

The Week Ahead

- Australian partial data releases next week likely to show signs economy remains on track following natural disasters.
- Building approvals and retail trade figures for February could be the start of a data flow which shifts market pricing.
- Global purchasing manager indices released next week. Though the major data point is US non-farm payrolls.

After a quiet week the economic data action heats up again next week. Several of the regular partial data releases for Australia are published next week. As the domestic data flow rolls in we are expecting signs of normalisation, following the impacts of natural disasters on the December and January data readings.

Building approvals and retail trade are the key headlines domestically. We are expecting a solid retail sales outcome for February, with various indicators pointing to some improvements in sales in the first part of 2011, consistent with RBA retail liaison findings. The building approvals are coming off a sharp decline in January of 15.9%. A 30% fall in Queensland approvals in particular was a major drag. We are expecting a modest increase, but not full recovery, in the February approvals figures.

Other key data releases of note are likely to show a continuation of recent trends. We expect credit growth is likely to remain subdued, rising just 0.3% in February. Population growth is likely to show a continuation of the deceleration that has been occurring since QII 2009. Similarly, further signs of the slowdown in Australian house price appreciation are likely in the RP Data house price measure. Two job vacancy releases are scheduled for publication on Wednesday. Signs of ongoing solid demand for labour continuing are evident from the refreshed ABS job vacancy series. The February outcome could also show early signs of employment outcomes arising from the recovery and reconstruction work in Queensland.

Evidence from the data that momentum in the economy remains strong could be a potential catalyst for a reassessment of RBA rate expectations. Following the disastrous incidents in Japan, market expectations for future RBA policy movements initially priced in a potential rate cut. Some recovery has occurred, but we consider that market pricing is not yet fully reflecting the likely tightening of monetary policy through the rest of 2011. Current market pricing does not fully factor in the next interest rate rise until QIII 2012!

Next week brings QIV GDP updates for the UK and Canadian economies. But the more closely watched data points on the near term momentum of the global economy is likely to be the suite of manufacturing purchasing manager indices. March PMIs are released next week in the US, Eurozone, Germany, UK, Australia, New Zealand and China.

A raft of US partial indicators are published next week. The week begins with the February update on income and spending, which also includes the overall consumption measure of inflation – the PCE deflator. The Fed's preferred measure of underlying inflation – the core PCE deflator – rose by just 0.8% over the year to January 2011. Market expectations are for a small lift to a 0.9% annual pace. Pending home sales, the Case-Shiller home price index, consumer confidence, factory orders and motor vehicle sales will provide plenty for markets to digest.

The main focus will be on the key US non-farm payrolls release next Friday. The US labour market is making a spluttering recovery, with the pickup in jobs growth being impacted by unusually severe winter weather. Market expectations are for a 192k rise in employment in March. Strong growth in private sector employment is again expected to overpower public sector job shedding. The US unemployment rate is expected to remain unchanged at 8.9%. We estimate that current trends in population and participation put the hurdle rate for US employment growth at 120k per month. Jobs growth beyond this will exert downward pressure on the unemployment rate. On our figuring the market's expectation for jobs growth isn't enough to shift the unemployment rate lower in March, but it will slightly erode the pool of unemployed workers. An acceleration in jobs growth from the current, and expected, pace is necessary to achieve a meaningful decline in the unemployment rate. For example, we estimate that on current trends it would take five years until the US unemployment rate fell to 5.0%. So whilst the US labour market is showing positive signs, it will need to show signs of further strengthening to prompt a policy move.

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International Economic Perspective

Food prices, political instability and market volatility

- Food prices have risen significantly since the GFC, driven by weather related crop failures.
- High food prices significantly increase the risks of political instability in Low Income Countries (LICs).
- Instability can impact markets, which remain fragile. Uncertainty over future LICs commodity supply affects Australia.

Supply disruptions have led to a spike in global food prices.

Global food prices have continued to rise over the past few months. The CBA Rural Commodity Price Index (USD) rose to a record high in March 2011. The recent rally has occurred around a longer term trend of rising global food prices. But the current spike reflects supply disruptions arising from poor harvests.

The spike in food prices brings with it some significant implications for developing and emerging economies. These economies have been the major growth engines of the world economy since the GFC period. Instability in these economies poses risks for global financial stability.

Food price spikes have significant implications for Low Income Countries (LICs).

Much has been written on the flow through of high food prices for inflation and the balance of payments. The IMF this week made a contribution to research on the impacts of food prices on economic and political stability in Low Income Countries (LICs). We think that their results warrant further attention.

The IMF found, unsurprisingly, that increases in food prices led to significant increases in the number of anti-government demonstrations and riots in low income countries. Elsewhere, the IMF notes that food price rises may have made a contribution to the unrest in Tunisia, which spurred a wave of uprisings across the Middle East and North Africa.

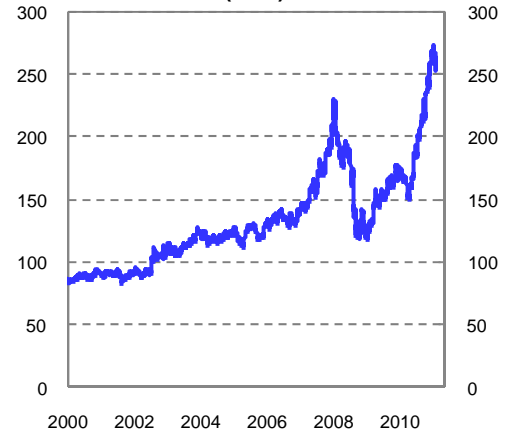
But whilst some may have assumed that these uprisings bring about democratic changes, the IMF's study of 120 countries over the period from 1970-2007 reaches a different conclusion.

IMF found food price rises drive LICs away from democracy.

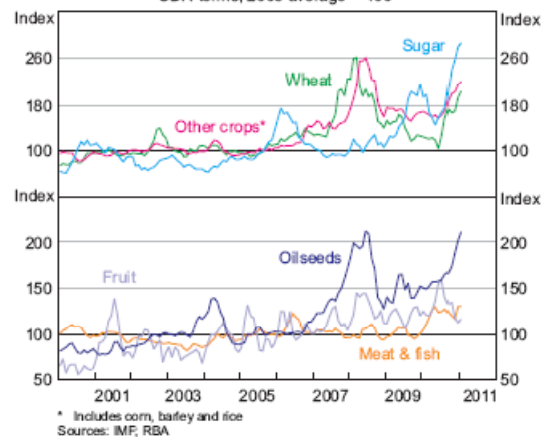
The IMF found that food price increases tended to generate a shift towards more autocratic political regimes in LICs. A further result was that these impacts tended to linger for a number of years following the initial impact. Across a range of governance measures the IMF found that there was a significant deterioration of political institutions in LICs.

In seeking to explain the impacts the IMF looked at the impacts on economic growth. The counter-intuitive outcome was that increases in food prices actually led to significant *increases* in GDP per capita. Part of this impact reflects the positive terms of trade shock for food exporting LICs. The investment

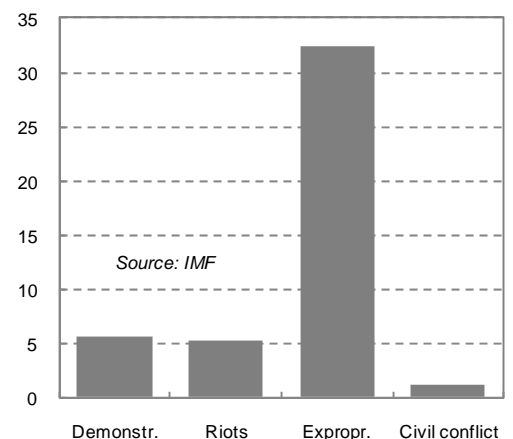
CBA RURAL CDTY PRICE INDEX (USD)



Global Food Commodity Prices
 SDR terms, 2005 average = 100



FOOD PRICES - INSTABILITY





response lifts private per capita investment, and government expenditures also increase.

Economic growth rises, but consumption falls.

However per capita consumption falls significantly. This impact is hardly surprising, given that food expenditures constitute a large share of total consumption expenditures in LICs. But the IMF stresses an important distributional outcome with significant impacts for stability. Food price rises lead to significant increased income inequality in LICs. The increase in relative deprivation drives much of the increase in political unrest.

Inequality also rises, driving increases political unrest.

Civil unrest and political instability are a source of disturbances in markets.

Far from being academic, there are potentially important implications for developed countries and markets from instability in LICs – regardless of the source of instability.

Political instability in the Middle East and North Africa has had a significant impact on financial markets, and on the price of commodities – particularly oil. Instability in markets comes against the backdrop of other current pressures such as ongoing European sovereign debt issues.

LICs are an important source of future commodity supply.

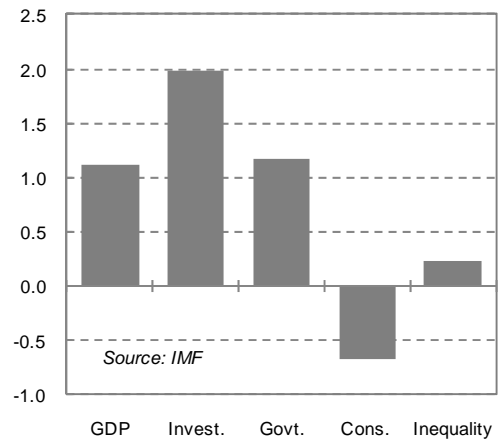
Higher prices across other commodities are driving significant investments in other LICs in order to meet expected growth in global demands across base metals, bulk minerals and energy commodities. Increases in political instability could place these investments at risk, shifting out supply timelines. Political instability could see projects shelved, requiring other sources of supply to be found.

Instability could impact demand for Australian commodities.

This has a potential impact for Australian on two fronts. Greater instability in LICs heightens the attractiveness of Australian resource developments. The impact is a potentially higher level of resource development investment in Australia, straining an already bloated project development pipeline. Additionally, concerns over the viability of commodity supply from LICs could boost prices, lifting Australia’s terms of trade, with subsequent impacts for the currency and interest rates.

It is worth noting that expected increases in agricultural production in 2011 should alleviate some of the extreme stock tightness in agricultural commodity markets. A decline in food prices from the current spike is likely to follow as certainty over production outcomes becomes clearer. But until the expected moderation in food prices materialises, the risks of potential instability in LICs, and markets, remains.

FOOD PRICES - MACRO IMPACTS





Australian Economic Perspective

South Australia Economic Outlook

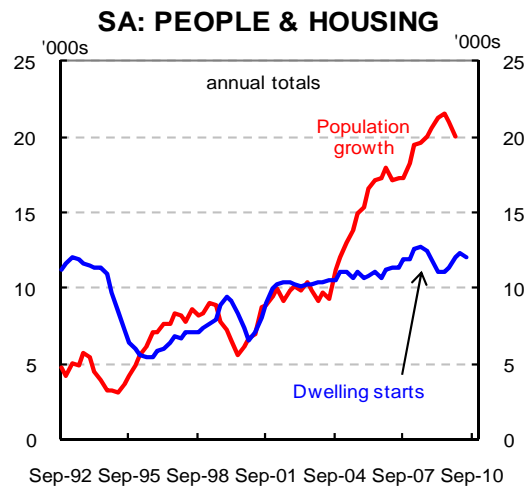
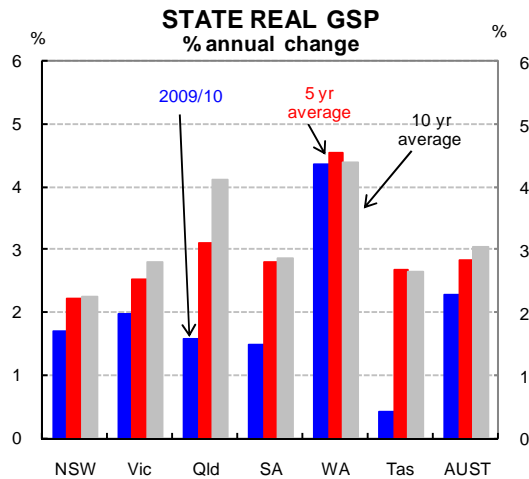
- South Australia has been one of the more consistent economic performers in recent years.
- Its economic growth in coming years is expected to stay close to its average for the past 5 years.
- It means consistent, but moderate, population and jobs growth which should underpin the housing and retail sectors.
- Ongoing consumer caution generates some downside risk to our growth outlook. But less thrift is expected, not more.
- Business investment should lift gradually through more mining sector expansions.

Summary

South Australia is expected to have better economic outcomes in the next few years than its 2009/10 State Gross State Product (GSP) growth of 1.5%. The 2010/11 GSP outcome is likely to be closer to the five year average of 2¼%, with a sizeable boost likely from the lift in grain crop volumes due to favourable weather conditions.

The major downside risk to the economic growth outlook is whether the unusually cautious spending behaviour of households continues. We expect to see a gradual lift in consumer spending as jobs and wages growth continues through 2001 and 2012. From our viewpoint, consumers have the ability to spend with reasonably firm rises in household incomes. But they appear to lack the willingness. Higher levels of consumer confidence are required. And that may need less negative news, especially from overseas. The expected higher interest rate structures over the coming year will temper activity in some sectors, like house purchases and non-mining business investment. But some sectors, like mining, defence, health and education are expected to keep expanding and underpin jobs growth.

One of the major positives for SA is that population growth has moved appreciably higher, to twenty thousand annually or 1.3%pa, over the past six years. It has been driven by a significant lift in net overseas migration. Although this was offset, to an extent, by continued inter-state migration. From recent indicators it appears that there will be slightly lower population growth in coming years. But it is still likely to keep demand for housing at such a level that annual housing construction stays around current levels. One of Adelaide’s major attractions for home buyers is that affordable land for housing is readily available.





Growth and consumer spending

Growth cycle in line with national trends.

SA's economic growth cycle has been broadly in line with the national one over recent years. For 2010, SA's final demand growth was 2.9%pa, compared to the national economy's 2.6%pa. One of the key elements explaining the modest SA, and national, growth is the surprisingly cautionary behaviour of households. Their rather tempered spending is a national phenomenon which is producing quite weak outcomes for traditional retail areas.

Household spending mixed.

In contrast, the non-retail parts of household spending are noticeably firmer, especially sales of audio-visual and communication equipment, overseas travel and new car purchases. But there is a deflationary effect from a firmer Australian dollar which makes relative prices attractive for consumers. We believe that consumers have the spending power. But they lack the willingness. New car sales are an example of the selective nature of household spending. They have held up reasonably well, especially imported car sales. SA's total vehicle sales are running at 66,000, about 5% higher than a year ago.

We expect to see firmer growth develop in household spending over 2011 and into 2012. The essential ingredients are there. The jobs market is forecast to remain firm, placing downward pressure on SA's current unemployment rate of 5.8%. Wages growth is likely to pick up as the unemployment rate moves closer to 5%.

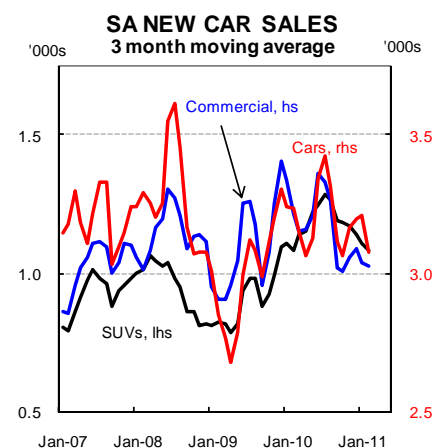
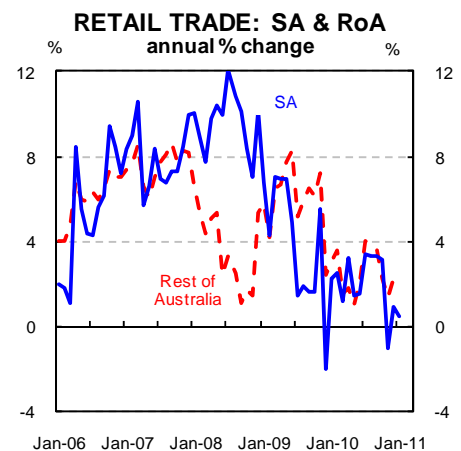
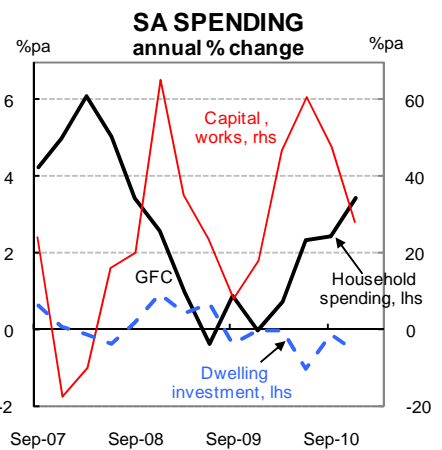
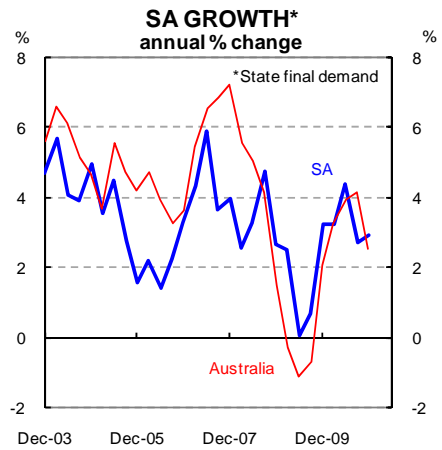
Business investment flat.

Flat business investment is another ingredient to SA's current subdued growth outcome. But it follows a period of relatively firm mining-related investment. So overall business investment remains at a relatively high level. The defence, mining and education sectors have reasonably good potential for higher levels of investment over the next few years.

Rural sector output rising.

The rural sector is expected to provide a strong boost to the 2010/11 growth figures. Favourable weather has delivered higher volumes of grains in a period of relatively strong world prices. It follows the good cropping conditions in 2009/10.

New dwelling construction should stay at reasonably firm levels in SA in coming years. New dwelling starts were close to 12,000 in 2010. We expect them to be around 11,000 despite an expected higher level of interest rates through 2011. Moderate population and jobs growth should combine to keep housing demand robust. SA has a distinct advantage over most of the other state capitals with affordable land for new housing developments relatively close to Adelaide.

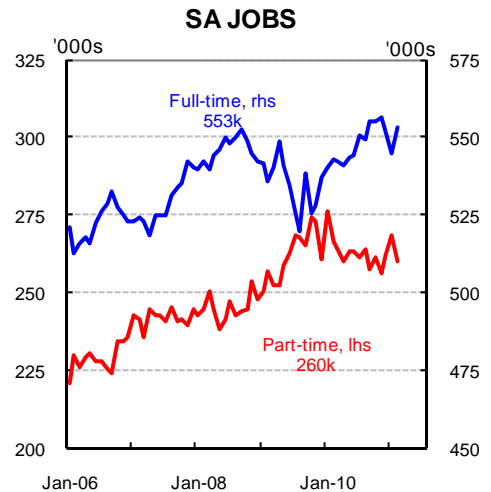




Firming South Australian labour markets

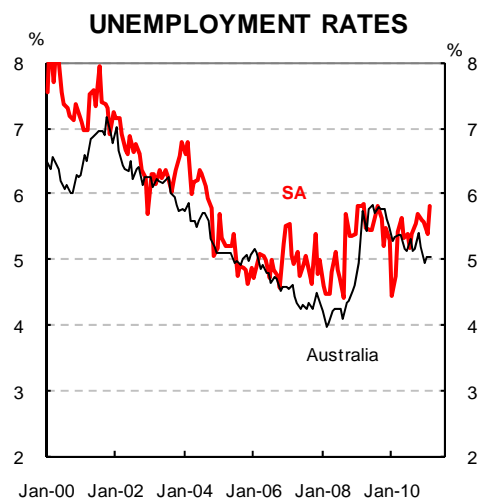
SA labour market “muscling up”.

Underscoring the SA economy’s solid performance in the wake of the GFC has been the resilient labour market. From a cyclical low point of 4.4% in August 2008, SA unemployment climbed to 5.9% by November 2009 as the full impact of GFC washed through the national and SA economies. In line with trends in the national economy, SA employment growth picked up some steam in the second half of 2010, particularly in full-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 positive with a strengthening economic growth pulse likely to engineer further solid jobs growth. The SA unemployment rate is expected to trend downward over 2011 and 2012 as the national and SA economies accelerate further, turbocharged by the strongest terms of trade in over a century.



Unemployment at 5.8% in February 2011.

A SA unemployment rate in 4-5% range in the next 2-3 years is very achievable. Further positive employment outcomes will likely boost SA consumer confidence and spending in the coming year or two. Recovering equity prices and superannuation balances should also help bolster SA consumer spending generally later in H11 2011 and 2012.

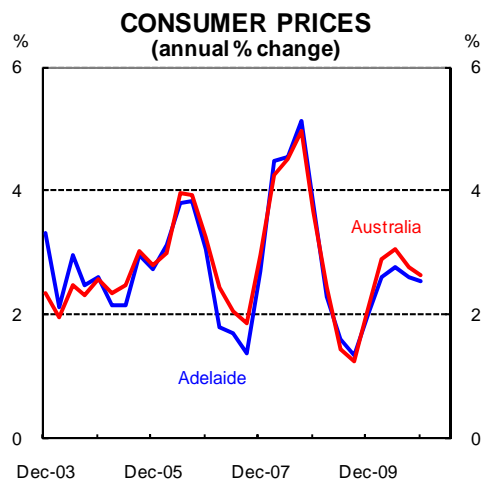


Business investment, mainly in mining, and ongoing solid SA public infrastructure spending will help power the state’s job markets in the coming years.

Adelaide CPI

Adelaide CPI running at 2.5%pa in QIV....

The national CPI rose 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 Adelaide CPI rose by 2.5%pa, a relatively benign result.



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

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

The near term outlook for SA inflation is mixed. SA house price growth is expected to remain soft, and the high AUD which is presently at post-float highs is likely to continue to bear down on import prices. On the upside, solid wages growth on the back of ever tightening labour markets, and ever rising utilities’ prices and housing rents will exert upward pressure on SA inflation 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 SA heading toward the top end of the 2-3% target zone or a little above in the coming year or two.

SA Wages

Despite strengthening SA labour market conditions as “Mining Boom Mark II” has got under way, 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 SA’s total wage costs running at an annual 3.9% pa rate, and well above its recent cyclical low of 2.6%pa. Nationally, total wage costs were also running at 3.9%pa.in QIV. The RBA starts to fret about the inflationary impact of wages when the annual growth rate exceeds 4.5%pa.

Looking ahead, SA’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 SA WPI rising into the 4.0% to 4.5%pa range in 2011, and risks moving higher still in 2012 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 pressures, with prices threatening to break above the central bank’s 2-3% target zone.

Population growth

The latest comprehensive ABS population data (released for QII 2010) showed strong, albeit moderating, population growth across the states and the nation in wake of the GFC. SA’s population growth in the year to June 2010 was 1.2%. This growth rate was well outpaced by Australia’s population growth of 1.7% and WA & Qld growth of over 2%pa. Before the full impact of the GFC impacted, SA annual population growth hovered around 1.3%pa. These levels were the highest SA population growth rates since 1975 (when there was a temporary boost in wake of Cyclone Tracey’s devastation of Darwin), and well above the pre 2006 growth levels of below 1%.

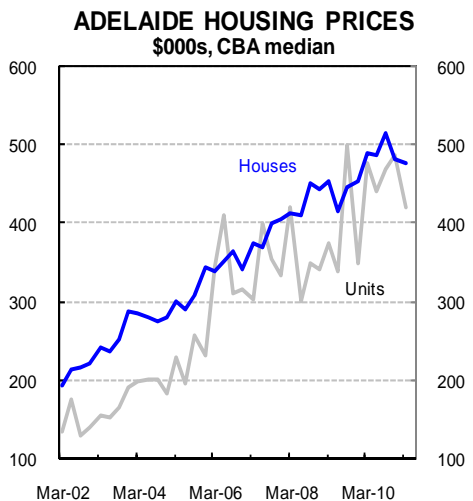
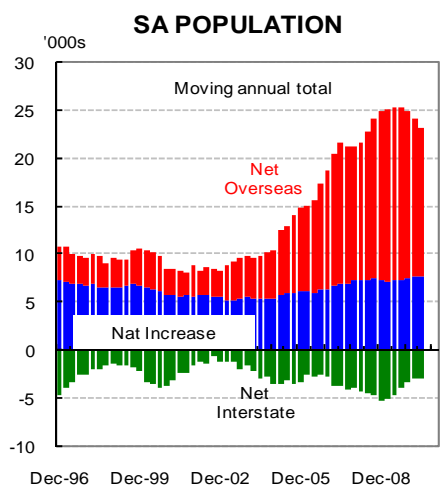
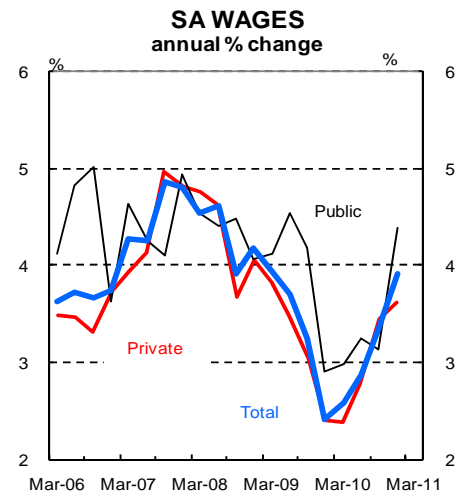
Net overseas migration has been the major driver of population growth in SA in the past 5 years, reflecting the high intake national immigration program, as well as the introduction of the Skilled Regional Sponsored Visa. The national net migrant intake peaked at 320k in 2009. However, the impact of net overseas migration has been partially nullified by continuing interstate migration losses.

Australia’s (& SA’s) relatively high population

SA’s wages still tame at 3.9%pa in QIV despite tightening labour markets....

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

SA’s population grew by 1.2%pa in 2009/10.





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, and many of their economic satellites, particularly in Europe (i.e. Ireland and Spain).

Australia's strong population growth in recent years and tepid residential construction over 2002 to 2009 has resulted in a significant undersupply of dwellings. This undersupply has created pent-up demand pressures that were released as the RBA cut interest rates through 2008 and 2009. So, while the US and UK witnessed 30% falls in house prices from 2007 to 2009 as their unemployment rates spiked higher and the housing markets were negatively impacted by significant oversupply, Australian house prices recorded, on average, 20% rises.

On our estimates, national underlying annual housing demand is around 185-195k, while new construction has been accelerating in the past year, the gap between underlying demand and supply is still significant (around 30k).

Net overseas migration to re-accelerate in coming years....

Net overseas migration was boosted substantially by the Federal Government from 2002 due to fears of widespread labour shortages which could lead to inflationary wages growth. The Global Financial Crisis (GFC) calmed these fears temporarily. But now the re-emergence of the mining boom will most probably require net overseas migration maintained around the 250k level in coming years. The major impact from this strong population growth will be ongoing upward pressures on housing costs via rising house prices and rents, particularly in Melbourne, Sydney and Brisbane where vacancy rates are already at record lows.

.....as jobs' markets tighten across nation.

Table 1: Economic projections

CBA forecasts	2009-10 actual	2010-11f	2011-12f	Comment
Real Gross State Product (GSP)%	1.5	2	2¼	Growth around trend
Employment Growth % June	1.3	1.8	1.7	Jobs growth moderate
Unemployment Rate % June	5.4	5.2	4.8	Unemployment rate edging lower
CPI (Adelaide) %pa	2.8	3.0	2.8	Moderate inflation
Wages Price Index %pa	2.9	3.8	4.1	Wages growth in line with national trend
Exports \$bn annual	8.1	10.5	12	Rural and mining exports rising
Dwelling starts, '000s annual	12	11	11	Dwelling construction declining slightly.
Population growth %pa June	1.24	1.1	1.1	Population growth slowing
CBA median house price Adelaide \$000s	515	520	530	Subdued housing prices

Table 1 Sources: ABS, CBA

Table 2 Fiscal projections

SA Fiscal Projections	2009-10 Estimates	2010-11 Estim. Mid Year	2011-12 Estimates	2012-13 Estimates	2013-14 Estimates
Total Revenue \$mn	14444	15138	15572	15927	16283
Total Expenses \$mn	14748	15631	15491	15800	15901
Operating Balance (GFS)\$mn	-304	-493	81	127	382
Net Debt \$mn	5889	10010	10963	11308	11410
Net Debt % GSP	6.7	11.3	12.1	12.4	12.5
Capital Works Spending \$bn	3.75	3.6	2.75	2.25	2.0

Table 2 Sources: SA State budgets, CBA

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New Zealand Economic Perspective

Half year growth furlough: NZ Gross Domestic Product Review

- QIV GDP increased 0.2%, recovering from the previous quarter's 0.2% contraction.
- Economic performance over H2 2010 underwhelming as caution weighs on activity.
- QIV GDP result eclipsed by devastating earthquake and OCR cut over QI.

GDP underwhelms, details contain very few surprises.

For a release that was more uncertain than usual, the QIV GDP report contained very few surprises! GDP expanded 0.2%, in line with market expectations and stronger than our -0.1% forecast. The good news is NZ has avoided a mild technical recession. Nonetheless, the economy essentially tracked sideways over the second half of 2010, and faces the prospect of a further earthquake-induced decline.

GST increase results in QIV retailing lull.

A key feature in the report was the large retail spending contraction, as foreshadowed by the weakness in the retail trade survey. Spending fell after purchases of durable items were made in QIII ahead of the GST lift.

Wholesale trade follows retail weakness.

Wholesale trade was another area of weakness, registering a surprisingly weak 2.7% decline. This is likely to reflecting some pay back from the previous quarter's lift, which was potentially induced by September's post-quake restocking. The underlying trend over the second half of 2010 was in line with developments in the retail sector, but muted given the strength in manufacturing and exports that would normally generate wholesale activity.

Manufacturing recovers.

Manufacturing lifted more than expected, posting a solid 2.5% increase. Food, beverage and tobacco manufacturing grew 2.5%, a surprising result given the weakness in livestock slaughter and dairy production over the quarter. Meanwhile, non-food manufacturing recovered 2.7%, in line with expectations. Confidence in the manufacturing industry continues to improve, pointing to future growth.

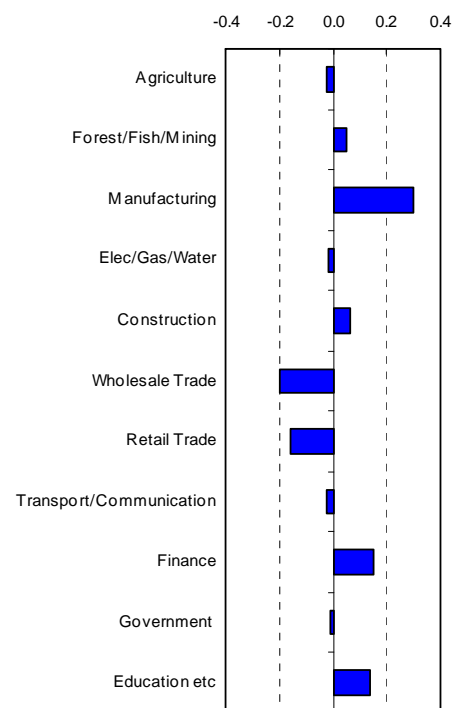
Construction lifted.

Construction was also marginally stronger than expected, although the mix was in line with what was signalled in the building work put in place survey. The sharp drop in residential construction was offset by strong non-residential building.

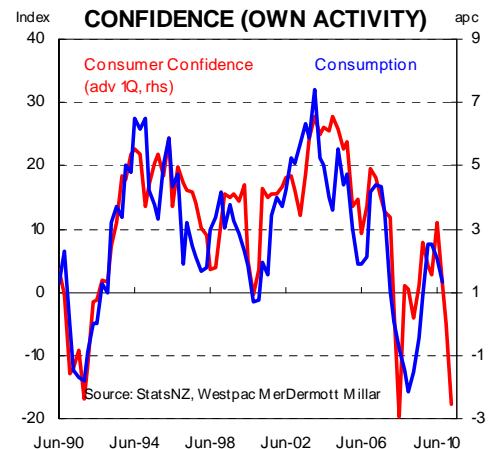
Finance sector posts surprising growth.

Finance, insurance, property and business services posted a solid increase of 0.5%. Stats NZ noted that most of the growth was in real estate and business services, which lifted 0.9%, which is particularly surprising given the subdued nature of the housing market over the quarter.

Q4 2010 PRODUCTION GDP
 (pp contribution to quarterly % change)



CONSUMPTION & CONSUMER CONFIDENCE (OWN ACTIVITY)





Milk production hampered by drought, offset by strong forestry volumes.

On the commodity production side, strength in fishing and forestry production offset weakness in mining and milk production. Milk production fell as expected, following the drought in the upper North Island over the later months of the quarter. Demand for forestry products is set to increase given reconstruction requirements in both NZ and Japan following devastating earthquakes in both countries over Q1.

On the expenditure side, GDP was slightly more resilient, with strength in investment and exports of commodities offset by imports, weakness in residential construction and subdued consumer spending.

Investment surges on earthquake repairs.

Investment (excluding residential building) surged 8.3%, with the lift in non-residential building and other construction much stronger than suggested. Other construction largely comprises of infrastructure construction such as roads, bridges and rail and the lift is likely to be a result of repairs following the September quake.

Air NZ imports new airplane.

As expected, investment in transport equipment surged (+51%) due to the import of a Boeing 777 aircraft by Air NZ. This was offset by a matching increase in imports.

Plant and Machinery investment disappointing.

Offsetting these increases, the 1% decline plant and machinery investment was disappointing, particularly given the lift in plant and machinery imports over the previous quarter which had yet to show up as investment.

Local council spending lifts on earthquake and super city.

Government spending increased 1.2%, with an 8% increase in local government spending reflecting increased spending as a result of the September quake and the creation of the super city in Auckland. Central government spending growth remained subdued, up 0.3%.

The Net Export contribution was negative, with import growth of 6.6% outstripping the 2.1% increase in exports.

Decline in tourist spending weighs on exports.

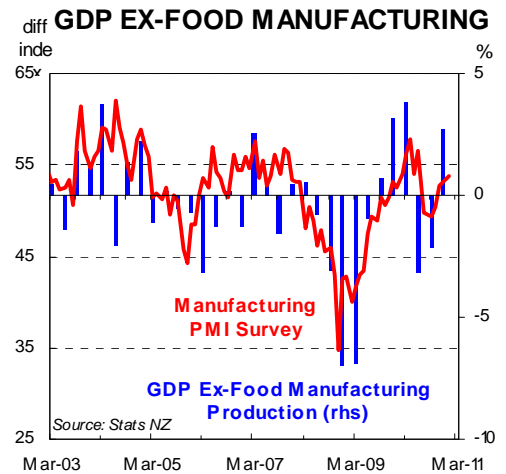
Exports of goods lifted 4.1%, but this was partly offset by a 0.6% decline in services exports. Yesterday's Balance of Payments statistics highlighted the weakness in tourism spending over the quarter. We expect that tourism spending will suffer further following the devastating quake in Christchurch.

Solid growth in commodity exports continues.

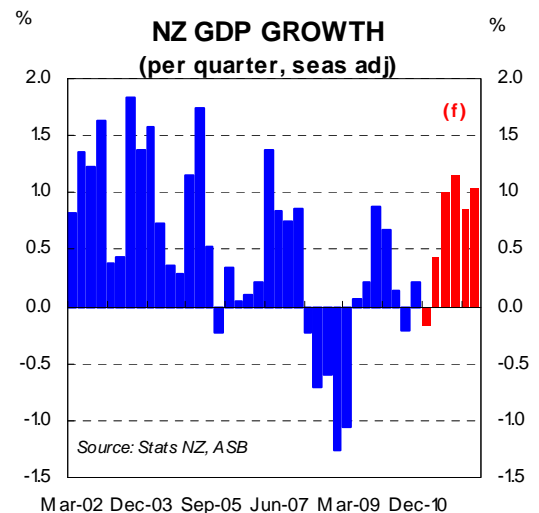
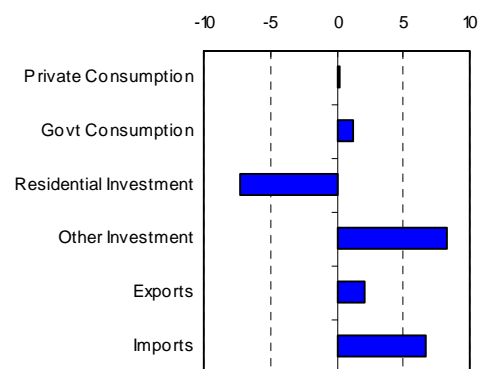
Exports of commodities performed well, with dairy up 6.1%, meat up 13.8% and forestry up 13.6%. The recovery in these goods highlights the importance of strength in Emerging Asia as a key trading partner.

Outlook shaped by February's devastating earthquake.

Looking ahead, Q1 economic activity has been disrupted by the February earthquake: we now expect a small decline in GDP for the quarter, in contrast to a sharp lift prior to the latest earthquake. Beyond that, growth over the first half of the year is likely to be subdued. Reconstruction in Christchurch is likely to be put on hold until the end of this year. In addition, households remain very cautious (as highlighted by the recent drop in consumer confidence), which we expect will weigh on retail spending and the housing market in the short term.



Q4 2010 EXPENDITURE GDP (Quarterly % Change)





50bp cut to provide some support.

Nonetheless, the 50 basis point OCR cut should help bring some relief to stretched households and businesses, and we expect a recovery in confidence and underlying demand over the second half of 2011. Adding to momentum will be additional tourism activity on the back of the Rugby World Cup, while very strong commodity export earnings (particularly dairy) will help buoy confidence and activity in the agricultural sector.

QIV release less relevant following QI developments.

One caution with the QI GDP release is that compiling the figures will be a challenge for Statistics NZ – reflecting the extreme disruption and dislocation businesses in Christchurch have suffered.

Implications

Recovery to begin in the second half of 2011.

The QIV release confirmed that the economy was flat over the earthquake-affected second half of last year. The starting position for 2011, prior to the February earthquake, was weak.

But the rebuilding of Christchurch, along with the Rugby World Cup, will see strong growth rates appearing in the second half of this year. The concentrated reconstruction impetus is simply about restoring the country's physical state to its former glory, made necessary by the earthquake. Nevertheless, it will give the Canterbury economy a needed injection. And the export environment remains very supportive.

Underlying weakness in economy for now will keep RBNZ on hold.

The underlying momentum in the wider economy should gradually improve over the course of the year, and 'gradual' translates into the RBNZ being comfortable keeping the RBNZ on hold until early next year. At that point, it will start focussing on the inflation pressures kicked up by the bow wave of construction activity.

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The Week Ahead

Calendar - Australasia, Japan and China

Date	Time		Event	Period	Unit	Last	Forecast	
	AEST	Econ					Market	CBA
Tue 29 Mar	08.45	NZ	Trade balance	Feb	NZ\$m	11.0	~	~
					12mth ytd	865.0	~	~
	08.45	NZ	Exports	Feb	NZ\$bn	3.3	~	~
	08.45	NZ	Imports	Feb	NZ\$bn	3.3	~	~
	09.00	AU	RBA Assistant Governor (Financial System) Malcolm Edey speaks in Sydney.					
	10.30	JP	Job-to-applicant ratio	Feb	~	0.6	~	~
	10.30	JP	Jobless rate	Feb	%	4.9	4.9	~
	10.50	JP	Retail trade	Feb	m%ch	4.1	0.5	~
	11.30	AU	Population growth	QIII	q%ch	0.3	~	~
Wed 30 Mar	08.45	NZ	Building consents	Feb	m%ch	9.6	~	~
	10.50	JP	Industrial production	Feb	m%ch	1.3	-0.1	~
					y%ch	3.5	3.8	~
	11.00	AU	DEWR skilled vacancies	Mar	m%ch	-1.2	~	~
	11.00	AU	HIA new home sales	Feb	m%ch	2.5	~	~
	11.30	AU	ABS job vacancies	Feb	q%ch	5.3	~	~
					y%ch	26.3	~	~
	15.00	JP	Vehicle production	Feb	y%ch	-6.3	~	~
Thu 31 Mar	08.45	NZ	NBNZ activity outlook	Mar	Index	36.6	~	~
	11.30	AU	Retail trade	Feb	m%ch	0.4	0.4	0.6
	11.30	AU	Building approvals	Feb	m%ch	-15.9	4.0	4.0
					y%ch	-24.8	~	-11.9
	11.30	AU	Private sector credit	Feb	m%ch	0.3	~	0.3
					y%ch	3.3	~	3.2
	11.30	AU	RP data-rismark house px	Feb	m%ch	-0.9	~	~
	16.00	JP	Annualized housing starts	Feb	mn	0.85	0.84	~
Fri 01 Apr	08.45	NZ	Manufacturing activity	QIV	%	1.3	~	~
	09.30	AU	AiG performance of manufacturing index	Mar	Index	51.1	~	~
	10.50	JP	Tankan large manufacturers index	QI	Index	5.0	6.0	~
	10.50	JP	Tankan non-manufacturing	QI	Index	1.0	2.0	~
	10.50	JP	Tankan large all industry Capex	QI	Index	2.9	1.8	~
	12.00	NZ	PMI manufacturing	Mar	Index	52.2	~	~
	13.30	NZ	HSBC manufacturing PMI	Mar	Index	51.7	~	~



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 28 Mar	13.30	US	PCE Core	Feb	y%ch	0.8	0.9	~
	13.30	US	PCE Deflator	Feb	y%ch	1.2	1.6	~
	13.30	US	Personal Income	Feb	%	1.0	0.4	~
	15.00	US	Pending Home Sales	Feb	m%ch	-2.8	0.4	~
Tue 29 Mar	09.30	UK	Total Business Investment	QIV	q%ch	-2.5	~	~
	09.30	UK	Current Account (BP)	QIV	£bn	-9.6	-10.5	~
	09.30	UK	GDP	QIV	q%ch	-0.6	-0.6	~
	09.30	UK	Net Consumer Credit	Feb	£bn	-0.3	-0.1	~
	09.30	UK	Mortgage Approvals	Feb	'000	45.7	46.8	~
	14.00	US	S&P/Case-Shiller Home Price Index	Jan	Index	142.4	~	~
	14.00	US	S&P/ Case-Shiller 20 City	Jan	m%ch	-0.41	-0.40	~
	15.00	US	Consumer Confidence	Mar	Index	70.4	64.8	~
Wed 30 Mar	10.00	EZ	Business Climate Indicator	Mar	Index	1.5	~	~
	10.00	EZ	Eurozone Consumer Confidence	Mar	Index	-10.6	-10.6	~
	10.00	EZ	Eurozone Economic Confidence	Mar	Index	107.8	107.5	~
	13.15	US	ADP Employment Change	Mar	'000	217.0	210.0	~
Thu 31 Mar	00.01	UK	GfK consumer confidence survey	Mar	Index	-28.0	-29.0	~
	08.55	GE	Unemployment rate	Mar	%	7.3	7.2	~
	10.00	EZ	CPI estimate	Mar	y%ch	2.4	2.3	~
	13.30	CA	GDP	Jan	y%ch	3.2	~	~
	13.30	US	Initial jobless claims	26 Mar	'000	382	~	~
	13.30	US	Continuing claims	19 Mar	'000	3721	~	~
	14.45	US	Chicago purchasing manager	Mar	Index	71.2	70.0	~
	15.00	US	Factory orders	Feb	%	3.1	1.0	~
Fri 01 Apr	09.00	EZ	PMI manufacturing	Mar	Index	57.7	~	~
	09.30	UK	PMI manufacturing	Mar	Index	61.5	60.6	~
	10.00	EZ	Unemployment rate	Feb	%	9.9	9.9	~
	13.30	US	Change in non-farm payrolls	Mar	'000	192.0	190.0	~
	13.30	US	Change in private payrolls	Mar	'000	222.0	210.0	~
	13.30	US	Unemployment rate	Mar	%	8.9	8.9	~
	15.00	US	ISM manufacturing	Mar	Index	61.4	61.0	~
	15.00	US	ISM prices paid	Mar	Index	82.0	83.0	~
	22.00	US	Total vehicle sales	Mar	mn	13.4	13.3	~



Calendar – Key Events To Watch

Australia and New Zealand

Tuesday 29 March

NZ Overseas trade balance, Feb, NZ\$mn, (f) 0 (11 prev)

We expect a trade balance of NZ\$0mn in February, bringing the annual balance lower to NZ\$540mn. Typically around this time of year we would expect the trade balance to record a surplus, given agricultural exports are at their seasonal peak. However, we are anticipating exports to be weaker than usual, given the disruption from the 22 February earthquake in Christchurch. Beyond this impact, exports should continue to benefit strong from strong prices, particularly dairy.

Meanwhile, imports have been lifting more gradually, weighed down by soft consumer and investment demand. However, over February, oil prices started to lift sharply which will add to imports and act as a drag on the trade balance.

Tuesday 29 March

AU Population growth, QIII, q/y%ch, (0.3/1.7 prev)

In QII, Australia's population increased by 70,500 to 22.34mn. The annual growth rate in the June quarter was 1.7% (377,100 persons), the lowest yearly rate since QII 2007. Despite the wider deceleration, Western Australia's population, driven by the mining boom, continues to grow robustly, rising by 49,100 in the year to June.

Over recent years net overseas migration has been relatively strong. In 2009/10, net overseas migration was 215,600. In contrast, natural population growth in 2009/10 was only 161,500. Australia's continuing economic expansion, led by the surging mining sector, is likely to see net migration remain strong in the coming years. Strong population growth and ongoing labour market strength are likely to manifest into a build up of wage pressures. In addition, the under supply of housing, when coupled with robust population growth, is likely to push up rents and keep house prices elevated.

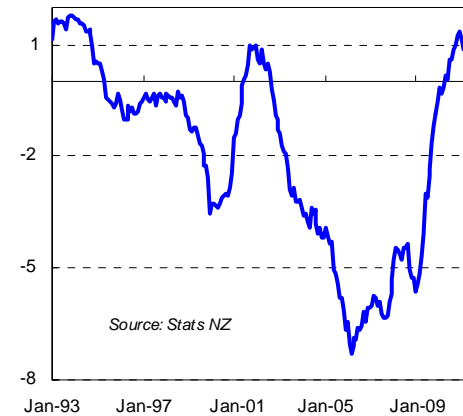
Wednesday 30 March

NZ Building consents, Feb, m/y%ch (9.6/-14.6 prev)

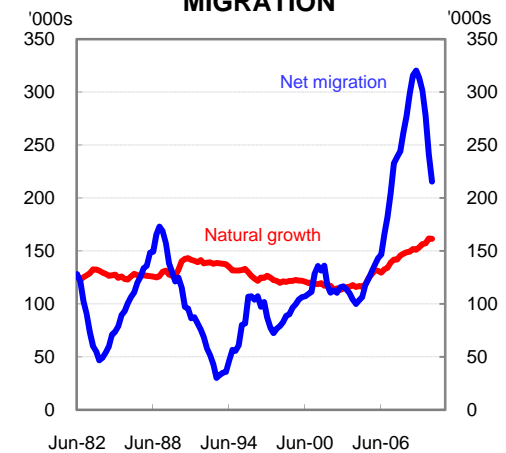
Prior to the February earthquake in Canterbury, reconstruction activity from the September earthquake was underpinning our construction outlook for 2011. However, earthquake-related consents (from the September quake) have not shown up to any significant degree in consents for the months from September to January. The increased scale of destruction following the February quake now means repair work is unlikely to get underway in a meaningful sense until late this year.

Outside of Canterbury, we expect residential building consent issuance to pick up gradually over the year. Indeed, if consent issuance remains at the current low levels for too long, there is a significant risk of a housing shortage in areas where the population is growing and more homes will be

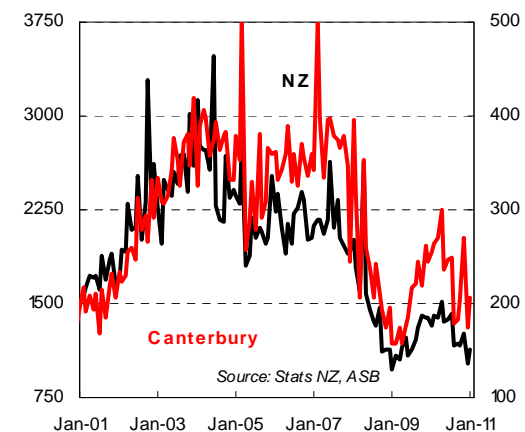
\$b **NZ GOODS TRADE BALANCE** \$b
 (annual total)



NATURAL GROWTH & NET MIGRATION



No. **NZ DWELLINGS CONSENTED** No.
 (seasonally adjusted, monthly)





required in the years ahead. Non-residential consent issuance was low for most of 2010. But consent issuance is expected to recover slowly this year, with both earthquake repairs in Canterbury and recovering investment elsewhere providing a boost.

Wednesday 30 March

NZ RBNZ credit aggregates, Feb

Mortgage lending rebounded in January from the very weak result in the previous month. The rebound in January was partly offset by a decline in consumer lending in January. In sum, total household lending increased by 1.6% over the year. Business lending showed ongoing signs of gradual improvement in January's credit aggregate report. However, despite steadily improving over the second half of 2010, business lending in January was still 2.2% lower than levels from a year-ago. Meanwhile, agricultural lending remains relatively flat, with total lending in January 1.2% higher than January 2010.

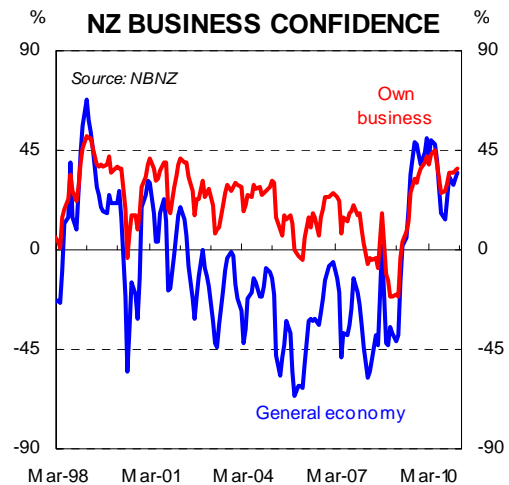
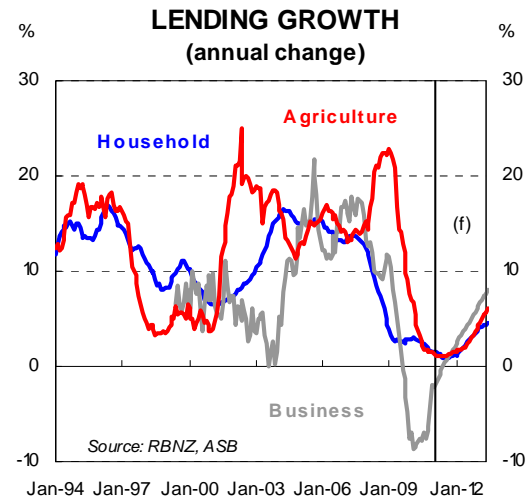
The Canterbury earthquake on 22 February may lead to a temporary stalling in the recovery in business and household lending growth, although this may be more apparent in the March data. Beyond the earthquake-related disturbances, we expect a gradual recovery in lending growth to businesses, households and the agriculture sector over 2011 and 2012.

Thursday 31 March

NZ NBNZ Business outlook, Mar

Both headline business confidence and businesses' assessment of their own trading activity rebounded in the February report. However, the survey was taken prior to the Christchurch earthquake, and subsequent RBNZ rate cut. Consumer confidence plummeted in the wake of the February earthquake. We expect business confidence to also decline, as the uncertainty of the disaster weighs on the collective mood of businesses. Offshore uncertainty and high fuel prices also add to the pressure.

The RBNZ made it clear that the move to cut the OCR was to pre-empt a drop in business and consumer confidence, and to provide insurance against the economy deteriorating further as a result of the quake. Some deterioration in confidence is to be expected, but the OCR cut should bring some relief to businesses. We expect a recovery in confidence and the broader economy over the second half of 2011.





Thursday 31 March

AU Building approvals, Feb, m/y%ch, (f) 4/-11.9

Building approvals slumped in January, falling 15.9% (MoM), down some 25% from a year earlier. The 14.3% decline in private sector approvals in January was largely a function of the 30.8% dip in the volatile “other” category. Interestingly, public approvals also declined, down 48.3% (MoM). However, the public sector result is likely to rebound in coming months. There remains a significant proportion of public sector stimulus buildings yet to enter the approval pipeline. We expect building approvals to rebound 4% in February. Despite the monthly reversal, approvals are anticipated to fall by 11.9% from year ago levels.

Flood impacts were apparent in the January approvals data. Flood induced volatility is likely to continue in the coming months. In H1 2011, the reconstruction effort is likely to lift building approvals significantly. The recovery in Queensland housing construction has the potential to amplify the pent-up demand, offsetting the slowdown in other areas brought on by higher borrowing costs.

Thursday 31 March

AU Retail trade, Feb, m%ch, (f) 0.6

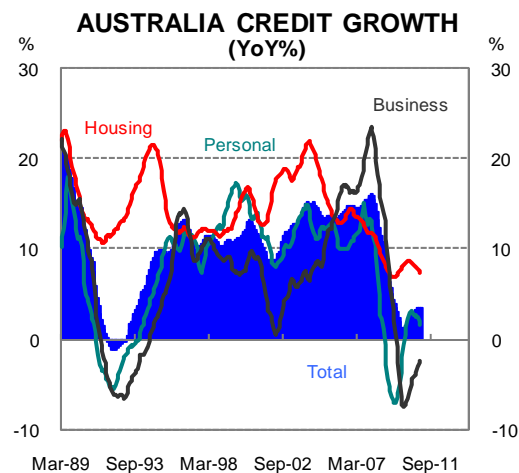
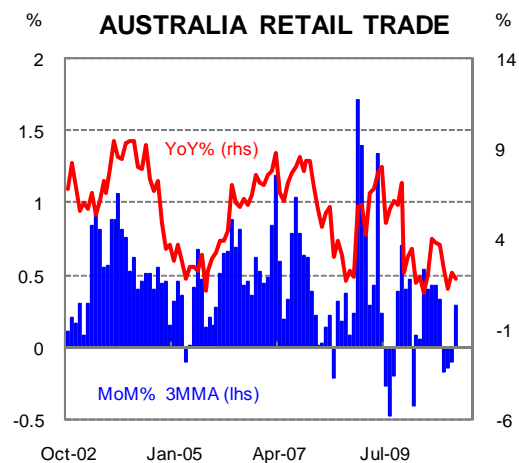
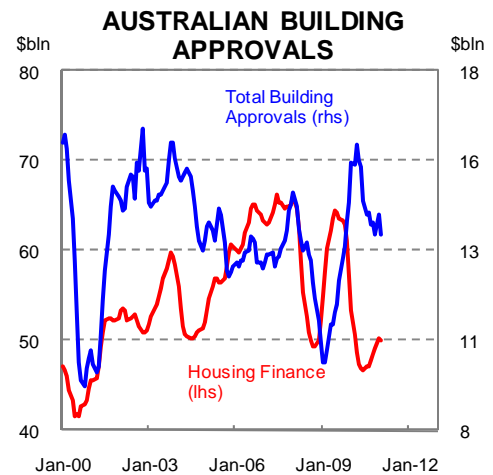
In January, retail sales lifted slightly more than expected, rising 0.4% in the month. The food category was the driver, up 2.5% (MoM). While the January result was encouraging, it appears that consumer spending habits remain contained. This is surprising given Australia’s underlying economic strength, as highlighted by the robust labour market. A factor behind the recent subdued retail sales growth may be the elevated level of consumer trepidation following the recent global financial crisis. Higher consumer caution is being illustrated by the savings as a share of disposable income tracking around 10%. Another retail sales leakage stems from the high AUD. Anecdotal evidence suggests that consumers continue to move toward online shopping. Despite the apparent headwinds to robust sales growth, we are expecting retail sales to lift by 0.6% (MoM) in February.

Thursday 31 March

AU Private sector credit, Feb, m/y%ch, (f) 0.3/3.

In the past few months, credit growth in Australia has been relatively subdued. Total credit rose by 0.3% in January, up 3.3% in the year. The main factor behind the recent subdued credit growth has been the lacklustre performance of business credit. In the year to January, business credit declined by 2.4%. Additionally, the potential for further increases in borrowing costs appears to be capping any significant housing credit growth.

As Australia’s nominal economy continues to grow robustly, the relatively weak pace of credit growth indicates that business and consumers are de-leveraging. However, with the labour market continuing to strengthen household incomes should rise. This will boost consumer confidence and in turn lift borrowing in 2011. We expect private sector credit to have increased by 0.3% in February (MoM).





Friday 1 April

NZ Wholesale trade survey, QIV

NZ Economic survey of manufacturing, QIV

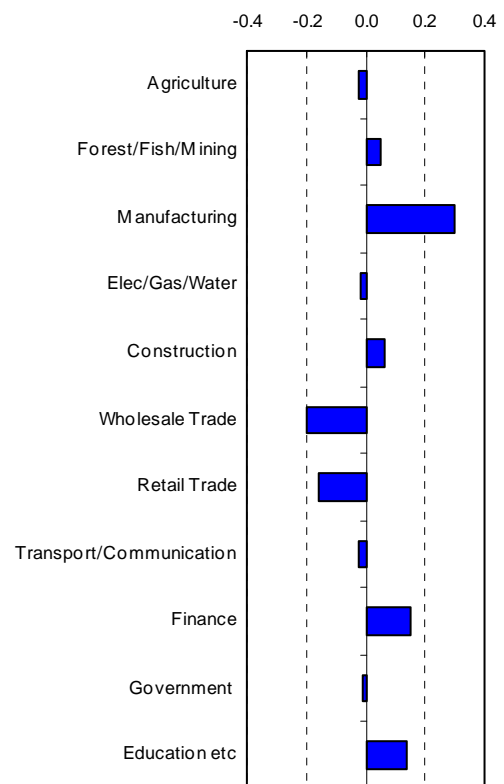
The Wholesale Trade Survey and Economic Survey of Manufacturing are usually released in the weeks prior to Gross Domestic Product. Because of damage to the Statistics New Zealand Christchurch office during the 22 February 2011 earthquake, the QIV surveys were delayed until after GDP data was released on Thursday 24 March. Therefore, the surveys are less relevant than usual.

GDP production data for QIV showed manufacturing production posted a solid 2.5% quarterly increase. Food, beverage and tobacco manufacturing grew 2.5%, a surprising result given the weakness in slaughter and dairy production over the quarter. Meanwhile, non-food manufacturing recovered 2.7%.

Wholesale trade in the GDP figures recorded a surprisingly weak 2.7% decline over QIV. This is likely to reflect some pay back from the previous quarter's lift which was potentially induced by September's post-quake restocking.

Q4 2010 PRODUCTION GDP

(pp contribution to quarterly % change)





International

Monday 28 March

US PCE core, Feb, m/y%ch, (0.1/0.8 prev)

The US Federal Reserve's (Fed) preferred measure of inflation, the PCE (excluding food and fuel) was relatively flat in January, rising by a subdued 0.8% from a year earlier. January's annual core PCE reading highlights the lack of price pressures in the US economy. Any significant acceleration in core prices is unlikely in the short-term.

The large output gap in the US economy remains a concern for the Fed. US unemployment remains elevated (exceeding 9% since May 2009), while inflation remains contained. The lack of price pressures in the US economy is likely to see the Fed push ahead and complete its asset purchase program, which is due to run until June. The asset purchase program has been implemented by the Fed in an effort to spur the pace of the US economic recovery.

Monday 28 March

US Pending home sales, Feb, m/y%ch, (-2.8/-4.4 prev)

The US housing market remains weak. The weakness is unlikely to change in the short to medium term. Pending home sales fell 2.8% in January. Although monthly pending home sales are often volatile, they have declined in three of the past five months. This downward trend has been replicated in the recent decline in existing homes sales. Pending home sales are often used as a leading indicator for the property market, as they track contract signings.

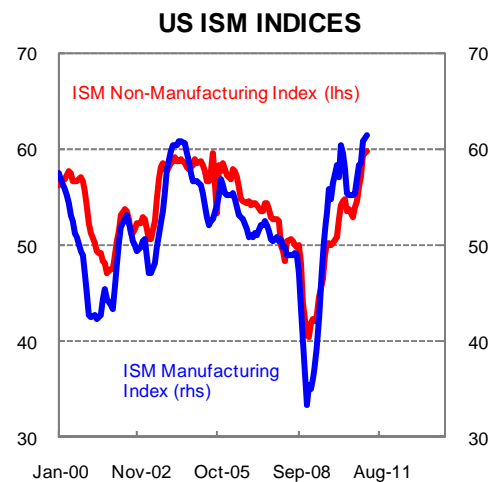
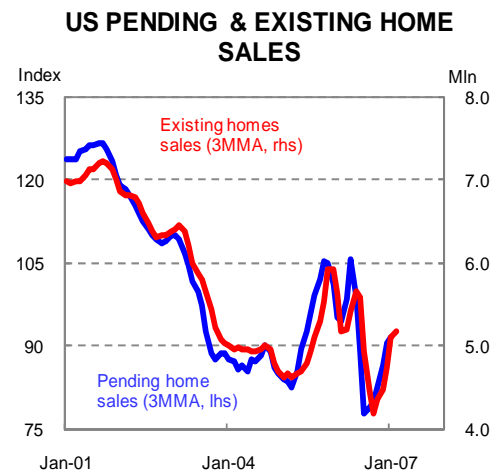
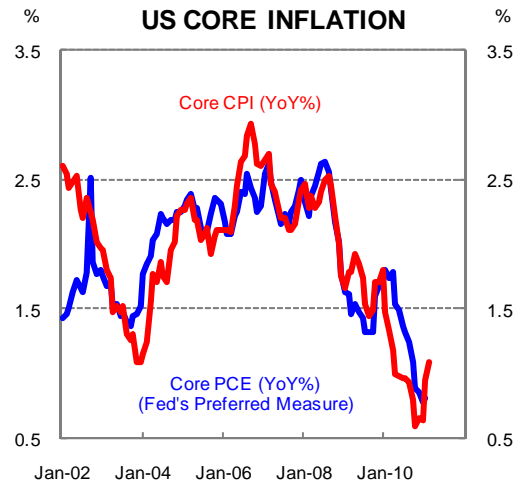
The increased number of home foreclosures continues to keep a lid on housing price gains. The lack of price growth is dampening the property sector. Another factor limiting the housing market recovery is the sluggish labour market. We do not expect to see a significant turnaround in US pending home sales or the general housing market until there is a substantial improvement in the US labour market.

Tuesday 29 March

US S&P/Case-Shiller home price, Jan, Index, (142.4 prev)

The S&P/Case-Shiller index of home values in 20 cities declined 3.4% in the year to December, the largest year-on-year fall since December 2009. Significantly, the annual home price declines continue to be broad based. Values in 18 of the 20 cities in the index fell in December. The 9.1% annual fall in Detroit was the most pronounced in the month.

The increased number of home foreclosures, which are coming onto the market, are only adding to the already burgeoning overhang of unsold properties. The higher level of sales stock, combined with a lack of confidence in the property market, stemming from the ongoing slack in the US labour market, is keeping US house prices depressed. Negative to slight price growth is likely in 2011.





Thursday 31 March

CA GDP, Jan, m/y%ch, (0.5/3.2 prev)

Canada's economy appears to have re-entered a period of moderate expansion. This follows on from the strong economic recovery experienced in 2009 and 2010. In December, Canada's economy grew at its quickest pace in nine months, increasing 0.5%. In the year to December, Canada's economy expanded by a robust 3.2%. The December gains were led by further production growth in the oil and gas sector.

In its January monetary policy report, the Bank of Canada (BoC) lifted its 2011 and 2012 domestic growth forecasts to 2.4% and 2.8% respectively. According to the BoC, two factors look set to boost Canada's economic growth in the coming year: (1) The improving US economy is likely to be a positive influence on Canada's net exports. Some 75% of Canada's merchandise exports are sent to the US; (2) A sustained economic expansion in Canada is likely to build confidence. Increased confidence is likely to result in a sharp rebound in business investment, which dropped significantly during the recent recession.

Friday 1 April

US Change in non-farm payrolls, Mar, '000, (192 prev)

US Change in private payrolls, Mar, '000, (222 prev)

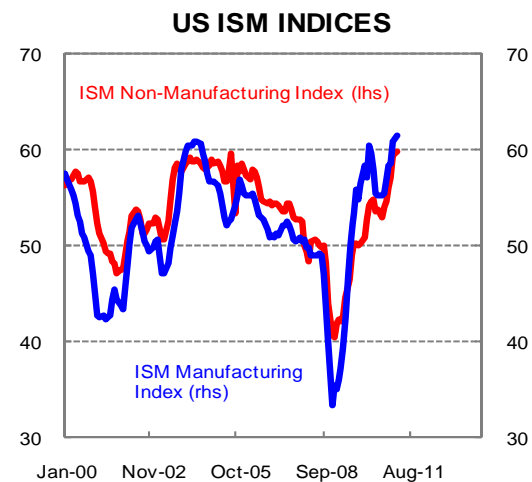
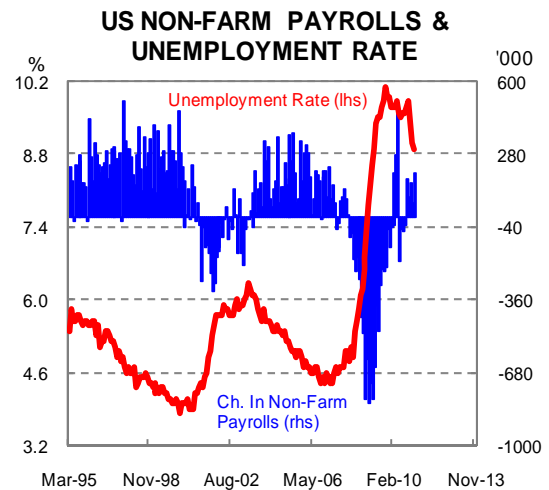
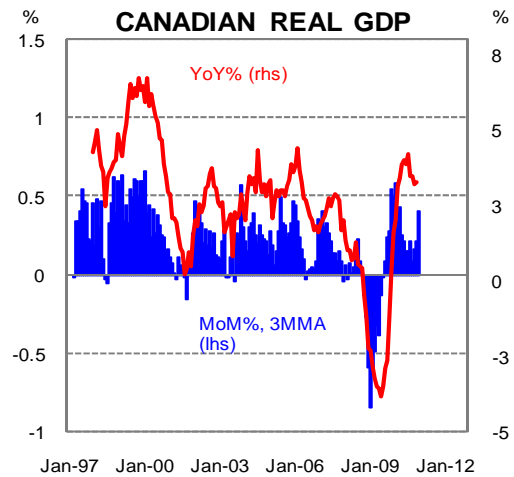
In January, US payrolls growth was depressed by the adverse winter weather. However, the recent payrolls momentum returned in February. Non-farm payrolls increased by 192,000 in February, while private payrolls lifted by 222,000. Despite the unemployment rate declining to 8.9% in February, its lowest level since April 2009, US policy makers remain unimpressed at the pace of improvement. Historically, 200-300,000 jobs have been created per month during economic recoveries. In contrast, recoveries from financial crisis induced downturns have typically required a longer timeframe to return to pre-crisis levels. On average, private payrolls have only increased by a modest 127,000 per month since March 2010.

Friday 1 April

US ISM manufacturing, Mar, Index, (61.4 prev)

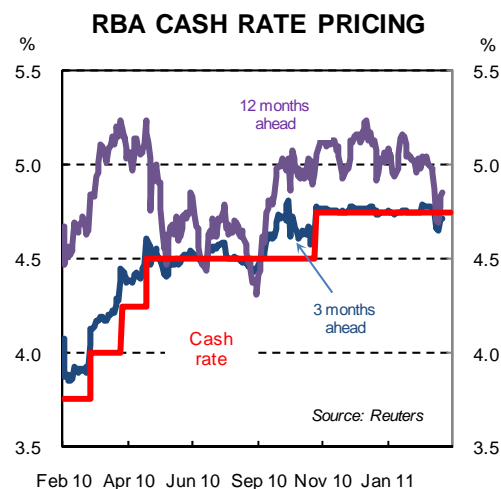
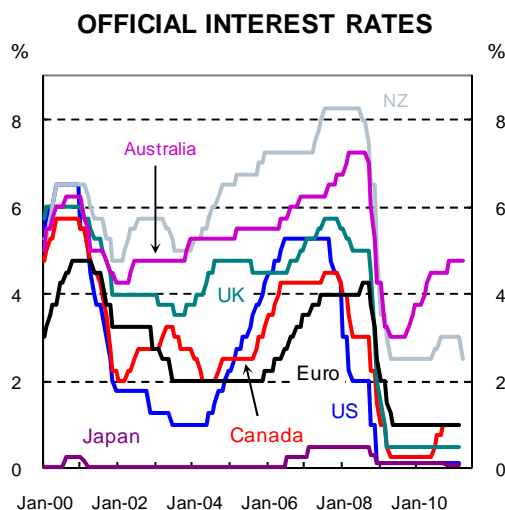
The ISM manufacturing index has remained in expansionary territory for over a year. In February, the ISM manufacturing index rose to 61.4, its fastest pace since May 2004. Furthermore, the February ISM readings indicated that new orders were now at a seven year high. Significantly, the recent ISM survey's have identified that US firms are becoming more confident and are looking to increase staff intake numbers. In the past twelve months, the ISM manufacturing employment gauge has climbed to 64.5, its highest level since the early 1970's.

The across the board strong ISM readings indicate that the US economic recovery is set to accelerate in 2011. Building US economic growth momentum is set to be driven by rising household and business confidence, continued accommodative monetary policy and improved credit conditions.





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"> <tr> <td>Mar '11</td> <td>Jun '11</td> <td>Sep '11</td> <td>Dec '11</td> </tr> <tr> <td>4.75%</td> <td>5.00%</td> <td>5.25%</td> <td>5.50%</td> </tr> </table>	Mar '11	Jun '11	Sep '11	Dec '11	4.75%	5.00%	5.25%	5.50%	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.
Mar '11	Jun '11	Sep '11	Dec '11								
4.75%	5.00%	5.25%	5.50%								
US (FOMC)	75-100bpt cut to 0 0.25% on 16 December 2008.	<p>■ 28 April, 2011</p> <table border="1"> <tr> <td>Mar '11</td> <td>Jun '11</td> <td>Sep '11</td> <td>Dec '11</td> </tr> <tr> <td>0-0.25%</td> <td>0-0.25%</td> <td>0-0.25%</td> <td>0.50%</td> </tr> </table>	Mar '11	Jun '11	Sep '11	Dec '11	0-0.25%	0-0.25%	0-0.25%	0.50%	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.
Mar '11	Jun '11	Sep '11	Dec '11								
0-0.25%	0-0.25%	0-0.25%	0.50%								
Eurozone (ECB)	25bpt cut to 1.00% on 7 May 2009.	<p>■ 7 April, 2011</p> <table border="1"> <tr> <td>Mar '11</td> <td>Jun '11</td> <td>Sep '11</td> <td>Dec '11</td> </tr> <tr> <td>1.00%</td> <td>1.25%</td> <td>1.25%</td> <td>1.50%</td> </tr> </table>	Mar '11	Jun '11	Sep '11	Dec '11	1.00%	1.25%	1.25%	1.50%	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.
Mar '11	Jun '11	Sep '11	Dec '11								
1.00%	1.25%	1.25%	1.50%								
UK (MPC)	50bpt cut to 0.5% on 5 March 2009.	<p>■ 7 April, 2011</p> <table border="1"> <tr> <td>Mar '11</td> <td>Jun '11</td> <td>Sep '11</td> <td>Dec '11</td> </tr> <tr> <td>0.50%</td> <td>0.75%</td> <td>1.00%</td> <td>1.25%</td> </tr> </table>	Mar '11	Jun '11	Sep '11	Dec '11	0.50%	0.75%	1.00%	1.25%	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.
Mar '11	Jun '11	Sep '11	Dec '11								
0.50%	0.75%	1.00%	1.25%								
NZ (RBNZ)	50bpt cut to 2.5% on 10 March.	<p>■ 28 April, 2011</p> <table border="1"> <tr> <td>Mar '11</td> <td>Jun '11</td> <td>Sep '11</td> <td>Dec '11</td> </tr> <tr> <td>2.50%</td> <td>2.50%</td> <td>2.50%</td> <td>2.50%</td> </tr> </table>	Mar '11	Jun '11	Sep '11	Dec '11	2.50%	2.50%	2.50%	2.50%	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.
Mar '11	Jun '11	Sep '11	Dec '11								
2.50%	2.50%	2.50%	2.50%								
Canada (BoC)	25bpt rise to 1.00% on 8 September 2010.	<p>■ 12 April, 2011</p> <table border="1"> <tr> <td>Mar '11</td> <td>Jun '11</td> <td>Sep '11</td> <td>Dec '11</td> </tr> <tr> <td>1.00%</td> <td>1.25%</td> <td>1.50%</td> <td>1.75%</td> </tr> </table>	Mar '11	Jun '11	Sep '11	Dec '11	1.00%	1.25%	1.50%	1.75%	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.
Mar '11	Jun '11	Sep '11	Dec '11								
1.00%	1.25%	1.50%	1.75%								
Japan (BoJ)	0-10bpt cut to 0-0.1% on 5 October 2010.	<p>■ 7 April, 2011</p> <table border="1"> <tr> <td>Mar '11</td> <td>Jun '11</td> <td>Sep '11</td> <td>Dec '11</td> </tr> <tr> <td>0-0.10%</td> <td>0-0.10%</td> <td>0-0.10%</td> <td>0-0.10%</td> </tr> </table>	Mar '11	Jun '11	Sep '11	Dec '11	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.
Mar '11	Jun '11	Sep '11	Dec '11								
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
Jun-07	6.25	6.44	6.59	6.47	6.26	0.85	123.2	1.35	2.01	0.77
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	1.02	85.0	1.40	1.62	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

Forecast

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