

# AUSTRALIAN ECONOMICS

## AUSTRALIAN ECONOMICS WEEKLY

8 JULY 2011

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### A SLOWER ECONOMY FOR 2011 AND A NEW TAX FOR 2012

- As expected, the RBA kept its cash rate unchanged at 4.75% this week. More significantly, the accompanying statement indicated that **the RBA has downgraded its outlook for Australian economic growth**, and appears more concerned about the risks to the global economy. ANZ has also recently downgraded its Australian economic growth and employment outlook. As a result, we now expect the unemployment rate will remain steady for the rest of this year. While core inflation is still expected to rise above 3.0% in 2012, its trajectory may be a little more gradual than we previously anticipated. This has prompted us to **push out our expectations for the next cash rate rise until February 2012**. We also now expect a slower tightening cycle, with the cash rate forecast to reach 5.75% in the second half of 2013.
- Our *In Focus* article this week provides a preview of **the Australian Government's carbon emissions tax, which will be announced in detail this Sunday**. The tax will be paid by around 500 industrial corporations with direct CO<sub>2</sub>e emissions from 1 July 2012. About half will be paid by the electricity sector, which is our single largest source of emissions. Emissions from agriculture, road vehicles and other small sources are exempt. Sometime after 2015, the tax will be converted to a tradeable permits scheme. A starting price of \$23 per tonne of CO<sub>2</sub>e is the most likely, raising around \$11.5 bn annually.

### THE WEEK AHEAD

- In **Australia**, the NAB business survey and housing finance data will be released. Business conditions have fallen sharply since March. In June, the rebound post the Queensland floods is likely to be offset by a weakening in the non-mining related industries (as highlighted in this week's RBA statement). Ongoing concerns about the global economy as well as uncertainty around the Government's carbon tax may have also weighed on business confidence last month. We expect housing finance rose 5.6% in May as auction sales indicate improved housing market activity.
- In the **US**, the data flow will be closely watched for any sign that the H1 weakening is finding a base. US bonds have sold off following the end of QE2 and will need to see some better US data if yields are to rise further. The FOMC minutes and a speech from the Fed's Bernanke along with PPI, CPI, retail sales, business inventories and the NFIB small business optimism survey will all be closely followed.
- In the **Euro zone**, inflation data will be the key after the ECB reiterated its hard stance on prices by raising interest rates by 25bps this week. Industrial production data will also be released. In the **UK**, inflation data will be closely watched, with the market expecting the annual rate to remain at 4.5% in June. Other data include average weekly earnings and unemployment.
- In **Asia**, the **Chinese** data dump will be key for the region. CPI will again be the focus with our Chinese colleagues forecasting a peak in inflation to occur in Q3 2011. PPI, retail sales and Q2 GDP will also be released. In **Japan**, the BoJ meets but much of the attention will be on industrial production data.
- In **New Zealand**, the delayed Q1 GDP data is expected to be released. Our NZ colleagues are forecasting growth of 0.4% q/q. Food prices, business PMI and card spending are also released, with our NZ colleagues expecting a pick-up in activity indicators in coming months.

**CARBON TAX PREVIEW****Major policy announcement scheduled for 10 July 2011****Carbon emissions tax to commence 1 July 2012****Carbon emissions trading to commence 1 July 2015 or later**

The Australian Government is poised to announce details of a tax on direct greenhouse gas emissions (commonly measured in units of carbon dioxide equivalent, or CO<sub>2</sub>e). This tax will transition into an emissions trading scheme (ETS), with fully tradeable CO<sub>2</sub>e emission permits, from 2015 (at the earliest).

**KEY POINTS**

- The Government plans to commence a carbon tax in Australia on 1 July 2012.
- An announcement on the detail will be made on Sunday, but the enabling legislation will need to pass through Parliament.
- The most likely starting price is \$20 to \$23 per tonne. This would raise between \$8.3bn and \$9.6bn in tax revenue annually if all of the companies associated with the relevant industrial and energy emissions were included in the scheme.
- The Government proposes that at least initially, the tax will only be paid by around 500 large industrial corporations. This is a smaller group than the 1,000 companies proposed for Emissions Trading in 2008, but will still capture the bulk of the relevant emissions from energy and industry sources. Most of this will be paid by the electricity sector.
- Agriculture, smaller industrial polluters, households and road transport are exempt from paying a direct tax.
- The revenue raised from pricing carbon will be used to assist households and businesses manage the transition and fund climate change programs. In the first few years of the scheme, the revenue raised is not expected to cover these costs. As such, unless the Government has identified savings from existing programs, the scheme will initially be a cost to the Federal Government Budget. These costs are not expected to delay the Government's return to surplus in 2012-13.
- The main practical effect for most businesses and all households will be an increase in prices for electricity and a small range of other emissions-intensive products.
- The macroeconomic cost to the economy is small and is spread over a long period. In the medium term, there are some transitional costs and some (intended) redistribution effects, aimed at moving the economy away from emissions intensive activities and toward technologies and industries with lower emissions.
- This tax will transition to a fully tradeable scheme on or after 1 July 2015.

### INDICATIVE TIMETABLE

**10 July 2011** - Details of carbon pricing to be announced by Prime Minister Gillard

10 July 2011 or after (sometime in July most likely) - Treasury modelling to be released

H2 2011 - Legislation introduced to Parliament

November or December 2011- Carbon pricing scheme included in mid-year Budget update

**1 July 2012** – start date of carbon tax

July 2012 to between July 2015 and July 2017 - fixed price phase for 500 initial companies

**1 July 2015** (at earliest) – flexible price phase (i.e. trading) to start.

### BACKGROUND IN BRIEF

A CO<sub>2</sub>e emissions tax or trading scheme for Australia has been on the drawing board, in various forms, for close to a decade. A national emission trading scheme was first proposed by the Howard Government, which then commenced a series of inquiries and investigations. This long development period for an Australian scheme has occurred within the context of a growing raft of international measures aimed at mitigating climate change, including the Kyoto Protocol.

Under the Kyoto Protocol, Australia agreed to aim to reduce its total annual CO<sub>2</sub>e emissions to 108% of our 1990 levels by 2012. As of 2009, Australia's total CO<sub>2</sub>e emissions (ex land use, land use change and forestry) were 30.5% above 1990 levels (see figure 1 below). This suggests the Kyoto Protocol target for Australia for 2012 is unlikely to be met.

As of 2010, the Government's stated policy goal is to reduce CO<sub>2</sub>e emissions to 25% below 2000 levels by 2020, if there is a fair contribution globally to restrain atmospheric concentrations of greenhouse gases to 450 parts per million. This goal is equivalent to halving our average emissions per capita from 2009 levels over the next ten years. If the world is unable to reach agreement, the Government still aims to reduce Australian emissions by between 5 and 15% below 2000 levels by 2020.

Australian Government policy to achieve these emissions reduction goals are divided into:

- 1) Mitigation - to reduce Australia's CO<sub>2</sub>e emissions.
- 2) Adaptation - to adapt to the climate change we cannot avoid.
- 3) Global solution - to help shape a collective international response.

Carbon pricing (tax or trading) fits into 'mitigation', along with a range of other measures.

Internationally, 32 countries and 10 US States currently have CO<sub>2</sub>e or energy trading schemes (voluntary or compulsory) in place or in train although US state New Jersey has voted to pull out of its scheme at the end of the year. CO<sub>2</sub>e trading already operates across 30 countries in Europe. These schemes were documented and compared in a recent report by the Productivity Commission, which found that market-based pricing mechanisms were the most efficient at reducing CO<sub>2</sub>e emissions at least cost to the economy (see [www.pc.gov.au](http://www.pc.gov.au) for further details).

### WHEN?

**The price and other final details of the current proposal are due to be released this Sunday 10 July.** The format, scope and design principles are based on previous proposals, most closely that of the former Carbon Pollution Reduction Scheme of 2007 and 2008.

Before a carbon tax or trading can commence however, the enabling legislation still needs to be passed by both Houses of Parliament. The Government established the Multi-Party Climate

Change Committee with the Greens and Independents Tony Windsor and Rob Oakeshott to develop the detail for the scheme.

**From 1 July 2012, the Government will issue fixed price permits** for greenhouse gas emissions (measured in CO<sub>2</sub>e) for large polluters. The price of these permits is widely expected to start at \$23 per tonne of CO<sub>2</sub>e. This implies a total tax take of up to \$10.3 bn in the first year, based on 2009 emissions levels. The price will then increase at a fixed and pre-determined rate annually. The carbon price and the subsequent rises will be announced this Sunday.

**From 2015 (at earliest), flexible trading will commence**, with the holders of the carbon permits able to buy, sell and even borrow against the value of their permits. Ideally, international trading will also be possible (e.g. with the existing EU or UN schemes), although the complexities of international trading mean this will probably take far longer to implement. Research and modelling indicates international trading would bring the cost of CO<sub>2</sub>e mitigation down, by enabling emissions reductions to move to their most efficient location worldwide.

#### WHO?

**Initially, the permits will only be required for around 500 industrial companies with the largest direct CO<sub>2</sub>e emissions** (down from the 1,000 industrial corporations identified as eligible for emissions trading under the 2007-08 proposals and earlier during the current round of negotiations). This will still capture the bulk of relevant emissions coming from energy and industrial sources. 2009-10 national emissions data indicate that the top 20 companies (by emissions levels) are responsible for 51% of total relevant energy and industry emissions, while the top 200 companies are responsible for 76% of energy and industrial emissions.<sup>1</sup>

At least half of the permits will need to be purchased by the electricity generation sector, which is Australia's single largest source of emissions (see figure 1 below). The Government is proposing to soften the high cost for these corporations with a mix of free permits over the first 5 to 10 years of the scheme, plus other subsidies and supports. Media reports have also suggested asset buy-outs (for brown coal fired power plants with the highest emissions) and free or discounted loans may be extended to the energy generation and coal mining sectors.

At this stage, **agriculture, road transport and industrial companies with emissions under a certain threshold will be exempt** from the tax and from the future trading scheme (as they were under the 2008 proposals for an Emission Trading Scheme). However, they may be affected by the flow-on costs associated with the impact of the tax and future trading scheme on non-exempt companies.

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<sup>1</sup> Calculations based on 2009-10 greenhouse and energy data published in the Department of Climate Change and Energy Efficiency 2011, *National Greenhouse and Energy Reporting Information 2009-10*.

FIGURE 1: ANNUAL CO<sub>2</sub>e EMISSIONS LEVELS AND POTENTIAL TAX LIABILITY

Sector	Emissions of CO <sub>2</sub> e per year, Gg (1,000 tonnes)			Potential carbon tax liability based on 2009 emissions	
	1990*	2009	Change	\$20/t	\$23/t
<b>ENERGY PRODUCTION</b>	Gg	Gg	%	\$mn	
Electricity Generators	143,223	227,794	47.1	4,556	5,239
Manufacturing & construction	35,648	44,514	59.0	890	1,024
Transport	62,121	83,645	24.9	1,673	1,924
Other energy sectors	14,745	20,334	34.6	407	468
Other energy production	1,013	1,413	37.9	28	32
Fugitive emissions from coal	19,287	28,704	22.9	574	660
Fugitive emissions from gas & oil	12,978	10,951	48.8	219	252
<b>Energy production total</b>	<b>289,014</b>	<b>417,355</b>	<b>44.4</b>	<b>8,347</b>	<b>9,599</b>
<b>INDUSTRIAL PROCESSES</b>					
Mineral production	5,539	6,507	17.5	130	150
Chemical production	2,053	6,561	219.6	131	151
Metal production	15,603	10,069	-35.5	201	232
Other production	90	170	88.9	3	4
Consumption of halocarbons & SF6	56	6,310	11167.9	126	145
<b>Industrial processes total</b>	<b>24,468</b>	<b>29,617</b>	<b>21.0</b>	<b>592</b>	<b>681</b>
<b>Energy and industry total</b>	<b>313,482</b>	<b>446,972</b>	<b>42.6</b>	<b>8,939</b>	<b>10,280</b>
4. agriculture	86,812	84,746	-2.4	exempt	exempt
6. Waste	18,016	14,075	-21.9	exempt	exempt
<b>AUSTRALIA TOTAL EXC. LULCF**</b>	<b>418,310</b>	<b>545,793</b>	<b>30.5</b>	<b>10,916</b>	<b>12,553</b>

\* 1990 is the Kyoto base year. Australia's Kyoto target is national total emissions of 8% above 1990 levels by 2012.

\*\* Australian total emissions excluding land use, land use change and forestry (LULCF).

Gg = 1,000 tonnes of greenhouse gas emissions, measured in CO<sub>2</sub>e.

\* 1990 is the Kyoto base year. Australia's Kyoto target is emissions of 108% of 1990 levels by 2012.

\*\* LULCF = land use, land use change and forestry.

Source: *National Greenhouse Gas Inventory Accounting for Kyoto Target*, December Quarter 2010.

## HOW?

*"Nine out of ten households will receive assistance in terms of tax cuts and additional family assistance, and additional pension increases. And of course there will be assistance to industry, particularly energy-intensive trade-exposed industries. And of course there will be a battlers' buffer for those on the lowest incomes and that will apply to over three million households." (Treasurer Swan, 5 July 2011)*

**For the vast majority of Australian businesses and for households, the main effect of the tax (and later, trading) will be felt through higher prices** passed on to customers of emissions-intensive goods and services, and primarily, **electricity**. This is because electricity generation is Australia's single largest source of CO<sub>2</sub>e emissions. Indeed, electricity consumption levels and intensiveness (that is, electricity consumed per unit of output) are probably the best current indicator of how this scheme will affect individual industries, businesses and households; higher electricity consumption means a greater impact from the resulting price rises. The actual size of the price rises will be governed by the actual cost to the electricity generators and distributors of the tax (that is, the tax less any related subsidies or assistance they receive), their ability to absorb the additional costs, and the reaction of the (state-based) electricity pricing regulators to applications for retail price rises.

Complicating the picture for **electricity producers and consumers**, the electricity sector currently faces substantial cost pressures from sources unrelated to the carbon tax including: hefty price rises for coal, oil and gas; maintenance and upgrading of ageing infrastructure; expansion of the national distribution network; regulatory changes; and rapid technological changes in electricity generation and delivery. These unrelated cost factors have been tipped to

add as much as 20% to electricity generation costs in coming years, with the cost of a carbon tax and/or trading being overlaid on top of that. Within the energy sector, the cost of the tax will fall most heavily on production that is most emissions-intensive, that is, from coal.

The other effect for businesses and households might be through **transport prices** for passengers and freight. Current suggestions indicate that although road transport is exempt, rail and air transport might be included within the scope of the tax and/or later trading (although possibly brought in later rather than from 1 July 2012). There have also been reports this week that although transport fuel is expected to be exempt from the tax, the diesel fuel tax rebate (currently 38 cents per litre) might be lowered for businesses outside agriculture, construction and selected other industries at the same time as the carbon tax is introduced, effectively increasing the cost of fuel for many businesses.

Treasury modelling released in 2008 and the Garnaut Reports indicate the downstream industries likely to be most adversely affected by higher electricity prices are the (non-agricultural) 'emissions intensive trade exposed' industries such as aluminium, black coal processing, steel, metals and chemicals producers. At the other end of the spectrum, industries with very low emissions intensity (per dollar of output or revenue) include most of the large services industries such as finance, insurance, publishing and real estate. Services with relatively high electricity intensity such as transport, refrigerated food storage and retailing, hotels and restaurants will experience relatively higher price rises that will need to be absorbed into their cost base, reduced (by reducing mains electricity) and/or passed on to customers.

These price rises are intended to provide an incentive for energy consumers to use more goods and services that are less CO<sub>2</sub>e intensive (e.g. renewable energy), over those that are emissions-intensive (e.g. fossil fuels).

**The Government will compensate households and, to a lesser extent businesses, for the price rises directly related to the carbon tax.** Compensation will be targeted at low to middle income households (via offsetting tax cuts and welfare payment rises). The Government has suggested that around 90% of households will receive some compensation. Compensation will not offset energy price rises that occur simultaneously but that are due to other causes. Media reports have suggested the ACCC will be empowered to investigate and prosecute concurrent, opportunistic price rises that are not justified by the effects of the carbon tax in a similar manner to the period just after the GST was introduced.

#### ECONOMIC EFFECTS?

In terms of **the macroeconomic effects of the proposed tax**, there are some net costs to the economy, but these are likely to be **small and are spread over a long time period (and as the UK's Nicholas Stern famously warned, these need to be balanced against the unknown but potentially very high cost of doing nothing)**. In the short to medium term, there will be transition costs in introducing the system, and there will be redistribution effects with the movement of resources away from emissions-intensive activities toward low-intensive ones. Such a shift is an intended consequence. Indeed, it is the central goal of the scheme.

New Treasury modelling is currently being undertaken but has not yet been released (although given the similarity of the current proposal to the last version, the modelling undertaken by Treasury in 2008 is still relevant). Treasurer Swan has said the newest Treasury modelling will show **net employment growth to 2020 would be the same** under a carbon price of \$20 per tonne as it would be without a carbon price (that is, any jobs lost in some sectors will be countered by job gains elsewhere). The modelling is also expected to show that real national income will grow at an average annual rate per person of around 1.1% until 2050 instead of 1.2% per person without the tax. Based on these estimates, **the carbon price would reduce annual growth in gross national income by about 0.1% per person**, compared to what it could have been without the tax, by 2050.

The timing of compensation and support measures relative to the revenue collected means the carbon tax **will not initially be 'budget neutral'** (one of the original policy goals).

Compensation and support to households and businesses will commence from the start of the tax (1 July 2012), or even earlier for some components. The revenue will not come in until later. This will leave a shortfall for at least the first few years, with media reports this week suggesting a budget overshoot of \$4bn over the next four years as a result of the scheme. This would later be corrected as tax (and later trading) revenues start to flow back to Government. These additional costs should not be enough to delay the Government's planned return to surplus in 2012-13. The Government is currently forecasting an underlying cash balance of \$3.1 bn in 2012-13. The full Budget implications of this scheme however, are unlikely to be clarified until formally incorporated into the mid-year Budget update, due later this year.

#### GOVERNMENT DATA AND INFORMATION SOURCES

##### **Australian Climate Commission**

<http://climatecommission.gov.au/>

##### **Australian Department of Climate Change and Energy Efficiency**

<http://www.climatechange.gov.au/>

##### **Garnaut Climate Change Review**

<http://www.garnautreview.org.au/>

##### ***Greenhouse and Energy Information 2009-10***

<http://www.climatechange.gov.au/>

##### ***National Greenhouse Gas Inventory Accounting (Dec Qtr 2010)***

<http://www.climatechange.gov.au>

##### **Productivity Commission, *Carbon Emission Policies in Key Economies***

<http://pc.gov.au/projects/study/carbon-prices/report>

##### **Treasury, *Carbon Pricing Mechanism and Other Abatement Measures*,**

<http://www.treasury.gov.au/contentitem.asp?NavId=087&ContentID=1999>

##### **New Zealand Emissions Trading Scheme**

<http://www.climatechange.govt.nz/emissions-trading-scheme/of-data.aspx>

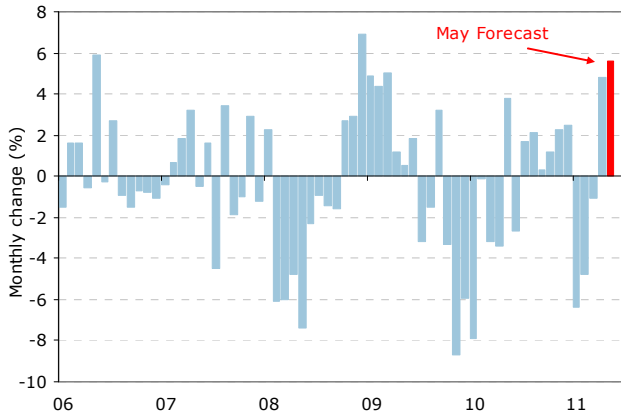
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## DATA WRAP

- The **RBA** left the official cash rate at 4.75% in July. The accompanying statement was softer in tone. While the RBA appears to now have a neutral stance in the short-term, they maintain a medium-term tightening bias. The RBA downgraded its GDP growth forecast for 2011 and questions over the global outlook have become more central to the RBA's policy discussions.
- The labour force survey indicated that **23,400 jobs were created** in June with an increase of 59,000 full time jobs and a decrease of 35,600 part-time jobs. With considerable monthly volatility in employment data we would focus on the **unemployment rate**, which remained steady at 65.6. The **participation rate** rose slightly to 65.6% from a downwardly revised 65.5% in May.
- The **ANZ Job Advertisement Series** recovered approximately half of May's fall in June, rising 3.7% m/m. Newspaper job ads fell 4.9% m/m while internet job ads increased 4.2% m/m.
- **Retail sales** fell by 0.6% in May. Cutting through the (considerable) monthly volatility, the trend growth rate in retail sales is stable but relatively weak, at 0.3% m/m (2.4% y/y).
- **Residential building approvals** slumped 7.9% in May led by a collapse in the volatile private sector other residential dwellings sector. Private sector house approvals actually rose by 0.7% in the month but remain down 11.6% over the year.
- The **trade surplus** widened by A\$716mn to A\$2.333Bn in May as exports grew by 3.2% m/m while imports were broadly flat, rising 0.4% m/m. This substantial widening in the trade surplus was largely driven by a 49.4% m/m increase in non-monetary gold exports. This is a very volatile component. Our core measure of the trade surplus (which excludes the volatile items of non-monetary gold and imports of civil aircraft as well as fuel) actually narrowed by A\$288mn.
- The **TD Securities Inflation Gauge** fell to a 2.9% annual rate in June after peaking at 3.8% in March this year.
- The **AiG Performance of Services Index** declined by 1.4 points to 48.5 in June. The index has indicated the services industry contracted in 10 of the past 12 months. New orders ticked higher to 50.3, which is the first reading above 50 since October 2010. In terms of price pressures; selling prices fell 4.7 points to 47.2, input prices fell 5.7 points to 63.3 and wages fell 1.8 points to 56.7.
- The **AiG Performance of Construction Index** fell 3.8 points to 35.8 in June, a two year low. New orders fell 6.3 points to 32.2, while employment fell 1.5 points to 37.0.

# DATA PREVIEW

## HOUSING FINANCE



## 11 JUL: HOUSING FINANCE (MAY)

**ANZ: +5.6% m/m, +4.9% y/y**

**Market: +4.5% m/m%**

**Last: +4.8% m/m, +5.1% y/y**

Following a solid increase in April, housing finance is expected continue to post another month of growth in May. While house prices continue to soften, recent increases in auction sales indicate improved housing market activity following the sharp negative impact of both the November rate hike and the bout of domestic natural disasters in early 2011. (DC)

## DATA &amp; EVENT CALENDAR

## WEEK STARTING 11 JULY

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST	
08-15 Jul	CH	Foreign Exchange Reserves	JUN	\$3233.0B	--	\$3044.7B			
		Money Supply - M0 y/y	JUN	--	--	15.4%			
		Money Supply - M1 y/y	JUN	13.0%	--	12.7%			
		Money Supply - M2 y/y	JUN	15.3%	15.0%	15.1%			
		New Yuan Loans	JUN	622.5B	600.0B	551.6B			
Saturday 9-Jul	CH	Consumer Price Index y/y	JUN	6.2%	6.5%	5.5%	01:30	11:30	
		Producer Price Index y/y	JUN	6.9%	6.8%	6.8%	01:30	11:30	
10-15 Jul	CH	Actual FDI y/y	JUN	--	--	13.4%			
Sunday 10-Jul	CH	Exports y/y	JUN	18.6%	19.3%	19.4%	02:00	12:00	
		Imports y/y	JUN	25.3%	27.3%	28.4%	02:00	12:00	
		Trade Balance (USD)	JUN	\$14.20B	\$13.0B	\$13.05B	02:00	12:00	
	EU	<b>ECB's Trichet Speaks in Aix-en-Provence, France</b>						<b>10:00</b>	<b>20:00</b>
11-15 Jul	NZ	REINZ House Sales y/y	JUN	--	13.5%	10.8%			
		REINZ Housing Price Index	JUN	--	--	3186.2			
		REINZ Housing Price Index m/m	JUN	--	0.0%	-1.8%			
11-18 Jul	UK	Nationwide Consumer Confidence	JUN	--	--	55			
	GE	Wholesale Price Index m/m	JUN	--	--	0.0%			
Monday 11-Jul	NZ	Wholesale price Index y/y	JUN	--	--	8.9%			
		NZ Card Spending - Retail m/m	JUN	--	1.0%	-0.8%	22:45	08:45	
		NZ Card Spending - Total m/m	JUN	--	--	-0.1%	22:45	08:45	
Tuesday 12-Jul	AU	QV House Prices y/y	JUN	--	-1.4%	-1.6%	00:00	10:00	
		Home Loans m/m	MAY	4.5%	5.6%	4.8%	01:30	11:30	
		Investment Lending	MAY	--	--	-1.6%	01:30	11:30	
	JN	Owner-Occupied Home Loan Value m/m	MAY	--	--	6.3%	01:30	11:30	
		Japan Money Stock M2 y/y	JUN	2.7%	--	2.7%	23:50	09:50	
		Japan Money Stock M3 y/y	JUN	2.2%	--	2.1%	23:50	09:50	
EU	Consumer Confidence	JUN	--	--	34.2	05:00	15:00		
EU	Machine Tool Orders y/y	JUN P	--	--	34.0%	06:00	16:00		
	EU	<b>ECB's Nowotny, OECD's Gurría Speak in Vienna</b>						<b>08:00</b>	<b>18:00</b>
	UK	<b>ECB's Bini Smaghi, OECD's Padoan Speak at Conference in Milan</b>						<b>15:00</b>	<b>01:00</b>
Tuesday 12-Jul	UK	BRC Sales Like-For-Like y/y	JUN	--	--	-2.1%	23:01	09:01	
		RICS House Price Balance	JUN	--	--	-28.0%	23:01	09:01	
	CA	Housing Starts	JUN	181.5K	--	183.6K	12:15	22:15	
		Bank of Canada Business Outlook and Loan Officers Surveys					14:30	00:30	
		BoC Senior Loan Officer Survey	2Q	--	--	-31.7	14:30	00:30	
	AU	Business Outlook Future Sales	2Q	--	--	13	14:30	00:30	
		NAB Business Conditions	JUN	--	--	1	00:30	10:30	
JN	NAB Business Confidence	JUN	--	--	6	00:30	10:30		
JN	<b>BOJ Target Rate</b>	<b>Jul-11</b>	--	--	<b>0.1%</b>	<b>14:00</b>	<b>00:00</b>		
Tuesday 12-Jul	EU	Domestic CGPI m/m	JUN	-0.1%	--	-0.1%	23:50	09:50	
		Domestic CGPI y/y	JUN	2.4%	--	2.2%	23:50	09:50	
		Tertiary Industry Index m/m	MAY	0.5%	--	2.6%	23:50	09:50	
		ECB's Reserve Maintenance Period Ends					00:00	10:00	
		Bank of Portugal Publishes Summer Economic Bulletin					00:00	10:00	
Tuesday 12-Jul	GE	Consumer Price Index m/m	JUN F	0.1%	--	0.1%	06:00	16:00	
		Consumer Price Index y/y	JUN F	2.3%	--	2.3%	06:00	16:00	
		CPI - EU Harmonised m/m	JUN F	0.0%	--	0.0%	06:00	16:00	
		CPI - EU Harmonised y/y	JUN F	2.4%	--	2.4%	06:00	16:00	

## DATA &amp; EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST	
Tuesday 12-Jul continued	UK	Core CPI y/y	JUN	3.3%	--	3.3%	08:30	18:30	
		CPI m/m	JUN	0.3%	--	0.2%	08:30	18:30	
		CPI y/y	JUN	4.5%	--	4.5%	08:30	18:30	
		DCLG UK House Prices y/y	MAY	--	--	-0.3%	08:30	18:30	
		Retail Price Index	JUN	235.8	--	235.2	08:30	18:30	
		RPI m/m	JUN	0.3%	--	0.3%	08:30	18:30	
		RPI y/y	JUN	5.2%	--	5.2%	08:30	18:30	
		RPI Ex Mort Int.Payments y/y	JUN	5.3%	--	5.3%	08:30	18:30	
		Total Trade Balance (GBP/Mln)	MAY	£2700	--	£2762	08:30	18:30	
		Trade Balance Non EU GBP/Mn	MAY	--	--	£4339	08:30	18:30	
	Visible Trade Balance GBP/Mn	MAY	£7450	--	£7389	08:30	18:30		
	US	<b>US Treasury auctions 3-Year Notes</b>							
			NFIB Small Business Optimism	JUN	--	--	90.9	11:30	21:30
			Trade Balance	MAY	-\$44.1B	--	-\$43.7B	12:30	22:30
		IBD/TIPP Economic Optimism	JUL	--	--	44.6	14:00	00:00	
		JOLTs Job Openings	MAY	--	--	2972	14:00	00:00	
		<b>Fed Releases Minutes from June 21-22 FOMC Meeting</b>					<b>18:00</b>	<b>04:00</b>	
Wednesday 13-Jul	CA	Int'l Merchandise Trade	MAY	-0.7B	--	-0.9B	12:30	22:30	
	NZ	Food Prices m/m	JUN	--	0.7%	0.5%	22:45	08:45	
	AU	Westpac Consumer Confidence Index	JUL	--	--	101.2	00:30	10:30	
		Westpac Consumer Confidence sa m/m	JUL	--	--	-2.6%	00:30	10:30	
		Lending Finance	MAY	--	--	--	01:30	11:30	
		<b>AOFM Auctions A\$700m of April 2023 Bonds</b>							
	JN	Cabinet Office Monthly Economic Report							
		Capacity Utilization m/m	MAY	--	--	-1.1%	04:30	14:30	
		Industrial Production m/m	MAY F	--	--	5.7%	04:30	14:30	
		Industrial Production y/y	MAY F	--	--	-5.9%	04:30	14:30	
		Bank of Japan Monthly Economic Report					05:00	15:00	
	CH	Fixed Assets Inv Excl. Rural YTD y/y	JUN	25.7%	25.8%	25.8%	02:00	12:00	
		Industrial Production y/y	JUN	13.1%	13.0%	13.3%	02:00	12:00	
		Industrial Production YTD y/y	JUN	13.9%	--	14.0%	02:00	12:00	
Real GDP q/q		2Q	--	--	2.1%	02:00	12:00		
Real GDP y/y		2Q	9.3%	9.4%	9.7%	02:00	12:00		
Real GDP YTD q/q		2Q	--	--	2.1%	02:00	12:00		
Real GDP YTD y/y		2Q	9.5%	--	9.7%	02:00	12:00		
Retail Sales y/y		JUN	17.0%	17.0%	16.9%	02:00	12:00		
	Retail Sales YTD y/y	JUN	16.7%	--	16.6%	02:00	12:00		
EU	Euro-Zone Ind. Prod. sa m/m	MAY	0.4%	--	0.4%	09:00	19:00		
	Euro-Zone Ind. Prod. wda y/y	MAY	4.7%	--	5.5%	09:00	19:00		
UK	Average Weekly Earnings 3M/y/y	MAY	2.1%	--	1.8%	08:30	18:30		
	Claimant Count Rate	JUN	4.7%	--	4.6%	08:30	18:30		
	ILO Unemployment Rate (3mths)	MAY	7.7%	--	7.7%	08:30	18:30		
	Jobless Claims Change	JUN	15.0K	--	19.6K	08:30	18:30		
	Weekly Earnings exBonus 3M/y/y	MAY	2.0%	--	2.0%	08:30	18:30		
US	<b>US Treasury auctions 10-Year Notes</b>								
	MBA Mortgage Applications	Jul-11	--	--	-5.2%	11:00	21:00		
	Import Price Index m/m	JUN	-0.8%	--	0.2%	12:30	22:30		
	Import Price Index y/y	JUN	13.3%	--	12.5%	12:30	22:30		
	<b>Fed's Rosengren (non-voter) Speaks on Economic Outlook in Worcester, MA</b>					<b>13:10</b>	<b>23:10</b>		
	<b>Fed's Bernanke (voter) Semi-Annual Monetary Policy Report to House</b>					<b>14:00</b>	<b>00:00</b>		
	<b>Fed's Fisher (voter) Speaks on Economy in Dallas</b>					<b>17:20</b>	<b>03:20</b>		
	Monthly Budget Statement	JUN	-\$65.0B	--	-\$57.6B	18:00	04:00		

## DATA &amp; EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
14-29 Jul	AU	NAB Business Confidence	2Q	--	--	11		
Thursday	NZ	Business NZ PMI	JUN	--	--	54.7	22:30	08:30
14-Jul		GDP q/q	1Q	0.3%	0.4%	0.2%	22:45	08:45
		GDP y/y	1Q	0.5%	0.6%	0.8%	22:45	08:45
		Non Resident Bond Holdings	JUN	--	--	61.2%	03:00	13:00
	JN	Tokyo Condominium Sales y/y	JUN	--	--	--	04:00	14:00
		Machine Tool Orders y/y	JUN F	--	--	--	06:00	16:00
		Japan Buying Foreign Bonds	Jul-08	--	--	¥118.1B	23:50	09:50
		Japan Buying Foreign Stocks	Jul-08	--	--	¥112.3B	23:50	09:50
		Foreign Buying Japan Bonds	Jul-08	--	--	¥442.1B	23:50	09:50
		Foreign Buying Japan Stocks	Jul-08	--	--	¥186.4B	23:50	09:50
	EU	ECB Publishes July Monthly Report					08:00	18:00
		Euro-Zone CPI - Core y/y	JUN	1.5%	--	1.5%	09:00	19:00
		Euro-Zone CPI m/m	JUN	0.0%	--	0.0%	09:00	19:00
		Euro-Zone CPI y/y	JUN	2.7%	--	2.7	09:00	19:00
	US	<b>US Treasury auctions 30-Year Bonds</b>						
		Advance Retail Sales	JUN	0.0%	--	-0.2%	12:30	22:30
		Continuing Claims	Jul-11	--	--	3681K	12:30	22:30
		Initial Jobless Claims	Jul-11	--	--	418K	12:30	22:30
		PPI Ex Food & Energy m/m	JUN	0.2%	--	0.2%	12:30	22:30
		PPI Ex Food & Energy y/y	JUN	2.2%	--	2.1%	12:30	22:30
		Producer Price Index m/m	JUN	-0.2%	--	0.2%	12:30	22:30
		Producer Price Index y/y	JUN	7.4%	--	7.3%	12:30	22:30
		Retail Sales Ex Auto & Gas	JUN	0.4%	--	0.3%	12:30	22:30
		Retail Sales Less Autos	JUN	0.1%	--	0.3%	12:30	22:30
		<b>Fed's Bernanke (voter) Semi-Annual Monetary Policy Report to Senate</b>					<b>14:00</b>	<b>00:00</b>
		Business Inventories	MAY	0.6%	--	0.8%	14:00	00:00
	AU	<b>AOFM Auctions A\$700m of January 2018 Bonds</b>						
Friday	EU	EU 25 New Car Registrations	JUN	--	--	7.1%	06:00	16:00
15-Jul		Euro-Zone Trade Balance	MAY	--	--	-4.1B	09:00	19:00
		Euro-Zone Trade Balance sa	MAY	--	--	-2.9B	09:00	19:00
		Bank of Portugal Releases Monthly Economic Indicators Report					10:00	20:00
	US	CPI m/m	JUN	-0.1%	--	0.2%	12:30	22:30
		CPI y/y	JUN	3.6%	--	3.6%	12:30	22:30
		CPI Nsa	JUN	--	--	225.964	12:30	22:30
		CPI Core Index sa	JUN	--	--	224.387	12:30	22:30
		CPI Ex Food & Energy m/m	JUN	0.2%	--	0.3%	12:30	22:30
		CPI Ex Food & Energy y/y	JUN	1.6%	--	1.5%	12:30	22:30
		Empire Manufacturing	JUL	4	--	-7.79	12:30	22:30
		Capacity Utilization	JUN	77.0%	--	76.7%	13:15	23:15
		Industrial Production	JUN	0.4%	--	0.1%	13:15	23:15
		U. of Michigan Confidence	JUL P	72.5	--	71.5	13:55	23:55
	CA	Manufacturing Sales m/m	MAY	-0.4%	--	-1.3%	12:30	22:30

## FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
<p><b>11 JULY</b>                      NZ: Card Spending (Jun)                      AU: Housing Finance (May)                      JP: Consumer Conf.(Jun)                      EU: <b>ECB's Bini Smaghi and Nowotny speak</b>                      UK: RICS Housing Price Bal. (Jun)                      CA: Housing Starts (Jun)</p>	<p><b>12 JULY</b>                      AU: NAB Business Confidence (Jun)                      JP: <b>BoJ Target Rate</b>, Dom. CGPI (Jun)                      GE: CPI (Jun F)                      UK: CPI (Jun), Trade Balance (May), RPI (Jun)                      US: Trade Bal. (May), NFIB Small Business Optimism (Jun), JOLTs Job Openings (May)                      CA: Merchandise Trade (May)</p>	<p><b>13 JULY</b>                      NZ: Food Prices (Jun)                      AU: Westpac Consumer Confidence (Jul), DEWR Skilled Vacancies (Jul)                      JP: IP (May F)                      EU: IP (May)                      UK: Average Weekly Earnings (May), ILO Unemployment Rate (May)                      US: <b>FOMC Minutes</b>, Import Price Index (Jun), Monthly Budget Statement (Jun), <b>Fed's and Rosengren Bernanke Speak</b></p>	<p><b>14 JULY</b>                      NZ: Business PMI (Jun)                      CH: New Yuan Loans (Jun)                      Money Supply (Jun), Fx Reserves (Jun)                      JP: Machine Tool Orders (Jun F)                      EU: <b>ECB Publishes Monthly Report (Jul)</b>, CPI (Jun)                      US: PPI (Jun), Retail Sales (Jun), Business Inventories (May), <b>Fed's Bernanke Delivers Monetary Policy Report to US Senate</b></p>	<p><b>15 JULY</b>                      CH: GDP (Q2), CPI (Jun), PPI (Jun), IP (Jun), Retail Sales (Jun)                      EU: Trade Balance (May)                      US: CPI (Jun), Empire Manufacturing (Jul), IP (Jun), U. of Michigan Confidence (July P)                      CA: Manufacturing Sales (May)</p>
<p><b>18 JULY</b>                      NZ: CPI (Q2), Performance of Services Index (Jul)                      JP: <b>Marine Day Holiday</b>                      US: NAHB Housing Market Index</p>	<p><b>19 JULY</b>                      AU: <b>RBA Board Minutes</b>                      EU: Construction Output (May)                      GE: ZEW Survey (Jul)                      US: Housing Starts (Jun), Building Permits (Jun), <b>Fed's Hoenig Speaks</b>                      CA: <b>BoC rates decision</b></p>	<p><b>20 JULY</b>                      EU: Consumer Confidence (Jul A)                      GE: PPI (Jun)                      UK: <b>BoE Minutes</b>                      US: Existing Home Sales (Jun)                      CA: Wholesale Sales (May), <b>Monetary Policy Report</b></p>	<p><b>21 JULY</b>                      NZ: Net migration (Jun), ANZ Consumer Confidence (Jul)                      JP: Trade (Jun)                      EU: Current Account (May)                      UK : Retail Sales (Jun)                      US: <b>Fed's Evans speaks</b>, Leading Indicators (Jun), Philly Fed Index (Jul)</p>	<p><b>22 JULY</b>                      AU: Trade price index (Q2)                      EU: Industrial New Orders (May)                      GE: IFO (Jul)                      CA: CPI (Jun), Retail Sales (May)</p>
<p><b>25 JULY</b>                      AU: PPI (Q2), <b>RBA's Edey speaks</b>                      US: Chicago Fed Activity Index (Jun), Dallas Fed Manufacturing Index (Jul)</p>	<p><b>26 JULY</b>                      NZ: Trade (Jun)                      AU: <b>RBA's Glenn Stevens Speaks</b>                      UK: GDP (Q2 A), Case Shiller House Prices (May), Consumer Confidence (Jul), Richmond Fed (Jul), New Home Sales (Jun)</p>	<p><b>27 JULY</b>                      NZ: Business Confidence (Jul)                      AU: CPI (Q2)                      GE: CPI (Jul P), Gfk Consumer Confidence (Aug)                      US: <b>Fed's Beige Book</b>, Durable Goods Orders (Jun), Capital Goods Orders (Jun)</p>	<p><b>28 JULY</b>                      NZ: <b>RBNZ Cash Rate decision</b>                      JP: Retail Sales (Jun)                      EU: Consumer and Business Confidence (Jul)                      GE: Unemployment Rate (Jul)                      UK: Gfk Consumer Confidence Survey (Jul), Pending Home Sales (Jun)                      US: <b>Fed's Williams Speaks</b></p>	<p><b>29 JULY</b>                      NZ: Building Permits (Jun)                      AU: RP Rismark House Prices (Jun), Private Sector Credit (Jun)                      JP: Manufacturing PMI (Jul), Jobless Rate (Jun), CPI (Jun), IP (Jun P), Vehicle Production (Jun), Housing Starts (Jun), EU: CPI estimate (Jul)                      UK: Mortgage Approvals (Jun)                      US: WCI (Q2), GDP (Q2 A), <b>Fed's Bullard and Lockhart Speak</b>                      CA: GDP (May)</p>
<p><b>1 AUGUST</b>                      CH: PMI Manufacturing (Jul),                      EU: PMI Manufacturing (Jul F), Unemployment (Jun)                      GE: PMI Manufacturing (Jul F)                      UK: PMI Manufacturing (Jul)                      US: ISM Manufacturing (Jul)</p>	<p><b>2 AUGUST</b>                      NZ: Private Wages (Q2)                      AU Building Approvals (Jun), House Price Index (Q2), <b>RBA Cash Rate</b>                      EU: Eurozone PPI (Jun)                      UK: PMI Construction (Jul)                      US: Personal Income and Spending (Jun), PCE Core Deflator (Jun)</p>	<p><b>3 AUGUST</b>                      AU: Retail Sales (Jun), Trade (Jun)                      CH: Non-manufacturing PMI (Jul)                      EU: PMI Services and Composite (Jul F), Retail Sales (Jun)                      GE: PMI Services (Jul F)                      UK: PMI Services (Jul)                      US: ADP Employment (Jul), ISM non-manufacturing (Jul), Factory orders (Jun)</p>	<p><b>4 AUGUST</b>                      NZ: Employment (Q2)                      EU: <b>ECB Announces Rates, Trichet Speaks</b>                      GE: Factory Orders (Jun)                      UK: <b>BoE Announces Rates</b>                      US: ICSC chain store sales (Jul),</p>	<p><b>5 AUGUST</b>                      AU: <b>RBA's SoMP</b>                      JP: <b>BoJ Target Rate</b>                      GE: Industrial Production (Jun)                      UK: PPI (Jul)                      US: Payrolls (Jul), Consumer Credit (Jun)                      CA: Employment (Jul), Building Permits (Jun), Ivey PMI (Jul)</p>
<p><b>8 AUGUST</b>                      AU: TD Securities Inflation (Jul), ANZ Job Ads (Jul)                      JP: Eco Watchers Survey (Jul), CA (Jun), Trade (Jun)                      EU: Sentix Investor Confidence (Aug)                      UK: RICS House Prices (Jul)</p>	<p><b>9 AUGUST</b>                      NZ: Card Spending (Jul)                      AU: NAB Business Confidence (Jul), Housing Finance (Jun)                      JP: Consumer Confidence (Jul)                      GE: Trade (Jun), CA (Jun)                      UK: IP (Jun), Trade (Jun)                      US: NFIB Small Business Optimism (Jul), Unit Labour Costs (Q2 P), <b>FOMC Rates Decision</b>                      CA: Housing Starts (Jul)</p>	<p><b>10 AUGUST</b>                      AU: Consumer Confidence (Aug), Real Retail Sales (Q2)                      JP: Domestic CGPI (Jul)                      CH: Trade (Jul)                      GE: CPI                      UK: <b>BoE inflation report</b></p>	<p><b>11 AUGUST</b>                      NZ: Business NZ PMI (Jul)                      AU: Employment (Jul)                      JP: Machine Tool Orders (Jun)                      CH: PPI (Jul), CPI (Jul), Retail Sales (Jul), IP (Jul)                      US: Trade (Jun)                      CA: New House Price Index (Jun), Merchandise Trade (Jun)</p>	<p><b>12 AUGUST</b>                      NZ: Real Retail Sales (Q2)                      JP: IP (Jun F)                      EU: IP (Jun)                      US: Retail Sales (Jul), Uni. Of Michigan Confidence (Aug P), Business Inventories (Jun)</p>

## 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
<b>Economic activity (annual % change)</b>				
Private final demand	2.0	3.9	4.5	5.9
Household consumption	2.8	2.7	2.7	2.9
Dwelling investment	4.0	3.4	-1.9	7.6
Business investment	-0.7	9.1	12.6	14.9
Public demand	9.0	3.3	3.2	2.0
Domestic final demand	3.6	3.7	4.1	5.0
Inventories (contribution to GDP )	0.4	-0.2	0.0	0.0
Gross National Expenditure (GNE)	4.1	3.5	4.2	5.0
Exports	5.3	-0.4	13.2	10.6
Imports	13.3	11.6	15.7	9.7
Net Exports (contribution to GDP )	-1.6	-2.8	-1.0	-0.1
<b>Gross Domestic Product (GDP)</b>	<b>2.7</b>	<b>0.9</b>	<b>3.5</b>	<b>4.3</b>
<b>Prices and wages (annual % change)</b>				
Inflation:				
Headline CPI	2.8	3.3	2.9	3.1
Underlying*	2.6	2.5	3.0	3.1
Wages	3.3	3.8	4.1	4.3
<b>Labour market</b>				
Employment (annual % change)	2.7	2.1	2.0	2.2
Unemployment rate (annual average %)	5.2	4.9	4.8	4.5
<b>External sector</b>				
Terms of trade (annual % change)	16.6	18.6	2.9	-2.0
Current account balance: A\$bn	-34.6	-25.3	-36.2	-43.9
% of GDP	-2.6	-1.7	-2.3	-2.6

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

AUSTRALIAN INTEREST RATES *	CURRENT	SEP 11F	DEC 11F	MAR 12F	JUN 12F	SEP 12F
RBA cash rate *	4.75	4.75	4.75	5.00	5.00	5.25
90 day bill	4.98	4.95	4.95	5.20	5.20	5.45
3 year bond	4.72	5.00	5.30	5.65	5.75	6.05
10 year bond	5.21	5.40	5.70	5.90	6.00	6.20
3s10s yield curve	0.50	0.40	0.40	0.25	0.25	0.15
3 year swap	5.12	5.35	5.65	6.03	6.13	6.45
10 year swap	5.81	5.98	6.28	6.45	6.55	6.75

INTERNATIONAL INTEREST RATES	CURRENT	SEP 11F	DEC 11F	MAR 12F	JUN 12F	SEP 12F
RBNZ cash rate	2.50	2.50	2.75	3.25	3.50	3.75
NZ 90 day bill	2.67	2.69	3.14	3.67	3.75	4.17
US Fed funds note	0.25	0.25	0.25	0.75	1.50	2.00
US 2 year note	0.48	0.60	1.00	1.30	1.80	2.30
US 10 year note	3.15	3.30	3.60	3.80	4.10	4.30
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.50	1.50	1.50	1.50	1.75	2.00
UK repo rate	0.50	0.50	0.50	0.75	1.00	1.25

\* Our forecasts for the RBA cash rate and Australian interest rates are currently under review.



## FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	SEP 11F	DEC 11F	MAR 12F	JUN 12F	SEP 12F
<b>Australian exchange rates</b>						
A\$/US\$	1.08	1.08	1.08	1.06	1.03	1.01
NZ\$/US\$	0.83	0.80	0.81	0.79	0.77	0.75
A\$/¥	87.5	91.8	94.0	94.3	93.7	93.9
A\$/€	0.75	0.79	0.80	0.80	0.76	0.74
A\$/£	0.67	0.68	0.69	0.68	0.66	0.64
A\$/NZ\$	1.29	1.35	1.33	1.34	1.34	1.35
A\$/C\$	1.03	1.03	1.04	1.04	1.02	1.02
A\$/CHF	0.91	0.97	0.99	1.00	0.99	0.99
A\$/CNY	6.96	6.89	6.80	6.59	6.32	6.13
A\$ Trade weighted index	77.9	80.2	80.7	79.2	76.7	75.1
<b>International cross rates</b>						
US\$/¥	81.2	85.0	87.0	89.0	91.0	93.0
€/US\$	1.44	1.37	1.35	1.33	1.35	1.37
€/¥	117	116	117	118	123	127
£/US\$	1.60	1.59	1.56	1.55	1.57	1.58
€/£	0.90	0.86	0.87	0.86	0.86	0.87
US\$/C\$	0.96	0.95	0.96	0.98	0.99	1.01
US\$/CHF	0.84	0.90	0.92	0.94	0.96	0.98
US\$ index	74.9	77.4	78.6	80.4	80.1	80.5
<b>Asia exchange rates</b>						
US\$/CNY	6.46	6.38	6.30	6.22	6.14	6.07
US\$/HKD	7.78	7.78	7.80	7.80	7.80	7.80
US\$/IDR	8525	8704	8704	8573	8445	8318
US\$/INR	44.4	46.0	46.6	45.9	45.2	44.6
US\$/KRW	1059	1118	1137	1120	1103	1087
US\$/MYR	3.00	3.08	3.10	3.07	3.04	3.02
US\$/PHP	42.8	44.4	44.9	44.5	44.1	43.7
US\$/SGD	1.22	1.25	1.26	1.25	1.24	1.23
US\$/THB	30.25	31.10	31.40	31.20	31.10	30.90
US\$/TWD	28.74	29.40	29.70	29.40	29.10	28.90
US\$/VND	20603	20800	20800	21400	21400	21400
<b>Pacific exchange rates</b>						
PGK/US\$	0.441	0.385	0.378	0.372	0.366	0.366
FJD/US\$	0.575	0.548	0.538	0.530	0.522	0.522

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