Global Markets Research
Economics: Perspective
29 April 2011

The Week Ahead

- RBA to keep rates on hold next week, but consider upgrades to its inflation forecasts.
- Domestic data likely to show a positive tone, though house prices are likely to show deterioration in real terms.
- No change in rates expected from the ECB and BoE. Non-farm payrolls to dominate markets' focus internationally.

The new week brings a new month. May is always a busy month on the economic calendar in Australia, with the Federal Budget the main event. The fiscal overload commences next week though with the release of the 2011/12 Budgets for Victoria, the Australian Capital Territory and the Northern Territory.

Whilst the State fiscal updates are likely to be a key focus for bond markets, from a broader macro perspective they are likely to be crowded out by the outcome of the RBA Board meeting next Tuesday. The RBA will have the staff's analysis of the stronger-than-expected QI CPI reading and updated forecasts for inflation and growth. Those forecasts will be published on Friday in the May *Statement on Monetary Policy*. The RBA's last set of forecasts implied an underlying inflation forecast for QI of 0.6%, and a headline forecast of 1.0%. With both estimates well short of the mark we expect to see a lift in the RBA's inflation forecasts. And a reduction in the RBA's level of "comfort" in current policy settings. Our Chief Economist, Michael Blythe, reviews the QI CPI outcome and its implications for policy from page five.

Outside of the policy frame it's also a busy week on the domestic data front next week. The ABS will release its measure of house prices on Monday. House price appreciation has petered out since QII 2010, following a strong run up through the course of 2009. Price growth has not kept pace with inflation, meaning house prices have fallen in real terms. Indications from private sector house price data providers suggest prices weakened slightly in QI. Consequently, a further decline in *real* terms is on the cards given the stronger than expected QI inflation reading.

We expect the March building approvals data to show an improvement following two consecutive months of larger than expected declines. The volatile private sector medium density approvals category drove much of the decline since the end of 2010. We expect that after two 20% back to back falls a degree of normalisation should assist in boosting the overall approvals total. Retail trade figures are also expected to show a rise in March. Outcomes over the past two months have been driven by WA and Queensland, with some post-disaster recovery spending impacts in the mix. Spending in NSW and Victoria – home to 70% of the nation's jobs growth – has been weak in 2011. An improvement in the two largest states is likely to boost national spending. And the PSI reading for April is released on Wednesday.

The Reserve Bank of New Zealand kept rates on hold this week, after cutting the OCR by 0.5% in March to provide post-quake support to the NZ economy. We expect the RBNZ to remain on hold until QI 2012, as discussed by our New Zealand Economist, Chris Tennent-Brown, in his RBNZ review from page seven.

Interest rates are likely to be on hold next week with the Bank of England and European Central Bank both meeting. ECB President Jean-Claude Trichet highlighted in the press conference following the April meeting – where rates were lifted 0.25% to 1.25% - that the April move was not necessarily the first in a series of interest rate increases. The ECB's move was driven by a desire to head off any potential escalation in inflation expectations. We expect the ECB to remain on hold until QIV 2011, but we acknowledge the significant risk of an earlier move, possibly in September. Inflation has picked up in the UK. Though the Bank of England remains of the view that current high inflation is likely to recede given the backdrop of significant spare capacity in the UK economy. We expect the Bank of England to hold fire at its May meeting. But we remain of the view that rates will need to rise in the UK soon.

The suite of global business activity indicators is scheduled for release next week. China's PMI kicks off proceedings, with an increase in the key indicator of China's manufacturing expected when the figures are released on Sunday. Purchasing manager data across the Eurozone, UK, Canada and US are all scheduled for release.

Whilst the purchasing manager's data will flow through over the course of the next week, markets are likely to remain pre-occupied with the US non-farm payrolls figures for April. The latest reading on the state of the US labour market us due for release next Friday. Market expectations are for a 180k increase in non-farm payrolls, with private payrolls increasing at a faster pace, offsetting the ongoing deterioration in public employment.

Michael Blythe Chief Economist T. +612 9118 1101 E. michael.blythe@cba.com.au
Richard Grace Chief Currency Strategist T. +612 9117 0080 E. richard.grace@cba.com.au
Michael Workman Senior Economist T. +612 9118 1019 E. michael.workman@cba.com.au
John Peters Senior Economist T. +612 9117 0112 E. john.peters@cba.com.au
James McIntyre Economist T. +612 9118 1100 E. james.mcintyre@cba.com.au
Chris Tennent-Brown CBA NZ Economist T. +64 9374 8819 E. chris.tennent-brown@asbbank.co.nz
Peter Dragicevich FX Economist T. +612 9118 1107 E. peter.dragicevich@cba.com.au

International Economic Perspective

Upward revision to AUD forecasts

- We have revised up our AUD forecasts and now believe the AUD will be at 1.1200 by end-September 2011.
- An extended period of USD weakness and a greater volume of capital invested in the AUD are the main reasons.
- We have also revised up our long-term AUD forecasts consistent with structural adjustments in the AUD & USD.

Introduction

It is more than seven months since we changed our AUD, NZD, CAD and JPY forecasts. Please see *FX Strategy – Adjustments to the Forecasts*, published 23 September, 2010. It is almost three months since we revised up our EUR, GBP and CHF forecasts. Please see *FX Strategy – Upward Revision to the European Currencies*, published 28 January, 2011. The changes to the currency forecasts represent little change to broad currency direction; rather the changes generally represent an extended period of USD weakness and the greater volume of capital being invested in the AUD.

Downward revision to USD forecasts

Seven months ago we forecast the USD would recover in the month before the Fed concluded their quantitative easing policy at the end of June. We now believe the USD won't recover until the Fed formally changes their monetary policy guidance from an easing bias to a tightening bias. At this point, the weighted US two-year swap spread to the US's major trading partners will turn higher, guiding the USD to firmer levels (chart 1). Until the swap spread turns the USD will remain soft and continue to weaken. We have subsequently pushed out the timing of our USD recovery by one-quarter, which allows further upside in most currencies vis-à-vis the USD.

We have also lowered our long-term USD forecasts consistent with our view that the USD is undergoing a long-run structural depreciation. Please see *FX Strategy – The long-run structural decline in the USD*, published 23 March, 2011. The decision by international credit rating agency Standard & Poor's (S&P) to affirm the long-term US AAA credit rating, but revise down the outlook from stable to negative, supports our view the USD is in a longer-run structural decline. We still believe that the USD will experience a temporary period of cyclical strength beginning in the final quarter of 2011, but the USD rally will fade and reverse by HII 2012.

Upward Revision to AUD forecasts

We have revised up our short-term and long-term AUD forecasts. The old and new short-term forecasts are presented in the table below.

	Current	End Period			
	29-Apr-11	Jun-11	Sep-11	Dec-11	Mar-12
AUD	**1.0926**	**1.0800**	**1.1200**	**1.0400**	**0.9800**
	Old	*0.9900*	*0.9400*	*0.9200*	*0.9000*

There are five main reasons why we are revising up our short-term AUD forecasts to a new post-float high –

(1) *An extended period of USD weakness.* Please see above.

(2) *A greater volume of international capital looking to invest in the AUD.* The official data very clearly illustrates that foreign central banks, with

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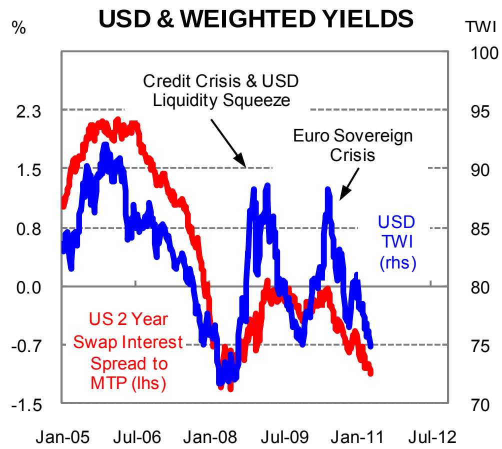

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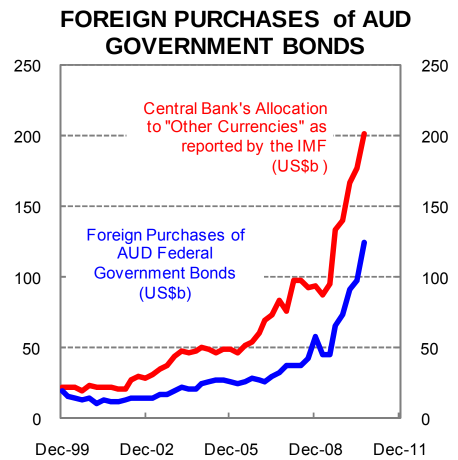

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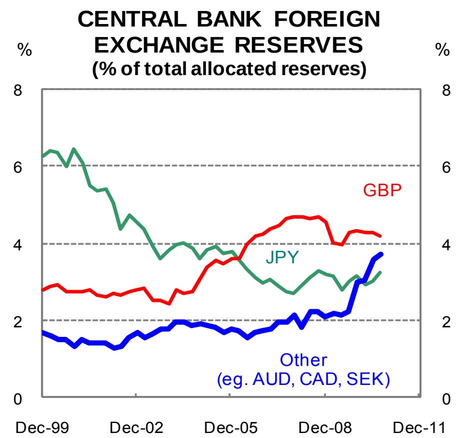


US$9.2 trillion in foreign exchange reserves under management, are lifting their allocation of AUD within their portfolios (charts 2 and 3). In many cases, some central banks are adding AUD to their portfolios for the first time.

Compared to the series of marketing trips to London, New York and Asia over the last five years, anecdotal evidence from last month's trip suggests to us that major private sector (and public sector) funds now better understand the Australian terms of trade story. The greater weight of <u>private</u> sector international capital now being invested in Australia and its appreciation effect on the AUD should not be under-estimated. The collective size of global private sector funds (pension, insurance and mutual funds) is very large at around US$67 trillion; more than 7 times the size of central banks' foreign exchange reserves (chart 4).

As at the end of 2010, the stock of foreign purchases of Australian Federal government bonds totalled $136 billion (equivalent to 10% of Australian GDP) compared to $35 billion at the end of 2005. Total foreign ownership of the $350 billion Australian Federal and Semi-Government bond market is around 60%.

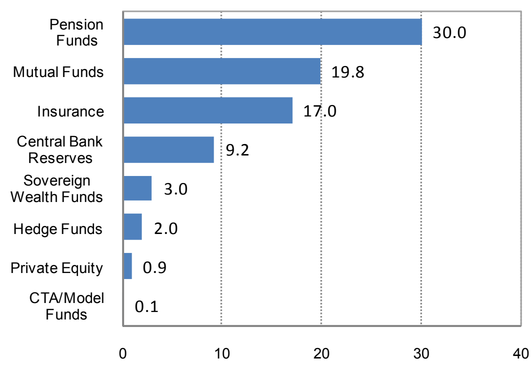
The increase in foreign purchases of Australian bonds (as well as the appreciation in the AUD) has lowered the proportion of Australia's debt denominated in foreign currency (chart 5). Australian banks are responsible for raising the vast majority of Australia's foreign capital requirements. Australian banks are having less trouble funding balance sheets in AUD and the proportion of AUD funding has increased in recent times. At AA, the four major Australian banks have got close to the highest bank ratings available. One of the key criteria for international rating agencies like Moody's and S&P, is the health of the commercial banking system. The Reserve Bank of Australia's (RBA's) semi-annual Financial Stability Report noted *"the Australian banking system has continued to perform better than those in many other countries, consistent with the relative strength of the domestic economy over recent years"*. The relative health of "sovereign Australia" is attracting international capital into AUD investments, and this process is likely to push the AUD higher over coming months.

(3) *A further lift in Australia's terms of trade.* Australia terms of trade rose another 3.8% in Q1 2011 to be 20.8% higher than a year ago. The five-year moving average in Australia's terms of trade has lifted to its highest level in 140 years (chart 6). Australia's terms of trade represent the net income inflow from the rest of the world into the Australian economy. Reflecting the terms of trade effect on the Australian economy, real gross domestic income (GDI) continues to expand at a rate much greater rate than real gross domestic product (GDP); please see chart 7. The income growth is stimulating economic activity, and generating an investment boom. The net effect is putting downward pressure on Australia's unemployment rate and upward pressure on inflation. Australian interest rates and the AUD will remain under upward pressure. Commodity prices are expected to remain firm driven by strong global demand and a slow supply response.

(4) *Confirmation of the IMF's firm global growth forecasts.* In the April 2011 IMF *World Economic Outlook,* the IMF maintained their 2011 and 2012 global GDP growth forecast at 4.4% and 4.5% respectively. These global growth rates are well-above the long-run average of 3.8%. The 22.2% lift in the IMF's forecast for the average 2011 oil price since the January update, as well as the risk of higher future oil prices, has not, to date, dampened the IMF's global growth forecasts. We have also not altered our global growth forecasts; but we, like the IMF, acknowledge the risks. Sustained higher oil prices represent a risk to the global growth outlook and hence the strength of the AUD. But as the IMF notes; in advanced economies, the declining share of oil, the disappearance of wage indexation, as well as the anchoring of inflation

4.

ASSETS UNDER MANAGEMENT (US$ tn)



Source: Mckinsey, Bluegold Capital, IFSL Research, IMF

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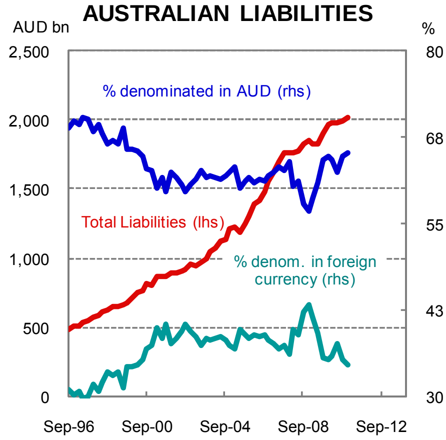
AUSTRALIAN LIABILITIES



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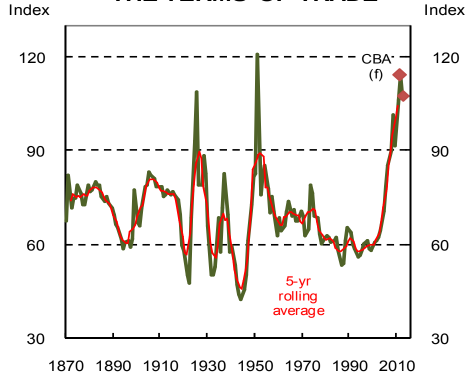
THE TERMS OF TRADE



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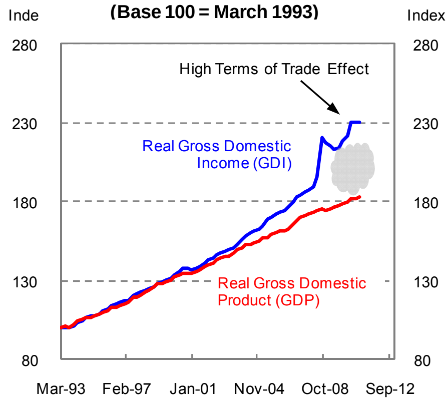
AUSTRALIAN ECONOMY
(Base 100 = March 1993)



expectations, *"all combine to suggest there will only be small effects on growth and inflation."* Developing economies, which account for the lion's share of global growth, will face greater challenges, but "*we do not expect a major adverse impact on growth.*"

(5) *A continued low vol. environment.* The impact of the Basel III phase in-arrangements suggest market volatility (vol.) will continue to trend lower, largely because the changes to the regulatory requirements discourage excessive risk taking. Vol. has declined in most asset classes; particularly in the equity and currency markets as represented by the VIX and one-month currency options vols. (chart 8). When market vol. is low, relative economic health tends to drive exchange rates (rather than risk aversion). Australia's sovereign health remains excellent, with the highest interest rates in the AAA spectrum. Low vol. tends to encourage participants to search for yield, and Australia and the AUD is increasingly coming onto their radar.

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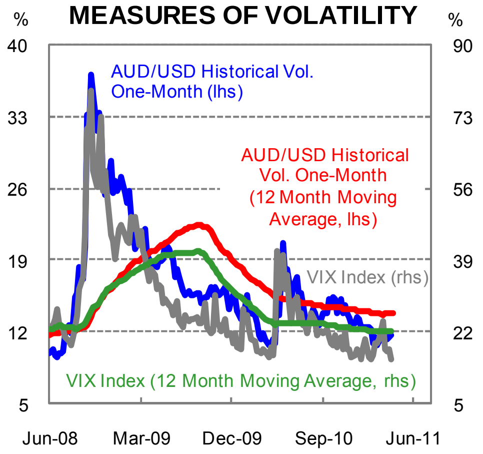


Higher long-term AUD forecasts

We have been publishing material on the long-run structural appreciation of the AUD since mid 2007 (Please see *FX Strategy – A Structural Break for the AUD ?* published 26 July 2007). We have raised our long-term AUD forecasts to be consistent with the view that the AUD is undergoing a structural appreciation, and to be consistent with our view that the USD is undergoing a long-run structural depreciation, as detailed on page two. The new long-run average AUD forecasts are detailed below.

	Current	Financial Year Averages			
	29-Apr-11	2010/11	2011/12	2012/13	2013/14
AUD	*1.0926*	**0.9926**	**1.0175**	**0.9825**	**0.9400**
	Old	*0.9726*	*0.9150*	*0.8500*	*0.8500*

	Current	Calendar Year Averages		
	29-Apr-11	2011	2012	2013
AUD	*1.0926*	**1.0540**	**0.9650**	**0.9825**
	Old	*0.9690*	*0.8700*	*0.8500*

Upward revision to other non-USD forecasts

We have made upward revisions to virtually all other currency forecasts as a result of downward revision to our USD forecasts. Rather than detail all the additional reasons for adjustments to the EUR, GBP, NZD, CHF, CAD, JPY and non-Japan currency forecasts, details of these changes will be forthcoming in separate publications. Details of the old and new forecasts are nevertheless given in the table below.

	Current	End Period			
	29-Apr-11	Jun-11	Sep-11	Dec-11	Mar-12
Industrialised Countries					
AUD	**1.0926**	**1.0800**	**1.1200**	**1.0400**	**0.9800**
	Old	*0.9900*	*0.9400*	*0.9200*	*0.9000*
EUR	**1.4824**	**1.4700**	**1.5000**	**1.4300**	**1.4000**
	Old	*1.4500*	*1.4200*	*1.4000*	*1.3600*
JPY	**81.55**	**83.00**	**82.00**	**85.00**	**88.00**
	Old	*86.00*	*87.00*	*88.00*	*88.00*
GBP	**1.6631**	**1.6500**	**1.7000**	**1.6500**	**1.6000**
	Old	*1.7000*	*1.6800*	*1.6500*	*1.6000*
CAD	**0.9509**	**0.9400**	**0.9000**	**0.9800**	**1.0000**
	Old	*1.0200*	*1.0300*	*1.0400*	*1.0500*
NZD	**0.8024**	**0.8200**	**0.8500**	**0.7900**	**0.7600**
	Old	*0.7500*	*0.7200*	*0.7100*	*0.7000*
CHF	**0.8735**	**0.8800**	**0.8500**	**0.9300**	**0.9800**
	Old	*0.9100*	*0.9500*	*0.9700*	*0.9800*

Richard Grace Chief Currency Strategist T. +612 9117 0080 E. richard.grace@cba.com.au

Australian Economic Perspective

The QI CPI & the RBA

- CPI outcomes in QI surprised on the high side.
- The main risk is that ongoing structural inflation pressures are accentuated by a turn up in the cyclical drivers as well.
- The CPI will be a key focus at the RBA Board meeting on Tuesday and the Statement on Monetary Policy on Friday.

Plenty for policy wonks to follow next week.

The next week sees a monthly RBA Board meeting and a quarterly *Statement on Monetary Policy* (SMP).

The surprisingly high QI CPI outcome published this week will give policy makers plenty to discuss. While a rate move is unlikely next week, the case for higher interest rates has strengthened. And the risks have swung a little in favour of an earlier rate move than our August call.

The CPI rose by 1.6% in QI, the largest rise since mid 2006. Annual growth now stands at 3.3%. A flood-related rise in fruit & veg prices and a Middle-East-related rise in petrol prices did much of the damage in QI. The seasonal timing of some price rises, such as education and pharmaceuticals, didn't help.

The QI CPI readings surprised on the high side.

Nevertheless, the range of *underlying* inflation readings also surprised on the high side. The RBA's preferred underlying inflation measures printed in a 0.7-0.9% range. We expect the RBA to characterise the underlying inflation rate at 2¼%pa.

From a policy perspective, the RBA has been at pains in recent months to emphasise it will "look through" short-term disruptions to activity and prices in its policy deliberations. But not all of the price signals in QI can be ignored.

Not all of the price signals in QI can be ignored.

Some of the price story in QI, for example, reflects supply disruptions that will be reversed. But only partly. The floods in Queensland and elsewhere did drive food prices higher. However, the QI outcome also reflects the broader global food price story. Similarly, the rise in oil prices since the Tunisian uprising partly reflects disrupted supply. But higher prices for oil and other commodities also reflects above-trend growth in the global economy driving strong commodity demand.

Part of the QI rise was seasonal. But some of these large seasonal rises are proving repetitive. The 5.7% rise in education charges, for example, follows rises of 5.6% in QI 2010 and 5.4% in QI 2009. There is a case for excluding such seasonal spikes when thinking about the quarter-to-quarter moves in underlying inflation. But if they represent a longer running trend, they should be left in the

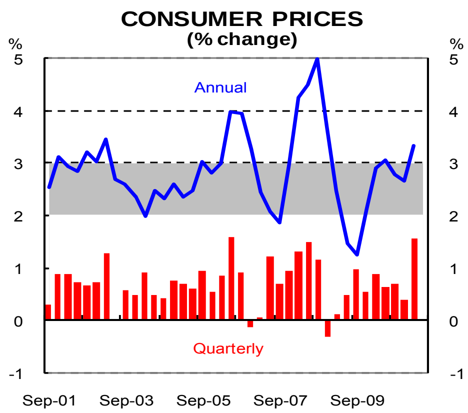
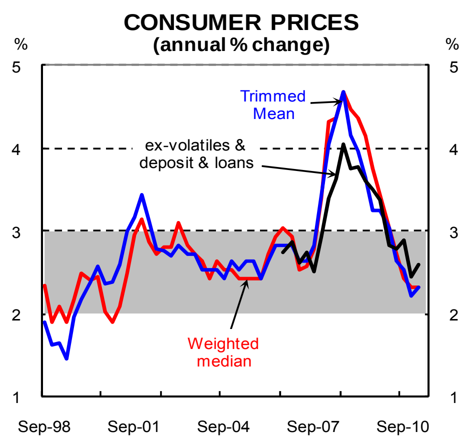


Table: CPI Components – QI 2011

	% ch	%pa	Contrib (ppts)
CPI	**1.6**	***3.3***	~
Food	2.9	*4.3*	*0.47*
Alcohol & tobacco	1.1	*11.2*	*0.08*
Clothing	-0.7	*-1.3*	*-0.02*
Housing	1.3	*4.8*	*0.28*
H/hold contents	-1.6	*-0.5*	*0.13*
Health	3.9	*4.1*	*0.20*
Transportation	2.7	*3.0*	*0.33*
Communication	0.1	*-0.2*	*0.00*
Recreation	-0.6	*-1.5*	*-0.06*
Education	5.7	*5.9*	*0.17*
Fin & Insurance	2.6	*2.8*	*0.23*
Underlying measures			
Wgtd median	0.8	*2.2*	~
Trimmed mean	0.9	*2.3*	~
Ex volatiles & deposit & loans	0.7	*2.6*	~



annual calculations.

And as a *visible* longer-running trend, such seasonal influences pose a threat to inflation expectations. More broadly, the lift in inflation expectations in early 2011 coincided with a spike in the price of those items that consumers buy frequently. The price experience with items more visible to consumers does tend to condition inflation expectations.

And even when you do "look through" QI as commanded by the RBA, the medium-term backdrop favours higher inflation. The main risk is that ongoing *structural* pressures are accentuated by a turn up in the *cyclical* drivers as well.

Structural CPI drivers have been pointing higher for a while.

The structural CPI drivers include demographics, the Asian growth story, budget strains, intergenerational pressures, natural disaster and infrastructure requirements. They find their CPI outlet in rents, food, government taxes and charges, education and health costs, insurance charges and utilities.

Cyclical CPI drivers are turning up as well.

The key cyclical drivers that have helped absorb these structural pressures are lower import prices and retail discounting. These inflation restraints are still in play. But like a drug, the dose needs to keep increasing to produce the same effect. We expect the Aussie dollar to weaken later in 2011. And we expect some lift in consumer spending appetite to lessen discounting. The lingering wage restraint generated by the global financial crisis is also likely to wilt in the face of tight labour markets and skill shortages. Cyclical inflation pressures should reverse and move higher as a result.

By the end of 2011 the headline CPI could have been running at ≈3% for two years.

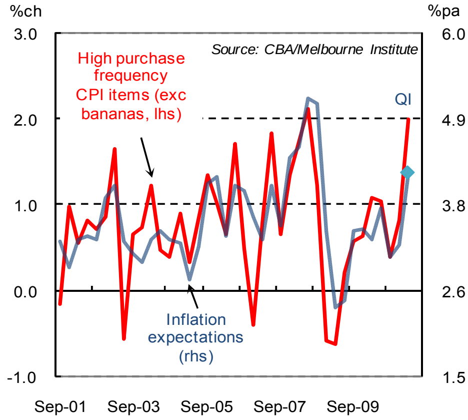
The headline inflation rate has been running around the upper end of the RBA's 2-3% target range since the start of 2010. Our forecasts envisage that the inflation rate will run above 3% during 2011. Our forecasts also have underlying inflation running at the top end of the RBA's target range by the end of 2011.

The RBA is likely to revise up its inflation forecasts in the May SMP.

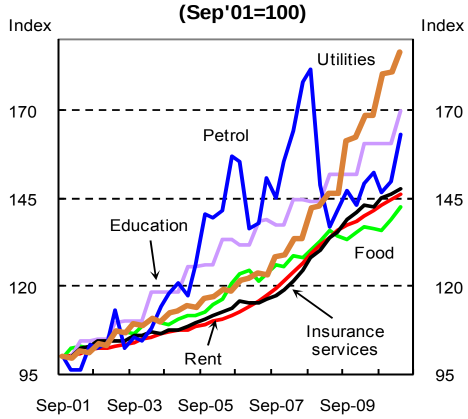
The flavour of some of this analysis should be evident in RBA forecasts to be published in the SMP on 6 May. Forecasts in the February SMP suggest the RBA was expecting an underlying CPI increase of 0.6% in QI and a headline rise of 1.0%. Both were well short of the mark. The higher AUD will provide some relief. But a base effect should lift forecasts for this year. Such a revision should be a clear indication that a tightening bias remains in place despite the degree of "comfort" evident in RBA commentary up until now.

Next, the Budget.

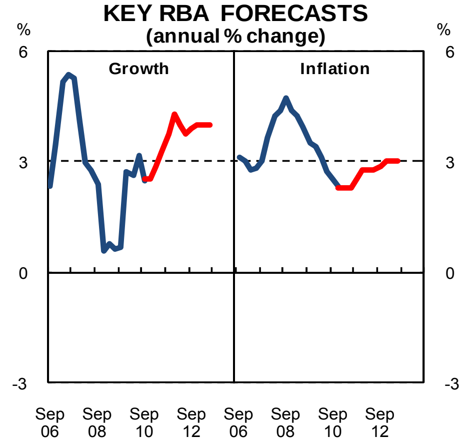
INFLATION EXPECTATIONS



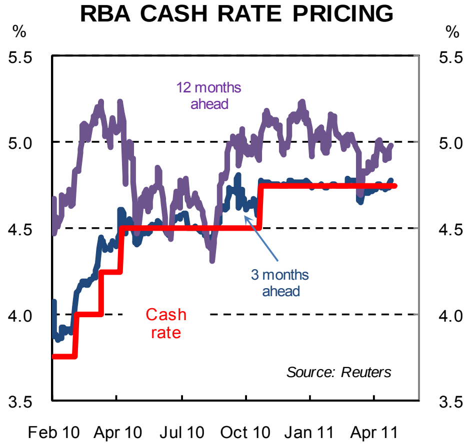
CPI: SELECTED ITEMS
(Sep'01=100)



KEY RBA FORECASTS
(annual % change)



RBA CASH RATE PRICING



Michael Blythe Chief Economist T. +612 9118 1101 E. michael.blythe@cba.com.au

New Zealand Economic Perspective

Comfortable for now: RBNZ April 2011 OCR review.

- RBNZ leaves OCR unchanged at 2.5%, current level appropriate for "some time".
- RBNZ slightly more confident on underlying economic outlook; still comfortable with inflation outlook.
- We expect OCR to remain at 2.5% until March 2012. The RBNZ is expected to leave the OCR unchanged at 2.5%.

The RBNZ kept the OCR on hold at 2.5%, as widely expected.

The RBNZ kept the OCR on hold at 2.5%, as widely expected, following the 50 basis point cut at the previous announcement. The RBNZ sees the current level of the OCR as appropriate for 'some time', given the economic disruption of the earthquakes with many firms and household adversely affected. However, the RBNZ gave little further indication on the monetary policy outlook, noting the high level of uncertainty.

Confidence drop following the earthquake partly reversed.

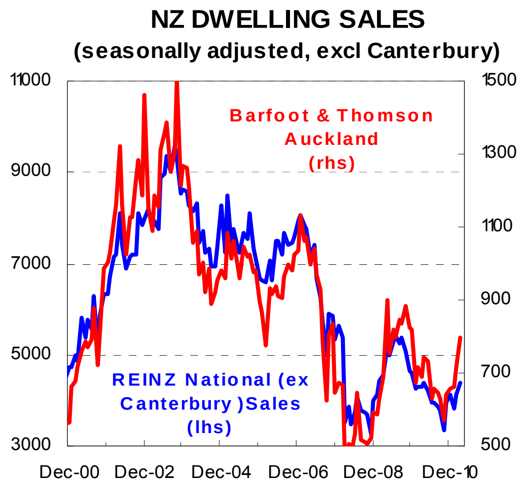
The RBNZ noted the drop in confidence following the earthquake, and the subsequent recovery in part buoyed by the cut in the OCR. While firms and households in Christchurch remain adversely affected, the RBNZ noted that the rest of the country seems relatively unaffected. This is an encouraging sign the remainder of the economy is holding up well despite the earthquake. Indeed, housing market activity (particularly in Auckland) and business investment has started to increase outside of Christchurch.

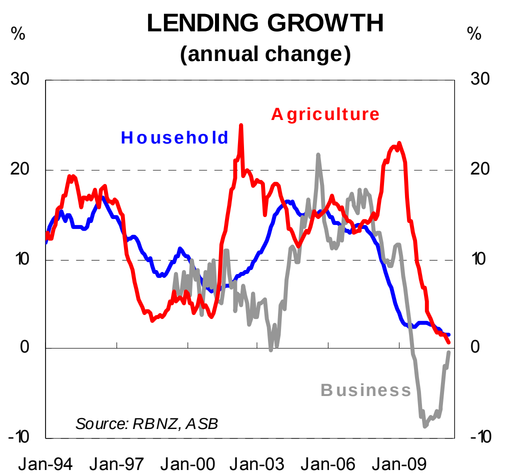
Upbeat on the rural sector.

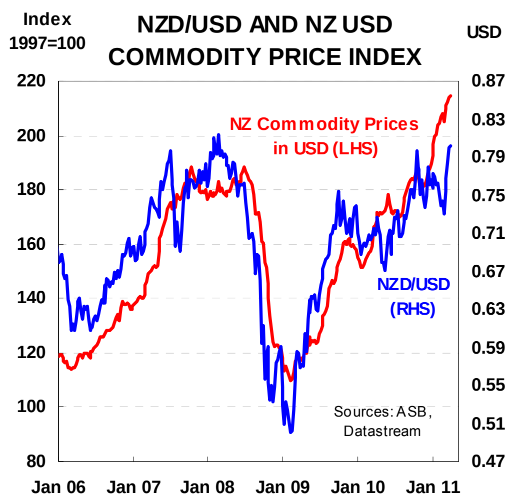
Noting the increase in NZ export commodity prices, which, along with favourable weather conditions, has helped support a pick-up in on-farm investment. This is a slight change from the March statement, in which the RBNZ noted that farmers had been focusing on repaying debt rather than spending. This is an area the RBNZ is likely to watch closely over the next year. Over the past year, the stimulatory impact of the higher terms of trade has been muted by caution in the rural sector and focus on reducing debt. However, a recent speech by the RBNZ warned higher export incomes may stimulate increased investment and borrowing activity, which may contribute to higher inflation pressures, which in turn the RBNZ would react to. This implies the RBNZ will be watching the rural sector for a change in behaviour, with a particular focus on rural lending figures.

High NZD buffering high commodity prices.

Nonetheless, the NZ dollar is playing an important role in buffering the higher returns, although the RBNZ noted that the higher dollar was currently 'unwelcome' to the extent it is dampening economic activity. This suggests the RBNZ may also see US dollar weakness as a factor behind the high level of the NZ dollar, along with high commodity prices.

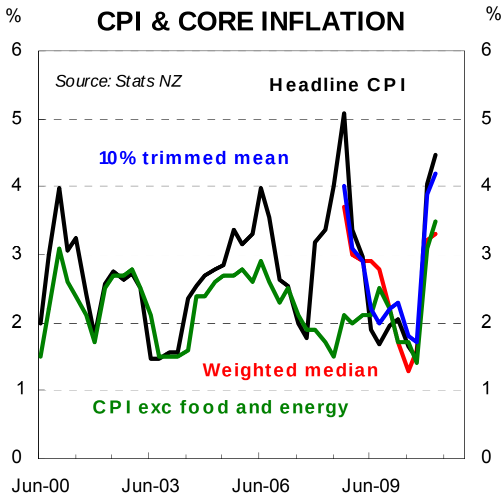






High oil prices are a risk to the outlook.

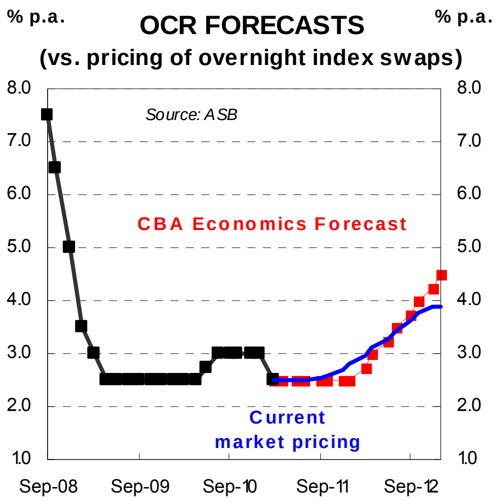
High oil prices also remain a key risk to the growth outlook. Oil prices have climbed substantially over recent months, and may be starting to impact activity. Recent business surveys suggest some firms are struggling to pass on higher costs, which is contributing to lower profitability and may weigh on investment decisions. In addition, rising fuel prices may dampen spending, particularly on discretionary items as consumer confidence remains fragile.



Restructuring activity key to the outlook.

Reconstruction activity in Christchurch remains a key factor behind the OCR outlook. However, the construction outlook remains extremely uncertain, and it is likely to be some time until rebuilding activity gets underway in any meaningful sense. The RBNZ had provided some discussion on factors that may influence the rebuilding process at the March MPS. However, reflecting the lack of new information, the RBNZ did not make any comment on the outlook in the April statement.

Overall, the statement suggests the RBNZ may be slightly more confident in the economic recovery outside of Christchurch, although a large number of uncertainties remain.



Inflation outlook comfortable for now.

The RBNZ remains comfortable with the inflation outlook, noting its expectations for annual inflation to fall back below the top of the target band of 3% once the tax increases drop out of the annual rate. In addition, the RBNZ also makes a reference to the outlook for core inflation. The trimmed mean, weighted median and CPI excluding food and energy measures are often used as measures of core inflation. The annual growth of all three measures are currently above 3%, and the RBNZ appears confident these measures will decline over the coming year.

RBNZ inflation forecasts too optimistic?

We continue to think the RBNZ is being too optimistic in its medium-term inflation forecast, given it relies on some weak CPI outcomes over the coming years in order for annual inflation to move back within the target band. While inflation indicators point to inflation pressures in the NZ economy being contained for now, we expect inflation pressures to re-emerge next year as post-earthquake reconstruction gets underway. Rebuilding activity over 2012 is likely to soak up excess capacity in the building sector and see a lift in underlying inflation.

The statement doesn't give any further clues as to when the RBNZ will begin to lift interest rates. The comments were mixed. The RBNZ does see little chance of the wider economy getting pulled down by the earthquake, with some tentative signs of pick-up since the March OCR cut and commodity prices still favourable.

In addition, the weakness in the NZD after the statement appears an over-reaction to the RBNZ's comment of the "unwelcome" level of the NZD. Despite that reference, it is unlikely the RBNZ will intervene to try and blunt the NZD. With commodity prices firm and the USD on the back foot, intervention is unlikely to be effective and current circumstances don't meet the RBNZ's criteria for acting.

Most likely window for rate hikes to resume is December – March.

We continue to expect that the RBNZ will refrain from lifting the OCR until March 2012. Timing will be heavily influenced by when earthquake reconstruction picks up steam, but the most likely window is December – March. Market pricing is erring on the early end of that window.

Chris Tennent-Brown CBA NZ Economist T. +64 9374 8819 E. chris.tennent-brown@asb.co.nz

The Week Ahead

Calendar - Australasia, Japan and China

	Time						Forecast	
Date	AEST	Econ	Event	Period	Unit	Last	Market	CBA
Mon 2 May	09.30	AU	Ai Group performance of manufacturing index	Apr	Index	47.9	~	~
	11.00	AU	TD securities inflation	Apr	m%ch	0.6	~	~
					y%ch	3.8	~	~
	11.30	AU	House price index	QI	q%ch	0.7	~	~
					y%ch	5.8	~	~
	11.30	JP	Vehicle sales	Apr	y%ch	-37.0	~	~
	16.30	AU	RBA commodity price index	Apr	Index	101.6	~	~
					y%ch	41.3	~	~
Tue 3 May	08.45	NZ	Average hourly earnings	QI	q%ch	0.6	0.5	0.7
	08.45	NZ	Private wages exclude overtime	QI	q%ch	0.6	0.6	~
	08.45	NZ	Private wages include overtime	QI	q%ch	0.6	0.5	0.5
	11.00	CH	Non-manufacturing PMI	Apr	Index	60.2	~	~
	11.00	CH	HSBC manufacturing PMI	Apr	Index	51.8	~	~
	14.30	AU	RBA cash target	May	%	4.75	4.75	4.75
Wed 4 May	08.45	NZ	Building permits	Mar	m%ch	-9.7	~	~
	08.45	NZ	Net migration	Mar	~	470.0	~	~
	09.30	AU	CBA/Ai Group PSI	Apr	Index	46.5	~	~
Thu 5 May	08.45	NZ	Participation rate	QI	%	67.9	68.1	~
	08.45	NZ	Employment change	QI	q%ch	-0.5	0.6	~
	08.45	NZ	Unemployment rate	QI	%	6.8	6.7	6.8
	08.45	NZ	Employment change	QI	y%ch	1.3	0.8	~
	11.30	AU	Building approvals	Mar	m%ch	-7.4	~	5.0
					y%ch	-21.8	~	-24.5
	11.30	AU	Retail sales	Mar	m%ch	0.5	~	0.5
	11.30	AU	Retail sales ex inflation	Mar	q%ch	-0.3	~	0.6
	12.30	CH	HSBC services PMI	Apr	Index	51.7	~	~
Fri 6 May	09.30	AU	Ai Group performance of construction index	Apr	Index	39.4	~	~
	09.50	JP	Monetary base	Apr	y%ch	16.9	~	~

Calendar – North America & Europe

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

Date	Time UK	Econ	Event	Period	Unit	Last	Forecast Market	Forecast CBA
Mon 2 May	09.00	EZ	PMI manufacturing	Apr F	Index	57.7	57.7	~
	13.30	CA	Industrial product price	Mar	m%ch	0.7	~	~
	15.00	US	Construction spending	Mar	m%ch	-1.4	0.3	~
	15.00	US	ISM manufacturing	Apr	Index	61.2	59.6	~
	15.00	US	ISM prices paid	Apr	Index	85.0	83.0	~
Tue 3 May	09.30	UK	PMI manufacturing	Apr	Index	57.1	57.2	~
	10.00	EZ	PPI	Mar	y%ch	6.6	6.5	~
	15.00	US	Factory orders	Mar	m%ch	-0.1	1.7	~
	22.00	US	Total vehicle sales	Apr	mn	13.1	12.9	~
Wed 4 May	07.00	UK	Nationwide house prices	Apr	y%ch	0.1	-0.7	~
	09.00	EZ	PMI composite	Apr F	Index	57.8	57.8	~
	09.00	EZ	PMI services	Apr F	Index	56.9	56.9	~
	09.30	UK	PMI construction	Apr	Index	56.4	55.4	~
	09.30	UK	Net consumer credit	Mar	£bn	0.8	0.5	~
	09.30	UK	Mortgage approvals	Mar	‘000	47.0	48.3	~
	10.00	EZ	Retail sales	Mar	m%ch	-0.1	0.1	~
	13.15	US	ADP employment change	Apr	‘000	201.0	200.0	~
	15.00	US	ISM non-manufacturing composite	Apr	Index	57.3	58.0	~
Thu 5 May	09.30	UK	PMI services	Apr	Index	57.1	55.8	~
	11.00	GE	Factory orders	Mar	m%ch	2.4	~	~
	12.00	UK	BOE asset purchase target	May	£bn	200.0	200.0	200.0
	12.00	UK	BOE announces rates	May	%	0.5	0.5	0.5
	12.45	EZ	ECB announces interest rates	May	%	1.25	1.25	1.25
	13.30	CA	Building permits	Mar	m%ch	9.9	~	~
	13.30	US	Initial jobless and continuing claims	Apr	‘000	~	~	~
	15.00	CA	Ivey purchasing managers index	Apr	Index	73.2	~	~
Fri 6 May	09.30	UK	PPI input	Apr	m%ch	3.7	1.7	~
	09.30	UK	PPI output	Apr	m%ch	0.9	0.7	~
	11.00	GE	Industrial production	Mar	m%ch	1.6	~	~
	12.00	CA	Net change in employment	Apr	‘000	-1.5	15.0	~
	12.00	CA	Unemployment rate	Apr	%	7.7	7.7	~
	13.30	US	Change in private payrolls	Apr	‘000	230.0	200.0	~
	13.30	US	Unemployment rate	Apr	%	8.8	8.8	~
	20.00	US	Consumer credit	Mar	$bn	7.6	5.0	~

Calendar – Key Events To Watch

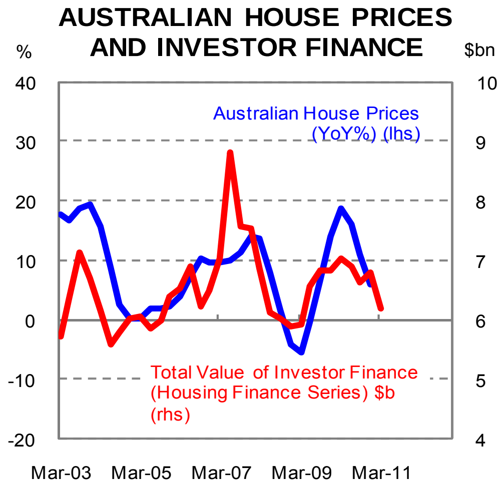
Australia and New Zealand

Monday 2 May

AU House Price Index, QI, q/y%ch, (0.7/5.8 prev)

According to the ABS, house prices rose 0.7% in the December quarter, some 5.8% higher from a year earlier. The rise in QIV was the sixth quarterly rise in the past seven quarters, and offset the falls experienced in the QIII. The QIV data also illustrated that all capitals, with the exception of Perth, recorded an annual increase in QIV. The Melbourne (10.8%pa) and Sydney (7.4%) markets continued to lead the way.

The recent trend in the ABS house price index has been in line with the other house price measures. In recent months, other price measures have illustrated a dampening of house price growth has occurred, largely because of the prospect of higher future mortgage rates. However, underlying economic strength, sustained jobs growth, and an ongoing housing supply shortage should limit downside price risks.



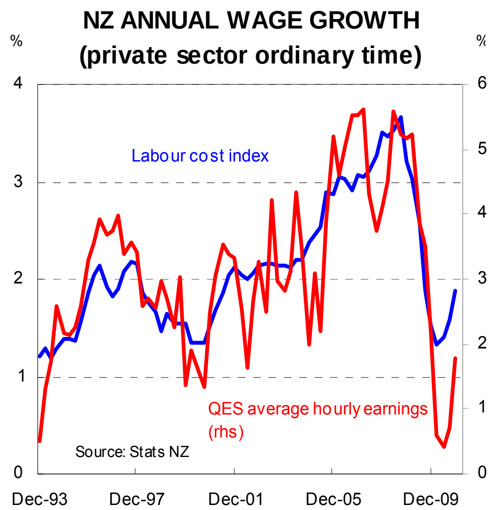
Tuesday 3 May

NZ Labour Cost Index, QI, q%ch, (f) 0.5 (0.6 prev)

NZ Quarterly Employment Survey, QI, q%ch, (f) 0.7 (0.6 prev)

Wage growth has now started to pick up and we expect wage growth to continue to recover, albeit remaining at relatively low levels. Much of this weakness reflects the patchy recovery in the economy and labour market. Profitability continues to underperform many businesses' expectations. In addition, the elevated level of unemployment and continued slack in the labour market will also keep a lid on wage growth.

Over QI we expect (LCI) labour costs to increase 0.5%, lifting the annual rate to 2.1%. The QES wage measures tend to be more volatile as they do not adjust for compositional shifts in the work force. We expect a 0.7% (QoQ) increase in average hourly earnings (private sector, ordinary time).



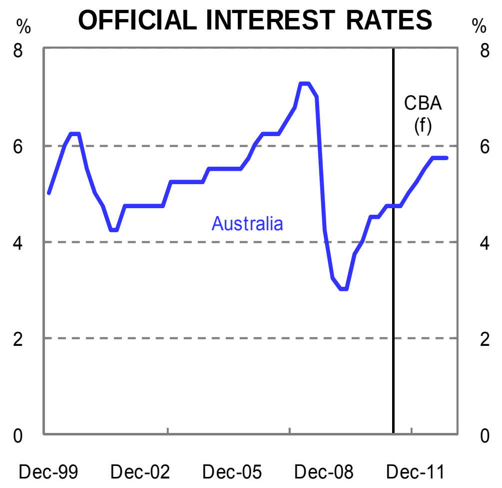
Peter Dragicevich FX Economist T. +612 9118 1107 E. peter.dragicevich@cba.com.au
Chris Tennent-Brown CBA NZ Economist T. +64 9374 8819 E. chris.tennent-brown@asb.co.nz

Tuesday 3 May

AU RBA Cash Rate, May, %, (f) 4.75 (4.75 prev)

We expect the RBA to leave the cash rate at 4.75% at the May policy meeting. The minutes of the April RBA policy meeting illustrated that despite the RBA's positive outlook for global (particularly China) and domestic economic activity, it is comfortable with current monetary policy settings. Desite the recent pause, we do not expect the RBA to remain on hold for an overly extended period. We are forecasting 50bpts worth of rate hikes in HII 2011, which would lift the cash rate to 5.25% by calendar year end.

The underlying pipeline for future RBA rate rises remains in position. Core measures of inflation accelerated in QI, while the domestic labour market continues to perform strongly. Significantly, Australia's terms of trade continues to push to new highs, which will ultimately lead to higher profits, investment and incomes. When combined with an already strong labour market, upward pressure on wages may begin to develop.

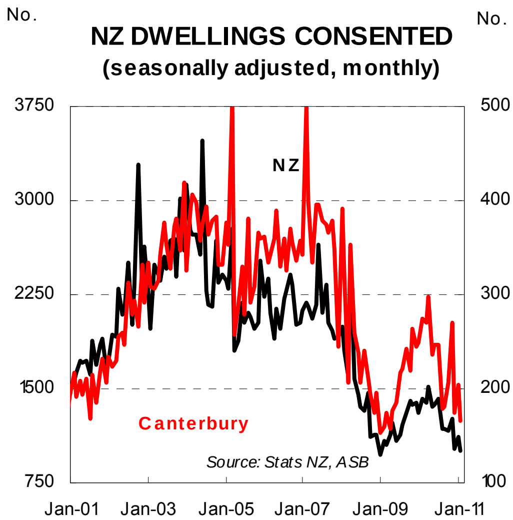


Wednesday 4 May

NZ Building Consents, Mar, m%ch, (-9.7 prev)

Total residential building consents have been very low over recent months, and fell a seasonally-adjusted 9.7% (MoM) in February, which was the lowest reading since January 2009. The earthquake on 22 February disrupted activity in Canterbury, where building consents fell 20% (MoM) in seasonally-adjusted terms over February.

Earthquake-related consents (from the September quake) did not shown up to any significant degree in consents for the months from September to February. 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, and it could be several months before we start to see quake-related consents in the data. Meanwhile, the level of Christchurch consents could drop further in the aftermath of February's earthquake, given building plans could be delayed and processing disrupted.



Non-residential consent issuance was low for most of 2010, and the weakness continued in the February data. Just like the residential outlook, the level of non-residential consent issuance is providing a bleak outlook for the construction sector beyond the earthquake repairs at present.

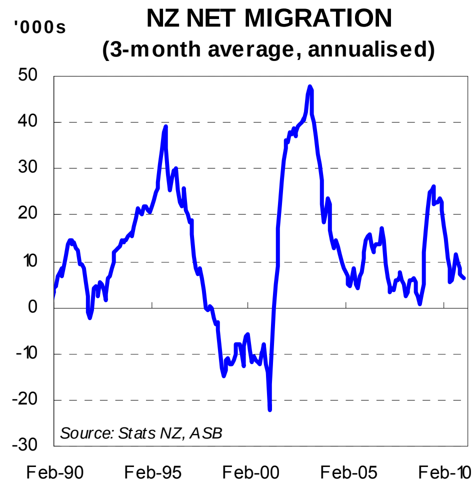
Peter Dragicevich FX Economist T. +612 9118 1107 E. peter.dragicevich@cba.com.au
Chris Tennent-Brown CBA NZ Economist T. +64 9374 8819 E. chris.tennent-brown@asb.co.nz

Wednesday 4 May

NZ International Travel and Migration, Mar

Short-term visitor arrivals fell over February, although it is unclear how much of this decline was due to the February earthquake. Meanwhile, there was some offset from an increase in short-term visitor arrivals visiting friends and relatives following the Christchurch earthquake. We expect a decline in overseas visitor arrivals to persist, as some may have opted to cancel or postpone holidays to New Zealand as a result of the damage in Christchurch. However, disruption to overall visitor numbers on nationwide basis is likely to be temporary and the Rugby World Cup is likely to provide a boost to tourism activity over the second half of 2011.

Permanent and long-term arrivals and departures data saw net 460 new migrants over February, bringing the annual inflow down to 8,249. Departures remain elevated, up 13% on year-ago levels, underpinned by a high number of departures to Australia. We expect this trend to continue, given the strength of Australia's economy and labour market relative to NZ.

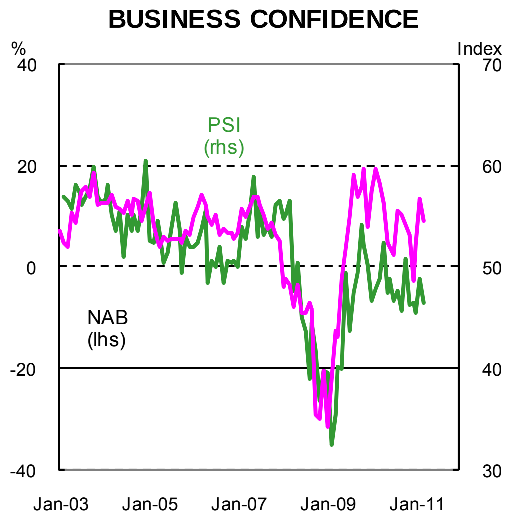


Wednesday 4 May

AU CBA/Ai-Group PSI, Apr, Index, (46.5 prev)

The CBA/AiGroup Performance of Services Index is a guide to the Australian services sector, which accounts for some 70% of Australia's economic activity. The services sector appeared to moderate in March, as illustrated by a drop in the index to 46.5. The index has now remained below 50 for five consecutive months. A reading below 50 indicates that the service sector is facing difficult trading conditions.

The April data will provide a guide as to how the services sector is is performing given the backdrop of a historically high AUD, continued robust labour market conditions, and disruptions which may have eventuated because of the recent natural disasters.



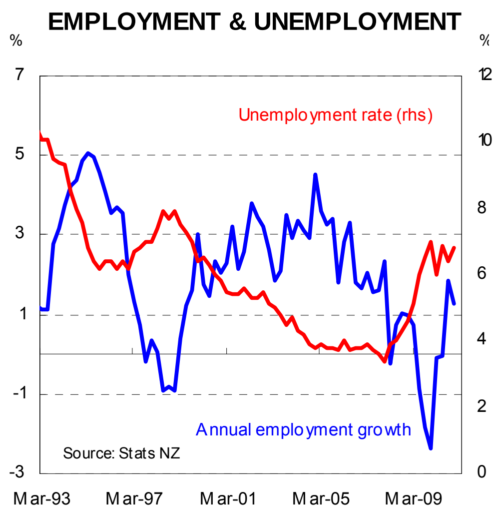
Thursday 5 May

NZ Household Labour Force Survey, QI

NZ Unemployment Rate, QI, %, (f) 6.8 (6.7 prev)

We expect an increase in employment of 0.6% over QI, with the unemployment rate easing to 6.7%. Following the February earthquake, StatsNZ has been unable to survey areas of Canterbury. As a result, the earthquake impact on employment will not be captured in the QI data, but will be in the QII data.

Looking at the wider economy over QI, employment appeared to be improving. NZIER QSBO survey showed a net increase in employment over past three months. In addition, while QIV employment growth disappointed, the growth in hours worked confirmed growing labour demand and suggests a lift in employment should follow. As a result, we expect a modest rebound in employment of 0.6%, following the previous quarter's 0.5% decline.



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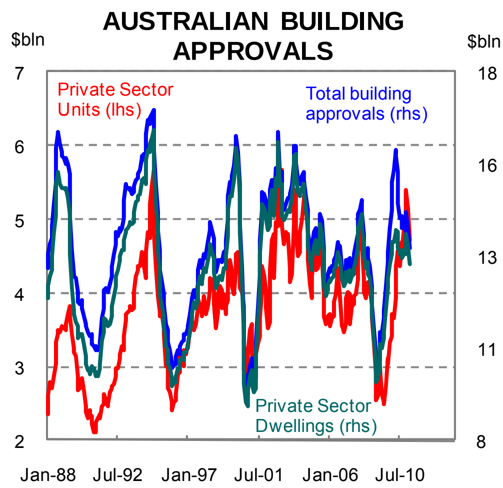
Chris Tennent-Brown CBA NZ Economist T. +64 9374 8819 E. chris.tennent-brown@asb.co.nz

Thursday 5 May

AU Building Approvals, Mar, m/y%ch, (f) 5.0/-24.5 (-7.4/-21.8)

Building approvals continued their recent decline in February, falling 7.4% (MoM), down 22% from a year earlier. Approvals fell in both the public and private sector. The February declines in private sector approvals was largely a function of a 20% drop in the volatilie “other” category. But, it was weakness in Queensland and Victoria which dempened the overall result. Approvals excluding Victoria rose 3.1% in February. The volatility shown in building approvals over recent months looks set to continue in March. We expect building approvals to rebound 5% in March. Despite the monthly reversal, approvals are anticipated to fall 24.5% relative to a year ago.



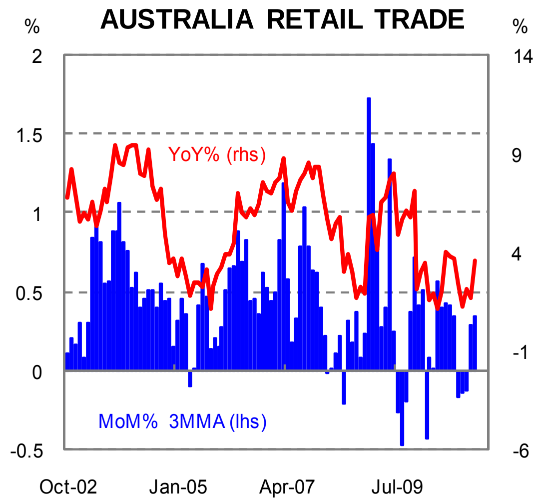
Flood impacts continue to influence the approvals data. Flood driven volatility is set to continue in the coming months. In the second half of 2011, the reconstruction effort is likely to raise building approvals significantly. The recovery in Queensland construction has the potential to amplify pent-up demand, which would offset the slowdown in other areas brought on by potentially higher borrowing costs.

Thursday 5 May

AU Retail Sales, Mar, m%ch, (f) 0.5 (0.5 prev)

AU Retail Sales Ex Inflation, QI, q%ch, (f) 0.6 (-0.3 prev)

In February, retail sales lifted slightly more than expected, rising 0.5% in the month. Unlike with other data, the recent floods appear to have had a positive impact on retail spending. The “household goods” and “clothing” categories were the focal points of last months retail spending growth.



The February result was encouraging, and continued the 2011 run of improving retail conditions. This is not surprising given Australia’s underlying economic strength, as highlighted by the ongoing performance of the labour market. But, significant gains in consumption appear to be capped by the ongoing and elevated level of consumer trepidation. Higher consumer caution continues to be illustrated by the savings as a share of disposable income tracking around 10%. Additionally, anecdotal evidence continues to suggest that the high AUD is moving more consumers toward online shopping. Despite these apparent headwinds, we are expecting retail sales to lift by 0.5% (MoM) in March.

Given the recent improvement in retail spending, we expect the quarterly retail sales inflation adjusted figures to show a gain of 0.6% in QI. Consequently, the retail areas are likely to deliver a small positive contribution to QI GDP growth.

Peter Dragicevich FX Economist T. +612 9118 1107 E. peter.dragicevich@cba.com.au
Chris Tennent-Brown CBA NZ Economist T. +64 9374 8819 E. chris.tennent-brown@asb.co.nz

International

Monday 2 May

US ISM Manufacturing, Apr, Index, (61.2 prev)

Wednesday 4 May

US ISM Non-Manufacturing, Apr, Index, (57.3 prev)

Both the ISM manufacturing and non-manufacturing indices have remained in expansionary territory in recent months. In March, manufacturing expanded at close to its fastest pace since May 2004. Despite the ISM non-manufacturing index declining in March, it remains above the average experienced during the 2002-2007 US economic growth period. The robustness of the recent ISM survey's indicates that US firms remain confident about future prospects, which is likely to lead to increased staff intake numbers. In March, this was illustrated by the ISM manufacturing employment gauge remaining close to 63, a historically high number.

The strong ISM readings also illustrate that the US economic recovery is set to continue in 2011. Building US economic growth momentum is set to be driven by rising household and business confidence, an improved labour market and easing credit conditions.

Tuesday 3 May

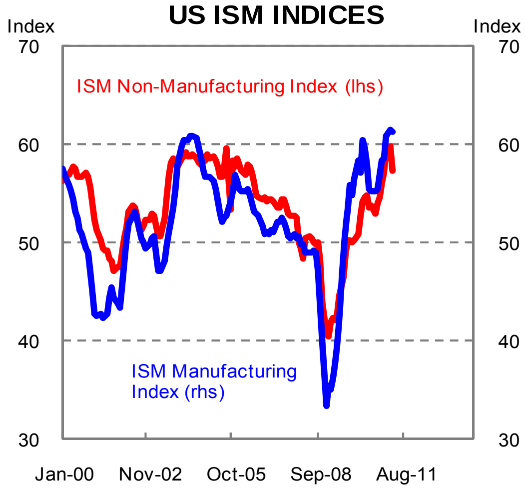
UK PMI Manufacturing, Apr, Index, (57.1 prev)

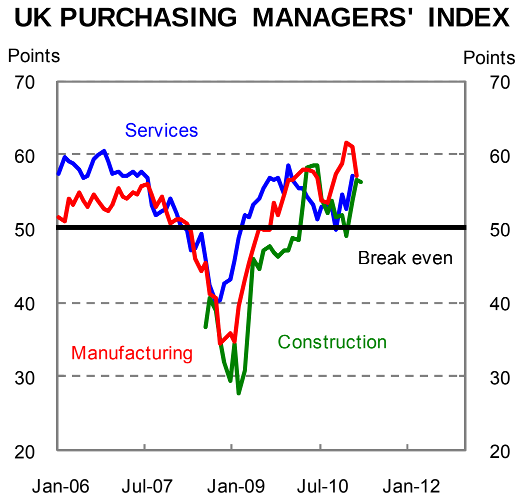
Thursday 5 May

UK PMI Services, Apr, Index, (57.1 prev)

In March, the UK manufacturing PMI declined to 57.1, a five-month low. The fall in March was largely a function of weaker domestic and export demand growth. The March result indicated that the pace of the UK economic recovery may decelerate further in coming months. Dampened domestic consumer confidence and the build up of inflationary pressures appears to have moderated the pace of the manufacturing sectors expansion. In contrast, in March the UK PMI services index accelerated to levels not seen in more than a year. This is significant as the services industry makes up approximately 76% of the UK economy.

The recent patchy UK economic data poses a challenge for the Bank of England (BoE). With inflation continuing to exceed the BoE's 2% target, leaving monetary policy accommodative for an overly extended period may lead to the development of second round price effects. But, significant policy tightening may negatively impact an already fragile economy.





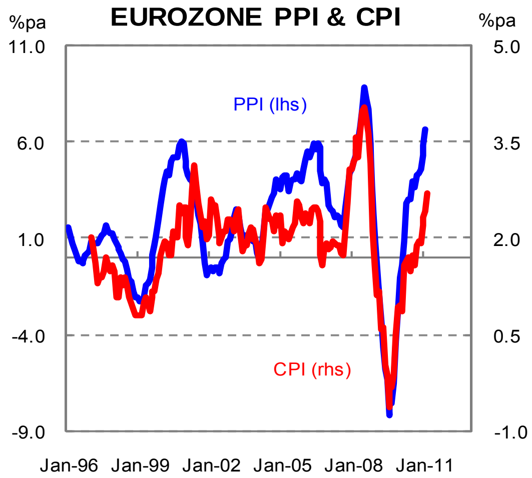
Peter Dragicevich FX Economist T. +612 9118 1107 E. peter.dragicevich@cba.com.au

Tuesday 3 May

EZ PPI, Mar, m/y%ch, (0.8/6.6 prev)

Eurozone producer prices have accelerated in recent months. The data for February indicated that the Eurozone Producer Price Index (PPI) accelerated 6.6% (YoY), the fastest annual pace since September 2008. Excluding construction and energy prices, Eurozone PPI increased 4.5% (YoY) in February.

Crude oil price surged some 14% in QI, up 7.8% in March alone. The recent lift in energy prices and the ongoing build up of other commodity induced price pressures in the production pipeline continues to place pressure on firms to pass on higher costs to purchasers. This is of particular concern for the ECB. The central bank is already wary that sustained elevated price pressures may develop into second round price effects.

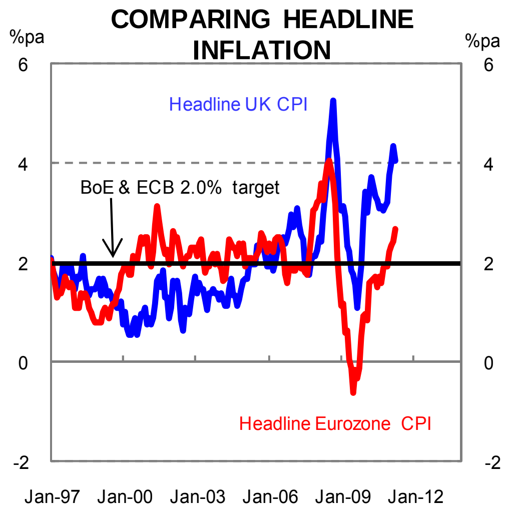


Thursday 5 May

UK BoE Announces Rates, May, %, (f) 0.5 (0.5 prev)

EZ ECB Announces Rates, May, %, (f) 1.25 (1.25 prev)

We expect the Bank of England (BoE) to remain on hold at its May policy meeting. The BoE has kept interest rates at 0.5% since March 2009. Although we are forecasting that the BoE will tighten policy in late QII, there is a risk that the central bank remains on hold for longer. Despite UK inflation remaining above the BoE's 2% target, the BoE April policy meeting minutes indicated that a majority of the Monetary Policy Committee now saw downside risks developing in the UK economy.



In contrast, at its April meeting, the ECB raised its official interest rates by 0.25%, to 1.25%. Following the April policy meeting, ECB President Trichet indicated that inflation risks continue to remain on the upside and despite the April rate hike, monetary policy remains accommodative. Over the course of April, various ECB policy makers have reiterated the central bank's rather hawkish tone and stressed that they can not ignore the possible development of possible second round price effects in the Eurozone. In the year to March, Eurozone inflation accelerated to 2.7%. The ECB's headline inflation target is only 2%.

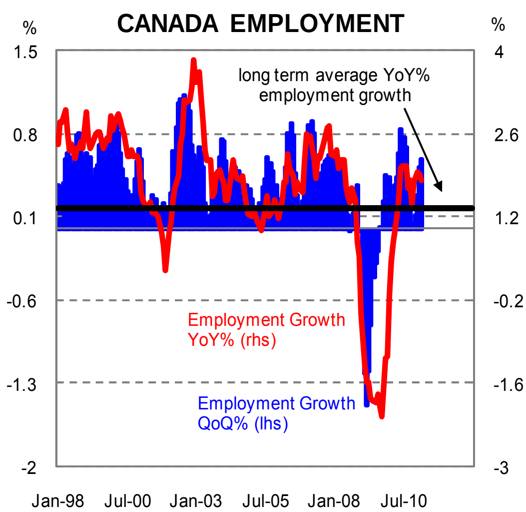
Friday 6 May

CA Net Change In Employment, Apr, '000, (-1.5 prev)

CA Participation Rate, Apr, %, (66.9 prev)

CA Unemployment Rate, Apr, %, (7.7 prev)

The 1,500 decrease in Canadian employment in March was unexpected and broke a five month run of consecutive net employment gains. Interestingly, while part-time employment decreased by a record 92,100 in March, full-time employment increased by 90,600, the largest gain in a year. Despite the disappointing drop in total employment in March, Canada's labour market has improved over recent months. So far in 2011, Canada's labour market has added close to 83,000 jobs.



The lack of private sector jobs growth in the first two months of 2011 was slightly reversed in March. Sustained improvement in private sector employment looks set to continue in 2011, particularly if business investment accelerates as anticipated. As a result, Canada's unemployment rate should move lower from its current 7.7% level in the coming months. Canada's unemployment rate averaged 6.2% between 2006 and 2008.

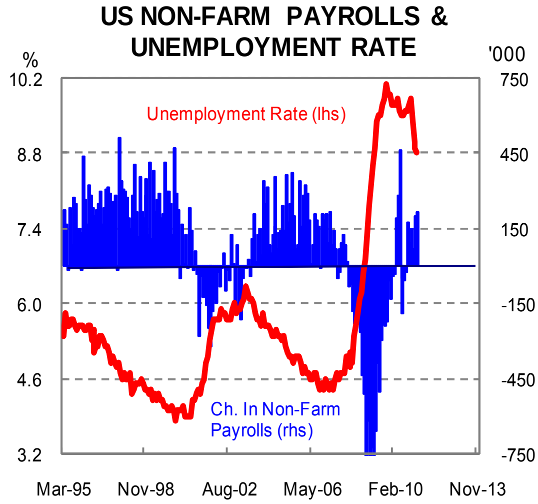
Friday 6 May

US Change In Nonfarm Payrolls, Apr, '000, (216 prev)

US Change In Private Payrolls, Apr, '000, (230 prev)

US Unemployment Rate, Apr, %, (8.8 prev)

In March, US nonfarm payrolls increased by 216,000. Private payrolls rose by 230,000, following on from the 240,000 lift in February. Significantly, the recent 470,000 increase in private payrolls is the largest two month gain since 2006. Despite the unemployment rate declining to 8.8% in March, its lowest level in two years, US policy makers remain concerned by the pace of labour market 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 time period to return to pre-crisis levels. Thus far, private payrolls have only increased by an average 138,000 per month since March 2010.

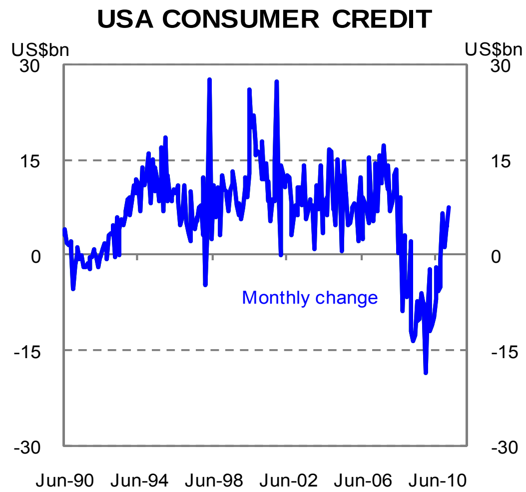


Friday 6 May

US Consumer Credit, Mar, USD bn, (7.62 prev)

US consumer credit increased by US$7.6bn in February. The February gains were the fifth consecutive monthly increase in consumer credit, and were the largest since June 2008. The February rise was led by a further lift in non-revolving credit. The lift in non-revolving credit was driven by a substantial lift in student loans. But, even with the inclusion of the recent run of increases in consumer credit, total borrowing has declined by US$157bn since October 2008.

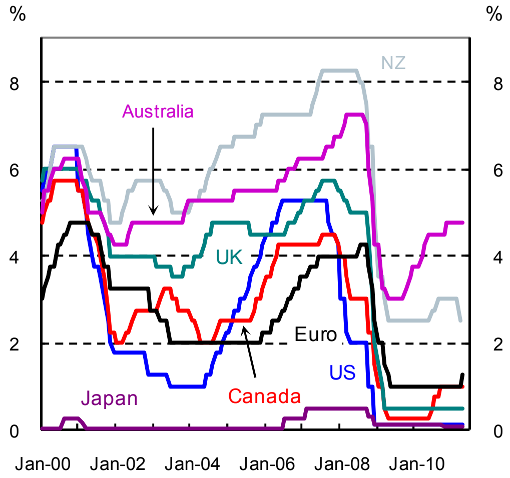
Interestingly, revolving credit, which includes credit cards, declined for the second consecutive month in February. Despite the improving labour market, US consumers appear reluctant to take on more credit. Additionally, the recent rise in fuel and food prices may be eroding consumer spending power. A cooling in consumer spending would have a significant dampening effect on the US economic recovery. Consumption accounts for some 70% of the US economy.



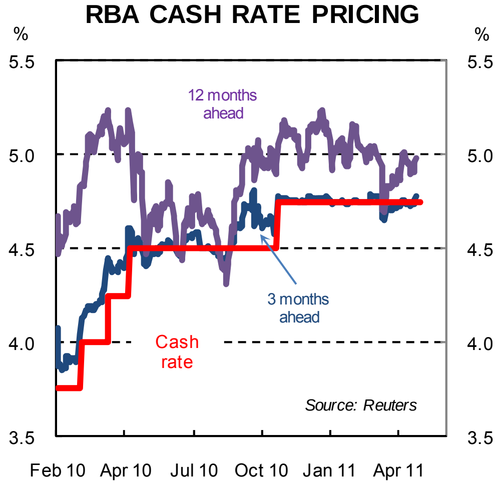
Peter Dragicevich FX Economist T. +612 9118 1107 E. peter.dragicevich@cba.com.au

Monetary Policy

OFFICIAL INTEREST RATES



RBA CASH RATE PRICING



Country	Last Move	Next Meeting and Forecast	Jun '11	Sep '11	Dec '11	Mar '12	CBA View
Australia (RBA)	25bpt rise to 4.75% on 7 November 2010.	3 May, 2011	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 5.25% by QIV 2011.
US (FOMC)	75-100bpt cut to 0-0.25% on 16 December 2008.	23 June, 2011	0-0.25%	0-0.25%	0.50%%	0.75%	A debate about ending the QE program is underway. We expect the QE program will end in June and the first Fed Funds hike in QIV 2011.
Eurozone (ECB)	25bpt rise to 1.25% on 7 April 2011.	5 May, 2011	1.25%	1.25%	1.50%	1.75%	Elevated inflation in the Eurozone has led to the ECB commencing tightening in an effort to pre-empt the onset of second round inflation effects. We expect the ECB to raise rates again in QIV 2011.
UK (MPC)	50bpt cut to 0.5% on 5 March 2009.	5 May, 2011	0.75%	1.00%	1.25%	1.50%	Members of the BoE are becoming more concerned about UK inflationary pressures. But, most members expect significant spare capacity to dull the near-term pressures. We expect the first move in QII 2011.
NZ (RBNZ)	50bpt cut to 2.5% on 10 March.	9 June, 2011	2.50%	2.50%	2.50%	2.75%	In response to domestic economic weakness and the Christchruch earthquake, the RBNZ delivered a 50bpt rate cut at the 10 March policy meeting. We expect the RBNZ's tightening cycle to resume in QI 2012.
Canada (BoC)	25bpt rise to 1.00% on 8 September 2010.	31 May, 2011	1.25%	1.50%	1.75%	2.00%	The Canadian economy is recovering, and the BoC has begun to remove stimulus. We expect a slow and steady removal of policy accommodation to ensue.
Japan (BoJ)	0-10bpt cut to 0-0.1% on 5 October 2010.	20 May, 2011	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.

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**
Of which: 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
Net exports (contrib to GDP)	*-2.1*	*1.4*	*0.1*	*-1.5*	*-0.8*	*-0.1*	*-0.8*	*-1.9*	*-1.5*	*2.8*	*-1.6*	*-1.6*	*0.0*
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**	**3.1**	**3.1**	**2.7**	**3.5**	**2.3**	**4.4**	**1.8**	**2.8**	**3.4**	**2.9**
Underlying CPI	3.7	4.3	3.1	2.4	3.1	2.9	2.8	2.9	4.4	3.7	2.6	2.8	3.1
AWOTE	4.9	5.5	5.6	4.0	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

		Interest Rates					Exchange Rates				
							USD versus				
End Period		Cash Rate	90-day Bank Bill	180-day Bank Bill	3-year Bond	10-year Bond	AUD	JPY	EUR	GBP	NZD
Dec-07		6.75	7.24	7.36	6.80	6.33	0.88	111.7	1.46	1.98	0.77
Mar-08		7.25	7.86	7.96	6.16	6.05	0.91	99.7	1.58	1.98	0.79
Jun-08		7.25	7.84	7.96	6.72	6.45	0.96	106.2	1.58	1.99	0.76
Sep-08		7.00	7.32	7.04	5.07	5.40	0.79	106.1	1.41	1.78	0.67
Dec-08		4.25	4.15	0.00	3.29	3.99	0.70	90.7	1.40	1.46	0.58
Mar-09		3.25	3.14	3.06	3.37	4.42	0.69	99.0	1.33	1.43	0.56
Jun-09		3.00	3.19	3.31	4.75	5.52	0.81	96.4	1.40	1.65	0.65
Sep-09		3.00	3.38	3.78	5.04	5.36	0.88	89.7	1.46	1.60	0.72
Dec-09		3.75	4.28	4.47	5.06	5.64	0.90	93.0	1.43	1.62	0.72
Mar-10		4.00	4.49	4.76	5.39	5.78	0.92	93.4	1.35	1.52	0.71
Jun-10		4.50	4.92	5.00	4.56	5.09	0.84	88.4	1.22	1.49	0.68
Sep-10		4.50	5.01	5.20	4.82	4.96	0.97	83.5	1.36	1.57	0.73
Dec-10		4.75	5.04	5.23	5.30	5.55	1.02	81.1	1.34	1.56	0.78
Mar-11		0.00	5.04	5.23	5.30	5.57	1.03	83.1	1.42	1.60	0.76
Jun-11		4.75	5.30	5.60	5.60	5.80	1.08	83.0	1.47	1.65	0.82
Sep-11		5.00	5.60	5.70	5.80	5.90	1.12	82.0	1.50	1.70	0.85
Dec-11		5.25	5.80	5.90	5.90	6.00	1.04	85.0	1.43	1.65	0.79
Mar-12		5.50	6.00	6.00	5.90	6.00	0.98	88.0	1.40	1.60	0.76
Jun-12	**Forecast**	5.75	6.00	6.10	5.80	5.90	0.95	90.0	1.38	1.58	0.75
Sep-12		5.75	5.90	6.00	5.75	5.90	0.95	91.0	1.38	1.58	0.75
Dec-12		5.75	5.90	6.00	5.75	5.90	0.98	88.0	1.40	1.62	0.78

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

Research

Commodities		Telephone	Email Address
Luke Mathews	Agri Commodities	+612 9118 1098	luke.mathews@cba.com.au
Lachlan Shaw	Mining & Energy Commodities	+613 9675 8618	lachlan.shaw@cba.com.au

Economics		Telephone	Email Address
Michael Blythe	Chief Economist	+612 9118 1101	michael.blythe@cba.com.au
Michael Workman	Senior Economist	+612 9118 1019	michael.workman@cba.com.au
John Peters	Senior Economist	+612 9117 0112	john.peters@cba.com.au
James McIntyre	Economist	+612 9118 1100	james.mcintyre@cba.com.au

Fixed Income		Telephone	Email Address
Adam Donaldson	Head of Debt Research	+612 9118 1095	adam.donaldson@cba.com.au
Philip Brown	Fixed Income Quantitative Strategist	+612 9118 1090	philip.brown@cba.com.au
Alex Stanley	Associate Analyst, Fixed Income	+612 9118 1125	alex.stanley@cba.com.au
Michael Bors	Credit Research Analyst	+612 9118 1108	borsma@cba.com.au
Steve Shoobert	Credit Research Analyst	+612 9118 1096	steve.shoobert@cba.com.au
Winnie Chee	Securitised Product	+612 9118 1104	winnie.chee@cba.com.au
Tally Dewan	Quantitative Analyst	+612 9118 1105	tally.dewan@cba.com.au
Kevin Ward	Database Manager	+612 9118 1960	kevin.ward@cba.com.au

Foreign Exchange		Telephone	Email Address
Richard Grace	Chief Currency Strategist	+612 9117 0080	richard.grace@cba.com.au
Joseph Capurso	Currency Strategist	+612 9118 1106	joseph.capurso@cba.com.au
Peter Dragicevich	FX Economist	+612 9118 1107	peter.dragicevich@cba.com.au
Andy Ji	Asian Currency Strategist	+65 6349 7056	andy.ji@cba.com.au

Delivery Channels & Publications		Telephone	Email Address
Monica Eley	Internet/Intranet	+612 9118 1097	monica.eley@cba.com.au
Ai-Quynh Mac	Information Services	+612 9118 1102	maca@cba.com.au

New Zealand		Telephone	Email Address
Chris Tennent-Brown	CBA NZ Economist	+64 9374 8819	chris.tennent-brown@asb.co.nz
Nick Tuffley	ASB Chief Economist	+64 9374 8604	nick.tuffley@asb.co.nz
Jane Turner	Economist	+64 9374 8185	jane.turner@asb.co.nz
Christina Leung	Economist	+64 9369 4421	christina.leung@asb.co.nz

Sales

Institutional		Telephone
Syd	FX	+612 9117 0190
		+612 9117 0341
	Credit	+612 9117 0020
	Japan Desk	+612 9117 0025
Melb		+613 9675 6815
		+613 9675 7495
		+613 9675 6618
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Equities	Telephone
Syd	+612 9118 1446
Asia	+613 9675 6967
Lon/Eu	+44 20 7710 3573
NY	+1212 336 7749

Corporate	Telephone
NSW	+612 9117 0377
VIC	+612 9675 7737
SA	+618 8206 4155
WA	+618 9482 6044
QLD	+617 3015 4525
NZ	+64 9375 5738
Metals Desk	+612 9117 0069
Agri Desk (Corp)	+612 9117 0157
Agri Desk	+612 9117 0145