



# ECONOMICS & MARKETS RESEARCH

## AUSTRALIAN ECONOMICS TOOLBOX

2 JULY 2010

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### CONTRIBUTORS

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

**Katie Dean, Senior Economist**  
+61 3 9273 1381  
Katie.Dean@anz.com

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

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

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

**Riki Polygenis, Senior Economist**  
+61 3 9273 4060  
Riki.Polygenis@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

### INDUSTRY AND GOVERNMENT AGREE ON MINING TAX COMPROMISE

- This morning, **the Australian Government announced a compromise deal on the proposed controversial tax arrangements for the mining industry.** Under the new proposal, only coal, iron ore, oil and gas projects will be subject to new resource tax arrangements which will commence from 1 July 2012. The initial response from the mining industry has been positive, and the Government claims these measures are neutral for Australia's budget position. **Overall, the proposal (if passed by parliament) is positive for Australia's medium-term growth prospects by reducing uncertainty for the mining industry and thereby shoring up its investment pipeline.**
- **Renewed turmoil on global markets is resulting in an increased cost of credit in Australia.** We have seen a widening in swap spreads since the beginning of May, while short- and long-term bank funding costs have also risen. This increased cost of funds, to the extent it persists, is a genuine tightening of local financial conditions.
- This week's dataflow indicates that around the world, economic growth momentum is slowing. The pace of manufacturing activity in the US and China softened last month, while in Australia, further evidence emerged that the interest rate sensitive sectors of the economy are slowing. Nominal retail sales expanded just 0.2% in May, while residential building approvals fell 6.6% and house price growth moderated. **Overall, these trends should be more than enough to keep the RBA on the sidelines when it meets next week and leave the cash rate unchanged at 4.50%.**

### THE WEEK AHEAD

- In **Australia**, the RBA will meet on Tuesday. The market expects that there will be no change to the 4.50% cash rate. The RBA seems set to remain on the sidelines for some time amid heightened financial market volatility sparked by European sovereign debt worries. Key data out include, the trade balance (May), and the unemployment rate (June).
- The **US** market will be closed on Monday to celebrate Independence Day. Following the break it will be a quiet week for US data with the only notable releases being the ISM non-manufacturing composite (June) and wholesale inventories (May)
- In **Europe**, the market's attention will focus on the ECB's interest rate announcement. The main economic data releases include retail sales (May) and PMI for services (Jun). The German dataflow picks up with the release of factory orders (May), industrial production (May) and CPI (June). In the **UK** the Bank of England is widely expected to leave rates unchanged, moreover the market has pushed back the likely timing of rate hikes from the central bank in the wake of the government's recent tough budget. Significant data releases include industrial production (May), Halifax house prices (June) and PPI (June).
- The **Japanese** dataflow will be busy. The main focus will be on the release of machine orders (May) and the current account total (May). Another slow week in **Chinese** data, the only scheduled releases are the business climate index (Q2) and the entrepreneur confidence index (Q2).

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

**Katie Dean**  
Senior Economist  
+61 3 9273 1381  
Katie.Dean@anz.com

**Mark Pervan**  
Head of Commodities  
Research  
+61 3 9273 3716  
Mark.Pervan@anz.com

**Shane Lee**  
Senior Capital Markets  
Economist  
+61 3 9226 4632  
Shane.Lee@anz.com

## NEW TAXATION ARRANGEMENTS FOR AUSTRALIAN MINING

This morning, the Australian Government announced a compromise deal on the proposed controversial tax arrangements for the mining industry. Under the new proposal, only coal, iron ore, oil and gas projects will be subject to new resource tax arrangements which will commence on 1 July 2012.

Coal and iron ore profits will be subject to a new profits-based Minerals Resource Rent Tax (MRRRT) which contains a lower tax rate, a higher cut-in rate, the ability for companies to value their assets at market value (as opposed to book value) and more generous depreciation allowances than the Resource Super Profits Tax (RSPT). Only companies with assessable annual profits of more than \$50mn will be included. The existing Petroleum Resource Rent Tax (PRRT) will be extended to include all onshore and offshore oil and gas projects including coal seam methane.

The number of companies subject to the new taxation arrangements will fall to 320 from 2500, with low value-added and small mining operations excluded. It should also be noted as well as being excluded from the MRRT, base metal miners (and miners of other 'low-grade' resources, eg. granite) will still benefit from the planned 1% reduction in the corporate tax rate from 2013-14.

The Government claims these measures are neutral for Australia's budget position, with reduction in government revenue of \$1.5bn over the forward estimates period offset by scrapping the proposed resource exploration rebate. Further, while the company tax rate will be cut to 29% (in 2012-13 for small business and 2013-14 for other businesses), it will not drop to 28% as envisaged under the RSPT. All other measures announced at time of the Federal Budget, including the planned lift to superannuation contributions to 12% will be maintained.

Under this compromise the mining industry has won more gains than widely expected. For the government, the agreement should win significant goodwill amongst the industry and the general public. But the revenue implications are not optimal, and there are now downside risks to the budget. The government's budget revenues are also now potentially more cyclical, as they are now more sensitive to swings in global commodity prices. This puts more onus on the government to 'bank' its savings in periods of strong commodity prices. By limiting the new regime to selected resources, the pure economic framework of the original RSPT has also not been preserved. This, it can be argued, means that the public is still not receiving a 'true' return for its non-renewable resources.

But the compromise is undeniably good news. It returns certainty to Australia's mining industry and reduces the (hitherto unheard of) sovereign risk to Australian mining investment. It ensures Australia can continue to competitively leverage off China's (and broader Asia's) long-term economic development. The mining sector will remain a key engine of Australian economic growth. While this is excellent news, a strong mining investment outlook also suggests upwards pressure on inflation, interest rates and the AUD will be a hallmark of the Australian economic outlook over the medium-term.

This new taxation regime should also help to avoid a 'hollowing out' of the Australian economy. The use of additional taxation revenue from the resources sector to fund lower company tax rates for the non-resource sector will help this sector maintain its competitiveness vis-a-vis the mining industry. This should (incrementally and over time) constrain the sensitivity of the Australian economy to commodity cycles and should also provide some limit to the divergence of State economic prospects (between the mining and non-mining States).

The tax will be introduced to the Parliament in the latter half of 2011. The passage of these taxes depends on the election result as the Opposition has indicated it will not introduce the measures if elected. Nevertheless, having overcome a significant political obstacle, the door is now open for the Prime Minister Julia Gillard to call for an immediate election.

*For further detail on the changes to the tax proposal, please refer to the accompanying economic update note.*

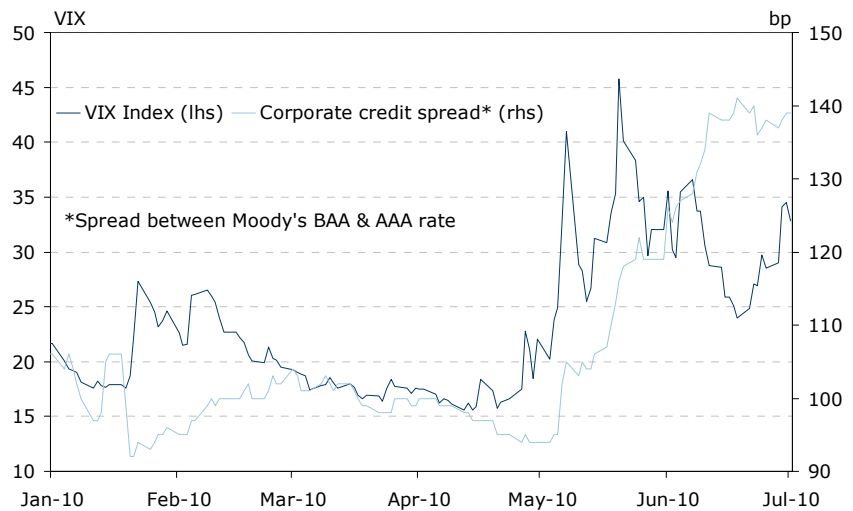
**Amber Rabinov**  
 Senior Economist  
 +61 3 9273 4853  
 Amber.Rabinov@anz.com

**Katie Dean**  
 Senior Economist  
 +61 3 9273 1381  
 Katie.Dean@anz.com

**UPDATE ON FUNDING COSTS**

This week has seen renewed turmoil on financial markets. While investors have certainly become more edgy since European credit concerns came to the fore in May, further evidence of a slowdown in global growth momentum, particularly in China, was revealed this week and has weighed heavily on markets. With the risk switch now flicked to the 'off' position, major international bourses and commodity exchanges plummeted close to 5% over the past week. The VIX 'fear' index of US equity market volatility is up 15% since last Friday's close. Liquidity fears have also flared up in Europe, and Spain has been threatened with another downgrade to its credit rating.

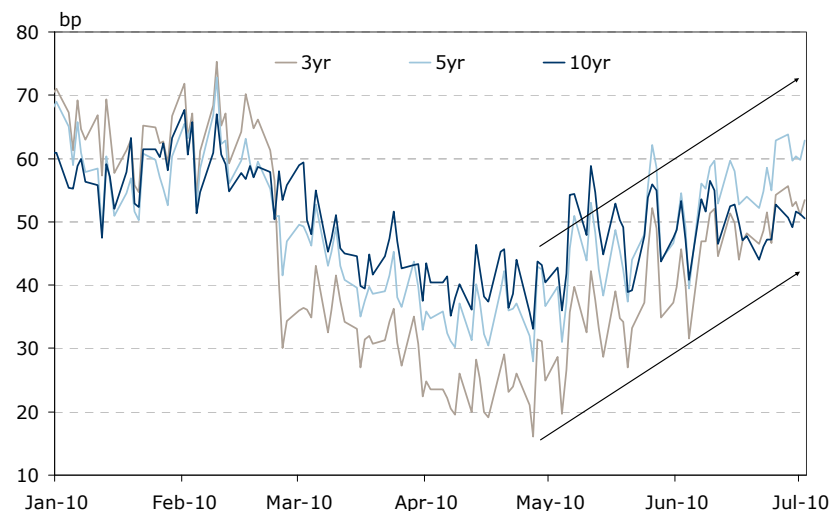
**FIGURE 1: VIX 'FEAR' INDEX VERSUS CORPORATE BOND SPREAD**



Source: Bloomberg

For Australia, one ramification of these moves over the past few months is an increase in the cost of credit. The increase in perceived risk has seen three-year swap spreads widen by almost 25bps since the start of May, and ten-year spreads step out 8bps.

**FIGURE 2: AUSTRALIAN SWAP-BOND SPREADS HAVE WIDENED SINCE MAY**



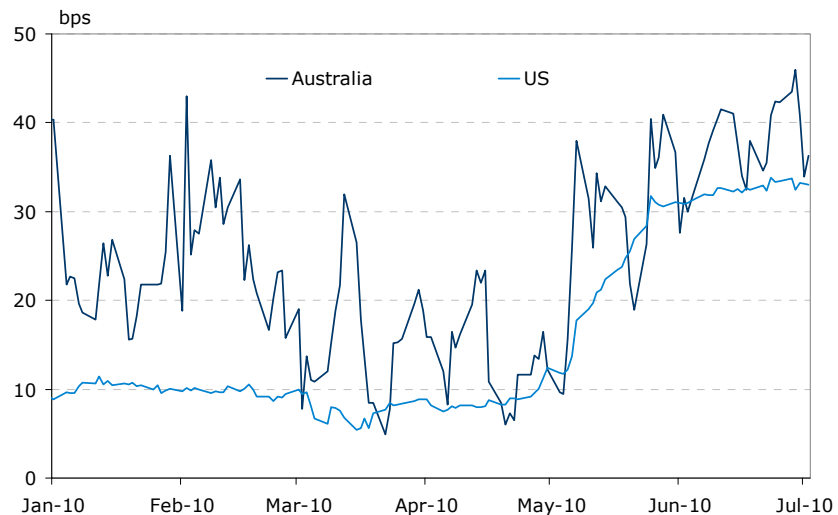
Source: Bloomberg

Australian bank funding costs have also risen. Short-term finding costs have risen considerably since the beginning of May when European sovereign credit concerns spiked. The spread between bank bill swap (BBSW) or LIBOR rates and the overnight



indexed swap (OIS) rate provides a good representation of these costs.<sup>1</sup> Theoretically, this spread represents the premium for counter-party risk in the interbank market, and is therefore an important measure of risk and liquidity in the money market. Note from Figure 3 that the benchmark three-month spread has widened considerably, both in Australia and the US, since the beginning of May as banks have become more wary of lending money to each other while policy rate expectations have remained subdued.

**FIGURE 3: THREE-MONTH LIBOR-OIS SPREADS WIDER SINCE EARLY MAY**



Source: Bloomberg

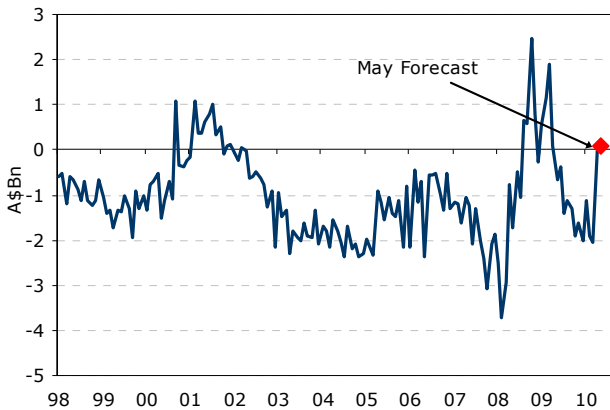
Similar trends have been experienced in term funding as well. This week one major bank issued five-year funding at 135bp above BBSW. This is well above the cost of senior debt issued earlier this year at around 100bps above BBSW. However, this is far from the cost of funds in the very depths of the global financial crisis: at the height of the credit crunch following the collapse of Lehman Brothers when governments around the world (including in Australia) stepped in to guarantee bank debt, senior five-year funding was issued by banks at around 120bps above BBSW *plus* the cost of the Government Guarantee (70bps for major banks).

This increased cost of funds, to the extent it persists, is a genuine tightening of local financial conditions. This will keep the RBA on the sidelines for now and supports market pricing for policy rates to stay on hold until year-end.

<sup>1</sup> The **LIBOR** rate is the London Interbank Offered rate, a daily reference rate based on the interest rates at which banks offer to lend unsecured funds to other banks. The Australian interbank rate is known as the **BBSW** (Bank Bill Swap) rate. The most commonly referred maturity is three months. The **OIS** is the overnight indexed swap rate, an interest rate swap, where one party pays fixed in exchange for receiving the average cash rate recorded over the term of the swap. The benchmark for the floating rate is the overnight cash rate, rather than the 90-day bank bill rate which is typically used in other fixed-to-floating swaps in Australia. OIS carry very little credit risk as there is no exchange of principal, and is a commonly used rate to imply market expectations about future movements in the policy rate.

# DATA PREVIEWS

CHART 1: TRADE BALANCE (MAY)

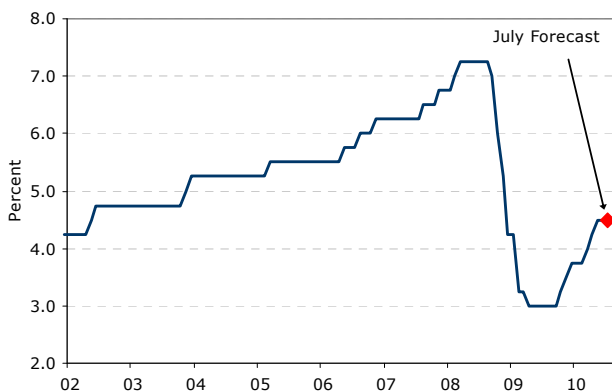


6 JULY: TRADE BALANCE (MAY)

**ANZ: +A\$100mn**  
**Market: +A\$500mn**  
**Last: +A\$134mn**

Imports seemed to post a modest/flat gain in May on the back of slowing domestic demand. Coal and iron ore exports benefited last month from the large increase in contract prices. In April the RBA reported a 15% increase in commodity prices, while in May the price increase slowed to 6%. Volumes continue to rise on the back of strong Asian economic growth and the 6% rise in commodity prices in May should be large enough to ensure another small trade surplus.

CHART 2: RBA CASH RATE (JULY)



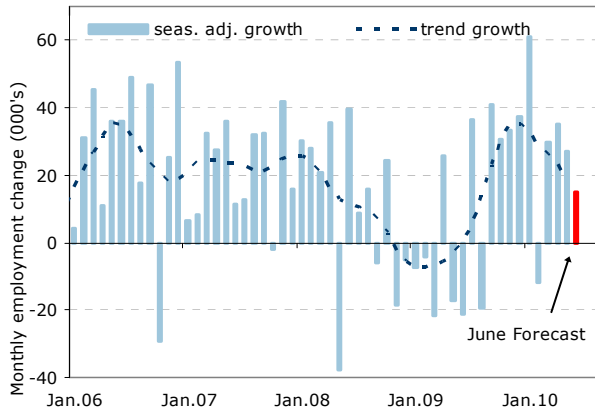
6 JULY: RBA CASH RATE (JULY)

**ANZ: 4.50%**  
**Market: 4.50%**  
**Last: 4.50%**

The RBA is widely expected to keep interest rates unchanged at 4.50% at its July meeting. With recent market edginess reinforced by this week's dataflow showing a slowing in global (and Australian) growth momentum, it is likely that the RBA will retain a degree of cautiousness. Indeed, with the Australian economy currently taking a breather as activity adjusts to the 150bps of policy tightening since October 2009, we believe the RBA will remain comfortable with rates at 4.50% for some months. However, over the longer term, the risks to the inflation outlook remain to the upside, particularly due to the forecast boost to income flows over coming quarters as a result of a stronger terms of trade. As such, we forecast rate hikes towards the end of the year will see the cash rate reach 5% by December.

# DATA PREVIEWS

CHART 3: EMPLOYMENT CHANGE (MAY)



## 8 JULY: LABOUR FORCE (JUNE)

### Employment growth

ANZ: +15K  
 Market: +22K  
 Last: +26.9K

### Unemployment rate

ANZ: 5.2%  
 Market: 5.2%  
 Last: 5.2%

### Participation rate

ANZ: 65.1%  
 Market: 65.1%  
 Last: 65.1%

Labour demand in the Australian economy remains solid. Employment growth has stepped up to an annual pace of 2.6%, with 275k jobs added to the Australian economy over the 12 months to May (the majority being full-time jobs). But other indicators of economic activity and spending are now displaying signs of a slowing in growth, and we expect this to feed through into weaker demand for workers over coming months. A decline in business confidence due to financial market ructions and sharp falls on equity markets will have also likely seen firms be more cautious in their hiring of staff last month. Indeed, data released this week indicated that skilled vacancies declined by 0.3% in June, with monthly growth slowing significantly since the beginning of the year. Given these trends, our forecast for the June labour force release is for net employment growth of 15,000. We expect to see the participation rate remain steady at 65.1% after dipping 0.15ppts in May; this would be sufficient to keep the unemployment rate unchanged at 5.2%.

## DATA &amp; EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	ANZ	MARKET	LAST	GMT	
1-7 July	UK	Halifax House Prices sa MoM – (Jun)	nf	na	-0.4%	-	
		Halifax House Price 3Mths/Year – (Jun)	nf	na	6.9%	-	
5 July	AU	Aig Performance of Service Index – (Jun)	nf	na	47.5	23:30	
		TD Securities Inflation MoM – (Jun)	nf	na	0.5%	00:30	
		TD Securities Inflation YoY – (Jun)	nf	na	3.7%	00:30	
		ANZ Job Advertisements MoM – (Jun)	nf	na	4.3%	01:30	
		EU	PMI Services – (Jun F)	nf	55.0	55.4	08:00
	EU	PMI Composite – (Jun F)	nf	na	56	08:00	
	EU	Sentix Investor Confidence – (Jul)	nf	na	-4.1	08:30	
	EU	Euro-Zone Retail Sales YoY – (May)	nf	na	-1.8%	09:00	
	EU	Euro-Zone Retail Sales MoM – (May)	nf	0.5%	-1.5%	09:00	
	EU	PMI Services – (Jun F)	nf	54.6	54.6	07:55	
UK	PMI Services – (Jun)	nf	55.0	55.4	08:30		
	Official Reserves (Changes) – (Jun)	nf	na	\$731M	08:30		
	US	<b>Market Closed for Independence Day Holiday</b>	-	-	-	-	
6 July	NZ	NZIER Business Opinion Survey – (Q2)	nf	na	22	-	
		AU	Trade Balance – (May)	100M	500M	134M	01:30
	AU	<b>RBA CASH TARGET</b>	<b>4.50%</b>	<b>4.50%</b>	<b>4.50%</b>	<b>04:30</b>	
	JP	Leading Index CI – (May P)	98.7	99.0	101.7	05:00	
		Coincident Index CI – (May P)	nf	101.2	101.3	05:00	
		Official Reserve Assets – (Jun)	nf	na	\$1041.3B	23:50	
	UK	New Car Registrations YoY – (Jun)	nf	na	13.5%	-	
		BRC Shop Price Index – (Jul 6)	-	-	-	23:01	
	US	ISM Non-Manufacturing Composite – (Jun)	nf	55	55.4	14:00	
		ABC Consumer Confidence – (Jul 4)	nf	na	-41	21:00	
	CA	Building Permits MoM – (May)	nf	-0.5%	5.4%	12:30	
	7 July	AU	Aig Performance of Construction Index – (Jun)	nf	na	53.2	23:30
			Foreign Reserves – (Jun)	nf	na	42.6B	06:30
<b>AOFM auctions \$1bn of June 2016 Bonds</b>			-	-	-	-	
EU		Euro-Zone Gross Fix Cap QoQ – (Q1 F)	nf	na	-1.1%	09:00	
		Euro-Zone Govt Expend QoQ – (Q1 F)	nf	na	0.6%	09:00	
		Euro-Zone Household Cons QoQ – (Q1 F)	nf	na	-0.1%	09:00	
		Euro-Zone GDP sa QoQ – (Q1 F)	nf	0.2%	0.2%	09:00	
GE		Factory Orders MoM sa – (May)	nf	0.0%	2.8%	10:00	
		Factory Orders YoY nsa – (May)	nf	24.6%	29.6%	10:00	
		Euro-Zone GDP sa YoY – (Q1 F)	nf	0.6%	0.6%	09:00	

## DATA &amp; EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	ANZ	MARKET	LAST	GMT
7 July Cont	US	MBA Mortgage Applications – (Jul 2)	nf	na	8.8%	11:00
		<b>Fed's Kocherlakota Speaks in Montreal</b>	-	-	-	<b>19:35</b>
	CA	Ivey Purchasing Managers Index – (Jun)	nf	64.0	62.7	14:00
8 July	AU	Employment Change – (Jun)	15.0K	15.0K	26.9K	01:30
		Unemployment Rate – (Jun)	5.2%	5.2%	5.2%	01:30
		Full Time Employment Change – (Jun)	nf	na	36.4K	01:30
		Part Time Employment Change – (Jun)	nf	na	-9.4K	01:30
		Participation Rate – (Jun)	65.1%	65.1%	65.1%	01:30
	JP	Japan Buying Foreign Bonds – (Jun 2)	nf	na	¥863.5B	23:50
		Japan Buying Foreign Stocks – (Jun 2)	nf	na	-¥52.6B	23:50
		Foreign Buying Japan Bonds – (Jun 2)	nf	na	-¥376.2B	23:50
		Foreign Buying Japan Stocks – (Jun 2)	nf	na	-¥183.8B	23:50
		Machine Orders MoM – (May)	nf	-3.0%	4.0%	23:50
		Machine Orders YoY – (May)	nf	10.8%	9.4%	23:50
		Current Account Total – (May)	nf	¥1317.8B	¥1242.1B	23:50
		Adjusted Current Account Total – (May)	nf	¥1514.6B	¥1379.6B	23:50
		Trade Balance (BoP Basis) – (May)	nf	na	¥859.1B	23:50
		Japan Money Stock M2 YoY – (Jun)	nf	3.1%	3.1%	23:50
		Japan Money Stock M3 YoY – (Jun)	nf	2.3%	2.3%	23:50
		Bank Lending YoY – (Jun)	nf	na	-2.0%	23:50
		Bank Lending Banks YoY – (Jun)	nf	na	-2.1%	23:50
		Bank Lending Banks Adjust YoY – (Jun)	nf	na	-1.9%	23:50
		Bankruptcies YoY – (Jun)	nf	na	-15.1%	04:00
		Eco Watchers Survey: Current – (Jun)	nf	na	47.7	-
		Eco Watchers Survey: Outlook – (Jun)	nf	na	48.7	-
		Machine Tool Orders YoY – (Jun P)	nf	na	192.5%	06:00
	EU	<b>ECB Announces Interest Rates</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>11:45</b>
		<b>Trichet Speaks at ECB News Conference</b>	-	-	-	<b>12:30</b>
	GE	Trade Balance – (May)	nf	13.5B	13.4B	06:00
		Imports sa MoM – (May)	nf	3.0%	-7.2%	06:00
		Current Account (EURO) – (May)	nf	10.5B	11.8B	06:00
		Exports sa MoM – (May)	nf	3.5%	-6.3%	06:00
		Industrial Production MoM sa – (May)	nf	0.7%	0.9%	10:00
		Industrial Production YoY nsa wda – (May)	nf	9.2%	13.3%	10:00
	UK	Industrial Production MoM – (May)	nf	0.4%	-0.4%	08:30
		Industrial Production (YoY) – (May)	nf	3.2%	2.1%	08:30



## DATA &amp; EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	ANZ	MARKET	LAST	GMT	
8 July Cont	UK	Manufacturing Production (MoM) – (May)	nf	0.4%	-0.4%	08:30	
		Manufacturing Production (YoY) – (May)	nf	4.5%	3.5%	08:30	
		BOE Asset Purchase Target – (Jul)	nf	200B	200B	11:00	
		<b>BOE ANNOUNCES RATES</b>	<b>0.50%</b>	<b>0.50%</b>	<b>0.50%</b>	<b>11:00</b>	
		NIESR GDP Estimate – (Jun)	nf	na	0.6%	-	
	US	Initial Jobless Claims – (Jul 3)	nf	460K	472K	12:30	
		Continuing Claims – (Jul 26)	nf	na	4616K	12:30	
		ICSC Chain Store Sales YoY – (Jun)	nf	na	2.6%	14:30	
		Consumer Credit – (May)	nf	-\$2.0B	\$1.0B	19:00	
			<b>Treasury's Brainard speaks in Washington</b>	-	-	-	<b>16:00</b>
	CA	New Housing Price Index MoM – (May)	nf	0.3%	0.3%	12:30	
9 July	NZ	NZ Card Spending MoM – (Jun)	nf	na	0.4	22:45	
			CH	Entrepreneur Confidence Index – (Q2)	nf	na	135.8
			Business Climate Index – (Q2)	nf	na	132.9	02:00
	GE	Consumer Price Index MoM – (Jun F)	nf	0.1%	0.1%	06:00	
		Consumer Price Index YoY – (Jun F)	nf	0.9%	0.9%	06:00	
		CPI - EU Harmonised MoM – (Jun F)	nf	0.0%	0.0%	06:00	
		CPI - EU Harmonised YoY – (Jun F)	nf	0.8%	0.8%	06:00	
	UK	Visible Trade Balance GBP/Mn – (May)	nf	-£7100	-£7279	08:30	
		Trade Balance Non EU GBP/Mn – (May)	nf	na	-£3991	08:30	
		Total Trade Balance (GBP/Mln) – (May)	nf	na	-£3263	08:30	
		PPI Input nsa MoM – (Jun)	nf	na	-0.6%	08:30	
		PPI Input nsa YoY – (Jun)	nf	na	11.2%	08:30	
		PPI Output nsa. MoM – (Jun)	nf	0.1%	0.3%	08:30	
		PPI Output nsa YoY – (Jun)	nf	5.7%	5.7%	08:30	
		PPI Output Core nsa MoM – (Jun)	nf	na	0.1%	08:30	
		PPI Output Core nsa YoY – (Jun)	nf	na	4.4%	08:30	
		US	Wholesale Inventories – (May)	nf	0.4%	0.4%	14:00
	CA	Net Change in Employment – (Jun)	nf	20.0K	24.7K	11:00	
		Unemployment Rate – (Jun)	nf	8.1%	8.1%	11:00	
		Full Time Employment Change – (Jun)	nf	na	67.3	11:00	
Part Time Employment Change – (Jun)		nf	na	-42.5	11:00		
Participation Rate – (Jun)		nf	na	67.3	11:00		
Housing Starts – (Jun)		nf	193.0K	189.1K	12:15		

# FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
<b>12 JULY</b> UK: RICS House Price Balance (Jun)	<b>13 JULY</b> NZ: Food Prices (Jun) AU: Home Loans (May), Value of Loans (May) JP: Industrial Production (Jun), Capacity Utilization (Jun) EU: ZEW Survey (Econ. Sentiment) (Jul) GE: ZEW Survey (Econ. Sentiment) (Jul) UK: CPI (Jun), RPI (Jun) US: Trade Balance (May), Monthly Budget Statement (Jun)	<b>14 JULY</b> NZ: Retail Sales (Apr), REINZ House Sales (Jun) AU: NAB Business Confidence (Jun) EU: CPI (Jun) UK: Jobless Claims Change (Jun) US: MBA Mortgage Applications (Jul 9), Import Price Index (Jun), Advance Retail Sales (Jun), Business Inventories (May)	<b>15 JULY</b> NZ: Business PMI (Jun) AU: Westpac Consumer Confidence (Jul), DEWR Skilled Vacancies (Jul) JP: <b>BOJ Target Rate</b> CH: GDP (Q2), PPI (Jun) CPI (Jun) Retail Sales (Jun) Industrial Production (Jun) US: PPI (Jun), Initial Jobless Claims (Jul 10), Industrial Production (Jun)	<b>16 JULY</b> NZ: Consumer Prices (Q2) AU: New Motor Vehicle Sales (Jun) JP: Tertiary Industry Index (Apr) EU: Trade Balance (May) US: CPI (Jun), U. of Michigan Confidence (Jul) CA: Leading Indicators (Jun)
<b>19 JULY</b> NZ: Visitor Arrivals (Jun) JP <b>Market Closed</b> EU: Current Account (May) US: NAHB Housing Market Index (Jul)	<b>20 JULY</b> AU: <b>Reserve Bank's Board July Minutes</b> EU: Producer Prices (Jun) UK: M4 Money Supply (Jun) US: Housing Starts (Jun), Building Permits (Jun), ABC Consumer Confidence (Jul 18) CA: <b>Bank of Canada Rate</b>	<b>21 JULY</b> NZ: Credit Card Spending (Jun) AU: Westpac Leading Index (May) UK: Bank of England Minutes US: MBA Mortgage Applications (Jul 16) CA: Wholesale Sales (May)	<b>22 JULY</b> JP: All Industry Activity Index (May) EU: Industrial New Orders (May), Consumer Confidence (Jul) UK: Retail Sales Ex Auto Fuel (Jun) US: Initial Jobless Claims (Jul 17), Continuing Claims (Jul 10), Leading Indicators (Jun), Existing Home Sales (Jun), House Price Index (May), Existing Home Sales (Jun) CA: Retail Sales (May)	<b>23 JULY</b> AU: Import price index (Q2) EU: IFO - Business Climate (Jul), IFO - Current Assessment (Jul), IFO - Expectations (Jul) UK: GDP (Q2) CA: CPI, (Jun), Bank Canada CPI Core (Jun)
<b>26 JULY</b> AU: PPI (Q2) US: New Home Sales (Jun), Dallas Fed Manuf. Activity (Jul)	<b>27 JULY</b> EU: Euro-Zone M3 (Jun) US : Richmond Fed Manuf. Index (Jul), Consumer Confidence (Jul)	<b>28 JULY</b> NZ: Business Confidence (Jul), RBNZ Official Cash Rate, Trade Balance (Jun), Imports (Jun), Exports (Jun) AU: Consumer Prices (Q2) JP: Retail Trade (Jun) GE: CPI (Jul P) US: MBA Mortgage Applications (Jun), Durable Goods Orders (Jun)	<b>29 JULY</b> NZ: Building Permits (Jun) JP: CPI (Jul), Jobless Rate (Jun), Industrial Production (Jun) EU: Business Climate Indicator (Jul), Indust. Confidence (Jul), Consumer Confidence (Jul) GE: Unemployment Rate (Jul) UK: Mortgage Approvals (Jun), Net Consumer Credit (Jun) US: <b>Fed's Beige Book</b> CA: Industrial Product Price (Jun)	<b>30 JULY</b> AU: Private Sector Credit (Jun) JP: Housing Starts (Jun) EU: Unemployment Rate (Jun) US: GDP (Q2 A), Personal Consumption (Q2 A), Core PCE (Q2 A), U. of Michigan Confidence (Jul F), Employment Cost Index (Q2) CA: GDP (May)
<b>2 AUGUST</b> NZ: ANZ Commodity Price (Jul) AU: TD Securities Inflation (Jul), JP: Vehicle Sales (Jul) CH: HSBC Mfg PMI (Jul) EU: PMI Mfg (Jul) GE: PMI Mfg (Jul) UK: PMI Mfg (Jul) US: Construction spending (Jun)	<b>3 AUGUST</b> AU: <b>RBA CASH TARGET</b> , Building Approvals (Jun) JP: Monetary Base (Jul) EU: PPI (Jun) UK: PMI Construction (Jul) US: Personal Income (Jun), Factory Orders (Jun)	<b>4 AUGUST</b> AU: Trade Balance (Jun) EU: PMI Services (Jul), PMI Composite (Jul), Retail Sales (Jun) GE: PMI Services (Jul) UK: PMI Services (Jul) US: MBA Mortgage Applications (Jul 30)	<b>5 AUGUST</b> NZ: Unemployment Rate (Q2), Employment Change (Q2), Employment Change (Q2) EU: <b>ECB Announces Interest Rates</b> GE: Factory Orders (Jun) UK: <b>BOE ANNOUNCES RATES</b> US: Initial Jobless Claims (Jul 24) CA: Building Permits (Jun)	<b>6 AUGUST</b> AU: <b>RBA Quarterly Monetary Policy Statement</b> GE: Industrial Production (Jun) UK: PPI (Jul), Industrial Production (Jun) US: Change in Nonfarm Payrolls (Jul), Unemployment Rate (Jul) CA: Unemployment Rate
<b>9 AUGUST</b> AU: Home Loans (Jul), Business Confidence (Jul) JP: Current Account Total (Jun), Bank Lending (Jul), Trade Balance (Jun) GE: Trade Balance (Jun) UK: RICS House Price Balance (Jul) CA: Housing Starts (Jul)	<b>10 AUGUST</b> JP: <b>BOJ Target Rate</b> GE: CPI (Jul) US: <b>FOMC Rate Decision</b> , Nonfarm Productivity (Q2), Wholesale Inventories (Jun)	<b>11 AUGUST</b> AU: Consumer confidence (Aug) JP : Machine Orders (Jun) CH : PPI (Jul), CPI (Jun), Retail Sales (Jun), UK: Jobless Claims Change (Jul), UE Rate (Jun), <b>Bank of England Quarterly Inflation Report</b> US: Trade Balance (Jun)	<b>12 AUGUST</b> NZ: Business PMI (Jul), Food Prices (Jul) AU: UE Rate (Jul) JP: Industrial Production (Jun), Consumer confidence (Jul) EU: Industrial Production (Jun) US: Initial Jobless Claims (Aug 7)	<b>13 AUGUST</b> NZ: House Sales (Jul), Retail Sales (Jun) EU: GDP (Q2) GE: GDP (Q2) US: CPI (Jul), Advanced Retail Sales (Jul), Consumer Confidence (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
<b>Economic activity (annual % change)</b>				
Private final demand	0.7	2.6	4.6	4.8
Household consumption	1.6	2.4	1.8	1.7
Dwelling investment	-4.6	7.4	5.0	1.7
Business investment	-0.8	1.7	13.3	14.9
Public demand	3.3	11.4	4.0	1.9
Domestic final demand	1.3	4.6	4.4	4.1
Inventories (contribution to GDP )	-0.5	0.6	0.0	-0.1
Gross National Expenditure (GNE)	0.7	5.2	4.4	4.0
Exports	1.4	2.1	6.0	7.3
Imports	-7.8	14.3	11.1	10.8
Net Exports (contribution to GDP)	2.0	-2.5	-1.3	-1.2
<b>Gross Domestic Product (GDP)</b>	<b>1.3</b>	<b>2.6</b>	<b>3.9</b>	<b>4.1</b>
<b>Prices and wages (annual % change)</b>				
Inflation:				
Headline CPI	1.8	2.8	2.9	3.1
Underlying *	3.7	2.8	2.8	3.1
Wages	3.6	3.3	4.0	4.2
<b>Labour market</b>				
Employment (annual % change)	0.3	2.2	1.9	2.0
Unemployment rate (annual average %)	5.6	5.2	5.1	4.9
<b>External sector</b>				
Current account balance: A\$bn	-52.7	-51.4	-67.6	-100.0
% of GDP	-4.2	-3.8	-4.6	-6.4

\* 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	4.87	4.85	5.30	5.60	6.00	6.0
3 year bond	4.47	4.90	5.10	5.50	5.70	6.00
10 year bond	5.11	5.40	5.50	5.70	5.80	6.00
3s10s yield curve	0.65	0.50	0.40	0.20	0.10	0.00
3 year swap	5.01	5.30	5.50	5.90	6.10	6.40
10 year swap	5.61	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	2.75	3.25	3.50	3.75	4.25	4.8
NZ 90 day bill	3.19	3.67	3.75	4.17	4.67	5.17
US Fed funds note	0.25	0.25	0.25	0.25	0.25	0.5
US 2 year note	0.64	0.80	1.00	1.20	1.50	2.00
US 10 year note	2.96	4.10	4.00	3.80	3.80	4.00
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
<b>Australian exchange rates</b>						
A\$/US\$	0.8486	0.88	0.90	0.92	0.94	0.94
NZ\$/US\$	0.6942	0.69	0.71	0.72	0.73	0.73
A\$/¥	74.70	83.6	86.4	89.2	92.1	94.0
A\$/€	0.6781	0.73	0.76	0.81	0.84	0.84
A\$/£	0.5591	0.63	0.63	0.62	0.62	0.61
A\$/NZ\$	1.2223	1.28	1.27	1.28	1.29	1.29
A\$/C\$	0.8975	0.87	0.87	0.88	0.88	0.90
A\$/CHF	0.9011	1.03	1.07	1.11	1.16	1.18
A\$/CNY	5.7474	5.92	5.97	6.03	6.16	6.12
A\$ Trade weighted index	66.10	71.5	73.8	75.9	77.1	76.9
<b>International cross rates</b>						
US\$/¥	88.03	95.0	96.0	97.0	98.0	100.0
€/US\$	1.2515	1.21	1.18	1.14	1.12	1.12
€/¥	110.17	115	113	111	110	112
£/US\$	1.5179	1.40	1.44	1.48	1.52	1.54
€/£	0.8245	0.86	0.82	0.77	0.74	0.73
US\$/C\$	1.0576	0.99	0.97	0.96	0.94	0.96
US\$/CHF	1.0619	1.17	1.19	1.21	1.23	1.25
US\$ index	84.56	87.9	89.0	90.7	91.4	91.8
<b>Asia exchange rates</b>						
US\$/CNY	6.7726	6.73	6.63	6.55	6.55	6.51
US\$/HKD	7.7898	7.78	7.75	7.75	7.75	7.75
US\$/IDR	9046	9500	9900	10000	9700	9500.00
US\$/INR	46.58	48.7	50.4	50.7	49.0	48.50
US\$/KRW	1220	1270	1345	1390	1320	1275.00
US\$/MYR	3.2231	3.35	3.45	3.50	3.40	3.4
US\$/PHP	46.398	47.3	48.8	49.5	48.0	47.3
US\$/SGD	1.3900	1.43	1.47	1.50	1.45	1.4
US\$/THB	32.390	32.90	33.90	34.30	33.50	33.00
US\$/TWD	32.158	32.50	33.30	33.70	32.70	32
US\$/VND	19094	19000	19000	19000	20000	20000.00
<b>Pacific exchange rates</b>						
PGK/US\$	0.3600	0.395	0.386	0.372	0.358	0.34
FJD/US\$	0.4972	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](http://www.finra.org)) and registered with the SEC.  
 277 Park Avenue, 31<sup>st</sup> 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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