



# ANZ Regional and Rural Quarterly

September quarter 2009

23 September 2009

## Author:

**Paul Deane**  
Rural and Regional Economist  
+61 3 9273 6295  
Paul.Deane@anz.com

This publication was finalised on  
15<sup>th</sup> September 2009

## 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

Welcome to the September edition of the ANZ Regional and Rural Quarterly.

The Australian economy appears to be weathering the global economic downturn better than expected and regional and rural Australia are playing an important role in the relatively positive economic picture for the September quarter.

However, the conditions that impact the economic landscape in regional and rural Australia are unique.

Weather conditions and how they affect crop yields and pastures are the most obvious, but population shifts, employment, workforce participation, residential and non-residential construction and house prices all create unique challenges for businesses and individuals in regional and rural Australia.

In comparison to city centres, even relatively minor shifts in these economic drivers can have significant impacts.

Our report results for the September quarter indicate an upturn in commercial and public construction building approvals, undoubtedly boosted by the Federal Government's Nation and Schools building programs; a reasonably robust employment market and the continuing impact of drought conditions in some regions. For a detailed national breakdown, please refer to the full report.

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

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

I wish you all the best and trust you find the information in the report helps you run your business more successfully and understand your region more thoroughly.

Mark Hand  
ANZ General Manager  
Regional Commercial & Agribusiness

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

## ANZ Regional Commercial & Agribusiness

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

NSW/Qld: Steve Chugg ☎0434 079 582 ✉[steve.chugg@anz.com](mailto:steve.chugg@anz.com)

Vic/Tas/WA/SA/NT: Keiran Evans ☎0401 992 554 ✉[keiran.evans@anz.com](mailto:keiran.evans@anz.com)

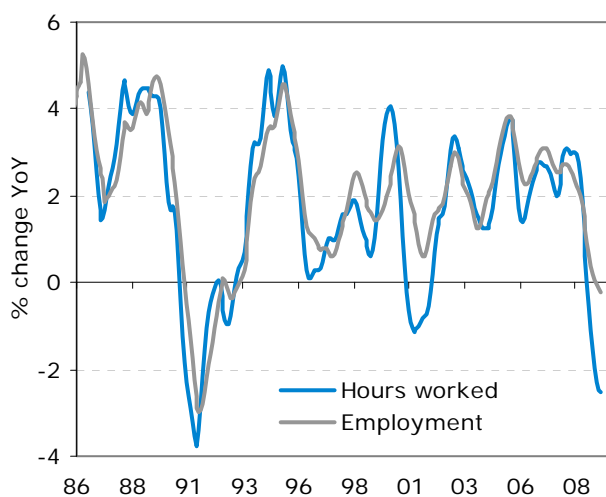
## The Big Picture

While 2009 will be remembered as one of the worst for the global economy in the last 70 years, markets have largely moved past this and are increasingly looking towards 2010 and beyond. Equity markets have rebounded strongly and credit spreads have narrowed significantly over the last 6 months, with renewed optimism that the worst is behind us and the seeds of the next cyclical upswing are already in train.

However, while some of the major developed economies of the world have shrunk by as much as 5% over the last 12 months, the Australian economy has emerged largely unscathed and managing so far to avoid a recession.

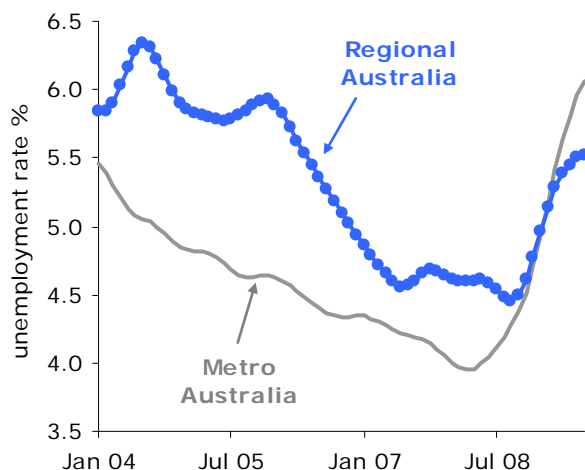
The Australian labour market has been resilient, despite the dire predictions made earlier in the year. At the height of pessimism in February/March, some forecasts were for Australia's unemployment rate to have risen from its low in early 2008 of 4%, to well above 8% by 2010. However, with the Australian unemployment rate sticking stubbornly below 6%, such a large rise is looking increasingly unlikely.

### Australian employers are cutting back hours worked in attempt to maintained skilled staff



Source: ABS

### The unemployment rate in regional Australia has been slower to rise and is below metro Australia



Source: ABS, ANZ

One reason large net job losses have not occurred in Australia is the propensity for employers to reduce the number of hours staff work, rather than make redundancies. Anecdotal reports indicate some businesses have negotiated with their staff to work a 'nine day fortnight', with minimum to nil increases in salaries for 2009-10. In another encouraging sign for the labour market, the ANZ Job Advertisements series increased in August, the first monthly increase since April 2008.

Other partial indicators for Australia have also been surprisingly upbeat in recent months. Retail sales are growing at an annualised rate of 5-6%, while consumer sentiment has continued to surge, rising by 34% in the last 4 months. Business confidence and conditions have also rebounded, driven by higher profitability and improved trading conditions.

In fact, the data has been so good that the market's perception on interest rates has shifted markedly. From the latest poll of interest rate forecasts, every economist is now expecting the RBA's cash rate to be above 3% by the end of 2010. Previously the consensus was for flat or with even the possibility of further interest rate cuts by the RBA by mid 2010.

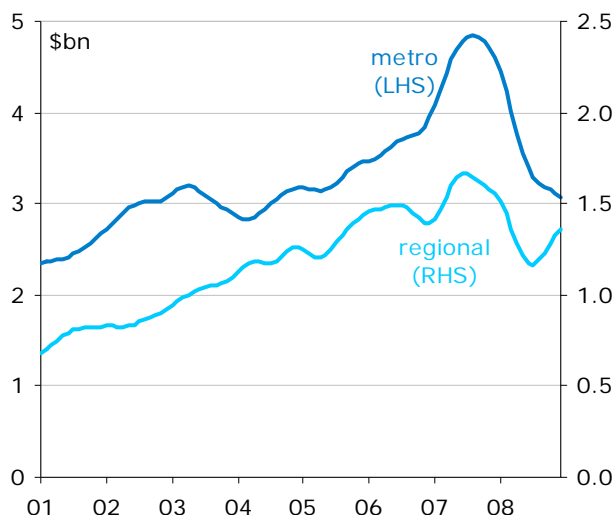
There are good reasons why the Australian economy has performed well, including early and decisive action by the RBA (monetary policy), government spending (short-term fiscal policy), a strong financial sector, more conservative lending practices and a commodity sector benefiting from China's growth in fixed investment expenditure.

For regional Australia, the news is equally, if not even more positive, than the broader picture for Australia. For the combined 19 regions covered by ANZ in this edition of the *Regional and Rural Quarterly*, the employment market is outperforming that of metro Australia. For regional Australia, the unemployment rate is approximately half a percent below that of the major capital cities.

This is the first time since at least the early 1990s recession that the unemployment rate in regional Australia has been persistently below that of metropolitan Australia.

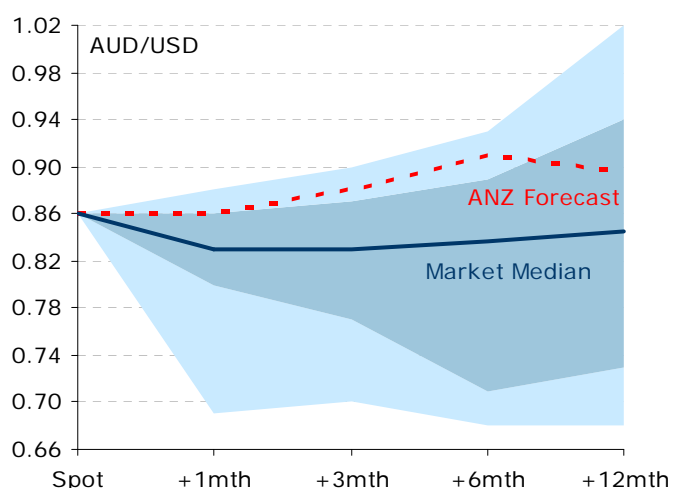
In both cases the main driver for the increasing unemployment rate over the last 12 months has been continued growth in labour supply, rather than any major contraction in the number of people employed (either full or part-time).

#### Building approvals in regional Australia have rebounded while metro Australia has yet to bottom



Source: ABS, ANZ

#### Forecasts for the A\$ over the next 12 months remain divergent, but ANZ expects no respite for exporters



Source: Reuters, ANZ

The unemployment rate has helped stay lower in regional Australia by persistent growth in jobs over the last 6 months, while urban Australia has experienced nil to slightly negative growth. Since January, employment growth in regional Australia has averaged 1.1% year-on-year, while growth in the Australian capital cities has averaged just 0.1% over the same period.

Signs are also positive for regional Australia based on building approval trends. While commercial and residential building approvals slowed considerably across both the capital cities and regional Australia towards the end of 2008, building approvals in regional areas have rebounded, led by increased activity in the commercial and public building sector. The divergence in non-residential building approvals is stark across the regional/metro divide. The value of non-residential building approvals have nearly halved across the major capital cities of Australia, while in regional Australia monthly non-residential building approvals are only 10%-15% below their peak reached in the first half of 2008.

One other important driver of performance in regional Australia is the movement in the A\$, given its heavy reliance on 'export dollars' from mining, agriculture and tourism. Unlike previous downturns, the reprieve for exporters from a weaker currency has been short-lived. The \$A has rebounded sharply as global risk aversion has eased (weakening the US\$) and the resilience of the Australian economy has increased the probability of rising interest rates in the shorter term.

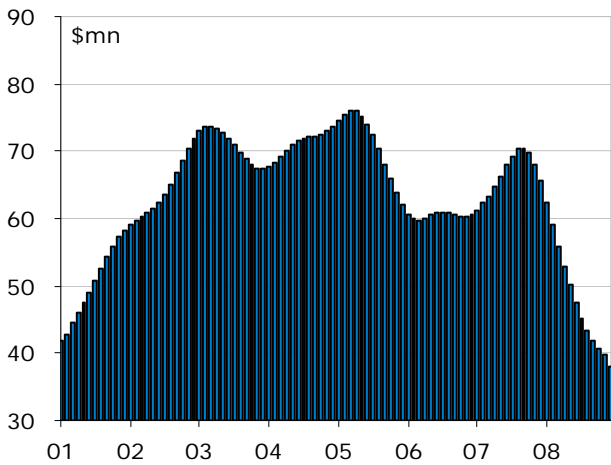
As to the outlook for the A\$, the latest poll by Reuters indicates a divergent view by economists. The 'median' view of the market is for the \$A to trade above 80 US cents for the next 12 months, but forecasts at the extreme for September 2010 range from as low as 70 US cents to parity.

**Change to building approvals series:** Please note that in previous issues the value of building approvals data for all regions were overstated, except in Tasmania and the Northern Territory. This has been rectified in the current edition (September 2009). The trends and relative changes over time remain valid in the previous reports and this has been our focus when evaluating regional construction performance.

## NSW North Coast

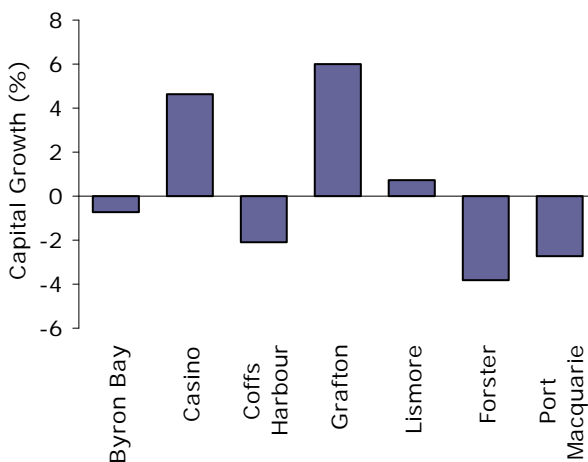


Residential building approvals indicate building activity could fall back to 2001 levels in the region



Source: ABS, ANZ

House price growth has been strong in both Casino and Grafton over the last 12 months



Source: Residex

- While building approvals have proven resilient across much of regional Australia, this has not been the case on the North Coast. Non-residential building approvals (commercial and public) have averaged just \$20 million in the June quarter for the North Coast of NSW. This is half the level reached in the peak during late 2007/early 2008.
- Residential building activity is equally weak in the region after a prolonged period of very strong development. From 2003 to 2008, monthly residential building approvals averaged \$67 million, but for the June quarter this has fallen to \$40 million per month. At this level of residential building approvals, forward residential building activity is likely to fall back to 2001 levels!
- However, for existing dwellings, the government's short-term increase to the First Home Owner has increased demand for housing under \$350,000. This is evident in Residex's June 2009 house price data. Casino and Grafton, with a much larger proportion of housing stock in the sub-\$350,000 price than other major regional centres along the coast. Consequently the median house price in Casino and Grafton has increased by 5%-6% in the last 12 months, while in Coffs Harbour, Byron Bay, Forster and Port Macquarie, the median house price has declined.
- Unlike some southern counterparts, dairy producers in the region have not only been able to maintain production in 2008/09, but because of a stable milk price, have generally maintained income levels.

Your ANZ Regional Executive:

**Damian Kulmar**

☎ (02) 6652 0391

damian.kulmar@anz.com

Media enquiries to:

**Sue-Ellen Atherton**

☎ (03) 9273 0741

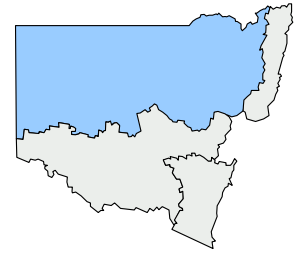
Sue-Ellen.Atherton@anz.com

### Economic data – NSW North Coast

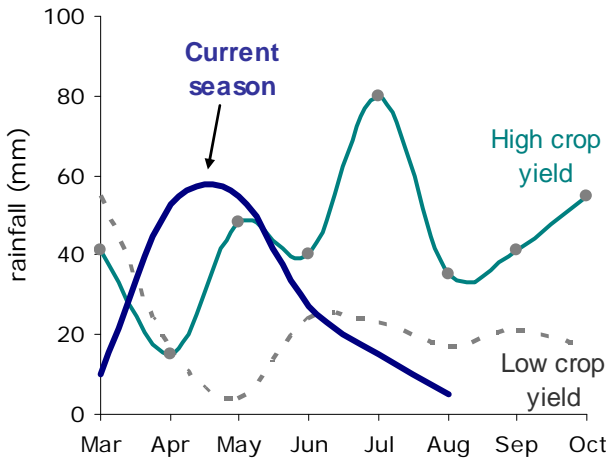
Monthly data (trend)	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Residential building approvals, \$mn	47	45	43	42	41	40	38	--
Non-res building approvals, \$mn	24	23	23	22	21	20	20	--
Employment, annual % change	2.6	3.0	2.7	2.2	1.6	1.0	0.5	0.0
Unemployment rate, %	8.0	8.0	7.8	7.5	7.1	6.6	6.2	5.8
Participation rate, %	54.2	54.1	53.6	53.0	52.2	51.6	51.0	50.5
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	496.9	503.2	509.6	515.5	520.9	526.9	534.2	541.7
Population, annual % change	1.3	1.3	1.3	1.2	1.1	1.2	1.4	1.4
Mean individual taxable income, '\$'000	29.6	30.7	32.2	34.9	35.8	37.5	41.7	--
Average farm debt, '\$'000	14	47	90	63	65	96	181	189
Equity ratio, %	99	96	93	95	95	95	91	94
Average rural land holding, \$mn	0.91	0.95	1.03	1.02	1.22	1.71	2.15	2.96

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

## NSW North West

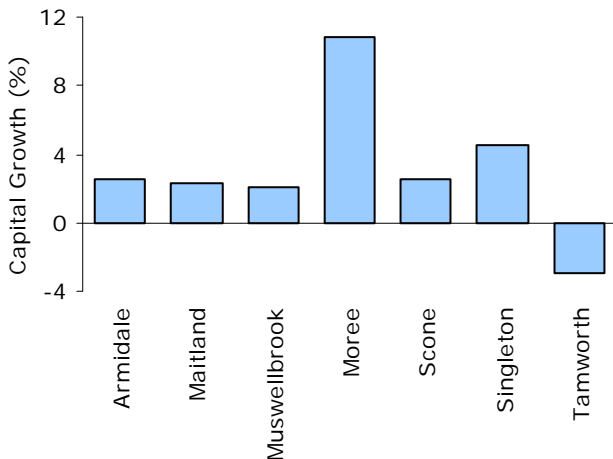


A lack of rainfall in recent months has dramatically reduced the yield potential of winter crops on the North West Plains



Source: ANZ, BOM

Demand for established housing in the region has been solid over the last 12 months



Source: Residex

- Employment conditions have continued to soften in the North West of NSW, with negative employment growth and a sharp jump in the unemployment rate occurring in a relatively short space of time. In late 2008, the unemployment rate in the region was 4.7% but in recent months the trend has been above 6%. However even with this rise, the unemployment rate is still only at levels on par with Sydney.
- The residential property market in the region is performing well – both for existing and new housing. Residential building approvals rebounded in the June quarter and are now only marginally below the 2005 to 2007 average of \$25 million per month. This is positive for short term residential construction activity in the region.
- Demand for established housing in the region is also solid, with the median house price across most of the larger regional centres increasing over the last 12 months. The best performing town in this regard is Moree, where house prices have jumped by 11% since June 2008.
- Within the agri sector, good early season rainfall and wheat prices at A\$280/tonne at sowing, created some optimism for the 2009 winter crop. However rainfall from June through to the end of August was well-below average, cutting the yield potential of crops along the North West Slopes and Plains significantly. For example, on the North West Plains (Moree area), in a high yielding winter crop year, rainfall from June to August totals 155mm or 51mm per month. This year, district rainfall has totalled just 47mm from June to August, with just 5mm of this in August.

Your ANZ Regional Executive:

**Robert Smith**

☎ 0427 008 478

robert.smith@anz.com

Media enquiries to:

**Sue-Ellen Atherton**

☎ (03) 9273 0741

Sue-Ellen.Atherton@anz.com

### Economic data – NSW North West

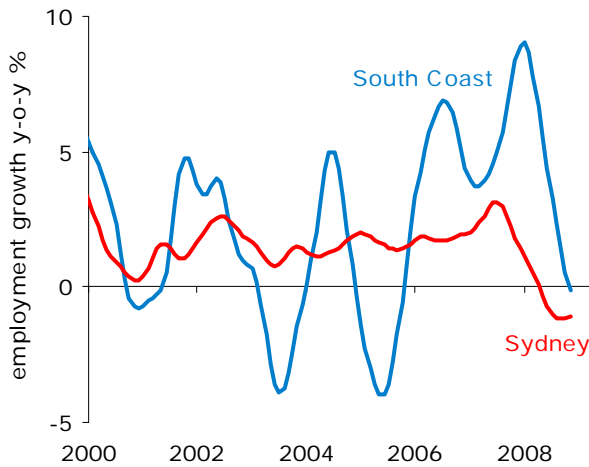
Monthly data (trend)	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Residential building approvals, \$mn	22	23	23	23	23	23	24	--
Non-res building approvals, \$mn	14	14	15	15	15	15	14	--
Employment, annual % change	-1.8	-1.7	-1.9	-2.3	-2.8	-3.1	-3.3	-3.5
Unemployment rate, %	4.9	5.3	5.7	6.0	6.3	6.5	6.6	6.6
Participation rate, %	62.7	62.4	62.4	62.4	62.5	62.6	62.8	62.9
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	325.4	323.8	321.5	319.0	318.4	319.4	320.1	321.1
Population, annual % change	0.4	-0.5	-0.7	-0.8	-0.2	0.3	0.2	0.3
Mean individual taxable income, '\$000	32.1	33.3	33.7	35.6	37.7	37.3	40.7	--
Average farm debt, '\$000	259	292	268	374	411	465	742	796
Equity ratio, %	87	87	88	87	85	86	79	79
Average rural land holding, \$mn	1.75	1.61	1.73	2.09	2.14	2.46	3.25	3.45

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

## NSW South Coast

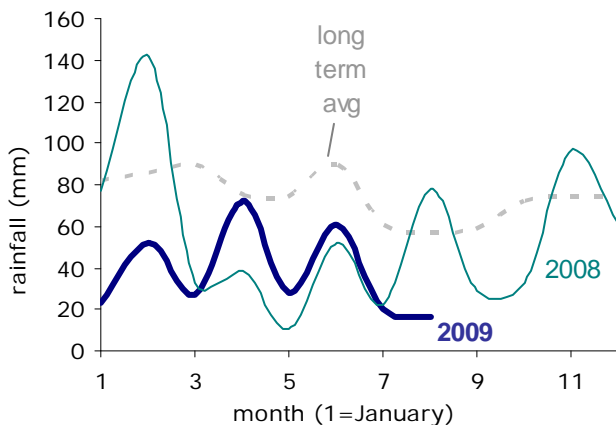


**Employment growth has stalled after several years of very strong jobs growth in the region**



Source: ABS, ANZ

**Drought conditions persist in the region, with August rainfall dramatically below 2008 levels and the long term average**



Source: BOM, ANZ

- Strong growth in the number of people seeking work and a slowdown in employment has pushed the unemployment rate in the region sharply higher. While the number of people employed in the region is similar to 12 months ago, continued migration of people to the region actively seeking work has pushed the labour force and the number of people unemployed higher. In the first half of 2009, the total labour force in the region reached 320,000 people, an increase of 20,000 people in 12 months. Whereas the total number of people employed (either full or part-time) stayed flat at approximately 295,000 jobs over the same period.
- After depressed levels of non-residential building approvals throughout 2008, the outlook for the commercial/public building construction sector has improved sharply. Compared with 12 months ago, non-residential building approvals are 40% higher on the South Coast, whereas in Sydney the trend has been in the opposite direction, with approvals falling by as much as 50%.
- For the agricultural sector, drought conditions continue to persist across many parts of South Eastern NSW. Rainfall in August was one of the lowest on record. At a regional level, the South Coast of NSW received just 97 mm of rain this winter or half the long term average.
- Dairy farmers on the South Coast, around Bega, are continuing to grain feed cows and are receiving freight rebates for grain trucked into the area under 'Exceptional Circumstances' (drought) status declared for the Bega Valley.

Your ANZ Regional Executive:

**Mark Nightingale**

(02) 4234 3967

mark.nightingale@anz.com

Media enquiries to:

**Sue-Ellen Atherton**

(03) 9273 0741

Sue-Ellen.Atherton@anz.com

### Economic data – NSW South Coast

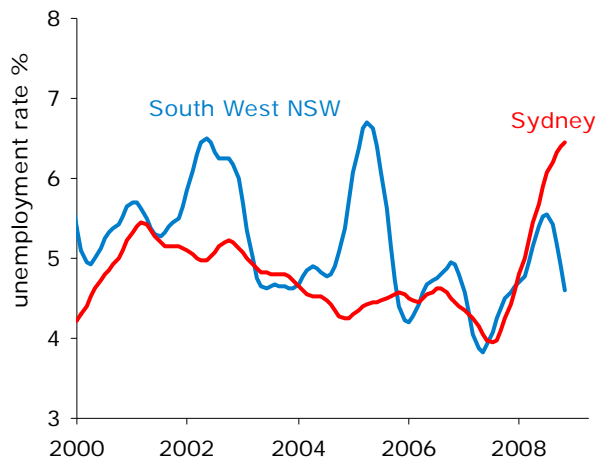
Monthly data (trend)	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Residential building approvals, \$mn	48	48	49	50	51	53	54	--
Non-res building approvals, \$mn	30	32	35	38	41	44	49	--
Employment, annual % change	6.7	5.5	4.3	3.3	2.3	1.4	0.5	-0.1
Unemployment rate, %	4.9	5.5	6.2	6.8	7.3	7.6	7.9	8.1
Participation rate, %	60.5	60.6	60.8	60.9	61.0	60.9	60.8	60.7
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	593.0	600.5	606.6	610.6	616.0	622.1	629.1	635.7
Population, annual % change	1.8	1.3	1.0	0.6	0.9	1.0	1.1	1.1
Mean individual taxable income, '\$'000	35.2	36.4	38.0	39.5	41.0	41.6	45.1	--
Average farm debt, '\$'000	188	192	335	154	172	215	348	470
Equity ratio, %	88	90	85	93	94	93	90	88
Average rural land holding, \$mn	1.28	1.34	1.81	1.87	2.22	2.68	2.96	3.38

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

## NSW South West

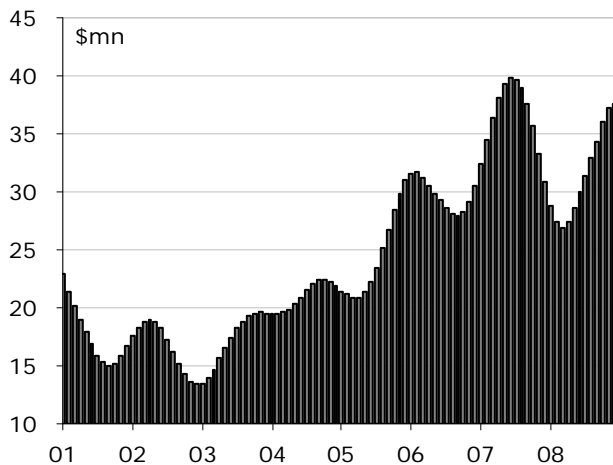


The unemployment rate in the region is going in the opposite direction to Sydney



Source: ABS, ANZ

The outlook for commercial construction activity has improved considerably with the rebound in building approvals



Source: ABS

- The number of people employed in the region has grown modestly more recently after a period of stability. But a decline in the labour force has also helped push the unemployment rate in the region in the opposite direction to many parts of Australia. The unemployment rate in the region is low relative to both regional and metro NSW, despite the total number of jobs in the region, either full or part-time, 5% below the peak in 2007.
- Business sentiment in the major regional economies of Wagga, Bathurst and Orange has improved from this time last year, with the retail sector benefiting from higher sales.
- The outlook for commercial construction activity has improved considerably, especially in Wagga, where a number of developments are underway. Non-residential building approvals (commercial and public) rose strongly in the June quarter for the region, with monthly approvals only modestly below the record highs in late 2007 of \$40 million per month.
- For irrigators in the region, water storages are still at similar low levels to last year. However winter rainfall in the catchments, together with inflows from the Snowy Hydro, has enabled entitlements for high security water users in both the Murrumbidgee and Murray Valley to increase to 45% and 20% respectively.
- After a good start to the season, many winter crops across the region need good spring rainfall to maximise season-to-date crop potential.

Your ANZ Regional Executive:

**Tony Williams**

(02) 6926 9925

tony.williams@anz.com

Media enquiries to:

**Sue-Ellen Atherton**

(03) 9273 0741

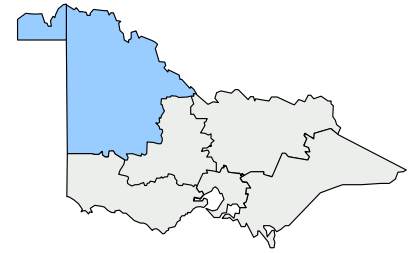
Sue-Ellen.Atherton@anz.com

### Economic data – NSW South West

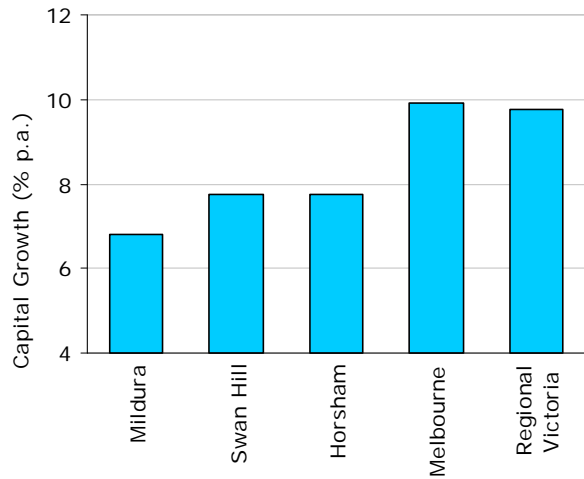
Monthly data (trend)	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Residential building approvals, \$mn	38	38	39	39	40	40	41	--
Non-res building approvals, \$mn	30	31	33	34	36	37	38	--
Employment, annual % change	-8.1	-7.5	-6.5	-4.9	-2.9	-0.8	1.2	3.0
Unemployment rate, %	5.2	5.4	5.5	5.5	5.4	5.2	4.9	4.6
Participation rate, %	63.1	63.4	63.7	64.0	64.2	64.2	64.3	64.2
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	443.5	444.0	443.5	442.7	444.5	448.1	450.9	453.1
Population, annual % change	0.9	0.1	-0.1	-0.2	0.4	0.8	0.6	0.5
Mean individual taxable income, '\$000	33.3	34.5	34.9	35.9	37.1	36.8	39.9	--
Average farm debt, '\$000	217	204	267	256	270	297	457	582
Equity ratio, %	86	89	87	90	90	89	82	84
Average rural land holding, \$mn	1.30	1.32	1.63	2.24	2.24	2.15	3.13	3.09

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

## Riverland & Mallee

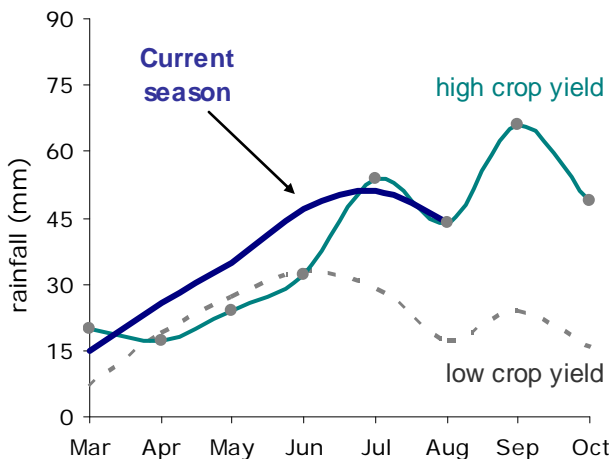


Annual capital growth in residential property over the last 10 years



Source: Residex

Season-to-date rainfall in the Wimmera has been ideal for winter crops



Source: BOM, ANZ

- After some job shedding in the region in 2008, the employment market in the area has been largely static in 2009. The unemployment rate in the area has fallen slightly over the last 6 months to 6.2%, reflecting more an increase in the number of people who have given up looking for a job, rather than any large growth in employment.
- Similar to most other areas 'north of the divide' in Victoria, house prices in Mildura, Swan Hill and Horsham have grown at an average rate of 7% to 8% per annum over the last 10 years. By comparison, median house prices in Melbourne and regional centres south of the Great Dividing Ranges have grown at 10% p.a.
- This trend of under-performance in residential property in the region versus Melbourne has continued. For the 12 months to June 2009, the median house price in Mildura, Swan Hill and Horsham have all fallen slightly (1%-2%) while prices in Melbourne and the major towns in the higher rainfall zone in Victoria have averaged growth of 3% compared with June 2008.
- Winter rainfall in the Wimmera has been ideal for winter crops. If current rainfall trends continue for the remainder of the season, grain producers face the prospect of above average crop yields. However further north, August rainfall in the Mallee region was below average making September rainfall more critical.
- Agribusiness sentiment in the Riverland region remains low, as producers grapple with poor wine grape prices and low irrigation water availability.

Your ANZ Regional Executive:

**Jo Mikleus**

(03) 5023 9292

jo.mikleus@anz.com

Media enquiries to:

**Sue-Ellen Atherton**

(03) 9273 0741

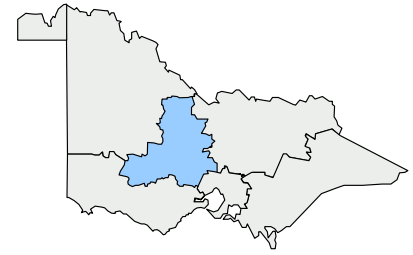
Sue-Ellen.Atherton@anz.com

### Economic data – Riverland & Mallee

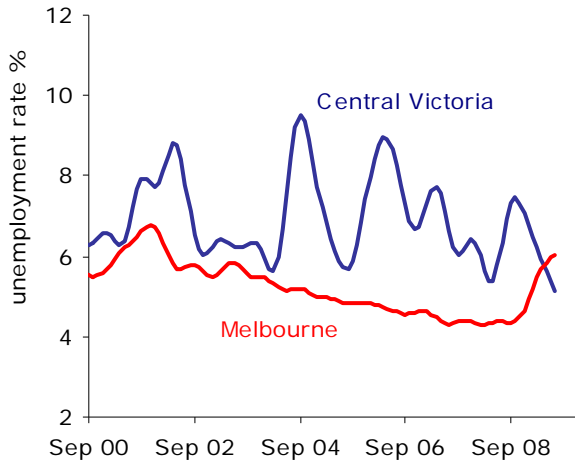
Monthly data (trend)	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Residential building approvals, \$mn	11	11	12	12	13	13	14	--
Non-res building approvals, \$mn	9	10	11	13	15	17	19	--
Employment, annual % change	1.7	3.1	3.6	3.3	2.5	1.5	0.4	-0.5
Unemployment rate, %	6.5	6.7	6.7	6.6	6.4	6.2	6.2	6.2
Participation rate, %	62.3	62.5	62.7	62.6	62.2	61.8	61.3	60.8
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	141.8	141.6	140.8	140.6	141.0	141.9	143.3	144.0
Population, annual % change	0.6	-0.2	-0.5	-0.1	0.3	0.6	1.0	0.5
Mean individual taxable income, '\$'000	32.4	36.6	34.2	34.2	34.7	34.2	36.6	--
Average farm debt, '\$'000	191	167	206	212	198	297	329	360
Equity ratio, %	87	91	90	91	90	86	78	87
Average rural land holding, \$mn	1.13	1.27	1.60	1.69	1.55	1.65	2.00	2.28

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

## Central Victoria

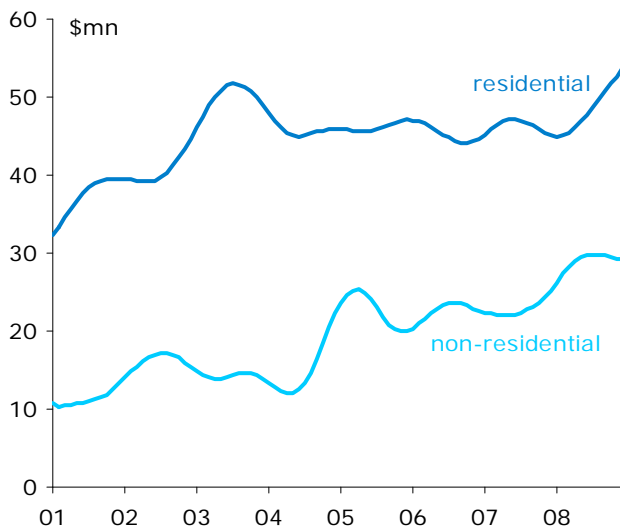


The unemployment rate in the region is defying the trend, falling at time when for most of Australia the unemployment rate is rising



Source: ABS, ANZ

The outlook for the construction market in the region is particularly strong



Source: ABS, ANZ

- The unemployment rate in Central Victoria has fallen over the last 12 months, defying the trend of rising unemployment across much of Australia. The number of people employed in the region (either full or part-time) has rebounded to the highest level in at least two decades, with the unemployment rate at 5.1%, well below Melbourne's level of around 6%.
- This is despite the labour market in the region being hit by job losses in both the mining and manufacturing sectors. In the last 6 months Lihir Gold has decided to sell its Ballarat Gold mine, resulting in significant job losses. Media reports indicate employee numbers have fallen to 100 at the mine, from a workforce of 500.
- For the two major centres in the region, Bendigo and Ballarat, house prices have grown strongly recently, despite the slowdown in the broader economy. For the 12 months to June 2009, the median house price in Ballarat grew by 11%, while prices in Bendigo rose by 4%. Over the last 10 years, house prices in Ballarat grew on average by 10% p.a., while prices for Bendigo's existing housing stock has averaged 8% p.a.
- The construction market in the region is one of the best performing across Australia, with the outlook particularly strong through at least to the end of the year. For the June quarter 2009, residential building approvals are 16% higher year-on-year, while non-residential building approvals are equally strong, up 20% for the same period. By comparison, non-residential building approvals are down by around 35% in Melbourne and at a national level.

Your ANZ Regional Executive:

**Vas Iannella**

☎ 0411 210 811

vas.iannella@anz.com

Media enquiries to:

**Sue-Ellen Atherton**

☎ (03) 9273 0741

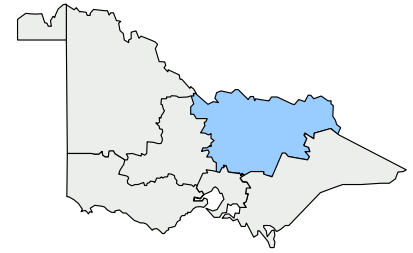
Sue-Ellen.Atherton@anz.com

### Economic data – Central Victoria

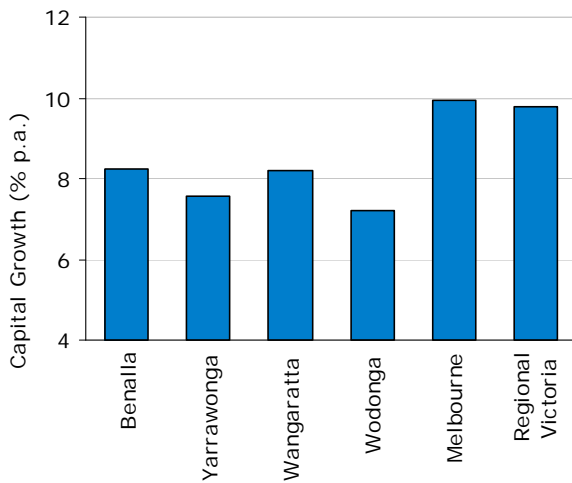
Monthly data (trend)	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Residential building approvals, \$mn	48	49	50	51	52	53	54	--
Non-res building approvals, \$mn	30	30	30	30	30	29	29	--
Employment, annual % change	-3.3	-1.4	0.2	1.8	3.5	5.2	6.8	8.3
Unemployment rate, %	7.1	6.8	6.5	6.2	5.9	5.6	5.4	5.1
Participation rate, %	63.4	63.7	63.8	63.9	64.1	64.3	64.6	64.9
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	308.5	310.0	312.4	315.1	318.4	322.5	327.4	332.0
Population, annual % change	1.3	0.5	0.8	0.8	1.1	1.3	1.5	1.4
Mean individual taxable income, '\$000	32.1	33.8	33.9	35.5	37.2	37.5	41.1	--
Average farm debt, '\$000	128	132	153	123	144	188	240	312
Equity ratio, %	89	91	90	93	92	91	78	90
Average rural land holding, \$mn	1.02	1.17	1.24	1.43	1.51	1.80	2.45	2.73

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

## North East Victoria

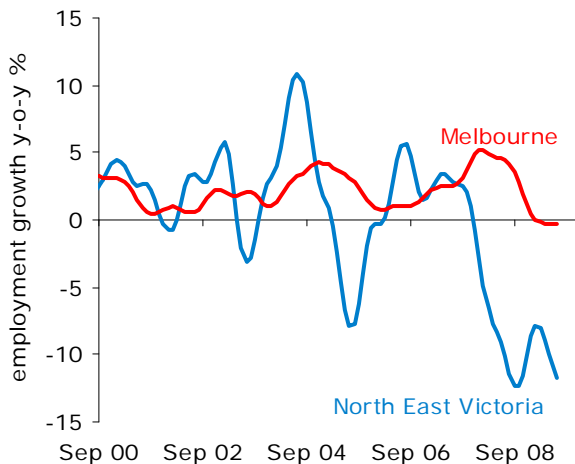


Annual capital growth in residential property over the last 10 years



Source: Residex

The job market in the region has been decidedly negative over the last 2 years



Source: ABS, ANZ

- Over the last two years the number of people employed in the region (either full or part-time) has fallen to 130,000 people, a loss of 20,000 jobs since June 2007. Very weak employment has not been fully reflected in the unemployment rate in the region as the participation rate has fallen. That is, some people have given up looking for work and are no longer being counted as unemployed.
- Capital growth in residential property for the major regional towns in the region has been lower than Melbourne's median house price growth over the last 10 years – averaging between 7% and 8% per annum versus Melbourne's growth of 10% p.a.
- In the 12 months to June 2009, house prices in Yarrawonga, Wangaratta and Wodonga have all eased modestly, falling by 1% to 2%.
- Northern Victorian milk production declined by 4.5% for the 2008-09 season, but in the last five months of the season, the pace of decline accelerated with production down by 11% compared with February to June 2008. The drop in both milk production and prices has reduced dairy farm incomes, which is adversely impacting other businesses in the local community.
- The horticultural industry in the region also continues to be hindered by low water availability. Late August rainfall has improved inflows in both the Goulburn and Murray irrigation systems, but in the case of the Goulburn system, only enough to ensure full-season operation for delivery of carried-over allocations and domestic and stock water requirements.

Your ANZ Regional Executive:

**Gavin Heathcote**

☎ 0434 606 389

[gavin.heathcote@anz.com](mailto:gavin.heathcote@anz.com)

Media enquiries to:

**Sue-Ellen Atherton**

☎ (03) 9273 0741

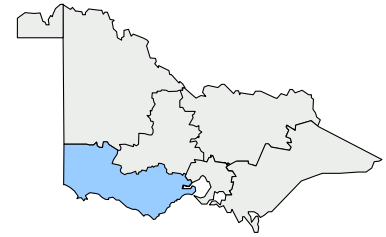
[Sue-Ellen.Atherton@anz.com](mailto:Sue-Ellen.Atherton@anz.com)

### Economic data – North East Victoria

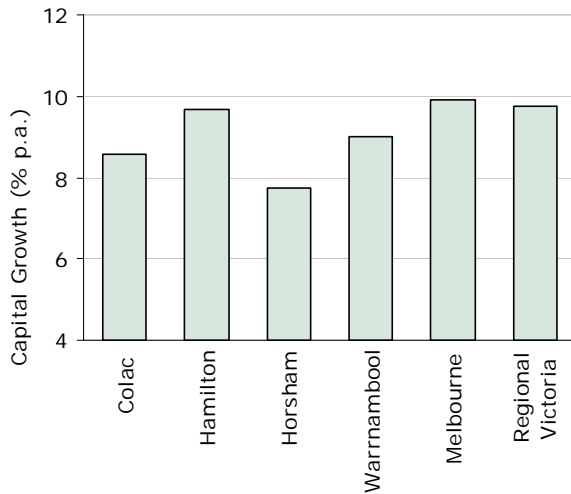
Monthly data (trend)	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Residential building approvals, \$mn	36	36	36	36	37	37	37	--
Non-res building approvals, \$mn	22	24	26	28	30	33	36	--
Employment, annual % change	-10.0	-8.6	-7.9	-8.1	-8.9	-10.0	-10.9	-11.7
Unemployment rate, %	4.0	3.9	3.9	3.9	4.0	4.2	4.4	4.6
Participation rate, %	56.3	56.3	56.2	55.9	55.3	54.7	54.1	53.6
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	287.2	288.5	290.7	292.6	295.3	298.5	302.4	305.9
Population, annual % change	1.3	0.5	0.7	0.7	0.9	1.1	1.3	1.2
Mean individual taxable income, '\$000	31.8	32.8	33.1	34.5	36.5	36.8	39.7	--
Average farm debt, '\$000	137	141	126	131	158	197	227	300
Equity ratio, %	90	92	92	94	93	93	86	91
Average rural land holding, \$mn	1.18	1.29	1.31	1.67	1.83	2.29	2.53	2.89

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

## South West Victoria

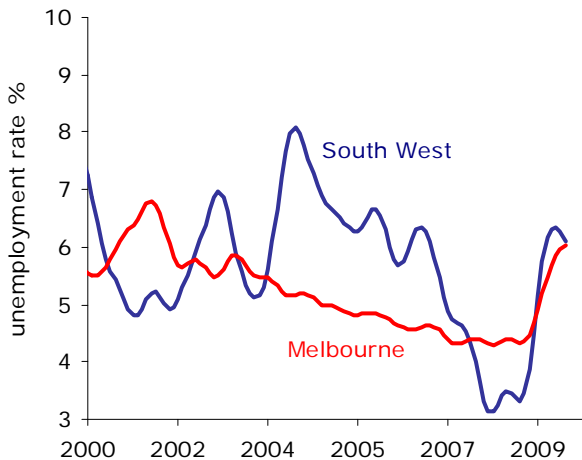


Annual capital growth in residential property over the last 10 years



Source: Residex

Over the last 18 months the unemployment rate in the region has doubled



Source: ABS, ANZ

- In early 2008 the unemployment rate in the region reached a low 3.1%, but since then has jumped sharply to 6.1%, a level almost identical to Melbourne. Given this, and using one definition of a recession of a rise in the unemployment rate of 1.5 percentage points in less than 12 months, many businesses in the area are dealing with a "recession-like" environment.
- Capital growth in residential property for Hamilton and Warrnambool has averaged between 9% and 10% per annum over the last 10 years – a similar rate of growth to the median house price in Melbourne. In contrast, house prices in many other major Victorian regional centres located in the lower rainfall regions (and which have a tendency to have a reliance on river irrigation) have averaged only 7% to 8% capital growth p.a. over the last 10 years.
- This trend of stronger demand for housing in higher rainfall areas has continued in the 12 months to June 2009. Median house prices in Warrnambool, Hamilton, Traralgon, Morwell and Sale have all increased over the last 12 months, while house prices in Horsham, Swan Hill, Mildura, Shepparton, Echuca, Cobram, Yarrawonga and Wodonga have all declined (modestly).
- While dairy producers around Colac and Warrnambool are faced with lower dairy prices, confidence has improved in the region from a wet August. Rainfall over winter has been enough to create run-off and fill farm dams, with creeks flowing freely for the first time in a number of years.

Your ANZ Regional Executive:

**Peter Barclay**

☎ (03) 5820 4444

peter.barclay@anz.com

Media enquiries to:

**Sue-Ellen Atherton**

☎ (03) 9273 0741

Sue-Ellen.Atherton@anz.com

### Economic data – South West Victoria

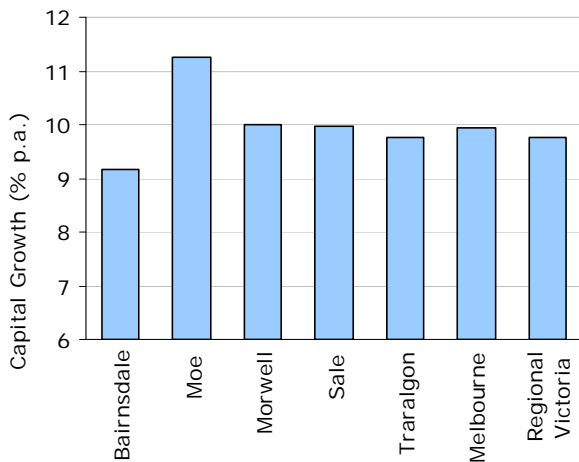
Monthly data (trend)	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Residential building approvals, \$mn	62	62	62	62	62	62	62	--
Non-res building approvals, \$mn	22	25	33	43	53	64	73	--
Employment, annual % change	-2.9	-3.8	-3.9	-3.1	-1.9	-0.6	0.5	1.5
Unemployment rate, %	4.4	5.1	5.8	6.2	6.3	6.3	6.3	6.1
Participation rate, %	63.8	63.9	64.2	64.7	65.2	65.7	66.1	66.5
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	355.2	358.4	360.9	364.1	367.9	372.2	378.0	383.4
Population, annual % change	1.3	0.9	0.7	0.9	1.0	1.2	1.6	1.4
Mean individual taxable income, '\$000	32.9	35.2	35.3	36.8	39.1	39.1	42.3	--
Average farm debt, '\$000	145	150	99	139	171	205	215	289
Equity ratio, %	91	92	94	94	93	94	93	92
Average rural land holding, \$mn	1.33	1.41	1.38	1.91	2.16	2.79	2.60	3.05

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

## South East Victoria

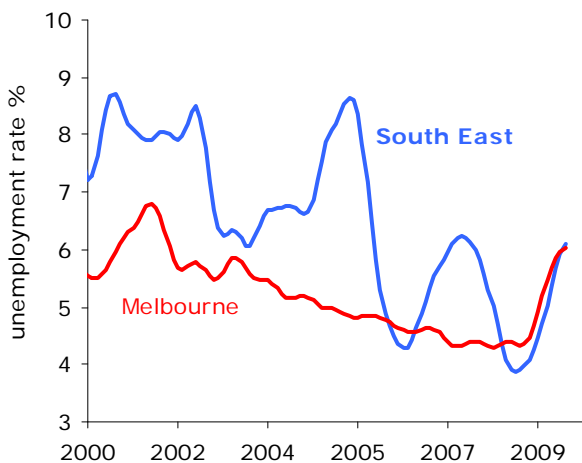


Annual capital growth in residential property over the last 10 years



Source: Residex

Employment growth has turned negative for the region pushing the unemployment rate higher



Source: ABS, ANZ

- The unemployment rate in the region reached a low of 3.9% in mid-2008 but has since risen to around 6%, a level comparable to both Melbourne and Australia's unemployment rate. In recent months the region has experienced a sharp increase in net job losses (negative employment growth) indicating a rapidly deteriorating labour market.
- Residential building approvals in the region have been supported by the First Home Owners Grant. For the June 2009 quarter, residential building approvals totalled \$144 million, down by just 4% compared with June 2008. Australia-wide, residential approvals have fallen by around a quarter over the same period.
- Over the long term, capital growth in residential property for Morwell, Sale and Traralgon has averaged 10% per annum over the last decade – a similar rate of growth to house prices in Melbourne and Regional Victoria according to Residex.
- Equally, over the last 12 months residential property has performed strongly across most of the region. House prices in Morwell and Sale have increased by 7% and 4% respectively to June 2009. This compares to Melbourne's median house price which has increased by 3% over the same period.
- In the last four months of the 2008-09 season, milk production in South East Victoria declined by 1% compared with March to June 2008. The outlook for Spring 2009 pasture production has been boosted by good rainfall in August for southern Gippsland, but irrigation areas north of the Princes Highway require more rain.

Your ANZ Regional Executive:

**David Hunt**

0428 118 860

david.hunt@anz.com

Media enquiries to:

**Sue-Ellen Atherton**

(03) 9273 0741

Sue-Ellen.Atherton@anz.com

### Economic data – South East Victoria

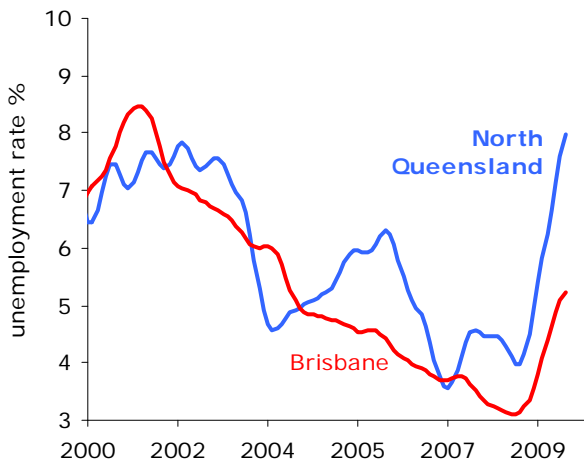
Monthly data (trend)	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Residential building approvals, \$mn	47	47	47	47	47	48	49	--
Non-res building approvals, \$mn	16	15	15	14	14	13	13	--
Employment, annual % change	0.5	0.8	0.7	0.1	-1.0	-2.1	-3.0	-3.9
Unemployment rate, %	4.2	4.4	4.7	5.0	5.4	5.7	5.9	6.1
Participation rate, %	60.6	60.3	60.1	60.0	60.0	60.1	60.1	60.1
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	240.4	240.6	241.3	243.0	245.4	248.4	252.4	256.1
Population, annual % change	0.7	0.1	0.3	0.7	1.0	1.2	1.6	1.5
Mean individual taxable income, '\$'000	32.3	33.2	34.4	35.5	37.5	37.4	39.7	--
Average farm debt, '\$'000	145	150	99	139	171	205	215	289
Equity ratio, %	91	92	94	94	93	94	93	92
Average rural land holding, \$mn	1.33	1.41	1.38	1.91	2.16	2.79	2.60	3.05

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

## North Queensland

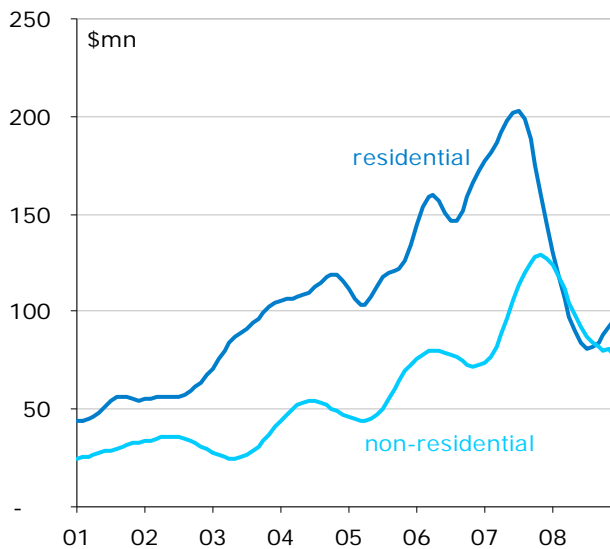


**Strong population growth and a net loss of jobs has pushed the unemployment rate sharply higher**



Source: ABS, ANZ

**The decline in residential building approvals appears to have bottomed, with some improvement in 2009**



Source: ABS

- After a period of strong employment growth in 2008, the labour market in the region has weakened considerably in recent months. Combined with strong population growth this has pushed the unemployment rate sharply higher, despite a 2 percentage point decrease in the participation rate over the last 6 months. That is, an additional two percent of the region's working age population are no longer actively seeking a job or employed.
- After a dramatic and prolonged fall in residential building approvals, the market appears to be finding a bottom. The value of monthly residential approvals fell to just \$83 million in late 2008/early 2009, a level of activity not seen since 2003. However the trend in residential building approvals since early 2009 has been upwards.
- Non-residential building approvals have yet to rebound, with continued weakness in recent months. At current rates of non-residential building approvals, forward non-residential construction activity is likely to fall back to 2007 levels.
- Within the agribusiness sector, the on-going cane harvest and strong global sugar prices are expected to boost incomes and spending within the local economies over the next 12 months. Looking forward, sentiment in the sugar industry is positive given the large improvement in prices and the ability for cane growers to lock in attractive forward prices out to 2012.

Your ANZ Regional Executive:

**Ross Matthews**

(07) 4091 5694

ross.matthews@anz.com

Media enquiries to:

**Sue-Ellen Atherton**

(03) 9273 0741

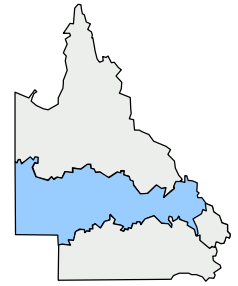
Sue-Ellen.Atherton@anz.com

### Economic data – North Queensland

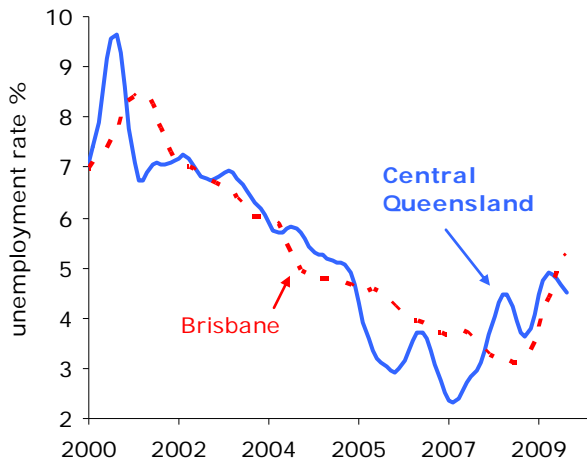
Monthly data (trend)	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Residential building approvals, \$mn	84	81	82	84	88	93	96	--
Non-res building approvals, \$mn	93	88	84	82	80	81	77	--
Employment, annual % change	8.3	7.7	6.3	4.4	2.3	0.2	-1.7	-3.3
Unemployment rate, %	5.0	5.4	5.8	6.2	6.7	7.1	7.6	8.0
Participation rate, %	73.1	73.0	72.6	72.2	71.8	71.4	71.2	71.0
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	586.3	596.4	606.9	617.5	633.2	650.2	666.8	684.2
Population, annual % change	1.1	1.7	1.8	1.8	2.5	2.7	2.5	2.6
Mean individual taxable income, \$'000	31.2	32.3	35.6	38.0	40.9	42.5	46.5	--
Average farm debt, \$'000	216	227	326	330	167	302	76	292
Equity ratio, %	91	94	95	95	98	97	99	96
Average rural land holding, \$mn	3.42	4.04	5.24	6.11	6.46	6.77	4.93	7.57

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

## Central Queensland

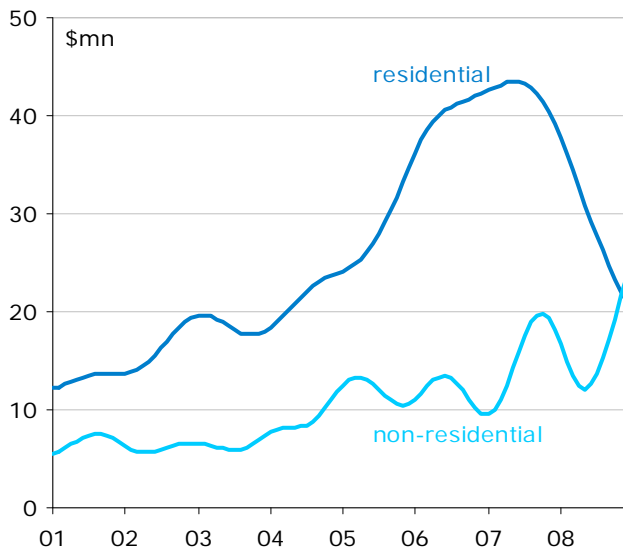


Continued employment growth is helping to keep the region's unemployment rate below 5%



Source: ABS, ANZ

For the first time the value of non-residential building approvals has surpassed residential in the region



Source: ABS

- The labour market in Central Queensland continues to be resilient, with consistent job growth and an unemployment rate below 5%. In recent months the number of jobs (full or part-time) has increased at an annualised rate of 4%, despite much of Queensland (and Australia) experiencing no growth in employment.
- Demand for established housing in the region has been strong over the last 12 months, with house prices rising. By comparison across much of regional and metro Queensland prices have been either flat or slightly weaker. The median house price in Gladstone has risen by a staggering 15% over the last 12 months, while prices in Longreach are also much stronger, up by 12% compared with June 2008. Even in Emerald which has a high median house price for an inland town in Queensland, house prices rose by 2% in the 12 months to June 2009.
- Helping to support prices for existing housing in the region through tighter supply, has been the large fall in residential building approvals which is reducing the supply of new housing being added to the market. Less than 18 months ago, the value of residential building approvals was as high as \$43 million per month but it has since fallen to just \$21 million. As a result and with strong growth in non-residential building approvals, the value of non-residential (commercial and public) has surpassed the residential market for the first time in this region.

Your ANZ Regional Executive:  
**Clark Thompson**  
 ☎ 0427 010 103  
 clark.thompson@anz.com

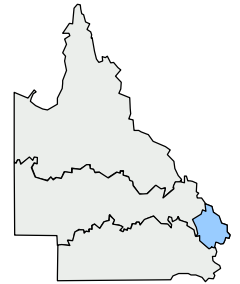
Media enquiries to:  
**Sue-Ellen Atherton**  
 ☎ (03) 9273 0741  
 Sue-Ellen.Atherton@anz.com

### Economic data – Central Queensland

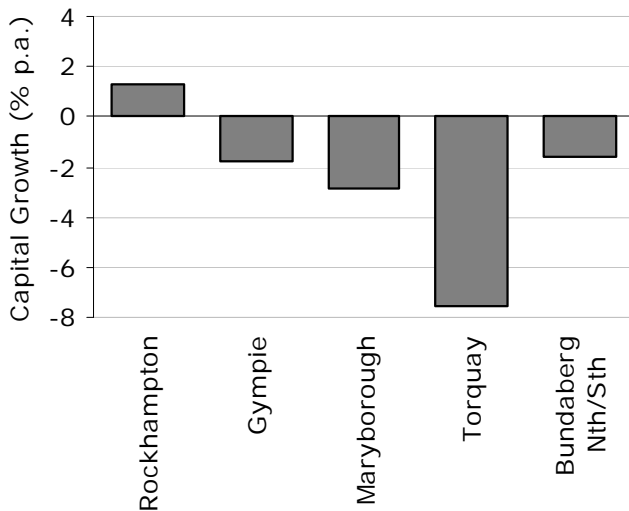
Monthly data (trend)	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Residential building approvals, \$mn	29	28	26	25	23	22	21	--
Non-res building approvals, \$mn	13	14	15	17	19	22	24	--
Employment, annual % change	2.0	2.4	2.9	3.4	3.7	3.8	3.8	3.6
Unemployment rate, %	4.1	4.5	4.7	4.9	4.9	4.8	4.7	4.5
Participation rate, %	70.6	70.9	71.1	71.0	70.8	70.6	70.4	70.2
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	200.1	203.1	206.2	210.4	213.9	218.7	223.3	227.0
Population, annual % change	3.8	1.5	1.5	2.0	1.7	2.2	2.1	1.6
Mean individual taxable income, \$'000	30.3	31.6	33.7	36.8	40.6	42.3	43.7	--
Average farm debt, \$'000	364	623	340	597	718	566	433	596
Equity ratio, %	88	85	90	87	86	89	91	90
Average rural land holding, \$mn	2.11	2.82	2.90	3.37	3.96	3.92	3.78	4.53

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

## Wide Bay Queensland

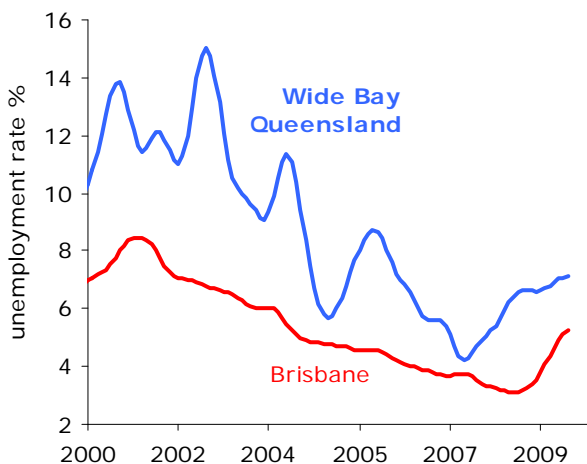


House prices in the region have generally fallen over the last 12 months



Source: Residex

Additional jobs have been created over the last 12 months but a larger increase in the labour force has kept the unemployment rising



Source: ABS

- After slowing late last year, the employment market has started to grow strongly in the region again. In recent months the total number of jobs (full or part-time) hit 125,000 people. This is around 10,000 jobs more than at the same time last year. However a stronger increase in the labour supply in the region has more than offset this jobs growth, which has pushed the unemployment rate well above 6%. This compares with Queensland's and Brisbane's unemployment rate of less than 6%.
- House prices in many of the major towns in the Wide Bay area have fallen over the last 12 months. As has been the case in other areas along the coast in Queensland and NSW, towns with a large proportion of middle to higher end priced property have generally under-performed and in many cases fallen compared to surrounding areas.
- Commercial and public building approvals have rebounded strongly, indicating a positive outlook for this sector. This is a consistent theme across much of regional Queensland but goes against the trend in Brisbane where non-residential building approvals are 30% lower year-on-year. Non-residential building approvals in the Wide Bay region were 30% higher in the June quarter compared with 12 months ago, averaging \$23 million per month. This is well above any previous highs, and easily surpasses the last peak in early 2008 of \$18 million.
- In contrast, the residential construction sector remains soft, with the value of residential building approvals continuing to fall.

Your ANZ Regional Executive:

**Kyle Fountain**

☎ 0423 841 910

kyle.fountain@anz.com

Media enquiries to:

**Sue-Ellen Atherton**

☎ (03) 9273 0741

Sue-Ellen.Atherton@anz.com

### Economic data – Wide Bay Queensland

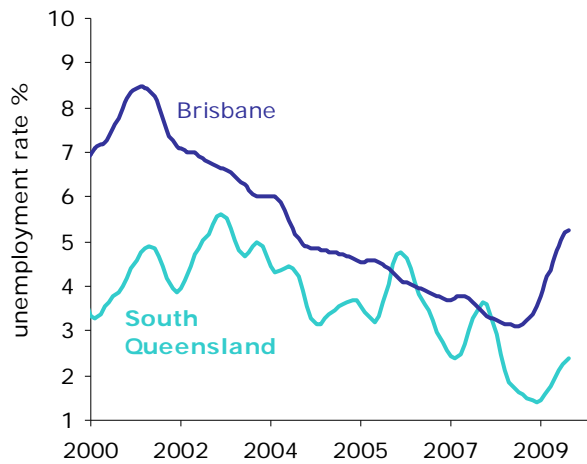
Monthly data (trend)	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Residential building approvals, \$mn	42	41	40	39	38	37	37	--
Non-res building approvals, \$mn	13	14	15	18	20	23	26	--
Employment, annual % change	-3.1	-2.9	-0.9	2.0	5.1	7.8	10.1	11.9
Unemployment rate, %	6.6	6.6	6.7	6.8	6.9	7.0	7.1	7.1
Participation rate, %	54.7	55.5	56.5	57.3	57.9	58.4	58.7	58.8
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	232.0	236.2	241.8	248.6	256.1	264.1	271.3	278.0
Population, annual % change	-0.6	1.8	2.4	2.8	3.0	3.1	2.7	2.5
Mean individual taxable income, '\$000	27.7	28.5	29.7	33.4	34.0	36.4	40.1	--
Average farm debt, '\$000	155	151	162	186	239	287	352	298
Equity ratio, %	91	93	93	93	91	91	90	93
Average rural land holding, \$mn	1.28	1.54	1.80	2.27	2.22	2.75	3.11	3.80

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

## South Queensland

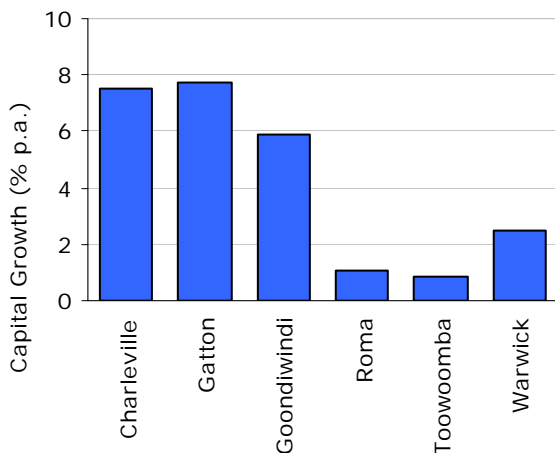


The unemployment rate is rising but is still exceptionally low compared with Brisbane and the rest of the country



Source: ABS, ANZ

Demand for established housing has been strong across the region



Source: Residex

- The number of jobs being added to South Queensland has slowed in recent months. The unemployment rate in the region has risen by one percentage point over the last 7 months, but the unemployment rate is still exceptionally low compared with Brisbane and Australia.
- Business confidence in the region is still good, with non-residential building approvals trending upwards. Non-residential building approvals in the region last peaked in 2006 at \$20 million per month, but the latest surge has seen approvals average \$24 million in the June 2009 quarter.
- Demand for established housing has been helped by the increase to the government's First Home Owners Grant. Over the last 12 months house prices in Charleville, Gatton and Goondiwindi have risen by as much as 8%, as affordable housing (relative to metro Queensland) has increased activity in the first-home buyers market. By comparison, house price growth in Brisbane has been flat since June 2008 (according to Residex).
- Yield potential for winter crops in the region have been downgraded significantly in the last month, as a week of summer-like temperatures coupled with virtually no July/August rainfall, damaged crops. According to Queensland Primaries Industries and Fisheries' September 2009 Wheat Crop Outlook "most areas in the Darling Downs show a forecast median of up to 20% below the long-term median wheat yield and all regions of the state have forecast yields below long term averages". This will have a negative effect on local agricultural incomes and spending.

Your ANZ Regional Executive:

**Mark Ashworth**

☎ 0412 052 179

mark.ashworth@anz.com

Media enquiries to:

**Sue-Ellen Atherton**

☎ (03) 9273 0741

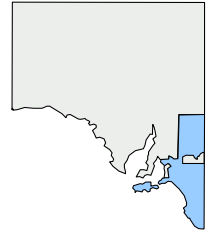
Sue-Ellen.Atherton@anz.com

### Economic data – South Queensland

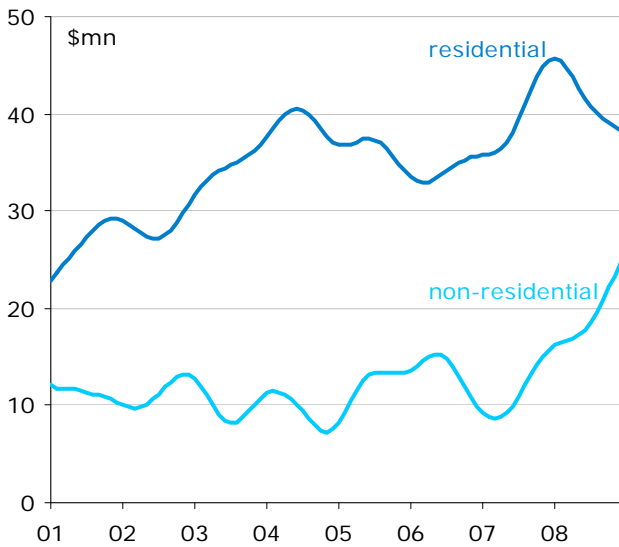
Monthly data (trend)	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Residential building approvals, \$mn	24	24	24	24	24	25	25	--
Non-res building approvals, \$mn	20	21	22	22	23	23	24	--
Employment, annual % change	6.2	7.3	7.3	6.4	5.0	3.5	1.9	0.5
Unemployment rate, %	1.4	1.5	1.6	1.8	2.0	2.1	2.3	2.4
Participation rate, %	66.7	67.0	67.3	67.3	67.2	67.0	66.7	66.4
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	236.0	238.6	241.1	243.9	248.2	252.2	255.0	257.7
Population, annual % change	0.8	1.1	1.1	1.2	1.8	1.6	1.1	1.1
Mean individual taxable income, '\$000	24.9	26.2	28.5	29.7	32.3	32.7	34.5	--
Average farm debt, '\$000	140	125	175	161	216	341	515	674
Equity ratio, %	90	93	90	91	90	88	87	87
Average rural land holding, \$mn	1.17	1.36	1.34	1.59	1.75	2.22	3.70	4.63

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

## SA East

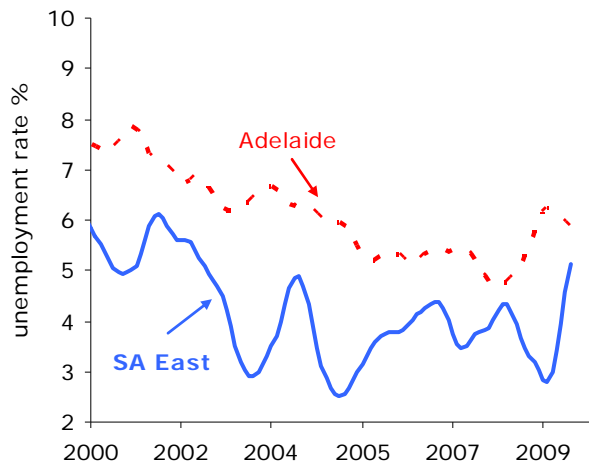


### Building approvals point to on-going strength in the non-residential construction sector



Source: ABS

### Even after a sharp rise, the unemployment rate in the region is still below Adelaide's



Source: ABS

- Growth in employment in the region has slowed to a near standstill in recent months. Even so, the unemployment rate remains below the Australian and Adelaide average, with the total number of people employed in the region near record highs. The unemployment rate in Adelaide is nearing 6% whereas the in South Australia's east it is around a full percentage point lower. Anecdotal reports indicate some regional businesses are still facing skill shortages.
- The trend in building approvals points to on-going strength in the commercial and public (non-residential) construction sector in the region. More recently the monthly value of non-residential building approvals has reached close to \$25 million, helping to offset the decline in the residential sector.
- Residential building approvals have slowed from their peak in 2008. In mid-2008, the monthly value of residential building approvals average \$45 million, but has since slowed back to levels more consistent with the last 5 years. Despite this the boost to the First Home Owners Grant is helping to support additional land releases and developments in the area. Anecdotal reports indicate new house and land package sales sub-\$350,000 are strong.
- The short-term outlook for agricultural production in the region is generally positive, with seasonal conditions good for both pastures and winter crops. The Lower South East area received over 200mm of rain in July and August, over 50mm above the long term average. Upper South East and Murray Mallee winter rainfall was similar to long term averages.

Your ANZ Regional Executive:

**John Wilkinson**

☎ 0423 290 489

john.wilkinson@anz.com

Media enquiries to:

**Sue-Ellen Atherton**

☎ (03) 9273 0741

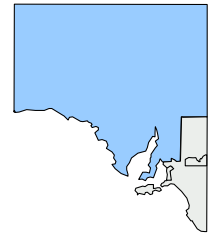
Sue-Ellen.Atherton@anz.com

### Economic data – SA East

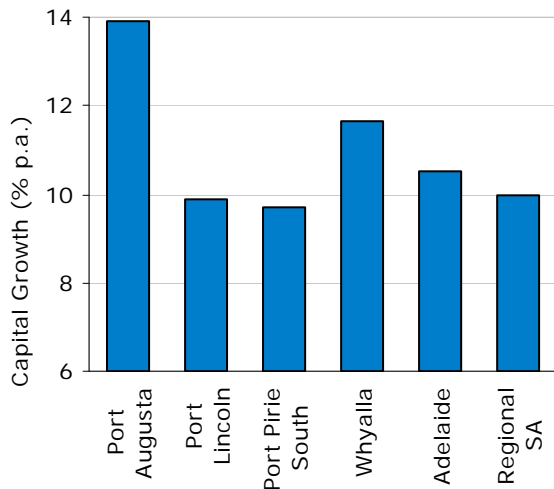
Monthly data (trend)	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Residential building approvals, \$mn	42	41	40	40	39	39	38	--
Non-res building approvals, \$mn	18	19	20	21	22	23	25	--
Employment, annual % change	8.8	7.3	6.2	5.3	4.3	3.1	1.7	0.5
Unemployment rate, %	3.0	2.8	2.8	3.0	3.4	4.0	4.6	5.1
Participation rate, %	68.3	68.1	67.9	67.7	67.3	66.8	66.4	65.9
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	245.1	248.4	251.7	255.3	259.6	262.7	266.2	269.6
Population, annual % change	0.8	1.3	1.3	1.4	1.7	1.2	1.3	1.3
Mean individual taxable income, '\$000	32.3	34.4	35.4	36.6	37.5	36.9	40.3	--
Average farm debt, '\$000	182	198	231	237	269	348	371	359
Equity ratio, %	88	89	90	92	91	90	90	90
Average rural land holding, \$mn	1.28	1.45	2.04	2.46	2.42	2.90	2.99	3.00

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

## SA North

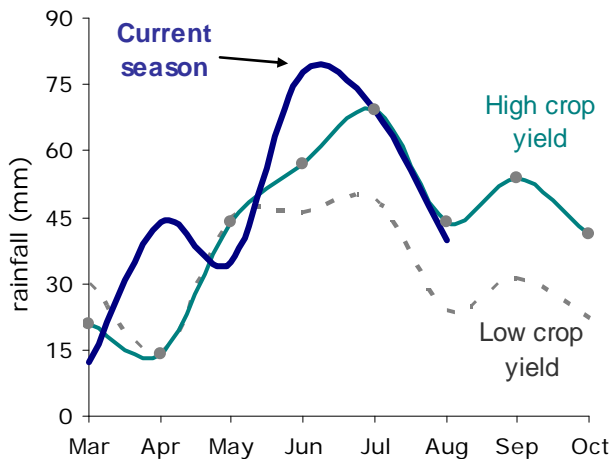


Annual capital growth in residential property over the last 10 years



Source: Residex

Winter crops on the Yorke Peninsula have the potential for above average yields with finishing rain



Source: BOM, ANZ

- The labour market in the region has rebounded after some job shedding in 2008, but the number of jobs (either full or part-time) has still not recovered back to the highs of 2007. Helping to keep the unemployment rate low in the region has been a decline in the total labour force, which has fallen by 6% over the last two years. That is approximately 7,000 people have given up looking for a job and dropped out of the labour market since the middle of 2007 (including those that may have left the region).
- Residential building activity is slowing sharply, particularly north and west of the Yorke Peninsula. In contrast, activity in the commercial and public building sector is set to improve, with a surge in non-residential building approvals in the last few months.
- The regional hub of Port Augusta has recorded one of the strongest house price increases across South Australia over the last 10 years. Despite Port Augusta's median house price rising by an average of 14% per year over the last 10 years, housing affordability is still good, with the median house price of \$207,500, only 55% of the median price in Adelaide.
- Season-to-date rainfall for winter crops on the Eyre and Yorke Peninsula have been near ideal to produce above average yields. However, with September rainfall critical and memories of recent seasons of below average Spring rainfall, producers are cautious about harvest prospects. On parts of the Eyre Peninsula, wheat crops have the potential for above average yields with rainfall and mild temperatures in September.

Your ANZ Regional Executive:

**Tait Jenkin**

(08) 8218 8135

tait.jenkin@anz.com

Media enquiries to:

**Sue-Ellen Atherton**

(03) 9273 0741

Sue-Ellen.Atherton@anz.com

### Economic data – SA North

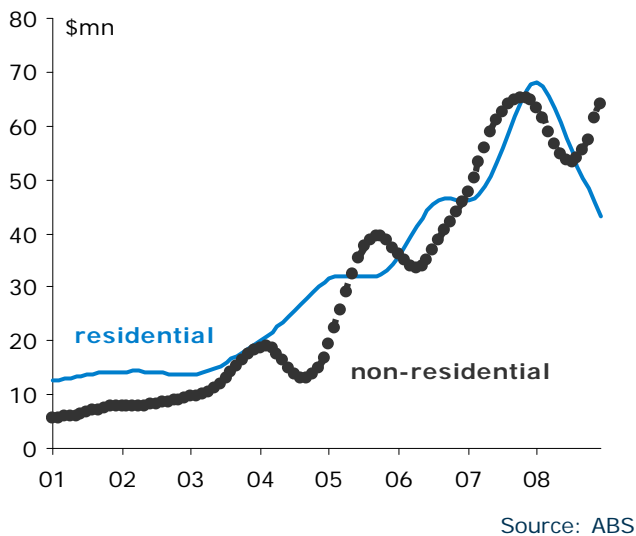
Monthly data (trend)	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Residential building approvals, \$mn	20	19	18	18	17	16	16	--
Non-res building approvals, \$mn	11	12	12	13	14	15	16	--
Employment, annual % change	3.9	5.5	6.2	6.1	5.8	5.5	5.2	4.8
Unemployment rate, %	5.3	5.1	5.1	5.2	5.1	5.0	4.8	4.6
Participation rate, %	61.7	61.6	61.4	61.2	61.0	60.7	60.4	60.1
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	158.6	157.7	157.8	158.0	158.4	159.3	160.5	161.6
Population, annual % change	-0.5	-0.5	0.0	0.1	0.3	0.6	0.7	0.7
Mean individual taxable income, '\$000	31.9	38.2	40.3	37.2	38.0	34.0	37.3	--
Average farm debt, '\$000	140	197	260	284	254	263	253	386
Equity ratio, %	90	88	88	90	90	92	82	86
Average rural land holding, \$mn	1.20	1.18	1.85	2.09	1.98	2.18	2.02	2.42

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

## North WA

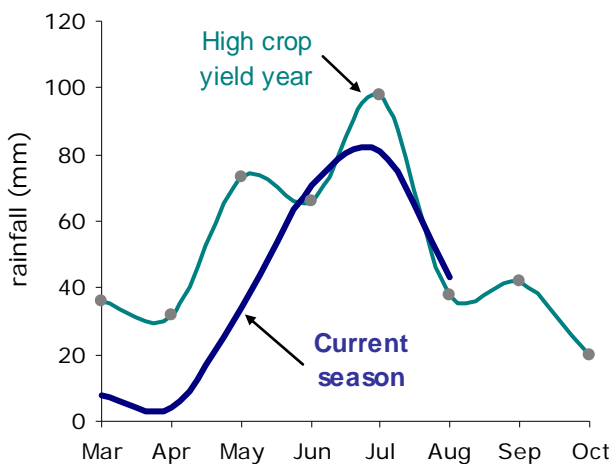


### Going in opposite directions...residential and non-residential building approvals



- The employment market has stabilised in the region, after a period of job losses in 2008. This has pushed the unemployment rate sharply higher, and at current levels is the highest since 2002.
- Since mid-2008 the value of monthly non-residential building approvals in the region has been consistently higher than the residential sector. Recently the value of commercial and public building approvals has averaged \$63 million per month, only \$2 million below the monthly peak in early 2008 and well above the \$45 million monthly average for residential.
- The outlook for activity in the residential construction market is much more subdued, with residential building approvals down 30% from levels 12 months ago.
- Rainfall over the last 3 months has been near ideal for winter crops in the WA Northern Wheat Belt, with grain production in 2009 on track to be above average. This follows the 2008 season which was a high income year for many farmers in the region. The prospect of another good production year is a welcome relief after two 'drought' years in 2006 and 2007.
- The Pilbara regional economy is set to receive a boost, especially Karratha, with the approval of the Gorgon Project. Both the State and Federal government have recently approved the development of Gorgon, which has a resource base of more than 40 trillion cubic feet of gas and an estimated economic life of 40 years. The project's scope includes three five million tonne per annum LNG trains and at peak construction could employ 6,000 people in Western Australia.

### Rainfall over the last 3 months has been near ideal for above average yields in the Northern Wheat Belt



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

Media enquiries to:  
**Sue-Ellen Atherton**  
 ☎ (03) 9273 0741  
 Sue-Ellen.Atherton@anz.com

### Economic data – North WA

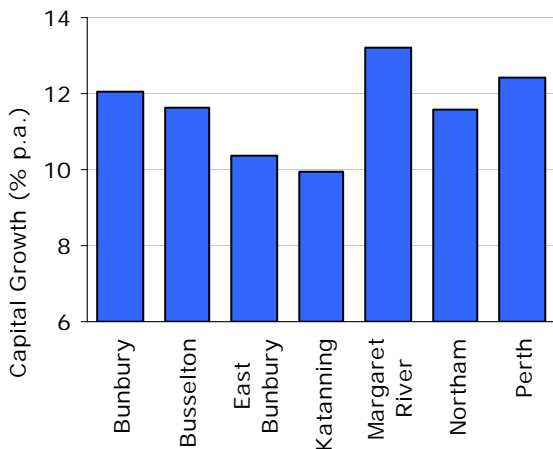
Monthly data (trend)	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Residential building approvals, \$mn	58	55	52	50	48	46	43	--
Non-res building approvals, \$mn	54	53	54	55	57	61	64	--
Employment, annual % change	-11.9	-10.8	-9.1	-7.0	-4.9	-2.9	-1.0	0.5
Unemployment rate, %	3.9	4.2	4.4	4.7	4.8	5.0	5.2	5.4
Participation rate, %	63.5	63.9	64.3	64.8	65.1	65.2	65.4	65.4
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	188.0	188.7	189.4	189.2	190.5	192.7	197.4	201.7
Population, annual % change	0.5	0.4	0.4	-0.1	0.7	1.2	2.4	2.1
Mean individual taxable income, '\$'000	30.3	31.5	33.6	34.4	36.1	33.5	36.9	--
Average farm debt, '\$'000	436	373	379	578	545	431	541	837
Equity ratio, %	79	83	88	84	84	90	84	83
Average rural land holding, \$mn	1.46	1.61	2.63	2.91	2.31	3.01	3.28	3.33

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

## South WA

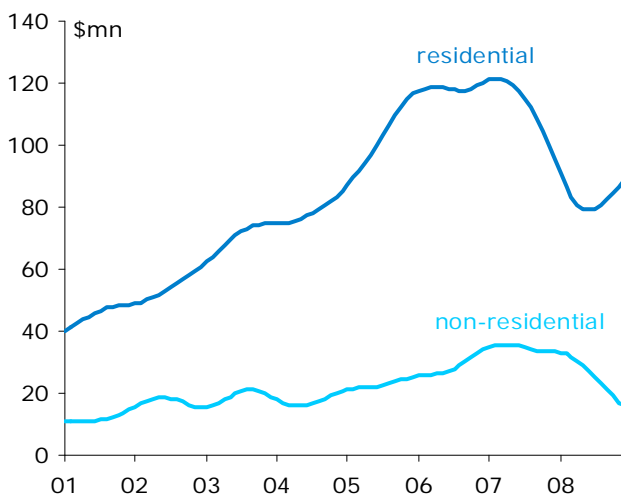


### Annual capital growth in residential property over the last 10 years



Source: Residex

### Residential building approvals have rebounded but the non-residential sector has yet to stabilise



Source: ABS

- The unemployment rate in the region has risen sharply over the last 6 months, mirroring the trend across broader WA.
- Residential property prices have fallen by 6% in Perth over the last 12 months (to June 2009), but further south price declines have been larger. Median house prices in Bunbury and Busselton have fallen by around 10% in the 12 months to June 2009. However even with this decline over the last 12 months, prices have still grown at an average rate of 10%-12% per annum over the last 10 years.
- As has been the case across Western Australia, non-residential building approvals have collapsed in the region. In recent months, the monthly value of non-residential building approvals have halved, falling to just \$16 million.
- The residential construction sector has improved modestly, especially in the last quarter, but is still well below its peak in 2007. The residential property market for new housing and apartments slowed sharply from early 2008 and has only recovered modestly since, with activity levels still likely to fall back to 2005 levels.
- After a late start to the winter crop, seasonal conditions have been favourable in many areas of the central Wheat Belt for average to above-average yields. The exception has tended to be crops in the south, where in the Lake Grace and Kent regions, wheat yields are expected to be below average. Despite this, ANZ is forecasting the WA wheat crop in 2009 to be the second largest on record. Tempering potentially very strong farm incomes from these higher production levels is the fall in the wheat price since planting.

Your ANZ Regional Executive:

**Brent Searle**

☎ (08) 9323 8021

brent.searle@anz.com

Media enquiries to:

**Sue-Ellen Atherton**

☎ (03) 9273 0741

Sue-Ellen.Atherton@anz.com

### Economic data – South WA

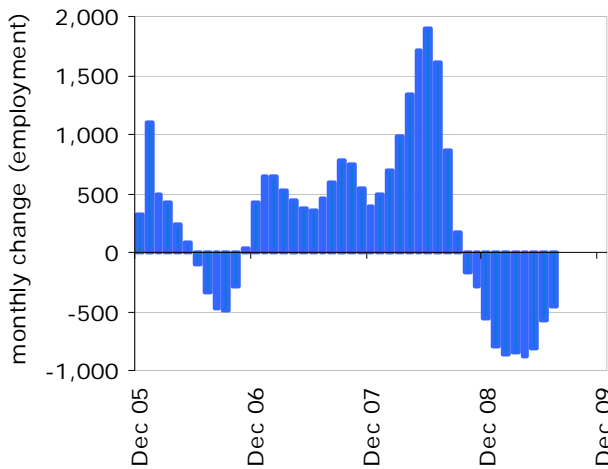
Monthly data (trend)	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Residential building approvals, \$mn	79	80	81	82	84	87	89	--
Non-res building approvals, \$mn	27	25	23	21	19	17	16	--
Employment, annual % change	10.9	10.8	10.4	9.7	8.9	8.1	7.3	6.6
Unemployment rate, %	3.1	3.6	4.1	4.6	4.9	5.1	5.3	5.4
Participation rate, %	69.2	69.6	69.8	69.9	69.9	69.7	69.6	69.3
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	320.2	323.6	327.8	333.1	340.8	347.9	356.4	367.0
Population, annual % change	1.8	1.1	1.3	1.6	2.3	2.1	2.4	3.0
Mean individual taxable income, '\$000	32.6	34.6	37.9	39.6	41.2	36.6	39.7	--
Average farm debt, '\$000	418	458	465	565	689	743	943	859
Equity ratio, %	83	85	86	86	84	84	74	83
Average rural land holding, \$mn	2.02	2.31	2.66	3.21	3.50	3.73	4.51	4.31

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

## Tasmania

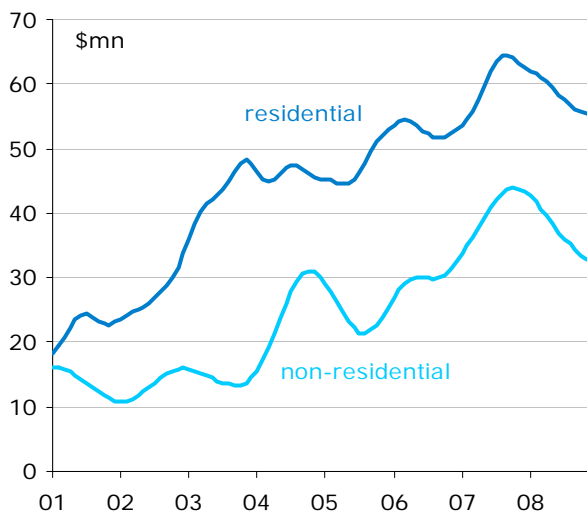


### Employment has fallen throughout 2009



Source: ABS

### Both residential and non-residential building approvals peaked in the first half of 2008



Source: ABS

- After a period of very strong growth in 2008, the employment market has weakened throughout 2009. Earlier in the year, net job losses reached around 900 per month. Even with these declines, cumulative job losses still only equate to total employment in Tasmania falling back to early 2008 levels.
- Building approvals (by value) peaked in the state in the first half of 2008 and have been in decline since. For the June 2009 quarter, residential and non-residential building approvals were 12% and 24% lower respectively compared with June 2008. This trend is consistent across much of regional Australia, but is less than the sharp contraction in construction activity in the major capital cities. For metro Australia, non-residential building approvals were 45% lower for the June quarter compared with 12 months ago.
- The outlook for agricultural production across the whole of Tasmania is positive for the first time in many years. Winter rainfall has been exceptional, setting up pasture production over Spring. For example, the east coast of Tasmania has received over 400mm of rain from June to August, nearly double the long term average. As a region, rain across Northern Tasmania totalled over 500mm this winter, with half of this in August alone.
- For the dairy sector in the northern region rainfall has created problems with too much water laying on paddocks. But once pastures start to dry out, grass growth should be exceptional through Spring, with significant production of silage likely.

Your ANZ Regional Executive:

**Chris Sparks**

☎ 0411 235 791

chris.sparks@anz.com

Media enquiries to:

**Sue-Ellen Atherton**

☎ (03) 9273 0741

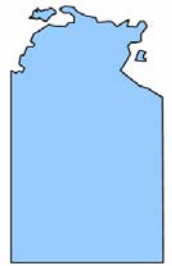
Sue-Ellen.Atherton@anz.com

### Economic data – Tasmania

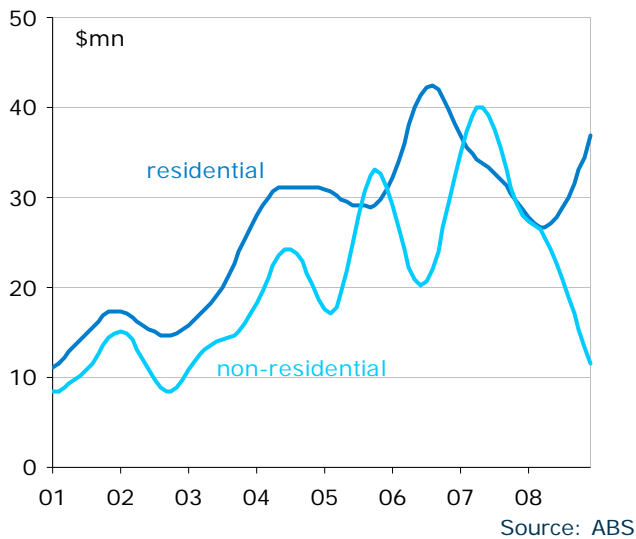
Monthly data (trend)	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Residential building approvals, \$mn	58	57	57	56	56	55	55	--
Non-res building approvals, \$mn	37	36	35	34	33	33	33	--
Employment, annual % change	3.8	3.2	2.5	1.7	0.8	-0.3	-1.3	-2.2
Unemployment rate, %	4.4	4.6	4.9	5.0	5.0	5.0	4.9	4.8
Participation rate, %	62.2	62.1	61.9	61.7	61.5	61.2	60.9	60.7
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	471.8	472.8	477.6	482.8	486.3	490.0	493.2	497.5
Population, annual % change	0.1	0.2	1.0	1.1	0.7	0.7	0.7	0.9
Mean individual taxable income, '\$'000	33.6	34.3	35.5	37.6	39.5	40.4	44.2	--
Average farm debt, '\$'000	173	167	200	157	218	294	375	284
Equity ratio, %	87	88	89	92	91	91	81	91
Average rural land holding, \$mn	1.08	1.12	1.34	1.54	2.23	2.67	2.94	2.64

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

## Northern Territory



### Non-residential building approvals have collapsed



### Retail sales in the Northern Territory grew by 10% in July year-on-year (% change)

	Jul-09	Jun-09	Jul-09
	MoM	MoM	YoY
NSW	-1.2	-0.1	6.9
Vic	-0.7	0.0	6.7
Qld	-1.4	-2.4	3.8
SA	-1.4	-1.9	1.7
WA	-0.9	-0.9	1.3
Tas	-0.7	-1.3	5.8
NT	2.0	-2.1	9.5
ACT	-0.2	-0.7	6.7
<b>Total</b>	<b>-1.0</b>	<b>-0.8</b>	<b>5.2</b>

Source: ABS

- The labour market continues to perform strongly in the Northern Territory (NT), with the number of jobs being added consistently growing at 5%-6% per annum. As a result the unemployment rate remains one of the lowest across Australia, although it has increased slightly over the last 6 months. This rise reflects a faster rate of growth in the labour supply, from a higher participation rate rather than any underlying slowdown in job creation.
- Retail sales have been growing at the fastest rate of any state, with July retail sales in NT up by 10% year-on-year, while Australian retail sales only grew by 5%. Comparable growth in retail sales in South Australia and Western Australia was less than 2%.
- The tourism sector in the NT has proven resilient in 2008/09, despite the economic downturn elsewhere in the country and around the globe. Expenditure by visitors and tourists to the NT has been stable, driven by a large increase in the amount spent by international visitors despite total international visitor numbers falling.
- Non-residential building approvals have declined dramatically over the last 18 months. This decline has been driven by the private sector withdrawing spending, with public spending relatively stable. More recently public spending has picked-up, notably on school infrastructure.
- Commencing earlier this year, the value of residential building approvals have been trending higher, a welcome start to addressing the undersupply in housing evident in the region.

Your ANZ Regional Executive:

**Tony Mott**  
 ☎ 0419 890 668  
 tony.mott@anz.com

Media enquiries to:

**Sue-Ellen Atherton**  
 ☎ (03) 9273 0741  
 Sue-Ellen.Atherton@anz.com

### Economic data – Northern Territory

Monthly data (trend)	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Residential building approvals, \$mn	28	29	30	31	33	35	37	--
Non-res building approvals, \$mn	23	21	19	17	15	13	12	--
Employment, annual % change	3.1	3.8	4.7	5.5	6.0	6.0	5.6	5.1
Unemployment rate, %	3.9	4.0	4.0	3.9	4.0	4.1	4.2	4.2
Participation rate, %	73.1	73.6	74.2	74.8	75.1	75.3	75.3	75.1
Annual data	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Population, '000	197.8	199.4	200.0	202.1	206.4	210.6	214.8	219.8
Population, annual % change	1.1	0.8	0.3	1.0	2.1	2.1	2.0	2.3
Mean individual taxable income, \$'000	37.9	39.3	40.7	43.0	45.7	47.5	51.3	--
Average farm debt, \$'000	1207	724	1119	700	483	687	1011	1728
Equity ratio, %	79	93	83	91	95	96	77	89
Average rural land holding, \$mn	3.74	3.87	3.23	4.10	5.52	8.46	12.79	18.08

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

**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

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 FINRA [[www.finra.org](http://www.finra.org)] and SEC)

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

This document ("document") is distributed to you in Australia and the United Kingdom by Australia and New Zealand Banking Group Limited ABN 11 005 357 522 ("ANZ") and in New Zealand by ANZ National Bank Limited ("ANZ NZ"). ANZ holds an Australian Financial Services licence no. 234527 and is authorised in the UK and regulated by the Financial Services Authority ("FSA").

This document is being distributed in the United States by ANZ Securities, Inc. ("ANZ S") (an affiliated company of ANZ), which accepts responsibility for its content. Further information on any securities referred to herein may be obtained from ANZ S upon request. Any US person(s) receiving this document and wishing to effect transactions in any securities referred to herein should contact ANZ S, not its affiliates.

This document is being distributed in the United Kingdom by ANZ solely for the information of its eligible counterparties and professional clients (as defined by the FSA). It is not intended for and must not be distributed to any person who would come within the FSA definition of "retail clients". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the FSA.

This document is issued on the basis that it is only for the information of the particular person to whom it is provided. This document may not be reproduced, distributed or published by any recipient for any purpose. This document does not take into account your personal needs and financial circumstances. Under no circumstances is this document to be used or considered as an offer to sell, or a solicitation of an offer to buy.

In addition, from time to time ANZ, ANZ NZ, ANZ S, their affiliated companies, or their respective associates and employees may have an interest in any financial products (as defined by the Australian Corporations Act 2001), securities or other investments, directly or indirectly the subject of this document (and may receive commissions or other remuneration in relation to the sale of such financial products, securities or other investments), or may perform services for, or solicit business from, any company the subject of this document. If you have been referred to ANZ, ANZ NZ, ANZ S or their affiliated companies by any person, that person may receive a benefit in respect of any transactions effected on your behalf, details of which will be available upon request.

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable. The views expressed in this document accurately reflect the author's personal views, including those about any and all of the securities and issuers referred to herein. The author however makes no representation as to its accuracy or completeness and the information should not be relied upon as such. All opinions and estimates herein reflect the author's judgement on the date of this document and are subject to change without notice. No part of the author's compensation was, is or will directly or indirectly relate to specific recommendations or views expressed about any securities or issuers in this document. ANZ, ANZ NZ, ANZ S, their affiliated companies, their respective directors, officers, and employees disclaim any responsibility, and shall not be liable, for any loss, damage, claim, liability, proceedings, cost or expense ("Liability") arising directly or indirectly (and whether in tort (including negligence), contract, equity or otherwise) out of or in connection with the contents of and/or any omissions from this communication except where a Liability is made non-excludable by legislation.

Where the recipient of this publication conducts a business, the provisions of the Consumer Guarantees Act 1993 (NZ) shall not apply.