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Economics Credit Update

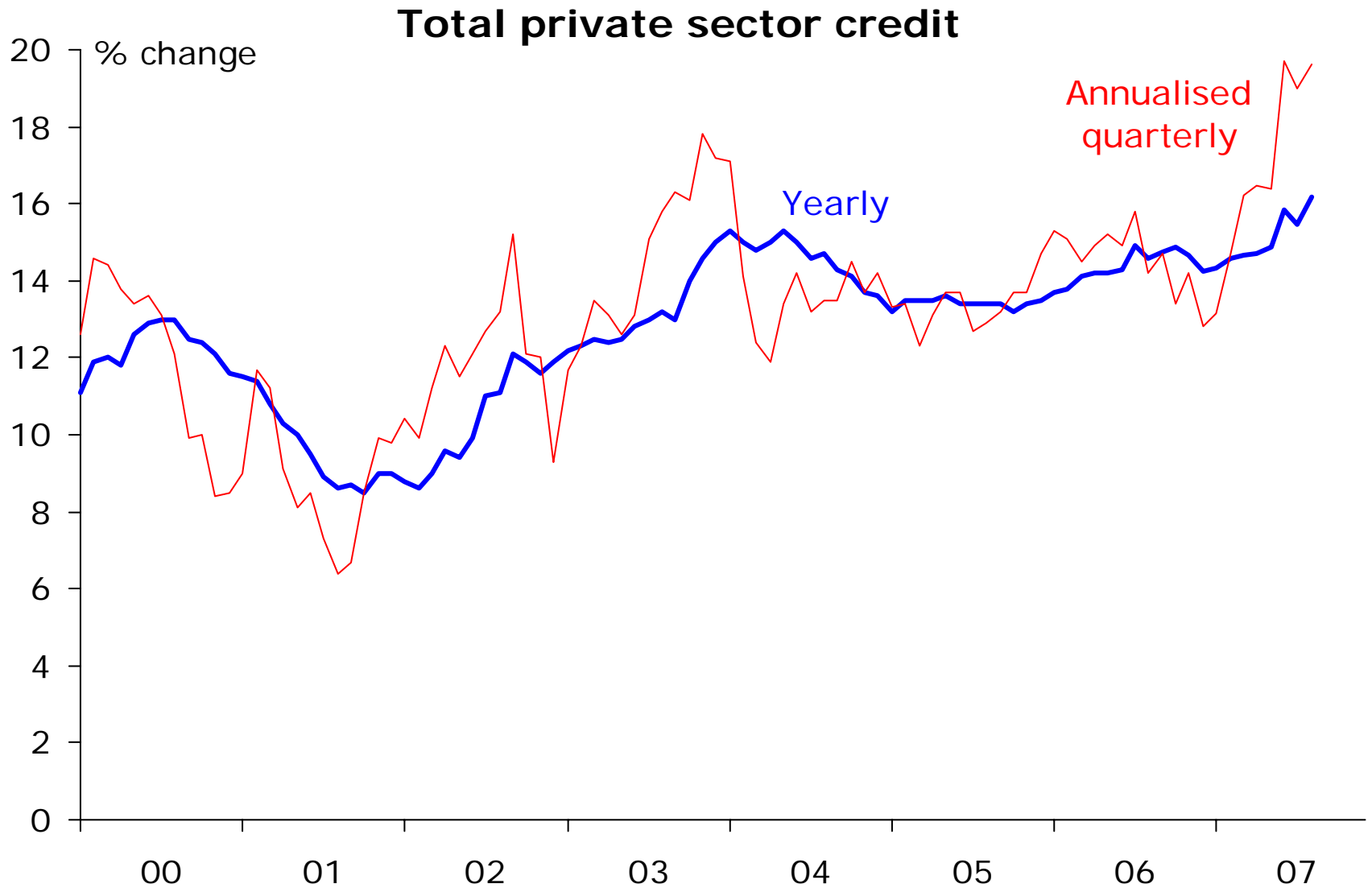
Australia and New Zealand Banking Group Limited

October 2007

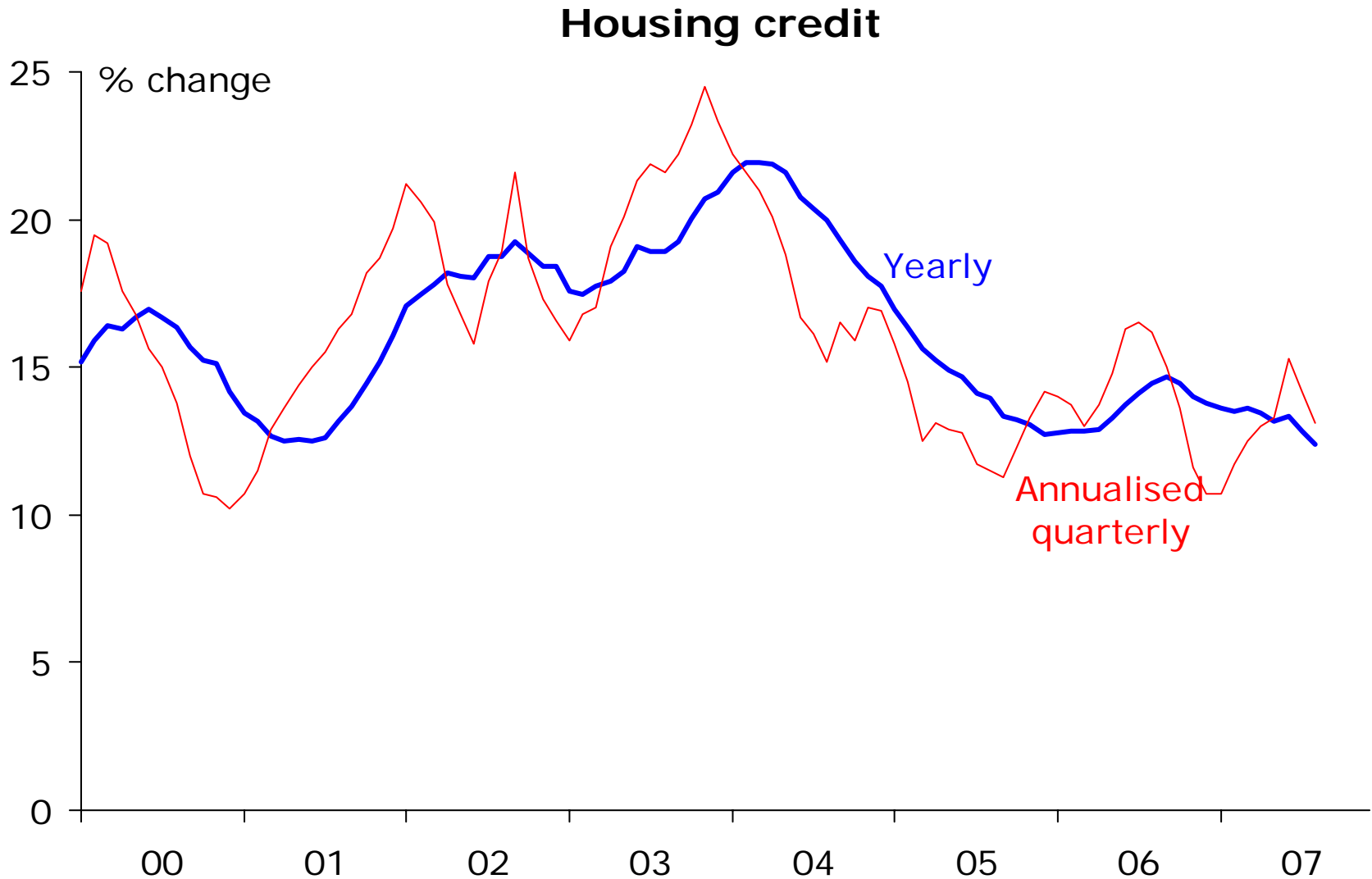
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Private sector credit has reaccelerated in 2007

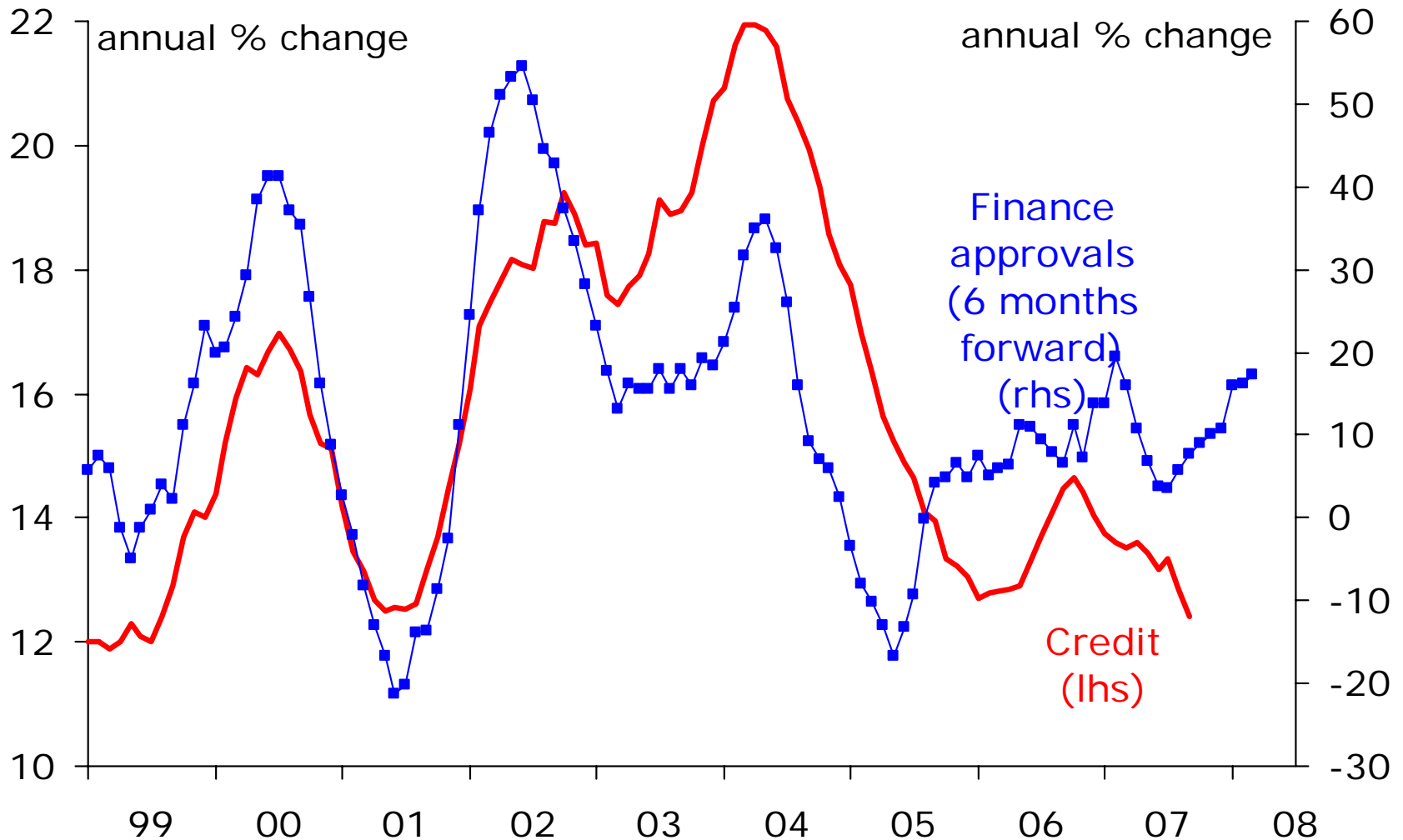


Growth in housing credit has eased in recent months...



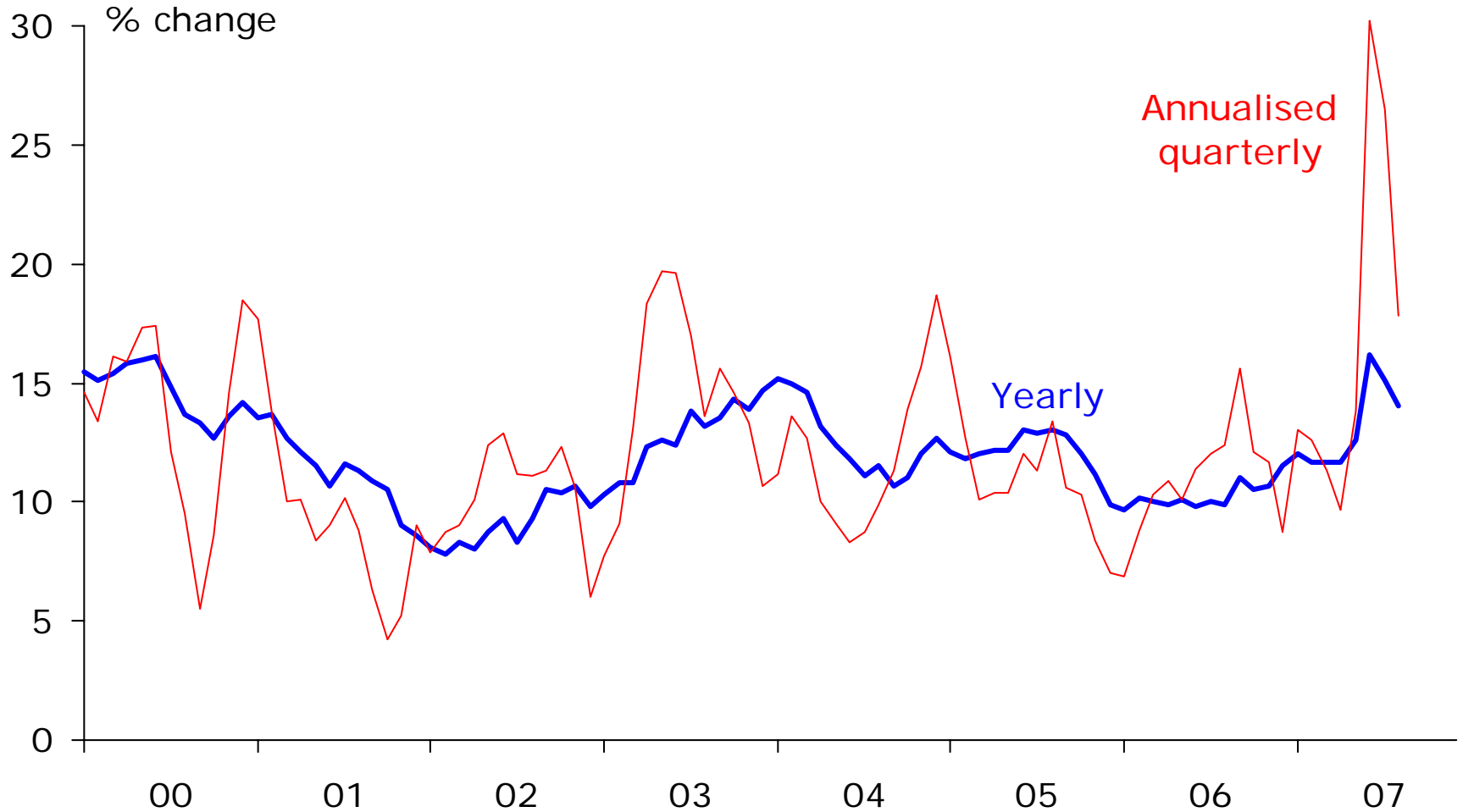
...but housing finance approvals remain solid

Housing credit and finance approvals



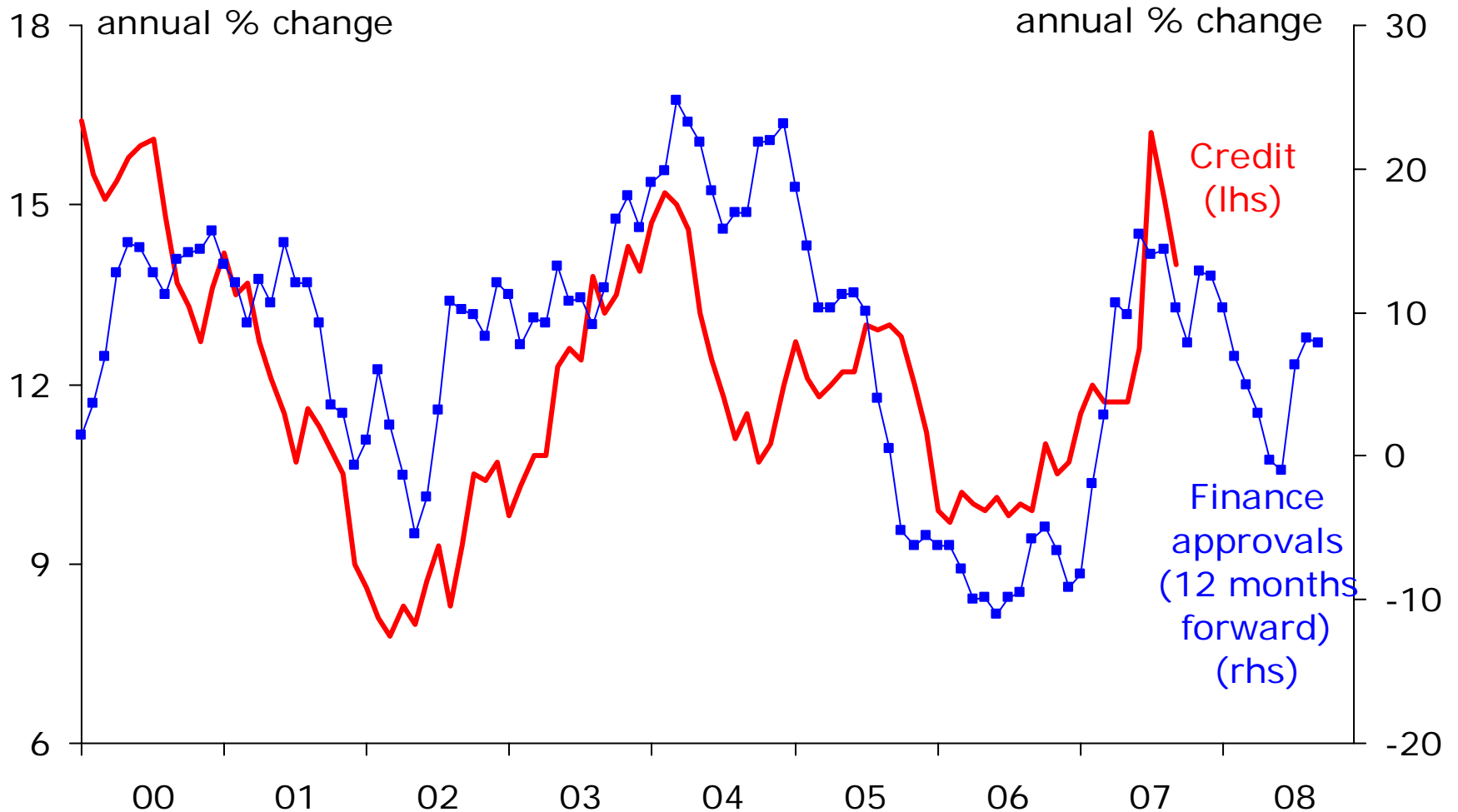
Personal credit leapt in June pre superannuation deadline...

Personal credit



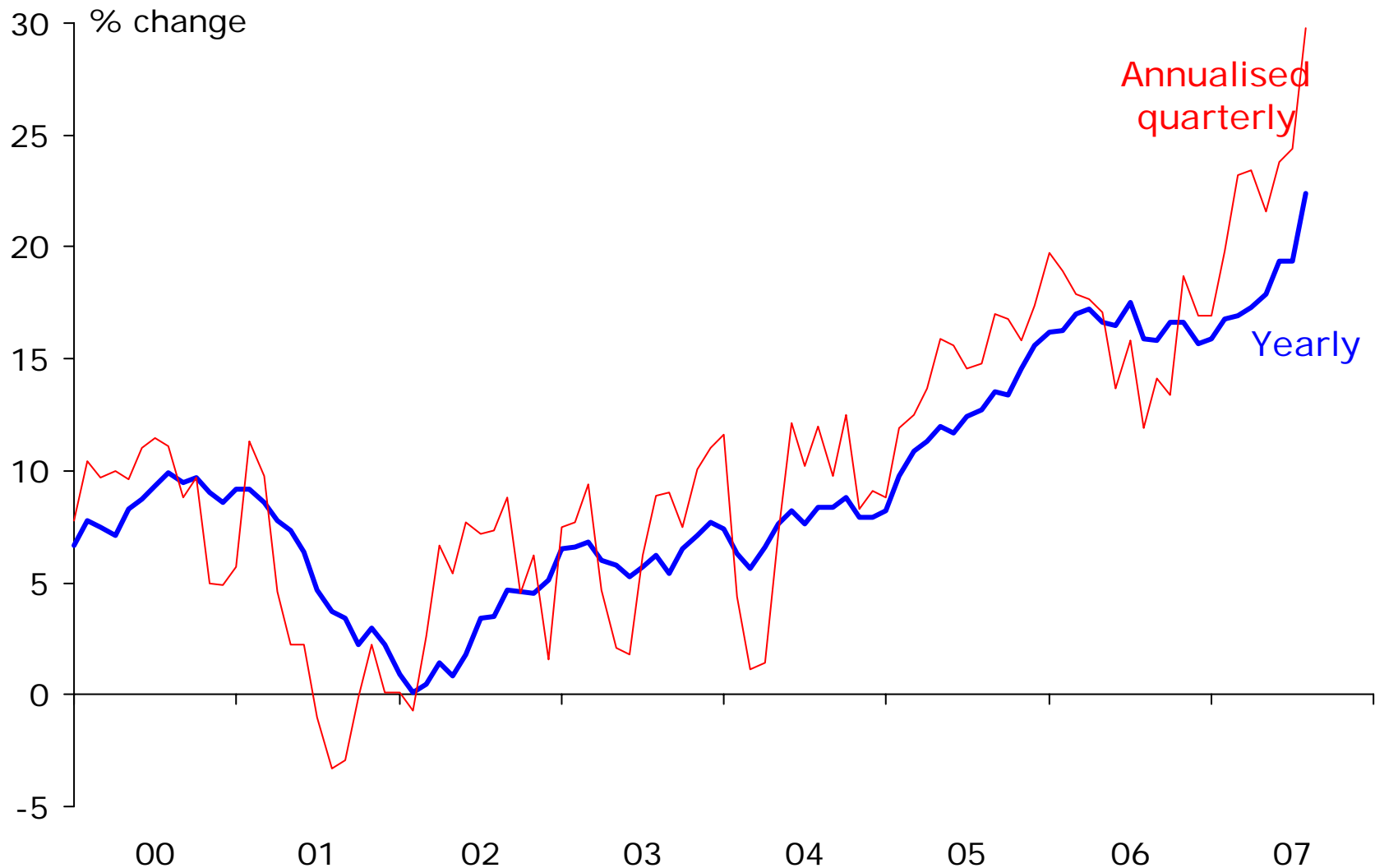
...but personal finance commitments have softened

Personal credit and finance approvals



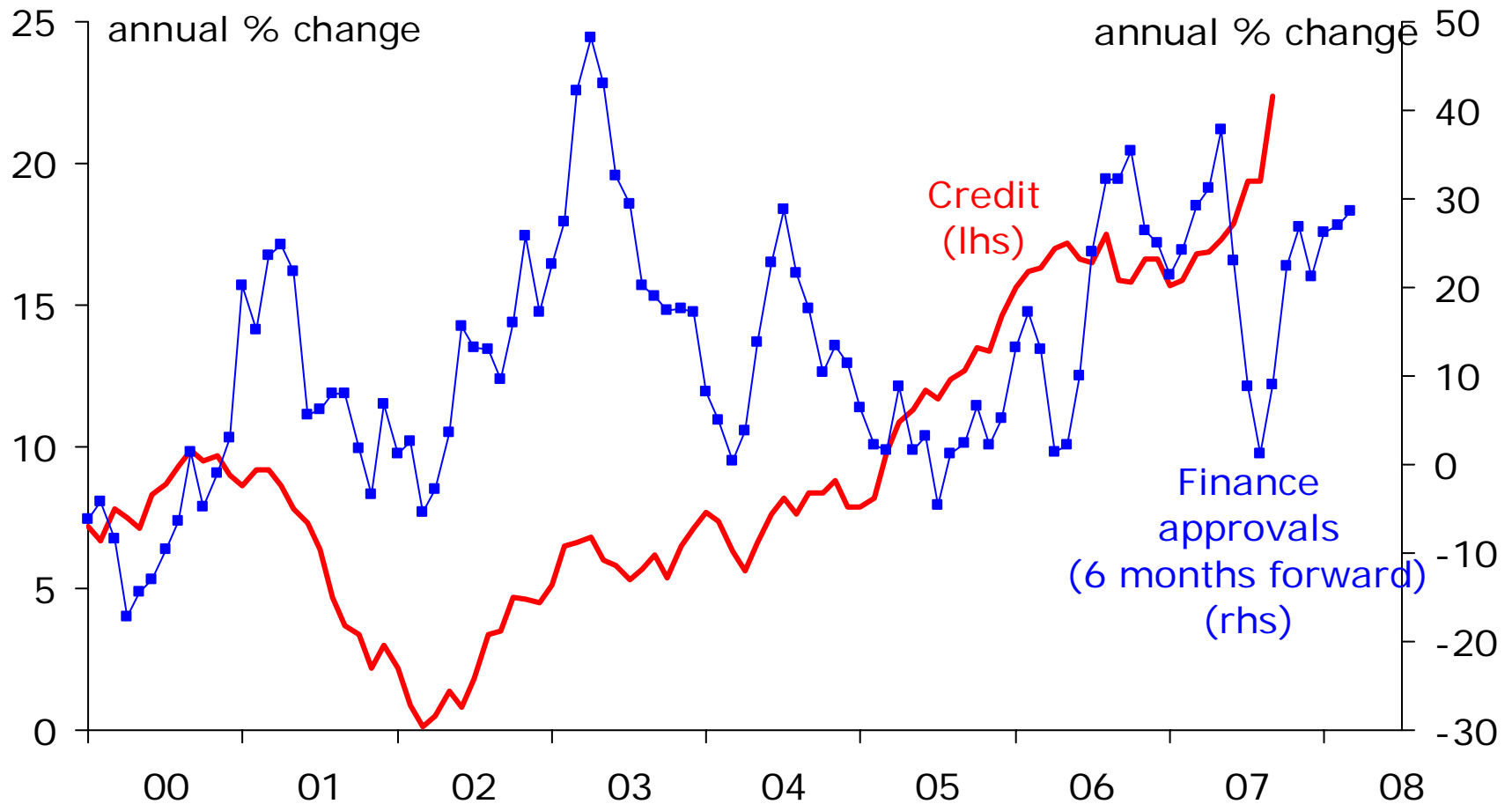
Business credit is booming

Business credit



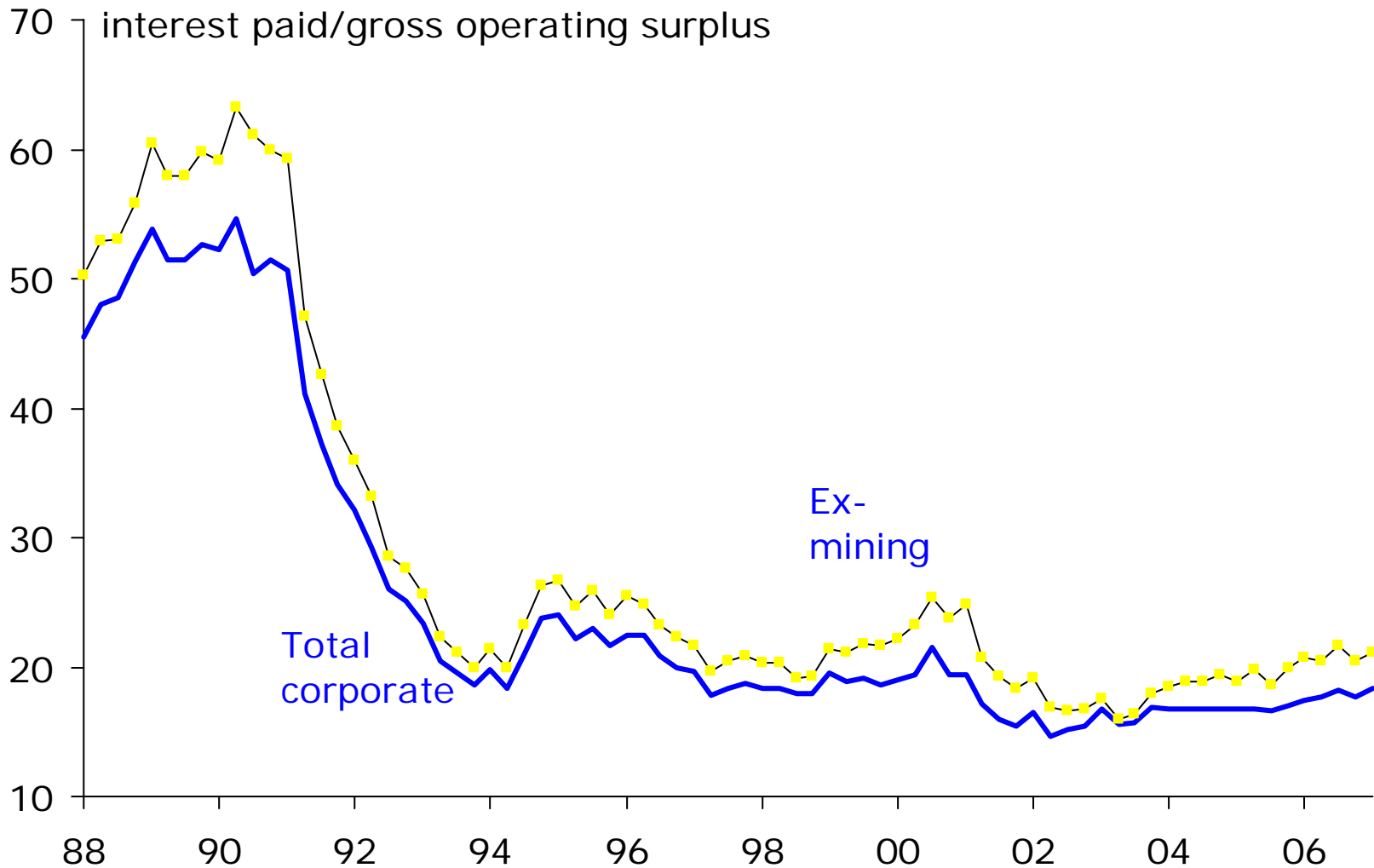
...and finance approvals have rebounded

Business credit and finance approvals



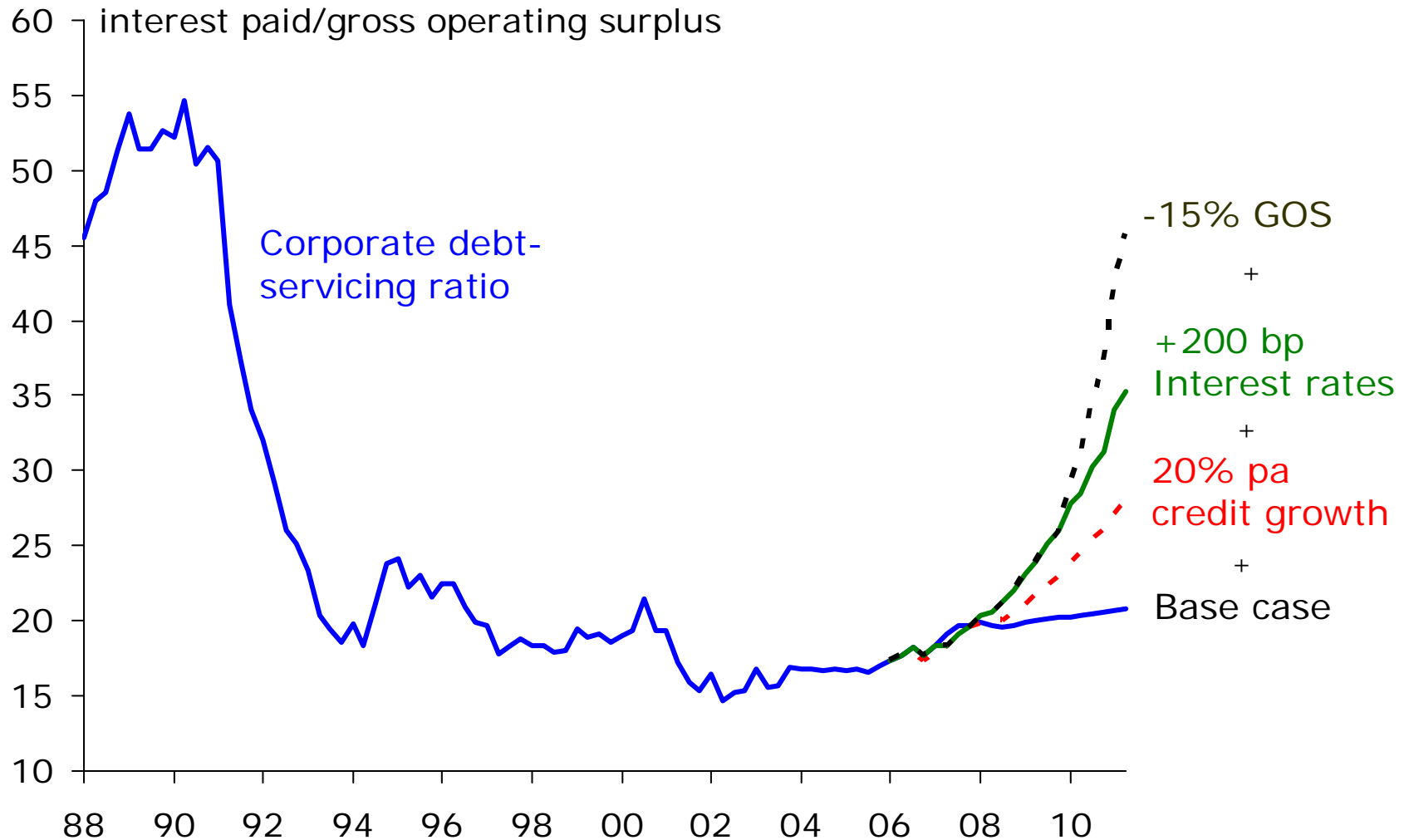
Corporate DSR has remained very low

Ratio of interest paid to gross operating surplus



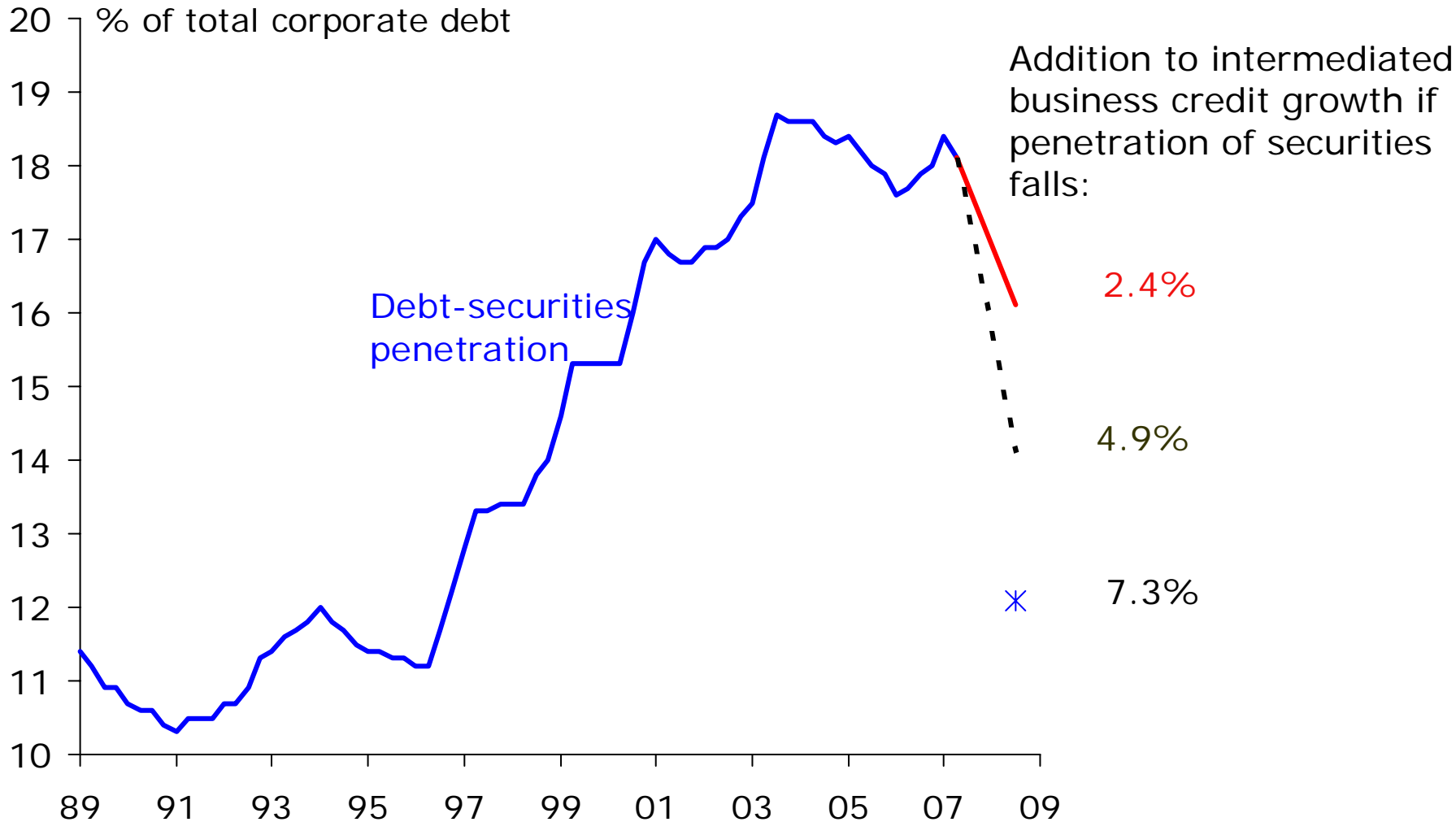
...and is expected to remain low

Ratio of interest paid to gross operating surplus

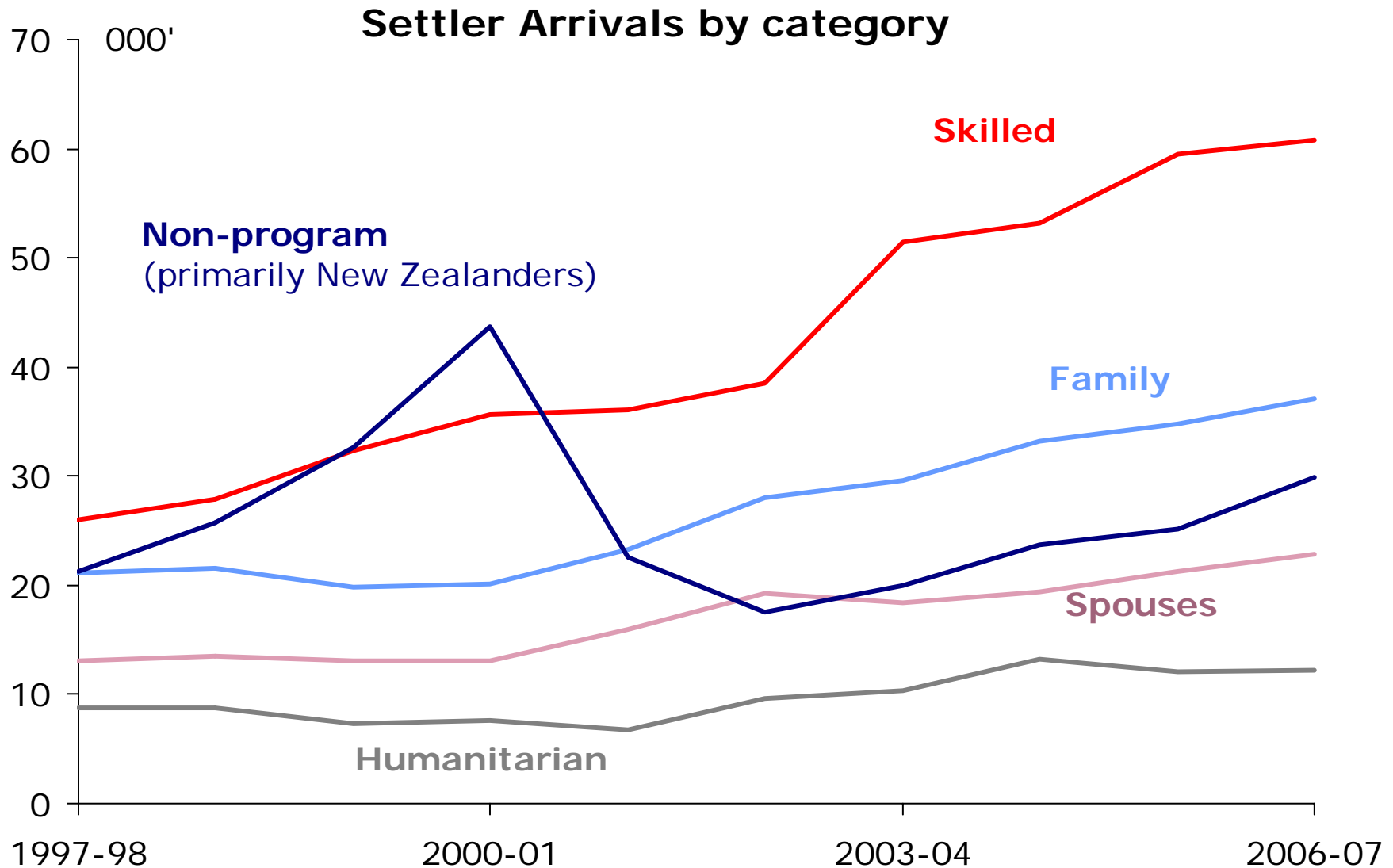


Re-intermediation will boost business credit over 2008 but by how much?

Corporate debt securities as % of total corporate debt

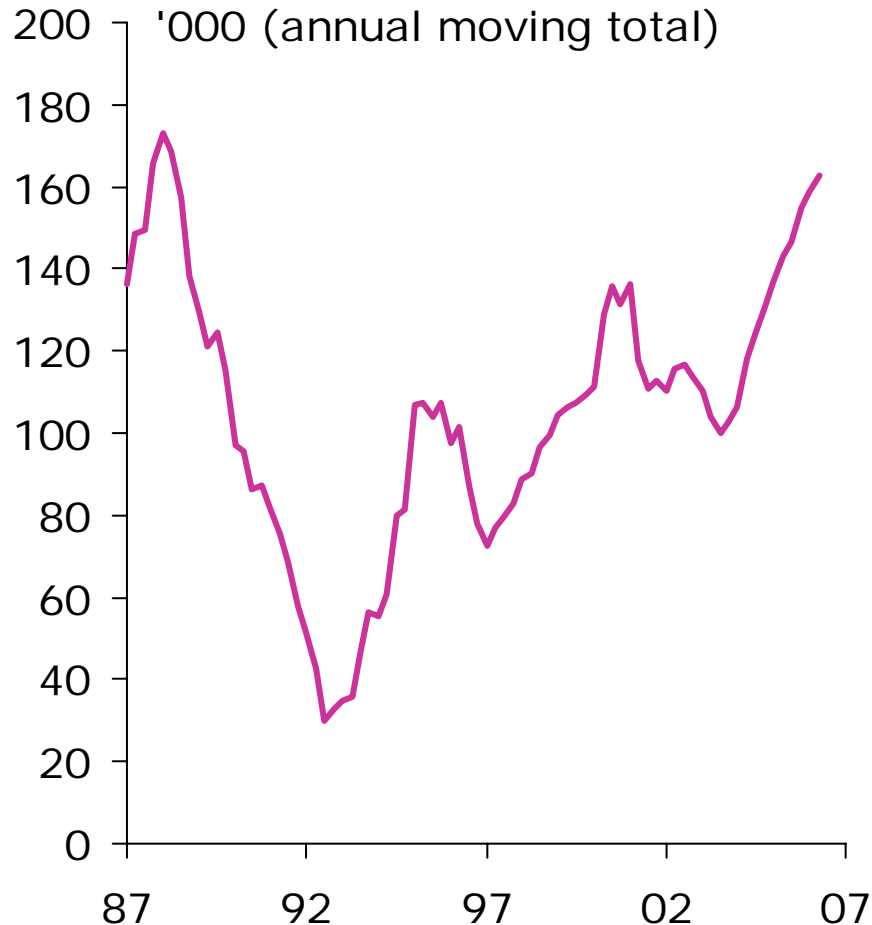


Immigration buoyed by an increased intake of skilled migrants

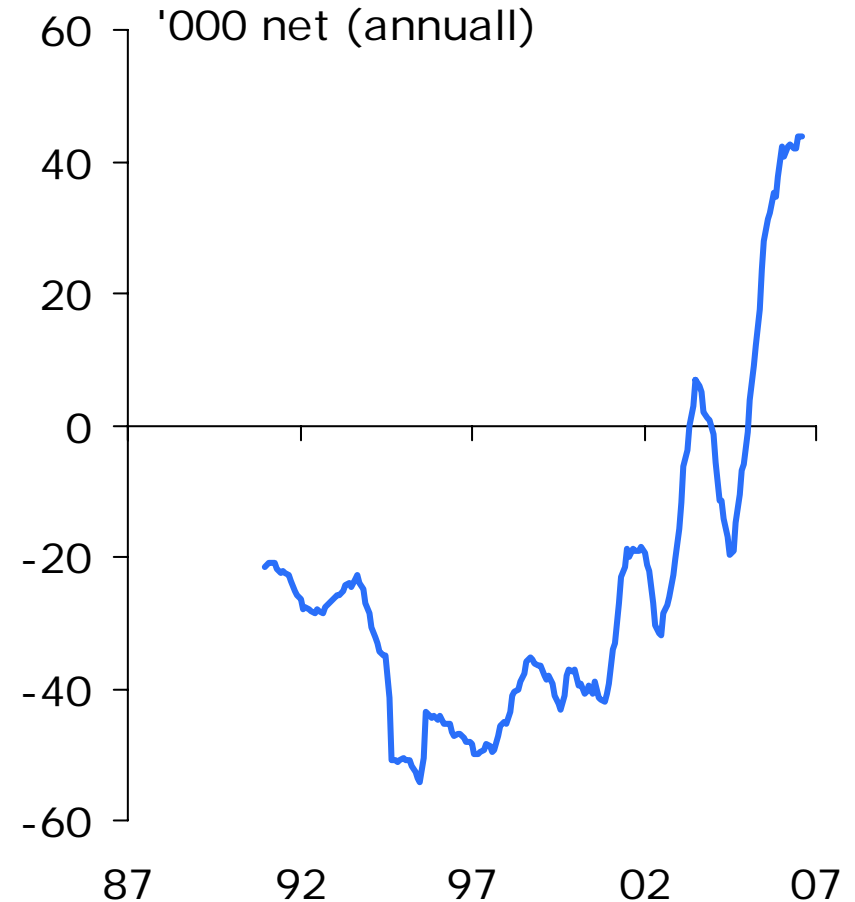


Rising immigration, both permanent and temporary, is boosting housing demand

Net permanent & long-term settler arrivals

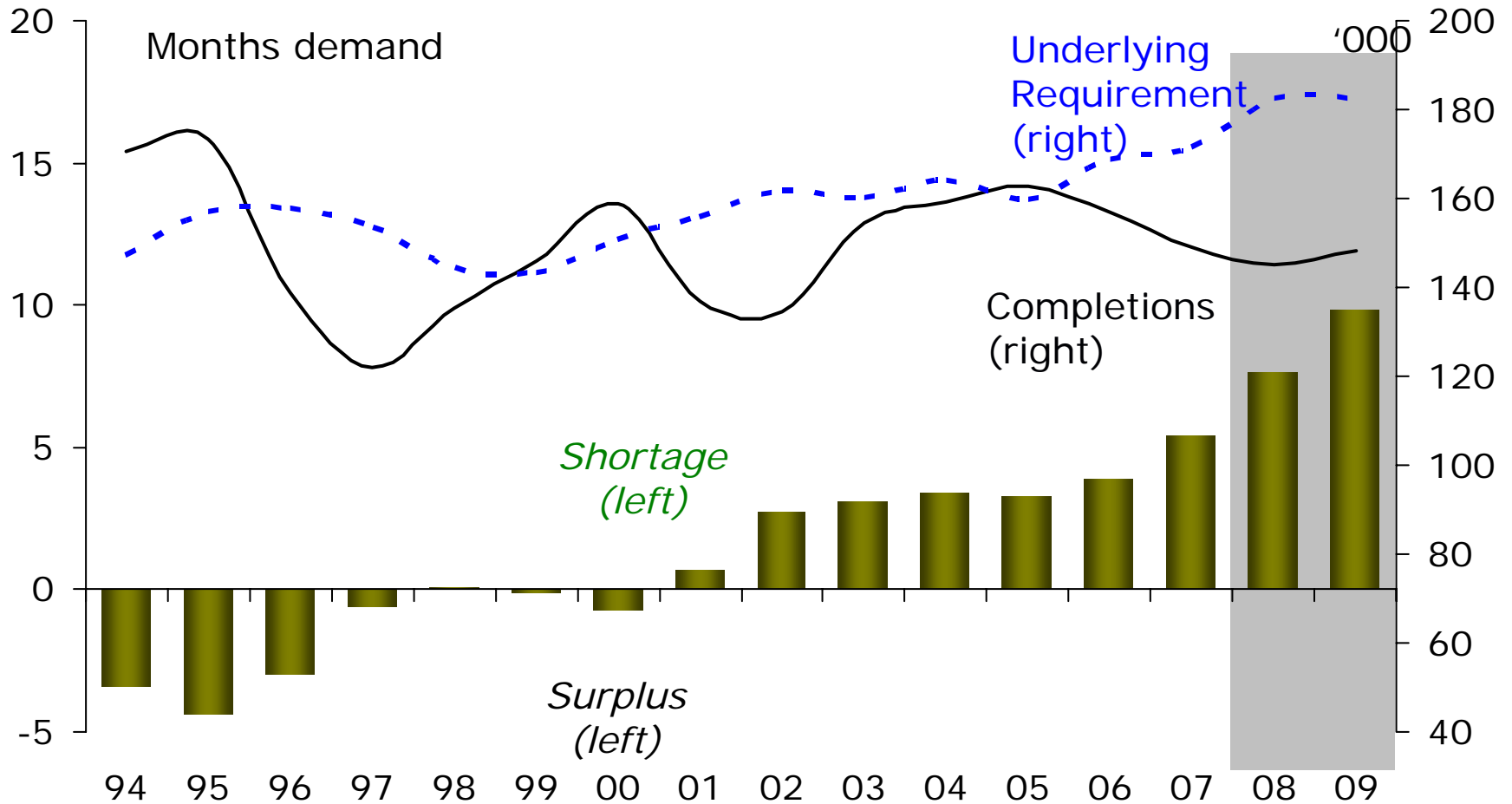


Temporary migration 'for employment'



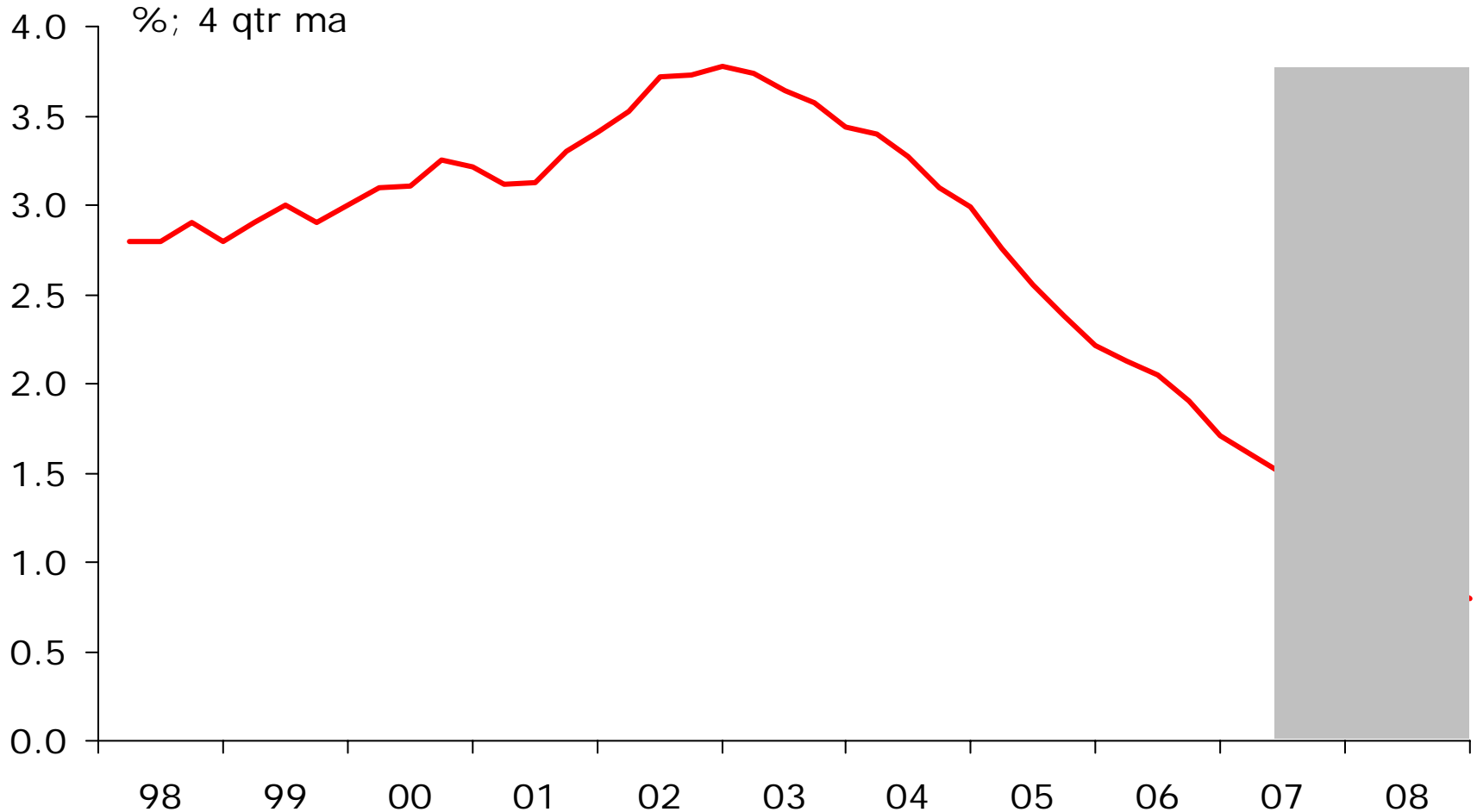
Housing demand has outstripped new supply

Housing market balance: Australia



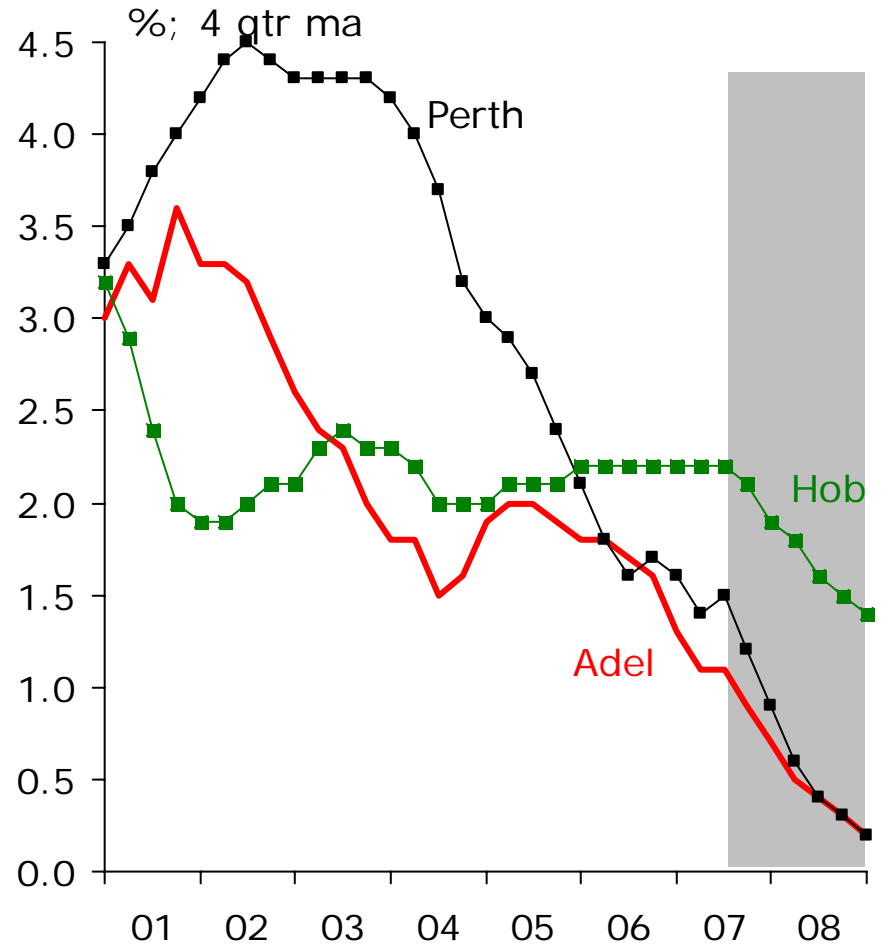
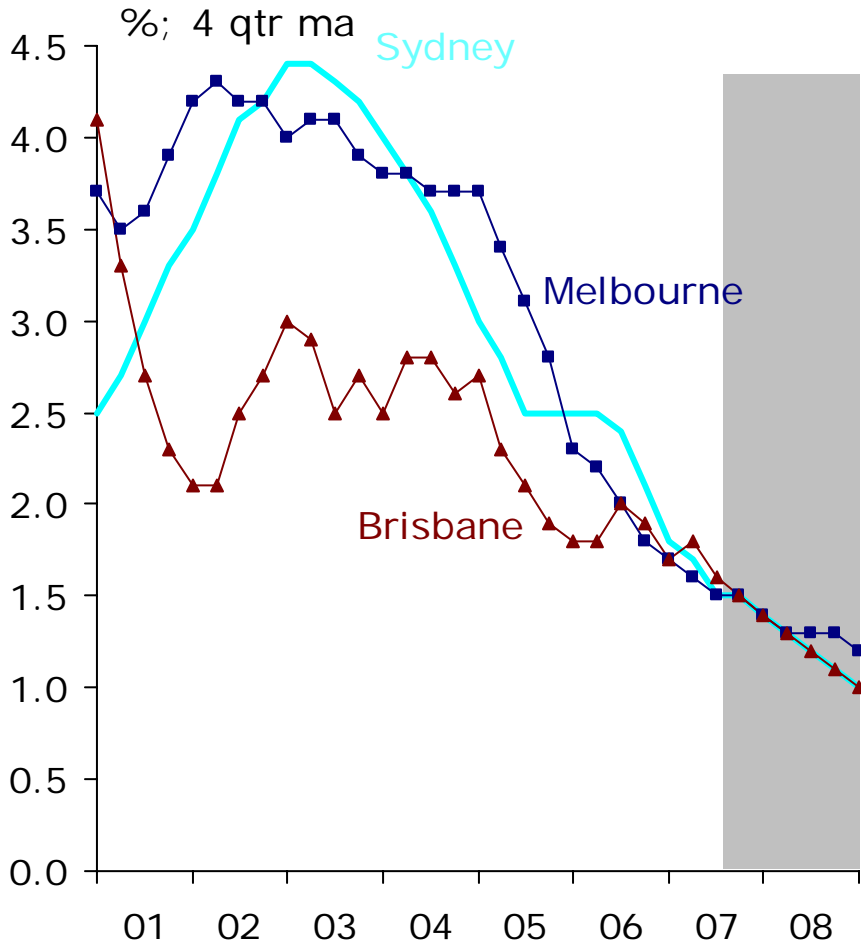
This tightening is reflected in sharp falls in rental vacancy rates...

Rental vacancy rate



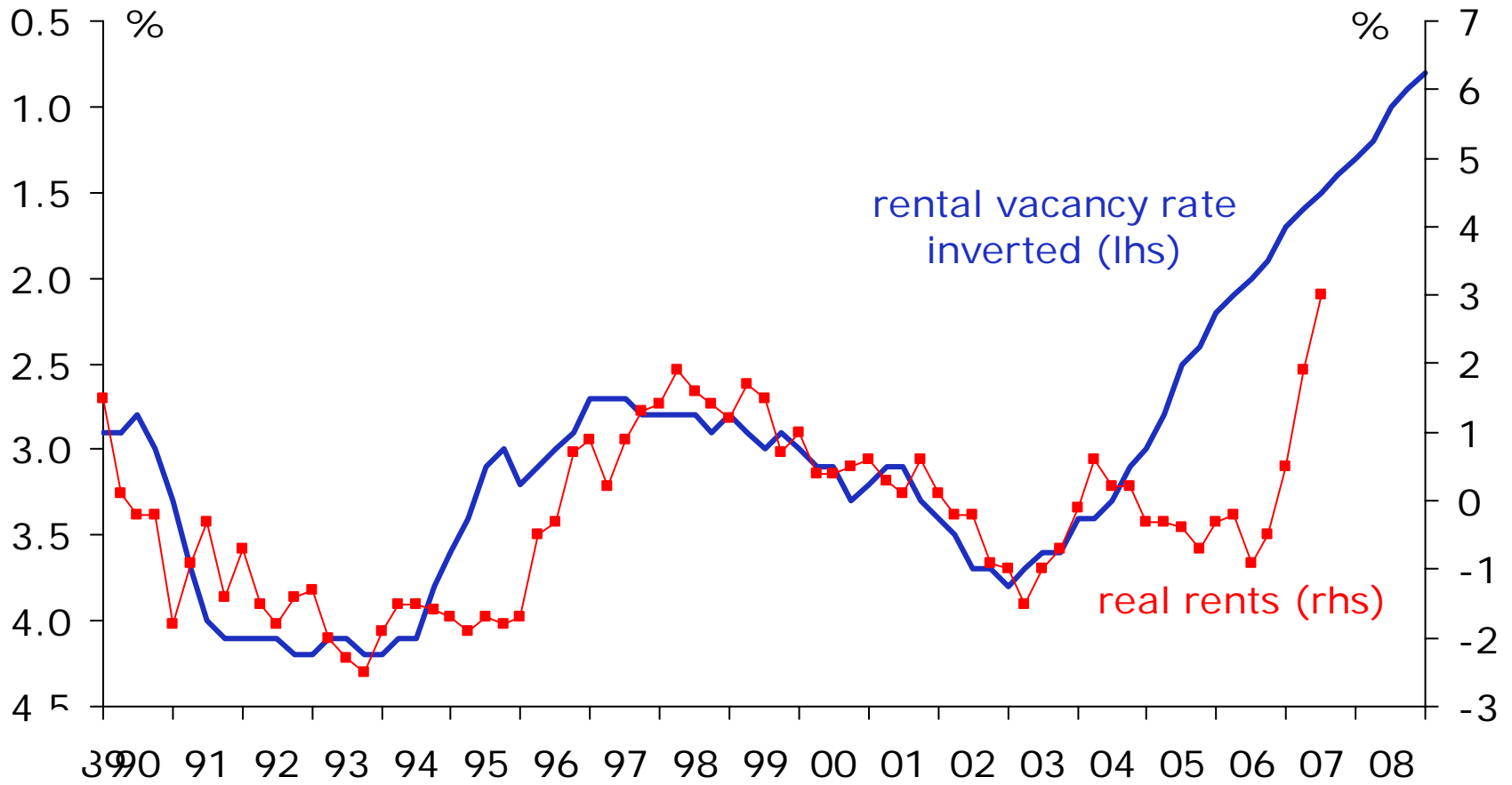
...in most state capitals

Rental vacancy rates



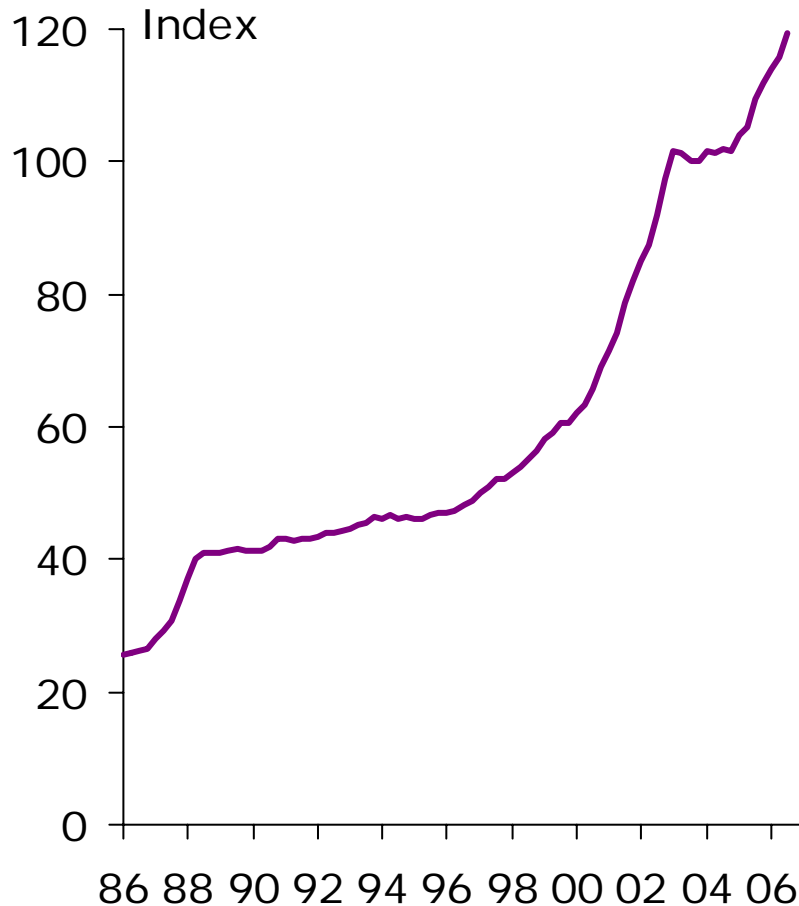
Tightening vacancies will push rents *significantly* higher

Rental vacancy rate versus real rents

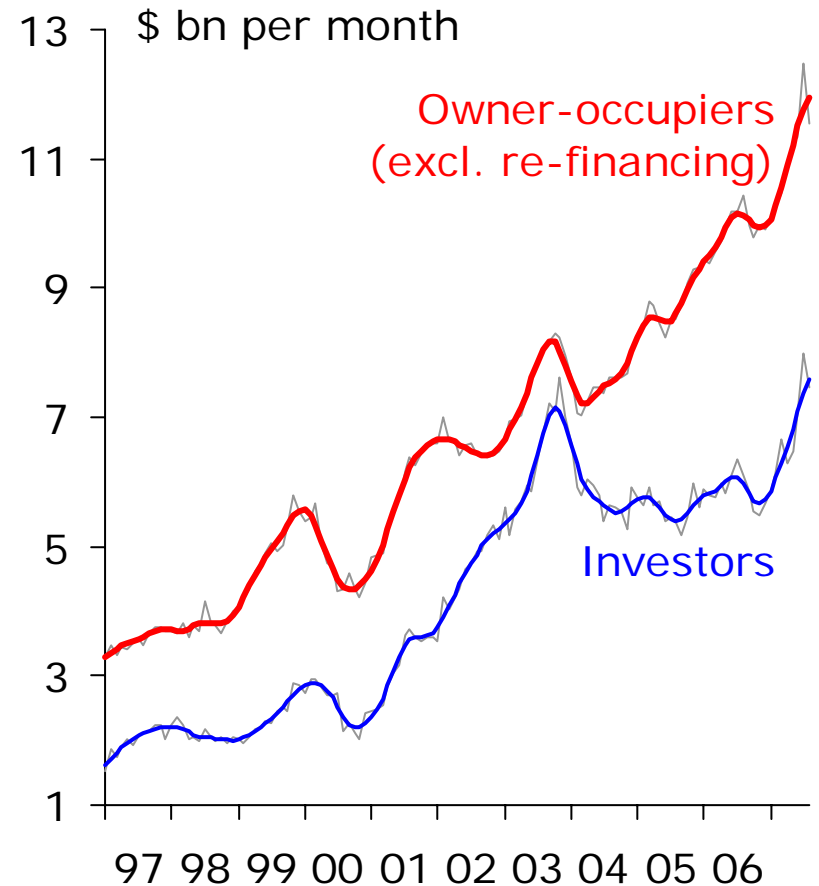


Despite the doomsayers, the housing market is booming (ex-Sydney!)

House prices

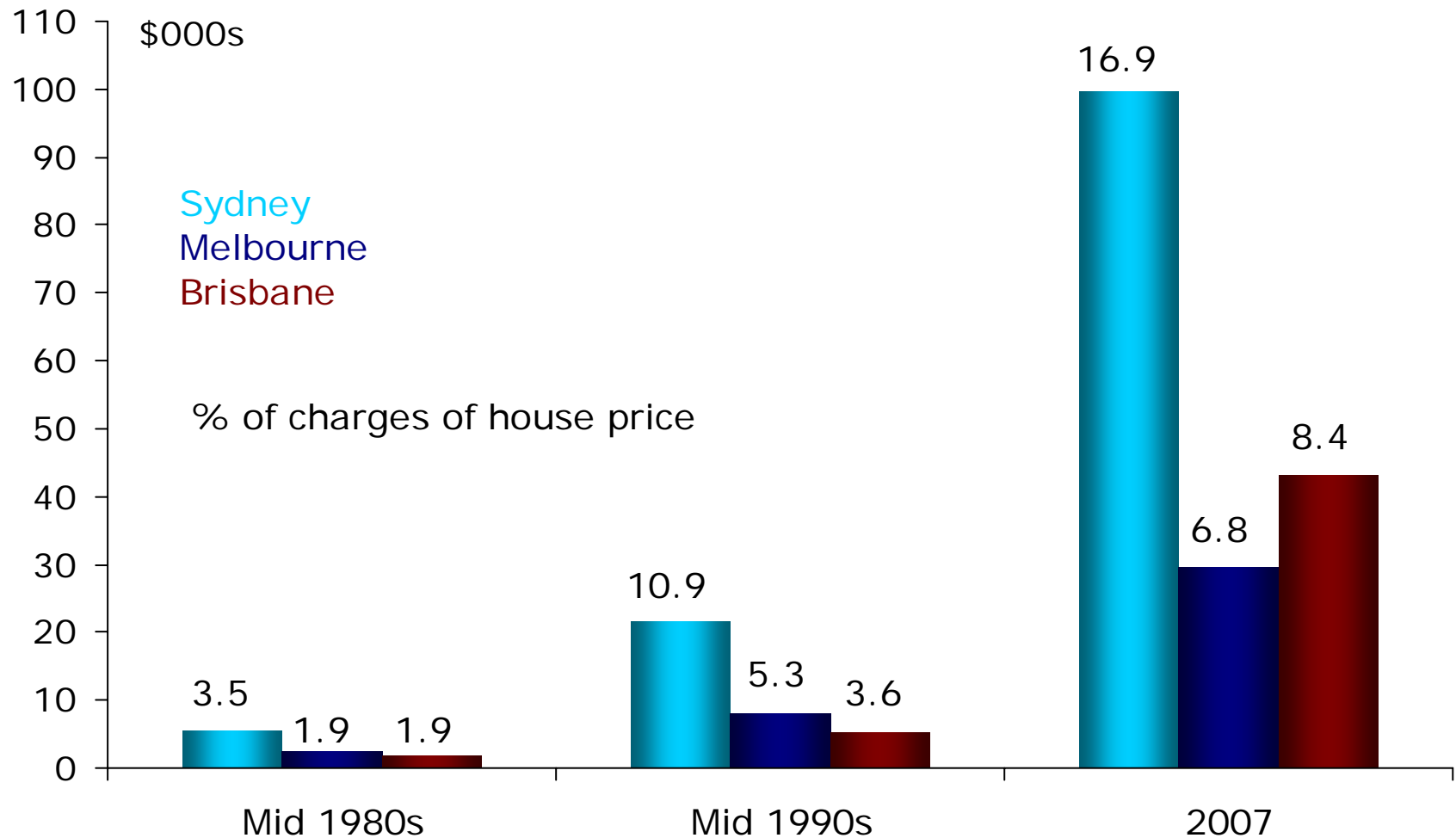


Housing finance commitments



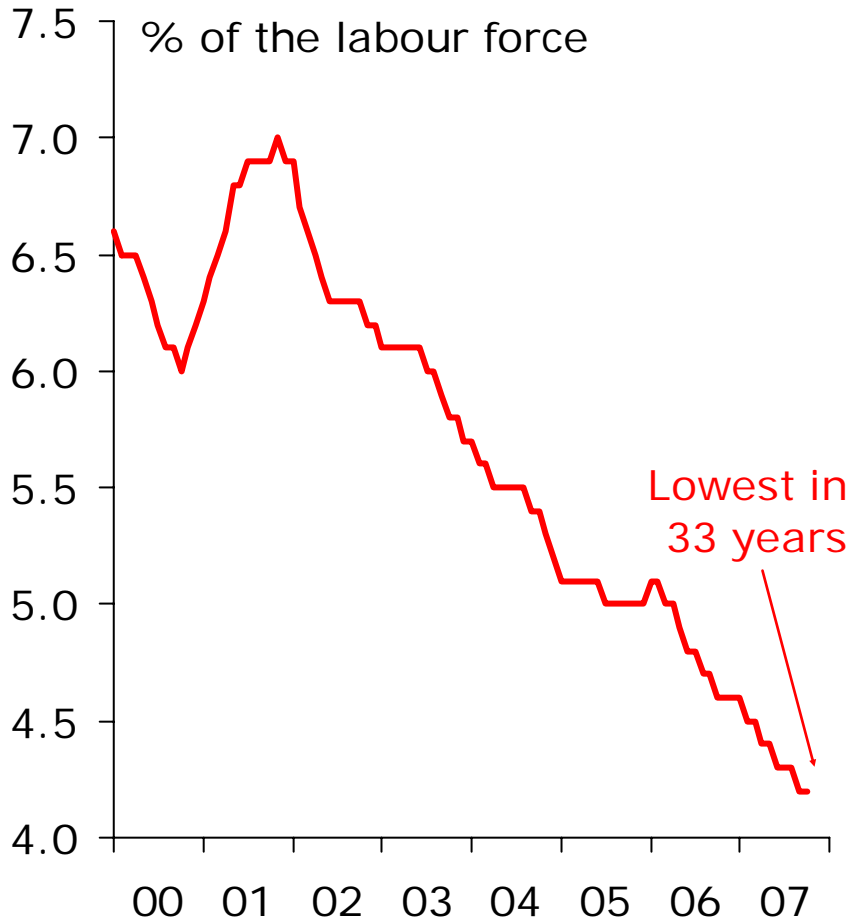
Cost of land development has sky-rocketed – especially in Sydney

Primary charges for lot development

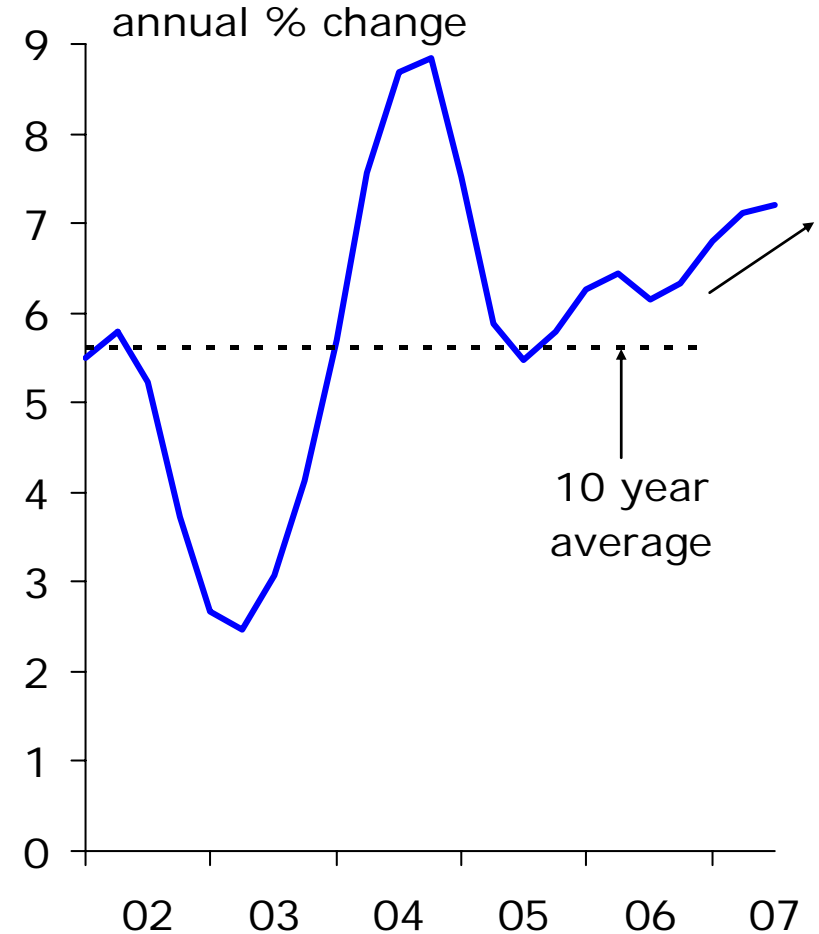


Overall thought, the household sector remains well placed

Unemployment rate

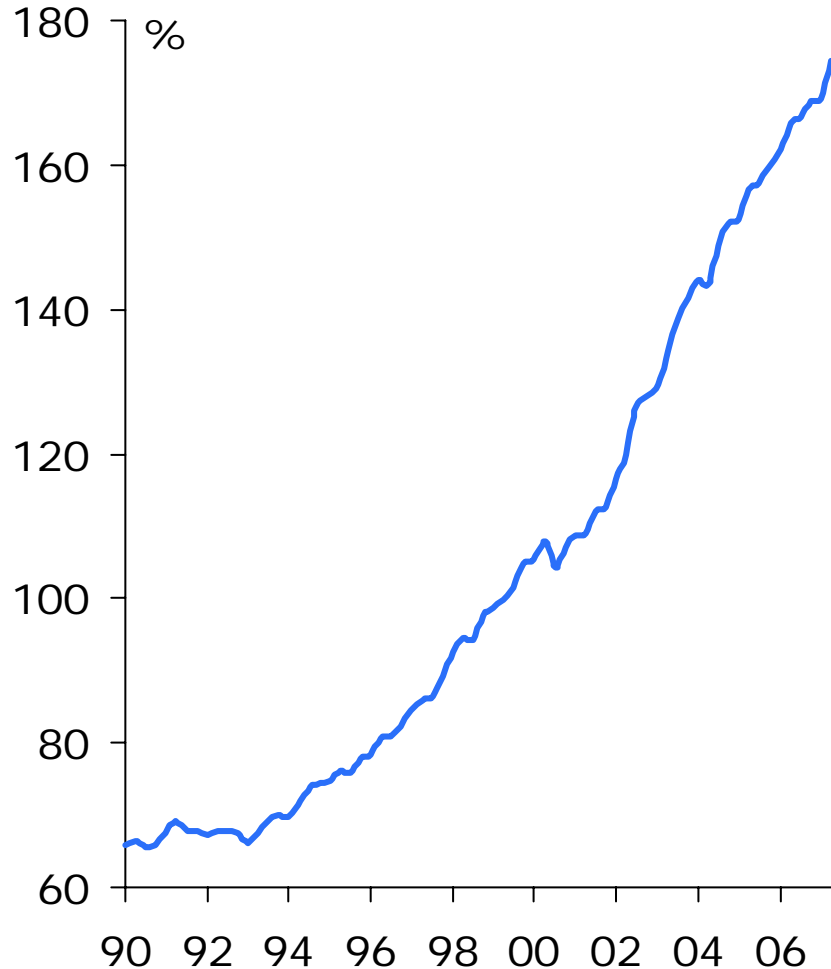


HH disposable income

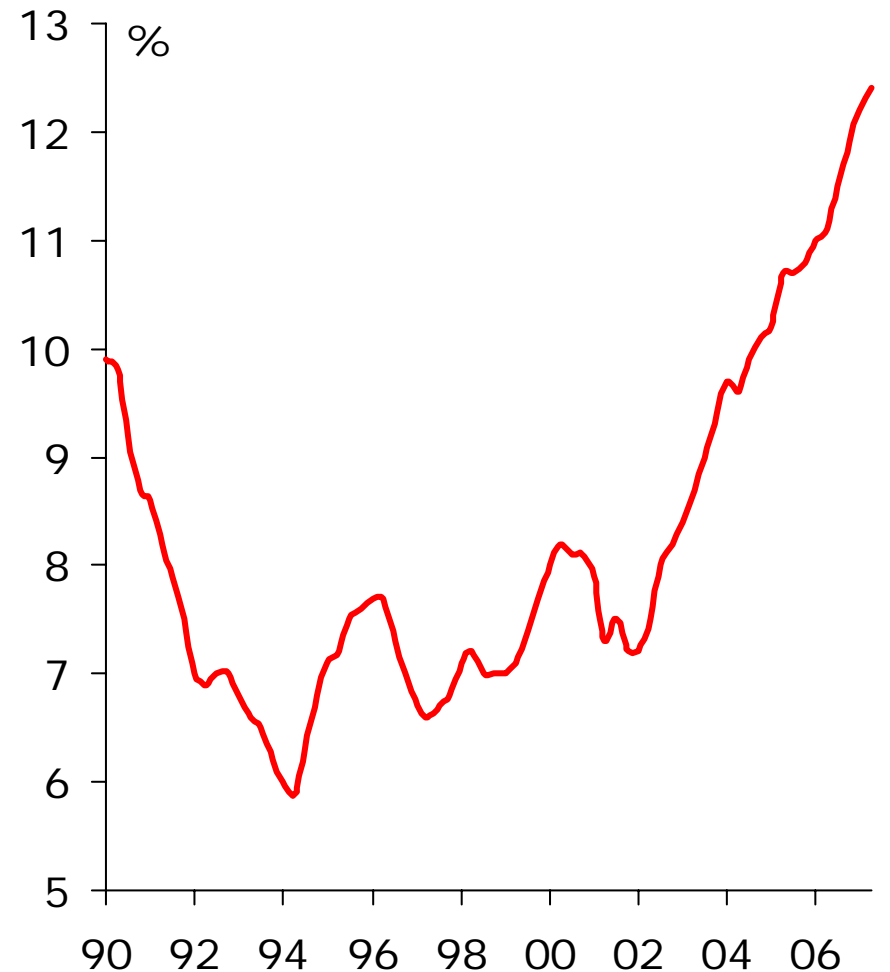


Is rising household debt a serious issue for the macroeconomy?

Household debt to income ratio



Household debt service ratio



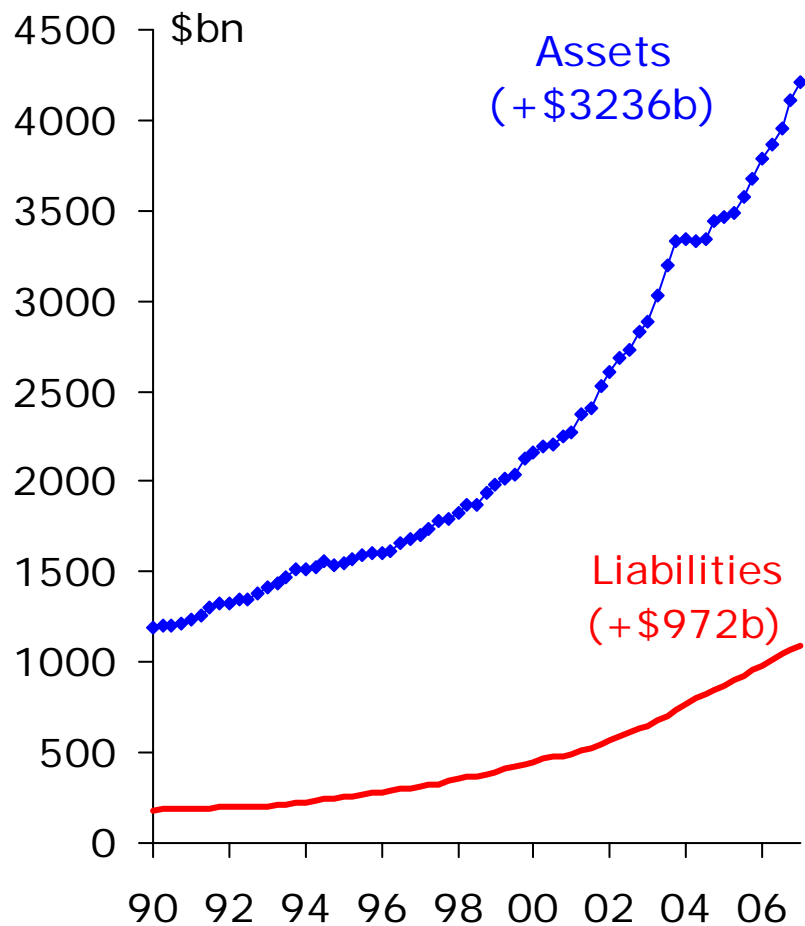
Two thirds of all households still have *little or no debt*

Debt servicing ratio

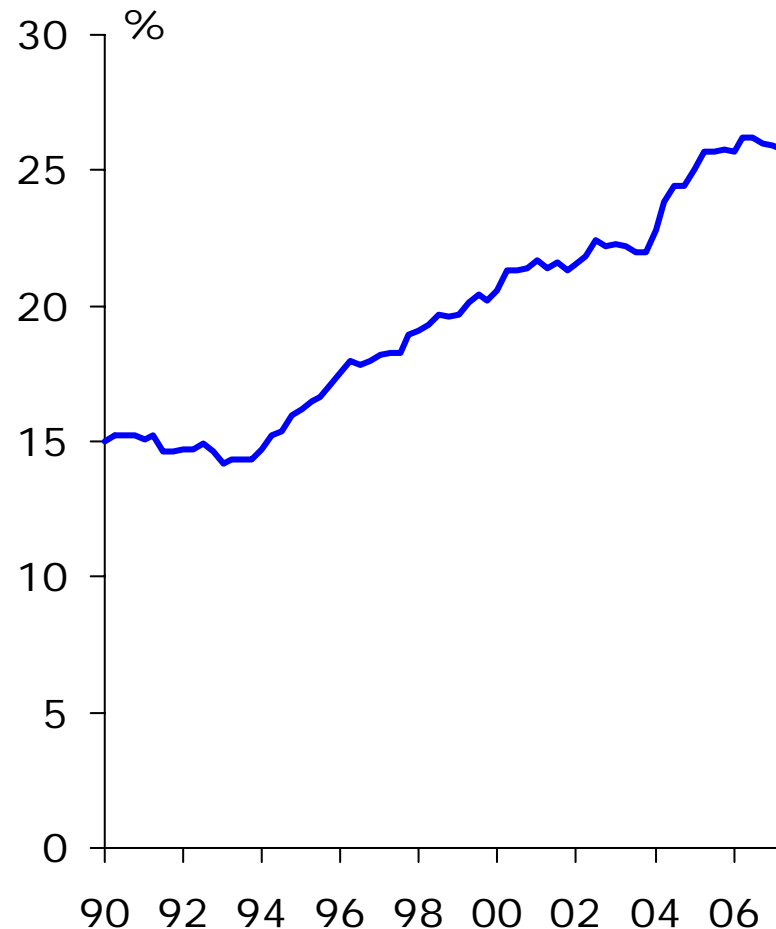


Increased household debt *more than offset* by growth in net assets

Assets vs. liabilities

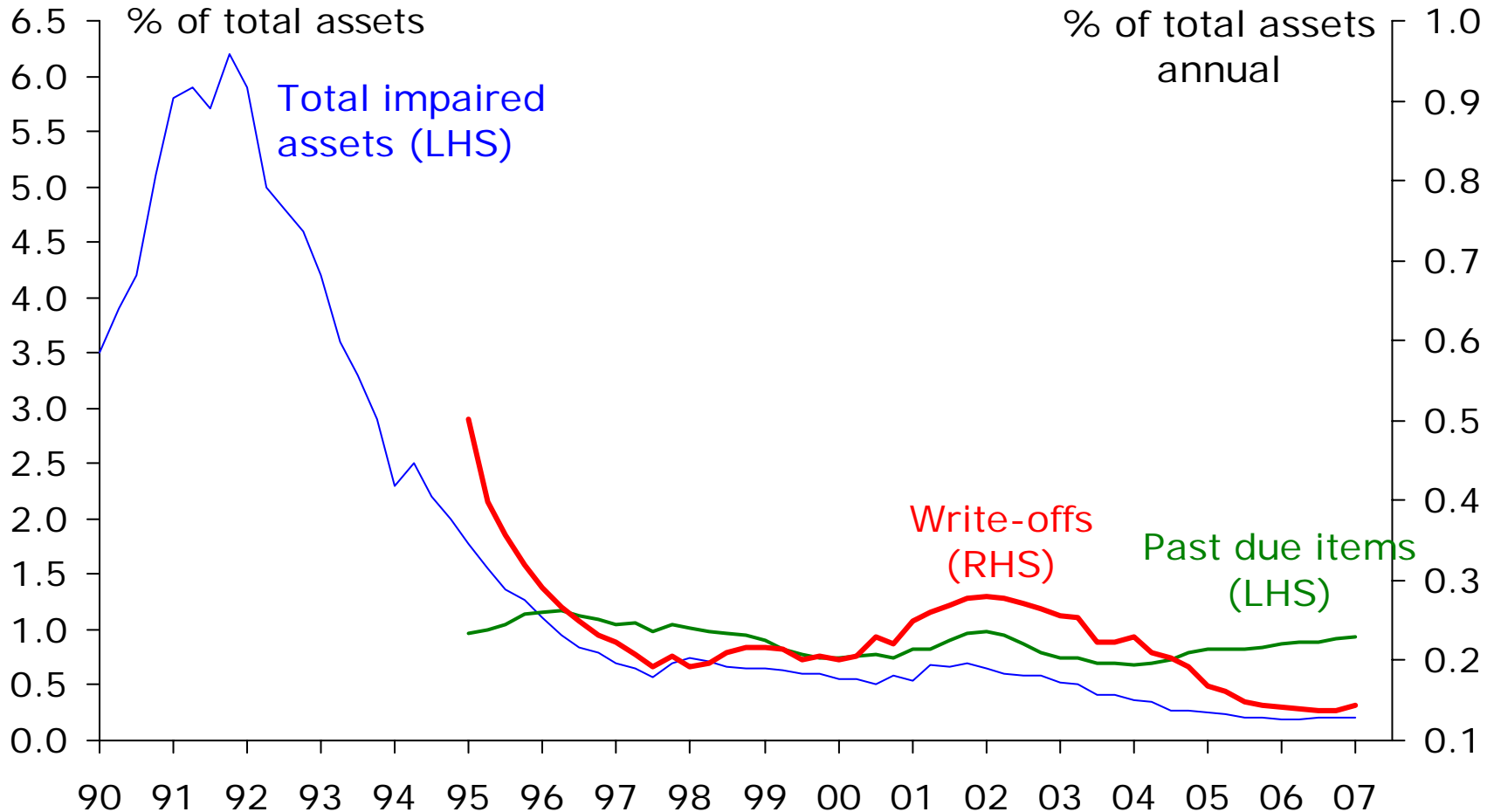


Household gearing ratio

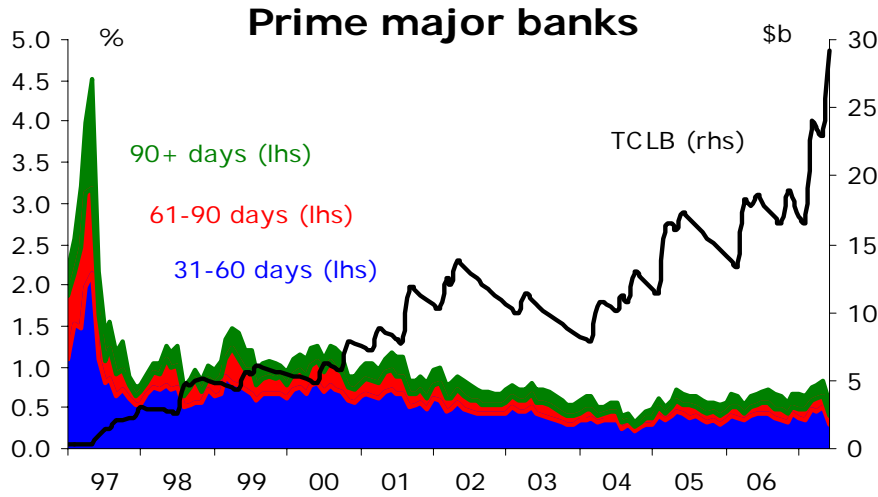


Despite rising delinquencies, write-offs remain at extremely low levels

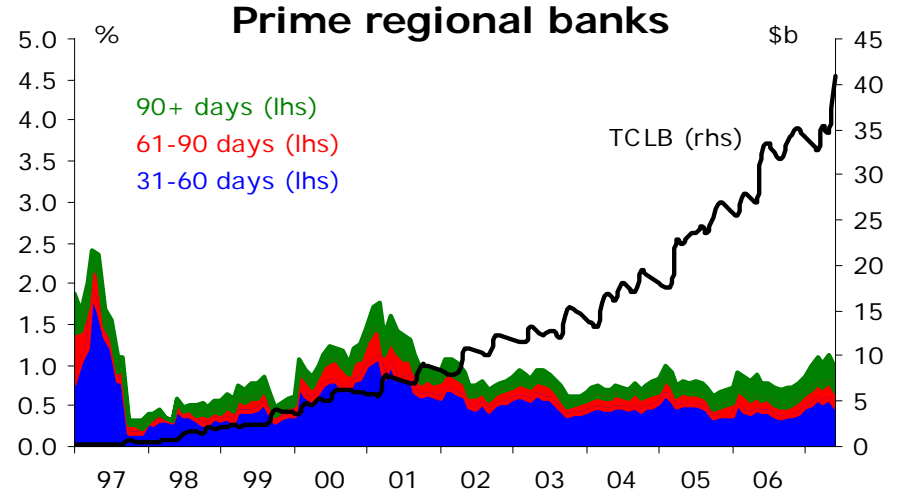
Impaired assets and write-offs: Banks



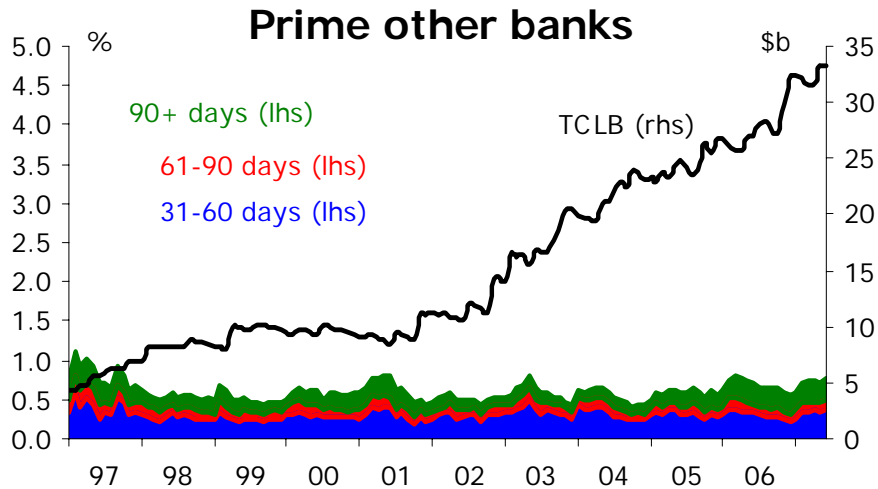
Rising mortgage delinquencies largely confined to certain channels/lenders



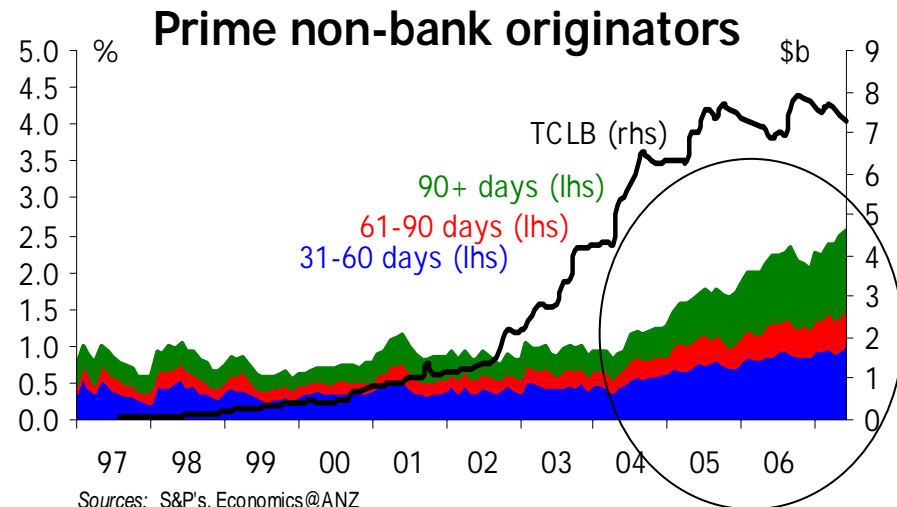
Sources: S&P's, Economics@ANZ



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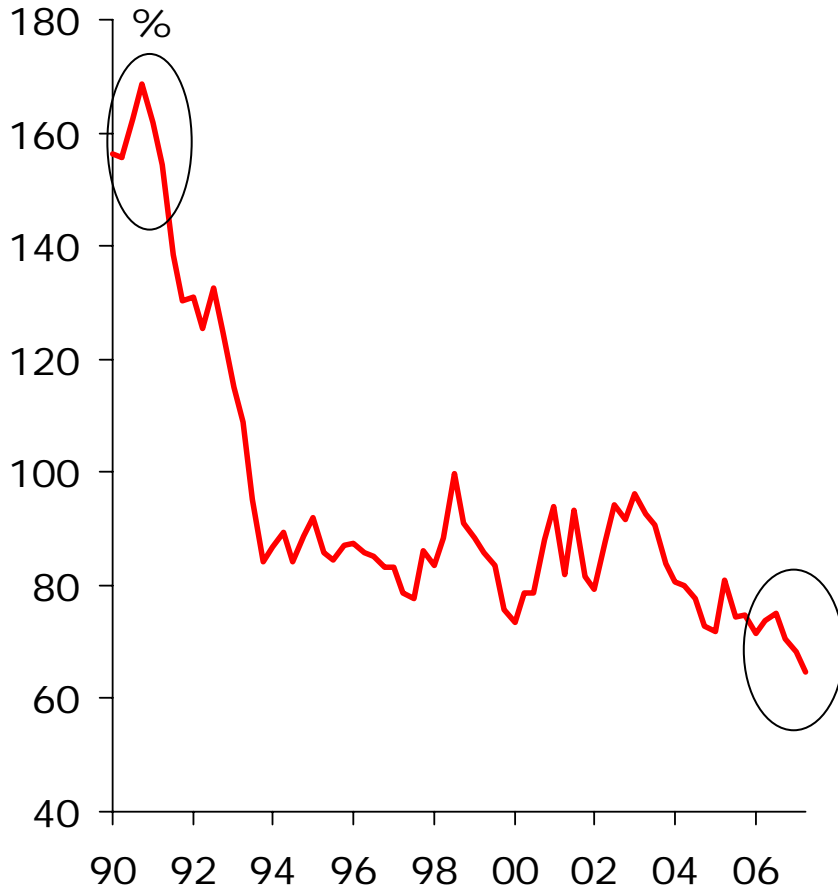
Sources: S&P's, Economics@ANZ



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Corporate balance sheets are in better shape than ever before

Corporate Gearing Ratio



Corporate interest cover



Summary of forecasts – Australia (bank year)

	2006	2007	2008	2009
GDP	2.8	3.9	3.6	3.8
Inflation	3.4	2.4	3.0	2.6
Unemployment	4.7	4.3	4.3	4.3
Cash rate	6.00	6.50	6.75	6.75
10 year bonds	5.5	6.1	6.2	6.4
A\$/US\$	0.75	0.89	0.92	0.79
Credit	14.7	15.2	11.7	11.0
- Housing	14.7	13.1	13.7	12.7
- Business	15.8	18.8	10.0	9.3
- Other	11.0	14.0	7.2	7.3

The material in this presentation is general background information about the Bank's activities current at the date of the presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.

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