



# ANZ Regional and Rural Quarterly

June quarter 2009

03 June 2009

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## Welcome

Welcome to the June edition of the Regional and Rural Quarterly.

We're hearing a lot about the impacts of the global economic downturn at the moment, but it's great to see the resilience of many parts of regional Australia in recent months.

There has been strong population growth, particularly in coastal areas and major regional centres, which is having a positive impact on many local economies.

We can also expect to see economies across regional Australia benefit from the infrastructure projects announced in the recent Federal Budget.

However, extreme weather events continue to disrupt many communities. Victorians impacted by the February bushfires are still dealing with the personal and economic implications of that disaster, while communities in Queensland and northern New South Wales are dealing with recent storms.

Regardless of what is happening in your region, I would encourage you to contact ANZ's Regional Commercial and Agribusiness team across Australia if you have any questions about the information in this edition or anything else we can help you with.

ANZ is Australia's best value agribusiness bank, as awarded by financial services research group CANSTAR CANNEX, and we have an extensive network of specialists ready to help you.

I wish you all the best for the months ahead and hope that despite these challenging times, we can all come through with strength and look forward to more prosperous times ahead.

Mark Hand  
ANZ General Manager  
Regional Commercial & Agribusiness

*If you would like to comment on any information featured in this edition, or if there is anything else we can help you with, please contact me at [mark.hand@anz.com](mailto:mark.hand@anz.com) or get in touch with the regional commercial and agribusiness team at ANZ.*

This publication was finalised on  
1<sup>st</sup> June 2009

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For ANZ Economics & Markets Research to be the most respected, sought-after and commercially valued source of economics and markets research and information on Australia, New Zealand, the Pacific and Asia.

## ANZ Regional Commercial & Agribusiness

ANZ offers a comprehensive range of services in regional and rural Australia. To find out how we can assist you, contact your head of Regional Commercial & Agribusiness Banking:

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## The Big Picture

After a traumatic year in 2008 for investors and commodity markets alike, global markets are starting to show, perhaps, early signs of life. Some are interpreting recent uptrends in some leading indicators for the US and Chinese economy as 'green shoots' or the first tentative signs that the worst of the global economic downturn is behind us. Part of this has also been increasing optimism that the worst of the financial crisis has passed, as indicated by global bank wholesale funding spreads having narrowed back to pre-Lehman (September 2008) levels.

**Increasing optimism has swept through financial and equity markets in recent months**

As a result we have seen increasing optimism sweep back into global markets, with equity markets rallying from mid-March to mid-May. The other sign of decreasing risk aversion seeping back into markets has been the resurrection of the A\$, which as of the 1<sup>st</sup> June had pushed through the 80 US cent barrier. The last time the A\$ was trading at 80 US cents was in mid-September 2008, when the A\$ was crashing through the floor as panic gripped global markets with the realisation that the US government would let a major financial institution fail (Lehman).

**The weaker US\$ is a positive for global commodity markets, including agricultural prices**

The stronger A\$ is of course a mixed blessing for regional and agricultural businesses across Australia, typically reducing incomes reliant on export markets such as miners, farmers and tourism operators. However for miners and farmers which are exposed to commodity prices, part of the A\$ strength has been related to general weakness in the US\$, which tends to be a positive for global commodity prices.

**Chicago wheat futures have hit a five month high, while apparel wool US\$ prices are 40% higher**

This has helped push many global commodity prices, including agricultural commodities higher. Chicago wheat futures hit a five month high on Friday, 29<sup>th</sup> May, closing at 637 US cents per bushel. The global cotton price has risen by 25% since early March 2008, but the standout performer in recent months has been apparel wool prices, which have risen by nearly 40% in US\$ terms over the last 3 months. Over the same period, Oceania Whole and Skim Milk Powder prices have risen by around 20% and 15% respectively. In these instances where international commodity prices have been rising, export revenue has been at least partly insulated from the strengthening A\$.

**The tourism industry has both the higher A\$ to contend with, plus the complication of the H1N1 virus outbreak**

Unfortunately for the tourism industry, international commodity prices are not a factor, and the rising A\$ against the US\$ and Yen decreases the attractiveness for US and Japanese visitors. Further for the domestic market, international destinations become more attractive for Australian residents at the expense of a domestic holiday.

If this wasn't enough for the tourism market, an added complication is now the Swine Flu outbreak across the globe. As of the end of May, there were 164 confirmed cases of the H1N1 virus in Australia, predominately in Victoria (96 cases). The Australian Government raised the alert level in Australia to 'Contain' on 22<sup>nd</sup> May, with measures put in place for international arrivals including thermal imaging scanners and Health Declaration Cards.

For the Australian economy, the debate has moved from whether we are in recession, to concern over the merit of the Government's 'fiscal stimulus' spending. Notably, the length and depth of the deficit the government is forecasting.

The latest Federal Budget Report indicates the government's underlying cash deficit is forecast to deteriorate to \$57.6 billion (4.9% of GDP) in 2009-10 and by a similar amount in 2010-11, with the Government not expected to run a budget surplus until the 2015-16 financial year.

Federal government debt is expected to peak at 14% of GDP, but is well below international peers

On ANZ estimates, net government debt will peak at 13.8% of GDP, or around \$205 billion in 2013-14. In terms of % of GDP, this would be the biggest net debt position since 1997-98, but still well below the peak of 18.5% of GDP in 1994-95. A comparison with international peers (advanced economies) highlights the advantageous fiscal position the previous Government left the current Labour Government. The IMF estimates that by 2013, average Government debt for developed economies will reach 107% of GDP!

The government has announced additional deductions for business capital expenditure

Some of the announcements in the budget for regional and rural businesses include:

- Small business tax deductions on eligible investment assets costing \$1,000 or more increased to 50% upfront for goods ordered between 13 December 2008 and 31 December 2009. This applies to small business with a turnover of less than \$2 million. All other businesses will be able to claim a bonus deduction of 30% for eligible assets costing \$10,000 or more.
- As of 1<sup>st</sup> July 2009, loss-making hobby farms and holiday homes will no longer be allowed as deductions against salary income for taxpayers earning over \$250,000 p.a. The Government estimates this change only applies to around 11,000 individuals. Individuals do not lose their losses from a hobby farm or holiday home, but they can only use them to offset future income from these activities in later years.
- A one-off \$50 million boost to the Export Market Development Grants in 2008-09 to help cover the estimated 1,800 eligible businesses that missed out due to the over-subscription of the scheme.
- The Government has continued with its current drought support program for 2009-10, allocating \$429.5 million to Exceptional Circumstances (EC) measures to farmers and small businesses dealing with the current drought.

High income earners have had any losses from hobby farms and holiday homes 'quarantined'

Regional Australia's labour market is performing better than that of the capital cities

At a regional level, our latest analysis across the 19 regions shows, as always, a large diversity of performance. But in general, regional Australia's labour market is performing better than that of the capital cities. Just over half the regions analysed still have positive employment growth and regional Australia's unemployment rate is slightly below that of metro Australia.

Agriculture is expected to contribute positively to regional economies through the downturn

Nevertheless, rising unemployment will still be a feature of the regional and national landscape for some time. As an example, a cooling property market and falling building approvals in regional Australia, especially along parts of the coast, does not bode well for construction activity in the short term.

Populations in most major towns and centres in regional Australia continue to grow strongly

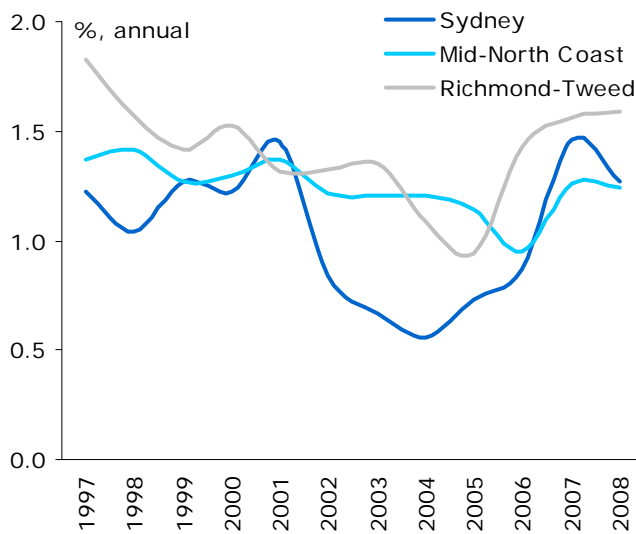
On a positive note, regional Australia has agriculture, one of the few industries outside of government expected to grow strongly through the economic downturn. So far for 2008/09, rural export volumes are 10% higher compared with the 2007/08 season, driven principally by higher grain exports (up by 47% year-on-year). For upcoming production, seasonal conditions have been particularly favourable in Queensland and northern NSW, while recent rain in south eastern Australia has allowed most of the winter crop to be sown.

Population growth across regional Australia has also shown divergent trends, both within regions and compared with the major cities of Australia. In many of the regions in this edition, we have included recent population trends, with many of the major towns continuing to grow strongly, especially those on the coast. The countervailing trend to this is a tendency towards stagnant or even declining populations in smaller towns.

## NSW North Coast

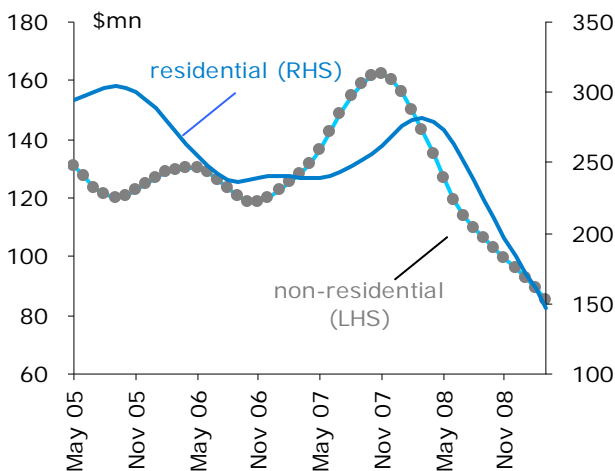


Population growth on the North Coast has been stronger than in Sydney over the last decade



Source: ABS, ANZ

The construction market is slowing considerably given building approvals have nearly halved



Source: ABS, ANZ

- Population growth in the region has outperformed Sydney's 1.1% p.a. growth since 1998. Population growth in the Richmond-Tweed region has averaged 1.4% p.a. since the late 1990s, while the Mid-North Coast has averaged 1.3% p.a.
- Population growth in this region highlights a strong preference to live on the coast rather than slightly inland. Lismore, Casino and Grafton, all slightly inland from the coast but still east of the Great Dividing Range, have recorded relatively anaemic population growth of just 0.2% p.a. over the last decade.
- In dramatic contrast, major towns directly on the coast, such as Port Macquarie have averaged population growth of 2.3% p.a. over the last 10 years. Byron Bay and Coffs Harbour have averaged growth of 1.4% and 1.7% p.a. respectively. The strength of this population growth is even more striking when you consider the median house price in Port Macquarie and Coffs Harbour is as much as \$100,000 higher than that of Lismore and Grafton.
- While most businesses in the region continue to feel limited affects from the global and Australian economic slowdown, the boom in property construction has come to an abrupt end. Compared with 15 months ago, non-residential building approvals are 47% lower, while residential building approvals show a similar pattern, almost halving in 12 months.
- Employment growth has been solid since late 2008, but an increasing labour supply (population growth and a higher participation rate) has outstripped demand, pushing the unemployment rate higher.

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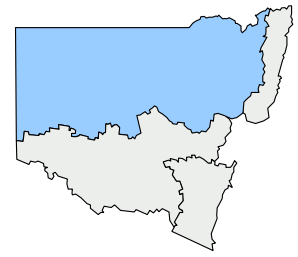
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### Economic data – NSW North Coast

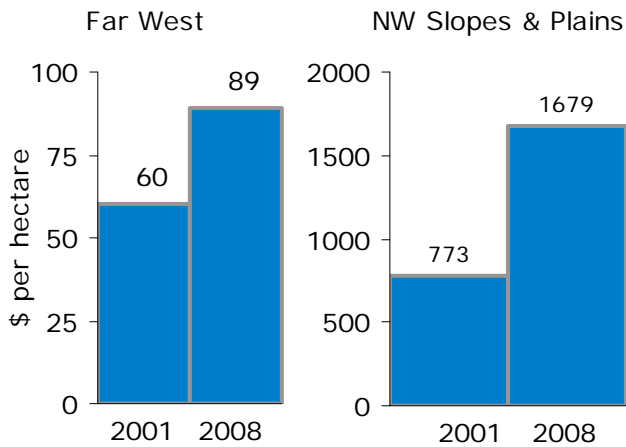
Monthly data (trend)	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Residential building approvals, \$mn	224	211	197	184	172	161	147	--
Non-res building approvals, \$mn	106	103	100	96	93	90	85	--
Employment, annual % change	-1.8	0.0	1.7	2.7	3.1	3.2	3.1	3.0
Unemployment rate, %	7.8	7.8	7.9	8.2	8.5	8.7	9.0	9.1
Participation rate, %	53.3	53.6	53.9	54.2	54.4	54.5	54.6	54.7
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	496.9	503.2	509.6	515.5	520.9	526.9	534.2	541.7
Population, annual % change	1.3	1.3	1.3	1.2	1.1	1.2	1.4	1.4
Mean individual taxable income, '\$000	29.6	30.7	32.2	34.9	35.8	37.5	41.7	--
Average farm debt, '\$000	14	47	90	63	65	96	181	189
Equity ratio, %	99	96	93	95	95	95	91	94
Average rural land holding, \$mn	0.91	0.95	1.03	1.02	1.22	1.71	2.15	2.96

Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.

## NSW North West

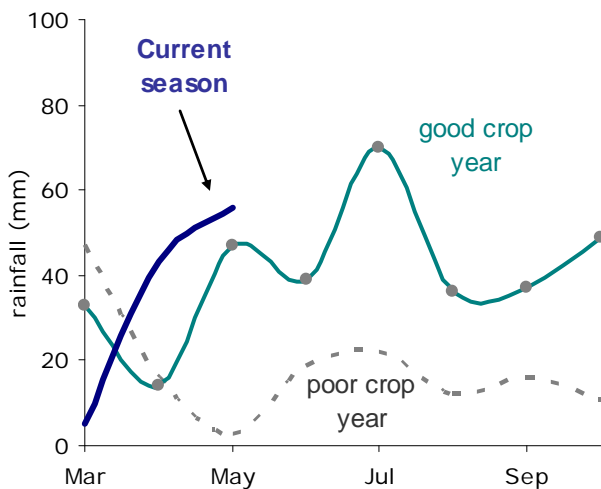


Increases in agricultural land values have ranged from 50% to 120% over the last 7 years in the region



Source: ANZ, ABARE

Monthly rainfall patterns in high ('good') versus low ('poor') yielding winter crop years in NSW's North West Plains and season-to-date rainfall



Source: ANZ, BOM

- Based on ABARE Farm Survey data, we estimate that the value of agricultural land in the 'Far West' region of NSW has increased by approximately 50% over the last 7 years. Across Australia, the average price of farmland has more than doubled over the same period. The underperformance in capital growth in the Far West region reflects the run of poor seasons.
- Agricultural land values in the NSW North West Slopes and Plains region have risen by a similar percentage to the national average, up 120%. Land values have risen by \$770 per hectare in 2001 to approximately \$1,700 in 2008.
- Out of the 19 regions in this report, the NSW North West region has had the lowest population growth over the last decade. The number of people residing in the region in 2008 is unchanged from 1998. This reflects the prolonged drought in some areas in the region, with the national agricultural labour force cut during the 2002 drought, with little recovery since. An underperforming agricultural sector is also a contributor to weak population growth in the Mallee/Riverland and SA North.
- However much of the region's agricultural sector is improving, with total rainfall over the last 7 months generally above long term averages.
- ANZ's analysis of winter crop yields in the area highlights the stark differences in rainfall patterns for 'good' and 'poor' winter crops on the North West Plains. So far early season trends look positive for the 2009 winter crop.

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### Economic data – NSW North West

Monthly data (trend)	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Residential building approvals, \$mn	85	85	85	86	87	88	88	--
Non-res building approvals, \$mn	44	46	48	50	52	54	56	--
Employment, annual % change	-3.5	-2.7	-2.0	-1.6	-1.4	-1.5	-1.7	-2.1
Unemployment rate, %	4.7	4.6	4.7	4.9	5.2	5.5	5.8	6.1
Participation rate, %	63.9	63.4	62.9	62.6	62.4	62.2	62.1	62.0
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	325.4	323.8	321.5	319.0	318.4	319.4	320.1	321.1
Population, annual % change	0.4	-0.5	-0.7	-0.8	-0.2	0.3	0.2	0.3
Mean individual taxable income, '\$'000	32.1	33.3	33.7	35.6	37.7	37.3	40.7	--
Average farm debt, '\$'000	259	292	268	374	411	465	742	796
Equity ratio, %	87	87	88	87	85	86	79	79
Average rural land holding, \$mn	1.75	1.61	1.73	2.09	2.14	2.46	3.25	3.45

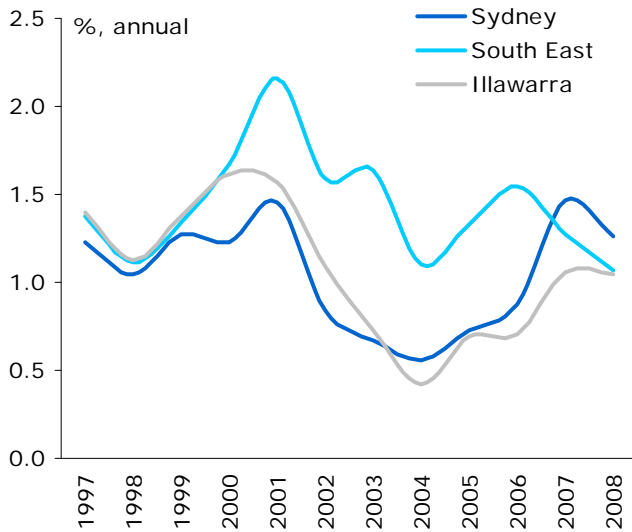
Sources: ABS, ABARE, ATO and ANZ Economics and Markets Research.



## NSW South Coast

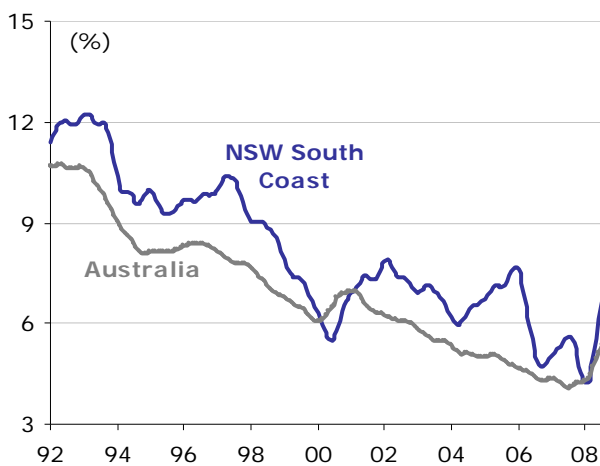


Over the last decade the South East region has recorded the strongest population growth of any region in NSW



Source: ABS, ANZ

The unemployment rate in the region is fast approaching its highest level in a decade



Source: ABS, ANZ

- Population growth has been particularly strong along NSW's South Coast over the last decade. Given its proximity to the largest city in Australia, population growth in the Illawarra region has tended to track that of Sydney. South and inland of Illawarra, the 'South East' region has recorded the strongest population growth of any region in NSW over the last 10 years, averaging 1.4% p.a.
- The unemployment rate on the South Coast has risen sharply over the last 6 months. The unemployment rate in April reached 7.2%, just 0.4 percentage points below the highest level of unemployment in the last decade in the region. But it is not the highest in NSW or nationally, and employment growth is still positive.
- The extent of the slowdown in building approvals on the NSW South Coast has a striking resemblance to that of the NSW North Coast. On the South Coast, monthly residential building approvals have been in continual decline for the last 2 years, essentially halving from their peak. The slowdown in activity in the non-residential building sector has been even more dramatic, falling by 65% from early 2007 (peak) levels.
- Season-to-date dairy milk production in southern NSW is 2% lower year-on-year, with monthly production figures volatile in 2009. This in part reflects continued inconsistent rainfall, with Bega Valley receiving 50mm in the first half of April, but no large falls since. Pastures are still growing on available moisture given it is still warm enough, but farmers now need rain to ensure winter and early spring milk production is maximised.
- Beef and wool production continues to be hampered by below average rainfall in the Monaro District, with properties still only maintaining core breeding stock.

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### Economic data – NSW South Coast

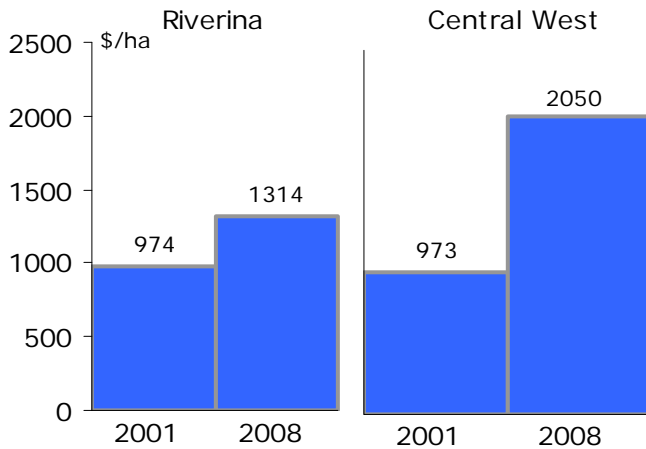
Monthly data (trend)	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Residential building approvals, \$mn	208	199	190	182	174	167	156	--
Non-res building approvals, \$mn	107	101	97	94	91	92	88	--
Employment, annual % change	9.0	8.7	7.8	6.7	5.4	4.2	3.2	2.4
Unemployment rate, %	4.2	4.2	4.5	4.9	5.5	6.1	6.7	7.2
Participation rate, %	60.2	60.3	60.3	60.4	60.6	60.7	60.7	60.8
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	593.0	600.5	606.6	610.6	616.0	622.1	629.1	635.7
Population, annual % change	1.8	1.3	1.0	0.6	0.9	1.0	1.1	1.1
Mean individual taxable income, '\$000	35.2	36.4	38.0	39.5	41.0	41.6	45.1	--
Average farm debt, '\$000	188	192	335	154	172	215	348	470
Equity ratio, %	88	90	85	93	94	93	90	88
Average rural land holding, \$mn	1.28	1.34	1.81	1.87	2.22	2.68	2.96	3.38

Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.

## NSW South West

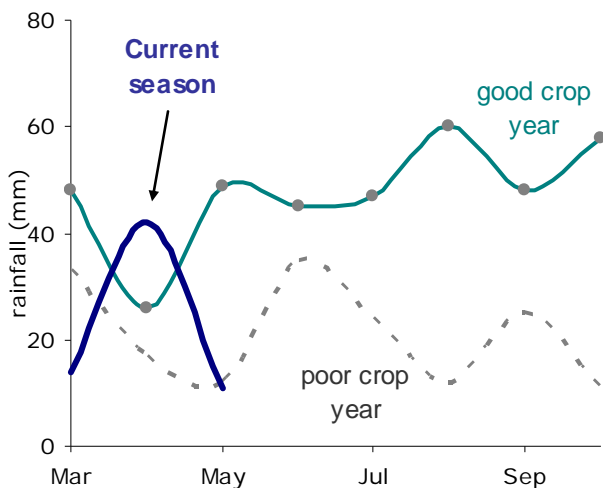


Central West agricultural land values have clearly outperformed the Riverina area over the last 7 years



Source: ANZ, ABARE

Monthly rainfall patterns in high ('good') versus low ('poor') yielding winter crop years in the Riverina and season-to-date rainfall



Source: ANZ, BOM

- Back in 2001 average agricultural land values in the Riverina and the Central West were on a par, at approximately \$975 per hectare. But according to ABARE, land values have subsequently doubled in the Central West region, but reflecting the on-going dry period, land values in the Riverina have appreciated by just 35% over the same period.
- April rainfall in the Eastern Riverina was the highest for April in at least 5 years. However, May rainfall proved disappointing with just 11mm of rain falling at a district level.
- Over the last decade population growth in the NSW South West has averaged 0.4% p.a., well below Sydney's average of 1.1% p.a. and coastal regions in NSW. Consistent with much of regional Australia, the major towns in the region continue to grow faster than the wider area. With Albury, Wagga Wagga and Griffith's populations having grown at a similar rate to Sydney's over the last decade.
- Wagga Wagga's population growth has been particularly strong, averaging 1.8% p.a. since 2006 due to the further development of the RAAF base and the Charles Sturt University at Wagga.
- In contrast, smaller, less diversified towns such as Deniliquin, which are heavily reliant on irrigated agriculture, have seen their population shrink in the last decade. Deniliquin's rice growing and processing industry has virtually disappeared. Since 2001 Deniliquin's population has shrunk at an average rate of 1.2% p.a.
- Employment growth in the region has now been negative since this time last year. This combined with additional people looking for work (participation rate) in the region is pushing the unemployment rate higher.

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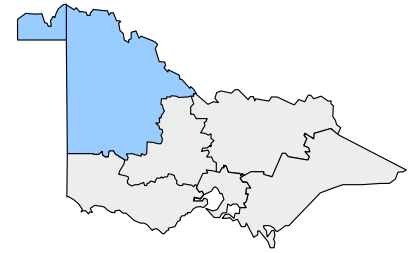
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### Economic data – NSW South West

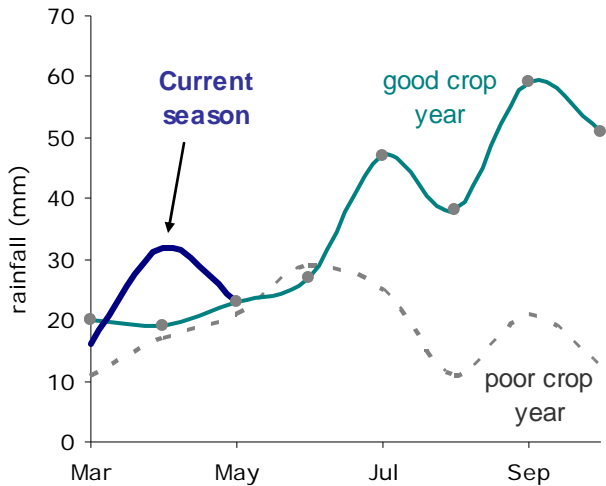
Monthly data (trend)	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Residential building approvals, \$mn	156	154	152	149	147	145	142	--
Non-res building approvals, \$mn	110	110	112	113	117	119	121	--
Employment, annual % change	-8.1	-8.2	-8.1	-7.8	-7.6	-7.3	-7.0	-6.8
Unemployment rate, %	4.7	4.7	4.8	4.9	5.2	5.5	5.8	6.0
Participation rate, %	62.6	62.6	62.8	63.1	63.4	63.7	64.1	64.4
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	443.5	444.0	443.5	442.7	444.5	448.1	450.9	453.1
Population, annual % change	0.9	0.1	-0.1	-0.2	0.4	0.8	0.6	0.5
Mean individual taxable income, '\$000	33.3	34.5	34.9	35.9	37.1	36.8	39.9	--
Average farm debt, '\$000	217	204	267	256	270	297	457	582
Equity ratio, %	86	89	87	90	90	89	82	84
Average rural land holding, \$mn	1.30	1.32	1.63	2.24	2.24	2.15	3.13	3.09

Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.

## Riverland & Mallee

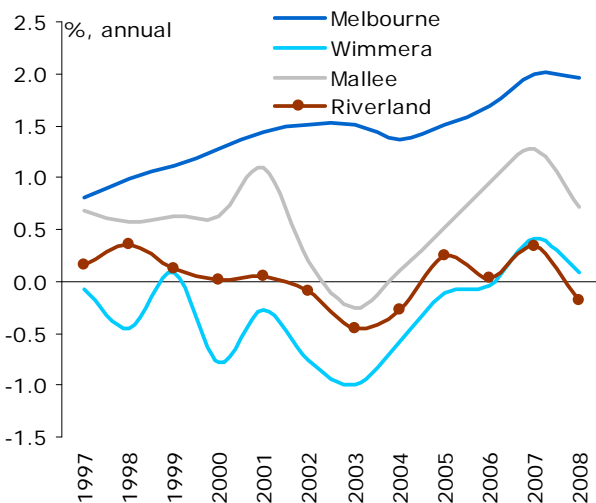


Season-to-date rainfall looks promising, compared to the monthly rainfall patterns in high ('good') versus low ('poor') yielding winter crop years



Source: ANZ, BOM

It is only in recent years that the net loss of people from the Wimmera has stopped



Source: ABS, ANZ

- April and May rainfall in the Mallee has provided some hope for the winter cropping outlook. However the key driver of yields in the area is how much rainfall is received from June onwards.
- After many years of a declining population in the Wimmera, population growth has turned mildly positive in recent years. The total number of people living in the Wimmera is still below decade earlier levels despite strong growth in the major regional centre of Horsham. Horsham's population has grown by nearly 1% p.a. over the last decade but this has not been enough to counter the declines in other smaller towns like St Arnaud, Stawell and Warracknabeal.
- Driven by the two major regional centres in the region, Mildura and Swan Hill, the Mallee's population has continued to grow over the last decade. Mildura's population has grown at an average rate of 1.5% p.a. over the last decade, a rate of growth more akin to Melbourne's population growth than regional Victoria.
- Low water allocations and poor wine grape prices are hampering farm incomes in the Riverland region around Berri and Loxton. The Riverland region has suffered static population growth as it does not have a major regional centre like Mildura or Horsham. The current population of the Riverland is 41,800 people, identical to 1998.
- Business sentiment in the region remains flat, although non-residential building approvals are at a two and half year high. Employment growth has rebounded in 2009, but this was after a dramatic 10% slump in the number of people employed in the first half of 2008. It has not been sufficient to halt a steady rise in local unemployment.

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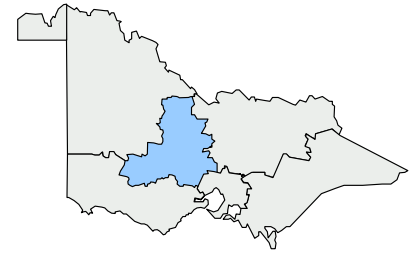
### Economic data – Riverland & Mallee

Monthly data (trend)	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Residential building approvals, \$mn	44	43	42	41	41	40	40	--
Non-res building approvals, \$mn	34	36	38	40	41	43	44	--
Employment, annual % change	-4.2	-2.3	-0.3	1.3	2.6	3.6	4.4	5.1
Unemployment rate, %	5.9	6.0	6.2	6.5	6.8	7.0	7.1	7.2
Participation rate, %	61.5	61.6	61.8	62.1	62.3	62.6	62.7	62.9
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	141.8	141.6	140.8	140.6	141.0	141.9	143.3	144.0
Population, annual % change	0.6	-0.2	-0.5	-0.1	0.3	0.6	1.0	0.5
Mean individual taxable income, '\$000	32.4	36.6	34.2	34.2	34.7	34.2	36.6	--
Average farm debt, '\$000	191	167	206	212	198	297	329	360
Equity ratio, %	87	91	90	91	90	86	78	87
Average rural land holding, \$mn	1.13	1.27	1.60	1.69	1.55	1.65	2.00	2.28

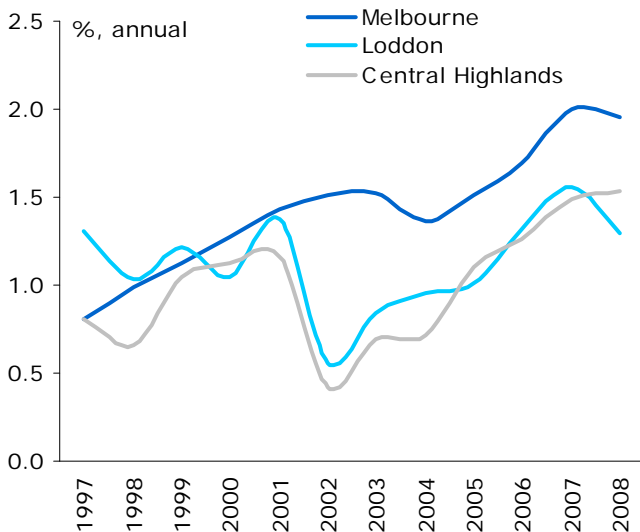
Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.



## Central Victoria

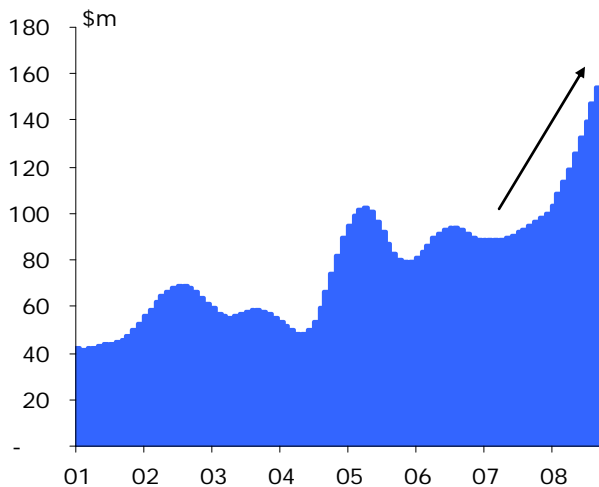


Central Victoria's population has grown slower than Melbourne's but it is still one of the fastest growing in regional Victoria



Source: ABS, ANZ

Commercial and public building approvals in the region have jumped by 70% over the last 18 months



Source: ABS, ANZ

- Central Victoria's population has grown slower than Melbourne's over the last decade, but relative to the rest of regional Victoria it is still one of the strongest. Of the two major regional centres, Bendigo's population has grown at an average rate of 1.5% p.a. over the last decade while Ballarat's has grown at 1.3% p.a. since 1998. In the last 3 years these growth rates have accelerated to 2% p.a.
- This strong population growth in Ballarat and Bendigo, plus the First Home Owners Grant, is spurring on the residential property market in the area. The value of residential building approvals has been particularly strong over the last 18 months, reaching a monthly total of \$200 million in March 2009.
- The value of non-residential building approvals (commercial and public) reached \$155 million in March 2009, up 70% on 18 months ago. This investment in the region is providing a strong stimulus.
- The Federal Government's infrastructure spending nationally has also boosted the local economy, with a Bendigo business securing a contract to build over 300 portable buildings for schools, employing an additional 35 people.
- Bucking the national trend, employment growth is positive and the unemployment rate is falling.
- Within the agri sector, prices for some commodities such as lamb and wool have risen strongly in recent months, boosting sentiment in these sectors.

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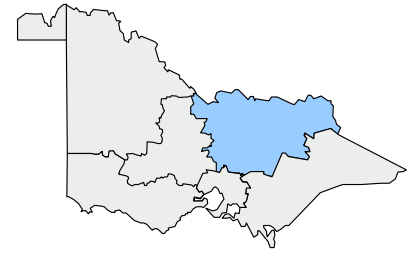
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### Economic data – Central Victoria

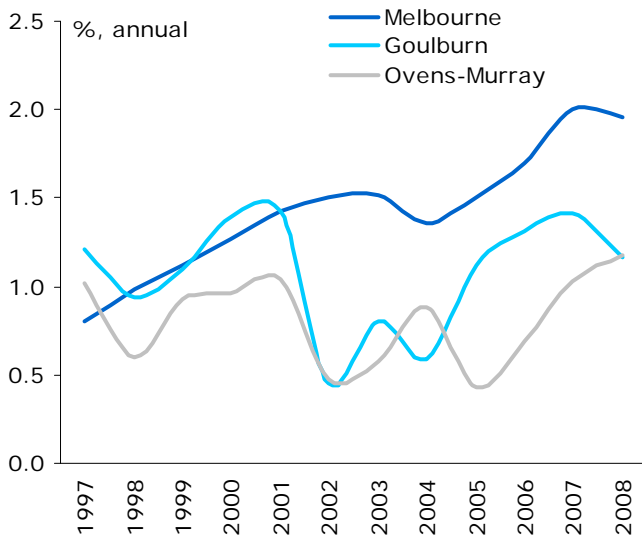
Monthly data (trend)	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Residential building approvals, \$mn	186	187	189	192	195	198	200	--
Non-res building approvals, \$mn	114	119	126	132	140	147	155	--
Employment, annual % change	-8.7	-7.3	-5.2	-3.1	-1.3	0.2	1.5	2.7
Unemployment rate, %	7.5	7.5	7.3	7.1	6.8	6.6	6.4	6.3
Participation rate, %	61.2	62.2	63.0	63.5	63.8	64.0	64.0	64.1
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	308.5	310.0	312.4	315.1	318.4	322.5	327.4	332.0
Population, annual % change	1.3	0.5	0.8	0.8	1.1	1.3	1.5	1.4
Mean individual taxable income, '\$'000	32.1	33.8	33.9	35.5	37.2	37.5	41.1	--
Average farm debt, '\$'000	128	132	153	123	144	188	240	312
Equity ratio, %	89	91	90	93	92	91	78	90
Average rural land holding, \$mn	1.02	1.17	1.24	1.43	1.51	1.80	2.45	2.73

Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.

## North East Victoria

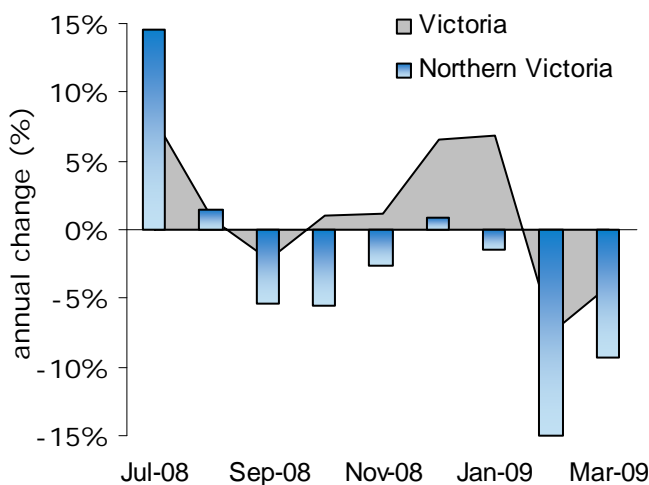


The region's population has grown by nearly 1% p.a. over the last decade



Source: ABS, ANZ

Northern Victorian milk production fell sharply in February as no rainfall, low water allocations and a pull-back in the milk price all took a toll



Source: Dairy Australia, ANZ

- Despite the agriculture sector performing less than optimally due to a prolonged period of low rainfall and irrigation allocations, the region's population has grown by nearly 1% p.a. over the last decade. Unlike some other parts of Victoria where population growth has been concentrated in the major regional centres, the rate of population growth in the larger towns of Shepparton and Wodonga has been very similar to the overall region.
- Farm dairy milk production collapsed in February as no rainfall, poor water allocations and the cut in milk prices (announced by manufacturers before Christmas) came into effect. At a district level, a total of just 6mm of rain fell in the Goulburn Valley region during January and February 2009 compared to a normal year of 100mm of rain over these two summer months. With irrigation water allocations also low, pasture production fell accordingly.
- Business sentiment in the region is said to be lower than this time last year, with the outlook for retail and motor vehicle sales especially subdued.
- The increase in the First Home Owners Grant for new residential property appears to be doing little to stimulate the market in the region. The value of residential building approvals has slipped 20% over the last 12 months, with current levels now at an 8 year low.
- Declines in employment are slowing, after a significant downward adjustment in labour demand in 2008. The unemployment rate is defying the national trend by falling, and is also well below the national average.

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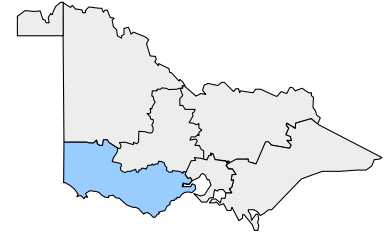
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### Economic data – North East Victoria

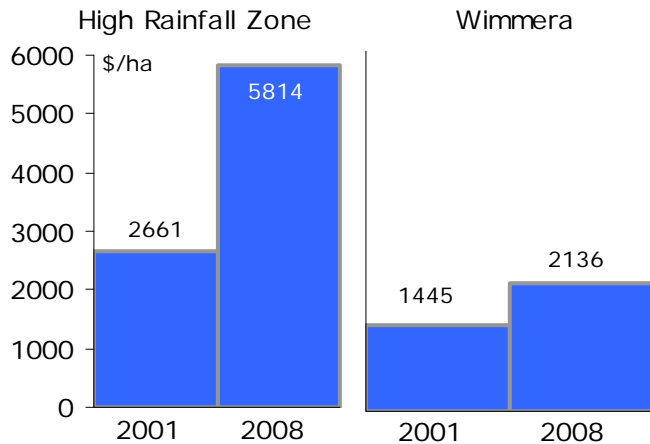
Monthly data (trend)	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Residential building approvals, \$mn	152	149	146	143	140	136	135	--
Non-res building approvals, \$mn	82	82	83	84	86	88	87	--
Employment, annual % change	-12.5	-12.8	-11.8	-9.9	-7.4	-5.0	-2.8	-1.0
Unemployment rate, %	4.6	4.3	4.1	4.0	4.0	4.0	4.0	3.9
Participation rate, %	57.7	56.7	56.2	56.1	56.3	56.5	56.7	57.0
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	287.2	288.5	290.7	292.6	295.3	298.5	302.4	305.9
Population, annual % change	1.3	0.5	0.7	0.7	0.9	1.1	1.3	1.2
Mean individual taxable income, '\$'000	31.8	32.8	33.1	34.5	36.5	36.8	39.7	--
Average farm debt, '\$'000	137	141	126	131	158	197	227	300
Equity ratio, %	90	92	92	94	93	93	86	91
Average rural land holding, \$mn	1.18	1.29	1.31	1.67	1.83	2.29	2.53	2.89

Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.

## South West Victoria

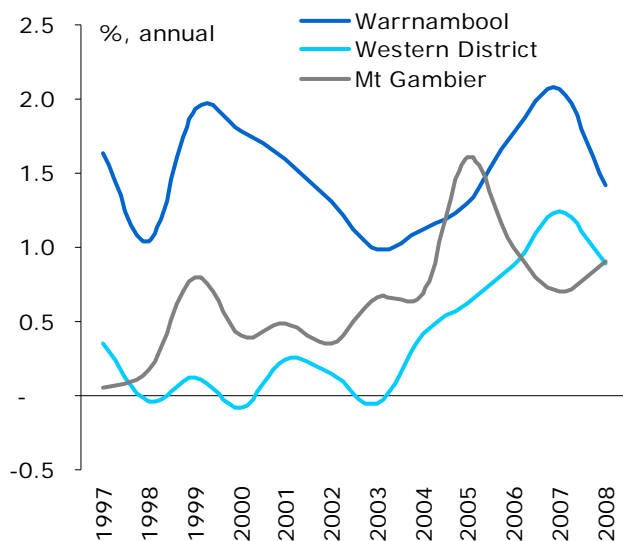


Agricultural land in the high rainfall zone in Victoria has increased in value by 120% over the last 7 years



Source: ANZ, ABARE

The rate of population growth in Warrnambool has been particularly strong over the last decade



Source: ABS, ANZ

- Capital appreciation of agricultural land in Victoria's South West has outperformed that of the Wimmera region. We estimate the average value of agricultural land in the high rainfall zone in Victoria has risen by 120% in the last 7 years. Based on ABARE Farm Survey data, the average price of farm land in 2001 was \$2,661 per hectare and by mid-2008 had risen to \$5,814/ha. By comparison land values have risen by just 50% in the Wimmera over the same period.
- Warrnambool's prominence as a regional centre has increased over the last decade. Warrnambool's population has grown at an average rate of 1.5% p.a. since 1998, a rate of growth similar to metro Victoria and well above the Western District average of just 0.4% p.a.
- Warrnambool is now the most expensive of the major Victorian regional centres, with a median house price of \$293,000. This is around 20% higher than the median house price in Shepparton, Bendigo, Wodonga and Ballarat.
- Employment growth in the South West turned negative in late 2008 for the first time since 2004. This, plus a steady participation rate, has pushed the unemployment rate sharply higher. From mid-2007 to the end of 2008, unemployment in the region averaged just 3.6% but it has since risen to over 6%.
- The recent slowdown in employment stems from weaker activity in the forestry sector, transport and engineering sectors. Residential building approvals have also slowed.

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### Economic data – South West Victoria

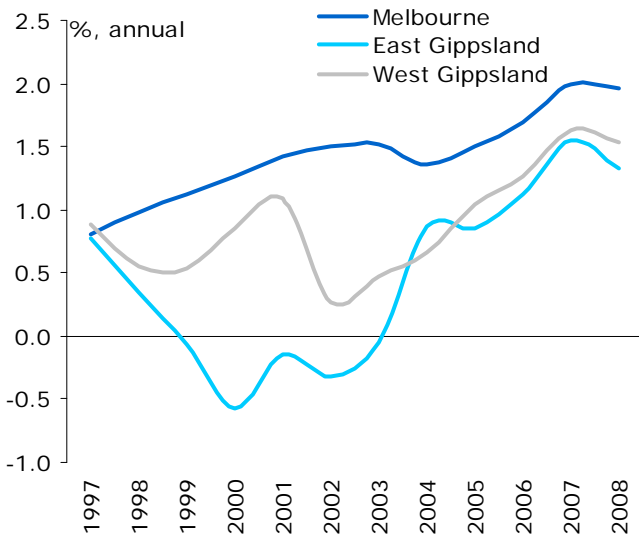
Monthly data (trend)	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Residential building approvals, \$mn	265	259	254	249	245	240	235	--
Non-res building approvals, \$mn	130	128	126	126	126	130	132	--
Employment, annual % change	2.5	0.8	-1.0	-2.5	-3.5	-4.1	-4.4	-4.3
Unemployment rate, %	3.3	3.4	3.8	4.4	5.1	5.7	6.3	6.8
Participation rate, %	64.5	64.3	64.0	64.0	64.0	64.1	64.2	64.5
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	355.2	358.4	360.9	364.1	367.9	372.2	378.0	383.4
Population, annual % change	1.3	0.9	0.7	0.9	1.0	1.2	1.6	1.4
Mean individual taxable income, '\$'000	32.9	35.2	35.3	36.8	39.1	39.1	42.3	--
Average farm debt, '\$'000	145	150	99	139	171	205	215	289
Equity ratio, %	91	92	94	94	93	94	93	92
Average rural land holding, \$mn	1.33	1.41	1.38	1.91	2.16	2.79	2.60	3.05

Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.

## South East Victoria

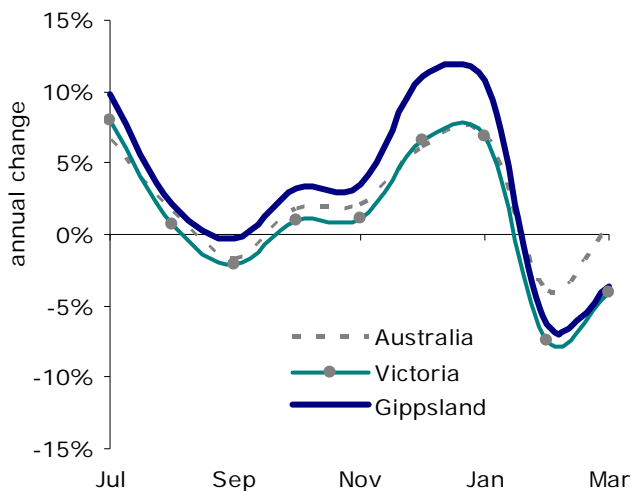


Population growth in Gippsland has been particularly strong over the last 2 years



Source: ABS, ANZ

Milk production in December and January jumped sharply compared with the same time last year



Source: Dairy Australia, ANZ

- East Gippsland has averaged only half the population growth of West Gippsland over the last decade. But over the last 2 years, both parts of Gippsland have recorded their highest rate of population growth in over a decade. The town of Traralgon, with a current population of 29,500, has grown the fastest of any major Victorian town, at 2.3% p.a.
- One of the attractions of Traralgon remains relatively cheap housing. Despite being some 50km closer to Melbourne than Sale, the median house price in Traralgon is \$218,500, \$32,000 cheaper than the current median price in Sale.
- During the early 1990s recession, unemployment in Victoria's South East reached 16%, well above the national average of 10% at the time. So far in this recession cycle, the South East is performing better than the national average. While the unemployment rate has started to rise, reaching around 5% in recent months, this is still well below the national unemployment rate of 5.5%.
- Construction activity has slowed over the last 6 months for both residential and commercial property. Building approvals have fallen to 3 year lows in the area, down by 15%-25% compared with this time last year.
- Milk production in Gippsland jumped strongly in the months of December and January, a combination of above average rainfall in November and December and farmers looking to capitalise on the high milk prices before the announced step-down in prices came into effect.

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### Economic data – South East Victoria

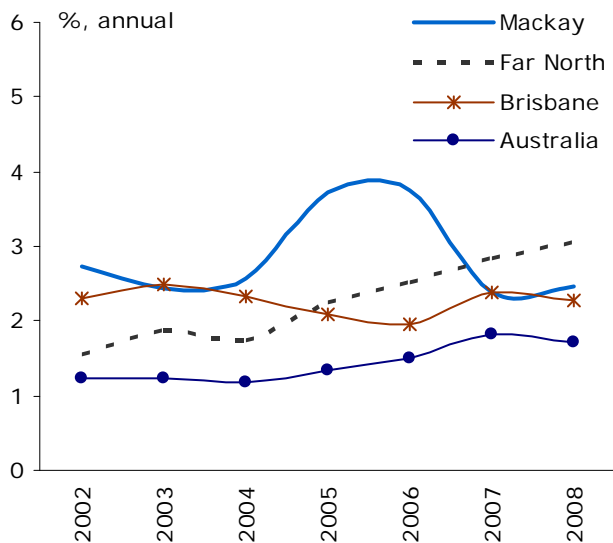
Monthly data (trend)	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Residential building approvals, \$mn	197	193	188	184	179	174	170	--
Non-res building approvals, \$mn	71	68	66	64	62	59	59	--
Employment, annual % change	0.0	0.0	0.1	0.3	0.3	0.0	-0.6	-1.1
Unemployment rate, %	3.9	4.0	4.1	4.3	4.5	4.7	4.9	5.1
Participation rate, %	61.5	61.4	61.2	60.8	60.4	59.9	59.4	59.0
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	240.4	240.6	241.3	243.0	245.4	248.4	252.4	256.1
Population, annual % change	0.7	0.1	0.3	0.7	1.0	1.2	1.6	1.5
Mean individual taxable income, '\$000	32.3	33.2	34.4	35.5	37.5	37.4	39.7	--
Average farm debt, '\$000	145	150	99	139	171	205	215	289
Equity ratio, %	91	92	94	94	93	94	93	92
Average rural land holding, \$mn	1.33	1.41	1.38	1.91	2.16	2.79	2.60	3.05

Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.

## North Queensland

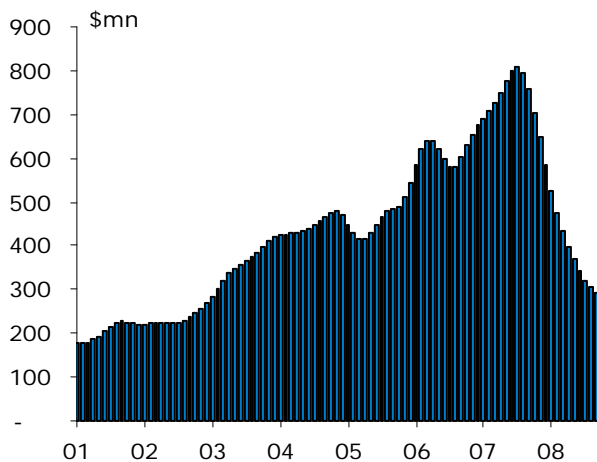


### North Queensland's population growth has outstripped the Australian average



Source: ABS, ANZ

### A dramatic fall in residential building approvals highlights the slowdown in residential construction



Source: ABS, ANZ

- The major regional centres along the coast have experienced exceptional population growth in recent years. Cairns's population has grown from 115,000 people in 2002 to 142,000 residents last year (growth of 3.6% p.a.). Mackay's population has increased at an average rate of 3.3% p.a. over the last 6 years, while Townsville's population has risen by 12,000 residents or an average growth of 2.1% p.a.
- The slowdown in new residential property, as indicated by falling residential building approvals, has been especially dramatic in this region. At the peak of optimism in early 2008, the monthly value of residential building approvals reached \$800 million. Most recently, monthly approvals have fallen to just \$300 million.
- The local residential apartment/unit market is now suffering from excess supply, all built in recent years.
- The commercial property sector has also deflated quickly. This time last year, monthly non-residential (commercial & government) building approvals reached \$500 million per month but have since more than halved.
- In Cairns, some restaurants, tourism operators (accommodation) and car dealerships are reporting trading conditions to be more difficult, while businesses at the less discretionary end of spending such as groceries, fuel and take-away food are maintaining revenues. This is also the case nationally.
- Employment growth has slowed, but still remains firmly in positive territory. The unemployment rate is creeping up, averaging 5.8% in recent months.

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### Economic data – North Queensland

Monthly data (trend)	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Residential building approvals, \$mn	433	398	370	344	322	305	291	--
Non-res building approvals, \$mn	408	376	342	308	276	251	208	--
Employment, annual % change	7.0	7.7	8.1	8.0	7.5	6.6	5.6	4.6
Unemployment rate, %	4.1	4.3	4.7	5.1	5.4	5.6	5.8	5.8
Participation rate, %	72.9	73.1	73.1	73.1	72.9	72.6	72.3	72.0
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	586.3	596.4	606.9	617.5	633.2	650.2	666.8	684.2
Population, annual % change	1.1	1.7	1.8	1.8	2.5	2.7	2.5	2.6
Mean individual taxable income, '\$'000	31.2	32.3	35.6	38.0	40.9	42.5	46.5	--
Average farm debt, '\$'000	216	227	326	330	167	302	76	292
Equity ratio, %	91	94	95	95	98	97	99	96
Average rural land holding, \$mn	3.42	4.04	5.24	6.11	6.46	6.77	4.93	7.57

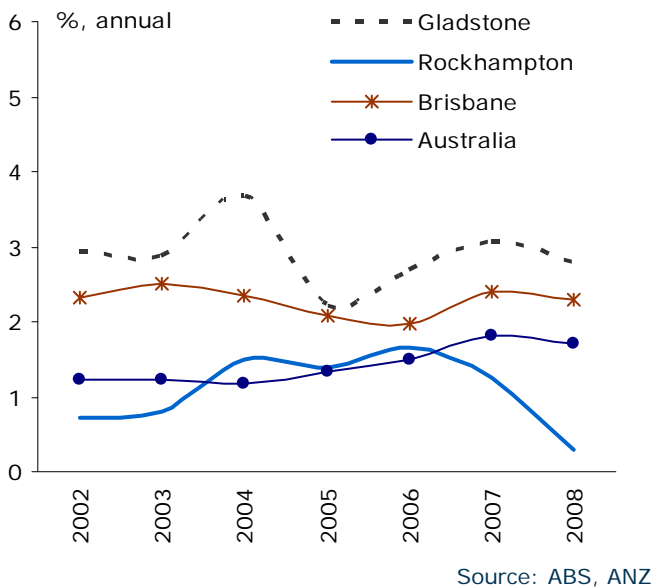
Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.



## Central Queensland

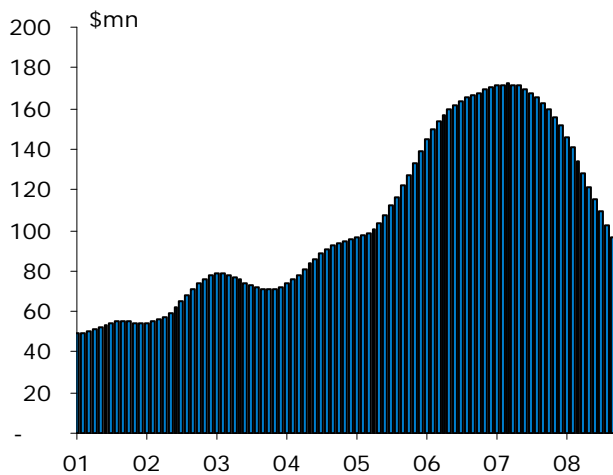


### Gladstone's population has grown at a much faster rate than many other areas



- The Australian beef industry has just completed its triennial 'Beef Australia' expo (4<sup>th</sup> to 9<sup>th</sup> May) in Rockhampton, providing a major short-term boost to the local economy. The event had around 400 trade fair sites and over 60,000 visitors, with a week long programme of cattle competitions, seminars, property tours and education activities. The event also attracts over 600 overseas buyers looking to purchase Australian beef genetics.
- The city of Gladstone's population grew by 2.8% in 2008, the same rate of growth achieved in the 5 years prior. Rockhampton grew by just 0.3% in 2008, and over the last 6 years its population has grown by just 1.1% p.a.
- Gladstone's population looks set to continue to grow strongly in the medium term, given the current development plans of LNG plants at the Port of Gladstone. Currently, three different syndicates are each vying to develop an LNG export facility. Each LNG project will require 3,000-4,000 people during the construction phase and once operational, a permanent staff of 200.
- As is happening elsewhere in Queensland, new property developments have slowed considerably. Residential and non-residential building approvals are at 4 and 5 year lows respectively.
- Employment growth remains strong, but the rising participation rate means the unemployment rate has risen anyway.

### Residential building approvals have hit a 4 year low



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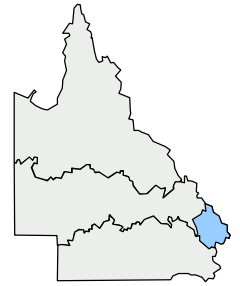
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### Economic data – Central Queensland

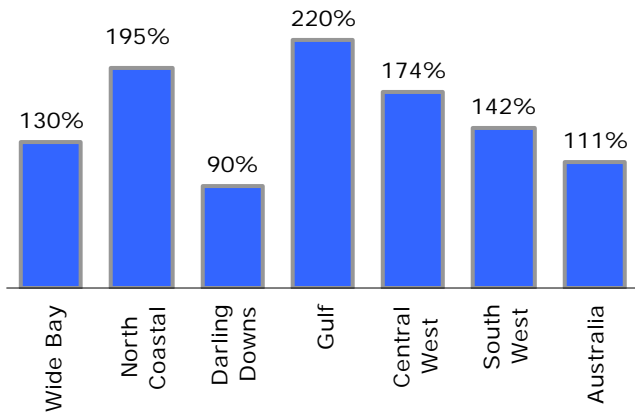
Monthly data (trend)	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Residential building approvals, \$mn	134	128	122	115	109	103	97	--
Non-res building approvals, \$mn	65	58	51	46	41	37	32	--
Employment, annual % change	1.5	1.7	1.8	2.1	2.5	2.9	3.4	3.8
Unemployment rate, %	3.7	3.6	3.7	4.0	4.4	4.8	5.2	5.5
Participation rate, %	68.9	69.4	70.0	70.6	71.1	71.4	71.7	71.8
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	200.1	203.1	206.2	210.4	213.9	218.7	223.3	227.0
Population, annual % change	3.8	1.5	1.5	2.0	1.7	2.2	2.1	1.6
Mean individual taxable income, '\$'000	30.3	31.6	33.7	36.8	40.6	42.3	43.7	--
Average farm debt, '\$'000	364	623	340	597	718	566	433	596
Equity ratio, %	88	85	90	87	86	89	91	90
Average rural land holding, \$mn	2.11	2.82	2.90	3.37	3.96	3.92	3.78	4.53

Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.

## Wide Bay Queensland

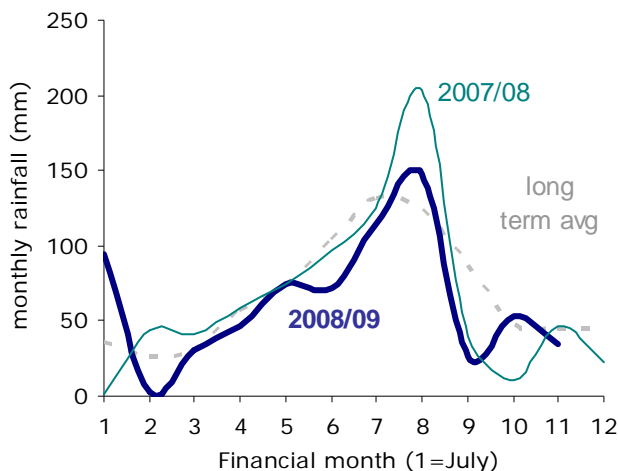


Growth in Wide Bay agricultural land values have been in the middle of the range for Queensland (% growth: 2001 to 2008)



Source: ANZ, ABARE

For consecutive seasons, rainfall patterns have been similar to long term local averages



Source: BOM, ANZ

- Based on ABARE's latest farm survey data, agricultural land values in the region have more than doubled over the last 7 years. However average farm cash incomes before interest have grown by only 20% over the same timeframe, resulting in the average return on equity for farms falling from 6% in 2001 to just 2% in 2008. Further north along the coast, from Mackay to Cairns, agricultural land values have nearly tripled.
- For consecutive seasons now, rainfall patterns have been similar to long term averages in the region. This has allowed farm production to recover, after two below average seasons in 2005/06 and 2006/07.
- After near break-neck growth in the development of the Hervey Bay region for much of this decade, the property construction market has cooled considerably. Both residential and non-residential building approvals have fallen sharply over the last 6 months, with the value of monthly approvals now at a 6 year low.
- Hervey Bay's population has grown by an extraordinary 5.5% p.a. over the last 6 years. The number of residents in the area has gone from around 40,000 people in 2002 to over 56,000 people in 2008.
- In contrast, the Bundaberg region's population, including Burnett Shire, has averaged growth of 2.3% p.a. since 2002, which is the same rate of growth that Brisbane has achieved.
- The employment market in the region has stabilised, with both employment growth and the unemployment rate static but above the national average.

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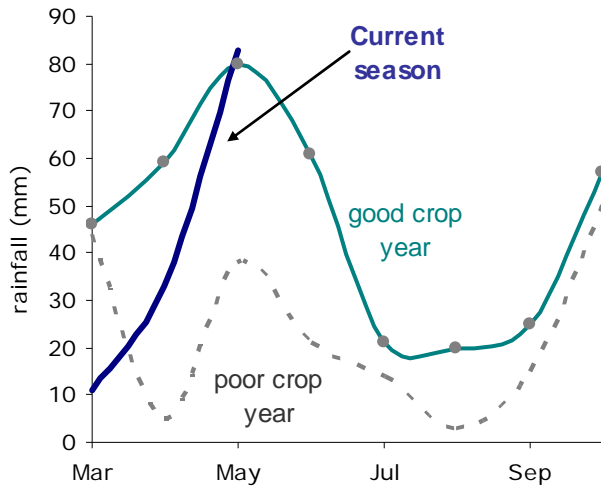
### Economic data – Wide Bay Queensland

Monthly data (trend)	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Residential building approvals, \$mn	176	171	167	164	160	158	157	--
Non-res building approvals, \$mn	61	57	52	46	41	37	32	--
Employment, annual % change	3.1	0.9	-1.3	-2.5	-2.4	-1.5	0.0	1.5
Unemployment rate, %	6.6	6.7	6.7	6.7	6.6	6.5	6.5	6.5
Participation rate, %	54.1	54.0	54.2	54.7	55.5	56.3	57.0	57.6
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	232.0	236.2	241.8	248.6	256.1	264.1	271.3	278.0
Population, annual % change	-0.6	1.8	2.4	2.8	3.0	3.1	2.7	2.5
Mean individual taxable income, '\$000	27.7	28.5	29.7	33.4	34.0	36.4	40.1	--
Average farm debt, '\$000	155	151	162	186	239	287	352	298
Equity ratio, %	91	93	93	93	91	91	90	93
Average rural land holding, \$mn	1.28	1.54	1.80	2.27	2.22	2.75	3.11	3.80

Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.

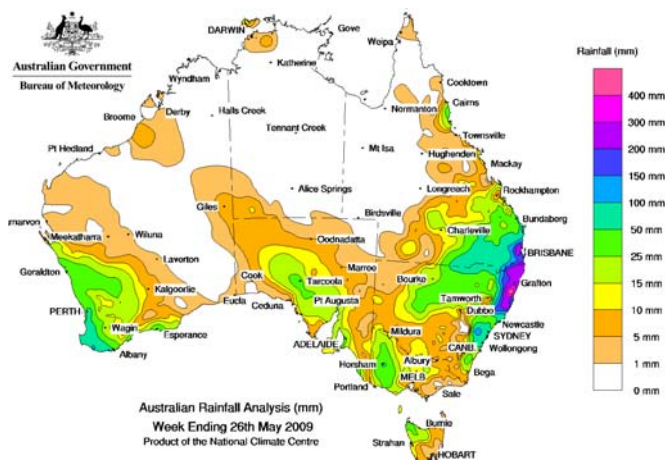
## South Queensland

Rainfall for the winter crop in the Darling Downs looks good, compared to monthly rainfall patterns in high ('good') versus low ('poor') yielding winter crop years



Source: ANZ, BOM

The rainfall event that caused flooding and damage in Brisbane and on NSW North Coast pushed west into the Darling Downs



Source: BOM

- For winter crops on the Darling Downs, high rainfall in May and June is critical to above average winter crop yields (see chart). The low pressure system that resulted in widespread flooding and damage to Brisbane and the NSW North Coast also pushed inland into the Darling Downs area, setting up the region's winter crops for average to above average yields. This comes off the back of a good sorghum crop in local areas like Pittsworth, with near record dryland yields of up to 7.5t/ha.
- For beef producers seasonal conditions are mixed, ranging from 'excellent' west of Mitchell, which received up to 100mm of rain at Easter, to 'poor' around Roma, which largely missed out on this rain. In other agribusiness industries, the chicken meat industry is continuing to grow (modestly) in the region, strawberry growers face low prices while pineapple crops have been slow to mature (but will still produce reasonable yields and prices remain good).
- Elsewhere in the local economy, sentiment is generally similar to this time last year, with the latest trends in non-residential building approvals indicating businesses are continuing to invest at growing rates.
- The region's labour market remains a clear anomaly against the rest of Australia. The unemployment rate is at an extraordinary low level, stuck below 2% with no upward trend evident. Further, employment growth is increasing strongly and one of the highest across all regions.
- The value of monthly non-residential building approvals has doubled over the last 12 months, reaching a record \$100 million in March.

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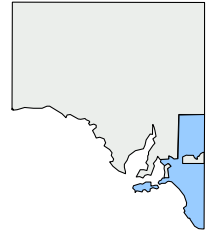
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### Economic data – South Queensland

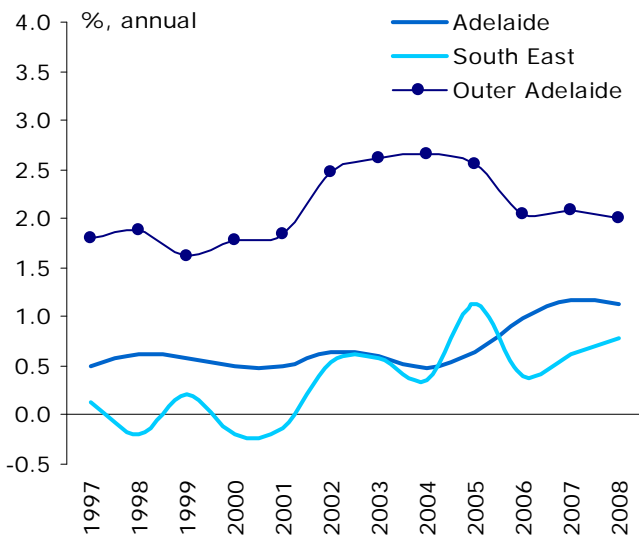
Monthly data (trend)	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Residential building approvals, \$mn	104	101	97	94	91	88	85	--
Non-res building approvals, \$mn	67	74	80	86	92	97	101	--
Employment, annual % change	0.4	2.3	4.2	5.7	6.7	7.4	8.1	8.5
Unemployment rate, %	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.6
Participation rate, %	66.1	66.2	66.4	66.6	66.9	67.3	67.6	67.9
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	236.0	238.6	241.1	243.9	248.2	252.2	255.0	257.7
Population, annual % change	0.8	1.1	1.1	1.2	1.8	1.6	1.1	1.1
Mean individual taxable income, '\$'000	24.9	26.2	28.5	29.7	32.3	32.7	34.5	--
Average farm debt, '\$'000	140	125	175	161	216	341	515	674
Equity ratio, %	90	93	90	91	90	88	87	87
Average rural land holding, \$mn	1.17	1.36	1.34	1.59	1.75	2.22	3.70	4.63

Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.

## SA East

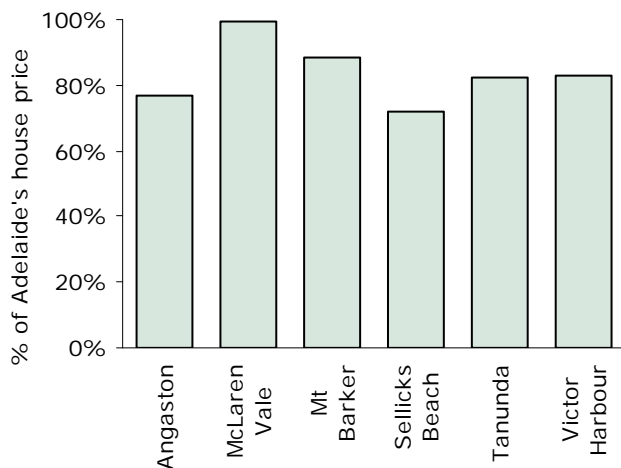


### Population growth in 'Outer Adelaide' has exceeded that of all other regions in SA



Source: ABS, ANZ

### The median house price in McLaren Vale is on par with that of Adelaide's, while some of the other towns close to Adelaide are still 20% cheaper



Source: Residex, ANZ

- Over the last decade, the population growth of 'Outer Adelaide' has exceeded that of all other regions in South Australia. This highlights the relatively short travel distances to Adelaide from places like the Barossa, Adelaide Hills, Fleurieu Peninsula, a preference for a 'regional lifestyle' and housing cheaper than inner Adelaide. This trend has continued into 2009, with on-going strong residential development in the Adelaide Hills.
- Over the last 10 years house price growth in Angaston, McLaren Vale, Mt Barker, Sellicks Beach and Victor Harbour has averaged around 11% p.a., on par with Adelaide's median house price growth over the same period. Out of these towns, McLaren Vale has the most expensive housing stock, with the median house price averaging 99% of Adelaide's. Mt Barker is the next most expensive, at around 90% of the median house price in Adelaide, while the towns making up the Barossa and Victor Harbour are around 20% cheaper than a house in Adelaide.
- The agricultural sector in this region is mixed. Good opening rains have fallen in the South East allowing a start to sowing of the broadacre winter crops. However potato and onion producers are contending with lower prices and continued restricted water allocations. Conversely the current apple crop in the Adelaide Hills is high yielding and prices are good. Pig and lamb producers are currently receiving prices above this time last year.
- Economic conditions in the region, while slowing, are still proving resilient. Unemployment growth has slowed but still remains positive. The unemployment rate is stubbornly low despite rising unemployment elsewhere in Australia. Non-residential building approvals are also bucking the national trend, with a strong uptick.

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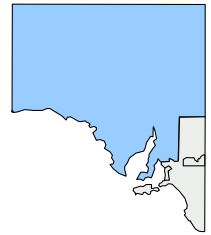
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### Economic data – East SA

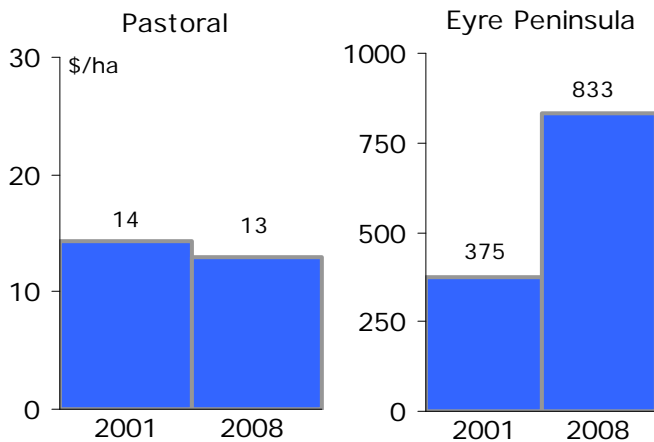
Monthly data (trend)	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Residential building approvals, \$mn	177	173	170	166	163	160	154	--
Non-res building approvals, \$mn	69	72	74	77	81	84	86	--
Employment, annual % change	14.1	12.5	10.5	8.6	7.2	6.2	5.5	5.1
Unemployment rate, %	3.5	3.3	3.2	3.1	2.9	2.7	2.5	2.4
Participation rate, %	68.5	68.5	68.3	68.1	67.9	67.8	67.7	67.6
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	245.1	248.4	251.7	255.3	259.6	262.7	266.2	269.6
Population, annual % change	0.8	1.3	1.3	1.4	1.7	1.2	1.3	1.3
Mean individual taxable income, '\$'000	32.3	34.4	35.4	36.6	37.5	36.9	40.3	--
Average farm debt, '\$'000	182	198	231	237	269	348	371	359
Equity ratio, %	88	89	90	92	91	90	90	90
Average rural land holding, \$mn	1.28	1.45	2.04	2.46	2.42	2.90	2.99	3.00

Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.

## SA North

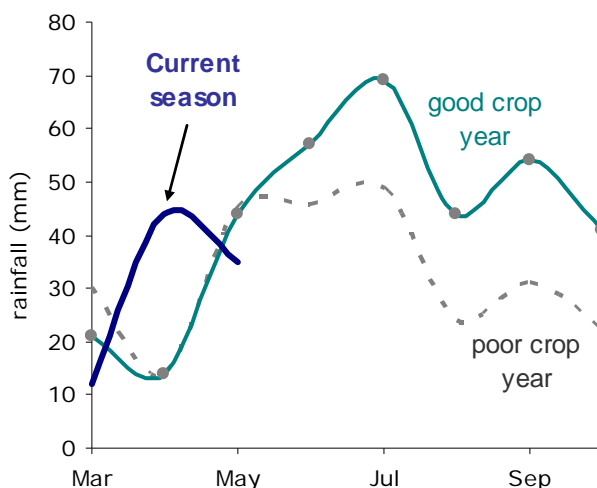


Capital growth in agricultural land has been mixed in the region



Source: ABARE, ANZ

Monthly rainfall patterns in high ('good') versus low ('poor') yielding winter crop years on the Yorke Peninsula and season-to-date rainfall



Source: ANZ, BOM

- Agricultural land values in South Australia's northern pastoral region are among the few regions across Australia not to record any capital growth over the last 7 years. In contrast, land values along the Eyre Peninsula have risen by 120% over the last 7 years, to approximately \$830 per hectare.
- In late April farmers in the Mid-North started dry sowing in anticipation of rain. They weren't disappointed, with some areas receiving up to 75mm of rain over just a few days. However, the key period that determines a 'good' winter crop tends to be from June onwards.
- In total, the region is likely to plant a smaller winter crop than last year, with farmers taking a more conservative approach, with sentiment swinging back to favour livestock within farming enterprises.
- In areas that received good opening season rains (and driven by the government's 30% tax rebate on equipment), sales of farming equipment have been strong.
- While residential building approvals have slowed in the region, the government's First Home Owners Grant continues to drive the residential property market below \$400,000. Non-residential building approvals have held steady over the last six months.
- The employment market has rebounded after a contraction in 2008. Strong employment growth since December 2008 has pushed the unemployment rate below mid-2008 levels.

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### Economic data – North SA

Monthly data (trend)	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Residential building approvals, \$mn	89	86	84	81	79	78	75	--
Non-res building approvals, \$mn	44	44	44	44	44	44	43	--
Employment, annual % change	-5.1	-1.7	1.4	3.8	5.3	6.0	6.2	6.0
Unemployment rate, %	6.3	5.9	5.5	5.3	5.2	5.2	5.4	5.6
Participation rate, %	61.0	61.4	61.6	61.6	61.5	61.5	61.5	61.5
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	158.6	157.7	157.8	158.0	158.4	159.3	160.5	161.6
Population, annual % change	-0.5	-0.5	0.0	0.1	0.3	0.6	0.7	0.7
Mean individual taxable income, \$'000	31.9	38.2	40.3	37.2	38.0	34.0	37.3	--
Average farm debt, \$'000	140	197	260	284	254	263	253	386
Equity ratio, %	90	88	88	90	90	92	82	86
Average rural land holding, \$mn	1.20	1.18	1.85	2.09	1.98	2.18	2.02	2.42

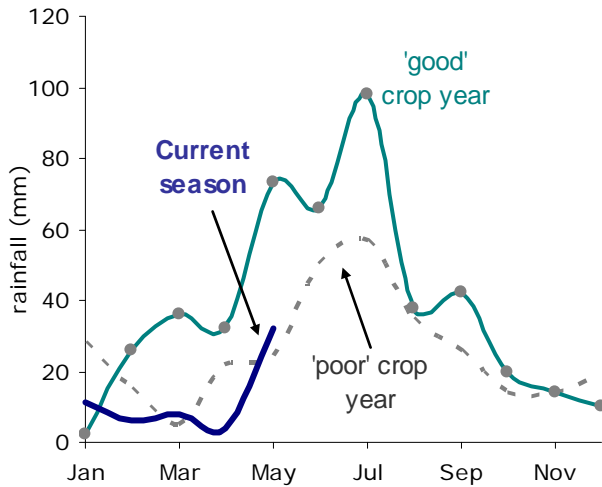
Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.



## North WA

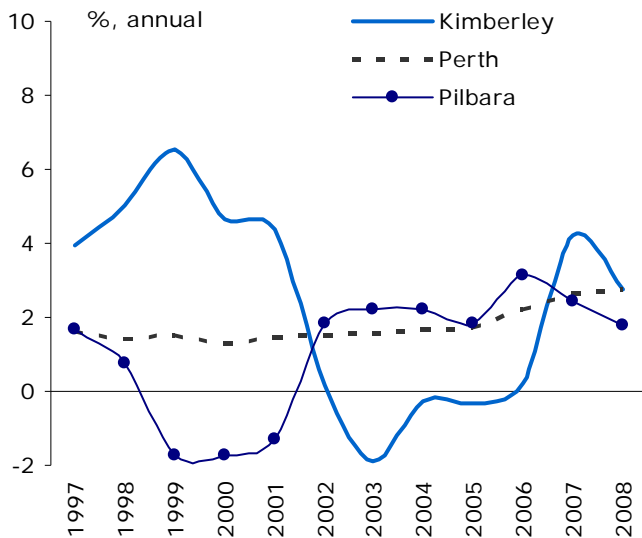


WA's Northern wheat belt was extremely dry in April but rain in recent weeks has allowed farmers to sow winter crops



Source: ANZ, BOM

The Kimberley's population has been one of the fastest growing regions in Australia



Source: ABS, ANZ

- Employment growth in the region has been notably negative for more than 12 months, with the unemployment rate rising rapidly from a very low level.
- WA's Northern wheat belt was extremely dry leading into May but rain in recent weeks has allowed farmers to finally sow winter crops. ANZ's analysis of monthly rainfall patterns in 'good' crop years (high yielding) versus 'poor' crop years (low yielding) in WA's Northern wheat belt highlights the risk farmers face in 2009 given low rainfall trends to-date.
- The beef industry in the Kimberley is performing well after above average rainfall in the wet season. Confidence in the horticultural industry is good, with WA banana prices at a premium to the eastern states.
- Despite significant headwinds for the Australian tourism industry, early indications are that forward bookings in Broome and Carnarvon are similar to last year.
- Over the last decade population growth in the Kimberley has averaged 2.3% p.a. (one of the fastest growing regions in Australia), with the number of residents growing by over 3% per year in the last 2 years. The epicentre of this growth is Broome, which has grown to 15,400 people, an increase of 5,000 since 1998.
- In Kalgoorlie, the gold mining industry is still on track since gold prices haven't followed other commodities downwards. Construction activity in the region is still strong (from pre-existing work), but fewer new projects are being added to the pipeline.
- For the region as a whole, total building approvals are trending lower and are below their peak in 2008, but they have only fallen back to the (still strong) levels of 2007.

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### Economic data – North WA

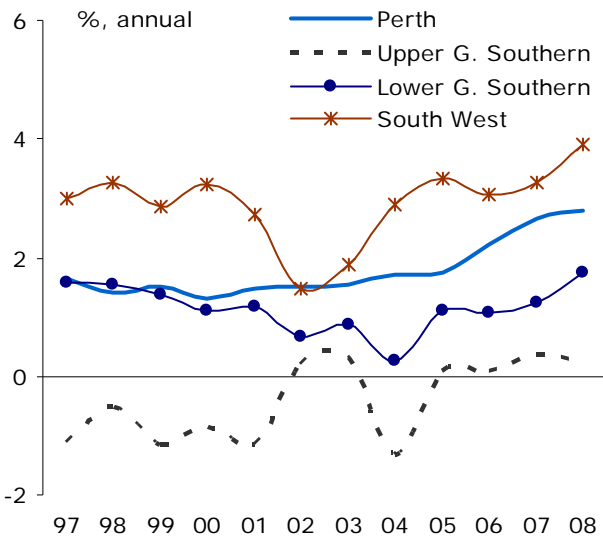
Monthly data (trend)	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Residential building approvals, \$mn	260	251	240	228	216	204	191	--
Non-res building approvals, \$mn	244	238	231	221	209	196	187	--
Employment, annual % change	-11.9	-12.3	-12.2	-11.6	-10.5	-9.1	-7.7	-6.3
Unemployment rate, %	3.2	3.3	3.6	3.9	4.2	4.5	4.8	5.0
Participation rate, %	64.1	63.7	63.5	63.6	63.9	64.3	64.7	65.0
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	188.0	188.7	189.4	189.2	190.5	192.7	197.4	201.7
Population, annual % change	0.5	0.4	0.4	-0.1	0.7	1.2	2.4	2.1
Mean individual taxable income, '\$'000	30.3	31.5	33.6	34.4	36.1	33.5	36.9	--
Average farm debt, '\$'000	436	373	379	578	545	431	541	837
Equity ratio, %	79	83	88	84	84	90	84	83
Average rural land holding, \$mn	1.46	1.61	2.63	2.91	2.31	3.01	3.28	3.33

Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.

## South WA

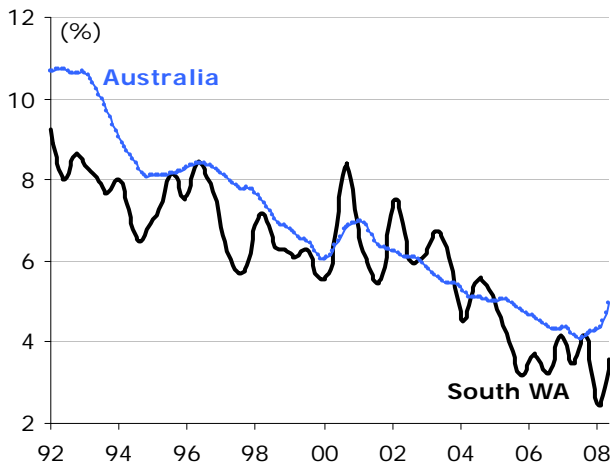


The South West's population has grown much faster than the Great Southern region



Source: ABS, ANZ

South WA's unemployment rate is still one of the lowest across regional Australia



Source: ABS, ANZ

- Despite some large, high profile retrenchments earlier in the year in the mining industry, the employment market in South WA is still one of the better performing across regional Australia. Employment growth shows no signs of abating, recording 10% growth year-on-year in March and April, as has been the trend since October last year. The unemployment rate is still one of the lowest across Australia, but has been rising of late given the sharp rise in the participation rate as more people look for work.
- The 'South West' region has had one of the highest rates of population growth across Australia over the last decade. The Busselton and Bunbury areas are the major drivers of this growth, with a population of 71,000 people in 1998 rising to 104,000 residents in 2008.
- The disparity in population growth between the Upper and Lower Great Southern (see chart) reflects the importance of having a major town in a region, which the Upper Great Southern does not have. In the Lower Great Southern, Albany's population increased by 6,500 residents from 1996 to 2008, accounting for 90% of the population growth across the Lower Great Southern over that period.
- Except for the Esperance region, there was very little rainfall in the months leading up to the ANZAC day weekend, which is seen as the traditional date when winter crops can be sown. As a result of very low soil moisture reserves, the majority of farmers had to wait to commence sowing until the second half of May, when around 25mm of rain fell.

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### Economic data – South WA

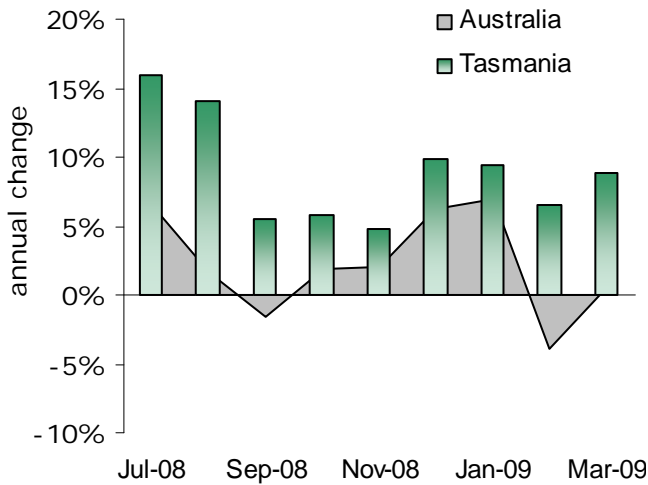
Monthly data (trend)	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Residential building approvals, \$mn	341	329	317	307	299	290	281	--
Non-res building approvals, \$mn	130	125	118	111	102	94	84	--
Employment, annual % change	10.2	10.7	10.8	10.7	10.5	10.3	10.0	9.8
Unemployment rate, %	2.5	2.4	2.7	3.1	3.6	4.0	4.4	4.7
Participation rate, %	68.0	68.5	68.8	69.2	69.5	69.8	70.0	70.2
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	320.2	323.6	327.8	333.1	340.8	347.9	356.4	367.0
Population, annual % change	1.8	1.1	1.3	1.6	2.3	2.1	2.4	3.0
Mean individual taxable income, '\$'000	32.6	34.6	37.9	39.6	41.2	36.6	39.7	--
Average farm debt, '\$'000	418	458	465	565	689	743	943	859
Equity ratio, %	83	85	86	86	84	84	74	83
Average rural land holding, \$mn	2.02	2.31	2.66	3.21	3.50	3.73	4.51	4.31

Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.

## Tasmania

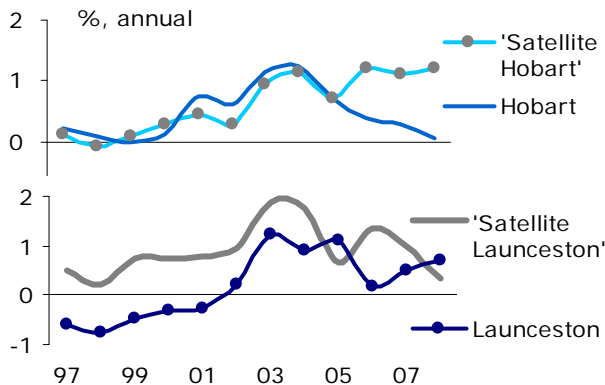


Tasmanian milk production is running well above the previous season, with even a 30% drop in milk prices in February failing to curb volumes



Source: Dairy Australia, ANZ

The strongest population growth in the state has occurred in the 'satellite' regions around Hobart and Launceston



Source: ABS, ANZ

- So far in 2008/09, milk production in Tasmania is 8% higher year-on-year. Fonterra, the major buyer of milk in Tasmania, announced in January a 32% decline in the milk price paid to farmers from February. Seasonal conditions have been particularly favourable in recent months for maximum pasture production in the major dairy regions, allowing the amount of supplementary feeding to be reduced without compromising production.
- Over the last decade Tasmania's population has grown at an average rate of 0.4% p.a. In the four years to 2001, Tasmania's population was in mild decline, but since 2003 this trend reversed, with the population growing at nearly 1% p.a. since then.
- Of the four largest towns/cities in the state: Hobart's population has grown at a slightly faster rate (+0.5% p.a.) than the state average; Launceston's population has increased on average by just 0.2% p.a. over the last decade; while Burnie and Devenport's populations are virtually unchanged compared with a decade ago. The strongest population growth in the state has actually occurred in the satellite regions directly around Hobart and Launceston, with these regions growing on average by 0.6% and 0.9% p.a. respectively since 1998.
- In July 2008 Tasmania's unemployment rate fell below the national average after decades of persistently higher unemployment than the national figure. Despite rising since then, it has persisted below the Australian average, reaching 5.3% in April.
- While both non-residential and residential building approvals have fallen from their peak in 2008, construction activity has only fallen back to the still solid levels of 2007.

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### Economic data – Tasmania

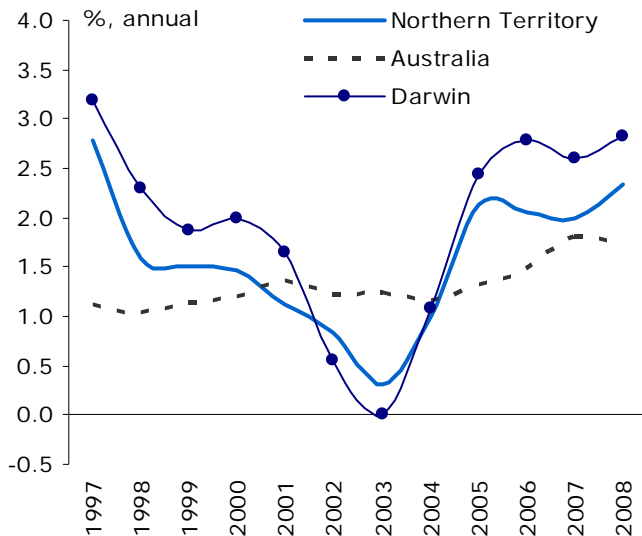
Monthly data (trend)	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Residential building approvals, \$mn	61	60	59	58	57	56	55	--
Non-res building approvals, \$mn	41	40	38	37	36	34	33	--
Employment, annual % change	5.0	4.6	4.2	3.7	3.2	2.6	1.9	1.0
Unemployment rate, %	4.0	4.1	4.2	4.4	4.6	4.8	5.0	5.3
Participation rate, %	62.4	62.4	62.3	62.1	62.0	61.9	61.9	61.8
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	471.8	472.8	477.6	482.8	486.3	490.0	493.2	497.5
Population, annual % change	0.1	0.2	1.0	1.1	0.7	0.7	0.7	0.9
Mean individual taxable income, '\$'000	33.6	34.3	35.5	37.6	39.5	40.4	44.2	--
Average farm debt, '\$'000	173	167	200	157	218	294	375	284
Equity ratio, %	87	88	89	92	91	91	81	91
Average rural land holding, \$mn	1.08	1.12	1.34	1.54	2.23	2.67	2.94	2.64

Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research; Note: the table includes data on Hobart.

## Northern Territory

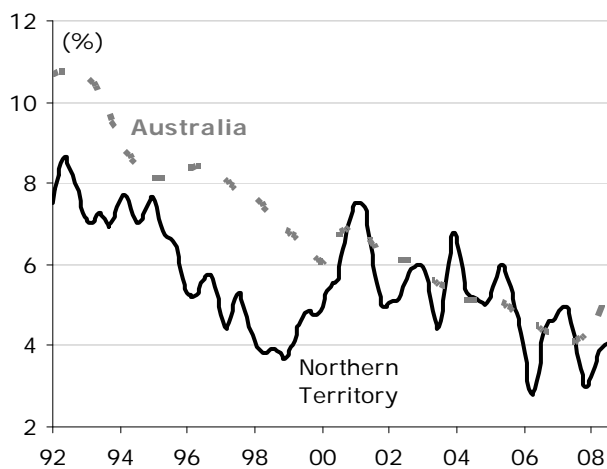


The Northern Territory's population growth has been strong since 2004



Source: ABS, ANZ

The Northern Territory's unemployment rate is just 4.1% compared with the national average of 5.4%



Source: ABS, ANZ

- The Northern Territory's economy continues to be resilient, with solid employment growth keeping the unemployment rate stubbornly low. The Northern Territory's unemployment rate currently stands at 4.1%, having risen by just 0.2 percentage points over the last four months. This compares with Australia's unemployment rate of 5.4% in April, a rise of 0.9 percentage points since December 2008.
- Very strong growth in retail sales also highlights the disparity between trends in the Northern Territory and broader Australia. Retailers in the Northern Territory have enjoyed over two years of consecutive double digit year-on-year growth.
- One component of this growth in retail sales has been the exceptional strong period of population growth. From 2005 to 2008, the Northern Territory's population has grown by 2% p.a. or 20,000 people in four years. Over the last decade the most striking growth in the NT has been at Palmerston. The population of this 'satellite suburb' of Darwin and its surrounds has nearly doubled in the last decade, from 15,000 in 1997 to 29,000 people in 2008.
- This strong population growth is driving demand for housing in the NT, with supply of new housing unable to match demand.
- Northern Territory residential building approvals at a five year low (despite strong demand), averaging just \$25 million per month and weekly median house rents in Darwin higher than Sydney or Melbourne. The state government is trying to address the issue with new initiatives such as 'Land to Grow' and 'Homestart NT'.

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### Economic data – Northern Territory

Monthly data (trend)	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Residential building approvals, \$mn	28	28	27	27	26	26	25	--
Non-res building approvals, \$mn	26	25	25	24	23	22	22	--
Employment, annual % change	2.6	2.5	2.7	3.2	3.8	4.4	5.0	5.4
Unemployment rate, %	3.2	3.5	3.7	3.9	4.0	4.0	4.1	4.1
Participation rate, %	72.1	72.3	72.6	73.1	73.5	74.0	74.5	74.9
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	197.8	199.4	200.0	202.1	206.4	210.6	214.8	219.8
Population, annual % change	1.1	0.8	0.3	1.0	2.1	2.1	2.0	2.3
Mean individual taxable income, '\$000	37.9	39.3	40.7	43.0	45.7	47.5	51.3	--
Average farm debt, '\$000	1207	724	1119	700	483	687	1011	1728
Equity ratio, %	79	93	83	91	95	96	77	89
Average rural land holding, \$mn	3.74	3.87	3.23	4.10	5.52	8.46	12.79	18.08

Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research; Note: the table includes data on Darwin.

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