



ECONOMICS & MARKETS RESEARCH

AUSTRALIAN ECONOMICS TOOLBOX

16 AUGUST 2010

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CONTRIBUTORS

Warren Hogan, Chief Economist, Australia
+61 2 9227 1562
Warren.Hogan@anz.com

Katie Dean, Head of Macro, Australia
+61 3 9273 1381
Katie.Dean@anz.com

Amber Rabinov, Senior Economist, Australia
+61 3 9273 4853
Amber.Rabinov@anz.com

Riki Polygenis, Senior Economist, Australia
+61 3 9273 4060
Riki.Polygenis@anz.com

Tom Kenny, Senior Economist, International
+61 2 9227 1741
Tom.Kenny@anz.com

Shane Lee, Senior Economist, Capital Markets
+61 2 9227 4632
Shane.Lee@anz.com

David Cannington, Economist
+61 3 9273 4274
David.Cannington@anz.com

Andrew Dowman, Research Analyst
+61 3 9273 6881
Andrew.Dowman@anz.com

Andrew McManus, Analyst Economics
+61 2 92271742
Andrew.McManus@anz.com

Dylan Eades, Analyst Economics
+61 3 9273 2708

ECONOMIC MOMENTUM SOFTENS TO 'GOLDILOCKS' PACE

- **The data flow this week indicated that Australian economic momentum has softened**, a common theme across the global economy. Employment rose 23.5k in July, arguably a 'Goldilocks' pace (not too fast, not too slow) and below the 28.6k average monthly gain achieved since September last year. Full-time jobs numbers suffered their first decline in 11 months, while the unemployment rate stepped up 0.2ppts to 5.3%. Leading indicators (including this week's ANZ Job Ads series) suggest that the outlook for employment growth is solid. But the fact that average hours worked are still well below 2007-08 average, suggests we could see labour market conditions continue to tighten even if monthly employment gains maintain their current more moderate pace.
- **Housing finance figures weakened in June**, indicating that an improvement in activity in the sector is still some time away.
- **Some mixed signals emerged from this week's sentiment surveys**. While consumer confidence rebounded to a seven-month high of 119.2 in August, business confidence (and conditions) both weakened in July.
- **While we look to the horizon for further RBA rate hikes, the risk for US monetary policy is for another round of monetary easing**. The FOMC reiterated that rates would be on hold "for an extended period" as inflation will likely remain low for some time. In addition, the FOMC announced what could be described as 'QE lite' or the continuation of quantitative easing. The Fed will persist with its practice of rolling holdings of maturing Treasury securities, but it will also re-invest principle payments of agency debt and agency mortgage-backed securities into longer-term Treasuries as the debt matures - in effect, maintaining the size of its balance sheet (instead of gradually shrinking it). No doubt, the weakness of recent economic data is of concern to the Fed, although its unease about European Sovereign and Bank debt issues appears to have subsided for now.

THE WEEK AHEAD

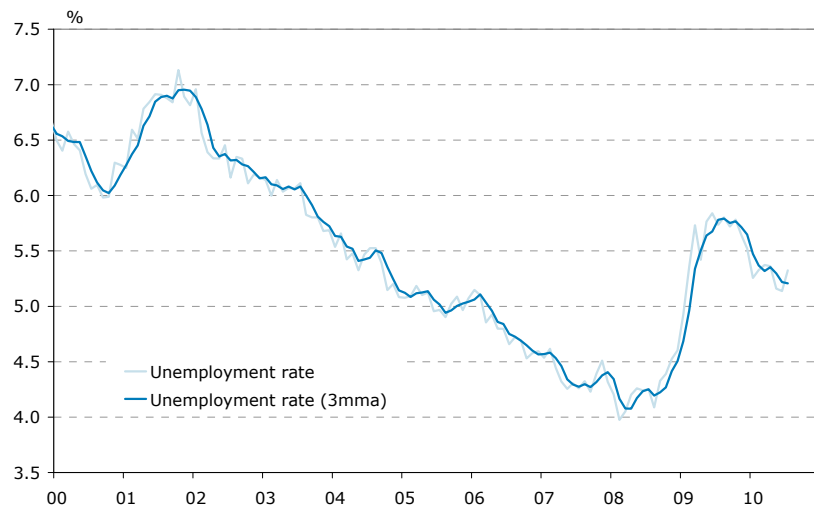
- In Australia, the markets will look toward the **RBA minutes** for guidance on the indicators that are the focus for policy decisions going forward. The RBA's view on China and the US will again be closely watched. Previous RBA statements have mentioned wages pressure as a growing concern and therefore this week's **wages data** could provide direction for markets. Vehicle sales data will also be watched for signs of an improvement in private demand.
- **The Australian equities reporting season continues**. The results and outlook of Bluescope, Onesteel, Boral, Leighton Holdings, UGL and Downer EDI will be watched as these companies all have exposure to the engineering and construction sector. Other companies reporting this week include Lend Lease, Westfield and ING Office Fund (may provide important guidance on the demand for office and retail space), as well as QBE, AMP, CSL, Healthscope and Wesfarmers.
- Internationally, price data will dominate the data flow with **Euro-zone, UK and Canadian CPI**, and **producer prices from the US and New Zealand**. Other key releases include US housing starts, building permits and industrial production, Japanese Q2 GDP, the Bank of England August policy meeting minutes and UK retail sales, and German investor sentiment.

Katie Dean
 Head of Macro, Australia
 +61 2 9273 1381
 Katie.Dean@anz.com

WHEN THE NUMBERS DON'T TELL THE FULL STORY

While global economic prospects took another step down this week, yesterday's employment result suggested Australia is travelling at a comfortable pace. Employment rose by 23,500 persons in July, the fifth consecutive monthly rise. Over the last three months, employment growth has averaged 25,300 persons. This almost perfectly matches average labour force growth for the period (25,200 persons per month). In the three months from May to July, the unemployment rate has averaged 5.2%, down from an average of 5.4% in the previous three months (Chart 1).

CHART 1. THE UNEMPLOYMENT RATE IS HOLDING STEADY



Source: ABS and ANZ

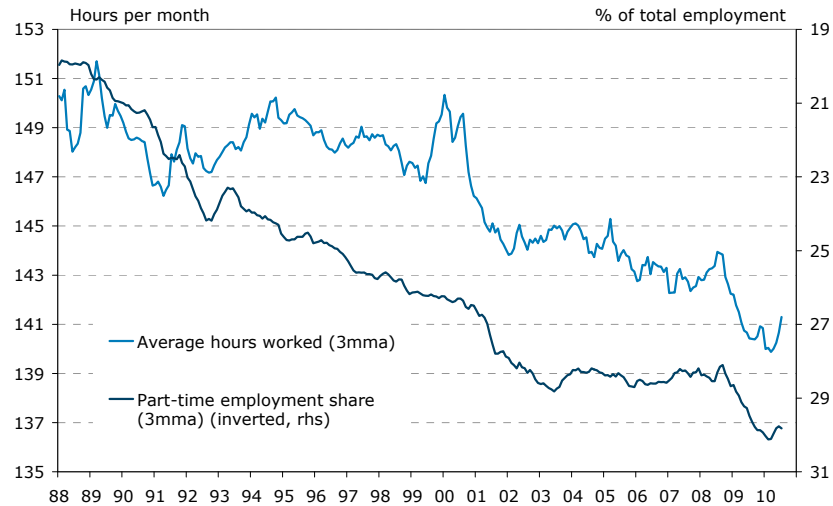
While the unemployment rate has held steady, there have been some subtle developments in other parts of the labour force survey that are worth noting. For this analysis, we are concentrating on three month averages in the data to try and cut through the (high) volatility in the monthly results.

On this basis, we can see that average hours worked are drifting higher. This is despite the proportion of persons employed part-time holding steady. Chart 2 below illustrates that there is scope for average hours worked to pick up further over the coming months. This would be accelerated if we were to see a drift from part-time to full-time employment. At 29.8%, the proportion of persons employed part-time is only just below its GFC-high (30.1%) and still well above the 2006-09 average (28.4%).

The potential for further catch up in average hours worked is one potential limit on monthly employment growth for the rest of 2010. That is, rather than increase headcount, employers may choose to increase hours worked of current employees.

If this were to occur, it would imply that the labour market is actually performing more strongly than the 'headline' numbers, such as the monthly change in employment and the unemployment rate, would imply. In other words, we could still see employment growth average 20-25k per month and the unemployment rate remaining steady between 5.0- 5.3% per month, but the labour market would still be actually tightening as spare 'hours available' erode. Moreover, a continued increase in hours worked would suggest a more positive impact on household income, and so potentially consumer spending, than the employment numbers alone would imply. This is something to watch closely in the coming months.

CHART 2. THE RECOVERY IN AVERAGE HOURS WORKED IS ONLY BEGINNING



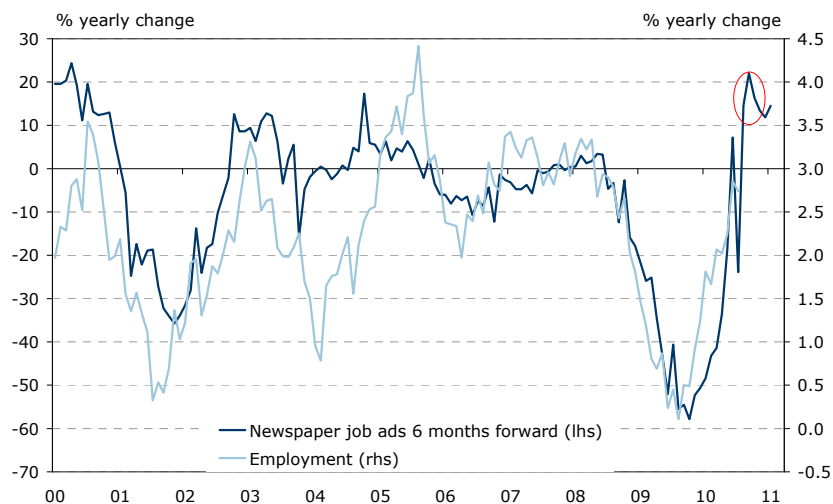
Source: ABS and ANZ

WATCHING THE LEADERS

For the RBA, a continued increase in average hours worked may add to the case for policy tightening at some stage, but it is far from a trigger. Rather, it will be the absolute performance of the labour market, and in particular any faster than expected fall in the unemployment rate, that will remain the focus.

As such, the leading indicators of employment growth will assume great importance in the data flow over the coming months. ANZ Job Ads, released on Monday, provided a tentative sign that employment demand may be accelerating. After falling over April and June (when the global economic backdrop started to deteriorate), newspaper job ads rebounded by 1.2% in July. Yearly growth in newspaper job ads also turned around, accelerating to 14.5% after decelerating for the previous three months (Chart 3). As we know from the volatile employment survey, one month of data does not make a convincing trend. But a continued reacceleration in ANZ newspaper job ads growth would point to an increasing risk of a reacceleration in Australian employment growth into year-end. There can be little doubting that this would be at odds with the RBA’s expectation, set out in last week’s Statement on Monetary Policy, for the labour market to “tighten gradually over the forecast period”.

CHART 2. ANZ NEWSPAPER JOB ADS VS EMPLOYMENT GROWTH



Source: ABS and ANZ

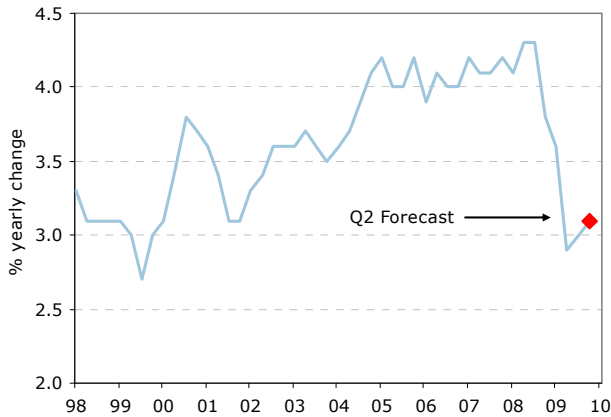


WEEKLY DATA WRAP

- The **Australian economy** enjoyed an addition of **23,500 jobs in July**, with an increase in part-time jobs (+27,700) outweighing 4,200 net job losses in full-time employment. The unemployment rate rose to 5.3% from 5.1%, while the participation rate rose to 65.5% from 65.3%. This month's labour force release was affected by the ABS's upward revision to its population estimates.
- **ANZ Job Ads** recorded a modest rise of **1.3% in July to be 36.1% higher than a year ago**. Both newspaper job ads and internet job ads enjoyed similar increases and continues to give a positive indication for employment data over the next few months. The largest contributors to the rise in job ads came from NSW and Victoria.
- **The number of owner-occupied housing finance commitments fell by 3.9% in June**. The value of total housing finance commitments also declined, falling 1.9% for the month and down 2.4% excluding refinancing. These data showed that the recovery in housing finance is not about to bounce back from a weak late 2009/ early 2010 just yet.
- **The NAB business conditions and business confidence both fell in July to 5 (from 8) and 2 (from 4) respectively**. Business confidence is at its lowest level in more than a year while business conditions fell for the fifth-straight month as the RBA interest rate rises earlier in the year and recent global uncertainty appear to have a cooling effect on activity.
- **The Westpac consumer confidence index rose in August to 119.2**. With interest rates on hold over the past two months and markets stabilising after the May/June rout, consumer sentiment has surged back to its highest level since January.
- **Australian consumers' inflation expectations eased in August to 2.8%** from 3.3% in July following the weaker than expected Q2 CPI read. The average expected hourly wage increase was 5.0%, below the six-month average of 5.7%.

DATA PREVIEWS

CHART 1: WAGE PRICE INDEX (Q2)



18 AUGUST: WAGE PRICE INDEX (Q2)

ANZ: +0.9% QoQ, +3.1% YoY

Market: +0.9% QoQ, +3.1% YoY

Last: +0.9% QoQ, +3.0% YoY

Wage growth stepped up to 0.9% QoQ in the March quarter 2010 after weak growth of 0.6 to 0.7% QoQ in H2 2009. This saw the annual pace of wage growth increase slightly to 3.0%, with public sector wage growth accelerating to 4.3% while private sector wage gains remained weak at 2.6% YoY.

Wage growth is forecast to remain solid at 0.9% in Q2 in line with the strength in employment in early 2009. While public sector wage growth is expected to moderate somewhat in Q2, a step up in business survey measures of wages points to an acceleration in private sector wages from a relatively low level. Indeed, there are some key industries where employment has picked up sharply such as mining and professional services, but for which wage growth has not yet followed suit. Further, there are a wide range of service industries in which annual wage growth is very subdued at around 2%, which seems somewhat unsustainable given the buoyancy in the labour market (note that these industries will also receive a boost in Q3 from the increase in the minimum wage). **(RP)**

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	ANZ	MARKET	LAST	GMT	AEST		
13-16 Aug	CH	Actual FDI YoY	JUL	nf	47.5%	39.6%	-	-		
15-Aug	NZ	Performance of Services Index	JUL	nf	na	55.7	-	-		
16-Aug	AU	New Motor Vehicle sales MoM	JUL	nf	na	-1.2%	01:30	11:30		
		New Motor Vehicle sales YoY	JUL	nf	na	8.2%	01:30	11:30		
	JP	Tertiary Industry Index MoM	JUN	nf	-0.1%	-0.9%	23:50	09:50		
		Gross Domestic Product QoQ	Q2 P	nf	0.6%	1.2%	23:50	09:50		
		GDP Annualized	Q2 P	nf	2.3%	5.0%	23:50	09:50		
		Nominal GDP QoQ	Q2 P	nf	-0.3%	1.3%	23:50	09:50		
		GDP Deflator YoY	Q2 P	nf	-1.8%	-2.8%	23:50	09:50		
		Tokyo Condominium sales YoY	JUL	nf	na	66.6%	04:00	14:00		
	EC	Euro-Zone CPI MoM	JUL	nf	-0.4%	0.0%	09:00	19:00		
		Euro-Zone CPI YoY	JUL F	nf	1.7%	1.7%	09:00	19:00		
		Euro-Zone CPI - Core YoY	JUL	nf	1.0%	0.9%	09:00	19:00		
	Uk	Rightmove House Prices MoM	AUG	nf	na	-0.6%	23:01	09:01		
		Rightmove House Prices YoY	AUG	nf	na	3.7%	23:01	09:01		
	US	Empire Manufacturing	AUG	nf	8.25	5.08	12:30	22:30		
		Net Long-term TIC Flows	JUN	nf	na	\$35.4B	13:00	23:00		
		Total Net TIC Flows	JUN	nf	na	\$17.5B	13:00	23:00		
		NAHB Housing Market Index	AUG	nf	15	14	14:00	00:00		
17-Aug	AU	Reserve Bank's Board Minutes	AUG				01:30	11:30		
		RBA's Stevens speaks on 'The role of finance'					10:00	20:00		
	CH	Conference Board China June Leading Economic Index					02:00	12:00		
	EC	ECB Euro-Zone Current Account sa	JUN	nf	na	-5.8B	08:00	18:00		
		Euro-Zone Current Account nsa	JUN	nf	na	-16.7B	08:00	18:00		
		ZEW Survey (Econ. Sentiment)	AUG	nf	na	10.7	09:00	19:00		
	GE	ZEW Survey (Econ. Sentiment)	AUG	nf	20.6	21.2	09:00	19:00		
		Zew Survey (Current Situation)	AUG	nf	24.0	14.6	09:00	19:00		
	UK	CPI MoM	JUL	nf	-0.2%	0.1%	08:30	18:30		
		CPI YoY	JUL	nf	3.1%	3.2%	08:30	18:30		
		Core CPI YOY	JUL	nf	na	3.1%	08:30	18:30		
		RPI MoM	JUL	nf	0.0%	0.2%	08:30	18:30		
		RPI YoY	JUL	nf	5.0%	5.0%	08:30	18:30		
		RPI Ex Mort Int.Payments YoY	JUL	nf	4.8%	5.0%	08:30	18:30		
	US	Producer Price Index MoM	JUL	nf	0.2%	-0.5%	12:30	22:30		
		PPI Ex Food & Energy MoM	JUL	nf	0.2%	0.1%	12:30	22:30		
		Producer Price Index YoY	JUL	nf	4.2%	2.8%	12:30	22:30		
		PPI Ex Food & Energy YoY	JUL	nf	1.3%	1.1%	12:30	22:30		
		Housing Starts	JUL	nf	560K	549K	12:30	22:30		
		Housing Starts MOM	JUL	nf	2.0%	-5.0%	12:30	22:30		
		Building Permits	JUL	nf	576K	583K	12:30	22:30		
		Building Permits MOM	JUL	nf	-1.2%	2.1%	12:30	22:30		
		Industrial Production	JUL	nf	0.5%	0.1%	13:15	23:15		
		Capacity Utilization	JUL	nf	74.5%	74.1%	13:15	23:15		
		ABC Consumer Confidence	15-Aug	nf	na	-47	21:00	07:00		
				Geithner hosts housing finance conference at Treasury					13:00	23:00
				Fed's Kocherlakota Speaks on FOMC in Michigan					16:30	02:30
	CA	Int'l Securities Transactions	JUN		na	23.156B	12:30	22:30		
		Manufacturing sales MoM	JUN		na	0.4%	12:30	22:30		

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	ANZ	MARKET	LAST	GMT	AEST
18-Aug	AU	Westpac Leading Index MoM	JUN	nf	na	0.2%	00:30	10:30
		DEWR Skilled Vacancies MoM	AUG	nf	na	0.3%	01:00	11:00
		CBAHIA House Affordability	Q2	nf	na	118.8	01:00	11:00
		Wage Cost Index QoQ	Q2	0.9%	0.9%	0.9%	01:30	11:30
		Wage Cost Index YoY	Q2	3.1%	3.1%	3.0%	01:30	11:30
		AOFM Auctions \$500m of June 2022 Bonds						
	JP	Leading Index CI	JUN F	nf	na	98.9	05:00	15:00
		Coincident Index CI	JUN F	nf	na	101.3	05:00	15:00
	EC	Construction Output sa MoM	JUN	nf	na	-1.0%	09:00	19:00
		Construction Output WDA YoY	JUN	nf	na	-6.3%	09:00	19:00
	UK	Bank of England Minutes	AUG				08:30	18:30
	US	MBA Mortgage Applications	13-Aug	nf	na	0.6%	11:00	21:00
19-Aug	NZ	Producer Prices- Outputs QoQ	Q2	nf	na	1.8%	22:45	08:45
		Producer Prices- Inputs QoQ	Q2	nf	na	1.3%	22:45	08:45
		RBA Consumer Confidence Index	AUG	nf	na	115.6	03:00	13:00
	AU	RBA Foreign Exchange Transactions	JUL	nf	na	1229M	01:30	11:30
		Average Weekly Wages QoQ	MAY	nf	1.2%	1.1%	01:30	11:30
		Average Weekly Wages YoY	MAY	nf	5.6%	5.8%	01:30	11:30
		International Merchandise Imports	JUL	nf	na	-	-	-
	JP	Nationwide Dept. sales YoY	JUL	nf	na	-6.0%	05:30	15:30
		Tokyo Dept. Store sales YoY	JUL	nf	na	-5.5%	05:30	15:30
		Japan Buying Foreign Bonds	13-Aug	nf	na	¥1040.9B	23:50	09:50
		Japan Buying Foreign Stocks	13-Aug	nf	na	-¥32.9B	23:50	09:50
		Foreign Buying Japan Bonds	13-Aug	nf	na	¥188.3B	23:50	09:50
		Foreign Buying Japan Stocks	13-Aug	nf	na	¥150.1B	23:50	09:50
		All Industry Activity Index MoM	JUN	nf	-0.3%	0.2%	04:30	14:30
		Machine Tool Orders YoY	JUL F	nf	na	144.8%	06:00	16:00
		Producer Prices MoM	JUL	nf	0.1%	0.6%	06:00	16:00
		Producer Prices YoY	JUL	nf	3.3%	1.7%	06:00	16:00
	UK	Retail sales Ex Auto Fuel MoM	JUL	nf	na	1.0%	08:30	18:30
		Retail sales Ex Auto Fuel YoY	JUL	nf	na	3.1%	08:30	18:30
		Retail sales w/Auto Fuel MoM	JUL	nf	0.4%	0.7%	08:30	18:30
		Retail sales w/Auto Fuel YoY	JUL	nf	1.1%	1.3%	08:30	18:30
		Public Finances (PSNCR)	JUL	nf	na	20.9B	08:30	18:30
		Public Sector Net Borrowing	JUL	nf	na	14.5B	08:30	18:30
		M4 Money Supply MoM	JUL P	nf	na	0.0%	08:30	18:30
		M4 Money Supply YoY	JUL P	nf	na	3.0%	08:30	18:30
		Major Banks Mortgage Approvals	JUL	nf	na	48K	08:30	18:30
		CBI Trends Total Orders	AUG	nf	na	-16	10:00	20:00
	US	Initial Jobless Claims	14-Aug	nf	480K	484K	12:30	22:30
		Continuing Claims	7-Aug	nf	na	4452K	12:30	22:30
		Philadelphia Fed.	AUG	nf	7.5	5.1	14:00	00:00
		Leading Indicators	JUL	nf	0.1%	-0.2%	14:00	00:00
		Fed's Bullard Speaks on US Economy in Arkansas					16:30	02:30
		Fed's Evans Speaks to Reporters					17:00	03:00
	CA	Leading Indicators MoM	JUL	nf	na	1.0%	12:30	22:30
		Wholesale sales MoM	JUN	nf	na	-0.1%	12:30	22:30
20-Aug	NZ	New Zealand Net Migration sa	JUL	nf	na	70	22:45	08:45
		Credit Card Spending YoY	JUL	nf	na	4.5%	03:00	13:00
		Credit Card Spending sa MoM	JUL	nf	na	1.0%	03:00	13:00
	AU	AOFM Auctions \$700m of June 2016 Bonds						
		RBA's Battellino speaks in Queensland					01:45	11:45
	JP	Convenience Store sales YoY	JUL	nf	na	-1.5%	07:00	17:00
	CA	Consumer Price Index MoM	JUL	nf	na	-0.1%	11:00	21:00
		Consumer Price Index YoY	JUL	nf	na	1.0%	11:00	21:00
		Bank Canada CPI Core MoM	JUL	nf	na	-0.1%	11:00	21:00
		Bank Canada CPI Core YoY	JUL	nf	na	1.7%	11:00	21:00

FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
23 AUGUST EU: Euro-Zone Consumer Confidence (Aug A) UK: BBA Loans for House Purchase (Jul)	24 AUGUST NZ: RBNZ 2yr Inflation Expectation (Q3) JP: Merchandise Trade Balance Total (Jul) EU: Industrial New Orders (Jun) GE: GDP (Q2) US: Existing Home Sales (Jul), Richmond Fed Manufact. Index (Aug) CA: Retail Sales (Jun)	25 AUGUST AU: Construction Work Done (Q2) GE: IFO - Business Climate (Aug), IFO - Current Assessment (Aug), IFO - Expectations (Aug) US: Durable Goods Orders (Jul), New Home Sales (Jul)	26 AUGUST EU: Euro-Zone M3 (Jul) US: Initial Jobless Claims (Aug 21), Continuing Claims (Aug 14)	27 AUGUST JP: Jobless Rate (Jul), Job-To-Applicant Ratio (Jul), CPI (Jul) GE: CPI (Aug P) UK: GDP (Q2 P) US: GDP (Q2), Personal Consumption (Q2), U. of Michigan Confidence (Aug F)
30 AUGUST NZ: Trade Balance (Jul), NBNZ Business Confidence (Aug) EU: Consumer confidence (Aug) US: Personal Income (Jul) CA: Industrial Product Price (Jul)	31 AUGUST NZ: Building Permits (Jul) AU: Building Approvals (Jul) JP: Retail Trade (Jul), Industrial Production (Jul) EU: UE Rate (Jul) GE: UE Rate (Aug) UK: Mortgage Approvals (Jul) US: Consumer Confidence (Aug) CA: GDP (Jun)	1 SEPTEMBER AU: GDP (Q2), Private Sector Credit (Jul), Current Account Balance (Q2) CH: PMI Manufacturing (Aug) US: ISM Manufacturing (Aug), MBA Mortgage Applications (Aug 27)	2 SEPTEMBER AU: Trade Balance (Jul) EU: ECB Announces Interest Rates US: Initial Jobless Claims (Aug 28)	3 SEPTEMBER EU: Retail Sales (Aug) GE: PMI Services (Aug) US: Change in Nonfarm Payrolls (Aug)
6 SEPTEMBER AU: TD Securities Inflation (Aug), ANZ Jobs Ads (Aug) EU: Trade Balance (Jul)	7 SEPTEMBER AU: RBA CASH TARGET JP: BOJ Target Rate GE: Factory Orders (Jul) US: Fed's Beige Book	8 SEPTEMBER NZ: Manuf. Activity (Q2) AU: Home Loans (Jul) JP: Current Account Total (Jul), Machine Orders (Jul), Trade Balance (Jul) GE: Trade Balance (Jul), Industrial Production (Jul) UK: Industrial Production (Jul) US: MBA Mortgage Applications (Sep 3), Consumer Credit (Jul) CA: Bank of Canada Rate , Ivey Purchasing Managers Index (Aug)	9 SEPTEMBER AU: Employment Change (Aug), Unemployment Rate (Aug) JP: Capital Spending (Q2) EU: ECB Publishes Sept. Monthly Report GE: CPI (Aug F) UK: BOE ANNOUNCES RATES US: Trade Balance (Jul), Initial Jobless Claims (Aug 28), CA: Housing Starts (Aug)	10 SEPTEMBER NZ: Terms of Trade (Q2) JP: GDP (Q2 F) CH: Trade Balance (Aug), Exports (Aug), Imports (Aug) UK: PPI (Aug) US: Wholesale Inventories (Jul) CA: Unemployment Rate (Aug)
13 SEPTEMBER NZ: House Prices (Aug) CH: PPI (Aug), CPI (Aug), Retail Sales (Aug), Industrial Production (Aug) EU: Industrial Production (Jul) UK: RICS House Price Balance (Aug) US: Monthly Budget Statement (Aug)	14 SEPTEMBER NZ: Retail Sales (Jul) AU: Business confidence (Aug) JP: Industrial Production (Jul F), Capacity Utilization (Jul F) EU: Zew Survey (Eco Sentiment (Sep)) GE: Zew Survey (Econ. Sentiment) (Sep) UK: CPI (Aug), RPI (Aug) US: Advance Retail Sales	15 SEPTEMBER AU: Consumer Confidence (Sep) EU: CPI (Aug) UK: Jobless Claims Change (Aug), Employment (Aug) US: MBA Mortgage Applications (Sep 10), Import Price Index (Aug), Industrial Production (Aug) CA: Manufacturing Sales	16 SEPTEMBER NZ: RBNZ Official Cash Rate , Business PMI (Aug) AU: DEWR Skilled Vacancies (Sep), International Merchandise Imports (Aug) JP: Tertiary Industry Index (Jul) UK: Retail Sales (Aug) US: Initial Jobless Claims (Aug 7), PPI (Aug), Current Account Balance	17 SEPTEMBER EU: Current Account (Jul) GE: Producer Prices (Aug) US: CPI (Aug), Consumer Confidence (Sep)
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) 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 UK: BBA Loans for House Purchase (Aug) US: Initial Jobless Claims (Sep 18), Leading Indicators (Aug), Existing Home Sales (Aug)	24 SEPTEMBER CH: MNI Business Conditions Survey (Sep) GE: IFO Business Climate (Sep) US: Durable Goods Orders (Aug), Capital Goods Orders (Aug), New Home 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	0.7	2.7	5.1	5.6
Household consumption	1.6	2.8	2.7	2.4
Dwelling investment	-4.6	4.9	1.8	2.3
Business investment	-0.8	1.7	14.1	16.1
Public demand	3.3	11.4	4.0	1.9
Domestic final demand	1.3	4.7	4.8	4.7
Inventories (contribution to GDP)	-0.5	0.6	0.0	-0.1
Gross National Expenditure (GNE)	0.7	5.3	4.8	4.6
Exports	1.4	2.1	6.0	7.3
Imports	-7.8	13.7	10.5	10.8
Net Exports (contribution to GDP)	2.0	-2.4	-1.2	-1.1
Gross Domestic Product (GDP)	1.3	3.0	3.8	3.9
Prices and wages (annual % change)				
Inflation:				
Headline CPI	1.8	2.9	2.8	3.3
Underlying *	3.7	2.7	2.9	3.2
Wages	3.6	3.3	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	4.8	4.5
External sector				
Current account balance: A\$bn	-51.4	-54.9	-68.6	-98.4
% of GDP	-4.1	-4.0	-4.7	-6.3

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

AUSTRALIAN INTEREST RATES	CURRENT	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F
RBA cash rate	4.50	4.50	5.00	5.25	5.50	5.75
90 day bill	4.75	4.85	5.30	5.60	6.00	6.0
3 year bond	4.54	4.90	5.10	5.50	5.70	6.00
10 year bond	5.05	5.40	5.50	5.70	5.80	6.00
3s10s yield curve	0.51	0.50	0.40	0.20	0.10	0.00
3 year swap	5.00	5.30	5.50	5.90	6.10	6.40
10 year swap	5.50	5.95	6.05	6.25	6.35	6.55
INTERNATIONAL INTEREST RATES	CURRENT	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F
RBNZ cash rate	3.00	3.25	3.25	3.50	4.00	4.5
NZ 90 day bill	3.26	3.50	3.50	3.92	4.42	4.92
US Fed funds note	0.25	0.25	0.25	0.25	0.25	0.25
US 2 year note	0.54	0.60	0.60	0.60	0.80	1.00
US 10 year note	2.74	2.80	2.80	3.00	3.00	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	0.50	0.75

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

FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F
Australian exchange rates						
A\$/US\$	0.8888	0.88	0.90	0.92	0.94	0.94
NZ\$/US\$	0.7024	0.70	0.71	0.72	0.73	0.73
A\$/¥	76.27	77.4	86.4	89.2	92.1	94.0
A\$/€	0.6967	0.70	0.75	0.81	0.84	0.84
A\$/£	0.5715	0.57	0.58	0.59	0.60	0.61
A\$/NZ\$	1.2654	1.26	1.27	1.28	1.29	1.29
A\$/C\$	0.9267	0.87	0.87	0.88	0.88	0.90
A\$/CHF	0.9347	1.03	1.07	1.11	1.16	1.18
A\$/CNY	6.0406	5.92	5.96	6.00	6.03	5.94
A\$ Trade weighted index	69.80	68.9	72.2	74.6	75.6	75.2
International cross rates						
US\$/¥	85.81	88.0	96.0	97.0	98.0	100.0
€/US\$	1.2758	1.25	1.20	1.14	1.12	1.12
€/¥	109.49	110	115	111	110	112
£/US\$	1.5552	1.55	1.55	1.57	1.57	1.54
€/£	0.8203	0.81	0.77	0.73	0.71	0.73
US\$/C\$	1.0426	0.99	0.97	0.96	0.94	0.96
US\$/CHF	1.0516	1.17	1.19	1.21	1.23	1.25
US\$ index	82.96	84.3	87.3	90.0	91.0	91.8
Asia exchange rates						
US\$/CNY	6.7962	6.73	6.62	6.52	6.42	6.32
US\$/HKD	7.7738	7.76	7.75	7.75	7.75	7.75
US\$/IDR	8980	9300	9500	9900	9600	9400
US\$/INR	46.77	48.0	49.0	49.9	48.0	46.00
US\$/KRW	1195	1270	1345	1390	1320	1275
US\$/MYR	3.1840	3.30	3.38	3.45	3.35	3.3
US\$/PHP	45.300	46.7	48.3	49.0	48.0	47.3
US\$/SGD	1.3661	1.41	1.45	1.48	1.44	1.4
US\$/THB	31.920	32.90	33.90	34.30	33.50	33.00
US\$/TWD	31.955	32.50	33.30	33.70	32.70	32
US\$/VND	19100	19000	19000	19000	20000	20000
Pacific exchange rates						
PGK/US\$	0.3680	0.395	0.386	0.372	0.358	0.34
FJD/US\$	0.5137	0.507	0.508	0.514	0.517	0.51

IMPORTANT NOTICE

Australia and New Zealand Group Limited is represented in:

AUSTRALIA

Australia and New Zealand Banking Group Limited
 ABN 11 005 357 522
 ANZ Centre Melbourne, Level 9, 833 Collins Street, Docklands
 Victoria 3008, Australia
 Telephone +61 3 9273 5555 Fax +61 3 9273 5711

UNITED KINGDOM BY:

Australia and New Zealand Banking Group Limited
 ABN 11 005 357 522
 40 Bank Street, Canary Wharf, London, E14 5EJ, United Kingdom
 Telephone +44 20 3229 2121 Fax +44 20 7378 2378

UNITED STATES OF AMERICA

ANZ Securities, Inc. is a member of FINRA (www.finra.org) and registered with the SEC.
 277 Park Avenue, 31st Floor, New York, NY 10172,
 United States of America
 Tel: +1 212 801 9160 Fax: +1 212 801 9163

NEW ZEALAND BY:

ANZ National Bank Limited
 Level 7, 1-9 Victoria Street, Wellington, New Zealand
 Telephone +64 4 802 2000

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