



ECONOMICS & MARKETS RESEARCH

ANZ AUSTRALIAN ECONOMICS TOOLBOX

1 APRIL 2010

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ECONOMIC UPDATE: MIXED BAG OF HEADLINES THIS WEEK, BUT UNDERLYING STORY REMAINS SOLID

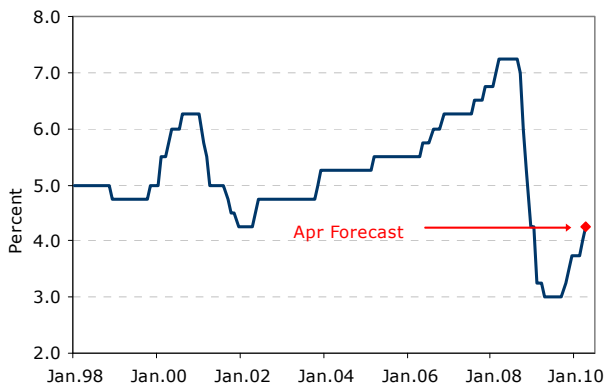
- While there were some disappointing headlines in this week's data flow, the underlying economic story remains robust. Nominal **retail sales** plummeted 1.4% in February, unwinding all of the gains made in January (+1.1%). However in annual terms, retail sales accelerated to 3.4%, stepping up from January's 2.9% through the year growth.
- **Building approvals** also weakened, with the number of residential approvals dropping 3.3% due to declines in both private sector detached housing (-0.9%) and the traditionally volatile 'other dwellings' component (-10.9%). Building approvals are now 34% higher than a year ago, but the gap between supply and underlying demand continues to widen, causing concern for policy makers and house-buyers alike.
- Total **private sector credit** grew at a steady rate MoM, but the annual growth rate picked up to 1.6% in February from 1.3% in January. In particular, housing credit accelerated to an annual growth rate of 8.5% (from 8.3% the previous month), reflecting continuing demand for residential property. **House prices** also reflected continuing demand pressures in the housing market, with national median dwelling prices up 1.4% MoM in February and 12.7% over the year. **Business credit** remains weak in monthly growth terms, but is expected to pick up again in coming months.
- The **trade balance** widened again in February to \$1.9bn from \$1.1bn in January (seasonally adjusted), driven by a fall in export earnings and higher imports. This reflects the continuing gap between Australia's strengthening domestic economy (fuelling export demand) and continuing weakness in the international scene (reflected in our exports). The high AUD is also a headwind factor for non-resources exporters. The outlook for resources and rural exporters is very favourable at present, so this trade deficit is likely to narrow or even move into surplus in coming months.
- **The RBA** shifted tack in a number of respects this week, with a new and very public focus on the residential housing market. Governor Glenn Stevens gave his first (pre-recorded) televised interview on morning television, in which he openly discussed the problems of housing supply and affordability, as well as explaining the mechanics of the RBA's rate-setting process to the public.
- Historic shifts have also taken place in **bulk commodity markets**, with the 40 year system of annual contracts moving to quarterly price negotiations. Significant price increases for the next quarter are already in train, with companies such as Brazil's Vale announcing sales to key Japanese steel mills at a 90% price increase from last year's contract prices (from today 1 April). BHP Billiton, the world's largest iron ore producer, is also moving to short term contracts. This will see negotiated price changes flow through into Australian export earnings more rapidly than in the past. With more frequent negotiations, contract prices are likely to move more closely with spot prices, which have generally traded at a premium.

THE WEEK AHEAD

- Markets will be closed on Monday in Australia, New Zealand, China, Europe and the US.
- Next week's key **Australian data** are the RBA cash rate decision on Tuesday and employment data on Thursday. ANZ Job Advertisements will also be released on Tuesday.
- Internationally, **US** non-farm payroll data will be released this Friday. Next week, look out for the minutes from the March FOMC policy meeting, ISM non-manufacturing series and consumer credit data.
- **European** monetary policy meetings will keep both the BoE and ECB in focus next week. **UK** industrial production and PMI (services), and **Euro zone** PMI (services) and retail sales data will also be of interest.
- In **Japan** the **BOJ** will announce its target cash rate on Wednesday.

DATA PREVIEWS

Chart 1: RBA Cash Rate (April)

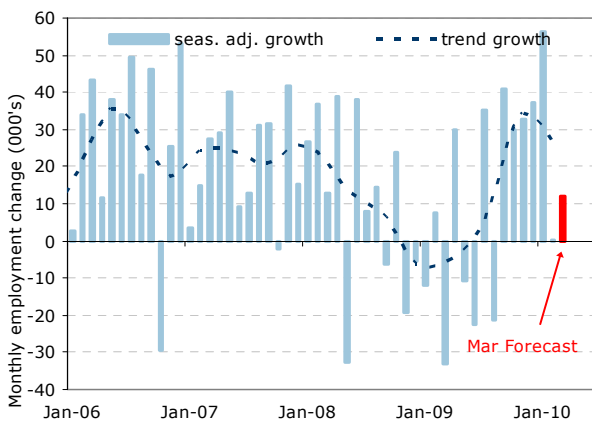
**6 April: RBA Cash Rate****ANZ: 4.25****Market: 4.25****Last: 4.00**

We expect the RBA to raise the target cash rate to 4.25% at next week's April Board Meeting. Recent indicators on the established housing market (which has become a very public focus for the RBA in recent weeks) such as auction clearance rates and house prices, particularly in both Sydney and Melbourne, have been strong over the past few months. The RBA has raised interest rates by 100bp over the past 6 months and they have signalled that rates need to rise further. However, the housing market has remained resilient and this suggests that mortgage rates are still on the expansionary side of normal. These developments in the housing market over the past couple of months don't pose a near term threat to macroeconomic stability because credit growth has remained relatively well behaved, but the risk is that this will not remain the case as the expansion continues, thereby requiring more rate rise sooner rather than later.

On the inflation front, the pressure to raise rates has probably eased a touch. The data this week was supportive of inflation continuing to return to around the middle of the target band over the first half of this year. Employment growth appears to be slowing from the rapid pace of late 2009, suggesting the current quarter's economic growth has slowed back to around trend after a strong rise in Q409.

The longer term outlook for growth remains positive on the back of large rises in commodity prices feeding into investment and employment, led by the mining sector. This supports the need for the RBA to continue to raise rates in the longer term.

Chart 2: Employment Change (March)

**8 April: Employment Change (Mar)****Employment growth****ANZ: +12K****Market: +20k****Last: +400****Unemployment rate****ANZ: 5.3%****Market: 5.3%****Last: 5.3%****Participation rate****ANZ: 65.1%****Market: 65.2%****Last: 65.2%**

The last six months have seen jobs growth roar ahead. But after a much-anticipated correction in jobs growth in February, which saw aggregate work hours for existing workers increase at the expense of rapidly continuing growth in total headcount, jobs growth looks to be moving back toward a more reasonable pace. The relatively high participation rate also eased slightly in February, enabling the unemployment rate to stay at around 5.3%, despite the weak jobs growth number (only 400).

The participation rate is likely to remain lower this month, at 65.1%, as it typically takes some time for 'discouraged workers' to actively re-enter the labour market. This would mean that even relatively weak jobs growth of around 12,000 will be enough to keep the unemployment rate steady at 5.3%.

DATA & EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT
1-5 Apr	JP	Official Reserve Assets –(Mar)	nf	na	1041.1B	-
1-7 Apr	UK	Halifax House Prices sa MoM – (Mar)	nf	na	48.5	-
		Halifax House Price 3Mths/Year – (Mar)	nf	na	-£4.9B	-
5 Apr	NZ	Market Closed	-	-	-	-
	AU	Market Closed	-	-	-	-
	CH	Market Closed	-	-	-	-
	EU	Market Closed	-	-	-	-
	GE	Market Closed	-	-	-	-
	UK	Market Closed	-	-	-	-
	CA	Market Closed	-	-	-	-
	US	ISM Non-Manf. Composite – (Mar)	nf	53.5	53.0	14:00
	Pending Home Sales MoM – (Feb)	nf	-0.2%	-7.6%	14:00	
	Pending Home Sales YoY – (Feb)	nf	na	8.8	14:00	
6 Apr	NZ	NZIER Business Opinion Survey – (Q1)	nf	na	31	-
		ANZ Commodity Price Index- (Mar)	nf	na	3.8%	03:00
	AU	ANZ Job Advertisements MoM – (Mar)	nf	na	19.1%	01:30
		RBA CASH TARGET	4.25%	4.25%	4.00%	04:30
	JP	BoJ Monetary Policy Meeting	nf	na	-	04:00
		Leading Index CI – (Feb P)	nf	na	96.7	05:00
		Coincident Index CI – (Feb P)	nf	na	100.1	05:00
	EU	Sentix Investor Confidence – (Apr)	nf	na	-7.5	08:30
	UK	PMI Construction – (Mar)	nf	na	48.5	08:30
		BoE Housing Equity Withdrawal – (Q4)	nf	na	-4.9B	08:30
		Nationwide Consumer Confidence – (Mar)	nf	na	80	23:01
		BRC March Shop Price Index	nf	na	-	23:01
		US	Minutes of FOMC Meeting	-	-	-
		ABC Consumer Confidence – (Apr 4)	nf	na	-45	21:00
		Fed's Kocherlakota Speaks in Minnesota	-	-	-	17:00
7 Apr	AU	AiG Performance of Services Index – (Mar)	nf	na	48.3	22:30
		Foreign Reserves – (Mar)	nf	na	44.3B	06:30
		AOFM Auction \$1000 mn of July 2022 bonds	-	-	-	-
	JP	BOJ Target Rate	0.10%	-	0.10%	-
		Current Account Total –(Feb)	nf	na	899.8B	23:50
		Adjusted Current Account Total –(Feb)	nf	na	1712.8B	23:50
		Trade Balance –(Feb)	nf	na	197.2B	23:50
		Machine Orders MoM –(Feb)	nf	na	-3.7%	23:50
		Machine Orders YoY –(Feb)	nf	na	-1.1%	23:50

DATA & EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT	
7 Apr (Cont)	EU	PMI Services – (Mar F)	nf	53.7	53.7	08:00	
		PMI Composite – (Mar F)	nf	na	55.5	08:00	
		Euro-Zone GDP sa QoQ – (Q4 F)	nf	0.1%	0.1%	09:00	
		Euro-Zone GDP sa YoY – (Q4 F)	nf	-2.1%	-2.1%	09:00	
		Euro-Zone PPI MoM – (Feb)	nf	0.1%	0.7	09:00	
		Euro-Zone PPI YoY – (Feb)	nf	-0.4%	-0.1%	09:00	
	GE	PMI Services – (Mar F)	nf	54.7	54.7	07:55	
		Factory Orders MoM sa – (Feb)	nf	-1.0%	4.3%	10:00	
	UK	PMI Services – (Mar)	nf	57.8	58.4	08:30	
		Index of Services (3mth/3mth) – (Jan)	nf	na	0.5%	08:30	
		Official Reserves (Changes) – (Mar)	nf	na	\$314M	08:30	
	US	MBA Mortgage Applications – (Apr 2)	nf	na	1.3%	11:00	
		Consumer Credit – (Feb)	nf	\$1.3B	5.0B	19:00	
		Fed's Dudley Speaks in New York	-	-	-	16:00	
		Fed's Bernanke Speaks in Dallas	-	-	-	17:00	
		Fed's Hoenig Speaks in Santa Fe	-	-	-	18:00	
	CA	Building Permits MoM – (Feb)	nf	1.7%	-4.9%	12:30	
		Ivey Purchasing Managers Index – (Mar)	nf	53.0	51.9	14:00	
	8 Apr	AU	Employment Change – (Mar)	+12K	+20.0K	0.4K	01:30
			Unemployment Rate – (Mar)	5.3%	5.3%	5.3%	01:30
Participation Rate – (Mar)			65.1%	65.2%	65.2%	01:30	
JP		Bankruptcies YoY – (Mar)	nf	na	-17.3%	04:00	
		BOJ Monthly Report	nf	na	-	05:00	
		Machine Tool Orders YoY – (Mar P)	nf	na	217.4%	06:00	
EU		Euro-Zone Retail Sales MoM – (Feb)	nf	0.0%	-0.3%	09:00	
		Euro-Zone Retail Sales YoY – (Feb)	nf	-0.4%	-1.3%	09:00	
		ECB Announces Interest Rates	1.00%	1.00%	1.00%	11:45	
GE		Industrial Production MoM sa – (Feb)	nf	0.7%	0.6%	10:00	
	Industrial Prod. YoY nsa wda – (Feb)	nf	6.5%	2.2%	10:00		
UK	New Car Registrations YoY – (Mar)	nf		26.4%	-		
UK	Industrial Production MoM – (Feb)	nf	0.6%	-0.4%	08:30		
	Industrial Production YoY – (Feb)	nf	-0.5%	-1.5%	08:30		
	Manufacturing Production MoM – (Feb)	nf	0.5%	-0.9%	08:30		
	Manufacturing Production YoY – (Feb)	nf	0.7%	0.2%	08:30		
	BOE Announces Interest Rates	0.50%	0.50%	0.50%	11:00		
	BOE Asset Purchase Target	nf	200B	200B	11:00		
	NIESR GDP Estimate – (Mar)	nf		0.3%			

DATA & EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT
8 Apr (Cont)	US	Initial Jobless Claims – (Apr 3)	nf	na		12:30
		Continuing Claims – (Mar 27)	nf	na		12:30
		ICSC Chain Store Sales YoY – (Mar)	nf	na	3.7%	14:30
		Fed's Kocherlakota Speaks in Montana	-	-	-	18:45
9 Apr	AU	AIG Performance of Construction Index – (Mar)			52.8	23:30
		AOFM Auctions \$500 mn of February 2017	-	-	-	-
	CH	Entrepreneur Confidence Index – (Q1)	nf	na	127.1	02:00
		Business Climate Index – (Q1)	nf	na	130.6	02:00
	EU	ECB's Trichet Speaks in Milan	-	-	-	15:30
	GE	Trade Balance – (Feb)	nf	11.3B	8.0B	06:00
		Imports sa MoM – (Feb)	nf	na	5.7%	06:00
		Current Account – (Feb)	nf	na	3.6B	06:00
		Exports sa MoM – (Feb)	nf	4.0%	-6.3%	06:00
	UK	PPI Input nsa MoM – (Mar)	nf	1.6%	0.1%	08:30
		PPI Input nsa YoY – (Mar)	nf	7.3%	6.9%	08:30
		PPI Output nsa MoM – (Mar)	nf	0.4%	0.3%	09:30
		PPI Output nsa. YoY – (Mar)	nf	4.4%	4.1%	09:30
		PPI Output Core nsa MoM – (Mar)	nf	0.3%	0.3%	09:30
		PPI Output Core nsa YoY – (Mar)	nf	3.1%	2.9%	09:30
	US	Wholesale Inventories – (Feb)	nf	0.4%	-0.2%	14:00
	CA	Net Change in Employment	nf	25.0K	20.9K	11:00
		Unemployment Rate	nf	8.1%	8.2%	11:00

FIVE WEEKS AT A GLANCE

Monday	Tuesday	Wednesday	Thursday	Friday
<p>12 April AU: Home Loans (Feb) JP: BoJ Monetary Policy Meeting Minutes for March, Bank Lending (Mar) US: Monthly Budget Statement CA: Housing Starts (Mar)</p>	<p>13 April NZ: Card Spending (Mar) AU: NAB Business Confidence (Mar), NAB Business Confidence (Mar) JP: Domestic CGPI (Mar) GE: Consumer Price Index (Mar F) UK: Trade Balance (Feb), RICS House Price Balance (Mar) US: Trade Balance (Feb), ABC Consumer Confidence (Apr)</p>	<p>14 April NZ: Retail Sales (Feb) AU: Westpac Consumer Confidence (Apr) EU: Industrial Production (Feb) US: MBA Mortgage Applications, (Apr), Consumer Price Index (Mar), Retail Sales (Mar), Fed's Beige Book</p>	<p>15 April NZ: Business PMI (Mar) AU: Consumer Inflation Expectation (Apr) JP: Industrial Production CH: GDP (Q1), Producer Price Index (Mar), Consumer Price Index (Mar), Retail Sales (Mar) EU: ECB Publishes Apr. Monthly Report, Trade Balance (Feb) US: Initial Jobless Claims(Apr), Industrial Production (Mar)</p>	<p>16 April NZ: REINZ House Sales (Mar) EU: CPI (Mar) US: Housing Starts (Mar), Building Permits (Mar) CA: Manufacturing Sales (Feb), New Motor Vehicle Sales (Feb)</p>
<p>19 April JP: Consumer Confidence (Mar) EU: Construction Output SA (Feb) UK: Rightmove House Prices (Apr) US: Leading Indicators (Mar) CA: Int'l Securities Transactions (Feb)</p>	<p>20 April NZ: Food Prices MoM (Mar), Q1 CPI AU: Reserve Bank's Board April Minutes, DEWR Skilled Vacancies JP: Tertiary Industry Index EU: ECB Euro-Zone Current Account (Feb), GE: Producer Prices (Mar), UK: CPI (Mar) US: ABC Consumer Confidence (Apr 18) CA: Bank of Canada Rate Announcement</p>	<p>21 April JP: Leading Index CI (Feb) UK: Bank of England Minutes, Jobless Claims Change (Mar) US: MBA Mortgage Applications (Apr 16) CA: Wholesale Sales (Feb)</p>	<p>22 April NZ: ANZ Consumer Confidence Index (Apr) AU: New Motor Vehicle Sales (Mar) JP: Merchandise Trade Balance Total (Mar) EU: Euro-Zone Consumer Confidence (Apr A) US: PPI (Mar), Initial Jobless Claims (Apr 17), Existing Home Sales (Mar) CA: Leading Indicators (Mar), BoC Senior Loan Officer Survey</p>	<p>23 April NZ: Visitor Arrivals (Mar), Credit Card Spending (Mar) AU: Import price index (Q1), Export price index (Qo1) EU: Industrial New Orders SA (Feb) GE: IFO - Business Climate, IFO - Current Assessment, IFO - Expectations UK: GDP (Q1 A), Retail Sales (Mar)</p>
<p>26 April JP: Corp Service Price Index (Mar) UK: Hometrack Housing Survey (Apr) US: Dallas Fed Manf. Activity (Apr)</p>	<p>27 April AU: PPI (Q1) UK: BBA Loans for House Purchase (Mar) US: Consumer Confidence (Apr), ABC Consumer Confidence (Apr 25)</p>	<p>28 April NZ: NBNZ Business Confidence (Apr) AU: CPI (Q1) GE: GfK Consumer Confidence Survey (May) US: FOMC Rate Decision, MBA Mortgage Applications (Apr 23)</p>	<p>29 April NZ: RBNZ Official Cash Rate, Trade Balance (Mar) AU: Conference Board Leading Index (Feb) EU: Business Climate Indicator (Apr), Euro-Zone Confidence (Apr) GE: Unemployment Rate (Apr) US: Initial Jobless Claims (Apr 24)</p>	<p>30 April NZ: Building Permits (Mar), Imports (Mar) AU: Private Sector Credit (Mar) JP: Jobless Rate (Mar), CPI (Apr), Industrial Production (Mar P), BOJ Monetary Policy Meeting, BOJ Target Rate EU: Euro-Zone UE Rate (Mar) US: GDP (Q1 A)) CA: Industrial Product Price (Mar), GDP (Feb)</p>
<p>3 May NZ: ANZ Commodity Price (Apr) AU: AiG Performance of Mfg Index (Apr), TD Securities Inflation (Apr), RBA Comm Index (Apr) CH:HSBC Manu PMI (Apr) EU: PMI Manu (Apr) GE: PMI Manu (Apr F) US: Personal Income &</p>	<p>4 May NZ: Private Wages (Q1), Ave Hourly Earnings (Q1) AU: RBA CASH TARGET EU: Euro-Zone PPI (Mar) UK: Mortgage Approvals (Mar), PMI Manufacturing (Apr) US: Factory Orders (Mar), Pending Home Sales (Mar), ABC Consumer Confidence (May 2)</p>	<p>5 May AU: Building Approvals (Mar), AiG Performance of Service Index (Apr) EU: PMI Services & Compsite (Apr F), Euro-Zone Retail Sales (Mar) EU: PMI Services (Mar) UK: Nationwide Consumer Confidence (Apr), PMI Construction (Apr) US: MBA Mortgage Applications (Apr 30), ADP</p>	<p>6 May NZ: UE Rate (Q1) AU: Trade Balance (Mar), Retail Sales (Mar) JP: BoJ Monetary Policy Meeting Minutes for Apr, Loans & Discounts Corp (Mar), Vehicle Sales EU: ECB Announces Interest Rates GE: Factory Orders (Mar) UK: BOE ANNOUNCES RATES, PMI Services</p>	<p>7 May AU: AiG Construction Index (Apr), Reserve Bank Quarterly Monetary Policy Statement JP: Monetary Base (Apr) GE: Industrial Production (Mar) UK: New Car Registrations (Apr), PPI (Apr) US: Change in Nonfarm</p>
<p>10 May NZ Card Spending (Apr) AU: ANZ Job Advertisements (Apr), Home Loans CH: Trade Balance (Apr), Exports (Apr), Imports (Apr) EU: Sentix Investor Confidence (May) GE: Trade Balance (Mar), Current Account (Mar) CA: Housing Starts (Apr)</p>	<p>11 May AU: NAB Business Confidence (Apr) CH: PPI (Apr), PPI (Apr), CPI (Apr), Retail Sales (Apr), Industrial Production (Apr) EU: GDP (Apr) GE: CPI (Apr) UK: Industrial Production (Mar), Manufacturing Production (Mar), US: Wholesale Inventories (Mar),</p>	<p>12 May NZ Business PMI (Apr), Food Prices (Apr) AU: Home Loans (Mar), , AU 2010-11 Federal Budget released. JP: Leading Index.(Mar) CH: House Prices (Apr) EU: GDP (Q1) GE: GDP (Q1) US: Trade Balance (Mar), Monthly Budget Statement (Apr) CA: Int'l Merchandise Trade (Mar)</p>	<p>13 May NZ: House Sales (Apr), Housing Price Index (Apr), Retail Sales (Mar) AU: Unemployment Rate (Apr), Participation Rate (Apr) JP: Japan Money Stock, Bank Lending (Apr), Adjusted Current Account (Mar), Bank Lending Banks (Apr), Trade Balance (Mar) EU: ECB Publishes May Monthly Report</p>	<p>14 May US Advance Retail Sales (Apr), Industrial Production (Apr), Capacity Utilisation (Apr), U. of Michigan Confidence (May P), Business Confidence (Mar) CA: Manufacturing Sales (Mar), New Motor Vehicle Sales (Mar)</p>

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 – BoE 6th – ECB 7th – RBA MP Statement 10th – BoJ Minutes 18th – RBA Minutes 19th – BoE Minutes 20th – ECB 20-21st – BoJ 26th – BoJ Minutes	1st – BoC 1st – RBA 10th – BoE 10th – ECB 10th – RBNZ 10th – RBNZ MP Statement 14-15th – BoJ 15th – RBA Minutes 17th – SNB 18th – BoJ Minutes 23rd – BoE Minutes 23rd – FOMC 24th – ECB	6th – RBA 8th – BoE 8th – ECB 20th – RBA Minutes 20th – BoC 21st – BoE Minutes 22nd – ECB 29th – RBNZ	3rd – RBA 5th – BoE 5th – ECB 6th – RBA MP Statement 10th – FOMC 17th – RBA Minutes 18th – BoE Minutes
SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
2nd – ECB 7th – RBA 8th – BoC 9th – BoE 16th – ECB 16th – RBNZ 16th – RBNZ MP Statement 16th – SNB 21st – RBA Minutes 21st – FOMC 22nd – BoE Minutes	5th – RBA 7th – BoE 7th – ECB 19th – RBA Minutes 19th – BoC 20th – BoE Minutes 21st – ECB 28th – RBNZ	2nd – RBA 3rd – FOMC 4th – BoE 4th – ECB 5th – RBA MP Statement 16th – RBA Minutes 17th – BoE Minutes 18th – ECB	2nd – ECB 7th – RBA 9th – BoE 9th – RBNZ 9th – RBNZ MP Statement 14th – FOMC 16th – ECB 16th – SNB 21st – RBA Minutes 22nd – BoE Minutes

***Notes:** Entries are the dates of central bank interest rate announcements for 2010, unless specified as minutes or otherwise.

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

BoJ data are available only to June.

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

Source: Central bank websites.

FORECASTS

AUSTRALIAN ECONOMIC INDICATORS	2009	2010 F	2011 F	2012 F
Economic activity (annual % change)				
Private final demand	1.1	3.9	4.2	4.4
Household consumption	2.2	2.2	2.5	2.7
Dwelling investment	-4.4	14.8	5.6	0.7
Business investment	-0.7	5.8	9.2	10.8
Public demand	3.1	8.2	4.0	2.2
Domestic final demand	1.6	4.8	4.2	3.9
Inventories (contribution to GDP)	-0.5	0.5	0.0	0.0
Gross National Expenditure (GNE)	1.0	5.4	4.1	3.8
Exports	0.5	2.4	5.4	6.1
Imports	-7.7	14.7	9.9	10.3
Net Exports (contribution to GDP)	1.8	-2.5	-1.2	-1.3
Gross Domestic Product (GDP)	1.3	3.1	3.2	3.3
Prices and wages (annual % change)				
Inflation: Headline CPI	1.8	2.4	2.8	2.9
Underlying *	3.8	2.9	2.7	2.8
Wages	3.6	2.8	3.3	3.7
Labour market				
Employment (annual % change)	0.3	2.4	1.9	1.8
Unemployment rate (annual average %)	5.6	5.1	5.0	4.9
External sector				
Current account balance: A\$bn	-51.7	-61.9	-58.3	-72.2
% of GDP	-4.1	-4.6	-4.1	-4.8

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

AUSTRALIAN INTEREST RATES	CURRENT	JUN 10 F	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F
RBA cash rate	4.00	4.25	4.75	5.00	5.25	5.50
90 day bill	4.42	4.40	4.90	5.20	5.40	5.70
3 year bond	5.24	5.30	5.40	5.50	5.50	5.75
10 year bond	5.76	5.70	5.70	5.70	5.70	5.85
3s10s yield curve	0.52	0.40	0.30	0.20	0.20	0.10
3 year swap	5.49	5.70	5.80	5.90	5.90	6.15
10 year swap	6.16	6.25	6.25	6.25	6.25	6.40
INTERNATIONAL INTEREST RATES	CURRENT	JUN 10 F	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F
RBNZ cash rate	2.50	2.75	3.25	3.75	3.75	4.25
NZ 90 day bill	2.71	3.22	3.72	4.05	4.05	4.88
US Fed funds note	0.25	0.25	0.25	0.75	1.25	1.75
US 2 year note	1.02	1.10	1.40	1.80	2.20	2.70
US 10 year note	3.83	4.60	4.70	4.80	4.80	4.80
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.00	1.00	1.00	1.00	1.50	1.75
UK repo rate	0.50	0.50	0.50	0.50	1.00	1.25

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

FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	JUN 10 F	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F
Australian exchange rates						
A\$/US\$	0.9162	0.95	0.96	0.94	0.92	0.90
NZ\$/US\$	0.7053	0.71	0.72	0.70	0.69	0.68
A\$/¥	85.58	86.5	88.3	88.4	88.3	88.2
A\$/€	0.6785	0.69	0.71	0.71	0.71	0.70
A\$/£	0.6029	0.62	0.62	0.61	0.60	0.59
A\$/NZ\$	1.2991	1.34	1.33	1.34	1.33	1.32
A\$/C\$	0.9286	0.94	0.94	0.90	0.87	0.85
A\$/CHF	0.9656	1.04	1.07	1.07	1.07	1.08
A\$/CNY	6.2545	6.40	6.38	6.17	5.95	5.73
A\$ Trade weighted index	71.70	73.7	74.1	72.7	71.0	69.5
International cross rates						
US\$/¥	93.41	91.0	92.0	94.0	96.0	98.0
€/US\$	1.3504	1.37	1.36	1.33	1.30	1.28
€/¥	126.14	125	125	125	125	125
£/US\$	1.5198	1.54	1.54	1.53	1.53	1.52
€/£	0.8886	0.89	0.88	0.87	0.85	0.84
US\$/C\$	1.0135	0.99	0.98	0.96	0.95	0.94
US\$/CHF	1.0539	1.09	1.11	1.14	1.16	1.20
US\$ index	81.04	80.0	80.5	81.8	83.1	84.3
Asia exchange rates						
US\$/CNY	6.8263	6.74	6.65	6.56	6.47	6.37
US\$/HKD	7.7656	7.79	7.77	7.78	7.78	7.78
US\$/IDR	9073	9500	9300	9000	8800	8800
US\$/INR	44.92	46.0	45.0	44.0	43.5	43.0
US\$/KRW	1129	1175	1125	1100	1050	1000
US\$/MYR	3.2575	3.37	3.40	3.40	3.35	3.30
US\$/PHP	45.170	46.5	46.0	45.0	45.0	44.5
US\$/SGD	1.3986	1.40	1.40	1.41	1.40	1.42
US\$/THB	32.360	32.50	32.50	32.50	32.00	32.00
US\$/TWD	31.740	32.20	31.50	30.50	30.00	30.00
US\$/VND	19068	19300	19300	19300	19300	19300
Pacific exchange rates						
PGK/US\$	0.3725	0.381	0.395	0.386	0.372	0.358
FJD/US\$	0.5186	0.507	0.501	0.495	0.484	0.476

IMPORTANT NOTICE

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