ECONOMICS & MARKETS RESEARCH
AUSTRALIAN ECONOMICS TOOLBOX

10 SEPTEMBER 2010

INSIDE

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NEARING THE NAIRU

- **The RBA left the cash rate on hold this week.** Global uncertainty appears to be keeping the RBA on the sidelines despite the positive domestic outlook. The wording of the accompanying statement was very similar to last month, although we note that the RBA now believes monetary policy settings are appropriate "for the time being".
- **A robust set of Australian labour market figures for August on Thursday saw rates markets return to pricing over a 50% chance of an RBA rate hike by year end.** Employment rose by 30.9K but it was the strength of full-time employment that was particularly striking, posting a 53.1K rise. With the unemployment rate falling to 5.1%, it is now approaching inflationary levels; the natural rate of unemployment (the NAIRU) is estimated at between 4.5% and 5%.
- **The Australian Labor Party has formed a minority government with the backing of three independents and one member of the Greens.** The Greens will also hold the balance of power in the Senate. While the independents have stressed the importance of stability of government, expect thorough scrutiny of all legislation before parliament and protracted negotiation on major policy initiatives.
- In wooing the independents, the ALP has committed almost $10bn in spending for regional Australia over the next decade. Much of this will come from the previously announced $6bn regional infrastructure fund and existing health and education funds. Only $763mn will be new spending, suggesting a limited impact on the budget bottom line.
- A run of stronger than expected global data over the past week, particularly for the US labour market, has seen a **moderation in global risk aversion, resulting in a modest rally in equity markets and a sell off in bond markets.** Together with higher local interest rate expectations, this has put upward pressure on the AUD which is currently trading at USD0.9224 after hitting a high of USD0.9278 overnight.

THE WEEK AHEAD

- It will be quiet a data week in **Australia,** with the main focus on August business confidence and conditions and September consumer confidence for indications of the relative strength of the business and household sectors.
- Internationally we continue to get more data out of Asia with the monthly **Chinese data dump** this week that includes the PPI, CPI, industrial production, retail sales and urban fixed asset investment.
- There are a host of **European data** out this week. With the ECB raising its growth forecasts for the region today, markets will be focusing on industrial production, construction output and employment data to support this upgrade. UK and Euro zone CPI figures will also be released, as will UK jobless claims, wages and retail sales data.
- **US** data will focus on the household sector this week, where economists are hoping to see higher activity in retail sales, inventories, consumer confidence and MBA Mortgage Applications.

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FEEDBACK FROM THE ROAD

We are currently in the midst of our bi-annual corporate roadshow. So far we have visited clients across Victoria (VIC), South Australia (SA) and Western Australia (WA). **The feedback so far suggests the expected acceleration in Australian economic growth remains on track, but that the re-emergence of the 'two-speed economy' is occurring quickly.** Western Australia is all 'blue skies' and euphoria. Victoria is a little mixed but cautiously confident overall. South Australia is hopeful.

Despite recent heightened global uncertainty, the mining investment boom remains on track for the big miners. But for the smaller miners it appears that the Minerals Resource Rent Tax (MRRT) is affecting their access to global capital markets, and thus hampering exploration and possibly investment plans. This could take the edge off Australia's expected mining investment boom, but at this stage doesn't materially change our strong economic forecasts. Our bullish forecasts for Australian investment are predominantly being driven by the large projects being undertaken by the bigger miners.

Outside of mining, current and prospective conditions are mixed. Retailing appears to be holding up okay, but some companies have seen consumers continue to substitute from top-end to lower-end goods and services. The pressure to discount in retailing remains strong. Sectors exposed to the housing sector are, understandably, concerned about the impact of further interest rate rises. Non-residential construction activity outside of mining and infrastructure remains a little flat, although there are some encouraging signs in the commercial property space.

A tighter labour market is becoming a consistent message across the three states. Both large corporates and recruitment firms confirm that labour demand has started to pick up sharply across the professional services sector. Skills shortages for engineers are already high and wage pressures for this profession are sky-rocketing. Labour shortages and higher labour turnover rates are, as expected, most evident in WA. Strong demand from the mining industry is making it hard to fill vacancies in non-mining industries. Wage pressures are also becoming a concern in the non-mining states, with pressure for wage rises by employees building after a number of years of weak wage outcomes. WA companies are again using the 457 Visa (employer-sponsored temporary business visas) to meet labour demand. As discussed below, we expect a strengthening labour market will be a key factor driving further monetary policy tightening before year-end.

Rising non-wage input prices were also a recurring theme. Higher commodity prices are a problem for many companies. One manufacturer for example highlighted the rising price of tin cans. Many firms also noted rising labour prices and increasing labour shortages for offshore manufacturing ventures, especially in China. Some are now planning or investigating moving operations from China to other parts of Asia to avoid further labour price pressures.

The ability to pass these higher input costs to final selling prices however is still limited. Retailers are facing the biggest pressure to absorb higher input costs, but most domestic-oriented firms suggest 'price-making' abilities are constrained. This is good news from an inflation perspective (if it lasts!) although we note that: (a) domestic demand is forecast to accelerate from here and; (b) most inflationary pressure is not coming from the retail sector, but from utility prices, housing costs (particularly rents), health and education and this is expected to continue.

AUSTRALIAN EMPLOYMENT SURPRISES AGAIN

Yesterday's labour market data saw a re-think of market pricing for future rate hikes. 30-day interbank futures contracts are now pricing in a 54% chance of a rate hike by the end of 2010 compared with just a 10% probability priced in on Wednesday. In our view the market is moving in the right direction, although it still has a fair way to go.

Employment gained 30.9K in August, above the consensus expectation for a 25K gain. But it was **the strength of full-time employment which really caught the market's attention** (see Figure 1 below). Full-time employment surged 53.1K in

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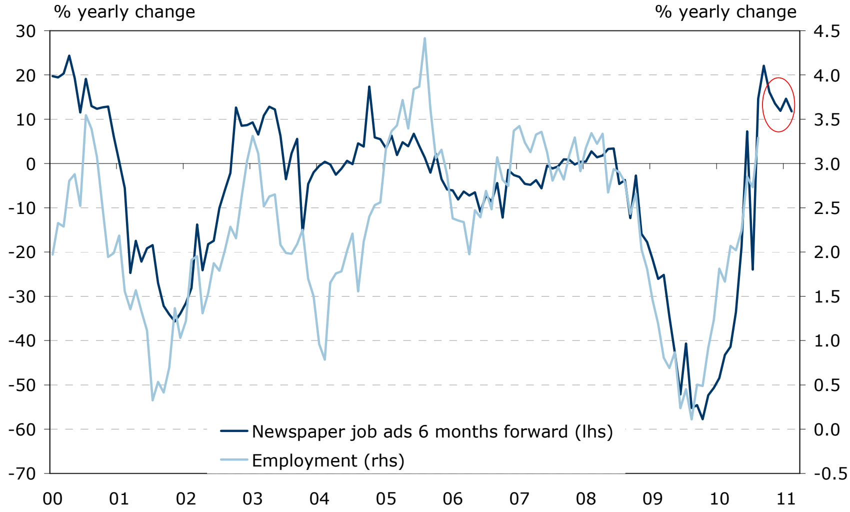
August and has now accounted for three-quarters of newly created jobs over the past year (267.1K out of the total 349.7K increase in total employment).

Strong jobs growth saw the unemployment rate dip to 5.1% in August, the lowest level since January 2009. The forward-looking indicators of labour demand, such as ANZ Job Ads (Figure 1 below) point to further solid monthly gains in employment, although the yearly rate of employment may slow from recent strong rates. **It is therefore looking increasingly likely that the unemployment rate will soon approach inflationary levels.** Our estimate of the natural rate of unemployment (or the NAIRU) is between 4.5% and 5%.

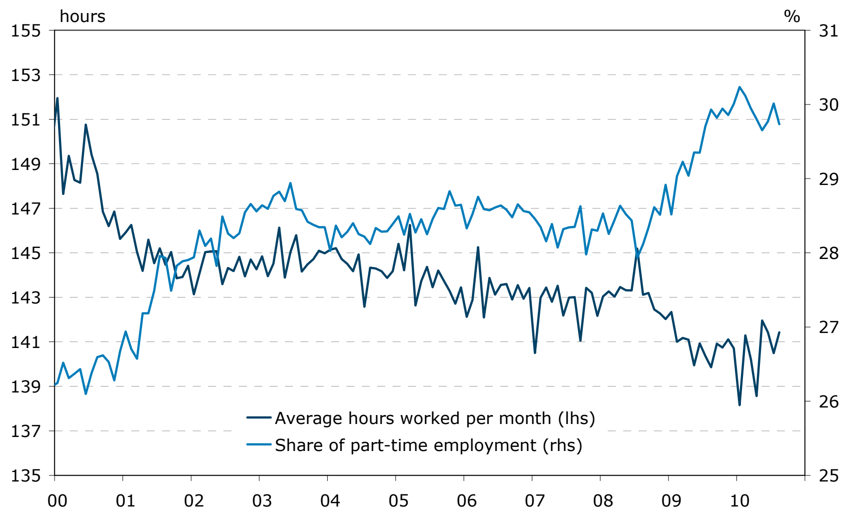
FIGURE 1: EMPLOYMENT TO ACCELERATE FURTHER



Source: Australian Bureau of Statistics, ANZ.

We continue to watch average hours worked. So far, average hours worked is only creeping higher, despite the pick up in full-time employment and the fall in part-time employment as a share of total employment (see Figure 2). In trend terms, average hours worked per person is only slightly above its 2009 trough and remains 1.4% below its 2008 average. We therefore look for the pick up in labour demand to also be reflected in average hours worked. This will limit further falls in the unemployment rate; indeed this is why we are only expecting the unemployment rate to drift lower. However rising average hours worked is still positive for household income growth, posing upward risks for the RBA's household consumption and inflation forecasts.

FIGURE 2: AVERAGE HOURS WORKED HAS SOME WAY TO GO



Source: Australian Bureau of Statistics, ANZ.

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WEEKLY DATA WRAP

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- **ANZ Job Advertisements** rose 2.6% in August after a rise of 1.4% (revised up from 1.3%) in July. Newspaper ads rose 1.5% while internet ads rose 2.6% over the month, bringing the annual growth rates to 11.8% and 37.8% respectively.
- **The AIG Performance of Construction Index** remained broadly unchanged at 43.2 (prior 43.3), but is still below 50 indicating a contraction in the industry. Engineering work rose 4.1 points to 40.3, commercial work gained 7.6 points to 42.9, while house building fell 0.5 points to 38.4 in August.
- **TD Securities Inflation** rose to 0.2% in August from 0.1% in July bringing the annual rate to 3.0%.
- **The RBA decided to keep rates on hold at 4.50%.** The accompanying statement was relatively 'neutral' with similar wording to the previous month, although we note that the RBA now says the setting of monetary policy is appropriate "for the time being". The RBA continues to cite a strong domestic outlook but an uncertain global backdrop.
- **Housing finance** data for July showed that the *value* of owner-occupied housing finance commitments increased by 2.3%, investor approvals fell 2.3%, with the total value of housing finance commitments up 0.7% (down 0.2% excluding refinancing). In annual terms, the value of owner-occupier commitments excluding refinancing is now 19.4% lower, with investor approvals 10.7% higher. The *number* of owner-occupier housing finance approvals rose by 1.7% in July.
- **Labour force** data revealed that employment grew by 30,900 jobs in August, with an increase of 53,100 full time jobs outweighing a 22,100 reduction in part time jobs. The increase in employment and fall in the participation rate from 65.5% in July to 65.4% in August saw the unemployment rate fall by 0.2% to 5.1%.

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
10-15 SEP	CH	New Yuan Loans	AUG	500.0B	nf	532.8B	-	-
	CH	Money Supply - M0 YoY	AUG	na	nf	15.5%	-	-
	CH	Money Supply - M1 YoY	AUG	22.2%	nf	22.9%	-	-
	CH	Money Supply - M2 YoY	AUG	17.5%	nf	17.6%	-	-
12-16 SEP	UK	Nationwide Consumer Confidence	AUG	na	nf	56	-	-
13-16 SEP	CH	Actual FDI YoY	AUG	25.0%	nf	29.2%	-	-
	GE	Wholesale Price Index MoM	AUG	0.3%	nf	-0.3%	-	-
	GE	Wholesale price Index YoY	AUG	5.0%	nf	5.3%	-	-
13-Sep	NZ	Food Prices MoM	AUG	na	nf	1.6%	22:45	08:45
	CH	Producer Price Index YoY	AUG	4.5%	5.0%	4.8%	02:00	12:00
		Purchasing Price Index YoY	AUG	na	nf	8.5%	02:00	12:00
		Consumer Price Index YoY	AUG	3.5%	3.5%	3.3%	02:00	12:00
		Retail sales YoY	AUG	18.0%	17.9%	17.9%	02:00	12:00
		Retail sales ytd YoY	AUG	18.2%	nf	18.2%	02:00	12:00
		Industrial Production YoY	AUG	13.0%	13.5%	13.4%	02:00	12:00
		Industrial Production ytd YoY	AUG	16.7%	nf	17.0%	02:00	12:00
		Fixed Assets Investment Urban ytd YoY	AUG	24.6%	24.9%	24.9%	02:00	12:00
	EU	Euro-Zone Industrial Production sa MoM	JUL	0.3%	nf	-0.1%	09:00	19:00
		Euro-Zone Industrial Production wda YoY	JUL	8.0%	nf	8.2%	09:00	19:00
	UK	RICS House Price Balance	AUG	na	nf	-8.0%	23:01	09:01
	US	Monthly Budget Statement	AUG	-$108.0B	nf	-$103.6B	18:00	04:00
		Reserve Bank of Atlanta's Lockhart speaks in Atlanta					**16:30**	**02:30**
14-Sep	NZ	REINZ Housing Price Index	AUG	na	nf	3191.5	22:00	08:00
		REINZ Housing Price Index MoM	AUG	na	nf	-1.2%	22:00	08:00
		REINZ House sales YoY	AUG	na	nf	-26.7%	22:00	08:00
		Retail sales MoM	JUL	0.0%	-0.1%	0.9%	22:45	08:45
		Retail sales Ex-Auto MoM	JUL	0.1%	0.2%	1.5%	22:45	08:45
		NZ Card Spending MoM	AUG	na	nf	-0.1%	22:45	08:45
		Non Resident Bond Holdings	AUG	na	nf	62.8%	03:00	13:00
	AU	NAB Business Conditions	AUG	na	nf	5	01:30	11:30
		NAB Business Confidence	AUG	na	nf	2	01:30	11:30
	JP	Tokyo Condominium sales YoY	AUG	na	nf	27.8%	04:00	14:00
		Industrial Production YoY	JUL F	na	nf	14.8%	04:30	14:30
		Industrial Production MoM	JUL F	na	nf	0.3%	04:30	14:30
		Capacity Utilization MoM	JUL F	na	nf	-2.10%	04:30	14:30
	CH	Conference Board China July Leading Economic Index					02:00	12:00
	EU	Euro-Zone Labour Costs YoY	Q2	na	nf	2.1%	09:00	19:00
		Zew Survey (Economic Sentiment)	SEP	15.0	nf	15.8	09:00	19:00
		ECB's Weber speaks in Berlin					**15:00**	**01:00**
	GE	Zew Survey (Economic Sentiment)	SEP	12.0	nf	14.0	09:00	19:00
		Zew Survey (Current Situation)	SEP	50.0	nf	44.3	09:00	19:00
	UK	DCLG UK House Prices YoY	JUL	na	nf	9.9%	08:30	18:30
		CPI MoM	AUG	0.3%	nf	-0.2%	08:30	18:30
		CPI YoY	AUG	2.9%	nf	3.1%	08:30	18:30
		Core CPI YoY	AUG	na	nf	2.6%	08:30	18:30
		Retail Price Index	AUG	na	nf	223.6	08:30	18:30
		RPI MoM	AUG	na	nf	-0.2%	08:30	18:30
		RPI YoY	AUG	na	nf	4.8%	08:30	18:30
		RPI Ex Mort Int.Payments YoY	AUG	na	nf	4.8%	08:30	18:30
		BoE's Weale testifies to lawmakers in London					**10:00**	**20:00**

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
	US	NFIB Small Business Optimism	AUG	na	nf	88.1	11:30	21:30
		Advance Retail sales	AUG	0.3%	nf	0.4%	12:30	22:30
		Retail sales Less Autos	AUG	0.3%	nf	0.2%	12:30	22:30
		Retail sales Ex Auto & Gas	AUG	0.4%	nf	-0.1%	12:30	22:30
		IBD/TIPP Economic Optimism	SEP	na	nf	43.6	14:00	00:00
		Business Inventories	JUL	0.5%	nf	0.3%	14:00	00:00
		ABC Consumer Confidence	12-Sep	na	nf	-43	21:00	07:00
	CA	Labor Productivity QoQ	Q2	na	nf	0.8%	12:30	22:30
		Capacity Utilization Rate	Q2	na	nf	74.2%	12:30	22:30
		New Motor Vehicle sales MoM	JUL	1.0%	nf	2.5%	12:30	22:30
15-Sep	AU	Westpac Consumer Confidence	SEP	na	nf	5.4%	00:30	10:30
		Westpac Cons. Confidence Index	SEP	na	nf	119.2	00:30	10:30
		DEWR Skilled Vacancies MoM	SEP	na	nf	-0.3%	01:00	11:00
		Dwelling Starts	Q2	na	nf	4.3%	01:30	11:30
		New motor vehicle sales sa MoM	AUG	na	nf	-2.6%	01:30	11:30
	EU	Euro-Zone CPI MoM	AUG	0.2%	nf	-0.3%	09:00	19:00
		Euro-Zone CPI YoY	AUG F	1.6%	nf	1.6%	09:00	19:00
		Euro-Zone CPI - Core YoY	AUG	0.9%	nf	1.0%	09:00	19:00
		Eurozone Employment (QoQ)	Q2	na	nf	0.0%	09:00	19:00
		Eurozone Employment YoY	Q2	na	nf	-1.2%	09:00	19:00
	UK	Claimant Count Rate	AUG	na	nf	4.5%	08:30	18:30
		Jobless Claims Change	AUG	na	nf	-3.8K	08:30	18:30
		Average Weekly Earnings 3M/YoY	JUL	na	nf	1.3%	08:30	18:30
		Average Weekly Earnings ex Bonuses 3M/YoY	JUL	na	nf	1.6%	08:30	18:30
		ILO Unemployment Rate (3mths)	JUL	7.7%	nf	7.8%	08:30	18:30
		BoE's Governor King Speaks in Manchester					**10:30**	**20:30**
	US	MBA Mortgage Applications	10-Sep	na	nf	-1.5%	11:00	21:00
		Import Price Index MoM	AUG	0.2%	nf	0.2%	12:30	22:30
		Import Price Index YoY	AUG	3.8%	nf	4.9%	12:30	22:30
		Empire Manufacturing Index	SEP	9.0	nf	7.1	12:30	22:30
		Industrial Production	AUG	0.3%	nf	1.0%	13:15	23:15
		Capacity Utilization	AUG	74.9%	nf	74.8%	13:15	23:15
		Fed's Duke Speaks at Public Hearing at Chicago Fed					**13:30**	**23:30**
	CA	Manufacturing sales MoM	JUL	0.0%	nf	0.1%	12:30	22:30
16-Sep	NZ	**RBNZ Official Cash Rate**	**16-Sep**	**3.25%**	**3.00%**	**3.00%**	**21:00**	**07:00**
		Business NZ PMI	AUG	na	nf	49.9	22:30	08:30
	AU	Consumer Inflation Expectation	SEP	na	nf	2.8%	01:00	11:00
		RBA Bulletin -September Quarter Issue					**01:30**	**11:30**
		RBA's Lowe speaks at NatStats 2010 Conference					**03:45**	**13:45**
	JP	Tertiary Industry Index MoM	JUL	na	nf	-0.1%	23:50	09:50
		Japan Buying Foreign Bonds	10-Sep	na	nf	¥731.7B	23:50	09:50
		Japan Buying Foreign Stocks	10-Sep	na	nf	¥215.3B	23:50	09:50
		Foreign Buying Japan Bonds	10-Sep	na	nf	¥100.5B	23:50	09:50
		Foreign Buying Japan Stocks	10-Sep	na	nf	¥40.1B	23:50	09:50
	EU	EU 25 New Car Registrations	JUL	na	nf	-6.9%	06:00	16:00
		Euro-Zone Trade Balance sa	JUL	na	nf	-1.6B	09:00	19:00
		Euro-Zone Trade Balance	JUL	0.0B	nf	2.4B	09:00	19:00
	UK	Retail sales MoM	AUG	0.3%	nf	1.1%	08:30	18:30
		Retail sales YoY	AUG	2.0%	nf	1.3%	08:30	18:30
		Retail sales Ex Auto FuelMoM	AUG	na	nf	0.9%	08:30	18:30
		Retail sales Ex Auto FuelYoY	AUG	na	nf	2.4%	08:30	18:30
		BoE's Posen Speaks in Washington					**18:45**	**04:45**

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
	US	Producer Price Index (PPI) MoM	AUG	0.3%	nf	0.2%	12:30	22:30
		Producer Price Index (PPI) YoY	AUG	3.0%	nf	4.2%	12:30	22:30
		PPI Ex Food & Energy MoM	AUG	0.1%	nf	0.3%	12:30	22:30
		PPI Ex Food & Energy YoY	AUG	1.3%	nf	1.5%	12:30	22:30
		Initial Jobless Claims	11-Sep	460K	nf	451K	12:30	22:30
		Continuing Claims	4-Sep	na	nf	4478K	12:30	22:30
		Current Account Balance	Q2	-$124.1B	nf	-$109.0B	12:30	22:30
		Net Long-term TIC Flows	JUL	na	nf	$44.4B	13:00	23:00
		Total Net TIC Flows	JUL	na	nf	-$6.7B	13:00	23:00
		Philadelphia Fed.	SEP	0.0	nf	-7.7	14:00	00:00
		Fed's Tarullo Speaks on the Shadow Banking System					**04:00**	**14:00**
17-Sep	AU	**AOFM auctions A$700 mn of April 2015 Bonds**						
	EU	ECB Euro-Zone Current Account sa	JUL	na	nf	-4.6B	08:00	18:00
		Euro-Zone Current Account nsa	JUL	na	nf	1.0B	08:00	18:00
		Construction Output sa MoM	JUL	na	nf	2.7%	09:00	19:00
		Construction Output wda YoY	JUL	na	nf	3.1%	09:00	19:00
	GE	Producer Prices MoM	AUG	0.3%	nf	0.5%	06:00	16:00
		Producer Prices YoY	AUG	3.5%	nf	3.7%	06:00	16:00
	US	Consumer Price Index (CPI) MoM	AUG	0.3%	nf	0.3%	12:30	22:30
		Consumer Price Index (CPI) YoY	AUG	1.2%	nf	1.2%	12:30	22:30
		CPI Ex Food & Energy MoM	AUG	0.1%	nf	0.1%	12:30	22:30
		CPI Ex Food & Energy YoY	AUG	0.9%	nf	0.9%	12:30	22:30
		CPI Core Index sa	AUG	na	nf	221.7	12:30	22:30
		Consumer Price Index nsa	AUG	na	nf	218.0	12:30	22:30
		University of Michigan Consumer Confidence	SEP P	70.0	nf	68.9	13:55	23:55

FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
20 SEPTEMBER NZ: Confidence (Sep), Net Migration (Aug) JP: **Public Holiday** UK: M4 Money Supply (Aug P) US: NAHB Housing Market Index (Sep) CA: Wholesale Sales (Jul)	21 SEPTEMBER NZ: Current Account (Q2) AU: **RBA Board Minutes,** ABARE Australian Commodities Outlook JP: Leading Index (JUL F) UK: Public Sector Net Borrowing (Aug) UK: **FOMC Rates Decision,** ABC Consumer Confidence (Sep 19), Housing Starts (Aug), Building Permits (Aug) CA:CPI (Aug)	22 SEPTEMBER NZ: GDP (Q2) AU: Westpac Leading Index (Jul) CH: **Market Closed** JP: All Industry Activity Index (Jul) EU: Industrial New Orders (Jul), Consumer Confidence (Sep) UK: **BoE Minutes** US: MBA Mortgage Applications (Sep 17), House Price Index (Jul) CA: Leading Indicators (Aug), Retail Sales (Jul)	23 SEPTEMBER AU: **RBA Foreign Exchange Transactions (AUG)** JP: **Public Holiday** CH: **Market Closed** UK: BBA Loans for House Purchase (Aug) US: Initial Jobless Claims (Sep 18), Leading Indicators (Aug), Existing Home Sales (Aug)	24 SEPTEMBER CH: **Market Closed,** MNI Business Conditions Survey (Sep) GE: IFO Business Climate (Sep) US: Durable Goods Orders (Aug), Capital Goods Orders (Aug), New Home Sales (Aug)
27 SEPTEMBER JP: Merchandise Trade Balance Total (Aug) CH: Industrial Profits (Aug) UK: Nationwide House prices (Sep)	28 SEPTEMBER GE: CPI (Sep) UK: GDP (Q2) US: Consumer confidence (Sep)	29 SEPTEMBER NZ: Trade Balance (Aug), Imports (Aug), Exports (Aug) JP: Tankan Large Manufacturers Index (Q3), Tankan Large All Indust rial Capex (Q3) EU: Consumer Confidence (Sep) US : MBA Mortgage Applications (Sep 24)	30 SEPTEMBER NZ: Building Permits (Aug) AU: Private Sector Credit (Aug), Building Approvals (Aug) JP: Retail Trade (Aug), Industrial Production (Aug), House Starts (Aug) EU: CPI estimate (Sep) GE: Employment (Sep) US: GDP (Q2 T), Initial Jobless Claims (Sep 25) CA: GDP (Jul)	1 OCTOBER AU: Aig Performance of Manufact. Index (Sep) JP: Jobless Rate (Aug), Tokyo CPI (Sep), National CPI (Sep) CH: **Market Closed,** PMI Manufact.(Sep) EU:PMI Manufact. (Sep), Employment (Aug) GE: PMI Manufact. (Sep) US: Personal Income (Aug), ISM Manufact. (Sep)
4 OCTOBER NZ: ANZ Commodity Price (Sep) AU: **Labour Day (NSW, ACT, SA)** AiG Performance of Service Index (Sep) JP: Monetary Base (Sep) CH: **Market Closed**, HSBC Manufact. PMI (Sep) EU: PPI (Aug) UK: PMI Construction (Sep) US: Factory Orders (Aug)	5 OCTOBER AU: **RBA CASH TARGET**, ANZ Job Ads (Sep), Business Confidence and conditions (Sep) JP: **BoJ Target Rate** EU: PMI Composite (Sep), PMI Services (Sep), Retail Sales (Aug) CH: **Market Closed** GE: PMI Services (Sep) UK: PMI Services (Sep) US : ISM Non-Manf. Composite (Sep)	6 OCTOBER CH: **Market Closed** EU: GDP (Q2), Household Consumption (Q2) GE: Factory Orders (Aug) US: MBA Mortgage Applications (Oct 1) CA: Ivey Purchasing Managers Index (Sep)	7 OCTOBER AU: Employment (Sep) CH: **Market Closed** EU: **ECB Announces Interest Rates** GE: Industrial Prod. (Aug) UK: **BoE ANNOUNCES RATES**, Industrial Prod. (Aug) US: Initial Jobless Claims (Oct 2), Consumer Credit (Aug) CA: Building Permits (Aug)	8 OCTOBER GE: Trade Balance (Aug), Imports (Aug), Exports (Aug), Current Account (Aug) UK: PPI (Sep) US: Change in Nonfarm Payrolls (Sep), Employment (Sep), Wholesale Inventories (Aug) CA: Housing Starts (Sep), Employment (Sep)
11 OCTOBER JP: **Market Closed** UK: RICS House Price Balance (Sep)	12 OCTOBER GE: CPI (Sep F) UK: CPI (Sep), Retail Price Index (Sep)	13 OCTOBER NZ: Food Prices (Sep) AU: Consumer Confidence (Oct) JP: Machine Orders (Aug) CH: Trade Balance (Sep) UK: Claimant Count Rate (Sep), Jobless Claims Change (Sep) US: MBA Mortgage Applications (Oct 8)	14 OCTOBER NZ: Retail Sales (Aug), Business NZ PMI (Sep) JP: Domestic CGPI (Sep) EU: **ECB Publishes Oct. Monthly Report** US: Trade Balance (Aug), Producer Price Index (Sep) Initial Jobless Claims (Oct 9) CA: Int'l Merchandise Trade (Aug)	15 OCTOBER JP: Industrial Production (Aug), Capacity Utilization (Aug) EU: CPI (Sep) US: CPI (Sep), Advance Retail Sales (Sep), Retail Sales Less Autos (Sep), Empire Manufacturing Survey (Oct), U. of Michigan Confidence (Oct), Business Inventories
18 OCTOBER NZ: CPI (Q3) JP: Tertiary Industry Index (Aug) US: Industrial Production (Sep), NAHB Housing Market Index (Oct), Capacity Utilization (Sep)	19 OCTOBER AU: RBA Board Minutes (Oct) EU: CA (Aug), Construction Output (Aug) GE : ZEW Survey (Oct) US : Housing Starts(Sep), Building Permits (Sep), ABC Consumer Confidence (Oct 17) CA: BoC rate decision	20 OCTOBER AU DEWR Skilled Vacancies (Oct), Westpac Leading Index (Aug) JP: Leading Index (Aug F) GE: PPI (Sep) UK: BoE Minutes, Public Finances (Sep) US: MBA Mortgage Applications (Oct 15), Fed's Beige Book Ca: Wholesale Sales (Aug)	21 OCTOBER NZ:ANZ Consumer Confidence (Oct) AU:CBAHIA Housing Affordability (Q3) CH: GDP (Q3), PPI (Sep), CPI (Sep), Retail Sales (Sep), Industrial Production (Sep) EU: Cons. Conf. (Oct A) UK: Retail Sales (Sep) US: Philli Fed (Oct), Leading Indicators (Sep)	22 OCTOBER EU: Govt debt/GDP ratio (Dec 31) GE: IFO Business Survey (Oct) CA: CPI (Sep), Retail Sales (Aug)

CENTRAL BANK RELEASES FOR 2010

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

***Notes:** Entries are the dates of central bank interest rate announcements for 2010, unless specified as minutes or otherwise. Dates are indicative only and are subject to change by central bank authorities.
BoJ data are available only to June.
Key: BoC: Bank of Canada, BoJ: Bank of Japan, BoE: Bank of England, ECB: European Central Bank, FOMC: Federal Open Market Committee, RBA: Reserve Bank of Australia, RBNZ: Reserve Bank of New Zealand, SNB: Swiss National Bank
Source: Central bank websites.

FORECASTS

AUSTRALIAN ECONOMIC INDICATORS		2009	2010 F	2011 F	2012 F
Economic activity (annual % change)					
Private final demand		0.4	2.8	5.0	5.5
Household consumption		1.7	3.3	2.9	2.4
Dwelling investment		-4.5	5.0	2.3	2.3
Business investment		-2.3	0.6	13.6	16.4
Public demand		3.2	11.9	3.7	1.9
Domestic final demand		1.0	4.8	4.7	4.6
Inventories (contribution to GDP)		-0.5	0.5	0.1	-0.1
Gross National Expenditure (GNE)		0.5	5.4	4.8	4.6
Exports		0.9	5.4	7.1	7.5
Imports		-8.3	13.2	9.6	10.8
Net Exports (contribution to GDP)		2.0	-1.6	-0.7	-1.0
Gross Domestic Product (GDP)		**1.2**	**3.4**	**4.0**	**3.9**
Prices and wages (annual % change)					
Inflation:	Headline CPI	1.8	2.9	2.8	3.3
	Underlying *	3.6	2.7	2.9	3.2
Wages		3.6	3.2	4.0	4.2
Labour market					
Employment (annual % change)		0.7	2.4	2.4	2.3
Unemployment rate (annual average %)		5.6	5.1	4.6	4.4
External sector					
Current account balance:	A$bn	-51.4	-31.9	-37.3	-62.8
	% of GDP	-4.1	-2.3	-2.5	-3.9

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

AUSTRALIAN INTEREST RATES	CURRENT	DEC.10	MAR.11	JUN.11	SEP.11	DEC.11
RBA cash rate	4.50	5.00	5.25	5.50	5.75	6.00
90 day bill	4.79	5.30	5.60	6.00	6.00	6.20
3 year bond	4.59	5.10	5.50	5.70	6.00	6.00
10 year bond	4.98	5.50	5.70	5.80	6.00	5.90
3s10s yield curve	0.40	0.40	0.20	0.10	0.00	-0.10
3 year swap	5.03	5.50	5.90	6.10	6.40	6.40
10 year swap	5.46	6.05	6.25	6.35	6.55	6.45

INTERNATIONAL INTEREST RATES	CURRENT	DEC.10	MAR.11	JUN.11	SEP.11	DEC.11
RBNZ cash rate	3.00	3.25	3.50	4.00	4.50	5.00
NZ 90 day bill	3.20	3.50	3.92	4.42	4.92	5.4
US Fed funds note	0.25	0.25	0.25	0.25	0.25	0.25
US 2 year note	0.55	1.00	1.20	1.50	2.00	2.30
US 10 year note	2.74	2.80	3.00	3.00	3.20	3.20
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	0.75	1.00

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

FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	DEC.10	MAR.11	JUN.11	SEP.11	DEC.11
Australian exchange rates						
A$/US$	0.9229	0.90	0.92	0.94	0.94	0.92
NZ$/US$	0.7251	0.71	0.72	0.73	0.73	0.72
A$/¥	77.43	73.8	80.0	83.7	86.5	86.5
A$/€	0.7279	0.75	0.77	0.78	0.78	0.78
A$/£	0.5998	0.58	0.59	0.60	0.61	0.59
A$/NZ$	1.2728	1.27	1.28	1.29	1.29	1.28
A$/C$	0.9542	0.95	0.97	0.98	0.98	0.96
A$/CHF	0.9373	0.98	1.01	1.05	1.06	1.05
A$/CNY	6.2447	5.96	6.00	6.03	5.94	5.71
A$ Trade weighted index	70.80	70.8	73.3	74.4	74.1	72.1
International cross rates						
US$/¥	83.90	82.0	87.0	89.0	92.0	94.0
€/US$	1.2679	1.20	1.20	1.20	1.20	1.18
€/¥	106.38	98	104	107	110	111
£/US$	1.5387	1.55	1.57	1.57	1.54	1.56
€/£	0.8240	0.77	0.76	0.76	0.78	0.76
US$/C$	1.0339	1.05	1.05	1.04	1.04	1.04
US$/CHF	1.0157	1.09	1.10	1.12	1.13	1.14
US$ index	82.79	85.8	86.3	86.6	87.2	88.2
Asia exchange rates						
US$/CNY	6.7667	6.62	6.52	6.42	6.32	6.21
US$/HKD	7.7686	7.75	7.75	7.75	7.75	7.75
US$/IDR	8963	9500	9900	9600	9400	9250
US$/INR	46.48	49.0	49.9	48.0	46.0	44.0
US$/KRW	1166	1345	1390	1320	1275	1200
US$/MYR	3.1055	3.38	3.45	3.35	3.25	3.20
US$/PHP	44.020	48.3	49.0	48.0	47.3	46.9
US$/SGD	1.3418	1.45	1.48	1.44	1.39	1.37
US$/THB	30.830	33.90	34.30	33.50	33.00	32.50
US$/TWD	31.883	33.30	33.70	32.70	32.20	32.20
US$/VND	19490	19000	19000	20000	20000	20000
Pacific exchange rates						
PGK/US$	0.3680	0.386	0.372	0.358	0.344	0.330
FJD/US$	0.5235	0.508	0.514	0.517	0.508	0.500

IMPORTANT NOTICE

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