



The Week Ahead

- The epicentre of this week's market action will be Europe once again. Recent Spanish, French and German government paper auctions have been underwhelming so bond and bill auctions scheduled for this week in Italy, Belgium, Spain and France will be closely watched by policymakers and markets alike. EU finance ministers are meeting in Brussels this week and will potentially provide financial markets with another source of disillusionment with the glacial progress of hammering out a solution to the sovereign debt crisis by Euroland's political class. Further roiling in financial markets last week was precipitated by the failure of the US Congressional "Super Committee" to make some real progress towards agreement about a plan to substantially reduce the gaping US budget black hole.
- On the local scene this week, the economic data flow gains momentum with a number of key monthly and quarterly data releases due. These numbers include the QIII private capex data. We expect another robust capex outcome in QIII and have factored in a 10%qtr/qtr jump, driven by the continuing gargantuan mining investment on the back of the booming Asian growth. An outcome in line with our expectations would augur well for a solid QIII GDP growth outcome (due in early December) and confirmation that the national economy continues to recover from the very soft patch experienced in QI due to a weather- induced slowdown in output.
- The other local numbers due this week are the October RBA private sector credit, October retail sales, and October building approvals which will provide the first snapshots of the growth pulse of the national economy in QIV 2011. We are forecasting a 0.5% lift in retail sales in October, after September's 0.4% lift. The recent relative strength in retail trade has occurred despite the uncertain and increasingly problematic international backdrop and consequent new found penchant by consumers to save 10-12% of income. Retail rises have been recorded for the past 3 months. Rising consumer sentiment since the August low highlights this recovery which is likely to be sustained and possibly enhanced by the November RBA interest rate cut.
- Building approvals are likely to post a modest bounce of 3% in October after approvals slumped by 13.6% in September on the back of a dive in the volatile "other dwellings" component. Continuing international horror stories centring on the European debt crisis have continued to haunt consumers and impact decisions to invest in housing. In October intense speculation about a November RBA rate cut may have helped boost approvals activity. Elsewhere, the RBA private sector credit data will confirm continuing torpid lending outcomes in the economy, after the 0.5%rise in credit in September which left annual growth at a paltry 3.4%pa (record lows). Once again, housing credit is likely to be the driver of growth, with business and personal credit growth still stuck in the doldrums. In September, housing credit growth lifted by 0.5% to be up 6.4%pa (ie but tracking near historic lows).
- Another possible key domestic event this week may be the release of the Federal government's mid-year review of the Budget and economic outlook (MYEFO) which is due shortly. The MYEFO will incorporate downgraded global and domestic growth expectations. These downgrades, and new spending initiatives announced since the May Budget, will flow through to the Budget bottom line as well. We expect the revised Budget economic forecasts to have a very similar profile and flavour to those produced by the RBA – which downgraded the growth outlook. The projected Budget surplus for 2012/13 is wafer thin at \$3.5bn. On our figuring, the probable new economic parameters will see the surplus disappear. When allowance for new policy initiatives is made – mainly measures associated with the carbon tax – a small deficit of \$0.5bn now looks likely. But there is much political credibility invested in the idea of a Budget surplus by 2012/13. So we expect the Government to announce a number of spending initiatives aimed at delivering the political "holy grail" of a surplus in 2012/13 – although there is no real need to reach this specific goal from an economic management point of view (it is purely political management). Please refer to Chief Economist Michael Blythe's analysis of the likely MYEFO outcome at page 2.
- In the US, there is a cluster of significant US economic data due. The paramount release will be Friday's November non-farm payrolls with markets expecting a 112k lift in payrolls after October's 80k increase. The November unemployment rate is expected to stay stuck at 9%. Other data due include: October new home sales, November consumer confidence, November manufacturing ISM, October construction spending, and November Chicago PMI.

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Australian Economic Perspective

Preview: MYEFO 2011

- Revised Budget economic forecasts should have a similar profile and flavour to those produced by the RBA.
- New economic parameters would probably see the wafer thin projected surplus for 2012/13 disappear.
- New savings measures seem likely to protect the surplus.

MYEFO due shortly.

The Government's mid-year review of the Budget and economic outlook (or MYEFO for the cognoscenti) is due shortly.

A lot has happened since the original Budget figuring was completed in May. The MYEFO will incorporate downgraded global and domestic growth expectations. These downgrades, and new spending initiatives announced since the May Budget, will flow through to the Budget bottom line as well.

Global and domestic growth projections to be revised lower.

A taste of what to expect was provided by the RBA in the November *Statement on Monetary Policy*. The RBA lowered GDP growth forecasts for 2011/12 by $\frac{3}{4}$ ppt to 3 $\frac{1}{4}$ %. Forecasts for 2012/13 were cut from 3 $\frac{3}{4}$ % to 3 $\frac{1}{4}$ %. The cuts reflect the intensifying downside risks to the global economy. But domestic prospects are also seen as a little weaker. The changed economic backdrop means inflation forecasts were also lowered. Underlying inflation is expected to track in the middle of the RBA's 2-3% target range in out to mid 2013.

We expect the revised Budget economic forecasts to have a very similar profile and flavour to those produced by the RBA.

The wafer thin surplus for 2012/13 could disappear without additional savings measures.

The projected Budget surplus for 2012/13 is wafer thin at \$3.5bn. On our figuring, the probable new economic parameters will see the surplus disappear. When allowance for new policy initiatives is made – mainly measures associated with the carbon tax – a small deficit of \$0.5bn now looks likely. The worse starting point would then flow through to Budget projections for 2013/14 and beyond. In the grand scheme of things there is no difference between a Budget outcome just above or just below the balance line. But a lot of political credibility is invested in the idea of a Budget surplus by 2012/13. There are already indications that the Government is considering options to keep the surplus trajectory on track. Based on our figuring, getting back into surplus would not require too much in the way of new savings. Press reports suggest that the focus will be on extracting savings from the health portfolio. There is also some scope to adjust the "timing" of spending and revenue flows. This may make the projected deficit for the current year larger. But any adjustment would help protect the surplus for next year.

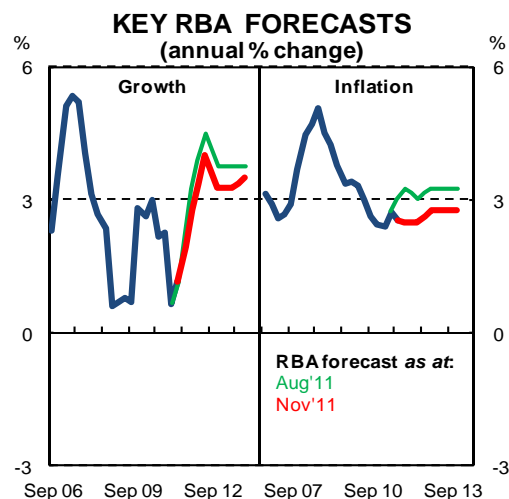


Table: MYEFO Figuring (\$bn)

	2011/12	2012/13	2013/14	2014/15
Budget balance (May'11)	-22.6	3.5	3.7	5.8
Plus				
Parameter changes	-0.3	-3.5	-4.3	-4.5
Carbon tax	-2.7	-0.5	-0.4	-0.2
Equals				
Projected MYEFO outcome	-25.6	-0.5	-1.0	1.1



Australian Economic Perspective

Construction Spending Surge To Continue

- Construction work volumes jumped by 12.5% in QIII, the largest rise on record, to be 18.5% higher than a year ago.
- Engineering volumes soared by 22.5%, to be a massive 48.9% higher over the year. It's the LNG boom in WA.
- Building volumes edged higher, by 0.6%, with residential slipping lower by 1.1% and non-residential rising by 3.1%.
- It appears that construction could make a sizeable positive contribution to QIII GDP, of around 1.5 percentage points!
- Engineering spending is around 7% of GDP, and rising, while building is 6% and sliding south.
- The construction inflation measures were surprisingly tame, somewhat at odds with reports of project cost blowouts.

Resource developments driving engineering spending.

In our view, Australia's QIII construction spending data demonstrates three things.

First, the overwhelming size of current and planned resource related investment. Second, the relatively flat non-resources construction picture. Third, the medium term growth trend for the Australian economy is reasonably strong, despite the problems in the EU and the US.

It is the three speed economy in all its glory. Resources related areas are strong, while most of the economy has moderate to weak growth trends, and some sectors are under pressure, like manufacturing and domestic tourism.

Divergent growth set to continue across sectors.

The divergent growth picture is unlikely to change. Resources sector spending will stay strong if its investment plans are fully realised, as appears likely.

The high AUD remains a major negative for manufacturing and domestic tourism. Even though it is keeping import prices, like petrol, under control. Consumer and business confidence, and their spending patterns, are subject to the thrills and spills underway in the EU.

Construction spending as \$49bn in QIII, 14% of GDP.

Total construction spending in QIII was \$49bn, in nominal terms, which is about 14% of GDP. It is being driven by engineering work in the resources sector. In QIII it was mainly in WA, so it is most probably related to construction in iron ore and LNG plant.

Over the next few years, the engineering component of construction spending is headed significantly higher as the LNG plants and other resource projects are built in Queensland and WA.

Engineering work to be done is \$100bn.

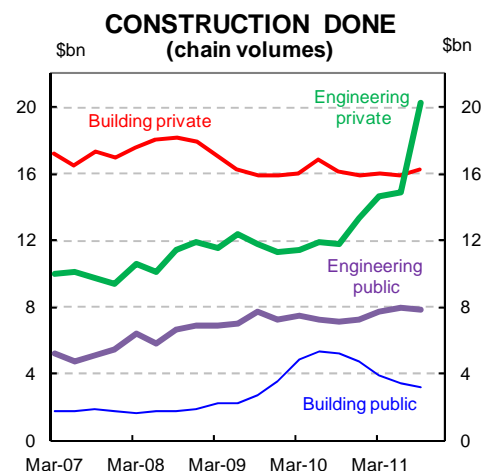
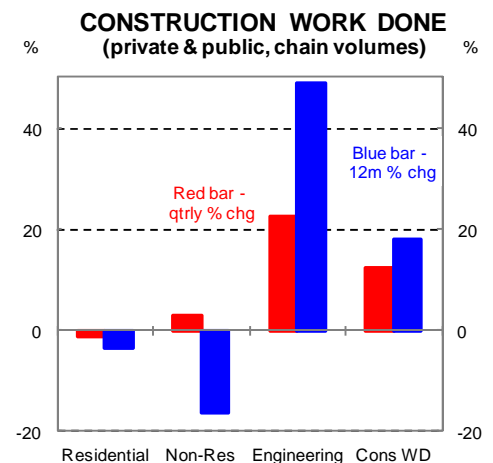
The forward indicators show that engineering work yet to be done amounts to about \$100bn. It is expected to keep rising as the four proposed Queensland LNG plants are added to the figures over the coming year.

Building component relatively flat.

The building component of construction work done is relatively flat. Private residential spending was flat in constant dollars in QIII and flat over the past year.

QIII Results, (chain volumes)

- Building up 0.6% and -9.1% pas.
- Engineering up 22.6% and 48.9%pa.
- Total construction up 12.5%, and 18.1%pa.
- Deflators: building 1.6%pa, engineering 1.3%pa.





Nationally, the residential pipeline remains precariously balanced. If consumers feel threatened by world events they may decide to pull back from more debt commitments which would be detrimental to the new residential construction outlook.

Victorian residential construction.

Anecdotal evidence still has Victoria, mainly Melbourne, as the main source of positive news on residential construction, especially around the inner-city. Residential alterations and additions spending work rose slightly, by 0.4%, in QIII and is 7.3% higher over the past year. Consumer spending on renovations remains relatively firm. It is a much cheaper alternative to moving.

The relative weakness of building work done versus engineering may not change over the coming year. The building side of construction, which covers residential and non-residential, is constrained by a number of issues.

Residential construction outlook.

Residential construction activity has not matched relatively strong population growth over the past eight years. Immigration levels have been relatively high since 2003, with annual population growth peaking at 2% and now around 1.4%.

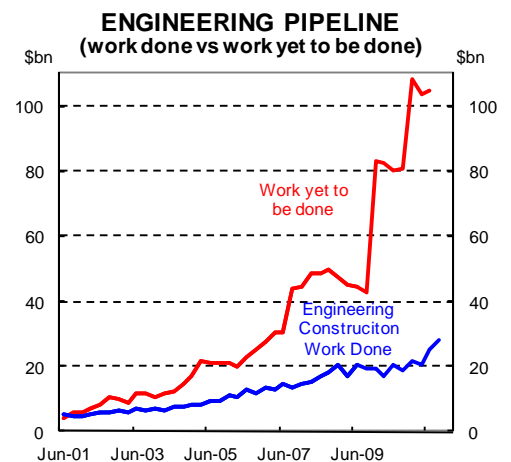
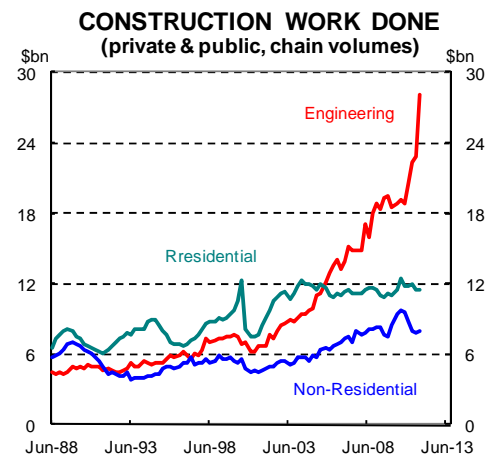
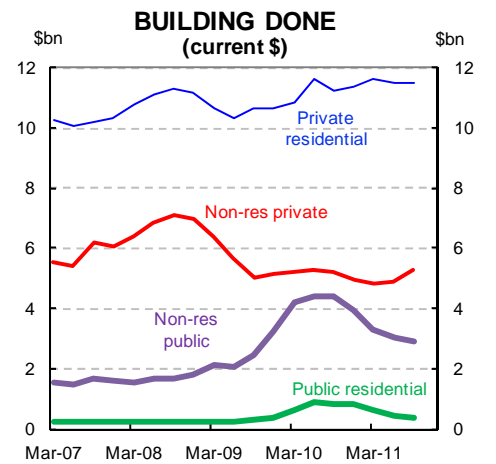
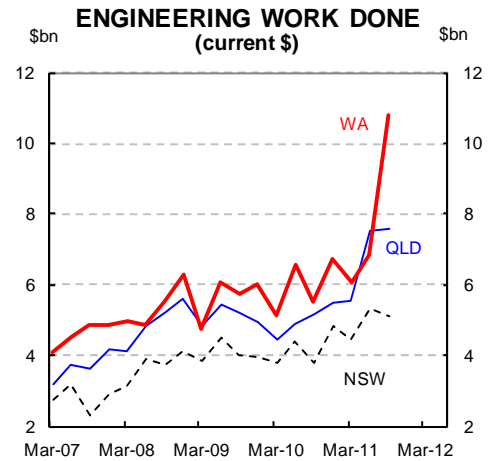
On our estimates underlying demand for new dwellings was around 185k from 2005 to 2010, while new construction peaked at 170k in 2010. The result was relatively firm house price and rental growth over that period. Post-GFC there is also a different financing climate.

The number of lenders has fallen and lending standards have risen, reducing funds for new developments. In contrast, the groups in the resources sector have access to a much wider, and global, range of finance sources.

QIII GDP forecast to be 1.2%.

The QIII GDP data, due on 7 December, is forecast to be 1.2%, or 2.3%pa, based on the large contribution from the QIII construction figures. So, the overall GDP outcomes are favourable. But it will be the divergent growth across sectors and regions that will most probably occupy the attention of the media and the RBA.

The background inflation trends for the economy, and construction spending, still appear to be quite benign. The annual rise in costs (the deflator) for building was only 1.6%pa, while for engineering it was just 1.3%. In our view it is likely to mean another RBA rate cut in coming months. The RBA Governor has a speech tomorrow evening that may canvass the effect of the mining sector on the growth and inflation outlooks.





Building Cycles

Strong construction cycle underway.

The next few years are likely to see an unusually strong construction cycle, driven mainly by significantly higher engineering spending. In contrast, the building part of the construction cycle story is expected to stay relatively muted. Those parts of building that cater for resource development are expected to see much higher levels of activity than those attached to traditional residential and non-residential sectors.

Building construction cycle muted.

While the nominal dollar values spent on building construction will rise, their expenditures are expected to remain relatively stable as a percentage of real GDP. Engineering construction activity is forecast to rise significantly in all measures. It means a much greater call on skilled people, materials, and transport and land resources over the next ten years.

Industry structures to change.

Industry structures and growth rates are expected to change as the resources areas boom while the traditional building sector is relatively stable. Resource developments require a greater variety of materials compared to residential and non-residential building construction. Specialised steels and alloys, heavy transport vehicles, electrical switching and monitoring equipment are some examples. There will also be a major shift towards robotic and remote control equipment in the resources sector if current trends are followed. Some groups already use remote control facilities in Perth to operate mines and bulk loading in north west WA.

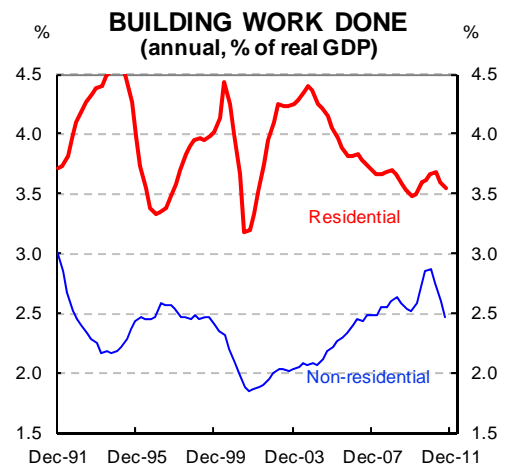
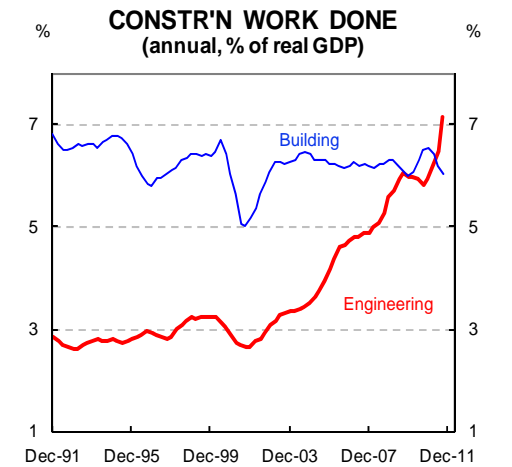
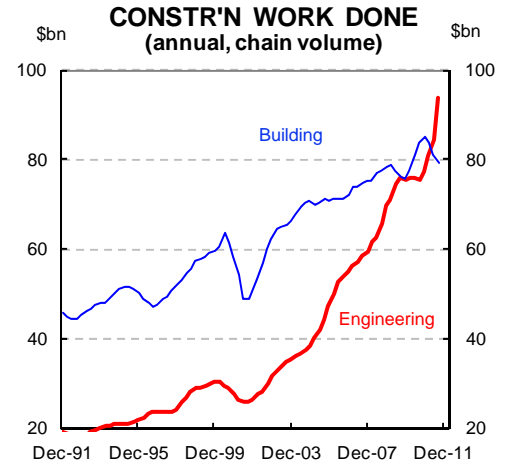
Imports mix shifting to capital goods.

The imports mix is already shifting towards higher levels of capital equipment as the spending on engineering equipment rises. At this stage it appears that the rise in export values will result in monthly trade surpluses near \$2bn. So the current account deficit is expected to stay around the 2% of GDP level over the next few years.

Weak AUD may not be such a risk.

The possible fall in the AUD, against the USD, presents a risk to the cost of imported equipment over the coming cycle. But there could be an offset from the higher AUD that could be received for resource exports.

In terms of the upcoming resource investment cycle, the peak could be from six to ten years away. The large scale resource projects that have been undertaken in Australia tend to be delayed rather than cancelled. The most likely outcome is that Asia continues to power the world economy and commodity demand, while the advanced economies stay weak.





New Zealand Economic Perspective

NZ General Election update

- New Zealand is holding a General Election on Saturday 26 November.
- The incumbent National Party holds a clear lead and has been attracting around 50% support in recent polls.
- A referendum on the New Zealand voting system is taking place at the same time.

New Zealand General Election is two weeks away.

New Zealand is holding a General Election on Saturday 26 November. There is also a referendum on the voting system* taking place at the same time.

A referendum on the voting system is also being held.

New Zealand has used a Mixed Member Proportional (MMP) system to elect Parliament since 1996. Each voter gets two votes – a party vote, and an electorate vote. The party vote result determines the total number of seats each political party gets in Parliament. The electorate vote results determine the Members of Parliament (MPs) for each electorate. There are 120 MPs in New Zealand's Parliament. There are 70 electorates, including seven Maori electorates. Each electorate elects one MP (called an Electorate MP). The other 50 MPs are elected from political party lists and are called List MPs. (www.elections.org.nz)

The potential sale of state owned assets is a key election issue.

Once a result becomes clear, the process of forming a government can commence. If a party wins over 60 seats, it should be able to govern alone (however, this isn't always the case – see footnote***). If a party does not win a clear majority, a coalition must form. No party has won a clear majority in the five elections since MMP was introduced in 1996. The National Party currently governs with the support of minor parties. However, polls suggest that the National Party may win a clear majority at this election.

The Canterbury rebuild dominates the outlook.

One of the key issues for voters to decide on in this election is the partial sale of key state-owned enterprises. The National Party is seeking a mandate to sell minority stakes in three energy companies (Meridian Energy, Genesis, and Mighty River Power), as well as coal company Solid Energy and Air New Zealand. The National Party announced the asset sales at the start of this year. However, the Government wanted a mandate from the electorate before proceeding – in the 2008 election the National Party committed to no asset sales in its first term. Prime Minister John Key said the party would use the NZ \$5-7 billion generated from the sale to set up a Future Investment Fund. The Future Investment Fund will in turn invest in other capital projects, and therefore reduce future borrowing. The opposition Labour party is against the asset sales.

The incumbent National party is leading in the polls.

Regardless of who wins the election, the Canterbury rebuilding effort following the earthquakes will be a major feature of the outlook for the next few years. The Government will shoulder a significant amount of the repair bill, which could end up being over NZ \$20 Billion or around 8% of GDP. This expense has narrowed the budget options available to the current and future governments. Against this backdrop, it is unsurprising that neither main party has proposed any major change in fiscal direction. Both main parties have clear plans of returning New Zealand to running a fiscal surplus fairly swiftly. Labour has proposed new policies such as raising the retirement age from 65 to 67, a tax-free threshold of \$5,000, and a capital gains tax.

Results should be known by Sunday 27 November.

The latest Herald-Digipoll surveys** showed party vote support for the National Party has slipped over recent weeks but still suggest it is possible the party will gain a clear majority. The National Party's support in the latest poll was 50.9%, compared with Labour on 28.0%. The National Party has attracted over 50% of the party vote in this poll since July. The exception was early November when support briefly dipped below 50%. Minor parties hold the balance, and will likely require National's vote to stay below 50% if they are to have a role in the next government. In order to gain representation, minor parties must either win an electorate seat, or obtain more than 5% of the party vote. Behind Labour and National, the Green Party are the next most popular, attracting nearly 12% of recent support. New Zealand First, led by Winston Peters, has risen in recent polls, and in the latest poll attracted 5.2% support. Importantly, the party is polling over the critical 5% threshold of support that would return the party to Parliament after failing to win a seat in the last election in 2008.

Results for the 2011 General election will be released progressively in the evening of Election Day. The preliminary result should be known by midnight Saturday 26 November. The official result is declared on 10 December.



Minor parties could influence the outcome.

* The Referendum will ask voters two questions. The first asks whether the voter wants to keep MMP or change to another voting system. The second question asks which of four other voting systems the voter would prefer if New Zealand decided to change from MMP. Voters will be able to choose from MMP or four alternative voting systems – First Past the Post, Preferential Vote, Supplementary Member, and Single Transferable Vote. For more information see www.election.org.nz. A Herald DigiPoll survey showed 47.3% of people would vote to keep the current system, while 41.9% said they would vote for a change.

** The poll of 850 voters was conducted from 17 to 23 November 2011. The party vote is calculated from decided voters only. 7.7% of the sample was undecided. The margin of error is 3.6% (source www.nzherald.co.nz).

*** There is a technical possibility that the National Party could win a slim majority of party votes but not hold a majority of seats in Parliament. This is because of an “overhang” of extra seats which can occur when minor parties win electorate seats and subsequently gain a greater number of seats in Parliament than their proportion of the party vote entitles them to. When this occurs, the number of seats in Parliament is increased. Accordingly, National could need more seats than the usual 61 seats to gain a majority, because an overhang causes more than 120 seats to be allocated to the new Parliament. The voting in electorates where minor parties could win the electorate vote will be keenly watched.

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New Zealand Economic Perspective

RBNZ update: OCR hikes pushed back again on Eurozone Crisis

- We have pushed the timing of the first forecast OCR increase out to December 2012.
- Escalation of the European debt crisis is the main reason for the change.
- Uncertainty over how well Europe contains the crisis means the OCR outlook will remain fluid.

European stress will keep RBNZ on sidelines for longer.

We have pushed out our view of when we expect the RBNZ to lift the OCR to December 2012, from June 2012. The primary reason is further escalation of the Eurozone debt crisis.

European crisis appears to be coming to a head.

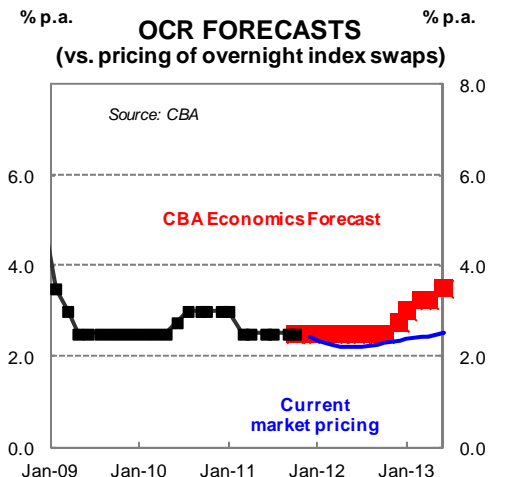
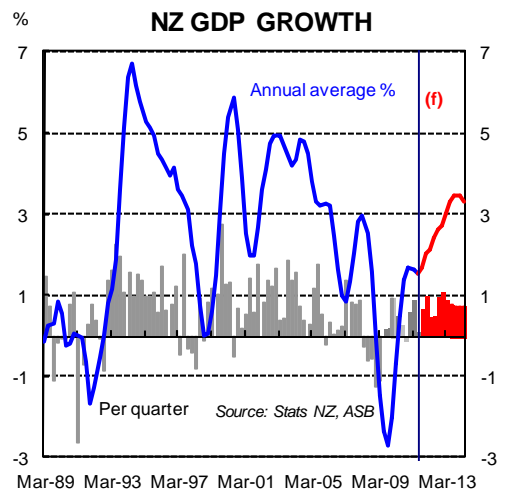
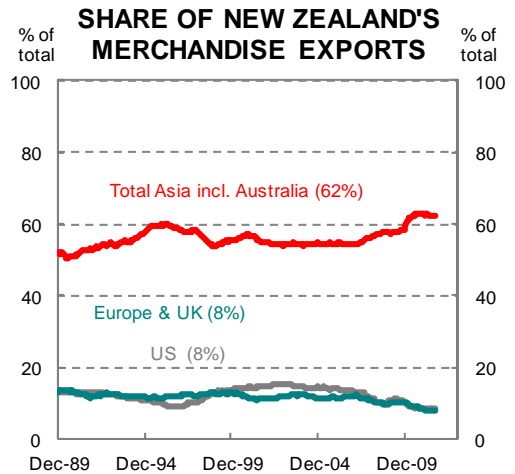
Governments in Europe are finding it increasingly hard and/or expensive to raise money. Of further concern is that even Germany failed to attract sufficient demand at a recent bond auction. The crisis appears to be rapidly coming to a head. We still assume the most likely outcome is that the Europeans will contain the crisis. However, the main leaders in Europe still disagree on key points. In particular, a high-stakes game of chicken is being played between Germany and the more stressed countries. Germany's vehement resistance to the few measures that would be effective in containing the situation has galvanised Greece and Italy into leadership changes and greater efforts to turn themselves around. But this approach appears to be exacerbating the level of anxiety in markets. A brief and mild recession in Europe is likely, as a combination of fiscal austerity, sheer uncertainty, and banking stresses take their toll.

H1 2012 looks too soon for confidence to return.

The first half of next year no longer looks soon enough for the RBNZ to have confidence that the risks to the global economy have been sufficiently defused, even assuming Europe contains the crisis very soon. Turning to the NZ economy, NZ's direct export exposure to Europe is less than 10% of goods exports. What will matter more is how well Asia's domestic demand holds up during a period of weak European (and US) growth. NZ's own recovery remains gradual. An ever-increasing proportion of mortgages on floating terms will also give the RBNZ a lot of traction when rates eventually go up. That, combined with still-muted credit growth, suggests the RBNZ will have the time to wait until it is very confident the global and NZ recoveries are firmly on track.

RBNZ to remain on hold for the next year.

We expect the RBNZ to lift the OCR to December 2012. We expect the first few 25bp OCR increases to be consecutive, but to be spaced out beyond that on the way to a 4% peak. In the current environment the OCR outlook is likely to be fluid, as a lot depends on Europe's ability and willingness to contain the crisis.





Calendar - Australasia, Japan and China

Date	Time		Econ	Event	Period	Unit	Last	Forecast	
	AEST							Market	CBA
Mon 28 Nov	11:00	NZ	NBNZ	NBNZ activity outlook	Nov	Index	26.1	~	~
	11:00	NZ	NBNZ	NBNZ business confidence	Nov	Index	13.2	~	~
Tue 29 Nov	10:30	JN		Job-to-applicant ratio	Oct	Ratio	0.67	~	~
	10:30	JP		Jobless rate	Oct	%	4.1	~	~
	10:50	JP		Retail trade	Oct	m%ch	-1.4	~	~
						y%ch	-1.1	~	~
	11:00	AU		HIA new home sales	Oct	m%ch	-3.5	~	~
Wed 30 Nov	08:45	NZ		Building permits	Oct	m%ch	-17.1	~	~
	10:30	AU		RP Data-Rismark house price s.a.	Oct	m%ch	-0.2	~	~
	10:50	JP		Industrial production	Oct P	m%ch	-3.3	~	~
						y%ch	-3.3	~	~
	11:30	AU		Private sector credit	Oct	m%ch	0.5	0.4	0.5
						y%ch	3.4	~	~
		11:30	AU		Private capital expenditure	QIII	q%ch	4.9	9.3
	15:00	JP		Vehicle production	Oct	y%ch	-4.5	~	~
Thu 1 Dec	08:45	NZ		Terms of trade index	QIII	q%ch	2.3	~	~
	11:30	AU		Retail Trade	Oct	m%ch	0.4	0.3	0.5
	12:00	CH		PMI manufacturing	Nov	Index	50.4	~	~
	13:30	CH		HSBC manufacturing PMI	Nov	Index	51	~	~
Fri 2 Dec	11:30	AU		Building approvals	Oct	m%ch	-13.6	3.0	3.0
						y%ch	-12.0	~	~
Possibly this week		AU		Federal Government Mid Year Economic and Fiscal Forecasts.					



Calendar – North America & Europe

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

Date	UK		Event	Period	Unit	Last	Forecast		
	Time	Econ					Market	CBA	
Mon 28 Nov	~	GE	CPI - EU Harmonised	Nov P	y%ch	2.9	~	~	
	00:01	UK	Lloyds business barometer	Nov	Index	-15	~	~	
	07:00	GE	GfK consumer confidence survey	Dec	~	5.3	~	~	
	09:00	EZ	Eurozone M3 s.a. 3 mth ave.	Oct	y%ch	3.1	~	~	
	10:00	EZ	EC OECD November economic outlook						
	10:00	IT	Italian bond auction						
	10:00	BE	Belgium bond auction						
	11:00	UK	CBI reported sales	Nov	Index	-11	~	~	
	12:02	GE	Retail Sales	Oct	m%ch y%ch	0.3 0.3	~ ~	~ ~	
	14:00	FR	French bill auction						
	15:00	US	New home sales	Oct	'000	313.0	310.0	~	
	15:30	US	Dallas Fed manufacturing activity	Nov	Index	2.3	5	~	
	Tue 29 Nov	05:00	US	Fed's Yellen gives opening remarks at Fed conference					
		07:00	SZ	UBS consumption indicator	Oct	Index	0.8	~	~
09:30		UK	Net consumer credit	Oct	£bn	0.6	~	~	
10:00		IT	Italian bond auction						
10:00		EZ	Business climate indicator	Nov	Index	-0.2	~	~	
10:00		EZ	Eurozone consumer confidence	Nov F	Index	-20.4	~	~	
10:30		BE	Belgium bill auction						
12:00		UK	Chancellor Osborne makes Autumn Statement to the House of Commons						
14:00		US	S&P/CS Composite-20 city home price index	Sep	y%ch	-3.8	-3.0	~	
15:00		US	Consumer confidence	Nov	Index	39.8	44.2	~	
15:00		US	House price purchase index	QIII	q%ch	-0.6	~	~	
16:00		EZ	Eurozone Finance Ministers meet in Brussels						
17:27		US	Fed's Lockhart to speak on U.S. economy in Atlanta						
21:30		US	Fed's Williams speaks to reporters in San Francisco						
Wed 30 Nov	~	US	Fed's Kocherlakota speaks to reporters in California						
	00:01	UK	GfK consumer confidence survey	Nov	Index	-32	~	~	
	00:30	EZ	ECB's Stark speaking in Dallas						
	01:00	US	Fed's Kocherlakota speaks on monetary policy at Stanford						
	08:00	EZ	EU Finance Ministers meet in Brussels						
	08:55	GE	Unemployment rate	Nov	%	7.0	~	~	
	10:00	EZ	Eurozone CPI estimate	Nov	y%ch	3.0	~	~	
	10:00	EZ	Eurozone unemployment rate	Oct	%	10.2	~	~	
	10:30	SZ	KOF Swiss leading indicator	Nov	Index	0.8	~	~	
	13:15	US	ADP employment change	Nov	'000	110.0	130.0	~	



	13:30	CA	GDP (annualized)	QIII	q%ch saar	-0.4	~	~
	14:45	US	Chicago purchasing manager	Nov	Index	58.4	58.5	~
	15:00	US	Pending home sales	Oct	m%ch	-4.6	1.2	~
	19:00	US	Fed Releases Beige Book economic survey					
Thu 1 Dec	06:45	SZ	GDP	QIII	q%ch y%ch	0.4 2.3	0.2 1.9	~ ~
	08:00	EZ	ECB's Draghi speaking in Brussels					
	08:30	SZ	PMI manufacturing	Nov	Index	46.9	~	~
	09:30	UK	PMI manufacturing	Nov	Index	47.4	~	~
	09:30	SP	Spanish bond auction					
	10:00	FR	French bond auction					
	13:30	US	Initial jobless and continuing claims	Nov	'000	~	~	~
	14:05	US	Fed's Bullard speaks at Bloomberg Event in New York					
	15:00	US	Construction spending	Oct	m%ch	0.2	0.3	~
	15:00	US	ISM manufacturing	Nov	Index	50.8	51.7	~
	15:00	US	ISM prices paid	Nov	Index	41.0	45.0	~
Fri 2 Dec	08:15	SZ	Retail sales (real)	Oct	y%ch	-0.9	~	~
	09:30	UK	PMI construction	Nov	Index	53.9	~	~
	10:00	EZ	Eurozone PPI	Oct	y%ch	5.8	~	~
	12:00	CA	Net change in employment	Nov	'000	-54.0	~	~
	12:00	CA	Unemployment rate	Nov	%	7.3	~	~
	12:00	CA	Participation rate	Nov	~	66.7	~	~
	13:30	US	Change in non-farm payrolls	Nov	'000	80.0	112.0	~
	13:30	US	Change in private payrolls	Nov	'000	104.0	135.0	~
	13:30	US	Unemployment rate	Nov	%	9.0	9.0	~
	17:30	EZ	ECB's Stark gives speech in New York					



Calendar – Key Events To Watch

Australia and New Zealand

Monday 28 November

NZ NBNZ Business Outlook (Headline/Own Activity), Nov, Index, (13.1/26.1 prev)

Headline business confidence fell for the third consecutive month in October, as concerns grew over international developments - concerns that are unlikely to have abated over the last few weeks. Businesses' expectations of their own activity also fell, but both series remained above their long-term averages, a fact which points to a slow but steady recovery in underlying activity.

While a net number of businesses indicated that they expected to increase investment and staff numbers over the coming months, expected profitability was noticeably lower. Inflation indicators were largely unchanged in October, at levels that suggest upwards pressure on prices is at most moderate.

Wednesday 30 November

NZ Building Consents, Oct, m%ch, (-17.4 prev)

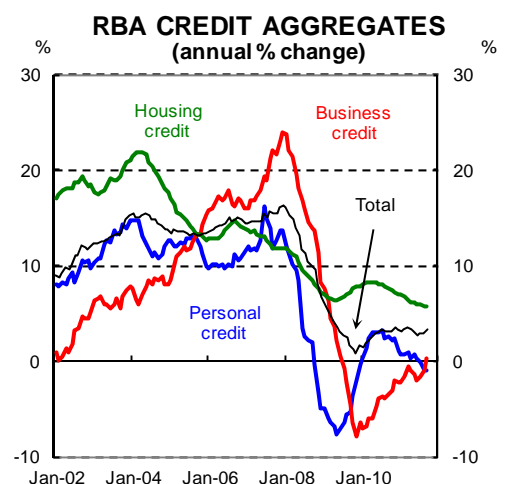
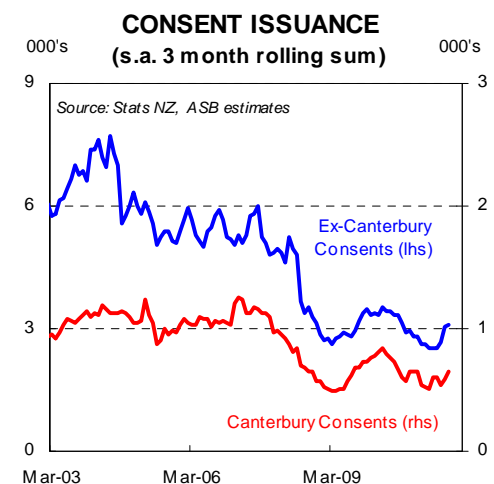
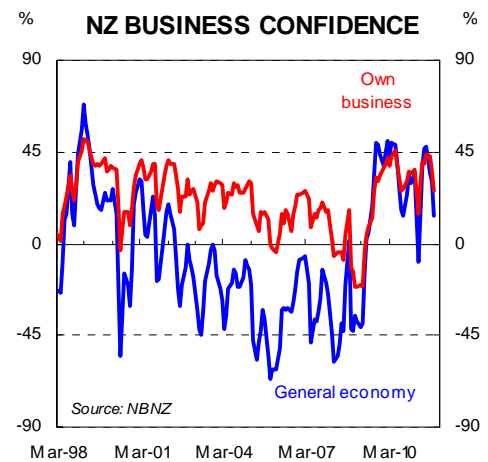
The recovery in residential building demand faltered in September, with dwelling consent issuance falling 17% and reversing the previous month's surge. The decline follows two months of strong growth, which had been encouraging to see. The extent of the decline in September was disappointing. Nonetheless, the underlying trend for residential building remains a positive one. There has been a small improvement in underlying demand for construction, reflected in the increased demand for housing over the past 6 months — particularly in Auckland.

It remains too early to see any meaningful start to earthquake reconstruction in residential areas. There remains a considerable amount of uncertainty around the timing of this, but the current consensus is for rebuilding to start to gather steam around the middle of 2012.

Wednesday 30 November

AU Private Sector Credit, Oct, m/y%ch, (0.5/2.3 prev)

Total credit rose by 0.5% in September, with all credit categories recording reasonable rises. The October data was a small positive sign for the Australian economy. Housing credit continued to be the driver, rising 0.5% in September. Business credit recorded its first positive reading, in annual terms, since June 2009. While local data indicates continued strength in the economy, the volatility and uncertainty internationally is likely to affect the October credit outcome.



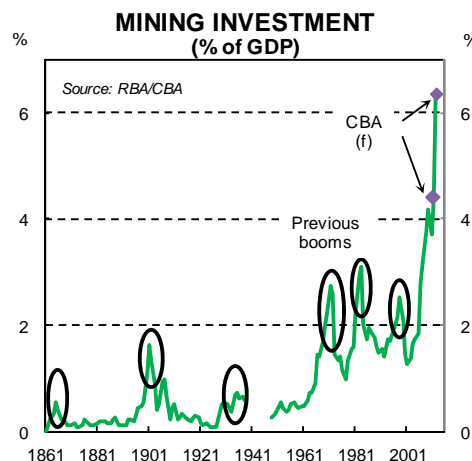


Wednesday 30 November

AU CAPEX, QIII, q/y/%ch, (f) 10.0/22.4 (4.9/23.3 prev)

Private sector capital expenditures are expected to have grown strongly over QIII, driven by the continued strength in mining investment. From the QII capex data, the firms' expectations for a strong surge in capital expenditure over 2011/2012 suggests a slight "downgrade." Firms increased total capital expenditure plans for 2011/2012 by a little over 6.0%, roughly half the usual upgrade. Recent market turmoil and the high Australian dollar are likely to have impacted on these business investments plans to some degree.

The ABS recently lifted their estimated of QIII goods import volumes, which could mean that domestic spending (in particular capex) and inventories are higher. Assuming that the mining boom also remains intact, capital expenditure is therefore expected to remain elevated.



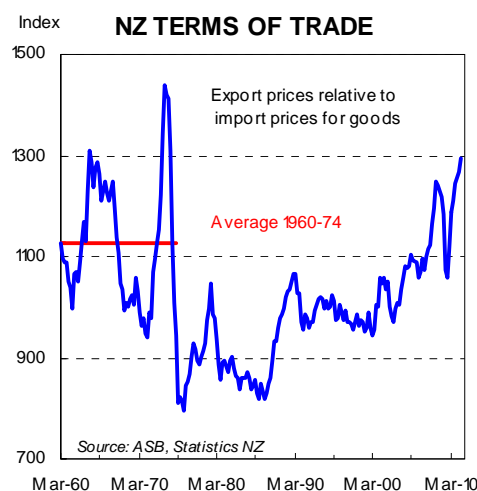
Thursday 1 December

NZ Terms of Trade, QIII, q%ch, (f) 0.0, (2.3 prev)

We expect both export and import prices to fall 2% over Q3, leaving the Terms of Trade unchanged. Over the June quarter, the Terms of Trade reached its highest level since 1974, underpinned by another lift in dairy prices. We expect some moderation in dairy prices to weigh on export prices in Q3. More of the weakness in dairy prices is likely to come through in Q4 given the lag in negotiation contracts and delivery. Although dairy prices have moved past their peak, we expect prices will remain elevated by historical standards.

Meanwhile import prices are likely to slip around 2%, owing to a lift in the NZD over the quarter.

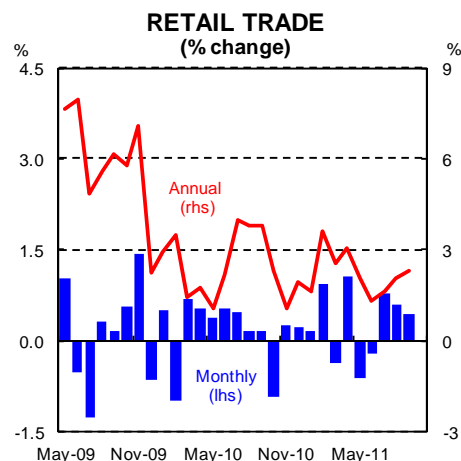
The historically high level in the Terms of Trade is a testament to the export-led economic recovery in NZ over the past year.



Thursday 1 December

AU Retail Trade, Oct, m%ch, (f) 0.5 (0.4 prev)

The recent relative strength in retail trade has occurred despite the uncertain international backdrop. Increases have been recorded over the past 3 months. Sales in discretionary services and durable goods continue to highlight the underlying strength of the domestic economy. Rising consumer sentiment since the August low highlights this domestic strength. This is likely to have been sustained by the November interest rate cut. We expect activity to have remained fairly robust in the month of October. We are forecasting a 0.5% rise in retail sales in October.



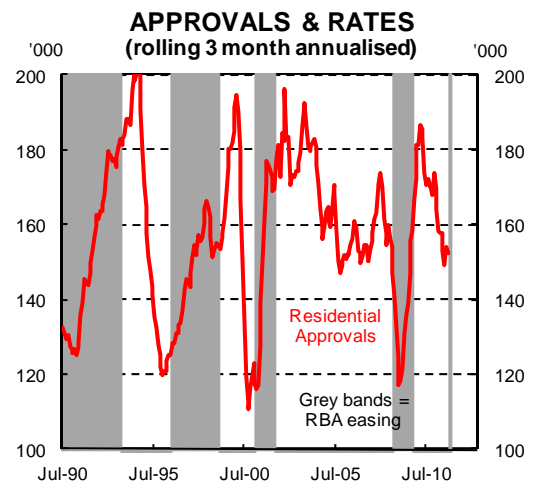


Thursday 1 December

AU Building Approvals, Oct, m%ch, (f) 3.0 (-13.6 prev)

Building approvals slumped 13.6% in September, driven by the volatile "other dwellings" sector. The continued uncertainty surrounding the Eurozone debt crisis is likely to be associated with large declines in business investment spending and therefore weakness in non-residential building approvals. The non-residential building approvals fell in September to their 2nd weakest level since December 2008.

Rate cuts have historically supported residential building approvals. Talk of lower rates and the actual November rate cut are likely to be positive influences on the October and subsequent residential building approvals. We expect October's residential approvals to increase by 3.0%.



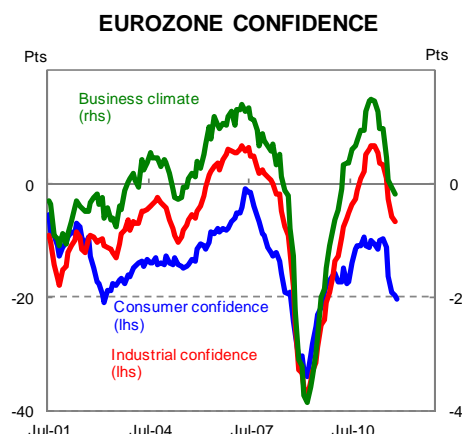


International

Tuesday 29 November

EZ Economic Confidence Indicators, Oct, Index

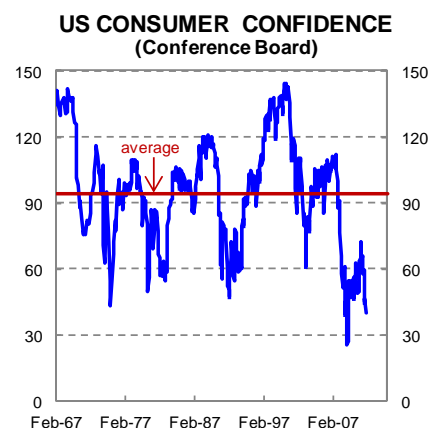
Aggregate Eurozone confidence readings across consumer, industrial and service sectors are released for November. Further softening is expected as the debt crisis drags on and momentum across the Eurozone economy eases in the face of the tightening of financial conditions. Preliminary estimates of the consumer confidence reading have already shown another modest fall in November. A similar pattern is expected across the suite of surveys for November. There is no reason yet to expect any sort of turn in wider sentiment.



Tuesday 29 November

US Consumer Confidence, Nov, Index, (39.8 prev)

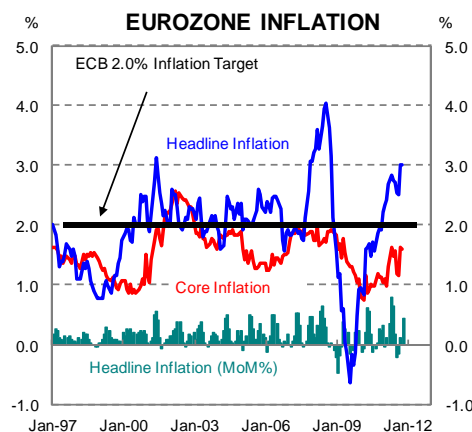
Confidence among US consumers continues to languish at very low levels. The weak labour and housing markets have raised fears amongst US consumers. The slump in the US share market is also bearing down on confidence about the future. However, the solid 4% fall in retail petrol prices to date in November is likely to provide some support to confidence. Overall, we expect consumer confidence to remain weak in November.



Wednesday 30 November

EZ Flash CPI, Nov, y%ch, (3.0 prev)

Eurozone CPI inflation held steady at 3.0% (YoY) for the second month running in October. While the ECB expects inflation to remain above target in coming months, current elevated CPI inflation readings did not deter the ECB from easing monetary policy at its November meeting. Base effects from energy and food prices will ensure that inflation drops lower through 2012. The ECB is expected to cut interest rates again in December and extend its easing policy further next year.



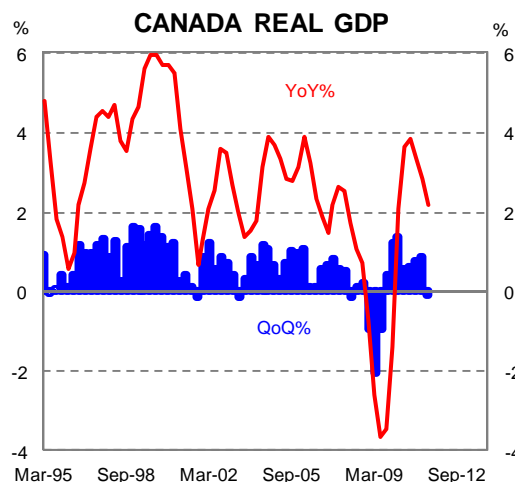


Wednesday 30 November

CA GDP, QIII, q%ch saar, (-0.4 prev)

Canada's economy is expected to bounce back from the QII contraction, and expand by around 3% (saar) in the third quarter. Monthly GDP data has shown the economy expanded in June, July and August.

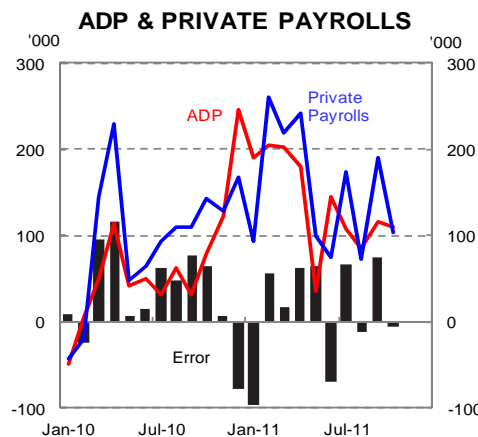
Despite the recovery in Q3, we expect growth in Canada will be weak over the year ahead. Whilst the direct impact of weaker European growth on Canada is relatively modest, the direct impact of a slowdown in the United States is more material, given the close trade ties. In addition to the downside risks to the export sector, there is a risk private consumption (63% of Canadian GDP) continues to grow only modestly in the months ahead. Consumer confidence and retail sales growth has been weak in recent months. Weaker expectations of US growth and the uncertain global outlook are also weighing on business confidence in Canada at present.



Wednesday 30 November

US ADP Employment Change, Nov, '000, (110 prev)

We like the ADP employment survey as an indicator of trends in the US labour market. However, we do not think ADP is a reliable predictive tool for estimating the private component of non-farm payrolls. The error between ADP and private payrolls can be quite significant near 100,000 jobs (black line in chart). US economists predict ADP employment to increase by around 130,000 in November. An increase in employment of this magnitude is too weak to push the unemployment rate down on a sustained basis.

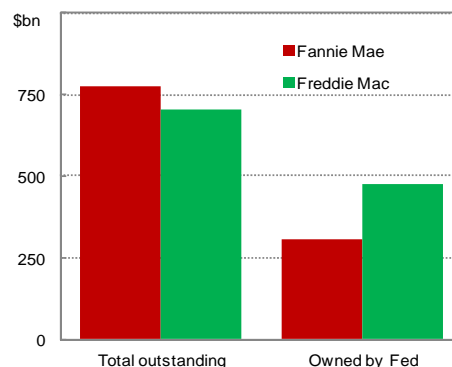


Wednesday 30 November

US Fed's Beige Book

The Beige Book is the Fed's qualitative survey of business contacts. The Fed uses the Beige Book as an input into its policy deliberations. We expect the Beige Book to show a modest improvement in business conditions. But we also expect the Beige Book to suggest that wage and other input costs remain muted. The upshot should be little upward pressure on selling prices, keeping the Fed in play for more policy easing in 2012.

MORTGAGE-BACKED SECURITIES



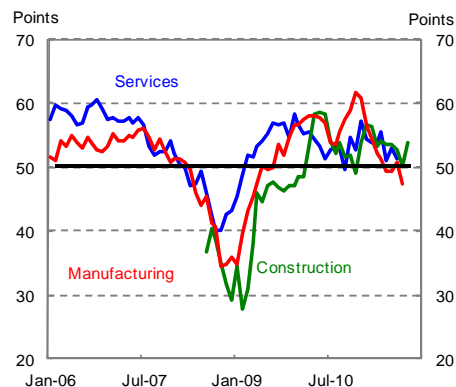


Thursday 1 December

UK PMI Manufacturing, Nov, Index, (47.4 prev)

The UK manufacturing PMI has been falling for much of 2011 and dropped back under the 50 mark in October to 47.4, a low since May 2009. The fall in October was unexpectedly sharp, dropping over 3 index points. Clearly manufacturing industries are having a tough time as the business cycle turns lower. Flash European manufacturing PMIs generally dropped further in November, while the CBI manufacturing orders balance also softened further. Another small fall looks likely.

UK PURCHASING MANAGERS' INDEX

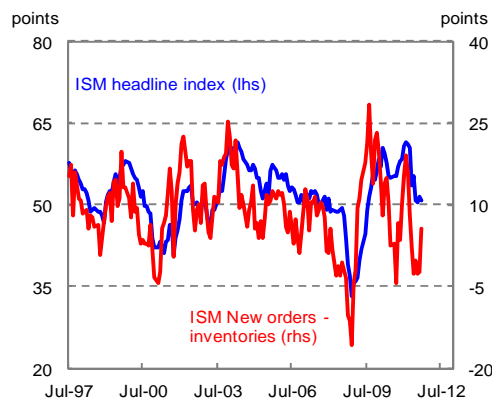


Thursday 1 December

US ISM Manufacturing, Nov, Index, (50.8 prev)

It has been a remarkable turnaround for the US factory sector. In June 2011, the headline ISM was strong at 55.3 points. But a significant slide started in July. The US factory sector now appears to be growing modestly. New orders relative to inventories suggest some further modest downside to the ISM headline. We think the risks to the ISM are tilted towards the ISM dipping slightly below 50 points.

ISM HEADLINE & ISM SPREAD



Friday 2 December

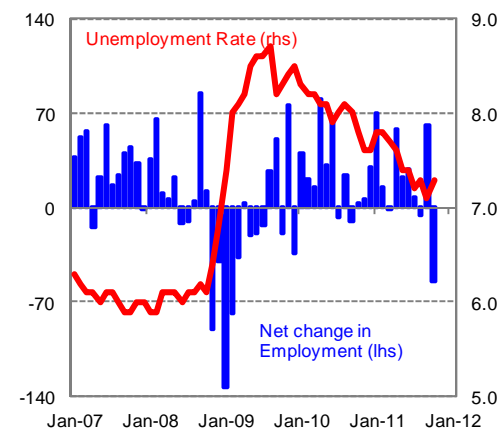
CA Net Change in Employment, Nov, '000, (-54.0 prev)

CA Unemployment Rate, Nov, %, (7.3 prev)

Monthly labour market data has been very volatile of late. Employment fell by 54,000 in October, after an increase of 60,900 jobs in September. The drop in employment in October was the largest fall since 2009, and caused the unemployment rate to lift from 7.1% to 7.3%.

Businesses' expectations of weak US growth and the uncertain global outlook are weighing on business confidence in Canada. However, the majority of businesses in the Bank of Canada's Autumn Business Outlook Survey continue to intend to increase investment and employment in the future, which is encouraging. Employment is expected to increase by around 20,000 jobs in November, holding the unemployment rate steady around 7.3%.

CANADA - LABOUR MARKET





Friday 2 December

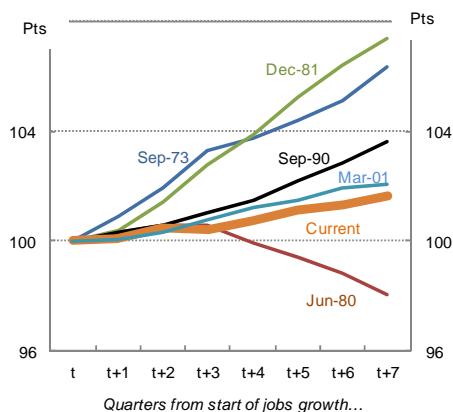
US Change in Nonfarm Payrolls, Nov, '000, (80 prev)

US Change in Private Payrolls, Nov, '000, (104 prev)

US Unemployment Rate, Nov, %, (9.0 prev)

The reluctance of US businesses to lift hiring has resulted in a labour market that is recovering much slower than recent US recoveries from recessions. This result is consistent with past financial crisis where recoveries are weak and elongated. We expect the US labour market to remain weak in November though there may be an improvement from the modest 80,000 increase in payrolls from October.

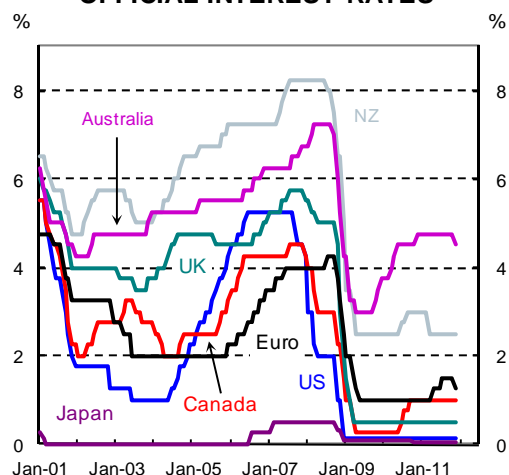
JOBS GROWTH IN RECOVERIES



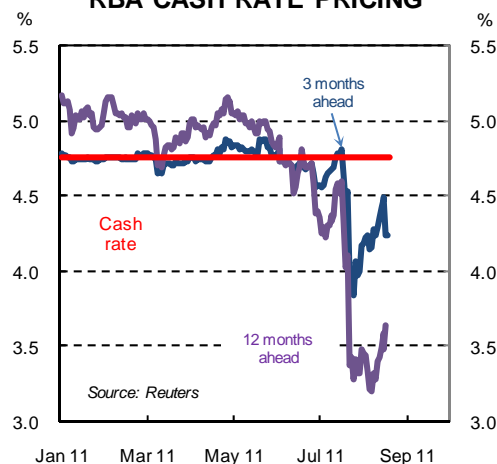


Monetary Policy

OFFICIAL INTEREST RATES



RBA CASH RATE PRICING



Country	Last Move	Next Meeting and Forecast	CBA View								
Australia (RBA)	25bpt cut to 4.50% on 1 November 2011.	<p>■ 6 December, 2011</p> <table border="1"> <tr> <td>Dec '11</td> <td>Mar '12</td> <td>Jun '12</td> <td>Sep '12</td> </tr> <tr> <td>4.50%</td> <td>4.25%</td> <td>4.25%</td> <td>4.25%</td> </tr> </table>	Dec '11	Mar '12	Jun '12	Sep '12	4.50%	4.25%	4.25%	4.25%	The RBA has moved to a more neutral policy stance. We think a further cut is likely in February 2012. However, if offshore risks abate, the medium-term outlook still favours higher interest rates.
Dec '11	Mar '12	Jun '12	Sep '12								
4.50%	4.25%	4.25%	4.25%								
US (FOMC)	75-100bpt cut to 0-0.25% on 16 December 2008.	<p>■ 14 December, 2011</p> <table border="1"> <tr> <td>Dec '11</td> <td>Mar '12</td> <td>Jun '12</td> <td>Sep '12</td> </tr> <tr> <td>0-0.25%</td> <td>0-0.25%</td> <td>0-0.25%</td> <td>0-0.25%</td> </tr> </table>	Dec '11	Mar '12	Jun '12	Sep '12	0-0.25%	0-0.25%	0-0.25%	0-0.25%	Given the loss of momentum in the US economy, we expect the Fed to initiate more policy easing in 2012. Policy easing is first likely to take the form of enhanced guidance.
Dec '11	Mar '12	Jun '12	Sep '12								
0-0.25%	0-0.25%	0-0.25%	0-0.25%								
Eurozone (ECB)	25bpt cut to 1.25% on 3 November 2011.	<p>■ 8 December, 2011</p> <table border="1"> <tr> <td>Dec '11</td> <td>Mar '12</td> <td>Jun '12</td> <td>Sep '12</td> </tr> <tr> <td>1.00%</td> <td>0.50%</td> <td>0.50%</td> <td>0.50%</td> </tr> </table>	Dec '11	Mar '12	Jun '12	Sep '12	1.00%	0.50%	0.50%	0.50%	The recent deterioration in Eurozone economic indicators has resulted in the ECB reducing its refi rate. Given the softness in the real economy, and ongoing sovereign debt issues, we expect the ECB to cut rates again in December.
Dec '11	Mar '12	Jun '12	Sep '12								
1.00%	0.50%	0.50%	0.50%								
UK (MPC)	50bpt cut to 0.5% on 5 March 2009.	<p>■ 8 December, 2011</p> <table border="1"> <tr> <td>Dec '11</td> <td>Mar '12</td> <td>Jun '12</td> <td>Sep '12</td> </tr> <tr> <td>0.50%</td> <td>0.50%</td> <td>0.50%</td> <td>0.50%</td> </tr> </table>	Dec '11	Mar '12	Jun '12	Sep '12	0.50%	0.50%	0.50%	0.50%	Ongoing deterioration in the UK economy has resulted in the BoE undertaking another round of asset purchases, lifting it to GBP275bn. However, if the UK economy continues to soften there is a risk of a further enlargement.
Dec '11	Mar '12	Jun '12	Sep '12								
0.50%	0.50%	0.50%	0.50%								
NZ (RBNZ)	50bpt cut to 2.5% on 10 March.	<p>■ 8 December, 2011</p> <table border="1"> <tr> <td>Dec '11</td> <td>Mar '12</td> <td>Jun '12</td> <td>Sep '12</td> </tr> <tr> <td>2.50%</td> <td>2.50%</td> <td>2.50%</td> <td>2.50%</td> </tr> </table>	Dec '11	Mar '12	Jun '12	Sep '12	2.50%	2.50%	2.50%	2.50%	We have pushed out the timing for RBNZ to lift the OCR to December 2012, from June 2012, largely because of further escalation of the Eurozone debt crisis.
Dec '11	Mar '12	Jun '12	Sep '12								
2.50%	2.50%	2.50%	2.50%								
Canada (BoC)	25bpt rise to 1.00% on 8 September 2010.	<p>■ 7 December, 2011</p> <table border="1"> <tr> <td>Dec '11</td> <td>Mar '12</td> <td>Jun '12</td> <td>Sep '12</td> </tr> <tr> <td>1.00%</td> <td>1.00%</td> <td>1.00%</td> <td>1.00%</td> </tr> </table>	Dec '11	Mar '12	Jun '12	Sep '12	1.00%	1.00%	1.00%	1.00%	Softness in the US economy is likely to affect the Canadian economy given the strong trade ties. We expect the BoC to remain on hold until early 2013 before it embarks on a slow and steady removal of policy accommodation.
Dec '11	Mar '12	Jun '12	Sep '12								
1.00%	1.00%	1.00%	1.00%								
Japan (BoJ)	0-10bpt cut to 0-0.1% on 5 October 2010.	<p>■ 21 December, 2011</p> <table border="1"> <tr> <td>Dec '11</td> <td>Mar '12</td> <td>Jun '12</td> <td>Sep '12</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>	Dec '11	Mar '12	Jun '12	Sep '12	0-0.10%	0-0.10%	0-0.10%	0-0.10%	In response to the recent natural disasters, the Bank of Japan has implemented further quantitative easing measures. Monetary policy in Japan is likely to remain accommodative for some time.
Dec '11	Mar '12	Jun '12	Sep '12								
0-0.10%	0-0.10%	0-0.10%	0-0.10%								



Forecasts - Economic

	Fiscal Years						Calendar Years						
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2006	2007	2008	2009	2010	2011	2012
	(a)	(a)	(a)	(a)	(f)	(f)	(a)	(a)	(a)	(a)	(a)	(f)	(f)
Economic Activity													
Private final demand	6.4	0.1	0.8	3.5	5.1	5.3	3.6	7.1	3.1	-0.7	2.2	4.7	5.1
<i>Of which: Household spending</i>	4.7	0.2	2.1	3.3	3.0	3.1	3.4	5.5	1.9	1.0	2.8	3.2	3.0
Dwelling investment	1.2	-1.9	2.1	2.6	1.8	-0.3	-3.0	3.0	2.1	-4.2	4.2	3.0	0.0
Business investment	15.8	1.4	-4.9	6.2	14.0	14.2	8.5	16.1	9.6	-5.4	-0.1	11.9	14.3
Public final demand	4.2	3.6	6.7	4.5	1.9	-0.4	3.7	3.4	6.3	1.8	9.1	2.0	0.6
Domestic final demand	5.9	0.9	2.1	3.8	4.3	3.9	3.7	6.3	3.8	-0.1	3.8	4.0	4.1
Inventories (contrib to GDP)	0.0	-0.4	0.3	0.4	0.1	-0.2	-0.4	0.6	-0.3	-0.4	0.4	0.6	-0.4
GNE	5.9	0.4	2.4	4.1	4.4	3.7	3.2	6.9	3.5	-0.5	4.2	4.6	3.6
Exports	4.0	2.6	5.3	0.2	8.0	8.3	2.2	2.4	4.7	2.6	5.7	-0.6	11.3
Imports	14.6	-3.3	5.1	10.7	12.5	8.4	6.9	12.2	11.5	-9.0	13.7	11.9	10.0
<i>Net exports (contrib to GDP)</i>	-2.1	1.4	0.1	-2.4	-1.3	-0.3	-0.9	-2.0	-1.5	2.7	-1.6	-2.9	0.0
GDP	3.8	1.4	2.3	1.9	3.3	3.6	2.6	4.6	2.6	1.4	2.7	1.8	3.9
Prices & Wages													
CPI	3.4	3.1	2.3	3.1	3.1	3.5	3.5	2.3	4.4	1.8	2.8	3.5	3.1
Underlying CPI	3.8	4.2	3.0	2.4	2.6	3.1	3.0	2.9	4.5	3.4	2.6	2.4	2.9
AWOTE	4.9	5.5	5.6	4.2	4.8	3.9	3.4	4.8	4.8	5.7	4.9	4.5	4.2
WPI	4.1	4.1	3.0	3.8	4.0	3.9	4.1	4.0	4.2	3.6	3.3	3.9	4.0
Real h/hold disposable income	3.0	8.6	0.9	5.2	2.9	2.8	5.6	6.3	4.9	5.8	2.1	4.8	2.4
Labour Market													
Employment	3.0	1.6	1.4	2.9	0.9	1.8	2.6	3.1	2.8	0.7	2.7	1.7	1.2
Unemployment rate	4.2	4.9	5.5	5.1	5.3	5.0	4.8	4.4	4.3	5.6	5.2	5.1	5.2
External Accounts													
Current Account: \$bn	-74.5	-38.5	-53.4	-33.8	-31.5	-31.0	-55.2	-70.3	-55.3	-52.9	-36.0	-35.7	-29.2
% of GDP	-6.3	-3.1	-4.2	-2.4	-2.1	-1.9	-5.3	-6.2	-4.5	-4.2	-2.7	-2.5	-1.9



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
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	4.75	5.03	5.07	4.78	5.21	1.07	80.6	1.45	1.61	0.83
Sep-11	4.75	4.92	4.68	3.61	4.24	0.97	77.1	1.34	1.56	0.76
Dec-11	4.50	4.60	4.50	3.70	4.40	1.04	77.0	1.39	1.60	0.82
Mar-12	4.25	4.20	4.10	3.70	4.40	1.07	77.0	1.43	1.62	0.83
Jun-12	4.25	4.25	4.30	3.85	4.50	1.08	77.0	1.44	1.64	0.84
Sep-12	4.25	4.40	4.50	4.10	4.60	1.08	78.0	1.44	1.64	0.84
Dec-12	4.25	4.40	4.50	4.40	4.80	1.08	79.0	1.43	1.62	0.84

Forecast



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