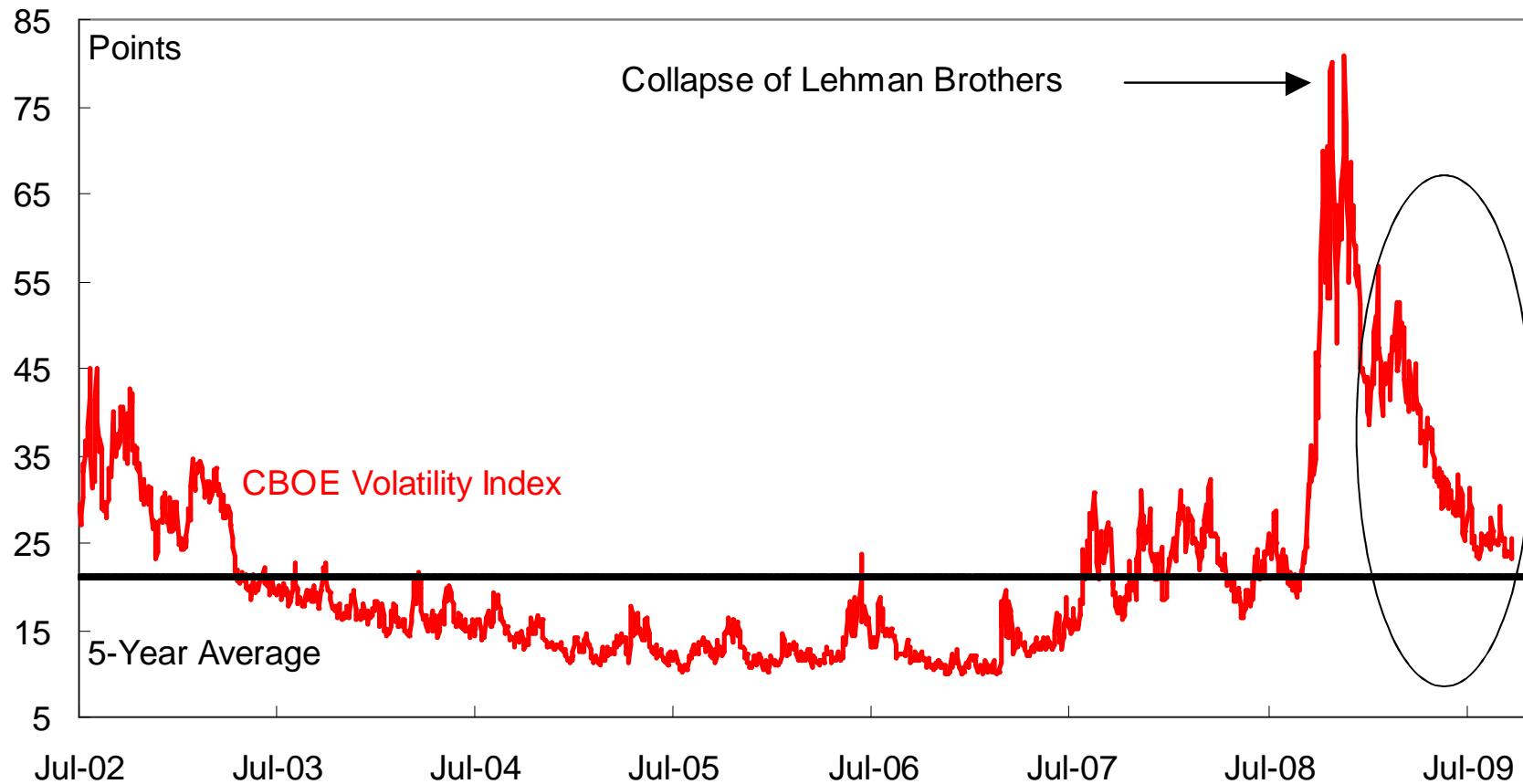
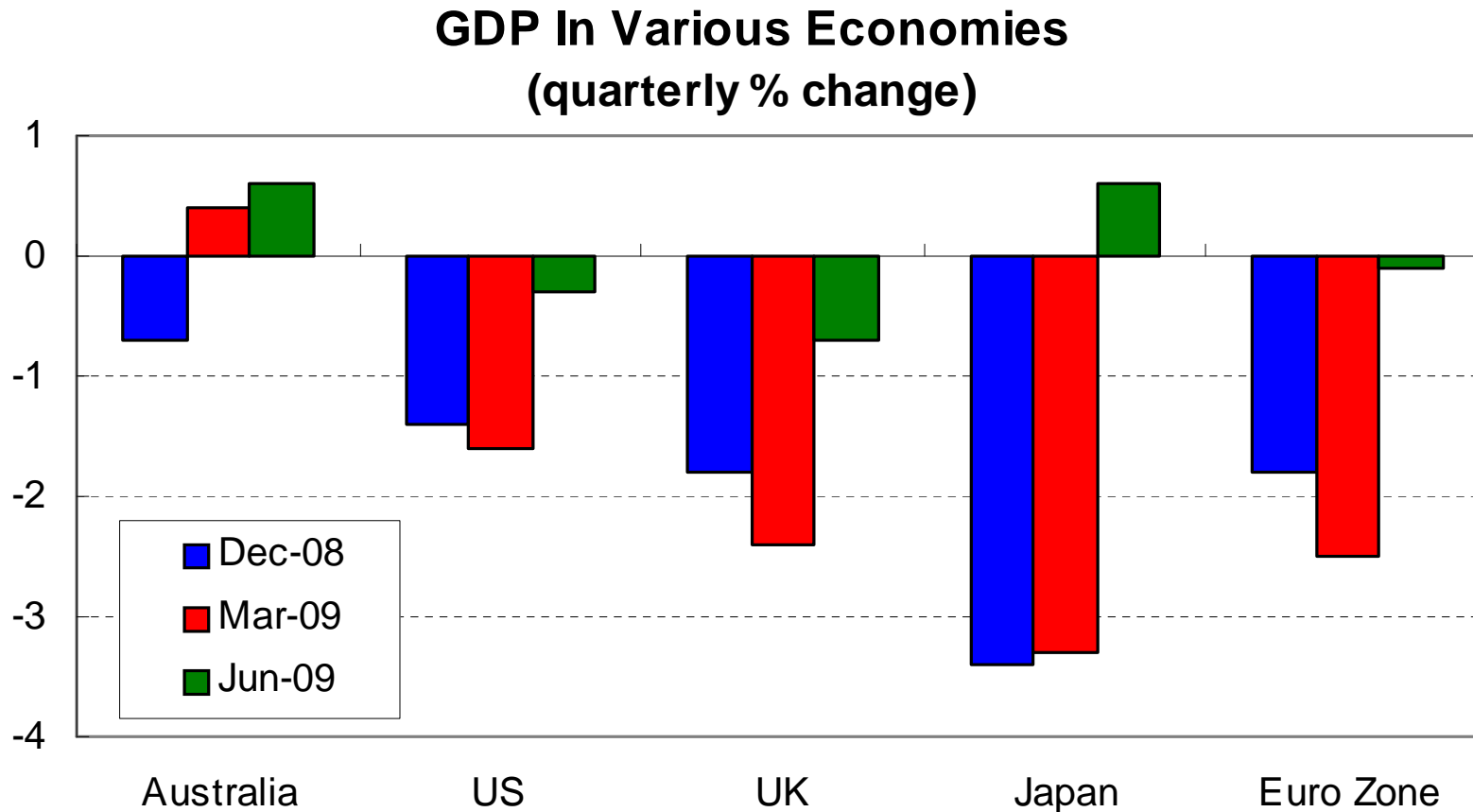

“Economic Trends”

Amanda Tan, Market Economist
15 October 2009

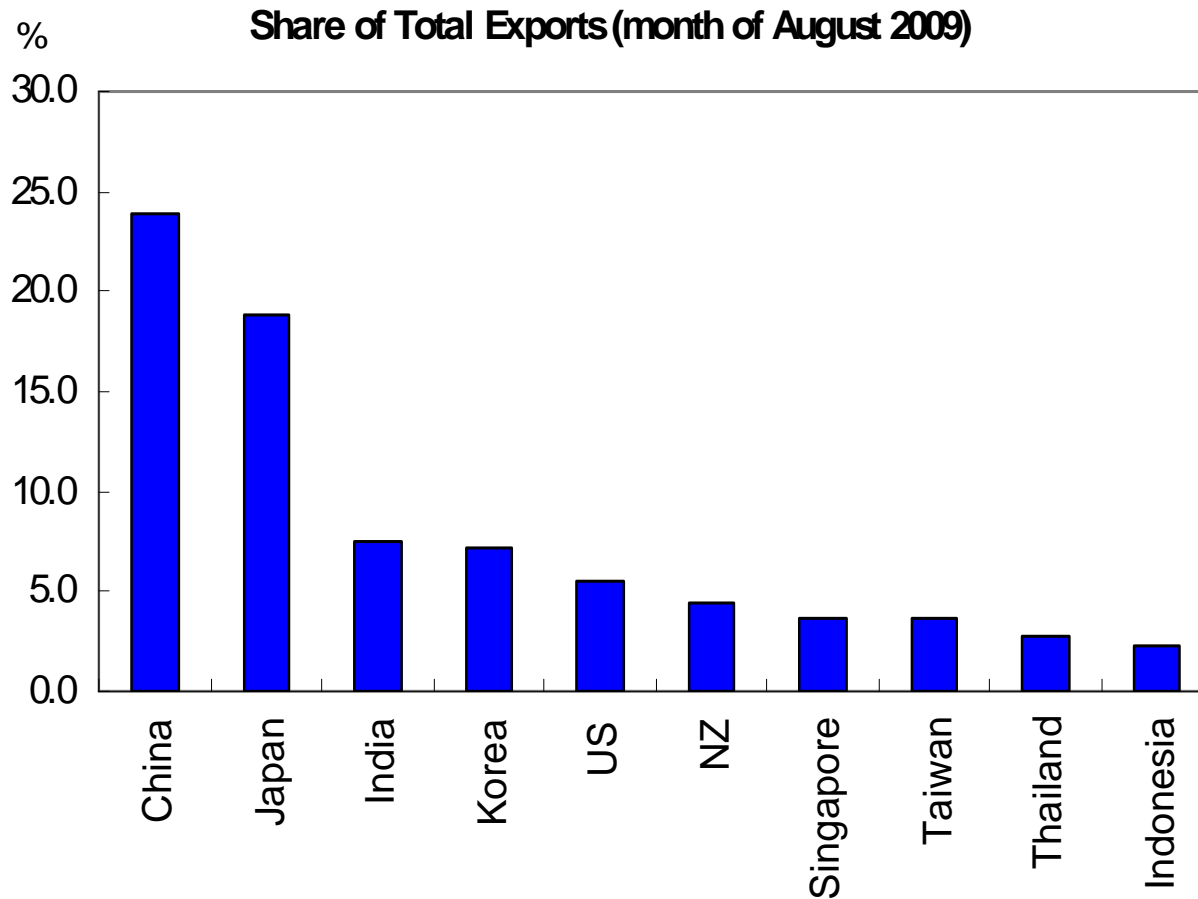
Global risk appetites have improved substantially...



Countries are emerging out of their recessions...

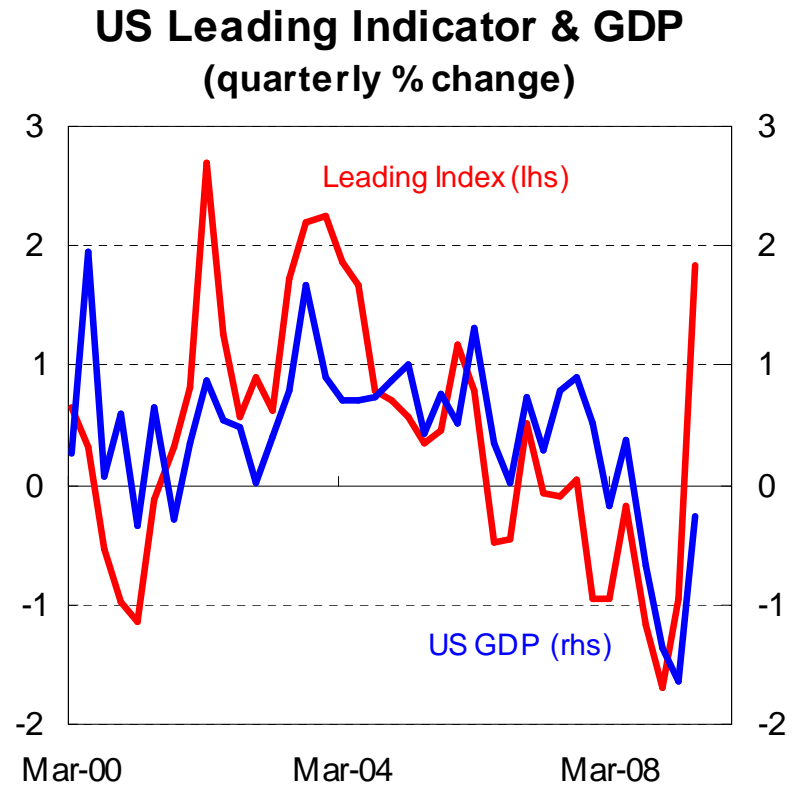
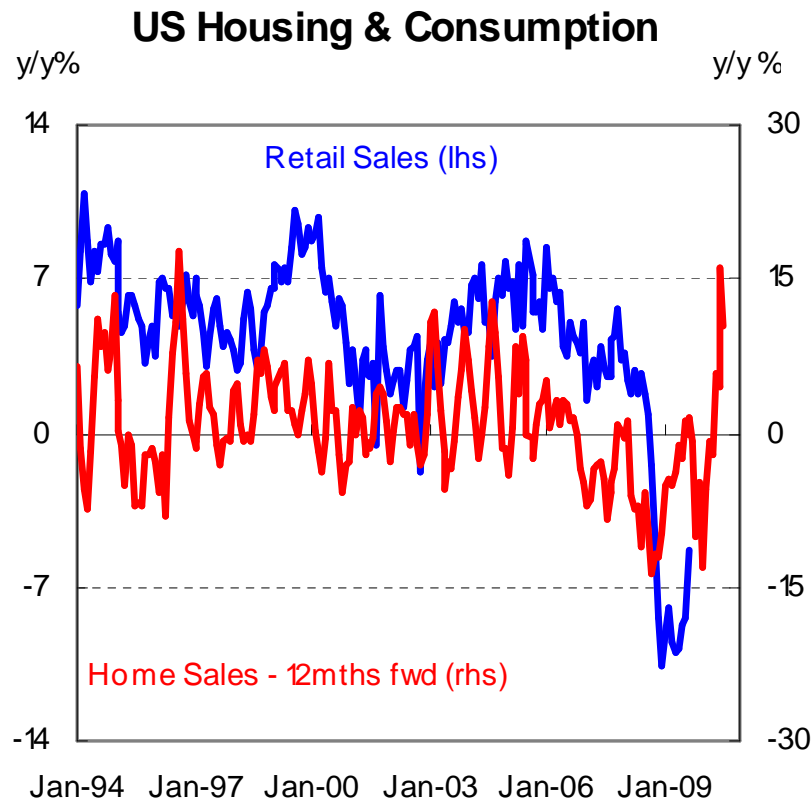


Australia's Export Destinations

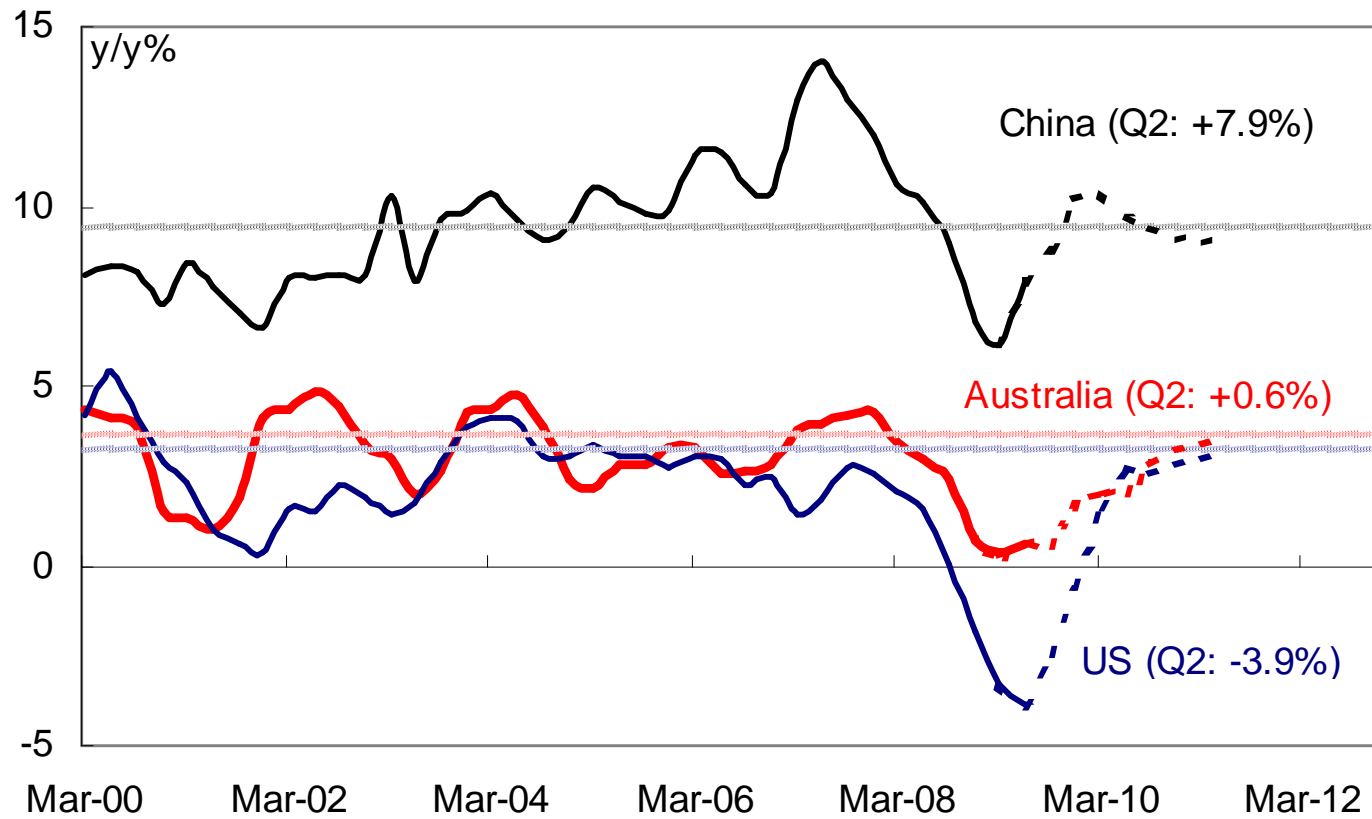


Rank in 2000	
Japan	1
US	2
Korea	3
NZ	4
Singapore	5
UK	6
China	7
Taiwan	8
Thailand	12
India	13

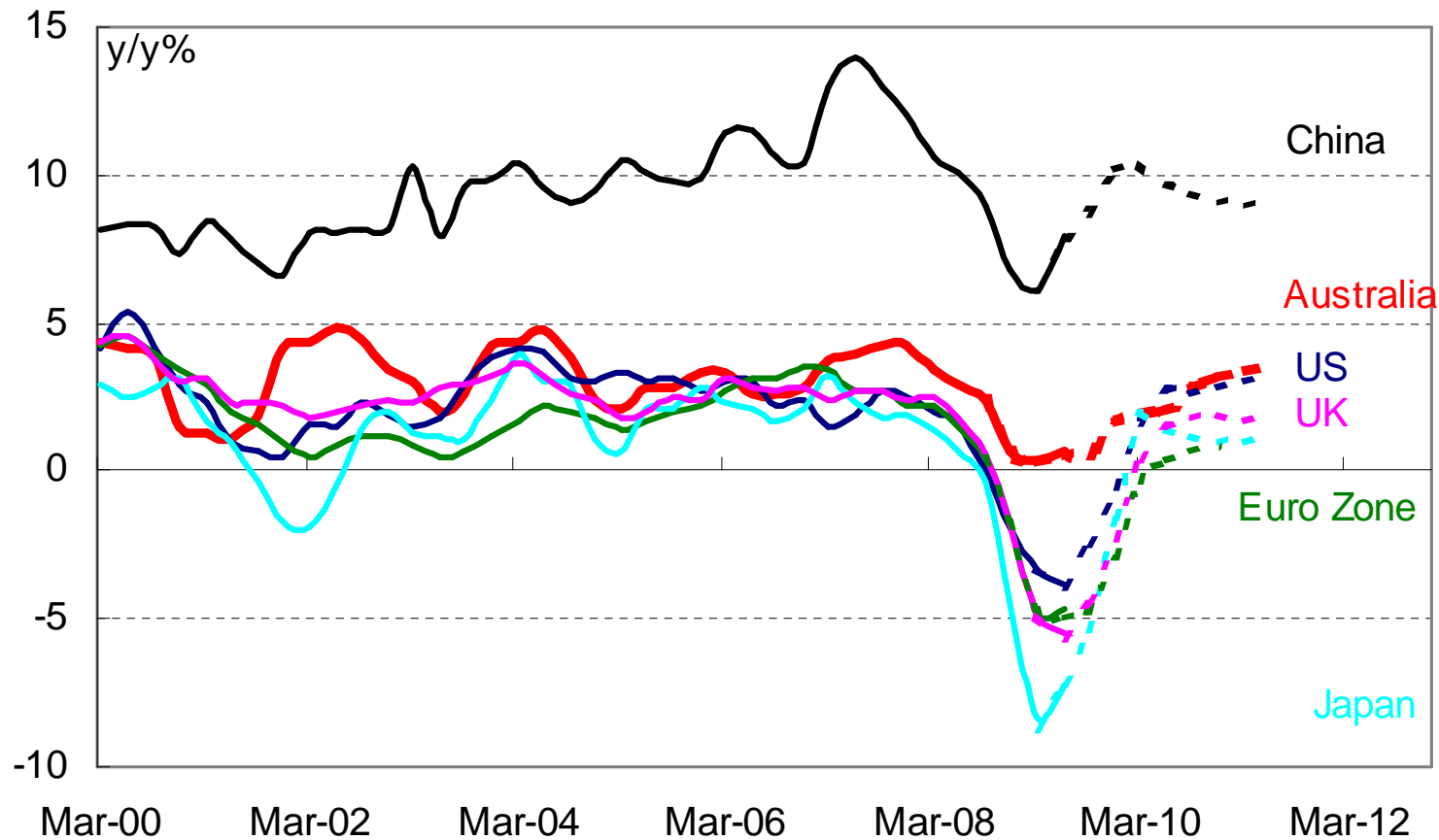
The US – A Light at the End of the Tunnel?



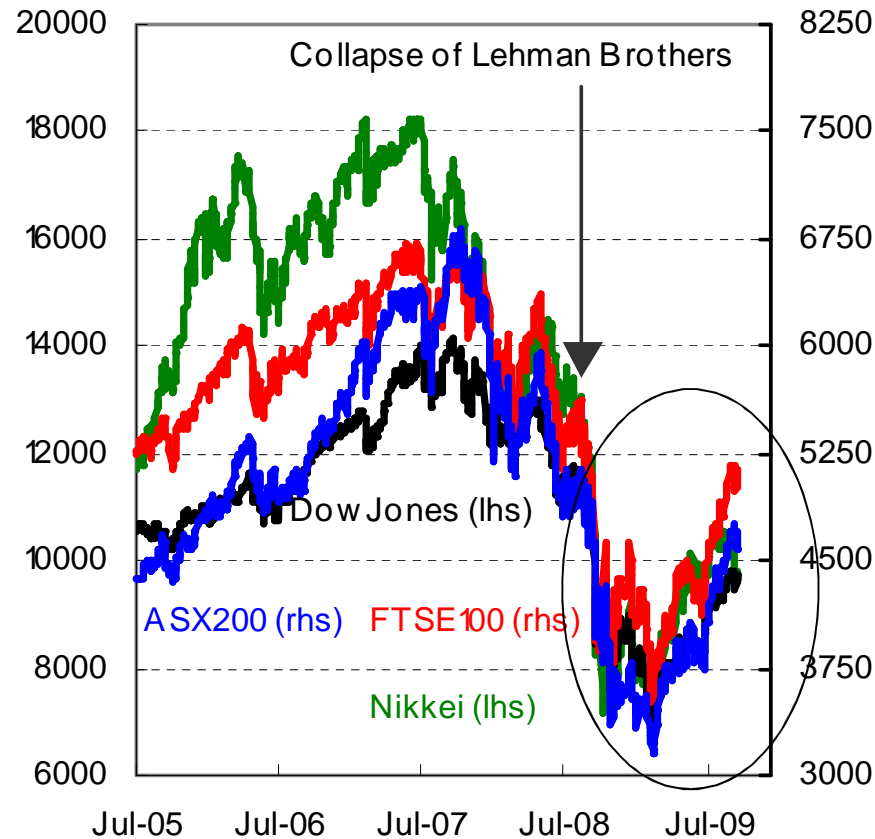
The US, China & Australia



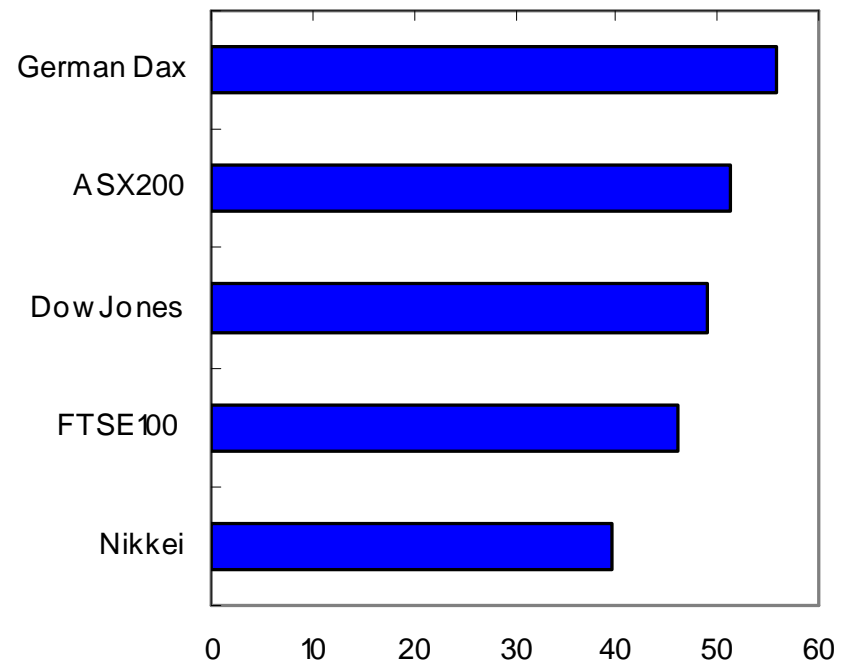
Economic conditions are improving across the globe...



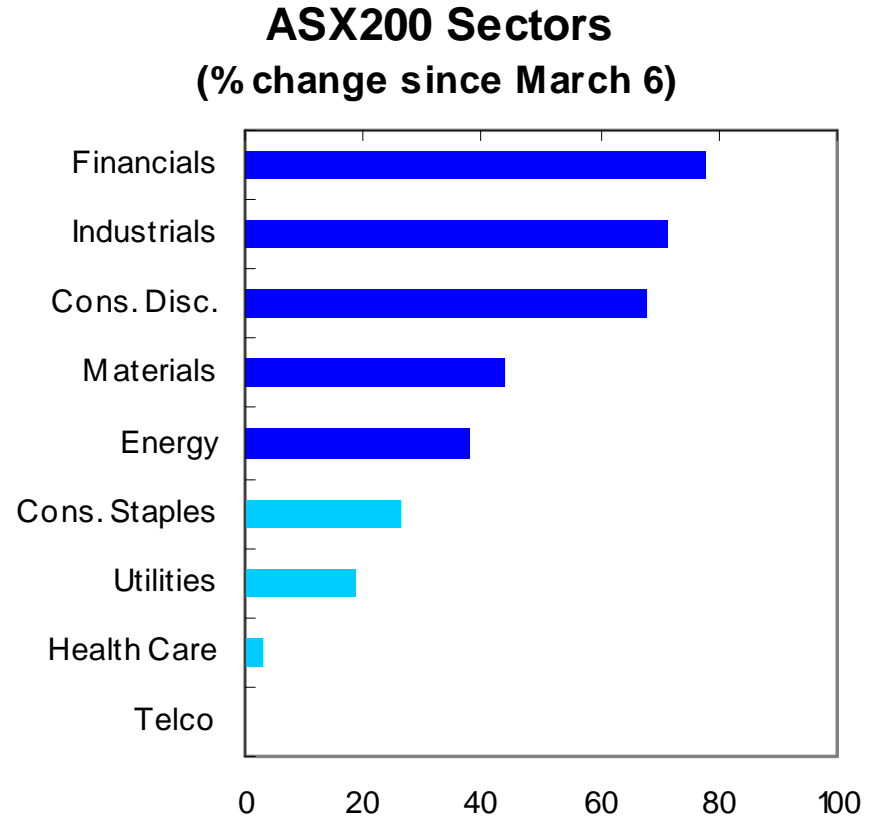
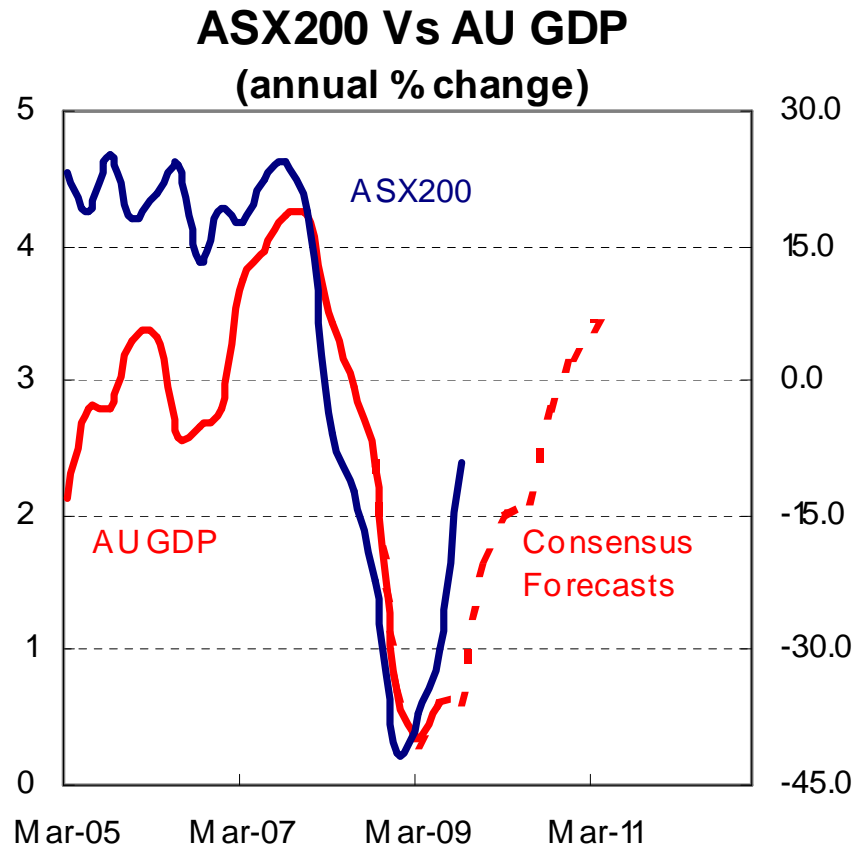
...improved sentiment has boosted global equities



International Share Markets (% change since March 6)

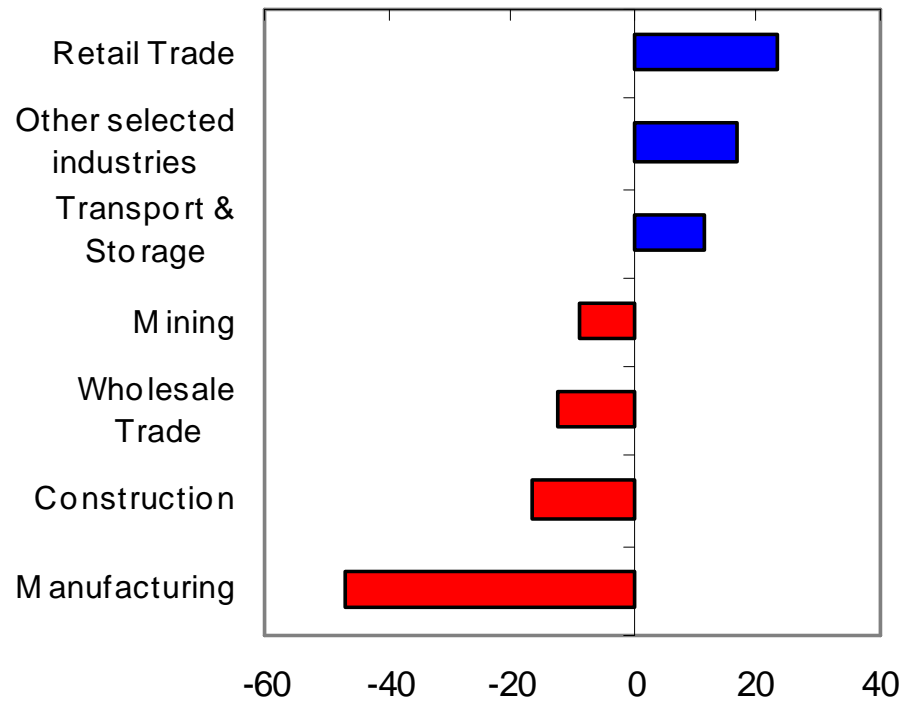


Growth prospects key for equities...

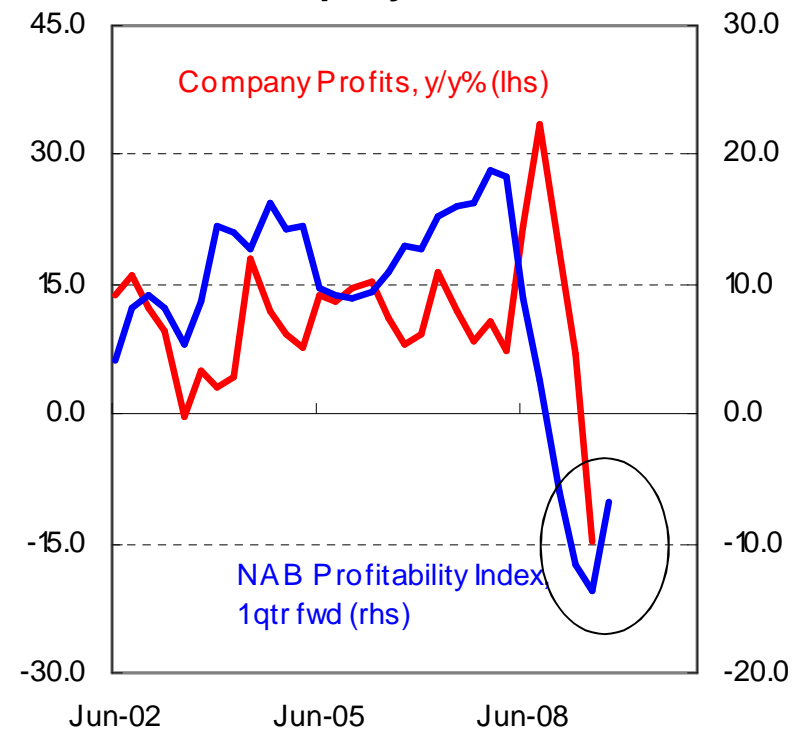


AU Company Profits

Company Profits - Industries
(annual % change)

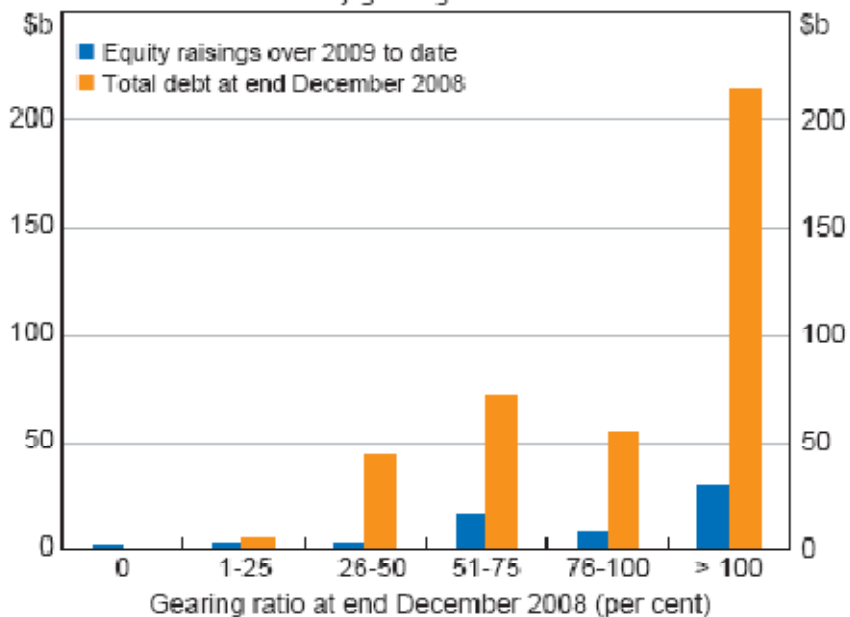


Company Profits



AU Equity Raisings

Graph C1
Distribution of Listed Companies' Equity Raisings*
 By gearing ratio**



* Non-financial and real estate companies
 ** Gross debt/shareholders' equity; book value
 Sources: ASX; Morningstar; RBA

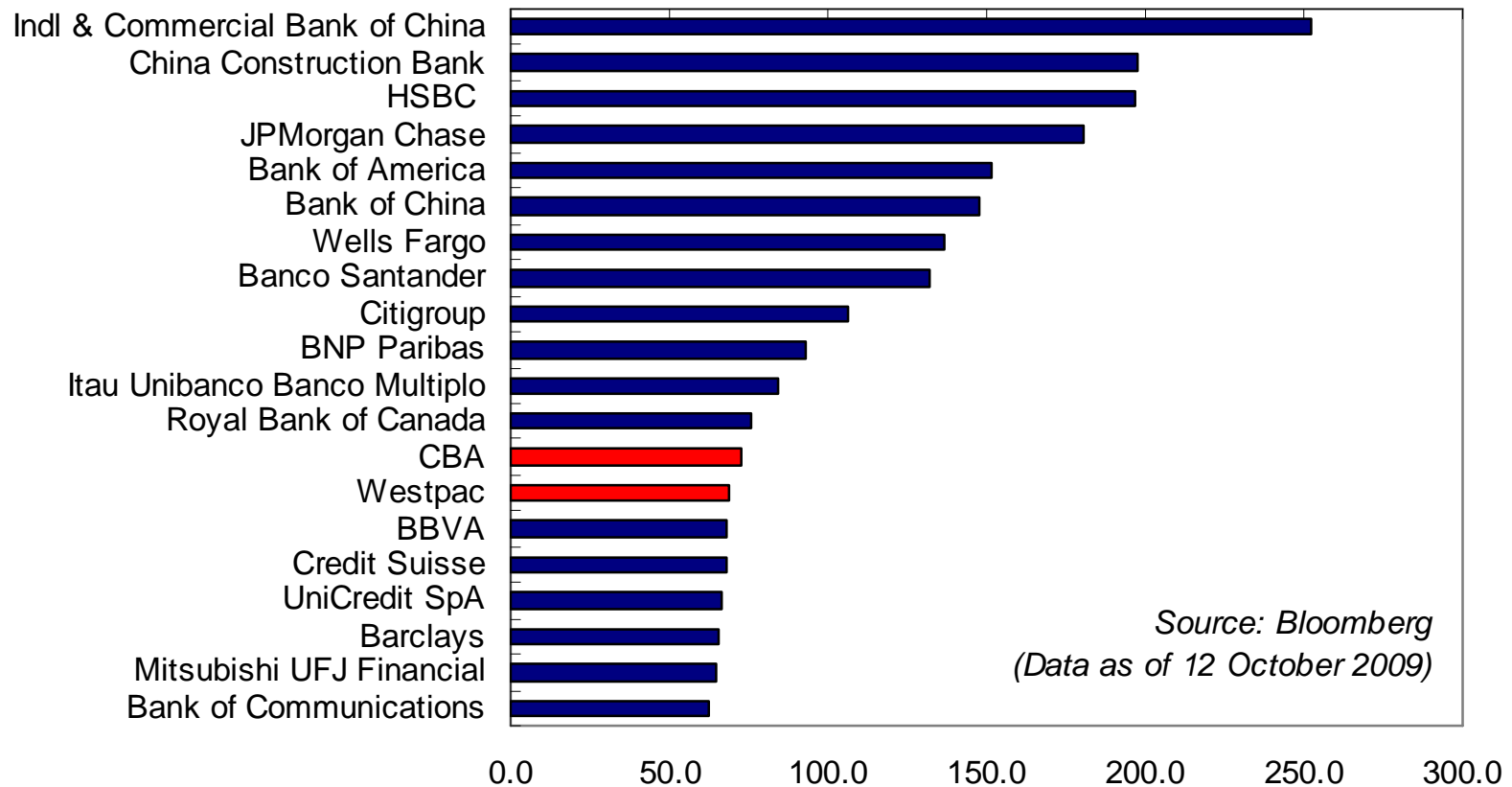
Company Type	Equity raisings over 2009
--------------	---------------------------

	\$b
<i>Resource</i>	
raised	32.5
did not raise	0
<i>Non-resource</i>	
raised	17.0
did not raise	0
<i>Real estate</i>	
raised	13.9
did not raise	0
Total	63.4
raised	63.4
did not raise	0

(a) Gross debt/shareholders' equity; book value
 (b) Estimate based on company announcements
 Sources: ASX; Morningstar; RBA

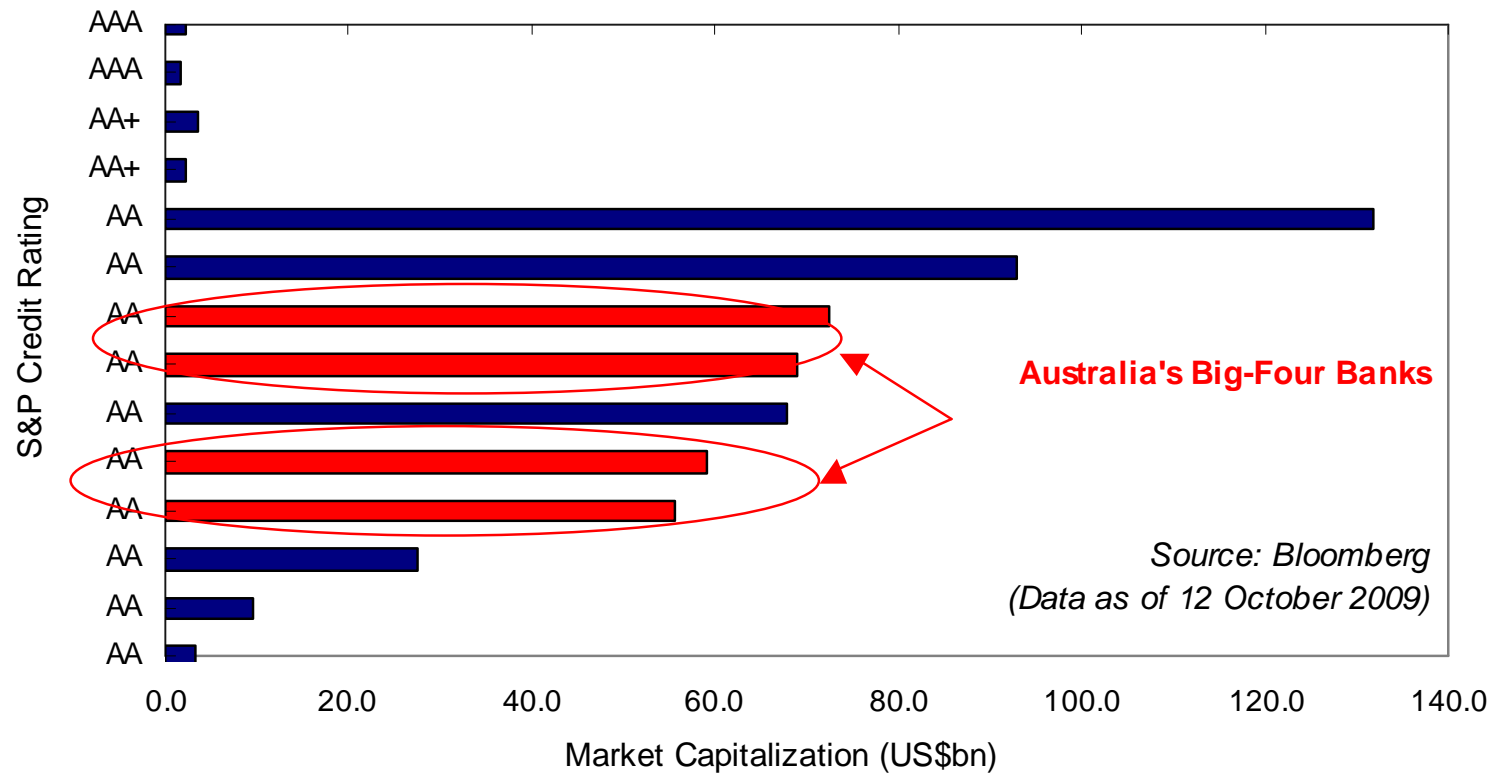
The Australian Banking System Among Best in World

Top 20 Global Banks by Market Cap (US\$bn)



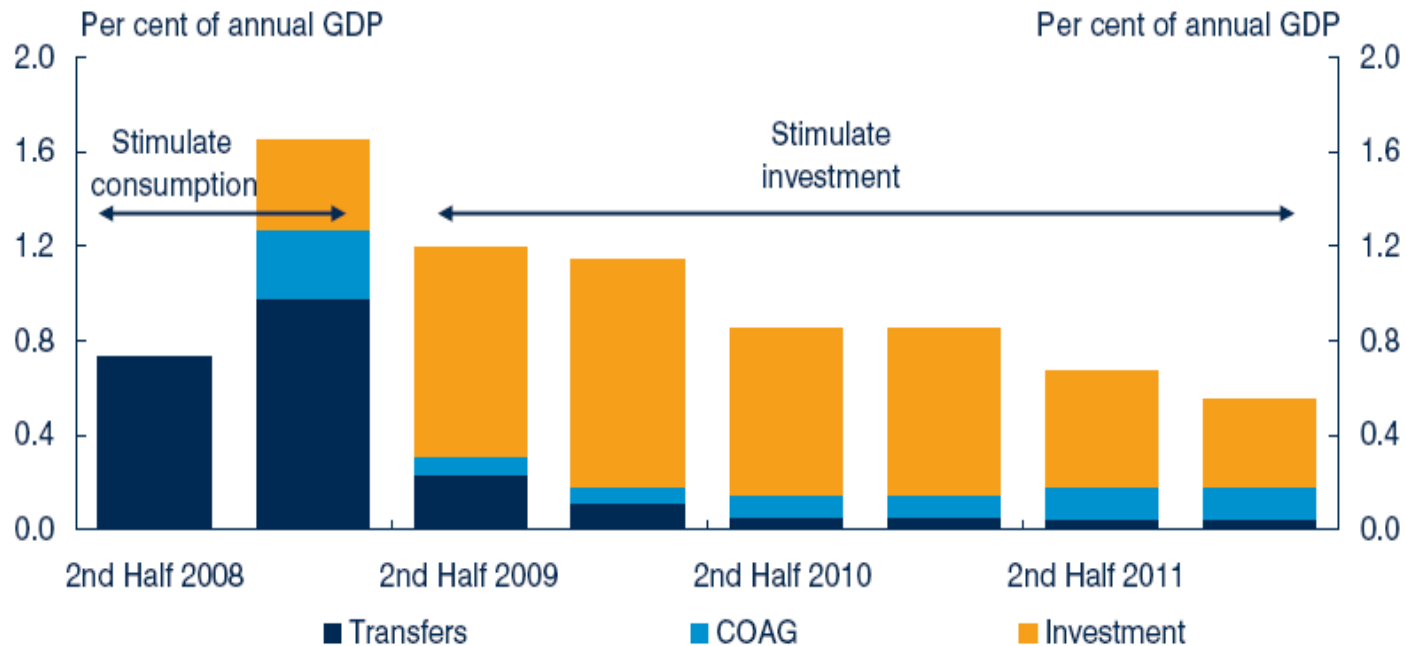
The Australian Banking System Among Best in World

Banks' Credit Ratings (AA or higher)



Source: Bloomberg
(Data as of 12 October 2009)

Allocation of Australian Fiscal Stimulus

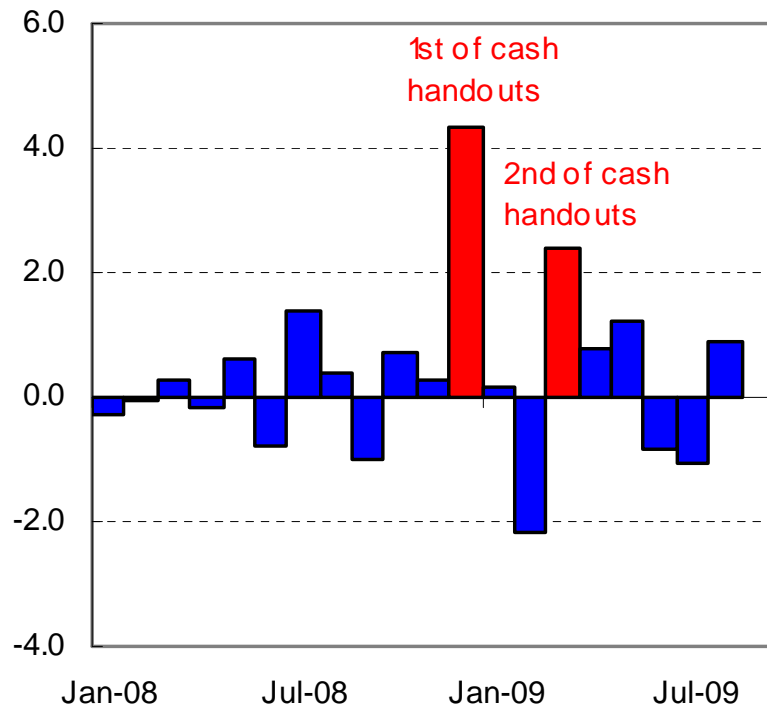


Allocation of fiscal stimulus

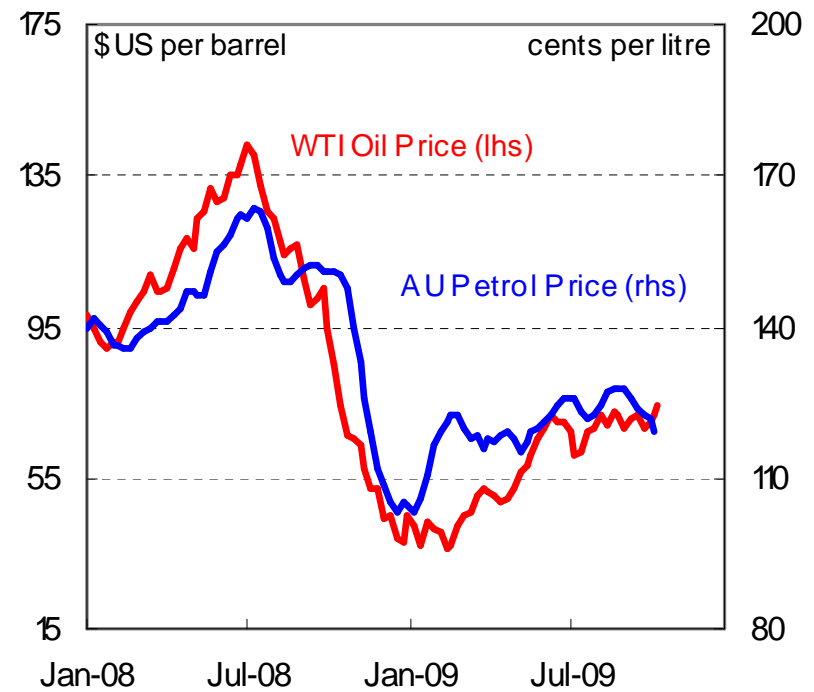
Source: www.budget.gov.au

AU Retail Spending - The Negatives

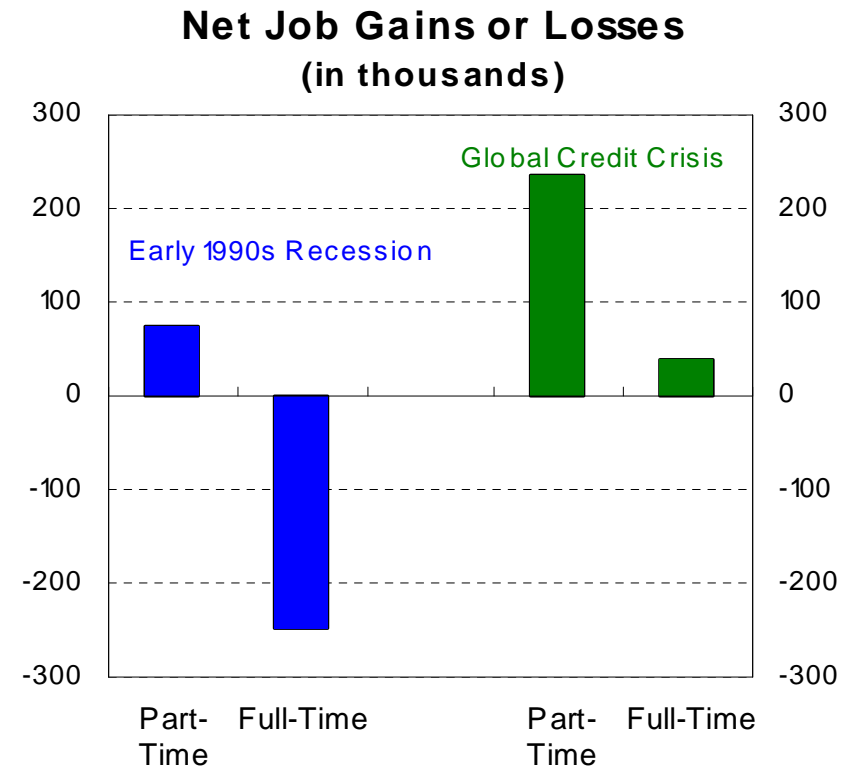
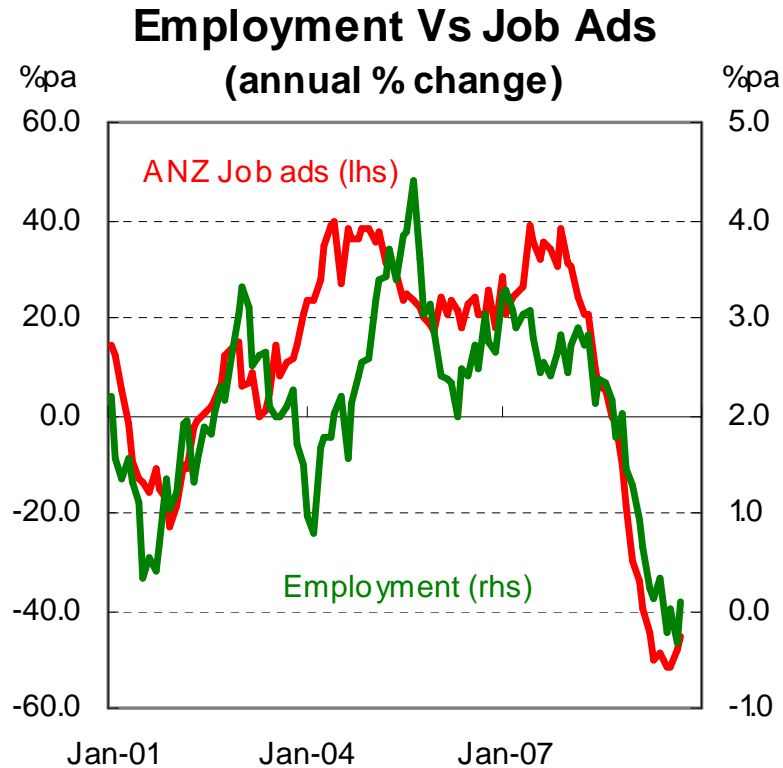
Retail Sales (monthly % change)



World Oil Price Vs AU Petrol Price

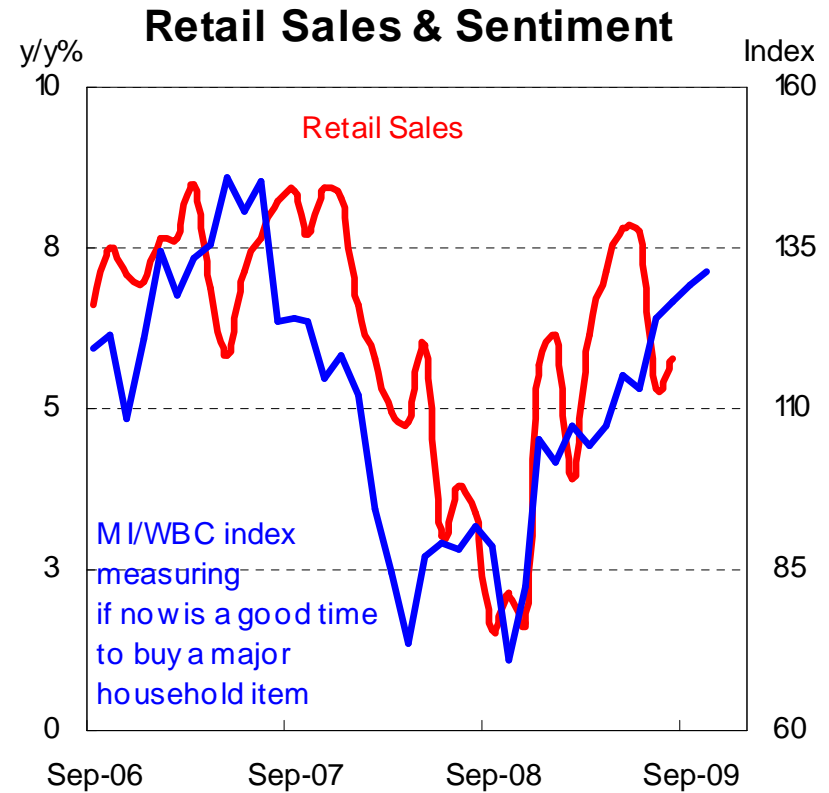
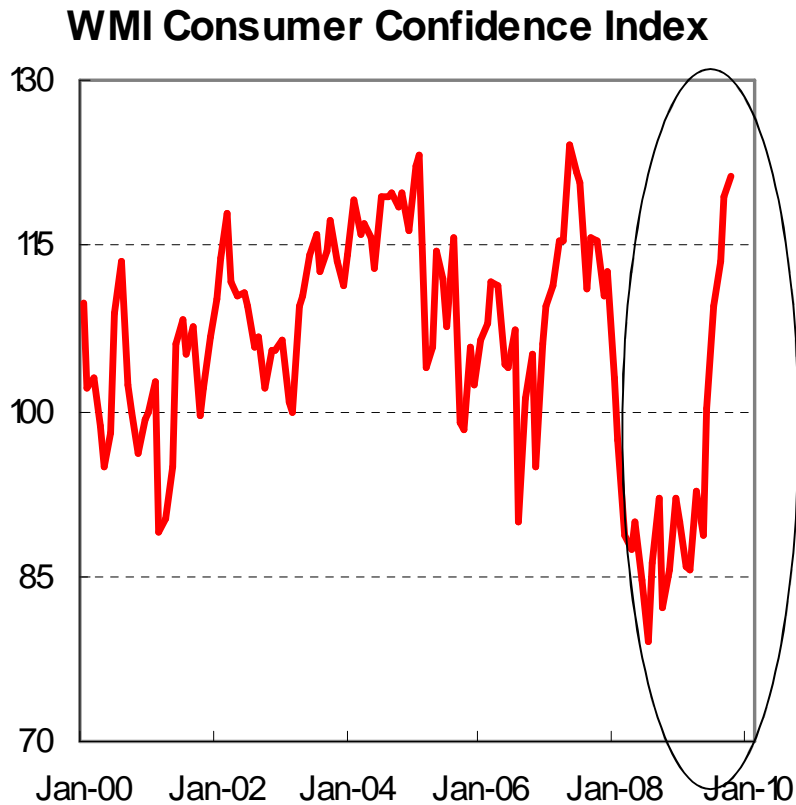


Clear & Present Danger?



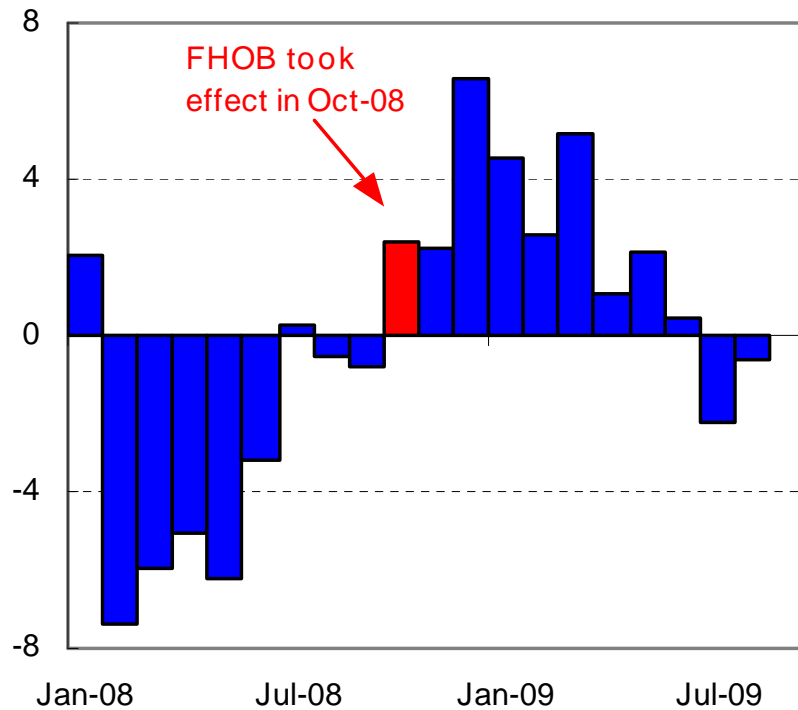
- **Rising unemployment could instil caution among consumers.**
- **But it now increasingly looks like the peak in the unemployment rate would be under 7.0%.**

AU Retail Spending – The Positives

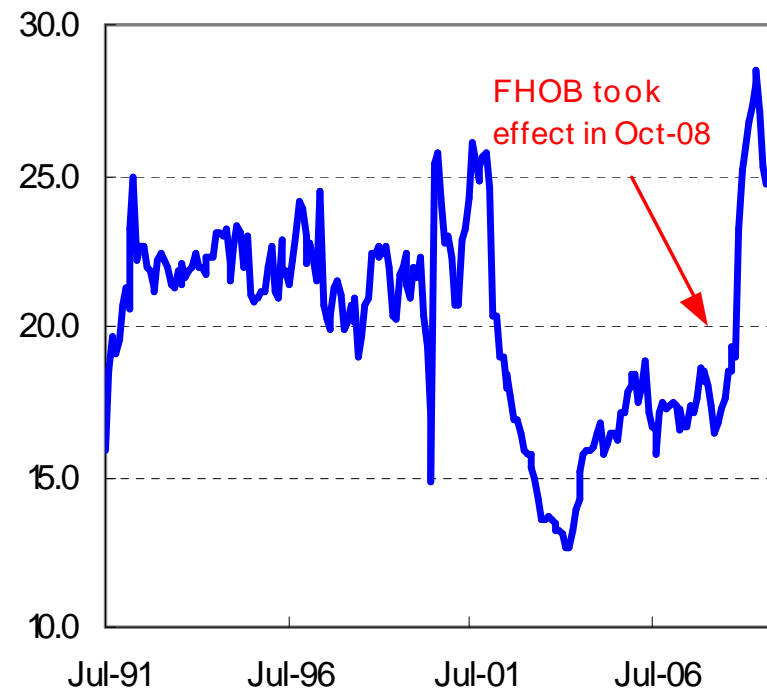


AU Housing Lending Revs Up

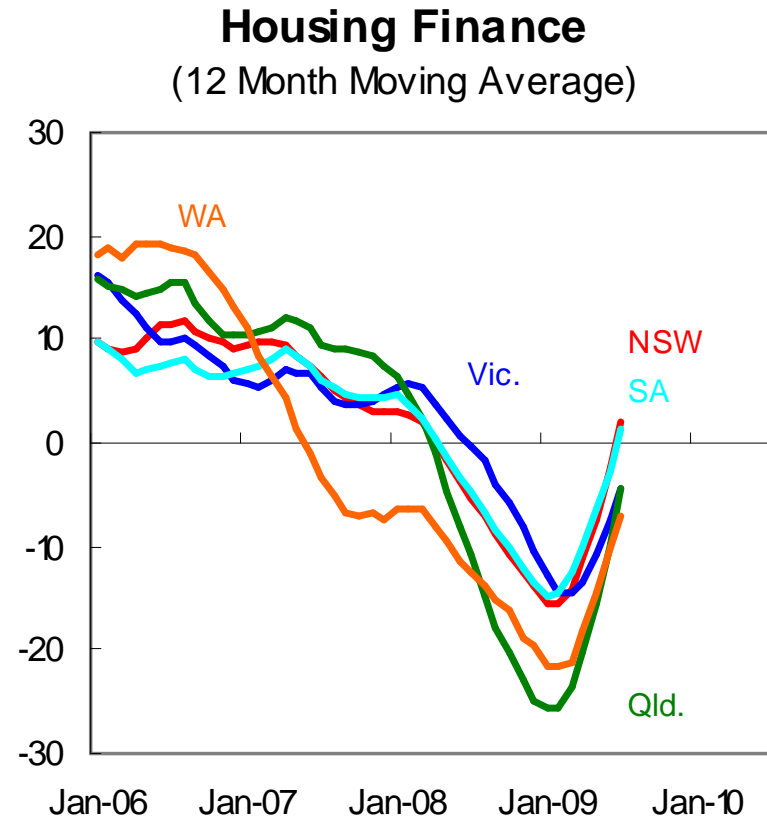
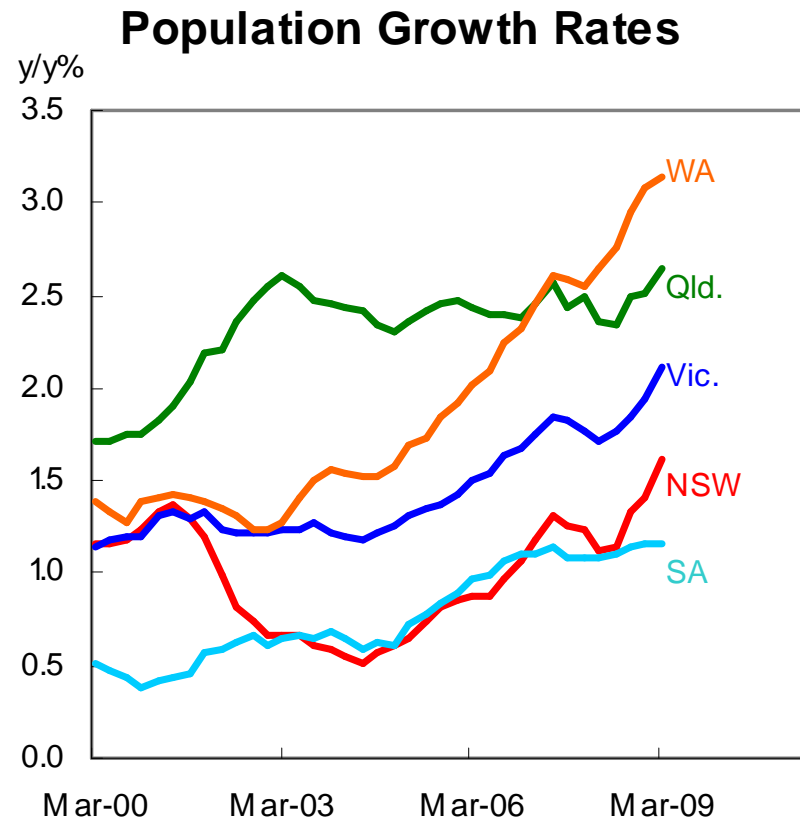
Number of Housing Loans (Monthly % Change)



FIRST-HOME BUYERS (% of total home buyers)

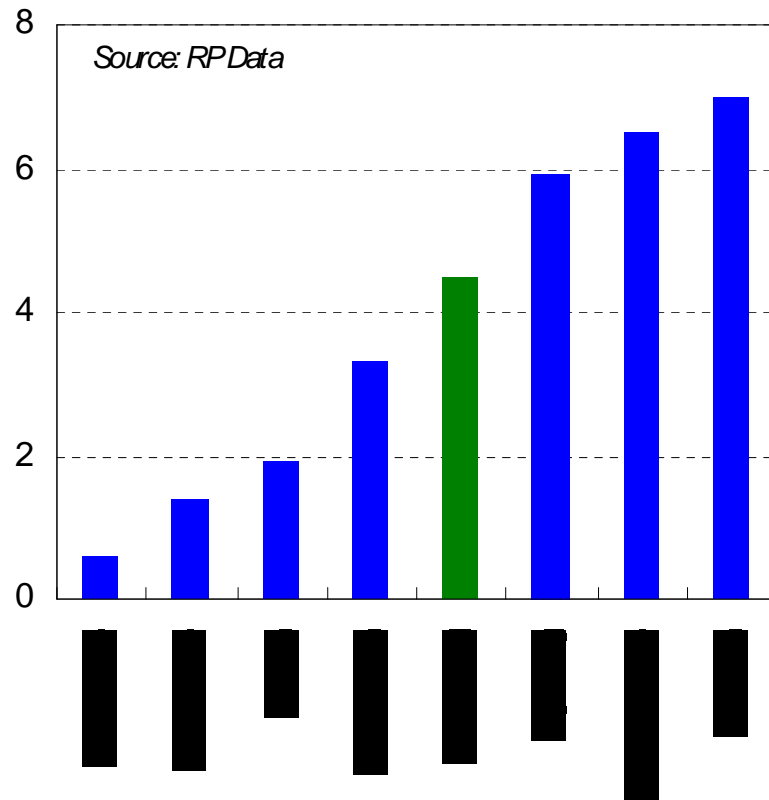


Unsung Hero – Population Growth

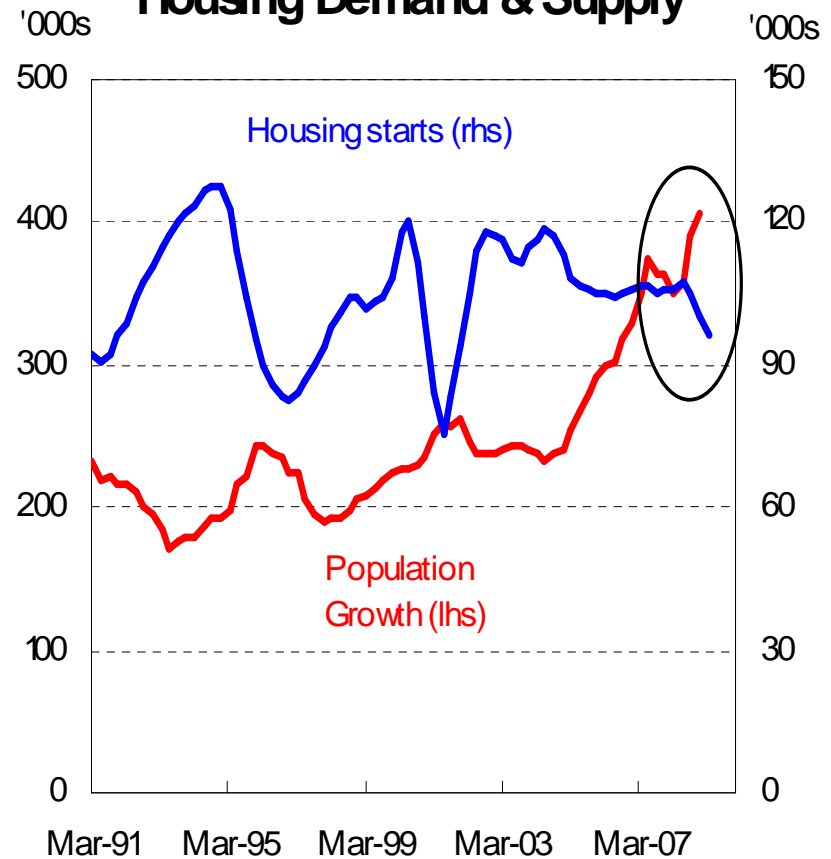


Unsung Hero – Population Growth

Capital City Performance
(annual %change - yr to June)



Housing Demand & Supply



Dwelling Demand & Supply

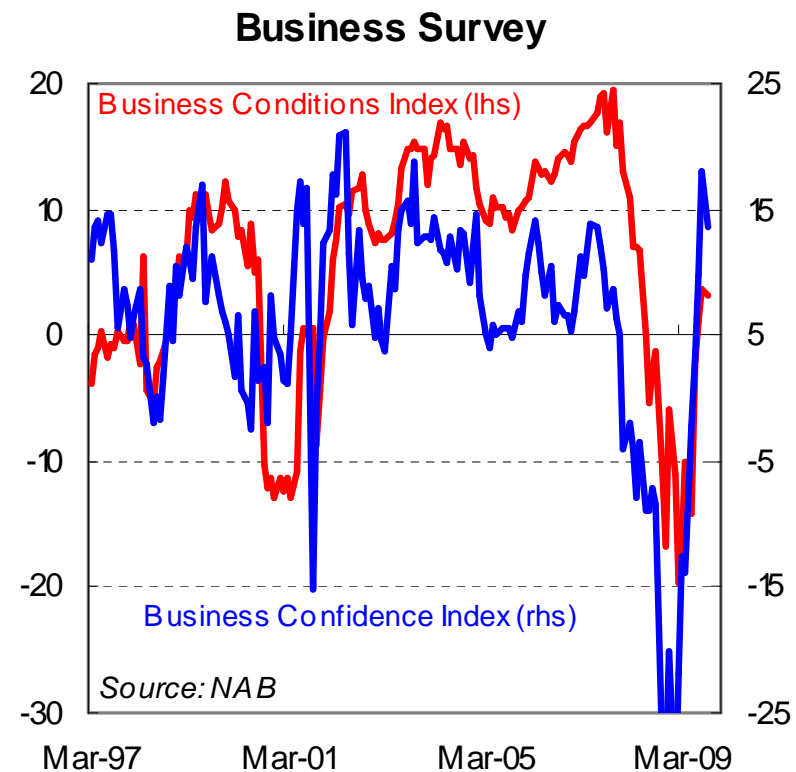
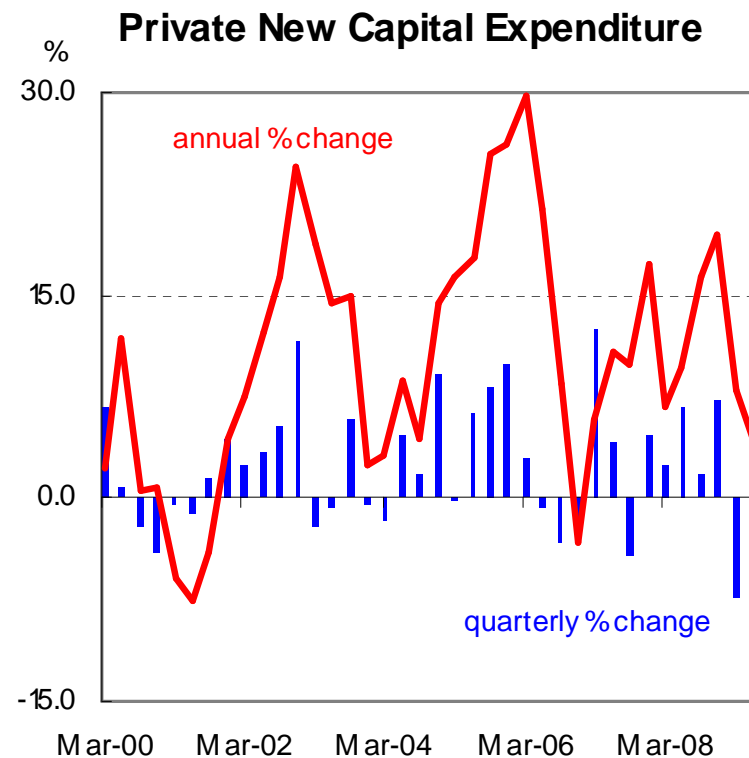
Table 2: Underlying demand and dwelling stock deficiency

	Underlying Demand ('000) 2006/07 - 2008/09 Annual Average	Underlying Demand ('000) 2009/10 - 2013/14 Annual Average	Dwelling Stock Deficiency As at June (^{'000})				
			2005	2007	2008	2009f	2010f
New South Wales	48.5	46.3	-0.4	22.3	44.0	65.6	85.9
Victoria	47.3	43.1	5.4	12.8	22.8	31.4	30.2
Queensland	41.9	40.5	13.9	17.4	19.5	23.0	33.0
South Australia	11.1	11.0	0.7	0.3	0.1	-0.4	-2.0
Western Australia	26.1	21.0	3.3	2.1	4.7	10.0	10.1
Tasmania	2.9	2.4	-0.6	-0.4	-0.3	-0.2	-0.9
Northern Territory	1.9	1.9	-0.7	0.1	1.0	1.9	2.6
A.C.T.	2.9	2.6	0.2	0.5	1.0	1.5	1.1
Australia	182.6	168.9	21.7	55.1	92.9	132.9	160.0

f = forecast

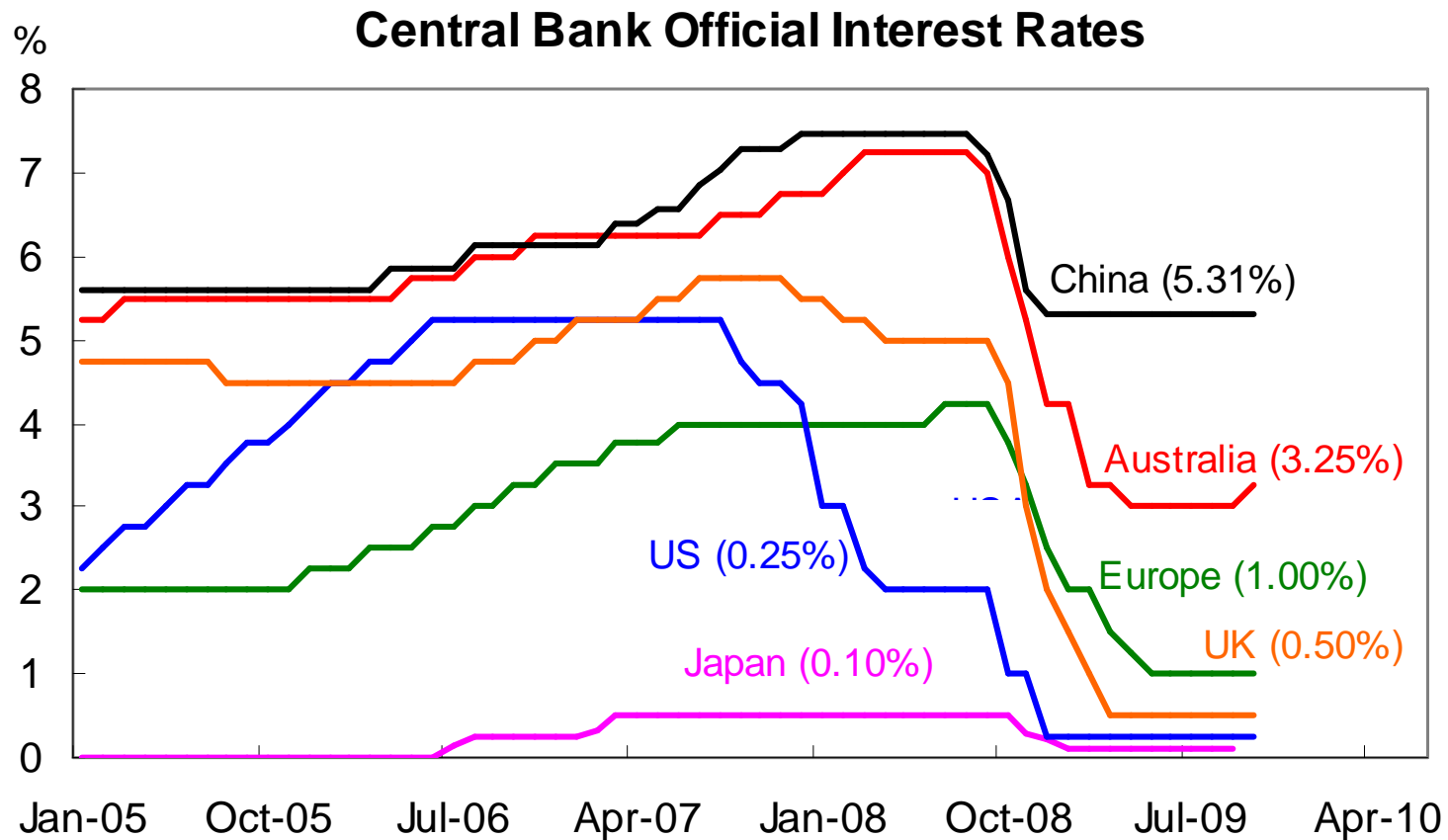
Source: BIS Shrapnel & ABS data

Business Investment Outlook

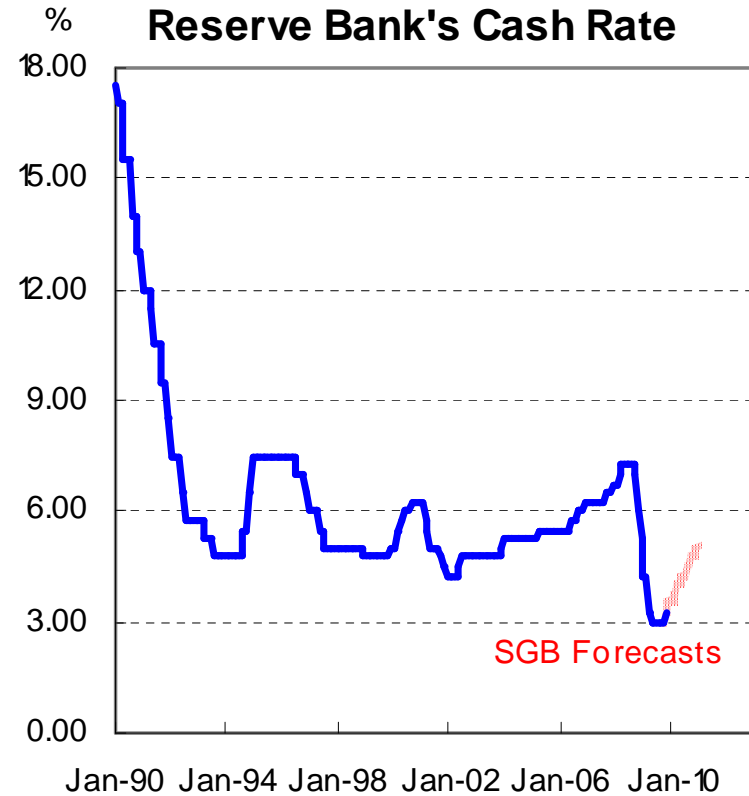
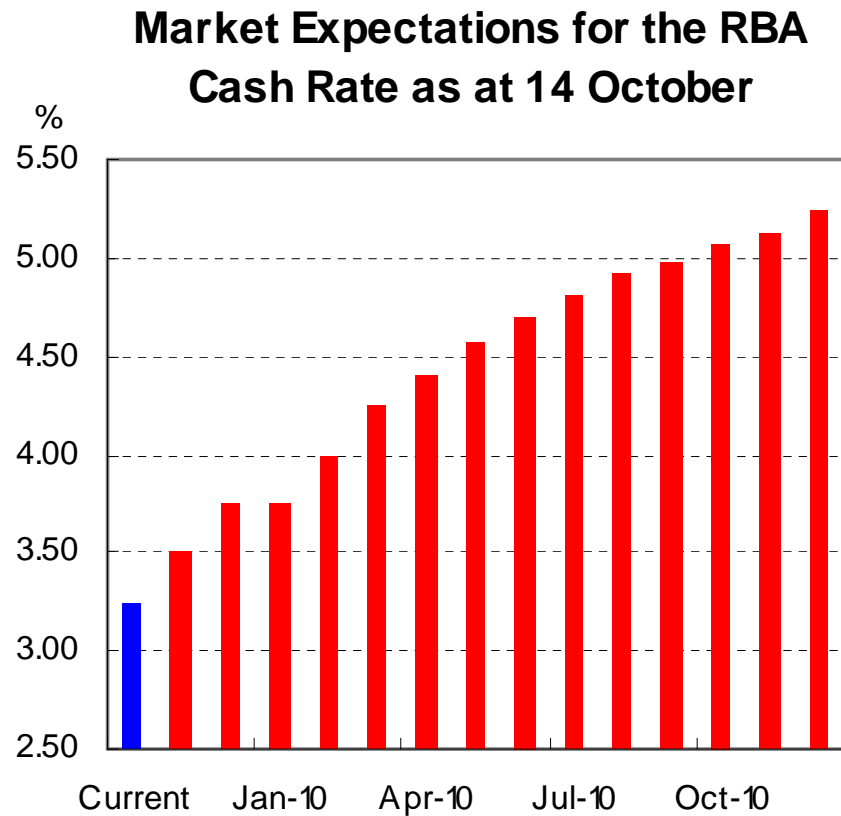


- **Businesses are reconsidering plans to defer or cancel investment spending.**

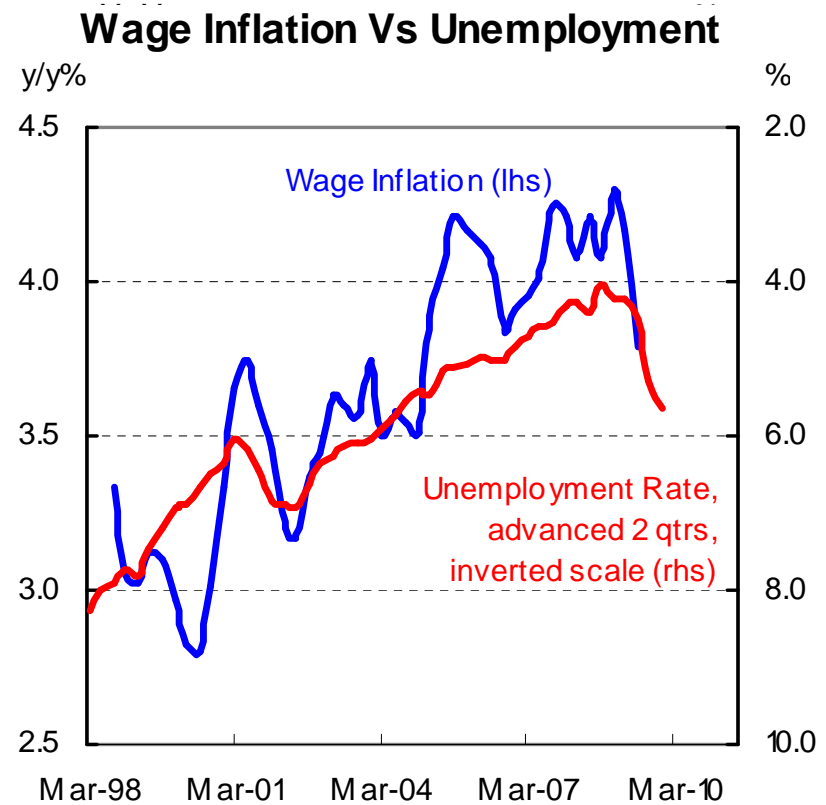
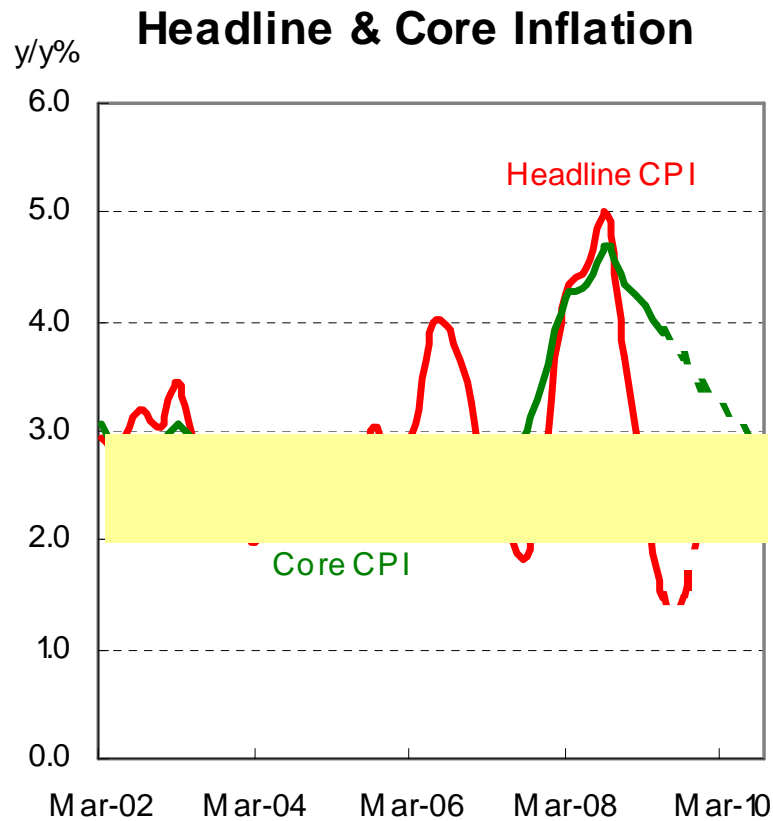
Australia the first among the majors to raise interest rates...



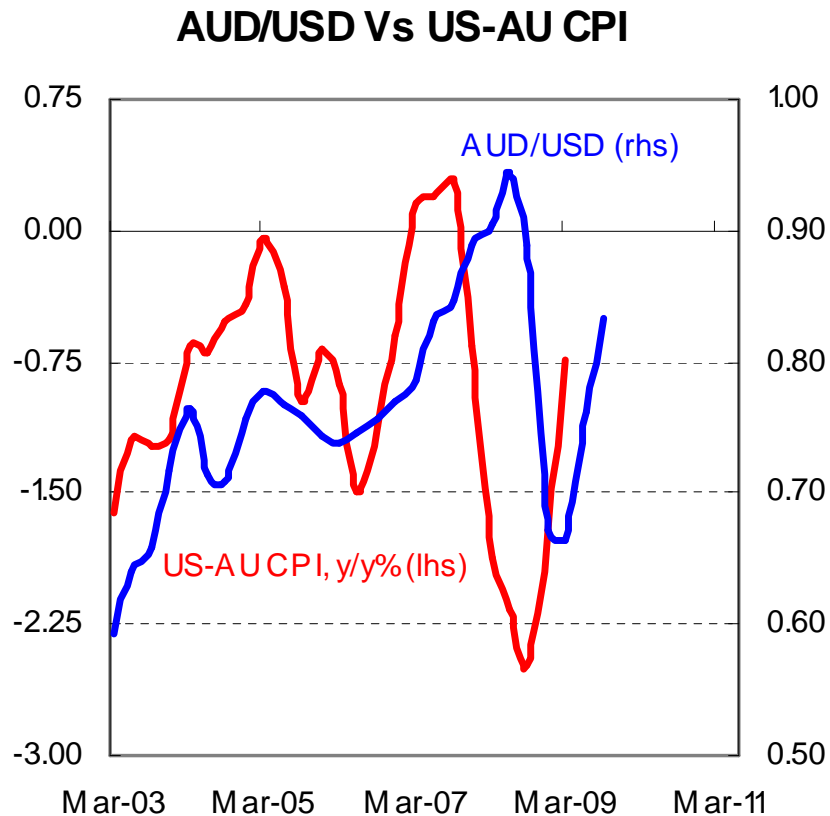
More interest rate hikes on the horizon in Australia...



Measures of Inflation

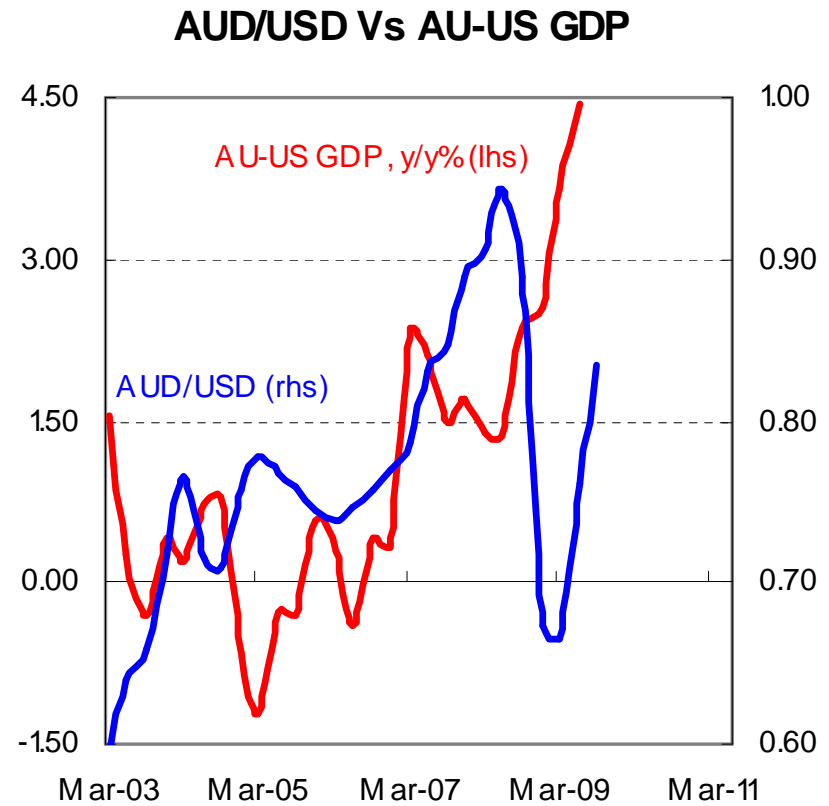
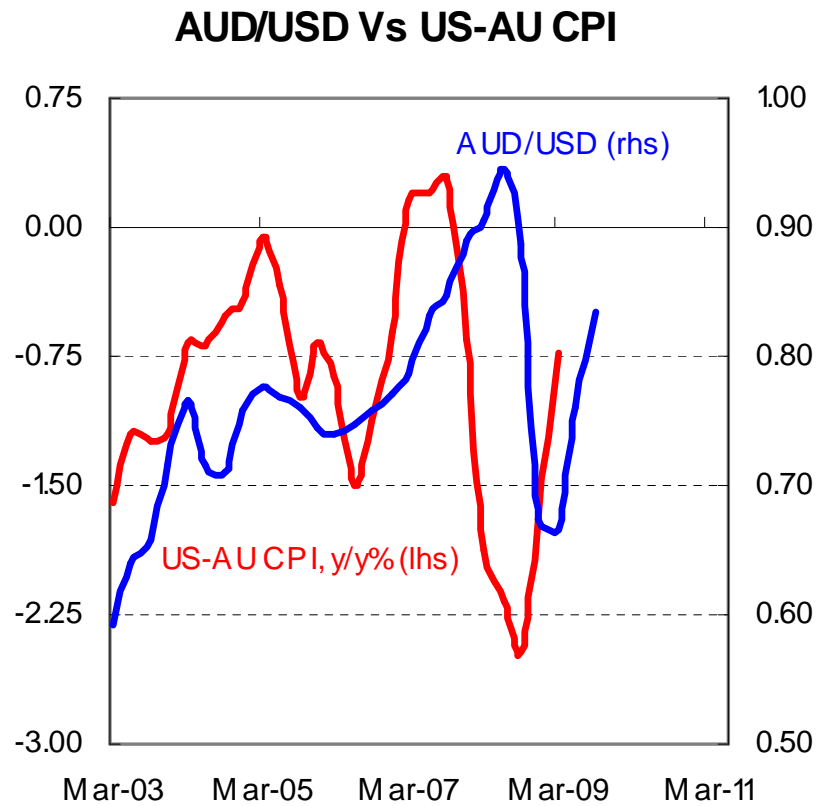


AUD Relationships – Inflation



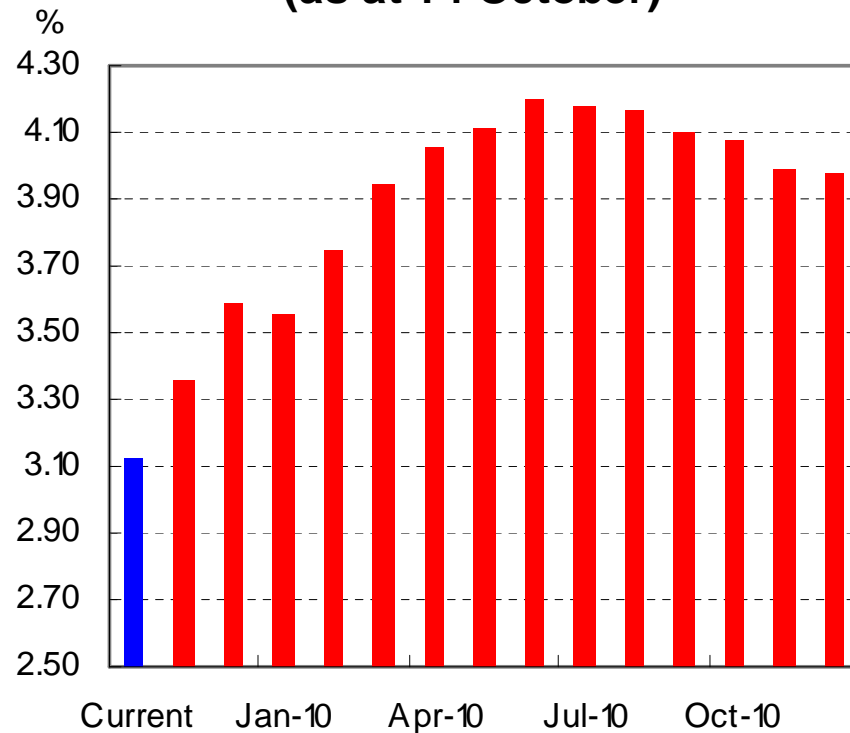
- **Purchasing power parity – currencies should trade at the rate that make the prices of goods the same in each country**
- **If AU CPI > US CPI, AUD must decrease to return to PPP**

AUD Relationships – Inflation & GDP

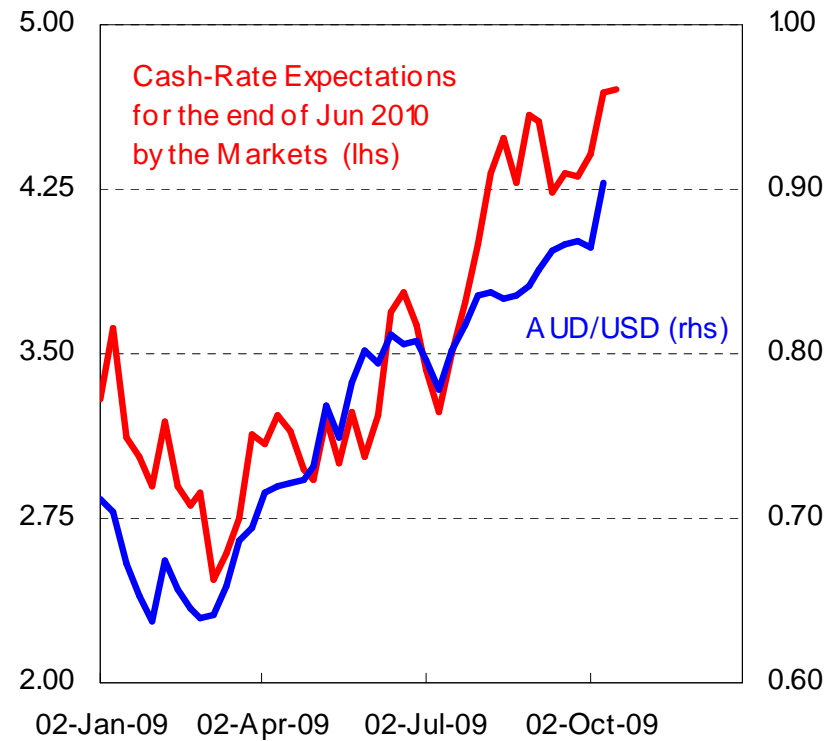


AUD Relationships – Interest Rates

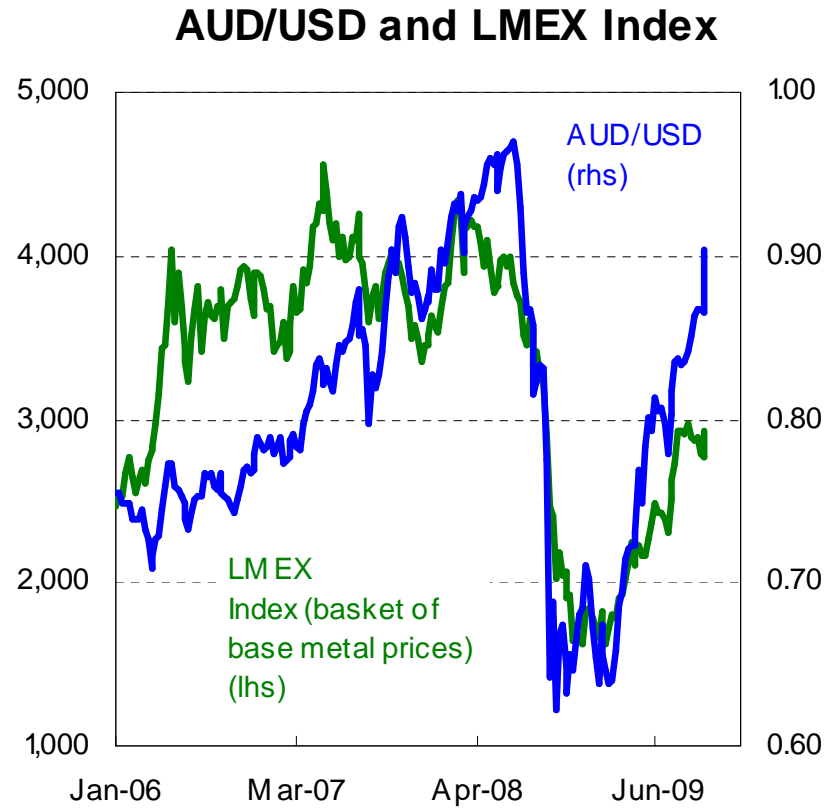
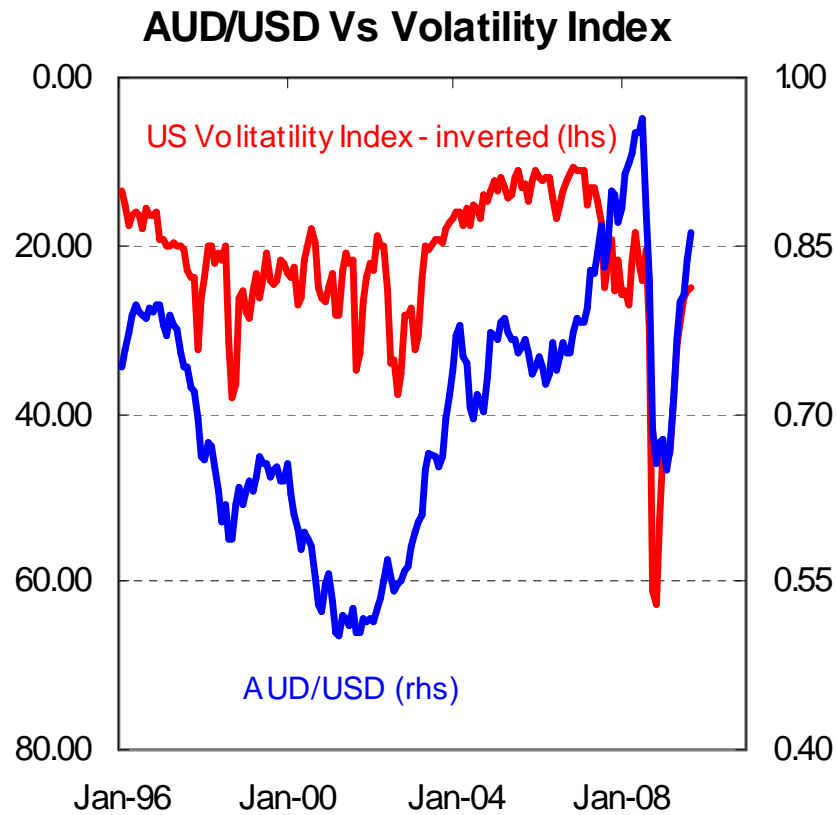
AU-US Cash Rate Differentials (as at 14 October)



AUD & Cash-Rate Expectations



AUD Relationships – Investor Appetites & Commodities



Summary

- **The Australian dollar tends to perform as a bellwether for global growth prospects**

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Summary

- **The Australian dollar tends to perform as a bellwether for global growth prospects**
- **Inflation and growth rate differentials suggest a higher than average level for the AUD in the next 4-10 years**
- **Interest rates in Australia could move closer to 5.00% by the end of next year**
- **Australian equities: cyclical sectors have outperformed defensive stocks**