# ANZ Regional and Rural Quarterly

## December quarter 2008

**02 December 2008**

**Authors:**

**Tony Pearson**
Deputy Chief Economist and Head of Industry and Strategic Research
+61 3 9273 5083
Tony.Pearson@anz.com

**Mark Rodrigues**
Senior Economist, Industry and Strategic Research
+61 3 9273 6286
Mark.Rodrigues@anz.com

**Julie Toth**
Senior Economist, Industry and Strategic Research
+61 3 9273 6252
Julie.Toth@anz.com

**Paul Deane**
Economist, Industry and Strategic Research
+61 3 9273 6295
Paul.Deane@anz.com

**Our Vision**:

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.

## Welcome

You don't have to read this report to know that times are tough. Markets around the world have experienced unprecedented turbulence over the past year, particularly in recent months.

The effects of the financial crisis are being felt throughout the world, including in Australia as people tighten their belts.

2009 is expected to be challenging and nowhere will this be more apparent than in the many rural communities that are already struggling in the face of unrelenting drought. Regional Australia is also having to deal with the fact that the prices of many major export commodities are declining and could fall further next year.

Thankfully, the lower Australian dollar is providing some relief to our exporters and an improved outlook for tourism in regional areas such as Cairns. The recent boost to assistance for first-home buyers will also be welcome, as will falling interest rates and Federal Government efforts to stimulate the broader economy, especially through infrastructure spending.

There is at least some cause for optimism in the medium to long term as Australia is not expected to be as heavily impacted by the global financial crisis as many other countries. Meanwhile, the resilience of rural Australians will be tested and the importance of mutual support will never be greater.

I sincerely wish all readers good fortune in the months ahead, and trust that you enjoy a safe and happy festive season with friends and family.

Mark Hand
ANZ General Manager
Commercial/Agribusiness

*If you would like to comment on any information featured in this edition, please contact me at mark.hand@anz.com or your local ANZ regional general manager.*

## Inside



## ANZ regional and rural services

ANZ offers a comprehensive range of services in regional and rural Australia. To find out how we can assist you, contact your regional general manager:

| | | |
|---|---|---|
| NSW/Qld: Hamish Davidson | ☎03 9273 5616 | hamish.davidson@anz.com |
| Vic/Tas: Tania Foster | ☎03 9683 8387 | tania.foster@anz.com |
| WA/SA/NT: Frank Fragnito | ☎08 8218 8753 | frank.fragnito@anz.com |

**This publication was finalised on 26th November 2008**

**Tony Pearson**
Deputy Chief Economist

# The Big Picture: financial pressures ease as interest rates and the A$ decline

**A recession is now expected in the 'developed' economies**

The international environment continues to deteriorate. Economic activity in the major developed economies has decelerated further, and the USA, Europe and the UK are either in or will soon be in recession. Developed country growth in 2009 will be the weakest since 1982 – that is, the weakest in over a quarter of a century. Growth in emerging economies is also slowing, partly as a result of a slowing in the flow of exports to the developed economies, but also due to a slowing in domestic demand. Nevertheless, these economies, which are of greater importance to Australia from an export point of view, will continue as a group to record solid if not spectacular rates of growth.

The fall in asset prices across the globe is also intensifying. Share markets continue to plumb new multi-year lows, house prices are falling in most developed countries and commercial property prices are weak.

**The prices of some of Australia's bulk commodities are expected to fall further**

Commodity markets have not been immune to these developments. Spot commodity prices are well off their highs. We now expect the contract prices of our major export commodities to decline substantially in 2009, with iron ore and coking coal prices in US$ to fall 50%, and with thermal coal to decline 40%. There are anecdotal reports of reduced demand in some export markets, leading to domestic production cutbacks at some mines, deferral of investment, and job losses. Prices of agricultural commodities are also soft. On average we expect the Reserve Bank rural price index – an index which shows an overall average value of rural commodity prices relevant to Australia - to be 9% lower in US$ than current levels by end 2009.

**The Australian business environment in 2009 will be the most challenging in nearly two decades**

Domestic economic activity is decelerating. While policy makers wanted the economy to cool so as to moderate excessive price pressures, there is now concern that it is slowing more than desired, with weaker activity offshore and declining domestic asset prices exerting a powerful deflationary effect. The tightness in the labour market is expected to ease as a consequence of reduced demand for labour, with the unemployment rate likely to rise to around 6% by end 2009, up from 30 year lows around the low "4s" of recent months. The economic environment over the next year or two is likely to be the most challenging that businesses and households have faced since the recession of the early 1990s.

**Falls in interest rates and in the A$ will ease financial pressures in rural and regional Australia**

There is however some good news within this generally subdued backdrop. The Reserve Bank is now slashing interest rates. The cash rate has been reduced by 2% in three steps, with cuts of 25bp, 100bp, and 75bp over three months. And the Reserve has hinted there are further cuts to come. From the current level of 5.25% we expect the cash rate could be cut to 3.5% by end 2009, the lowest level since the Reserve began targeting inflation in the early 1990s. This move to ease monetary conditions represents a marked turnaround – it was only in February and March this year that the cash rate was lifted in the final increments in what had been a six year tightening cycle.

The A$ has fallen 40% from its July high of close to parity with the US$. From its peak of US0.985, the A$ has recently traded at just above US$0.60. The fall has been so rapid that on a number of occasions the Reserve Bank has had to enter the market to provide temporary support in what were very volatile trading conditions. The fall in the A$ has reflected the fall in and prospect for even lower commodity prices, and the rapid decline in Australian interest rates. While the currency remains extremely volatile and the outlook is more than usually uncertain, we expect a further decline over the next year, with the currency likely to touch the mid US0.50s level. The rapid decline in the A$ has been welcomed by exporters, as it makes Australian exports more price competitive on the world stage, and helps to offset the declines in prices of commodity exports in international currencies, supporting the A$ incomes of exporters. But there is a sting in the tail, with the lower A$ pushing up the price of some inputs such as machinery, and to some extent offsetting the benefits that would have flowed from lower oil and other commodity prices.

**Paul Deane**
Economist

# In Focus – Drought Support Policy

*The Productivity Commission released its draft report on Government drought support on 30th October 2008.*

*The Productivity Commission's findings re-affirm how self-reliant and well managed Australian farms generally are. Despite one of the most prolonged droughts in Southern Australia in history, more than 70% of broadacre and dairy farmers in drought areas have received no assistance over the past 5 years.*

*The key objective of Australia's drought policy is to help farmers develop self reliance to manage the inherent variability in Australia's climate. But as the draft report highlights, the reality is significant program expenditure occurs as 'emergency' payments, post the event and to only a minority of farmers. The government believes the system could be improved which is why the review is taking place.*

---

With below-average rainfall continuing across regions of south-eastern Australia and three major drought years in Australia since 2002, the Government's review on drought support is timely. In 2007/08, the total amount spent on drought assistance was over $1 billion.

**Despite spending over $1 billion on drought assistance in 2007/08, most farmers did not receive any assistance**

The Productivity Commission's findings from their draft report re-affirms how self-reliant and well managed Australian farms generally are. Of the estimated 150,000 farms in Australia, only 20% or approximately 30,000 farms received Exceptional Circumstances (EC) support in 2007/08. And this trend is consistent with recent years. In the 5 years to June 2007, more than 70% of dryland and dairy farms in EC declared areas received no assistance under the latest program. This is despite 40%–50% of total agricultural land in Australia being typically drought declared since 2003.

So what are the main components of the current drought assistance program? Firstly for a farm to be eligible, the area in which it lies has to be declared to be in Exceptional Circumstances (EC). This is the trigger for program availability, but then eligibility criteria still have to be met to gain assistance under the individual programs.

The key drought assistance programs include:

- <u>EC Relief Payments (ECRP):</u> Provides up to $405 per fortnight each for the farmer and partner (equivalent to what an unemployed person under Newstart receives) but asset and income thresholds are higher. In 2007/08, approximately 29,000 farmers received payments at a cost of $380 million.

**The EC interest rate subsidy is now the main form of assistance under the existing drought assistance program**

- <u>EC Interest Rate Subsidies (ECIRS):</u> A subsidy of up to 50% of the interest rate payable on loans (excluding property purchases in the previous 12 months) is provided in the first year and up to 80% in subsequent years. This subsidy is available to farm businesses and farm dependent rural small businesses deemed viable in the medium term, but which are currently in difficulty. The amount the government has spent on this subsidy has grown exponentially since 2004/05. In 2007/08 the total ECIRS bill for the government exceeded $620 million, making it the most expensive program.
- <u>EC Exit Package:</u> As the name suggests, a grant for farmers who are willing to leave the industry. The key incentive is a taxable one off payment of up to $150,000 upon exit. The uptake of this program has been low.
- <u>Transaction Subsidies (NSW, QLD & NT only):</u> Subsidy for transport of fodder, water and livestock for farmers. These subsidies still exist despite state and territory governments previously agreeing to end them.

The Productivity Commission has been asked to report on the appropriateness, effectiveness and efficiency of these existing programs and to make recommendations of how best to build self-reliance and preparedness to manage future droughts.

Some of their key findings from the draft report include:

**Based on these draft recommendations it is likely that how government funding is spent will change**

- That the EC interest rate subsidies and state-based transport subsidies are ineffective, can perversely encourage poor management practices, and should not extend beyond 2009-10.
- The EC declaration process is inequitable and unnecessary and that it should not be extended to new areas and existing declarations should terminate by the end of June 2010.
- Government funding should be directed towards research, development, extension, professional advice and training that improves business management skills for farmers.

While some existing programs are likely to change in the future, one of the better programs in use is the Farm Management Deposit (FMD) scheme. FMDs are the most commonly used measure by farmers for risk management.

As of June 2008, nearly $3 billion were invested in FMDs. The recent draft report by the Productivity Commission found FMDs were a relatively effective and non-distorting form of assistance, but they also highlighted that a major reason the FMD scheme was so popular was the tax deferral benefit.

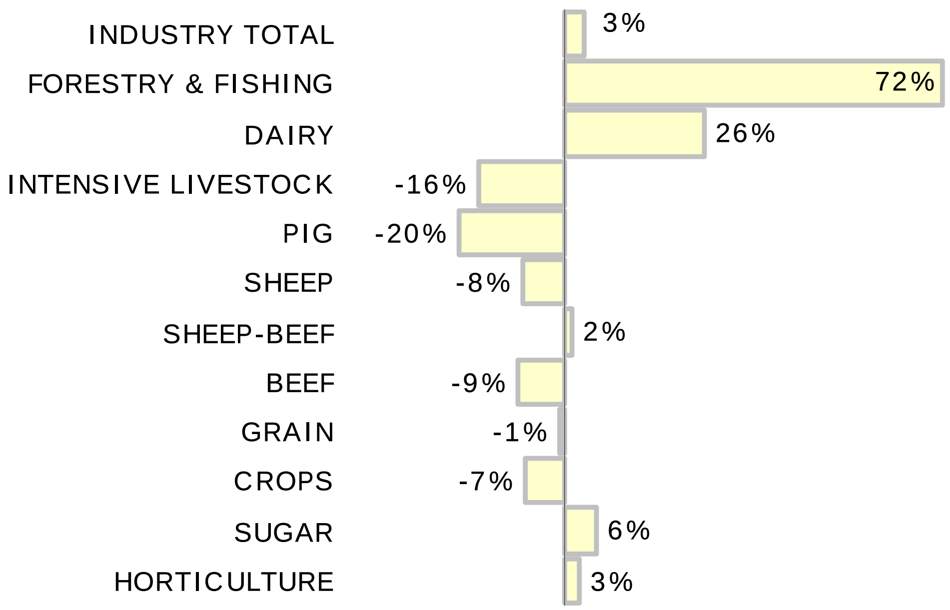
**FMDs are one of the least distorting mechanisms the government has implemented for risk management**

FMDs allow farmers to deposit money into a bank account in high or normal income years to withdraw and use in low income years. The income is only deemed earned (and therefore taxed) in the financial year that the deposit is withdrawn. This allows farmers to average their income and defer their tax liabilities.

While aggregate FMD data needs to be interpreted with caution, patterns of deposits and withdrawal indicate farmers are using deposits in times of difficulty in drought - such as in the livestock and grain industry lately. Equally, the surge in dairy income has seen a notable increase in deposits in the last 12 months.

*As part of the process, interested parties are invited to examine the Productivity Commission's report and make a submission before 20th December 2008. Visit [http://www.pc.gov.au/projects/inquiry/drought/draft](http://www.pc.gov.au/projects/inquiry/drought/draft) for further information.*

**Annual change in FMDs at June 2008**



**Paul Deane**
Economist

# Agriculture this quarter

One of the most dramatic consequences of the financial crisis and the now expected global recession, has been the downturn in commodity prices. For many agricultural commodities this change in sentiment and general increase in risk aversion has resulted in major price falls.

**Global milk, wool, cotton and wheat prices have all fallen significantly**

Oceania milk powder prices in $US term have fallen by around 50% from their peak of 12 months ago. Apparel wool prices ($US terms) fell by 17% in just one week towards the end of October, and are now around 50% lower compared with prices earlier in the year. Global wheat prices have declined by nearly 50% in just 3 months and are 60% below their 12 month high. Similarly, cotton prices have fallen by 57% from their peak.

**Beef prices were not caught up in the commodity and asset price bubble**

Only those agricultural commodities which enjoyed less of the 'boom', have equally, not tended to share in the 'bust'. Global livestock prices showed little sign of being swept up in the commodity and asset price bubble and consequently have tended not to fall. US live cattle prices are just 10-15% lower over the last 3 months and unchanged on 12 months ago.

**The falling A$ has helped offset some of the price falls in global agricultural markets**

Given most of the Australian agricultural sector is utlimately linked to global markets, Australian producers have not been immune to these price falls. However the one saving grace has been the large fall in the $A, which has helped to support the A$ income of Australian producers. Nevertheless, even in A$ terms, some agriculltural prices have fallen by up to 30% from their peak.

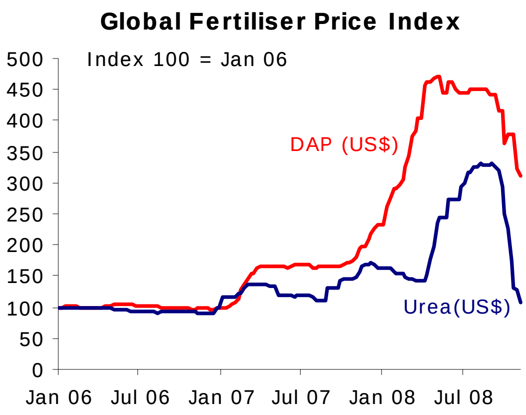
**But the falling A$ is a double edged sword making imports such as fertiliser more expensive**

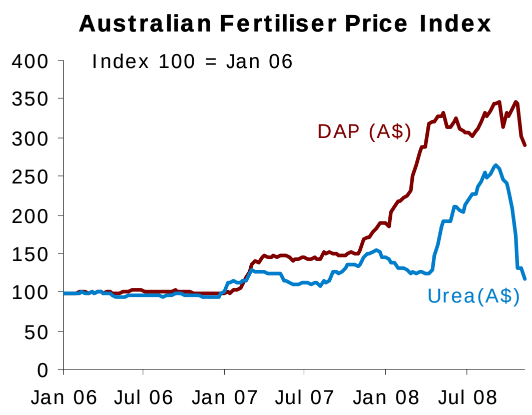
The falling $A has not all been positive however as it has increased the cost of imported goods. For example the cost of fertiliser into Australia is set by global markets, given a significant amount of fertiliser is imported.

Fertiliser demand is cyclical and even at full capacity domestic manufacturers cannot produce enough fertliser to meet peak demand so fertiliser is imported for these periods. Data compiled by the Fertiliser Industry Federation of Australia indicates that in 2007 36% all phosphate fertiliser was imported while for nitrogen fertiliser it was 63%. It is for this reason that import parity pricing tends to be used by fertiliser manufacturers in Australia and why the cost of importing fertiliser is a key component of local prices to farmers. For example if a domestic manufacturer (eg. Incitec Pivot) wanted to sell fertiliser to a distributor such as Hifert or a retailer like Elders or Landmark at a price above what they could import fertiliser at, these customers would source fertiliser from overseas. On the other side it makes little commercial sense for the domestic manufacturer to sell product below the import price to distributors/retailers.

**Australian farmers still face very high prices for phosphate based products**

So while global fertiliser prices have fallen, especially for nitrogen based fertilisers such as Urea, much of the benefit has been offset by the fall in the A$ and so fertiliser prices for Australian agribusiness are still high. Global fertiliser prices (US$ terms) for urea and diammonium phosphate (DAP) have fallen by 70% and 30% respectively over the last 3 months. The larger falls in urea prices, a nitrogen-based fertiliser, is consistent with the heavy reliance on natural gas as a key input cost, which has fallen by 40%-50% over the last 6 months. For Australian fertiliser prices, ANZ calculations indicate the price of DAP is still only 16% below the high set earlier this year, while for urea, prices have fallen back to mid-2007 levels.



**Paul Deane**
Economist

# Around the regions

Like the rest of Australia, rural and regional Australia is faced with increased uncertainty. Global events have illustrated the rural sector's exposure to the volatility in global commodity prices and currency markets. Businesses and consumers across regional Australia have taken a more 'wait and see' approach, given the predictions of significantly slower global growth and an easing in Australian economic activity.

**Regional Australia will receive nearly 40% of the government's $10.4 billion stimulus package**

But it is not all dire. Rural and regional Australia is set to share in a large amount of the spoils recently announced in the government's $10.4 billion fiscal stimulus package. According to government estimates, around 2.9 million Australians in regional and rural areas will receive around $4 billion or nearly 40% of the total spending package.

The key aspects of the package include:

- $4.9 billion to pensioners. A one-off payment on December 8 of $1,400 for singles and $2,100 for couples. Carers will also receive a one-off payment on December 8 of $1,000 for each eligible person within their care.
- $3.9bn in payment support for low and middle income families. Families who receive Family Tax Benefit (A), families with children who receive the Youth Allowance, Abstudy or a benefit from the Veteran Children's Education scheme will be eligible to receive a one-off benefit of $1,000 per child, also commencing on December 8.
- $1.5bn to assist first home buyers. The first home owners grant will be temporarily doubled from $7,000 to $14,000. First home owners that buy a new property will receive an additional $7,000 i.e. eligible for a grant of $21,000. All contracts entered into by June 30 2009 will be eligible.

**The boost to regional economies will be immediate**

The timing of this stimulus will be felt immediately, as the one-off payments to pensioners and carers starts this month with much of it expected to be spent. The other key aspect of the package to regional Australia is the increase in the new home owners grant. This is of particular benefit to regional Australia as house and land values are lower, so the $21,000 grant provides a larger subsidy. For example, median house price values in country NSW and Victoria are nearly half that of corresponding values in Sydney and Melbourne.

**While in 2009 residential construction will help the labour market**

Already anecdotal reports within regions indicate a pick-up in interest to build a new home. As this interest starts to convert into sales in 2009, this will provide a welcome boost to the residential construction market which will in turn help support the labour market in regional centres.

**The lower A$ will add to international visitors spending power in 2009**

The Australian tourism sector could also provide a stimulus to regional Australia in 2009. The A$ is expected to remain low in 2009, providing additional purchasing power for international arrivals. The boost to spending could be significant when you consider that spending by international visitors rose by 9% annual to June 2008 despite the high A$ and flat inbound traffic. While only 20% of international visitors visit regional tourism areas, the regions most frequented and likely to benefit from the lower $A are Northern Queensland, the Northern Territory and Tasmania. Further, with the low A$ increasing the cost of an international holiday for Australians, more holidays should be taken locally rather than abroad.

**Widespread rainfall and an average season across Australia would provide a positive stimulus to the rural sector**

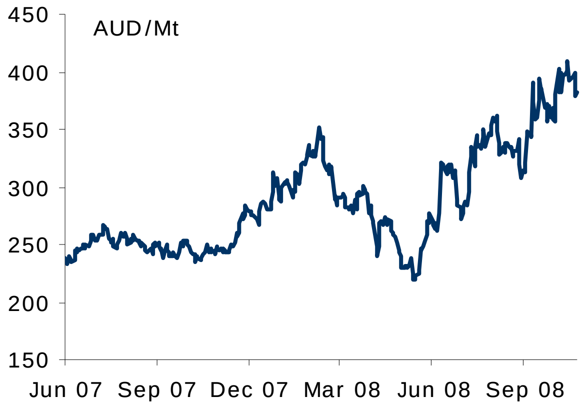
Within the agricultural sector, seasonal conditions have improved in some areas and the winter crop harvest is set to finish above last year, but the widespread breaking of the drought remains elusive. Optimism would dictate that Australian agricultural output could increase further next year assuming 'normal' seasonal conditions. This would also provide a positive stimulus to regional Australia. The only problem is what do we deem normal given the east coast of Australia has experienced 3 major droughts in just 6 years?

# NSW North Coast

**The NSW North Coast region**

- Economic conditions on the NSW North Coast remain subdued, with the key indicators of employment and building investment both in decline.
- Business conditions and sentiment have weakened over the last 6 months. The value of commercial building approvals has fallen by over 20% since March 2008, while the labour market has softened further with the unemployment rate nearly double the Australian average.
- Sown summer forage crops have been helped by recent rain. These crops are at the point of tapping into the subsoil moisture from February rains, so dairy pasture feed is looking adequate. Dairy producers are likely to have ample choice of feed grain in coming months, given the large summer sorghum crop and recent rain downgrading wheat quality in Queensland.
- Recent hail storms have caused damage to avocado, banana, stonefruit, blueberry, macadamia and flower crops in the region.
- Global sugar prices have come under pressure in recent months as fears that deteriorating economic conditions will lead to a contraction in food (sugar) and industrial (ethanol) demand. The weakness in the A$ has helped to support domestic sugar prices, which are currently trading around AU$390/t – a level not reached since late 2006. For sugar cane producers in the area, prices should remain firm.

**Local sugar prices have firmed**




Source: Bloomberg, ANZ

ANZ Regional Managers:
***Fiona Preston*** (NSW Far North Coast)
☎ 0401 567 882
fiona.preston@anz.com

***Damian Kulmar*** (NSW Mid North Coast)
☎ (02) 6652 0391
damian.kulmar@anz.com

Media enquiries to:
***Tony Wells***
☎ (03) 9273 6011
tony.wells@anz.com

## Economic data – NSW North Coast

| Monthly data (trend) | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 |
|---|---|---|---|---|---|---|---|---|
| Residential building approvals, $mn | 269 | 267 | 265 | 262 | 259 | 256 | 251 | n.a. |
| Non-res building approvals, $mn | 129 | 124 | 120 | 115 | 110 | 106 | 101 | n.a. |
| Employment, annual % change | -4.3 | -4.5 | -5.2 | -6.2 | -7.0 | -7.4 | -7.5 | -7.2 |
| Unemployment rate, % | 6.2 | 6.6 | 7.1 | 7.5 | 7.8 | 8.0 | 8.2 | 8.3 |
| Participation rate, % | 52.8 | 53.1 | 53.2 | 53.3 | 53.3 | 53.4 | 53.5 | 53.7 |
| **Annual data** | **99-00** | **00-01** | **01-02** | **02-03** | **03-04** | **04-05** | **05-06** | **06-07** |
| Population,'000 | 490.3 | 496.9 | 503.3 | 509.7 | 515.7 | 521.0 | 526.9 | 533.0 |
| Population, annual % change | 1.4 | 1.3 | 1.3 | 1.3 | 1.2 | 1.0 | 1.1 | 1.1 |
| Mean individual taxable income, $ | 28137 | 29425 | 30533 | 32071 | 34154 | 35348 | 36835 | n.a. |
| Average farm debt, $'000 | 148.9 | 181.0 | 184.7 | 322.4 | 148.5 | 165.3 | 206.5 | 365.6 |
| Equity ratio, % | 90 | 88 | 90 | 85 | 93 | 94 | 93 | 90 |
| Average rural land holding, $mn | 1.28 | 1.23 | 1.29 | 1.74 | 1.80 | 2.14 | 2.57 | 2.89 |

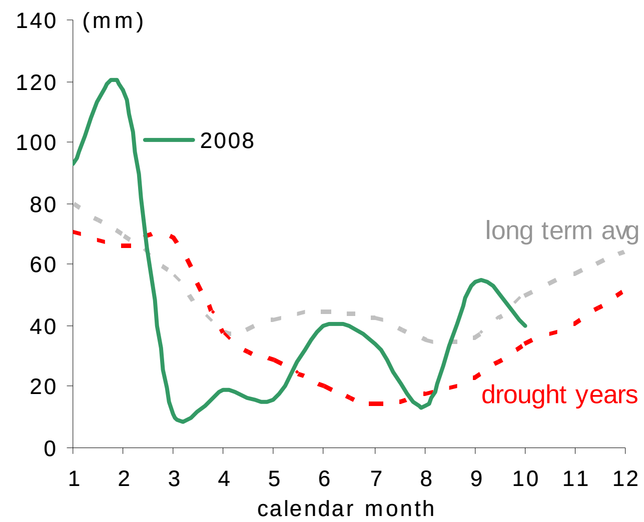
Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.

# NSW North West

**The NSW North West region**

- Economic conditions in the North West of NSW remain sound despite the deterioration in the state and national economic scene.
- The first event held at the new Australian Equine Livestock Events Centre (AELEC) – The National Cutting Horse Association Futurity – is emblematic of the buoyancy of sentiment in this region. The Futurity has had record ticket sales, and with the centre booked well into 2009, it is hoped that the economic benefits to Tamworth will support local economic activity.
- Activity from non-residential construction will not end with the completion of the AELEC. As at September, non-residential construction approvals in the region were almost 40% higher over the year, suggesting a significant contribution to the local economy from this source for some time yet.
- In the towns of Gunnedah and Narrabri, service industries and employment have been spurred by coal development in the Gunnedah Basin.
- On the agricultural front, the winter cereal harvest is now underway with yields reported to be average or a little above. Some pockets are reporting stronger yields, particularly around Moree to Mungindi in the north-west corner.
- The general buoyancy of the regional economy is reflected in the local labour market, with employment growth still running at a healthy pace above 3% and unemployment now below the national average at 4.2%.
- To the extent that there are vulnerabilities in the local economy, it is in those industries reliant on consumer demand. Residential construction approvals, for example, are down over 10% on levels of a year ago. This industry, along with others such as retail sales, are likely to bear the brunt of the broader economic slowdown in train.

**Spring rainfall in the district was enough to save winter crop yields**




Source: BOM and ANZ Economics & Markets Research


Your ANZ Regional Manager is:
***John Stavert***
☎ (02) 6768 3646
john.stavert@anz.com

Media enquiries to:
***Tony Wells***
☎ (03) 9273 6011
tony.wells@anz.com


## Economic data – NSW North West

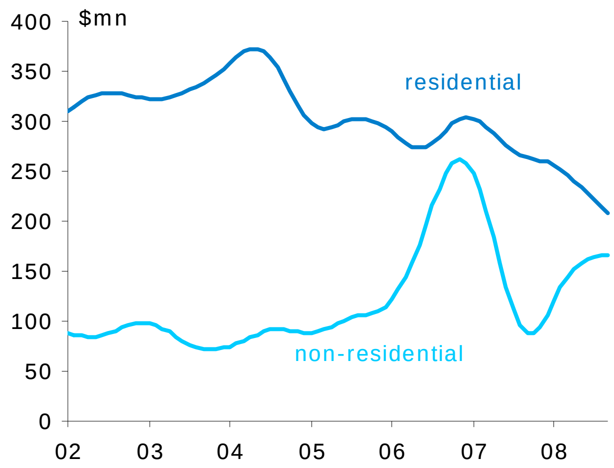
| Monthly data (trend) | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 |
|---|---|---|---|---|---|---|---|---|
| Residential building approvals, $mn | 339 | 334 | 327 | 321 | 316 | 310 | 301 | n.a. |
| Non-res building approvals, $mn | 222 | 232 | 242 | 251 | 259 | 267 | 271 | n.a. |
| Employment, annual % change | 5.9 | 5.7 | 5.0 | 4.2 | 3.5 | 3.1 | 3.0 | 3.1 |
| Unemployment rate, % | 5.3 | 5.2 | 5.1 | 5.0 | 4.9 | 4.7 | 4.4 | 4.2 |
| Participation rate, % | 62.3 | 62.0 | 61.6 | 61.2 | 60.9 | 60.6 | 60.5 | 60.4 |
| **Annual data** | **99-00** | **00-01** | **01-02** | **02-03** | **03-04** | **04-05** | **05-06** | **06-07** |
| Population, '000 | 760.5 | 769.2 | 775.2 | 780.4 | 784.1 | 790.3 | 797.2 | 804.4 |
| Population, annual % change | 1.0 | 1.1 | 0.8 | 0.7 | 0.5 | 0.8 | 0.9 | 0.9 |
| Mean individual taxable income, $ | 34207 | 34044 | 34980 | 36153 | 37950 | 39778 | 39760 | n.a. |
| Average farm debt, $'000 | 287.4 | 302.5 | 355.7 | 294.7 | 476.5 | 445.4 | 539.6 | 585.9 |
| Equity ratio, % | 84 | 84 | 85 | 86 | 84 | 83 | 85 | 86 |
| Average rural land holding, $mn | 1.58 | 1.56 | 1.82 | 1.80 | 2.38 | 2.25 | 2.82 | 3.64 |

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

# NSW Southern

**The NSW Southern region**

**Residential construction is heading south**




Source: ABS

- Labour market data, which provide the most comprehensive picture of economic conditions regularly available at a regional level, suggest that the NSW Southern economy remains relatively buoyant. Employment growth is currently running at 7.7% per annum, well above the national average. As a result, the unemployment rate is trending down, to just 4.5% in October.
- Part of this labour market strength undoubtedly reflects strength in the non-residential construction sector, where building approvals are currently running at almost double the levels of a year ago.
- The outlook is also more positive for the local tourism industry now that severe headwinds such as the high A$ and petrol prices are beginning to recede, although this will be tempered by deteriorating economic conditions globally and domestically.
- However, it is clear that some local industries are doing it tough in the current economic environment. For example, as in most parts of the country, residential construction continues to struggle as a lagged consequence of recent highs in interest rates (now declining), and uncertainty and deteriorating confidence in the economic outlook. The most recent data indicate that residential construction approvals in the region are down over 20% in the past year.
- The recent NSW Mini Budget is unlikely to boost economic activity. It foreshadowed significant cuts to public spending in the region, including the closure of two government research and two maternity hospital facilities, and the reduction of state government funds for road and infrastructure investment.

Your ANZ Regional Manager is:
***Mark Nightingale***
☎ (02) 4234 3967
mark.nightingale@anz.com

Media enquiries to:
***Tony Wells***
☎ (03) 9273 6011
tony.wells@anz.com

## Economic data – NSW Southern

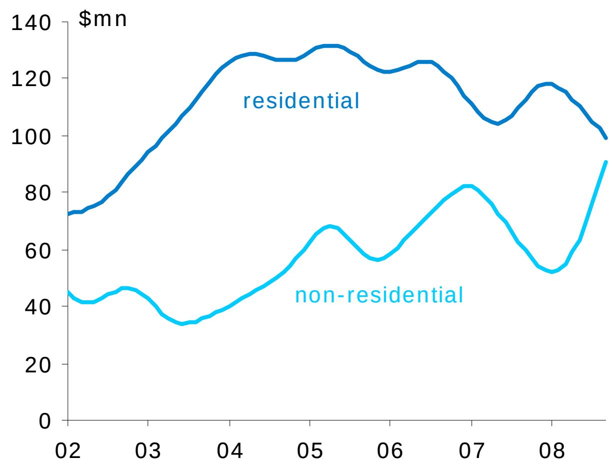
| Monthly data (trend) | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 |
|---|---|---|---|---|---|---|---|---|
| Residential building approvals, $mn | 246 | 240 | 234 | 228 | 221 | 214 | 207 | n.a. |
| Non-res building approvals, $mn | 145 | 152 | 158 | 162 | 164 | 166 | 167 | n.a. |
| Employment, annual % change | 3.5 | 4.1 | 5.0 | 5.8 | 6.5 | 7.1 | 7.5 | 7.7 |
| Unemployment rate, % | 5.4 | 5.4 | 5.2 | 5.1 | 4.9 | 4.8 | 4.6 | 4.5 |
| Participation rate, % | 59.5 | 59.8 | 60.0 | 60.1 | 60.2 | 60.2 | 60.2 | 60.2 |
| **Annual data** | **99-00** | **00-01** | **01-02** | **02-03** | **03-04** | **04-05** | **05-06** | **06-07** |
| Population,'000 | 582.8 | 593.0 | 600.5 | 606.6 | 610.6 | 615.9 | 621.7 | 627.2 |
| Population, annual % change | 1.6 | 1.8 | 1.3 | 1.0 | 0.7 | 0.9 | 0.9 | 0.9 |
| Mean individual taxable income, $ | 33607 | 35180 | 36391 | 38031 | 39534 | 40973 | 41556 | n.a. |
| Average farm debt, $'000 | 35.8 | 13.2 | 44.8 | 86.2 | 60.7 | 62.7 | 92.7 | 165.2 |
| Equity ratio, % | 97 | 99 | 96 | 93 | 95 | 95 | 95 | 92 |
| Average rural land holding, $mn | 0.98 | 0.87 | 0.91 | 0.99 | 0.99 | 1.17 | 1.65 | 1.97 |

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

# NSW South West

**The NSW South West region**

**Business is still investing but residential housing demand is weakening**




Sources: ABS

- At the time of writing our last *ANZ R&R Quarterly*, significant optimism surrounded the winter crop. Rainfall since then has been highly variable. Areas around Young, Cowra and Grenfell have received some good rainfall and crops in these areas should be close to average. However crops in the Riverina have suffered below average rainfall resulting in some crops being cut for hay.
- Along the Murray-Darling, the town of Coleambally has highlighted the complexity and spill-over effects of the government's water buyback scheme. The Coleambally irrigation community has proposed to sell all irrigation entitlements in the district to the government. But they also want an additional $1 billion for the town to compensate the community for the social and economic consequences, such as the dramatic decline in house values that would occur.
- The prolonged dry period and the on-going uncertainty for irrigation allocations appears to be taking its toll on local employment. Employment growth has turned sharply negative, with the unemployment rate rising to 5%. The participation rate has also declined, indicating the unemployment rate would be even higher if job seekers had not abandoned the market. This trend is expected in a falling employment market, which in the short term often sees a fall in the participation rate.
- While the labour market in the region indicates businesses are generally finding it tough, commercial building approvals have jumped strongly, indicating businesses are still investing.

Your ANZ Regional Manager is:
***Tony Williams***
☎ (02) 6926 9925
tony.williams@anz.com

Media enquiries to:
***Tony Wells***
☎ (03) 9273 6011
tony.wells@anz.com

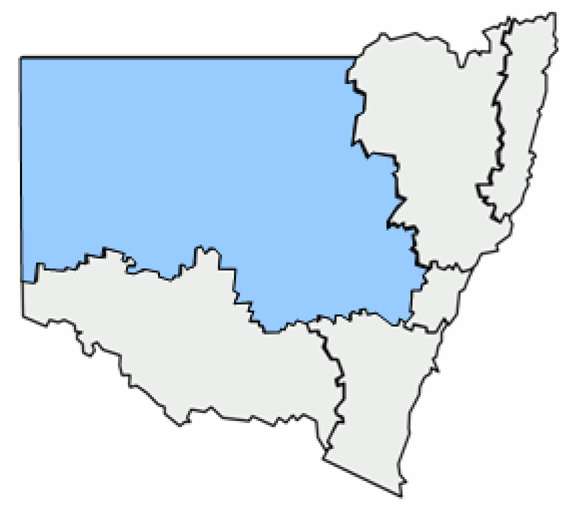
## Economic data – NSW South West

| Monthly data (trend) | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 |
|---|---|---|---|---|---|---|---|---|
| Residential building approvals, $mn | 115 | 113 | 110 | 108 | 105 | 103 | 99 | n.a. |
| Non-res building approvals, $mn | 55 | 59 | 64 | 70 | 76 | 84 | 90 | n.a. |
| Employment, annual % change | 4.2 | 1.6 | -1.2 | -3.6 | -5.4 | -6.6 | -7.5 | -8.0 |
| Unemployment rate, % | 3.6 | 3.8 | 4.1 | 4.3 | 4.5 | 4.7 | 4.9 | 5.0 |
| Participation rate, % | 68.1 | 66.8 | 65.2 | 63.9 | 62.9 | 62.2 | 61.8 | 61.7 |
| **Annual data** | **99-00** | **00-01** | **01-02** | **02-03** | **03-04** | **04-05** | **05-06** | **06-07** |
| Population,'000 | 263.7 | 265.9 | 266.3 | 266.1 | 265.8 | 267.2 | 269.8 | 271.1 |
| Population, annual % change | 0.5 | 0.8 | 0.2 | -0.1 | -0.1 | 0.5 | 1.0 | 0.5 |
| Mean individual taxable income, $ | 29923 | 33138 | 34208 | 34537 | 35817 | 36750 | 35684 | n.a. |
| Average farm debt, $'000 | 158.3 | 201.2 | 175.2 | 273.1 | 270.0 | 282.4 | 300.2 | 428.3 |
| Equity ratio, % | 91 | 87 | 91 | 87 | 90 | 90 | 89 | 86 |
| Average rural land holding, $mn | 1.53 | 1.43 | 1.44 | 1.81 | 2.67 | 2.42 | 2.14 | 2.41 |

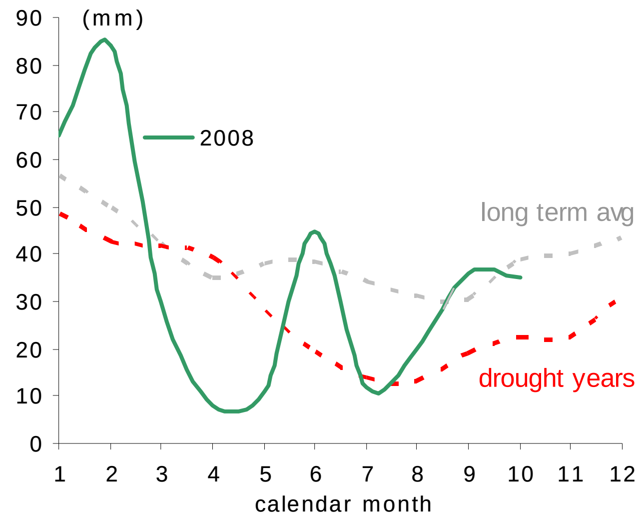
Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.

# NSW Central West

**The NSW Central West region**



**Average Spring rainfall in the Central West was enough to ensure better crop yields**




Source: BOM and ANZ Economics & Markets Research

- Business sentiment in the region is mixed. On the one hand, the agricultural sector has been boosted by spring rainfall, but on the other, businesses are concerned about the prospect of a recession in Australia.
- In the Central West, particularly around Orange, Parkes, Forbes, Narromine and Dubbo, winter crops are the best they have been for 7 years. Most farmers in the area have not cut cereal crops for hay this year. Many producers who made hay last year did so for the first time and as a result experienced difficulties with quality, storage and marketing. This, a lack of demand for hay in the early stages of the season, and better grain yield prospects have discouraged hay production this year. Instead most farms will harvest their crops for grain, providing the largest lift to farmers' incomes in the region in years.
- While the value of residential building approvals has softened in recent months, the latest government announcements to increase the new home buyers grant to $21,000 has been welcomed. Combined with falling interest rates, anecdotal reports confirm the level of enquiry by first home buyers has increased in the region.
- The employment market is stable in the region, with little change in the unemployment rate or the participation rate over the last 6 months. The unemployment rate is still around 5%, which is higher than the national average of 4.3%.
- Newcrest's 'East Cadia' gold mine expansion is still planning to go ahead. If the project is started, it will be the largest underground mine in Australia and provide additional employment to the area around Orange.

Your ANZ Regional Manager is:
***Clark Thompson***
☎ (02) 6362 1007
clark.thompson@anz.com

Media enquiries to:
***Tony Wells***
☎ (03) 9273 6011
tony.wells@anz.com

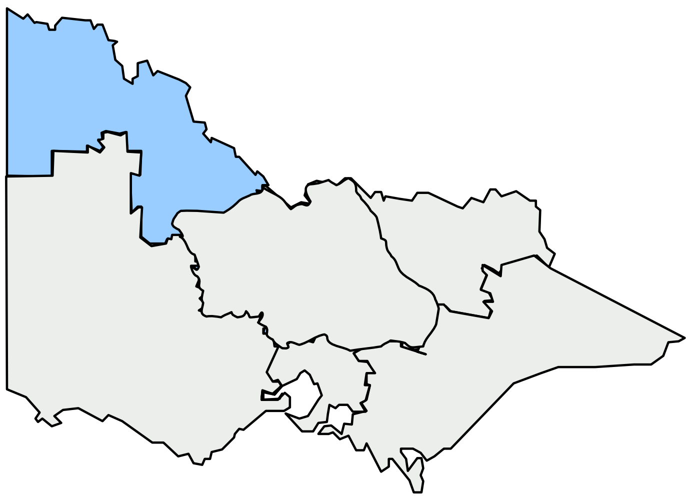
## Economic data – NSW Central West

| Monthly data (trend) | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 |
|---|---|---|---|---|---|---|---|---|
| Residential building approvals, $mn | 98 | 96 | 93 | 89 | 86 | 83 | 79 | n.a. |
| Non-res building approvals, $mn | 105 | 99 | 92 | 85 | 79 | 74 | 64 | n.a. |
| Employment, annual % change | 5.5 | 4.6 | 3.7 | 3.0 | 2.5 | 2.2 | 2.0 | 2.0 |
| Unemployment rate, % | 5.3 | 5.3 | 5.2 | 5.1 | 5.1 | 5.0 | 5.1 | 5.1 |
| Participation rate, % | 64.3 | 64.6 | 64.9 | 65.1 | 65.1 | 65.0 | 64.9 | 64.9 |
| Annual data | 99-00 | 00-01 | 01-02 | 02-03 | 03-04 | 04-05 | 05-06 | 06-07 |
| Population,'000 | 319.8 | 321.9 | 320.7 | 318.9 | 316.9 | 316.4 | 317.2 | 317.1 |
| Population, annual % change | 0.2 | 0.7 | -0.4 | -0.6 | -0.6 | -0.2 | 0.2 | 0.0 |
| Mean individual taxable income, $ | 31463 | 33430 | 34518 | 34960 | 36184 | 37836 | 38988 | n.a. |
| Average farm debt, $'000 | 255.7 | 195.7 | 206.0 | 221.4 | 243.6 | 344.1 | 355.5 | 655.7 |
| Equity ratio, % | 87 | 89 | 88 | 89 | 89 | 86 | 86 | 79 |
| Average rural land holding, $mn | 1.62 | 1.82 | 1.27 | 1.52 | 1.64 | 1.87 | 1.92 | 2.49 |

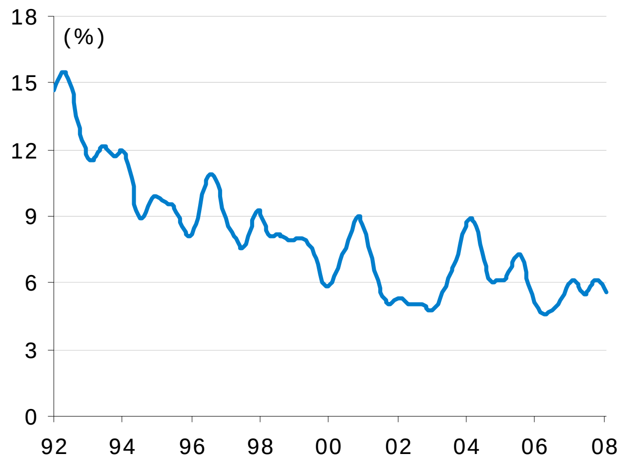
Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.

# North West Victoria

**The North West Victoria region**



**The unemployment rate is still low by historical standards**




Source: ABS

- Within the rural sector little has changed since the last *ANZ Rural & Regional Quarterly*. Drought and water availability are still the dominating theme within the region.
- Mallee farmers have had to contend with crop failure in recent months after a lack of follow-up spring rain. As a result some crops were cut for hay.
- Seasonal allocations for Murray River irrigators currently stand at 21% for high reliability water rights. In November 2007 the level of allocation stood at 23%. Authorities have warned that for this season, water allocations are unlikely to improve significantly due to very dry catchments. Based on expected summer inflows, Murray River irrigation allocations are likely to increase a further 0% to 7% by mid-February 2009.
- Retailers in some towns, including Swan Hill, are reporting weaker sales turnover as a flow-on effect from the on-going drought. However businesses in Mildura appear to be more resilient, with sentiment positive and investment continuing.
- While not yet showing up in residential building approvals, the recent dramatic fall in mortgage rates, combined with the Federal Government's increase of the New Home Owners Grant from $7,000 to $21,000, has boosted local enquiry.
- The unemployment rate in the region is still higher than the national average, fluctuating between 5.5% and 6%. A business in St Arnaud has recently closed resulting in 16 job losses.

Your ANZ Regional Manager is:
***Jo Mikleus***
☎ (03) 5023 9292
jo.mikleus@anz.com

Media enquiries to:
***Tony Wells***
☎ (03) 9273 6011
tony.wells@anz.com

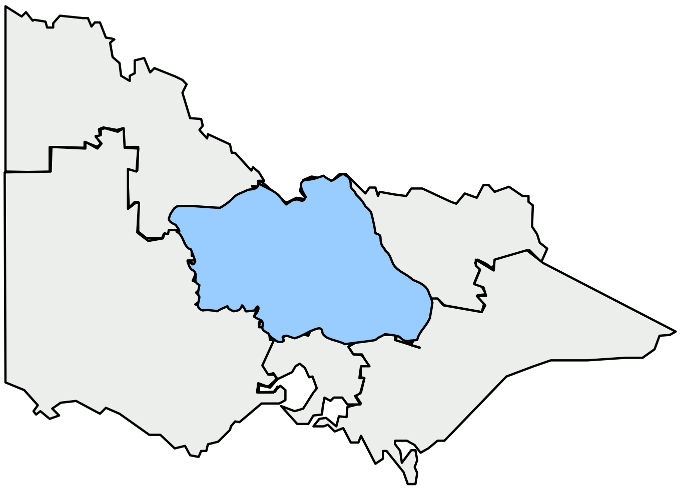
## Economic data – North West Victoria

| Monthly data (trend) | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 |
|---|---|---|---|---|---|---|---|---|
| Residential building approvals, $mn | 36 | 35 | 34 | 33 | 32 | 31 | 30 | n.a. |
| Non-res building approvals, $mn | 15 | 16 | 19 | 21 | 23 | 26 | 29 | n.a. |
| Employment, annual % change | -6.5 | -5.6 | -4.6 | -3.8 | -3.1 | -2.4 | -1.7 | -1.2 |
| Unemployment rate, % | 5.5 | 5.7 | 5.9 | 6.1 | 6.1 | 6.0 | 5.8 | 5.5 |
| Participation rate, % | 61.9 | 62.2 | 62.4 | 62.4 | 62.2 | 62.0 | 61.8 | 61.5 |
| **Annual data** | **99-00** | **00-01** | **01-02** | **02-03** | **03-04** | **04-05** | **05-06** | **06-07** |
| Population,'000 | 89.4 | 90.4 | 90.6 | 90.4 | 90.5 | 91.0 | 91.9 | 92.7 |
| Population, annual % change | 0.6 | 1.1 | 0.2 | -0.2 | 0.1 | 0.6 | 0.9 | 0.9 |
| Mean individual taxable income, $ | 27447 | 31722 | 35215 | 34660 | 33102 | 34072 | 34551 | n.a. |
| Average farm debt, $'000 | 168.5 | 137.2 | 128.9 | 160.6 | 168.3 | 205.8 | 249.2 | 259.8 |
| Equity ratio, % | 85 | 88 | 92 | 90 | 91 | 88 | 85 | 89 |
| Average rural land holding, $mn | 0.99 | 0.91 | 1.07 | 1.16 | 1.38 | 1.35 | 1.28 | 1.75 |

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

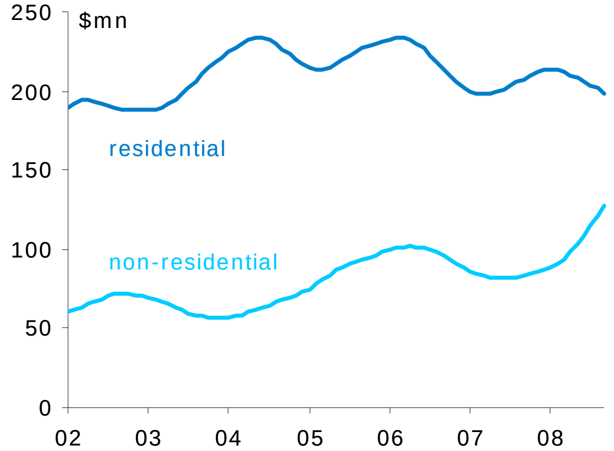
# Central Victoria

**The Central Victoria region**



- Sentiment in the region has been battered by a lack of spring rainfall, while people are increasingly concerned about job security as the global and Australian economies slow.
- The recent closure of Teson Trims, a car components maker, has not allayed these concerns. Teson Trims was the largest employer in Euroa, with the 150 job losses a huge blow to the local community.
- For Goulburn River irrigators, the seasonal allocation in the Goulburn system is now 18% for high reliability water shares. This level of allocation will be achieved by pumping the Waranga Basin in 2009 and is well below the allocation for this time last year. In contrast, high reliability water share allocations stood at 35% in November 2007.
- The grim outlook for Goulburn system irrigators in 2008-09 has added to the debate regarding the State Government's 'North-South' pipeline. In an attempt to stop the start of the construction of the $750 million pipeline, around 1,000 protesters took to the streets of Yea in late October. Construction has since commenced on the 70km pipeline which will allow water to be transferred from the Goulburn River to the Sugarloaf Reserve near Melbourne for urban water consumption.
- Weaker residential building approvals and on-going negative employment growth highlights that this regional economy is being more severely affected by the drought compared with some other regions that have a more diversified regional economy. However, non-residential building approvals continue to grow, indicating businesses are continuing to invest within the region.

**Non residential building approvals are growing strongly**




Source: ABS

Your ANZ Regional Manager is:
***Peter Barclay***
☎ (03) 5820 4444
peter.barclay@anz.com

Media enquiries to:
***Tony Wells***
☎ (03) 9273 6011
tony.wells@anz.com

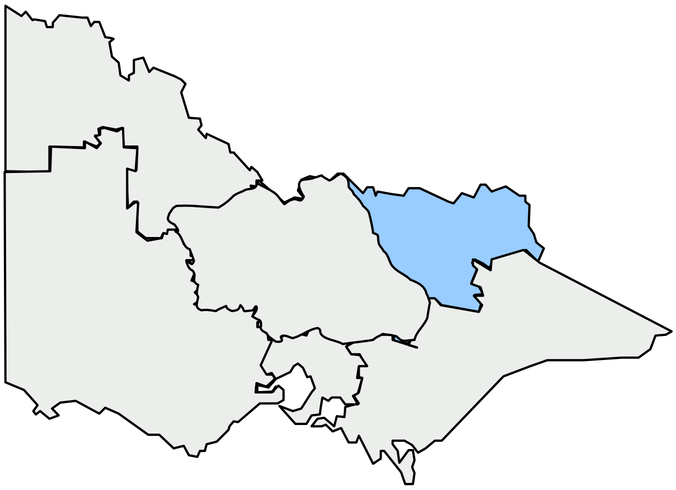
## Economic data – Central Victoria

| Monthly data (trend) | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 |
|---|---|---|---|---|---|---|---|---|
| Residential building approvals, $mn | 212 | 210 | 208 | 206 | 204 | 202 | 198 | n.a. |
| Non-res building approvals, $mn | 94 | 98 | 103 | 109 | 115 | 121 | 127 | n.a. |
| Employment, annual % change | -4.8 | -4.8 | -4.7 | -4.7 | -4.9 | -5.1 | -5.4 | -5.7 |
| Unemployment rate, % | 5.2 | 5.5 | 5.7 | 5.8 | 5.7 | 5.6 | 5.4 | 5.2 |
| Participation rate, % | 62.3 | 62.3 | 62.3 | 61.9 | 61.3 | 60.7 | 60.0 | 59.4 |
| **Annual data** | **99-00** | **00-01** | **01-02** | **02-03** | **03-04** | **04-05** | **05-06** | **06-07** |
| Population,'000 | 356.0 | 361.0 | 362.8 | 365.8 | 368.5 | 372.5 | 377.3 | 381.6 |
| Population, annual % change | 1.2 | 1.4 | 0.5 | 0.8 | 0.8 | 1.1 | 1.3 | 1.1 |
| Mean individual taxable income, $ | 30560 | 31966 | 33319 | 33101 | 34850 | 36677 | 36705 | n.a. |
| Average farm debt, $'000 | 88.5 | 123.1 | 126.5 | 147.3 | 118.0 | 138.6 | 180.6 | 198.9 |
| Equity ratio, % | 92 | 89 | 91 | 90 | 93 | 92 | 91 | 90 |
| Average rural land holding, $mn | 0.94 | 0.98 | 1.13 | 1.20 | 1.38 | 1.45 | 1.73 | 1.87 |

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

# North East Victoria

**The North East Victoria region**



- A major positive for the region over the last 6 months was the snow season, heralded as one of the best in years. In particular, the 2008 snow season will be remembered for the quality of the skiing, with low night temperatures creating powder snow. However factors such as high fuel prices, recent poor seasons and a strong A$ making it as cheap to ski abroad in some cases, meant snow visitor numbers and spending was down on last year.
- The tourism sector in the region is heavily reliant on intrastate visitors, with nearly 80% of overnight stays from within Victoria. Falling fuel prices, a low A$ making it more expensive to travel abroad and optimism surrounding the recent ski season should help local tourism in 2009. On this point we note that Melbourne petrol prices peaked at nearly 160 cents per litre in July this year and have since fallen by 30% to levels last seen in early 2007.
- As with much of Victoria, the North East received below average rainfall in Spring. Long term September and October rainfall normally averages 85mm per month. For 2008, September rainfall was 50mm and only 20mm in October.
- Negative employment growth remains the trend in the region. Of particular note, Cater Holt Harvey has reduced its workforce at the Myrtleford timber mill by 31 people.
- Commercial building investment in the region is languishing, falling to just $20 million in September after hitting a peak of nearly $30 million earlier in the year.

**Falling petrol prices will help regional tourism**


Source: AIP


Your ANZ Regional Manager is:
**Gavin Heathcote**
☎ 0434 606 389
gavin.heathcote@anz.com

Media enquiries to:
**Tony Wells**
☎ (03) 9273 6011
tony.wells@anz.com

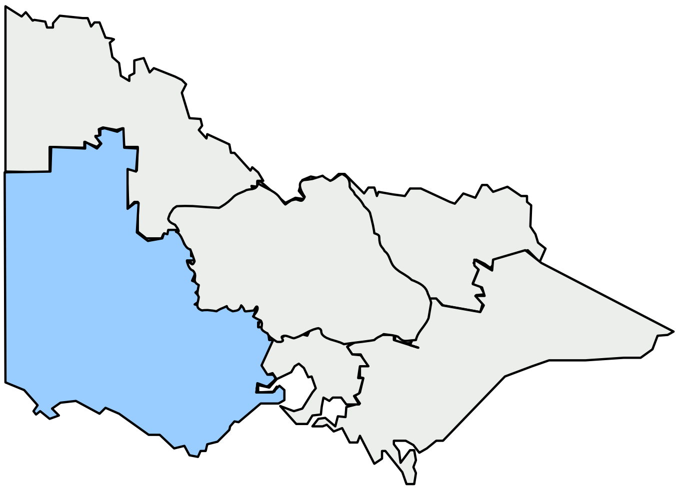

## Economic data – North East Victoria

| Monthly data (trend) | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 |
|---|---|---|---|---|---|---|---|---|
| Residential building approvals, $mn | 51 | 51 | 52 | 52 | 53 | 54 | 54 | n.a. |
| Non-res building approvals, $mn | 28 | 27 | 26 | 24 | 22 | 20 | 20 | n.a. |
| Employment, annual % change | -3.1 | -4.0 | -4.8 | -5.6 | -6.7 | -7.9 | -9.0 | -10.3 |
| Unemployment rate, % | 4.9 | 5.3 | 5.5 | 5.5 | 5.3 | 5.2 | 5.0 | 4.9 |
| Participation rate, % | 62.6 | 62.5 | 62.2 | 61.5 | 60.5 | 59.4 | 58.3 | 57.3 |
| **Annual data** | **99-00** | **00-01** | **01-02** | **02-03** | **03-04** | **04-05** | **05-06** | **06-07** |
| Population,'000 | 92.3 | 93.2 | 93.7 | 94.3 | 95.2 | 95.7 | 96.4 | 97.1 |
| Population, annual % change | 1.0 | 1.0 | 0.5 | 0.6 | 1.0 | 0.5 | 0.7 | 0.7 |
| Mean individual taxable income, $ | 30561 | 32234 | 32830 | 33812 | 35014 | 37325 | 37934 | n.a. |
| Average farm debt, $'000 | 109.1 | 139.8 | 144.7 | 94.7 | 133.3 | 164.8 | 197.4 | 198.1 |
| Equity ratio, % | 92 | 91 | 92 | 94 | 94 | 93 | 94 | 94 |
| Average rural land holding, $mn | 1.27 | 1.28 | 1.35 | 1.32 | 1.83 | 2.08 | 2.68 | 2.67 |

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

# South West Victoria

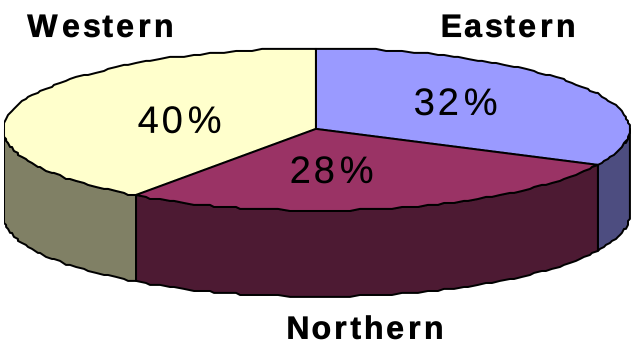
**The South West Victoria region**



- Unlike regions to the north of the state, employment growth in Victoria's South West is still positive. Residential building approvals are stable at high levels, while non-residential building approvals have risen very strongly. Commercial building approvals jumped to $255 million in September, up by 35% since March.
- Within the rural sector, while conditions are better than in many other parts of the state, rainfall has still been below the long-term average.
- Most crops in the area need rain to allow crops to reach their potential. Some crops have been damaged by frost in recent weeks. Further north, some crops were cut for hay rather than let fail completely.
- The western dairy region continues to be the largest in Victoria, accounting for 40% of state milk production. Season-to-date milk production in the Western District is unchanged from last season, while milk production in the northern and eastern regions is higher by 1.5% and 2.3% respectively.
- The production of silage is in full swing within the higher rainfall areas. Additional feed will have to be bought by dairy farmers given the season is tapering out quickly.
- The importance of a more reliable rainfall, which the Western District is renowned for, plus the rise in dairy prices over the last few years, is bidding up land values. Property prices for dairy farms are now commonly in the $7,000-$8,000 per acre range, with some prices reported as being as high as $10,000 per acre.

**The South West is the dominant dairy region in Victoria**

% Victorian milk production by region




Source: Dairy Australia


Your ANZ Regional Manager is:
***Jennifer Tod***
☎ (03) 5564 8611
jennifer.tod@anz.com

Media enquiries to:
***Tony Wells***
☎ (03) 9273 6011
tony.wells@anz.com


## Economic data – South West Victoria

| Monthly data (trend) | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 |
|---|---|---|---|---|---|---|---|---|
| Residential building approvals, $mn | 396 | 395 | 396 | 398 | 399 | 400 | 399 | n.a. |
| Non-res building approvals, $mn | 191 | 198 | 207 | 218 | 231 | 242 | 255 | n.a. |
| Employment, annual % change | 6.6 | 5.5 | 4.4 | 3.5 | 2.7 | 2.0 | 1.5 | 1.1 |
| Unemployment rate, % | 4.0 | 4.0 | 4.2 | 4.4 | 4.5 | 4.7 | 4.8 | 4.9 |
| Participation rate, % | 65.2 | 64.6 | 64.1 | 63.7 | 63.4 | 63.2 | 63.1 | 63.1 |
| **Annual data** | **99-00** | **00-01** | **01-02** | **02-03** | **03-04** | **04-05** | **05-06** | **06-07** |
| Population,'000 | 542.2 | 548.2 | 551.6 | 554.6 | 558.5 | 563.8 | 569.9 | 576.2 |
| Population, annual % change | 1.0 | 1.1 | 0.6 | 0.5 | 0.7 | 1.0 | 1.1 | 1.1 |
| Mean individual taxable income, $ | 30241 | 32750 | 35489 | 34797 | 36210 | 37887 | 37655 | n.a. |
| Average farm debt, $'000 | 198.5 | 230.2 | 193.0 | 236.0 | 239.4 | 174.3 | 321.7 | 312.3 |
| Equity ratio, % | 85 | 85 | 89 | 90 | 90 | 91 | 86 | 84 |
| Average rural land holding, $mn | 1.15 | 1.27 | 1.38 | 1.92 | 1.87 | 1.64 | 1.89 | 1.67 |

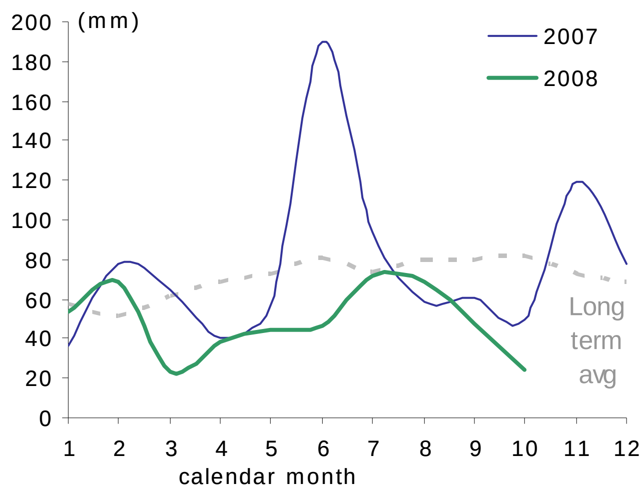
Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.

# South East Victoria

**The South East Victoria region**

**Western Gippsland's district rainfall is well below average in 2008**

Source: BOM




- Falling beef prices are of some concern for cattle producers in the region, as is the poor pasture growing season in some areas.
- The window for silage making has mostly closed in the Gippsland area, with hay production now starting. It was not a big silage season since seasonal conditions deteriorated quickly.
- Below average rainfall in areas around Yarram and East Gippsland has resulted in farms buying hay. The Western parts of Gippsland are having a better season. Overall, the amount of hay produced this year in Gippsland will be well below average.
- Farmers in the irrigation area around Sale and Maffra have less water available in the Glenmaggie Dam than this time last year. Currently the Glenmaggie Dam is at 82% capacity and below the long term average for this time of the year. This combined with the poor pasture growing will lead to dairy farmers increasing supplementary feeding of grain and hay.
- Residential building approvals continue to rise in the area, as towns closer to Melbourne and along the rail commuter corridor experience strong demand.
- Commercial construction and investment has slowed in recent months. This is consistent with anecdotal reports that business sentiment has softened due to the uncertainty surrounding the financial crisis and expected economic slowdown.
- Employment conditions in the area are generally strong, with the unemployment rate still below the national average and positive job growth.

Your ANZ Regional Manager is:
***Cliff Simkin***
☎ (03) 5144 5421
cliff.simkin@anz.com

Media enquiries to:
***Tony Wells***
☎ (03) 9273 6011
tony.wells@anz.com

## Economic data – South East Victoria

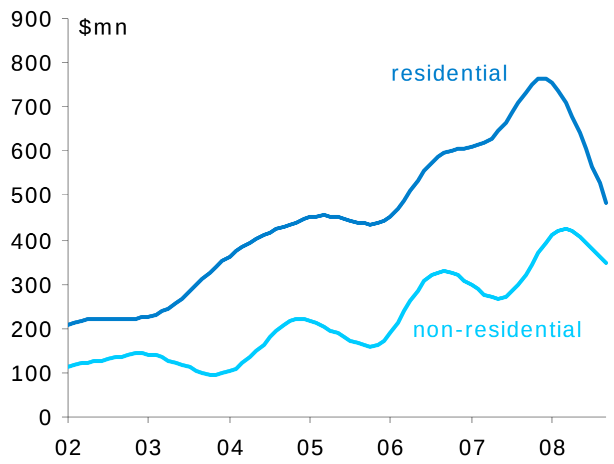
| Monthly data (trend) | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 |
|---|---|---|---|---|---|---|---|---|
| Residential building approvals, $mn | 188 | 190 | 192 | 193 | 195 | 197 | 200 | n.a. |
| Non-res building approvals, $mn | 75 | 75 | 75 | 74 | 72 | 69 | 69 | n.a. |
| Employment, annual % change | 5.1 | 4.3 | 4.0 | 4.0 | 4.1 | 4.0 | 3.7 | 3.4 |
| Unemployment rate, % | 5.2 | 4.8 | 4.4 | 4.1 | 3.9 | 3.8 | 3.8 | 3.8 |
| Participation rate, % | 61.0 | 60.9 | 61.2 | 61.5 | 61.8 | 62.0 | 62.2 | 62.3 |
| **Annual data** | **99-00** | **00-01** | **01-02** | **02-03** | **03-04** | **04-05** | **05-06** | **06-07** |
| Population,'000 | 238.8 | 240.4 | 240.6 | 241.3 | 243.1 | 245.5 | 248.4 | 251.5 |
| Population, annual % change | 0.4 | 0.7 | 0.1 | 0.3 | 0.7 | 1.0 | 1.2 | 1.3 |
| Mean individual taxable income, $ | 30160 | 32284 | 33233 | 34366 | 35481 | 37548 | 37380 | n.a. |
| Average farm debt, $'000 | 109.1 | 139.8 | 144.7 | 94.7 | 133.3 | 164.8 | 197.4 | 198.1 |
| Equity ratio, % | 92 | 91 | 92 | 94 | 94 | 93 | 94 | 94 |
| Average rural land holding, $mn | 1.27 | 1.28 | 1.35 | 1.32 | 1.83 | 2.08 | 2.68 | 2.67 |

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

# North Queensland

**The North Queensland region**

**The canary in the coal mine: construction activity has turned down**




Source: ABS

- The global economic downturn is beginning to take its toll on industry in North Queensland, particularly in mining, with exploration related activity slowing sharply.
- The flow-on effects of reduced industrial activity are now becoming apparent in local construction, with residential building approvals down 34% in September compared with levels a year earlier, although falling interest rates and enhanced subsidies for first home buyers should place a floor under activity. Non-residential construction approvals remain around 10% higher over the year, but have slowed significantly in recent months.
- The region's labour market remains strong with employment growth continuing to grow at a double-digit pace and the unemployment rate remaining well below the national average. However, in time, we expect the labour market to soften in line with economic conditions in the regional economy.
- On the upside, conditions should improve for the region's beleaguered tourism industry. The massive fall in the A$ in the past four months, and the potential for further falls below the US$0.60 mark, has made it more attractive for foreign tourists to visit Australia and domestic tourists to holiday at home rather than overseas.
- Support for the industry is also coming from the Government, with Tourism Minister Martin Ferguson recently announcing an additional $750,000 for Tourism Australia for marketing support around charter flights from western Japan and Tokyo to Cairns during the December to January peak travel period. The funding is the first instalment of the Government's $4 million special assistance package for the North Queensland tourism industry.

Your ANZ Regional Manager is:
***Ross Matthews***
☎ (07) 4091 5694
ross.matthews@anz.com

Media enquiries to:
***Tony Wells***
☎ (03) 9273 6011
tony.wells@anz.com

## Economic data – North Queensland

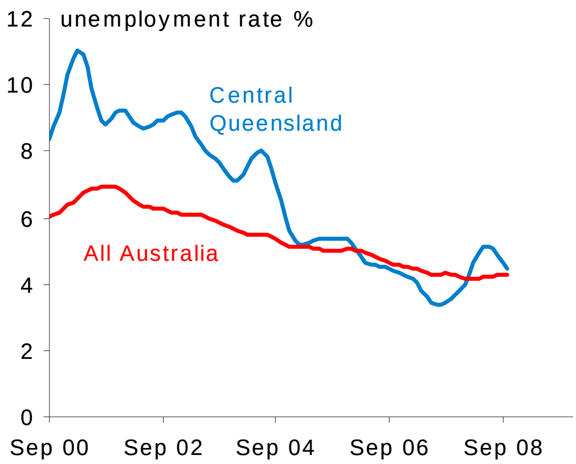
| Monthly data (trend) | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 |
|---|---|---|---|---|---|---|---|---|
| Residential building approvals, $mn | 710 | 678 | 642 | 605 | 567 | 531 | 485 | n.a. |
| Non-res building approvals, $mn | 424 | 419 | 408 | 395 | 380 | 361 | 350 | n.a. |
| Employment, annual % change | 2.0 | 3.8 | 5.7 | 7.5 | 8.9 | 10.0 | 10.9 | 11.5 |
| Unemployment rate, % | 4.5 | 4.5 | 4.4 | 4.3 | 4.1 | 3.8 | 3.6 | 3.4 |
| Participation rate, % | 69.4 | 70.4 | 71.4 | 72.2 | 72.7 | 73.1 | 73.4 | 73.5 |
| **Annual data** | **99-00** | **00-01** | **01-02** | **02-03** | **03-04** | **04-05** | **05-06** | **06-07** |
| Population,'000 | 580.0 | 586.3 | 596.7 | 607.4 | 618.4 | 634.4 | 650.3 | 664.5 |
| Population, annual % change | 1.1 | 1.1 | 1.8 | 1.8 | 1.8 | 2.6 | 2.5 | 2.2 |
| Mean individual taxable income, $ | 33618 | 34326 | 35581 | 36832 | 38899 | 41862 | 43492 | n.a. |
| Average farm debt, $'000 | 219.2 | 207.2 | 218.5 | 313.2 | 317.1 | 160.2 | 290.0 | 70.0 |
| Equity ratio, % | 96 | 91 | 94 | 95 | 95 | 98 | 97 | 99 |
| Average rural land holding, $mn | 2.73 | 3.29 | 3.88 | 5.04 | 5.87 | 6.21 | 6.51 | 4.60 |

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

# Central Queensland

**The Central Queensland region**

**Labour market conditions remain strong**




Source: ABS

- Economic conditions in Central Queensland are mixed, with towns supporting mines still buoyant, but others feeling the impact of the economic downturn more acutely.
- On the construction front, some significant new backpacker and unit developments have been granted approval in Hervey Bay although it remains unclear when development will commence. More generally, residential construction approvals in the region have softened over the course of this year although non-residential construction activity has held up to date.
- Softening conditions in the residential market is reflected in anecdotal reports of tradesmen moving to mine towns for work. Overall, employment growth has softened, but remains respectable at 1.9% per annum. As a result, unemployment remains historically low at 4.4%.
- Conditions in the agricultural sector remain favourable, although earlier expectations of a 'bumper' year are unlikely to be realised. Grain farmers will have a good year but lower yields and prices have impacted returns. The season for cattle would be seen generally as 'normal" for this time of year, and prices while down, are still above year ago levels.
- The falling A$ has been an important safety valve for the region's miners and farmers, preserving reasonable A$ returns even as US$ prices fall in response to softening global demand.
- Fundamentally, Central Queensland looks well placed to weather the current economic storm, with still strong population growth expected to underpin demand in the region.

Your ANZ Regional Manager is:
***Ian Waraker***
☎ (07) 4931 7772
ian.waraker@anz.com

Media enquiries to:
***Tony Wells***
☎ (03) 9273 6011
tony.wells@anz.com

## Economic data – Central Queensland

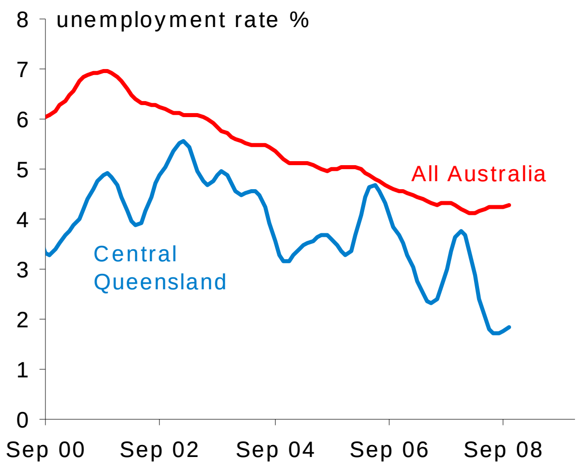
| Monthly data (trend) | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 |
|---|---|---|---|---|---|---|---|---|
| Residential building approvals, $mn | 401 | 397 | 384 | 363 | 341 | 320 | 304 | n.a. |
| Non-res building approvals, $mn | 166 | 168 | 169 | 170 | 170 | 169 | 167 | n.a. |
| Employment, annual % change | 6.2 | 4.5 | 2.9 | 1.9 | 1.4 | 1.4 | 1.5 | 1.9 |
| Unemployment rate, % | 4.6 | 4.9 | 5.1 | 5.1 | 5.0 | 4.9 | 4.7 | 4.4 |
| Participation rate, % | 64.6 | 64.0 | 63.4 | 62.9 | 62.7 | 62.5 | 62.4 | 62.3 |
| **Annual data** | **99-00** | **00-01** | **01-02** | **02-03** | **03-04** | **04-05** | **05-06** | **06-07** |
| Population,'000 | 426.2 | 430.7 | 438.0 | 446.6 | 457.6 | 468.7 | 481.5 | 491.7 |
| Population, annual % change | 0.5 | 1.1 | 1.7 | 2.0 | 2.4 | 2.4 | 2.7 | 2.1 |
| Mean individual taxable income, $ | 32393 | 33071 | 33811 | 34685 | 36767 | 39310 | 41351 | n.a. |
| Average farm debt, $'000 | 399.7 | 350.2 | 598.8 | 327.4 | 573.6 | 690.1 | 544.2 | 502.9 |
| Equity ratio, % | 82 | 88 | 85 | 90 | 87 | 86 | 89 | 91 |
| Average rural land holding, $mn | 1.58 | 2.02 | 2.71 | 2.78 | 3.24 | 3.80 | 3.77 | 4.18 |

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

# South Queensland

**The South Queensland region**

**South Qld's labour market is amongst the strongest in the nation**




Source: ABS

- Economic conditions in South Queensland have softened, though remain sound, with the region's labour market providing a sound foundation from which to weather the current economic storm.
- Construction activity has eased over the course of the past year, though more modestly than in many other areas around the country. For instance, while non-residential building approvals are down around 7% on year-ago levels, they have gradually trended up since March 2008 reflecting still strong levels of mining and energy-related investment.
- Similarly, residential construction building approvals have slipped by around 10% over the past year, but remain at high levels in an historical context. That said, the region's residential construction industry looks set for an extended period of consolidation, with he deteriorating economic environment and resulting cautious consumer behaviour compounded by slowing population growth.
- More optimistically however, the region's labour market remains strong. Employment growth is now running at a staggering pace of 7% per annum and unemployment has fallen to just 1.9%, amongst the lowest in the nation.
- On the agricultural front, saleyard beef prices have stabilised on the back of lower yardings, though over-the-hooks prices continue to slide as exporters manage flagging demand from international markets. Reports of Australian beef sitting on export destination wharves awaiting Letters of Credit have further weighed on processor confidence. Elsewhere, the hot wet summer has begun with widespread rains over South Queensland. The SOI also remains high, indicating a strong possibility of average to above average rain in the next 3 months.

Your ANZ Regional Manager is:
***David Hunt***
☎ (07) 4639 0542
david.hunt@anz.com

Media enquiries to:
***Tony Wells***
☎ (03) 9273 6011
tony.wells@anz.com

## Economic data – South Queensland

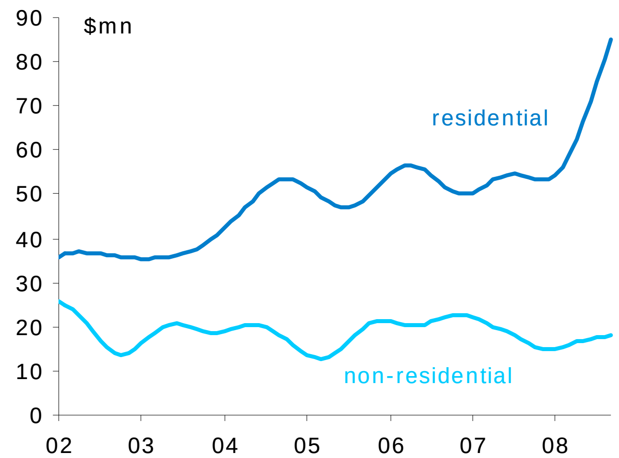
| Monthly data (trend) | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 |
|---|---|---|---|---|---|---|---|---|
| Residential building approvals, $mn | 121 | 120 | 118 | 116 | 114 | 113 | 111 | n.a. |
| Non-res building approvals, $mn | 43 | 44 | 45 | 46 | 47 | 49 | 49 | n.a. |
| Employment, annual % change | -0.6 | 0.2 | 1.2 | 2.5 | 3.8 | 5.1 | 6.2 | 7.0 |
| Unemployment rate, % | 2.9 | 2.4 | 2.0 | 1.8 | 1.7 | 1.7 | 1.8 | 1.9 |
| Participation rate, % | 65.1 | 65.3 | 65.4 | 65.7 | 65.9 | 66.0 | 66.2 | 66.2 |
| **Annual data** | **99-00** | **00-01** | **01-02** | **02-03** | **03-04** | **04-05** | **05-06** | **06-07** |
| Population,'000 | 234.1 | 237.4 | 239.9 | 242.4 | 245.2 | 249.5 | 253.5 | 255.4 |
| Population, annual % change | 1.2 | 1.4 | 1.1 | 1.0 | 1.1 | 1.7 | 1.6 | 0.8 |
| Mean individual taxable income, $ | 29771 | 29198 | 30775 | 31184 | 33424 | 35790 | 36330 | n.a. |
| Average farm debt, $'000 | 131.0 | 134.5 | 120.3 | 168.3 | 154.9 | 207.5 | 327.9 | 550.5 |
| Equity ratio, % | 89 | 90 | 93 | 90 | 91 | 90 | 88 | 85 |
| Average rural land holding, $mn | 0.99 | 1.13 | 1.31 | 1.29 | 1.53 | 1.68 | 2.14 | 3.17 |

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

# Adelaide Hills and South East SA

**The Adelaide Hills and South East SA region**

**Residential developments have jumped dramatically**




Source: ABS & ANZ Economics & Markets Research

- The Adelaide Hills and South East SA regional economy remains in good shape. Residential building approvals are exceptionally strong, growing by around 30% in just 6 months. A re-zoning of additional land to residential in the Mt Barker area will help support further growth.
- Employment growth is high, growing at an annual rate of 10% for much of 2008. This has helped push the unemployment rate to just 3.3%, which would be even lower if the participation rate (the number of people seeking a job) had not also been increasing.
- Low water availability and the longer term consequences of changes to policy is generating a high level of uncertainty for business. Current water allocations from the Murray Irrigation System remain at minimum levels, and for irrigators in the Lower Lakes high salinity levels make it near impossible to use the water regardless of allocation.
- As the Limestone Coast's tourism season moves into full swing, the Coorong remains under threat given the low inflows from the Murray River. The Coorong National Park is a key tourism attraction for the Limestone Coast, with 138,000 people visiting this attraction in 2006/07. Putting this into perspective, the next largest attraction is the Naracoorte Caves National Park with 41,000 visitors per annum.
- As is a common theme across much of south eastern Australia, Spring rainfall was disappointing. In an 'average' year, total rainfall in September and October is 120mm in the lower South East region of SA. In 2008 it was just 50mm, with just 10mm of this falling in October.
- Broad acre crop incomes for 2008/09 have fallen significantly in recent months, not only from the downgrade in crop yields but also from falling grain prices.

Your ANZ Regional Manager is:
***Barry Clarke***
☎ (08) 8725 5312
barry.clarke@anz.com

Media enquiries to:
***Tony Wells***
☎ (03) 9273 6011
tony.wells@anz.com

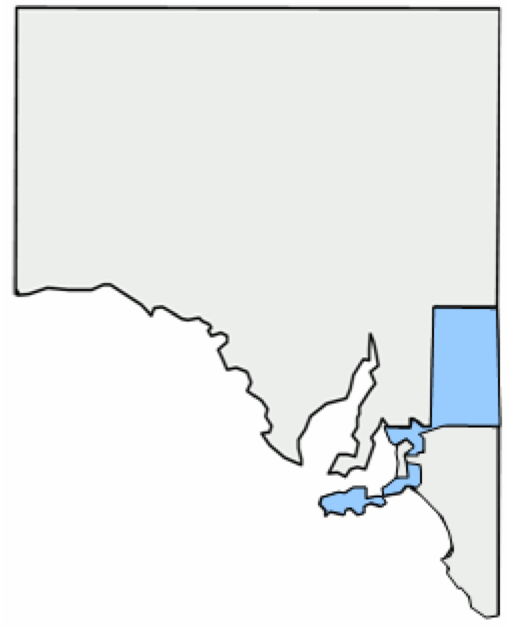
## Economic data – Adelaide Hills and South East SA

| Monthly data (trend) | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 |
|---|---|---|---|---|---|---|---|---|
| Residential building approvals, $mn | 59 | 62 | 67 | 71 | 76 | 81 | 85 | n.a. |
| Non-res building approvals, $mn | 16 | 17 | 17 | 17 | 17 | 18 | 18 | n.a. |
| Employment, annual % change | 9.9 | 10.2 | 10.2 | 10.2 | 10.4 | 10.7 | 11.0 | 11.4 |
| Unemployment rate, % | 4.3 | 4.4 | 4.5 | 4.3 | 4.0 | 3.7 | 3.5 | 3.3 |
| Participation rate, % | 66.7 | 67.2 | 67.8 | 68.3 | 68.7 | 69.1 | 69.4 | 69.7 |
| **Annual data** | **99-00** | **00-01** | **01-02** | **02-03** | **03-04** | **04-05** | **05-06** | **06-07** |
| Population,'000 | 131.2 | 131.1 | 131.6 | 131.8 | 132.2 | 133.3 | 134.1 | 134.7 |
| Population, annual % change | 0.0 | 0.0 | 0.3 | 0.2 | 0.3 | 0.9 | 0.6 | 0.5 |
| Mean individual taxable income, $ | 30431 | 31935 | 38174 | 40287 | 37234 | 37987 | 36795 | n.a. |
| Average farm debt, $'000 | 220.4 | 163.6 | 189.9 | 241.2 | 272.9 | 251.1 | 374.0 | 450.9 |
| Equity ratio, % | 86 | 89 | 89 | 88 | 91 | 91 | 90 | 88 |
| Average rural land holding, $mn | 1.38 | 1.23 | 1.34 | 1.80 | 2.54 | 2.43 | 3.19 | 3.26 |

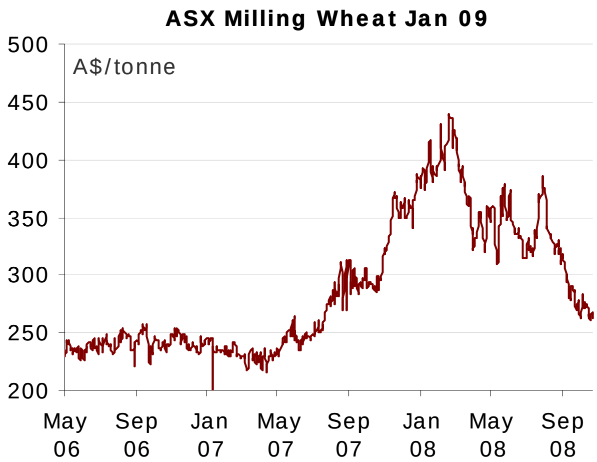
Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.

# North East SA and Fleurieu

**The North East SA and Fleurieu region**



**Falling grain prices has compounded a poor Spring**




Source: Bloomberg

- Reflecting the diverse regional economy, key indicators point to a region performing well despite a lack of water constraining many parts of the agricultural sector.
- The trend in building approvals has been exceptionally strong over the last 6 months. New housing demand, as reflected in residential building approvals, reached $140 million in September, up by 20% in just 6 months.
- Jobs growth has reached 11% per annum in recent months, with the unemployment rate falling well below the national average. The latest data indicates the unemployment rate has fallen to just 3.3%, making it one of the lowest across all regions.
- Water allocations for Murray River irrigators are at extremely low levels and similar to last year. Given the duration of the current dry period it is expected that some consolidation in the industry will occur.
- Within the McLaren Vale district, grape growers are predicting average grape yields. While not unusual for this time of the year, demand for uncontracted grapes is lacking, with no evidence of wineries offering contracts.
- A lack of Spring rainfall has once again plagued grain growers in the region, with district rainfall in September and October just 10mm per month. With below average yields, lower grain prices and the deregulation of the grain market coinciding with the global credit crisis, grower confidence is very low in the area.

Your ANZ Regional Manager is:
***Tait Jenkin***
☎ (08) 8218 8135
tait.jenkin@anz.com

Media enquiries to:
***Tony Wells***
☎ (03) 9273 6011
tony.wells@anz.com

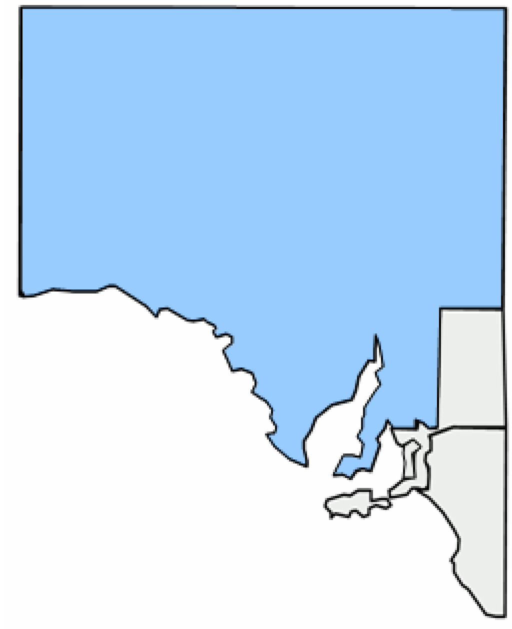
## Economic data –North East SA and Fleurieu

| Monthly data (trend) | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 |
|---|---|---|---|---|---|---|---|---|
| Residential building approvals, $mn | 111 | 117 | 122 | 127 | 132 | 136 | 140 | n.a. |
| Non-res building approvals, $mn | 29 | 33 | 36 | 39 | 42 | 44 | 47 | n.a. |
| Employment, annual % change | 9.9 | 10.2 | 10.2 | 10.2 | 10.4 | 10.7 | 11.0 | 11.4 |
| Unemployment rate, % | 4.3 | 4.4 | 4.5 | 4.3 | 4.0 | 3.7 | 3.5 | 3.3 |
| Participation rate, % | 66.7 | 67.2 | 67.8 | 68.3 | 68.7 | 69.1 | 69.4 | 69.7 |
| **Annual data** | **99-00** | **00-01** | **01-02** | **02-03** | **03-04** | **04-05** | **05-06** | **06-07** |
| Population,'000 | 111.9 | 114.0 | 116.7 | 119.7 | 122.9 | 126.0 | 128.9 | 131.5 |
| Population, annual % change | 1.8 | 1.8 | 2.4 | 2.6 | 2.6 | 2.5 | 2.4 | 2.0 |
| Mean individual taxable income, $ | 28778 | 31393 | 34244 | 34727 | 35360 | 35943 | 35673 | n.a. |
| Average farm debt, $'000 | 179.0 | 186.8 | 191.5 | 203.5 | 182.7 | 265.3 | 296.0 | 250.0 |
| Equity ratio, % | 86 | 87 | 89 | 92 | 93 | 90 | 90 | 91 |
| Average rural land holding, $mn | 1.11 | 1.22 | 1.45 | 2.12 | 2.20 | 2.24 | 2.39 | 2.45 |

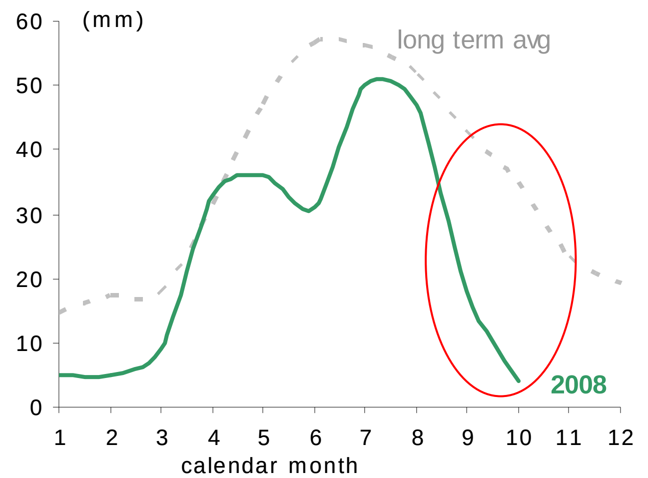
Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.

# North and West SA

**The North and West SA region**



**Spring rainfall was virtually non-existent across the Yorke Peninsula**




Source: BOM & ANZ Economics & Markets Research

- Many grain growers across the region have just had their third successive poor finish to the season, resulting in reduced yields and grain quality. Coupled with heightened concerns about the financial crisis, some growers are concerned about counterparty risk for buyers of their grain.

- The collapse in commodity prices has not only put a question mark over some future mining projects, but is also impacting existing operations. For example, OneSteel in Whyalla have announced some downsizing of its workforce.

- BHP Billiton is still undertaking a two year feasibility study into the expansion of Olympic Dam. One scenario is that the existing underground mine will be converted to 'open cut', making it one of the world's largest.

- A number of coastal developments highlight the general optimism and wealth being generated by the mining sector in South Australia. Residential developments such as "North Shores Wallaroo", "The Dunes" at Port Hughes, "Ocean Eyre" at Whyalla and "Ceduna Keys" are being marketed for lifestyle and tourism along the unspoiled coastline across much of the region.

- Demand in the residential housing market remains relatively stable, although for those towns close to key mining centres the rental market is still very tight. In the new housing market, residential building approvals have hovered just below $100 million per month for much of 2008.

- Employment growth appears to be stabilising after a significant decline earlier in the year. The unemployment rate in the region has risen to nearly 7% from 5.5% in March.

Your ANZ Regional Manager is:
***Adam Moss***
☎ (08) 8821 3056
adam.moss@anz.com

Media enquiries to:
***Tony Wells***
☎ (03) 9273 6011
tony.wells@anz.com

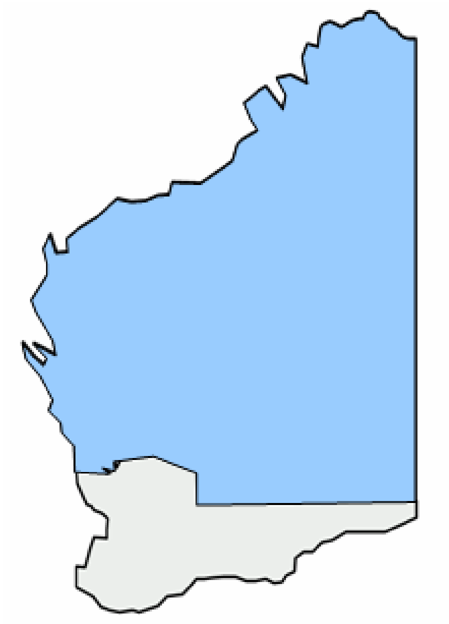
## Economic data – North and West SA

| Monthly data (trend) | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 |
|---|---|---|---|---|---|---|---|---|
| Residential building approvals, $mn | 96 | 96 | 96 | 96 | 95 | 94 | 94 | n.a. |
| Non-res building approvals, $mn | 38 | 39 | 40 | 40 | 42 | 43 | 44 | n.a. |
| Employment, annual % change | -7.2 | -8.1 | -8.4 | -7.8 | -6.5 | -5.0 | -3.4 | -1.7 |
| Unemployment rate, % | 5.5 | 5.8 | 6.1 | 6.3 | 6.5 | 6.7 | 6.8 | 6.8 |
| Participation rate, % | 58.9 | 58.7 | 58.9 | 59.3 | 60.0 | 60.9 | 61.8 | 62.6 |
| **Annual data** | **99-00** | **00-01** | **01-02** | **02-03** | **03-04** | **04-05** | **05-06** | **06-07** |
| Population,'000 | 159.5 | 158.6 | 157.8 | 157.9 | 158.1 | 158.7 | 159.1 | 160.1 |
| Population, annual % change | -0.1 | -0.5 | -0.5 | 0.1 | 0.1 | 0.3 | 0.3 | 0.6 |
| Mean individual taxable income, $ | 31621 | 33302 | 34605 | 36121 | 37756 | 39261 | 40564 | n.a. |
| Average farm debt, $'000 | 221.3 | 185.6 | 265.3 | 277.5 | 290.5 | 321.7 | 273.9 | 370.0 |
| Equity ratio, % | 80 | 83 | 82 | 88 | 90 | 88 | 91 | 85 |
| Average rural land holding, $mn | 0.87 | 0.91 | 1.01 | 1.74 | 2.06 | 2.11 | 2.27 | 1.93 |

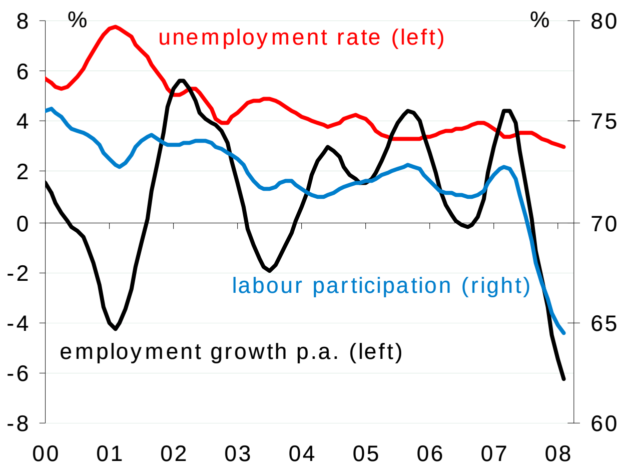
Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.

# North WA

**The North WA region**



**North WA jobs and labour participation have declined, but unemployment remains low**




Source: ABS and ANZ Economics and Markets Research

- North WA continues to perform well, but some risks are emerging. After a dry winter, northern graziers are hoping for a wetter 'wet' season than last year. In contrast, damp conditions in the northern wheat-belt may affect crop yields and quality.
- On the coast, reduced rock lobster pot quotas are forcing a scramble among fishermen to lease additional pots and, for some, to re-evaluate their financial position and critically assess their long term viability in the industry.
- For the region's giant mining sector, recent falls in global commodity prices and demand levels are already denting local operations, with cuts to production and jobs at several smaller sites. But with such a tight local labour market and unemployment at only 3%, almost all of the affected workers have found other work immediately. Nevertheless, across the region as a whole employment is now 6.3% lower than a year earlier.
- The swift change in global commodity markets has also seen some larger mining infrastructure and related projects delayed, most notably in and around the Pilbara iron ore zones. This scaling-back of construction is expected to have flow-on effects for small to medium contractors and for the nearby service towns of Karratha and Port Dampier. Although residential and non-residential building approvals have continued to grow, anecdotal reports indicate the local housing market is cooling.
- Further north, Kununurra is awaiting Stage 2 of the Ord River Project and associated infrastructure, which the new State Government may fast-track. Broome is awaiting a final planning decision on the location and commencement date for the Browse Basin natural gas processing plant.

Your ANZ Regional Manager is:
***Ian Bethune***
☎ (08) 9921 6914
ian.bethune@anz.com

Media enquiries to:
***Tony Wells***
☎ (03) 9273 6011
tony.wells@anz.com

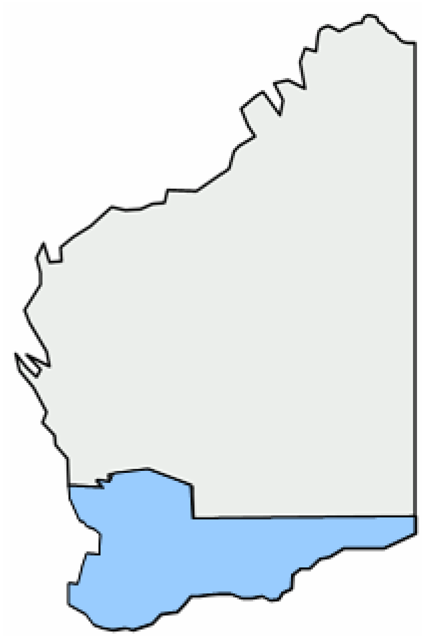
## Economic data – North WA

| Monthly data (trend) | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 |
|---|---|---|---|---|---|---|---|---|
| Residential building approvals, $mn | 243 | 255 | 267 | 279 | 290 | 301 | 314 | n.a. |
| Non-res building approvals, $mn | 268 | 269 | 270 | 270 | 270 | 268 | 272 | n.a. |
| Employment, annual % change | 1.5 | 0.1 | -1.1 | -2.3 | -3.4 | -4.5 | -5.4 | -6.3 |
| Unemployment rate, % | 3.6 | 3.5 | 3.4 | 3.3 | 3.2 | 3.1 | 3.0 | 3.0 |
| Participation rate, % | 70.3 | 69.1 | 68.0 | 67.0 | 66.1 | 65.4 | 64.9 | 64.5 |
| **Annual data** | **99-00** | **00-01** | **01-02** | **02-03** | **03-04** | **04-05** | **05-06** | **06-07** |
| Population,'000 | 187.1 | 188.0 | 188.6 | 189.2 | 189.0 | 190.2 | 194.3 | 198.5 |
| Population, annual % change | 0.2 | 0.5 | 0.3 | 0.3 | -0.1 | 0.6 | 2.2 | 2.2 |
| Mean individual taxable income, $ | 31001 | 30341 | 31503 | 33593 | 34436 | 36051 | 37517 | n.a. |
| Average farm debt, $'000 | 512.5 | 429.9 | 429.2 | 537.7 | 616.8 | 563.0 | 727.1 | 976.9 |
| Equity ratio, % | 77 | 83 | 83 | 83 | 82 | 82 | 81 | 78 |
| Average rural land holding, $mn | 1.75 | 1.84 | 1.94 | 2.44 | 2.60 | 2.56 | 2.86 | 3.43 |

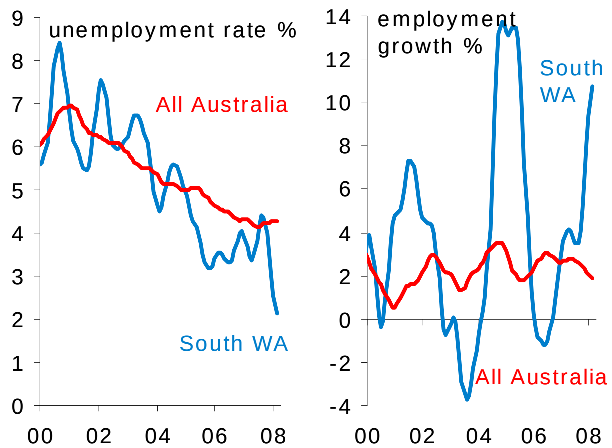
Sources: ABS, ABARE, ATO, ANZ Economics and Markets Research.

# South WA

**The South WA region**



**South WA's labour market now looking strong: low unemployment... ... and high jobs growth**




Source: ABS and ANZ Economics and Markets Research

- Labour market data for regional Australia can be quite volatile, but the latest picture for South WA looks very positive. After many months of solid employment growth, South WA has one of the tightest labour markets in the country, with a participation rate close to 70% and an unemployment rate close to 2% (only South Qld is lower). In October, as the rest of Australia nervously watched the global financial markets crisis unfold, South WA added another 300 jobs to the local economy, taking its total jobs growth over 16,000 (up 10.7%) from a year earlier.
- In the construction sector, both residential and non-residential monthly building approvals have trended down through 2008 after reaching record peaks in 2007, but they remain relatively high by historical standards. In the current financial climate however, it is likely that not all construction projects that have been approved will actually be constructed in South WA, as elsewhere around Australia.
- In the mining sector, Australia's largest gold mining expansion is well under way at Boddington near Pinjarra. This $3bn redevelopment is scheduled for completion by mid 2009, with extra capacity to come online from then. Near Bunbury, BHP Billiton and partners' Worsely alumina refinery expansion is scheduled for completion sometime in 2011, at a total cost of $2.6bn. It will add 1.1mn tonnes to the plant's annual production capacity.
- For the southern WA wheatbelt, winter planting conditions have been patchy this year. The total area sown to grains increased 18% from 2007, but harvest yield and quality are likely to have been damaged by unseasonal late spring rains. South WA's well-regarded grape-growing regions may also have been affected. The Bureau of Meteorology is forecasting a 60-65% chance of above-average summer rains for the region (November to January).

Your ANZ Regional Manager is:
***Brent Searle***
☎ (08) 9323 8021
brent.searle@anz.com

Media enquiries to:
***Tony Wells***
☎ (03) 9273 6011
tony.wells@anz.com

## Economic data – South WA

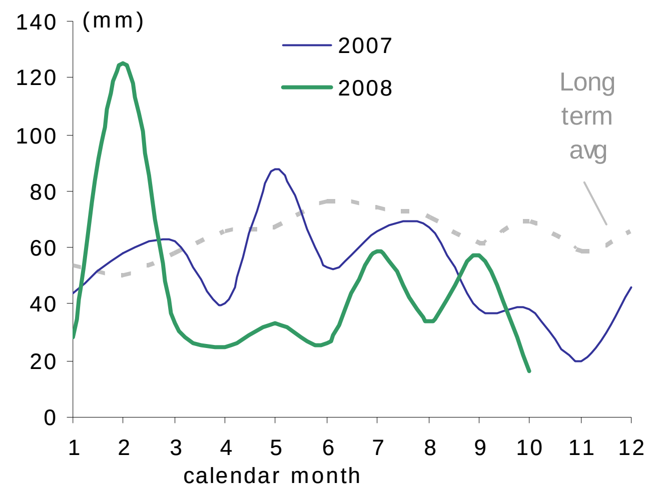
| Monthly data (trend) | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 |
|---|---|---|---|---|---|---|---|---|
| Residential building approvals, $mn | 425 | 412 | 399 | 387 | 374 | 362 | 352 | n.a. |
| Non-res building approvals, $mn | 140 | 137 | 133 | 129 | 124 | 118 | 112 | n.a. |
| Employment, annual % change | 3.5 | 3.5 | 4.0 | 5.2 | 6.6 | 8.1 | 9.4 | 10.7 |
| Unemployment rate, % | 4.2 | 4.4 | 4.3 | 4.0 | 3.5 | 3.0 | 2.5 | 2.1 |
| Participation rate, % | 66.4 | 66.5 | 66.8 | 67.3 | 67.8 | 68.3 | 68.7 | 69.1 |
| **Annual data** | **99-00** | **00-01** | **01-02** | **02-03** | **03-04** | **04-05** | **05-06** | **06-07** |
| Population,'000 | 314.4 | 320.2 | 323.3 | 327.4 | 332.5 | 340.1 | 345.3 | 352.5 |
| Population, annual % change | 2.2 | 1.8 | 1.0 | 1.3 | 1.6 | 2.3 | 1.5 | 2.1 |
| Mean individual taxable income, $ | 32156 | 32623 | 34623 | 37864 | 39606 | 41210 | 41953 | n.a. |
| Average farm debt, $'000 | 374.5 | 401.6 | 440.6 | 447.6 | 543.2 | 662.2 | 714.8 | 872.9 |
| Equity ratio, % | 81 | 83 | 85 | 86 | 86 | 84 | 84 | 79 |
| Average rural land holding, $mn | 1.75 | 1.94 | 2.23 | 2.56 | 3.08 | 3.37 | 3.59 | 3.82 |

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

# Tasmania

Tasmania

Tasmanian East Coast Rainfall




Source: BOM & ANZ Economics & Markets Research

- Tasmanian tourism in 2007/08 was resilient despite a strong A$, rising interest rates and high fuel prices. Visitor numbers to Tasmania in the year to June 2008 grew by 3% compared with the previous financial year, while expenditure grew by 5%.
- For 2008/09, capacity for interstate arrivals is already growing. Jetstar has started two additional flights between Hobart and Sydney, while Virgin Blue will start a daily service between Launceston and Brisbane before Christmas. Tiger Airways will commence flying between Hobart and Adelaide four times a week from March 2009.
- For the 6 months ending September, retail sales in Tasmania have grown at an annual pace of around 5%.
- Consistent with upbeat consumer spending in the state, employment growth has been particularly strong, with the unemployment rate falling below the national average.
- Within the agricultural sector, Spring rainfall has been patchy. Rainfall in September was close to the long term average in most regions but October rainfall once again proved elusive. This is the third consecutive dry year that many Tasmanian farmers have experienced.
- For merino wool producers, falling wool prices are reducing incomes at a time when cash flow is already very tight from the prolonged dry.
- Australian Bulk Minerals have announced plans to double the capacity of their processing plant at Port Latta near Burnie providing a boost to the local economy.

Your ANZ Regional Manager is:
***John Garwood***
☎ (03) 6332 9459
john.garwood@anz.com

Media enquiries to:
***Tony Wells***
☎ (03) 9273 6011
tony.wells@anz.com

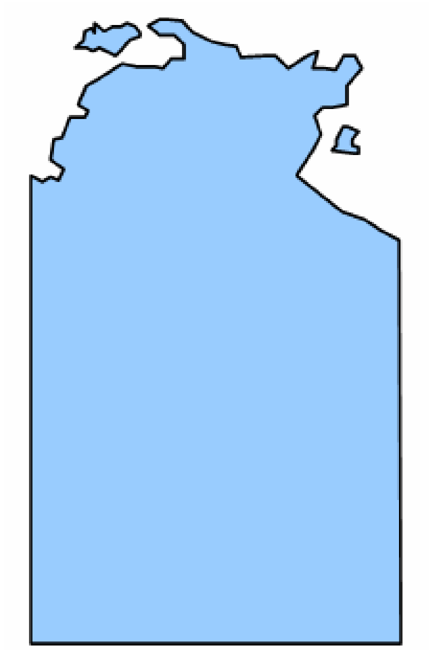
## Economic data – Tasmania

| Monthly data (trend) | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 |
|---|---|---|---|---|---|---|---|---|
| Residential building approvals, $mn | 65 | 65 | 64 | 63 | 62 | 61 | 61 | n.a. |
| Non-res building approvals, $mn | 45 | 46 | 48 | 50 | 52 | 54 | 55 | n.a. |
| Employment, annual % change | 2.9 | 3.3 | 3.7 | 4.4 | 4.9 | 5.3 | 5.6 | 5.6 |
| Unemployment rate, % | 4.6 | 4.5 | 4.4 | 4.2 | 4.1 | 4.0 | 3.8 | 3.7 |
| Participation rate, % | 60.9 | 61.1 | 61.4 | 61.8 | 62.1 | 62.4 | 62.6 | 62.6 |
| Annual data | 99-00 | 00-01 | 01-02 | 02-03 | 03-04 | 04-05 | 05-06 | 06-07 |
| Population,'000 | 471.4 | 471.8 | 472.8 | 477.7 | 482.8 | 486.4 | 489.9 | 493.3 |
| Population, annual % change | 0.0 | 0.1 | 0.2 | 1.0 | 1.1 | 0.7 | 0.7 | 0.7 |
| Mean individual taxable income, $ | 31410 | 33604 | 34270 | 35477 | 37595 | 39461 | 40446 | n.a. |
| Average farm debt, $'000 | 220.9 | 166.5 | 160.7 | 192.4 | 150.7 | 209.8 | 282.3 | 376.5 |
| Equity ratio, % | 84 | 87 | 88 | 89 | 92 | 91 | 91 | 88 |
| Average rural land holding, $mn | 1.18 | 1.04 | 1.07 | 1.29 | 1.48 | 2.14 | 2.57 | 2.95 |

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

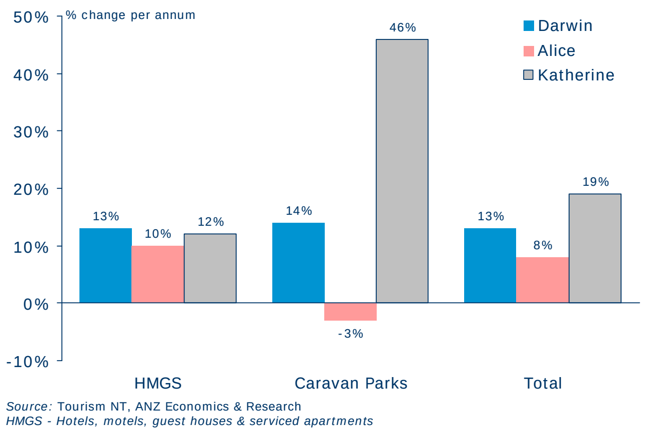
# Northern Territory

**Northern Territory**



**Caravan Park bookings were well down in the Alice**

**Regional Tourism Takings - % change 2007/08**




Source: NT Tourism

- Most indicators point to the Northern Territory's economy continuing to grow. Retail sales for the September quarter grew by 11% annually, against a national growth rate of just 3%. Equally the unemployment rate has fallen to just 3% and well below the national average.
- A decision regarding the location of Inpex's LNG facility has finally been made, with the Northern Territory taking the honours at the expense of Western Australia.
- The $12 billion investment will be built near Darwin with the potential to bring as many as 6,000 jobs to the region when the project starts in a few years. Anecdotal reports are that this announcement has begun to trigger additional demand for housing, although this is not consistent with the trend in residential building approvals. Residential building approvals in the NT were $22 million in September, 14% lower compared with 6 months ago.
- The consequences of "growing pains" are evident throughout the NT economy. For housing, shrinking rental vacancies and rising rents are apparent. The NT government and the Chamber of Commerce recently completed trips to Adelaide and Newcastle with 400 jobs on offer. Infrastructure is also struggling to keep up. Approximately 40 industrial sized generators have been placed in parkland in suburbs of Darwin to supplement existing power supplies.
- Domestic tourism in the NT in 2007/08 was negatively impacted by high fuel prices and interest rates. Domestic holiday visitor numbers declined by 6% year-on-year in 2007/08, while at a national level domestic holiday visitor numbers were essentially unchanged (-0.4%).
- The inclination for holiday makers to not travel long distances is evident at a regional level, with growth in regional takings weakest in the Alice region and especially for caravan parks.

Your ANZ Regional Manager is:
***Michael Wake***
☎ (08) 8982 3504
michael.wake@anz.com

Media enquiries to:
***Tony Wells***
☎ (03) 9273 6011
tony.wells@anz.com

## Economic data – Northern Territory

| Monthly data (trend) | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 |
|---|---|---|---|---|---|---|---|---|
| Residential building approvals, $mn | 29 | 28 | 27 | 25 | 24 | 23 | 22 | n.a. |
| Non-res building approvals, $mn | 32 | 30 | 28 | 26 | 25 | 25 | 23 | n.a. |
| Employment, annual % change | 5.7 | 5.6 | 5.2 | 4.7 | 4.1 | 3.7 | 3.6 | 3.5 |
| Unemployment rate, % | 4.2 | 3.9 | 3.5 | 3.2 | 3.0 | 2.9 | 2.9 | 3.0 |
| Participation rate, % | 72.8 | 72.5 | 72.3 | 72.2 | 72.2 | 72.2 | 72.3 | 72.4 |
| **Annual data** | **99-00** | **00-01** | **01-02** | **02-03** | **03-04** | **04-05** | **05-06** | **06-07** |
| Population,'000 | 195.6 | 197.8 | 199.4 | 200.1 | 202.2 | 206.5 | 210.7 | 215.0 |
| Population, annual % change | 1.5 | 1.1 | 0.8 | 0.3 | 1.0 | 2.1 | 2.0 | 2.0 |
| Mean individual taxable income, $ | 36698 | 37911 | 39294 | 40711 | 43026 | 45716 | 47491 | n.a. |
| Average farm debt, $'000 | 980.1 | 1160.4 | 696.2 | 1075.8 | 673.0 | 464.7 | 660.3 | 1077.2 |
| Equity ratio, % | 79 | 79 | 93 | 83 | 91 | 95 | 96 | 92 |
| Average rural land holding, $mn | 2.73 | 3.59 | 3.72 | 3.11 | 3.94 | 5.31 | 8.14 | 11.00 |

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

# Contacts

## ANZ Economics & Markets Research


| | | | |
|---|---|---|---|
| **Saul Eslake** | Chief Economist | +61 3 9273 6251 | Saul.Eslake@anz.com |
| Fiona Allen | Business Manager | +61 3 9273 6224 | Fiona.Allen@anz.com |

**Industry and Strategic Research**

| | | | |
|---|---|---|---|
| Tony Pearson | Deputy Chief Economist | +61 3 9273 5083 | Tony.Pearson@anz.com |
| Mark Rodrigues | Senior Economist | +61 3 9273 6286 | Mark.Rodrigues@anz.com |
| Julie Toth | Senior Economist | +61 3 9273 6252 | Julie.Toth@anz.com |
| Paul Deane | Rural and Regional Economist | +61 3 9273 6295 | Paul.Deane@anz.com |

**Australian Economics and Interest Rates Research**

| | | | |
|---|---|---|---|
| Warren Hogan | Head of Australian Economics and Interest Rates Research | +61 2 9227 1562 | Warren.Hogan@anz.com |
| Katie Dean | Senior Economist | +61 3 9273 1381 | Katie.Dean@anz.com |
| Riki Polygenis | Economist | +61 3 9273 4060 | Riki.Polygenis@anz.com |
| Dr. Alex Joiner | Economist | +61 3 9273 6123 | Alex.Joiner@anz.com |
| Patricia Gacis | Strategist | +61 2 9227 1272 | Patricia.Gacis@anz.com |

**Global Markets Credit Research**

| | | | |
|---|---|---|---|
| Jason Hill | Global Markets Credit Analyst | 0434 312 356 | Jason.Hill@anz.com |

**Commodities Research**

| | | | |
|---|---|---|---|
| Mark Pervan | Head of Commodities Research | +61 3 9273 3716 | Mark.Pervan@anz.com |
| Amber Rabinov | Economist | +61 3 9273 4853 | Amber.Rabinov@anz.com |
| Doug Whitehead | Soft Commodity Strategist | +61 3 9273 6684 | Doug.Whitehead@anz.com |
| Natalie Robertson | Graduate Analyst | +61 3 9273 3415 | Natalie.Robertson@anz.com |

**Property and Financial System Research**

| | | | |
|---|---|---|---|
| Paul Braddick | Head of Property and Financial System Research | +61 3 9273 5987 | Paul.Braddick@anz.com |
| Ange Montalti | Senior Economist | +61 3 9273 6288 | Ange.Montalti@anz.com |
| Dr. Alex Joiner | Economist | +61 3 9273 6123 | Alex.Joiner@anz.com |
| Stephanie Wayne | Research Analyst | +61 3 9273 4075 | Stephanie.Wayne@anz.com |

**Foreign Exchange and International Economics Research**

| | | | |
|---|---|---|---|
| Amy Auster | Head of Foreign Exchange and International Economics Research | +61 3 9273 5417 | Amy.Auster@anz.com |
| Tony Morriss | Senior Currency Strategist | +61 2 9226 6757 | Tony.Morriss@anz.com |
| Jasmine Robinson | Senior Economist | +61 3 9273 6289 | Jasmine.Robinson@anz.com |
| Amber Rabinov | Economist | +61 3 9273 4853 | Amber.Rabinov@anz.com |

**Foreign Exchange and Interest Rates Research (London)**

| | | | |
|---|---|---|---|
| Tim Riddell | Currency and Interest Rate Strategist | | Tim.Riddell@anz.com |

**Asian Economics Research (Singapore)**

| | | | |
|---|---|---|---|
| Paul Gruenwald | Head of Asian Economics | +65 6419 7902 | Paul.Gruenwald@anz.com |
| Ivy Tan | Associate Director, Credit Research | +65 6419 7914 | Ivy.Tan@anz.com |
| Tamara Henderson | Director, Currency & Rates Strategy | +65 6216 1845 | Tamara.Henderson@anz.com |
| Joshua Saldanha | Associate Director, Macroeconomics | +65 6216 1838 | Joshua.Saldanha@anz.com |
| Chang Wei Liang | Research Intern, Markets Asia | +65 6216 1838 | WeiLiang.Chang@anz.com |

**New Zealand Economics Research (Wellington)**

| | | | |
|---|---|---|---|
| Cameron Bagrie | Chief Economist, New Zealand | +64 4 802 2212 | Cameron.Bagrie@anz.com |
| Khoon Goh | Senior Economist | +64 4 802 2357 | Khoon.Goh@anz.com |
| Philip Borkin | Economist | +64 4 802 2199 | Philip.Borkin@anz.com |
| Steve Edwards | Economist | +64 4 802 2217 | Steve.Edwards@anz.com |
| Kevin Wilson | Rural Economist | +64 4 802 2361 | wilsonk1@anz.com |
| David Croy | Interest Rate Strategist | +64 4 802 2286 | David.Croy@anz.com |

**Research and Information Services**

| | | | |
|---|---|---|---|
| Mary Yaxley | Head of Research and Information Services | +61 3 9273 6265 | Mary.Yaxley@anz.com |
| Marilla Rough | Senior Information Officer | +61 3 9273 6263 | Marilla.Rough@anz.com |
| Manesha Jayasuriya | Publications Coordinator | +61 3 9273 4121 | Manesha.Jayasuriya@anz.com |

**Important Notice**

Australia and New Zealand Banking Group Limited is represented in:

AUSTRALIA by:

Australia and New Zealand Banking Group Limited ABN 11 005 357 522

14th Floor 100 Queen Street, Melbourne, Victoria, 3000, Australia

Telephone +61 3 9273 6224 Fax +61 3 9273 5711

UNITED KINGDOM by:

Australia and New Zealand Banking Group Limited

ABN 11 005 357 522

40 Bank Street, Canary Wharf, London, E14 5EJ, United Kingdom

Telephone +44 20 3229 2121 Fax +44 20 7378 2378

UNITED STATES OF AMERICA by:

ANZ Securities, Inc. (Member of NASD and SIPC)

6th Floor 1177 Avenue of the Americas

New York, NY 10036, United States of America

Tel: +1 212 801 9160 Fax: +1 212 801 9163

NEW ZEALAND by:

ANZ National Bank Limited

Level 7, 1-9 Victoria Street, Wellington, New Zealand

Telephone +64 4 802 2000