

ECONOMICS & MARKETS RESEARCH

REGIONAL & RURAL

APRIL 2010

AUTHOR

Paul Deane
Economist
+61 3 9273 6295
Paul.Deane@anz.com

MEDIA ENQUIRIES

Sue-Ellen Atherton
+61 3 8654 3255
Sue-Ellen.Atherton@anz.com

Kristine McCann
+61 3 8654 5627
Kristine.McCann@anz.com

IN FOCUS

- In this edition of the Rural and Regional Report we focus on the major trends in employment, residential house prices and population growth across Australia.

EMPLOYMENT MARKET

- Regional Australia's labour market has been slower in returning to growth but following the broader Australian trend is on the cusp of a growing jobs market and a falling unemployment rate.

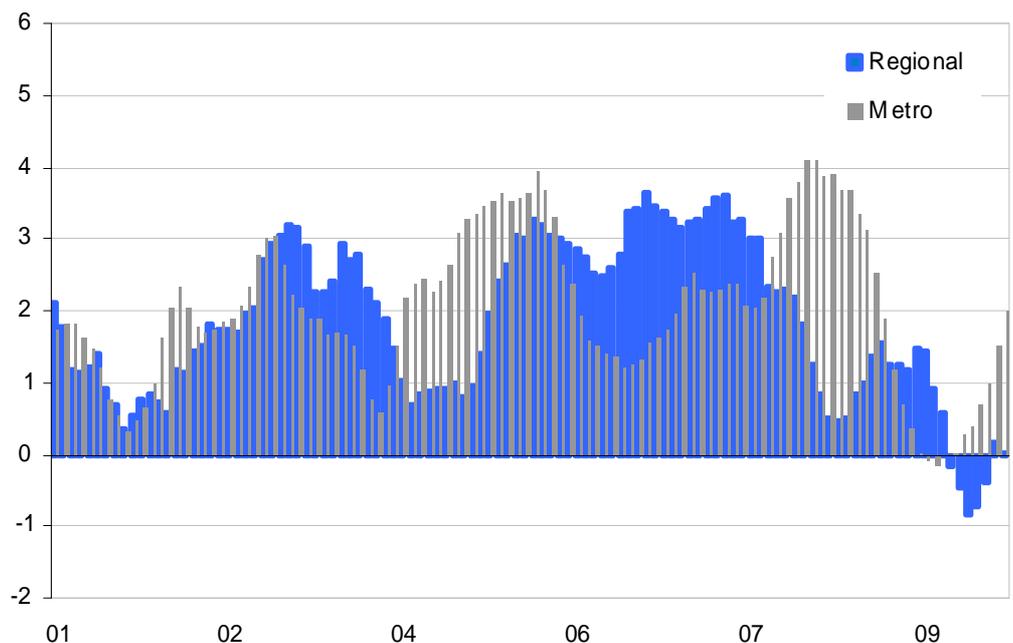
HOUSING MARKET

- Regional house price growth was weakest in WA, while regional Tasmania and Queensland recorded modest growth of 3%.

POPULATION GROWTH

- Excluding the major capital cities, regional Australia's population reached 7.4 million at 30th June 2009, an increase of 1.75% compared with June 2008.

REGIONAL AUSTRALIA HAS YET TO RESUME EMPLOYMENT GROWTH
% CHANGE IN EMPLOYMENT (Y-O-Y)



REGIONAL & RURAL REPORT

EMPLOYMENT MARKET

One of the standouts in the Australian economy over the last six months has been the rebound in the employment market, with the number of jobs (both full and part-time) growing strongly. The unemployment rate peaked at 5.8% and as the Australian economy has gathered momentum the unemployment rate has fallen steadily to 5.3%.

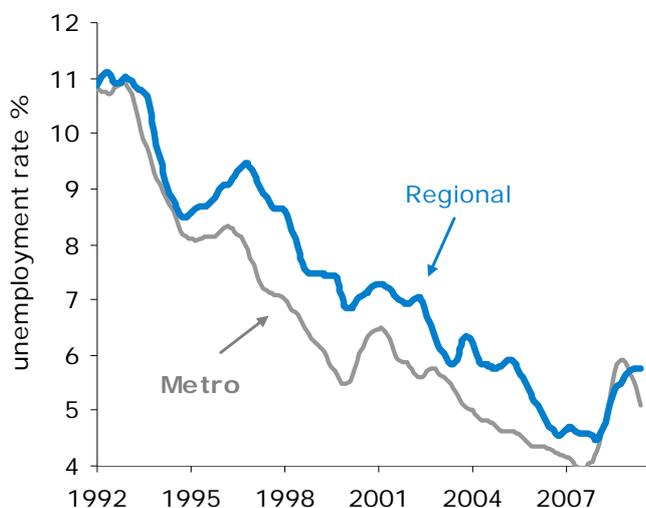
Regional Australia's labour market has been slower in returning to growth. Although this is not surprising, given through the current cycle the regional labour market has tended to lag the rest of Australia by at least six months.

This is illustrated when looking at the cyclical low in the unemployment rate across metro versus regional Australia. The unemployment rate for metro Australia reached 3.9% in March 2008, but for regional Australia the cyclical low was not reached until September 2008.

On ANZ estimates, it is likely that the current regional unemployment rate in Australia of 5.8% will indeed be the peak, a level identical to the peak unemployment rate for the whole of Australia (reached in mid-2009).

Looking forward, assuming regional Australia follows the broader trend, regional Australia is on the cusp of a growing jobs market and a falling unemployment rate.

THE UNEMPLOYMENT RATE HAS PEAKED FOR REGIONAL AUSTRALIA



RECESSION ANALYSIS

It is now widely accepted that Australia avoided a recession, despite much of the developed world falling into a deep economic downturn from mid-2008 to March 2009. But how did regional Australia perform?

A recession is defined as a significant decline in economic activity and is evident in measures such as real GDP, real income, employment, retail sales and industrial production.

For regional Australia, most of these economic measures are unavailable, except for employment. So one of the few ways we can identify a recession occurring in regional Australia is when the unemployment rate rises by more than a given amount over a specified period.

In this case we have set our benchmark as a 2 percentage point rise in the unemployment rate over 12 months (from the cyclical low).

On this basis, of the 19 regional economies covered in this report, 8 regions can be defined as having a significant decline in economic activity and likely to have fallen into recession in the latest downturn.

In NSW, both the North and South Coast regions experienced a 'recession', as have the North East and South West regions in Victoria. The most dramatic rise in unemployment over a 12 month period occurred in North Queensland, where the unemployment rate rose from a low of 4% in September 2008 to a peak of 8.5% in August 2009.

However a major slowdown across regions is not just confined to regional Australia. Using this same methodology for Australia's major capital cities highlights that both Sydney and Perth recorded a greater than 2% rise in unemployment over a 12 month period in 2008-09.

REGIONS LIKELY TO HAVE EXPERIENCED A 'RECESSION'

ANZ Region	Unemployment Rate			
	Cyclical Low		Subsequent 12 month period	
	Date	Level	Max. Level	Percentage point increase
QLD North	Sep-08	4.0%	8.5%	4.5%
VIC North East	Jan-09	3.6%	6.9%	3.3%
VIC South West	Mar-08	3.0%	6.3%	3.3%
NSW South Coast	Sep-08	4.4%	7.4%	3.0%
WA North	Aug-08	3.2%	5.9%	2.7%
SA East	Feb-09	2.9%	5.4%	2.5%
QLD South	Dec-08	1.4%	3.7%	2.3%
WA South	Sep-08	2.8%	5.0%	2.2%
NSW North Coast	Feb-08	6.0%	8.1%	2.1%

REGIONAL & RURAL REPORT

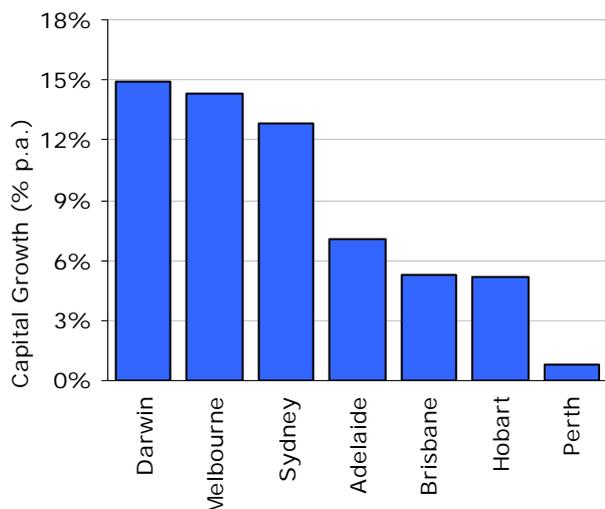
ESTABLISHED HOUSING MARKET

Australia's housing market in general remained remarkably strong in 2009, reflecting the resilient employment market, low interest rates, short-term government stimulus and a tight supply in Australian housing stock.

Of the capital cities, Darwin and Melbourne's median house price performed the strongest, growing by 14.9% and 14.3% respectively in 2009. House prices in Sydney also improved after a prolonged period of stagnant prices, growing by 13% over the course of 2009.

The only capital city where house prices are yet to rebound is Perth, reflecting both the strong run-up in prices between 2002 and 2007 (averaging capital growth of 22% p.a.) and the greater exposure to the rapid slowdown in the resource sector experienced in 2008-09.

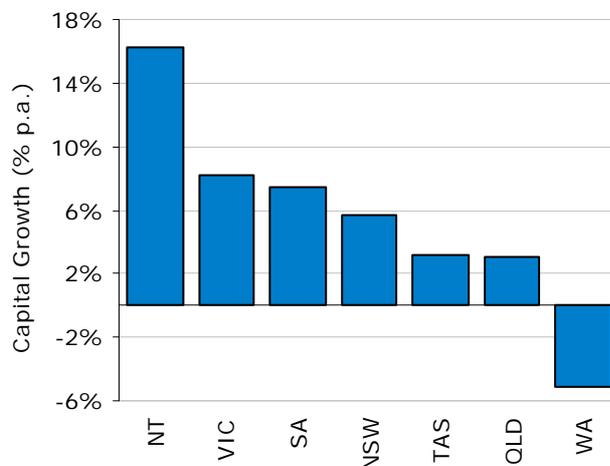
METRO HOUSE PRICE GROWTH (12 MONTHS TO DEC 2009)



Movements in regional house prices through 2009 were also weakest in WA, while the median Residex house price in regional Tasmania and Queensland recorded modest growth of 3% for the 12 month period to December 2009.

House prices in country South Australia and Victoria grew by a solid 7% and 8% respectively in 2009, but the standout regional performer continues to be the Northern Territory. Reflecting the housing shortage in the Northern Territory and strong demand from high population growth and a labour market already back to near full employment, rental growth in the NT in 2009 was double that of the national average at 10.6% p.a.

REGIONAL HOUSE PRICE GROWTH (12 MONTHS TO DEC 2009)

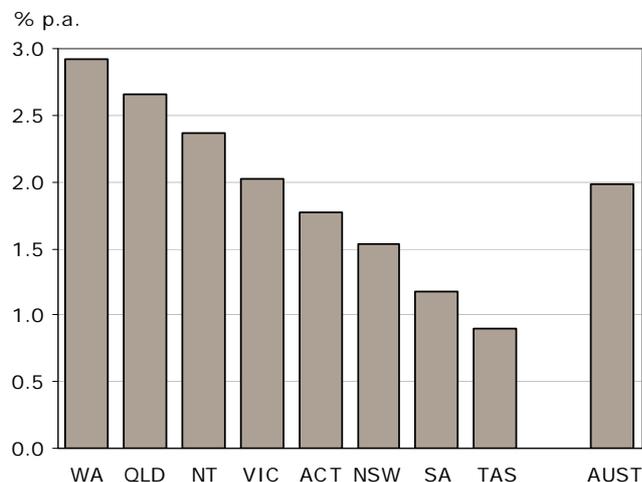


POPULATION GROWTH

Australia has recorded very strong population growth since 2006, with the most recent financial year no exception. Australia's population grew by 2.1% or 457,000 people year-on-year in 2008-09, with net overseas migration contributing 285,000 people, the highest intake on record.

Excluding the major capital cities, regional Australia's population reached 7.4 million at 30 June 2009, an increase of 1.75% compared with June 2008. On current levels, regional Australia represents 33.7% of the total population, a proportion that has declined marginally from around 35% 15 years ago.

AVERAGE POPULATION GROWTH SINCE 2006



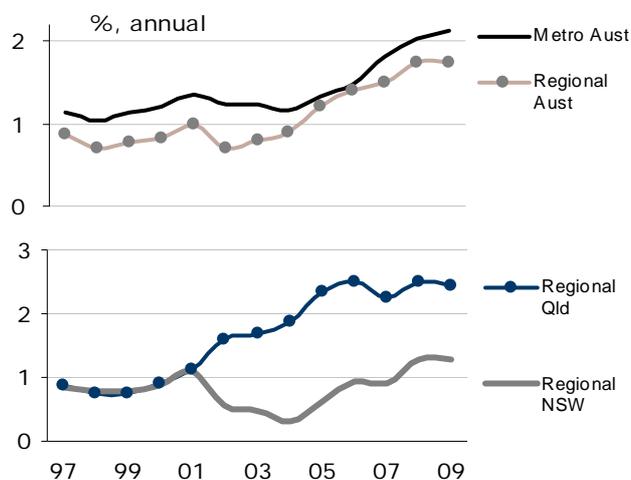
REGIONAL & RURAL REPORT

By state, the strongest population growth has occurred in the 'resource' states of WA, NT and Queensland. For example, over the last three years (to June 2009), Western Australia's population has grown at 2.9% p.a. while Australia's average rate of growth has been 'only' 2% p.a.

Overall, the rate of population growth in regional Australia has not tended to match that of the major metropolitan cities. But regional population growth over recent years has still been well above levels of the last decade. Even population growth rates in regional Queensland and Western Australia, which are at the epicentre of the resources boom, have not matched those of their respective capital cities, Brisbane and Perth, over the last three years.

The regional areas in NSW and South Australia have significantly underperformed in terms of average population growth over the last 3 years. For regional NSW (excluding Sydney, Newcastle and Wollongong), population growth has averaged just 1.2% p.a. since mid-2006, at a time when the rest of Australia has averaged 2% p.a. growth.

ANNUAL POPULATION GROWTH



REGIONAL & RURAL REPORT

NEW SOUTH WALES

NSW NORTH COAST

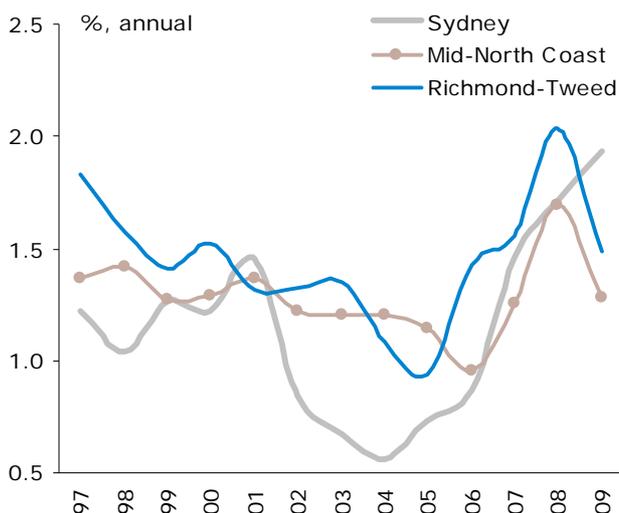


The NSW North Coast is one of the regions identified as falling into recession in 2008, based on the rapid rise in the unemployment rate. Business conditions have improved since then, but pockets of weakness still exist.

The labour market showed tentative signs of recovery in early 2009, but since then jobs growth has turned decisively negative. The unemployment rate has risen to 7.5% in the region, after reaching a low of 6.0% in early 2008. The current unemployment rate would be even higher if not for a significant decline in the number of people looking for work in the region (falling participation rate).

The rate of population growth in the region slowed in 2008-09, the opposite to the trend across most of Australia. However over the last 3 years, the Far North Coast has still recorded the strongest population growth out of regional NSW, increasing by 1.7% p.a. Population growth on the mid-North Coast averaged 1.4% p.a. in the three years to June 2009.

ANNUAL POPULATION GROWTH ON THE NORTH COAST



Solid population growth helps explain why established house prices grew by 6% in 2009 across most of the NSW region. This has added to confidence in the residential property market with activity improving. A shortage of commercial land release in the Coffs Harbour region has helped sentiment in this sector.

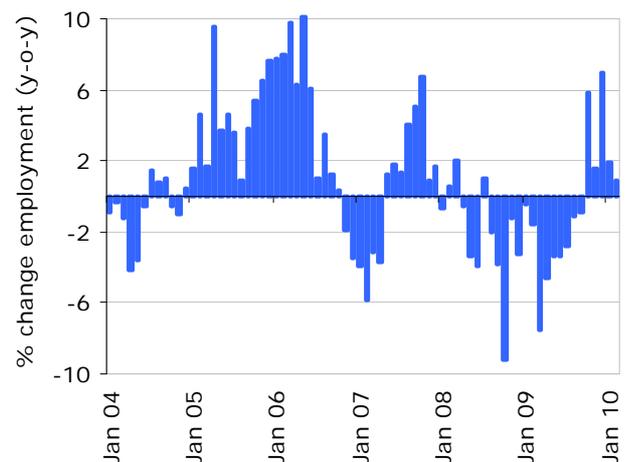
NSW NORTH WEST



While many businesses in the region remain cautious, especially those exposed to retail, employment and residential property prices are improving. A strong rebound in agribusiness sentiment in recent months will also provide a stimulus in 2010.

After a prolonged period of job losses in the region, the employment market turned the corner in October 2009, with the number of jobs in the region starting to grow again. Coinciding with an improving employment market, is an increasing number of people seeking work, which has kept the unemployment rate stubbornly high at just over 6.5% for the region.

JOBS GROWTH HAS RESUMED IN THE NSW NORTH WEST REGION



The residential property market is proving resilient in the region, with the median house price in Armidale and Broken Hill increasing by 7% and 10% respectively in 2009.

The NSW North West region continues to have one of the slowest growing population's relative to the rest of Australia. However trends within the region are divergent. Population growth in the major regional centres such as Tamworth and Armidale has been more akin to that of Sydney in recent years, while the populations of Bourke and Broken Hill have declined.

REGIONAL & RURAL REPORT

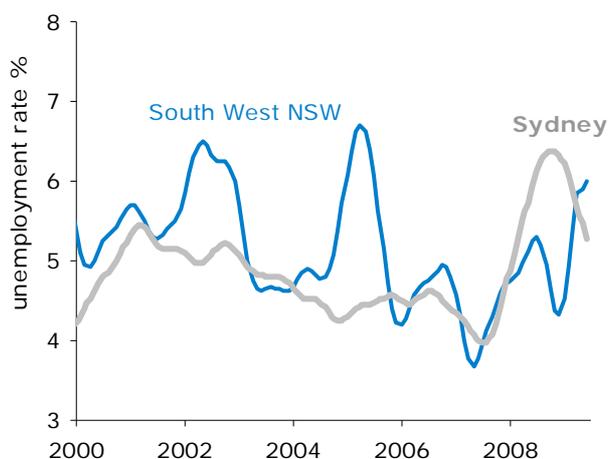
NSW SOUTH WEST



Using the employment market as an indicator of regional performance, the NSW South West is showing signs of a tentative recovery. Business conditions in the regional centres of Orange and Wagga Wagga are reported to be stable. Agribusiness confidence is mixed, with weak prices in sectors such as grain and grapes, but overall sentiment has been boosted with rain in March.

Between early 2008 and mid 2009 the NSW South West regional economy lost nearly 20,000 jobs (both full and part-time). While employment growth has commenced again, the growth to date has been modest. The unemployment rate, while volatile, is still high at around 6%, a level not seen in the region since early 2006.

THE UNEMPLOYMENT RATE HAS RISEN TO 6% IN THE REGION



Price movements for the established housing market are mixed, supporting the view that a widespread recovery has yet to occur in the region. The median house price in Wagga Wagga and Parkes both increased by 7% in 2009, were flat in Orange and Bathurst, while prices in Griffith fell by 4% over the course of 2009.

Population growth in recent years has averaged around 1% p.a. in the region, which while modest compared to some other parts of Australia, is still a stark turnaround to the negative population growth experienced in 2003 and 2004.

NSW SOUTH COAST



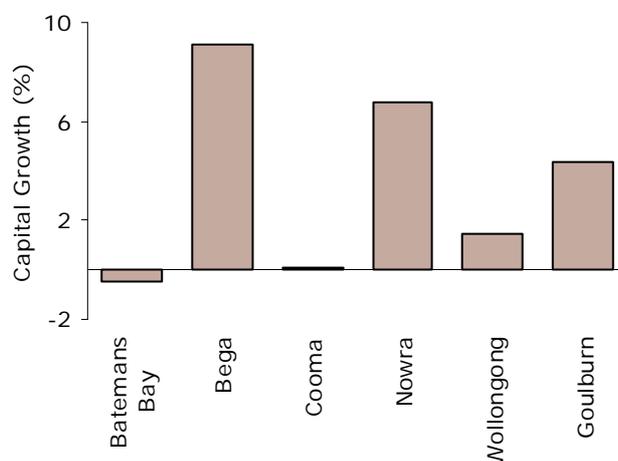
Based on our 'recession' analysis (see page 2), the whole of coastal NSW experienced a sharp economic downturn in 2008-09. However unlike the rest of coastal NSW, the South Coast's unemployment rate did not reach its low of 4.4% until October 2008, around 9 months later than Sydney or the North Coast. The South Coast's unemployment rate subsequently peaked at 7.4% in June 2009.

While the unemployment rate has fallen since then and currently sits just above 6%, the ability for the unemployment rate to fall further looks constrained given the trend in employment growth is negative and the participation rate has fallen to historical low levels. Also some businesses are taking a conservative approach towards 2010, given the government fiscal stimulus has largely finished and interest rates are rising.

Despite drought conditions and lower milk prices in the dairy region of the Bega Valley, the median house price in Bega grew by 9% in 2009. Elsewhere, prices for established houses in Cooma, Wollongong and Bateman's Bay were essentially flat, but prices in Goulburn and Nowra rose by 4% and 7% respectively in 2009.

Consistent population growth is one of the characteristics of the region over the last decade. Recent years have been no exception, with the population growing by 1.5% p.a.

HOUSE PRICES GREW STRONGLY IN BEGA IN 2009



REGIONAL & RURAL REPORT

VICTORIA

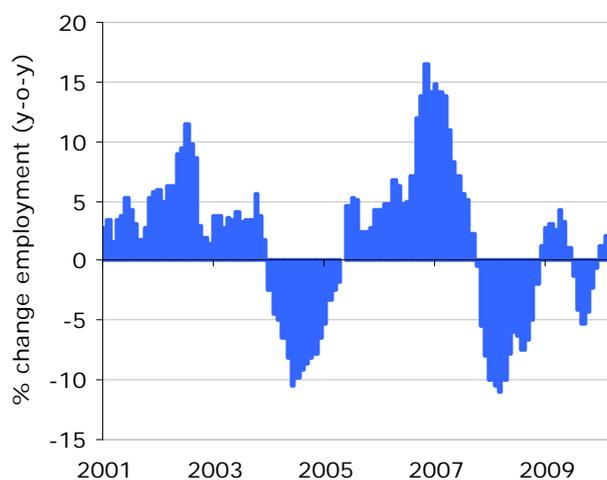
RIVERLAND & MALLEE



The regional economy of the Riverland and Mallee remains subdued, with an underperforming agricultural sector weighing on the region.

This is reflected in the employment market, with net job losses in the region in the second half of 2009. With the recent period of job losses, the region now has 8,000 fewer jobs (full or part-time) than its peak in 2006-07.

SUSTAINED JOBS GROWTH HAS ELUDED THE REGION SINCE 2006-07



The Riverland region is being particularly hard hit, with rationalisation in the wine and citrus industry at both the farm and downstream processing level. For dryland farmers, revenue from winter crops were well below expectations, with grain yields and prices at harvest much lower than expected.

Reflecting the subdued regional economy, house prices in the major regional centres of Mildura, Swan Hill and Horsham were essentially flat (up by 2%) in 2009. This is in sharp contrast to the 14% growth for Melbourne's median house price.

In terms of population trends, population growth has been stronger in the Mallee region (+1% p.a.) over the last 3 years than the Riverland (+0.5% p.a.), but both are still considerably below Australia's overall growth of 2.0% p.a. over the same period.

CENTRAL VICTORIA



For the regional economy of Central Victoria, incorporating the major centres of Ballarat and Bendigo, most indicators point to a region well placed to benefit from broader Australian growth.

The employment market has rebounded strongly over the last 12 months, with the number of jobs in the region at a record high.

Central Victoria is also benefiting from Australia's strong population growth, with the region's population growing at a similar rate to Australia's in recent years.

The median house price in Bendigo jumped by 12% in 2009, the largest increase of any major town in Victoria. Ballarat's median house price rose to \$276,000 in December 2009, up 5% year-on-year but still only represents half the median price of a house in Melbourne.

NORTH EAST VICTORIA



Based on our definition (see page 2), the region fell into recession in 2008-09, but business sentiment and conditions have improved significantly over the last 6 months.

However while employment growth has resumed in the region, the number of jobs is still well below the period of peak employment in 2007, when 150,000 jobs existed in the region. At its worst in 2009, the region had shed 20,000 jobs from this peak. Not surprisingly, house prices in many of the major towns in the region have been flat. The notable exception is Seymour, where house prices increased by 10% in 2009.

Slow population growth has also been a characteristic of the region in recent years, averaging just 1.2% p.a. since 2006.

For the agribusiness sector, some optimism has returned, with irrigation allocations higher than last year, while for the upcoming winter crop soil moisture profiles are also higher from recent autumn rain.

REGIONAL & RURAL REPORT

SOUTH WEST VICTORIA



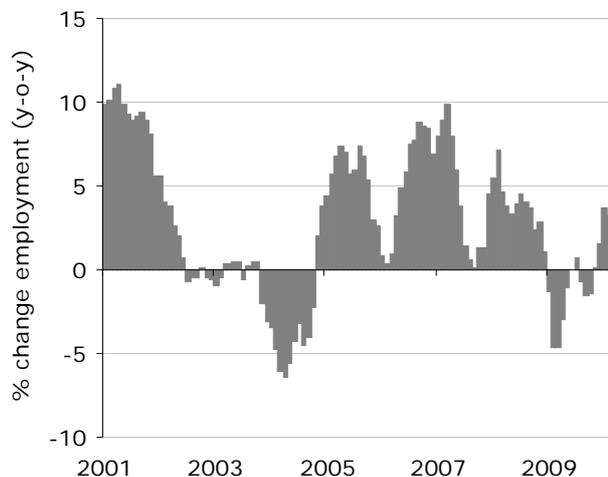
After a prolonged period of strong employment growth from 2005 to 2008, the region experienced net job losses in the second half of 2008.

The extent of the slowdown caused the unemployment rate to rise from a low of 3% in March 2008 to over 6% less than 12 months later. This is one of the sharpest increases across any of the 19 regions analysed and within our criteria of a 'recession'.

Weak demand for established housing in the region in 2009 is further evidence of a weak economy. According to Residex, the median house price in Warrnambool increased by just 1% in 2009, while prices in Hamilton and Colac fell by 1% and 5% respectively.

On a positive note, the employment market has begun to improve over the last 6 months, with net jobs growth and a falling unemployment rate (currently at 5%).

THE EMPLOYMENT MARKET HAS BEGUN TO IMPROVE



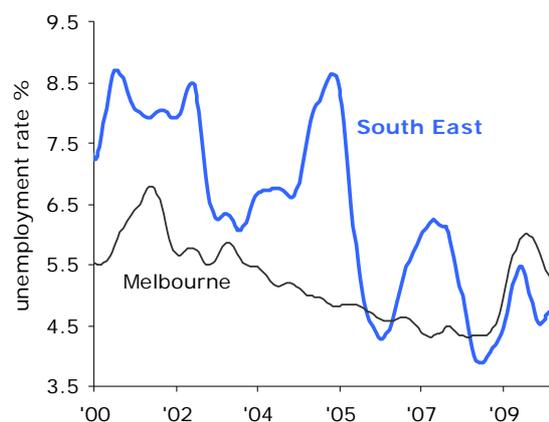
The trends in the latest release of population data for 2008-09 are little changed from recent years. The Western District's population grew by 1.2% in 2008-09 while further east, growth in the Barwon region's population was more consistent with Melbourne's, which is not surprising given the region is heavily skewed by Geelong.

SOUTH EAST VICTORIA



South East Victoria's economic slowdown was less severe than its South West counterpart. The unemployment rate peaked at 5.5% in mid-2009, a rise of just 1.6 percentage points from the cyclical low reached in August 2008.

The unemployment rate is hovering below 5% in the region

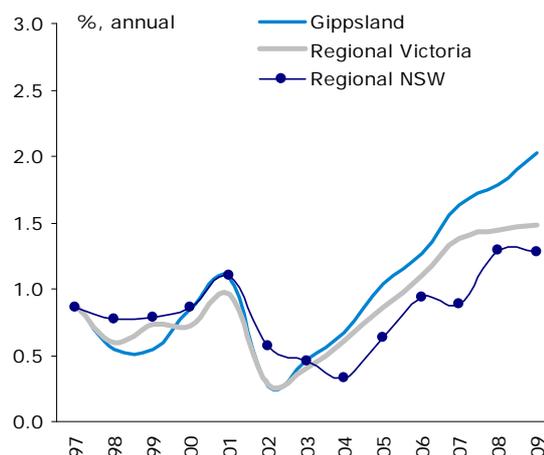


In the last 6 months the employment market has rebounded in the region, with the number of jobs in South East Victoria back a near all-time high.

Demand for established housing in the South East was consistently the strongest across regional Victoria, with the median house price in Morwell, Moe, Sale and Traralgon all rising by 8%-10% in 2009. House price gains in Bairnsdale were more subdued rising by just 2% over the course of 2009.

Strong population growth in 2009 was an important factor supporting house prices. Gippsland's population grew by 2% in 2008-09, making it one of the fastest growing regions in the non-resource states of Victoria and NSW.

THE REGION'S POPULATION IS GROWING AT A FAST RATE



REGIONAL & RURAL REPORT

QUEENSLAND

NORTH QUEENSLAND



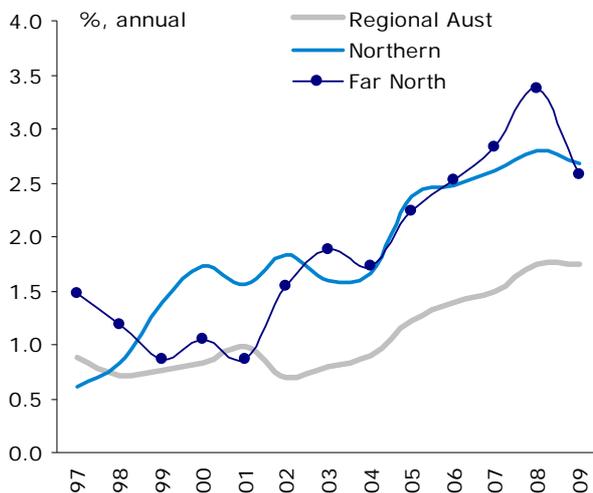
The economy of North Queensland is one of the regions identified in our analysis as experiencing a recession in the latest downturn (see page 2). The unemployment rate reached a low of 4% in September 2008, but rose a staggering four and half percentage points to 8.5% within 12 months.

The unemployment rate rose very quickly over this period from a combination of slowing jobs growth from weakness in the tourism and building construction sectors but on-going strong population (and labour supply) growth.

The latest population figures for North Queensland illustrate how this region has been one of the fastest growing across Australia. For the 3 years to June 2009, the region's population has grown at an average rate of nearly 3% p.a., while regional Australia as a whole has averaged just 1.7% p.a.

While the worst of the downturn is past, the

POPULATION GROWTH FOR NORTHERN AND FAR NORTH QUEENSLAND



regional economy remains subdued. Consumer and business confidence in the area is weak, with commercial and residential property activity still slow. House prices in Cairns fell by 6% in 2009.

One of the few bright spots in the region is the agricultural sector. The recent (but short-lived) spike in global sugar prices was positive for the sugar industry, while seasonal conditions through the Gulf and Cape York have generally been favourable.

CENTRAL QUEENSLAND



At the peak of the Australian economy in 2007-08, Central Queensland's buoyant labour market reached 'full employment', with the unemployment rate hovering between just 2.5% and 3.0%.

After consistently rising through most of 2008 and 2009, the unemployment rate in the region peaked at 5.5%, but as yet hasn't fallen materially.

House price gains in the inland regional centres of Emerald and Longreach have been some of the strongest across the state, up 5% and 13% respectively in 2009. In contrast, house prices were flat to weaker in Gladstone and Rockhampton.

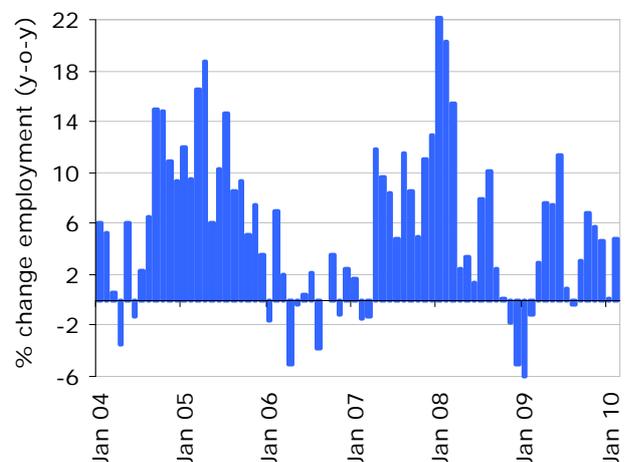
Population growth in recent years has also been divergent by geography. The coastal population in the region has been growing by 2.5% p.a. but in stark contrast the population in the west of the region has been in decline.

WIDE BAY QUEENSLAND



The employment market in Wide Bay has proven remarkably resilient through the latest downturn, with only a brief period in early 2009 where jobs weren't consistently being added in the region.

THE NUMBER OF JOBS IN WIDE BAY IS AT AN ALL-TIME HIGH



REGIONAL & RURAL REPORT

The total number of jobs (either full or part-time) is at an all time high in the region, despite a rise in the unemployment rate. This can happen with strong population growth and an increase in the proportion of people seeking work (higher participation rate).

Despite a resilient labour market, demand for established housing has yet to recover. House prices rose by just 2%-3% in 2009 in Maryborough and Bundaberg, but were flat in Torquay and down 3% in Gympie.

The latest population statistics support that Wide Bay continues to be on of the fastest growing in Australia, up by 3.1% in 2008-09 year-on-year. This rate of population growth rivals that of the Pilbara region, Darwin and Perth.

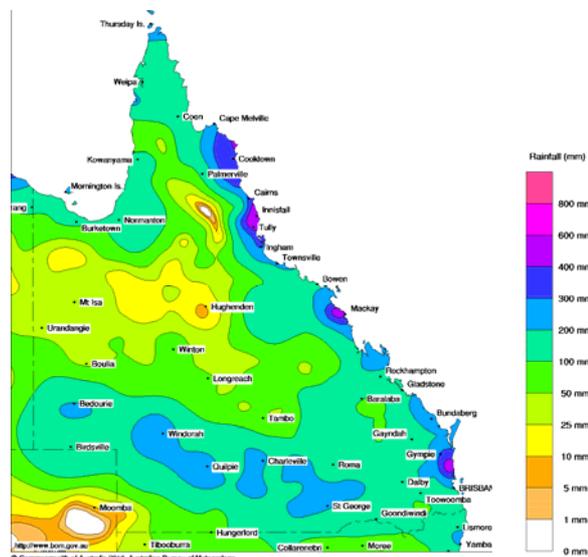
SOUTH QUEENSLAND



The remarkable strength of the South Queensland economy in the latest cycle is best illustrated by the cyclical low in unemployment, which reached just 1.4% in late 2008. While yet to be confirmed, it is likely the region's unemployment rate has only recently peaked (at 3.7%), which under our definition constitutes a major slowdown (and recession) for the region in 2008-09.

Anecdotal reports indicate the region is now in recovery mode, with business sentiment improving and consistently above this time last year. This is particularly the case for areas predominately

MARCH 2010 RAINFALL



exposed to the resources sector such as Dalby, Miles and Wandoan.

Consistent with a recovery, the median house prices across most of the region improved in 2009, with Gatton and Goondiwindi recording the largest gains of 8% and 12% respectively.

Monsoonal rain in March has caused major flooding through the region, providing significant disruptions and losses for business. While beneficial to the agricultural sector in the medium term, farmers are faced with damage to existing crops and livestock deaths.

Similar to Central Queensland, population growth in recent years has been very different across the east-west axis. Population growth reached 2.1% in 2008-09 in the Darling Downs region, but the South West of the state recorded nil population growth.

REGIONAL & RURAL REPORT

SOUTH AUSTRALIA

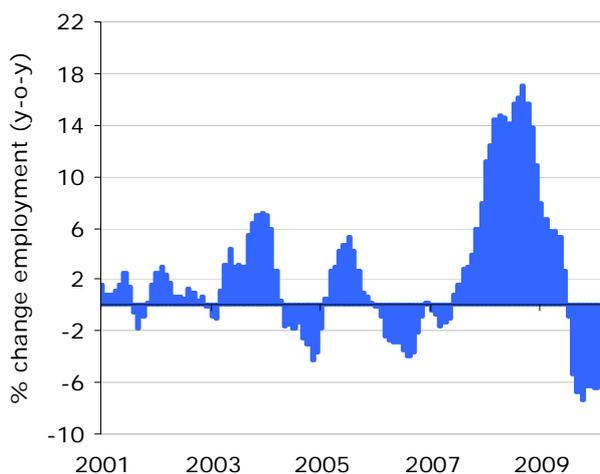
SA EAST



After a very strong period of employment growth in 2008, the SA East region reached a cyclical low in unemployment of 2.9% in early 2009.

However the region's economy slowed quickly, with a sharp decline in employment through 2009. Based on our analysis, the extent of the rise in the unemployment rate to 5.4% in 2009 qualifies the slowdown in the region as 'recession-like' (see page 2). To put this into context, the region now has 9,000 fewer jobs than this time last year.

THE EMPLOYMENT MARKET CONTRACTED SHARPLY IN 2009



Despite the weak employment market in the region, demand for established housing was still strong enough for modest gains in the median house price. The median house price in Mt Gambier rose to \$234,500 in December 2009, up 5% year-on-year. House prices in Murray Bridge and Naracoorte appreciated by 3%-4% in 2009, but were flat in Bordertown and Victor Harbour.

In terms of population growth, the Outer Adelaide region continues to be the fastest growing region across the state (growing at double the pace of Adelaide). For the remainder of the South East region, population growth has been much more modest, growing at less than 1% p.a. since mid-2005.

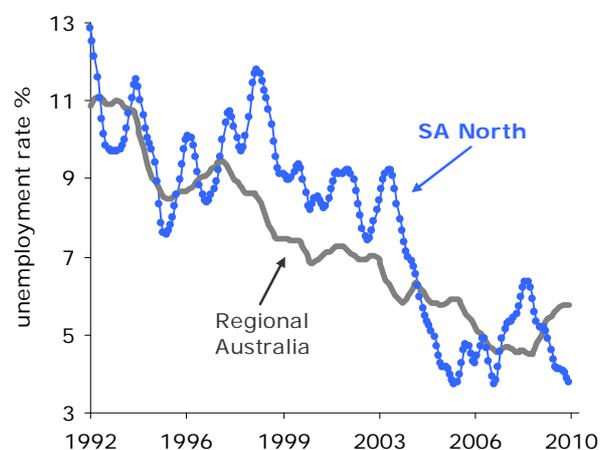
SA NORTH



Based on the strength of the employment market in the region, SA North's economy is well down the recovery path after slowing in 2008. The region's unemployment rate is one of only two of the 19 regional economies analysed that currently sits below 4%.

In the short term the unemployment rate is unlikely to fall further, given it is already at historical lows. Further as additional jobs growth occurs it is likely that some of the increase in demand for labour will be met by current discouraged workers (no longer looking for a job) moving back into the market. That is the participation rate will rise. But post this it likely the region will quickly move back to a period where businesses will hit capacity constraints for labour.

THE UNEMPLOYMENT RATE IS ALREADY BACK TO HISTORICAL LOWS



Movements in the median house price in many towns in the region are also indicative of an economy travelling well. According to Residex, house prices in Clare, Ceduna and Port Lincoln all grew by 5% in 2009 and by 7% year-on-year in Port Augusta and Port Pirie.

Population growth in the region continues to lag behind the rest of Australia, averaging less than half the growth Australia has achieved over the last 3 years.

REGIONAL & RURAL REPORT

WESTERN AUSTRALIA

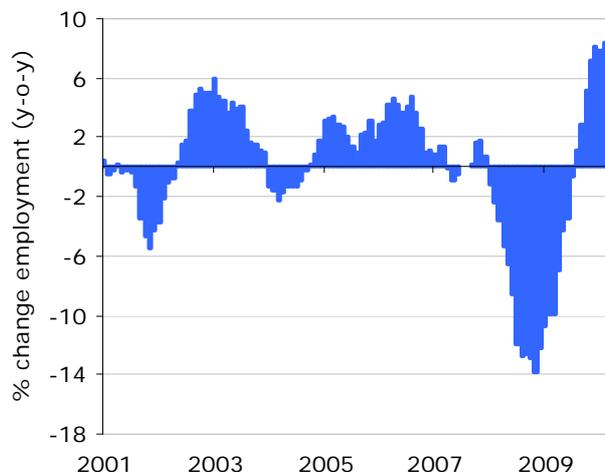
NORTH WA



The sharp declines in commodity prices in 2008 caused a rapid slowdown in the WA economy. Using our benchmark on changes in the unemployment rate (see page 2), the depth of the slowdown can be classified as a recession across all of WA (WA North, WA South and WA Metro regions).

For the North WA region, the unemployment rate bottomed at 3.2% in August 2008, but within 12 months had risen to around 6%. To put this into context, from trough to peak around 15,000 jobs (both full and part-time) were lost in the region. However the employment market is recovering quickly with the unemployment rate falling as jobs growth recommences.

EMPLOYMENT GROWTH HAS REBOUNDED STRONGLY IN THE REGION



With such a large number of job losses in the region, it is not surprising that established house prices were weaker in 2009. According to Residex, house prices in regional WA fell by 5% in 2009. While the limited number of sales in some towns warrants caution in interpreting house price movements in the region, the median house price in Broome and Exmouth fell by 7%-9% in 2009, while prices were flat in Geraldton.

Population growth in the Kimberley region has averaged 3.1% p.a. over the last 3 years, but only around 1% over the last decade. The Pilbara region on the other hand has grown at an average rate of 2.5% p.a. over the last decade.

SOUTH WA



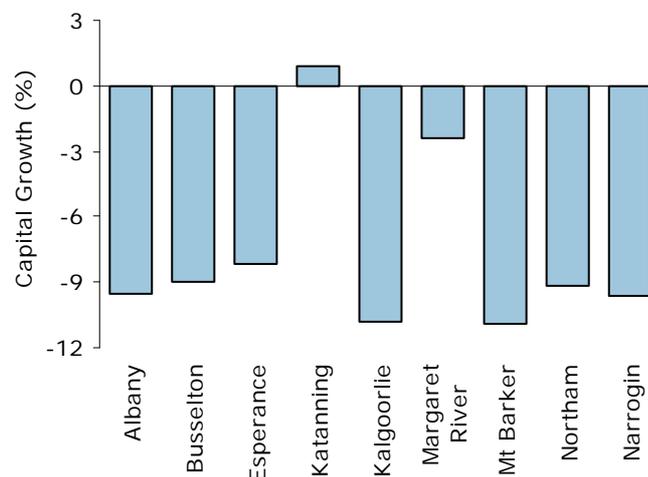
The employment market in South WA has been slower to respond than the North WA region, with employment growth only recently turning negative.

The strength of the labour market in the region in recent years is highlighted by how low the unemployment rate fell in the recent cycle. The unemployment rate reached 2.8% in September 2008, the second lowest level out of the 19 regions analysed.

However more recently the labour market has weakened, with the unemployment rate in the region rising back to 5% - the same as the peak reached in June 2009.

Another regional indicator, house price movements, also points to a softer regional economy. Established house prices in Albany, Esperance, Kalgoorlie, Mt Barker, Northam and Narrogin all fell by 8%-10% in 2009.

HOUSE PRICE MOVEMENTS OVER THE COURSE OF 2009



This weakness in property prices comes despite the South West corner of WA recording the fastest rate of population growth over the last two years - averaging 4% p.a. For most other areas in the region, population growth has been in-line with the Australian average of 2% p.a.

REGIONAL & RURAL REPORT

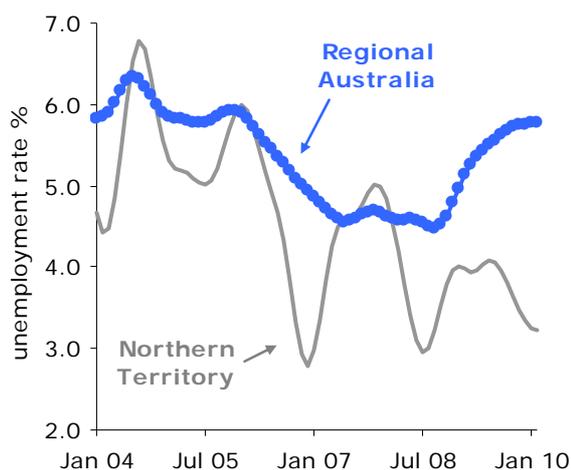
NORTHERN TERRITORY



Since late 2005 the Northern Territory economy has shown a remarkable ability to consistently grow jobs. On average the NT jobs market has added 5,000 jobs every year for the last 4 years and in late 2009 the region reached the milestone of 120,000 jobs for the first time.

While the labour market did slow somewhat in 2008, businesses are once again reporting difficulties in finding staff. The current unemployment rate of 3.2% highlights the NT is close to or already back to 'full employment'.

THE LOWEST UNEMPLOYMENT RATE IN REGIONAL AUSTRALIA



Darwin's median house price ended 2009 at \$505,500, up 15% year-on-year. Over the last 7 years, houses in Darwin have averaged capital growth of 14% p.a. and as a consequence Darwin's median house price is now higher than that of Perth and Brisbane.

Population growth in the Northern Territory has not fallen below 2% p.a. over the last 5 years, achieving a similar rate of growth to regional Queensland over the same period.

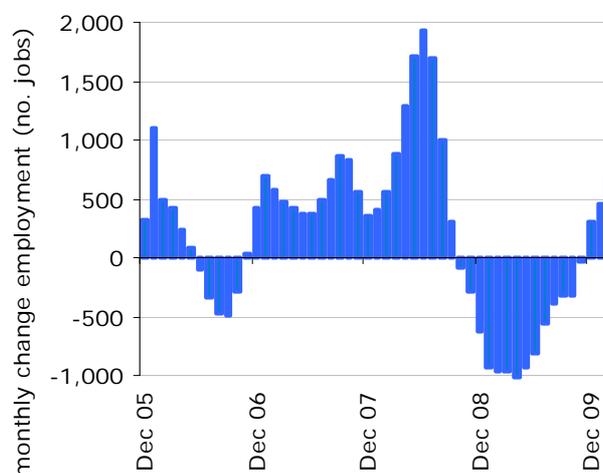
TASMANIA



In the latest downturn the Tasmanian economy lost a total of 8,000 jobs, with the worst of the job losses in the first half of 2009.

However in recent months the employment market has resumed growth. This is likely to mean that the unemployment rate in Tasmania will peak at slightly less than 6% - a similar level to Australia as a whole.

THE TASMANIAN ECONOMY HAS RESUMED EMPLOYMENT GROWTH



Despite weakness in the labour market in 2009, house prices still managed to appreciate in many parts of Tasmania. According to Residex, the median house price in Hobart appreciated by 5% in 2009, between 6%-9% year-on-year in Launceston and 2% in Devonport.

The latest ABS population data shows that Tasmania reached the milestone of half a million residents as of 30th June 2009, an annual increase of 1.1%. While the rate of population growth has improved in recent years (with the broader trend in Australia), slow population growth remains a characteristic of the Tasmanian economy.

IMPORTANT NOTICE

Australia and New Zealand Group Limited is represented in:

AUSTRALIA

Australia and New Zealand Banking Group Limited

ABN 11 005 357 522

ANZ Centre Melbourne, Level 9, 833 Collins Street, Docklands
Victoria 3008, Australia

Telephone +61 3 9273 5555 Fax +61 3 9273 5711

UNITED STATES OF AMERICA

ANZ Securities, Inc. is a member of FINRA (www.finra.org) and registered with the SEC.

277 Park Avenue, 31st Floor, New York, NY 10172,

United States of America

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

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

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.