Westpac Agribusiness

Regional Economic Report

Winter 2007

Contents

The Westpac regional economic report is a quarterly publication produced by Westpac Economics

Editor:
Justin Smirk, Senior Agribusiness Economist
Email: economics@westpac.com.au

This report was finalised on 15 June, 2007.

Reasons to remain optimistic

The broad outlook for the farming sector is the most robust we have seen since the late 1980s. Global farm commodity prices continued to rise into June. The Westpac-NFF Commodity Index recorded a 9% premium on year-ago levels. While overall fortunes for the year will be driven by rainfall, wider global economic forces continue to improve.

In US dollar terms, the Westpac-NFF Commodity Index is at its highest level since early 1989. While you can point to global dry conditions as the reason behind grain production not matching demand in 2006, we have also see a fundamental shift in the composition of demand. Not only has industrial use of grain risen – mainly due to biofuel production, there has also been a rapid growth in animal production, bolstering demand for fodder grain.

Therefore, while it is safe to assume that a record Australian grain crop, and rising grain production in the rest of the world, should skim something off the top of grain prices in 2007, robust underlying demand and current low global stocks suggest downside risk should be limited. It is not just grain prices that have strengthened. The new highs in the index have also reflected strong rises in dairy and wool prices, both of which have benefited from the Australian drought restricting supply. But we should not underestimate the impact of robust global demand.

This year will be the fifth year of above trend global growth, the longest run of above trend growth since the 1960s. Westpac has upgraded its outlook for world growth in 2007 to 4.9% – with 4.8% growth pencilled in for 2008. This is despite the current slowdown in the United States. Accelerating expansion in China, and much of the emerging world, has become the growth locomotive for the globe picking up the slack generated by a slower US. So, despite the threat of a production surge responding to current high prices, we are optimistic the downside risk for farm commodity prices is minor.

All up, this is the most positive global environment we have seen for farm commodities since the late 1980s. However, a word of caution in that not all commodities are equal.

Despite strong demand, both cotton and sugar prices are being suppressed by strong production growth. Brazil and other major producers have responded quickly to the high sugar price of 2006 and this new production is likely to remain a drag for the next few years. Cotton production continues to expand as new technology is adopted in many developing countries, helping to hold global cotton inventories at hefty levels.

In addition, farmers will also have to keep a watchful eye on the Australia dollar. Over the last 12 months, the US dollar Westpac-NFF Commodity Index is up 18%, while the Australian dollar index is up only 9%.

With an outlook for robust commodity prices and potentially higher interest rates in Australia we see upside, rather than downside, risk for the Australian dollar over the next 12 months. As such, there is a risk that a strong Australian dollar will cap the benefits of robust global prices. Nevertheless, the farming sector is well placed to bounce back in 2007.

Farmers have become much more adept at managing drought using technology such as minimal tillage/direct drilling, geo-positioning, stubble retention and various on-farm water management strategies. This means that not only do they minimise losses in a dry year, but they can also maximise returns in a good year. Farm debt is up but over the last decade much of it was invested in plant and equipment, farm improvements and/or farm purchases. Farmers have invested to expand size and lift production. Therefore, we see a solid bedrock for the farm sector to build upon in 2007... all dependent on rainfall, of course.

Encouragingly, most areas of western New South Wales and the grain-belts of South Australia and Victoria received good rainfall over May, spurring farmers to plant with confidence. The Bureau of Meteorology notes that while the computer models show a La Niña event is likely in 2007, there has been little further development during the past month. Current conditions in the equatorial Pacific remain neutral. As such it appears their May outlook, with a 50/50 chance for average winter rainfall in 2007, remains the current view.

Justin Smirk, Senior Agribusiness Economist ph (61–2) 8254 9336

Westpac – CSU Agribusiness Index (March 2007)

Prominsing signs of resilience ...

Despite continuing drought conditions, the March quarter Westpac & CSI Agribusiness Index revealed promising signs of resilience with sixty per cent of farmers confident about the year ahead. The Agribusiness Index provides a detailed national and state-based overviews of business performance. In the March quarter there was a ten per cent decrease in business confidence since December , due to less than satisfactory weather improvements. However, capital expenditure and employment levels remained steady.

... positive capital expenditure expectations ...

The Index suggested farmers to be cautiously optimistic, with some planning modest increases in business investment. Capital expenditure is expected in increase in the June quarter, suggesting farmers planning for an improvement in seasonal conditions. The fact that farmers remain relatively eager to invest, despite the drought conditions of the time, was a vote of confidence for a rural recovery suggesting the sector should capitalise on strong demand once the drought eases.

... suggests farmers are looking to capitalise ...

The Westpac & CSU Index results measure an Economic Performance Index (EPI) for each state based on the average results collected from all regions. Key state and territory results from the March quarter were:

... on a return of more favourable seasonal conditions.

Western Australia recorded a negative EPI for the March quarter. However, this represented the most substantial improvement of all states from the December quarter and is the second highest state EPI for March. WA expects the greatest improvement of all states into the June quarter.

The strongest performance in Queensland was in the north ...

Queensland recorded strong performance in the northern regions with positive EPIs in the Far North, North West, Central West, Fitzroy and Mackay regions. Southern Queensland was more affected by poor climate conditions and featured negative performance. On average, capital expenditure increased state-wide with good expectations for investment in business improvements across the northern regions in both the March quarter and predicted into the June quarter.

... while Tasmania was the only state to record a positive EPI.

Tasmania was the only state to record a positive EPI this quarter and the outlook to the June quarter remaining stable.

Northern Territory was similarly one of the least drought-affected states nation-wide.

New South Wales' coastal areas recorded positive performance suggesting that rainfall has enabled agribusinesses to get back on track. There are also good predictions for the Hunter region but we now have to see how they come out of the recent flooding. Moving into the June quarter, capital expenditure for coastal regions remains positive.

The March quarter results highlighted the effect recent bushfires have had on local economies in Victoria, hindering drought revival initiatives. Goulburn, Gippsland and East Gippsland all reported decreased EPI results, with the largest drop in performance since the December quarter in Gippsland. Capital expenditure was maintained through the March quarter with positive exceptions in Loddon and Western Districts where significant improvements were recorded.

Agribusiness is more guarded in South Australia.

South Australia was again the state hardest hit by drought conditions nation-wide. However, there were marked increases from the December quarter in business confidence for the year ahead in both the Yorke and Lower North and Murray Lands regions, suggesting that agribusinesses are remaining positive in the face of poor performance. Local producers behaved guardedly and minimised capital expenditure. Overall, the EPI is expected to improve into the June quarter.

Westpac – CSU Agribusiness Index (March 2007)

Chart 1.

Westpac/CSU economic performance index

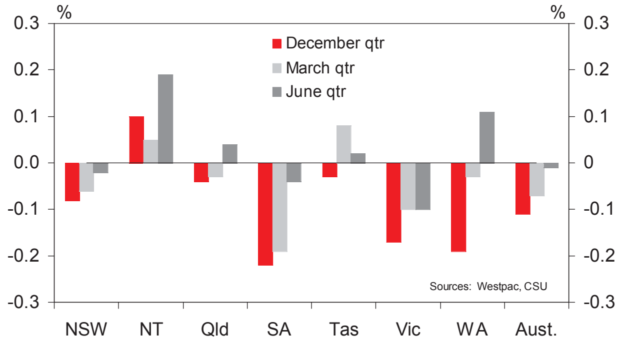


Chart 2.

Westpac/CSU business performance index

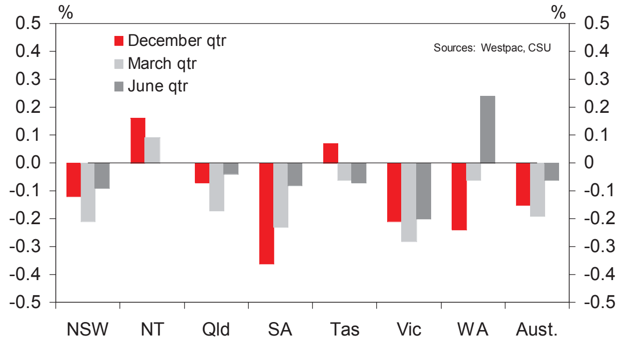


Chart 3.

Downstream still with the best conditions

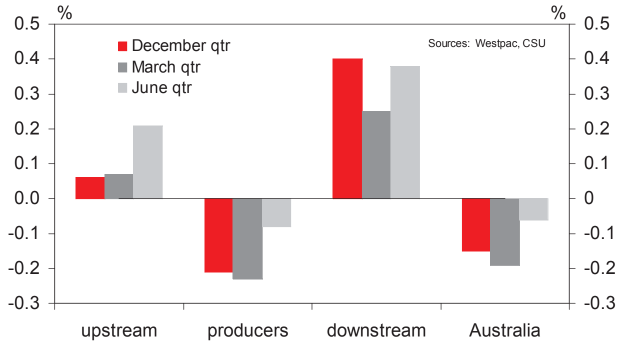


Chart 4.

Capital expenditure

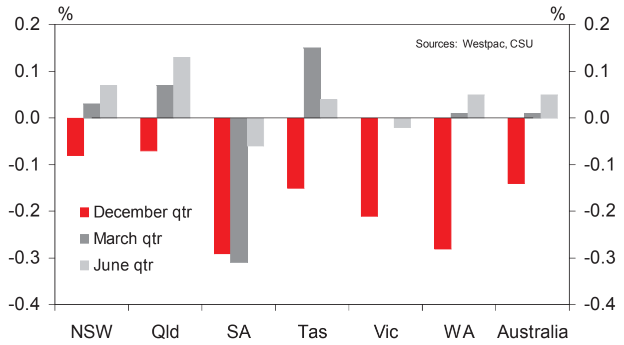


Chart 5.

Employment

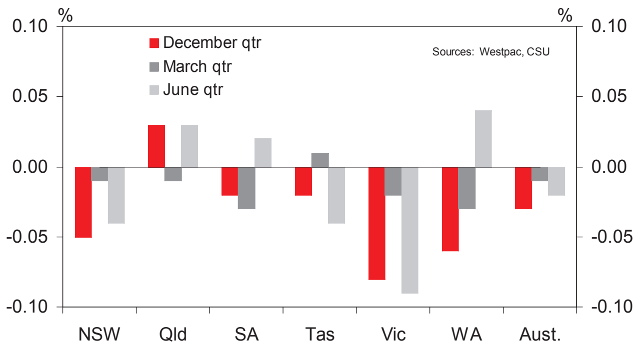
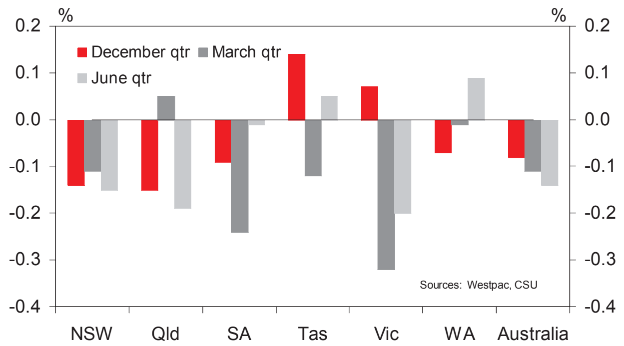


Chart 6.

Stock levels



Australian dollar will remain higher for longer

We have sharply revised up our AUD forecast ...

We have sharply revised up our medium term forecast for the AUD. Whereas our view had been for a 'mean reversion' of the AUD to the middle 70¢ range, we now expect expect the AUD to remain around 84¢ to mid 2008. The AUD is currently trading around 83¢.

... the rise above 80¢ can be justified on fundamental grounds ...

We believe that the appreciation of the AUD from 78-79¢ to its current level over the first four months of 2007 has been entirely justified on fundamental grounds. Over that period our 'fair value' estimate of the AUD has increased from 90¢ to 95¢. The 3-4¢ appreciation in the spot market equates broadly with the shift in fair value.

... with an upward revaluation of market expectations for commodities ...

The major source of the appreciation has been a sharp revaluation of market expectations for commodity prices and a 1½% fall in the USD Major's Index. At the beginning of 2007 futures market pricing implied a 20% base metal prices over the course of 2007. In reality our indices have lifted sharply, driving a 30% lift in the level of the starting point for market expectations.

We are in agreement with the market consensus in that a correction in commodity prices should be well underway by 2008. However, we differ in regards to the timing and the size of this fall. For 2007 we see base metal prices holding around current levels, with upside risks. This compares with the Bloomberg consensus view of more than a 20% fall by 2007Q3. Compared to the analysis we think that correction required to drive the fair value of the AUD down by 10¢, the amount that is required to move the spot AUD back into the middle 70¢, is highly unlikely.

... and upward revisions to the global growth outlook.

History has show that significant corrections to commodity prices has generally been associated with a major disturbance to global demand conditions resulting from an exogenous development over and above the response associated with higher prices.

As we argue in this report, the global economy over the next two years is highly constructive. In particular, the US economy is likely to have worked through the housing and inventory downturns with limited collateral damage to investment, consumer spending and employment. Japan and Europe are benefiting from stimulatory monetary conditions and improving labour markets, in addition to the investment/export boost associated with servicing the new growth regions in the developing world. China is successfully managing to boost consumer spending while investment and industrial production growth has recently re-accelerated. And elsewhere in the emerging world conditions remain conducive to robust activity growth.

For Australia, we are expecting growth to accelerate through 2007 and 2008. We expect growth in Australia of 3¾% in 2007, building to 4¼% in 2008. Interest rates are likely to be on hold this year, but they will rise in 2008. The on-hold story for 2007 is priced in to the markets. The prospect of a resumption of rate hikes in 2008 is not. With 2008 offering a continuing strong global economy; rising domestic interest rates; and commodities holding up better than currently priced, the AUD is likely to rise further.

We are not expecting a sustained recovery in the USD.

We do not expect a sustained upswing in the USD. The rebalancing of global growth is likely to continue through 2007 and into 2008. Investment preferences (private agents and public sector reserve managers) are likely to incrementally eschew the USD, benefiting a range of currencies including the AUD. USD consolidation in early 2008 will see stability in the AUD rather than declines. In trade-weighted terms the currency will slightly undershoot its move against the US dollar.

Australian dollar will remain higher for longer

Chart 1.

AUD/USD & AUD/JPY

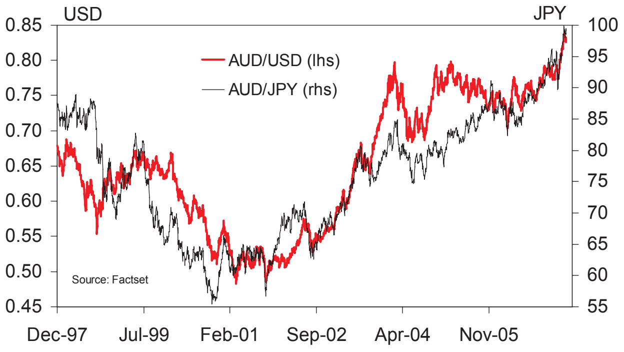


Chart 2.

AUD/EUR & AUD/NZD

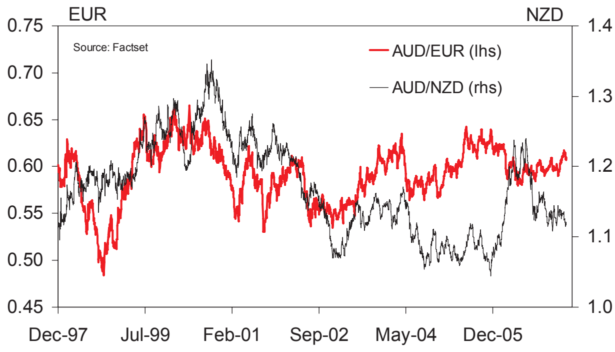


Chart 3.

AUD profile: TWI holding the high ground

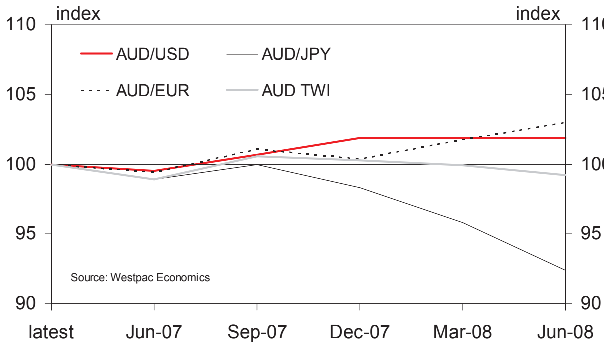


Chart 4.

Australian terms of trade stands out

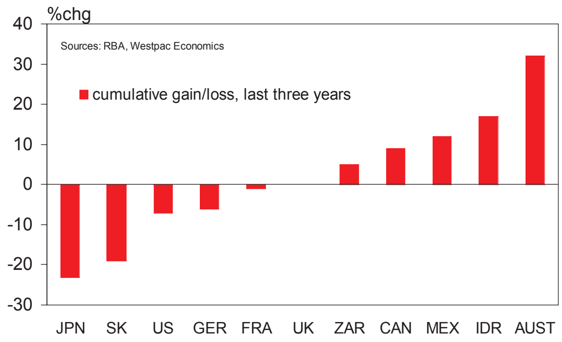


Chart 5.

Base metal prices up on bumper demand

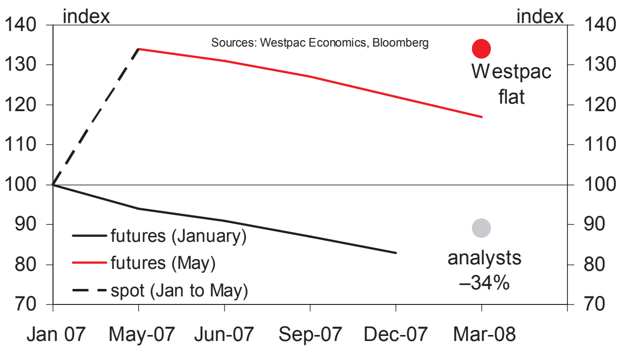
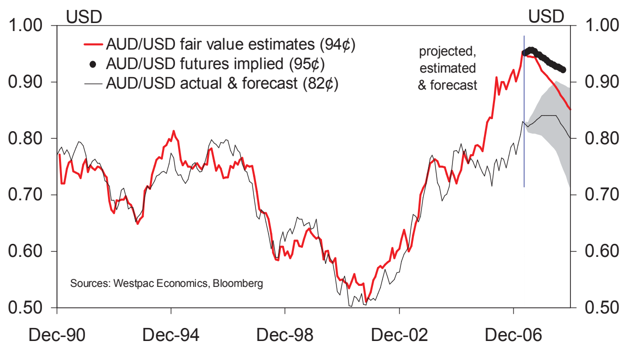


Chart 6.

Actual, implied & fitted Australian dollar



World growth

World growth improves despite the US looking more fragile.

Accelerated expansion in China, and in much of the emerging world, has pushed up our 2007 world growth forecast close to 5%. That is despite the US picture looking somewhat more fragile in the first quarter of 2007.

The housing downturn has seen US growth slowed, but not collapse.

So far this year, economic growth in the United States has slowed to a 1.3% annualised pace, despite solid contributions from both household and corporate spending. We have revised down our 2007 forecast as a result. Housing is struggling for traction at the bottom of the cycle; the inflation data has taken a more subdued tone; lead indicators of capital spending have been mixed; while business and consumer surveys have been patchy. The Q1 GDP growth headline was disappointing at 0.7%, the slowest quarterly growth pace for four years. But the non-housing detail in the report was favourable. Consumer spending growth held above 4% despite renewed rises in gasoline prices and poor weather conditions. Business investment actually picked up and with core capital goods orders bouncing in March and the ISM survey stronger in April, there is reason to be hopeful about business investment in Q2. And if firms are investing, they tend to hire workers as well.

The other large drag in Q1 was a fall in capital goods exports. Given solid global demand, and the weaker USD, we suspect this is just the result of the lumpy nature of these exports and expect to see a recovery in Q2.

European growth is firming.

The economic data of late from Europe has been firm. In Germany, despite the VAT hike in January, consumer confidence hit a record high early in the second quarter. Retailer surveys pointed to a likely bounce in spending in Q2 (though the official retail sales data for March were soft). Business expectations were deteriorating on most measures in late 2006 because of concern about the potential impact of the VAT hike, but those same surveys are now recovering strongly. We have also seen the German ZEW survey, a well respected harbinger of European economic fortunes, rise strongly in May.

Chinese growth has accelerated ahead of expectations.

Chinese economic growth accelerated to 11.1%yr in Q1 on the back of exports, manufacturing, household spending and fixed investment. Exports grew 31% from a year ago in Q1 against an 18% expansion for imports. The trade balance for the quarter was $US46bn, double the figure of a year ago. Exports were highly volatile through the quarter. Firms aggressively pulled shipments forward to February to beat a subsidy withdrawal deadline. That helped drive a 52%yr growth pace in that month, and is the main explanation for the subsequent decline to 7% in March. With such a high starting point for the year, it is likely that the annual surplus will amount to a number somewhere north of $US250bn. That compares to a $US177bn outcome in 2006 and just $US33bn in 2004.

Summary of world GDP growth

%	2002	2003	2004	2005	2006	2007f	2008f
United States	1.6	2.5	3.9	3.2	3.3	2.2	3.1
China	9.1	10.0	10.1	10.4	10.7	10.4	9.7
Japan	0.3	1.4	2.7	1.9	2.2	2.1	1.9
East Asia	5.1	4.5	6.0	5.1	5.5	5.0	5.1
Europe	0.9	0.8	2	1.4	2.8	2.4	2.4
Australia	4.1	3.1	3.6	2.8	2.7	4.2	4.5
New Zealand	4.8	3.7	4.4	2.2	1.5	2.5	2.1
World	**3.1**	**4.0**	**5.3**	**4.9**	**5.4**	**4.9**	**4.8**

Sources: IMF, Westpac Economics. Aggregates weighted at purchasing power parity exchange rates.

World growth

Chart 1.

Weather compounds US home sales fall

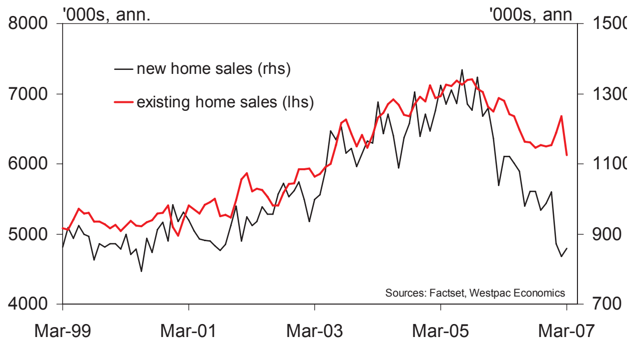


Chart 2.

US Q1 GDP spending accelerated

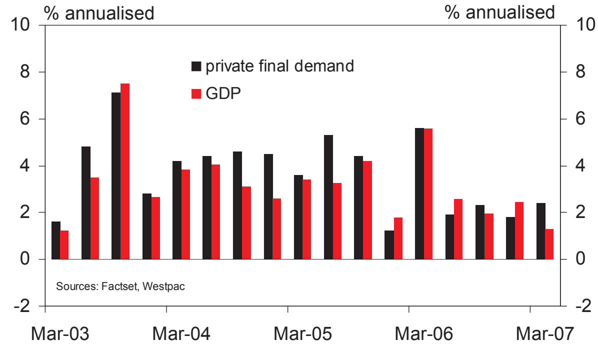


Chart 3.

European consumer outlook is optimistic

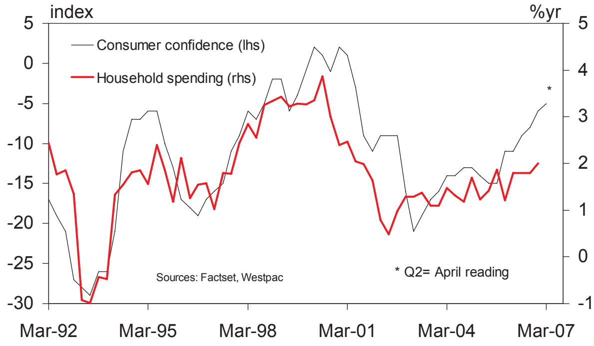


Chart 4.

Euro M3 at record high, lending rapid

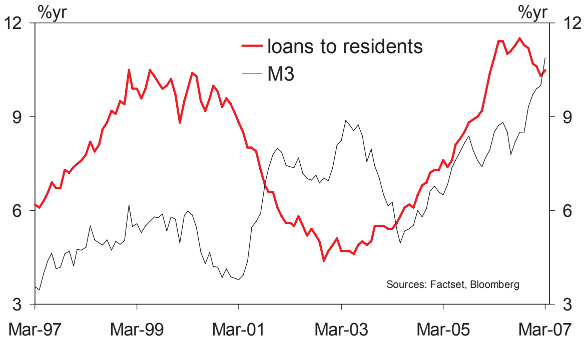


Chart 5.

Chinese GDP acceleration still in place

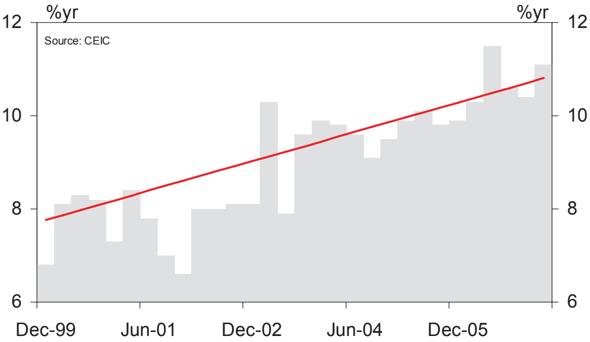
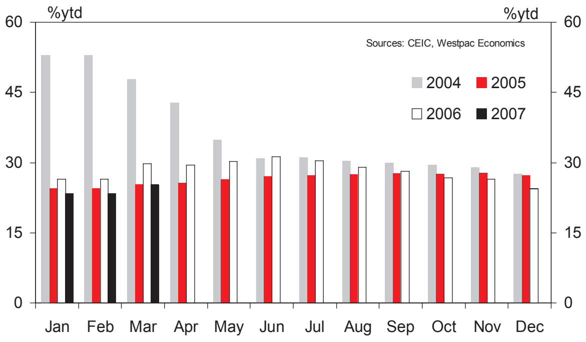


Chart 6.

Chinese fixed investment has moderated



Wheat, oilseeds and barley

Wheat

The ending of the drought is a negative for wheat prices ...

At the time of writing the report is does appear as if drought conditions in Australia, and elsewhere, are coming to an end. The drought has restricted global production leading to a significant rundown in global stocks and thus a substantial rise in wheat prices. Recent rainfall in Australia has ensured that a much larger crop can be planted this year in near idea conditions. If seasonal conditions can remain favourable then there is the potential for a record Australian wheat crop.

The USDA Supply and Demand report projects that world wheat ending stocks for 2007-08 will fall seven million tonnes, to 113 million tonnes. This represents a volume drop of 6 per cent on a year ago and is the lowest stock level since 1981-82. Conditions appear to be improving in the US and central Europe, however, crop uncertainty still plagues the Ukraine and Australian wheat production.

... but low global stocks suggests the downside risk is limited.

The medium term outlook is (for wheat prices) more positive than we have seen for a number of years. Stocks are currently low and there is expected to be little increase in their size in the near term. What we are now seeing is the continued productivity improvement in grain production, which is lifting supply and placing downwards pressure on prices, being offset by increased demand for grains, particularly from biofuel production but also from growth in intensive livestock production. While the focus of this demand growth will be on coarse grains, the main use for wheat is human consumption, these factors will also help support wheat prices as it is increasingly being used as a substitute for coarse grains in livestock fodder.

Oilseeds and barley

Chinese demand pushing canola prices higher ...

Strong Chinese purchases of canola saw prices pop higher in May. Crush margins have recently expanded in China and – combined with an easing in dry bulk freight rates and escalating rates for vegetable oil tankers – have led the Chinese into purchasing canola seed. In addition, Canadian planting have been downgraded. When you then throw in a sharp rise in soybean futures, palm oil futures hitting 9-year highs and a rally in EU rapeseed futures, it looked like a one way bet for canola prices. But as usual, things are more complex. As we go to press there have been heavy losses in global vegetable oil markets. Palm oil, which led vegetable oil markets higher, went into freefall in mid June. A reversal in vegetable oil prices places pressure on oilseeds to sustain current value.

... but vigitable oil prices have lost their shine.

It is also difficult to rationalise a further rally in soybeans. Stocks are at record levels and while US plantings are down, the crop is going in at record speed while Talk that spring dryness will retard yields is premature and carry-in stocks suggests soybeans can afford to lose area to corn this season. However, this will not be the case next year. Currently, Brazilian growers are making summer cropping plans, and the risk is that soybean acreage rises.

OilWorld remains more optimistic forecasting that world oilseed production will fall 9 million tonnes below consumption this season, leading to a sharp reduction in record stock levels. The reduction comes as farmers globally shift toward grain crops and away from oilseeds, and as oilseed consumption continues to expand.

China is also a positive for barley prices.

China continues to look to the northern hemisphere for their supplies of malting barley. However, dry conditions in Europe mean it looks unlikely that prices will undercut Australian offerings. Meanwhile, Australian barley plantings are expected to increase significantly this year. Barley is seen by many growers as being a low risk crop and efficient with water use. While the global price fell 2.8 per cent over May, it still remains 18 per cent above year-ago levels.

Wheat, oilseeds and barley

Chart 1.

Australian wheat production

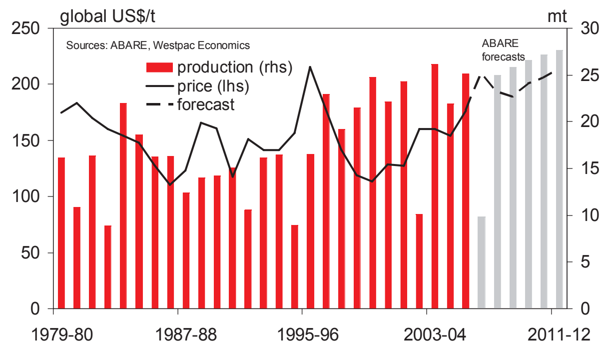


Chart 2.

US corn used for ethanol production

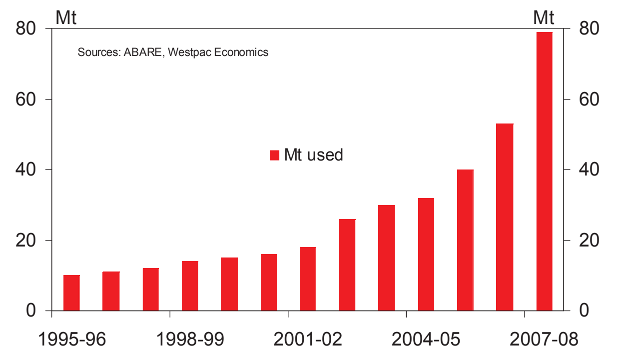


Chart 3.

Cropping to recover from the drought

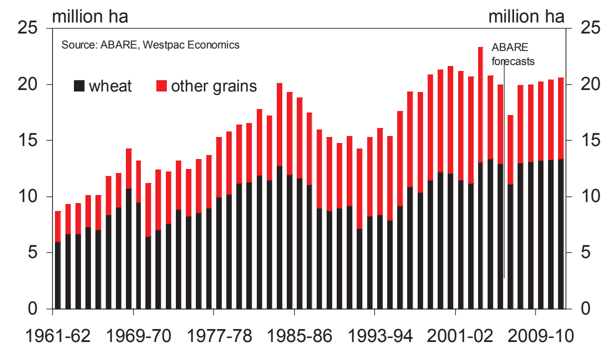


Chart 4.

World canola & soybean prices

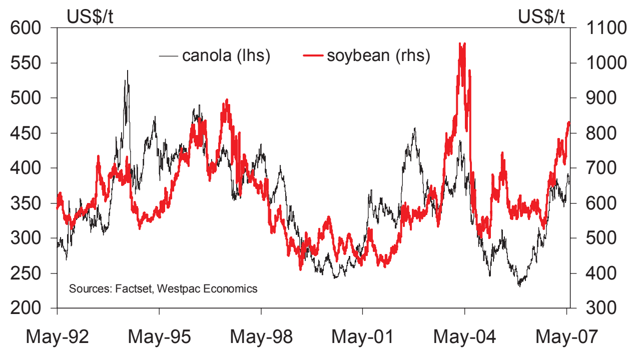


Chart 5.

Wheat price spreads

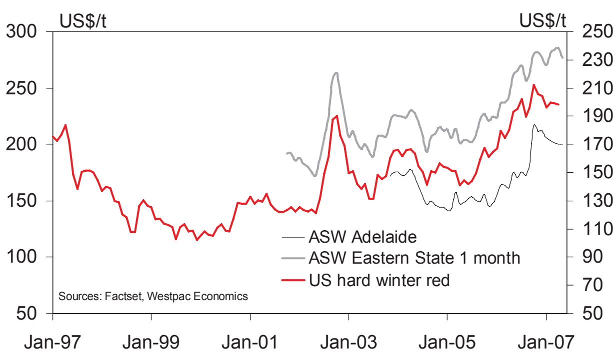
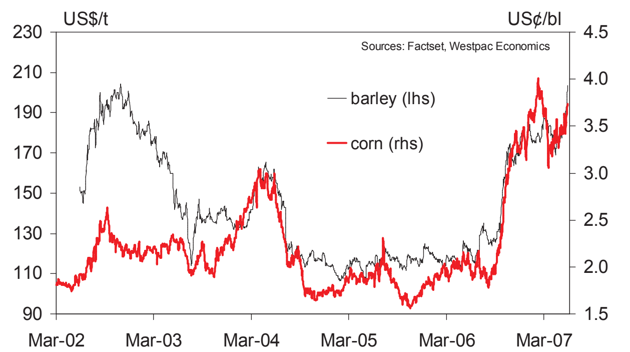


Chart 6.

World corn and barley prices



Sugar, cotton and wool

Sugar

Sugar prices hit by surging production.

Sugar prices have fallen more than 50 per cent since reaching a 25-year high in early 2006. The collapse in prices followed on from a substantial easing in sugar market balances as supply quickly jumped to meet the increase in demand and the previous year's global shortage. Baring adverse seasonal conditions, the sugar market is facing a substantial production surplus due to this strong production response. While the increased focus on bio-fuel production is a positive for the longer-term sugar outlook, the ease in which sugar production can be lifted suggests you should not look for a permanent coupling of sugar prices to oil prices.

The USDA is forecasting world sugar production for 2007/08 to be 163.3 million tonnes, a 2 million tonne rise from 2006/07. Consumption is forecast at 149.4 million tonnes, up 513,000 tonnes. The increases in world production and trade are mainly due to higher production in Brazil, India, China and Thailand. Production in the EU is forecast to decline despite the accession of Romania and Bulgaria. The decline is in response to the reforms coming into effect in June 2007 and should see the EU become a net sugar importer. Exports from Brazil are forecast to rise 1.6 million tonnes while Thai exports are expected to rise 200,000 tonnes and India is looking to increase exports of 1.4 million tonnes on last year. Australia exports are forecast to rise 200,000 tonnes.

Cotton

Cotton demand continues to grow strongly but so too does production.

This year, it does look as if robust global demand could see cotton consumption exceed production leading to a decline in stocks. The rise in demand is being driven by rising textile production in China, India and Pakistan. With the prospect of a fall in US plantings, world production forecast to be relatively flat in 2007/08 at 25.3 million tonnes. As a result, stocks are forecast to fall to the lowest level in four years. However, while the stocks may be the lowest in four years they are still fairly hefty in an absolute sense, which is depressing sentiment and weighing on prices. As such, any upside surprise in supply will hit prices hard. So far this year, while the underlying fundamentals may be positive, cotton prices have continued to languish around US¢53/lb.

The latest USDA projections for 2007/08 have world cotton stocks declining after being nearly unchanged in 2006/07. Global ending stocks are currently projected at 51.2 million bales for 2007/08, 9 percent less than the current season and the lowest in 4 years. The 2007/08 stock reductions are expected to come from a number of countries, including the United States, India, and Brazil. Stocks in China, however, are forecast to remain around current levels which are the second lowest in over a decade. In contrast, U.S. cotton stocks are expected to fall over 3 million bales in 2007/08 but this would still leave one of the largest US cotton inventory seen in the past decade.

Wool

The drought has boosted wool prices in 2007.

In the later half of 2006 wool prices rose sharply, with the EMI breaching $10/kg in March 2007, as concerns about the duration of the drought continued to build and stocks fell. However, in 2007/08 prices are expected to decline as competition from alternative fibres remains strong and the outlook for wool supply improves. The Australian wool industry has been declining over the past decade as low prices has seen an increase in the production of prime lambs and a movement in resources away from wool to cropping. The recent drought has also contributed to further declines in sheep numbers and wool production. For the near-term, the outlook for the industry is very much dependant on season conditions. But even assuming a return to normal conditions, farmers will still be weighing off the relative rates of returns of various enterprises, and their own financial situation, before investing in rebuilding their flocks. Given an average season, ABARE is forecasting just a slight rise in wool production in 2007/08.

Sugar, cotton and wool

Chart 1.

Sugar production can outpace demand

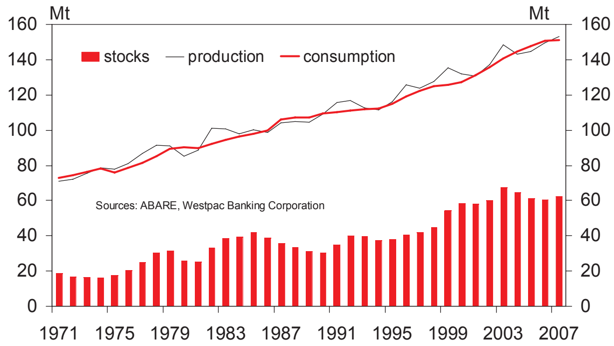


Chart 2.

Oil boost to prices was temporary

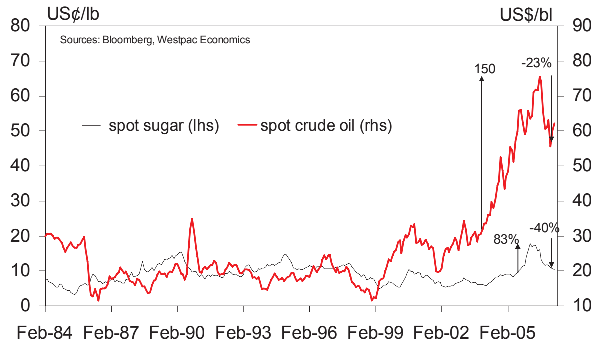


Chart 3.

Cotton stocks falling relative to demand

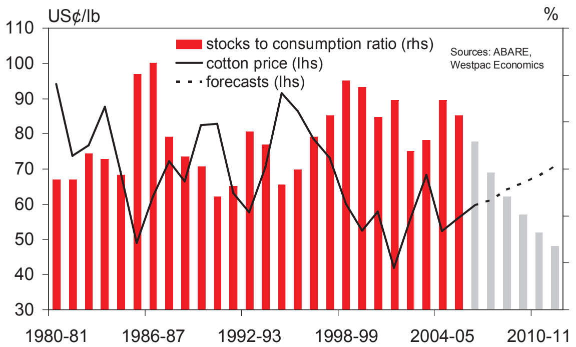


Chart 4.

Production of cotton textiles

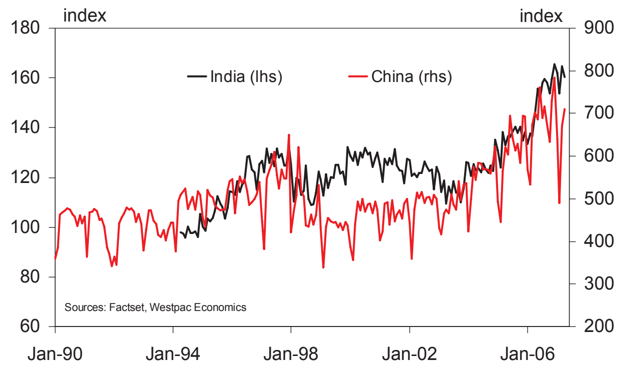
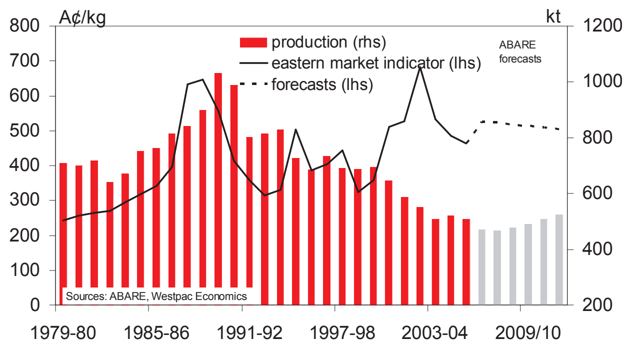


Chart 5.

Wool still rising relative to cotton

Chart 6.

Falling wool production boosting prices



Beef and dairy

Beef

US beef is entering the Korean market.

Negotiations between Korea and the United States on a Free Trade Agreement remain far from settled, with further meetings taking place during the month on bone-in beef and other import quarantine issues. Meanwhile, increased import supplies of beef into the United States have generally kept prices for imported beef flat in that market

US beef production is rising ...

The USDA is forecasting a modest increase in US meat production on the back of an expected recovery in cattle weights and modest pork production growth. Price estimates for both cattle and hogs have been raised in 2007 due to tight supplies. This trend is not expected to continue into 2008 due to the expected increase in meat output. However, US exports in 2008 are expected to experience steady growth due to increased shipments to South Korea and Japan.

... while US beef imports are falling.

The USDA reports that beef imports into the US fell 9 per cent in the year to March, reflecting the price competitiveness of domestic lean beef, and cow slaughter tracking well above year-ago levels. However, with pasture and forage conditions reported to be on the improve, cow slaughter is expected to moderate. As a result, the USDA is tipping beef imports for the remainder of 2007 to be above year ago levels and total 3.24 billion pounds. Australia exports to the US fell 14 per cent in the year to March. The fall has been attributed to the Australian drought and a shift towards short-cycle grain-fed production aimed at the Asian market. While the drought is expected to constrain Australian beef production over coming quarters, the USDA says that rising competition from US product in Japan and South Korea could result in an increase in Aussie shipments to the US. The USDA expects US beef imports to rise 2 per cent in 2008.

Japanese beef imports are falling, Korean are rising.

Japan beef imports have fallen 13 per cent through the year to March. Australia retain a solid market share of 85 per cent but the US is on the move with its exports to Japan rising 35 per cent in the year to February. MLA says that the Japanese trade expects volumes from the US to gradually build up to 4,000 to 5,000 tonnes per month. Korean beef consumption grew for the first time since 2002, to reach 6.8kg per capita. The MLA estimates that imports account for more than half of Korean beef purchases; the recent resumption of US shipments to Korea should see consumption grow further in 2007.

Dairy

Dairy commodity prices were rising in the later half of 2006 and into 2007 ...

During the latter half of 200, global dairy prices, particularly non-fat dry milk accelerated upwards. The rise in prices in 2006 came amidst a backdrop of uncertainty over the global economic outlook due to relatively strong oil prices, rising interest rates, and doubts over the resiliency of the U.S. economy. Further clouding the outlook is the intense focus on ethanol production that has led to a sharp increase in corn prices. The immediate impact is to raise feed costs and there is much speculation what the longer-term impact on the livestock and dairy industries will be.

... as demand growth accelerated but supplies remained constrained.

Nevertheless, while US growth is has clearly slowed in 2007 global growth continues at close to a 5 per cent pace – well above the longer-run average. Thus the outlook for 2007 remains positive and international dairy prices appear set to surpass averages achieved in 2006. The factors behind the rapid resurgence in dairy prices appear to be driven largely by strong consumption demand in Asia and the Middle East and limited exportable supplies; particularly for non-fat dry milk. The Australian drought is often targeted as the reason but it is also evident that the sharp drop in exportable supplies from Europe has had a pronounced impact. For 2007, the situation is unlikely to be remedied as European exports of butterfat and milk powder are slated to continue declining while the new Oceania milk production season will not kick-in until the latter half of the year.

Beef and dairy

Chart 1.

Beef prices have passed the best

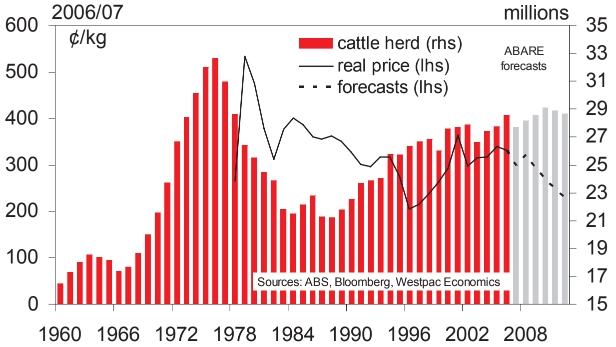


Chart 2.

Beef prices and cattle slaughterings

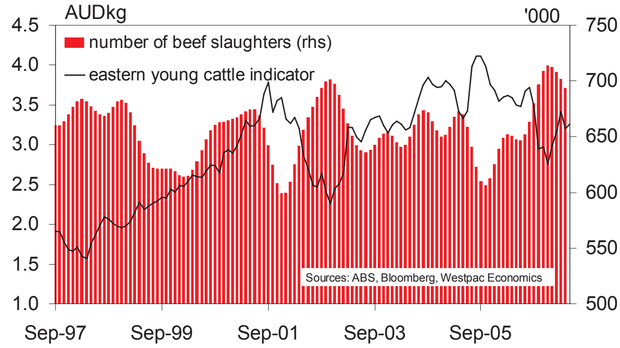


Chart 3.

Australian beef prices

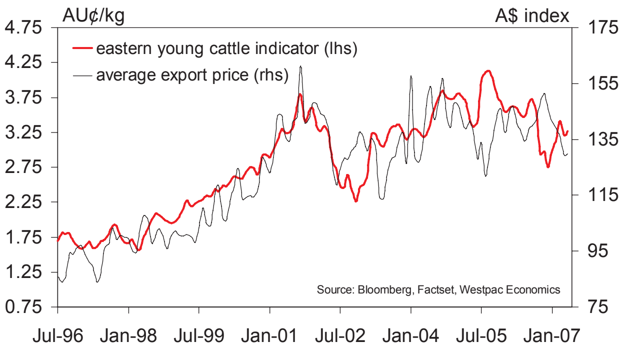


Chart 4.

ABARE is looking for a small correction

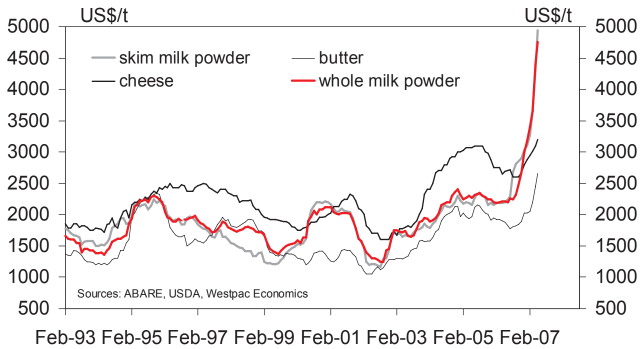


Chart 5.

Dairy herd still has to be rebuilt

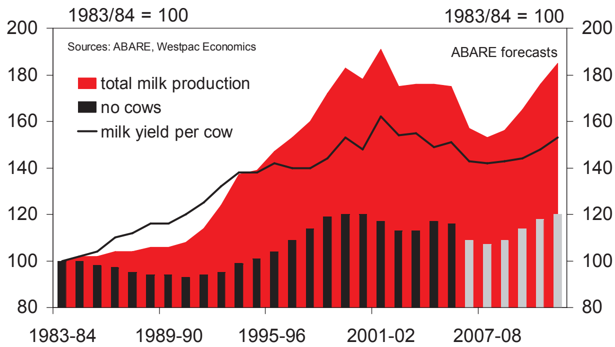
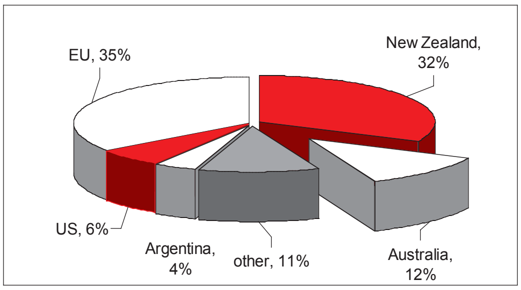


Chart 6.

Share of dairy export trade



Sources: ABARE, Dairy Australia

Iron ore and coal

Global demand for iron ore still running above supply boosting scrap prices.

Iron ore

Iron ore producers were successful in negotiating higher contract prices for the Japanese fiscal year 2007/08. Contract prices for both fines and lump iron ore were lifted 9.5 per cent for the 2007/08 year which is the fifth consecutive increase for these contracts. Rising global demand, in particular from China, when the the major iron ore producers are running at full capacity and not quite matching demand, has resulted in surging prices for scrap steel and spot iron ore. This gave the iron ore producers room to negotiate a higher contract price. Rising prices have seen China increase its domestic production of iron ore, but as Chinese deposits typically contain lower quality ore, they are more costly to access and process and not dampening global prices.

In the short run, demand continues to rise in the face of higher prices. The HWWA global spot price for iron ore and iron scrap has risen 16 per cent so far in 2006 to be up 27 per cent in the year to April. While the recent rise in the contract prices for 2007/08 would be underpinning this, the fact that spot continues to rise suggests to us that growth in demand continues to rise faster than the growth in production. So we have to maintain a positive outlook for iron ore prices at least to 2008/09.

Nevertheless, rising iron ore prices have stimulated a significant investment in new iron ore production and transport capacity, much of which is expected to reach full capacity in late 2008 or 2009. As such, from 2008 capacity utilisation rates are expected to fall and stock levels are expected to rise. While robust demand should at least hold iron ore prices steady in 2008/09, we expect iron ore price to fall around 20% by the end of 2010.

Increasing blast furnace efficiencies is putting pressure on hard coke prices.

Metallurgical (coking) coal

Unlike iron ore contracts, Australian hard coking coal export contract prices were cut by 16 per cent in 2007/08. Contract prices for semi-soft and pulverised injection coals are expected to settle a little higher for 2007/08. Currently, short-term infrastructure constraints in Australia, combined with strong demand from Asian steel producers, are acting as a fillip for semi-soft coals. Over the medium term, coal prices are expected to come under downward pressure as supply increases and steel plants improve their efficiency and increase their use of pulverised coal injection. The increase in metallurgical coal supply will principally come from Australia and China while the greatest potential productivity improvements in steel blast furnaces are in China.

Strong growth in demand a medium term positive for steaming coal.

Thermal (steaming) coal

In 2006, strong growth in coal fired electricity generation in Asia, and a reduction in exports from China and Australia, did result in the spot price of Newcastle thermal coal being above US$50/t for most of the year. So far this year spot prices have averaged US$54/t due to strong seasonal demand from Asia, lower production from Indonesia and, a lengthening of the vessel queue off the port of Newcastle. Global trade in thermal coal is estimated to have risen by 7 per cent to 619 million tonnes in 2006 due to strong demand from Asia. The impact of this demand may be seen in the spot price for thermal coal in China rising 13 per cent in the first four months of 2007. Looking out to 2012, ABARE is forecasting thermal coal trade to rise by 3 per cent per annum to around 727 million tonnes. The key drivers of this increase in trade are an expected increase in imports by China, India, Korea and Malaysia. These countries have advanced plans to use coal fired power stations to meet growing electricity demand. China is the world largest producer of thermal coal but imports have soared due to the difficulties and cost of getting large quantities of coal from the north of China, where most of the reserves are located, to the rapidly developing south east. The US is also expected to be an important driver of growth in coal demand while growth from Japan and Europe is

Iron ore and coal

Chart 1.

European steel prices finding new highs

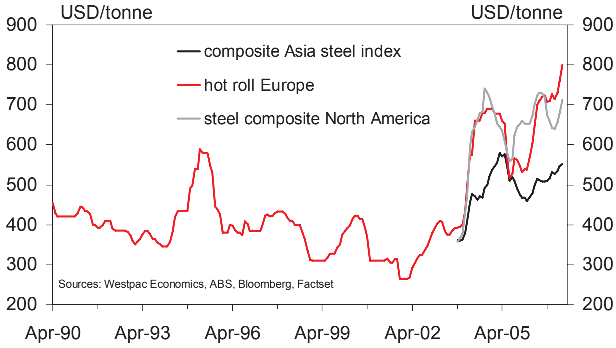


Chart 2.

Scrap and spot iron continue to head north

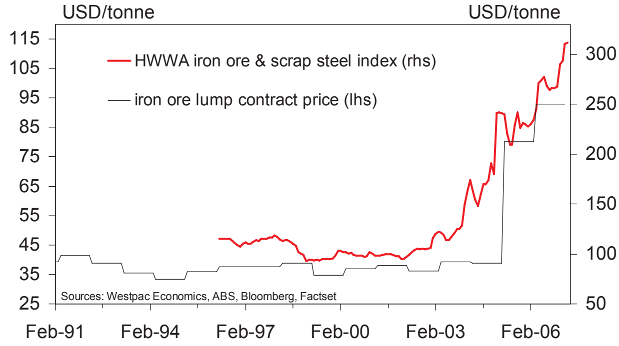


Chart 3.

European steel prices finding new highs

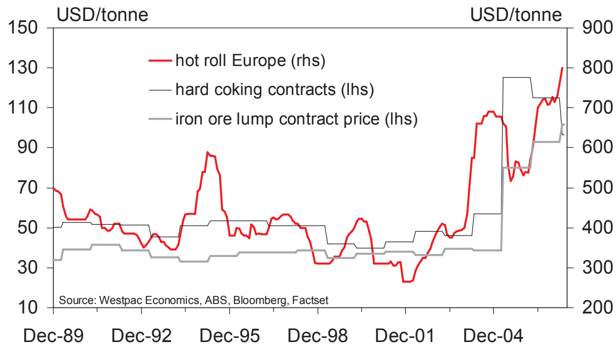


Chart 4.

Chinese imports coal has exploded

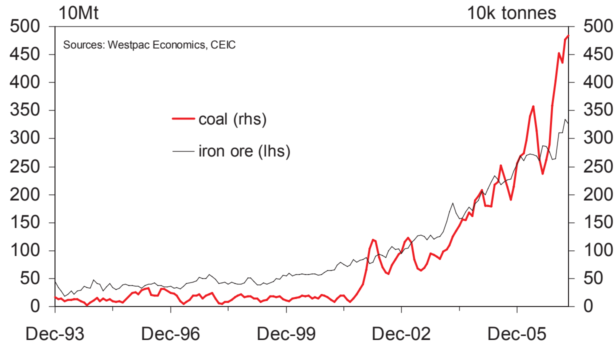


Chart 5.

Coal prices – thermal spot holding

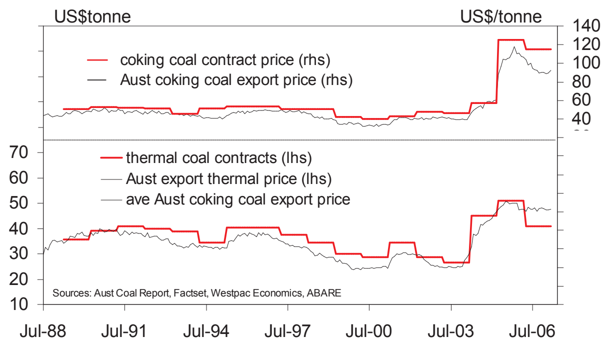
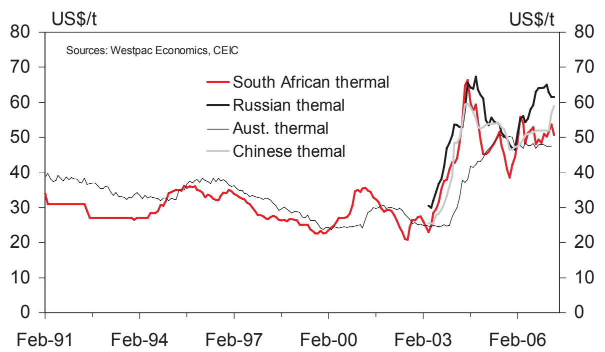


Chart 6.

Global thermal coal prices



Energy - crude oil and uranium

Crude oil

Supply shocks pushes crude oil prices to a record high in 2006.

In 2006, when robust global demand in the first half of the year was then overlayed by concerns that the conflict between Israel and Lebanon could be a threat to supply security, this took oil prices to a high of US$78 per barrel in July. From there, prices quickly retreated on some easing in tension and strong growth in non-OPEC oil output (which included a lift in output from the Gulf of Mexico where there was a relatively mild hurricane season). Near the end of 2006, unusually warm weather resulted in weaker than usual US demand for heating oil. This took the oil price down to a low of US$52 per barrel in mid January and along the way, OPEC responded with two production quota cuts which totalled 1.7 million barrels (about 5 percent of 2006 oil production capacity).

US demand remains an important swing factor ...

Prices have recovered to around US$66 as we write this report. Demand has remained robust and the return of the US refinery closures, just as we enter the start of the build up to the summer driving season, has seen gasoline prices rise almost 70 per cent since the end of January. A similar event occurred last year with gasoline prices rising 40 per cent from January to April 2006. While most of this rise has been in a widening of the refining margin or “crack” from around 20 per cent of the crude price to closer to 60 per cent, it has also helped to drag crude oil prices higher. So without a fundamental change in US and global demand, it is hard to see what will take oil prices down from their current levels in coming months. So we have pencilled in US$65 per barrel for Q2 and Q3 and argue for upside risks during this period from supply shocks.

... but supply shocks remain the key risk.

Looking further ahead, production from non-OPEC sources is forecast to continue to rise while OPEC spare capacity is expected to increase. While global growth is forecast to remain robust, it will be a touch slower than it was in 2006. In addition, the potential is there for a very volatile year in oil prices as the risks of a conflict over Iran's nuclear programme should not be understated. However, without shock, rising supply should cap the upside for oil and see prices back to around US$60 per barrel by the end of this year.

Uranium

Uranium prices have found blue sky.

The global price of uranium oxide averaged US$49/lb in 2006, a 73 per cent increase on the average achieved in 2005. The real price of uranium oxide has had a twelve fold increase since late 2000 as a dwindling supply of stocks, increased concerns over the supply of secondary sources of uranium and the improved outlook for global nuclear electricity generation lit a fire under the market. Added to this mix in late 2006 was the announcement by Cameco Corporation that production from the Cigar Lake mine in Canada is expected to be delayed by at least a year following the flooding of a mine shaft. Despite their forecast for a substantial increase in uranium mine production in 2007, ABARE expects prices to rise by 91 per cent to an average of US$94/lb. This reflects expectations of a fall in secondary uranium supply and an increase in global reactor requirements in the current tight market. Production is expected to rise in the medium term and this should result in a modest pull back in prices.

So far this year, uranium prices have risen 65 per cent to be up almost 170 per cent in the year to April. Currently trading in a range around US$104/lb to US$110/lb, without a substantial shock it appears likely that prices will easily exceed ABARE’s forecast for 2007.

Energy

Chart 1.

Real oil prices

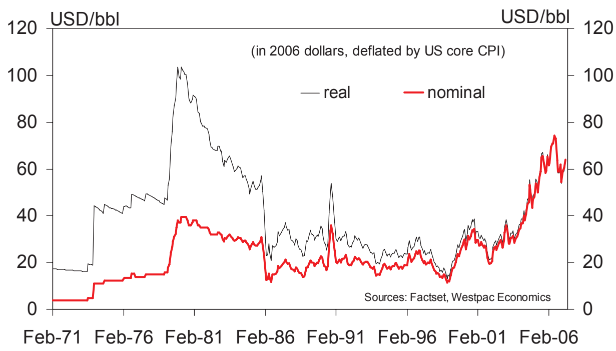


Chart 2.

US refinery closures pushing gasoline prices

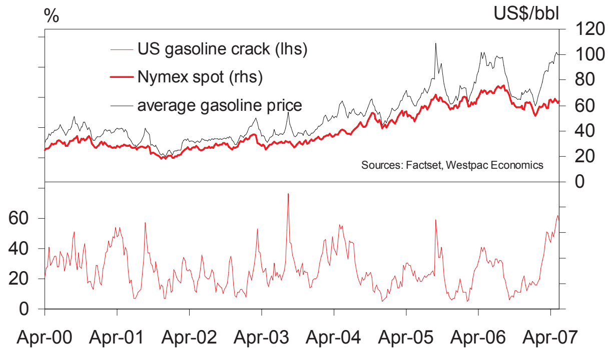


Chart 3.

Futures holding above spot oil

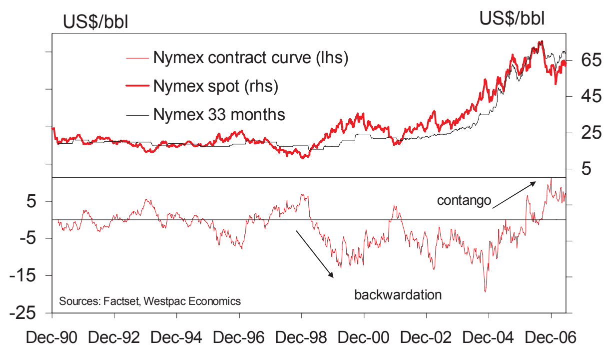


Chart 4.

Growth in oil consumption

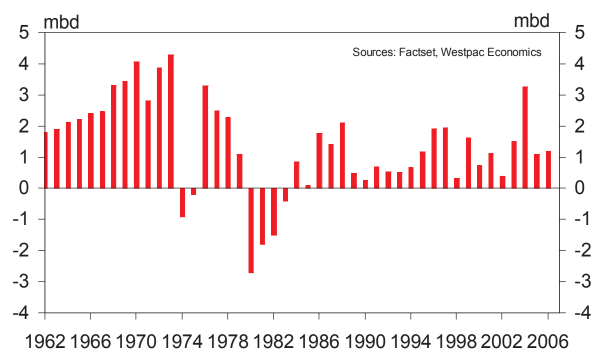


Chart 5.

Uranium prices finding blue sky

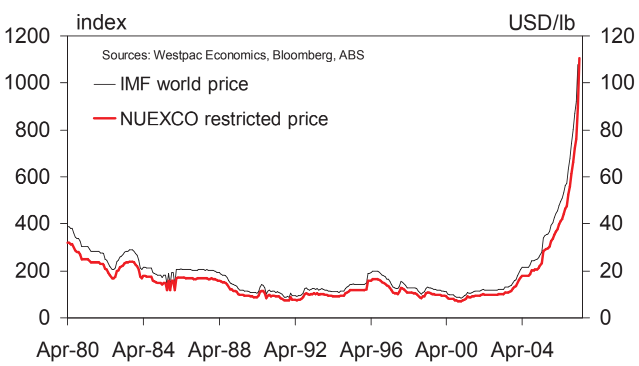
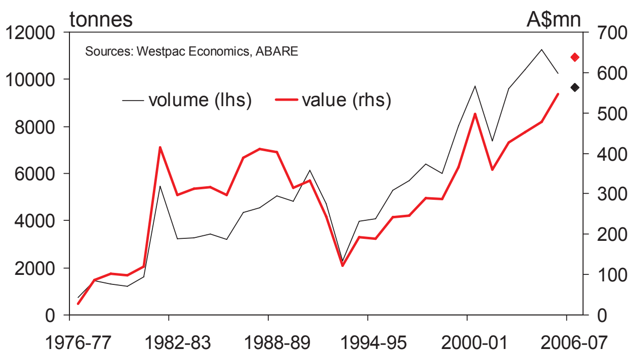


Chart 6.

Australia uranium exports



Metals - aluminium and copper

Copper

China & US housing hit copper prices in 2006.

Copper prices peaked in May 2006 and prices eased from there as demand growth slowed with the collapse in the US housing sector. By February 2007, prices were down 40 per cent from the peak but around this point, copper inventories stabilised and then started falling again. Along with continued robust global demand, a surge in Chinese imports was a catalyst for a rally in late 2006 with copper prices peaking in May 2007, a rise of 32 per cent since December 2006. However, in late May data out of China suggested that copper imports may again be falling. At the same time, a small rise in copper inventories was noticed at the global exchanges. By late May copper prices were 16 per cent off the peak but they quickly found a base around $7,000/t. Inventories at exchanges also stabilised and recently exhibited signs of contracting again.

Demand remains a positive ...

We believe that the demand side will remain a positive for copper prices to the end of 2007. The current softness in Chinese demand appears to be following a very similar pattern to that in 2006 and also in 2005. As such we suspect import moderation early in 2007 is just seasonal rather than being indicative of a fundamental change in Chinese copper demand. As such we expect Chinese imports of copper to rise again in the second half of the year and by the end of the year the level of imports will be greater than where they were 12 months ago. It is worth noting that in April 2007, copper imports were still 42% up on a year earlier. With the worst of US housing downturn past us, and industrial production picking up in the OECD, out to the end of 2008 we are forecasting copper prices to rise to around $8,100/t.

... and futures have moved higher with spot.

Over the last 12 months we have seen the future curves move higher, and lower, with spot prices. As such, current market backwardation is broadly the same as it was in 2006 when prices were previously around current levels. As such it appears that the market has not found any reason to shift its fundamental outlook for copper other than rebasing the outlook to changes in the spot price.

With copper prices now more in line with their longer-run relativity to other base metals, we see less downside risk for copper prices compared with other base metals. So with a clear risk for a surge in supply, and along with a moderation in demand, in the second half of 2008, we are forecasting a 12 per cent fall in copper prices through 2008. This is less than the 15 per cent fall we are forecasting for the base metals index.

Aluminium

Chinese demand and production is critical for outlook for Aluminium.

In 2006 aluminium prices were supported by continued strong demand from China and a fall in global aluminium stocks. But what is interesting is that despite the trend rise in stocks since late 2005, aluminium has managed to avoid the fireworks we have seen in the other base metal markets. Price did initially drop 14 per cent between May and August in 2006 but they soon regained most of the losses and have been trading broadly sideways since then. As a result, aluminium prices are now well below the longer-run relativity to the broader base metals index. We are expecting aluminium prices to hold up relatively well to the forecast correction in base metal prices.

In the short-to-medium term, continued rapid economic expansion in China should underpin strong global growth in aluminium demand. While there have been some mixed signals from the US, the housing sector looks close to finding a base and the industrial sector appears to have completed a quite savage inventory correction. In addition, Chinese net exports for the metal should also be a positive for prices as government policies are favouring semis production and penalising primary metal production. Out further we are looking for aluminium prices to ease as growth in aluminium production is expected to outpace the growth in global demand.

Metals - aluminium and copper

Chart 1.

Global copper inventories (weekly)

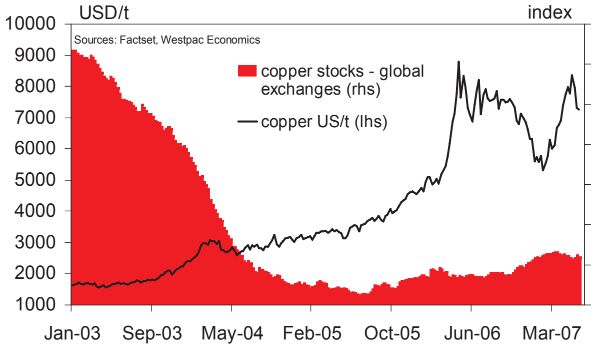


Chart 2.

LME copper inventories (monthly)

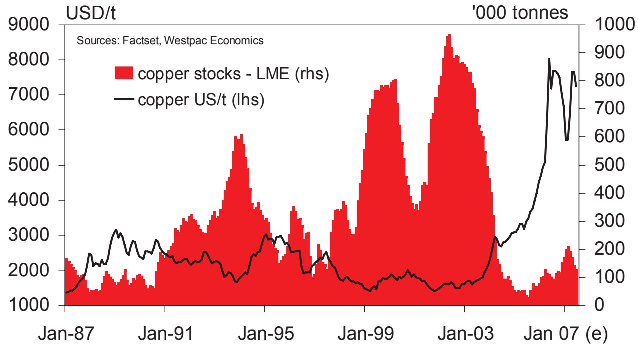


Chart 3.

Copper futures curves (adj. for finance)

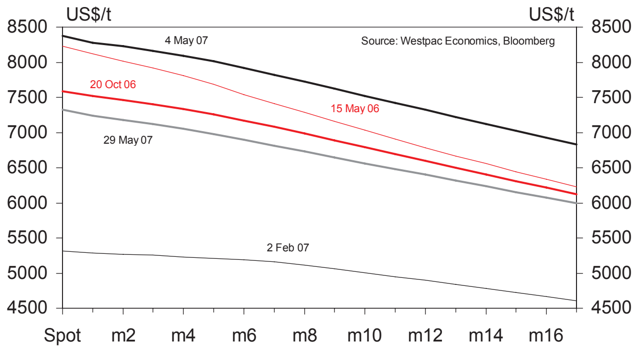


Chart 4.

Copper spot vs. longer dated futures

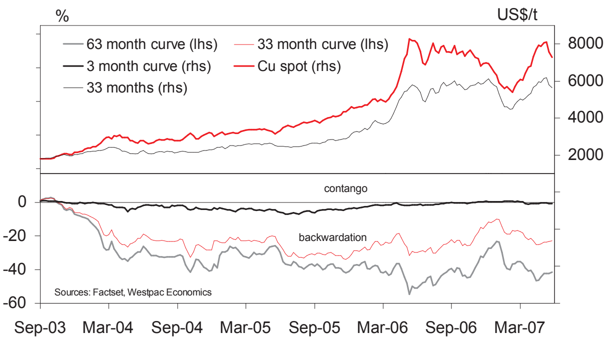


Chart 5.

Aluminium stocks rising again

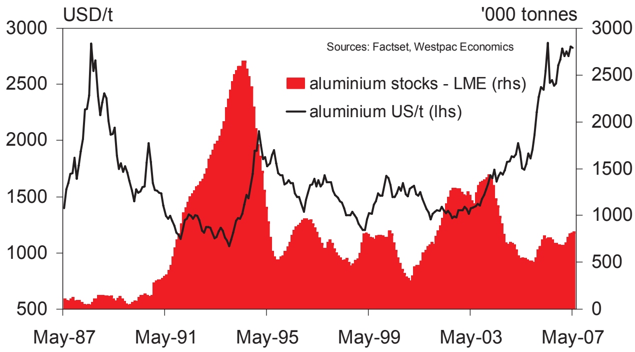
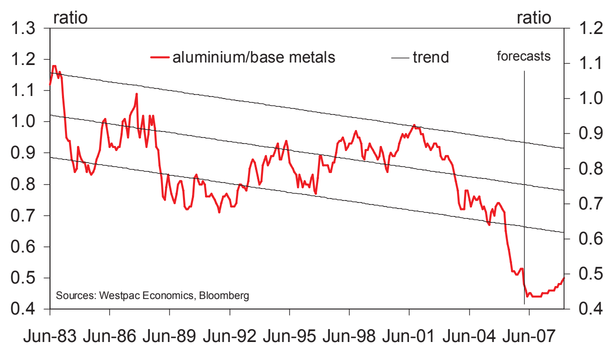


Chart 6.

Aluminium well below trend relativity



Metals - nickel and zinc

Nickel

Nickel prices continued to surge ahead in 2007.

Nickel had a stellar run in 2006 and by early May 2007, prices were 165 per cent higher than a year earlier. A range of supply constraints, from the long lead times to develop mines to the difficulties in finding skilled labour to develop and work the mines, and continued robust demand all contributed to tight market conditions, falling visible inventories and rising prices. So far in 2007, inventories have fallen to just 1.5 weeks of consumption and the situation looks to be getting worse before it will get better. The continued combination of supply disruptions and delays in the development of new projects is expected to continue to constrain growth in global nickel production at least through 2008. With inventories at such low levels, we see upside risk for nickel prices through to the end of 2008.

In the first half of 2006 nickel price moved higher and there was a trend steepening in the backwardation of the futures curve. So at this point in time it appeared that the spot prices were being driven by tightness in supply in the current market with prices rising to encourage early delivery of the metal. In more recent history, the futures have moved more in line with the movements in the spot price suggesting the market is now more likely to benchmark future prices to spot.

Chinese demand and production remains the key.

In the later half of 2008, the commissioning of new mines and the expansion of capacity at existing mines should result in a meaningful increase in supply, the rebuilding of inventories and thus an easing in prices. In addition, recent developments in China also pose a risk for nickel prices. China is increasing the use of nickel pig iron, which contains less nickel and more sulphur and phosphorous than conventional ferronickel, in the production of low grade stainless steel. If this new Chinese supply is able to satisfy some of the demand more quickly than is currently expected, prices could fall even sooner than we are forecasting.

Zinc

Surprising strength in zinc demand in 2006.

As with all base metals, zinc had a strong rally in prices in 2006. Prices peaked in November to be almost 140 per cent higher than where they were at the start of the year. Visible stocks hit record lows in 2006 but they found a base last December and have even risen slightly since then. Nevertheless the demand outlook for zinc remains very positive. Global consumption grew by 4 per cent in 2006 with strong demand from China. About two thirds of the global production of zinc is used to galvanise steel. What makes the outlook even more complicated is that China has emerged not only as the world largest consumer of zinc but also the world's largest producer. Construction associated with the rapid urbanisation of the Chinese population, and strong growth in industries such as motor vehicle manufacturing, will continue to increase Chinese demand for zinc. However, due to rapid growth in Chinese zinc production, China became a net exporter of the metal in 2006. The clear uncertainty for the outlook is the potential for a substantially larger rise in production from China. Chinese production is mainly from small mines that are highly responsive to prices as they have relatively short lead times to start up. So the longer prices stay higher, the greater will be the proportional increase in Chinese production.

Chinese is the world largest producer and consumer of zinc ...

... Chinese production poses a threat to zinc prices.

Since March zinc inventories have fallen 15 per cent and prices have risen by a similar amount. Zinc prices did soften in May, along with the broader base metals index but the continued fall in inventories suggests the current fundamentals remain supportive. The backwardation in the futures curves have been fairly constant with a small steepening as the spot prices rise. As such, it does not appear the markets have fundamentally changed their approach to the zinc. Zinc prices have fallen back in line with the longer-run relativities to base metal prices and we expect this trend to hold out to 2008.

Metals - nickel and zinc

Chart 1.

Nickel stocks are yet to find a base

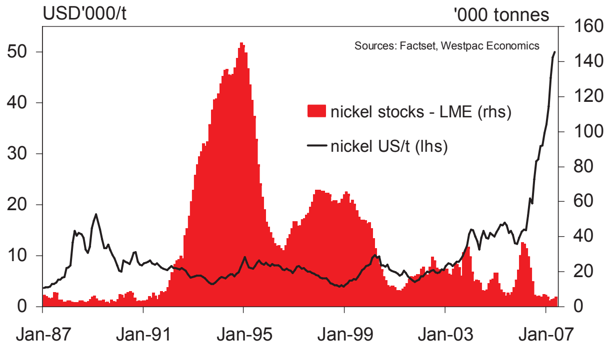


Chart 2.

Nickel metal curves (adj. for finance)

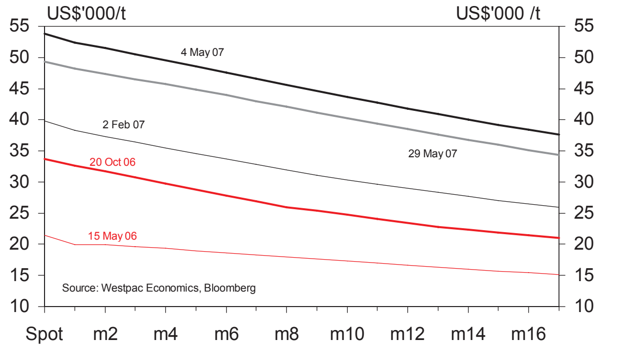


Chart 3.

Nickel well above trend

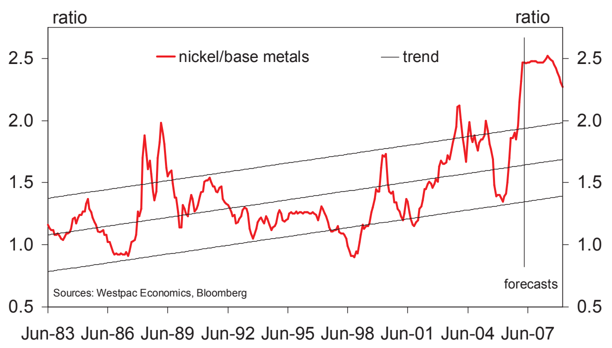


Chart 4.

Zinc stocks are still falling

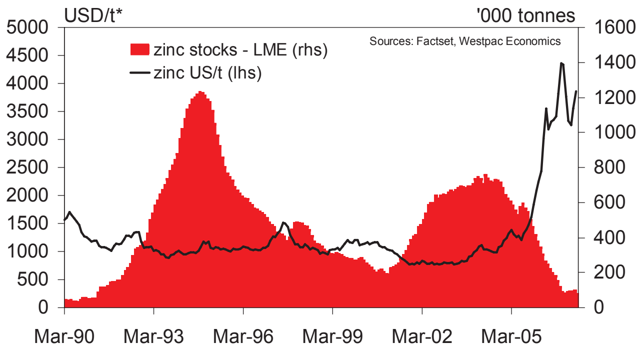


Chart 5.

Zinc metal curves (adj. for finance)

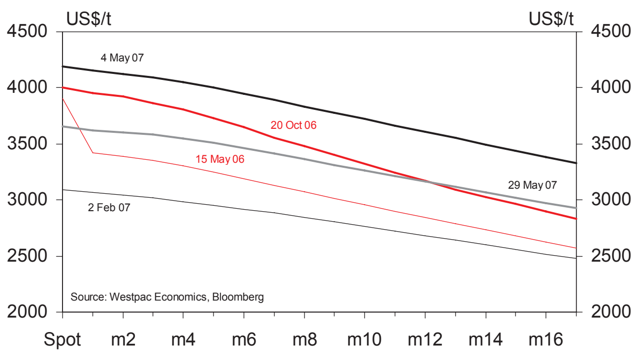


Chart 6.

Zinc has been hit by Chinese production

Base metals – lead and gold

Lead

Dull lead has outshone most base metals ...

Lead prices have continued to climb in sharply so far in 2007 suggesting that fundamentals may be stronger that we had anticipated. Prices rose 40 per cent in the 5 months to the end of May to be up 130 per cent in the year. Nickel is the only base metals in our index that has matched this performance. Prices have continued to climb despite a fairly modest demand growth outlook in some key consumer regions.

... with Chinese exports easing just as supply shortages appeared.

Two key factors for the supply shortages stems from a steep drop in Chinese exports and several major raw materials shortages. The Chinese authorities removed a 13 percent VAT rebate on lead exports resulting in a sharp decline in the incentive for Chinese producers to export the metal. In addition, the removal of the export rebate on lead acid batteries also resulted in a fall in exports. This change in Chinese exports is unlikely to be turned around in the near term as the government appears determined to reduce the export of energy intensive commodities and those regarded as environmentally unfriendly. In addition, there was a declaration of force majeure at Xstrata's Northfleet refinery and a halt of production from Magellean mine in Western Australia due to an investigation into bird deaths with elevated lead levels from the port of Esperance. Even optimistic re-start assumptions still see the loss of 30,000 to 40,000 tonnes of lead production over the next six months. On the demand side, North American demand has been hit by the cutbacks in auto production and European demand has also been lacklustre. But so far growth in Chinese demand has offset any weakness and as production from China is looking weaker than it has for some time, price prospects look quite firm.

Lead prices returned to their longer-run relatively with the base metals index in 2007. Given the tight supply situation we expect such a situation to continue so are expecting lead price match the performance of the overall base metals index to at least the end of 2008. The futures curves have generally tracked higher with the spot price. During 2006 there was some steepening of the backwardation as the prices continues to rise but by the last quarter of 2006 the degree of backwardation stabilised even though prices continued to rise.

Gold

Gold remains well below the 2006 peak.

From December 2005, gold prices surged 40 per cent to a peak around US$730 an ounce in May 2006. Price did rise again into July as the rapid rise in oil prices, and the potential risk this posed to the inflation outlook, encouraged some investors to lift their demand for gold as a hedge against inflation. As oil prices ease back in late 2006, and with the US economy facing a significant headwind from a downturn in housing, price eased sharply at the start of 2007. The recent strengthening of the US dollar has been seen as a negative for gold.

Robust demand and limited upside risk for the USD suggests a positive outlook for gold.

There are a number of factors that are supportive for gold in 2007. We expect a modest recovery in mine production from last year's down turn and gold sales from central banks are expected to fall. Production from traditional large gold producing countries continues to disappoint. On the demand side, it appears that producer de-hedging will continue and fabrication demand is expected to recover modestly due mostly to rising incomes in key consuming regions such as India and the Middle East. It is also worth noting that gold has continued to underperform relative to the base metals index. Thus as we see near-term upside risk for commodities prices, gold to can easily drift higher. We have pencilled in US$700/oz by end 2008. As we are not looking for a sustained upswing in the USD, the downside risk is limited.

Base metals – lead and gold

Chart 1.

Lead market remains very tight

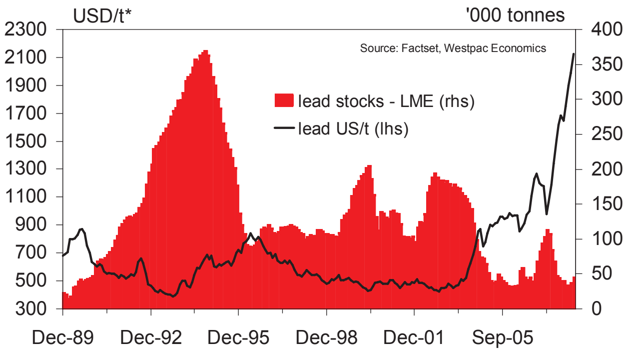


Chart 2.

Lead metal curves (adj. for finance)

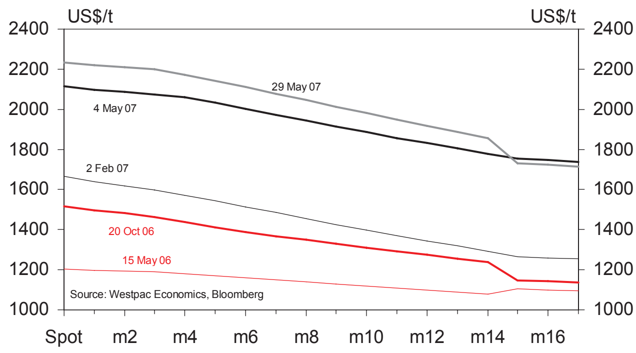


Chart 3.

Lead price relativity

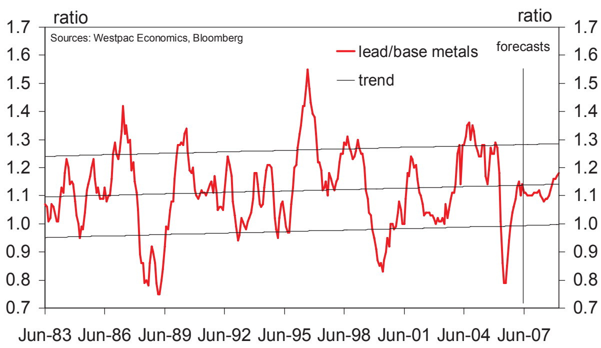


Chart 4.

Gold has underperformed base metals

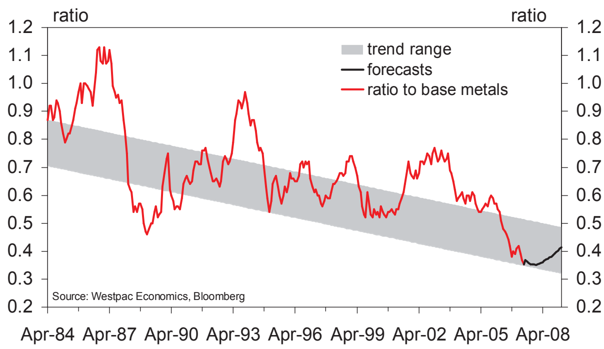


Chart 5.

Gold curve remain steeper further out

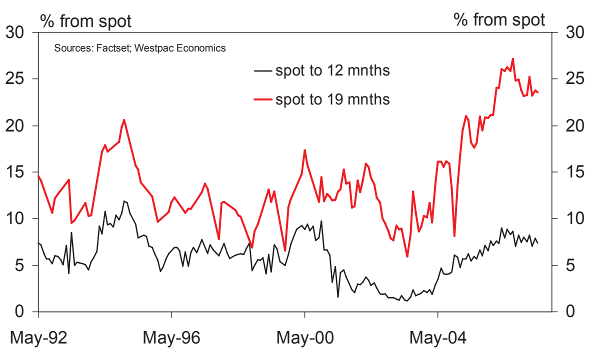
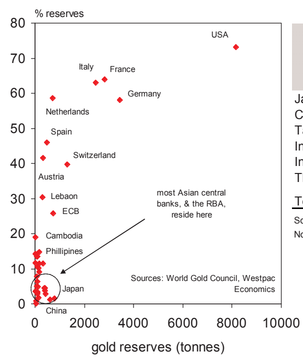


Chart 6.

Asian CB holdings of gold are small



	tonnes of gold in reserves	% of reserves	tonnes needed to reach 10%
Japan	765.2	2.0	4380.8
China	600.0	1.1	4107.5
Taiwan	423.3	2.4	1170.8
India	657.7	3.6	528.5
Indonesia	96.5	4.1	105.3
Thailand	84.0	2.4	220.2
Total	2626.7		10513.1

Sources: World Gold Council, Westpac Economics
Note: calculations are based on a gold price of US$500/oz

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.

Commodity price forecasts

Commodity prices – forecasts

annual averages	latest***	Sep–07	Dec–07	Mar–08	Jun–08	Sep–08	Dec–08	Mar–09
all commodities index#	**216**	**220**	**218**	**216**	**211**	**205**	**197**	**194**
bulk commodities index#	**224**	**227**	**225**	**225**	**220**	**218**	**213**	**212**
iron ore (USD/t)*	48	49	49	50	51	50	49	48
coal (USD/t)*	72	73	72	71	67	67	65	66
WCFI#**	**264**	**269**	**266**	**262**	**255**	**246**	**234**	**228**
crude oil (USD/bbl) NYMEX	67	65	60	59	58	56	54	55
gold (USD/oz)	676	695	700	705	702	690	670	660
base metals index#	**315**	**333**	**338**	**335**	**322**	**308**	**286**	**272**
copper (USD/t)	7539	8000	8150	8100	8000	7900	7200	7000
aluminium (USD/t)	2760	2900	2950	2950	2900	2800	2700	2600
nickel (USD/t)	47217	52000	52500	52000	51000	48000	43000	40000
zinc (USD/t)	3762	3900	3950	3900	3400	3200	3100	3000
lead (USD/t)	2337	2100	2150	2150	2000	1950	1900	1800
rural commodities index#	**102**	**96**	**93**	**90**	**89**	**87**	**86**	**86**
wool AUD¢/kg	1011	1024	982	964	952	963	963	975
wheat USD¢/bu	535	460	440	420	410	400	400	400
sugar USD¢/lb	9	10	10	9	9	9	9	8
cotton USD¢/lb	54	57	58	58	59	59	60	60

	levels				% change			
annual averages	**2005**	**2006**	**2007**	**2008**	**2005**	**2006**	**2007**	**2008**
all commodities index#	**150**	**188**	**213**	**207**	**33.7**	**25.7**	**13.2**	**–2.7**
bulk commodities index#	197	219	224	219	62.7	11.0	2.1	–2.0
iron ore (USD/t)*	35	44	48	50	62.3	24.8	10.9	3.5
coal (USD/t)*	71	74	72	67	63.0	4.2	–3.1	–5.8
ave coking price (USD/t)	*93*	*98*	*91*	*86*	*86.3*	*5.0*	*–7.0*	*–6.3*
ave thermal price (USD/t)	*49*	*48*	*49*	*47*	*30.7*	*–1.8*	*1.6*	*–3.6*
WCFI#**	**155**	**215**	**258**	**249**	**14.4**	**38.7**	**19.9**	**–3.2**
crude oil (USD/bbl) NYMEX	57	67	62	57	39.6	17.6	–7.5	–8.8
gold (USD/oz)	448	610	682	692	9.0	36.0	11.8	1.5
base metals index#	**135**	**226**	**314**	**313**	**14.9**	**67.4**	**39.1**	**–0.4**
copper (USD/t)	3590	6705	7379	7800	26.8	86.8	10.0	5.7
aluminium (USD/t)	1904	2588	2856	2838	10.5	35.9	10.4	–0.7
nickel (USD/t)	14690	23614	48178	48500	6.3	60.7	104.0	0.7
zinc (USD/t)	1389	3256	3730	3400	31.3	134.5	14.6	–8.9
lead (USD/t)	959	1284	2014	2000	10.9	33.8	56.9	–0.7
rural commodities index#	**72**	**85**	**95**	**88**	**–3.6**	**18.4**	**12.1**	**–7.5**
wool AUD¢/kg	766	814	1003	961	–9.3	6.3	23.2	–4.2
wheat USD¢/bu	330	415	466	408	–6.9	25.9	12.4	–12.6
sugar USD¢/lb	10	15	10	9	32.4	47.0	–31.5	–13.5
cotton USD¢/lb	52	54	56	59	–7.7	4.7	2.8	5.9

Chain weighted index: weights are Australian export shares. * Average Australian export prices fob – source ABS 5432 Merchandise Trade Exports. ** WCFI – Westpac commodities futures index. *** Weekly averages except for bulks. Sources: Westpac Economics, Bloomberg, ABS.

Commodity futures contracts

Futures contracts	latest	3 mths	6 mths	9 mths	12 mths	18 mths	24 mths
crude oil (USD/bbl) NYMEX	67	67	69	70	71	71	71
gold (USD/oz) COMEX	676	680	699	718	737	841	n/a
aluminium (USD/t) LME	2760	2784	2789	2762	2729	2664	2585
copper (USD/t) LME	7539	7503	7383	7215	7036	6672	6307
nickel (USD/t) LME	47217	46885	45244	43184	41084	37094	33914
zinc (USD/t) LME	3762	3755	3696	3590	3480	3252	3036
lead (USD/t) LME	2337	2342	2300	2225	2144	n/a	n/a

Sources: Bloomberg, Westpac Economics

Summary of world output

Economic growth forecasts#

Real GDP %ann	2002	2003	2004	2005	2006f	2007f	2008f
World	**3.1**	**4.0**	**5.3**	**4.9**	**5.4**	**4.9**	**4.8**
United States	1.6	2.5	3.9	3.2	3.3	2.2	3.1
Japan	0.3	1.4	2.7	1.9	2.2	2.1	1.9
Euro zone	0.9	0.8	2	1.4	2.8	2.4	2.4
Group of 3	**1.1**	**1.7**	**3.0**	**2.3**	**2.9**	**2.3**	**2.7**
United Kingdom	2.1	2.7	3.3	1.9	2.8	2.6	2.5
Canada	2.9	1.8	3.3	2.9	2.7	2.6	2.9
Australia	4.1	3.1	3.7	2.8	2.7	4.2	4.5
New Zealand	4.8	3.7	4.4	2.2	1.5	2.5	2.1
OECD total	**1.6**	**1.9**	**3.2**	**2.5**	**2.9**	**2.4**	**2.6**
China	9.1	10.0	10.1	10.4	10.7	10.4	9.7
Korea	7.0	3.1	4.7	4.2	5.0	4.5	5.0
Taiwan	4.2	3.4	6.1	4.0	4.6	4.0	4.2
Hong Kong	1.8	3.2	8.6	7.5	6.8	5.2	5.0
Singapore	4.2	3.1	8.8	6.6	7.9	5.0	5.2
Indonesia	4.5	4.8	5.0	5.7	5.5	5.5	5.2
Thailand	5.3	7.1	6.3	4.5	5.0	4.4	5.0
Malaysia	4.4	5.5	7.2	5.2	5.9	5.3	5.3
Philippines	4.4	4.9	6.2	5.0	5.4	5.2	5.2
Vietnam	7.1	7.3	7.8	8.4	8.2	7.5	7.5
East Asia	**7.6**	**8.0**	**8.7**	**8.6**	**9.0**	**8.7**	**8.3**
East Asia ex China	5.1	4.5	6.0	5.1	5.5	5.0	5.1
NIEs	**5.4**	**3.2**	**5.8**	**4.7**	**5.3**	**4.5**	**4.8**
India	4.3	7.3	7.8	9.2	9.2	8.2	8.0
Russia	4.7	7.3	7.2	6.4	6.7	6.4	5.7
Brazil	2.7	1.1	5.7	2.9	3.7	4.5	4.2
South Africa	3.7	3.1	4.8	5.1	5.0	4.8	4.3
Mexico	0.8	1.4	4.2	2.8	4.8	3.9	3.7
Argentina	–10.9	8.8	9.0	9.2	8.5	7.5	6.0
Chile	2.2	4.0	6.0	5.7	4.0	5.4	5.0
CIS ex Russia	6.6	9.3	11.0	6.9	9.7	8.0	7.0
Middle East	3.9	6.5	5.6	5.4	5.7	5.5	4.0
C & E Europe	4.5	4.8	6.6	5.5	6.0	5.5	4.0
Africa	3.7	4.7	5.8	5.6	5.5	6.2	5.0
Emerging ex– East Asia	**3.3**	**5.4**	**6.7**	**6.2**	**6.7**	**6.3**	**5.6**
Other countries	*2.8*	*3.3*	*7.2*	*7.8*	*4.5*	*6.0*	*5.0*
World	**3.1**	**4.0**	**5.3**	**4.9**	**5.4**	**4.9**	**4.8**

#Regional and global groupings are weighted using PPP exchange rates.* "NIEs" signifies "Newly Industrialised Economies" as defined by the IMF, viz; Republic of Korea, Hong Kong Special Administrative Region of China, Taiwan Province of China, and Singapore. Sources: IMF, Westpac Economics

Notes

Corporate directory

Westpac economics

Sydney
Level 2, 275 Kent Street
Sydney NSW 2000
Telephone (61-2) 8254 8372
Facsimile (61-2) 8254 6934

Bill Evans
Global Head of Economics

Andrew Hanlan
Senior Economist

Matthew Hassan
Senior Economist

Huw McKay
Senior International Economist

Justin Smirk
Senior Economist

Anthony Thompson
Senior Economist

Westpac agribusiness and regional banking

Sydney
Level 29, 275 Kent Street
Sydney NSW 2000
Telephone (61-2) 9220 1083
Facsimile (61-2) 8253 0955

Graham Jennings
General Manager Regional and Agribusiness Banking

Barry Ruddy
National Manager, Agribusiness Banking
Telephone (61-2) 6363 7601

Rick Aylett
Head of Regional and Agribusiness Banking VIC/TAS
Telephone (61) 427 249 059

Rodney Kelly
Head of Regional and Agribusiness QLD/NT
Telephone (61-7) 4688 6063

Terry Smith
Head of Agribusiness Banking WA/SA
Telephone (61-8) 9426 2331

Steve Hannan
Head of Regional & Agribusiness Banking, NSW/ACT.
Telephone (61-2) 6584 3263

Peter Willshire
Head of Regional Business Services
Telephone (61-7) 4775 9792