



# ECONOMICS & MARKETS RESEARCH

## ANZ AUSTRALIAN ECONOMICS TOOLBOX

18 JUNE 2010

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### PRESS 'PAUSE' FOR AUSTRALIAN GROWTH

- The Australian economy is taking a breather. While momentum is being broadly maintained, we're not seeing activity accelerate to the extent that was evident in H2 2009 and into early 2010. As a result, **we have reviewed our cash rate projections and now expect the RBA to hold policy steady until the November Board meeting** (previously we had expected an August tightening). We expect the Bank to increase the cash rate in both November and December to take it to 5% by year end.
- **This week's RBA June Board meeting minutes indicated that the Bank is comfortable with the current setting of rates at 4.50% and has a neutral policy bias.** While the minutes were largely focussed on global developments, the RBA did appear a little more cautious around the domestic outlook. Nonetheless, the Bank remains convinced that strong rise in the terms of trade will support Australia over the medium term. While we expect the Bank to increase the cash rate in both November and December, **there is a risk is that the RBA keeps policy on hold for an extended period of time given the risks from the European debt crisis and a potential slowing in China.**

### THE WEEK AHEAD

- It will be a quiet week in **Australia**, with just new motor vehicle sales (May) and the conference board leading index (April) for the market to digest.
- In the **US**, the FOMC meets on Wednesday. A no change in the target rate is a sure thing. Significant data releases include new home sales (May), durable goods orders (May) and the third estimate of Q1 GDP. Finally, Timothy Geither will testify to the Congressional Oversight Panel for TARP.
- The data flow in **Europe** is modest, with the market to ponder **Euro zone** consumer confidence data and the **German** IFO and PMI (services and manufacturing) surveys. In the **UK**, the main focus will be on the newly elected conservative government's emergency budget report. A number of tough spending cuts are expected in order to rein in ballooning public debt.
- The **Japanese** dataflow is heady, with the main attractions being the Nationwide CPI (May) and the merchandise trade balance. It will be a slow week for **Chinese** data — the only scheduled release is industrial profits.

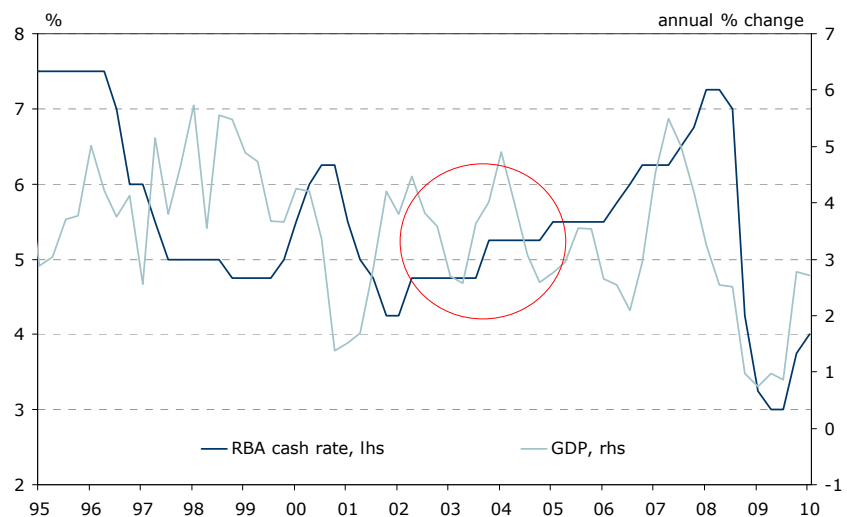
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## PRESS 'PAUSE' FOR AUSTRALIAN GROWTH

The Australian economy is taking a breather. While momentum is being broadly maintained, we're not seeing activity accelerate to the extent that was evident in H2 2009 and into early 2010. GDP growth slowed to a quarterly rate of 0.5% in Q1 from 1.1% in Q4 2009, and the public sector remained the dominant driver of growth. Thus far in Q2, the partial data have been mixed: jobs growth remains strong and the trade balance has returned to surplus; but household discretionary spending and credit growth have softened; and building approvals, consumer and business confidence have all declined. Interestingly, while retail sector anecdotes have been weak, total retail trade figures remain solid, although this has been due to an upswing in food retailing, with the discretionary component of retail spending having levelled out.

When we consider the 150bps of monetary policy tightening since October 2009, it becomes quite understandable to see activity begin to top out. While the level of borrowing rates in the economy is around the decade average, the change in rates over the past nine months has been significant, and the economy has begun to adjust to this higher level of rates. With households having continued to add to their stock of debt last year when interest rates were at record lows, the rising debt servicing requirement due to higher rates mean that discretionary spending is now being squeezed, even as the unemployment rate continues to decline. Such a pattern in activity developed in 2002-2005, when each successive run of rate hikes was followed by a deceleration in activity, with spending having to adjust to the tighter setting of policy before regaining momentum. Over this period, the unemployment rate fell from 7% at the start of 2002 to 5% by mid-2005.

**FIGURE 1: DOMESTIC ACTIVITY TO REPLAY THE PAUSE-ACCELERATE PATTERN OF 2002-05**



Source: ABS, RBA and ANZ

Over the past two months, both consumer and business confidence have retraced sharply. These indicators have taken a big hit from the sovereign debt concerns in Europe which have sent shock waves through financial markets. Uncertainty has spiked and as a result, investors have de-risked, sending equities and the Aussie dollar lower. But at this stage there has been a very limited direct impact on real spending both globally and in Australia.

While financial market turbulence has settled in the past couple of weeks, a risk to the Australian economy is that risk aversion returns in a more meaningful way that does indeed spill over into weaker spending by both households and businesses, although this is not our core forecast. Data released since the start of the year suggests that both consumers and businesses have been reluctant to opening their wallets and the recent fall in confidence will probably reinforce this behaviour somewhat in coming months.

## MEDIUM-TERM OUTLOOK

While we are looking for a slowdown in growth in the near-term, our medium-term outlook for Australia remains solid. We expect growth to reaccelerate again in the back half of 2010, taking four-quarter ended growth to 3%. Furthermore, we expect growth to accelerate to 4% by the end of 2011, with the drivers of domestic activity rotating away from the public sector to private investment.<sup>1</sup> Despite the more clouded outlook for mining investment beyond 2011 due to the current uncertainty surrounding the proposed Resources Super Profits Tax, the next 18 months are not expected to be significantly affected.

The global growth outlook is also set to improve. Our largest trading partner, China, is forecast to achieve a 'soft landing,' with growth expected to ease toward a more sustainable 'potential' pace around 9% from a hot 12% pace in Q1. While there is a risk that the slowing will be more severe, this is not our central forecast. Only this morning, China's finance minister stated that the government will "*continue active fiscal policy*" and "*appropriately loose monetary policy*," expecting the economy to be able to maintain "*quite fast, stable growth*." Indeed, the risks to the Chinese economy in 2011 appear to the upside, although that could pose a threat to 2012 growth on the back of a stronger policy reaction if price pressures continue to build.

## MONETARY POLICY - WHERE TO FROM HERE?

At this stage, the RBA seems comfortable with the current setting of monetary policy. Our core forecast is for the central bank to keep rates on hold at 4.50% until Q4 to allow the momentum in domestic growth to play 'catch up' with the tighter setting of policy (as was the case during 2002-05). Once the economy adjusts to the higher level of interest rates, momentum is expected to begin gathering steam once again.

Although the RBA explicitly mentioned in this week's June Board minutes that it would be watching the Q2 CPI release on 28 July to provide guidance on how price pressures are developing, we do not see a major inflation threat in the short-term. Indeed, we would need to see a significantly stronger than expected quarterly increase in core inflation of 0.9% or higher to bring the RBA back into play at its August Board meeting.

But the risks to the inflation outlook remain to the upside over the longer-term. Despite a recent softening in commodity prices, the terms of trade is still expected to reach a fresh peak in coming quarters, and in turn, strengthen income flows. On current spot trading, Q3 iron ore contract prices are forecast to be set 25% above Q2 prices, which were 100% above 2009-10 prices. The upside potential for inflation is expected to be particularly concentrated in the non-tradables sector due to domestic capacity constraints and capex, while a continued improvement in the global economy will limit any imported disinflation. We forecast core inflation to again breach the top of the RBA's medium-term 2-3% target band by the end of 2010 and remain elevated throughout 2011.

Ultimately, when the RBA does get brought back into play after the current pause, with the domestic and global economies again expanding strongly, then it will not just raise rates once, but multiple times. As always, the path of 'least regret' will be adhered to, and in this scenario, it will be one of the Bank not letting inflation run away from it. We expect the cash rate to be hiked twice in Q4 (November and December), taking it to 5% by the end of 2010. Moreover, we expect monetary policy will need to shift into restrictive territory next year, with rates forecast to reach 6% by the end of 2011.

At this stage, we see the biggest external downside risk to Australian macro outlook as the possibility of a sizable financial market event stemming from the European sovereign debt crisis. In our estimation this remains an outlier event. Nonetheless, under this scenario of a defacto tightening in financial markets, it would take pressure off the RBA to raise the cash rate as high as we expect, and may even see the Bank sit on the sidelines for longer through the second half of 2010.

<sup>1</sup> For a detailed summary, please refer to the [ANZ Australian Economics Toolbox](#), 4 June 2010.

## DATA &amp; EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT	
June 21	NZ	Visitor Arrivals – (May)	nf	na	-1.8%	22:45	
		New Zealand Net Migration sa – (May)	nf	na	770.0	22:45	
	AU	New Motor Vehicle Sales MoM – (May)	nf	na	8.4%	01:30	
		New Motor Vehicle Sales YoY – (May)	nf	na	28.7%	01:30	
	JP	All Industry Activity Index MoM – (May)	nf	na	-0.8%	04:30	
		Tokyo Dept. Store Sales YoY – (May)	nf	2.1	-4.9%	05:30	
		Nationwide Dept. Sales YoY – (May)	nf	na	-3.7%	05:30	
		Convenience Store Sales YoY – (May)	nf	na	-3.7%	07:00	
	EU	<b>ECB's Stark Speaks in London</b>	-	-	-	<b>10:45</b>	
		<b>ECB's Gonzalez-Paramo Speaks in Spain</b>	-	-	-	<b>14:00</b>	
<b>ECB's Trichet Speaks in Brussels</b>		-	-	-	<b>14:30</b>		
June 22	NZ	Credit Card Spending YoY – (May)	nf	na	1.9%	03:00	
		Credit Card Spending sa MoM – (May)	nf	na	-1.2%	03:00	
	EU	ECB Euro-Zone Current Account sa – (Apr)	nf	na	1.7B	08:00	
		Euro-Zone Current Account nsa – (Apr)	nf	na	1.3B	08:00	
		Euro-Zone Consumer Confidence – (Jun A)	nf	na	-18	14:00	
	GE	IFO - Business Climate – (Jun)	nf	101.0	101.5	08:00	
		IFO - Current Assessment – (Jun)	nf	100.0	99.4	08:00	
		IFO – Expectations – (Jun)	nf	102.3	103.7	08:00	
	UK	U.K. Budget Report Published	-	-	-	-	
	US	Richmond Fed Manufacturing Index – (Jun)	nf	20	26	14:00	
		Existing Home Sales – (May)	nf	6.20M	5.77M	14:00	
		House Price Index MoM – (Apr)	nf	na	0.30%	14:00	
		Existing Home Sales MoM – (May)	nf	7.10%	7.60%	14:00	
		ABC Consumer Confidence – (Jun 20)	nf	na	-45	21:00	
		<b>Treasury's Geithner Testifies to Congressional Oversight Panel</b>	-	-	-	<b>14:00</b>	
		CA	Consumer Price Index MoM – (May)	nf	0.0%	0.3%	11:00
			Consumer Price Index YoY – (May)	nf	na	1.8%	11:00
	Bank Canada CPI Core MoM – (May)		nf	<b>0.3%</b>	0.3%	11:00	
	Bank Canada CPI Core YoY – (May)		nf	na	1.9%	11:00	
Supermarket Sales YoY – (May)	nf		na	-4.9%	-		
June 23	NZ	Current Account Balance – (Q1)	-0.300B	-0.250B	-3.574B	22:45	
		Account Deficit-GDP Ratio – (Q1)	-2.7%	-2.7%	-2.9%	22:45	
	EU	PMI Services – (Jun A)	nf	56.0	56.2	08:00	
		PMI Manufacturing – (Jun A)	nf	54.8	55.8	08:00	

## DATA &amp; EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT	
June 23 Cont	EU	PMI Composite – (Jun A)	nf	na	56.4	08:00	
	GE	Gfk Consumer Confidence Survey – (Jul)	nf	3.3	3.5	06:00	
		PMI Services – (Jun A)	nf	54.5	54.8	07:30	
		PMI Manufacturing – (Jun A)	nf	57.8	58.4	07:30	
	UK	<b>Bank of England Minutes</b>	-	-	-	<b>08:30</b>	
		BBA Loans for House Purchase – (May)	nf	na	35729	08:30	
	US	MBA Mortgage Applications – (Jun 18)	nf	na	17.7%	11:00	
		New Home Sales – (May)	nf	431K	504K	14:00	
		New Home Sales MoM – (May)	nf	-14.7%	14.8%	14:00	
		<b>FOMC Rate Decision</b>	<b>0.25%</b>	<b>0.25%</b>	<b>0.25%</b>	<b>18:15</b>	
	CA	Retail Sales MoM – (Apr)	nf	na	2.1%	12:30	
		Retail Sales Less Autos MoM – (Apr)	nf	na	1.7%	12:30	
	June 24	NZ	GDP QoQ – (Q1)	0.5%	0.5%	0.8%	22:45
			GDP YoY – (Q1)	1.8%	1.8%	0.4%	22:45
	AU	Conference Board Leading Index – (Apr)	nf	na	0.3%	00:00	
	JP	Corp Service Price Index (YoY) – (May)	nf	na	-1.10%	23:50	
		Merchandise Trade Balance Total – (May)	nf	¥508.5B	¥742.3B	23:50	
		Japan Buying Foreign Bonds – (Jun 18)	nf	na	¥810.3B	23:50	
		Japan Buying Foreign Stocks – (Jun 18)	nf	na	¥109.5B	23:50	
		Foreign Buying Japan Bonds – (Jun 18)	nf	na	-¥12.2B	23:50	
		Foreign Buying Japan Stocks – (Jun 18)	nf	na	-¥916.9B	23:50	
		Adjusted Merchandise Trade Bal. – (May)	nf	¥603.0B	¥729.1B	23:50	
		Merchandise Trade Exports YoY – (May)	nf	36.9	40.4	23:50	
		Merchandise Trade Imports YoY – (May)	nf	34.0	24.2	23:50	
		EU	Industrial New Orders sa MoM – (Apr)	nf	1.8%	5.7%	09:00
	Industrial New Orders sa YoY – (Apr)		nf	na	20.5%	09:00	
	US	Durable Goods Orders – (May)	nf	-1.0%	2.9%	12:30	
		Durables Ex Transportation – (May)	nf	1.0%	-1.0%	12:30	
		Initial Jobless Claims – (Jun 19)	nf	460K	472K	12:30	
		Continuing Claims – (Jun 12)	nf	na	4571K	12:30	
		RPX Composite 28dy Index – (Apr 30)	nf	na	190.36	13:00	
		RPX Composite 28dy YoY – (Apr)	nf	na	2.17%	13:00	
June 25	NZ	Trade Balance – (May)	950M	767M	656M	22:45	
		Imports – (May)	3.45B	3.43B	3.31B	22:45	
		Exports – (May)	4.44B	4.24B	3.97B	22:45	

## DATA &amp; EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT
June 25 Cont	NZ	NZ Trade Balance 12 Mth ytd - (May)	205.0	0.0	161.0	22:45
	JP	Tokyo CPI YoY - (Jun)	nf	-1.3%	-1.4%	23:30
		Tokyo CPI Ex-Fresh Food YoY - (Jun)	nf	-1.4%	-1.6%	23:30
		Tokyo CPI Ex Food, Energy YoY - (Jun)	nf	-1.5%	-1.4%	23:30
		Nationwide CPI YoY - (May)	nf	-1.1%	-1.2%	23:30
		Nationwide CPI Ex-Fresh Food YoY - (May)	nf	-1.3%	-1.5%	23:30
		Nationwide CPI Ex Food, Energy YoY - (May)	nf	-1.5%	-1.6%	23:30
	CH	Industrial Profits YTD YoY - (May)	nf	na	119.7%	02:00
	US	GDP QoQ (Annualized) - (Q1 T)	nf	3.0%	3.0%	12:30
		Personal Consumption - (Q1 T)	nf	3.5%	3.5%	12:30
		GDP Price Index - (Q1 T)	nf	1.0%	1.0%	12:30
		Core PCE QoQ - (Q1 T)	nf	0.6%	0.6%	12:30
		U. of Michigan Consumer Confidence - (Jun F)	nf	75.5	75.5	13:55

# FIVE WEEKS AT A GLANCE

Monday	Tuesday	Wednesday	Thursday	Friday
<b>28 June</b> NZ: NBNZ Business Confidence (Jun), Building Permits (May) JP: Jobless Rate (May), Industrial Production (May) GE: CPI (Jun) UK: Nat'wide House prices sa (Jun) US: Personal Income (May),	<b>29 June</b> NZ: Money Supply M3 (May) JP: Vehicle Production (May) EU: Consumer confidence (Jun) US: Consumer Confidence (Jun) CA: Industrial Product Price (May)	<b>30 June</b> AU: DEWR Skilled Vacancies (Jun), Private Sector Credit (May), AiG Performance of Mfg Index (Jun) JP: Housing Starts (May), Tankan Lge Manufacturers Index (Q2) EU: CPI (Jun) GE: UE Rate (Jun) UK: GDP (Q1) CA: GDP (Apr)	<b>1 July</b> NZ: ANZ Commodity Price (Jun) AU: Building Approvals (May), Retail Sales (May) JP: Vehicle Sales (Jun) CH: PMI Manuf (Jun) EU: PMI Manuf (Jun) GE: PMI Manuf (Jun) UK: PMI Manuf (Jun) US: ISM Manufacturing (Jun), Pending home sales (May) CA: <b>Market Closed</b>	<b>2 July</b> EU: PPI (May), Unemployment Rate (May) UK: PMI Construction (Jun) US: Change in Nonfarm Payrolls (Jun), Unemployment Rate (Jun), Factory Orders (May)
<b>5 July</b> 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: <b>Market Closed</b> CA: Consumer Confidence (Jun)	<b>6 July</b> AU: <b>RBA CASH TARGET</b> , 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)	<b>7 July</b> EU: GDP (Q1) GE: Factory Orders (May) US: MBA Mortgage Applications (Jul 2), Challenger Job Cuts (Jun)	<b>8 July</b> AU: UE Rate (Jun), Participation Rate (Jun) EU: <b>ECB Announces Interest Rates</b> GE: Industrial Production (May), Trade Balance (May), Current Account (May) UK: <b>BOE ANNOUNCES RATES</b> , Industrial Production (May) US: Initial Jobless Claims (Jul 3) CA: Consumer Prices (Jun)	<b>9 July</b> JP: Domestic CGPI (Jun) CH: Business Climate Index (Q2) GE: CPI UK: PPI US: Wholesale Inventories (May)
<b>12 July</b> UK: RICS House Price Balance (Jun)	<b>13 July</b> 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)	<b>14 July</b> 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)	<b>15 July</b> NZ: Business PMI (Jun) AU: Westpac Consumer Confidence (Jul), DEWR Skilled Vacancies (Jul) JP: <b>BOJ Target Rate</b> CH: GDP (Q2), PPI (Jun) JP: Retail Sales (Jun) Industrial Production (Jun) US: PPI (Jun), Initial Jobless Claims (Jul 10), Industrial Production (Jun)	<b>16 July</b> 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)
<b>19 July</b> NZ: Visitor Arrivals (Jun) JP: <b>Market Closed</b> EU: Current Account (May) US: NAHB Housing Market Index (Jul)	<b>20 July</b> AU: <b>Reserve Bank's Board July Minutes</b> EU: Producer Prices (Jun) UK: M4 Money Supply (Jun) US: Housing Starts (Jun), Building Permits (Jun), ABC Consumer Confidence (Jul 18) CA: <b>Bank of Canada Rate</b>	<b>21 July</b> 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)	<b>22 July</b> 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	<b>23 July</b> 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)
<b>26 July</b> AU: PPI (Q2) US: New Home Sales (Jun), Dallas Fed Manuf. Activity (Jul)	<b>27 July</b> EU: Euro-Zone M3 (Jun) US: Richmond Fed Manuf. Index (Jul), Consumer Confidence (Jul)	<b>28 July</b> 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)	<b>29 July</b> 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 Credit (Jun) US: <b>Fed's Beige Book</b> CA: Industrial Product Price (Jun)	<b>30 July</b> 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) CA: GDP (May)

# 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
<b>Economic activity (annual % change)</b>				
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
<b>Gross Domestic Product (GDP)</b>	<b>1.3</b>	<b>2.6</b>	<b>3.9</b>	<b>4.1</b>
<b>Prices and wages (annual % change)</b>				
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
<b>Labour market</b>				
Employment (annual % change)	0.3	2.2	1.9	2.0
Unemployment rate (annual average %)	5.6	5.2	5.1	4.9
<b>External sector</b>				
Current account balance: A\$bn	-51.7	-51.4	-67.6	-100.0
% of GDP	-4.1	-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	4.92	4.85	5.30	5.60	6.00	6.0
3 year bond	4.74	4.90	5.10	5.50	5.70	6.00
10 year bond	5.35	5.40	5.50	5.70	5.80	6.00
3s10s yield curve	0.61	0.50	0.40	0.20	0.10	0.00
3 year swap	5.23	5.30	5.50	5.90	6.10	6.40
10 year swap	5.85	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	3.11	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	0.71	0.80	1.00	1.20	1.50	2.00
US 10 year note	3.20	4.10	4.00	3.80	3.80	4
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
<b>Australian exchange rates</b>						
A\$/US\$	0.8696	0.88	0.90	0.92	0.94	0.94
NZ\$/US\$	0.7049	0.69	0.71	0.72	0.73	0.73
A\$/¥	78.96	83.6	86.4	89.2	92.1	94.0
A\$/€	0.7011	0.73	0.76	0.81	0.84	0.84
A\$/£	0.5864	0.63	0.63	0.62	0.62	0.61
A\$/NZ\$	1.2337	1.28	1.27	1.28	1.29	1.29
A\$/C\$	0.8934	0.87	0.87	0.88	0.88	0.90
A\$/CHF	0.9662	1.03	1.07	1.11	1.16	1.18
A\$/CNY	5.9384	5.92	5.97	6.03	6.16	6.12
A\$ Trade weighted index	67.50	71.5	73.8	75.9	77.1	76.9
<b>International cross rates</b>						
US\$/¥	90.80	95.0	96.0	97.0	98.0	100.0
€/US\$	1.2403	1.21	1.18	1.14	1.12	1.12
€/¥	112.61	115	113	111	110	112
£/US\$	1.4830	1.40	1.44	1.48	1.52	1.54
€/£	0.8362	0.86	0.82	0.77	0.74	0.73
US\$/C\$	1.0274	0.99	0.97	0.96	0.94	0.96
US\$/CHF	1.1111	1.17	1.19	1.21	1.23	1.25
US\$ index	85.53	87.9	89.0	90.7	91.4	91.8
<b>Asia exchange rates</b>						
US\$/CNY	6.8289	6.73	6.63	6.55	6.55	6.51
US\$/HKD	7.7869	7.78	7.75	7.75	7.75	7.75
US\$/IDR	9123	9500	9900	10000	9700	9500.00
US\$/INR	46.16	48.7	50.4	50.7	49.0	48.50
US\$/KRW	1204	1270	1345	1390	1320	1275.00
US\$/MYR	3.2575	3.35	3.45	3.50	3.40	3.4
US\$/PHP	45.890	47.3	48.8	49.5	48.0	47.3
US\$/SGD	1.3892	1.43	1.47	1.50	1.45	1.4
US\$/THB	32.440	32.90	33.90	34.30	33.50	33.00
US\$/TWD	32.150	32.50	33.30	33.70	32.70	32
US\$/VND	18970	19000	19000	19000	20000	20000.00
<b>Pacific exchange rates</b>						
PGK/US\$	0.3565	0.395	0.386	0.372	0.358	0.34
FJD/US\$	0.5053	0.507	0.508	0.514	0.517	0.51

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