



ECONOMICS & MARKETS RESEARCH

ANZ AUSTRALIAN ECONOMICS TOOLBOX

21 MAY 2010

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SPIKE IN RISK AVERSION SWEEPS THROUGH GLOBAL MARKETS

- **Risk aversion spiked higher this week as European sovereign debt fears continued to plague markets.** Equity markets have fallen sharply, volatility has surged, and the AUD/USD briefly plunged to ten-month low. The sell-off in global equity markets and the AUD is particularly concerning as it implies that investors are now marking down the outlook for global growth. Over the past week, the ASX200 has fallen almost 7%, while the AUD/USD is 6½% lower and major AUD crosses are down 6-8%. **On a fundamental basis we still have a positive view of the AUD, however we may not see a re-rally in the currency until 2011.** Assuming a stabilisation in financial markets, we target a rise to AUD/USD0.90 by the end of 2010, and for post-crisis highs to be met in 2011.
- **The worsening situation in Europe and increased uncertainty on financial markets is also likely to keep the RBA cash rate on hold at 4.50% over the coming months.** The release of the minutes from the RBA's May Board meeting this week highlighted that the May decision to raise rates was almost cut and dry, with Board members trading off the higher Australian inflation outlook versus the deteriorating situation in Europe. Indeed, the **strong demand for labour that has been a key feature of the Australian economy since Q4 2009 is beginning to feed through into wages growth.** The Wage Price Index rose by 0.9% in Q1 to be 3% higher in annual growth terms. Public sector wage costs continue to outpace gains in the private sector. But there are some signs that employment demand is beginning to slow on the back of recent interest rate rises, with growth in DEWR skilled vacancies slowing to 1% in May from 1.5% in April. Consumer confidence has also taken a hit from monetary tightening, down 7% in the month. Looking forward, assuming that global financial markets are not further significantly disrupted and a soft landing is achieved in China, **we expect further rate hikes in H2 2010.**

THE WEEK AHEAD

- In **Australia**, the first partial components of Q1 GDP begin to come through. The market will focus on the release of construction work done data on Wednesday and private capital expenditure figures on Thursday. Next week will also see the release of the leading index for March and new motor vehicle sales for April.
- In the **US**, the market will keenly follow the release of personal income and spending figures for April as well as durable goods orders. Also due out are consumer confidence data, existing home sales, Case-Shiller house prices, Richmond and Chicago Fed surveys, and the second estimate of Q1 GDP.
- The **European** dataflow will slow next week. In the **Euro zone**, the only major data release will be industrial new orders. A quiet week in **Germany**, the market will focus on the release of CPI for May and consumer confidence. Next week, **UK** markets will turn their attention to breakdown of headline Q1 GDP, nationwide house prices, and consumer confidence.
- In will be a busy week for **Japanese** data. Markets will monitor the merchandise trade balance on Thursday, and the jobless rate, retail trade and CPI which will all be released on Friday. The BoJ and Cabinet Office will also release monthly reports. Another very quiet week for **Chinese** data, with the only release being the leading index for April.

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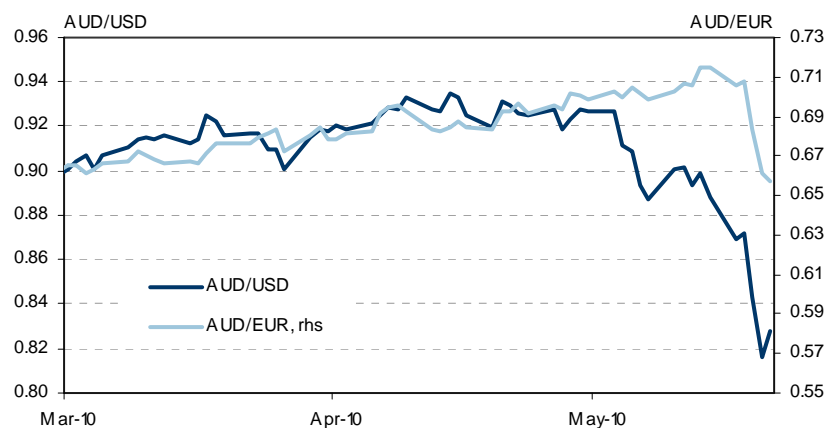
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SPIKE IN RISK AVERSION SWEEPS THROUGH GLOBAL MARKETS

Renewed risk aversion has swept markets this week. Investors have now placed some risk on Greece being unable to meet the austerity measures required under its rescue package. Uncertainty was further compounded by Germany's abrupt decision to ban naked short-selling on its government bonds, CDS and banking stocks. Questions are now being asked about the future of the European Union and the Euro area.

Equity markets have fallen sharply, volatility is high and the AUD/USD briefly plunged to ten-month low. The sell-off in global equity markets and the AUD is particularly concerning as it implies that investors are now marking down the outlook for global growth.

FIGURE 1: AUD WEAKNESS REFLECTS CONCERN ABOUT GLOBAL GROWTH



Source: Bloomberg and ANZ

One risk from the European sovereign debt fallout is if recent events start to impede European banks' ability to provide credit to the private sector. This would hurt not only European borrowers but it could also disrupt access to credit for Asian and Australian borrowers that rely on European funding. Indeed, this outcome could derail the global economic recovery and even prompt the RBA to ease policy.

However, policy-makers are working aggressively to avoid this outcome. The European Stabilization Mechanism announced by both the EU and ECB last week will provide up to €750bn over the next three years to European countries in financial distress. This should significantly reduce the risk of sovereign default. Further, the ECB's decision to begin purchasing government securities outright in secondary debt markets and the reopening up of USD swap lines with other central banks should reduce the prospect of a liquidity crisis. Collectively, these measures should limit the risk of a country defaulting and reduce the risk of asset write-downs by banks with sovereign risk exposures.

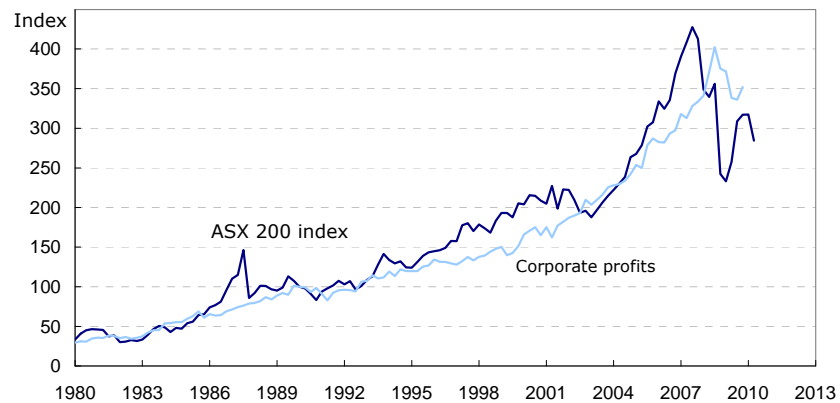
But this is not to say the worst is behind us. The announcements made so far guarantee that in the short-medium term both credit and liquidity risk has been reduced considerably. However, the package can only be made available if parliaments of most of the lending countries pass legislation approving their contribution to the package. Furthermore, in the longer term tough fiscal decisions will need to be made that force weaker economic growth or even recession in countries that access the funding. Markets will quite rightly price in the uncertainty that political forces will cause the deal to be undone.

Australia is being impacted by the European debt crisis by the 10 cent fall in its currency over the past month and this again highlights the currency's sensitivity to global risk aversion. Selling is being compounded by the unwinding of long AUD positions. The federal government's proposed Resources Super Profits Tax is further adding to the AUD's woes. The market is concerned that this will erode Australia's competitive advantage in one of its key industries. In the short term, there is a risk that the AUD/USD will fall further should conditions in Europe worsen. Continued disruption to financial markets and/or any sign of contagion from Europe to Asia could easily see AUD/USD test 0.80c.

The other way that the European sovereign debt problems can impact Australia is via a downward shift in sentiment, which in turn impacts both investment and employment in the real domestic economy. The ASX200 is around 10% lower than its April peak and still 35%

below its all time high of 6851pts in November 2007. However, the turnaround in non-financial corporate operating profits during Q4 and the positive outlook for earnings suggests that the market is fundamentally well supported, with valuations not stretched (Figure 2).

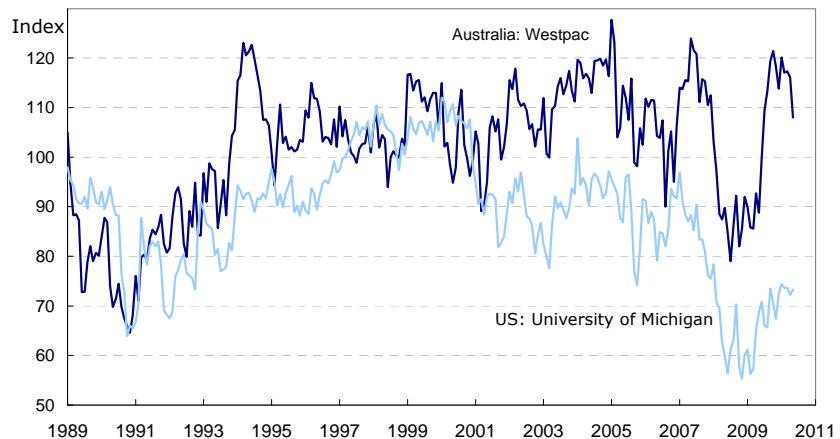
FIGURE 2: SHARE PRICES AND CORPORATE PROFITS



Source: ABS, Bloomberg and ANZ

Nonetheless, the market is below its recent peak and investor confidence has been dented somewhat globally. Whether or not this spills over into weaker consumer and business sector confidence is not clear at this stage. This week's Westpac consumer confidence data showed a 7% fall in the month, but this was more due to the May interest rate rise by the RBA than news on sovereign debt problems in Europe (Figure 3).

FIGURE 3: CONSUMER CONFIDENCE

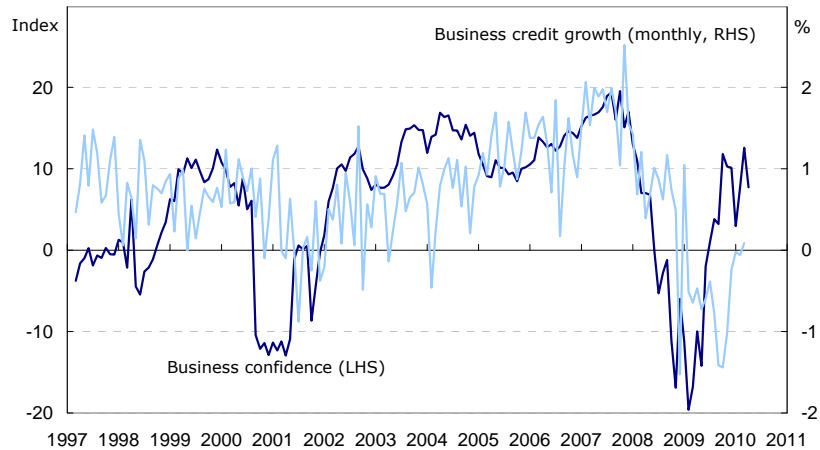


Source: ABS

Relative to the US and its own history, the level of Australian consumer confidence is still relatively high. Consumer sentiment in the US is still being squeezed by the high level of unemployment and the loss of wealth created by the large fall in both home and equity prices.

Business confidence is also lower, with the NAB measure of business confidence 5pts below its recent high of 12.6pts in March. However, it is still at levels consistent with solid growth in business credit (Figure 4).

FIGURE 4: BUSINESS CONFIDENCE AND BUSINESS CREDIT



Source: ABS

Overall, there is no evidence that the recent wave of investor risk aversion has spilled over into broader consumer or business confidence weakness that may slow spending. The recent softening in confidence seems to be more likely due to the RBA withdrawing its stimulatory monetary setting rather than any contagious hit to sentiment.

Households have been relatively cautious about their spending so far this cycle; and despite the strong rise in house prices, housing credit growth is still relatively subdued. This suggests that at least at this point in time, households are relatively reluctant to leverage up again. Firms remain confident about the outlook, with the latest employment data showing that they created 38k full-time jobs in April. However, if for some reason equities post further significant losses, then there is a risk that confidence in the real economy comes under pressure.

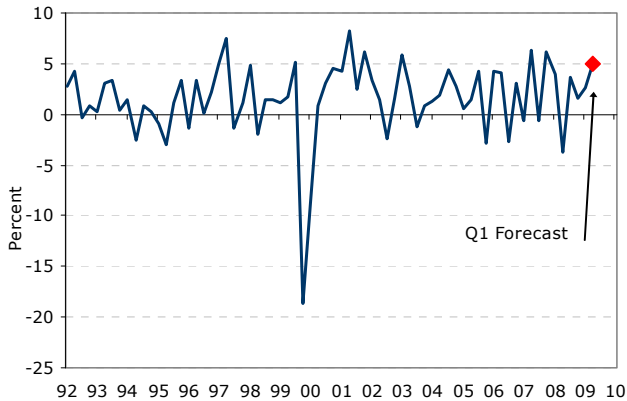
We expect that risk aversion will eventually abate without too much damage to the global economic outlook, although the recovery in Europe is now at risk of stalling. If this occurs, the AUD/USD should again find good support. The fundamentals around this view also depend upon China successfully engineering a soft landing, and when these signs become clearer, investors will refocus on positive global growth expectations.

On a fundamental basis we still have a positive view of the AUD, however we may not see a re-rally in the currency until 2011. We continue to target a rise to AUD/USD0.90 by the end of 2010, and for post-crisis highs to be met in 2011.

The main risk to our AUD view is that we see ongoing financial market volatility and elevated risk aversion. If this scenario plays out, then we may see a prolonged period of AUD/USD weakness, with the likelihood of an extended period of sub-0.80 trade. Continued weakness against the major crosses would also be likely under such a scenario.

DATA & EVENT CALENDAR

Chart 1: Construction Work Done (Q1)



26 May: Construction Work Done (Q1)

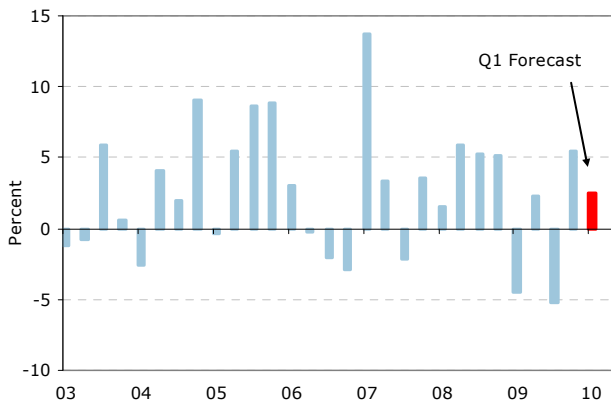
ANZ: 5.0% QoQ

Market: 4.0% QoQ

Last: 2.6%QoQ

Construction work done is expected to be robust in the March quarter, underpinned by a solid expansion in dwelling investment and engineering construction. Recent housing approvals data have been very solid (up over 50% YoY in March). This suggests that dwelling investment will make a healthy contribution to growth in the next couple of quarters. Engineering construction is also expected to make a hearty contribution to growth in coming quarters as there is a substantial amount of investment work in the pipeline yet to be done.

Chart 2: Private Capital Expenditure (Q1)



27 May: Private Capital Expenditure (Q1)

ANZ: 2.5% QoQ

Market: 2.5% QoQ

Last: 5.5% QoQ

We expect private capex to increase by 2.5% QoQ as a solid rise in capital imports in the quarter and firm strength in engineering construction offsets weakness in non-residential construction.

Business investment is expected to be the main driver of growth in coming quarters, with the majority of that centred in the resource sector. However, the proposed introduction of the Resource Super Profit Tax (RSPT) has cast some shadow over that outlook. That said, the Australian Bureau of Agriculture and Resource Economics' latest listing (April 2010) of major mineral developments indicates there is a substantial amount of investment committed – the estimated value of investment projects at an advance stage is A\$109.6bn.

DATA & EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT	
24-28 May	CH	Leading Index – (Apr)	nf	na	104.98	-	
	UK	Nationwide House prices sa MoM – (May)	nf	0.3%	1.0%	-	
		Nationwide House prices nsa YoY – (May)	nf	9.6%	10.5%	-	
24 May	AU	New Motor Vehicle Sales MoM – (Apr)	nf	na	-2.7%	01:30	
		New Motor Vehicle Sales YoY– (Apr)	nf	na	19.2%	01:30	
	JP	Cabinet Office Monthly Economic Report	-	-	-	-	
		All Industry Activity Index MoM – (Mar)	nf	-0.7%	-2.3%	04:30	
		BOJ Monthly Report	-	-	-	05:00	
		Supermarket Sales YoY – (Apr)	nf	na	-6.6%	05:00	
	UK	BOE's Posen Makes Speech in London	-	-	-	15:30	
	US	Chicago Fed Nat Activity Index – (Apr)	nf	na	-0.07	12:30	
		Existing Home Sales – (Apr)	nf	5.60M	5.35M	14:00	
		Existing Home Sales MoM – (Apr)	nf	4.7%	6.8%	14:00	
	CA	Market Closed for Victoria Day	-	-	-	-	
	25 May	NZ	RBNZ 2yr Inflation Expectation – (Q2)	nf	na	2.7%	03:00
		EU	Industrial New Orders sa MoM – (Mar)	nf	na	1.7%	09:00
			Industrial New Orders sa YoY – (Mar)	nf	na	12.4%	09:00
			EU's Van Rompuy Speaks at European Movement Conference	-	-	-	09:15
		UK	GDP QoQ – (Q1 P)	nf	0.3%	0.2%	08:30
			GDP YoY – (Q1 P)	nf	-0.2%	-0.3%	08:30
Private Consumption – (Q1 P)			nf	0.2%	0.4%	08:30	
Government Spending – (Q1 P)			nf	0.6%	1.0%	08:30	
Gross Fixed Capital Formation – (Q1 P)			nf	-1.5%	-2.7%	08:30	
Exports – (Q1 P)			nf	0.3%	3.8%	08:30	
Imports – (Q1 P)			nf	1.0%	4.7%	08:30	
Index of Services (3mth/3mth) – (Mar)			nf	0.2%	0.4%	08:30	
BBA Loans for House Purchase – (Apr)			nf	na	34905	08:30	
US			S&P/ Case-Shiller Composite-20 YoY – (Mar)	nf	2.4%	0.6%	13:00
		S&P/Case-Shiller Home Price Index – (Mar)	nf	na	144.0	13:00	
		S&P/ Case-Shiller 20 City MoM sa – (Mar)	nf	-0.40%	-0.10%	13:00	
		S&P/Case-Shiller US HPI – (Q1)	nf	na	136.1	13:00	
	S&P/Case-Shiller US HPI YoY – (Q1)	nf	na	-2.5%	13:00		
	Richmond Fed Manufacturing Index – (May)	nf	25	30	14:00		
	Conference Board Consumer Confidence – (May)	nf	59.0	57.9	14:00		
	House Price Index MoM – (May)	nf	na	-0.2%	14:00		

DATA & EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT	
25 May Cont	US	House Price Purchase Index QoQ – (Q1)	nf	na	-0.1%	14:00	
		ABC Consumer Confidence – (May 23)	nf	na	-44	21:00	
		Fed's Bullard Speaks in London	-	-	-	15:15	
26 May	AU	Westpac Leading Index MoM – (Mar)	nf	na	0.5%	00:30	
		Construction Work Done – (Q1)	5.0%	4.0%	2.6%	01:30	
		AOFM auctions \$500 mn of Apr 2020 bonds	-	-	-	-	
	JP	BoJ Monetary Policy Meeting Minutes for Apr	-	-	-	23:50	
		Corp Service Price Index YoY – (Apr)	nf	na	-1.1%	23:50	
		Small Business Confidence – (May)	nf	na	46.8	05:00	
	EU	ECB's Paramo Speaks in Frankfurt	-	-	-	07:40	
	GE	GfK Consumer Confidence Survey – (Jun)	nf	3.8	3.8	06:00	
	US	MBA Mortgage Applications – (May 21)	nf	na	-1.5%	11:00	
		Durable Goods Orders – (Apr)	nf	1.3%	-1.2%	12:30	
		Durables Ex Transportation – (Apr)	nf	0.3%	3.7%	12:30	
		New Home Sales – (Apr)	nf	420K	411K	14:00	
		New Home Sales MoM – (Apr)	nf	2.2%	26.9%	14:00	
		Bernanke Speaks at BoJ Conference	-	-	-	00:30	
		Fed's Plosser Speaks at BoJ Conference	-	-	-	02:00	
		CA	Canada House Price Index YoY – (Apr)	nf	na	9.9	13:00
	27 May	NZ	Trade Balance – (Apr)	500M	455M	567M	22:45
			Imports – (Apr)	3.45B	3.43B	3.49B	22:45
			Exports – (Apr)	3.95B	3.88B	4.06B	22:45
NZ Trade Balance 12 Mth YTD – (Apr)			-15.0	-60.0	-194.0	22:45	
AU		Conference Board Leading Index – (Mar)	nf	na	-0.3%	00:00	
		Private Capital Expenditure – (Q1)	2.5%	2.5%	5.5%	01:30	
JP		Merchandise Trade Balance Total- (Apr)	nf	¥700.3B	¥948.9B	23:50	
		Adjusted Merchandise Trade Balance – (Apr)	nf	¥687.5B	¥666.2B	23:50	
		Merchandise Trade Exports YoY- (Apr)	nf	38.3	43.5	23:50	
		Merchandise Trade Imports YoY- (Apr)	nf	23.3	20.6	23:50	
EU		EC OECD June Economic Outlook	-	-	-	19:00	
		ECB's Paramo Speaks in Barcelona	-	-	-	11:00	
GE		Consumer Price Index MoM – (May P)	nf	0.1%	-0.1%	-	
		Consumer Price Index YoY – (May P)	nf	1.2%	1.0%	-	
		CPI - EU Harmonised MoM – (May P)	nf	0.1%	-0.1%	-	
	CPI - EU Harmonised YoY – (May P)	nf	1.2%	1.0%	-		

DATA & EVENT CALENDAR

Date	Country	Data/Event	ANZ	Market	Last	GMT	
27 May Cont	UK	UK CBI Distributive Trades – (May)	-	-	-	10:00	
	US	GDP QoQ (Annualized) – (Q1 S)	nf	3.5%	3.2%	12:30	
		Personal Consumption – (Q1 S)	nf	3.7%	3.6%	12:30	
		GDP Price Index – (Q1 S)	nf	0.9%	0.9%	12:30	
		Core PCE QoQ – (Q1 S)	nf	0.6%	0.6%	12:30	
		Initial Jobless Claims – (May 22)	nf	435K	471K	12:30	
		Continuing Claims – (May 15)	nf	na	4625K	12:30	
			Fed's Lacker Speaks at George Washington University Conference	-	-	-	20:15
			Fed's Evans Speaks at BoJ Conference	-	-	-	00:00
			Fed's Bullard Speaks in Stockholm	-	-	-	06:40
	28 May	NZ	Building Permits MoM – (Apr)	nf	na	-0.4%	22:45
Money Supply M3 YoY – (Apr)			nf	na	-3.5%	03:00	
			AOFM auctions \$750 mn of Dec 2013 bonds	-	-	-	-
JP		Overall Household Spending (YoY) – (Apr)	nf	2.6%	4.4%	23:30	
		Jobless Rate – (Apr)	nf	5.0%	5.0%	23:30	
		Job-To-Applicant Ratio – (Apr)	nf	0.50	0.49	23:30	
		Tokyo CPI YoY – (May)	nf	-1.2%	-1.5%	23:30	
		Tokyo CPI Ex-Fresh Food YoY – (May)	nf	-1.5%	-1.9%	23:30	
		Tokyo CPI Ex Food, Energy YoY – (May)	nf	-1.3%	-1.4%	23:30	
		Nationwide CPI YoY – (Apr)	nf	-1.1%	-1.1%	23:30	
		Nationwide CPI Ex-Fresh Food YoY – (Apr)	nf	-1.4%	-1.2%	23:30	
		Nationwide CPI Ex Food, Energy YoY – (Apr)	nf	-1.4%	-1.1%	23:30	
		Retail Trade MoM sa – (Apr)	nf	-1.0%	0.8%	23:50	
		Retail Trade YoY – (Apr)	nf	3.6%	4.7%	23:50	
Large Retailers' Sales – (Apr)		nf	-5.3%	-5.0%	23:50		
EU			ECB's Bini Smaghi Speaks in Germany	-	-	-	13:30
UK		GFK Consumer Confidence Survey – (May)	nf	-17	-16	23:01	
US		Personal Income MoM – (Apr)	nf	0.5%	0.3%	12:30	
		Personal Spending MoM – (Apr)	nf	0.3%	0.6%	12:30	
		PCE Deflator YoY – (Apr)	nf	na	2.0%	12:30	
		PCE Core MoM – (Apr)	nf	0.1%	0.1%	12:30	
		PCE Core YoY – (Apr)	nf	1.2%	1.3%	12:30	
		Chicago Purchasing Manager – (May)	nf	62.0	63.8	13:45	
	University of Michigan Confidence – (May F)	nf	73.5	73.3	13:55		
		NAPM-Milwaukee – (May)	nf	na	66.0	14:00	
CA	Current Account (BoP) – (Q1)	nf	na	-\$9.8B	12:30		

FIVE WEEKS AT A GLANCE

Monday	Tuesday	Wednesday	Thursday	Friday
<p>31 May NZ: NBNZ Business Confidence (May) AU: TD Securities Inflation (May), Private Sector Credit (Apr), Current Account Balance (Q1), Company Operating Profit (Q1) JP: Industrial Production (Apr P), Housing Starts (Apr) EU: Industrial Confidence (May);M3 (Apr) CA: Industrial Product Price (Apr), GDP (Mar)</p>	<p>1 June AU: RBA CASH TARGET, AiG Performance of Mfg Index (May), Building Approvals (Apr) JP: Vehicle Sales (May) CH: PMI Manu (May) EU: UE Rate (Apr) GE: UE Rate (Apr) UK: PMI Manu (May) US: ISM Manu (May), Construction Spending(Apr) CA: Bank of Canada Rate Decision</p>	<p>2 June NZ: ANZ Commodity Price (May) AU: GDP (Q1) EU: PPI (Apr) UK: Mortgage Approvals (Apr) US: MBA Mortgage Applications (May 28), Pending Home Sales (Apr)</p>	<p>3 June AU: Trade Balance (Apr) JP: Capital Spending (Q1) EU: Retail Sales (Apr), PMI Services and Composite (May F) GE: PMI Services (May F) UK: PMI Services US: ADP Employment Change (May), Initial Jobless Claims (May 29), Factory Orders (Apr), ISM Non-Manf. Composite (May)</p>	<p>4 June EU: GDP (Q1 P) US: Change in Nonfarm Payrolls (May), Unemployment Rate (May) CA: Net Change in Employment (May), Unemployment Rate (May), Ivey Purchasing Managers Index (May)</p>
<p>7 June GE: Factory Orders (Apr) US: Consumer Credit (Apr)</p>	<p>8 June NZ: Manufacturing Activity (Q1) JP: Current Account Total (Apr), Trade Balance (Apr) GE: Trade Balance (Apr), Imports (Apr), Exports (Apr), Current Account (Apr), Industrial Production (Apr) US: ABC Consumer Confidence (Jun 6) CA: Housing Starts (May)</p>	<p>9 June AU: Home Loans (Apr), NAB Business Confidence (May), Value of Loans (Apr) JP: Machine Orders (Apr) GE: Total Trade Balance (Apr) US: MBA Mortgage Applications (Jun5), Wholesale Inventories (Apr), Fed's Beige Book</p>	<p>10 June NZ: RBNZ Official Cash Rate, Business PMI (May) AU: Employment Change (May), UE Rate (May), Participation Rate (May) JP: GDP (Q1), CH: Trade Balance (May), EU: ECB Announces Interest Rates GE: CPI (May F) UK: BoE ANNOUNCES RATES US: Trade Balance (Apr), Monthly Budget Statement (May)</p>	<p>11 June NZ: Food Prices (May) CH: PPI (May),CPI (May), Retail Sales (May), Industrial Production (May), UK: PPI (May), Industrial Production (Apr), Manu Production (Apr) US: Retail Sales Less Autos (May), Business Inventories (Apr) CA: Capacity Utilization Rate (Q1)</p>
<p>14 June JP: BSI Large All Industry (Q2), BSI Large Manuf (Q2) EU: Euro-Zone Ind. Prod. (Apr)</p>	<p>15 June NZ: Retail Sales (Apr) AU: RBA Board's June Policy Meeting Minutes JP: Industrial Prod. (Apr) EU: Employment (May), ZEW Survey (Jun) GE: ZEW Survey (Jun) UK: CPI (May), RPI (May), US Import Price Index (May), Empire Manufacturing (Jun), NAHB Housing Market Index (Jun) CA: Manuf Sales (Apr)</p>	<p>16 June NZ: House Sales (May) AU: Westpac Leading Index (Apr), Dwelling Starts (Q1) JP: BOJ Target Rate EU: CPI (May) UK : Jobless Claims Change (May), ILO UE Rate (May) US: MBA Mortgage Applications (Jun 11), PPI (May), Housing Starts (May), Industrial Production (May),</p>	<p>17 June NZ: ANZ Consumer Confidence (Jun) AU: RBA Foreign Exchange Transactions (May) JP: Tertiary Industry Index (Apr) UK: Retail Sales (May) US: CPI (May), Leading Indicators (May), Initial Jobless Claims (Jun 12), Current Account Balance (Q1)</p>	<p>18 June JP: BoJ Monetary Policy Meeting Minutes for May EU: ECB Publishes June Monthly Report GE: Producer Prices (May) UK: M4 Money Supply (May P) CA: Leading Indicators (May)</p>
<p>21 June NZ: Visitor Arrivals (May) AU: New Motor Vehicle Sales (May) JP: All Industry Activity Index (Apr) EU: PMI Services (Jun), PMI Manuf (Jun), PMI Composite (Jun) UK: Rightmove House Prices (Jun)</p>	<p>22 June NZ: Credit Card Spending (May) JP: Merchnds Trade Balance Total (May) EU: Consumer Confidence (Jun A), Current A/C (Apr) GE : IFO Business Climate (Jun), IFO Expectations (Jun) US: Existing Home Sales (May) CA: CPI (May)</p>	<p>23 June NZ: Current Account Balance (Q1) UK: Bank of England Minutes, BBA Loans for House Purchase (May) US: FOMC Rate Decision, New Home Sales (May) CA: Retail Sales (Apr)</p>	<p>24 June NZ: GDP (Q1) AU: Conference Board Leading Index (Apr) US: Durable Goods Orders (May), Initial Jobless Claims (Jun 19),</p>	<p>25 June NZ: Trade Balance (May) JP: CPI (May) CH: Industrial Profits (May) EU: Industrial New Orders (Apr) US : GDP (Q1), Personal Consumption (Q1)</p>
<p>28 June NZ: NBNZ Business Confidence (Jun), Building Permits (May) JP: Jobless Rate (May), Industrial Production (May) GE: CPI (Jun) UK: Nat'wide House prices sa (Jun) US: Personal Income (May),</p>	<p>29 June NZ: Money Supply M3 (May) JP: Vehicle Production (May) EU: Consumer confidence (Jun) US: Consumer Confidence (Jun) CA: Industrial Product Price (May)</p>	<p>30 June AU: DEWR Skilled Vacancies (Jun), Private Sector Credit (May), AiG Performance of Mfg Index (Jun) JP: Housing Starts (May), Tankan Lge Manufacturers Index (Q2) EU: CPI (Jun) GE: UE Rate (Jun) UK: GDP (Q1) CA: GDP (Apr)</p>	<p>1 July NZ: ANZ Commodity Price (Jun) AU: Building Approvals (May), Retail Sales (May) JP: Vehicle Sales (Jun) CH: PMI Manuf (Jun) EU: PMI Manuf (Jun) GE: PMI Manuf (Jun) UK: PMI Manuf (Jun) US: ISM Manufacturing (Jun), Pending home sales (May)</p>	<p>2 July EU: PPI (May), Unemployment Rate (May) UK: PMI Construction (Jun) US: Change in Nonfarm Payrolls (Jun), Unemployment Rate (Jun), Factory Orders (May)</p>

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	1.1	4.1	4.6	4.9
Household consumption	2.2	2.3	2.8	2.9
Dwelling investment	-4.4	14.1	5.0	1.7
Business investment	-0.7	6.9	10.4	11.9
Public demand	3.1	8.1	3.7	2.1
Domestic final demand	1.6	5.0	4.4	4.3
Inventories (contribution to GDP)	-0.5	0.5	0.0	0.0
Gross National Expenditure (GNE)	1.0	5.6	4.4	4.2
Exports	0.5	2.4	6.1	7.4
Imports	-7.7	13.1	8.1	10.3
Net Exports (contribution to GDP)	1.8	-2.2	-0.6	-0.9
Gross Domestic Product (GDP)	1.3	3.5	3.7	3.4
Prices and wages (annual % change)				
Inflation: Headline CPI	1.8	2.8	2.9	3.1
Underlying *	3.7	2.8	2.8	3.1
Wages	3.6	2.8	3.3	3.7
Labour market				
Employment (annual % change)	0.3	2.3	2.1	2.2
Unemployment rate (annual average %)	5.6	5.1	4.7	4.4
External sector				
Current account balance: A\$bn	-51.7	-47.4	-29.0	-31.9
% of GDP	-4.1	-3.5	-2.0	-2.0

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

AUSTRALIAN INTEREST RATES	CURRENT	JUN 10 F	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F
RBA cash rate	4.50	4.50	5.00	5.25	5.50	5.75
90 day bill	4.67	4.80	5.20	5.50	5.80	6.00
3 year bond	4.75	5.40	5.40	5.55	5.55	5.85
10 year bond	5.41	5.70	5.70	5.70	5.70	5.85
3s10s yield curve	0.67	0.30	0.30	0.15	0.15	0.00
3 year swap	5.08	5.80	5.80	5.95	5.95	6.25
10 year swap	5.87	6.20	6.25	6.25	6.25	6.40
INTERNATIONAL INTEREST RATES	CURRENT	JUN 10 F	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F
RBNZ cash rate	2.50	2.75	3.25	3.50	3.75	4.25
NZ 90 day bill	2.90	3.07	3.67	3.75	4.17	4.67
US Fed funds note	0.25	0.25	0.25	0.75	1.25	1.75
US 2 year note	0.73	1.10	1.40	1.80	2.20	2.70
US 10 year note	3.25	4.60	4.70	4.80	4.80	4.80
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	1.50	1.75
UK repo rate	0.50	0.50	0.50	0.50	1.00	1.25

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



FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	JUN 10 F	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F
Australian exchange rates						
A\$/US\$	0.8309	0.84	0.88	0.90	0.94	0.96
NZ\$/US\$	0.6750	0.71	0.72	0.70	0.69	0.68
A\$/¥	74.99	78.1	83.6	86.4	91.2	94.1
A\$/€	0.6582	0.68	0.73	0.76	0.81	0.84
A\$/£	0.5752	0.59	0.63	0.63	0.64	0.63
A\$/NZ\$	1.2313	1.18	1.22	1.29	1.36	1.41
A\$/C\$	0.8840	0.85	0.87	0.87	0.90	0.90
A\$/CHF	0.9567	0.97	1.03	1.07	1.14	1.18
A\$/CNY	5.6736	5.66	5.86	5.91	6.10	6.19
A\$ Trade weighted index	66.20	66.9	69.9	71.2	74.0	75.5
International cross rates						
US\$/¥	90.26	93.0	95.0	96.0	97.0	98.0
€/US\$	1.2625	1.23	1.21	1.19	1.16	1.14
€/¥	113.96	114	115	114	113	112
£/US\$	1.4447	1.42	1.40	1.44	1.48	1.52
€/£	0.8739	0.87	0.86	0.83	0.78	0.75
US\$/C\$	1.0639	1.01	0.99	0.97	0.96	0.94
US\$/CHF	1.1513	1.15	1.17	1.19	1.21	1.23
US\$ index	85.30	86.6	87.8	88.4	89.6	90.3
Asia exchange rates						
US\$/CNY	6.8274	6.74	6.66	6.57	6.49	6.45
US\$/HKD	7.8049	7.76	7.76	7.75	7.75	7.75
US\$/IDR	9323	9500	9300	9000	8900	8850
US\$/INR	47.05	45.5	45.0	44.0	43.5	43.0
US\$/KRW	1237	1175	1125	1100	1050	1000
US\$/MYR	3.3240	3.30	3.20	3.20	3.00	3.00
US\$/PHP	46.500	45.2	45.0	44.0	44.0	43.5
US\$/SGD	1.4103	1.38	1.37	1.36	1.35	1.34
US\$/THB	32.430	32.50	32.50	32.50	32.00	32.00
US\$/TWD	32.142	31.90	31.50	30.50	30.00	30.00
US\$/VND	18985	19000	19000	19000	19000	20000
Pacific exchange rates						
PGK/US\$	0.3545	0.381	0.395	0.386	0.372	0.358
FJD/US\$	0.4915	0.497	0.507	0.508	0.514	0.517

IMPORTANT NOTICE

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