

Content

The Big Picture - World GDP

What happened and how do we recover

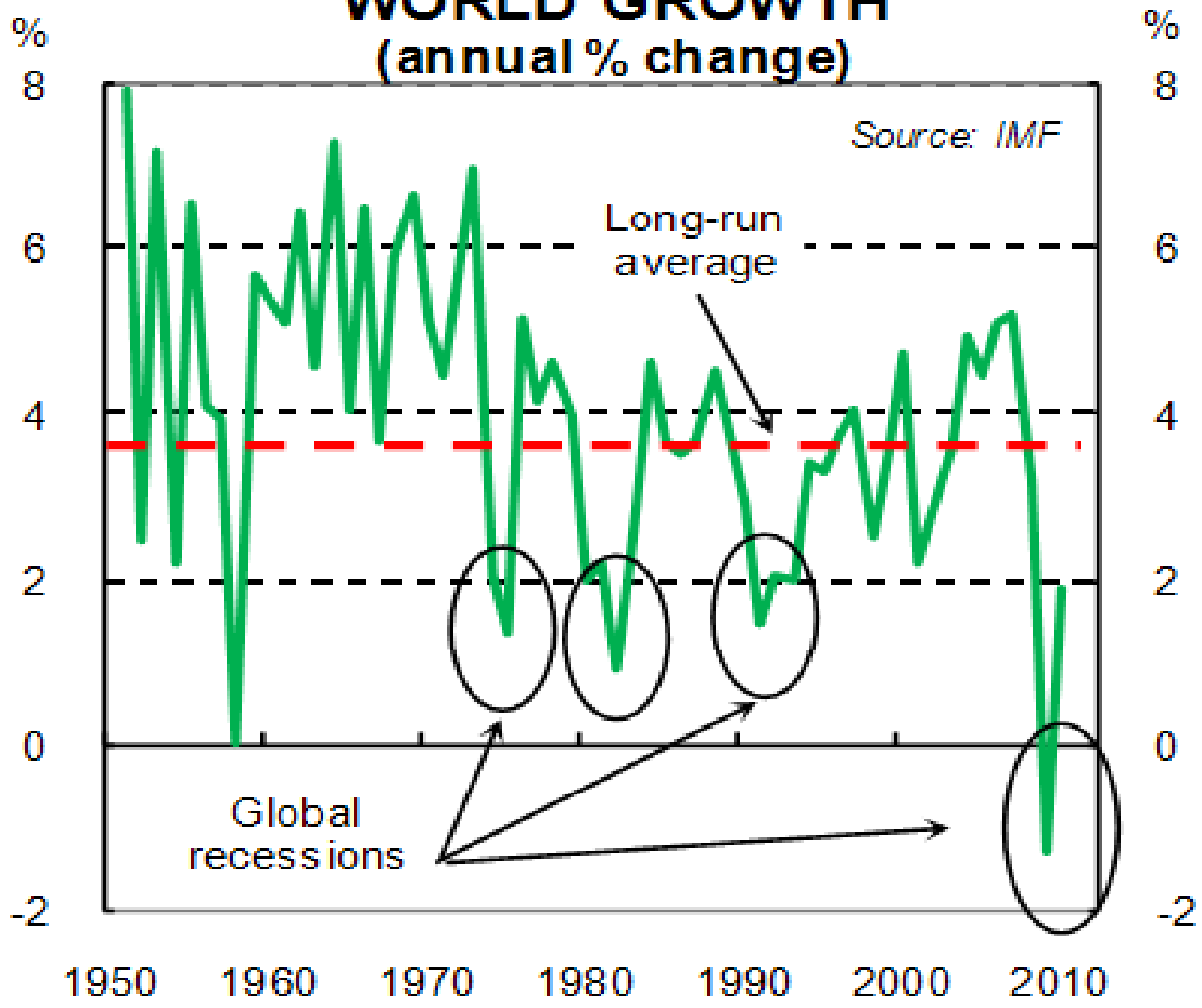
Our Australian economy

Our outlook

- Jobs
- Savings
- Interest rates
- Exchange rates
- The winners and the losers
- Recovery signs



WORLD GROWTH (annual % change)



What happened?

- US bank assets became grossly overvalued (toxic)
- Banks lost confidence in their assets and each other
- Banks stopped lending
- Asset write-down spread globally
- US financiers retreated to home base
- Banks were nationalised or underwritten to prop them up
- Survivors busy rebalancing books
- Lost appetite for risk
- No lending, no investment
- No investment and jobs dry up

How do we recover?

- Repair bank balance sheets – time and government
- Restore borrower confidence
 - Business
 - Consumer
- New investment and projects start up again

When might that happen?

Outlook – The IMF says:

World – deepest recession since WW II

Shrink further in 2009

Slow recovery in 2010

Unemployment will not peak until late 2010

Recovery will be long and slow and deep

USA – hard hit down 2.8% in 2009, neutral in 2010

Europe - in deep recession -4% in 2009 – still negative in 2010

Japan – very poor shape -6% in 2009, small plus in 2010

China – down but travelling well +6.5% and +7.5%

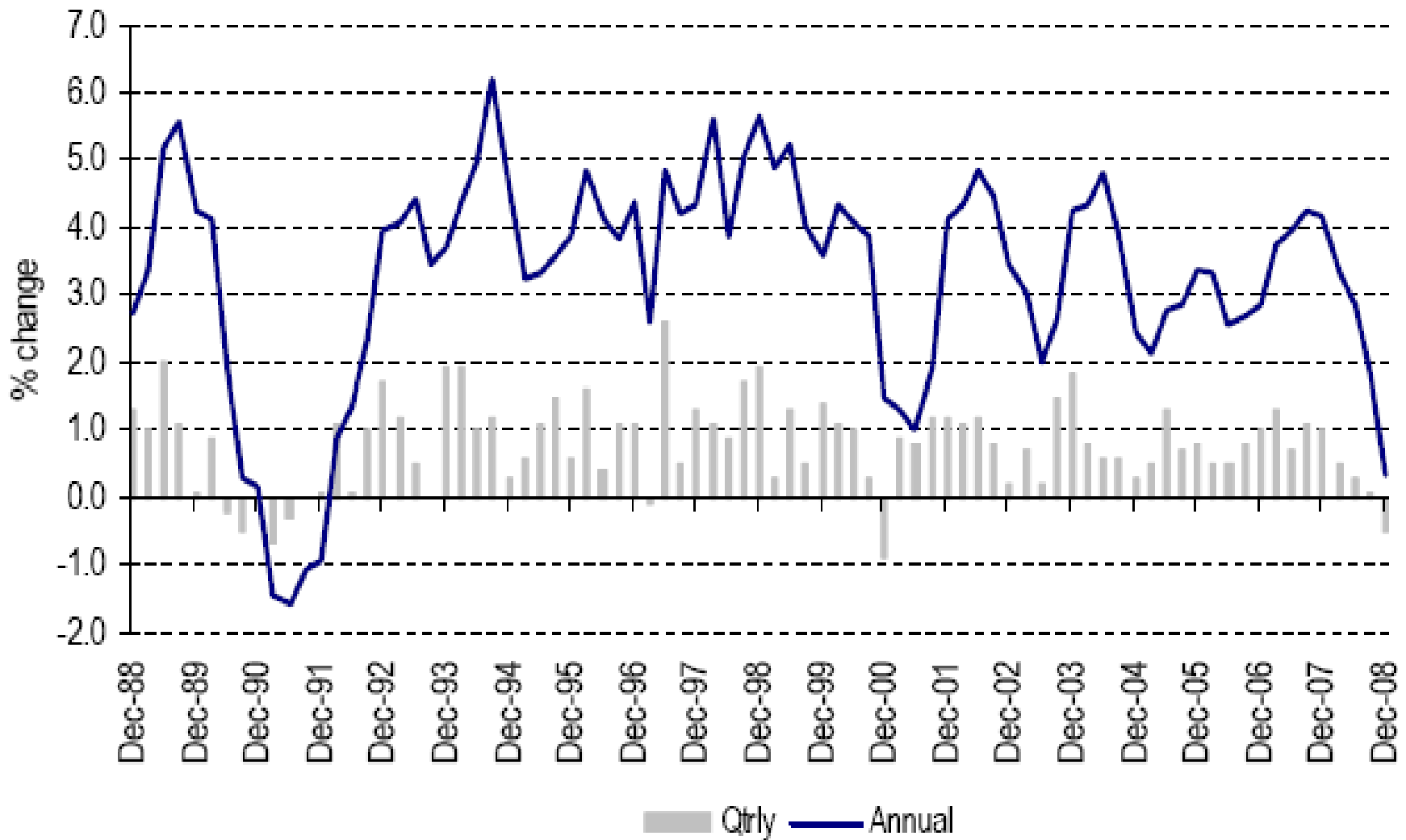
Africa – positive in both years but subdued

India – travelling better than most +4.5% and +5.6%

Australia – doing well considering – only OECD country not in recession

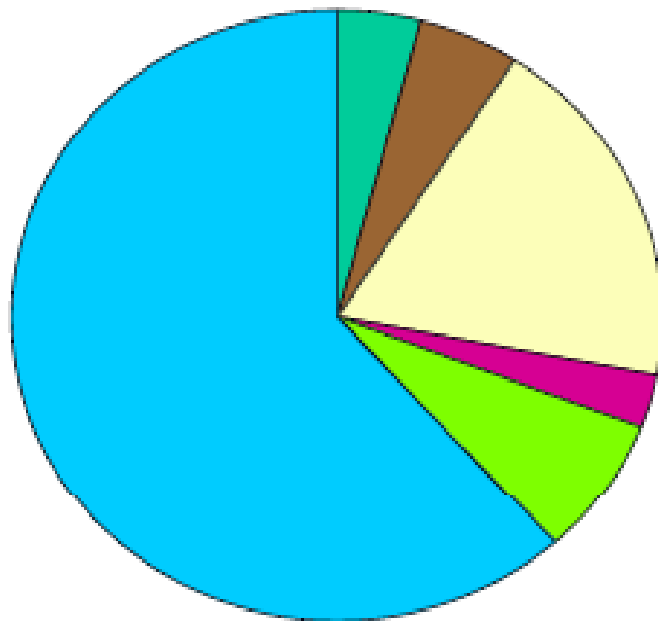
Gross Domestic Product

Source: ABS 5206

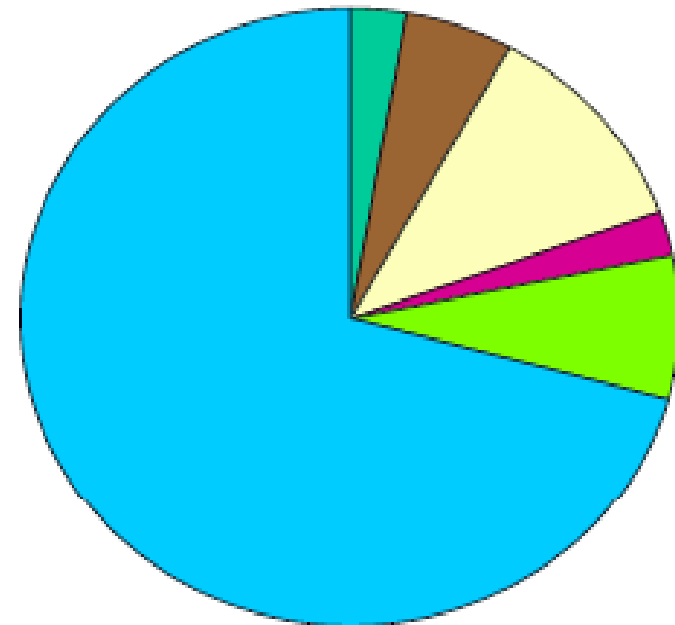


Structure of the Australian economy (% of gross value added)

1975-76



2005-06

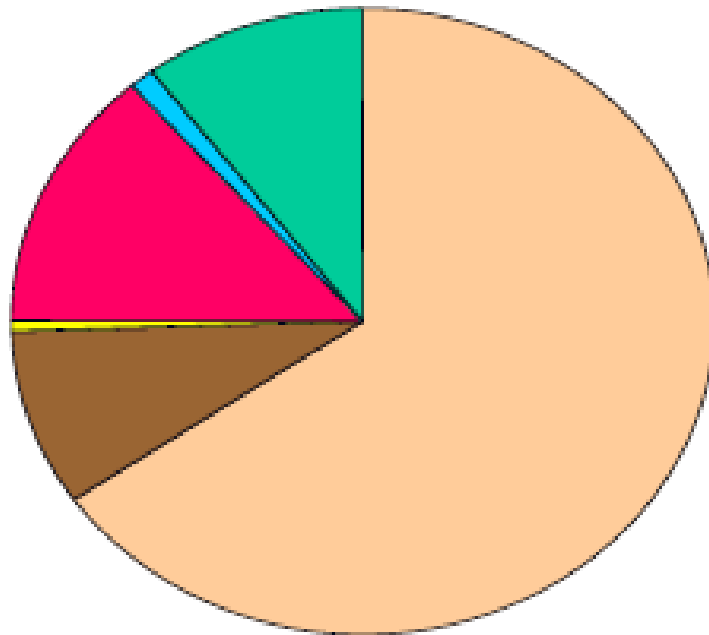


 Agriculture  Mining  Manufacturing  Electricity gas & water
 Construction  Services

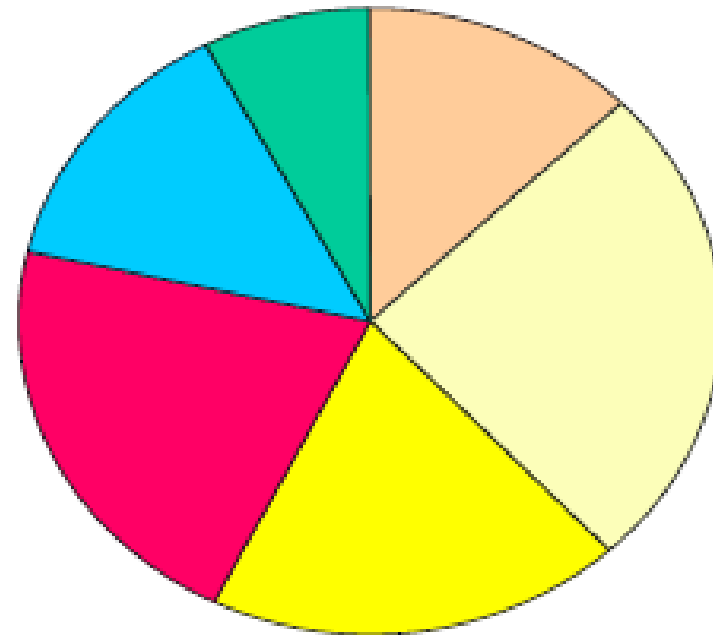
Source: Australian Bureau of Statistics (ABS).

Composition of Australian exports

1959-60



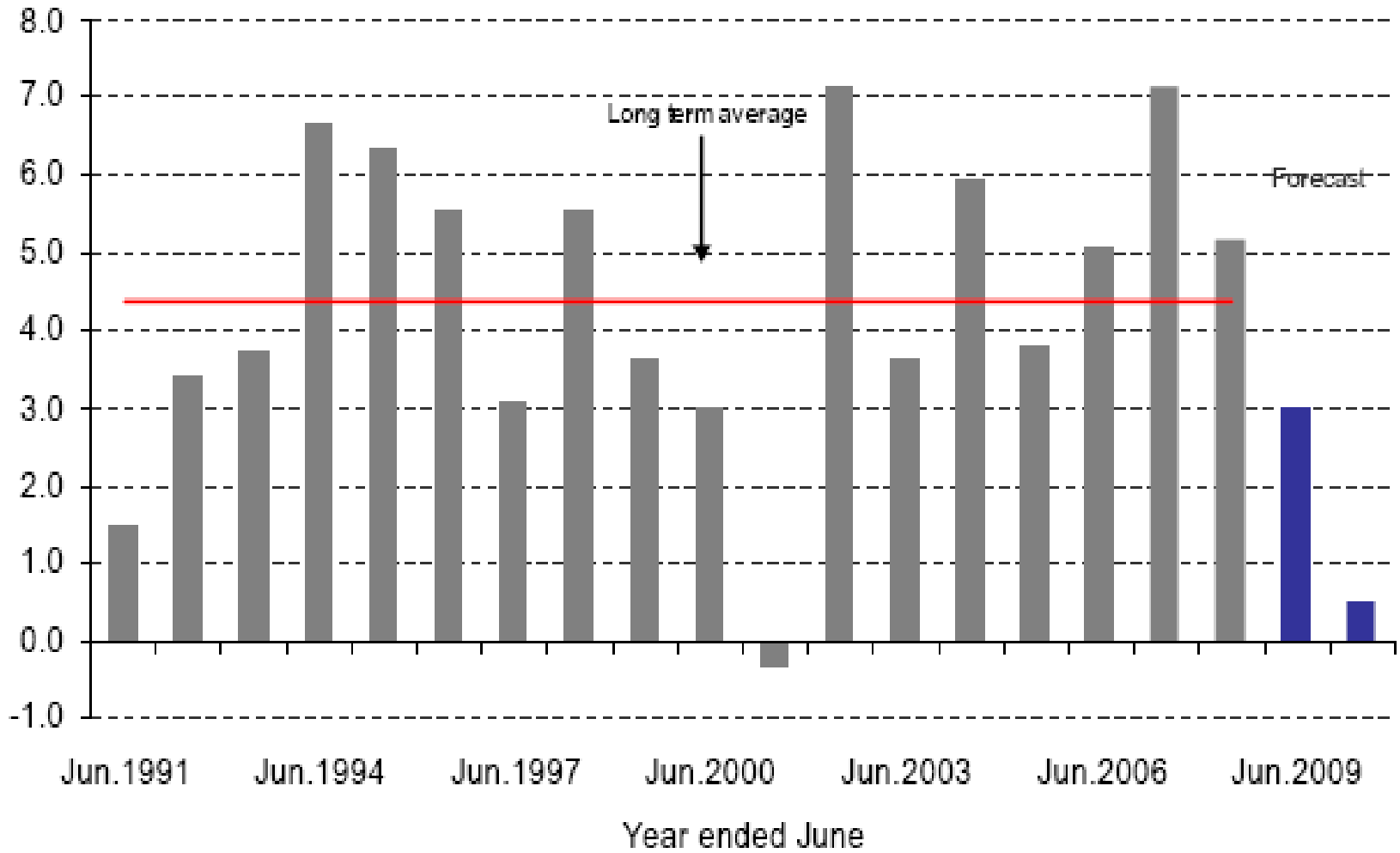
2005-06



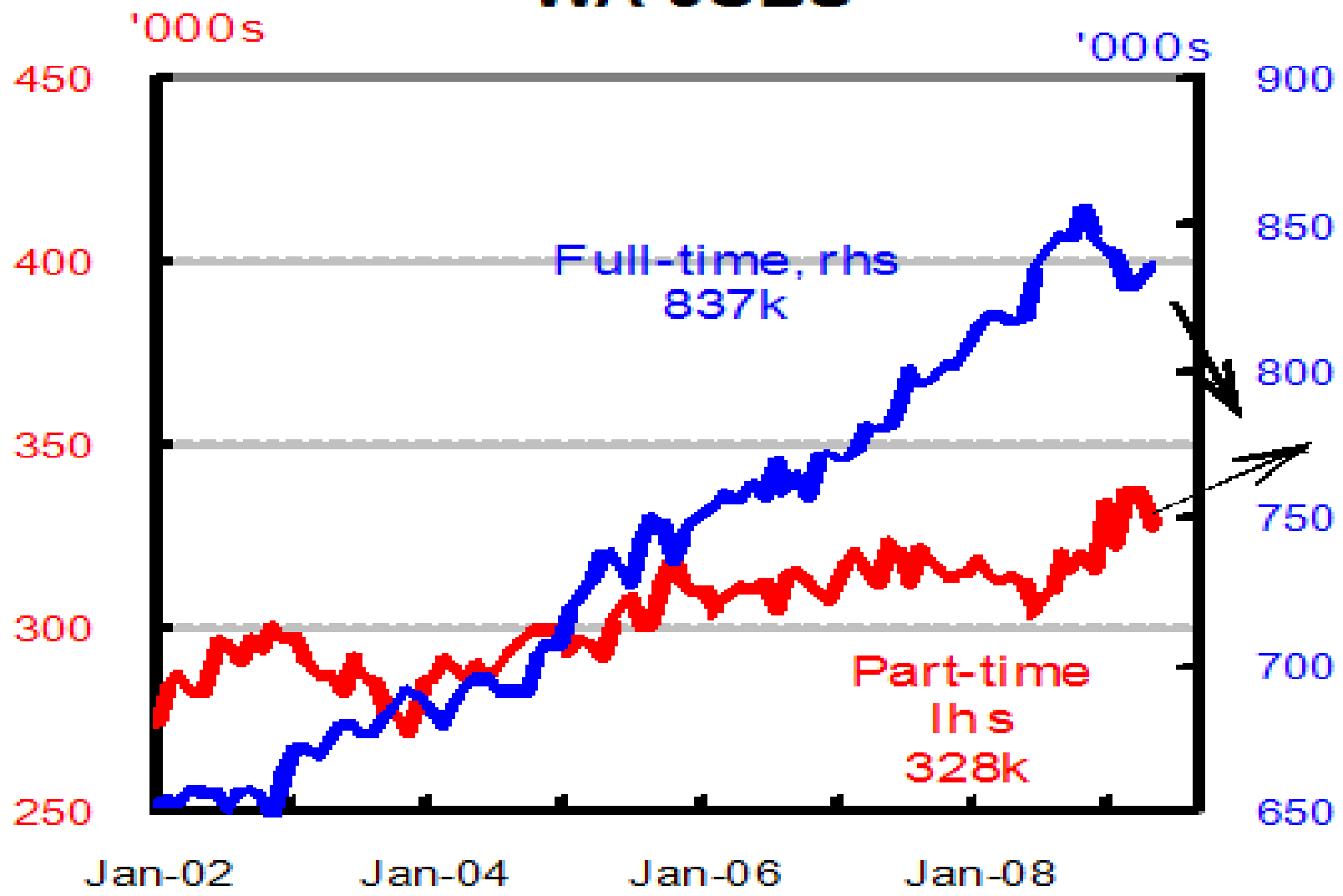
'Energy' includes coking and steaming coal, oil and natural gas. *Source: ABS.*

Gross State Product - Western Australia

Source: ABS; HIA Economics Group



WA JOBS

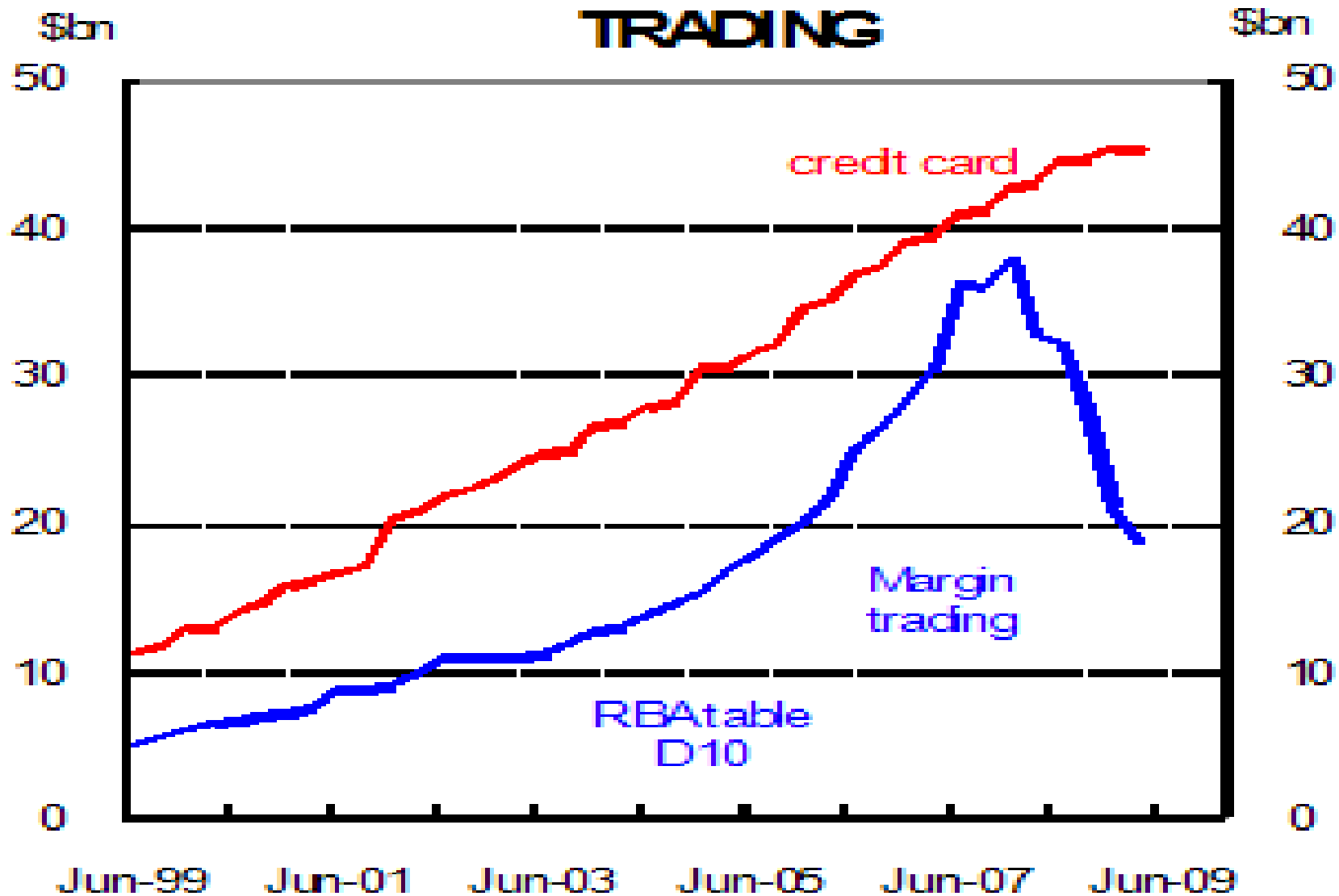


Western Australia's Unemployment Rate

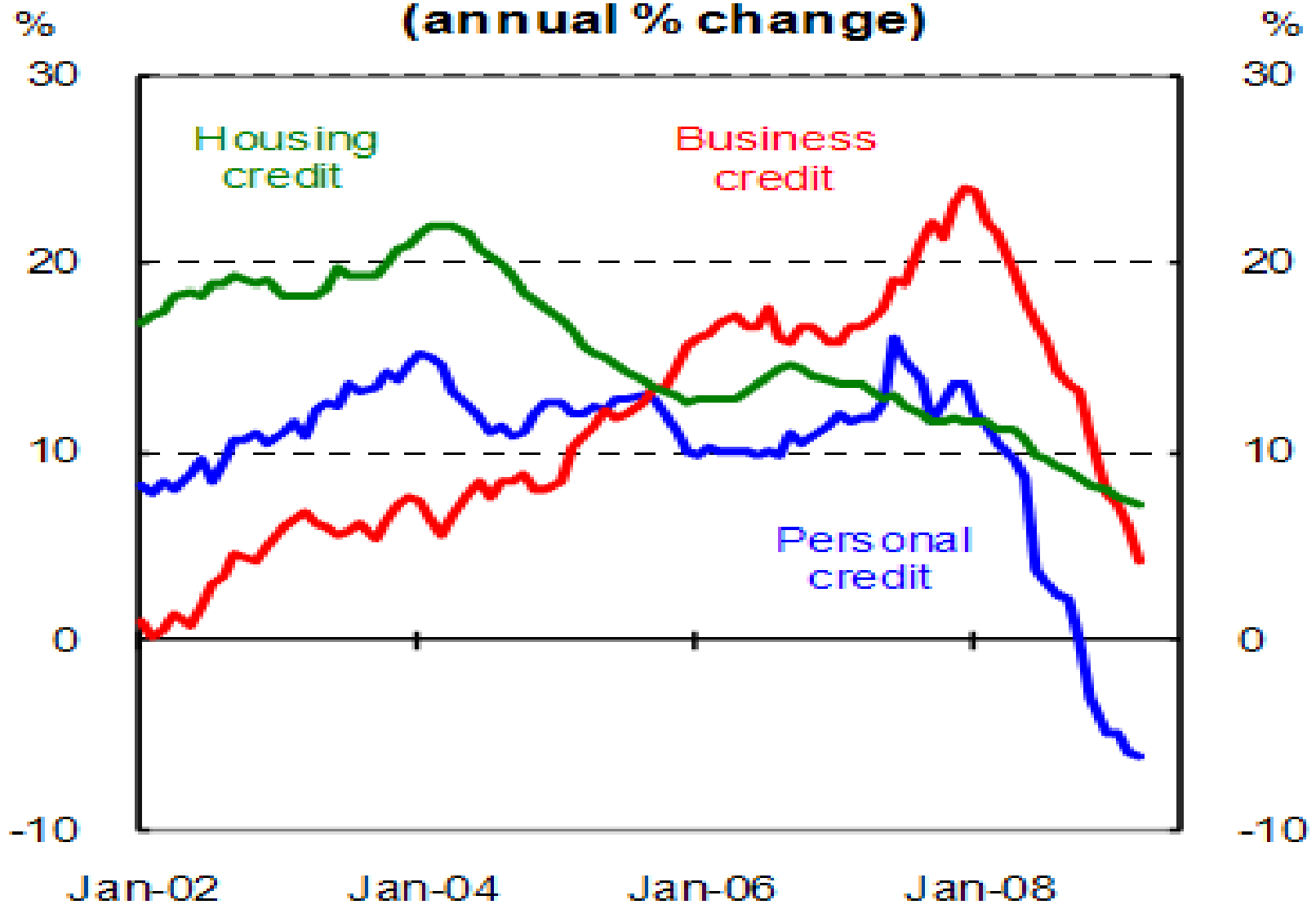
Source: ABS Labour Force



CREDIT CARDS & MARGIN TRADING

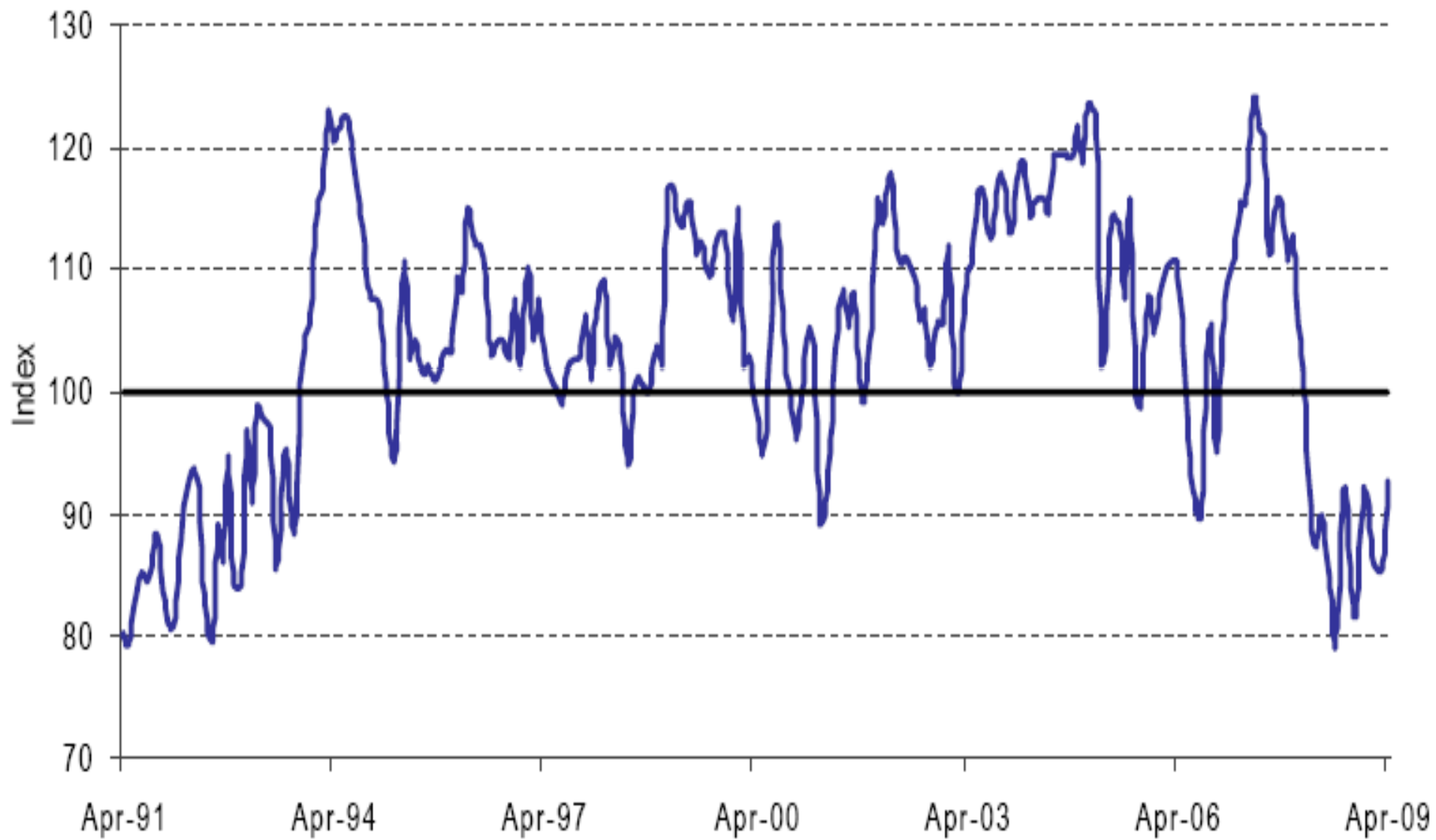


RBA CREDIT (annual % change)



Consumer Confidence

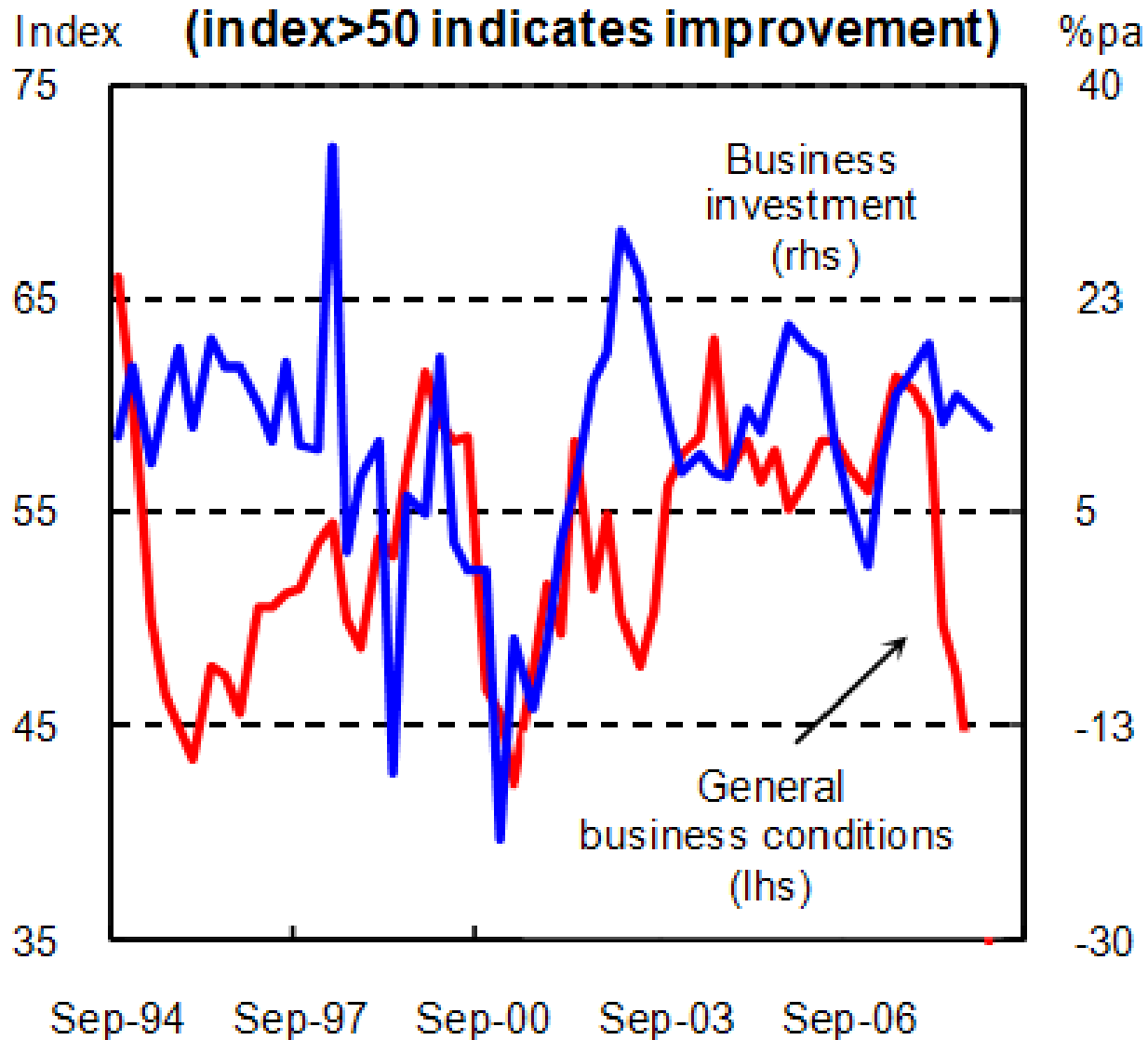
Source: Westpac-Melbourne Institute



Business Confidence

CBA-ACCI BUSINESS SURVEY

(index > 50 indicates improvement)



Winning and Losing sectors

Winners

- Staple retail – food, groceries, drugs
- Infrastructure – roads, rail, water, power
- related construction services
- Government related areas: defence, education
- Gold, oil & gas
- Rural sector – grains, beef & sheep meat

Losers

- Discretionary retail
- New Cars
- Tourism
- Luxury Services
- Mineral exploration
- Commercial and industrial construction
- Rural – wine, gourmet, fine fibres, aquaculture

INTEREST RATES 2006 - 2009

