

AUSTRALIAN ECONOMICS

AUSTRALIAN ECONOMICS WEEKLY

22 JULY 2011

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CPI UNLIKELY TO PROMPT RATE CHANGE

- **Minutes from the RBA's July Board Meeting suggested that the cash rate will remain on hold for an extended period.** The RBA has maintained its medium-term tightening bias. But heightened concerns about the global economy and financial markets and the run of softer domestic high frequency data have provided the RBA with "more time to assess the likely strength of inflationary pressures in Australia."
- ***In Focus* this week is next Wednesday's Q2 CPI release.** This is expected to show that inflation moderated from Q1's exceptionally high outcome, but is still increasing gradually in trend terms. Headline inflation is expected to print at 0.7% q/q (Mkt: 0.7% q/q, Range: 0.6% to 1.1%). For underlying inflation, both our bottom up and top down forecasting approaches point to 0.6% q/q (Mkt: 0.7%, Range: 0.6% to 0.8%). While the RBA will be watching these inflation numbers to help "shape its views", the hurdle for a near-term rate hike appears to be well above these results (0.9% q/q or above for underlying inflation). On the downside, an underlying inflation read of 0.5% or below should prompt the RBA to downgrade its near-term inflation forecasts back into the target band. Markets would see this as a validation of current pricing for a bias towards rate cuts. In our view however, weaker than expected inflation is unlikely, on its own, to be enough to drive a reversal of monetary policy given the RBA's strong medium-term view. An easing bias would instead require soft to moderate inflation to combine with either (a) a global shock and/or (b) a persistent and sharp rise in the unemployment rate.
- Globally, **news of a comprehensive rescue package for Greece and moves to strengthen support for the periphery was well received by financial markets.** The package includes a total of EUR159 bn in new funding for Greece, easier lending terms for Greece, Ireland and Portugal (lower rates and longer terms) and sweeping new powers for the European Financial Stability Fund. These include the ability to purchase euro-zone debt in the secondary market and provide precautionary credit lines to euro-zone states. There will also be private sector involvement which will generate a selective default by Greece, although the ECB has stated that it will continue to accept Greek paper in its operations. Attention will now turn to fiscal issues in the US, with tonight the notional deadline for the start of drafting legislation to increase the debt ceiling. Markets will also be looking for progress on a credible medium to long term debt reduction plan, given ratings agency warnings that the US may be placed on negative ratings watch.

THE WEEK AHEAD

- In **Australia**, the major release will be CPI on Wednesday (see above). Speeches by the RBA's Stevens and Edey and private sector credit data will also be followed.
- In the **US**, markets will focus on the Dallas Fed Manufacturing Index, the CS House Price Index, the Fed's Beige Book and the advance read of Q2 GDP (Mkt: 1.7% ann).
- In the **Eurozone**, economic data will remain a sideshow to events in Greece and peripheral Europe. Nevertheless, German and Eurozone CPI estimates and German unemployment data will be released and are likely factors in ECB rate expectations. In the **UK**, the advanced Q2 GDP read and mortgage approvals will be the highlights.
- In Asia, **Japanese** retail sales, the manufacturing PMI, the CPI, industrial production, vehicle production and housing starts data will be watched for further evidence of the continuing rebuild.
- In **New Zealand**, the RBNZ is widely expected to keep rates on hold, but the better than expected run of recent data suggests the risk is for a stronger tightening bias from the RBNZ. Business confidence, trade and building permits will also be released.

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CPI PREVIEW: Q2 2011

- Next week’s CPI is expected to show that inflation moderated from Q1’s exceptionally high outcome, but is still increasing gradually in trend terms.
- Both our bottom up and top down forecasting approaches point to underlying inflation of 0.6% q/q (Mkt: 0.7% q/q).
- Headline inflation is expected to print at 0.7% q/q (Mkt: 0.7% q/q). Strong contributions will come from fruit, health services, petrol and rents but the currency and consumer caution will be moderating influences on a range of retail categories.
- This week’s RBA minutes suggested that while the RBA will be watching these inflation numbers to help “shape its views”, the hurdle for a near-term rate hike is well above this forecast (0.9% q/q or above for underlying inflation).
- A Q2 core inflation read of 0.5% or below should be enough for the RBA to downgrade its near-term inflation forecasts. Markets would see this as a validation of current pricing for interest rate cuts. In our view however, weaker than expected inflation is unlikely, on its own, to be enough to drive a reversal of monetary policy given the RBA’s strong medium-term view. An easing bias would instead require soft inflation to combine with either (a) a global shock and/or (b) a persistent and sharp rise in the unemployment rate.

GRADUALLY TRACKING UPWARDS

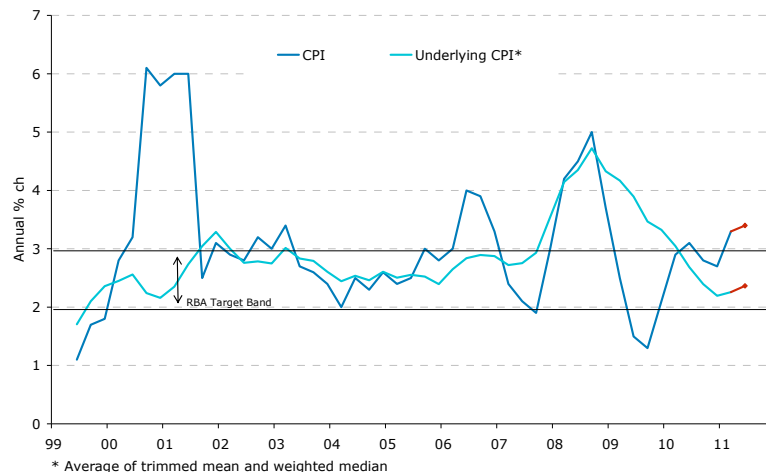
Next week’s CPI is expected to show that inflation moderated from the unusually high outcome in Q1 although is rising gradually in trend terms. ANZ is forecasting underlying inflation of 0.6% q/q and 2.4% y/y (average of the trimmed mean and weighted median) and headline inflation of 0.7% q/q and 3.4% y/y. These forecasts are a touch below market expectations and suggest there is little urgency for a near-term monetary policy response by the RBA on inflation grounds.

FIGURE 1. KEY Q2 INFLATION FORECASTS

| | | ANZ | Market | Range | Last |
|---------------------------|-------|-----|--------|-----------|------|
| Trimmed Mean | q/q% | 0.6 | 0.7 | 0.6 - 0.8 | 0.9 |
| | y/y% | 2.4 | 2.5 | 2.4 - 2.5 | 2.3 |
| Weighted Median | q/q% | 0.6 | 0.7 | 0.6 - 0.8 | 0.8 |
| | y/y% | 2.3 | 2.5 | 2.3 - 2.7 | 2.2 |
| Headline CPI (All Groups) | q/q% | 0.7 | 0.7 | 0.6 - 1.1 | 1.6 |
| | y/y % | 3.4 | 3.4 | 3.3 - 3.8 | 3.3 |

Sources: ABS, RBA, ANZ

FIGURE 2. ANNUAL INFLATION



Sources: ABS, RBA, ANZ

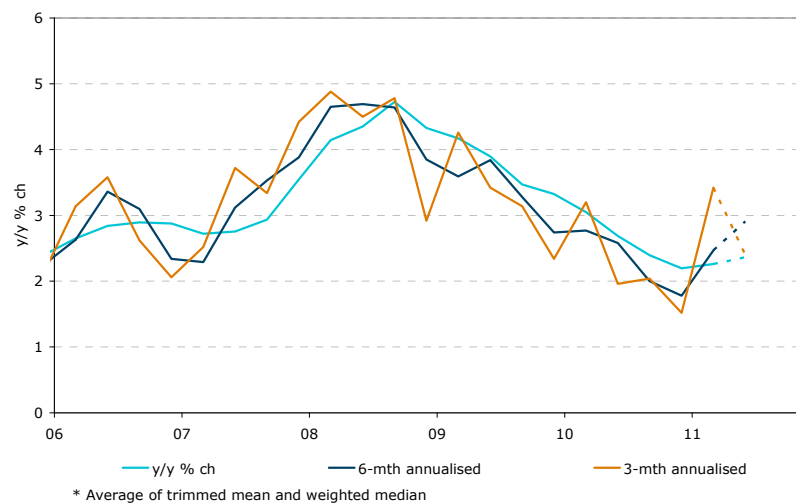


Indeed, this week's RBA Minutes confirmed that the central bank now believes it has more time on its hands to weigh up how the current contradictory influences on the Australian economy will play out. **This suggests that the inflation hurdle for a near-term rate hike is particularly high and well above our forecast (0.9% q/q or above for underlying inflation).**

Despite this, the RBA has explicitly stated that it will be looking closely at the Q2 CPI outcome to help "shape views about inflation, and therefore the future path of interest rates." This is particularly important in the current context given the difficulty in discerning the underlying momentum in inflation in Q1 because of the large number of one-off upward influences (mostly due to natural disasters). This primarily affected the headline CPI but also had some flow through to the underlying statistical measures.¹

On this front, **our Q2 forecasts suggest that momentum in underlying inflation has picked up moderately (see Figure 3 below).** The annualised pace will have increased to 2.9% in H1 2011 from 1.8% H2 2010, although this may be slightly misleading given the difficulty in interpreting the Q1 outcome. Ignoring the Q1 read suggests that underlying inflation will have picked up to an annualised rate of 2.4% in Q1 from a low of 1.5% in Q4 2010. ANZ's forecast is broadly in line with recent RBA expectations for a "gradual increase" over time. It is however at the lower end of the RBA's May forecast for underlying inflation of 2½% y/y which implies a quarterly outcome of between 0.6% q/q and 0.8% q/q (after accounting for the RBA's rounding).

FIGURE 3. UNDERLYING INFLATION



Sources: ABS, RBA, ANZ

A Q2 core inflation read of 0.5% or below would likely be enough for the RBA to downgrade its short-term inflation forecasts (particularly in light of its recent downgrade to the GDP outlook). Whilst the RBA would continue to forecast inflation to rise, the timing of when core inflation is expected to hit the top of the 2 to 3% target band would likely be pushed out from Q4 2011 to at least Q1 2012. Markets would take such a weak result next Wednesday as a validation of current pricing for interest rate cuts. However, we believe softer than expected inflation is unlikely, on its own, to be enough to drive a reversal of monetary policy, given the RBA's strong medium-term view. An easing bias would instead require soft inflation to combine with either (a) a global shock and/or (b) a persistent and sharp rise in the

¹ Given the large number of components with a high weight in the CPI experiencing large price increases in Q1 (both due to one off factors related to natural disasters, as well as higher petrol prices and seasonal increases for a range of services), many items that would ordinarily have been stripped out of the underlying statistical measures were not in Q1.

unemployment rate. The most likely scenario is still, in our view, that a softer than expected Q2 inflation result would simply keep the RBA on hold for longer.

UNDERLYING / ANALYTICAL MEASURES

For **underlying inflation**, our bottom up and top down modelling approaches both point to a quarterly print of 0.6% q/q (for the average of the statistical trimmed mean and weighted median). This will see the annual rate of underlying inflation accelerate slightly to 2.4% y/y but remain below the mid-point of the target band.

From a bottom up perspective, large increases in the CPI will be more narrowly based than in Q1, suggesting that a significant proportion of components experiencing large increase will be stripped out of the statistical trimmed mean and weighted median measures. From a top down modelling perspective, the key fundamental upside drivers of our forecasts are flow though from earlier rises in non-farm unit labour costs (although the spike up in ULC in Q1 is partly due to the one-off impact of the floods on measured productivity) and the indirect effects of an extended period of higher petrol prices. This is offsetting the impact of weaker import prices stemming from the appreciation of the A\$TWI and the flat trend in capacity utilisation.

The RBA now also tends to look at the **CPI excluding volatiles and deposit & loan facilities** as an alternative measure of underlying inflation.² This is expected to have been more subdued at 0.4% q/q and 2.3% y/y.

The standard **tradeables / non-tradeables** split is again unlikely to be particularly instructive this quarter. In particular, the tradeables component will be overly influenced by the sharp increase in fruit prices, as well as higher petrol prices. Excluding these, tradeables inflation will have been subdued at 0.3% q/q and 0.3% y/y as the impact of the currency and consumer caution weighs. Non-tradeables inflation (excluding deposit & loan facilities) will also be relatively modest (0.5% q/q) although will remain much higher in annual terms (3.4% y/y).

HEADLINE INFLATION

The major contributors to the **headline CPI** in Q2 will be fruit (a flow-on effect from the Q1 natural disasters), health services, petrol and rents (see below). The currency, however, will again be a moderating influence given the further average 3.6% appreciation in the A\$TWI in Q2 following a 1.1% appreciation in Q1 and a 6.1% appreciation in Q4 2010. Together with ongoing consumer restraint, this will have moderated the usual seasonal increase in household contents and services, recreation goods and to a lesser extent clothing and footwear.

By detailed component:

Food prices are forecast to have risen another 1.2% in Q2. Our tracking of fruit & vegetables at major supermarket chains suggest another sharp increase in fruit prices (of almost 30% q/q) which will more than offset a fall in vegetable prices (-12% q/q) and further weakness in dairy due to ongoing supermarket competition in that space. (Note that while prices have fallen for some fruit in the quarter, the average price level in Q2 is still higher than in Q1).

Alcohol & tobacco prices are expected to have risen moderately in line with the usual seasonal pattern, although the higher AUD is expected to have provided a partial offset by reducing prices for imported alcohol.

Clothing & footwear is expected to have increased solidly (1.2% q/q) in line with less widespread discounting and higher cotton prices, although the higher A\$ and reduced consumer spending on discretionary items suggest a smaller rise than suggested by the usual seasonal pattern.

Housing costs are forecast to increase 0.5% QoQ, driven largely by another solid increase in rents (+1.1% q/q) in line with low vacancy rates. Moderate growth is also expected for house purchase costs (0.6% q/q), although we will get a better read on this following the PPI on Monday. Utilities do not usually move much in Q2, but watch out for Q3 with the NSW government announcing a 17.3% increase in electricity prices.

² Volatiles are auto fuel and fruit and vegetables.

FIGURE 4. Q2 CPI BY MAJOR GROUP

| | Quarterly % change | Quarterly ppt contribution | Annual % change |
|--|-----------------------|-------------------------------|--------------------|
| Food | 1.2 | 0.19 | 5.9 |
| <i>of which: fruit & veg</i> | 7.2 | 0.20 | 35.4 |
| Alcohol & tobacco | 0.7 | 0.05 | 5.7 |
| Clothing & footwear | 1.2 | 0.04 | -0.1 |
| Housing | 0.5 | 0.12 | 4.8 |
| <i>of which: rents</i> | 1.1 | 0.07 | 4.5 |
| <i>of which: utilities</i> | -0.1 | 0.00 | 10.5 |
| <i>of which: house purchase</i> | 0.5 | 0.05 | 2.6 |
| HH contents & services | 0.4 | 0.04 | -1.0 |
| <i>of which: childcare</i> | 0.8 | 0.00 | 7.4 |
| Health | 2.3 | 0.12 | 4.3 |
| <i>of which: pharmaceuticals</i> | -0.9 | -0.01 | 0.4 |
| Transportation | 1.4 | 0.18 | 3.7 |
| <i>of which: auto fuel</i> | 3.8 | 0.16 | 11.1 |
| Communication | 0.4 | 0.01 | 0.3 |
| Recreation | -0.3 | -0.03 | 0.0 |
| <i>of which: audio, visual and computing equipment</i> | -1.0 | -0.01 | -15.0 |
| <i>of which: holiday travel & accommodation</i> | -0.5 | -0.02 | 1.9 |
| Education | 0.0 | 0.00 | 5.9 |
| Fin. & insurance services | 0.4 | 0.03 | 3.0 |
| CPI All Groups | 0.7 | 0.74 | 3.4 |

Sources: ABS, ANZ

Household contents and services (+0.4% q/q) are expected to have been relatively soft in Q2, with the usual seasonal pickup in furniture and household appliances tempered by the higher A\$ and consumer caution. Inflation for household services (including childcare) are also forecast to have been modest.

Health costs will have increased strongly (2.3% q/q), primarily due to a seasonal increase in health & medical services (3.2% q/q) due to a rise in health insurance premiums from 1 April.

Transportation costs will have been driven higher by petrol prices. Daily tracking of petrol prices in the major capital cities suggests an increase in auto fuel of 3.8% q/q.

Communication costs will increase modestly (0.4% q/q), with some increase in mobile phone rates announced by a major provider.

Recreation prices will also have been dragged down by the higher currency, particularly for audio, visual and computing equipment. We can also expect the higher currency to have reduced prices for overseas holiday travel and accommodation, although this will be partly offset by increases in fuel surcharges on airline tickets in line with recent increases in crude oil prices.

Education prices will have been flat in the quarter, in line with the usual seasonal pattern.

Financial & insurance services are expected to have increased moderately (0.4% q/q). Deposit & loan facilities increased sharply in Q1 (+4.6% q/q), largely due to a widening in the difference between deposit and lending rates. This was a flow-on effect from the November cash rate increase and additional increases in bank lending rates. This is unlikely to have been unwound in Q2 however, with little movement in lending and deposit rates overall.

RISKS

The risks to our forecasts are slightly tilted to the downside. On the upside, sales results yesterday from a major supermarket chain suggested that shelf prices (for food, alcohol and tobacco) increased by 2.5% in Q2 (although this has often given a slightly misleading read on the relevant CPI components). We also see some upside risk to our rents forecast given reports of strong rental increases in some segments of the market (our model for rents is primarily based on vacancy rates).

On the downside, it is possible that the extent of currency passthrough and discounting has been stronger than we have factored in. Import price data released today showed a 1.1% fall in the price of consumption goods imports with particularly pronounced falls in household electrical items (-4.1% q/q), textiles, clothing & footwear (-2.8% q/q) and toys, books and leisure goods (-2.6% q/q). Passthrough to the CPI from falls in consumption goods import prices have been incomplete in previous quarters. Such pronounced falls however suggest downside risk to our and the markets' forecasts, particularly given warnings from large department stores of ongoing price deflation in recent weeks. There is also some downside risk to our forecast for deposit & loan facilities due to statistical payback given the massive 4.6% increase in Q1.

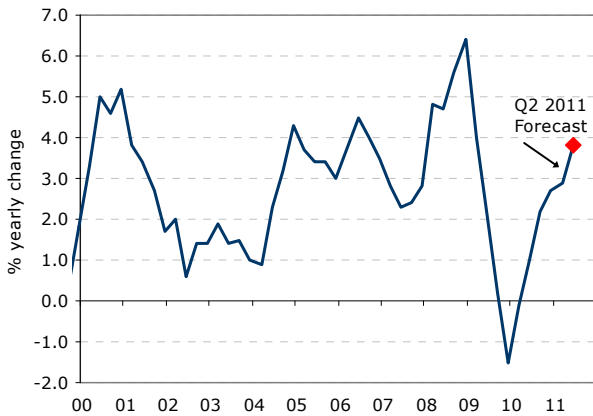
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DATA WRAP

- The RBA Board minutes suggested that the likely scenario is that rates will be on hold for some time. The statement was neutral, highlighting both near term downside risks and upside medium term risks.
- DEWR Internet Skilled Vacancies were unchanged in trend terms in June. While vacancies fell in the non-mining regions this was offset by a rise in the mining regions.
- International merchandise imports rose 3% in May. Fuels and lubricants rose 11%, contributing around half of the rise. Capital goods rose 7%, also contributing around half of the rise. Meanwhile, consumption goods fell 1%.
- Merchandise export prices gained 6.0% in Q2 while import prices rose 0.8%. This suggests a further 4.5% increase in the terms of trade in the quarter.
- NAB Business confidence fell 5 points to 6 in Q2 but the fall was less than the monthly survey suggested.
- New motor vehicle sales rose 1.3% in Jun after a 7.5% fall in May. Vehicle sales were broadly flat in NSW, rose in Victoria and South Australia and slightly lower in Queensland and Western Australia.
- The Westpac Leading Index fell 0.1% in May. Weakness in dwelling approvals and overtime worked contributed to the fall in the index.

DATA PREVIEW

FINAL STAGE PRODUCER PRICE INDEX

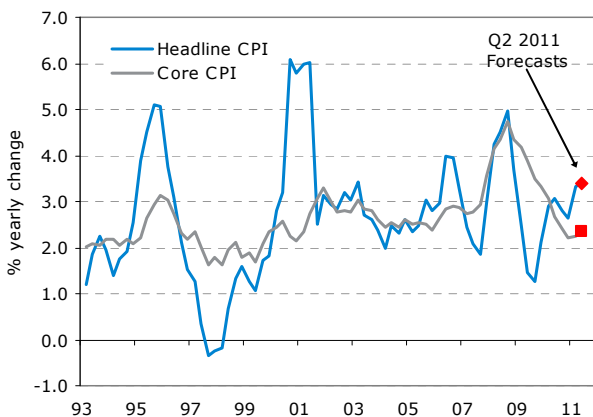


25 JULY: PRODUCER PRICE INDEX (Q2)

ANZ: +1.2% q/q, 3.8% y/y
Market: 0.4% q/q, 3.0% y/y (preliminary)
Last: +1.2% q/q, 2.9% y/y

Final stage input prices are expected to have been boosted by higher fuel prices and higher domestic input prices, as increases in input prices at the preliminary and intermediate stages of production in previous quarters start to filter through. This will be partly moderated by lower import prices (excluding fuel) in line with the 3.7% appreciation of the A\$TWI in Q2 in average terms. **(RP)**

CONSUMER PRICE INFLATION



27 JULY: CONSUMER PRICE INDEX (Q2)

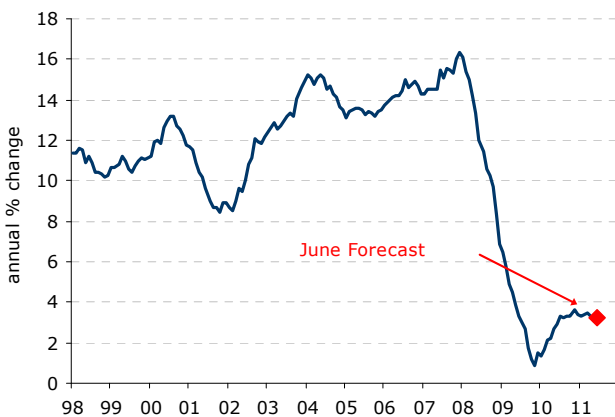
Headline CPI
ANZ: +0.7% q/q, +3.4% y/y
Market: +0.7% q/q, +3.4% y/y (preliminary)
Last: +1.6% q/q, +3.3% y/y

Trimmed mean
ANZ: +0.6% q/q, +2.4% y/y
Market: +0.7% q/q, +2.5% y/y (preliminary)
Last: +0.9% q/q, +2.3% y/y

Weighted Median
ANZ: +0.6% q/q, +2.3% y/y
Market: +0.7% q/q, +2.5% y/y (preliminary)
Last: +0.8% q/q, +2.2% y/y

For more detail, please see *In Focus* article on page 2.

PRIVATE SECTOR CREDIT



29 JULY: PRIVATE SECTOR CREDIT

ANZ: +0.3% m/m, 3.2% y/y
Market: +0.4% m/m, 3.2% y/y
Last: +0.3% m/m, 3.1% y/y

Private sector credit is expected to post a monthly increase of 0.3% in June with annual growth edging higher to 3.2% in. Business credit is expected to post modest growth reflecting flagging business confidence and conditions. Weak housing market activity is expected to keep housing sector credit growth soft, while equity market volatility and weak household spending is expected to continue to weigh on personal credit growth. **(DC)**



DATA & EVENT CALENDAR

WEEK STARTING 25 JULY

| DATE | COUNTRY | DATA/EVENT | PERIOD | MARKET | ANZ | LAST | GMT | AEST |
|----------------|---------|---|--------|--------|--------|--------|--------------|--------------|
| 23-Jul | GE | Merkel Speaks at CDU Baden-Wuerttemberg Congress | | | | | 10:00 | 20:00 |
| 24-Jul | UK | Hometrack Housing Survey m/m | JUL | -- | -- | -0.1% | 23:01 | 09:01 |
| | | Hometrack Housing Survey y/y | JUL | -- | -- | -3.9% | 23:01 | 09:01 |
| 25-28 Jul | CH | Leading Index | JUN | -- | -- | 101.98 | | |
| 25-29 Jul | UK | Nat'wide House prices say/y | JUL | -0.8% | -- | -1.1% | | |
| | | Nat'wide House prices sa m/m | JUL | 0.0% | -- | 0.0% | | |
| 25 Jul - 2 Aug | GE | Retail Sales m/m | JUN | 1.9% | -- | -2.5% | | |
| | | Retail Sales y/y | JUN | -1.6% | -- | 2.2% | | |
| 27 Jul - 4 Aug | GE | Import Price Index m/m | JUL | -0.1% | -- | -0.6% | | |
| | | Import Price Index y/y | JUL | 7.1% | -- | 8.1% | | |
| Monday | AU | Producer Price Index q/q | 2Q | 0.4% | 1.2% | 1.2% | 01:30 | 11:30 |
| 25-Jul | | Producer Price Index y/y | 2Q | 3.0% | 3.8% | 2.9% | 01:30 | 11:30 |
| | | RBA's Edey Speaks in Darwin to Property Council Congress | | | | | 04:30 | 14:30 |
| | EU | Bank of Portugal Governor, Finance Minister Gaspar Speak | | | | | 08:00 | 18:00 |
| | | ECB Announces Bond Purchases | | | | | 13:30 | 23:30 |
| | | ECB Calls for Bids in 7-Day Main Refinancing Tender | | | | | 13:30 | 23:30 |
| | UK | BBA Loans for House Purchase | JUN | 31000 | -- | 30509 | 08:30 | 18:30 |
| | US | Chicago Fed Nat Activity Index | JUN | -- | -- | -0.37 | 12:30 | 22:30 |
| | | Dallas Fed Manf. Activity | JUL | -7.2 | -- | -17.5 | 14:30 | 00:30 |
| Tuesday | NZ | Exports | JUN | 4.30B | 4.3B | 4.63B | 22:45 | 08:45 |
| 26-Jul | | Imports | JUN | 3.80B | 3.8B | 4.02B | 22:45 | 08:45 |
| | | Trade Balance | JUN | 400M | \$480m | 605M | 22:45 | 08:45 |
| | | Trade Balance 12 Mth YTD | JUN | 1289 | 1,320 | 1067 | 22:45 | 08:45 |
| | AU | Conference Board Leading Index | MAY | -- | -- | 0.1% | 00:00 | 10:00 |
| | | RBA Governor Stevens Gives Speech in Sydney | | | | | 03:05 | 13:05 |
| | JN | Small Business Confidence | JUL | -- | -- | 43.1 | 14:00 | 00:00 |
| | | Corp Service Price Index y/y | JUN | -0.8% | -- | -0.9% | 23:50 | 09:50 |
| | EU | ECB Announces Allotment in 7-Day Main Refinancing Tender | | | | | 09:15 | 19:15 |
| | | ECB Announces Allotment in 7-Day Term Deposits | | | | | 11:00 | 21:00 |
| | | ECB Calls for Bids in 3-Month Tender | | | | | 13:30 | 23:30 |
| | GE | GfK Consumer Confidence Survey | AUG | 5.6 | -- | 5.7 | 06:00 | 16:00 |
| | UK | GDP q/q | 2Q A | 0.1% | -- | 0.5% | 08:30 | 18:30 |
| | | GDP y/y | 2Q A | 0.7% | -- | 1.6% | 08:30 | 18:30 |
| | | Index of Services (3mth/3mth) | MAY | -- | -- | 0.9% | 08:30 | 18:30 |
| | | Index of Services m/m | MAY | 0.5% | -- | -1.2% | 08:30 | 18:30 |
| | US | Treasury Auctions 2-Year Notes | | | | | | |
| | | S&P/CaseShiller Home Price Ind | MAY | -- | -- | 138.84 | 13:00 | 23:00 |
| | | S&P/CS 20 City m/m sa | MAY | 0.0% | -- | -0.1% | 13:00 | 23:00 |
| | | S&P/CS Composite-20 y/y | MAY | -4.7% | -- | -4.0% | 13:00 | 23:00 |
| | | Consumer Confidence | JUL | 57.9 | -- | 58.5 | 14:00 | 00:00 |
| | | New Home Sales | JUN | 320K | -- | 319K | 14:00 | 00:00 |
| | | New Home Sales m/m | JUN | 0.3% | -- | -2.1% | 14:00 | 00:00 |
| | | Richmond Fed Manufact. Index | JUL | 5 | -- | 3 | 14:00 | 00:00 |
| | | Fed's Hoenig (non-voter) to Testify on Monetary Policy | | | | | 18:00 | 04:00 |
| Wednesday | NZ | NBNZ Activity Outlook | JUL | -- | -- | 38.7 | 01:00 | 11:00 |
| 27-Jul | | NBNZ Business Confidence | JUL | -- | -- | 46.5 | 01:00 | 11:00 |
| | AU | Consumer Prices q/q | 2Q | 0.7% | 0.7% | 1.6% | 01:30 | 11:30 |
| | | Consumer Prices y/y | 2Q | 3.4% | 3.4% | 3.3% | 01:30 | 11:30 |
| | | RBA Trimmed Mean q/q | 2Q | 0.7% | 0.6% | 0.9% | 01:30 | 11:30 |
| | | RBA Trimmed Mean y/y | 2Q | 2.5% | 2.4% | 2.3% | 01:30 | 11:30 |
| | | RBA Weighted Median q/q | 2Q | 0.7% | 0.6% | 0.8% | 01:30 | 11:30 |
| | | RBA Weighted Median y/y | 2Q | 2.5% | 2.3% | 2.2% | 01:30 | 11:30 |
| | CH | Industrial Profits YTD y/y | JUN | -- | -- | 27.9% | 02:00 | 12:00 |
| | EU | Euro-Zone M3 sa y/y | JUN | 2.4% | -- | 2.4% | 08:00 | 18:00 |
| | | Euro-Zone M3 sa 3 mth ave. | JUN | 2.3% | -- | 2.2% | 08:00 | 18:00 |
| | | ECB Announces Allotment in 3-Month Tender | | | | | 09:15 | 19:15 |
| | GE | Consumer Price Index m/m | JUL P | 0.3% | -- | 0.1% | 00:00 | 10:00 |
| | | Consumer Price Index y/y | JUL P | 2.3% | -- | 2.3% | 00:00 | 10:00 |
| | UK | CBI Business Optimism | JUL | -- | -- | 9 | 10:00 | 20:00 |
| | | CBI Trends Selling Prices | JUL | 25 | -- | 27 | 10:00 | 20:00 |
| | | CBI Trends Total Orders | JUL | -3 | -- | 1 | 10:00 | 20:00 |

DATA & EVENT CALENDAR

| DATE | COUNTRY | DATA/EVENT | PERIOD | MARKET | ANZ | LAST | GMT | AEST |
|---------------------------|---------|--|--------|--------|------|---------|--------------|--------------|
| Wednesday 27-Jul cont. | US | Treasury Auctions 5-Year Notes | | | | | | |
| | | MBA Mortgage Applications | Jul-22 | -- | -- | 15.5% | 11:00 | 21:00 |
| | | Cap Goods Orders Nondef Ex Air | JUN | 0.6% | -- | 1.6% | 12:30 | 22:30 |
| | | Cap Goods Ship Nondef Ex Air | JUN | -- | -- | 1.4% | 12:30 | 22:30 |
| | | Durable Goods Orders | JUN | 0.3% | -- | 2.1% | 12:30 | 22:30 |
| | | Durables Ex Transportation | JUN | 0.5% | -- | 0.7% | 12:30 | 22:30 |
| | | Fed Releases Beige Book Economic Survey | | | | | 18:00 | 04:00 |
| | | Fed's Beige Book | | | | | 18:00 | 04:00 |
| | CA | Teranet/National Bank HP Index | MAY | -- | -- | 140.47 | 13:00 | 23:00 |
| | | Teranet/National Bank HPI m/m | MAY | -- | -- | 1.1% | 13:00 | 23:00 |
| | | Teranet/National Bank HPI y/y | MAY | -- | -- | 4.4% | 13:00 | 23:00 |
| Thursday 28-Jul | NZ | RBNZ Official Cash Rate | Jul-28 | 2.5% | 2.5% | 2.5% | 21:00 | 07:00 |
| | JN | Foreign Buying Japan Bonds | Jul-22 | -- | -- | ¥121.3B | 23:50 | 09:50 |
| | | Foreign Buying Japan Stocks | Jul-22 | -- | -- | ¥105.0B | 23:50 | 09:50 |
| | | Japan Buying Foreign Bonds | Jul-22 | -- | -- | -¥89.7B | 23:50 | 09:50 |
| | | Japan Buying Foreign Stocks | Jul-22 | -- | -- | -¥72.7B | 23:50 | 09:50 |
| | | Large Retailers' Sales | JUN | -0.4% | -- | -2.5% | 23:50 | 09:50 |
| | | Retail Trade m/m sa | JUN | 1.5% | -- | 2.4% | 23:50 | 09:50 |
| | | Retail Trade y/y | JUN | -0.5% | -- | -1.3% | 23:50 | 09:50 |
| | EU | ECB Publishes its Bank Lending Survey | | | | | 08:00 | 18:00 |
| | | Business Climate Indicator | JUL | 0.84 | -- | 0.92 | 09:00 | 19:00 |
| | | Euro-Zone Consumer Confidence | JUL F | -11.4 | -- | -11.4 | 09:00 | 19:00 |
| | | Euro-Zone Economic Confidence | JUL | 104 | -- | 105.1 | 09:00 | 19:00 |
| | | Euro-Zone Indust. Confidence | JUL | 2 | -- | 3.2 | 09:00 | 19:00 |
| | | Euro-zone Services Confidence | JUL | 9.4 | -- | 9.9 | 09:00 | 19:00 |
| | GE | Unemployment Change (000's) | JUL | -13K | -- | -8K | 07:55 | 17:55 |
| | | Unemployment Rate sa | JUL | 7.0% | -- | 7.0% | 07:55 | 17:55 |
| | UK | CBI Reported Sales | JUL | 1 | -- | -2 | 10:00 | 20:00 |
| | | GfK Consumer Confidence Survey | JUL | -24 | -- | -25 | 23:01 | 09:01 |
| | US | Treasury Auctions 7-Year Notes | | | | | | |
| | | Continuing Claims | Jul-16 | -- | -- | 3698K | 12:30 | 22:30 |
| | | Initial Jobless Claims | Jul-23 | -- | -- | 418K | 12:30 | 22:30 |
| | | Bloomberg Consumer Comfort | Jul-24 | -- | -- | -43.3 | 13:45 | 23:45 |
| | | Pending Home Sales m/m | JUN | -2.0% | -- | 8.2% | 14:00 | 00:00 |
| | | Pending Home Sales y/y | JUN | -- | -- | 15.5% | 14:00 | 00:00 |
| | | Fed's Lacker (non-voter) Speaks on economy in Chantilly, Virginia | | | | | 16:45 | 02:45 |
| | | Fed's Williams (non-voter) Speaks in Salt Lake City | | | | | 18:30 | 04:30 |
| | PO | Bank of Portugal Publishes Bank Survey on Credit Market | | | | | 00:00 | 10:00 |
| Friday 29-Jul | NZ | Building Permits m/m | JUN | 3.0% | 4.0% | 2.2% | 22:45 | 08:45 |
| | | Money Supply M3 y/y | JUN | -- | -- | 5.7% | 03:00 | 13:00 |
| | AU | RPData-Rismark House Px S.A | JUN | -- | -- | -- | 14:00 | 00:00 |
| | | RPData-Rismark House Px Raw | JUN | -- | -- | -0.5% | 00:30 | 10:30 |
| | | Private Sector Credit m/m | JUN | 0.4% | 0.3% | 0.3% | 01:30 | 11:30 |
| | | Private Sector Credit y/y | JUN | 3.2% | 3.2% | 3.1% | 01:30 | 11:30 |
| | | International Reserves and FX Liquidity | JUN | -- | -- | -- | 01:30 | 11:30 |
| | | AOFM Auctions A\$1,000m of October 2015 Bonds | | | | | | |
| | JN | Markit/JMMA Manufacturing PMI | JUL | -- | -- | 50.7 | 23:15 | 09:15 |
| | | Jobless Rate | JUN | 4.6% | -- | 4.5% | 23:30 | 09:30 |
| | | Job-To-Applicant Ratio | JUN | 0.61 | -- | 0.61 | 23:30 | 09:30 |
| | | Natl CPI Ex Food, Energy y/y | JUN | 0.1% | -- | 0.1% | 23:30 | 09:30 |
| | | Natl CPI Ex-Fresh Food y/y | JUN | 0.5% | -- | 0.6% | 23:30 | 09:30 |
| | | Natl CPI y/y | JUN | 0.2% | -- | 0.3% | 23:30 | 09:30 |
| | | Overall Hhold Spending y/y | JUN | -2.3% | -- | -1.9% | 23:30 | 09:30 |
| | | Industrial Production m/m | JUN P | 4.5% | -- | 6.2% | 23:50 | 09:50 |
| | | Industrial Production y/y | JUN P | -1.2% | -- | -5.5% | 23:50 | 09:50 |
| | | Loans & Discounts Corp y/y | JUN | -- | -- | -2.0% | 23:50 | 09:50 |
| | | Vehicle Production y/y | JUN | -- | -- | -30.9% | 04:00 | 14:00 |
| | | Annualized Housing Starts | JUN | 0.809M | -- | 0.815M | 05:00 | 15:00 |
| | | Construction Orders y/y | JUN | -- | -- | 25.5% | 05:00 | 15:00 |
| | | Housing Starts y/y | JUN | 4.6% | -- | 6.4% | 05:00 | 15:00 |
| | CH | MNI Business Condition Survey | JUL | -- | -- | -- | 01:35 | 11:35 |
| | EU | Euro-Zone CPI Estimate y/y | JUL | 2.7% | -- | 2.7% | 09:00 | 19:00 |
| | UK | M4 Ex OFCs 3M Annualised | JUN | -- | -- | 1.0% | 08:30 | 18:30 |
| | | M4 Money Supply m/m | JUN | -- | -- | 0.1% | 08:30 | 18:30 |
| | | M4 Money Supply y/y | JUN | -- | -- | -0.2% | 08:30 | 18:30 |
| | | Mortgage Approvals | JUN | 46.2K | -- | 45.9K | 08:30 | 18:30 |
| | | Net Consumer Credit | JUN | 0.3B | -- | 0.2B | 08:30 | 18:30 |
| | | Net Lending Sec. on Dwellings | JUN | -- | -- | 1.1B | 08:30 | 18:30 |

DATA & EVENT CALENDAR

| DATE | COUNTRY | DATA/EVENT | PERIOD | MARKET | ANZ | LAST | GMT | AEST |
|-------------|---------|---|--------|--------|-----|-------|--------------|--------------|
| Friday | US | Annual Revisions: Gross Domestic Product | | | | | 12:30 | 22:30 |
| 29-Jul cont | | Core PCE q/q | 2Q A | 2.2% | -- | 1.6% | 12:30 | 22:30 |
| | | Employment Cost Index | 2Q | 0.5% | -- | 0.6% | 12:30 | 22:30 |
| | | GDP Price Index | 2Q A | 2.0% | -- | 2.0% | 12:30 | 22:30 |
| | | GDP q/q (Annualised) | 2Q A | 1.7% | -- | 1.9% | 12:30 | 22:30 |
| | | Personal Consumption | 2Q A | 1.0% | -- | 2.2% | 12:30 | 22:30 |
| | | Chicago Purchasing Manager | JUL | 60 | -- | 61.1 | 13:45 | 23:45 |
| | | U. of Michigan Confidence | JUL F | 64 | -- | 63.8 | 13:55 | 23:55 |
| | | NAPM-Milwaukee | JUL | -- | -- | 59.3 | 14:00 | 00:00 |
| | | Fed's Bullard (non-voter) and Lockhart (non-voter) Discuss Monetary Policy | | | | | 19:15 | 05:15 |
| | CA | Gross Domestic Product m/m | MAY | 0.1% | -- | 0.0% | 12:30 | 22:30 |
| | | Gross Domestic Product y/y | MAY | -- | -- | 2.8% | 12:30 | 22:30 |
| | | Industrial Product Price m/m | JUN | -- | -- | -0.2% | 12:30 | 22:30 |
| | | Raw Materials Price Index m/m | JUN | -- | -- | -5.2% | 12:30 | 22:30 |

FIVE WEEKS AT A GLANCE

| MONDAY | TUESDAY | WEDNESDAY | THURSDAY | FRIDAY |
|--|---|--|---|--|
| <p>25 JULY AU: PPI (Q2), RBA's Edey speaks US: Chicago Fed Activity Index (Jun), Dallas Fed Manufacturing Index (Jul)</p> | <p>26 JULY NZ: Trade (Jun) AU: RBA's Glenn Stevens Speaks GE: GfK Consumer Confidence (Aug) UK: GDP (Q2 A) US: Case Shiller House Prices (May), Consumer Confidence (Jul), Richmond Fed (Jul), New Home Sales (Jun)</p> | <p>27 JULY NZ: Business Confidence (Jul) AU: CPI (Q2) GE: CPI (Jul P) US: Fed's Beige Book, Durable Goods Orders (Jun), Capital Goods Orders (Jun)</p> | <p>28 JULY NZ: RBNZ Cash Rate decision JP: Retail Sales (Jun) EU: Consumer Confidence (Jul F), Economics, Indust., & Services Confidence (Jul) GE: Unemployment Rate (Jul) UK: GfK Consumer Confidence Survey (Jul), US: Pending Home Sales (Jun) Fed's Williams Speaks</p> | <p>29 JULY NZ: Building Permits (Jun) AU: RP Rismark House Prices (Jun), Private Sector Credit (Jun) JP: Manufacturing PMI (Jul), Jobless Rate (Jun), CPI (Jun), IP (Jun P), Vehicle Production (Jun), Housing Starts (Jun), EU: CPI estimate (Jul) UK: Net Consumer Credit (Jun), Mortgage Approvals (Jun) US: WCI (Q2), GDP (Q2 A), Core PCE (Q2 A), Chicago PMI (Jul) Fed's Bullard and Lockhart Speak CA: GDP (May)</p> |
| <p>1 AUGUST CH: PMI Manufacturing (Jul) EU: PMI Manufacturing (Jul F), Unemployment (Jun) GE: PMI Manufacturing (Jul F) UK: PMI Manufacturing (Jul) US: ISM Manufacturing (Jul), Construction Spending (Jun)</p> | <p>2 AUGUST NZ: Private Wages (Q2) AU: Trade (Q2), Building Approvals (Jun), House Price Index (Q2), RBA Cash Rate EU: Eurozone PPI (Jun) GE : Retail Sales (Jun) UK: PMI Construction (Jul) US: Personal Income and Spending (Jun), PCE Core Deflator (Jun)</p> | <p>3 AUGUST AU: Retail Sales (Jun), Trade (Jun) CH: Non-manufacturing PMI (Jul) EU: PMI Services and Composite (Jul F), Retail Sales (Jun) GE: PMI Services (Jul F) UK: PMI Services (Jul) US: ADP Employment (Jul), ISM non-manufacturing (Jul), Factory orders (Jun), Challenger Job Cuts (Jul)</p> | <p>4 AUGUST NZ: Employment (Q2) EU: ECB Announces Rates, Trichet Speaks GE: Factory Orders (Jun), Import Price Index (Jun) UK: BoE Announces Rates US: ICSC chain store sales (Jul),</p> | <p>5 AUGUST AU: RBA's SoMP JP: BoJ Target Rate GE: Industrial Production (Jun) UK: PPI (Jul) US: Payrolls (Jul), Unemployment (Jul) Consumer Credit (Jun) CA: Employment (Jul), Building Permits (Jun), Ivey PMI (Jul)</p> |
| <p>8 AUGUST AU: TD Securities Inflation (Jul), ANZ Job Ads (Jul) JP: Eco Watchers Survey (Jul), CA (Jun), Trade (Jun) EU: Sentix Investor Confidence (Aug) UK: RICS House Prices (Jul)</p> | <p>9 AUGUST NZ: Card Spending (Jul) AU: NAB Business Confidence (Jul), Housing Finance (Jun) JP: Consumer Confidence (Jul) GE: Trade (Jun), CA (Jun) UK: IP (Jun), Trade (Jun), Manufacturing Production (Jun), NIESR GDP (Jul) US: NFIB Small Business Optimism (Jul), Unit Labour Costs (Q2 P), FOMC Rates Decision CA: Housing Starts (Jul)</p> | <p>10 AUGUST AU: Consumer Confidence (Aug), Real Retail Sales (Q2) JP: Domestic CGPI (Jul) CH: Trade (Jul) GE: CPI UK: BoE inflation report US: JOLTS Job Openings (Jun), Momthly Budget Statement (Jul)</p> | <p>11 AUGUST NZ: Business NZ PMI (Jul) AU: Employment (Jul) JP: Machine Tool Orders (Jun) CH: PPI (Jul), CPI (Jul), Retail Sales (Jul), IP (Jul) EU: ECB Publishes Monthly Report US: Trade (Jun) CA: New House Price Index (Jun), Merchandise Trade (Jun)</p> | <p>12 AUGUST NZ: Real Retail Sales (Q2) JP: IP (Jun F) EU: IP (Jun) US: Retail Sales (Jul), Uni. Of Michigan Confidence (Aug P), Business Inventories (Jun)</p> |
| <p>15 AUGUST NZ: Performance of Services Index (Jul) AU: Motor Sales (Jul) JP: GDP (Q2 P) US: Empire Manufacturing (Aug), TIC Flows (Jun), NAHB Housing Market Index (Aug)</p> | <p>16 AUGUST AU: RBA Minutes EU: GDP (Q2 A), Trade (Jun) GE: GDP (Q2 P) UK: CPI (Jul), RPI (Jul) US: Import Prices (Jul), Housing Starts (Jul), Building Permits (Jul), IP (Jul) CA: Manufacturing Sales (Jun)</p> | <p>17 AUGUST NZ: PPI (Q2) AU: WPI (Q2) EU: Current Account (Jun), CPI (Jul) UK: BoE Minutes (Jul), Unemployment (Jun), Jobless Claims Change (Jul) US: PPI (Jul)</p> | <p>18 AUGUST AU: AWOTE (May) JP: Trade (Jul) EU: Construction Output (Jun) UK: Retail Sales (Jul) US: CPI (Jul), Philly Fed (Aug), Existing Home Sales (Jul) CA: Wholesale Sales (Jun)</p> | <p>19 AUGUST NZ: Net Migration (Jul), Credit Card Spending (Jul) GE: PPI (Jul) CA: CPI (Jul)</p> |
| <p>22 AUGUST US: Chicago Fed Activity Index (Jul)</p> | <p>23 AUGUST JP : Machine Tool Orders (Jul F) EU : ZEW Survey (Aug), Consumer Confidence (Aug A) GE : ZEW Survey (Aug) US : Richmond Fed Manufacturing Index (Aug), New Homes Sales (Jul) CA : Retail Sales (Jun)</p> | <p>24 AUGUST NZ: Trade Balance (Jul) AU : Construction Work Done (Q2) EU : Ind. New Orders (Jun) GE : IFO (Aug) US : Durable & Capital Goods Orders (Jul)</p> | <p>25 AUGUST NZ: Food Prices (Jul)</p> | <p>26 AUGUST JP: CPI (Jul), Tokyo CPI (Aug) GE: GfK Consumer Confidence (Sep) UK: GDP (Q2 P) US: GDP (Q2 S), Personal Consumption (Q2 S), Core PCE (Q2 S), Univ. of Michigan Consumer Confidence (Aug F)</p> |

CENTRAL BANK RELEASES FOR 2011

| JANUARY | FEBRUARY | MARCH | APRIL |
|---|---|---|--|
| 5th – FOMC Minutes 13th – BoE 13th – ECB 25th – BoJ 26th – FOMC 26th – BoE Minutes 27th – RBNZ 28th – BoJ Minutes | 1st – RBA 3rd – ECB 4th – RBA MP Statement 10th – BoE 15th – RBA Minutes 15th – BoJ 22nd – BoJ Minutes 23rd – BoE Minutes | 1st – RBA 1st – BoC 3rd – ECB 10th – RBNZ 10th – RBNZ MP Statement 10th – BoE 15th – BoJ 15th – RBA Minutes 15th – FOMC 17th – SNB 18th – BoJ Minutes 23rd – BoE Minutes | 5th – RBA 7th – BoJ 7th – BoE 7th – ECB 12th – BoJ Minutes 12th – BoC 19th – RBA Minutes 20th – BoE Minutes 27th – FOMC 28th – RBNZ 28th – BoJ |
| MAY | JUNE | JULY | AUGUST |
| 3rd – RBA 6th – RBA MP Statement 5th – BoE 5th – ECB 9th – BoJ Minutes 17th – RBA Minutes 18th – BoE Minutes 20th – BoJ 25th – BoJ Minutes 31st – BoC | 7th – RBA 9th – RBNZ 9th – RBNZ MP Statement 9th – BoE 9th – ECB 14th – BoJ 16th – SNB 17th – BoJ Minutes 21st – RBA Minutes 22nd – BoE Minutes 22nd – FOMC | 5th – RBA 7th – ECB 7th – BoE 12th – BoJ 13th – FOMC Minutes 15th – BoJ Minutes 19th – RBA Minutes 19th – BoC 20th – BoE Minutes 28th – RBNZ | 2nd – RBA 4th – ECB 4th – BoE 5th – BoJ 9th – FOMC 10th – BoJ Minutes 16th – RBA Minutes 17th – BoE Minutes 30th – FOMC Minutes |
| SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER |
| 6th – RBA 7th – BoJ 7th – BoC 8th – ECB 8th – BoE 12th – BoJ Minutes 15th – RBNZ 28th – RBNZ MP Statement 15th – SNB 20th – RBA Minutes 20th – FOMC 21st – BoE Minutes | 4th – RBA 6th – ECB 6th – BoE 7th – BoJ 11th – FOMC Minutes 13th – BoJ Minutes 18th – RBA Minutes 19th – BoE Minutes 25th – BoC 27th – RBNZ 27th – BoJ | 1st – RBA 1st – BoJ Minutes 2nd – FOMC 3rd – ECB 10th – BoE 16th – BoJ 18th – RBA Minutes 21st – BoJ Minutes 22nd – FOMC Minutes 23rd – BoE Minutes | 6th – RBA 6th – BoC 8th – RBNZ 8th – RBNZ MP Statement 8th – ECB 8th – BoE 13th – FOMC 15th – SNB 20th – RBA Minutes 21st – BoJ 21st – BoE Minutes 27th – BoJ Minutes |

***Notes:** Entries are the dates of central bank interest rate announcements for 2011, unless specified as minutes or otherwise.

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

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

Source: Central bank websites.

FORECASTS

| AUSTRALIAN ECONOMIC INDICATORS | 2010 | 2011F | 2012F | 2013F |
|--|------------|------------|------------|------------|
| Economic activity (annual % change) | | | | |
| Private final demand | 2.0 | 3.5 | 4.7 | 6.2 |
| Household consumption | 2.8 | 2.3 | 2.0 | 2.3 |
| Dwelling investment | 4.0 | 3.4 | -1.9 | 7.6 |
| Business investment | -0.7 | 9.1 | 16.0 | 17.2 |
| Public demand | 9.0 | 3.3 | 3.2 | 2.0 |
| Domestic final demand | 3.6 | 3.5 | 4.3 | 5.2 |
| Inventories (contribution to GDP) | 0.4 | -0.2 | 0.0 | 0.0 |
| Gross National Expenditure (GNE) | 4.1 | 3.3 | 4.3 | 5.1 |
| Exports | 5.3 | -0.6 | 12.6 | 10.5 |
| Imports | 13.3 | 9.7 | 14.0 | 12.4 |
| Net Exports (contribution to GDP) | -1.6 | -2.4 | -0.6 | -0.8 |
| Gross Domestic Product (GDP) | 2.8 | 1.0 | 3.4 | 3.6 |
| Prices and wages (annual % change) | | | | |
| Inflation: | | | | |
| Headline CPI | 2.8 | 3.3 | 3.2 | 3.7 |
| Underlying* | 2.6 | 2.5 | 3.2 | 3.5 |
| Wages | 3.3 | 3.8 | 4.1 | 4.3 |
| Labour market | | | | |
| Employment (annual % change) | 2.7 | 2.1 | 2.0 | 2.0 |
| Unemployment rate (annual average %) | 5.2 | 4.9 | 4.8 | 4.5 |
| External sector | | | | |
| Terms of trade (annual % change) | 16.6 | 18.5 | 2.9 | -1.9 |
| Current account balance: A\$bn | -34.6 | -21.2 | -28.3 | -44.7 |
| % of GDP | -2.6 | -1.5 | -1.8 | -2.7 |

* Average of RBA weighted median and trimmed mean statistical measure

| AUSTRALIAN INTEREST RATES | CURRENT | SEP 11F | DEC 11F | MAR 12F | JUN 12F | SEP 12F |
|---------------------------|---------|---------|---------|---------|---------|---------|
| RBA cash rate | 4.75 | 4.75 | 4.75 | 5.00 | 5.00 | 5.25 |
| 90 day bill | 4.97 | 4.95 | 4.95 | 5.20 | 5.20 | 5.45 |
| 3 year bond | 4.43 | 5.00 | 5.30 | 5.65 | 5.75 | 6.05 |
| 10 year bond | 4.99 | 5.40 | 5.70 | 5.90 | 6.00 | 6.20 |
| 3s10s yield curve | 0.56 | 0.40 | 0.40 | 0.25 | 0.25 | 0.15 |
| 3 year swap | 4.84 | 5.35 | 5.65 | 6.03 | 6.13 | 6.45 |
| 10 year swap | 5.63 | 5.98 | 6.28 | 6.45 | 6.55 | 6.75 |

| INTERNATIONAL INTEREST RATES | CURRENT | SEP 11F | DEC 11F | MAR 12F | JUN 12F | SEP 12F |
|------------------------------|---------|---------|---------|---------|---------|---------|
| RBNZ cash rate | 2.50 | 2.50 | 2.75 | 3.25 | 3.50 | 3.75 |
| NZ 90 day bill | 2.74 | 2.67 | 3.11 | 3.67 | 3.75 | 4.17 |
| US Fed funds note | 0.25 | 0.25 | 0.25 | 0.75 | 1.50 | 2.00 |
| US 2 year note | 0.39 | 0.60 | 1.00 | 1.30 | 1.80 | 2.30 |
| US 10 year note | 3.00 | 3.30 | 3.60 | 3.80 | 4.10 | 4.30 |
| Japan call rate | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 |
| ECB refinance rate | 1.50 | 1.50 | 1.50 | 1.50 | 1.75 | 2.00 |
| UK repo rate | 0.50 | 0.50 | 0.50 | 0.75 | 1.00 | 1.25 |

FORECASTS

| FOREIGN EXCHANGE RATES | CURRENT | SEP 11F | DEC 11F | MAR 12F | JUN 12F | SEP 12F |
|----------------------------------|---------|---------|---------|---------|---------|---------|
| Australian exchange rates | | | | | | |
| A\$/US\$ | 1.08 | 1.08 | 1.08 | 1.06 | 1.03 | 1.01 |
| NZ\$/US\$ | 0.86 | 0.80 | 0.81 | 0.79 | 0.77 | 0.75 |
| A\$/¥ | 85.2 | 91.8 | 94.0 | 94.3 | 93.7 | 93.9 |
| A\$/€ | 0.75 | 0.79 | 0.80 | 0.80 | 0.76 | 0.74 |
| A\$/£ | 0.66 | 0.68 | 0.69 | 0.68 | 0.66 | 0.64 |
| A\$/NZ\$ | 1.26 | 1.35 | 1.33 | 1.34 | 1.34 | 1.35 |
| A\$/C\$ | 1.02 | 1.03 | 1.04 | 1.04 | 1.02 | 1.02 |
| A\$/CHF | 0.89 | 0.97 | 0.99 | 1.00 | 0.99 | 0.99 |
| A\$/CNY | 6.99 | 6.89 | 6.80 | 6.59 | 6.32 | 6.13 |
| A\$ Trade weighted index | 77.3 | 80.2 | 80.7 | 79.2 | 76.7 | 75.1 |
| International cross rates | | | | | | |
| US\$/¥ | 78.6 | 85.0 | 87.0 | 89.0 | 91.0 | 93.0 |
| €/US\$ | 1.44 | 1.37 | 1.35 | 1.33 | 1.35 | 1.37 |
| €/¥ | 113 | 116 | 117 | 118 | 123 | 127 |
| £/US\$ | 1.63 | 1.59 | 1.56 | 1.55 | 1.57 | 1.58 |
| €/£ | 0.88 | 0.86 | 0.87 | 0.86 | 0.86 | 0.87 |
| US\$/C\$ | 0.94 | 0.95 | 0.96 | 0.98 | 0.99 | 1.01 |
| US\$/CHF | 0.82 | 0.90 | 0.92 | 0.94 | 0.96 | 0.98 |
| US\$ index | 74.1 | 77.4 | 78.6 | 80.4 | 80.1 | 80.5 |
| Asia exchange rates | | | | | | |
| US\$/CNY | 6.45 | 6.38 | 6.30 | 6.22 | 6.14 | 6.07 |
| US\$/HKD | 7.79 | 7.78 | 7.80 | 7.80 | 7.80 | 7.80 |
| US\$/IDR | 8527 | 8704 | 8704 | 8573 | 8445 | 8318 |
| US\$/INR | 44.4 | 46.0 | 46.6 | 45.9 | 45.2 | 44.6 |
| US\$/KRW | 1050 | 1118 | 1137 | 1120 | 1103 | 1087 |
| US\$/MYR | 2.98 | 3.08 | 3.10 | 3.07 | 3.04 | 3.02 |
| US\$/PHP | 42.4 | 44.4 | 44.9 | 44.5 | 44.1 | 43.7 |
| US\$/SGD | 1.21 | 1.25 | 1.26 | 1.25 | 1.24 | 1.23 |
| US\$/THB | 29.83 | 31.10 | 31.40 | 31.20 | 31.10 | 30.90 |
| US\$/TWD | 28.87 | 29.40 | 29.70 | 29.40 | 29.10 | 28.90 |
| US\$/VND | 20595 | 20800 | 20800 | 21400 | 21400 | 21400 |
| Pacific exchange rates | | | | | | |
| PGK/US\$ | 0.443 | 0.385 | 0.378 | 0.372 | 0.366 | 0.366 |
| FJD/US\$ | 0.571 | 0.548 | 0.538 | 0.530 | 0.522 | 0.522 |

IMPORTANT NOTICE

Australia and New Zealand Group Limited is represented in:

AUSTRALIA

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