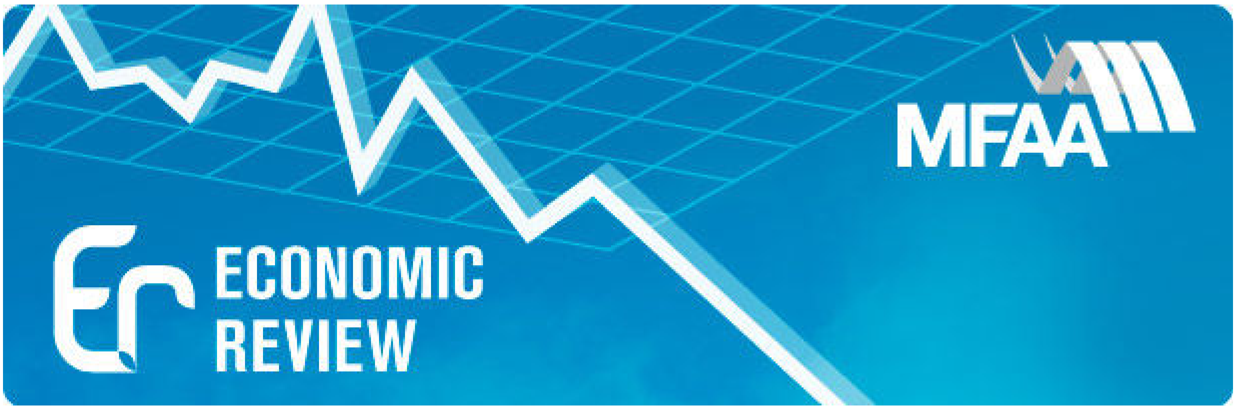
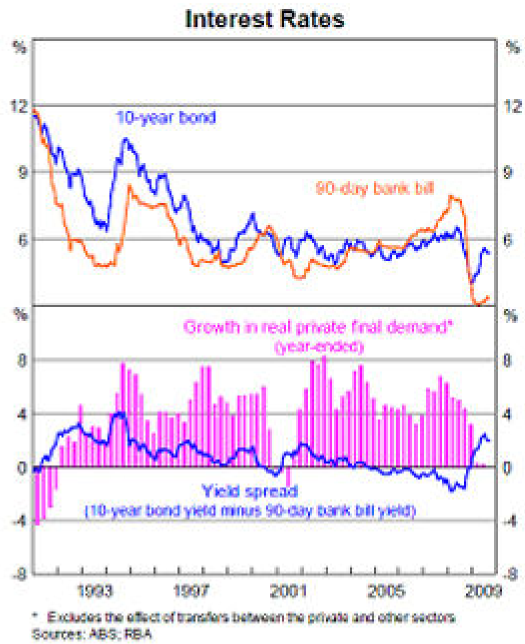


24 November 2009

Interest Rates

Sources: ABS, RBA

At its meeting on 3 November 2009, the Reserve Bank Board decided to increase the cash rate target by 0.25% to 3.5%. The Governor provided the following rationale for the decision:
At its meeting today, the Board decided to raise the cash rate by 25 basis points to 3.5 per cent, effective 4 November 2009.



The global economy has resumed growth. With economic policy settings likely to remain expansionary for some time, the recovery is likely to continue during 2010 and forecasts have been revised higher. The expansion is generally expected to be modest in the major countries, due to the continuing legacy of the financial crisis. Prospects for Australia's Asian trading partners appear to be noticeably better. Growth in China has been very strong, which is having a significant impact on other economies in the region and on commodity markets. For Australia's trading partner group, growth in 2010 is likely to be close to trend.

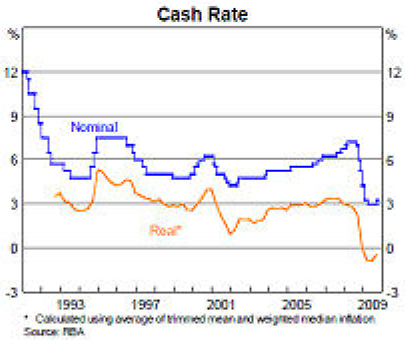
Sentiment in global financial markets is much better than earlier in the year. Nonetheless, the state of balance sheets in some major countries remains a potential constraint on their expansion.

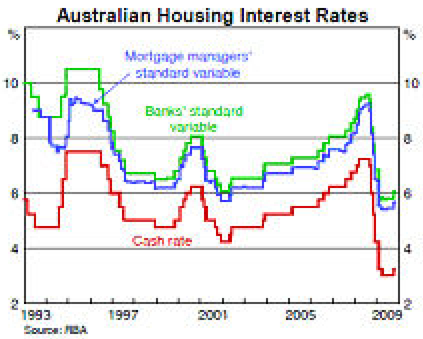
Economic conditions in Australia have been stronger than expected and measures of confidence have recovered. Some spending has probably been brought forward by the various policy initiatives. With those effects now diminishing, these areas of demand may soften somewhat. Some types of capital spending are likely to be held back for a while by financing constraints, but it now appears that private investment will not be as weak as earlier expected. Medium-term prospects for investment appear, moreover, to be strengthening. Higher dwelling activity and public infrastructure spending are also starting to provide more support to spending. There have been some early signs of an improvement in labour market conditions. The rate of unemployment is now likely to peak at a considerably lower level than earlier expected.

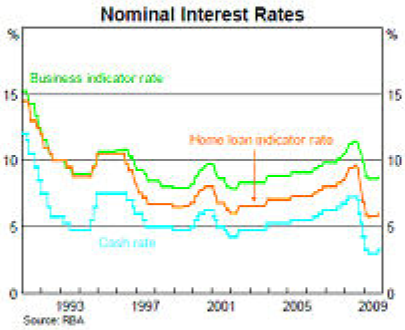
Inflation has been declining for the past year. In underlying terms, inflation should continue to moderate in the near term, but now will probably not fall as far as earlier thought. Headline CPI inflation on a year-ended basis has been unusually low because of temporary factors, and will probably rise somewhat over the coming year. Both CPI and underlying inflation are expected to be consistent with the target in 2010.

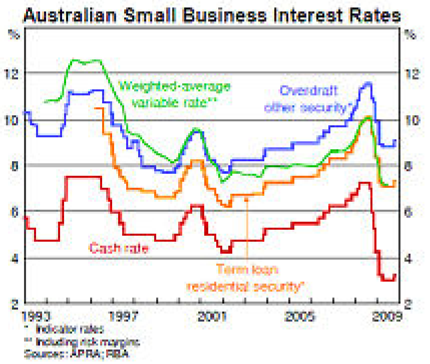
Housing credit growth has been solid and dwelling prices have risen appreciably this year. Business borrowing has been declining as companies have sought to reduce leverage in an environment of tighter lending standards. For many business borrowers, increases in risk margins are still coming through. The decline in credit has been concentrated among large firms, which have had good access to equity capital and, more recently, to debt markets. Share markets have recovered significant ground.

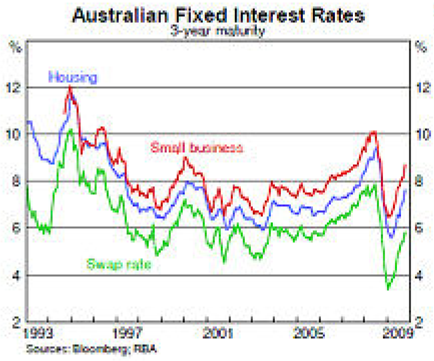
The Board noted that the rise in the exchange rate is likely to constrain output in the tradeables sector and dampen price pressures. Nonetheless, growth is likely to be close to trend over the year ahead and inflation close to target. With the risk of serious economic contraction in Australia now having passed, the Board's view is that it is prudent to lessen gradually the degree of monetary stimulus that was put in place when the outlook appeared to be much weaker. The adjustments at the October and November meetings will work to increase the sustainability of growth in economic activity and keep inflation consistent with the target over the years ahead.

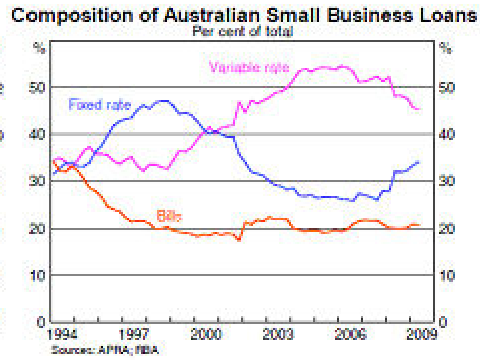








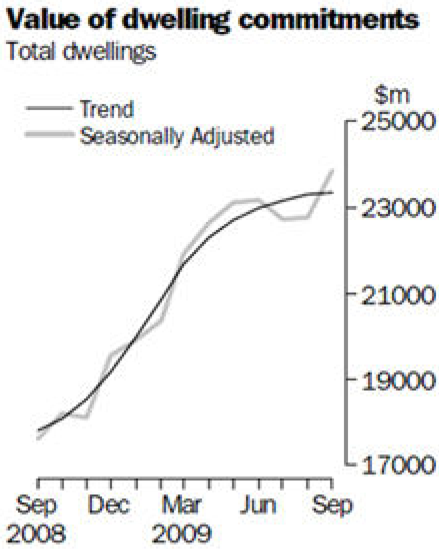


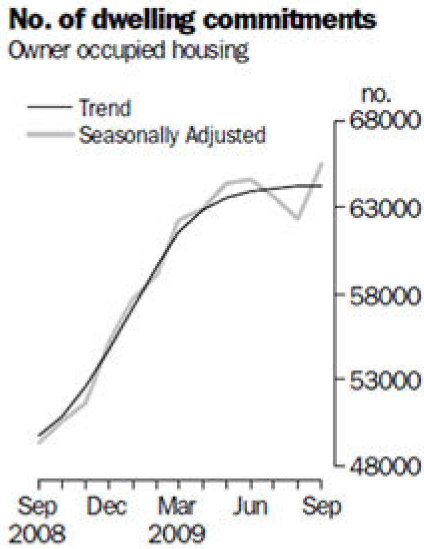


Housing Finance September 2009

Source: ABS Cat No 5609.0

On a seasonally adjusted basis the national value of housing loan commitments (owner occupation) in September was $17.596 billion, up 6.7% on August. On a state basis, the respective statistics were: NSW $5.837 billion (+9.6%), Victoria, $4.050b (+6.6%), Qld, $3.600b (+1.0%), SA, $1.156b (-2.5%), WA, $2.263b (+13.9%), Tas, $231m (+1.7%), NT, $131m (-1.5%), ACT, $317m (+15.3%).



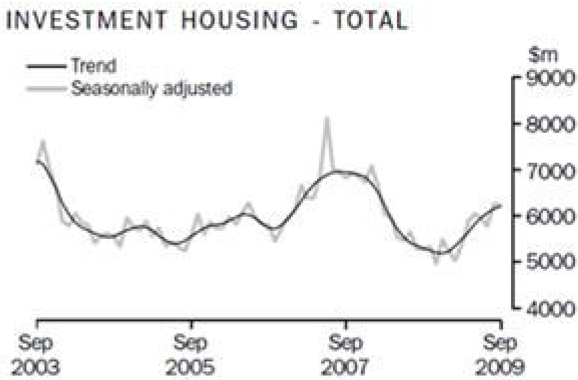


Investment Housing - Total

Source: ABS Cat No. 5609.0

The value of investment housing loan commitments ($6.251 billion, seasonally adjusted) fell by 0.1% on August.

The total value of housing finance commitments ($23.847b) rose by 4.8% on August.



First Home Buyer Commitments

First Home Buyer commitments (of all owner occupier commitments) rose from 24.7% in August to 26.1% in September.

Fixed Rate Loans (2 years or more)

Fixed rate loans were 5.6% of all owner occupier loans, down from 6.3% in August.

Average Loan

The average loan size was $269,500 up from $266,600 in August. Average loans in each state/territory were: NSW, $291,500, Vic, $262,700; Qld $265,300; SA, $205,600; WA, $289,400; Tas, $187,400; NT, $268,800; ACT $276,000.

Re-financing

The value of refinancing of established dwellings amounted to 25.2% of established dwelling loans in June.

Outstanding Housing Loan Balances – End September 2009 *Source: RBA*

Outstanding housing loan balances at end September 2009 were $1,056.8 billion inc. securitised compared to $1,051.0b inc securitised in August 2009 and $981.9b inc. securitised in September 2008.

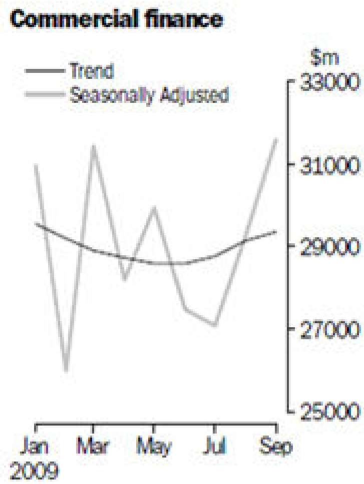
Business Finance – September 2009 *Source: ABS Lending Finance Cat. 5671.0*

On a seasonally adjusted basis, the value of Commercial Finance commitments in September 2009 was $31.576b up 8.0% on August. The value of lease finance ($389m) fell by 3.6% on August.

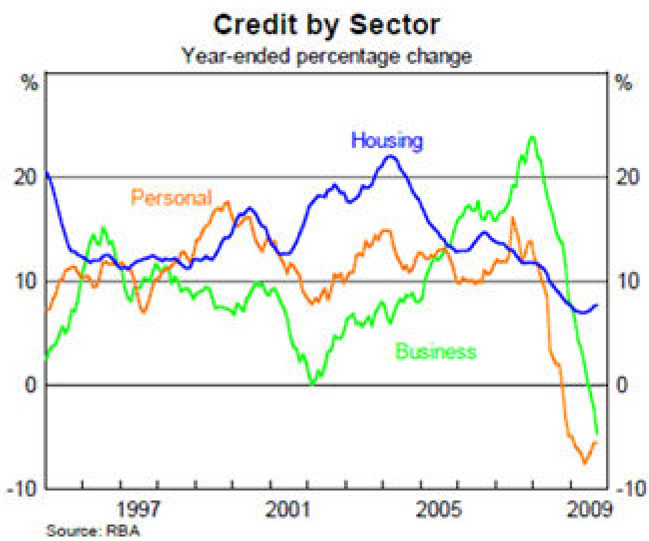
The break up of the results for September against August (seasonally adjusted) is:
Commercial (fixed loans): $22.454b (+9.3%)
Commercial (revolving credit): $8.644b (+4.8%)
Lease finance: $0.381b (-3.6%)

The category break up in original figures for September 2009 is:
Commercial (fixed): $23.653b
Construction finance $2.8441b
Purchase of real property $8.073b
Wholesale finance $1.236b
Purchase of plant and equipment $1.335b
Refinancing $2.697b

Leasing: $366m
Plant and equipment $165m
Motor vehicles $201m

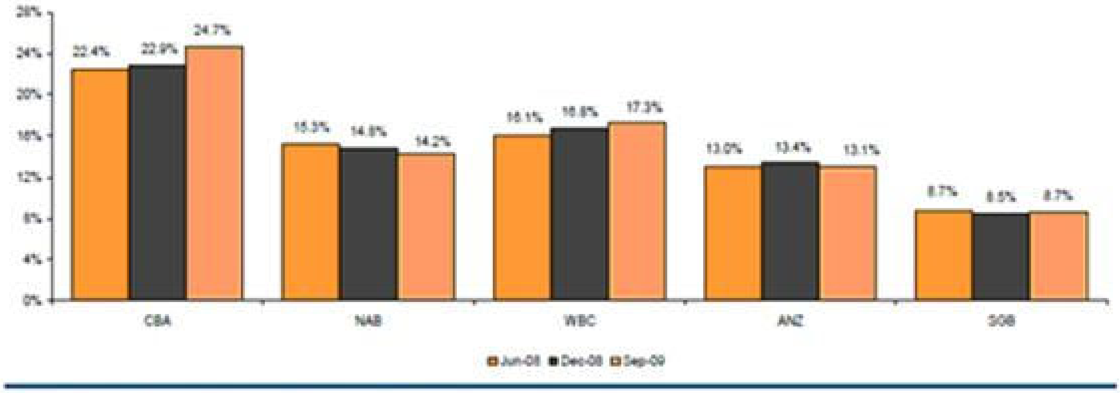


Credit By Sector *Source: RBA*



APRA Lending Statistics September 2009 *Sources: APRA, RBS*

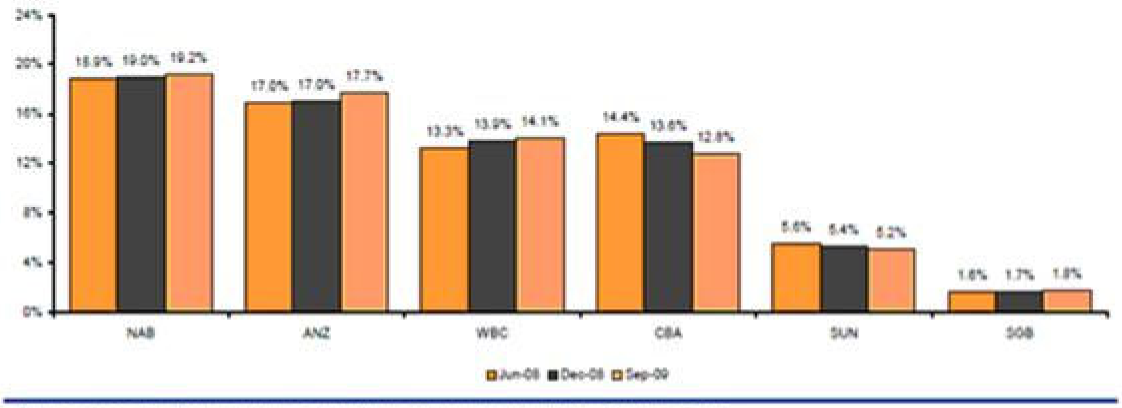
Total housing market shares – July 2008, December 2008 and September 2009



Note: WBC has reclassified some housing and deposits data in September 2008.
Source: APRA, RBS

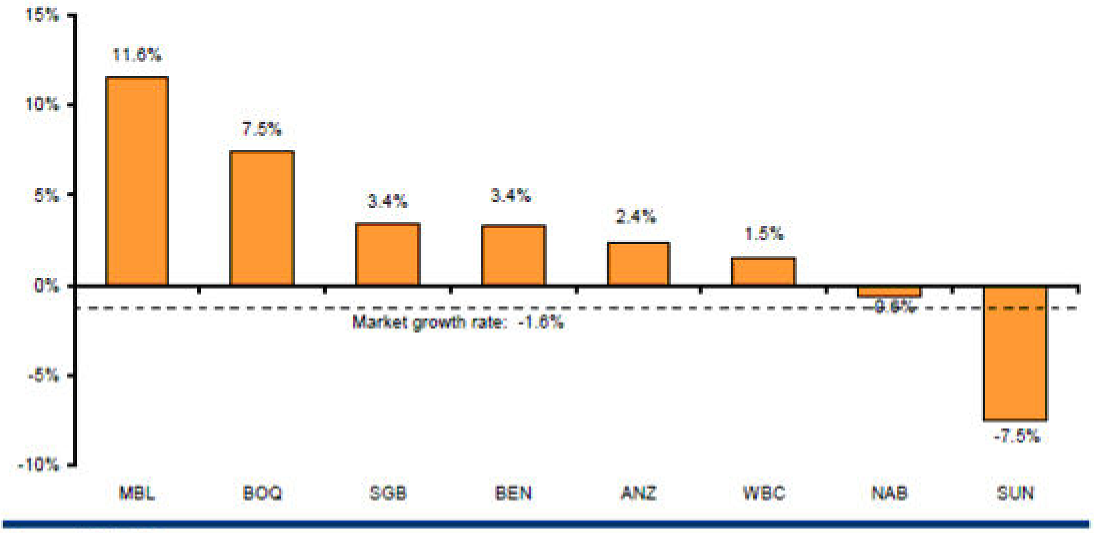
Housing lending growth rates over the year to September 2009

Business lending market shares – July 2008, December 2008 and September 2009



Note: WBC and SGB August and August stats are not consistent with previous issues due to reclassification by the banks.

Business lending growth rates in the year to September 2009



Source: APRA, RBS

Consumer Price Index

Year to September 2009: +1.3%.

Retail Sales

Australian retail sales in September 2009 were up by 6.4% on September 2008 (original figures) and the seasonally adjusted figure for September 2009 showed a 0.2% decrease on August 2009.

Unemployment Rate

The unemployment rate (seasonally adjusted) for October 2009 was 5.8 %, up 0.1% from September.