



ECONOMICS & GLOBAL MARKETS RESEARCH

AUSTRALIAN ECONOMICS TOOLBOX

15 OCTOBER 2010

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CONTRIBUTORS

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

Ivan Colhoun, Head of Australian Economics
+61 2 9227 1780
Ivan.Colhoun@anz.com

Katie Dean, Head of Macro, Australia
+61 3 9273 1381
Katie.Dean@anz.com

Amber Rabinov, Senior Economist
+61 3 9273 4853
Amber.Rabinov@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 McManus, Analyst, Economics
+61 2 92271742
Andrew.McManus@anz.com

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

LOOKING AHEAD TO Q3 CPI

- In a relatively quiet week on the data front, the market is beginning to gear up for the release of **Q3 CPI data** on Wednesday 27 October (see *In Focus* on page 2 for our detailed preview). We forecast **headline inflation of 0.8% QoQ and 2.9% YoY**, marginally lower than the 0.8/0.9% rate implicit on average over H2 2010 in the Bank's August forecasts.
- More important for monetary policy considerations is the underlying pulse of inflation, with the **RBA's preferred measure of core inflation expected to have picked up only marginally in Q3 to 0.6% QoQ and 2.5% YoY**.
- **This inflation outcome therefore will likely not provide a clear trigger for monetary policy tightening**, as inflation will annualise closer to 2¼% over the past six months and as such provides the Bank room to be less aggressive on rates in the near term, should it so choose. The recent sharp rise in the AUD (coming within a whisker of parity at AUD/USD0.9994 overnight) will be more of an issue in lowering inflation prints in Q4 2010 and Q1 2011.
- Ahead of these data, we will receive more detail around the RBA's decision to leave the cash rate on hold at 4.5% last week with the **release of the October board minutes on Tuesday**. Recent commentary from the Central Bank has been relatively hawkish, with a continuing focus on a booming terms of trade. Moreover, with employment rising strongly over the past few months, we expect that the Bank's decision to stay on hold was a close one. Nonetheless, with the RBA continuing to warn rates will need to rise, the timing of the next hike remains a monthly proposition. **Medium term, we expect rates to continue to increase to 5.5-6.0% in this cycle** as the mining construction boom picks up speed and generates upside pressure to inflation.
- **The policy dilemma facing the RBA is in stark contrast to that ahead of the US Federal Reserve Bank**, with most in the market looking for an extension of quantitative easing as soon as the next FOMC policy statement on 3 November. Tonight's speech by Fed Chairman Bernanke on "*Monetary Policy Objectives and Tools in a Low-Inflation Environment*" will be closely watched for detail around the potential timing, size and execution of any further monetary easing.

THE WEEK AHEAD

- In **Australia**, the focus next week will be on Central Bank rhetoric with the RBA's October board minutes and comments from Luci Ellis (Head of Financial Stability Department) who is participating on a panel at Finsia's annual financial services conference. After rates were left on hold this month, Tuesday's board minutes have a heightened importance. We also look to the release of the export and import price indices, and motor vehicle sales.
- In **Asia**, **Chinese** Q3 GDP, CPI and industrial production data will be closely followed. In **Japan**, a speech by BoJ deputy governor Nishimura will take centre stage after the BoJ recently announced a limited QE package. Japanese supermarket and convenience store sales data are also released.
- In **Europe**, Euro zone PMI, construction output and current account data will be supported by a host of speeches by ECB members, including from President Trichet. **German** IFO, **UK** retail sales and the BoE October policy minutes, in conjunction with a speech by BoE Governor King, will all be closely followed.
- There is a raft of **US** Fed board member speeches this week, which are likely to add to the debate in markets around a potential move to "QE2" as we head closer toward the Fed's November policy meeting. The major US releases this week are industrial production and housing data, Philly Fed Survey and the Fed's Beige Book.

Ivan Colhoun,
Head of Australian
Economics
 +61 2 9227 1780
 Ivan.Colhoun@anz.com

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

Q3 CPI PREVIEW

- Q3 CPI data is released on Wednesday 27 October and is expected to show headline inflation of 0.8% QoQ and 2.9% YoY. This is marginally lower than the 0.8/0.9% rate implicit on average over H2 2010 in the Bank's August forecasts.
- The principal contributor to the quarterly increase in headline inflation will be housing costs which are expected to add 0.5ppt in the quarter, with a particularly pronounced increase in utility prices. This will be partly offset by a 4.1% decline in petrol prices, which will subtract 0.2ppt.
- The underlying inflation pulse, which is more important for monetary policy considerations, is expected to have picked up only marginally in the quarter from the low 0.5% QoQ outcome of Q2.
- The RBA's preferred measure of core inflation is expected to print at 0.6% QoQ and 2.5% YoY, with trends in the NAB business survey series for retail prices suggesting the risk is on the downside for this forecast. If realised, this outcome is a little lower than the 0.7% per quarter forecasts implicit in the RBA's latest CPI forecasts, which averaged 0.7% over Q3 and Q4.
- This inflation outcome therefore will likely not provide a clear trigger for monetary policy tightening, as inflation will annualise closer to 2.25% over the past six months and as such provides the Bank room to be less aggressive on rates in the near term, should it so choose. Medium term, we expect rates to continue to increase as the mining construction boom picks up speed.
- The recent sharp rise in the AUD will be more of an issue for inflation prints in Q4 2010 and Q1 2011, provided the new level of the currency is sustained. The Bank's previous forecasts assumed an AUD/USD of 0.92 and a TWI of 73. As of last night, the currency was around 8% higher against the USD and 5.5% higher in TWI terms. Over the longer term, this TWI movement would lower core inflationary pressures by around 0.5ppt from what otherwise would have been the case.

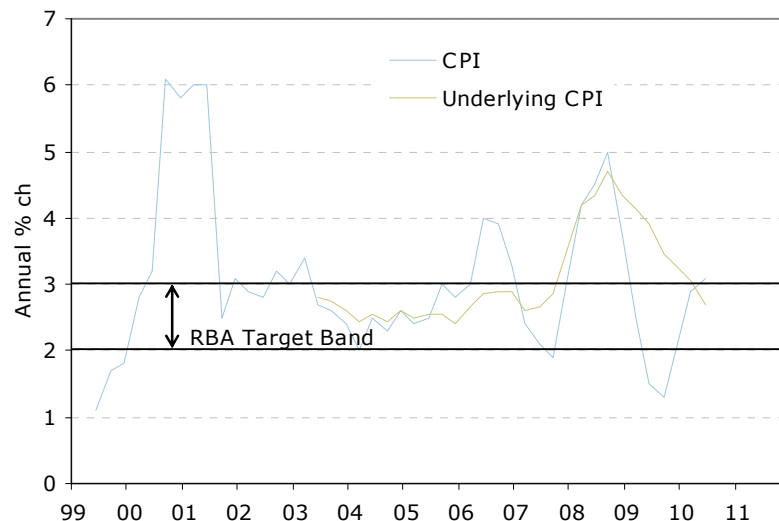
FIGURE 1. KEY FIGURES

	Quarterly % change		Annual % change
	Jun-10	Sep-10	Sep-10
CPI (All groups)	0.6	0.8	2.9
CPI ex-volatiles*	0.6	1.1	3.0
RBA Underlying CPI	0.5	0.6	2.5
Trimmed Mean	0.5	0.6	2.4
Weighted Median	0.5	0.6	2.5

* volatiles are automotive fuel and fruit & vegetables

Source: ABS, RBA, ANZ

FIGURE 2: CORE INFLATION BACK WITHIN THE TARGET BAND AND ANNUALISING BELOW MIDPOINT OF BAND OVER THE PAST TWO QUARTERS



Source: ABS, RBA

INFLATION RELATIVELY CONTAINED IN Q3

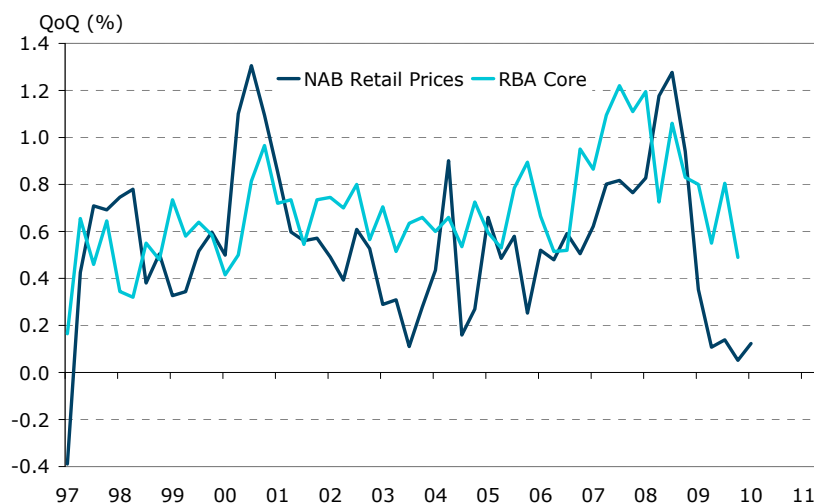
The Q3 CPI release is expected to show headline inflation of 0.8% QoQ and 2.9% YoY. The largest contributors will be a sharp increase in utility costs which will add 0.3ppt as well as further flow on from the increase in the tobacco excise on 30 April and a seasonal increase in insurance costs. On the downside, a 4.1% decline in petrol prices will subtract 0.2ppt from the headline CPI. A moderating influence will also be weak food prices due to ongoing competition in the grocery space and a fall in fruit and vegetable prices. A small appreciation in the AUD over the period relevant to this CPI will have helped contain prices for clothing and household furnishings and anecdotal reports of substantial discounting in consumer electronics continued in Q3. AUD appreciation will have a more significant impact in Q4 and beyond if the currency sustains or improves on recent gains.

Such an outcome for headline inflation will be marginally better than the RBA's latest forecasts in its August *Statement on Monetary Policy* which implied an average 0.85% QoQ increase in Q3 and Q4.

Underlying inflation however, as measured by the average of the trimmed mean and weighted median, is **expected to be lower than the RBA's August forecasts** which suggested 0.7% QoQ increases on average in Q3 and Q4. Our forecast is a little more benign with large increases in utility costs (amongst other things) stripped out of the measures. **We expect underlying inflation of 0.6% QoQ and 2.5% YoY.** While slightly higher than 0.5% QoQ in Q2, this would suggest the underlying inflation pulse is relatively well contained for now, with core inflation annualising at close to 2.25% over the past two quarters.

Readings from the NAB business survey on retail prices remain very subdued and consistent with low core inflation in the quarter, suggesting some slight downside risk to our 0.6% outcome.

FIGURE 3. RETAIL PRICES SUGGESTING LOW CORE PRESSURES



Source: ABS, RBA, NAB

Looking forward, underlying inflationary pressures are still expected to intensify as the mining investment boom flows through the economy, against a backdrop of capacity constraints. This will be particularly pronounced amongst non-tradables components, with cost-push inflation from higher utility prices and wage pressures as the labour market tightens, and demand-pull inflation stemming from stronger domestic demand. Strong growth in rents (as the housing market tightens further) and health costs (due to the pressures from an ageing population) will also add to the CPI.

The appreciation of the AUD to almost parity over the past few months should prove a restraining influence (weaker advanced world growth and less recycling of the income boost from the terms of trade into tax cuts, should also be moderating factors). This has the potential to lead to a near-term downgrade of the RBA's inflation forecasts. The Bank's August forecasts were based on the technical assumption of AUD/USD0.92 and the A\$TWI at 70; at the time of writing AUD/USD was at 0.9968 and the TWI was at 73.8. Modelling suggests a 1% increase in the A\$TWI will reduce the core CPI by approximately 0.1% over the long term with the greatest impact over the first four quarters. As such, there is a risk the RBA may not be as aggressive on interest rates as previously expected in the near term.

THE FINER DETAIL

Food prices will be subdued overall, with further competition in groceries and a fall in fruit and vegetable prices maintaining downward pressure and offsetting an increase in prices in cafes and takeaway goods in line with strong growth in nominal sales in the retail sales survey. (See Figure 4 below)

Alcohol & tobacco prices will increase strongly as the full-quarter effect of the 25% increase in the tobacco excise from 30 April is recorded (tobacco prices in the CPI increased 15.4% in Q2).

Housing costs are expected to add 0.5ppt to the headline CPI, with utility costs the largest contributor with large scheduled price increases for water, electricity and gas. Rents are expected to increase solidly given ongoing low vacancy rates and a seasonal increase in house purchase costs will also add.

Household contents and services will rise modestly, with AUD appreciation keeping a lid on prices for appliances and furniture despite significant discounting in earlier quarters.

FIGURE 4: Q3 CPI BY CATEGORY

	Quarterly % change	Quarterly %pt contribution	Annual % change
Food	0.2	0.0	2.4
<i>of which: fruit & veg</i>	-1.5	0.0	5.2
Alcohol & tobacco	3.2	0.2	11.3
Clothing & footwear	-0.1	0.0	-4.2
Housing	2.5	0.5	5.4
<i>of which: rents</i>	1.0	0.1	4.2
<i>of which: utilities</i>	8.4	0.3	13.5
<i>of which: house purchase</i>	1.1	0.0	3.4
HH contents & services	0.5	0.0	0.0
Health	-0.4	0.0	5.6
<i>of which: pharmaceuticals</i>	-4.3	0.0	1.3
Transportation	-1.1	-0.1	0.1
<i>of which: auto fuel</i>	-4.1	-0.2	-0.7
Communication	0.6	0.0	0.5
Recreation	0.2	0.0	-1.3
<i>of which: holiday travel & accommodation</i>	1.1	0.0	0.0
Education	0.0	0.0	5.9
Fin. & insurance services	0.7	0.1	3.6
All groups	0.8	0.8	2.9

Health costs overall will decline due to a forecast 4% decrease in pharmaceutical prices stemming from the usual operation of the safety net in the Pharmaceutical Benefits Scheme (PBS).

Transportation costs are expected to decline in response to a 4.1% decline in petrol prices which will more than offset a seasonal increase in other motoring charges.

Communication prices will increase modestly due to an increase in postal prices (+1.5% QoQ).

Recreation prices will be subdued overall. Prices for audio visual and computing equipment will continue to decline in response to discounting, quality improvements and a small appreciation in the AUD. Holiday travel prices meanwhile will increase modestly following significant price falls in earlier quarters.

Education costs will be unchanged in accordance with the usual seasonal pattern.

Finance & insurance costs will increase modestly. Insurance prices will experience a seasonal increase, but growth in the deposit & loan facilities category will be modest with the RBA keeping the cash rate unchanged and the margin between lending and deposit rates broadly stable in the quarter.

DATA WRAP

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

- **Housing finance** data confirmed that housing investors remained cautious in August. The number of owner-occupied housing finance commitments increased by 1.0% MoM, while the value of total housing finance commitments was down 1.3% MoM (1.9% MoM lower excluding refinancing). The value of owner occupied approvals was flat for the month and down 0.7% excluding refinancing. The value of investor approvals was also lower (down 3.9% MoM) to be 3.9% lower than in August 2009.
- The **NAB Business Confidence Survey** showed business confidence slipping 1 point to 10 in September, while conditions improved 2 points over the month to 7. Trading conditions enjoyed a marked improvement to 13 in September from 5 in August. Labour costs and purchase costs continued to decelerate for businesses, while forward orders and profitability picked up by 9 points and 2 points to be at 9 and 6 respectively. The capacity utilisation rate rose to 81.6% in September from 81.2% in August
- **Westpac Consumer Confidence** rebounded in October with the sentiment index rising 3.3% to 117 on the back of an extended pause in rate hikes and strong employment growth. The 'time to buy a major household item' index rose 9.9% MoM, consumer expectations rose 1.9% MoM, the current conditions index rose 5.5% MoM and 'consumer expectations for the economy 1 year ahead rose 7.6% MoM.
- The **Melbourne Institute Consumer Inflation Expectations** series rose 3.8% MoM in October. The average expected hourly wage change measure rose 6.6% MoM.

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEDT
16-Oct	US	Fed's Rosengren Speaks at Boston Fed Conference					12:15	23:15
		Fed's Evans Speaks at Boston Economic Conference					17:30	04:30
	EU	ECB's Trichet Speaking in Marrakech					11:00	22:00
17-Oct	EU	ECB President Trichet Gives Speech in Rimini, Italy					08:00	19:00
18-Oct	NZ	Performance Services Index	SEP	--	--	51.4	21:30	08:30
		Consumer Prices QoQ	Q3	1.0%	0.8%	0.3%	21:45	08:45
		Consumer Prices YoY	Q3	1.5%	1.3%	1.8%	21:45	08:45
	AU	New Motor Vehicle sales MoM	SEP	--	--	0.3%	00:30	11:30
		New Motor Vehicle sales YoY	SEP	--	--	10.5%	00:30	11:30
	JP	Tertiary Industry Index MoM	AUG	-0.5%	--	1.6%	23:50	10:50
		Nationwide Dept. Store Sales YoY	SEP	--	--	-3.2%	05:30	16:30
		Tokyo Dept. Store Sales YoY	SEP	--	--	-3.4%	05:30	16:30
	EU	ECB's Costa Speaks at Bank of Portugal Presentation					14:00	01:00
	UK	Rightmove House Prices MoM	OCT	--	--	-1.1%	23:01	10:01
		Rightmove House Prices YoY	OCT	--	--	2.6%	23:01	10:01
	US	Total Net TIC Flows	AUG	--	--	\$63.7B	13:00	00:00
		Net Long-term TIC Flows	AUG	--	--	\$61.2B	13:00	00:00
		Industrial Production	SEP	0.2%	--	0.2%	13:15	00:15
		Capacity Utilization	SEP	74.8%	--	74.7%	13:15	00:15
		NAHB Housing Market Index	OCT	14	--	13	14:00	01:00
		Fed's Lockhart Gives Speech on Economy in Savannah, Ga.					16:55	03:55
	CA	Int'l Securities Transactions	AUG	6.0B	--	5,480B	12:30	23:30
19-Oct	AU	Reserve Bank's October Board Minutes					00:30	11:30
	JP	Cabinet Office Monthly Economic Report					15:00	02:00
	EU	Euro zone Current Account nsa	AUG	--	--	3.7B	08:00	19:00
		Euro zone Current Account sa	AUG	--	--	-3.8B	08:00	19:00
		Construction Output sa MoM	AUG	--	--	-3.1%	09:00	20:00
		Construction Output WDA YoY	AUG	--	--	-7.5%	09:00	20:00
		ZEW Survey (Econ. Sentiment)	OCT	--	--	4.4	09:00	20:00
		ECB's Trichet Speaking in Frankfurt					12:30	23:30
		ECB's Provopoulos, Kranjec, Belgium's Praet, Chile's Marfan Speak					13:00	00:00
		ECB's Costa Speaking in Frankfurt					15:00	02:00
	GE	ZEW Survey (Current Situation)	OCT	65.0	--	59.9	09:00	20:00
		ZEW Survey (Econ. Sentiment)	OCT	-8.0	--	-4.3	09:00	20:00
	UK	BOE's King Speaks in West Midlands, England					23:00	10:00
		CBI Business Optimism	OCT	--	--	10	10:00	21:00
		CBI Trends Total Orders	OCT	--	--	-17	10:00	21:00
	US	Housing Starts	SEP	583K	--	598K	12:30	23:30
		Housing Starts MoM	SEP	-2.6%	--	10.5%	12:30	23:30
		Building Permits	SEP	575K	--	571K	12:30	23:30
		Building Permits MoM	SEP	0.7%	--	1.8%	12:30	23:30
		ABC Consumer Confidence	17-Oct	--	--	-45	21:00	08:00
		Chicago Fed's Evans Speaks on Economy in Evanston, Ill.					13:40	00:40
		Fed's Dudley to Speak at Regional Economic Briefing in NY					14:00	01:00
		Fed's Lockhart to Speak in Nashville on Economy					15:30	02:30
		Fed's Fisher Speaks in New York					16:50	03:50
		Kocherlakota Speaks in Fargo, North Dakota					17:20	04:20
	CA	Bank of Canada Rate		1.0%	1.0%	1.0%	13:00	00:00

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEDT
20-Oct	AU	Westpac Leading Index MoM	AUG	--	--	0.4%	23:30	10:30
		DEWR Skilled Vacancies MoM	OCT	--	--	0.1%	00:00	11:00
		International Merchandise Imports MoM	SEP	--	--	-6.9%	00:30	11:30
		RBA's Ellis speaks at Finsia Annual Conference, Sydney					23:10	10:10
			AOFM Auctions A\$500m of February 2017 Bonds					
	JP	Coincident Index CI	AUG F	--	--	103.5	05:00	16:00
		Leading Index CI	AUG F	--	--	99.1	05:00	16:00
		Convenience Store Sales YoY	SEP	--	--	1.0%	07:00	18:00
			Bank of Japan Deputy Governor Nishimura to Speak in Hiroshima				01:30	12:30
	EU	ECB's Constancio Speaks in Frankfurt					06:30	17:30
ECB's Orphanides Chairs Panel in Frankfurt						08:30	19:30	
ECB's Stark Speaks in Frankfurt						10:00	21:00	
GE	Producer Prices MoM	SEP	0.1%	--	0.0%	06:00	17:00	
	Producer Prices YoY	SEP	3.8%	--	3.2%	06:00	17:00	
UK	Bank of England Minutes					08:30	19:30	
	Public Finances (PSNCR)	SEP	--	--	5.8B	08:30	19:30	
	Public Sector Net Borrowing	SEP	--	--	15.3B	08:30	19:30	
	PSNB ex Interventions	SEP	--	--	15.9B	08:30	19:30	
	M4 Money Supply MoM	SEP P	--	--	-0.1%	08:30	19:30	
	M4 Money Supply YoY	SEP P	--	--	1.9%	08:30	19:30	
US	MBA Mortgage Applications	15-Oct	--	--	14.6%	11:00	22:00	
	Fed's Bernanke gives brief remarks in Fairfax Virginia					20:00	07:00	
	Fed's Duke Speaks in New York					23:00	10:00	
	Fed's Plosser Speaks on "Incentives and Regulation"					16:45	03:45	
	Fed's Beige Book					18:00	05:00	
CA	Wholesale Sales MoM	AUG	0.5%	--	-0.1%	12:30	23:30	
	Bank of Canada Monetary Policy Report and Press Conference					14:30	01:30	
21-Oct	NZ	New Zealand Net Migration sa	SEP	--	--	840	21:45	08:45
		Credit Card Spending sa MoM	SEP	--	--	0.5%	02:00	13:00
		Credit Card Spending YoY	SEP	--	--	2.0%	02:00	13:00
		ANZ Consumer Confidence Index	OCT	--	--	116.4	02:00	13:00
	AU	CBAHIA House Affordability	Q3	--	--	108.3	00:00	11:00
		RBA Foreign Exchange Transaction	SEP	--	--	397M	00:30	11:30
	JP	All Industry Activity Index MoM	AUG	-0.4%	--	1.0%	04:30	15:30
	CH	Real GDP YoY	Q3	9.5%	9.5%	10.3%	02:00	13:00
		Producer Price Index YoY	SEP	4.1%	4.8%	4.3%	02:00	13:00
		GDP Year-to-Date YoY	Q3	10.5%	--	11.1%	02:00	13:00
		Purchasing Price Index YoY	SEP	--	--	7.5%	02:00	13:00
		Consumer Price Index YoY	SEP	3.6%	3.7%	3.5%	02:00	13:00
		Retail sales YoY	SEP	18.5%	18.4%	18.4%	02:00	13:00
		Retail sales YTD YoY	SEP	18.3%	--	18.2%	02:00	13:00
		Industrial Production YoY	SEP	14.0%	15.0%	13.9%	02:00	13:00
		Industrial Production YTD YoY	SEP	16.3%	--	16.6%	02:00	13:00
		Fixed Assets Inv Urban YTD YoY	SEP	24.6%	24.5%	24.8%	02:00	13:00
	EU	PMI Composite	OCT A	53.6	--	54.1	08:00	19:00
		PMI Manufacturing	OCT A	53.2	--	53.7	08:00	19:00
PMI Services		OCT A	53.7	--	54.1	08:00	19:00	
Euro zone Consumer Confidence		OCT A	-11	--	-11	14:00	01:00	
GE	PMI Manufacturing	OCT A	54.6	--	55.1	07:30	18:30	
	PMI Services	OCT A	54.8	--	54.9	07:30	18:30	
UK	Major Banks Mortgage Approvals	SEP	--	--	45K	08:30	19:30	
	Retail sales Ex Auto Fuel MoM	SEP	--	--	-0.4%	08:30	19:30	
	Retail sales Ex Auto Fuel YoY	SEP	--	--	1.9%	08:30	19:30	
	Retail sales w/Auto Fuel MoM	SEP	0.4%	--	-0.5%	08:30	19:30	
	Retail sales w/Auto Fuel YoY	SEP	1.0%	--	0.4%	08:30	19:30	

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEDT	
21-Oct cont	US	Initial Jobless Claims	16-Oct	453K	--	462K	12:30	23:30	
		Continuing Claims	9-Oct	4420K	--	4399K	12:30	23:30	
		Leading Indicators	SEP	0.3%	--	0.3%	14:00	01:00	
		Philadelphia Fed.	OCT	0	--	-0.7	14:00	01:00	
		RPX Composite 28dy YoY	AUG	--	--	-1.0%	20:00	07:00	
		RPX Composite 28dy Index	31-Aug	--	--	196.35	20:00	07:00	
		Fed's Lacker Speaks About U.S. Economic Outlook					20:00	07:00	
		Fed's Bullard Gives Opening Remarks in St. Louis					14:00	01:00	
	CA	Leading Indicators MoM	SEP	0.1%	--	0.5%	12:30	23:30	
22-Oct	AU	AOFM Auctions A\$700m of November 2012 Bonds						11:00	
		Import Price Index QoQ	Q3	0.1%	--	1.9%	00:30	11:30	
			Export Price Index QoQ	Q3	4.0%	--	16.1%	00:30	11:30
	JP		Supermarket Sales YoY	SEP	--	--	-1.1%	05:00	16:00
	EU		Euro-Zone Govt Debt/GDP Ratio	31-Dec	--	--	78.7%	08:00	19:00
			ECB's Nowotny speaks in Vienna					07:15	18:15
			ECB's Costa speaks in Lisbon					16:00	03:00
	GE		IFO - Business Climate	OCT	106.4	--	106.8	08:00	19:00
			IFO - Current Assessment	OCT	110.0	--	109.7	08:00	19:00
			IFO - Expectations	OCT	102.7	--	103.9	08:00	19:00
	US		Fed's Hoenig to Speak in Albuquerque on U.S. Economic Outlook					01:45	12:45
			Fed's Plosser Speaks at Media Seminar on Regulatory Reform					12:00	23:00
CA		Consumer Price Index MoM	SEP	0.1%	--	-0.1%	11:00	22:00	
		Consumer Price Index YoY	SEP	1.9%	--	1.7%	11:00	22:00	
		Bank Canada CPI Core MoM	SEP	0.3%	--	0.1%	11:00	22:00	
		Bank Canada CPI Core YoY	SEP	1.6%	--	1.6%	11:00	22:00	
		Retail sales MoM	AUG	-0.1%	--	-0.1%	12:30	23:30	
		Retail sales Less Autos MoM	AUG	0.4%	--	-0.4%	12:30	23:30	

FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
25 OCTOBER AU: PPI (Q2) EU: Industrial new orders (Aug) US: Chicago Fed Nat Activity Index (Sep), Existing home sales (Sep), Dallas Fed Manf Activity (Oct)	26 OCTOBER JN: Corp service price index (Sep) UK: GDP (Q3) US: S&P/CaseShiller home price (Aug) US: Consumer confidence (Oct), House price index (Aug), Richmond Fed manufacturing index (Oct)	27 OCTOBER AU: CPI (Q3) NZ: NBNZ Business Confidence (Oct) GE: CPI (Oct) US: MBA Mortgage Applications (Oct 22), Capital Goods Orders (Sep), Durable Goods Orders (Sep), New Home Sales (Sep)	28 OCTOBER NZ: RBNZ Official Cash Rate (Oct) JN: Retail Trade (Sep), BoJ Target Rate GE: Unemployment Rate (Oct) EU: Consumer Confidence (Oct), Business Climate Indicator (Oct) US: Trade Balance (Aug), Producer Price Index (Sep) Initial Jobless Claims (Oct 23)	29 OCTOBER NZ: Trade balance (Sep) AU: Private Sector Credit (Sep) JN: Unemployment rate (Sep) Household Spending (Sep), CPI (Sep), Industrial Production (Sep), Housing Starts (Sep), Construction Orders (Sep) EU: Unemployment rate (Sep) UK: House prices (Oct) CA: GDP (Aug)
1 NOVEMBER NZ: ANZ Commodity Price (Oct), Wages (Q3) AU: NAB Business Survey (Oct), House Price Index (Q3), RBA Commodity Index (Oct) JP: Wages (Sep), Vehicle Sales (Oct) CH: PMI Manuf. (Oct) EU: Manuf. PMI (Oct) US: Incomes (Sep), ISM Manufacturing (Oct), Construction Spending (Sep)	2 NOVEMBER AU: Melbourne Cup (Victorian Public Holiday), RBA Cash Rate , AIG Performance of Service Index (Oct) US: ABC Consumer Confidence (Oct 31)	3 NOVEMBER NZ: Employment (Q3) AU: Building Approvals (Sep) JP: Culture Day Public Holiday CH: Non-Manufacturing PMI (Oct) EU: Non-Manufacturing PMI (Oct) US: MBA Mortgage Applications (Oct 29), Factory Orders (Sep) FOMC Target Rate , Vehicle Sales (Oct), ADP Employment (Oct)	4 NOVEMBER AU: Retail Sales (Sep), International Trade (Sep), Performance of Construction Index (Oct) EU: PPI (Sep), ECB Target Rate UK: New car registrations (Oct), BoE Target Rate US: Jobless claims (Oct 30), Nonfarm Productivity (Q3 P),	5 NOVEMBER AU: RBA Quarterly SOMP , Foreign Reserves (Oct) EU: Retail Sales (Sep) GE: Retail Sales (Sep), Factory Orders (Sep) UK: PPI (Oct) US: Ave Hourly Earnings (Oct), Nonfarm Payrolls (Oct), Pending Home Sales (Sep), Consumer Credit (Sep)
8 NOVEMBER AU: ANZ Job Ads (Oct) JP: Coincident Index (Sep) GE: Trade (Sep), IP (Sep) CA: Housing Starts (Oct)	9 NOVEMBER NZ: Card Spending JP: Money Stock (Oct) GE: CPI (Oct F) UK: RICS House Price Balance (Oct), Trade Balance (Sep), IP (Sep), Manufacturing Production (Sep), NIESR GDP estimate (Oct) US: NFIB Small business optimism (Oct), Wholesale inventories (Sep) CA: New Housing Price Index (Oct)	10 NOVEMBER AU: Westpac Consumer Confidence (Nov), Housing Finance (Sep) JP: Consumer Confidence (Oct) CH: Trade (Oct) UK: BoE Quarterly Inflation Report US: Trade balance (Sep), Jobless Claims (Nov 6), monthly budget statement (Oct) CA: Trade (Sep)	11 NOVEMBER NZ: Business PMI (Oct), Food Prices (Oct) AU: Labour Force (Oct) JP: Machine Orders (Sep), Domestic CGPI (Oct) CH: PPI (Oct), CPI (Oct), Retail Sales (Oct), IP (Oct) US: Veterans Day Holiday CA: Remembrance Day Holiday	12 NOVEMBER NZ: REINZ House Price Index (Oct) EU: GDP (Q3 A), IP (Sep) GE: GDP (Q3 P) US: University of Michigan consumer confidence (Nov P)
15 NOVEMBER AU: New Motor Vehicle Sales (Oct) JP: IP (Sep F), Housing Loans ((Q3), Tertiary Industry Index (Sep) EU: Trade Balance (Sep) UK: CPI (Oct), Retail Price Index (Oct) US: Retail Sales (Oct), Empire Manufacturing (Nov), Business Inventories (Sep)	16 NOVEMBER AU: RBA Board Minutes (Nov) , Westpac Leading Index (Sep) JP: BoJ Target Rate CH: Leading Index EU: CPI (Oct), ZEW Survey (Nov) GE: ZEW Survey (Nov) UK: BoE minutes , Jobless Claims (Oct), Ave Weekly Earnings (Sep), ILO Unemployment Rate (Sep)	17 NOVEMBER NZ: PPI (Q3) AU: DEWR Skilled Vacancies (Nov), Wage Cost Index (Q3) JP: Leading Index (Sep F) EU: Construction Output (Sep) US: CPI (Oct), Housing Starts (Oct), Building Permits (Oct)	18 NOVEMBER NZ: ANZ Consumer Confidence (Nov) EU: Current Account (Sep) UK: Major Bank Mortgage Approvals (Oct), Retail Sales (Oct), Public Sector Borrowing (Oct) US: Jobless Claims (Nov 13), Leading Indicators (Oct), Philli Fed (Nov) CA: Leading Indicators (Oct), Wholesale Sales	19 NOVEMBER NZ: Credit Card Spending (Oct) JP: Activity Index (Sep) GE: Producer Prices (Oct)
22 NOVEMBER EU: Consumer Confidence (Nov A) US: Chicago Red National Activity Index (Oct)	23 NOVEMBER NZ: Net Migration (Oct) GE: GDP (Q3 F) US: GDP (Q3 S), Existing Home Sales (Oct), Richmond Fed Manufacturing Index (Nov) CA: CPI (Oct), Retail Sales (Sep)	24 NOVEMBER NZ: RBNZ 2yr Inflation Expectation (Q4) AU: Conference Board Leading Index (Sep) EU: Industrial New Orders (Sep) GE: IFO Business Survey (Nov) UK: GDP (Q3 P) US: Capital and Durable Goods Orders (Oct), Personal Incomes (Oct), U of Michigan Confidence (Nov F), New Home Sales (Oct), FOMC minutes	25 NOVEMBER AU: Private Capital Expenditure (Q3) JP: Merchandise Trade Balance (Oct), Corporate Service Price Index (Oct)	26 NOVEMBER JP: CPI (Oct), Tokyo CPI (Nov) CH: MNI Business Condition Survey (Nov) EU: M3 (Oct) JP: CPI (Nov)

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	0.4	2.9	5.2	5.4
Household consumption	1.7	3.3	2.8	2.3
Dwelling investment	-4.5	5.0	2.3	2.3
Business investment	-2.3	1.2	14.2	15.9
Public demand	3.2	11.4	2.3	1.8
Domestic final demand	1.0	4.8	4.5	4.6
Inventories (contribution to GDP)	-0.5	0.5	0.0	0.0
Gross National Expenditure (GNE)	0.5	5.3	4.5	4.5
Exports	0.9	3.8	5.7	6.7
Imports	-8.3	14.3	10.6	10.0
Net Exports (contribution to GDP)	2.0	-2.2	-1.3	-1.0
Gross Domestic Product (GDP)	1.2	3.3	3.8	4.0
Prices and wages (annual % change)				
Inflation:				
Headline CPI	1.8	2.9	2.8	3.3
Underlying *	3.7	2.7	2.8	3.0
Wages	3.6	3.2	3.9	4.1
Labour market				
Employment (annual % change)	0.7	2.4	2.4	2.3
Unemployment rate (annual average %)	5.6	5.1	4.8	4.5
External sector				
Terms of trade (annual % change)	100.3	119.4	131.0	129.0
Current account balance: A\$bn	-51.4	-41.9	-49.3	-75.8
% of GDP	-4.1	-3.1	-3.3	-4.8

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

AUSTRALIAN INTEREST RATES	CURRENT	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F	DEC 11 F
RBA cash rate	4.50	4.75	5.25	5.50	5.75	6.00
90 day bill	4.80	5.10	5.60	6.00	6.00	6.20
3 year bond	4.84	5.00	5.40	5.70	5.90	6.00
10 year bond	5.08	5.20	5.40	5.60	5.80	5.80
3s10s yield curve	0.23	0.20	0.00	-0.10	-0.10	-0.20
3 year swap	5.25	5.40	5.80	6.10	6.30	6.40
10 year swap	5.64	5.75	5.95	6.15	6.35	6.35
INTERNATIONAL INTEREST RATES	CURRENT	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F	DEC 11 F
RBNZ cash rate	3.00	3.00	3.25	3.75	4.00	4.25
NZ 90 day bill	3.20	3.25	3.67	4.17	4.25	4.7
US Fed funds note	0.25	0.25	0.25	0.25	0.25	0.25
US 2 year note	0.38	0.40	0.40	0.60	0.80	1.00
US 10 year note	2.48	2.20	2.00	2.30	2.50	3.00
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	0.50

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

FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F	DEC 11 F
Australian exchange rates						
A\$/US\$	0.9915	0.95	0.94	0.98	1.00	0.98
NZ\$/US\$	0.7575	0.72	0.72	0.73	0.74	0.72
A\$/¥	80.62	76.0	73.3	73.5	75.0	76.4
A\$/€	0.7059	0.68	0.66	0.69	0.69	0.69
A\$/£	0.6191	0.60	0.59	0.61	0.62	0.61
A\$/NZ\$	1.3090	1.32	1.31	1.34	1.35	1.35
A\$/C\$	0.9963	0.95	0.93	0.96	0.98	0.98
A\$/CHF	0.9478	1.01	1.02	1.07	1.10	1.09
A\$/CNY	6.5879	6.29	6.13	6.29	6.32	6.09
A\$ Trade weighted index	73.80	72.0	71.2	72.9	73.2	71.4
International cross rates						
US\$/¥	81.32	80.0	78.0	75.0	75.0	78.0
€/US\$	1.4046	1.40	1.42	1.42	1.45	1.42
€/¥	114.22	112	111	107	109	111
£/US\$	1.6015	1.58	1.60	1.60	1.62	1.60
€/£	0.8771	0.89	0.89	0.89	0.90	0.89
US\$/C\$	1.0050	1.00	0.99	0.98	0.98	1.00
US\$/CHF	0.9559	1.06	1.08	1.09	1.10	1.11
US\$ index	76.66	77.0	75.9	75.3	74.3	76.0
Asia exchange rates						
US\$/CNY	6.6450	6.62	6.52	6.42	6.32	6.21
US\$/HKD	7.7586	7.75	7.75	7.75	7.75	7.75
US\$/IDR	8928	9250	9500	9200	9000	8900
US\$/INR	44.09	47.5	49.9	48.0	46.0	44.0
US\$/KRW	1112	1200	1250	1200	1100	1000
US\$/MYR	3.0860	3.25	3.31	3.20	3.15	3.10
US\$/PHP	43.210	46.0	48.0	46.0	45.5	45.0
US\$/SGD	1.2967	1.36	1.38	1.37	1.36	1.34
US\$/THB	29.830	32.50	33.30	32.00	31.50	31.00
US\$/TWD	30.709	32.00	32.30	32.00	31.50	31.00
US\$/VND	19499	19500	20000	20000	20000	20000
Pacific exchange rates						
PGK/US\$	0.3800	0.386	0.372	0.358	0.344	0.330
FJD/US\$	0.5456	0.508	0.514	0.517	0.508	0.500

IMPORTANT NOTICE

Australia and New Zealand Group Limited is represented in:

AUSTRALIA

Australia and New Zealand Banking Group Limited
 ABN 11 005 357 522
 ANZ Centre Melbourne, Level 9, 833 Collins Street, Docklands Victoria
 3008, Australia
 Telephone +61 3 9273 5555 Fax +61 3 9273 5711

UNITED STATES OF AMERICA

ANZ Securities, Inc. is a member of FINRA (www.finra.org) and registered with the SEC.
 277 Park Avenue, 31st Floor, New York, NY 10172,
 United States of America
 Tel: +1 212 801 9160 Fax: +1 212 801 9163

UNITED KINGDOM BY:

Australia and New Zealand Banking Group Limited
 ABN 11 005 357 522
 40 Bank Street, Canary Wharf, London, E14 5EJ, United Kingdom
 Telephone +44 20 3229 2121 Fax +44 20 7378 2378

NEW ZEALAND BY:

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

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