

The Week Ahead

- RBA to keep rates on hold in April, though tightening bias retained. Labour force figures expected to rise strongly.
- US non-farm payrolls will set the tone for markets in the early part of the week, before FOMC minutes are released.
- We expect the ECB to lift rates by 0.25% when it meets on Thursday to strike against rises in inflation expectations.

As many are well aware, the internet has only begun to impact and reshape the way we live and work. This week brought news that the RBA is further enhancing its communication channels. The RBA is now on Twitter. It's not the first central bank to set up an account, and won't be the last. More than 2,200 users have signed up to follow the RBA's 140 character communications.

But what to make of this? Well, it's unlikely that the central bank will be shifting perceptions of policy directions and interpretations of the economy's performance with 140 character bursts. However, the RBA's perennially difficult task of influencing public perceptions of its decisions may benefit. If a new channel of information distribution broadens the reach of speeches, statements, research and bulletins then policymaking may be made easier. The power of jawboning could rise if more people are listening.

Any changes will take time. The RBA has substantially increased its communication flows over the past two years. But despite this there appears to be only a limited extent to which some of the underlying trends in the economy the RBA has highlighted are broadly appreciated.

The strength of the investment response to the soaring terms of trade, and the implications for other sectors and policy, are a key case in point. The RBA has explained at many opportunities the implications of Asia's emergence on the structure of the Australian economy. The initial stages of the (re)emergence of China and India (along with others) is a commodity intensive affair, and its scale will stretch the capacity of a small open economy like Australia's.

Benefits for other sectors that stem from a shifting in the centre of global economic gravity towards Asia will come down the track. But for the medium term the RBA will be struggling to accommodate the investment task within an economy already operating at capacity. Moderate outcomes across other sectors (but particularly households) are a necessary condition to prevent a repeat of the type of inflationary outbreak that was punctuated by the GFC.

So against that backdrop, the moderate outcomes seen in household sector data releases are a not a threat to future policy moves. It will take a significant shock to household confidence or mining capex plans to dislodge the RBA's tightening bias. We do not expect the RBA to act on that bias at next week's Board meeting. But the labour force figures, due on Thursday after the RBA Board has met, could shift expectations if the outcome is sufficiently strong.

Other Australian data due next week includes the February trade balance (flood effects expected to significantly trip the surplus), housing finance, ANZ job ads, and the performance indices for the services and construction sectors.

In the US, the March non-farm payroll figures are due for release this evening. The improving US economy is concentrating markets' minds on the likelihood the Fed may soon begin to commence removing policy accommodation. The minutes of the 15 March FOMC meeting are scheduled for release next Tuesday, and are the next key focus following tonight's payrolls.

We think the other major central banks will move first. In particular, we think that the ECB will lift rates at its meeting on Thursday. Recent inflation outcomes have been elevated. CPI inflation accelerated over the year to March 2011, rising from 2.4% to 2.6%, beating market expectations. A pre-emptive strike against potential second round inflation taking hold is likely. Some movement, albeit in the other direction, is likely from the Bank of Japan next week, as its board considers responses to the record March 11 earthquake. The Bank of England is expected to keep rates on hold at its meeting on Thursday. Also, the G20 meeting in Nanjing will wrap up over the weekend. And on Monday the IMF will be releasing the analytical chapters of the April World Economic Outlook update.

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International Economic Perspective

The Black Swan

- The recent run of disasters – natural and manmade – are classic “black swan” events.
- But natural disasters are not rare and the correlation between such events and changes in global growth is negligible.
- The impact of Middle East unrest on oil prices has dented global growth prospects and financial market sentiment.
- Higher oil prices are a short-term negative for Australia – and a longer-run positive.

The black swan

The recent global disasters are classic “black swan” events.

What feels like a never ending spate of disasters – natural and manmade – has significantly dampened the global optimism evident at the start of 2011. Floods and cyclones in Australia, earthquakes in New Zealand, earthquakes, tsunami’s and a nuclear emergency in Japan, and unrest in the Middle East were all unexpected and could produce major economic consequences. In short, they are all classic “black swan” events.

The recent global disasters are classic “black swan” events.

The human tragedy should always be centre stage. This piece, however, looks at how “black swan” events impact on economic activity.

Natural disasters and global growth

Natural disasters are actually quite frequent.

It may feel different this year because some of these disasters have happened on our own doorstep. Or involve countries that are economically important to us. But natural disasters are not unusual. The organisations that monitor such events – such as the Centre for Research on the Epidemiology of Disasters (CRED) – report that 350-550 such disasters have occurred each year over the past decade.

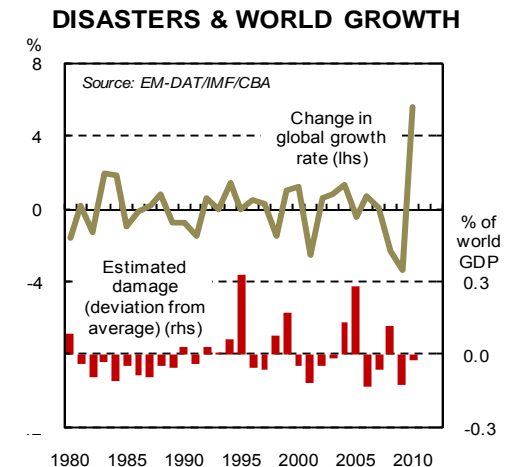
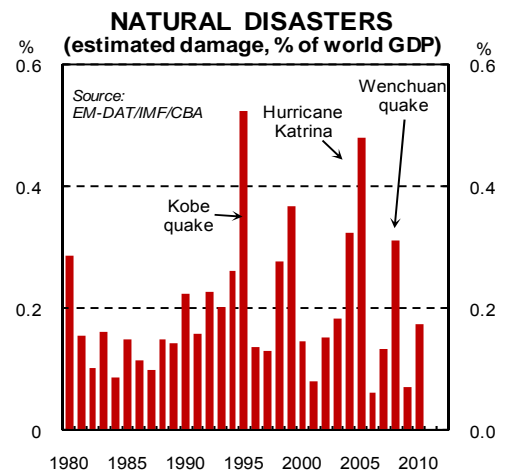
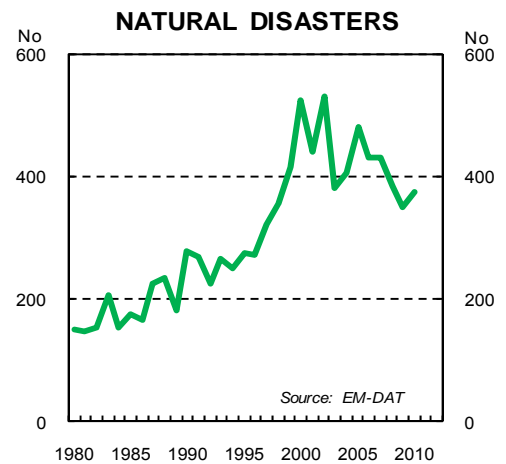
There is a base level of economic damage averaging out at 0.2% of global GDP per annum.

These disasters do involve some economic cost. In fact the frequency of such shocks means that there is a certain base level of economic damage that has to be dealt with each year. That economic damage has averaged out at about 0.2% of global GDP over the past thirty years. Periods of peak natural disaster, such as 1995 and 2005, have involved a damage bill of around 0.5% of global GDP.

The regularity of such disasters means there is little correlation with global growth.

The regularity of natural disasters means that there is little, if any, correlation between such events and changes in global growth rates. This conclusion holds even in peak disaster years. And it supports the usual rule-of-thumb that any activity loss is largely recouped in the subsequent rebuild.

Current projections have the global economy expanding by 4½% in 2011, significantly above the long-run average of 3¼%pa. A disaster with an economic cost equal to the worst case





outcome of the past thirty years would still leave the global economy running at above trend.

Natural disasters and economic activity

Natural disasters can have a large impact on the regions affected.

Natural disasters have only a limited impact on global trends because they are local in nature. The flip side of this that they can have a large impact on the regions affected. Looking at the worst disasters of the past twenty years, for example, shows that Hurricane Katrina caused economic damage equivalent to 1% of US GDP in 2005. And the economic damage from the Maule earthquake and tsunami in 2010 amounted to 15% of Chilean GDP.

But, again, the impact on economic activity is typically shortlived.

The broader conclusion, however, still holds at the regional level. The impact on economic activity tends to be quite shortlived. The facing chart uses industrial production as a proxy for overall economic activity around the time of major disasters. In some cases (eg the Wenchuan quake in China in 2008) it is difficult to see any effect at all. In others where there was a significant impact (eg the Kobe quake in Japan in 1995) activity was back at pre-disaster levels within a few months. Hurricane Ike in 2008 is an exception where an output recovery failed. The recovery phase after that disaster coincided with the onset of the global financial crisis.

Japan may be different.

The current Japanese disaster could play out a little differently.

- The Tōhoku region of north-east Japan accounts for only 6% of Japanese GDP. But the nuclear element to the disruption – through radiation concerns and disruption to power supply – could ensure a wider impact. The nearby Kanto and Chubu regions account for 56% of Japanese GDP.
- Japan is also a significant provider of capital to the rest of the world. Any repatriation of capital to fund the rebuilding task in Japan could limit activity elsewhere.

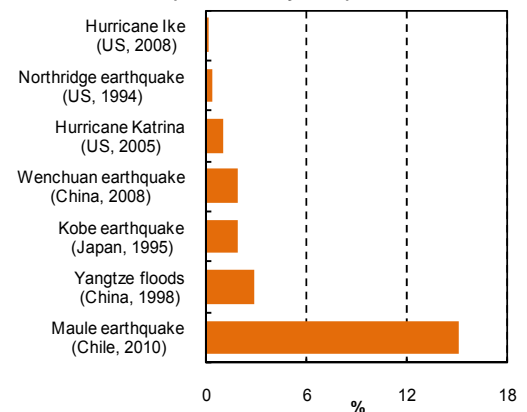
Food prices and civil conflict

Global food price inflation has implication for activity and financial markets.

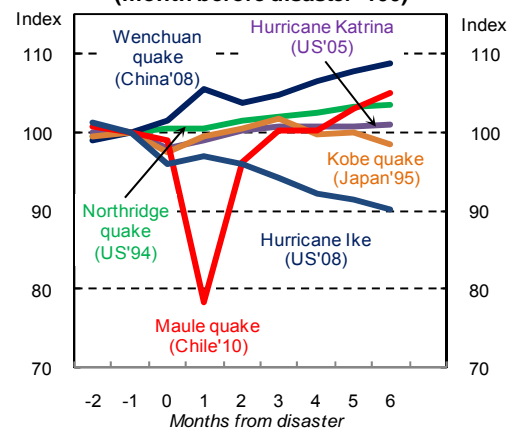
Global food prices are rising rapidly. Calculations by the Food & Agriculture Organisation (FAO) show that global food prices rose by 46% over the past four years. Part of this rise reflects temporary supply disruptions. But part of the food price story is a longer-run dynamic. Rapid income growth in emerging economies is lifting the demand for food.

As CBA economist James McIntyre noted recently, higher food prices may have contributed to the unrest in Tunisia (see CBA *Economic Perspective* for the week starting 28 March 2011). This unrest has spread across

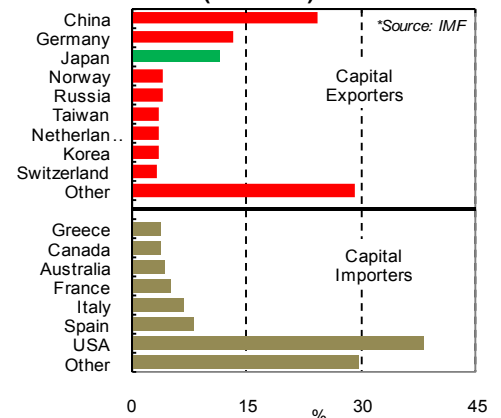
MAJOR DISASTERS: ECONOMIC DAMAGE (% of country GDP)



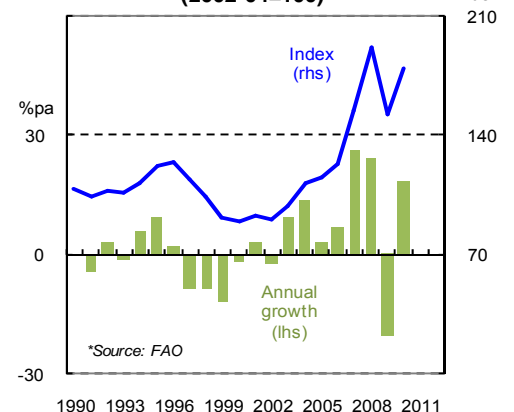
INDUSTRIAL PRODUCTION (month before disaster=100)



CAPITAL EXPORTERS & IMPORTERS (% of total)



GLOBAL FOOD PRICES (2002-04=100)





the Middle East and North Africa.

Our research suggests that periods of rapid food price rises are often followed by periods of above-average civil conflict.

Periods of rapid food price rises are often followed by periods of above-average civil conflict.

A recent IMF study concluded that, on average, a one standard deviation lift in the food price index increases the number of demonstrations/ riots in low income countries by 0.01 standard deviations (see IMF Working Paper WP/11/62 *Food Prices & Political Instability* by R Arezki & M Bruckner).

Higher oil prices are one outcome this time.

Political instability in the Middle East and North Africa has dented financial market sentiment. And boosted the price of oil. Both are a threat to the recovery underway in the advanced economies.

Natural disasters and financial markets

The recent “black swan events” hit at a time when global financial market sentiment was fragile. Part of this fragility reflects sovereign debt issues and lingering fears about economic resilience. Both of these fears are being accentuated by recent developments.

But markets are probably not allowing enough for the progress that has been made. On our estimates, some countries have made significant progress towards meeting 2020 fiscal requirements for debt stability. Japan is one exception, however, where little progress is evident. The rebuilding effort makes the fiscal task bigger. But the “shock” to sentiment from the disaster may ultimately allow some real reforms.

Oil and growth

Higher oil prices, if sustained, will have a negative impact on global growth.

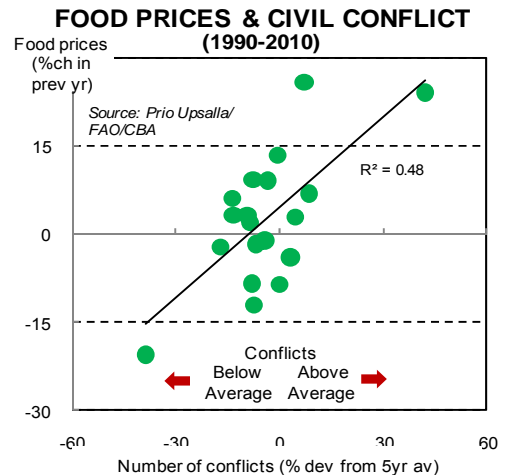
Higher oil prices are consistent with above-average global growth – or a *demand* shock. But recent geopolitical tensions have also added a fear premium that is more consistent with a *supply* shock.

A demand shock typically has little impact on global growth – the underlying momentum offsets the potential negatives. But a supply shock will typically have a negative impact on global growth. It acts as a “tax” on production and spending.

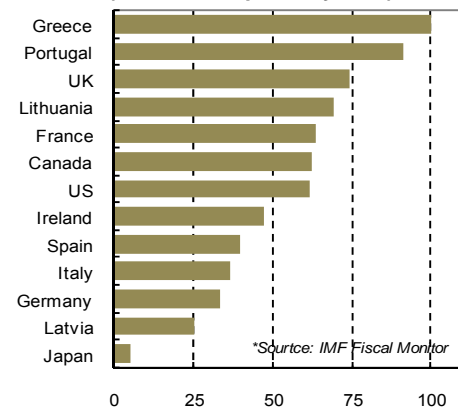
The OECD estimates that by 2012 the USD25pb rise in oil prices since the Tunisian uprising could (if sustained):

- reduce OECD activity by ½ppt; and
- increase OECD inflation by ¾ppt.

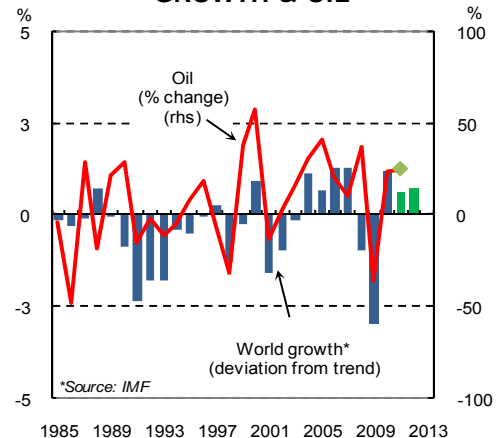
Australia is also a net oil importer. So a higher oil price is, initially, a *negative* terms-of-trade shock. Something of a rarity in the past decade!



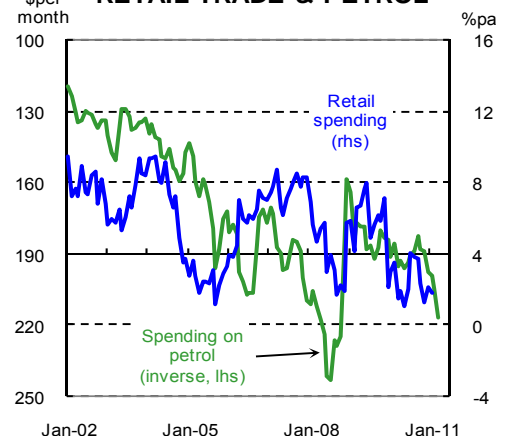
PLANNED FISCAL ADJUSTMENT (% of total required by 2015)



GROWTH & OIL



RETAIL TRADE & PETROL





The caution displayed by Australian consumers may be accentuated by rising oil prices.

But Australia should benefit in the longer run from any upward rating to coal and gas prices.

On our calculations, the lift in petrol prices since the start of the year has passed the critical level where some impact on household spending is likely.

Our analysis shows that critical value for petrol at present is \$1.30 per litre. The current nation-wide average price is \$1.43 per litre. The shaded areas on the facing chart show earlier episodes when petrol prices have moved past the critical level. These periods are typically associated with below-trend growth in consumer spending.

There are some benefits for Australia in the longer run, however. These benefits accrue courtesy of our status as a net energy exporter. While we import a small amount of oil, we export huge amounts of coal and natural gas. Higher oil prices will ultimately be reflected in higher prices for coal and gas. And that, of course, would be a positive terms-of-trade shock.

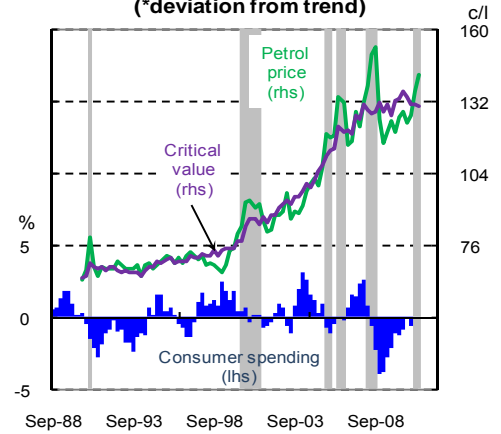
The table below shows some back-of-the-envelope calculations about the potential impact of higher energy prices.

Table 1: Terms-of-trade impact

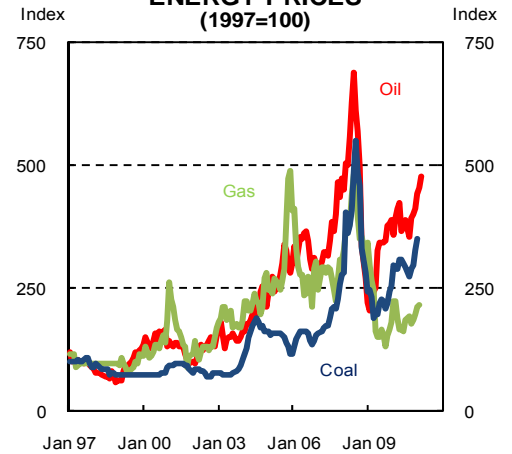
	Impact of 19% price rise (\$bn)
Exports	
Coal, coke & briquettes	8.1
Petroleum & petroleum products	2.2
Gas	2.1
Imports	
Fuels & lubricants	-5.2
Net Impact	
\$bn	7.2
% of GDP	0.5

Oil prices in late March were about 19% above end 2010 levels. Assuming a uniform rise in energy prices then the net boost to Australian incomes would be equivalent to about ½% of GDP.

PETROL STRESS INDICATOR
(*deviation from trend)



ENERGY PRICES
(1997=100)



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Australian Economic Perspective

Tasmanian Economic Outlook

- Tasmania's 2010/11 economic growth outlook is relatively modest compared to previous years.
- Household spending, in particular, has been quite weak in the past few quarters.
- We expect a gradual rise in household spending as jobs and wages growth turn more positive.
- The high AUD is a major negative for Tasmania's exporters. But the AUD could stay near parity till mid-year.
- State Government infrastructure spending should stay firm and counter the weakness in private sector investment.
- Tasmania's population growth has slowed over the past year in line with national trends towards lower net migration.

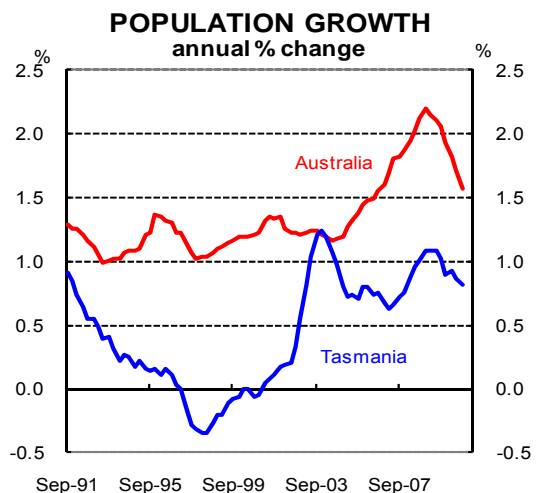
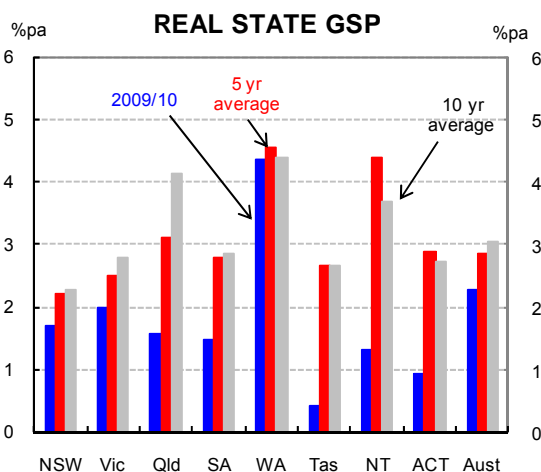
Summary

Tasmania's 2010/11 economic growth looks set to be quite modest. Real Gross State Product (GSP) growth is expected to be 1¼%, well below the 2.6% average of the past 5 years.

Weak household spending has been an important reason for Tasmania's slower activity levels over the past few quarters. But we expect that household spending growth will improve gradually over the coming year. We see consumers unleashing some of their spending power as favourable news on jobs growth and rising wages continues and supports higher consumer spending. Retail activity, in particular, is expected to gradually improve from quite weak levels. In our view, households are unusually cautious, and their savings rates are unusually high, given the existing low unemployment rates and positive trends in household wealth over the past year.

The outlooks for the other main growth drivers, business investment, dwelling investment and exports, are mixed. Public sector infrastructure spending is helping to offset the weakness in private sector business investment. And there does not appear to be any major new private sector investment projects in the pipeline. Dwelling investment is also likely to be relatively flat over the coming year unless there are some incentives from the Tasmanian or federal government to boost activity.

Exporters, mainly from the manufacturing and primary sectors, are facing difficulties as the Australian dollar stays near parity against the USD. In our view, the AUD could stay around present levels until mid year. Recent tragic events in Japan may be an added negative for some exporters if they undermine demand for forestry and food exports from Australia. Tasmania's tourism and education sectors are also under pressure. The high AUD is shifting the relative prices of these services compared to their substitutes, like overseas travel and education in other countries.





Growth & household spending

Modest 2010/11 growth outlook.

Tasmania's 2010/11 growth could be quite modest. Real Gross State Product (GSP) growth is expected to be 1¼%, well below the 2.6% average of the past 5 years.

The major uncertainty is whether consumers remain cautious or move to shift spending higher in coming months. In our view consumers have the ability to spend more freely. But they obviously lack the willingness to do so. Although, their spending appears to be selective. Traditional retail sectors are obviously struggling. That is apparent from the 2.9% fall in Tasmania's retail trade over the year to January. But some areas of household spending, such as overseas travel and new car sales, are performing more in line with the jobs and wages growth trends.

Consumers face headwinds.

There are some negatives for consumers. Interest rates, utility bills and petrol have been rising over the past year. The regular bad news from overseas must also add to caution levels. In a reaction to the bad news, consumer savings rates are unusually high, returning to the levels last seen in the 1980s. The positives for consumer spending are expected to flow from the jobs and wages outlooks.

High AUD and exporters.

Another constraint on the growth outlook is the difficult environment for exporters as the AUD stays near parity against the USD. The manufacturing and primary products exporters are finding it difficult to cope with the high AUD. Japan's tragic recent events are likely to add to the problems of the forestry related exporters.

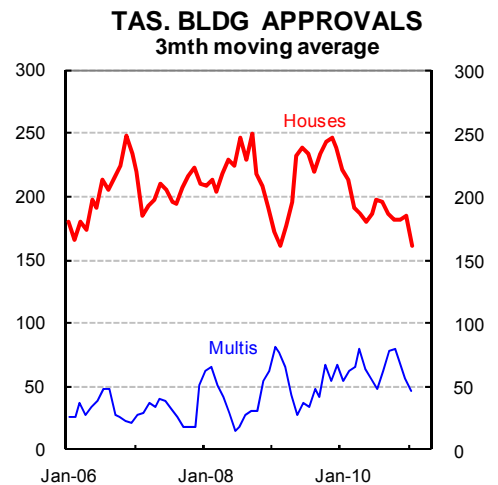
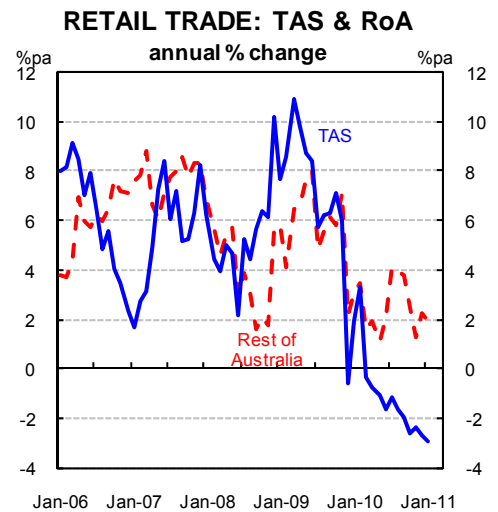
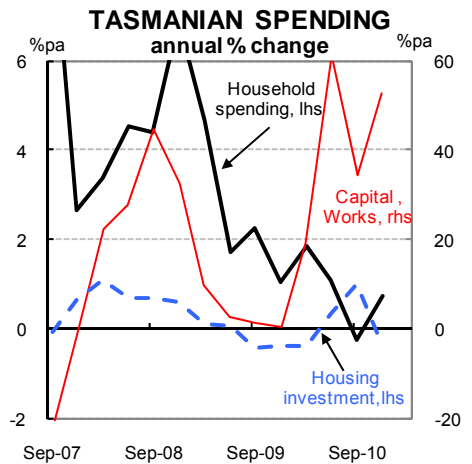
Government infrastructure.

The Tasmanian Government's capital works program has been a major contributor to overall growth in the past few years. The Government is planning to spend \$675 million in 2010/11 and about \$600 million in 2011/12 on infrastructure.

It means continued high levels of public investment. It will also help offset the decline in Federally funded school building programs. Unfortunately, in the private sector, there does not appear to be any significant projects in the pipeline that will maintain their high levels of spending.

Dwelling commencements.

Dwelling commencements could struggle to stay at their 2009/10 level of just above 3,000. The negatives for the new dwelling construction outlook appear to have the ascendancy. Interest rates have risen over the past year. Government assistance to home buyers has fallen back to normal levels. The positives for the housing outlook, like jobs and wages growth, are expected to offset some of the negatives.





Resilient Tasmanian labour markets

Tasmanian labour market recovering after GFC collateral damage.

Underscoring Tasmania's creditable economic performance in the wake of the GFC has been the resilient labour market. From a cyclical low point of 3.9% in August 2008, Tasmania's unemployment rate climbed to 6.5% by June 2010 as the full impact of GFC washed through the national and Tasmanian economies. In line with trends in the national economy, Tasmania's jobs growth improved in the second half of 2010 and early 2011, particularly in part-time jobs growth.

The increase in full-time jobs growth is reflective of the reversal of lower hours worked in wake of the GFC in late 2008 and 2009. The outlook for employment growth in 2011 and 2012 looks mildly positive with a modest economic growth pulse likely to promulgate further jobs expansion. The Tasmanian unemployment rate is expected to gradually trend downward in 2011 and 2012 as the national and various state economies, including Tasmania, gain further momentum.

Unemployment rate was 5.6% in February.

In February 2011, Tasmania's unemployment had dropped to 5.6%. An unemployment rate in the 4 to 5% range in the next couple of years is very achievable. Further positive employment outcomes will likely boost Tasmanian consumer confidence and spending in the coming year or two. Recovering equity prices and superannuation balances should also help bolster Apple Isle consumer spending generally in HII 2011 and 2012.

Business investment, mainly in mining, and ongoing solid Tasmanian public infrastructure spending should also help boost the state's employment markets in the next few years.

Hobart CPI

Hobart CPI running at 2.3%pa in QIV....

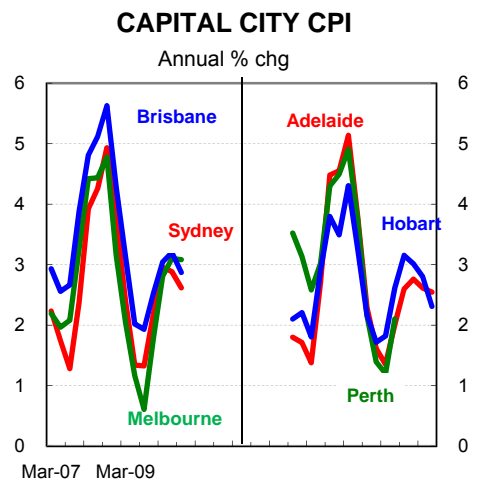
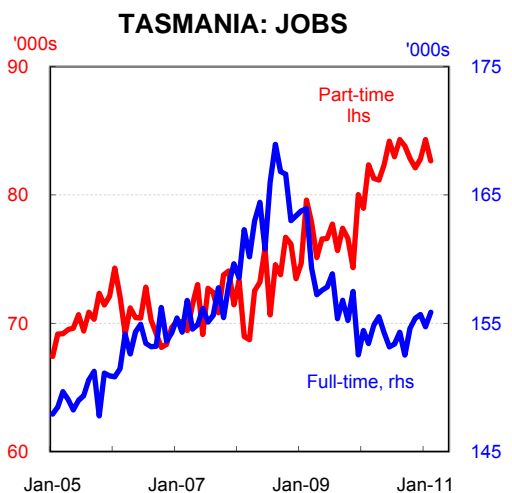
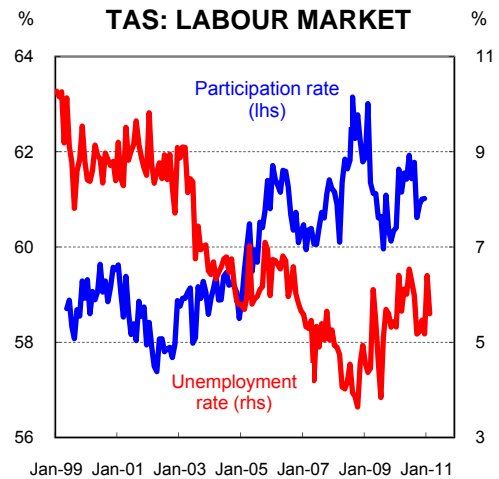
....below the national CPI of 2.7%pa.

The national CPI rose by a relatively well-behaved 2.7% in the year to QIV 2010. At a state level, the largest positive movement was recorded in Melbourne (+3.1%pa) followed closely by Brisbane (+ 3.0%pa) due to relatively higher increases in housing, alcohol and tobacco and transportation.

Canberra (+2.1%pa) recorded the smallest positive movement. The Hobart CPI rose by 2.3%pa, a relatively benign result.

The most significant contributor to Hobart's lift in the CPI in QIV was the increase in utilities' prices and rental costs. Falling clothes prices and soft house prices in Hobart in QIV helped offset solid increases in other prices.

The near term outlook for Tasmanian inflation is mixed. Tasmanian house price growth is expected to remain weak, and the high AUD which is presently at post-float (28 year) highs is likely to continue to bear down on import





prices. On the upside, rising wages growth on the back of ever tightening labour markets, and associated labour shortages, combined with ever rising utilities' prices and housing rents will exert upward pressure on Hobart consumer price levels in 2011 and 2012.

Further out, as the mining and investment boom gains further momentum, increasing market tightness will intensify wage and general price pressures. We see Tassie inflation heading toward the top end of the 2-3% target zone or above in the coming year or two.

Tasmanian Wages

Tasmania's wages still tame at 3.3%pa in QIV despite tightening labour markets....

...but watch this space in 2011 and 2012.

The latest available data suggest that the state's broad-based wages are rising but are still relatively tame in terms of a threat to inflation. But watch this space.

The QIV 2010 wage cost index (WCI) showed Tasmania's total wage costs running at an annual 3.3% pa rate, and well below its recent cyclical high of 4.6%pa in the June quarter 2009.

Tasmanian private sector wages were growing at a more upbeat 3.4%pa, but still under levels that would concern the RBA. Public sector wages grew at 3.3%pa in the year to QIV 2010. So the private and public sectors are contributing to a fairly moderate wages cost outcome. That should also help to keep jobs growth ticking along through 2011.

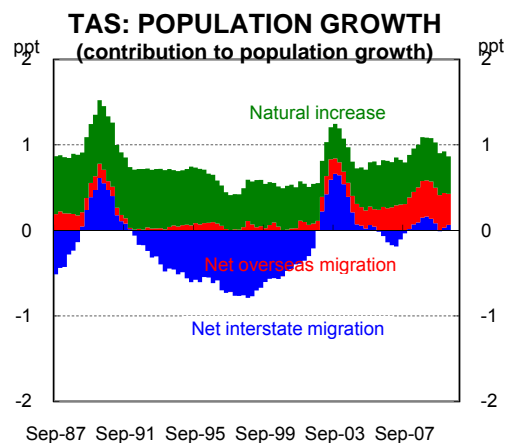
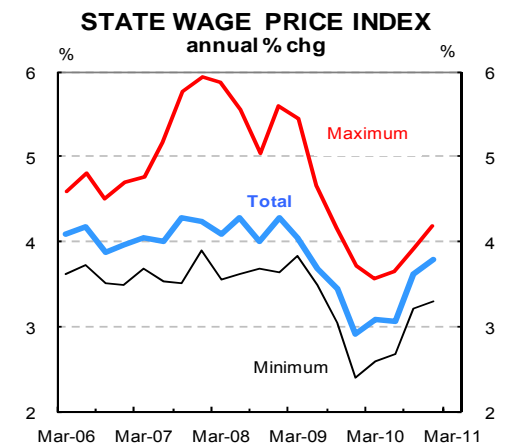
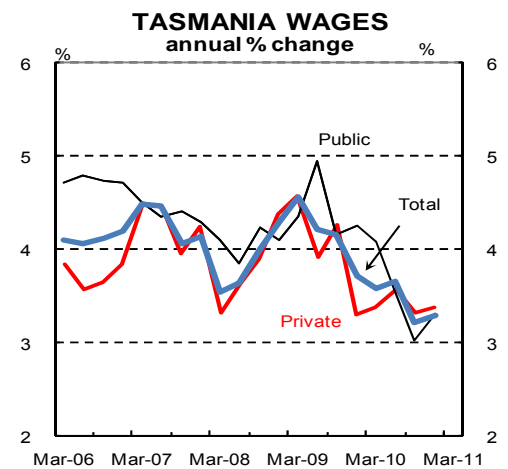
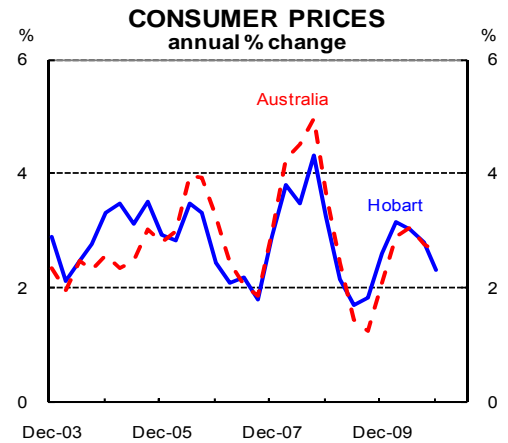
Nationally, total wage costs were running at 3.8%pa in QIV. The RBA starts to fret about the inflationary impact of wages when the annual growth rate breaches 4%pa and heads towards 4.5%pa.

Looking ahead, Tasmania's wage pressures are likely to intensify as the state's economic growth pulse quickens and increasing skilled and general labour shortages materialise.

We see the Tasmania's WPI rising towards 3.5%pa in 2011, and risks moving higher still in 2012 and beyond as the jobs market firms further. These wage growth levels, if replicated nationally, would see the RBA increasing edgy and lifting official rates to help short-circuit intensifying inflation, with prices threatening to break above the RBA's 2-3% target zone.

Population growth

The latest comprehensive ABS population data (released for QIII 2010) showed moderating, population growth across the states and the nation in wake of the GFC. Tasmania's population growth in the year to September 2010 was 0.8%. It brings it back into line with





the average annual growth rate of the past 5 years.

This growth rate was well outpaced by Australia's population growth of 1.6% and WA & Qld growth of 2.2% and 1.9% respectively. Before the full impact of the GFC hit, Tasmania's annual population growth rate hovered around 1.1%pa. In the early 2000's, Tasmania's annual population growth was around 1.2%pa.

Net overseas migration has been a major driver of population growth in Tasmania in the past 5 years, mirroring the high levels of the national immigration program. The national net migrant intake peaked at 320k in 2009.

Australia's and Tasmania's relatively high population growth in recent years also demonstrates one of the reasons why Australia's housing markets side-stepped the housing market implosions and meltdowns that pole-axed housing sectors in the advanced G-7 economies.

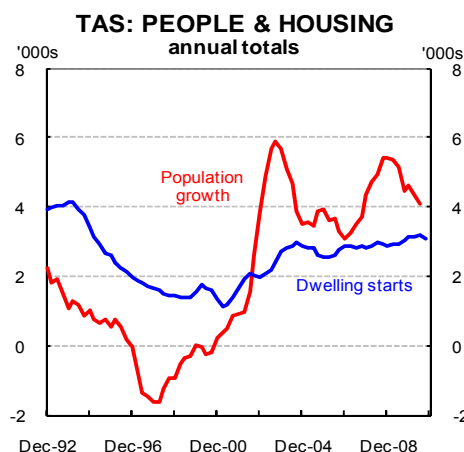


Table 2: Economic projections

CBA forecasts	2009-10 actual	2010-11f	2011-12f	Comment
Real Gross State Product (GSP)%	0.4	1¼	1½	Growth below trend
Employment Growth % June	1.4	1¼	1¼	Jobs growth weak
Unemployment Rate % June	6.5	5¾	5¾	Unemployment rate marginally lower
CPI (Hobart) %pa	3.0	3	3	Moderate inflation
Wages Price Index %pa	3.3	3½	3½	Wages growth moderate
Exports \$bn annual	3	3	3	Exports flat
Dwelling starts, '000s annual	3	2¾	2¾	Dwelling construction soft
Population growth %pa June	0.9	1	1¼	Population growth modest
CBA median house price Hobart \$000s	410	420	430	Subdued housing market

Table 1 Sources: ABS, CBA

Table 2 Fiscal projections

Tasmanian Fiscal Projections	2010-11 Est. mid-year	2011-12 Estimates	2012-13 Est.	2013-2014 Est.
Total Revenue \$mn	4750.3	4691.9	4805.2	4796.9
Total Expenses \$mn	4739.7	4775.1	4838.2	4880.4
Net Operating Balance \$mn	10.6	(83.2)	(33.0)	(83.5)
Fiscal Balance* \$mn	(401.7)	(410.8)	(182.6)	(151.1)
Net Debt \$mn	(406)	(66)	81	100
Capital Works Spending \$bn	675.6	599.6	414.0	325.2

Table 2 Sources: Tasmanian State budgets, CBA

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New Zealand Economic Perspective

NZ Commodity prices setting record highs

- New Zealand's QIV 2010 Terms of Trade is at the highest level since March 1974.
- NZ export commodity prices have remained high in Q1 2011, and are expected to stay strong.
- High levels of debt in the agricultural industry are muting the transmission of high export prices to the economy.

NZ export commodity prices are very high at present.

NZ export commodity prices, like many commodity prices are very high at present. The strength has seen NZ Terms of Trade increase to the highest level since March 1974.

New Zealand's major merchandise exports are dairy, meat and forestry products. The CBA NZ Commodity index is calculated each week, and provides a timely monitor for export prices. In NZD terms, the CBA NZ Commodity Price index is up 25% on year-ago levels, and has recovered 45% from the low point in mid-2009.

Behind the headline lift is a picture of broad price strength for commodity exporters. In New Zealand dollar terms, compared with a year ago, dairy prices are up 21%, other livestock products are up 49%, and forestry products are up 10%.

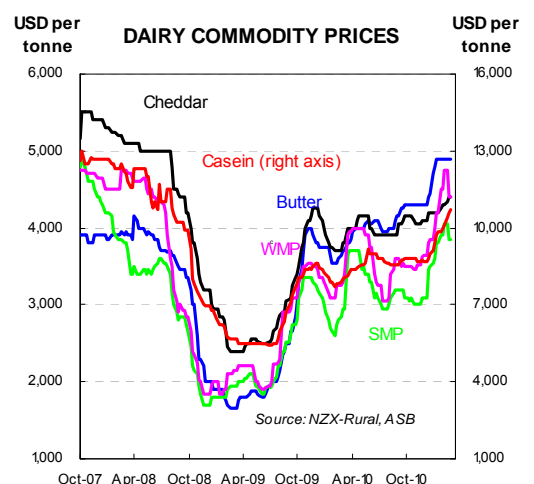
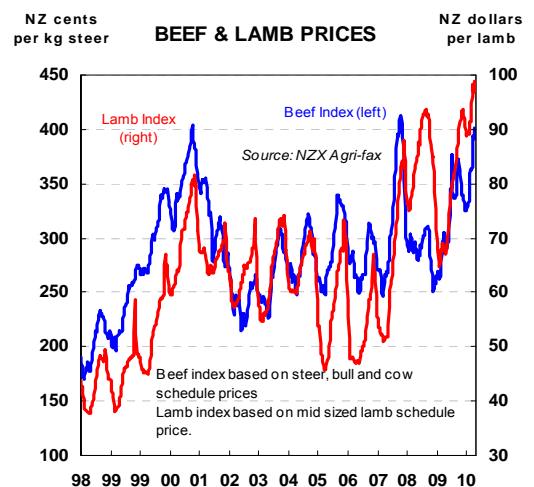
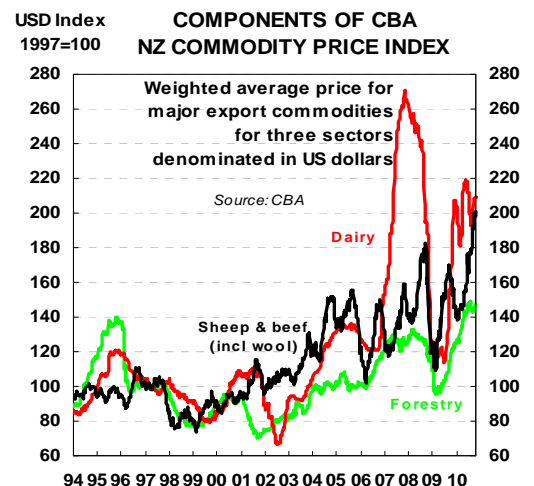
Dairy is NZ's biggest export industry, and we are positive about the outlook.

Dairy is NZ's biggest export industry, with receipts accounting for over 20% of merchandise exports. We remain positive about the underlying fundamentals of the dairy industry – particularly over the coming year. Current global demand is outstripping supply. NZ dairy giant Fonterra has indicated that global supply increased by only 1.8% over 2010, versus previous expectations of 2.0%. There is still further upside potential for demand from emerging nations such as China.

Meat prices are solid

The outlook for meat export prices is also positive. High corn prices are putting pressure on livestock producers in major markets who use corn as the major feedstock. This has been a key driver for higher US beef prices which lifted significantly during 2010. Another reason for high US beef prices are supply fundamentals that have evolved over recent years. The US Department of Agriculture estimates over the past 5 years US beef production has decreased 400 million lbs, beef imports have decreased 670 million lbs, and beef exports have lifted 900 million lb. In sum, this leaves a 2 million lb gap in supply for US consumers.

This dynamic is unlikely to change in the near-term. Accordingly, we expect US beef prices to remain high for some time, which in turn is supportive for New Zealand prices.





The tight supply story is similar for lamb this year. NZ supplies have fallen dramatically with slaughter levels are down on typical levels and farmers deciding to hold stock for longer to make use of the relatively good pasture conditions recently. Current prices have been underpinned by the low global supplies as well as processors willing to pay premium prices in order to fill orders. We believe there is little to suggest that these prices will fall into the next season.

Log export receipts on the rise.

Forestry exports receipts have been on the rise. Prices remain firm and volumes are high as demand for NZ forestry-related goods from emerging Asia remains upbeat. Looking ahead, NZ is well placed to benefit from the eventual rebuilding process in Japan.

Terms of trade the strongest since 1974.

The current high Terms of Trade represents a boost in New Zealand's international purchasing power. New Zealand exports oil, but is a net importer. Future increases in export commodity prices are likely to be matched by rising import prices for food and petroleum. This may limit the extent to which the Terms of Trade increase in future.

Flow-on effect limited by rural deleveraging.

Furthermore, the high Terms of Trade is providing less support to the NZ economy than is normally the case. Relatively high levels of debt in the agricultural industry are muting the transmission of higher commodity export prices to the broader economy.

Growth in agriculture lending was extremely strong prior to the global financial crisis, and the level of agricultural debt was an area of concern for the RBNZ. The latest data from the RBNZ shows lending growth from banks into the agriculture sector was up a modest 0.8% on year-ago levels this February. This compares to annual lending growth of over 20% in 2008.

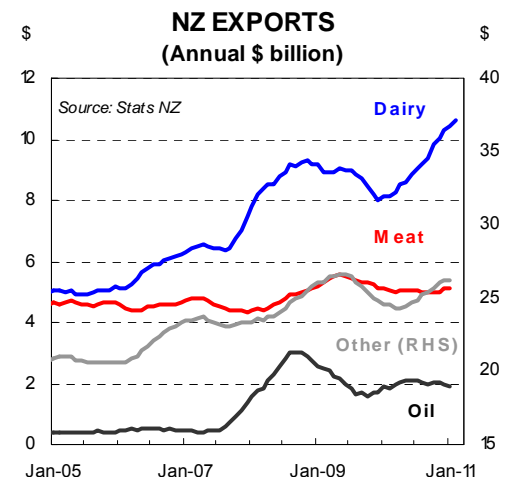
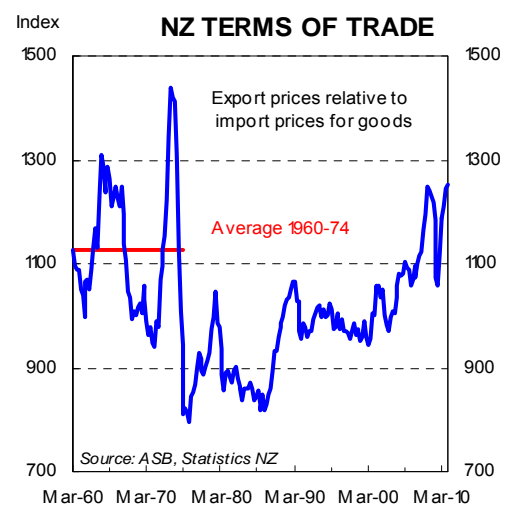
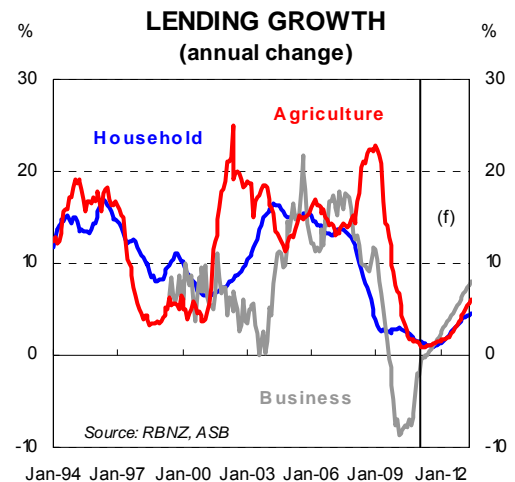
Fundamentals for the agricultural sector remain upbeat, particularly given the strength in NZ export commodity prices. Nonetheless, the annual pace of lending growth continues to slow as the sector remains focused on reducing debt levels rather than expansion.

Summary

Exports leading the recovery.

Exports of commodity goods continue to perform well. Over the past year, rising prices (particularly for dairy) have provided strong support to export receipts.

Merchandise trade data continues to highlight the export-led nature of NZ economic growth. However, cautiousness in the agricultural sector has limited the stimulatory impact of strong commodity prices.





The Week Ahead

Calendar - Australasia, Japan and China

Date	Time		Event	Period	Unit	Last	Forecast		
	AEST	Econ					Market	CBA	
Mon 4 Apr	11.00	AU	TD securities inflation	Mar	y%ch	3.6	~	~	
	11.30	AU	ANZ job advertisements	Mar	%	1.2	~	~	
Tue 5 Apr	~	NZ	NZIER business opinion survey	QI	Index	8.0	~	~	
	09.30	AU	CBA/Ai Group PSI	Mar	Index	48.7	~	~	
	11.30	AU	Trade balance	Feb	\$mn	1,875	~	1,200	
Tue 5 Apr	14.30	AU	RBA cash target	Apr	%	4.75	4.75	4.75	
	Wed 6 Apr	09.30	AU	Ai Group PCI	Mar	Index	44.6	~	~
		11.30	AU	Home loans	Feb	m%ch	-4.5	~	-5.0
11.30		AU	Investment lending	Feb	m%ch	-6.8	~	~	
11.30		AU	Owner-occupied home loan value	Feb	m%ch	-4.6	~	-5.0	
Wed 6 Apr	12.30	CH	China HSBC services PMI	Mar	Index	51.9	~	~	
	15.00	JP	Coincident index CI	Feb	Index	105.9	106.4	~	
	15.00	JP	Leading index CI	Feb	Index	101.5	104.2	~	
Thu 7 Apr	~	JP	BOJ target rate	Apr	%	0.1	0.1	0.1	
	11.30	AU	Employment change	Mar	'000	-10.1	~	25	
	11.30	AU	Unemployment rate	Mar	%	5.0	~	4.9	
	11.30	AU	Participation rate	Mar	%	65.7	~	65.7	
Fri 8 Apr	~	JP	Eco watchers survey: current	Mar	Index	48.4	~	~	
	~	JP	Eco watchers survey: outlook	Mar	Index	47.2	~	~	
	09.50	JP	Current account total	Feb	¥bn	461.9	1743.0	~	
	09.50	JP	Adjusted current account total	Feb	¥bn	1,089.2	1296.5	~	
	09.50	JP	Trade balance - BOP basis	Feb	¥bn	394.5	744.1	~	
	14.30	JP	Bankruptcies	Mar	y%ch	-9.4	9.4	~	



Calendar – North America & Europe

Please note all days and times are UK time, not local release day/times

Date	Time		Event	Period	Unit	Last	Forecast	
	UK	Econ					Market	CBA
Mon 4 Apr	09.30	EZ	Sentix investor confidence	Apr	Index	17.1	~	~
	09.30	EZ	PPI	Feb	y%ch	6.1	6.7	~
	09.30	UK	PMI construction	Mar	Index	56.5	54.8	~
Tue 5 Apr	08.55	GE	PMI services	Mar	Index	60.1	60.1	~
	09.00	EZ	PMI composite	Mar	Index	57.5	~	~
	09.00	EZ	PMI services	Mar	Index	56.9	56.9	~
	09.30	UK	PMI services	Mar	Index	52.6	52.9	~
	10.00	EZ	Retail sales	Feb	m%ch	0.3	~	~
	15.00	US	ISM non-manufacturing composite	Mar	Index	59.7	60.0	~
	19.00	US	Minutes of FOMC meeting	~	~	~	~	~
Wed 6 Apr	~	UK	NIESR GDP estimate	Mar	q%ch	0.2	~	~
	00.01	UK	BRC shop price index	Mar	y%ch	2.7	~	~
	09.30	UK	Industrial production	Feb	m%ch	0.5	0.4	~
	09.30	UK	Manufacturing production	Feb	m%ch	1.0	0.5	~
	15.00	CA	Ivey purchasing managers index	Mar	Index	69.3	~	~
	10.00	EZ	GDP	QIV	q%ch	0.3	0.3	~
	11.00	GE	Factory orders	Feb	m%ch	2.9	0.5	~
Thu 7 Apr	~	US	ICSC chain store sales	Mar	y%ch	4.2	~	~
	11.00	GE	Industrial production	Feb	m%ch	1.8	0.5	~
	12.00	UK	BOE asset purchase target	Apr	£bn	200.0	200.0	~
	12.00	UK	BOE announces interest rates	Apr	%	0.5	0.5	0.5
	12.45	EZ	ECB announces interest rates	Apr	%	1.0	1.25	1.25
	13.30	CA	Building permits	Feb	m%ch	-5.1	~	~
	20.00	US	Consumer credit	Feb	\$bn	5.0	4.8	~
Fri 8 Apr	07.00	GE	Trade balance	Feb	€bn	10.1	~	~
	09.30	UK	PPI input	Mar	y%ch	14.6	13.2	~
	09.30	UK	PPI output	Mar	y%ch	5.3	5.1	~
	12.00	CA	Full time employment change	Mar	'000	-23.8	32.5	~
	12.00	CA	Net change in employment	Mar	'000	15.1	~	~
	12.00	CA	Participation rate	Mar	%	67.0	~	~
	12.00	CA	Part-time employment change	Mar	'000	38.9	~	~
	12.00	CA	Unemployment rate	Mar	%	7.8	7.7	~
	13.15	CA	Housing starts	Mar	'000	181.9	180.0	~
	15.00	US	Wholesale inventories	Feb	m%ch	1.1	1.2	~



Calendar – Key Events To Watch

Australia and New Zealand

Tuesday 5 April

NZ NZIER Quarterly Survey of Business Opinion, Q1

We expect the QSBO to show a decline in business confidence in Q1, reflecting the effects of the devastating Christchurch earthquake on 22nd February (although some of the responses are likely to have been received prior to the earthquake). The NBNZ monthly survey of business confidence showed a sharp fall in business confidence in March. The earthquake made business pessimistic and wary of expanding, and we expect the QSBO will also show declines in hiring and investment intentions.

The inflation indicators would be worth watching, as there are signs of an emerging upward trend in pricing intentions despite the weaker activity. With petrol prices continuing to rise in recent weeks there is the potential for spill-over to generalised inflation.

Tuesday 5 April

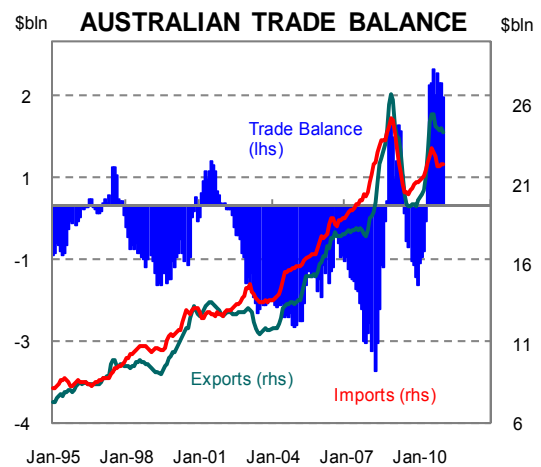
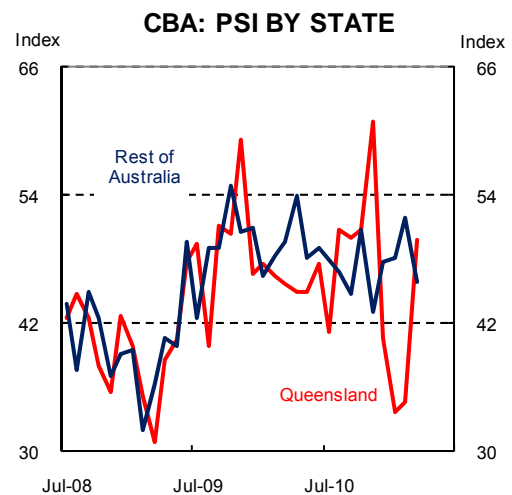
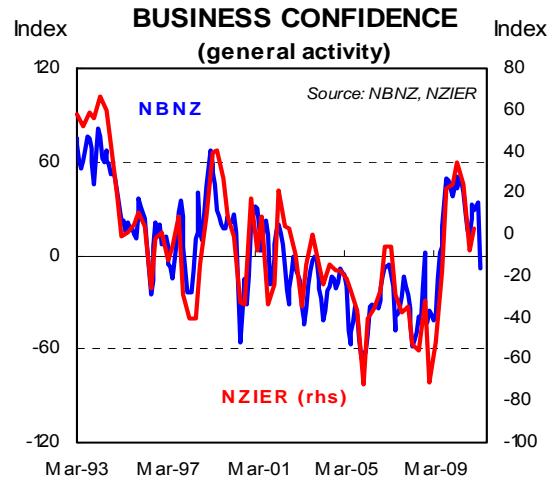
AU CBA-Ai-Group PSI, Mar, Index, (48.7 prev)

Australia's services sector activity indicator is scheduled for release next week. In addition to providing an indication of trends in services, which account for around 70% of economic activity, the PSI is also a timely indicator of the impact of natural disasters and subsequent recovery. In particular, the PSI measure for Queensland has shown the negative impact of recent natural disasters, and the bounce back in activity as recovery and reconstruction momentum has commenced.

Tuesday 5 April

AU Trade balance, Feb, A\$bn, (f) 1.2 (1.88 prev)

Australia's trade balance shrank, marginally, in January to A\$1.88bn. Both exports and imports declined by 4% in the month. Despite the slight decline, the January result was the 10th consecutive trade surplus. Looking ahead Australia's trade outlook remains solid. China led Asian growth continues to push up commodity prices, and in turn lift Australia's terms-of-trade. However, the size of Australia's trade surplus should moderate in coming months. Imports are set to trend higher, a result of a strong domestic economy. The recent Queensland natural disasters are also likely to dampen coal exports. In January, hard coking coal exports fell 37%, while thermal coal volumes dropped 33%. The Queensland effects are likely to have continued in February. In light of the headwinds, we expect the trade surplus to be A\$1.2bn in February.





Tuesday 5 April

AU RBA cash rate, Apr, %, (f) 4.75 (4.75 prev)

We are not expecting the RBA to lift the cash rate at its April policy meeting. But we continue to forecast a further 75bpts worth of rate hikes in 2011, which would lift the cash rate to 5.5% by year-end. The minutes of the March meeting reiterated that the RBA is comfortable with the current monetary policy setting. Cautious consumers and a strong AUD are helping to contain inflation.

Despite the rather neutral tone of the RBA, we believe the framework for further rate hikes remains in place. The RBA continues to stress that it will look through the short-term impacts of the recent domestic natural disasters, and focus on its medium-term policy objective. In that vain, the domestic labour market continues to perform robustly, while the international economy continues to grow above trend. Australia's terms-of-trade is expected to push higher, which will lead to higher profits, investment and incomes in the domestic economy.

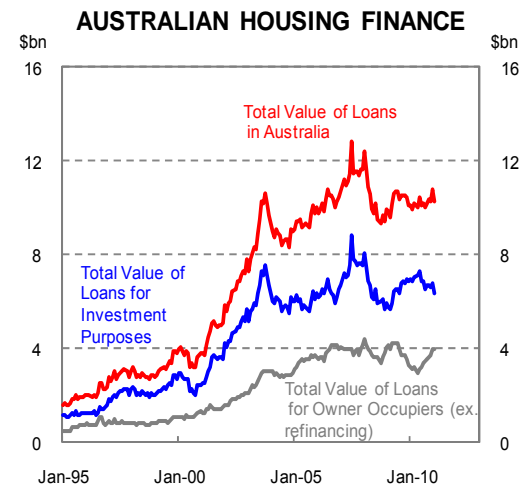
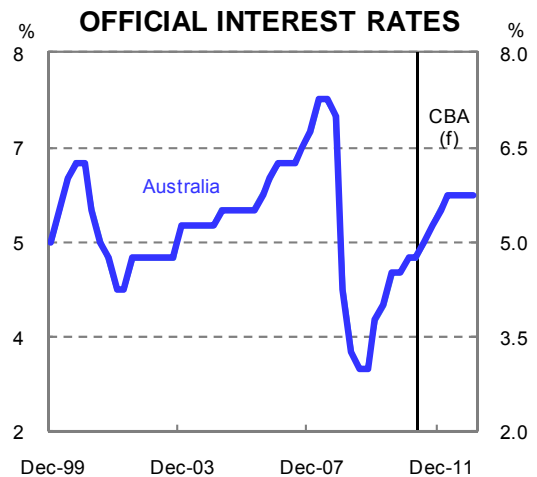
Wednesday 6 April

AU Housing finance, Feb

- **No. of own-occupiers, m%ch, (f) -5.0 (-4.6 prev)**
- **Value of all loans, m%ch, (f) -5.0 (-4.5 prev)**

In January, the number of loans approved declined 4.5%, while the value approved fell 4.6%. The falls in January were largely driven by a slump in Queensland, brought on by the recent natural disasters. Notably, New South Wales and Victoria, themselves recently flood affected, also experienced weather induced declines. Volatility in the housing finance data is likely to continue in coming months. Looking through the weather effects, underlying pockets of concern may be developing. In January, first home buyer approvals fell to a seven year low, while owner-occupied construction lending remains depressed. But, investment lending rose by a robust 8.6% in the month.

While we expect Australia's tight labour market and robust domestic economy to lift housing finance approvals in 2011, the decline in February building approvals, coupled with recent softness in house prices, and the ongoing weather impacts point to a 5% fall in the total value of loans in February.





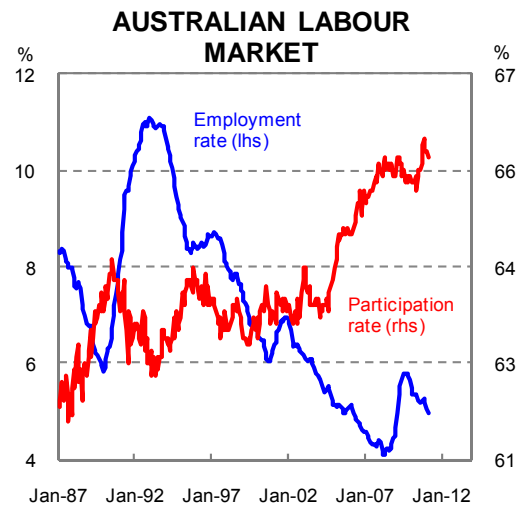
Thursday 7 April

AU Labour force, Mar

- Employment, '000, (f) 25 (-10.1 prev)
- Participation rate, %, (f) 65.7 (65.7 prev)
- Unemployment rate, %, (f) 4.9 (5.0 prev)

Australia's labour market unexpectedly contracted in February, falling by 10,100. But the falls were largely contained to the part-time segment. Part-time employment fell 54,700 in the month. In contrast, full-time employment rose by a robust 47,600 in February. The Queensland effects continue to affect results. In February, 22,200 jobs were lost in the Sunshine state. Hence, ex-Queensland, total employment rose 12,100 in the month.

The underlying strength of the Australian economy continues to be illustrated by the elevated labour force participation rate, which remains around record high levels. Looking ahead, job ads continue to point to strong employment growth. When coupled with the likely rebound in Queensland's labour market and slower population growth, Australia's unemployment rate is likely to fall into the 4's in 2011.



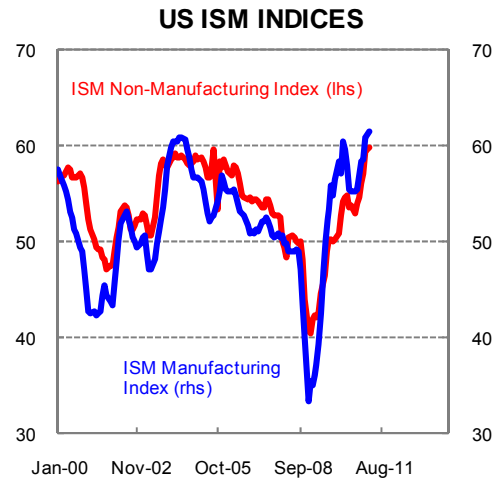


International

Tuesday 5 April

US ISM non-manufacturing, Mar, Index, (59.7 prev)

Key US business sentiment indicators continue to point to an expansion in the US economy. The ISM non-manufacturing index has remained in expansionary territory since September 2009. In February, the ISM non-manufacturing index rose to 59.7. Importantly, the employment sub component of the non-manufacturing ISM continues to climb. It is now at levels not seen since mid 2006. Wider US economic recovery momentum is set to continue in 2011, particularly as US firms gain further confidence and as the labour market improves.

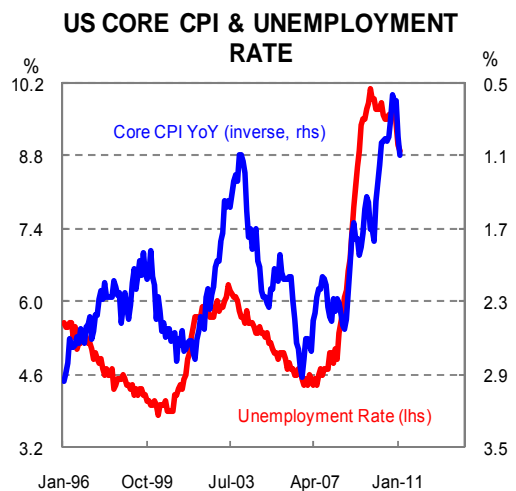


Tuesday 5 April

US FOMC meeting minutes, Mar

In the statement accompanying the March Federal Open Market Committee (FOMC) policy meeting, the FOMC indicated that the US economy was on a “firmer footing and overall conditions in the labour market appear to be improving”. Significantly, the FOMC outlook for the US economy appears to have lifted. Previously the FOMC had indicated that the recovery was “disappointingly slow”. Despite the more positive rhetoric, the Fed, unanimously, left its benchmark interest rate at 0-0.25% and kept the pace of asset purchases unchanged.

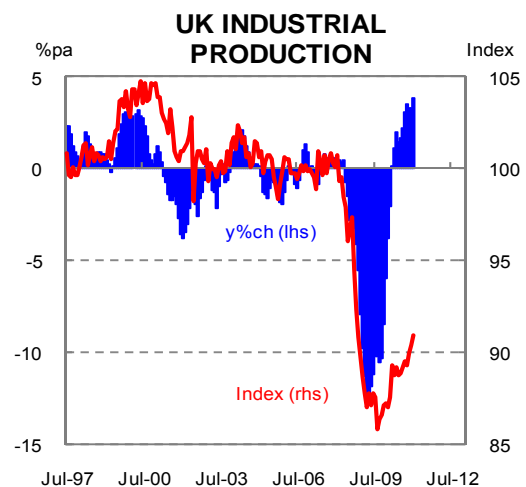
However, in our opinion, the more upbeat tone of the statement, coupled with the recent positive sentiment emanating from various Fed officials and the ongoing improvement in the US economy, indicate that a further round of asset purchases is unlikely. The minutes of the March FOMC meeting will provide further clarity on the outlook for US monetary policy.



Wednesday 6 April

UK industrial production, Feb, m/y%ch, (0.6/4.5 prev)

UK industrial production increased 0.6% in January, up 4.5% from a year earlier. Industrial production has rebounded some 6% from its August 2009 lows. This is in stark contrast to the period between January 2008 and August 2009, when production declined 14%. Despite some pockets of relative weakness, the recovery in the UK economy has been quite robust. The apparent “slowdown” at the turn of the year appears to have been largely weather affected. Relative GBP weakness and an improving global economy bodes well for UK export growth and in turn, production in 2011. But, uncertainty remains, particularly with regard to the impact the UK governments fiscal austerity measures will have on the UK economy. Recently the UK Office for Budget Responsibility forecast UK GDP growth at 1.7% for 2011, down from 2.1% projected in November.

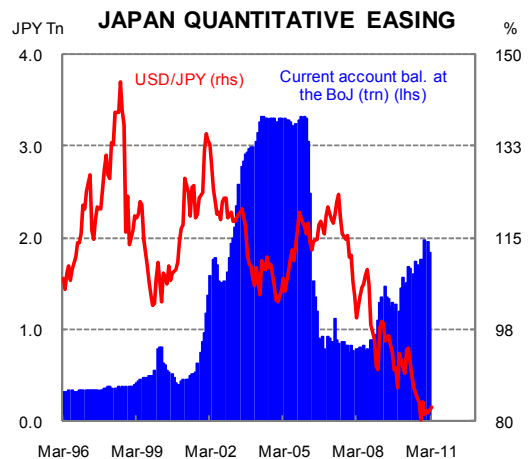




Thursday 7 April

JP BoJ target rate, Apr, %, (f) 0-0.1(0-0.1 prev)

Following the recent tragic natural disasters in Japan, the Bank of Japan (BoJ) decided to add an unprecedented amount of liquidity to the financial system. On 14 March, in an attempt to shield the economy and ease financial market volatility, the BoJ added ¥15 trillion into money markets. In total, the BoJ added ¥40 trillion into the banking system in emergency cash operations between 14 and 22 March. The BoJ also expanded its asset purchase program by ¥5 trillion to ¥10 trillion. In contrast to the US Federal Reserve, the BoJ's asset purchases include ETF's, J-REITS, corporate and government debt. Although financial markets have since stabilized, it is unlikely that the BoJ will withdraw any of its measures. Rather, there is a risk that the continuing fragile state of the Japanese economy may prompt the BoJ to implement further measures designed to promote growth and provide market liquidity.

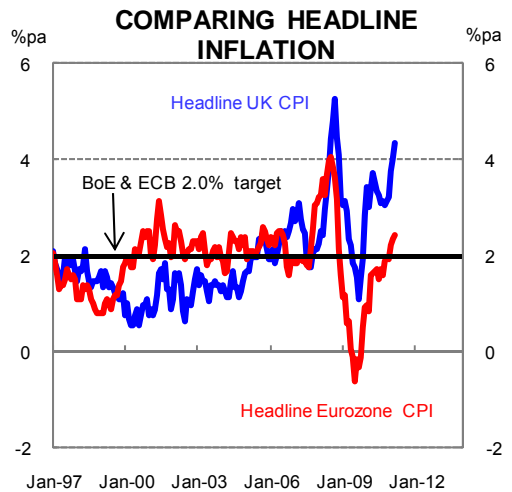


Thursday 7 April

UK BoE announces rates, Apr, %, (f) 0.5 (0.5 prev)

EZ ECB announces rates, Apr, %, (f) 1.25 (1.0 prev)

The Bank of England (BoE) is expected to remain on hold at its April policy meeting. The BoE has kept interest rates at 0.5% since March 2009. We are forecasting BoE policy tightening to commence in late QII 2011. Despite UK inflation continuing to accelerate, the BoE March policy meeting minutes indicated that the Monetary Policy Committee saw "merit in waiting" to assess the impact rising commodity prices will have on UK inflation.

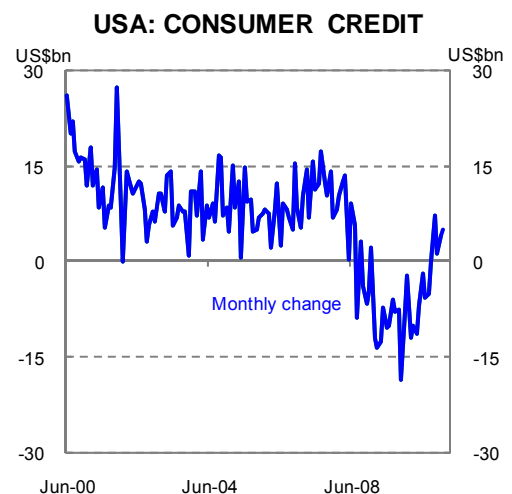


In contrast, we expect the ECB to lift official interest rates by 0.25%, to 1.25%, in April. At the March policy meeting, ECB President Trichet indicated that an April rate hike "was possible". Over the course of the past month, various ECB policy makers have reiterated the central bank's hawkish sentiment and stressed that they could not ignore a buildup of possible second round price effects in the Eurozone. In the year to March, Eurozone inflation accelerated to 2.6%. The ECB's headline inflation target is only 2%. With commodity prices continuing to climb, the ECB is concerned that Eurozone inflation may accelerate further.

Thursday 7 April

US Consumer credit, Feb, US\$bn, (5.014 prev)

US consumer credit rose by US\$5bn in January. It was the 4th consecutive monthly increase. The January result was led by a surge in non-revolving credit. The lift in non-revolving credit signals that consumers may be becoming more confident about their future financial prospects and the US economy, which is leading to more big-ticket purchases. But, even with the inclusion of the recent increases in consumer credit, total borrowing has declined by US\$164bn since October 2008.



As the US labour market improves, consumer spending is expected to lift further. This is significant, as consumption accounts for some 70% of the US economy. The likely increase in consumer credit will be further amplified by a



thawing of credit markets.

Friday 8 April

CA Net change in employment, Mar, '000, (69.2 prev)

CA Unemployment rate, Mar, %, (7.8 prev)

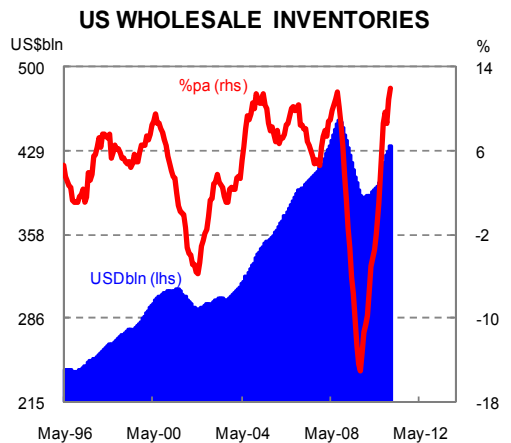
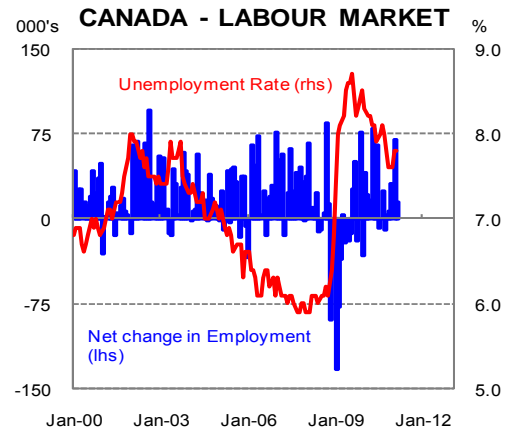
The 15,100 increase in employment in February, was the 5th consecutive monthly employment gain. Interestingly, while part-time employment increased to an eight month high, full-time employment declined by 23,800 in the month. However, despite the disappointing drop in full-time employment in February, Canada's labour market has improved over recent months. Canada's labour market has regained all of the jobs lost during the recent recession.

The lack of private sector jobs growth in the first two months of 2011 appears to be a bump along the upward labour market trajectory. Canada's unemployment rate averaged 6.2% between 2006 and 2008. With Canada's economy expected to expand robustly in 2011, monthly jobs growth should continue, which will in turn push the current 7.8% unemployment rate down.

Friday 8 April

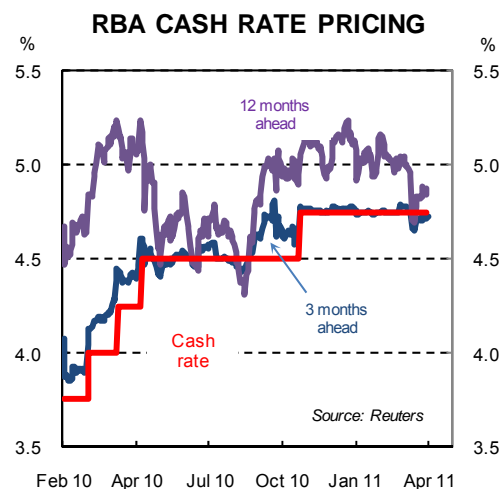
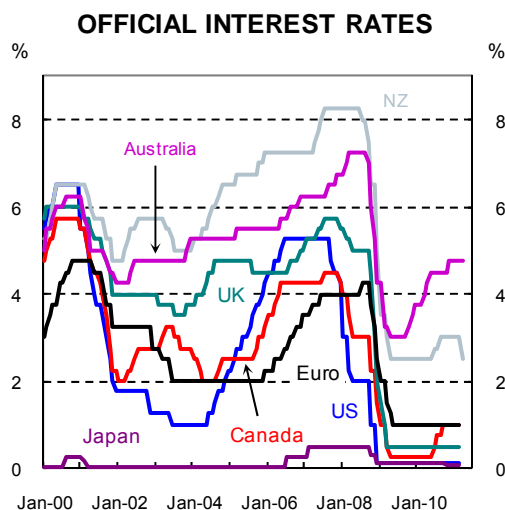
US Wholesale inventories, Feb, m%ch, (1.1 prev)

Wholesale inventories increased by 1.1% in January. The January rise followed on from the upwardly revised 1.3% gain in December. The recent lift in inventories comes as firms try to keep pace with the robust sales demand present in the economy. In January, the sales pace was at its quickest since November 2009, up 3.5% in the month. As a result, the inventory to sales ratio came in at 1.13 months, equal to the record low set in April 2010. With demand likely to remain strong in the coming year, particularly as the labour market improves, orders to factories are set to climb further. As a result, manufacturing is set to remain a key driver of the US economic expansion in 2011.





Monetary Policy



Country	Last Move	Next Meeting and Forecast	CBA View								
Australia (RBA)	25bpt rise to 4.75% on 7 November 2010.	<p>■ 5 April, 2011</p> <table border="1"> <thead> <tr> <th>Jun '11</th> <th>Sep '11</th> <th>Dec '11</th> <th>Mar '12</th> </tr> </thead> <tbody> <tr> <td>5.00%</td> <td>5.25%</td> <td>5.50%</td> <td>5.75%</td> </tr> </tbody> </table>	Jun '11	Sep '11	Dec '11	Mar '12	5.00%	5.25%	5.50%	5.75%	The RBA has normalised monetary policy, and has begun a shift to contractionary rates to head off inflationary pressures. We expect rates to reach 5.50% by QIV 2011.
Jun '11	Sep '11	Dec '11	Mar '12								
5.00%	5.25%	5.50%	5.75%								
US (FOMC)	75-100bpt cut to 0.25% on 16 December 2008.	<p>■ 28 April, 2011</p> <table border="1"> <thead> <tr> <th>Jun '11</th> <th>Sep '11</th> <th>Dec '11</th> <th>Mar '12</th> </tr> </thead> <tbody> <tr> <td>0-0.25%</td> <td>0-0.25%</td> <td>0.50%</td> <td>0.75%</td> </tr> </tbody> </table>	Jun '11	Sep '11	Dec '11	Mar '12	0-0.25%	0-0.25%	0.50%	0.75%	The Fed has announced a further \$600bn QE program in addition to reinvesting maturing funds into Treasury purchases. We do not expect the first Fed Funds hike until QIV 2011.
Jun '11	Sep '11	Dec '11	Mar '12								
0-0.25%	0-0.25%	0.50%	0.75%								
Eurozone (ECB)	25bpt cut to 1.00% on 7 May 2009.	<p>■ 7 April, 2011</p> <table border="1"> <thead> <tr> <th>Jun '11</th> <th>Sep '11</th> <th>Dec '11</th> <th>Mar '12</th> </tr> </thead> <tbody> <tr> <td>1.25%</td> <td>1.25%</td> <td>1.50%</td> <td>1.75%</td> </tr> </tbody> </table>	Jun '11	Sep '11	Dec '11	Mar '12	1.25%	1.25%	1.50%	1.75%	Elevated inflation in the Eurozone is likely to see the ECB commence tightening policy in an effort to preempt the onset of second round inflation effects. We expect the first ECB rate hike to be in QII 2011.
Jun '11	Sep '11	Dec '11	Mar '12								
1.25%	1.25%	1.50%	1.75%								
UK (MPC)	50bpt cut to 0.5% on 5 March 2009.	<p>■ 7 April, 2011</p> <table border="1"> <thead> <tr> <th>Jun '11</th> <th>Sep '11</th> <th>Dec '11</th> <th>Mar '12</th> </tr> </thead> <tbody> <tr> <td>0.75%</td> <td>1.00%</td> <td>1.25%</td> <td>1.50%</td> </tr> </tbody> </table>	Jun '11	Sep '11	Dec '11	Mar '12	0.75%	1.00%	1.25%	1.50%	Members of the BoE are becoming more concerned about UK inflationary pressures. But, most members expect significant spare capacity to dull the near-term pressures. We expect the first move in QII 2011.
Jun '11	Sep '11	Dec '11	Mar '12								
0.75%	1.00%	1.25%	1.50%								
NZ (RBNZ)	50bpt cut to 2.5% on 10 March.	<p>■ 28 April, 2011</p> <table border="1"> <thead> <tr> <th>Jun '11</th> <th>Sep '11</th> <th>Dec '11</th> <th>Mar '12</th> </tr> </thead> <tbody> <tr> <td>2.50%</td> <td>2.50%</td> <td>2.50%</td> <td>2.75%</td> </tr> </tbody> </table>	Jun '11	Sep '11	Dec '11	Mar '12	2.50%	2.50%	2.50%	2.75%	In response to domestic economic weakness and the Christchurch earthquake, the RBNZ delivered a 50bpt rate cut at the 10 March policy meeting. We expect the RBNZ's tightening cycle to resume in QI 2012.
Jun '11	Sep '11	Dec '11	Mar '12								
2.50%	2.50%	2.50%	2.75%								
Canada (BoC)	25bpt rise to 1.00% on 8 September 2010.	<p>■ 12 April, 2011</p> <table border="1"> <thead> <tr> <th>Jun '11</th> <th>Sep '11</th> <th>Dec '11</th> <th>Mar '12</th> </tr> </thead> <tbody> <tr> <td>1.25%</td> <td>1.50%</td> <td>1.75%</td> <td>2.00%</td> </tr> </tbody> </table>	Jun '11	Sep '11	Dec '11	Mar '12	1.25%	1.50%	1.75%	2.00%	The Canadian economy is recovering, and the BoC has begun to remove stimulus. We expect a slow and steady removal of policy accommodation to ensue.
Jun '11	Sep '11	Dec '11	Mar '12								
1.25%	1.50%	1.75%	2.00%								
Japan (BoJ)	0-10bpt cut to 0-0.1% on 5 October 2010.	<p>■ 7 April, 2011</p> <table border="1"> <thead> <tr> <th>Jun '11</th> <th>Sep '11</th> <th>Dec '11</th> <th>Mar '12</th> </tr> </thead> <tbody> <tr> <td>0-0.10%</td> <td>0-0.10%</td> <td>0-0.10%</td> <td>0-0.10%</td> </tr> </tbody> </table>	Jun '11	Sep '11	Dec '11	Mar '12	0-0.10%	0-0.10%	0-0.10%	0-0.10%	In response to the recent natural disasters, the Bank of Japan has implemented further quantitative easing measures. Monetary policy in Japan is likely to remain accommodative for some time.
Jun '11	Sep '11	Dec '11	Mar '12								
0-0.10%	0-0.10%	0-0.10%	0-0.10%								



Forecasts - Economic

	Fiscal Years						Calendar Years						
	2007/08 (a)	2008/09 (a)	2009/10 (a)	2010/11 (f)	2011/12 (f)	2012/13 (f)	2006 (a)	2007 (a)	2008 (a)	2009 (a)	2010 (a)	2011 (f)	2012 (f)
Economic Activity													
Private final demand	6.4	0.1	0.8	2.9	5.6	4.4	3.7	7.1	3.1	-0.7	2.0	4.4	5.2
<i>Of which:</i> Household spending	4.7	0.2	2.1	3.0	3.1	3.0	3.4	5.4	1.9	1.0	2.7	3.1	3.0
Dwelling investment	1.2	-1.9	2.1	2.4	4.1	-0.2	-3.0	3.0	2.1	-4.2	4.8	2.3	2.8
Business investment	15.8	1.4	-4.9	4.3	15.1	10.8	8.5	16.1	9.5	-5.3	-0.9	10.9	14.1
Public final demand	4.2	3.6	6.7	6.0	2.7	0.4	3.7	3.4	6.3	1.6	9.1	5.1	-0.6
Domestic final demand	5.9	0.9	2.1	3.7	4.9	3.4	3.7	6.3	3.8	-0.1	3.6	4.6	3.8
Inventories (contrib to GDP)	0.0	-0.4	0.3	-0.1	0.1	0.1	-0.4	0.6	-0.3	-0.4	0.4	-0.1	0.2
GNE	5.9	0.4	2.4	3.6	5.0	3.5	3.2	6.9	3.5	-0.5	4.1	4.5	4.0
Exports	4.0	2.6	5.1	3.4	7.1	8.5	2.3	2.5	4.7	2.8	5.3	3.8	8.4
Imports	14.6	-3.3	4.9	10.1	10.3	8.5	7.0	12.2	11.5	-9.0	13.2	10.5	8.6
<i>Net exports (contrib to GDP)</i>	<i>-2.1</i>	<i>1.4</i>	<i>0.1</i>	<i>-1.5</i>	<i>-0.8</i>	<i>-0.1</i>	<i>-0.8</i>	<i>-1.9</i>	<i>-1.5</i>	<i>2.8</i>	<i>-1.6</i>	<i>-1.6</i>	<i>0.0</i>
GDP	3.8	1.4	2.3	2.4	4.1	3.4	2.6	4.6	2.6	1.3	2.7	2.9	3.8
Prices & Wages													
CPI	3.4	3.1	2.3	3.0	3.0	2.7	3.5	2.3	4.4	1.8	2.8	3.2	2.9
Underlying CPI	3.7	4.3	3.1	2.3	3.0	2.9	2.8	2.9	4.4	3.7	2.6	2.6	3.1
AWOTE	4.9	5.5	5.6	4.0	4.2	3.9	3.4	4.8	4.8	5.7	4.9	4.0	4.2
WPI	4.1	4.1	3.0	3.9	4.1	4.0	4.2	4.0	4.2	3.6	3.3	4.2	4.0
Real h/hold disposable income	2.9	8.5	1.0	4.3	1.3	2.8	5.7	6.4	4.7	5.8	2.2	2.8	1.9
Labour Market													
Employment	3.0	1.6	1.4	3.0	1.7	2.0	2.6	3.1	2.8	0.7	2.7	2.2	1.8
Unemployment rate	4.2	4.9	5.5	5.0	4.6	4.5	4.8	4.4	4.3	5.6	5.2	4.8	4.5
External Accounts													
Current Account: \$bn	-74.5	-38.5	-53.3	-28.2	-47.1	-56.2	-55.2	-70.2	-55.2	-52.9	-34.5	-35.6	-54.7
% of GDP	-6.3	-3.1	-4.1	-2.0	-3.2	-3.5	-5.3	-6.2	-4.5	-4.2	-2.6	-2.5	-3.6



Forecasts - Financial

End Period	Interest Rates					Exchange Rates				
	Cash Rate	90-day Bank Bill	180-day Bank Bill	3-year Bond	10-year Bond	USD versus				
						AUD	JPY	EUR	GBP	NZD
Sep-07	6.50	6.89	6.99	6.42	6.15	0.89	114.8	1.43	2.05	0.76
Dec-07	6.75	7.24	7.36	6.80	6.33	0.88	111.7	1.46	1.98	0.77
Mar-08	7.25	7.86	7.96	6.16	6.05	0.91	99.7	1.58	1.98	0.79
Jun-08	7.25	7.84	7.96	6.72	6.45	0.96	106.2	1.58	1.99	0.76
Sep-08	7.00	7.32	7.04	5.07	5.40	0.79	106.1	1.41	1.78	0.67
Dec-08	4.25	4.15	0.00	3.29	3.99	0.70	90.7	1.40	1.46	0.58
Mar-09	3.25	3.14	3.06	3.37	4.42	0.69	99.0	1.33	1.43	0.56
Jun-09	3.00	3.19	3.31	4.75	5.52	0.81	96.4	1.40	1.65	0.65
Sep-09	3.00	3.38	3.78	5.04	5.36	0.88	89.7	1.46	1.60	0.72
Dec-09	3.75	4.28	4.47	5.06	5.64	0.90	93.0	1.43	1.62	0.72
Mar-10	4.00	4.49	4.76	5.39	5.78	0.92	93.4	1.35	1.52	0.71
Jun-10	4.50	4.92	5.00	4.56	5.09	0.84	88.4	1.22	1.49	0.68
Sep-10	4.50	5.01	5.20	4.82	4.96	0.97	83.5	1.36	1.57	0.73
Dec-10	4.75	5.04	5.23	5.30	5.55	1.02	81.1	1.34	1.56	0.78
Mar-11	4.75	5.00	5.40	5.30	5.60	1.03	83.1	1.42	1.60	0.76
Jun-11	5.00	5.30	5.60	5.60	5.80	0.99	86.0	1.45	1.70	0.75
Sep-11	5.25	5.60	5.70	5.80	5.90	0.94	87.0	1.42	1.68	0.72
Dec-11	5.50	5.80	5.90	5.90	6.00	0.92	88.0	1.40	1.65	0.71
Mar-12	5.75	6.00	6.00	5.90	6.00	0.90	88.0	1.36	1.60	0.70

Forecast

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