

NEW ZEALAND ECONOMICS MARKET FOCUS

5 September 2011

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KICK-OFF TO KICK IN

ECONOMIC OVERVIEW

Global developments continue to overshadow local considerations. While we are not immune from global challenges, the New Zealand economy continues to display considerable resilience. Commodity prices remain at historically high levels despite a decline over August. The goods terms of trade, at new 37-year highs, provide a considerable boost to purchasing power. This week's activity data will shed more light on how Q2 GDP fared. We expect sector differences to be apparent, but for the key takeout to be that the New Zealand economy entered the second half of the year with considerable momentum. With the Rugby World Cup starting this week, the New Zealand economy is better placed than most.

INTEREST RATE STRATEGY

Time looks to be running out for the bears, at least when it comes to the domestic outlook. Market pricing remains subdued, with less than two hikes priced in by June 2012. As September unfolds, we expect the focus to turn to the RBNZ MPS and Q2 GDP data, and both are likely to be relatively upbeat. The global scene looks fairly ugly, but we would not write the US off just yet. The Fed still has options, and Obama looks set to unveil a plan to spur jobs growth. Europe remains an issue, but so long as it doesn't become a liquidity event, NZ should be reasonably insulated.

CURRENCY STRATEGY

A week of poor US data culminated with a very weak non-farm payrolls release, setting the scene for a risk-off week as anaemic growth remains the focus of FX markets. The European sovereign debt crisis continues to weigh on sentiment as Greek 2 year bond yields hit an eye-watering 47 percent. Australian data continues to underwhelm, supporting the notion that the AUD is "fully priced". NZD should be supported on crosses as global issues weigh on major currencies, leaving NZD the "least worst".

EFFECTIVE EXCHANGE RATE UPDATE

Our effective exchange rate (EER) measures take into account the world prices of our exports (e.g. commodity prices in the case of commodity exporters), adjusted for currency movements based on their main destinations. Trading conditions improved for five of the eight groups we monitor, with the lower NZD a key driver. The largest gain in competitiveness was for the horticultural sector, but conditions for that sector remain restrictive relative to historical experience. The worsening in trading conditions for dairy and forestry largely reflected commodity price falls. Sizeable disparities remain, with only three sectors having supportive effective exchange rates. Set amongst the backdrop of a high NZD, the environment is not conducive to a strengthening in the export sector recovery, which we believe is a prerequisite for the much-needed economic rebalancing.

ECONOMIC OVERVIEW

SUMMARY

Global developments continue to overshadow local considerations. While we are not immune from global challenges, the New Zealand economy continues to display considerable resilience. Commodity prices remain at historically high levels despite a decline over August. The goods terms of trade, at new 37-year highs, provide a considerable boost to purchasing power. This week's activity data will shed more light on how Q2 GDP fared. We expect sector differences to be apparent, but for the key takeout to be that the New Zealand economy entered the second half of the year with considerable momentum. With the Rugby World Cup starting this week, the New Zealand economy is better placed than most.

THIS WEEK'S EVENTS

GlobalDairyTrade auction (Wednesday, September 7, early am). We expect prices to hold firm, with no change in overall dairy prices.

SNZ Wholesale Trade – 2011Q2 (Wednesday, September 7, 10:45am). Operating income is expected to rise 1.5 percent in Q2, which would correspond to a 0.8 percent increase in wholesale trade volumes.

SNZ Work Put in Place – 2011Q2 (Thursday, September 8, 10:45am). We expect a 2 percent fall in total work put in place volumes. Residential volumes are forecast to decline 3 percent, whereas non-residential volumes are envisaged to be broadly unchanged.

SNZ Manufacturing Survey – 2011Q2 (Thursday, September 8, 10:45am). We expect a 3 percent increase in primary manufacturing volumes, with ex-primary volumes down 1 percent.

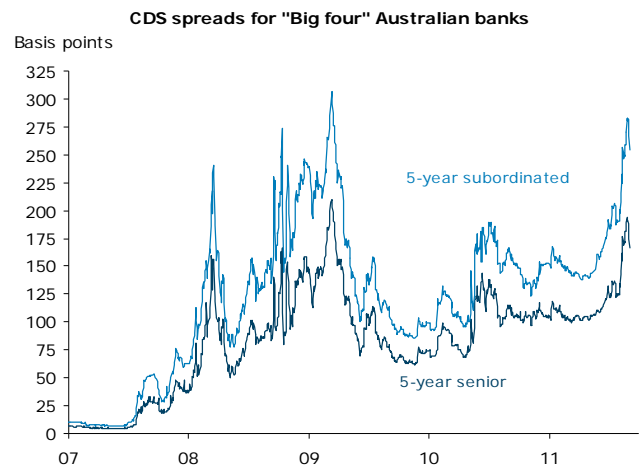
SNZ Electronic Card Transactions – August (Friday, September 9, 10:45am). A 0.4 percent increase in total retail and 0.5 percent increase in core values are expected.

WHAT'S THE VIEW

With global risks at the fore, it is timely to step back and assess how New Zealand is being impacted. What we know at present is that:

- **New Zealand has good momentum.** We are in the process of finalising our Q2 GDP pick, but data so far is consistent with an above-trend GDP print. While this data precedes recent global ructions, the momentum in evidence provides the economy with the impetus to roll through the challenges.
- **Funding markets remain pressured.** Although bank CDS spreads have narrowed more recently, they remain too high for comfort. While higher

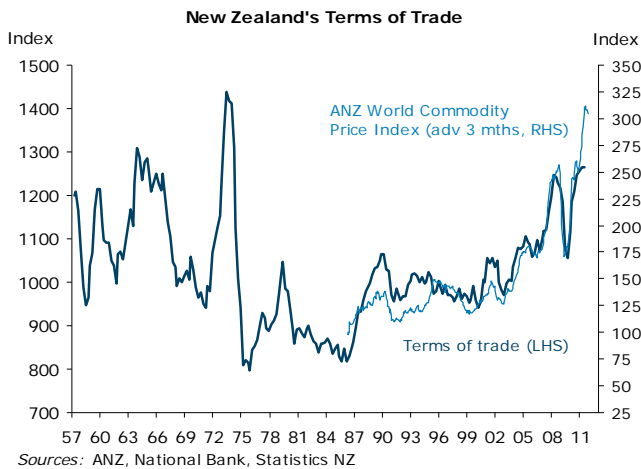
funding costs are not an issue until banks need to fund, the longer the CDS spreads stay high, the greater the potential impact. Our "back of the envelope" estimates suggest this tightening in financial conditions, in itself, could potentially knock 1.0 percent off growth next year if sustained indefinitely. But of course, in practice, wholesale markets would compensate by pricing in less RBNZ tightening in exchange. NZ is fortunate that our monetary policy has the headroom to do this. But it's not a helpful development for the country.



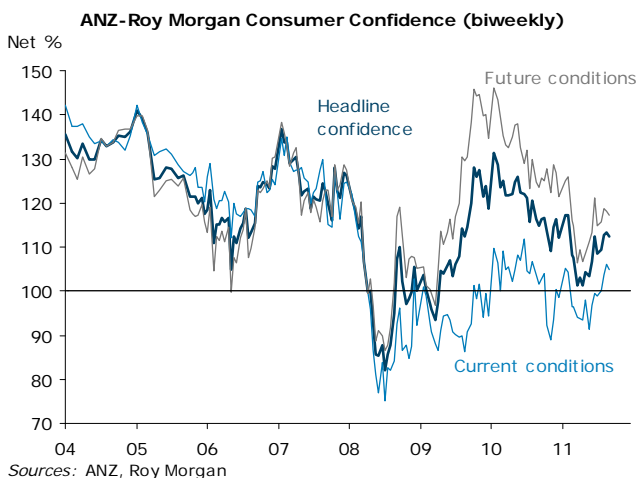
Sources: ANZ, National Bank, Bloomberg

- **Commodity prices remain high.** Sure, they were down 1.2 percent in August and are 2.5 percent below May peaks. But when you look at the long-term chart of commodity prices, it is clear that the level remains very elevated compared to history. This is a massive boost to the purchasing power for NZ, Inc, and we could see the goods terms of trade still push higher from here. Fonterra's confirmation of the 2011/12 payout of \$7.15-\$7.25/kgMS before retentions is a sign of confidence in where they (and they will know more than most) see dairy prices over the coming months. Speculation last week that New Zealand's terms of trade has peaked looks premature.

ECONOMIC OVERVIEW



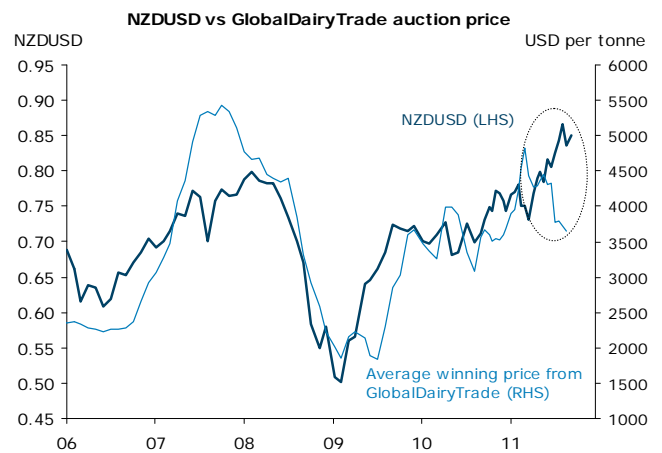
- Confidence has held up remarkably well.** Own activity from the National Bank Business Outlook (NBBO) survey barely budged, while the drop in employment and investment intentions was not as bad as it could have been. Our composite growth indicator is flagging 4½ percent year-on-year growth for early next year, prediction of which many of our OECD counterparts could only dream. Of course it's far from in the bag, but it again indicates solid momentum. Despite some fairly bleak global news headlines, consumer sentiment has actually held firm. The consumer confidence figures reported in the middle of August were surveyed over a period crossing the market palpitations early in the month. We actually survey every two weeks, and the reading for the second half of August – the first “clean” read on things – showed consumer sentiment basically unchanged.



This does not mean New Zealand is immune. Our high external indebtedness and a propensity to run current account deficits is our Achilles heel. **Rather, we would characterise the New Zealand economy as being better insulated than most.**

We (and the RBNZ) are closely watching the NZD. While it is down from its August 1 post-float peak, it remains uncomfortably high. Our analysis of effective exchange rates on page 7 shows that even though the terms of trade are at a 37-year high, export conditions for the majority of our export sectors remain restrictive.

Looking at the week ahead, Wednesday's GlobalDairyTrade auction is expected to show overall dairy prices holding at around US\$3,600/MT. USD price falls have started to level off in futures markets, and the switch in supply from the Northern to Southern hemisphere should start to provide more support to pricing over the next few months. Last Friday's confirmation by Fonterra of their forecast payout for the 2011/12 season (consisting of \$6.75/kgMS and a distributable profit of 40 to 50 cents per share) amidst the backdrop of recent global volatility and the high NZD was a major vote of confidence in the New Zealand economy.

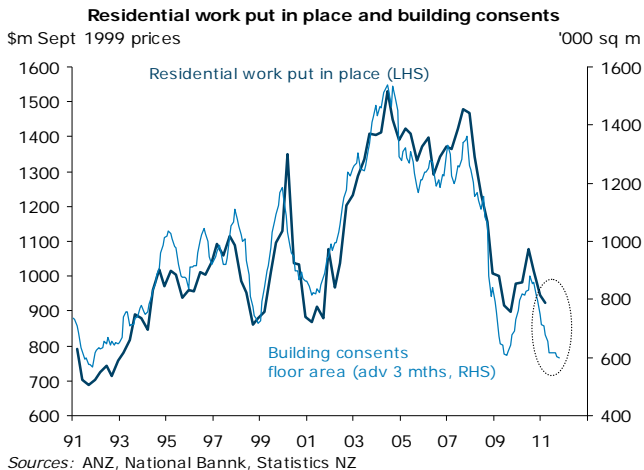


Data relating to how Q2 fared is expected to highlight sector divergences. On the back of solid retail and export data, we expect further signs of recovery in Q2 wholesale trade, out on Wednesday. Operating income is expected to expand by 1.5 percent, which forms the basis of our 0.8 percent pick for wholesale trade volumes.

Thursday sees work put in place data, which we expect to be weak, falling 2 percent in volume terms. Driving this is an anticipated 3 percent fall in residential work put in place. Residential consent issuance has been subdued, but we do not expect construction activity to fall to the extent implied by consents, given the pick-up in work on alterations and additions and non-consented work. Non-residential construction volumes are expected to remain broadly unchanged. The July lift in consent issuance is a precursor of things to come, with the construction sector set to move to being an outperformer by early

ECONOMIC OVERVIEW

next year. An area to closely watch is construction costs, with our internal anecdotes highlighting a significant increase in building costs.



Manufacturing data is expected to show sector contrasts. Given the late flourish to the dairy season and increases in livestock slaughtering, we expect meat and dairy manufacturing sales to be reasonably upbeat despite pastoral export volumes easing off in Q2. Non-primary food manufacturing volumes are expected to ease back from Q1 strength, partly on account of the disruptions to the global supply chain resulting from the Japanese earthquake and tsunami in March. Our internal anecdotes continue to highlight difficulties experienced by a number of manufacturing industries, most notably sawmilling.

August Electronic Card Transaction (ECT) data rounds off the local data week. We are expecting core spending to be up 0.5 percent, but only a 0.4 percent increase in total retail ECT spending on account of the 2 percent fall in petrol prices over August. With the Rugby World Cup starting on Friday, we expect September to be considerably stronger.

Central bank decisions dominate the global events calendar this week, with the RBA, BOE and ECB meeting. Market pricing has been choppy around over the last few weeks, but rate cuts are still priced in for all three central banks. With the RBNZ's September *Monetary Policy Statement* rapidly approaching, we will be closely watching the RBA statement for clues regarding how the RBNZ is likely to interpret the global outlook. Recent RBA communication has not endorsed market pricing of rate cuts (almost 75bps by December), and while we suspect the RBA will shift towards a more neutral bias, this is still a long way from contemplating cuts.

We have written at length about the problems in Europe via our sovereign risk work and also more recently our fiscal sustainability analysis. Suffice to say

we still think the region is the elephant in the room, where things could turn pear-shaped very quickly. With this in mind, we're looking for a change in tack from the ECB at some stage. This week may be too soon, but if they're buying Spanish and Italian bonds, then you'd have to think an interest rate cut is the next logical extension. For New Zealand, this sort of change could be material. If the EURUSD comes under pressure, so too could the NZDUSD.

RECENT LOCAL DATA

SNZ Dwelling Consents – July. Dwelling consents rose a seasonally adjusted 13 percent, with ex-apartment consents up 6.3 percent. Non-residential consent values of \$337m s.a. were recorded, a 21.5 percent increase from the previous month.

National Bank Business Outlook – August. General business confidence dropped 13 points, with a net 34 percent of businesses expecting better times for the economy over the year ahead. Firms' own activity expectations were broadly unchanged at +43, with employment and investment intentions easing 6 and 10 points respectively (to +9 and +12). Export intentions dropped 12 points to +19. Pricing intentions fell from +29 to +21.

RBNZ Credit Aggregates – July. Annual resident private sector credit ex-repo increased 1 percent. Household credit rose 1.2 percent y/y, with business credit up 0.9 percent y/y. Agricultural credit fell 0.9 percent y/y.

SNZ Overseas Trade Indexes – 2011Q2. The OTI terms of trade rose 2.3 percent, underpinned by a 1.9 percent increase in export prices. Export volumes rose 0.5 percent, with import volumes falling 2.4 percent.

ANZ Commodity Price Index – August. Commodity prices fell 1.2 percent in August, but are 22.1 percent higher compared to year-ago levels. The NZD denominated index was unchanged (+5.9 percent y/y).

INTEREST RATE STRATEGY

SUMMARY

Time looks to be running out for the bears, at least when it comes to the domestic outlook. Market pricing remains subdued, with less than two hikes priced in by June 2012. As September unfolds, we expect the focus to turn to the RBNZ *MPS* and Q2 GDP data, and both are likely to be relatively upbeat. The global scene looks fairly ugly, but we would not write the US off just yet. The Fed still has options, and Obama looks set to unveil a plan to spur jobs growth. Europe remains an issue, but so long as it doesn't become a liquidity event, NZ should be reasonably insulated.

MARKET THEMES

- US non-farm payrolls were unreservedly soft. But it has just sharpened the focus on the Obama speech, and puts more pressure on the Fed to do more.
- Europe remains an issue, and markets are vulnerable to headline-induced volatility. But what will they make of the ECB dropping its tightening bias?
- We expect the market's downbeat view of the domestic economy to be challenged in September.

REVIEW AND OUTLOOK

While all eyes were focused on the US non-farm payroll report, even if it had come in on expectations, it still wouldn't have been good enough. Indeed, the US needs to create around 130k jobs a month just to stand still, and more than twice that if it wants to get its unemployment rate down to 6% in around 3 years. **Why mention it – because the focus on near-term data is overdone. Rather, we need to focus on policy actions,** and ironically, poor data will only strengthen the Fed and the President's resolve to do something about it.

There is also talk in the media that US authorities are set to announce a plan to break the sub-prime refinancing gridlock. It makes sense to do so, but it will have to go hand in hand with a plan – like "operation twist" – to keep bond yields low. Anything that helps the US recover removes another objection for the RBNZ. **As such, we see policy support in the US (and Europe) as being supportive of higher rates here, even if doesn't result in higher rates abroad.**

But it's the market's downbeat view of NZ that is really vulnerable to a challenge, and we suspect the RBNZ will paint a picture of NZ being in its own growth microcosm at the September *MPS*. We certainly expect the market to re-evaluate policy expectations on partial data this week and in the lead-up to the *MPS* next Thursday. And all of this will be happening as NZ comes alive for the Rugby World Cup.

PREFERRED BORROWING STRATEGIES

Although we don't expect floating rates to move significantly higher until the end of the year (i.e. around the time the RBNZ hikes), we are becoming more confident of the recovery. The global situation remains tense, but by the same token, it is inconceivable that authorities in the US and Europe will stand idly by and allow things to deteriorate further. This has always been the case, but as time passes it looks increasingly like New Zealand will be less affected by global problems. The bellwether 2yr swap has struggled to sustainably hold below the 3.30% level, having briefly tried in early August. Yet the market has had a lot thrown at it. As we approach the September *MPS* and the release date for Q2 GDP data (22 September) we expect the focus to turn to how strong NZ is, rather than how vulnerable it is, and as such, we favour adding to hedges in the 2-3 year part of the curve. Longer-dated swaps are also at relatively low levels, but with the OCR likely to rise only gradually, and cap out below 5%, we see little point in paying such a high premium to fix. This may seem like a view shift, but it is not. We are simply more confident now that NZ will prevail despite global tumult. We've stood by the sidelines and watched things play out, but we doubt market pricing will be so benign as we head into the *MPS*, GDP data, and the Rugby World Cup!

GAUGES FOR NZ INTEREST RATES

GAUGE	DIRECTION	COMMENT
RBNZ / OCR	↔/↑	Data pulse still supports a December rate hike.
NZ data	↑	Points to solid Q2 GDP print.
Fed Funds / front end	↔/↓	Some calling for more Fed stimulus like operation twist.
RBA	↔/↑	Unlikely to validate cuts.
US 10 year	↔	Must remain low to encourage mortgage refi.
NZ swap curve	↔/↓	Biased to flatten as we head into September <i>MPS</i> .
Flow	↔/↑	More vulnerable to upside.
Technicals	↔/↑	Low 3.30s likely to be downside limit in 2yrs.

MARKET EXPECTATIONS FOR RBNZ OCR (BPS)

OCR DATES	LAST WEEK	THIS WEEK
Thu 15-Sep-11	+4	+6
Thu 27-Oct-11	+10	+12
Thu 8-Dec-11	+20	+20
Thu 26-Jan-12	+30	+30
Thu 8-Mar-12	+37	+37
Thu 26-Apr-12	+40	+43
Thu 14-Jun-12	+45	+47

TRADING THEMES WE FAVOUR AT PRESENT

With the short end vulnerable to upward re-pricing as September unfolds, and US rates likely to stay low as the Fed engage in operation twist, we expect the NZ yield curve to flatten. Whole curve trades like 2s10s will perform best, but suffer from massive negative R+C. By contrast, R+C on 2s5s flatteners is mild, at only -0.2bps per month.

CURRENCY STRATEGY

SUMMARY

A week of poor US data culminated with a very weak non-farm payrolls release, setting the scene for a risk-off week as anaemic growth remains the focus of FX markets. The European sovereign debt crisis continues to weigh on sentiment as Greek 2 year bond yields hit an eye-watering 47 percent. Australian data continues to underwhelm, supporting the notion that the AUD is "fully priced". NZD should be supported on crosses as global issues weigh on major currencies, leaving NZD the "least worst".

MARKET THEMES

- Weak US data refocuses markets on the Fed. Are there any rabbits left in the hat?
- Merkel's CDU defeated in her home state, keeping German constitutional issues front and centre.
- Markets prepare for Greek default with 47 percent 2 year bond yields.
- NZD remains supported on crosses as markets focus on global issues.

REVIEW AND OUTLOOK

The big US data week has refocused markets on the continuing weak global growth outlook.

Questions around the possibility of QE3 remain, with US 10 year notes certainly pricing that outcome (10 year yields are back below 2 percent). But with little prospect of a deflationary scare the probability seems low. With that in mind there seems little reason to expect further bearishness towards the USD. The Fed's Beige Book this week will give more insight into the state of economic conditions.

The weight of the European sovereign debt crisis has finally undermined the EUR. While rumoured central bank reserves diversification has been supporting the EUR of late, with markets pricing more default risk for Greece (2 year bond yields at 47%!), and a senior IMF official expecting a hard Greek default this year, the EUR is finally suffering. Given the deteriorating global growth outlook, this week's ECB rates announcement could see an about-face from the ECB, further removing support for the EUR.

The NZD remains well supported on a TWI basis as major currencies lose some ground against the USD. We expect this to continue as NZ looks the "least worst" place to be. New Zealanders penchant for seeing our glass half empty is not shared by offshore players. Indeed with the improved growth outlook from the Christchurch rebuild creeping closer

and the RWC starting this week, headlines favour the NZD despite the local consumer still being wary.

With the AUD looking "fully priced" and likely divergent Trans-Tasman monetary policies, NZDAUD will be supported on any dip to 0.7920.

The RBA cash target announcement will likely see official rates unchanged but the rhetoric of the RBA will be watched intently for any wavering in its recent tone.

NZD VS AUD: MONTHLY DIRECTIONAL GAUGES		
GAUGE	DIRECTION	COMMENT
Fair value	↔	Close to our fair value estimates.
Yield	↑	Opposing policy direction favours NZD.
Commodities	↔	Wary of cracks appearing here.
Partial indicators	↔/↑	Data still good in NZ.
Technicals	↔	Rangebound 0.7920 - 0.8050.
Sentiment	↔	Balanced.
Other	↔	Global sentiment big driver.
On balance	↑	Yield and undervaluation support NZD.

NZD VS USD: MONTHLY DIRECTIONAL GAUGES		
GAUGE	DIRECTION	COMMENT
Fair value – long-term	↓	Above structural fair value of 0.67.
Fair value – short-term	↔/↓	Still above our cyclical fair value estimates.
Yield	↑	September off for now but yield still supports.
Commodities	↔	Starting to be wary of turns in key NZ-related commodities.
Risk aversion	↓	US double-dip recession prospect driving risk off.
Partial indicators	↑	NZ data better, US data worsening.
Technicals	↔	Wide range continues 0.8150 - 0.8560.
AUD	↓	AUD undermined by data.
Sentiment	↑↓	Growth vs potential QE3 vs EU debt crisis = confusion.
Other	↑	USD weakness the key driver for NZD this week.
On balance	↔	Global issues remain the focus.

EFFECTIVE EXCHANGE RATE UPDATE

SUMMARY

Our effective exchange rate (EER) measures take into account the world prices of our exports (e.g. commodity prices in the case of commodity exporters), adjusted for currency movements based on their main destinations. Trading conditions improved for five of the eight groups we monitor, with the lower NZD a key driver. The largest gain in competitiveness was for the horticultural sector, but conditions for that sector remain restrictive relative to historical experience. The worsening in trading conditions for dairy and forestry largely reflected commodity price falls. Sizeable disparities remain, with only three sectors having supportive effective exchange rates. Set amongst the backdrop of a high NZD, the environment is not conducive to a strengthening in the export sector recovery, which we believe is a prerequisite for the much-needed economic rebalancing.

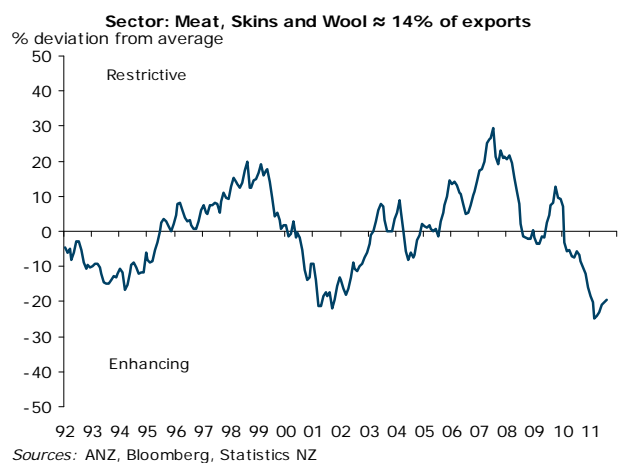
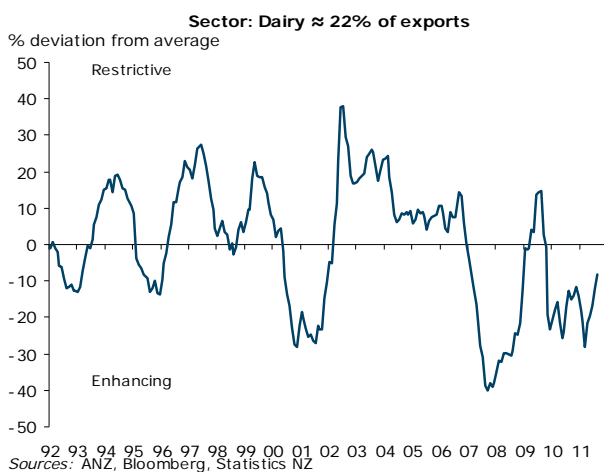
RESTRICTIVE CONDITIONS FOR MOST

Conditions became more enhancing for five of the eight groups we monitor in August. The largest gain was for the horticulture sector, where prices strengthened by 22 percent, underpinned by sizeable increases in apple and kiwifruit prices. Seafood prices also rose, contributing to more enhancing conditions. The other influence was the weaker NZD, which fell by 0.8 percent on a TWI basis, with larger falls against the yen (down 3.6 percent) and pound (down 2.1 percent). NZD falls were not broad-based, with the NZD rising 1.8 percent against the euro and 1.7 percent against the AUD.

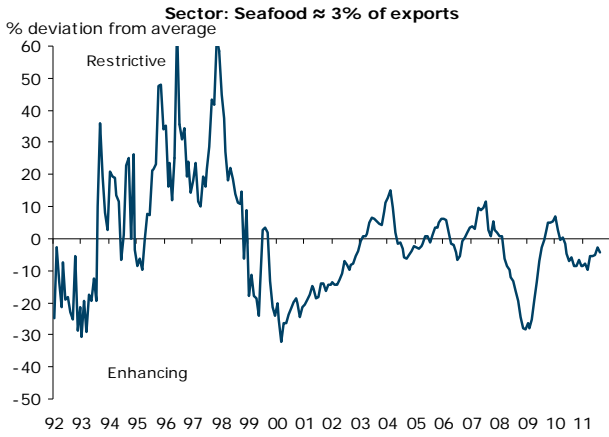
Sizeable disparities in trading conditions are evident across the various export groups.

Conditions are stimulatory for three groups: meat, skins & wool, dairy, and seafood. Despite the high NZD, parts of the export sector appear to be soldiering on. It was encouraging to see conditions improving in the horticultural sector. By contrast, conditions for the services sector (whose exports are highly exchange rate sensitive) remain restrictive. While the Rugby World Cup will provide a temporary respite, the outlook beyond that remains troubling. Conditions for forestry are looking more tenuous, with our internal anecdotes confirming much lower Chinese demand. Manufacturers continue to be shielded by the low NZDAUD, but with the NZDUSD at historically high levels, this is providing only a partial offset.

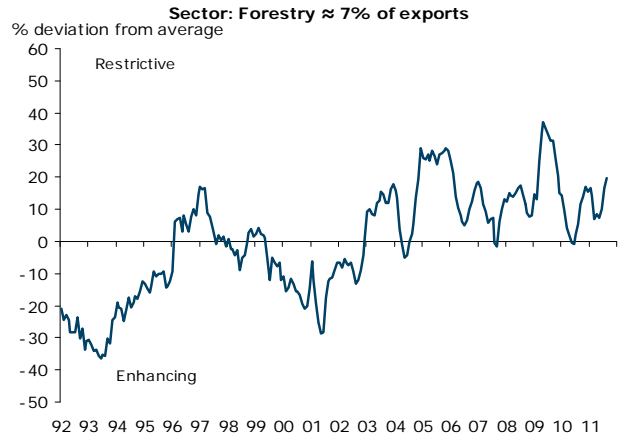
Our analysis is illustrative only as it does not take into account currency hedging, particularly for sectors such as dairy. And even within sector groups, trading conditions are likely to be quite variable, with firms likely to benefit from the lower cost of imported inputs and capital goods. While the NZDUSD is now lower after hitting post-float highs at the start of last month, at 85 cents it remains extremely challenging for non-commodity exporters who have little pricing power and who are targeting USD markets. The reality is that a **substantially lower NZDUSD is needed to make it viable for firms selling into USD-denominated markets.**



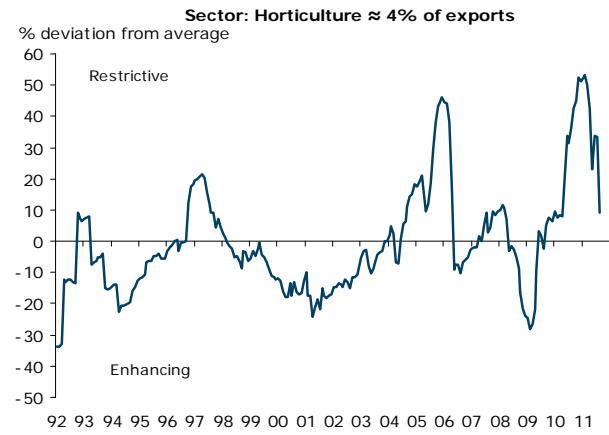
EFFECTIVE EXCHANGE RATE UPDATE



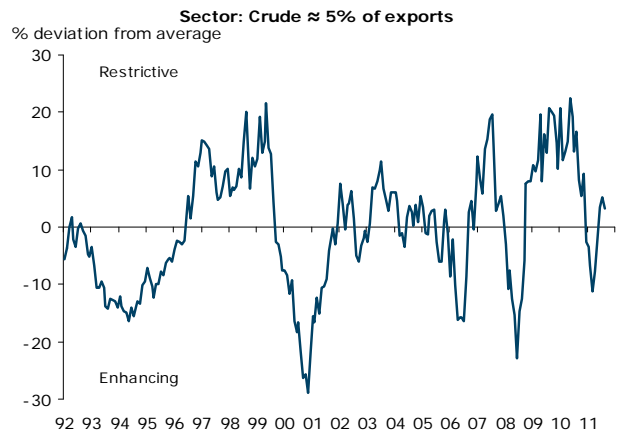
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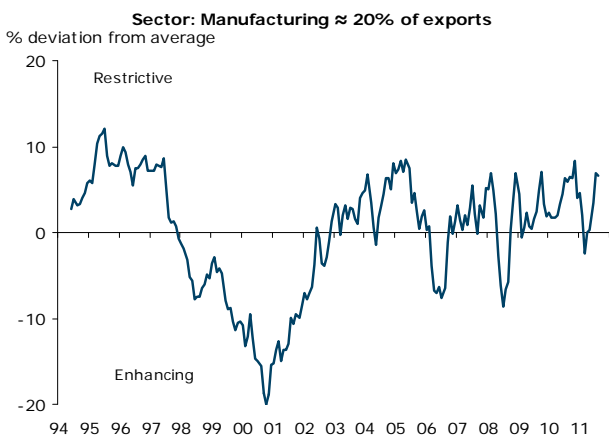
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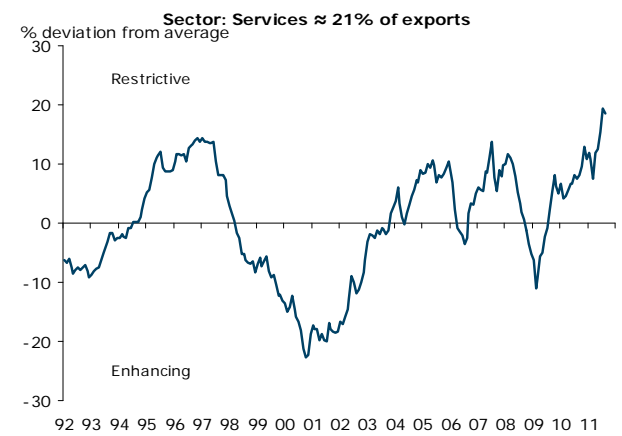
Sources: ANZ, Bloomberg, Statistics NZ



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DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
5-Sep	AU	AiG Performance of Service Index - AUG	- -	48.8	11:30
	AU	TD Securities Inflation MoM% - AUG	- -	0.3%	12:30
	AU	TD Securities Inflation YoY% - AUG	- -	3.2%	12:30
	AU	Company Operating Profit QoQ% - 2Q	2.9%	-2.0%	13:30
	AU	Inventories - 2Q	0.3%	0.4%	13:30
	AU	ANZ Job Advertisements (MoM) - AUG	- -	-0.7%	13:30
	CH	China HSBC Services PMI - AUG	- -	53.5	14:30
	GE	PMI Services - AUG F	50.4	50.4	19:55
	EC	PMI Composite - AUG F	50.9	51.1	20:00
	EC	PMI Services - AUG F	51.5	51.5	20:00
	UK	PMI Services - AUG	54.0	55.4	20:30
	EC	Sentix Investor Confidence - SEP	-17.7	-13.5	20:30
	UK	Official Reserves (Changes) - AUG	- -	\$2082M	20:30
	EC	Euro-Zone Retail Sales (MoM) - JUL	0.0%	0.7%	21:00
	EC	Euro-Zone Retail Sales (YoY) - JUL	-1.0%	-0.7%	21:00
	UK	Halifax House Price 3Mths/Year - AUG	-2.2%	-2.6%	UNSPECIFIED
	UK	Halifax House Prices sa (MoM) - AUG	-0.3%	0.3%	UNSPECIFIED
6-Sep	AU	Current Account Balance - 2Q	-\$7.1B	-\$10.5B	13:30
	AU	Australia Net Exports of GDP - 2Q	0.1	-2.4	13:30
	AU	Home Loans MoM - JUL	1.5%	0.0%	13:30
	AU	Investment Lending - JUL	- -	-4.4%	13:30
	AU	Owner-Occupied Home Loan Value MoM - JUL	- -	0.0%	13:30
	AU	RBA CASH TARGET - SEP	4.75%	4.75%	16:30
	EC	Euro-Zone GDP s.a. (QoQ) - 2Q P	0.2%	0.2%	21:00
	EC	Euro-Zone GDP s.a. (YoY) - 2Q P	1.7%	1.7%	21:00
	EC	Euro-Zone Household Cons (QoQ) - 2Q P	-0.1%	0.2%	21:00
	EC	Euro-Zone Gross Fix Cap (QoQ) - 2Q P	0.8%	1.9%	21:00
	EC	Euro-Zone Govt Expend (QoQ) - 2Q P	0.1%	0.5%	21:00
	GE	Factory Orders YoY (nsa) - JUL	9.8%	9.5%	22:00
	GE	Factory Orders MoM (sa) - JUL	-1.5%	1.8%	22:00
7-Sep	US	ISM Non-Manf. Composite - AUG	51.0	52.7	02:00
	AU	AiG Perf of Construction Index - AUG	- -	36.1	11:30
	AU	Gross Domestic Product (QoQ) - 2Q	1.0%	-1.2%	13:30
	AU	Gross Domestic Product (YoY) - 2Q	0.6%	1.0%	13:30
	AU	Foreign Reserves - AUG	- -	A\$40.7B	18:30
	UK	Industrial Production (MoM) - JUL	0.2%	0.0%	20:30
	UK	Industrial Production (YoY) - JUL	-0.4%	-0.3%	20:30
	UK	Manufacturing Production (MoM) - JUL	0.0%	-0.4%	20:30
	UK	Manufacturing Production (YoY) - JUL	1.9%	2.1%	20:30
	GE	Industrial Prod. YoY (nsa wda) - JUL	6.5%	6.7%	22:00
	GE	Industrial Production MoM (sa) - JUL	0.5%	-1.1%	22:00
	JN	BOJ Target Rate - SEP	- -	0.1%	UNSPECIFIED
	UK	NIESR GDP Estimate - AUG	- -	0.6%	UNSPECIFIED
8-Sep	US	Fed's Beige Book - SEP	- -	- -	06:00
	NZ	Value of All Buildings SA - 2Q	- -	-6.3	10:45
	NZ	Manufacturing Activity - 2Q	- -	2.9%	10:45
	NZ	Manufacturing Activity Volume SA (QoQ) - 2Q	- -	1.9%	10:45
	JN	Current Account Total - JUL	¥1175.8B	¥526.9B	11:50

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
8-Sep	JN	Adjusted Current Account Total - JUL	¥990.8B	¥922.8B	11:50
	JN	Current Account Balance YOY% - JUL	-32.5%	-50.2%	11:50
	AU	Employment Change - AUG	10.0K	-0.1K	13:30
	AU	Unemployment Rate - AUG	5.1%	5.1%	13:30
	AU	Full Time Employment Change - AUG	- -	-22.2K	13:30
	AU	Part Time Employment Change - AUG	- -	22.1K	13:30
	AU	Participation Rate - AUG	65.6%	65.6%	13:30
	GE	Exports SA (MoM) - JUL	0.5%	-1.2%	18:00
	GE	Imports SA (MoM) - JUL	0.3%	0.3%	18:00
	GE	Current Account (EURO) - JUL	€10.0B	€11.9B	18:00
	GE	Trade Balance - JUL	€11.5B	€12.7B	18:00
	UK	BOE Asset Purchase Target - SEP	£200B	£200B	23:00
	UK	BOE ANNOUNCES RATES - SEP	0.50%	0.50%	23:00
	EC	ECB Announces Interest Rates - SEP	1.50%	1.50%	23:45
9-Sep	US	Trade Balance - JUL	-\$51.0B	-\$53.1B	00:30
	US	Initial Jobless Claims - 3 SEP	405K	- -	00:30
	US	Consumer Credit - JUL	\$6.0B	\$15.5B	07:00
	NZ	NZ Card Spending - Retail MoM - AUG	- -	- -	10:45
	NZ	NZ Card Spending - Total MoM - AUG	- -	0.2%	10:45
	JN	Nominal GDP (QoQ) - 2Q F	-1.5%	-1.4%	11:50
	JN	Gross Domestic Product (QoQ) - 2Q F	-0.5%	-0.3%	11:50
	CH	Consumer Price Index (YoY) - AUG	6.2%	6.5%	14:00
	CH	Producer Price Index (YoY) - AUG	7.2%	7.5%	14:00
	GE	Consumer Price Index (MoM) - AUG F	-0.1%	-0.1%	18:00
	GE	Consumer Price Index (YoY) - AUG F	2.3%	2.3%	18:00
	GE	CPI - EU Harmonised (MoM) - AUG F	-0.1%	-0.1%	18:00
	GE	CPI - EU Harmonised (YoY) - AUG F	2.4%	2.4%	18:00
	GE	Wholesale Price Index (MoM) - AUG	- -	-0.6%	18:00
	GE	Wholesale price Index (YoY) - AUG	- -	8.2%	18:00
	UK	PPI Input NSA (YoY) - AUG	16.8%	18.5%	20:30
	UK	PPI Output n.s.a. (YoY) - AUG	5.9%	5.9%	20:30
	UK	PPI Output Core NSA (YoY) - AUG	3.4%	3.3%	20:30
	CH	Industrial Production YTD YoY - AUG	14.2%	14.3%	UNSPECIFIED
	CH	Industrial Production (YoY) - AUG	13.7%	14.0%	UNSPECIFIED
	CH	Fixed Assets Inv Excl. Rural YTD YoY - AUG	25.2%	25.4%	UNSPECIFIED
	CH	Retail Sales YTD YoY - AUG	16.9%	18.0%	UNSPECIFIED
	CH	Retail Sales (YoY) - AUG	17.0%	17.6%	UNSPECIFIED
10-Sep	US	Wholesale Inventories - JUL	0.8%	0.6%	02:00
	CH	Trade Balance (USD) - AUG	\$24.10B	\$31.48B	UNSPECIFIED
	CH	Exports YoY% - AUG	21.0%	20.4%	UNSPECIFIED
	CH	Imports YoY% - AUG	21.0%	22.9%	UNSPECIFIED
	NZ	REINZ Housing Price Index MoM% - AUG	- -	-0.6%	UNSPECIFIED
	CH	New Yuan Loans - AUG	500.0B	492.6B	UNSPECIFIED
	CH	Money Supply - M0 (YoY) - AUG	- -	14.3%	UNSPECIFIED
	CH	Money Supply - M1 (YoY) - AUG	11.6%	11.6%	UNSPECIFIED
	CH	Money Supply - M2 (YoY) - AUG	14.2%	14.7%	UNSPECIFIED

Key: AU: Australia, EC: Euro-zone, GE: Germany, JN: Japan, NZ: New Zealand, UK: United Kingdom, US: United States, CH: China.

Sources: Dow Jones, Reuters, Bloomberg, ANZ, National Bank. All \$ values in local currency.

Note: All surveys are preliminary and subject to change.



LOCAL DATA WATCH

Key focus over the next few weeks: While global markets continue to be the centre of attention, the local dataflow was upbeat, with the goods terms of trade hitting a new 37-year high and with signs of a construction sector recovery (off a low base) emerging. Commodity prices retained much of their earlier strength, with this week's *GlobalDairyTrade* auction expected to confirm this positive assessment. Key Q2 manufacturing and building work data is expected to provide mixed signals, while retail data for August is forecast to show consumer resilience. Confidence and commodity prices have weathered the recent global volatility well, though we expect the RBNZ to sound cautious over the global outlook in their September *MPS*. We expect a hike in the December *MPS*, but this is conditional on global volatility subsiding.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Wed 7 Sep (early am)	<i>GlobalDairyTrade</i> dairy auction	Holding	We expect overall dairy prices to stabilise following recent declines.
Wed 7 Sep (10:45am)	SNZ Wholesale Trade Survey – Q2	Up	We expect a 1.5 percent increase in wholesale sales, with volumes rising approximately 0.8 percent.
Thur 8 Sep (10:45am)	SNZ Economic Survey of Manufacturing – Q2	Sector differences	Meat and dairy manufacturing volumes are forecast to rise 3 percent, with the remainder down 1 percent.
Thur 8 Sep (10:45am)	SNZ Value of Building Work Put in Place – Q2	Down	The volume of residential construction work is expected to decline 3 percent, with non-residential construction staying flat.
Fri 9 Sep (10:45am)	SNZ Electronic Card Transactions - Aug	Resilient	A 0.4 percent increase in total retail and 0.5 percent increase for core ECT spending are expected.
Mon 12 Sep (10:45am)	REINZ Residential Sales - August	Off the floor	A 2 percent recovery in sales volumes is anticipated. Prices are expected to remain broadly unchanged.
Thur 15 Sep (9:00am)	RBNZ September <i>MPS</i>	On hold for now	Global considerations will encourage patience. Providing global ructions subside we expect a 50 basis point hike in December.
Thur 15 Sep (10:30)	BNZ Business NZ Manufacturing PMI	Global concerns	Global economy concerns should see a low 50s print.
Fri 16 Sep (11:00am)	ANZ Job Ads - August	- -	- -
Fri 16 Sep (1:00pm)	ANZ Roy Morgan Consumer Confidence	- -	- -
Wed 21 Sep (10:45am)	Balance of Payments – 2011Q2	Stable	A quarterly deficit of \$900m is forecast, with the annual deficit stable at 4.2 percent of GDP.
Wed 21 Sep (10:45am)	International Travel and Migration - Aug	Up	A net PLT migration outflow of 100 persons is expected. Visitor arrivals are expected to rise 2 percent on account of more snow.
Wed 21 Sep (10:45am)	RBNZ Credit Card Billings - Aug	Moving up	A 0.5 percent increase is forecast. Billings from overseas credit cards look set to surge next month with the start of the Rugby World Cup.
Thur 22 Sep (10:45am)	Gross Domestic Product – 2011Q2	Resilience	We have pencilled in a 0.7 percent increase though see upside risk to this. Higher primary sector and services production will offset lower goods production.
Fri 30 Sep (10:45am)	Building Consents - August	Holding	A 2 percent increase in residential consents is envisaged. Some pullback is possible for non-residential consent values.
Fri 30 Sep (1:00pm)	National Bank Business Outlook - Sep	- -	- -
Fri 30 Sep (3:00pm)	RBNZ Credit Aggregates - August	Deleveraging	Low annual rates for household and business credit, with agricultural credit falling as farmers repay debt.
On Balance		Local vs global	Domestic gauges still resilient, but global concerns suggest some caution further out.

KEY FORECASTS AND RATES

	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
GDP (% qoq)	0.5	0.8	0.7	1.1	1.5	0.7	1.0	0.9	0.8	0.7
GDP (% yoy)	1.1	1.4	1.9	3.1	4.2	4.1	4.4	4.2	3.4	3.4
CPI (% qoq)	2.3	0.8	1.0	0.8	0.7	0.6	0.8	0.7	0.6	0.8
CPI (% yoy)	4.0	4.5	5.3	5.0	3.3	3.1	2.9	2.8	2.7	2.9
Employment (% qoq)	-0.3	1.3	0.0	0.7	0.6	0.7	0.5	0.5	0.4	0.4
Employment (% yoy)	1.3	1.8	2.0	1.7	2.6	2.0	2.5	2.3	2.1	1.8
Unemployment Rate (% sa)	6.7	6.5	6.5	6.2	5.9	5.6	5.5	5.3	5.3	5.3
Current Account (% GDP)	-4.1	-4.2	-4.2	-4.2	-3.7	-4.0	-4.3	-4.6	-4.9	-5.1
Terms of Trade (% qoq)	0.8	0.8	2.3	3.0	1.0	-0.9	-0.8	-0.8	-0.8	-0.8
Terms of Trade (% yoy)	12.3	6.7	7.0	7.1	7.3	5.5	2.3	-1.4	-3.3	-3.1

	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11
Retail ECT (% mom)	1.0	-0.8	2.4	-0.2	1.4	1.5	-0.7	1.1	0.4	..
Retail ECT (% yoy)	6.3	4.4	5.7	6.2	6.6	10.0	6.8	9.0	8.0	..
Credit Card Billings (% mom)	0.1	-1.7	3.9	-0.5	-1.2	1.8	0.4	0.5	1.0	..
Credit Card Billings (% yoy)	4.3	2.4	6.2	5.9	2.1	6.6	5.5	4.6	7.3	..
Car registrations (% mom)	13.2	-8.9	1.1	-1.8	0.0	-5.6	3.3	-2.3	-1.9	..
Car registrations (% yoy)	23.5	6.4	6.8	2.8	-1.0	-10.5	-3.7	-9.5	-6.0	..
Building consents (% mom)	8.8	-18.7	9.0	-9.7	2.6	-1.1	3.1	-1.0	13.0	..
Building consents (% yoy)	-8.8	-26.5	-14.6	-28.9	-26.0	-32.3	-21.9	-25.4	-15.7	..
REINZ House Price Index (% yoy)	-1.9	-1.6	-2.6	-0.7	-1.8	-0.4	-0.7	0.0	0.5	..
Household Lending Growth (% mom)	0.0	0.1	0.1	0.1	-0.1	0.2	0.1	0.1	0.2	..
Household Lending Growth (% yoy)	1.8	1.6	1.5	1.5	1.2	1.2	1.2	1.2	1.2	..
ANZ Roy Morgan Consumer Confidence	114.5	112.2	117.1	108.1	101.4	101.4	103.3	112.5	109.4	113.3
NBNZ Business Confidence	33.2	29.5	..	34.5	-8.7	14.2	38.3	46.5	47.6	34.4
NBNZ Own Activity Outlook	35.3	34.5	..	36.6	14.7	29.5	39.7	38.7	43.7	43.3
Trade Balance (\$m)	-177	-218	9	184	583	1158	554	197	129	..
Trade Balance (\$m ann)	1363	1172	909	765	741	1238	1022	999	1314	..
ANZ World Commodity Price Index (% mom)	2.1	1.6	4.3	2.7	4.7	1.6	0.4	-1.2	-0.2	-1.2
ANZ World Commodity Price Index (% yoy)	13.1	12.1	16.3	20.3	23.5	19.8	19.6	20.6	22.2	22.1
Net migration (sa)	600	700	420	440	-530	-120	-320	-290	-220	..
Net migration (annual)	11519	10451	8689	8249	6554	5508	4625	3867	2867	..

Figures in bold are forecasts. mom: Month-on-Month qoq: Quarter-on-Quarter yoy: Year-on-Year

KEY MARKET FORECASTS AND RATES

	ACTUAL			Forecast (end month)						
FX RATES	Jul-11	Aug-11	Today	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
NZD/USD	0.879	0.896	0.850	0.88	0.91	0.92	0.93	0.93	0.93	0.92
NZD/AUD	0.799	0.808	0.795	0.80	0.81	0.82	0.83	0.82	0.82	0.82
NZD/EUR	0.610	0.620	0.598	0.60	0.61	0.61	0.61	0.60	0.60	0.60
NZD/JPY	67.54	67.13	65.27	66.0	68.3	69.0	67.0	67.0	67.0	68.1
NZD/GBP	0.536	0.541	0.525	0.53	0.55	0.54	0.55	0.53	0.53	0.53
NZ\$ TWI	74.2	75.6	73.0	74.1	75.9	76.3	76.7	75.8	75.8	75.7
INTEREST RATES	Jul-11	Aug-11	Today	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
NZ OCR	2.50	2.50	2.50	2.50	3.00	3.25	3.50	3.75	4.00	4.50
NZ 90 day bill	2.95	2.99	2.94	3.00	3.50	3.50	3.90	4.00	4.40	4.90
NZ 10-yr bond	4.93	4.52	4.54	4.60	4.40	4.50	4.60	4.80	4.90	5.00
US Fed funds	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
US 3-mth	0.26	0.33	0.33	0.35	0.35	0.35	0.35	0.35	0.35	0.35
AU Cash Rate	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75
AU 3-mth	5.07	4.87	4.81	4.90	4.90	4.90	4.90	4.90	4.90	4.90

	2 Aug	29 Aug	30 Aug	31 Aug	1 Sep	2 Sep
Official Cash Rate	2.50	2.50	2.50	2.50	2.50	2.50
90 day bank bill	2.93	2.94	2.97	2.94	2.90	2.92
NZGB 04/13	3.37	3.03	3.05	3.08	3.08	3.08
NZGB 04/15	4.00	3.59	3.61	3.60	3.60	3.60
NZGB 03/19	4.73	4.34	4.35	4.35	4.35	4.37
NZGB 05/21	4.90	4.52	4.54	4.52	4.52	4.55
2 year swap	3.67	3.38	3.41	3.39	3.42	3.37
5 year swap	4.46	4.17	4.18	4.16	4.19	4.14
RBNZ TWI	74.7	72.2	72.7	72.9	72.7	72.9
NZD/USD	0.8749	0.8456	0.8518	0.8541	0.8504	0.8505
NZD/AUD	0.7969	0.7955	0.7987	0.7990	0.7943	0.7946
NZD/JPY	67.75	64.87	65.48	65.43	65.34	65.38
NZD/GBP	0.5363	0.5164	0.5193	0.5235	0.5235	0.5255
NZD/EUR	0.6136	0.5834	0.5868	0.5919	0.5916	0.5963
AUD/USD	1.0979	1.0630	1.0665	1.0690	1.0706	1.0703
EUR/USD	1.4258	1.4494	1.4516	1.4430	1.4375	1.4264
USD/JPY	77.44	76.72	76.87	76.61	76.83	76.87
GBP/USD	1.6315	1.6374	1.6403	1.6314	1.6243	1.6186
Oil (US\$/bbl)	94.98	85.37	87.18	88.81	88.77	89.02
Gold (US\$/oz)	1623.75	1822.16	1792.55	1834.90	1824.40	1829.25
Electricity (Haywards)	9.14	9.20	7.11	6.68	11.61	9.98
Baltic Dry Freight Index	1253	..	1537	1619	1682	1740
Milk futures (USD)	155	150	150	150	150	143

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