Global Markets Research

Economics: Perspective

24 June 2011

CommonwealthBank

The Week Ahead

- The Greek sovereign debt issue continues to play out in markets. The focus this week is the Greek austerity vote.
- The Australian labour market has been a point of focus. We examine the regional trends in Australia's labour market.
- Data releases of note this week include the US ISM manufacturing index, Eurozone CPI, & Japanese Tankan.

Markets continue to be in a state of flux. Participants appear concerned, given the growing uncertainty in areas of the global economy. The Greece sovereign debt issue remains a focus. Greek Prime Minister George Papandreou survived a confidence vote early in the week. But, focus returns to the Greek Parliament this week. The Greek Government must now pass additional austerity measures (the vote is likely to be on Tuesday), which should trigger the release of the next tranche of its aid package. Given the government majority, the expectation is for the measures to pass. Prime Minister Papandreou appears confident that this will occur. Reports indicate Prime Minister Papandreou gave assurances to the EU/IMF that the measures will be accepted. Subsequently, the European Council pledged to help Greece meet its July financing needs, while also endorsing the "*pursuit of voluntary private sector involvement in the form of informal and voluntary roll-overs of existing Greek debt at maturity*".

The US Federal Open Market Committee (FOMC) ,and Federal Reserve (Fed) Chairman Ben Bernanke, added to the market tension. As expected the FOMC left policy unchanged, but market moves were driven by associated comments. The FOMC indicated the current soft patch in the US economy may continue. Despite reiterating that the moderation in growth is being driven largely by transitory factors, the FOMC lowered its 2011 and 2012 growth forecasts. The FOMC now anticipates the US economy to expand by 2.8% in 2011 (prev 3.2%) and 3.5% in 2012 (prev 3.7%). In the accompanying press conference Chairman Bernanke appeared to extinguish the idea that a further round of asset purchases will be undertaken, despite the moderation in growth momentum. Bernanke noted that core US inflation is trending higher. A catalyst behind the decision to commence QEII was the looming threat of deflation. But, given the expected moderation in the US economy and the likely future fiscal consolidation, there is a risk the Fed remains in an accommodative policy stance for an extended period. In contrast to the FOMC, there is a growing risk the Bank of England (BoE) may undertake additional asset purchases. Despite elevated UK inflation, the weakness in the underlying UK economy appears to be the focus of the BoE. In the minutes of the June policy meeting, the Monetary Policy Committee was rather dovish in their tone. Some members indicated that the "*current weakness of demand growth was likely to persist for longer than previously thought*". Significantly, given the subdued outlook, some members indicated that "*further asset purchases might become warranted*" at some point if the downside risks mentioned materialised.

Despite the softness in parts of the developed economy, the IMF has not changed its global outlook. However, despite the IMF maintaining its 2011 and 2012 global growth forecasts, it has acknowledged downside risks are present. Our Currency Strategist, Joseph Capurso, outlines the IMF's recent update on the global economy from page two.

Domestically the economic focus was the Reserve Bank of Australia's (RBA) June policy minutes. The market interpretation of the minutes seemed to be that the RBA was in no hurry to tighten policy. However, the subtext of the minutes implied that the developments in the Australian economy were largely as anticipated. In that vein, a strong QII CPI (released 27 July) should see the RBA lift rates in the near-term. We maintain our call for an August rate hike. Recent focus in the Australian economy has been on the relative under-performance of the labour market. Our Economist, James McIntyre, investigates the trends in the Australian labour market, via the use of Heat Maps from page three. In a labour market filled perspective, our Senior Economist, Michael Workman, looks at the unemployment picture in the Australian capital cities from page eight. The only data release of note in Australia is the May Private Sector credit data, released on Thursday. Assistant RBA Governor Guy Debelle speaks on Tuesday.

Across the Tasman, our New Zealand Economist, Chris Tennent-Brown, examines the New Zealand Government's earthquake relief package, designed to help the worst affected Christchurch property owners. The focus in New Zealand is likely to be the May trade data, released on Monday. We are expecting a slight moderation in the trade surplus.

Internationally, the data focal points are likely to be the Eurozone CPI data (Thursday) and the US ISM data (Friday).

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International Economic Perspective

International Monetary Fund's global update

- The IMF has left their global economic forecasts for 2011 and 2012 broadly unchanged.
- As usual, global economic growth is being led by Asia.
- High public debt in Japan, the US and Europe is viewed as the main risk to the global economy.

The pause that refreshes?

In the IMF's view, global economic activity is slowing, though the slowdown is probably temporary. Global activity is estimated to have slowed in the June quarter 2011 to 4.3% (saar), but the IMF projects a reacceleration in the second half of the year. Overall, the IMF has kept its economic forecasts for the global economy broadly unchanged at 4.3% and 4.5% in 2011 and 2012 respectively.

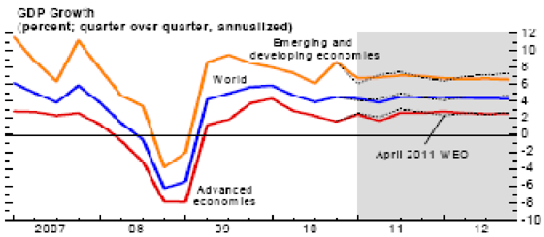
While the global recovery is expected to continue, the expansion remains unbalanced. Growth in the advanced economies is projected to be weak, at only 2.2% in 2011 and 2.6% in 2012. The IMF sliced ¼% off their US economic forecasts for both 2011 and 2012 to reflect the effects of higher commodity prices, bad weather and supply chain disruptions. The IMF also sliced a massive 2% off their previous 2011 Japanese economic forecast (to -0.7%) to reflect the impact of the tsunami.

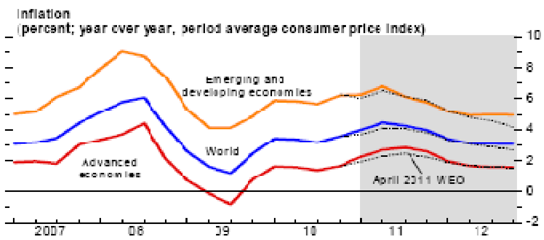
By contrast, economic growth in emerging economies is expected to be strong at 6.6% and 6.4% in 2011 and 2012 respectively. For emerging Asia, the IMF projects economic growth of 8.4% in both 2011 and 2012. Strong global economic growth, led by Asia, is a beneficial backdrop for commodity exporters like Australia and New Zealand.

Global inflation picked up from 3½%pa in the last quarter of 2010 to 4%pa in the first quarter of 2011, more than ¼ percentage points higher than the IMF projected in April. Inflation accelerated mainly because of larger-than-expected increases in commodity prices. However, core inflation also crept up across a number of economies. Among advanced economies, core inflation remained subdued in the United States and Japan, and rose moderately in the euro area. Among emerging and developing economies, inflation pressures have become increasingly broad-based, reflecting a higher share of food and fuel in consumption and also accelerating demand pressure.

The IMF views the downside risks to future global economic growth as having increased since their last update in April. Governments in Japan, the US and several smaller economies in Europe need to present credible plans to bring their budget deficits under control. Given the tepid recoveries in these economies so far, budget consolidation should be gradual and sustained so as to not undermine growth prospects. The IMF is of the opinion a deterioration in market confidence regarding governments fiscal consolidation, could impair funding for banks and businesses and cut capital flows to emerging economies.

	Economic growth		
%pa	**2010**	**2011**	**2012**
World	5.1	4.3	4.5
Advanced economies	3.0	2.2	2.6
US	2.9	2.5	2.7
Euro area	1.8	2.0	1.7
Germany	3.5	3.2	3.0
France	1.4	2.1	1.9
Italy	1.3	1.0	1.3
Spain	-0.1	0.8	1.6
Japan	4.0	-0.7	2.9
UK	1.3	1.5	2.3
Canada	3.2	2.9	2.6
Emerging economies	7.4	6.6	6.4
Europe	4.5	5.3	3.2
Russia	4.0	4.8	4.5
Asia	9.6	8.4	8.4
China	10.3	9.6	9.5
India	10.4	8.2	7.8
Latin America	6.1	4.6	4.1
Middle East	4.4	4.2	4.4
Africa	5.1	5.5	5.9





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Australian Economic Perspective

Unpicking the patchwork economy – regional & industry jobs growth

- Labour market outcomes are a useful barometer of the health of the economy, and of regions and industries therein.
- Divergences in industry and regional economic outcomes are apparent from labour market data.
- We have applied the "Heat Map" concept to the labour market data to illustrate the "patchwork" nature of the economy.

The "patchwork economy" has emerged as the description of the economy that is currently in vogue. There are always divergences in economic fortunes across and within regions and industries. Labour market outcomes are one measure of economic performance.

Employment growth, at 2.3% over the year to May 2011, is running at about the decade average pace. But within the total employment outcomes there are significant divergences.

We have broken down the labour market into individual regions (capital city vs rest of state) and industries, grouped these according to their proportional share of total employment. Each segment has been assigned a colour, depending on whether the annual pace of growth over the year to May 2011 was above, around, or below the decade average. These "Heat Maps" illustrate where jobs growth is strongest, and which industries or regions are struggling. They illustrate the "patchwork" effects occurring across the economy.

Over the year to May 2011 (May quarter) there were 249.3k jobs created. Surging mining sector employment accounted for only 35.2k of these jobs. Sectors that experienced weaker outcomes are those with exposure to the higher currency. Employment in tradeable sectors is lagging jobs growth in non-tradeable sectors.

Surprise outcomes are also apparent. The strength in retail sector jobs growth is one area in particular, given the downbeat commentary from the retail sector, and subdued retail sector spending growth. Employment in retail trade grew at an above-trend pace of 2.8% over the year May 2011. Other sectors of strength included the education and health sectors, where growth is being driven by significant demographic trends.

Significant divergences across the regions is also apparent in the labour market trends. Jobs growth in the capital cities is lagging regional employment growth outcomes. There is a link here to the industry composition of jobs growth. There are no major minerals or energy projects built in the suburbs of Sydney or Melbourne.

Even in States with weaker jobs growth outcomes, such as Queensland and Tasmania, the heat map illustrates that regional employment growth outcomes are exceeding jobs growth in the capital cities.

Employment growth has moderated trend-type levels.

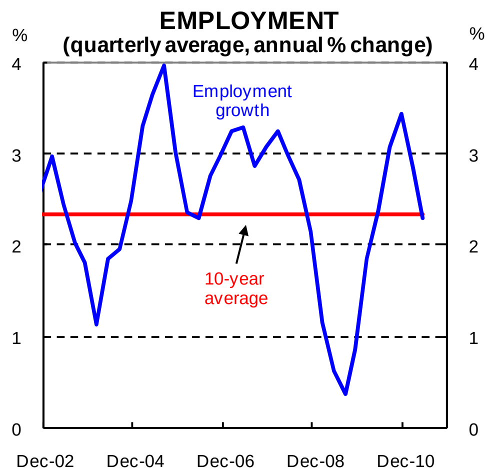
Jobs growth has slowed, following a surge in employment over 2010. Employment growth has slowed to 2.3% over the year to May 2011. The pace of jobs growth is around the 10-year average.

The labour market is often looked to as an indicator of broader economic activity. We have broken down recent jobs data into industry and regional outcomes to illustrate the 'patchwork' of outcomes across the economy.

Significant divergences across tradeable vs non-tradeable sectors.

The industry heat maps highlight that jobs growth is not all about mining. Of the 249.3k jobs created over the year to May 2011 (May quarter) only 35.2k were in mining. The impacts of the higher dollar are apparent, with employment growth in tradeable sectors lagging non-tradeables.

The strength in retail employment appears surprising, given anecdotal commentary from retailers. Retail employment rose by 34.0k over the year to May 2011, growing at an above-trend pace of 2.8%.



Regional labour markets are stronger than capital cities.

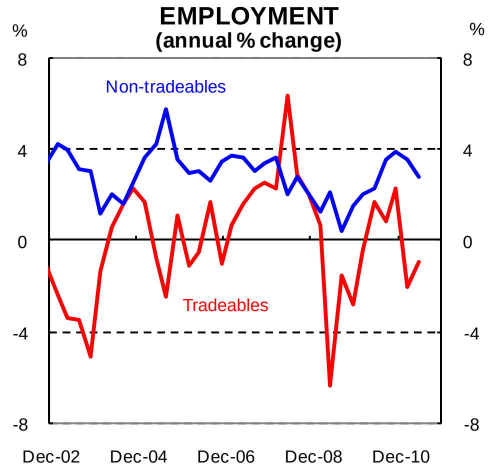
There is also a clear regional dimension to divergences in the labour market. From the heat maps it is clear that jobs growth in regional areas is outperforming capital city growth. Over the three months to May 2011 regional employment growth was 3.2%, compared to 2.1% for capital cities. Even in States with weaker employment growth, like Qld and Tasmania, growth in the regions is exceeding the state capital.

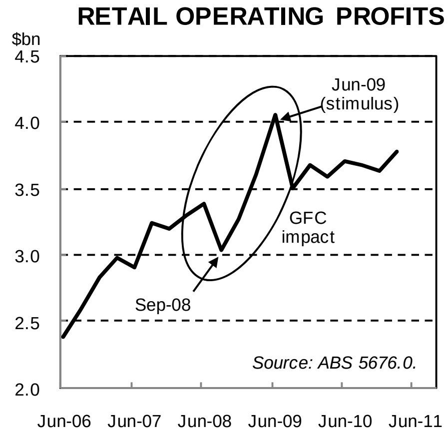
Regional labour force growth has been stronger than capital city growth. A surge in participation has been the key driver. Regional participation rates over the past decade have lagged capital city participation rates but a larger proportion than in previous decades. There may be some scope to lift regional participation rates. With the mining boom driving regional employment opportunities higher increases in participation could be an important component of increasing the supply of available labour to meet demand.

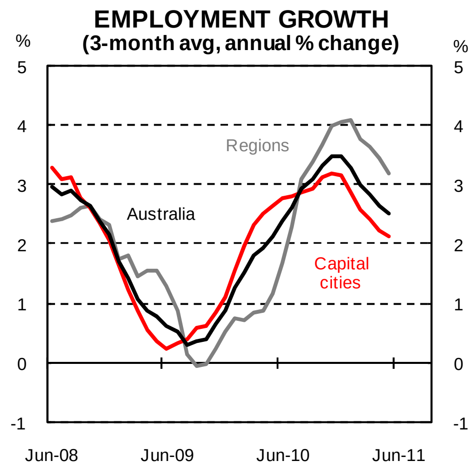
How to read the Heat Maps

The labour market is broken down into its individual categories (industries, or capital city-rest of state). The size of each box on the map corresponds to the share of the labour market attributable to each category. The label inside each square details the category (industry, region), its share of employment, and growth over the year to May 2011.

A colour is allocated depending on the pace of growth. The colour spectrum is designed to indicate where jobs growth is weak (red), around trend (blue) or strong (dark green).





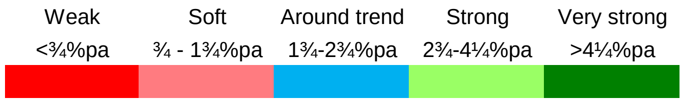


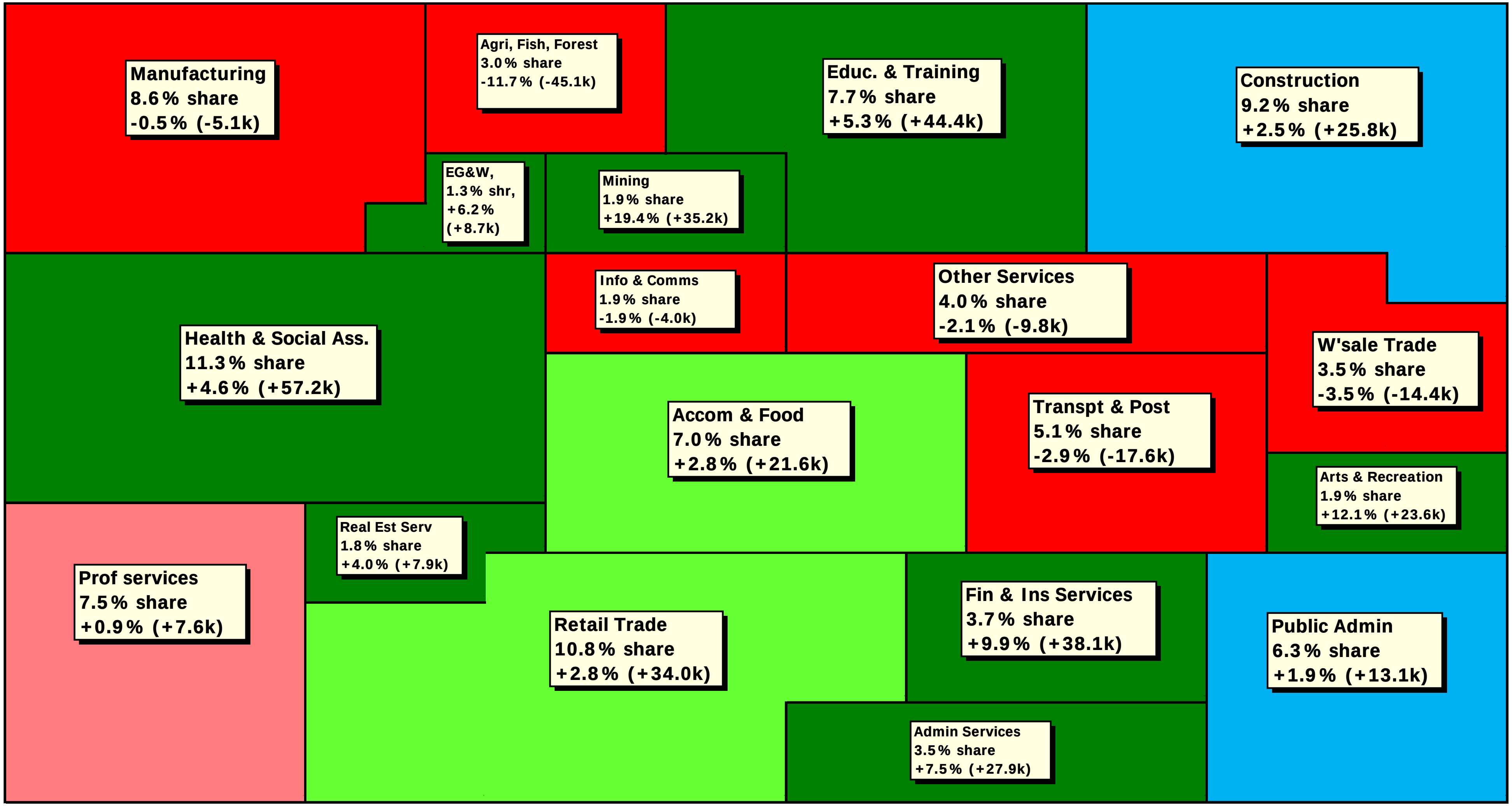
Industry employment heat map – annual jobs growth

Colours below correspond to annual % change, May 2011, using original data.

Employment CAGR - 10 years to May 2011: +2.3%

Legend





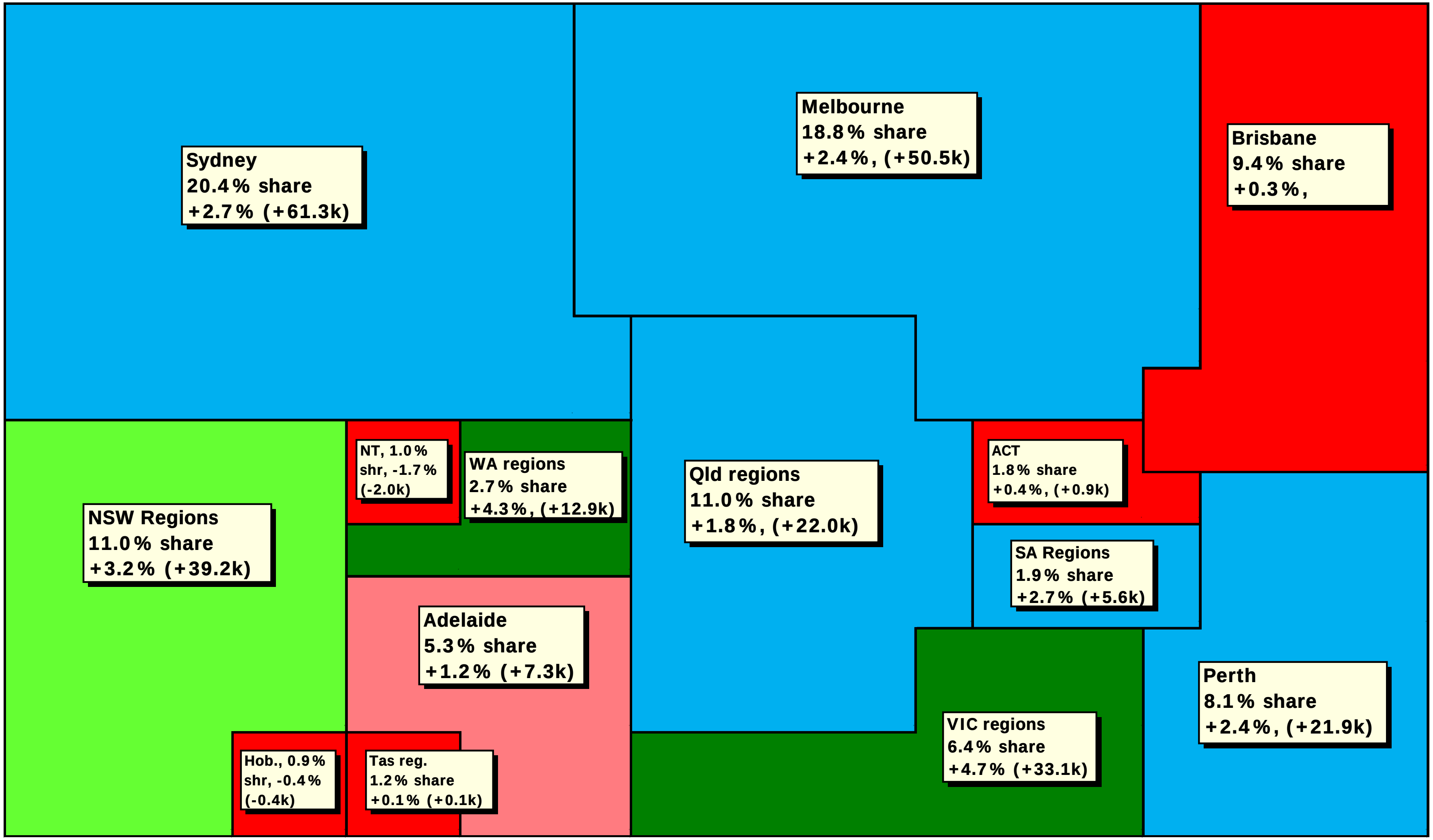
Regional employment heat map – annual jobs growth

Colours below correspond to annual % change, May 2011, using original data.

Employment CAGR - 10 years to May 2011: +2.3%

Legend

Weak	Soft	Around trend	Strong	Very strong
<¾%pa	¾ - 1¾%pa	1¾-2¾%pa	2¾-4¼%pa	>4¼%pa



Comments on Heat Map 1 – Employment by Industry

Manufacturing sector weak, but outcomes mixed.

Employment outcomes across the manufacturing sector have been very mixed. Sectors of the industry linked to weaker parts of the economy, or exposed to international competition have experienced large declines in employment. Over the year to May 2011 employment has fallen by 10.1% in textile, clothing and footwear manufacturing, 15.7% in wood product manufacturing, and 23.0% in furniture and other manufacturing. Meanwhile, there have been strong increases in petroleum and coal product manufacturing (+83.6), primary metal and metal product manufacturing (+12.9%), transport equipment manufacturing (+10.4%), printing (+10.7%) and pulp and paper product manufacturing (+7.5%).

Baby boom is boosting education employment.

Employment in the education and training sector has grown rapidly over the past two years. Detailed sectoral data reveals that this growth has been dominated by increased employment in primary and secondary school education. This surge is consistent with the surge in births that began in 2004/2005. Adult, community and other education employment is also rising strongly (+13.2% over the year to May 2011) as demand for skills picks up.

Ageing population driving aged care jobs growth.

Jobs growth in the health and social assistance sector has also been strong. The strongest growing component of this industry is the residential aged care services sector (+7.7% over the year to May 2011). This strength corresponds with the other strongly growing component of the population – the over 65s.

Comments on Heat Map 2 – Employment by region

Brisbane employment has slowed.

Capital city jobs markets have lost momentum. This is particularly the case in Brisbane, where employment growth has slowed to 0.3% over the year to May 2011, compared to 3.3% over the year to May 2010.

The employment opportunities from the mining boom are concentrated in regional areas. No major LNG plants, iron ore mines or port facilities are being built in the suburbs surrounding Sydney or Melbourne. But jobs growth has been relatively strong in Sydney and Melbourne. Encouraging employees to switch out of jobs in the capital cities for jobs in the regions is a difficult task. It usually involves having to bid up wages in order to poach workers.

Disparity between regions and capital largest in Victoria.

Regional jobs growth has exceeded the capital city growth rate in every State. The largest divergence has been experienced in Victoria, where jobs growth in the regions (+4.7%) is outpacing Melbourne jobs growth (+2.4%) by a very wide margin.

Even in States where employment growth is weaker, such as Queensland, regional jobs growth is relatively robust.

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Australian Economic Perspective

Capital city unemployment rates?

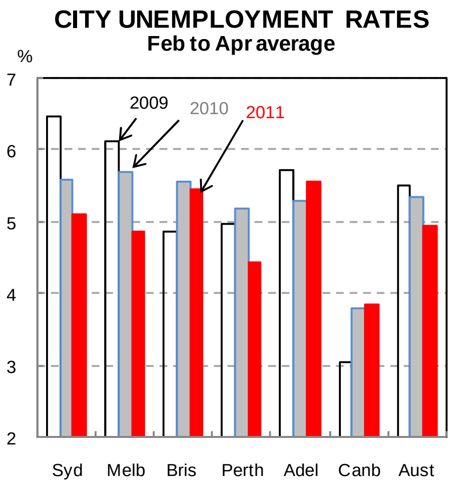
- The major cities have displayed significantly different unemployment rate trends in from early 2009 to 2011.
- It may partly explain the divergence in national retail and commercial office vacancy trends.
- Melbourne, down 1.2%, and Sydney, down 1.4%, have recorded sizeable falls in their unemployment rates.
- Perth, down 0.5%, and Adelaide, down 0.2%, are close behind.
- But Brisbane's unemployment rate rose 0.6% and Canberra's was up by 0.8%.
- There are also major variations in the suburban unemployment rates. But Melbourne and Sydney still perform well.
- National jobs growth is slowing, but is still likely to push the unemployment rate gradually lower in some cities.

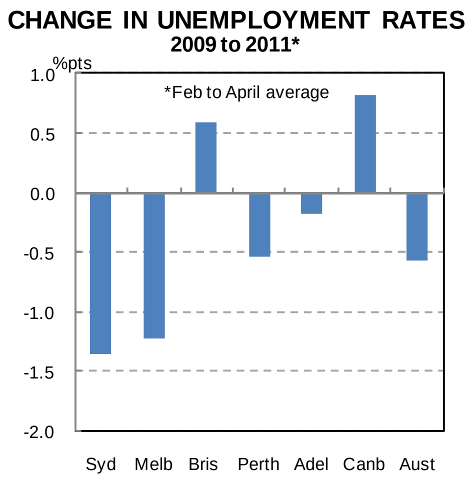
Summary

Favourable jobs market conditions, in our view, have taken a back seat to other economic indicators over the past year. Much of the economic discussion has concentrated on issues related to "consumer caution" and the two, or three, speed economy. Lately, the spotlight has been focussed on the reasons for relatively weak spending in traditional retail areas. The basis for concluding that retailing conditions could be significantly stronger than the current experience is the robust jobs market performance. Annual jobs growth is about 3%, resulting in the national unemployment rate falling to under 5%. But the trend to lower unemployment rates is not uniform.

The unemployment rate trends appear to have been the most favourable in Melbourne and Sydney over the past few years. Adelaide and Perth have also benefited, but to a lesser extent. The recovery in jobs post the Global Financial Crisis period appears to have been particularly strong in the inner-city areas of Melbourne and Sydney, judging by the decline in those unemployment rates.

Firmer jobs growth in Melbourne, Sydney and Perth aligns with our previous research that highlighted the strength of white collar jobs growth. More generally, we see it as a factor in the emerging shift to lower commercial office vacancy rates in Melbourne, Sydney and Perth. Lower inner-city unemployment rates - the gentrification effect - in these three cities could be a factor keeping inner-city residential vacancy rates at relatively low levels and pushing rents higher.





Australia's jobs market performance has been relatively robust.

Australia's relatively low unemployment rate sets it apart from the experience in many advanced economies after the GFC. While unemployment in Australia rose quickly in the GFC period, from early 2008 though to a peak in late 2009, the job loss was comparatively small. The total number of unemployed persons, from the ABS data, rose from around 446k in early 2008 to a peak of 675k in May 2009, a rise of 51%. The national unemployment rate rose from its February 2008 low of 4.0% to a peak of 5.8% in mid 2009.

NSW, Vic and WA have strongest falls in unemployment rates.

The unemployment rate falls across the States have been noticeably stronger in NSW, Victoria and WA since mid 2009 than the other States. In contrast, Queensland's unemployment rate is higher. The differences between the city unemployment rates are also quite stark. And within the metropolitan areas there are wide divergences in unemployment rate levels, even though the trends are often in the same direction.

State and city comparisons.

The pattern in Australia is that more than half of the State population usually lives in the metropolitan areas of its capital city. The exception is Queensland where the population is spread across the major regional centres. So, except for Brisbane, you could expect the trends in State unemployment rates to reflect the broader picture in the relevant capital city.

Inner Sydney unemployment lower than central western area.

The unemployment rate falls in broader Sydney have been reasonably consistent over the past few years. With the inner-city declines, to under 4%, particularly noticeable. Sydney's central western suburbs had a noticeably worse unemployment rate outcome in 2010 than the inner suburbs and the overall city. Though there appears to have been a dramatic reduction in the spread of unemployment rates from 2010 to early 2011.

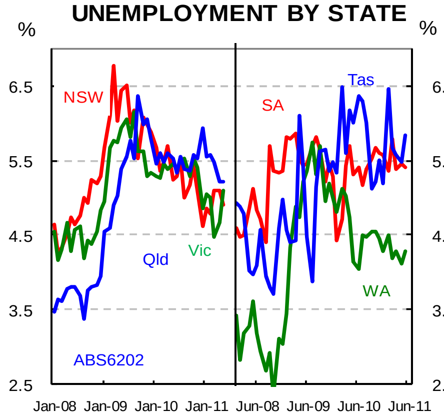
Melbourne and Perth patterns similar to Sydney.

Melbourne's experience is similar to Sydney's, with a general trend to lower unemployment rates in 2001 compared to a year earlier. The north western suburbs still have much higher unemployment rates than the inner-city areas. Perth's outcomes are also like those of Sydney and Melbourne. That is, broad trends to lower unemployment rates.

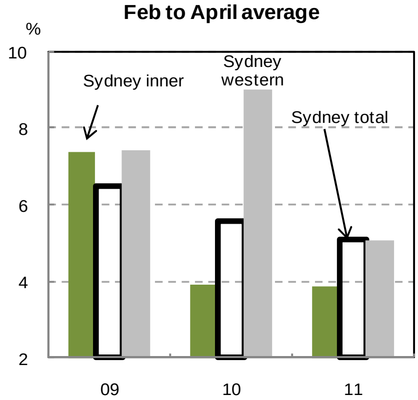
Brisbane's unemployment rate has risen.

Brisbane's experience has been different to the other cities. Unemployment rates in the inner city have trended lower. But the total Brisbane rate has moved higher. Queensland, and Brisbane, appear to have experienced a slower recovery from the GFC than the other States and their cities. The relatively high commercial office vacancy rate in Brisbane and subdued retail performance aligns with the weak employment outcomes over the past two years.

UNEMPLOYMENT BY STATE



UNEMPLOYMENT RATES
Feb to April average



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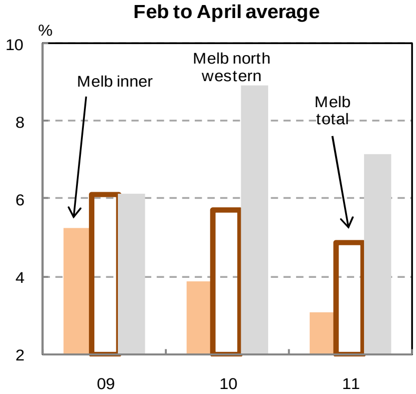

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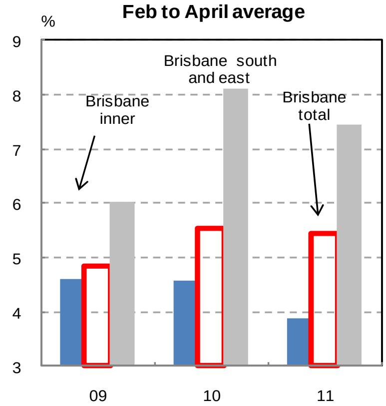

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New Zealand Economic Perspective

After the earthquake – moving forward on the residential rebuild.

- The Government has announced a relief package for property owners in the worst affected suburbs of Christchurch.
- Government offers to buy out owners of approximately 5,100 homes. Uncertainty remains for at a further 10,000 homes.
- There are no implications for Government debt programme at this point.

Some certainty created for over 5000 households in Canterbury.

Many houses and CBD commercial buildings have been badly damaged by the earthquakes in Canterbury. For the last 9 months the outlook has been very uncertain for thousands of homeowners who have had their homes and neighbourhoods badly damaged.

Government relief package established.

The Government has just announced a relief package for property owners in the worst affected suburbs of Christchurch, now called the red zone*. The Government has offered to buy properties in the 'red zone' off owners, and will itself receive any outstanding insurance payments.

*Zone descriptions

Four zones set up in Christchurch,

Red zone = no rebuild, as extensive land remediation needed and would take 3-5 years before houses could be rebuilt.

Orange zone = also considerable damage, yet to be fully assessed to see if practical to rebuild on the land.

Green zone = can rebuild/repair, and remediate any (isolated) land damage.

White zone = yet to be assessed.

The zoning is based on advice from geotechnical engineers.

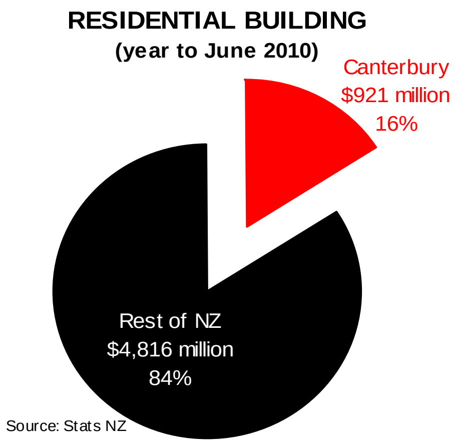
There are no implications for Government debt programme at this point.

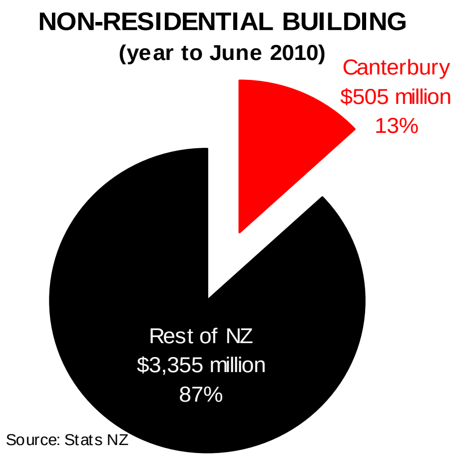
There are approximately 5100 homes in the red zone. The Government has offered to buy out owners at the 2007 Ratable Value (RV, used to determine local council rates).

An alternative option is to sell only the land to the Government at the RV and negotiate a settlement for the house with the owner's insurance company. Homeowners have 9 months to decide.

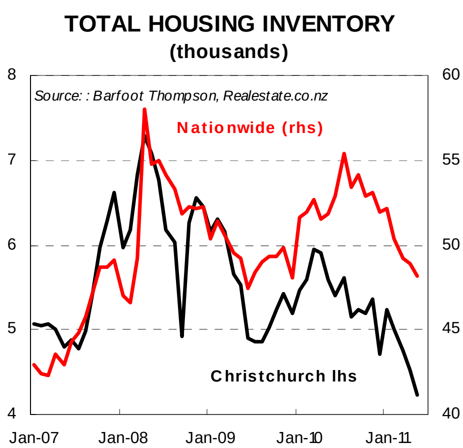
The Government has assumed net cost of the announcement of $485m to $635m.

There are approximately 10,000 homes in the orange zone for which the outlook remains uncertain. These properties will over time be classified as either in the red zone (and eligible for the compensation package) or the green zone (in which insurance companies/EQC will be responsible for any repairs). Hence, over time the number of houses eligible for the





Charts data is pre-earthquake June 2010.



Government buyout could increase.

There are no implications for Government debt programme at this point.

$5.5 billion fund created in Budget 2011.

The funds will come out of the $5.5 billion earthquake recovery fund allocated in Budget 2011 (which had included funding for remediating land in affected areas).

The program just announced creates some certainty for the owners of property in the Red Zone, and we assume the options offered to property owners in the Red Zone will be made to other property owners as more land is assessed. The buyout will allow households to get on with their lives, by buying an existing house, building in a new area, or moving away.

Around 4,200 homes listed for sale in Christchurch.

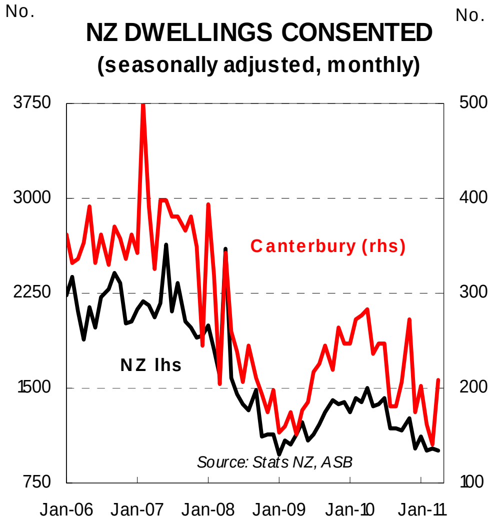
There are currently around 4,200 homes listed for sale in Christchurch (source: realestate.co.nz). Clearly not everyone will be able to simply buy a new home straight away. However, significant progress is being made on planning for future construction, and Christchurch Mayor Bob Parker said another 6000 sections had been placed in the Christchurch long-term plan and could be available [for new construction] soon. Christchurch house sales have rebounded quickly over recent months, and house prices are holding up well. The announcement today means that fairly shortly there will be many new buyers in the Christchurch property market, which will likely boost prices for undamaged properties.

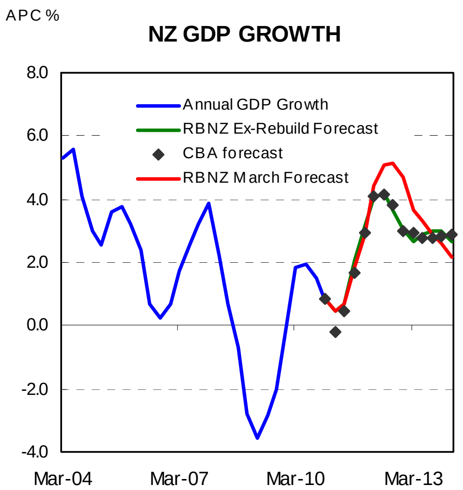
Building a new home will take time.

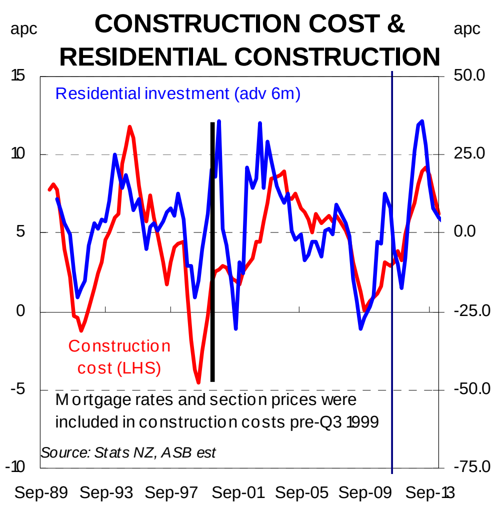
Three uncertainties in the rebuild.

The process of rebuilding is still some way off and building new homes and suburbs will be a slow process. Statistics NZ reports that since September 2010, over 160 earthquake-related consents have been identified, including 21 new dwellings. We expect to see a pick up in consents now there is some certainty about where residents can and can't build. There are three key variables in forecasting the rebuild: the sheer volume of work to be done; the timing of when reconstruction can start; and to rate at which the work can be done. Our forecasts have construction picking up over 2012, and the level of activity staying high for several years. Our outlook is cautious compared to RBNZ and Treasury forecasts about the start time and pace of reconstruction. The RBNZ is broadly right in assuming that infrastructure and housing repair work will get underway pretty swiftly, and that housing construction will be swift relative to commercial construction. However, there are many complexities and potential bottlenecks in the process, the pace of insurance settlements and ability to get sufficient workers into Christchurch being some. It is also difficult to predict a start time when major aftershocks are still occurring. We also think the RBNZ is underestimating the

RBNZ could be underestimating construction cost inflation.







flow-through effects to construction cost inflation given the level of construction activity it is expecting to occur over 2012. Despite the RBNZ forecasting a stronger pick up in construction activity relative to our forecasts, the RBNZ is expecting a more muted impact on inflation.

Uncertainty about reconstruction is unlikely to be resolved for a number of months, but the announcements from the government this week will create certainty for many households, and is a step forward for the overall rebuilding process.

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The Week Ahead

Calendar - Australasia, Japan and China

Date	Time AEST	Econ	Event	Period	Unit	Last	Forecast Market	Forecast CBA
Mon 27 Jun	08.45	NZ	Trade balance	May	NZ$bn	1.187	~	1.05
	08.45	NZ	Exports	May	NZ$mn	4,651	~	~
	08.45	NZ	Imports	May	NZ$mn	3,538	~	~
	12.00	CH	Industrial profits	May	ytd y%ch	29.7	~	~
Tue 28 Jun	09.50	JP	Retail trade	May	m%ch	4.1	~	~
					y%ch	-4.8	~	~
	11.00	AU	RBA Assistant Governor Guy Debelle speaks in Sydney					
Wed 29 Jun	09.50	JP	Industrial production	May	m%ch	1.6	~	~
					y%ch	-13.6	~	~
	11.00	AU	DEWR skilled vacancies	Jun	m%ch	-0.4	~	~
Thu 30 Jun	08.45	NZ	Building permits	May	m%ch	-1.6	~	~
	08.45	NZ	NBNZ activity outlook	Jun	Index	39.7	~	~
	08.45	NZ	NBNZ business confidence	Jun	Index	38.3	~	~
	09.15	JP	Market/JMMA manufacturing PMI	Jun	Index	51.3	~	~
	10.30	AU	Job vacancies	May	%	-1.7	~	~
	10.30	AU	RPData-rismark house px raw	May	%	-0.1	~	~
	11.30	AU	Private sector credit	May	m%ch	0.0	~	0.2
					y%ch	3.3	~	3.0
	14.00	JP	Vehicle production	May	y%ch	-60.1	~	~
	15.00	JP	Construction orders	May	y%ch	31.4	~	~
	15.00	JP	Housing starts	May	y%ch	0.3	~	~
Fri 1 Jul	09.30	AU	AiG Performance of manufacturing index	Jun	Index	47.7	~	~
	09.30	JP	Job-to-applicant ratio	May	ratio	0.6	~	~
	09.30	JP	Overall household spending	May	y%ch	-3.0	~	~
	09.30	JP	Jobless rate	May	y%ch	4.7	~	~
	09.30	JP	National CPI	May	y%ch	0.3	~	~
	09.30	JP	National CPI ex food, energy	May	y%ch	-0.1	~	~
	11.00	AU	HIA new home sales	Jun	m%ch	0.2	~	~
	11.00	CH	PMI manufacturing	Jun	Index	52.0	51.5	~
	12.30	CH	HSBC manufacturing PMI	Jun	Index	51.6	~	~

Calendar – North America & Europe

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

Date	Time UK	Econ	Event	Period	Unit	Last	Forecast Market	Forecast CBA
Mon 27 Jun	00.01	UK	Lloyds business barometer	Jun	Index	14.0	~	~
	07.01	GE	Retail sales	May	m%ch	0.3	~	~
	13.30	US	Personal income	May	m%ch	0.4	0.4	~
	13.30	US	Personal spending	May	m%ch	0.4	0.4	~
	13.30	US	PCE core	May	m%ch	0.2	0.3	~
					y%ch	1.0	~	~
	15.30	US	Dallas Fed manufacturing activity	Jun	Index	-7.4	~	~
Tue 28 Jun	~	GE	CPI	May	y%ch	2.3	~	~
	09.30	UK	Total business investment	QI	q%ch	-7.1	~	~
	09.30	UK	Current account	QI	£bn	-10.5	~	~
	09.30	UK	GDP	QI F	q%ch	0.5	~	~
					y%ch	1.8	~	~
	14.00	US	S&P/CaseShiller home price index	Apr	Index	138.2	~	~
	14.00	US	S&P/ CaseShiller composite 20 city index	Apr	y%ch	-3.6	~	~
	15.00	US	Consumer confidence	Jun	Index	60.8	62.0	~
	15.00	US	Richmond Fed manufacturing index	Jun	Index	-6.0	~	~
Wed 29 Jun	09.30	UK	Index of Services	Apr	m%ch	0.6	~	~
	09.30	UK	Net consumer credit	May	£bn	0.5	~	~
	10.00	EZ	Economic confidence	Jun	Index	105.5	~	~
	12.00	CA	CPI	May	y%ch	3.3	~	~
	12.00	CA	Bank Canada CPI core	May	y%ch	1.6	~	~
	15.00	US	Pending home sales	May	m%ch	-11.6	~	~
Thu 30 Jun	08.55	GE	Unemployment rate	Jun	%	7.0	~	~
	09.30	UK	PMI manufacturing	Jun	Index	52.1	~	~
	10.00	EZ	CPI Estimate	Jun	y%ch	2.7	~	~
	11.30	CA	GDP	May	m%ch	0.3	~	~
					y%ch	2.8	~	~
	13.30	US	Initial jobless and continuing claims	Jun	‘000	~	~	~
	14.45	US	Chicago purchasing manager	Jun	Index	56.6	54.7	~
Fri 1 Jul	10.00	EZ	Unemployment rate	May	%	9.9	~	~
	14.55	US	University of Michigan confidence	Jun	Index	71.8	72.0	~
	15.00	US	Construction spending	May	m%ch	0.4	0.2	~
	15.00	US	ISM manufacturing	Jun	Index	53.5	52.0	~
	15.00	US	ISM prices paid	Jun	Index	76.5	72.5	~
	22.00	US	Total vehicle sales	Jun	mn	11.8	12.0	~

Calendar – Key Events To Watch

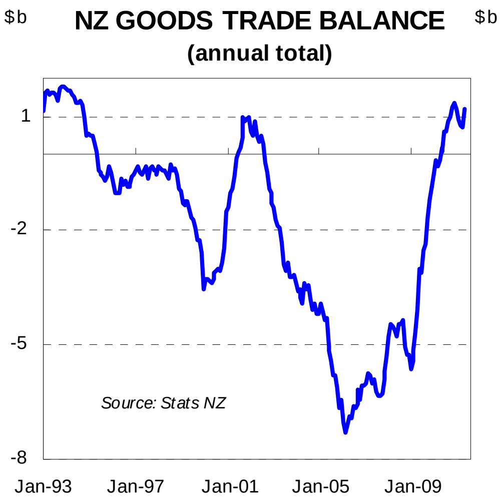
Australia and New Zealand

Monday 27 June

NZ Trade Balance, May, NZ$bn, (f) 1.05 (1.19 prev)

The April trade surplus was much larger than expected, boosted by strong export receipts. We expect export receipts to remain strong in May, contributing to a $1 billion surplus. Dairy and meat exports will continue to be underpinned by high prices. In addition, dairy production has been very strong over the end of the season, which is likely to add to volumes. Meanwhile, strong Chinese demand will continue to support strong forestry exports.

Imports are likely to remain relatively subdued, weighed by the weakness in domestic demand for consumer and investment goods. However, the combination of higher prices and the lumpy nature of oil imports suggest there is risk of an oil-driven import boost, and in turn a smaller trade balance than forecast.

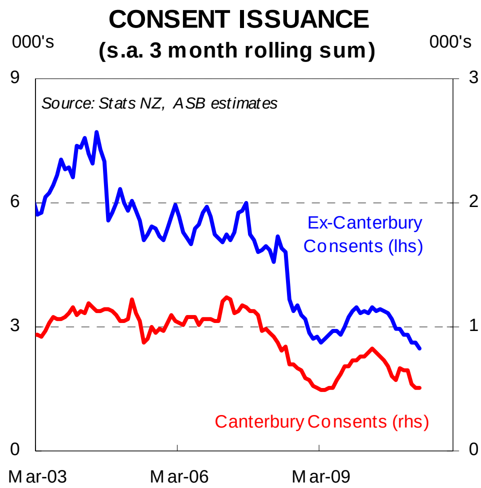


Thursday 30 June

NZ Residential Building Consents, May, m%ch, (-1.6 prev)

Residential consent issuance remained very weak over April. Total consents declined 1.6% over the month, although once stripping out the volatile apartment component, core consent issuance increased slightly, up 3.8%. The increase was entirely due to a partial recovery in Canterbury consent issuance. Consents for the remainder of the country declined over April.

We have been expecting that ongoing population growth and low interest rates would be stimulating building activity this year (beyond the Christchurch rebuilding). However, consent data suggest underlying building demand remains extremely weak. Non-residential building consent issuance has also been weak for most months over the past 18 months. For the year ended April 2011, the value of non-residential building consents were down 12% on a year earlier, and nearly 20% lower than the levels in 2008 and 2009.



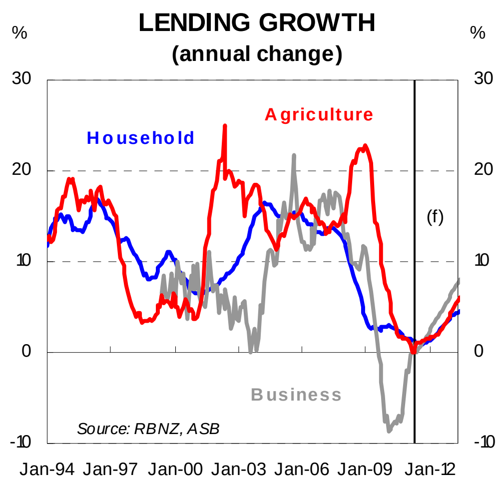
Thursday 30 June

NZ RBNZ Credit Aggregates, May, m%ch

- **Household Claims, (0.2 prev)**

Household credit growth showed signs of improvement in April, growing 0.2% over the month. The lift largely reflects the improvement in housing market activity. While the lift in housing credit is encouraging, the absolute level of activity remains very subdued. In addition, consumer credit demand remains extremely weak, down 0.7% on year-ago levels. Business credit lifted over April, and is up 1% on year-ago levels. The lift is encouraging, and is consistent with the more upbeat readings on business confidence recently.

Agricultural credit remains very subdued, now down 0.1% on year-ago levels in April. This was the first contraction on an



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annual basis recorded in the series history (back to 1991). The decline is consistent with the rural sector using increased export incomes to reduce debt levels. We expect credit growth across all sectors to improve over the year ahead, but expect the rate of credit growth to remain subdued compared with pre-financial crisis credit growth rates

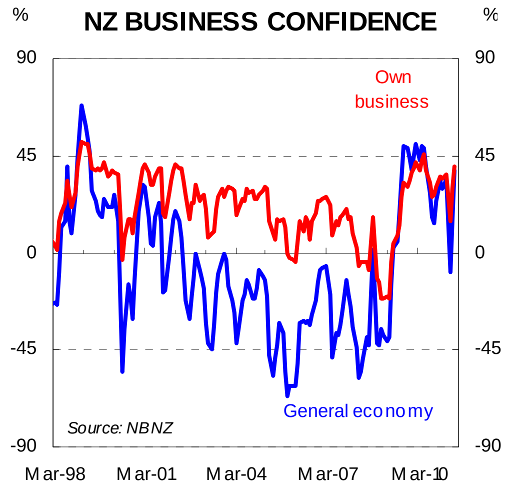
Thursday 30 June

NZ NBNZ Business Confidence, June, Index

- **Headline, (39.7 prev)**
- **Own Activity, (38.3 prev)**

An improvement in profitability underpinned higher headline confidence and businesses' expectations of own trading conditions in the May Business Outlook Survey. The increase brings business confidence back to levels prevailing prior to the February Christchurch earthquake. As a result, businesses have become more confident in putting in place expansion plans, as reflected in the surge in investment and hiring intentions.

Against this backdrop of improving activity has been a rise in inflation pressures. In particular, pricing intentions have rebounded back to the highest level since June last year. The increase in capacity utilisation across all sectors surveyed also suggests a rise in inflation pressures. We expect the business confidence to remain high in June, and will be particularly interested in developments in firms' pricing intentions, given the recent lift in inflation expectations.



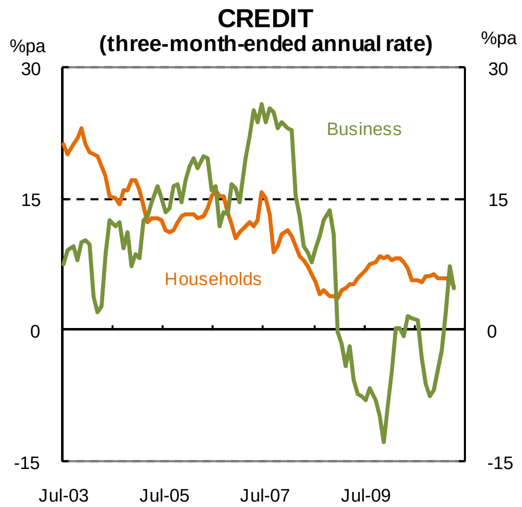
Thursday 30 June

AU Private Sector Credit, May, m/y%ch, (f) 0.2/3.0 (0.0/3.7 prev)

Private sector credit growth was flat in April, driven by a correction in business credit growth. Business credit growth fell 0.6%, after a 1.1% surge in March. The overall trend in business credit growth has shown some improvement over the past 3 months.

Household credit growth (housing and personal credit) remains subdued. Household incomes are rising strongly, exceeding the pace of household credit growth. The debt to income ratio is subsequently declining.

Dynamics in the housing market over the past few months point to continued subdued household credit growth outcomes. As such, we expect growth in overall credit to also remain modest. We are looking for a 0.2% increase in private sector credit in May, with the pace of annual growth declinine to 3.0%.



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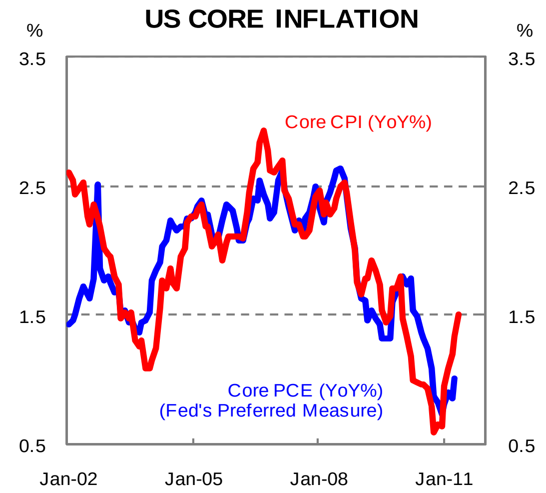
International

Monday 27 June

US Core PCE, May, m/y%ch, (0.2/1.0 prev)

In April, the US Federal Reserve's (Fed) preferred measure of inflation, the PCE (excluding food and fuel) lifted. In April, the PCE core rose 1.0% (YoY), its fastest annual pace since September 2010. Based on the recent trend, it appears underlying price growth has bottomed, and price pressures are beginning to develop, albeit at a rather subdued pace.

It appears that producers are beginning to be able to pass on higher input costs. Previously, a lack of competitive pressure was limiting this pass through. The lift in underlying price pressures appears to have removed the prospects of an additional round of asset purchases by the Fed. In June, Fed Chairman Bernanke indicated that a significant driver behind the decision to undertake QEII was the looming threat of deflation in the US economy.

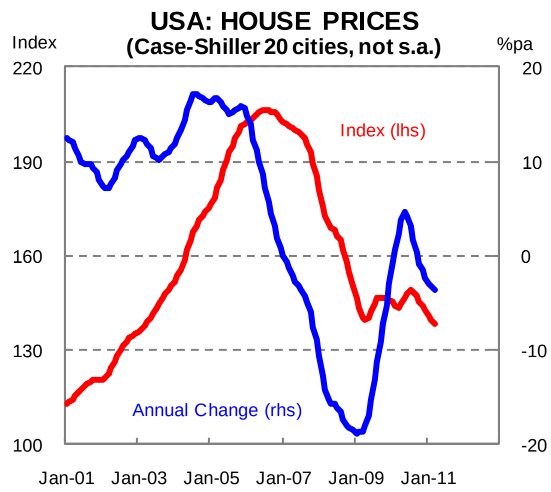


Tuesday 28 June

US S&P/Case-Shiller Composite 20 City Home Prices, Apr, y%ch, (-3.6 prev)

The US housing market remains under pressure. The S&P/Case-Shiller index of property values in 20 cities declined 3.6% (YoY) in March. This was the largest annual drop since November 2009. Once again the falls were broad based. Prices in 19 of the 20 cities fell, on an annual basis, in March.

Significantly, prices in 12 cities have fallen to new cyclical lows. The outlook for house price growth in the US remains depressed. The influx of home foreclosures onto the sales pool is adding to an already substantial supply of stock. In addition, the slow pace of the labour market recovery and the loss of momentum in the broader economy are inhibiting housing demand. Further declines in US house prices remains a distinct possibility.

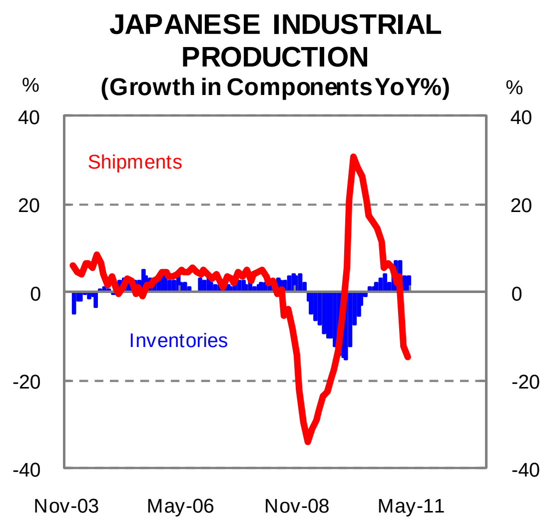


Wednesday 29 June

JN Industrial Production, May, m/y%ch, (1.6/-13.6 prev)

Japanese industrial production rebounded modestly in April, rising by 1.6% in the month. However, industrial production was some 13.6% lower compared to the year earlier.

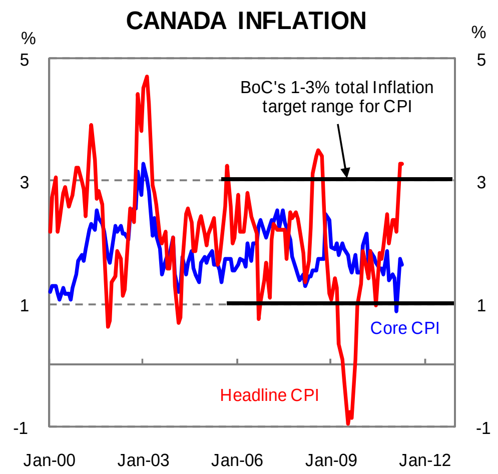
The unprecedented damage caused by the March earthquake and tsunami, which has resulted in ongoing power shortages and supply chain issues, has significantly hampered Japanese production levels. Shipments continue to be hardest hit. Shipments declined by 2.6% in April, down some 16% from a year earlier. It is noticeable that the supply chain issues and lower production levels in Japan are impacting manufacturing in a number of countries, especially in the automobile area. While production should remain lower on an annual basis, it should lift on a relative monthly basis as the economy recovers. The Bank of Japan expects the rebuild effort to intensify, and inturn the Japanese economy to rebound strongly, later this year.



Wednesday 29 June

CA CPI, May, m/y%ch, (0.3/3.3 prev)

Canadian consumer prices rose 3.3% (YoY) in April, matching the March result. On an annual basis, Canadian CPI is at its highest level since September 2008. The lift in headline CPI in April was driven by a 17% annual increase in energy prices. Gasoline prices are fast approaching record highs reached in July 2008.

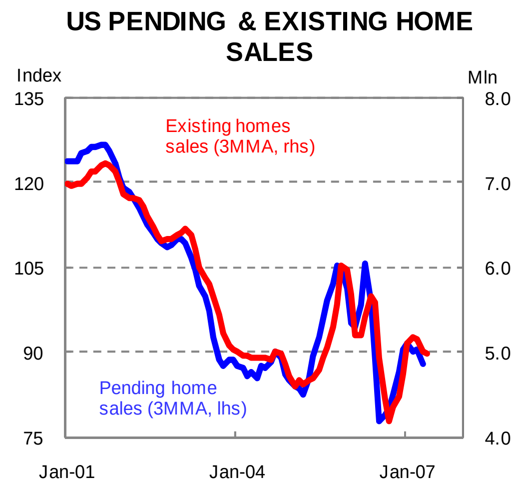


Despite the rise, the Bank of Canada (BoC) recently noted it had expected headline inflation to move above the top of its target band. The BoC expects the rise in inflation to be transitory, driven by higher food and fuel costs. The BoC expects these costs to ease in the second half of 2011. In contrast, core inflation remains relatively benign. Core CPI, which excludes eight volatile items, rose only 0.2% in March (1.6% YoY). The strength of the CAD and the spare capacity in the domestic economy, particularly in the labour market, continues to anchor underlying inflation.

Wednesday 29 June

US Pending Home Sales, May, m/y%ch, (-11.6/-26.8 prev)

US pending home sales dropped by a substantial 11.6% in April (-26.8% YoY). The influx of foreclosures onto the sales market, coupled with a softening labour market, is placing downward pressure on prices and in turn purchases. Prospective buyers appear to be staying on the sidelines waiting for prices to fall further before they enter the market.

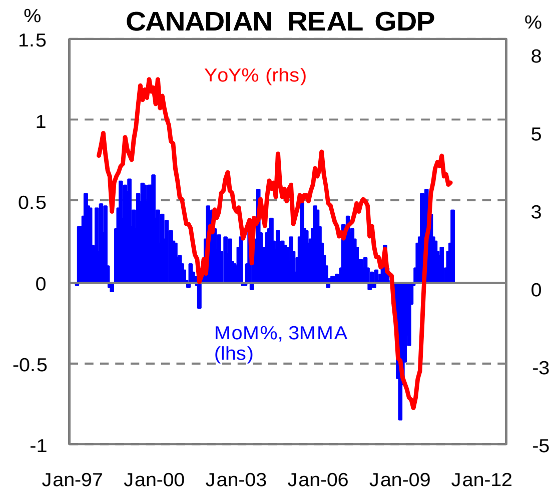


Pending home sales are often used as a leading indicator for the US housing market, as they track contract signings. That being said, home sales data in the US is likely to remain soft in the coming months. Pending home sales appear to have started trending lower. The pending home sales index has fallen in three of the past five months. Since November, the index has fallen by some 13%.

Thursday 30 June

CA GDP, Apr, m/y%ch, (0.3/2.8 prev)

Canada's economy expanded by 3.9% (annualised) in QI. It is unlikely that this pace of growth will be sustained in the June quarter. In April, the Bank of Canada (BoC) had forecast growth to decline to a 2% annualised pace in QII. But, BoC Governor Carney recently indicated there is a risk the rate of moderation would be more pronounced. Japanese natural disaster supply chain issues, weaker domestic consumption, brought on by higher energy costs, and lower exports, driven by the high CAD, are expected to drive the moderation. The recent trade and retail sales data appears to reaffirm this view. Canada recorded a trade deficit in April, while core retail sales were flat. The leading light in Canada's economic growth outlook is expected to be business investment. The BoC expects business investment to lift significantly in 2011 as firms move to boost their productivity in an attempt to regain competitiveness.



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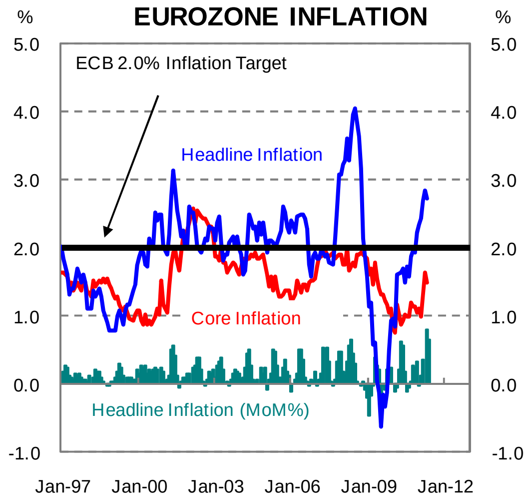
Thursday 30 June

EZ CPI, June, y%ch, (2.7 prev)

Eurozone inflation remains relatively elevated. Headline CPI rose 2.7% in the year to May, a slight moderation from the April reading. High energy prices continue to be the prominent factor behind the high CPI. Energy prices rose 11% in the year to May. Interestingly, even with the exclusion of energy, Eurozone CPI has been trending higher in the past few months. Core CPI, which excludes food and energy, has increased from 1.1% (YoY) in February to 1.7% (YoY) in May.

Eurozone headline CPI has now remained above the ECB's 2%pa target for six consecutive months. The ECB expects this trend to continue. In June, the ECB raised its 2011 inflation forecast to a range midpoint of 2.6%pa. Sustained "high" inflation appears to be making the ECB uncomfortable. Members of the ECB Governing Council continue to reiterate their desire to quell the development of second round price effects. Consequently, there is a growing risk the ECB tightens policy further in 2011.

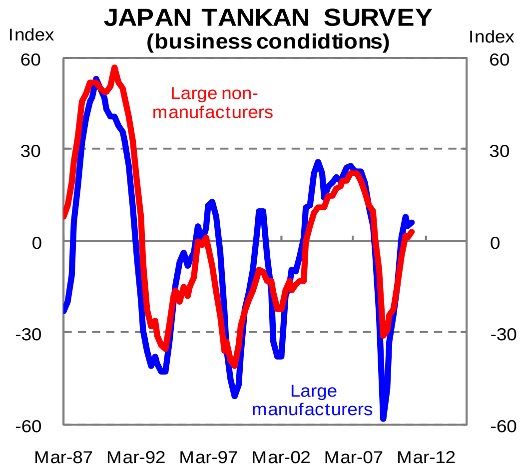


Friday 1 July

JN Tankan Business Conditions, QII

The results from the QI Tankan survey are rather deceptive. While the results were released after the March natural disasters, a large proportion of the responses were submitted prior the devastating temblor and tsunami. Corporate sentiment has been, understandably, negatively affected since the disasters. The Japanese economy contracted in QI, entering into a "technical recession". It is expected that the economy contracted further in QII. The Bank of Japan is not expecting the economy to starts its rebound until later in the year.

Based on the devastation and the ongoing related issues, it is likely the Tankan survey results will have moved into negative territory in QII. While such a result will not be surprising, it will be somewhat significant. The large manufacturer's survey has been positive since June 2010, while the large non-manufacturers survey has exceeded zero since September 2010. Both had rebounded sharply from their financial crisis lows.

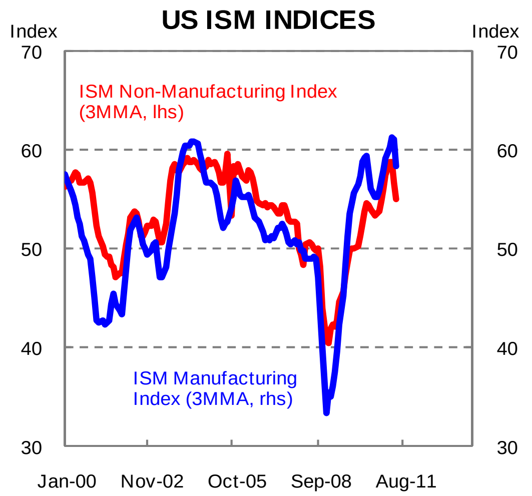


Friday 1 July

US ISM Manufacturing, June, Index, (53.5 prev)

The ISM manufacturing index contracted substantially in May, falling to 53.5, its lowest level since September 2009. The 6.9 index point fall was the largest one month decline since January 1984.

Despite the decline, the manufacturing index remains in expansionary territory. The index has remained above 50 since August 2009. However, the pace of US manufacturing growth has clearly slowed. The US ISM manufacturing index has fallen for three consecutive months. But this moderation in manufacturing doesn't appear to be a US centric issue. Manufacturing indices have eased worldwide. The combination of higher oil prices and Japanese natural disaster supply chain constraints appear to be weighing on manufacturers. These issues are unlikely to be resolved in the short-term.



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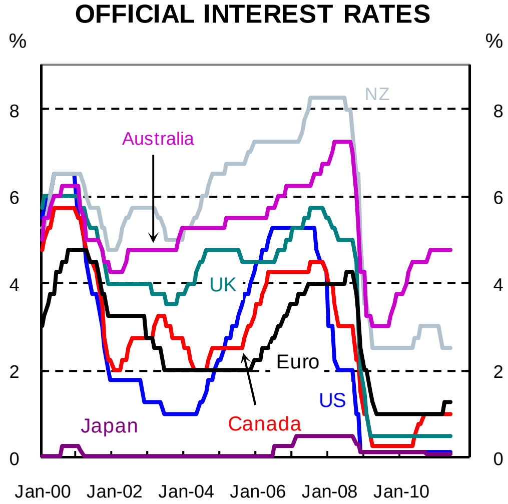
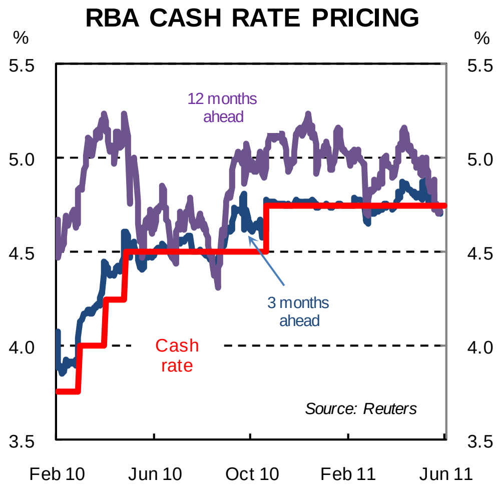
Monetary Policy





Country	Last Move	Next Meeting and Forecast				CBA View
Australia (RBA)	25bpt rise to 4.75% on 7 November 2010.	5 July, 2011				The RBA has raised its inflation and growth outlook despite downward pressure from the high $A. Further rate rises are likely. We expect rates to reach 5.25% by QIV 2011.
		Jun '11	Sep '11	Dec '11	Mar '12	
		4.75%	5.00%	5.25%	5.50%	
US (FOMC)	75-100bpt cut to 0-0.25% on 16 December 2008.	10 August, 2011				A debate about ending the QE program is underway. We expect the QE program will end in June. Given the recent economic momentum, there is a risk the Fed remains on hold for longer than what we currently expect.
		Jun '11	Sep '11	Dec '11	Mar '12	
		0-0.25%	0-0.25%	0.50%%	0.75%	
Eurozone (ECB)	25bpt rise to 1.25% on 7 April 2011.	7 July, 2011				Elevated inflation in the Eurozone has led to the ECB re-commencing tightening in an effort to pre-empt the onset of second round inflation effects.
		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.	7 July, 2011				While some members of the BoE are concerned about UK inflationary pressures, the majority see downside risks developing in the UK economy. The risk that the BoE remains on hold for an extended period is building.
		Jun '11	Sep '11	Dec '11	Mar '12	
		0.50%	0.75%	1.00%	1.25%	
NZ (RBNZ)	50bpt cut to 2.5% on 10 March.	28 July, 2011				In response to domestic economic weakness and the Christchruch 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.	19 July, 2011				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	
		1.00%	1.25%	1.50%	1.75%	
Japan (BoJ)	0-10bpt cut to 0-0.1% on 5 October 2010.	12 July, 2011				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**	**3.3**	**5.8**	**4.4**	**3.7**	**7.1**	**3.1**	**-0.7**	**2.0**	**5.0**	**5.2**
Of which: Household spending	4.7	0.2	2.1	3.2	3.1	3.0	3.4	5.4	1.9	1.0	2.8	3.2	3.0
Dwelling investment	1.2	-1.9	2.1	3.3	6.6	-0.2	-3.0	3.0	2.1	-4.2	4.0	6.6	2.8
Business investment	15.8	1.4	-4.9	5.1	15.4	10.8	8.5	16.1	9.5	-5.3	-0.8	11.9	14.0
Public final demand	**4.2**	**3.6**	**6.7**	**4.8**	**1.8**	**0.4**	**3.7**	**3.4**	**6.3**	**1.7**	**9.0**	**3.1**	**-0.6**
Domestic final demand	**5.9**	**0.9**	**2.1**	**3.6**	**4.9**	**3.4**	**3.7**	**6.3**	**3.8**	**-0.1**	**3.6**	**4.5**	**3.8**
Inventories (contrib to GDP)	0.0	-0.4	0.3	0.0	0.0	0.1	-0.4	0.6	-0.3	-0.4	0.4	-0.1	0.1
GNE	**5.9**	**0.4**	**2.4**	**3.6**	**4.9**	**3.5**	**3.2**	**6.9**	**3.5**	**-0.5**	**4.0**	**4.4**	**4.0**
Exports	4.0	2.6	5.3	0.6	9.7	8.5	2.3	2.5	4.7	2.8	5.3	1.1	11.0
Imports	14.6	-3.3	4.9	10.1	10.0	8.5	7.0	12.2	11.5	-9.0	13.3	10.1	8.6
Net exports (contrib to GDP)	*-2.1*	*1.4*	*0.1*	*-2.1*	*-0.2*	*-0.1*	*-0.8*	*-1.9*	*-1.5*	*2.8*	*-1.6*	*-2.1*	*0.0*
GDP	**3.8**	**1.4**	**2.3**	**2.0**	**4.7**	**3.4**	**2.6**	**4.6**	**2.6**	**1.3**	**2.7**	**2.6**	**4.4**
Prices & Wages													
CPI	**3.4**	**3.1**	**2.3**	**3.1**	**3.1**	**2.7**	**3.5**	**2.3**	**4.4**	**1.8**	**2.8**	**3.4**	**2.9**
Underlying CPI	3.7	4.3	3.1	2.4	3.1	2.9	2.8	2.9	4.4	3.7	2.6	2.8	3.1
AWOTE	4.9	5.5	5.6	4.1	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**	**3.8**	**4.0**	**4.0**	**4.2**	**4.0**	**4.2**	**3.6**	**3.3**	**3.9**	**4.0**
Real h/hold disposable income	2.9	8.4	0.9	5.1	1.9	2.8	5.8	6.2	4.7	5.7	2.2	4.2	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	2.3	1.8
Unemployment rate	4.2	4.9	5.5	5.0	4.6	4.4	4.8	4.4	4.3	5.6	5.2	4.8	4.5
External Accounts													
Current Account: $bn	**-74.5**	**-38.5**	**-53.0**	**-31.7**	**-30.9**	**-33.3**	**-55.2**	**-70.3**	**-55.3**	**-52.9**	**-34.6**	**-29.4**	**-37.6**
% of GDP	*-6.3*	*-3.1*	*-4.1*	*-2.3*	*-2.0*	*-2.1*	*-5.3*	*-6.2*	*-4.5*	*-4.2*	*-2.6*	*-2.0*	*-2.4*

Forecasts - Financial

End Period		Interest Rates					Exchange Rates				
							USD versus				
End Period		Cash Rate	90-day Bank Bill	180-day Bank Bill	3-year Bond	10-year Bond	AUD	JPY	EUR	GBP	NZD
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	4.93	5.01	5.07	5.49	1.03	83.1	1.42	1.60	0.76
Jun-11	Forecast	4.75	5.00	5.20	5.30	5.70	1.08	83.0	1.47	1.65	0.82
Sep-11	Forecast	5.00	5.30	5.40	5.50	5.80	1.12	82.0	1.50	1.70	0.85
Dec-11	Forecast	5.25	5.60	5.70	5.75	5.90	1.04	85.0	1.43	1.65	0.79
Mar-12	Forecast	5.50	5.80	5.90	5.90	6.00	0.98	88.0	1.40	1.60	0.76
Jun-12	Forecast	5.75	6.00	6.00	5.90	6.00	0.95	90.0	1.38	1.58	0.75
Sep-12	Forecast	5.75	5.90	6.10	5.80	5.90	0.95	91.0	1.38	1.58	0.75
Dec-12	Forecast	5.75	5.90	6.00	5.75	5.90	0.98	88.0	1.40	1.62	0.78

Unless otherwise noted, all data is sourced from Australian Bureau of Statistics material (www.abs.gov.au).

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