problems in the region. Euro-zone confidence and unemployment data will give a broader indication of economic conditions in Europe.
- **Asia:** Japanese data dominates the Asian data flow this week with industrial production, retail trade, jobless rates and housing starts, which should give an indication of the health of the Japanese economy.

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NEW LEADERSHIP AND A POSSIBLE MINING TAX COMPROMISE

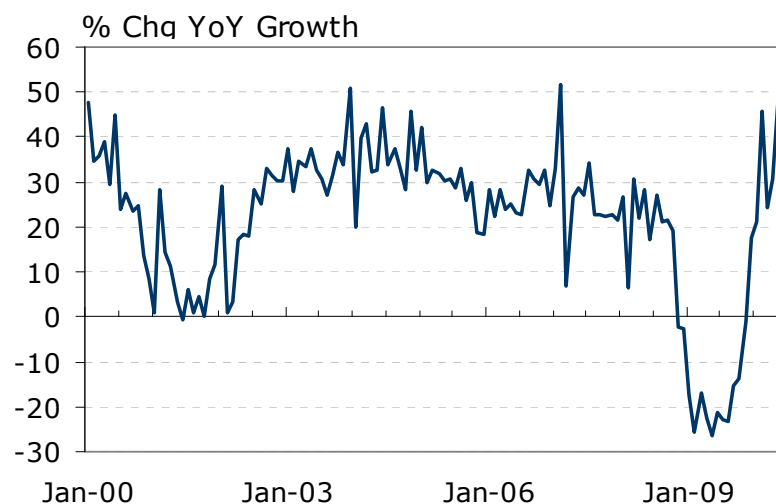
It has been an historic week in Australian politics with the ascension of Julia Gillard to Prime Minister. As outlined in our note yesterday (ANZ Initial Thoughts; Australian leadership change), we do not expect a significant change in economic management. Wayne Swan's retained the Treasury portfolio and this provides an important signal for continuity. That said, the retirement, also announced yesterday, of Australia's Finance Minister, Lindsay Tanner, is a potential blow to the government's economic credentials. Tanner was well-respected in the finance community. Moreover, Tanner's seat of Melbourne is marginal and risks falling to the Greens' party.

Importantly, PM Gillard has pledged to return the budget back to surplus by 2013, in line with this year's Budget projections. As the 2013 surplus was projected to be \$1bn, there is little room for fiscal slippage. An issue likely to be addressed immediately is the Resources Super Profits Tax (RSPT). The new Prime Minister has already indicated that she is keen to fast-track a negotiated solution to the RSPT stand-off with the mining industry. However, any concessions to the RSPT will need to be fully-funded given the small size of the projected surplus. The planned reduction in the corporate tax rate to 28%, the resource exploration rebate, the accelerated depreciation allowances for small business and the State infrastructure fund, which were all to be funded by the RSPT, are potentially now at risk.

CHINA ALSO SURPRISES

Globally it was also a week of big events, kick-started by the Chinese government's surprise announcement that they will allow greater RMB exchange rate flexibility. The Statement from the People's Bank of China (PBoC) came one week before this weekend's G-20 summit. This is clearly aimed at reducing tension with the US, which has perceived that the RMB has been undervalued for some time. The surge in China's exports in recent months (Figure 1) has put more pressure on the authorities to make the Renimbi (RMB) more flexible.

FIGURE 1: CHINA'S EXPORTS



Source: Bloomberg

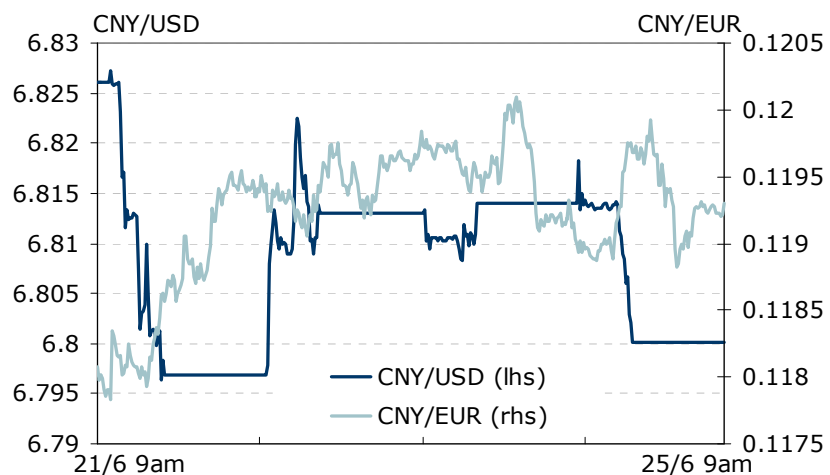
Under the new arrangements, the RMB is no longer pegged at 6.83 RMB per USD. Instead, the PBoC sets the central parity rate for the RMB at 11:15am (AEST), based on market supply and demand conditions against a basket of currencies. The +/- 0.5% daily trading band for the RMB remains. On the face of it, a very similar approach to RMB 'management' that was adopted in 2005 (and subsequently abandoned in 2008 following the onset of the global financial crisis).

IN FOCUS

It is clear that the PBoC will not allow large-scale appreciation in the RMB. Indeed, it is notable that this time Chinese authorities have ended the USD peg without an initial one-off appreciation. In 2005, the PBoC kickstarted the crawling peg for the RMB with a one-off 2.1% appreciation. This time, there was no initial appreciation, with Chinese authorities instead claiming the current RMB rate is near equilibrium. It is also important to note that increased flexibility of the RMB will entail just that – appreciation and depreciation such that risk in the RMB will be two-sided, albeit of a small magnitude given the narrow trading band.

A more gradual approach to RMB appreciation, at least for now, is to be expected given the state of the broader global economy. While the global economy was booming in 2005, at this time the global backdrop is much more uncertain and financial markets remain volatile. The substantial depreciation in the EUR, which has seen the RMB rise by over 23% against the EUR since early December 2009 also argues for a more gradual rise in the RMB against the USD (and appears to support the PBoC's case, for now at least, against an initial revaluation).

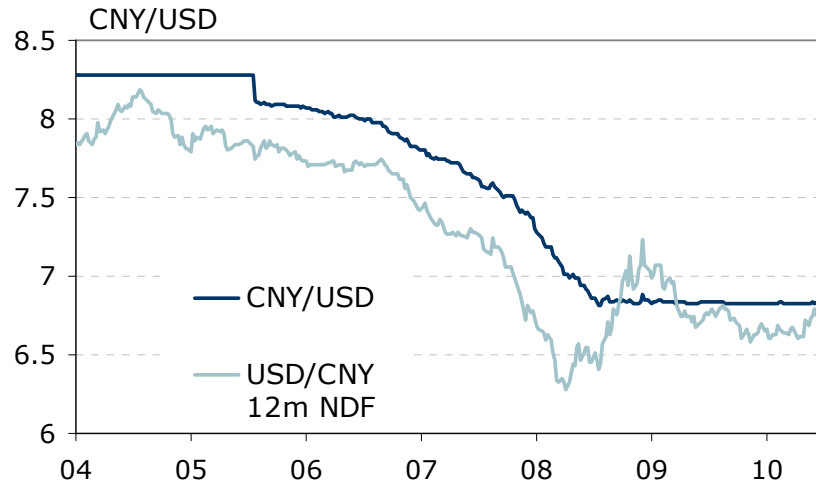
FIGURE 2: CNY/USD



Source: Bloomberg

So far this week, the RMB has appreciated by 0.4% against the USD with two-way price action, consistent with the announcement by the Chinese authorities that any appreciation of the currency will be gradual. Presently, the NDF market is expecting a 0.6% appreciation in the RMB over the next three months and a 2% rise over the next 12 months. ANZ is looking for a slightly faster appreciation, of 3% in 2010 and a further 5-7% in 2011 (with risk biased to the upside). This is stronger than the NDF market, but not as fast as 2005. Back then, after an initial 2.1% revaluation, the RMB rose by just 0.3% in the first three months but then rose 16% (excluding the initial one-off appreciation) in the two years to July 2008.

FIGURE 3: CNY SPOT AND FORWARD RATES



Source: Bloomberg

A small step in the right direction

A more flexible RMB is a positive move towards alleviating imbalances in both the Chinese and global economy. A stronger RMB will act to reduce the Chinese economy's reliance on exports and promote a transition to a more consumption-driven economy. An appreciation of the RMB will support the Chinese consumer by increasing Chinese purchasing power and reducing the need for interest rates to manage fast-growing Chinese economy. But the very small magnitude of likely RMB moves highlights that this is just a tiny first step in what will be a long-run story. Our China economists point out that the current +/-0.5% trading band won't buy too much goodwill internationally and will also not deter speculative "hot money" inflows into China. To sufficiently address these risks, our China team argues the band should be as large as +/-2.5-3%. In the meantime, we expect that external pressure will mount for a more substantial appreciation in the RMB.

Nevertheless, for now greater RMB flexibility, though modest, should still enhance the effectiveness of China's monetary policies over time. Our China economists look for increased RMB flexibility to be used in conjunction with a rise in interest rates to "normalise" Chinese monetary policy at a faster pace. While inflationary pressures may remain given the strong momentum in the economy presently, a more effective monetary policy mechanism will provide more tools that the Chinese government to prolong current expansion by reducing the risk of (further) overheating and a subsequent hard landing as policy is tightened aggressively to slow the economy.

Impact to Australia – small positive (for now)!

In the short term, we expect there will be a modest positive impact on the Australian economy from the small rise in the RMB. An appreciation of the RMB has both an income and price effect. On the income side, a strengthening RMB equates to a tightening of Chinese financial conditions. All other things equal, this is negative for Chinese demand and thus countries leveraged to global growth like Australia. However, to the extent that a stronger RMB does little to change China's desired growth path (by alleviating the need for additional monetary tightening and/or reducing the chance of an overheating, or simply by the sheer small size of the appreciation), the negative impact of this income effect will be minimised.

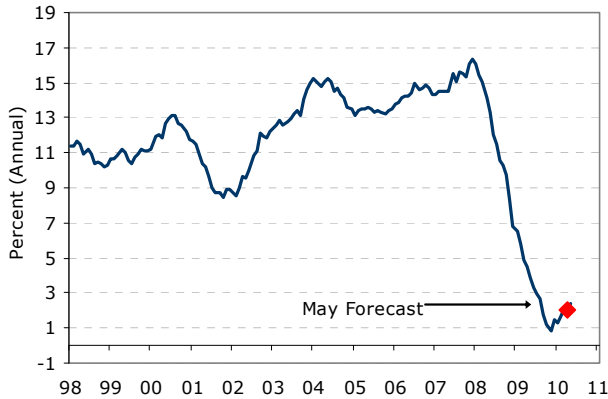
IN FOCUS

On the price side, however, a stronger RMB will boost China's purchasing power and should have a positive impact on Australian export receipts and would also potentially boost foreign (Chinese) investment in Australia. All other things equal, a stronger RMB may also push up import prices in Australia, potentially adding to inflation. But given our expectation for relatively faster appreciation in the AUD (and thus continued appreciation in the AUD/RMB), this is unlikely.

We expect China's policy move will put upward pressure on the AUD. A stronger RMB will spur Chinese import demand and with it demand for the currencies of China's major import sources, including the AUD. Moreover, with RMB appreciation expected to be gradual and thus supportive of long-term growth prospects there, proxies for Chinese growth, such as the AUD, should continue to attract strong demand. This week's policy change therefore does not alter our forecasts for the AUD — we expect the AUD to reach USD0.94c by mid 2011. As highlighted earlier, we are forecasting the RMB to rise (against the USD) by 3% in 2010 and a further 5-7% in 2011

DATA PREVIEWS

Chart 1: Private Sector Credit (May)



30 June: Private Sector Credit (May)

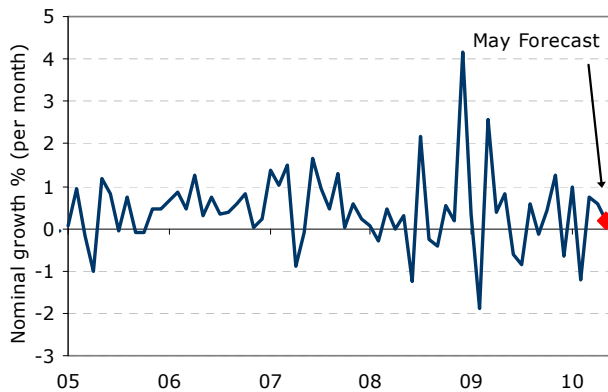
ANZ: +0.4% MoM, +2.4% YoY

Market: +0.3% MoM

Last: 0.2% MoM, -2.1% YoY

Total private sector credit growth is expected to be higher in May compared to the relatively soft growth posted for April. While housing and personal credit growth should remain relatively soft in May following three consecutive months of RBA rate hikes, business use of intermediated credit is expected to expand after posting negative growth in April. Looking forward, we expect to see business intermediated credit growth moderate in the near term as uncertainty lingers about global financial market volatility and domestic tax policy concerning the RSPT. Both housing and personal credit growth should improve over the next few months as the RBA holds off on further rate hikes until late 2010.

Chart 2: Retail Trade (May)



1 July: Retail Trade (May)

ANZ: +0.2% MoM

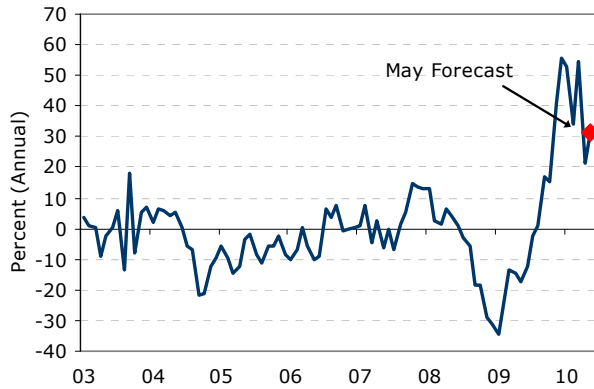
Market: +0.2% MoM

Last: +0.6% MoM

Anecdotes from our company liaison suggest retail sales slowed in May. Food prices have been under downward pressure for a few months and discounting has been aggressive in clothing and apparel and department store retailing. This was probably further exacerbated by the May interest rate rise. Overall, we expect that retail trade probably rose by 0.2% in the month after the 0.6% gain in April.

DATA PREVIEWS

Chart 3: Building Approvals (May)

**1 July: Building Approvals (May)****ANZ: -0.8% MoM, +31.5% YoY****Market: 0.0% MoM,****Last: -14.8% MoM, +21.3% YoY**

Building approvals levels are likely to post moderate negative growth in May. Following last month's surprisingly large fall in the number of detached house approvals, we expect to see a moderate increase in this number for May. The number of 'other' residential building approvals is expected to be slightly weaker in May posting negative growth as the RBA continued to tighten monetary policy for the third straight month in May. Looking further into 2010, despite global financial market uncertainty we expect increasing momentum from housing market 'investors' segment to support trend growth in 'other' residential building approvals, while moderation in population growth will provide a stabilising force on growth in detached housing approvals.

DATA & EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT
28-30 June	CH	Leading Index – (May)	nf	na	104.36	-
28 June	NZ	NBNZ Business Confidence – (Jun)			48.2	01:00
	JP	Retail Trade sa MoM – (May)	nf	-0.1%	0.5%	23:50
		Retail Trade YoY – (May)	nf	4.8%	4.9%	23:50
		Large Retailers Sales – (May)	nf	-2.9	-3.6%	23:50
	EU	Euro-Zone M3 sa YoY – (May)	nf	0.4%	-0.1%	08:00
		Euro-Zone M3 3 month saar – (May)	nf	0.1%	-0.2%	08:00
	GE	Consumer Price Index MoM – (Jun P)	nf	0.1%	0.1%	-
		Consumer Price Index YoY – (Jun P)	nf	1.0%	1.2%	-
	UK	Hometrack Housing Survey MoM – (Jun)	nf	na	0.2%	23:01
		Hometrack Housing Survey YoY – (Jun)	nf	na	2.0%	23:01
	US	Chicago Fed Nat Activity Index – (May)	nf	na	0.29	12:30
		Personal Income – (May)	nf	0.5%	0.4%	12:30
		Personal Spending – (May)	nf	0.1%	0.0%	12:30
		PCE Deflator YoY – (May)	nf	1.8%	2.0%	12:30
		PCE Core MoM – (May)	nf	0.1%	0.1%	12:30
		PCE Core YoY – (May)	nf	1.2%	1.2%	12:30
		Dallas Fed Manufacturing Activity – (Jun)	nf	na	2.9%	14:30
		Fed's Warsh to Speak in Atlanta	-	-	-	16:45
29 June	NZ	Building Permits MoM – (May)	nf	na	8.5%	22:45
		Money Supply M3 YoY – (May)	nf	na	-3.6%	3:00
	JP	Overall Household Spending YoY – (May)	nf	1.0%	-0.7%	23:30
		Jobless Rate – (May)	nf	5.1%	5.1%	23:30
		Job-To-Applicant Ratio – (May)	nf	0.49	0.48	23:30
		Industrial Production MoM – (May P)	nf	0.0%	1.3%	23:50
		Industrial Production YoY – (May P)	nf	20.3%	25.9%	23:50
		Vehicle Production YoY – (May)	nf	na	50.8%	4:00
		Small Business Confidence – (Jun)	nf	na	46.7	5:00
	EU	Business Climate Indicator – (Jun)	nf	na	0.34	9:00
		Euro-Zone Industrial Confidence – (Jun)	nf	-6	-6	9:00
		Euro-Zone Consumer Confidence – (Jun F)	nf	-18	-17	9:00
		Euro-Zone Economic Confidence – (Jun)	nf	98.3	98.4	9:00
		Euro-Zone Services Confidence – (Jun)	nf	na	3	9:00
	UK	Net Consumer Credit – (May)	nf	0.0B	-0.1B	8:30
		Net Lending Sec. On Dwellings – (May)	nf	1.0B	0.5B	8:30

DATA & EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT
29 June Cont	UK	Mortgage Approvals – (May)	nf	52.0K	49.9k	8:30
		M4 Money Supply MoM – (May F)	nf	na	0.0%	8:30
		M4 Money Supply YoY – (May F)	nf	na	2.8%	8:30
	US	S&P/CaseShiller Home Price Index – (Apr)	nf	na	143.4	13:00
		S&P/CasShiller 20 City sa MoM – (Apr)	nf	-0.35%	-0.05%	13:00
		Consumer Confidence – (Jun)	nf	62.5	63.3	14:00
		ABC Consumer Confidence – (Jun 27)	nf	na	-43	21:00
	CA	Industrial Product Price MoM – (May)	nf	na	0.3%	12:30
		Raw Materials Price Index MoM – (May)	nf	na	1.7%	12:30
	30 June	AU	DEWR Skilled Vacancies MoM – (Jun)	nf	na	1.0%
HIA New Home Sales MoM – (May)			nf	na	6.2%	01:00
Private Sector Credit MoM – (May)			0.4%	0.0%	0.2%	01:30
Private Sector Credit YoY – (May)			2.4%	na	2.1%	01:30
Rismark Median House Price – (Jun)			nf	na	-	01:30
JP		Nomura/JMMA Manufacturing PMI – (Jun)	nf	na	54.7	23:15
		Labour Cash Earnings YoY – (May)	nf	na	1.6%	1:30
		Housing Starts YoY – (May)	nf	5.5%	0.6%	15:00
		Annualised Housing Starts – (May)	nf	0.815M	0.793M	15:00
		Construction Orders YoY – (May)	nf	na	-25.0%	15:00
EU		Euro-Zone CPI Estimate YoY – (Jun)	nf	1.5%	1.6%	09:00
		European Commission Issues Quarterly Report	-	-	-	-
GE		Unemployment Change 000's – (Jun)	nf	-20K	-45k	07:55
		Unemployment Rate sa – (Jun)	nf	7.7%	7.7%	07:55
UK		Gfk Consumer Confidence Survey – (Jun)	nf	-19	-18	23:01
		Nationwide House Prices sa MoM – (Jun)	nf	0.2%	0.5%	06:00
		Nationwide House Prices nsa YoY – (Jun)	nf	9.0%	9.8%	06:00
		GDP QoQ – (Q1 F)	nf	6.0%	0.3%	08:30
		GDP YoY – (Q1 F)	nf	-11.0%	-0.2%	08:30
		BOP Current Account sa – (Q1)	nf	-0.5B	-1.7B	08:30
	Total Business Investment QoQ – (Q1 F)	nf	6.0%	6.0%	08:30	
	Total Business Investment YoY – (Q1 F)	nf	-11.0%	-11.0%	08:30	
US	MBA Mortgage Applications – (Jun 25)	nf	na	-5.9%	11:00	
	ADP Employment Change – (Jun)	nf	60k	55k	12:15	
	Chicago Purchasing Manager – (Jun)	nf	59.0	59.7	13:45	
	NAPM-Milwaukee – (Jun)	nf	na	65.0	14:00	

DATA & EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT
30 June Cont	US	Fed's Evans Speaks is interviewed by CNBC	-	-	-	12:00
		Fed's Duke Speaks in Ohio	-	-	-	13:00
		Fed's Lockhart to Speak in Louisiana	-	-	-	17:30
	CA	GDP MoM – (Apr)	nf	0.1	0.6%	12:30
		Teranet/National Bank HPI – (May)	nf	na	11.6%	13:00
1 July	NZ	ANZ Commodity Price – (Jun)	nf	na	2.5%	03:00
	AU	AIG Performance of Manufacturing Index – (Jun)	nf	na	56.3	23:30
		Retail Sales sa MoM – (May)	0.2%	0.2%	0.6%	01:30
		Building Approvals MoM – (May)	-0.8%	0.0%	-14.8%	01:30
		Building Approvals YoY – (May)	31.5%	na	21.3%	01:30
		RBA Commodity Price Index – (May)	nf	na	-	16:00
		RBA Commodity Index SDR YoY – (Jun)	nf	na	43.8%	16:30
	JP	Loans & Discounts Corp YoY – (May)	nf	na	-3.4%	23:50
		Tankan Large Manufacturing Index – (Q2)	nf	-3	-14	23:50
		Tankan Large Manufacturing Outlook – (Q2)	nf	1	-8	23:50
		Tankan Non-Manufacturing – (Q2)	nf	-7	-14	23:50
		Tankan Non-Manufacturing Outlook – (Q2)	nf	-3	-10	23:50
		Tankan Large All Industrials Capex – (Q2)	nf	5.1%	-0.4%	23:50
		Japan Buying Foreign Bonds – (Jun 25)	nf	na	¥154.1B	23:50
		Foreign Buying Japan Bonds – (Jun 25)	nf	na	-¥148.0B	23:50
		Japan Buying Foreign Stocks – (Jun 25)	nf	na	¥57.3B	23:50
		Foreign Buying Japan Stocks – (Jun 25)	nf	na	¥2.0B	23:50
		Vehicle Sales YoY – (Jun)	nf	na	28.0%	5:00
	CH	PMI Manufacturing – (Jun)	54.5	53.3	53.9	1:00
		HSBC Manufacturing PMI – (Jun)	nf	na	52.7	2:30
	EU	PMI Manufacturing – (Jun F)	nf	55.7	55.6	8:00
	GE	PMI Manufacturing – (Jun F)	nf	58.2	58.1	07:55
	UK	Index of Services (3m/3m) – (Apr)	nf	na	0.2%	8:30
		PMI Manufacturing – (Jun)	nf	57.6	58.0	8:30
	US	Challenger Job Cuts YoY – (Jun)	nf	na	-65.1%	11:30
		Initial Jobless Claims – (Jun 26)	nf	460K	457K	12:30
		Continuing Claims – (Jun 19)	nf	4570K	4548K	12:30
		ISM Manufacturing – (Jun)	nf	59.1	59.7	14:00
		ISM Prices Paid – (Jun)	nf	72.0	77.5	14:00
		Construction Spending MoM – (May)	nf	-0.7%	2.7%	14:00

DATA & EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT
1 July Cont	US	Pending Home Sales MoM – (May)	nf	-0.7%	2.7%	14:00
		Pending Home Sales YoY – (May)	nf	na	6.0%	14:00
		Domestic Vehicle Sales – (Jun)	nf	8.94m	9.14m	11:00
		Total Vehicle Sales – (Jun)	nf	11.50m	11.64m	11:00
	CA	Market closed for Canada Day	-	-	-	-
2 July	AU	AOFM auctions \$700 mn of Nov 2012 Bonds	-	-	-	-
	JP	Monetary Base YoY – (Jun)	nf	na	3.7%	23:50
	EU	Euro-Zone PPI MoM – (May)	nf	0.2%	0.9%	9:00
		Euro-Zone PPI YoY – (May)	nf	na	2.8%	9:00
		Euro_Zone Unemployment Rate – (May)	nf	10.1%	10.1%	9:00
		ECB's Stark Speaks in Frankfurt	-	-	-	15:00
	UK	PMI Construction – (Jun)	nf	58.0	58.5	8:30
	US	Change in Private Payrolls – (Jun)	nf	119k	41k	12:30
		Change in Non-farm Payrolls – (Jun)	nf	-75k	431k	12:30
		Ave Hourly Earning MoM – (Jun)	nf	0.1%	0.3%	12:30
		Ave Hourly Earning YoY – (Jun)	nf	2.0%	1.9%	12:30
		Ave Weekly Hours – (Jun)	nf	34.2	34.2	12:30
		Unemployment Rate – (Jun)	nf	9.7%	9.7%	12:30
		Change in Manufacturing Payrolls – (Jun)	nf	20k	29k	12:30
		Factory Orders – (May)	nf	-0.5%	1.2%	14:00

FIVE WEEKS AT A GLANCE

Monday	Tuesday	Wednesday	Thursday	Friday
5 July NZ: NZIER Business Opinion Survey (Q2) AU: TD Securities Inflation (Jun), ANZ Job Advertisements (Jun) EU: Retail Sales (May) GE: PMI Services (Jun) UK: PMI Services (Jun) US: Market Closed CA: Consumer Confidence (Jun)	6 July AU: RBA CASH TARGET , Trade Balance (May) JP: Machine Orders (May), Current Account (May), Trade Balance (May), Bank Lending (Jun) EU: PMI Services (Jun), PMI Composite (Jun) US: ISM Non-Manf. Composite (Jun), ABC Consumer Confidence (Jul 4)	7 July EU: GDP (Q1) GE: Factory Orders (May) US: MBA Mortgage Applications (Jul 2), Challenger Job Cuts (Jun)	8 July AU: UE Rate (Jun), Participation Rate (Jun) EU: ECB Announces Interest Rates GE: Industrial Production (May), Trade Balance (May), Current Account (May) UK: BOE ANNOUNCES RATES , Industrial Production (May) US: Initial Jobless Claims (Jul 3) CA: Consumer Prices (Jun)	9 July JP: Domestic CGPI (Jun) CH: Business Climate Index (Q2) GE: CPI UK: PPI US: Wholesale Inventories (May)
12 July UK: RICS House Price Balance (Jun)	13 July NZ: Food Prices (Jun) AU: Home Loans (May), Value of Loans (May) JP: Industrial Production (Jun), Capacity Utilization (Jun) EU: ZEW Survey (Econ. Sentiment) (Jul) GE: ZEW Survey (Econ. Sentiment) (Jul) UK: CPI (Jun), RPI (Jun) US: Trade Balance (May), Monthly Budget Statement (Jun)	14 July NZ: Retail Sales (Apr), REINZ House Sales (Jun) AU: NAB Business Confidence (Jun) EU: CPI (Jun) UK: Jobless Claims Change (Jun) US: MBA Mortgage Applications (Jul 9), Import Price Index (Jun), Advance Retail Sales (Jun), Business Inventories (May)	15 July NZ: Business PMI (Jun) AU: Westpac Consumer Confidence (Jul), DEWR Skilled Vacancies (Jul) JP: BOJ Target Rate CH: GDP (Q2), PPI (Jun) CPI (Jun) Retail Sales (Jun) Industrial Production (Jun) US: PPI (Jun), Initial Jobless Claims (Jul 10), Industrial Production (Jun)	16 July NZ: Consumer Prices (Q2) AU: New Motor Vehicle Sales (Jun) JP: Tertiary Industry Index (Apr) EU: Trade Balance (May) US: CPI (Jun), U. of Michigan Confidence (Jul) CA: Leading Indicators (Jun)
19 July NZ: Visitor Arrivals (Jun) JP: Market Closed EU: Current Account (May) US: NAHB Housing Market Index (Jul)	20 July AU: Reserve Bank's Board July Minutes EU: Producer Prices (Jun) UK: M4 Money Supply (Jun) US: Housing Starts (Jun), Building Permits (Jun), ABC Consumer Confidence (Jul 18) CA: Bank of Canada Rate	21 July NZ: Credit Card Spending (Jun) AU: Westpac Leading Index (May) UK: Bank of England Minutes US: MBA Mortgage Applications (Jul 16) CA: Wholesale Sales (May)	22 July JP: All Industry Activity Index (May) EU: Industrial New Orders (May), Consumer Confidence (Jul) UK: Retail Sales Ex Auto Fuel (Jun) US: Initial Jobless Claims (Jul 17), Continuing Claims (Jul 10), Leading Indicators (Jun), Existing Home Sales (Jun), House Price Index (May), Existing Home Sales (Jun) CA: Retail Sales (May)	23 July AU: Import price index (Q2) EU: IFO - Business Climate (Jul), IFO - Current Assessment (Jul), IFO - Expectations (Jul) UK: GDP (Q2) CA: CPI, (Jun), Bank Canada CPI Core (Jun)
26 July AU: PPI (Q2) US: New Home Sales (Jun), Dallas Fed Manuf. Activity (Jul)	27 July EU: Euro-Zone M3 (Jun) US: Richmond Fed Manuf. Index (Jul), Consumer Confidence (Jul)	28 July NZ: Business Confidence (Jul), RBNZ Official Cash Rate, Trade Balance (Jun), Imports (Jun), Exports (Jun) AU: Consumer Prices (Q2) JP: Retail Trade (Jun) GE: CPI (Jul P) US: MBA Mortgage Applications (Jun), Durable Goods Orders (Jun)	29 July NZ: Building Permits (Jun) JP: CPI (Jul), Jobless Rate (Jun), Industrial Production (Jun) EU: Business Climate Indicator (Jul), Indust. Confidence (Jul), Consumer Confidence (Jul) GE: Unemployment Rate (Jul) UK: Mortgage Approvals (Jun), Net Consumer	30 July AU: Private Sector Credit (Jun) JP: Housing Starts (Jun) EU: Unemployment Rate (Jun) US: GDP (Q2 A), Personal Consumption (Q2 A), Core PCE (Q2 A), U. of Michigan Confidence (Jul F), Employment Cost Index (Q2)
2 August NZ: ANZ Commodity Price (Jul) AU: TD Securities Inflation (Jul), JP: Vehicle Sales (Jul) CH: HSBC Mfg PMI (Jul) EU: PMI Mfg (Jul) GE: PMI Mfg (Jul) UK: PMI Mfg (Jul) US: Construction spending (Jun)	3 August AU: RBA CASH TARGET , Building Approvals (Jun) JP: Monetary Base (Jul) EU: PPI (Jun) UK: PMI Construction (Jul) US: Personal Income (Jun), Factory Orders (Jun)	4 August AU: Trade Balance (Jun) EU: PMI Services (Jul), PMI Composite (Jul), Retail Sales (Jun) GE: PMI Services (Jul) UK: PMI Services (Jul) US: MBA Mortgage Applications (Jul 30)	5 August NZ: Unemployment Rate (Q2), Employment Change (Q2), Employment Change (Q2) EU: ECB Announces Interest Rates GE: Factory Orders (Jun) UK: BOE ANNOUNCES RATES US: Initial Jobless Claims (Jul 24) CA: Building Permits (Jun)	6 August AU: RBA Quarterly Monetary Policy Statement GE: Industrial Production (Jun) UK: PPI (Jul), Industrial Production (Jun) US: Change in Nonfarm Payrolls (Jul), Unemployment Rate (Jul) CA: Unemployment Rate (Jul)

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	2.6	4.6	4.8
Household consumption	1.6	2.4	1.8	1.7
Dwelling investment	-4.6	7.4	5.0	1.7
Business investment	-0.8	1.7	13.3	14.9
Public demand	3.3	11.4	4.0	1.9
Domestic final demand	1.3	4.6	4.4	4.1
Inventories (contribution to GDP)	-0.5	0.6	0.0	-0.1
Gross National Expenditure (GNE)	0.7	5.2	4.4	4.0
Exports	1.4	2.1	6.0	7.3
Imports	-7.8	14.3	11.1	10.8
Net Exports (contribution to GDP)	2.0	-2.5	-1.3	-1.2
Gross Domestic Product (GDP)	1.3	2.6	3.9	4.1
Prices and wages (annual % change)				
Inflation: Headline CPI	1.8	2.8	2.9	3.1
Underlying *	3.7	2.8	2.8	3.1
Wages	3.6	3.3	4.0	4.2
Labour market				
Employment (annual % change)	0.3	2.2	1.9	2.0
Unemployment rate (annual average %)	5.6	5.2	5.1	4.9
External sector				
Current account balance: A\$bn	-52.7	-51.4	-67.6	-100.0
% of GDP	-4.2	-3.8	-4.6	-6.4

* 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	4.96	4.85	5.30	5.60	6.00	6.0
3 year bond	4.62	4.90	5.10	5.50	5.70	6.00
10 year bond	5.25	5.40	5.50	5.70	5.80	6.00
3s10s yield curve	0.63	0.50	0.40	0.20	0.10	0.00
3 year swap	5.18	5.30	5.50	5.90	6.10	6.40
10 year swap	5.79	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	2.75	3.25	3.50	3.75	4.25	4.8
NZ 90 day bill	3.10	3.67	3.75	4.17	4.67	5.17
US Fed funds note	0.25	0.25	0.25	0.25	0.25	0.5
US 2 year note	0.66	0.80	1.00	1.20	1.50	2.00
US 10 year note	3.12	4.10	4.00	3.80	3.80	4.00
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\$	0.8619	0.88	0.90	0.92	0.94	0.94
NZ\$/US\$	0.7044	0.69	0.71	0.72	0.73	0.73
A\$/¥	77.22	83.6	86.4	89.2	92.1	94.0
A\$/€	0.6996	0.73	0.76	0.81	0.84	0.84
A\$/£	0.5764	0.63	0.63	0.62	0.62	0.61
A\$/NZ\$	1.2235	1.28	1.27	1.28	1.29	1.29
A\$/C\$	0.8994	0.87	0.87	0.88	0.88	0.90
A\$/CHF	0.9496	1.03	1.07	1.11	1.16	1.18
A\$/CNY	5.8549	5.92	5.97	6.03	6.16	6.12
A\$ Trade weighted index	68.75	71.5	73.8	75.9	77.1	76.9
International cross rates						
US\$/¥	89.60	95.0	96.0	97.0	98.0	100.0
€/US\$	1.2319	1.21	1.18	1.14	1.12	1.12
€/¥	110.37	115	113	111	110	112
£/US\$	1.4952	1.40	1.44	1.48	1.52	1.54
€/£	0.8239	0.86	0.82	0.77	0.74	0.73
US\$/C\$	1.0436	0.99	0.97	0.96	0.94	0.96
US\$/CHF	1.1018	1.17	1.19	1.21	1.23	1.25
US\$ index	85.76	87.9	89.0	90.7	91.4	91.8
Asia exchange rates						
US\$/CNY	6.7935	6.73	6.63	6.55	6.55	6.51
US\$/HKD	7.7784	7.78	7.75	7.75	7.75	7.75
US\$/IDR	9074	9500	9900	10000	9700	9500.00
US\$/INR	46.50	48.7	50.4	50.7	49.0	48.50
US\$/KRW	1218	1270	1345	1390	1320	1275.00
US\$/MYR	3.2545	3.35	3.45	3.50	3.40	3.4
US\$/PHP	46.518	47.3	48.8	49.5	48.0	47.3
US\$/SGD	1.3965	1.43	1.47	1.50	1.45	1.4
US\$/THB	32.470	32.90	33.90	34.30	33.50	33.00
US\$/TWD	32.092	32.50	33.30	33.70	32.70	32
US\$/VND	18983	19000	19000	19000	20000	20000.00
Pacific exchange rates						
PGK/US\$	0.3570	0.395	0.386	0.372	0.358	0.34
FJD/US\$	0.5062	0.507	0.508	0.514	0.517	0.51

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