

AUSTRALIAN ECONOMICS

AUSTRALIAN ECONOMICS WEEKLY

20 MAY 2011

INSIDE

Economic Update	1
The Week Ahead	1
In Focus	2
Weekly Data Wrap	6
Data previews	6
Data Calendar	7
Forecasts	12

CONTRIBUTORS

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

Ivan Colhoun
Head of Australian
Economics and Property
Research
+61 2 9227 1780
Ivan.Colhoun@anz.com

Katie Dean
Head of Australian
Economics
+61 3 9273 1381
Katie.Dean@anz.com

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

Julie Toth
Senior Economist
+61 3 9273 6252
Julie.Toth@anz.com

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

Andrew McManus
Analyst
+61 2 9227 1742
Andrew.McManus@anz.com

Dylan Eades
Analyst
+61 3 9273 2708
Dylan.Eades@anz.com

Pat O'Sullivan
Analyst
+61 2 9273 3133
Pat.O'Sullivan@anz.com

UPWARD PRESSURES FROM RESOURCES INVESTMENT LOOM ON THE HORIZON

- Ahead of next week's ABS capital expenditure survey, our *In Focus* article examines whether **the look of the expected investment boom is changing**. First, we consider whether there has been any delay to the mining investment pipeline. Such a delay could have important implications for the path of monetary policy. We then examine the outlook for investment by the non-mining sector to see whether this sector is showing any signs of recovery after the GFC.
- **We have pushed out our forecast for the next RBA rate rise to August**. The Minutes of the RBA's May meeting delivered a hawkish message, again warning that inflation was expected to move above the upper end of the RBA's target band in 2013. However, with this week's data printing on the soft side, and the A\$ maintaining support above US\$1.05, there seems little urgency for the RBA to tap the brakes just yet. By waiting until August, the RBA will be able to digest the initial impact of the A\$'s recent surge on the Australian economy, and to consider the next inflation data point (with Q2 CPI released at the end of July). Apart from inflation, the most important data to watch ahead of upcoming RBA Board meetings remain the activity data for the labour force and consumer spending.
- **This week's economic data for Australia was weaker than expected**. Housing finance fell 1.5%, consumer confidence dipped 1.3% and growth in the wage cost index surprisingly eased, to 0.8% q/q and 3.8% y/y. Part of this weakness, in housing finance and wages, appears due to interruption from natural disasters. But it would also seem that a multi-speed economy, the higher A\$, and higher petrol prices are weighing heavily on (non-mining) activity.
- The **Western Australian Budget for 2011-12** showed upward revisions to the State Government's forecasts for economic growth, revenue, asset investment, outstanding notes and bonds and (controversially) the state's iron ore royalty rates. WA's labour market is already tight and set to grow even tighter.

THE WEEK AHEAD

- In **Australia**, construction work done and private capital expenditure (capex) data will be released. Both of these data are expected to show the effects of the recent natural disasters, with construction activity expected to be the hardest hit. Both of these data feed directly into GDP, such that any downside surprises will see even more downward revisions to Q1 growth. The 2011-12 investment intentions in the capex survey will also be closing watched. An upgrade to the already strong mining investment pipeline is on the cards, notwithstanding the negative impact of the higher A\$. For full previews of next week's data please see page 7 below.
- In the **US** we will be watching for further indications of soft growth from the Chicago Fed and Richmond Fed manufacturing indices (both lead indicators for the ISM). Durable goods, capital goods, personal incomes and spending will indicate business and consumer spending. The core PCE deflator (the Fed's preferred measure of prices) is also out. In **Canada**, markets will be closed on Monday in a week that is light on data.
- In the **Euro zone**, PMIs and a speech from the ECB's Trichet will be the focus. German data is also likely to gain the market's attention. German IFO, GfK consumer confidence and CPI data are all market moving releases. UK GDP will also be released.
- In **Asia**, the focus will be on **Japanese** retail trade and merchandise trade as the market attempts to digest data that is impacted by natural disasters. Japanese trade data will give an indication of the flow on effects to world growth.
- In **New Zealand**, there are no top tier data releases.

Katie Dean
Head of Australian
Economics

Shane Lee
Senior Economist

Pat O'Sullivan
Analyst

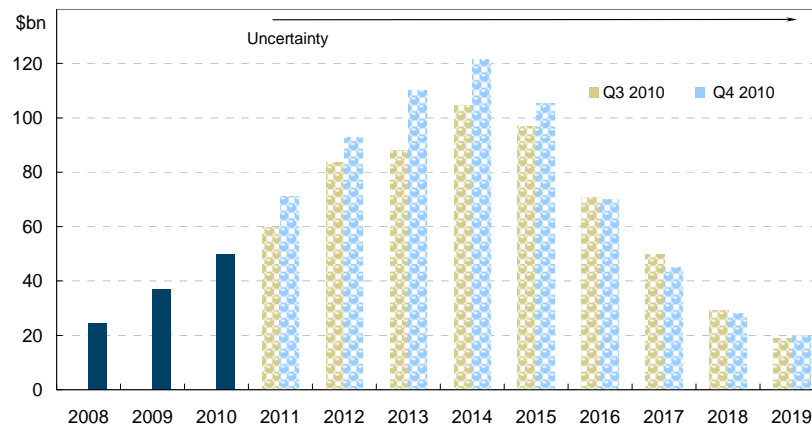
CHECKING THE LOOK OF THE INVESTMENT BOOM

LIKELY UPGRADE TO MINING INVESTMENT INTENTIONS

Our (and the RBA's) bullish macro view for the Australian economy over the next couple of years is driven largely by an expected mining investment boom. Ahead of next week's ABS quarterly capital expenditure survey, we ask two important questions about the 'look' of this investment boom. First, given persistent uncertainty over the global environment and now the higher A\$, has the expected timing of this investment boom been delayed? And second, has the investment outlook for the non-mining sector been damaged by the higher A\$ and hawkish RBA stance, or are the strong mining and infrastructure sectors having a second round positive impact on non-mining investment intentions?

In our recent update of Australian major investment projects (see *Australian Major Project Update April 2011*, 7 April 2011), we concluded that the pipeline of major projects in the mining, energy and infrastructure sectors continued to increase in the October 2010 to January 2011 period (Figure 1). Our forecasts for 2012 to 2015 were revised up due to two large LNG projects in Queensland moving through the approval process earlier than previously expected. These projects are the \$35 bn Australia Pacific LNG project and Santos' \$16.2 bn Gladstone LNG project. In addition, the damage due to the floods in Queensland is now expected to add around \$4bn to investment in roads between 2011 and 2015.

FIGURE 1. MAJOR PROJECT INVESTMENT: INFRASTRUCTURE, MINING & ENERGY



Sources: Access Economics, ABARE, state government budget papers, Construction Forecasting Council. Q4 2010 is projects reported in Q4 plus post-flood reconstruction projects.

For next week's ABS capex survey, this suggests the potential for a further upgrade to 2011-12 mining investment plans. That said, the composition of the mining investment pipeline, as measured by the ABS capex survey, is likely to change, as new projects in LNG offset delays in other mining-related expenditure. The Minerals Resources Rent Tax and the Resources Super Profits Tax debate delayed some investment plans in the mining sector during H2 of FY10. Furthermore, there have been additional delays to projects in the October 2010 to January 2011 period that has pushed some investment plans back into 2012 and 2013. Overall, delays to several large projects, mainly in coal and iron ore, have led us to lower our non-energy mining capex forecasts in 2011 and 2012 and raise them in 2013 and 2014.

The higher A\$ also presents some downside risk to the A\$ value of ABS mining capex intentions next week. The A\$ averaged around US\$1.05 in the capex survey period for the March quarter, about 5% higher than the average of US\$1.00 over the survey period for the December quarter. This will reduce the cost of plant and equipment (which is largely



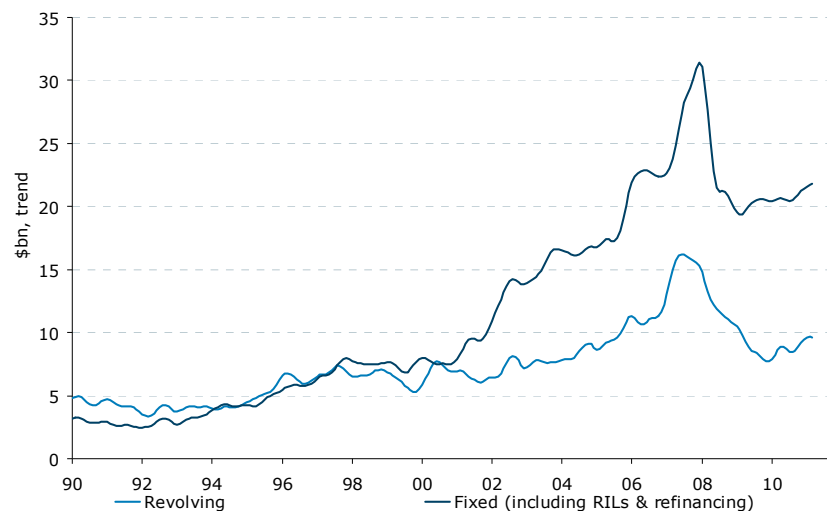
imported), and so may lead to the total cost of some projects being revised down. However, by reducing costs, the high A\$ should prove a net positive for the pipeline of projects, by adding to the certainty about the cycle and the number of projects in the pipeline. We do not think the appreciation of the A\$ will represent a big enough hit to export revenues to cause the cancellation of any mining projects.

OUTSIDE OF MINING, THE INVESTMENT OUTLOOK REMAINS SOFT

While the findings above suggest an upgrade to investment projects in the mining sectors, what of the rest of the economy? **A look at the latest lending finance data is not particularly encouraging.** Commercial finance approvals did jump 13.3% in March, but this followed deep falls of 6.7% and 5.4% respectively in January and March, which seem to be largely attributable to the natural disasters and, possibly, the ongoing impact of the November rate rise.

Cutting through the volatility, Figure 2 below shows that commercial finance approvals (for fixed terms, ie. excluding overdrafts) are only gradually picking up after falling sharply following the GFC. However, the value of these loans is still well below pre-GFC levels, with loans in March 20% below the average value of loans over 2007. **The speed of improvement is also notably softer than the strong growth rates that occurred during the first phase of the commodity boom.**

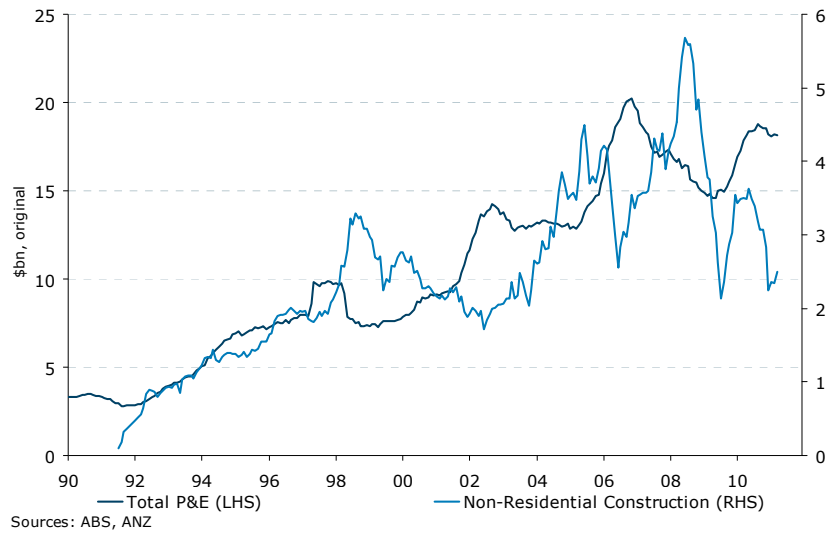
FIGURE 2: COMMERCIAL FINANCE APPROVALS



Sources: ABS, ANZ

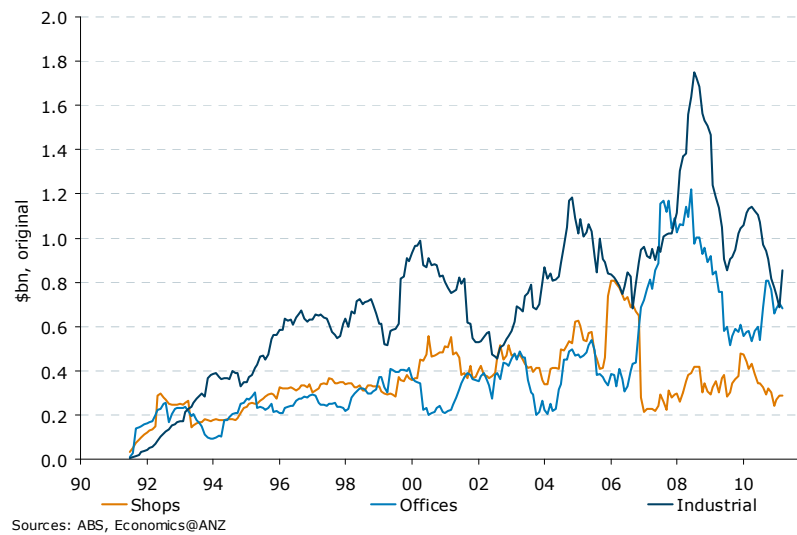
Figure 3 confirms that **ongoing weakness in non-residential construction activity remains the main drag on business investment.** Finance approvals in this sector remain back at 2003 levels, 56% below the 2008 peak. Approvals for plant and equipment spending in contrast are improving more steadily, and are now just 10% below their pre-GFC peak.

FIGURE 3: COMMERCIAL FINANCE BY TYPE



The weakness in finance approvals for non-residential building construction is broad-based across the major sectors. However, while industrial property and retail remain very soft, there are a few signs of life in the offices sector (Figure 4).

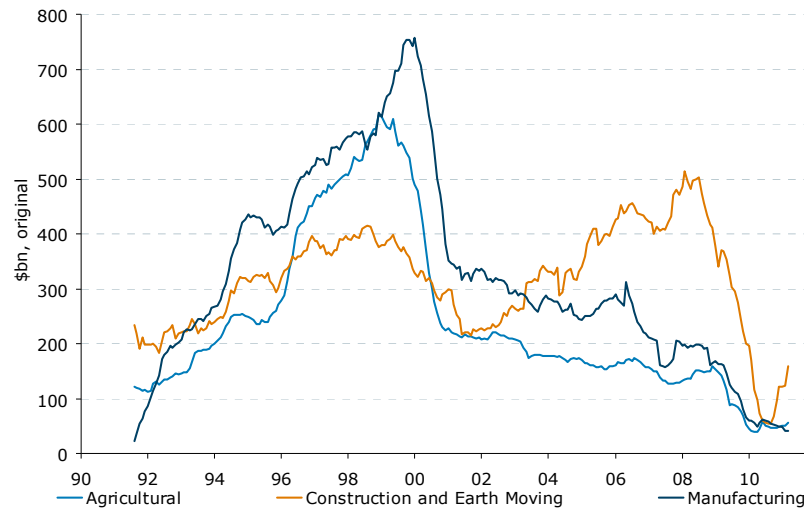
FIGURE 4: COMMERCIAL FINANCE – NON-RESIDENTIAL CONSTRUCTION (FIXED LOANS)



The recovery in finance approvals for plant and equipment largely reflects a strong rise in commercial finance for motor vehicles (+19% in the three months to March compared with this period a year ago). This has no doubt been encouraged by small business tax breaks along with the higher A\$. Non-motor vehicle transport equipment is also picking up strongly, (+500% over this period), but off a very depressed base.

But in a further sign that the investment boom is not yet upon us, leasing finance remains subdued. Leasing finance for construction and earthmoving equipment, which grew strongly during the first phase of the commodity boom, has bottomed, but is still at low levels. Leasing finance for heavy equipment in manufacturing meanwhile is continuing to ease (Figure 5).

FIGURE 5: LEASE FINANCE BY TYPE



Sources: ABS, Economics@ANZ

This finance data has mixed implications for next week's capex results for the non-mining sector. While a pick up in both non-residential construction and plant and equipment finance approvals towards the end of last year should support positive spending in the first quarter, we are wary that some of this spending will have been interrupted by natural disasters. Moreover, little renewed momentum in these approvals in the first part of 2011 suggests the immediate outlook for non-mining business investment remains soft. A pick up in investment intentions for this sector in next week's capex survey would be a surprise, given current subdued domestic demand and the deleterious effect on manufacturing from the higher A\$.

This may not be seen as a bad thing by the RBA as it ensures resources (labour and other inputs) have a chance to be reallocated towards the booming mining sector. But, with mining investment not likely to take off until at least the second part of this year, this weak investment profile, if combined with a cautious consumer, will keep GDP (ex-natural disasters) and possibly employment growth, subdued.

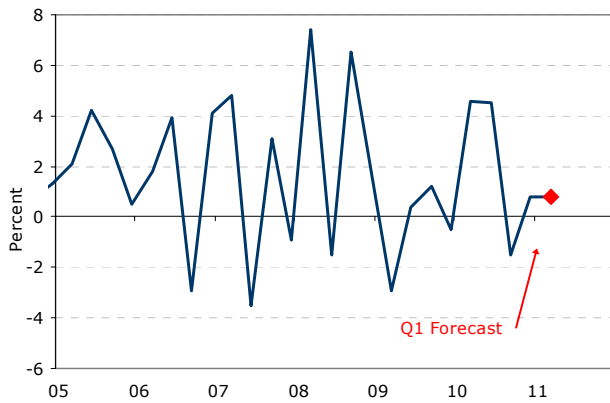
Andrew McManus
Analyst
+61 2 92271742
Andrew.McManus@anz.com

DATA WRAP

- The number of owner-occupier **housing finance** commitments (ex-refin.) decreased 0.9% in March (1.5% lower incl. refin.) to be 8.7% lower over the year. The value of total housing finance commitments (ex-refin.) was down 0.2% in March to be 9.0% below year earlier levels. Within this, owner-occupier approvals were down 1.6% but investor approvals were 2.1% higher in the month.
- **New motor vehicle sales** fell 3.5% in February to be 8.4% lower than February 2010. We would note this is a volatile series, particularly as government incentives for motor vehicles have impacted on annual growth rates. Regardless, the weakening trend in motor vehicle sales is a further signal that the retail and consumer discretionary sector remains soft.
- The **Westpac consumer confidence** index fell 1.3% to 103.9 in May and has trended lower since August 2010. The index remains above the long term average but closing in on this level.
- The **DEWR skilled vacancies** index fell 0.4% in May. While this series is prone to large revisions (April revised from 1.7% to 0.0%), it seems this series has begun to trend lower.
- **International merchandise imports** rose by 1% in April (seasonally adjusted). This was due to a rebound in capital goods imports of +12%, which was in turn due to imports of civil aircraft. Consumption goods imports fell 3%. The ABS noted, "The earthquake and tsunami events in Japan occurred on 11 March 2011 but the specific impact of these events on these estimates cannot be quantified. Between March and April 2011 merchandise imports from Japan fell \$711m (48%) in original terms, primarily driven by a large fall in the non-industrial transport equipment component, down \$494m (81%)."
- The **wage price index** rose 0.8% in the March quarter, a step down from the average quarterly growth of 1.0% over the second half of 2011. The deceleration in wages growth was broadly-based across industries, but not across states. Overall, private sector wages rose more than in the public sector, as occurred in Q4 2010.
- **Average weekly ordinary time earnings** (AWOTE) is our less preferred measure of wages as it is affected by compositional change in the labour force. AWOTE rose 1.0% in the February quarter to be 3.8% higher than February 2010.
- The **Western Australian State Government's Budget for 2011-12** was released on Thursday 19 May. The rapid rise in iron ore prices over the past 12 months has underpinned a solid budget position for the state government. Relative to forecasts in the Mid-year Review, revenues have been revised up by 3.7% in FY12 and 3.1% in FY13. The strong revenue growth is helping to fund the government's solid infrastructure investment pipeline. Indeed, the asset investment program has been revised up to \$A28bn from \$A26.7bn in the Mid-year Review. GSP is expected to average 4.5% in FY12 and show similarly strong growth in FY13 (4.0%) and FY14 (4.0%), although even these robust forecasts appear too conservative. We expect a strong pipeline of mining and energy investment in the state over the next 4 years and this will boost growth in employment and wages. The government forecast the unemployment rate to average 4.5% in FY12 and 4.25% in FY13, but it has already declined to 4.1% even though the majority of the investment is still well into the future. **For more detail, see our report released separately today, WA State Budget FY2012.**

DATA PREVIEW

CONSTRUCTION WORK DONE (Q1)

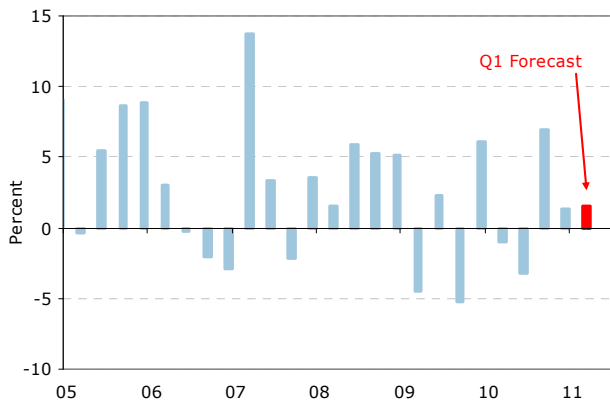


25 MAY: CONSTRUCTION WORK DONE (Q1)

ANZ: -1.8% q/q
Market: +1.5% q/q
Previous: +0.8% q/q

We expect construction work to contract in Q1. Weakness in both private and non-residential building approvals was already expected to constrain activity. This underlying weakness is expected to be further compounded by the interruption to work from natural disasters in Queensland and parts of Victoria over the quarter. Moreover, a contraction in public sector work done, as the Government's schools building project rolls off, should also pull down construction work done in the quarter. The wildcard to this forecast (which is already subject to considerable risk given the natural disasters) is engineering work done. Another stellar 10+% rise (as was recorded last quarter) would be just enough to tip total construction work done back into positive territory. **(KD)**

PRIVATE CAPITAL EXPENDITURE (Q1)



26 MAY: PRIVATE CAPITAL EXPENDITURE (Q1)

ANZ: 1.5% q/q
Market: 2.9 % q/q
Last: 1.3% q/q

We forecast a solid, but unspectacular rise in private capital expenditure in Q1. This will be led by higher spending on plant and equipment spending (in line with strong finance approvals in this sector towards the end of last year – see In Focus article). The uncertainty is whether this upturn in plant and equipment spending will be enough to offset what is expected to be a poor quarter for construction work done, given weak fundamentals in the ex-mining sectors together with the interruption to work from the natural disasters.

As usual, the more interesting part of next week's capex release will be investment intentions for the year ahead. These were very strong last quarter. As outlined in our *In Focus* article, we expect a further upward revision to mining investment intentions following the approval of two large LNG projects in Queensland. Don't be surprised however to see some downward revisions to (the already weak) investment intentions of the non-mining industries, particularly those exposed to the (subdued) household sector and the (high) A\$.

For the RBA, an upward revision to the mining investment pipeline would be largely expected. It would be an upward revision to investment intentions in the non-mining industries which would be unexpected (and would, down the track, have policy consequences). **(KD)**

DATA & EVENT CALENDAR

WEEK STARTING 23 MAY

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST	
23-May	JN	Coincident Index CI	MAR F	--	--	103.6	05:00	15:00	
		Leading Index CI	MAR F	--	--	99.5	05:00	15:00	
		Supermarket Sales	APR	--	--	0.3%	05:00	15:00	
	CH	HSBC Flash China Manufacturing PMI	MAY	--	--	51.8	02:30	12:30	
	EU	PMI Composite	MAY A	57.4	--	57.8	08:00	18:00	
		PMI Manufacturing	MAY A	57.5	--	58.0	08:00	18:00	
		PMI Services	MAY A	56.8	--	56.7	08:00	18:00	
			ECB's Weidmann Speaks in Frankfurt				07:00	17:00	
			ECB's Tumpel-Gugerell Speaks in Frankfurt				08:50	18:50	
			ECB's Ordonez Speaks in Madrid				09:30	19:30	
			ECB's Bini Smaghi Speaks in Vienna				13:00	23:00	
			ECB's Mersch Speaks in Zurich						
	GE	PMI Manufacturing	MAY A	61.1	--	62.0	07:30	17:30	
		PMI Services	MAY A	57	--	56.8	07:30	17:30	
	US	Chicago Fed Nat Activity Index	APR	--	--	0.26	12:30	22:30	
		CA	Victoria Day Public Holiday						
	Tuesday	NZ	RBNZ 2yr Inflation Expectation	Q2	--	--	2.6%	03:00	13:00
24-May	JN	Cabinet Office Monthly Economic Report							
	EU	Industrial New Orders nsa YoY	MAR	--	--	21.2%	09:00	19:00	
		Industrial New Orders sa MoM	MAR	-1.8%	--	0.7%	09:00	19:00	
	GE	GDP sa QoQ	Q1	1.5%	--	1.5%	06:00	16:00	
		GDP nsa YoY	Q1	5.20%	--	4.8%	06:00	16:00	
			IFO - Business Climate	MAY	113.6	--	110.4	08:00	18:00
			IFO - Current Assessment	MAY	--	--	116.3	08:00	18:00
			IFO - Expectations	MAY	--	--	104.7	08:00	18:00
	UK	Public Finances (PSNCR)	APR	--	--	24.8B	08:30	18:30	
		PSNB ex Interventions	APR	--	--	18.6B	08:30	18:30	
		Public Sector Net Borrowing	APR	--	--	16.4B	08:30	18:30	
			CBI Reported Sales	MAY	--	--	21	10:00	20:00
	US	US Treasury auctions 2-year Notes							
			Fed's Bullard (non-voter) Speaks in Missouri				00:10	10:10	
			Fed's Rosengren (non-voter) Speaks in Russia				06:00	16:00	
			Fed's Hoenig (non-voter), Plosser (voter) Speak in Philadelphia				13:50	23:50	
			New Home Sales	APR	305K	--	300K	14:00	00:00
		New Home Sales MoM	APR	1.7%	--	11.1%	14:00	00:00	
		Richmond Fed Manufact. Index	MAY	10	--	10	14:00	00:00	
		Fed's Bullard (non-voter) Speaks in Cape Girardeau, Missouri				17:20	03:20		
Wednesday	AU	Conference Board Leading Index	MAR	--	--	0.4%	00:00	10:00	
		Westpac Leading Index MoM	MAR	--	--	0.4%	00:30	10:30	
		Construction Work Done	Q1	1.5%	-1.8%	0.8%	01:30	11:30	
			AOFM Auctions A\$750m of May 2011 Bonds						
	JN	Merchnds Trade Balance Total	APR	-¥700B	--	¥189.4B	23:50	09:50	
		Adjusted Merchnds Trade Bal.	APR	-¥673.5B	--	¥96.3B	23:50	09:50	
		Merchnds Trade Exports YoY	APR	-12.9	--	-2.3	23:50	09:50	
		Merchnds Trade Imports YoY	APR	12.5	--	11.9	23:50	09:50	
			BOJ Governor Shirakawa Speaks in Tokyo				03:30	13:30	
	EU	ECB's Draghi, Liikanen Speak in Berlin					12:15	22:15	
ECB's Stark Speaks in Berlin						14:30	00:30		
GE	GfK Consumer Confidence Survey	JUN	5.6	--	5.7	06:00	16:00		
UK	GDP QoQ	Q1	0.5%	--	0.5%	08:30	18:30		
	GDP YoY	Q1	1.9%	--	1.8%	08:30	18:30		
	Index of Services (3mth/3mth)	MAR	--	--	-0.3%	08:30	18:30		
	Index of Services MoM	MAR	--	--	0.6%	08:30	18:30		
		BBA Loans for House Purchase	APR	--	--	31660	08:30	18:30	

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
Wednesday	US	US Treasury auctions 5-year Notes						
25-May		MBA Mortgage Applications	20-May	--	--	7.8%	11:00	21:00
(cont.)		Durable Goods Orders	APR	-2.0%	--	4.1%	12:30	22:30
		Durables Ex Transportation	APR	0.6%	--	2.3%	12:30	22:30
		Cap Goods Orders Nondef Ex Air	APR	--	--	4.3%	12:30	22:30
		Cap Goods Ship Nondef Ex Air	APR	--	--	3.0%	12:30	22:30
		House Price Index MoM	MAR	-0.6%	--	-1.6%	14:00	00:00
		House Price Purchase Index QoQ	Q1	--	--	-0.8%	14:00	00:00
		Fed's Kocherlakota (voter) Speaks in Rochester, Minnesota					17:30	03:30
	CA	Teranet/National Bank HPI MoM	MAR	--	--	0.1%	13:00	23:00
		Teranet/National Bank HPI YoY	MAR	--	--	3.8%	13:00	23:00
Thursday	AU	RBA's Battellino Speaks in Sydney					23:15	09:15
26-May		CBA-HIA House Affordability	Q1	--	--	53.5	00:30	10:30
		Private Capital Expenditure	Q1	2.9%	1.5%	1.3%	01:30	11:30
	JN	Corp Service Price Index YoY	APR	--	--	-1.2%	23:50	09:50
	EU	ECB's Ewald Nowotny Speaks in Vienna					09:15	19:15
		ECB's Trichet Speaks in Berlin					09:20	19:20
		ECB's Bini Smaghi Speaks in London					12:00	22:00
	UK	GfK Consumer Confidence Survey	MAY	-32	--	-31	23:01	09:01
	US	US Treasury auctions 7-year Notes						
		GDP QoQ (Annualized)	Q1 s	2.2%	--	1.8%	12:30	22:30
		Personal Consumption	Q1 s	2.8%	--	2.7%	12:30	22:30
		Core PCE price index	Q1 s	1.5%	--	1.5%	12:30	22:30
		GDP Price Index	Q1 s	1.9%	--	1.9%	12:30	22:30
		Initial Jobless Claims	21-May	--	--	409K	12:30	22:30
		Continuing Claims	14-May	--	--	3711K	12:30	22:30
		RPIX Composite 28dy YoY	MAR	--	--	-4.3%	20:00	06:00
Friday	AU	AOFM Auctions A\$750m of June 2016 Bonds						
27-May	JN	CPI YoY	APR	0.3%	--	0.0%	23:30	09:30
		CPI Ex-Fresh Food YoY	APR	0.6%	--	-0.1%	23:30	09:30
		CPI Ex Food, Energy YoY	APR	-0.1%	--	-0.7%	23:30	09:30
		Retail Trade MoM sa	APR	2.6%	--	-7.6%	23:50	09:50
		Retail Trade YoY	APR	-6.2%	--	-8.3%	23:50	09:50
		Large Retailers' Sales	APR	-1.3%	--	-7.7%	23:50	09:50
	CH	MNI Business Condition Survey	MAY	--	--	69.28	01:35	11:35
		Industrial Profits YTD YoY	APR	--	--	32.0%	02:00	12:00
	EU	Euro-Zone M3 sa 3 mth ave.	APR	2.3%	--	2.0%	08:00	18:00
		Euro-Zone M3 sa YoY	APR	2.3%	--	2.3%	08:00	18:00
		ECB's Kranjec Speaks in Portoroz, Slovenia					08:00	18:00
		Business Climate Indicator	MAY	--	--	1.28	09:00	19:00
		Euro-Zone Consumer Confidence	MAY F	--	--	-11.6	09:00	19:00
		Euro-Zone Economic Confidence	MAY	105.8	--	106.2	09:00	19:00
		Euro-Zone Indust. Confidence	MAY	5.1	--	5.8	09:00	19:00
		Euro-zone Services Confidence	MAY	10	--	10.4	09:00	19:00
	GE	Consumer Price Index MoM	MAY P	0.0%	--	0.2%		
		Consumer Price Index YoY	MAY P	2.3%	--	2.4%		
		CPI EU Harmonised MoM	MAY P	0.1%	--	0.3%		
		CPI EU Harmonised YoY	MAY P	2.7%	--	2.7%		
	US	Personal Income	APR	0.4%	--	0.5%	12:30	22:30
		Personal Spending	APR	0.4%	--	0.6%	12:30	22:30
		PCE Deflator YoY	APR	1.9%	--	1.8%	12:30	22:30
		PCE Core MoM	APR	0.2%	--	0.1%	12:30	22:30
		PCE Core YoY	APR	1.0%	--	0.9%	12:30	22:30
		U. of Michigan Confidence	MAY F	72.4	--	72.4	13:55	23:55
		Pending Home Sales MoM	APR	-1.0%	--	5.1%	14:00	00:00
		Pending Home Sales YoY	APR	--	--	-11.5%	14:00	00:00
27 May - 3 Jun	GE	Retail Sales MoM	APR	--	--	-2.7%	--	--
		Retail Sales YoY	APR	--	--	-3.5%	--	--
28-May	JN	BOJ Governor Shirakawa Speaks in Tokyo					07:00	17:00

FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
23 MAY JP: Leading index CI (Mar F) EU: ECB's Tumpel-Gungerell, Ordonez, Weidmann and Bini Smaghi speak , PMI (May A) GE: PMI (May A) US: Chicago Fed Activity Index (Apr) CA: Victoria Day Holiday	24 MAY NZ: Inflation expectations (Q2) EU: Ind New Order (Mar) GE: GDP (Q1 F), IFO Survey (May), Trade (Q1) UK: Public finance (Apr) US: New Home Sales (Apr), Richmond Fed Manufac (May), Fed's Bullard, Rosengren and Hoenig speak	25 MAY AU: W'pac Leading Index (Mar), Construction work (Q1), JP: Trade (Apr) EU: ECB's Stark Speaks GE: GfK Consumer Confidence (Jun) UK: GDP (Q1 P) US: Capital & Durables Goods Orders (Apr), House prices (Mar), Fed's Korcherlakota speaks	26 MAY AU: CAPEX (Q1), ABARES minerals & energy major projects, RBA's Battelino Speaks EU: Nowotny, Trichet, Bini-Smaghi Speak UK: GfK Consumer Confidence (May) US: GDP (Q1 S), Core PCE (Q1 S), Personal Consumption (Q1 S)	27 MAY CH: Business Conditions (May), Ind Profits (Apr) JP: CPI (Apr), Retail Trade (Apr) EU: Consumer Confidence (May F), Eco, Ind & Ser Conf. (May), M3 (Apr) GE: CPI (May P) US: PCE Core (Apr), Personal Spending & Income (Apr), Pending Homes Sales, Uni of Michigan (May F)
30 MAY NZ: Trade (Apr) AU: Company Operating Profits (Q1), Inventories (Q1) JP: Construction Orders (Apr), Housing Starts (Apr) CH: Leading Index UK: Bank Holiday US: Memorial Day Holiday CA: GDP (Mar), Current Account (Q1)	31 MAY NZ: Building Permits (Apr) AU: Building Approvals (Apr), Current Account Balance (Q1), Net Exports (Q1), Private Credit (Apr) JP: Jobless Rate (Apr), Ind Production (Apr P) EU: CPI Estimate (May), Unemployment (Apr), ECB's Nowotny Speaks GE: Unemployment (May) US: Case-Shiller Index (Mar & Q1), Consumer Confidence (May), Chicago PMI (May), Dallas Fed Manufac Survey (May) CA: BoC Rates Decision	1 JUNE NZ: ANZ Commodity Price (May), ToT (Q1) AU: GDP (Q1) CH: PMI Manufac (May) EU: PMI Manufac (May F) GE: PMI Manufac (May F) UK: PMI Manufac (May), Mortgage Approvals (Apr) US: Challenger Job Cuts (May), ADP Employment (May), Construction Spending (Apr), ISM Manufac (May)	2 JUNE AU: Trade (Apr), Retail Sales (Apr) JP: Capital Spending (Q1) UK: PMI Construction (May) GE & FR: Ascension Day Holiday US: Factory Orders (Apr)	3 JUNE CH: PMI Non-Manufac (May) EU: PMI Composite & Services (May F) GE: PMI Services (May F), Import Price Index (Apr), Retail Sales (Apr) UK: PMI Services (May) US: Non-Farm Payrolls (May), Unemployment (May), ISM Non-Manufact. (May)
6 JUNE NZ: Queen's Birthday Holiday AU: ANZ Job Ads (Apr), TD Securities Inflation gauge (May) CH: Dragon Boat Festival Public Holiday EU: Sentix Investor Conf. (Jun), PPI (Apr) US: Fed's Plosser and Fisher Speak CA: Building Permits (Apr), Ivey PMI (May)	7 JUNE AU: RBA Cash Rate , NAB Business Confidence (May) JP: Leading Index CI (Apr P) EU: Retail Sales (Apr) GE: Factory Orders (Apr) US: JOLTs Job Openings (Apr), Consumer Credit (Apr)	8 JUNE AU: Westpac Consumer Confidence (Jun), Housing Finance (Apr) JP: Money Stock (May), Current Account (Apr), Trade (Apr) EU: GDP (Q1 P) GE: Current Account (Apr), Trade (Apr), Ind Production (Apr) US: Fed's Beige Book CA: Housing Starts (May)	9 JUNE NZ: RBNZ Cash Rate , Manufacturing Activity (Q1) AU: South Aust. Budget , Employment (May) JP: GDP (Q1 F), Consumer Confidence (May) EU: ECB Rates Decision , Trichet Speaks UK: BoE Rates Decision , Trade (Apr) US: Trade (Apr), Fed's Yellem and Plosser Speak CA: Merch Trade (Apr)	10 JUNE NZ: Card Spending (May) JP: Domestic CGPI (May) CH: Trade Balance (May) GE: CPI (May F) UK: NIESR GDP Est. (May), Ind and Manuf. Production (Apr), PPI (May) US: Import Price Index (May), Monthly Budget Statement (May) CA: Employment (May)
13 JUNE AU: Queens Birthday Holiday JP: Machine Orders (Apr) CH: New Yuan Loans (May), Money Supply (May) GE & FR: Whit Day Holiday UK: RICS House Price Balance (May)	14 JUNE NZ: Food Prices (May) AU: Queensland Budget JP: BoJ Target rate , Industrial Prod (Apr F) CH: PPI (May), CPI (May), Industrial Prod (May), Retail Sales (May) UK: CPI & RPI (May) US: PPI (May), Retail Sales (May), NFIB Small Business Survey (May), Business Inventories (Apr)	15 JUNE AU: Dwelling Starts (Q1), Inflation Expectation (Jun), RBA's Stevens Speaks EU: Industrial Prod. (Apr) UK: Average Weekly Earnings (Apr), ILO Unemp (Apr), Jobless Claims Change (May) US: CPI (May), Empire Manufacturing Index (Jun), Net Long-term TIC Flows (Apr), Industrial Prod (May)	16 JUNE NZ: ANZ Consumer Confidence (Jun), Business PMI (May) AU: TAS Budget EU: CPI (May), Employment (Q1) UK: Retail Sales (May) US: Building Permits (May), Housing Starts (May), Philly Fed Survey (Jun)	17 JUNE JN: BoJ Publish Minutes EU: Construction Output (Apr), Trade Balance (Apr), ECB Publishes Monthly Report (Jun) US: Leading Indicators (May), Univ of Michigan Consumer Confidence (Jun P)
20 JUNE NZ: Credit Card Spending (May) JP: Trade (May), Leading Index (Apr F) EU: Current Account (Apr) GE: Prod. Prices (May)	21 JUNE NZ: Net Migration (Jun) AU: RBA Board Minutes (Jun) JP: Industry Activity Index (Apr) EU: ZEW Survey (Jun) GE: Zew Survey (Jun) UK: Public Finances (May) US: Existing Home Sales (May) CA: Leading Indicators (May), Retail Sales (Apr)	22 JUNE NZ: Current Acc. Bal. (Q1) EU: Ind. New Orders (Apr), Consumer Conf. (Jun A) UK: BoE Publish Minutes US: FOMC Rate Decision , House Price Index (Apr), Fed Chairman Bernanke Speaks	23 JUNE NZ: GDP (Q1) AU: Leading Index (Apr) US: Chicago Fed Nat Activity Index (May), New Home Sales (May)	24 JUNE JP: Corp Service Index (May) CH: MNI Business Condition Survey (Jun) GE: IFO Bus. Climate, Current Assess. & Expectations (Jun) US: Durable & Capital Goods Orders (May), GDP (Q1 T), Personal Consumption (Q1 T)

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	3.1	5.3	5.9
Household consumption	2.7	2.3	2.9	2.7
Dwelling investment	4.8	-0.9	0.4	7.4
Business investment	-0.9	8.7	15.2	15.2
Public demand	9.1	4.3	3.1	2.0
Domestic final demand	3.6	3.4	4.8	4.9
Inventories (contribution to GDP)	0.4	-0.2	0.1	0.0
Gross National Expenditure (GNE)	4.1	3.2	4.8	4.9
Exports	5.3	1.8	10.3	10.6
Imports	13.2	10.7	14.7	9.6
Net Exports (contribution to GDP)	-1.6	-2.1	-1.3	-0.1
Gross Domestic Product (GDP)	2.7	1.5	3.7	4.3
Prices and wages (annual % change)				
Inflation:				
Headline CPI	2.8	3.3	2.7	3.1
Underlying*	2.6	2.7	3.1	3.0
Wages	3.3	4.0	4.1	4.3
Labour market				
Employment (annual % change)	2.7	2.4	2.4	2.4
Unemployment rate (annual average %)	5.2	4.9	4.5	4.1
External sector				
Terms of trade (annual % change)	16.2	16.6	2.7	-1.5
Current account balance: A\$bn	-34.5	-21.3	-30.2	-35.6
% of GDP	-2.6	-1.5	-1.9	-2.1

* Average of RBA weighted median and trimmed mean statistical measure

AUSTRALIAN INTEREST RATES	CURRENT	JUN 11F	SEP 11F	DEC 11F	MAR 12F	JUN 12F
RBA cash rate	4.75	4.75	5.00	5.25	5.25	5.50
90 day bill	5.02	5.25	5.30	5.50	5.60	5.80
3 year bond	5.02	5.50	5.40	5.60	5.80	6.00
10 year bond	5.32	5.80	5.70	5.80	5.90	6.00
3s10s yield curve	0.30	0.30	0.30	0.20	0.10	0.00
3 year swap	5.32	5.80	5.70	6.00	6.20	6.40
10 year swap	5.86	6.35	6.25	6.35	6.45	6.55

INTERNATIONAL INTEREST RATES	CURRENT	JUN 11F	SEP 11F	DEC 11F	MAR 12F	JUN 12F
RBNZ cash rate	2.50	2.50	2.50	2.75	3.25	3.50
NZ 90 day bill	2.66	2.65	2.69	3.14	3.67	3.75
US Fed funds note	0.25	0.25	0.25	0.25	0.75	1.50
US 2 year note	0.52	0.90	1.00	1.30	1.60	1.90
US 10 year note	3.17	3.60	3.70	3.90	4.10	4.20
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.25	1.25	1.50	1.50	1.50	1.75
UK repo rate	0.50	0.50	0.75	1.00	1.00	1.25

FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	JUN 11F	SEP 11F	DEC 11F	MAR 12F	JUN 12F
Australian exchange rates						
A\$/US\$	1.07	1.06	1.08	1.04	1.02	1.00
NZ\$/US\$	0.79	0.76	0.77	0.75	0.74	0.72
A\$/¥	87.1	90.1	92.9	91.5	91.8	92.0
A\$/€	0.74	0.76	0.79	0.77	0.77	0.75
A\$/£	0.66	0.66	0.68	0.66	0.65	0.64
A\$/NZ\$	1.35	1.39	1.40	1.39	1.38	1.39
A\$/C\$	1.03	1.03	1.03	1.00	1.00	0.99
A\$/CHF	0.94	0.94	0.97	0.96	0.96	0.96
A\$/CNY	6.94	6.82	6.84	6.48	6.28	6.10
A\$ Trade weighted index	77.8	78.2	80.1	77.7	76.3	74.7
International cross rates						
US\$/¥	81.7	85.0	86.0	88.0	90.0	92.0
€/US\$	1.43	1.40	1.37	1.35	1.33	1.33
€/¥	117	119	118	119	120	122
£/US\$	1.62	1.61	1.60	1.58	1.57	1.57
€/£	0.88	0.87	0.86	0.85	0.85	0.85
US\$/C\$	0.97	0.97	0.95	0.96	0.98	0.99
US\$/CHF	0.88	0.89	0.90	0.92	0.94	0.96
US\$ index	75.1	76.6	77.4	78.6	80.4	80.1
Asia exchange rates						
US\$/CNY	6.50	6.43	6.33	6.23	6.16	6.10
US\$/HKD	7.77	7.78	7.78	7.80	7.80	7.80
US\$/IDR	8553	8900	9100	9000	8900	8800
US\$/INR	45.0	46.0	46.5	47.0	46.3	45.6
US\$/KRW	1086	1125	1155	1175	1150	1125
US\$/MYR	3.03	3.05	3.10	3.15	3.13	3.10
US\$/PHP	43.2	43.9	45.3	45.9	45.5	45.0
US\$/SGD	1.24	1.26	1.27	1.28	1.27	1.26
US\$/THB	30.24	29.50	30.00	30.50	30.25	30.00
US\$/TWD	28.83	30.35	30.90	31.70	31.50	31.30
US\$/VND	20765	20900	21400	21400	22000	22000
Pacific exchange rates						
PGK/US\$	0.420	0.378	0.385	0.378	0.372	0.366
FJD/US\$	0.566	0.541	0.548	0.538	0.530	0.522

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 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

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

NEW ZEALAND BY:

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

This document ("document") is distributed to you in Australia and the United Kingdom by Australia and New Zealand Banking Group Limited ABN 11 005 357 522 ("ANZ") and in New Zealand by ANZ National Bank Limited ("ANZ NZ"). ANZ holds an Australian Financial Services licence no. 234527 and is authorised in the UK and regulated by the Financial Services Authority ("FSA").

This document is being distributed in the United States by ANZ Securities, Inc. ("ANZ S") (an affiliated company of ANZ), which accepts responsibility for its content. Further information on any securities referred to herein may be obtained from ANZ S upon request. Any US person(s) receiving this document and wishing to effect transactions in any securities referred to herein should contact ANZ S, not its affiliates.

This document is being distributed in the United Kingdom by ANZ solely for the information of its eligible counterparties and professional clients (as defined by the FSA). It is not intended for and must not be distributed to any person who would come within the FSA definition of "retail clients". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the FSA.

This document is issued on the basis that it is only for the information of the particular person to whom it is provided. This document may not be reproduced, distributed or published by any recipient for any purpose. This document does not take into account your personal needs and financial circumstances. Under no circumstances is this document to be used or considered as an offer to sell, or a solicitation of an offer to buy.

In addition, from time to time ANZ, ANZ NZ, ANZ S, their affiliated companies, or their respective associates and employees may have an interest in any financial products (as defined by the Australian Corporations Act 2001), securities or other investments, directly or indirectly the subject of this document (and may receive commissions or other remuneration in relation to the sale of such financial products, securities or other investments), or may perform services for, or solicit business from, any company the subject of this document. If you have been referred to ANZ, ANZ NZ, ANZ S or their affiliated companies by any person, that person may receive a benefit in respect of any transactions effected on your behalf, details of which will be available upon request.

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable. The views expressed in this document accurately reflect the author's personal views, including those about any and all of the securities and issuers referred to herein. The author however makes no representation as to its accuracy or completeness and the information should not be relied upon as such. All opinions and estimates herein reflect the author's judgement on the date of this document and are subject to change without notice. No part of the author's compensation was, is or will directly or indirectly relate to specific recommendations or views expressed about any securities or issuers in this document. ANZ, ANZ NZ, ANZ S, their affiliated companies, their respective directors, officers, and employees disclaim any responsibility, and shall not be liable, for any loss, damage, claim, liability, proceedings, cost or expense ("Liability") arising directly or indirectly (and whether in tort (including negligence), contract, equity or otherwise) out of or in connection with the contents of and/or any omissions from this communication except where a Liability is made non-excludable by legislation.

Where the recipient of this publication conducts a business, the provisions of the Consumer Guarantees Act 1993 (NZ) shall not apply.

