



ECONOMICS & MARKETS RESEARCH

AUSTRALIAN ECONOMICS TOOLBOX

23 JULY 2010

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Q2 CPI RESULT TO BE KEY AT THE AUGUST RBA POLICY MEETING

- The RBA's July Board minutes demonstrated that the central bank is comfortable with the current setting of monetary policy. What surprised markets was how closely the central bank will be watching next week's inflation data for "new information [that] materially changed the medium-term outlook for inflation." This suggests that **if the inflation results, particularly for core prices, print on the high side, then the risk is that the RBA could raise rates to 4.75% when it next meets in August.** While we believe that our forecast of a 0.8% increase in headline prices and a 0.7% QoQ rise in core inflation will be sufficient to stay the RBA's hand for a further few months, persistent price pressures in the domestic economy are expected to prompt the RBA to raise rates to 5% by the end of the year.
- Nonetheless, the **RBA's concerns about global prospects have risen**, an unease that was also expressed by Federal Reserve Bank Chairman Ben Bernanke. Yesterday's release of the Bernanke's semi-annual testimony to Congress emphasised the "unusual uncertainty" around the outlook for not only the US, but also the broader global economy and financial markets.
- Trade prices data** released for Q2 show persistent strong growth in export prices (+16.2% QoQ), suggesting that the boost from higher commodity prices will continue support to Australian growth and incomes. Import prices rise 1.9% QoQ indicating that downward pressure on inflation from the stronger Australian dollar is beginning to wane.

THE WEEK AHEAD

- In **Australia**, the market's attention will be focused on the CPI (Q2) on Wednesday. A strong result could drive the RBA to lift interest rates. Other key data releases include the producer price index and private sector credit.
- In the **US**, the market will be looking to Q2 GDP and the Beige book further insight into the state of US economy, particularly in light of Chairman Bernanke's recent comments that the economic outlook was "unusually uncertain." Other important releases include new home sales (Jun), consumer confidence (Jul), durable goods orders (Jun).
- The **Euro zone** dataflow will include consumer confidence (Jul), unemployment rate (Jun) and CPI estimate (Jul). In **Germany**, the market's attention will focus on the preliminary CPI for July and unemployment (Jul). In the **UK**, a string of secondary data are due for release including Nationwide house prices (Jul), consumer credit (Jun), consumer confidence (Jul) and mortgage approvals (Jun).
- In **Japan**, the market will focus on the release of retail trade (Jun), the jobless rate (Jun) and CPI data (Jun). It will be slow week for **Chinese** data, the only releases are the leading index (Jun) and MNI business condition survey.

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Q2 CPI RESULT TO BE KEY AT THE AUGUST RBA POLICY MEETING

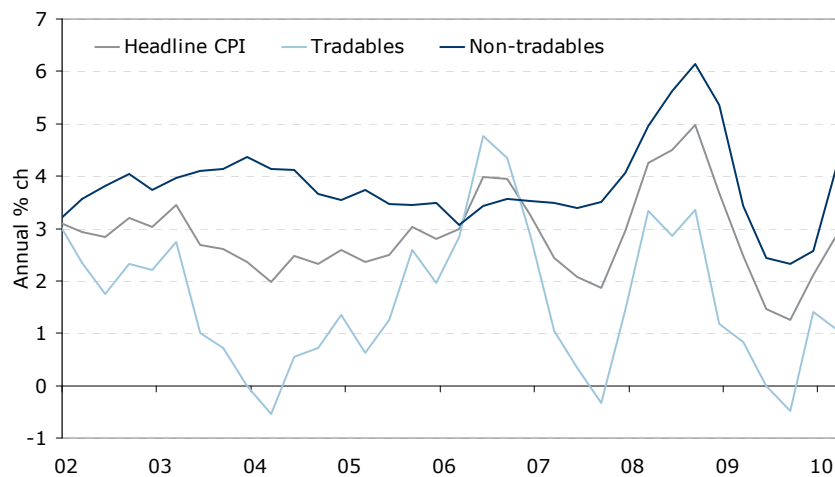
The release this week of the RBA's July Board minutes illustrated that the Bank remains comfortable with the current setting of monetary policy. But while the RBA's concern about global economic prospects has risen, and warned of downside risks from domestic activity, upside risks to the domestic inflation outlook remain at the forefront of its policy considerations.

Notably, the **RBA appears prepared to raise interest rates if next week's Q2 CPI result prints higher than the Bank expects.** In the July minutes, the RBA suggested that it would be focusing on whether broader price pressures are evident in the data, namely those which provide *"new information [that] materially changed the medium-term outlook for inflation."* The Bank's current Q2 CPI forecasts are for a further moderation in underlying inflation from 3% YoY in Q1 and for headline prices growth to rise above 3%. Note that core inflation would need to rise by at least 0.8% QoQ to see the annual measure remain above 3%. While not our central forecast, the risk of such an upside surprise in the data implies that an August rate rise remains a distinct possibility.

As we outlined in detail in our CPI preview last week, **our forecast is for core inflation of 0.7% QoQ and 2.8% YoY and headline inflation of 0.8% QoQ and 3.3% YoY** (which includes the one-off spike in tobacco prices due to the excise hike). This would be insufficient to trigger an immediate rate hike by the RBA in our view. On the flipside, **a core reading of 0.9% QoQ or more would suggest that inflationary pressures are building much faster than anticipated** and would undoubtedly prompt a 'material change' in the medium-term outlook for inflation, thereby prompting the RBA to raise rates in August.

If a core CPI print of 0.8% QoQ eventuates, then the composition of price pressures in the economy will be important for the RBA's August decision. Crucial here will be detailed analysis of the components driving inflation - any significant rises in broad demand-sensitive components could be difficult to ignore.

FIGURE 1: NON-TRADABLES INFLATION A CONCERN



Source: ABS and ANZ.

The tradables/non-tradables breakdown will also be key. Overall inflation has been capped below pre-financial crisis peaks by weak tradables inflation since late 2008. This has masked a somewhat worrying trend in non-tradables inflation which is already tracking at 4.2% YoY, the highest rate since 2007. Weak inflation in tradables - internationally traded goods and services (particularly in clothing, furniture and recreation goods) - has been primarily due to a combination of three factors: (1) global disinflationary forces; (2) the appreciation of the currency since early 2009, and; (c) softness in domestic retail sales which has prompted heavy discounting. However, some of these effects will dissipate as we enter 2011. While global disinflationary forces

may continue for some time, with measures of core inflation in the US trending down, the Aussie dollar is expected to stabilise above 90 US cents, and stronger household income growth (due to employment and wages growth) should provide some support to domestic retail trade even if consumers are saving a larger share of their incomes. With this in mind, trends in non-tradables inflation will be particularly important, especially the degree to which services prices are rising as a result of stronger employment and wages outcomes and the degree to which housing shortages are pressuring rents. Overall, we believe that persistent price pressures over the medium term will prompt the RBA to raise rates to as high as 5% by the closing stages of 2010.

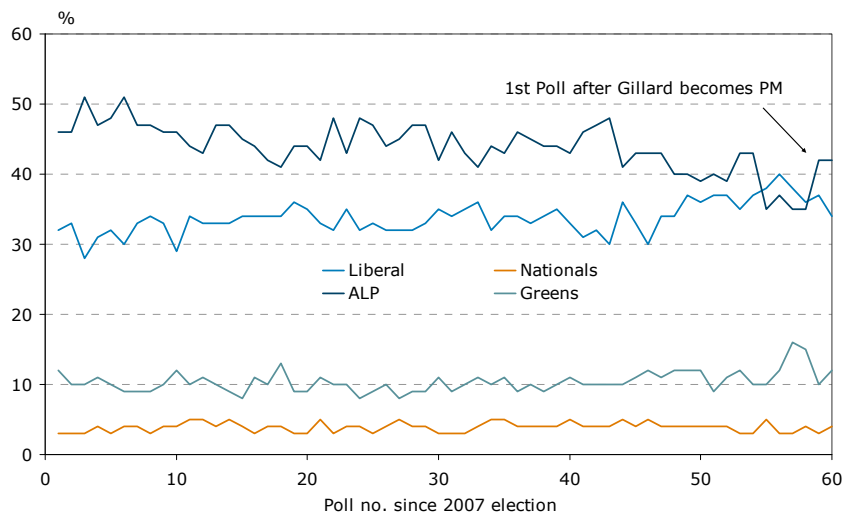
2010 FEDERAL ELECTION – WEEK 1

One week into the five-week campaign and the parties are beginning to articulate their policy platforms. The issues that have dominated the campaign are: economic management; health; education; industrial relations; and population policy. Thus far, spending promises have been relatively small.

The first polls released following the election announcement continue to show the ruling Labor Party with an election-winning lead. Prime Minister Gillard’s ascension to power has appeared to bolster the party’s support.

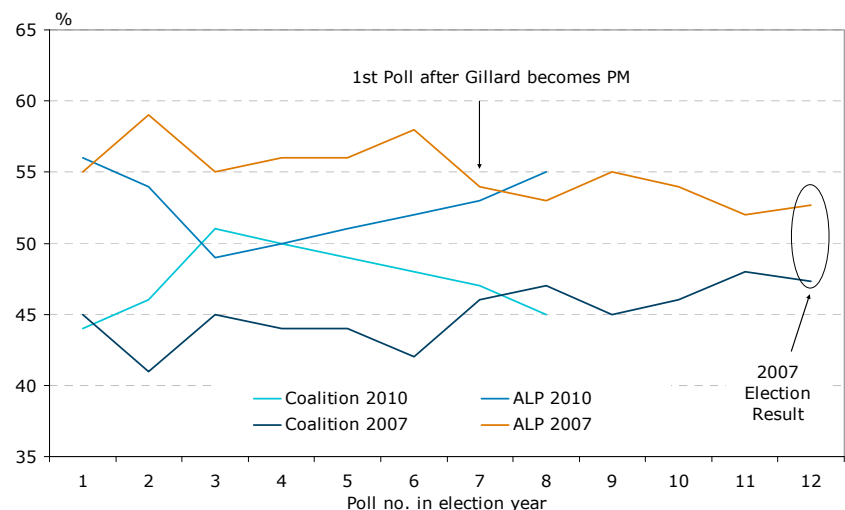
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FIGURE 2: VOTING INTENTIONS POLL



Source: Newspoll and ANZ

FIGURE 3: TWO-PARTY PREFERRED POLL



Source: Newspoll and ANZ



POLICY ANNOUNCEMENTS IN WEEK 1

Labor

- Will spend A\$200mn to help build up to 15,000 more affordable homes in regional cities.
- Plans to spend A\$3mn on National Trade Cadetships for high school students.
- A plan to tackle climate change. The Labor party will spend A\$100mn on market-based projects developing renewable technologies and A\$1bn over 10 years to fund investment to connect new sources of renewable energy to the electricity grid. The party would also create a "citizens' assembly" to examine scientific evidence, the case for action, and the possible consequences of carbon trading scheme. The policy is estimated to cost approximately A\$9mn over four years.

Coalition

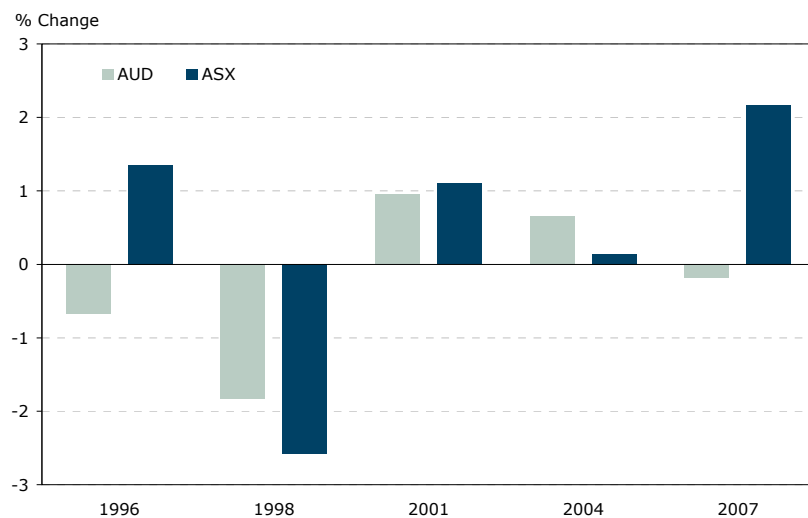
- The Liberal-National Party Coalition provided further detail of budget cuts should it get into power, including the cancellation of 50 government programs. The party estimates that this would save the budget A\$23.8bn.
- Will extend the existing Education Tax Rebate at an estimated cost of A\$760mn.

DO FEDERAL ELECTIONS INFLUENCE THE FINANCIAL AND ECONOMIC LANDSCAPE?

Since the announcement of next month's election, a common question that we have been asked is whether Federal elections have a discernable impact on either the financial markets or the economy. Not only may the election of different parties influence confidence and decision-making after the election, but it may also generate uncertainty within the campaign period itself. For instance, businesses may delay investment decisions and households postpone important purchases. Moreover, a conclusive election result is likely to see a more settled environment, allowing businesses and households to resume normal spending behaviours.

FEDERAL ELECTIONS AND FINANCIAL MARKETS

FIGURE 4: DAILY CHANGE AFTER FEDERAL ELECTION RESULT



Source: Bloomberg and ANZ

Recent Australian Federal elections have not tended to have a consistent impact on financial market variables, including both the equity market (ASX 200) and Australian dollar (see Figure 4 above). The benign financial market reaction to past elections

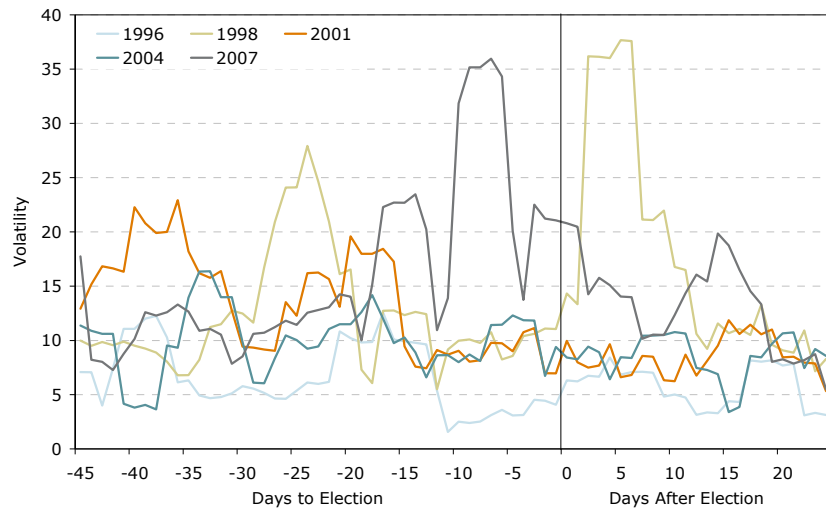
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largely reflects the policy similarities of the two major political parties and the economic certainty that this provides to financial markets. Government expenditure over the studied time frame (since the 1990s) has fluctuated between 21% - 25% of GDP, reflecting Australia's open domestic economy and consistent economic management by successive governments.

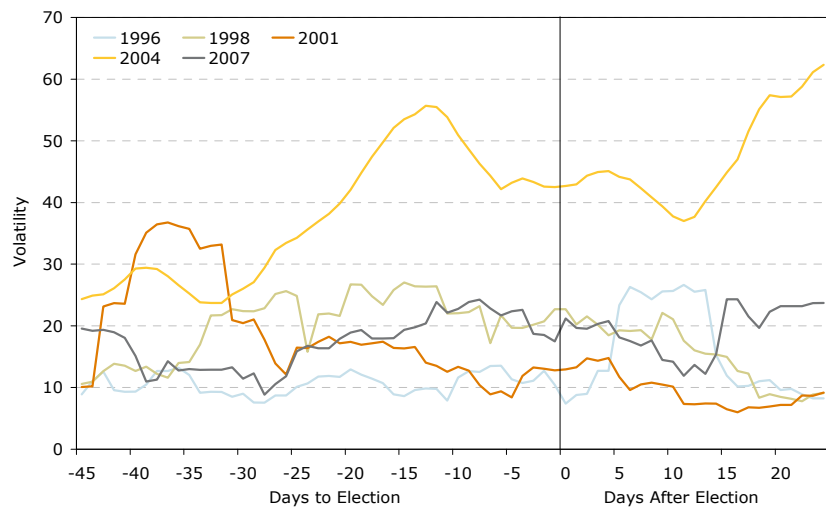
Further, the Australian electoral cycle does not appear to have had a discernable impact on financial market volatility. The volatility experienced by the Australian dollar during the 1998 and 2007 election cycles was arguably a consequence of fluctuations in wider macroeconomic variables, such as the surge in commodity prices in 2007, rather than a market response to political developments. With the above exceptions, neither the ASX 200 nor the Australian dollar exhibited substantial change in volatility before, during or after an election. This suggests that recent election campaigns have not created a sense of uncertainty for financial markets in the Australian context. This is not particularly surprising given Australia's stable political system and structure, and transparent electoral process.

FIGURE 5: AUD VOLATILITY DURING THE ELECTION CYCLE.



Source: Bloomberg and ANZ

FIGURE 6: ASX VOLATILITY DURING THE ELECTION CYCLE.



Source: Bloomberg and ANZ

Overall, we would expect little financial market reaction to a clear victory by either major political party in Australia's 2010 federal election. Both parties are generally seen

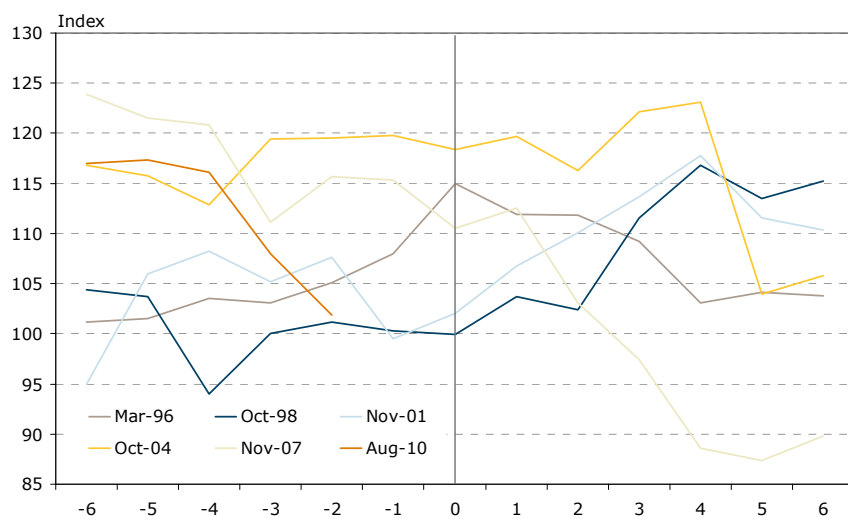
as credible economic managers and will be perceived as able to maintain sufficient discipline to avoid significant fiscal slippage. Moreover, the policies of neither party appear to have sufficiently different implications for Australia’s short to medium term efficiency and economic prospects. Moreover, note that there was little market reaction following the change of Prime Minister to Gillard from Rudd, nor to the recent Economic Statement. The likely shift of the balance of power in the Senate to the Greens party is also unlikely to ruffle financial markets as it is both widely expected but also a potential improvement to the passage of policy from the current situation.

However, should there be an indecisive election result, we would expect the markets, particularly the AUD, to sell-off heavily. One only needs to refer to the recent UK elections which resulted in a hung parliament: although the lead-up to the polls coincided with turmoil on global markets due to Greek sovereign credit concerns, speculation alone that no clear winner would emerge weighed heavily on the GBP. The GBP lost 1½% against the USD between the beginning of the election campaign and election day. In the two days following the announcement of a hung parliament, the GBP fell a further 2¼%.

ELECTIONS HAVE LITTLE IMPACT ON ECONOMIC INDICATORS

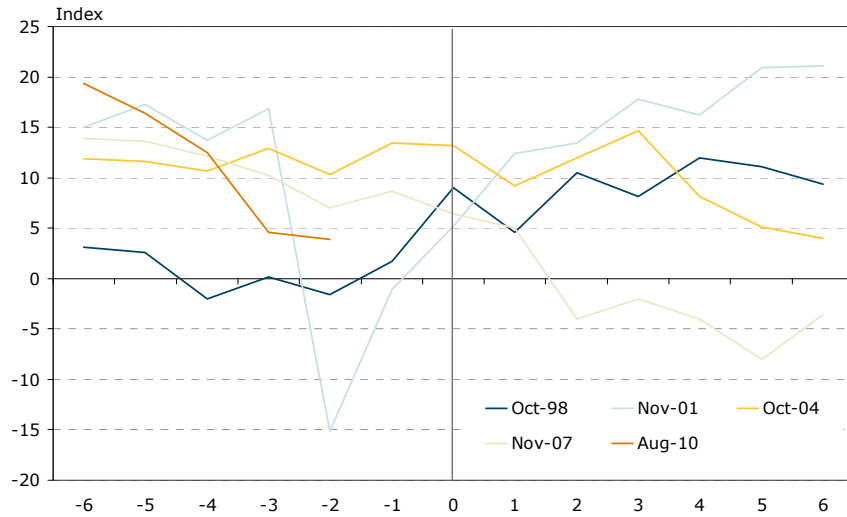
We have found that in line with the above financial market analysis, Australian Federal elections have also had little impact on the real economy throughout Australia’s recent history. We focused our analysis on the effects on sentiment, and found that elections have little effect. As seen in Figures 7 and 8, there is no consistent relationship between consumer confidence or business confidence and Australian elections. This is evident in both the 6 months prior and 6 months post the elections since 1996. In terms of volatility of sentiment, again there is no clear relationship. Around the 2004 election there seems to be little movement in both consumer confidence and business confidence while the 2001 election saw some larger swings in these measures, particularly business confidence. Overall, sentiment seems to be more greatly effected by the economic environment. For example, the volatility in sentiment around the 2001 election was more likely caused by the September 11 terrorist attacks, greatly outweighing the effects of the election. As a result, we do not expect changes in sentiment over the next few months to be caused by the election.

FIGURE 7: CONSUMER CONFIDENCE AROUND ELECTION TIME



Source: Westpac consumer confidence survey, ANZ

FIGURE 8: BUSINESS CONFIDENCE AROUND ELECTION TIME

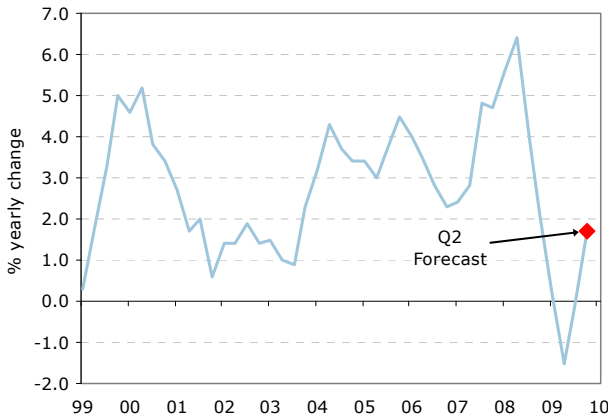


Source: NAB business confidence survey, ANZ

One reason for the lack of a relationship between elections and sentiment is, once again, likely due to the relatively stability of the Australian political system. Also, the two major political parties in Australia have tended towards the middle rather than the left or right, reducing the importance of elections on policy frameworks and potential economic growth.

DATA PREVIEWS

CHART 1: PRODUCER PRICE INDEX (Q2)

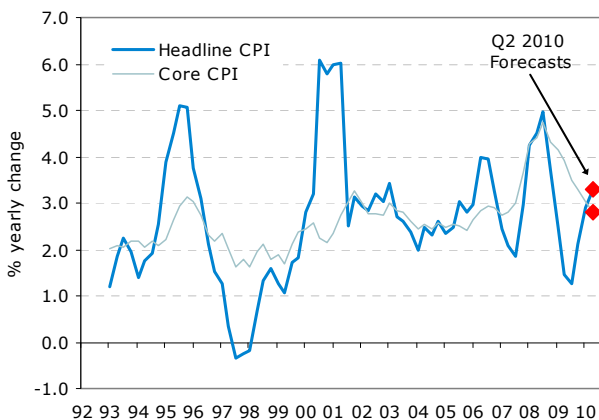


26 JULY: PRODUCER PRICE INDEX (Q2)

ANZ: +1.7% MoM, +1.7% YoY
Market: +0.8% MoM, +1.5% YoY
Last: +1.0% MoM, -0.1% YoY

Upstream price pressures probably increased in the quarter as import prices accelerated to 1.9% QoQ the economy continued to use up spare capacity. The unemployment rate fell from 5.3% to 5.1% during the quarter and the NAB's measure of capacity utilisation increased to 82.2% from 81.4% in Q1. Last quarter, building construction and utilities added to final stage producer prices, while downward pressure on prices came from food production. This broad composition of price movements should be repeated in Q2.

CHART 2: CONSUMER PRICE INDEX (Q2)



28 JULY: CONSUMER PRICE INDEX (Q2)

Headline CPI:

ANZ: +0.8% MoM, +3.3% YoY
Market: +1.0% MoM, +3.4% YoY
Last: +0.9% MoM, +2.9% YoY

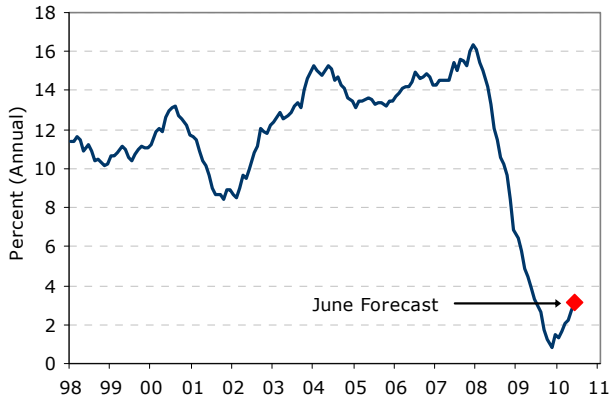
Core CPI (Av of Trimmed Mean and Weighted Median):

ANZ: +0.7% MoM, +2.8% YoY
Market: +0.8% MoM, +3.0% YoY
Last: +0.8% MoM, +3.0% YoY

Headline inflation is expected to remain high at 0.8% QoQ in Q2, taking annual growth to 3.3%. Key drivers will be tobacco prices which probably rose by 10% after the excise was raised by 25% on 30 April and we estimate that this will add 0.24pppts to the quarterly increase in the CPI. Petrol rises probably rose by 2.2%, while accessories and clothing services (4.8%), financial services (1.7%) and meat and seafood (1.9%) all seemed to post modest gains. Fruit and vegetable prices are expected to have fallen by 7% and clothing (-1.0%), holiday travel (-1.0%) and AV equipment (-0.5%) also down. We expect the underlying CPI rose by 0.7% in the quarter. This quarterly change would slow underlying inflation to 2.8%, just below the top of the target band. For further detail on the implications for monetary policy, please see the *In Focus* article on page 2.

DATA PREVIEWS

CHART 3: RBA CREDIT AGGREGATES (JUN)



30 JULY: RBA CREDIT AGGREGATES (JUN)

ANZ: +0.4% MoM, +3.1% YoY

Market: +0.4% MoM, +3.1% YoY

Last: +0.5% MoM, +2.7% YoY

Total private sector credit growth is expected to be softer in June with continued global market uncertainty affecting both business and household confidence. While the three consecutive RBA rate hikes from March to May are expected to continue to impact Australian economy-wide appetite for intermediated credit in June, weakness in credit and equity markets are also expected to knock some life out of private sector credit growth this month.

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	ANZ	MARKET	LAST	GMT	
26-29 Jul	GE	Import Price Index MoM	JUN	nf	0.4%	0.6%	-	
		Import Price Index YoY	JUN	nf	na	8.5%	-	
26-30 Jul	CH	Leading Index	JUN	nf	na	103.44	-	
	UK	Nationwide House prices sa MoM	JUL	nf	na	0.1%	-	
		Nationwide House prices nsa YoY	JUL	nf	na	8.7%	-	
26.Jul	AU	Producer Price Index QoQ	Q2	1.0%	0.8%	1.0%	01:30	
		Producer Price Index YoY	Q2	1.7%	1.5%	-0.1%	01:30	
	JP	Merchandise Trade Balance Total	JUN	nf	¥720.0B	¥320.9B	23:50	
		Adjusted Merchandise Trade Balance	JUN	nf	¥583.0B	¥416.1B	23:50	
			Merchandise Trade Exports YoY	JUN	nf	27.1	32.1	23:50
			Merchandise Trade Imports YoY	JUN	nf	24.8	33.4	23:50
	UK	Hometrack Housing Survey MoM	JUL	nf	-0.6%	0.1%	23:01	
		Hometrack Housing Survey YoY	JUL	nf	6.8%	2.1%	23:01	
	US	Chicago Fed National Activity Index	JUN	nf	na	0.21	12:30	
		New Home Sales	JUN	nf	320K	300K	14:00	
		New Home Sales MoM	JUN	nf	6.7%	-32.7%	14:00	
		Dallas Fed Manufacturing Activity	JUL	nf	na	-4.0%	14:30	
	Treasury's Brainard speaks in Washington							
	27.Jul	AU	Conference Board Leading Index	MAY	-	-	-	00:00
JP		Corporate Service Price Index YoY	JUN	nf	na	-0.8%	23:50	
EU		Euro-Zone M3 s.a. YoY	JUN	nf	-0.1%	-0.2%	08:00	
		Euro-Zone M3 s.a. 3 mth ave.	JUN	nf	-0.2%	-0.2%	08:00	
GE		GfK Consumer Confidence Survey	AUG	nf	3.6	3.5	06:00	
UK		CBI Reported Sales	JUL	nf	na	-5	10:00	
US		S&P/Case Shiller Home Price Ind	MAY	nf	na	144.56	13:00	
		S&P/Case Shiller 20 City MoM% SA	MAY	nf	0.0%	0.44%	13:00	
		S&P/Case Shiller Composite-20 YoY	MAY	nf	3.77%	3.81%	13:00	
		Richmond Fed Manufacturing Index	JUL	nf	na	23	14:00	
		Consumer Confidence	JUL	nf	52	52.9	14:00	
		ABC Consumer Confidence	JUL 25	nf	na	-45	21:00	
US Treasury auctions 2-year Note								
28-30 Jul		GE	IFO Business Climate Survey	Jul	-	-	-	-
28.Jul	NZ	NBNZ Business Confidence	JUL	nf	na	40.2	03:00	
		NBNZ Activity Outlook	JUL	nf	na	38.5	03:00	
	AU	Consumer Prices QoQ	Q2	0.8%	1.0%	0.9%	01:30	
		Consumer Prices YoY	Q2	3.3%	3.4%	2.9%	01:30	
		RBA Trimmed Mean QoQ	Q2	0.7%	0.8%	-	01:30	
		RBA Trimmed Mean YoY	Q2	2.8%	2.9%	3.0%	01:30	
		RBA Weighted Median QoQ	Q2	0.7%	0.8%	0.8%	01:30	
		RBA Weighted Median YoY	Q2	2.9%	3.0%	3.1%	01:30	
	JP	Small Business Confidence	JUL	nf	na	47.4	05:00	
	EU	ECB Publishes Bank Lending Survey	APR 23	-	-	-	08:00	
	GE	Consumer Price Index MoM	JUL P	nf	0.3%	0.1%	-	
		Consumer Price Index YoY	JUL P	nf	1.2%	0.9%	-	
		CPI - EU Harmonised MoM	JUL P	nf	na	0.0%	-	
		CPI - EU Harmonised YoY	JUL P	nf	1.0%	0.8%	-	
US	MBA Mortgage Applications	JUL 23	nf	-	7.6%	11:00		
	Durable Goods Orders	JUN	nf	0.7%	-0.6%	12:30		
	Durables Ex Transportation	JUN	nf	0.2%	1.6%	12:30		
Fed Releases Beige Book Economic Report								
US Treasury auctions 5-year Note								
CA		Teranet/National Bank Housing Price Index	JUN	nf	na	12.9%	13:00	

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	ANZ	MARKET	LAST	GMT	
29.Jul	NZ	RBNZ Official Cash Rate	-	3.00%	3.00%	2.75%	21:00	
		Trade Balance	JUN	600M	368M	814M	22:45	
		Imports	JUN	3.36B	3.36B	3.39B	22:45	
		Exports	JUN	3.96B	3.50B	4.20B	22:45	
		NZ Trade Balance 12 Mth YTD	JUN	nf	729.5M	91M	22:45	
		Money Supply M3 YoY	JUN	nf	na	-3.1%	03:00	
		AON 1-Year Inflation Expectations	JUL	nf	na	3.4%	11:59	
		AU	HIA New Home Sales MoM	JUN	nf	na	-6.4%	01:00
			JP	Retail Trade MoM SA	JUN	nf	0.4%	-2.0%
		Retail Trade YoY		JUN	nf	3.3%	2.8%	23:50
	Large Retailers' Sales	JUN		nf	na	-4.0%	23:50	
		Japan Buying Foreign Bonds	JUL 23	nf	¥1305.6B	¥704.1B	23:50	
		Japan Buying Foreign Stocks	JUL 23	nf	¥49.2B	¥139.5B	23:50	
		Foreign Buying Japan Bonds	JUL 23	nf	¥231.2B	¥208.7B	23:50	
		Foreign Buying Japan Stocks	JUL 23	nf	-¥29.8B	¥163.5B	23:50	
	EU	Business Climate Indicator	JUL	nf	na	0.37	09:00	
		Euro-Zone Indust. Confidence	JUL	nf	-5	-6	09:00	
		Euro-Zone Consumer Confidence	JUL F	nf	na	-	09:00	
		Euro-Zone Economic Confidence	JUL	nf	99.0	98.7	09:00	
		Euro-zone Services Confidence	JUL	nf	4	4	09:00	
	GE	Unemployment Change (000's)	JUL	nf	-15K	-21K	07:55	
		Unemployment Rate sa	JUL	nf	7.6%	7.7%	07:55	
	UK	Net Consumer Credit	JUN	nf	0.2B	0.3B	08:30	
		Net Lending Secured on Dwellings	JUN	nf	1.0B	1.2B	08:30	
		Mortgage Approvals	JUN	nf	48.0K	49.8K	08:30	
		M4 Money Supply MoM	JUN F	nf	na	0.0%	08:30	
		M4 Money Supply YoY	JUN F	nf	na	3.0%	08:30	
		M4 Ex OFCs 3M Annualised	JUN	nf	na	9.2%	08:30	
	US	Initial Jobless Claims	JUL 24	nf	na	464K	12:30	
		Continuing Claims	JUL 17	nf	na	4487K	12:30	
			US Treasury auctions 7-year Note					
		CA	Industrial Product Price MoM	JUN	nf	na	0.3%	12:30
			Raw Materials Price Index MoM	JUN	nf	na	-7.2%	12:30
30.Jul	NZ	Building Permits MoM	JUN	nf	na	-9.6%	22:45	
		AU	RBA Credit Aggregates MoM%	JUN	0.4%	0.4%	0.5%	01:30
	RBA Credit Aggregates YoY%		JUN	3.1%	3.1%	2.7%	01:30	
	RP Data-Rismark Aust Median House Price		JUL	nf	na	468K	01:30	
			AOFM auctions \$500mn of Mar 2019 bonds					
	JP	Nomura/JMMA Manufacturing PMI	JUL	nf	na	53.9	23:15	
		Tokyo CPI YoY	JUL	nf	-0.8%	-0.9%	23:30	
		Tokyo CPI Ex-Fresh Food YoY	JUL	nf	-1.2%	-1.3%	23:30	
		Tokyo CPI Ex Food, Energy YoY	JUL	nf	na	-1.4%	23:30	
		Overall Household Spending YoY	JUN	nf	-0.7%	-0.7%	23:30	
		Jobless Rate	JUN	nf	5.2%	5.2%	23:30	
		Job-To-Applicant Ratio	JUN	nf	0.51	0.50	23:30	
National CPI YoY		JUN	nf	-0.8%	-0.9%	23:30		
National CPI Ex Food, Energy YoY		JUN	nf	na	-1.6%	23:30		
National CPI Ex-Fresh Food YoY		JUN	nf	-1.1%	-1.2%	23:30		
Industrial Production MoM		JUN P	nf	0.2%	0.1%	23:50		
Industrial Production YoY%		JUN P	nf	19.0%	20.4%	23:50		
Corporate Loans & Discounts Outstanding YoY		JUN	nf	na	-3.5%	23:50		
Vehicle Production YoY	JUN	nf	na	30.6%	04:00			

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	ANZ	MARKET	LAST	GMT	
30.Jul	JP	Housing Starts YoY	JUN	nf	1.8%	-4.6%	05:00	
		Housing Starts (Annualised)	JUN	nf	0.759M	0.737M	05:00	
		Construction Orders YoY	JUN	nf	na	9.2%	05:00	
	CH	MNI Business Condition Survey	JUL	nf	na	63.51	01:35	
	EU	Euro-Zone Unemployment Rate	JUN	nf	10.0%	10.0%	09:00	
		Euro-Zone CPI Estimate YoY	JUL	nf	1.9%	1.4%	09:00	
	UK	GfK Consumer Confidence Survey	JUL	nf	-21	-19	23:01	
	US	GDP QoQ (Annualized)	Q2 A	nf	2.5%	2.7%	12:30	
		Personal Consumption	Q2 A	nf	2.3%	3.0%	12:30	
		GDP Price Index	Q2 A	nf	1.1%	1.1%	12:30	
		Core PCE QoQ	Q2 A	nf	1.0%	0.7%	12:30	
		Employment Cost Index	Q2	nf	0.5%	0.6%	12:30	
		Chicago Purchasing Manager Index	JUL	nf	56.0	59.1	13:45	
		U. of Michigan Consumer Confidence	JUL F	nf	67.5	66.5	13:55	
		NAPM-Milwaukee Index	JUL	nf	na	59	14:00	
		CA	Gross Domestic Product MoM	MAY	nf	0.1%	0.0%	12:30

FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
2 AUGUST 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)	3 AUGUST AU: RBA CASH TARGET , Building Approvals (Jun) JP: Monetary Base (Jul) EU: PPI (Jun) UK: PMI Construction (Jul) US: Personal Income (Jun), Factory Orders (Jun)	4 AUGUST 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)	5 AUGUST NZ: Unemployment Rate (Q2), Employment Change (Q2), Employment Change (Q2) EU: ECB Announces Interest Rates GE: Factory Orders (Jun) UK: BOE ANNOUNCES RATES US: Initial Jobless Claims (Jul 24) CA: Building Permits (Jun)	6 AUGUST AU: RBA Quarterly Monetary Policy Statement GE: Industrial Production (Jun) UK: PPI (Jul), Industrial Production (Jun) US: Change in Nonfarm Payrolls (Jul), Unemployment Rate (Jul) CA: Unemployment Rate (Jul)
9 AUGUST 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)	10 AUGUST JP: BOJ Target Rate GE: CPI (Jul) US: FOMC Rate Decision , Nonfarm Productivity (Q2), Wholesale Inventories (Jun)	11 AUGUST AU: Consumer confidence (Aug) JP : Machine Orders (Jun) CH : PPI (Jul), CPI (Jun), Retail Sales (Jun), UK: Jobless Claims Change (Jul), UE Rate (Jun), Bank of England Quarterly Inflation Report US: Trade Balance (Jun)	12 AUGUST 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)	13 AUGUST NZ: House Sales (Jul), Retail Sales (Jun) EU: GDP (Q2) GE: GDP (Q2) US: CPI (Jul), Advanced Retail Sales (Jul), Consumer Confidence (Aug)
16 AUGUST AU: New Motor Vehicle Sales (Jul) JP: GDP (Q2), Tertiary Industry Index (Jun) EU: CPI (Jul)	17 AUGUST EU: Zew Survey (Econ. Sentiment) (Aug) GE: Zew Surveys (Econ. Sentiment and Current Situation) (Aug) UK: CPI (Jul), RPI (Jul)	18 AUGUST AU: DEWR Skilled Vacancies (Aug), Leading Index (Jun) UK: Bank of England Minutes US:	19 AUGUST NZ: Producer Prices (Q2), ANZ Consumer Confidence Index (Aug) UK: Retail Sales (Jul)	20 AUGUST NZ: Visitor Arrivals (Jul), Credit Card Spending (Jul) JP : All Industry Activity Index (Jun) UK: M4 Money Supply (Jul)
23 AUGUST EU: Euro-Zone Consumer Confidence (Aug A) UK: BBA Loans for House Purchase (Jul)	24 AUGUST NZ: RBNZ 2yr Inflation Expectation (Q3) JP: Merchandise Trade Balance Total (Jul) EU: Industrial New Orders (Jun) GE: GDP (Q2) US: Existing Home Sales (Jul), Richmond Fed Manufact. Index (Aug) CA: Retail Sales (Jun)	25 AUGUST AU: Construction Work Done (Q2) GE: IFO - Business Climate (Aug), IFO - Current Assessment (Aug), IFO - Expectations (Aug) US: Durable Goods Orders (Jul), New Home Sales (Jul)	26 AUGUST EU: Euro-Zone M3 (Jul) US: Initial Jobless Claims (Aug 21), Continuing Claims (Aug 14)	27 AUGUST JP: Jobless Rate (Jul), Job-To-Applicant Ratio (Jul), CPI (Jul) GE: CPI (Aug P) UK: GDP (Q2 P) US: GDP (Q2), Personal Consumption (Q2), U. of Michigan Confidence (Aug F)
30 AUGUST NZ: Trade Balance (Jul), NBNZ Business Confidence (Aug) EU: Consumer confidence (Aug) US: Personal Income (Jul) CA: Industrial Product Price (Jul)	31 AUGUST NZ: Building Permits (Jul) AU: Building Approvals (Jul) JP: Retail Trade (Jul), Industrial Production (Jul) EU: UE Rate (Jul) GE: UE Rate (Aug) UK: Mortgage Approvals (Jul) US: Consumer Confidence (Aug) CA: GDP (Jun)	1 SEPTEMBER AU: GDP (Q2), Private Sector Credit (Jul), Current Account Balance (Q2) CH: PMI Manufacturing (Aug) US: ISM Manufacturing (Aug), MBA Mortgage Applications (Aug 27)	2 SEPTEMBER AU: Trade Balance (Jul) EU: ECB Announces Interest Rates US: Initial Jobless Claims (Aug 28)	3 SEPTEMBER EU: Retail Sales (Aug) GE: PMI Services (Aug) US: Change in Nonfarm Payrolls (Aug)

CENTRAL BANK RELEASES FOR 2010

JANUARY	FEBRUARY	MARCH	APRIL
6th – FOMC Minutes 7th – BoE 14th – ECB 19th – BoC 20th – BoE Minutes 25-26th – BoJ 27th – FOMC 28th – RBNZ	2nd - RBA 4th – BoE 4th – ECB 5th – RBA MP Statement 16th – RBA Minutes 17th – BoE Minutes 17th – FOMC Minutes 17-18th – BoJ 18th – ECB 23rd – BoJ Minutes	2nd – BoC 2nd - RBA 4th – BoE 4th – ECB 11th – RBNZ 11th – RBNZ MP Statement 11th – SNB 16th – FOMC 16th – RBA Minutes 17th – BoE Minutes 16-17th – BoJ 18th – ECB 23rd – BoJ Minutes	6th - RBA 6-7th – BoJ 8th – BoE 8th – ECB 12th – BoJ Minutes 20th – BoC 20th – RBA 21st – BoE Minutes 22nd – ECB 28th – FOMC 29th – RBNZ 30th – BoJ
MAY	JUNE	JULY	AUGUST
4th - RBA 6th – ECB 7th – RBA MP Statement 10th – BoE 10th – BoJ Minutes 18th – RBA Minutes 19th – BoE Minutes 20th – ECB 20-21st – BoJ 26th – BoJ Minutes	1st – BoC 1st - RBA 10th – BoE 10th – ECB 10th – RBNZ 10th – RBNZ MP Statement 14-15th – BoJ 15th – RBA Minutes 17th - SNB 18th – BoJ Minutes 23rd – BoE Minutes 23rd - FOMC 24th - ECB	6th - RBA 8th – BoE 8th – ECB 20th – RBA Minutes 20th – BoC 21st – BoE Minutes 22nd – ECB 29th - RBNZ	3rd - RBA 5th – BoE 5th – ECB 6th – RBA MP Statement 10th – FOMC 17th – RBA Minutes 18th – BoE Minutes
SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
2nd – ECB 7th - RBA 8th – BoC 9th – BoE 16th – ECB 16th – RBNZ 16th – RBNZ MP Statement 16th - SNB 21st – RBA Minutes 21st - FOMC 22nd – BoE Minutes	5th - RBA 7th – BoE 7th – ECB 19th – RBA Minutes 19th – BoC 20th – BoE Minutes 21st – ECB 28th - RBNZ	2nd - RBA 3rd - FOMC 4th – BoE 4th – ECB 5th – RBA MP Statement 16th – RBA Minutes 17th – BoE Minutes 18th - ECB	2nd – ECB 7th - RBA 9th – BoE 9th – RBNZ 9th – RBNZ MP Statement 14th – FOMC 16th – ECB 16th - SNB 21st – RBA Minutes 22nd – BoE Minutes

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

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

BoJ data are available only to June.

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

Source: Central bank websites.

FORECASTS

AUSTRALIAN ECONOMIC INDICATORS	2009	2010 F	2011 F	2012 F
Economic activity (annual % change)				
Private final demand	0.7	2.5	4.6	5.1
Household consumption	1.6	2.5	1.9	1.7
Dwelling investment	-4.6	4.9	1.8	2.3
Business investment	-0.8	1.7	14.1	16.1
Public demand	3.3	11.4	4.0	1.9
Domestic final demand	1.3	4.5	4.4	4.4
Inventories (contribution to GDP)	-0.5	0.6	0.0	-0.1
Gross National Expenditure (GNE)	0.7	5.1	4.4	4.3
Exports	1.4	3.0	6.3	7.3
Imports	-7.8	13.7	10.5	10.8
Net Exports (contribution to GDP)	2.0	-2.2	-1.1	-1.1
Gross Domestic Product (GDP)	1.3	3.0	3.7	3.8
Prices and wages (annual % change)				
Inflation:				
Headline CPI	1.8	3.0	2.9	3.1
Underlying *	3.7	2.8	2.9	3.2
Wages	3.6	3.3	4.0	4.2
Labour market				
Employment (annual % change)	0.3	2.6	2.2	2.0
Unemployment rate (annual average %)	5.6	5.1	4.9	4.8
External sector				
Current account balance: A\$bn	-51.4	-53.1	-66.1	-95.7
% of GDP	-4.1	-3.9	-4.5	-6.2

* 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	4.78	4.85	5.30	5.60	6.00	6.0
3 year bond	4.61	4.90	5.10	5.50	5.70	6.00
10 year bond	5.14	5.40	5.50	5.70	5.80	6.00
3s10s yield curve	0.53	0.50	0.40	0.20	0.10	0.00
3 year swap	5.13	5.30	5.50	5.90	6.10	6.40
10 year swap	5.66	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	3.25	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	0.56	0.80	1.00	1.20	1.50	2.00
US 10 year note	2.94	3.20	3.20	3.30	3.30	3.60
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.00	1.00	1.00	1.00	1.00	1.00
UK repo rate	0.50	0.50	0.50	0.50	0.50	0.75

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

FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F
Australian exchange rates						
A\$/US\$	0.8935	0.88	0.90	0.92	0.94	0.94
NZ\$/US\$	0.7252	0.70	0.71	0.72	0.73	0.73
A\$/¥	77.71	83.6	86.4	89.2	92.1	94.0
A\$/€	0.6932	0.73	0.76	0.81	0.84	0.84
A\$/£	0.5855	0.60	0.62	0.62	0.62	0.61
A\$/NZ\$	1.2329	1.26	1.27	1.28	1.29	1.29
A\$/C\$	0.9275	0.87	0.87	0.88	0.88	0.90
A\$/CHF	0.9320	1.03	1.07	1.11	1.16	1.18
A\$/CNY	6.0577	5.92	5.97	6.03	6.16	6.12
A\$ Trade weighted index	68.40	71.8	74.3	76.5	77.7	77.5
International cross rates						
US\$/¥	87.14	95.0	96.0	97.0	98.0	100.0
€/US\$	1.2895	1.21	1.18	1.14	1.12	1.12
€/¥	112.36	115	113	111	110	112
£/US\$	1.5269	1.46	1.46	1.49	1.52	1.54
€/£	0.8446	0.83	0.81	0.77	0.74	0.73
US\$/C\$	1.0366	0.99	0.97	0.96	0.94	0.96
US\$/CHF	1.0429	1.17	1.19	1.21	1.23	1.25
US\$ index	82.63	87.8	89.1	90.9	91.7	92.1
Asia exchange rates						
US\$/CNY	6.7797	6.73	6.63	6.55	6.55	6.51
US\$/HKD	7.7741	7.78	7.75	7.75	7.75	7.75
US\$/IDR	9050	9500	9900	10000	9700	9500
US\$/INR	47.13	48.7	50.4	50.7	49.0	48.50
US\$/KRW	1204	1270	1345	1390	1320	1275
US\$/MYR	3.2095	3.35	3.45	3.50	3.40	3.4
US\$/PHP	46.495	47.3	48.8	49.5	48.0	47.3
US\$/SGD	1.3725	1.43	1.47	1.50	1.45	1.4
US\$/THB	32.240	32.90	33.90	34.30	33.50	33.00
US\$/TWD	32.185	32.50	33.30	33.70	32.70	32
US\$/VND	19073	19000	19000	19000	20000	20000
Pacific exchange rates						
PGK/US\$	0.3645	0.395	0.386	0.372	0.358	0.34
FJD/US\$	0.5161	0.507	0.508	0.514	0.517	0.51

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