

Regional Economic Report

Spring 2006

- 2006 remains a good year for commodity prices.
- Coarse grains are to drive the growth in the grains industry.
- Upside inflation risks highlights the threat of higher interest rates.
- The Australian dollar to trade around US75¢ to the end of the year.

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2006 remains a good year for commodity prices

The 2006/07 cropping season has been very disappointing so far. Large areas of Australia's agricultural regions are experiencing a very late start to the winter cropping season and well below average rainfall overall. But thankfully, commodity prices are offering a modest offset. Solid global growth along with global supply constraints, which have appeared for soft commodities (agriculture) but are far more apparent in the hard commodities (energy and resources), are maintaining global prices at an elevated level. While agricultural commodities have not hit the highs that we have seen for base metals, they remain around levels not seen since the 1980s and are well above the averages for the 1990s. So while we do expect global growth to slow in 2007, extremely low stock levels suggest that while commodity prices will ease from current highs, they should remain well above longer-run averages.

For the medium term, the urbanisation of China and India remains a longer-term bullish influence on resource and energy commodities. The impact on agricultural commodities is more mixed. In this report address the longer term outlook for the grains industry and find that general global trends and the current urbanisation of Asia will significantly boost the demand for animal protein and dairy products. That will indirectly lift the demand for fodder grain as livestock production is expanded to meet this rise in demand. We do not expect to see the same lift in demand for cereal grains for human consumption and thus expect the expansion of the Australian grains industry to be led by coarse grains and oilseed production.

There has been much debate on what impact rising demand for ethanol and biodiesel will have on grain prices. It is clear that while industrial demand for grains is set to lift the overall global demand for grains, this year the sugar industry gave us a timely reminder that soft commodities face different supply considerations to energy commodities. Cane farmers responded to higher prices by lifting production and sugar prices have fallen. In this report we highlight that while we expect sugar prices to remain well above their 1990s averages, you can not just expect them to blindly follow oil prices higher due to rising demand for ethanol.

Other key issues we raise in this report include:

- The strength of domestic demand in Australia, as highlighted by the unemployment rate falling to a 30 year low, suggests there are upside risks to the current inflation outlook and thus there is a significant risk the RBA will raise rates again this year. Along with the current imbalances in the US economy pushing the US dollar down, higher interest rates here will be part of the reason why we expect the Australian dollar to trade at or above US75¢ to the end of the year.
- Interest rates are rising around the world and along with a clear downturn in the US housing market, we are looking for world growth to average around 3¾ per cent in 2007 compared with 4¾ per cent this year.
- Australia has become a three speed economy where the resource rich states, WA and Queensland, are travelling in the fast lane, the rest are in the middle lane, except for NSW which is the L-plater hugging the kerb watching the other ones flash by.
- The re-entry of the US into the Japanese beef market has implications, not just for the beef market, but also the lamb market as cheaper beef prices will encourage consumer substitution to beef at the expense of lamb.

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The interest rate outlook and the Australian dollar

The RBA raised rates in August and left the door open for more.

The Reserve Bank raised rates by 0.25 percent on August 2. The RBA then followed this with the release its Statement on Monetary Policy, and its Semi-annual testimony to Parliament, with a significant upward revision to its inflation forecast profile. However, the Bank does point out that the risks to the forecasts are evenly balanced. That implies that while the Bank cannot dismiss the prospect of an additional move, it is prepared to wait to assess the impact of the two recent moves on growth and inflation pressures.

Competition in the mortgage market has stimulated the lending numbers.

The Bank believes it has considerable scope for further moves. It points out that while its cash rate is now slightly above the long-term average, the interest rates paid by borrowers are below average and will remain so even after the August interest rate rise has been passed through. With new lending for housing having increased by 22 per cent in the last year and total credit growth still running at 14.5 per cent, the Bank has good grounds for arguing that interest rates are not too high.

The Australian economy has built a strong momentum in 2006 ...

Our assessment is that the economy has built up strong momentum in the first half of 2006, particularly in housing and business investment. The consumer has also adapted to higher interest rates quite effectively and no longer fears some excessive collapse in house prices - a prevalent concern in 2004 and 2005.

... thus inflation risks remain to the upside.

In short, the likely slowdown in spending resulting from the two rate hikes will not be sufficient to allay concerns about a further upward drift in inflation. The Bank's measure of underlying inflation is now forecast to be at the top of the target zone by year's end and to hold there through 2007. Any growth surprises to the upside will also drive inflationary risks higher.

Interest rates relativities have been driving the Australian dollar.

In August, the Australian dollar (AUD) surged to US77¢ almost exclusively due to the changed outlook for interest rate relativities. The forward yield differential between Australia and the US has widened by an extraordinary 33 basis points or 0.33 percentage points. In contrast, the other key driver - commodity prices - has been fairly flat. The Westpac Base Metals Index has been broadly stable while the overall index has fallen by an insignificant 1 per cent.

The US housing downturn poses a risk for the USD ...

The recent strength of the AUD has also had little to do with some overall weakness in the US dollar (USD). However, we have been warning readers about the likely impact on US growth of the housing downturn. The cumulative impact of such weakness sets clear warning signs for the USD, although the AUD will not be immune through the impact on the commodity cycle and global confidence of a US slowdown. The two major forces on currency markets in 2007 will be a weakening USD through a narrowing yield differential and slowing growth, and secondly, a turning point in the commodity cycle associated with a global slowdown. We expect a fairly stable (average) AUD against the USD but a substantially weaker AUD against the Japanese yen and to a lesser extent, the Euro.

... which in turn will be supportive of the AUD ...

With markets largely pricing in our interest rate forecasts for the remainder of 2006 and commodity markets holding reasonably steady, we are not looking for the AUD to break out of its recent US74¢ – US78¢ range.

... but contagion from NZD weakness may be an offset.

The only additional factor for AUD will be a potential disruption to AUD capital flow and a contagion from New Zealand. Between September 2006 and May 2007, we expect a total of \$14bn in redemption of AUD bonds held by Japanese investors. Australia's rate hikes will be largely neutralised by expected hikes in Japan. New Zealand has a "hurdle" of NZ9bn and any clear NZD weakness is likely to adversely impact the AUD as well.

The Australian dollar and interest rate outlook

Chart 1.

Inflation on the rise across Australia

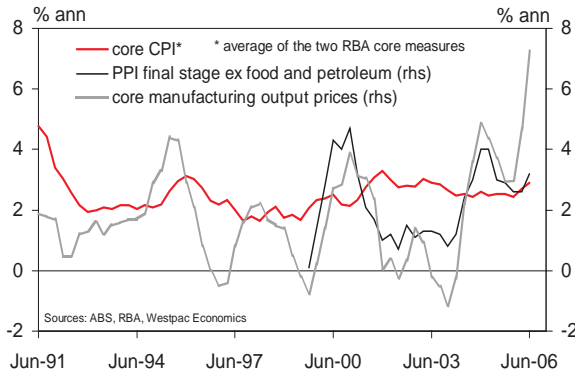


Chart 2.

Australia: consumers back spending again

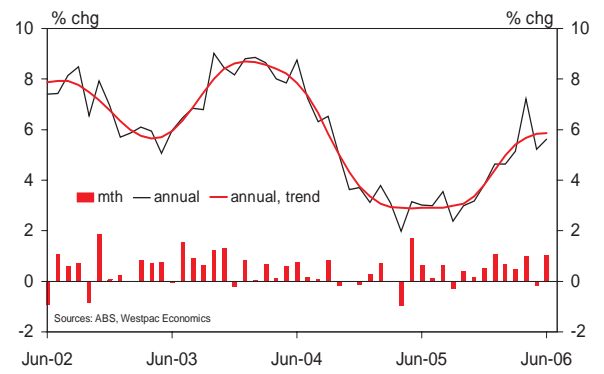


Chart 3.

Australian market rates move higher

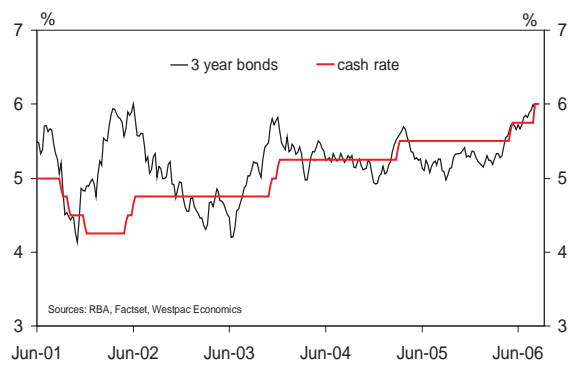


Chart 4.

Yield differentials narrow

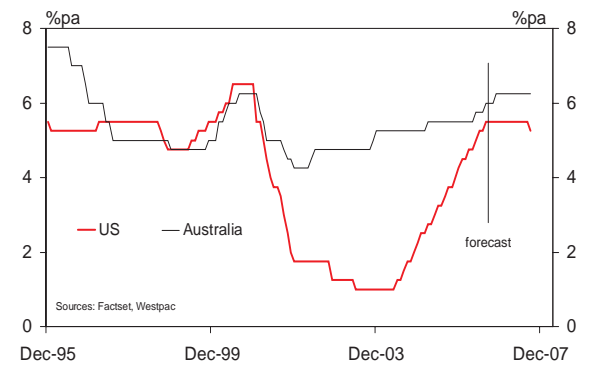


Chart 5.

Commodities peaked in May 2006

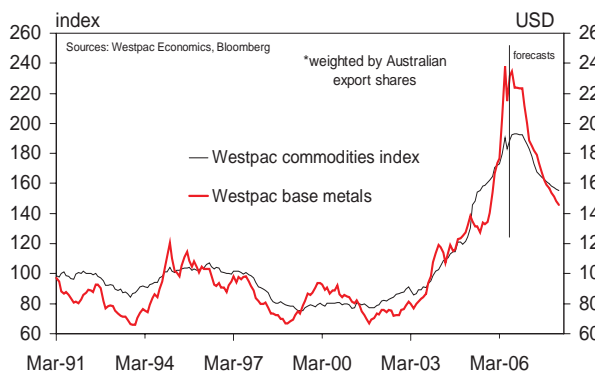
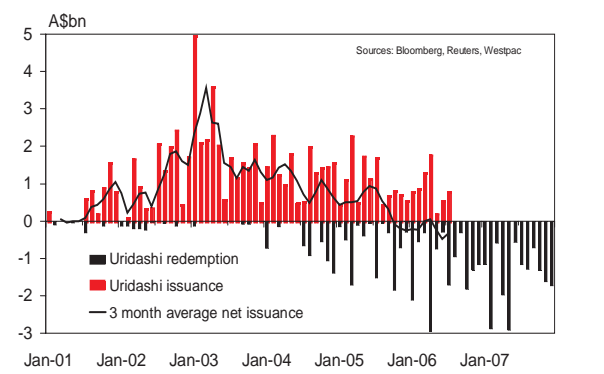


Chart 6.

Japanese interest in A\$ bonds declines



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The world economic outlook

Interest rates are on the rise..

The big story around the world is that central banks are lifting interest rates back to more normal levels as the world economy continues to power ahead. We have upgraded our 2006 world growth forecast to 4.7 per cent, equal to that of last year and the fourth consecutive year of above par expansion. However, this brisk demand environment is generating rising global inflation pressures and requires the removal of excess liquidity. In the US, where interest rates have already been 'normalised', growth slowed in the June quarter, in part because of the much foreshadowed housing downturn. However, in Europe and Asia, the 'normalisation' process still has some way to run. Market volatility and uncertainty will persist as the outlook for world growth reacts to the tightening of monetary conditions.

Inflation pressures remain high but the Fed is set to remain on the sidelines for now.

The US Federal Reserve has normalised interest rates and is now set to monitor the cumulative impact of two years of rate rises. The housing downturn, which is already apparent in the economic data so far this year, will see economic growth moderate in the second half of this year. However, inflation pressures remain high, and are still building, and market volatility is not about to evaporate. The risk of further rates rises from the Fed has not passed.

Interest rates are also rising in Europe ...

In Europe, both the European Central Bank and the Bank of England lifted interest rates in August. The ECB has further to go in progressively withdrawing monetary accommodation. Although, interestingly, the ECB notes that the medium to longer term risks to growth lie on the downside. For the BoE, we judge that the August hike will be enough – risks to the medium term inflation outlook are to the downside in our view.

... and the Bank of Japan has lifted rates after being in easing mode for 15 years.

This year saw the end of an era in Japan with the Bank of Japan lifting interest rates from zero to 0.25 percent on 14 July. After being in easing mode for a full fifteen years, the tide has now finally turned and a protracted up-cycle for interest rates is in prospect. The economy is moving ahead and deflationary risks have receded. We expect the Yen to strengthen in this environment.

The Chinese economy has accelerated so far in 2006 ...

The Chinese economy accelerated in the second quarter of 2006 with growth of 11.3 percent the fastest since the middle 1990s boom. Accordingly, we have upgraded our 2006 growth forecast. Chinese authorities are responding by tightening domestic policy, which suggests they will need to deal with a somewhat stronger exchange rate.

... while the rest of Asia is facing a challenging time ahead.

The rest of Asia is facing challenging times ahead. A number of Asian central banks are facing a real test of their inflation fighting credibility in the relatively new inflation targeting regimes in place across the region. While external demand may be about to become less supportive, our interest rate forecasts err on the aggressive side given the troubling inflation backdrop.

Summary of world GDP growth

%	2001	2002	2003	2004	2005	2006f	2007f
United States	0.8	1.6	2.5	3.9	3.2	3.5	2.7
China	7.3	8.0	9.1	9.5	9.9	10.2	8.4
Japan	0.2	0.1	1.8	2.3	2.6	2.9	2.0
East Asia	1.7	4.7	3.6	5.7	4.9	4.9	4.6
Europe	1.6	0.9	0.6	2.0	1.5	2.1	1.7
Australia	2.2	4.1	3.1	3.5	2.5	3.5	3.5
New Zealand	3.0	4.8	3.4	4.3	2.3	1.5	1.2
World	2.5	3.0	4.0	5.1	4.7	4.7	3.7

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

The world growth outlook

Chart 1.

US Dwelling investment correction to continue

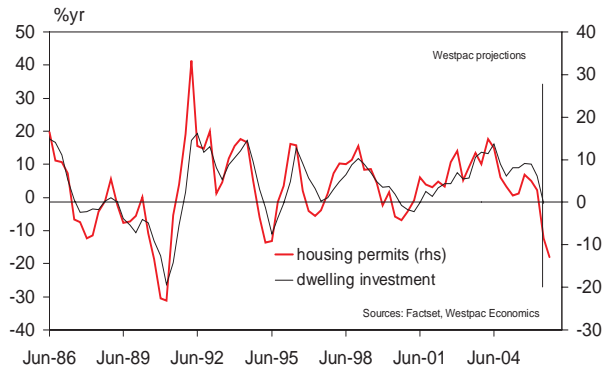


Chart 2.

US dwelling sentiment & permits

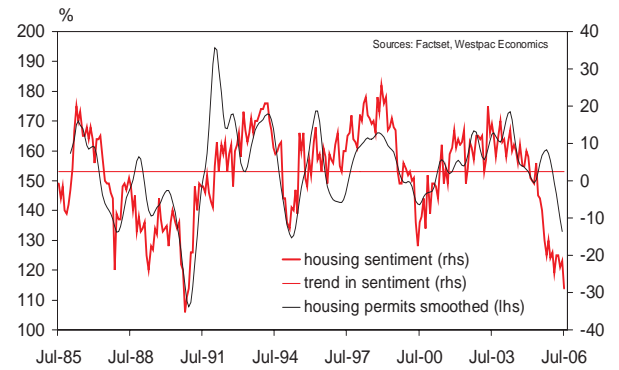


Chart 3.

ECB still to tighten, BoE once again on hold

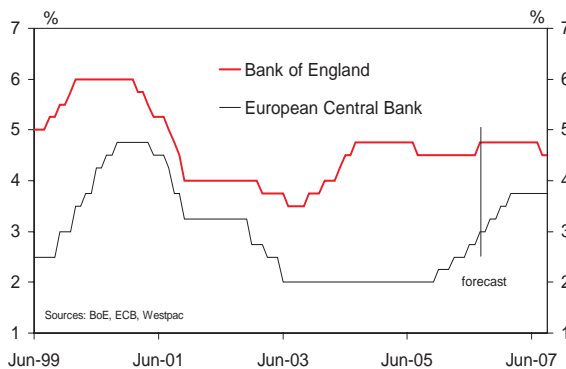


Chart 4.

Euroland business surveys uptrend persists

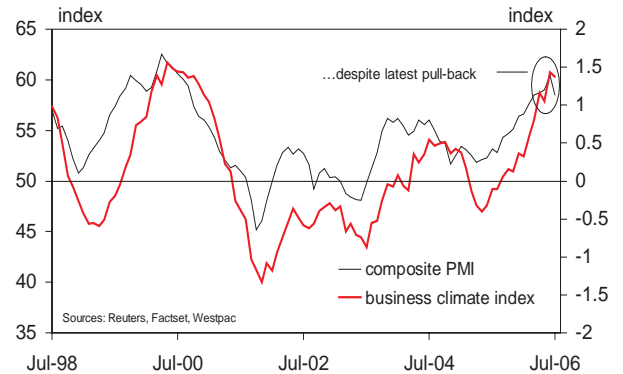


Chart 5.

Japan's first tightening since the 1980s

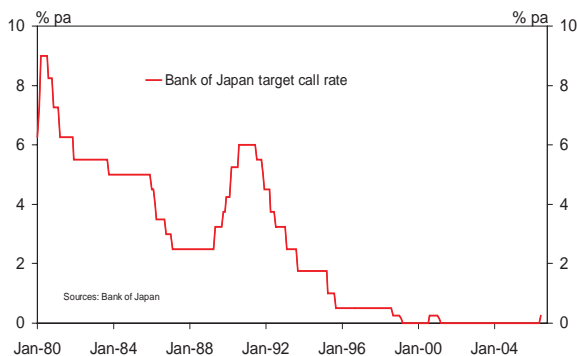
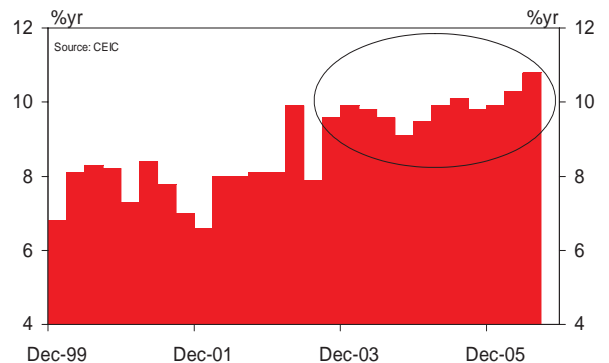


Chart 6.

Chinese GDP above 9% since SARS



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Coast-to-coast, the “three speed” economy

Australia has become a “three speed economy”.

As far as the state economies are concerned, we often depict Australia as experiencing a ‘two-speed’ economy. It may be more accurately described as ‘three-speed’: NSW is stuck in the slow lane; resource rich Western Australia and Queensland are in the fast lane; while the ‘southern states’ are somewhere in the middle. It is notable that demand conditions improved in all states – except NSW – with spending over the year to March 2006 recovering from the trough of the year prior. Also, a housing recovery was emerging – but not in NSW.

The recent rate rises will hit NSW the hardest.

New South Wales: The difficulties continue and look set to persist, an outlook reinforced by the Reserve Bank’s raising interest rates in May and August. State demand was flat in the first quarter and annual growth slipped below 2 per cent. The housing recession has deepened, with dwelling approvals plunging 25 per cent over the last year. This contrasts with a number of states, where signs of a recovery were emerging early this year. A positive is that Sydney house price weakness is restoring relative affordability, rents are rising and the pace of outward migration has slowed. Another positive is that the unemployment rate remains near historically low levels.

Victoria is performing relatively well given the lack of resource endowment.

Victoria: The state is performing relatively well given its lack of resource endowment. State demand was all but flat in the first quarter, but even so, annual demand ticked higher to a respectable 4 per cent. Some positives are evident. Consumers were out spending again, established house prices are rising and dwelling approvals were levelling out ahead of the RBA rate rise.

There is a real buzz in Queensland ...

Queensland: There is a real buzz in Queensland, with state demand surging 3.3 per cent in the first quarter. Consumer spending improved, business investment is surging and public spending is providing significant impetus. As with Victoria, signs of an emerging housing recovery were emerging - with approvals ticking higher and prices up modestly.

... while Western Australia remains red hot.

Western Australia: Conditions are red hot in the West and why wouldn’t they be, with the most favourable international conditions in 30 years. State demand rose 1.7 per cent in the first quarter to be up 11 per cent over the year – the fastest pace in eight years. The investment boom, which is set to continue given the substantial second round effects from record high commodity prices, is laying the platform for an acceleration in exports.

South Australian has lost some momentum.

South Australia: There has been some loss of momentum in the state. With demand rising by 1.4 per cent over the last six month conditions appear to be on a more moderate path than in 2004. Notably, consumer spending remained disappointing in the first quarter of 2006. However, on the positive side, the South Australian housing market was also showing signs of improvement in early 2006 – with both approvals and prices on the rise.

Tasmania is having the best conditions in ten years.

Tasmania: The state is enjoying its best conditions in decades. State demand increased by 0.75 per cent in the first quarter to be up a brisk 5.9 per cent over the year. Population trends remain relatively favourable and the housing sector was on the improve - with property prices up a healthy 10 per cent over the year and dwelling approvals trending higher.

Coast-to-coast, the “three speed” economy

Chart 1.

Demand growth - annual

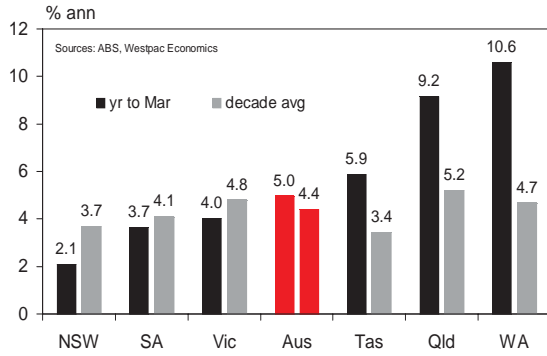


Chart 2.

State demand growth – a comparison

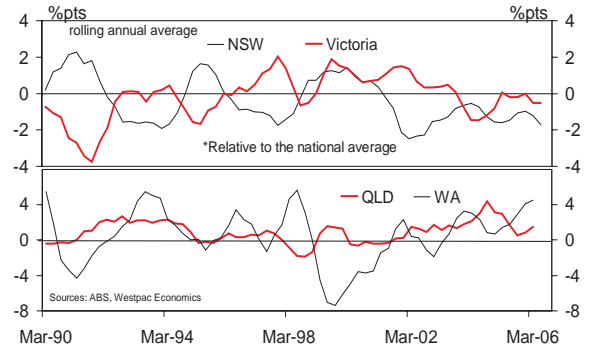


Chart 3.

Export prices by state

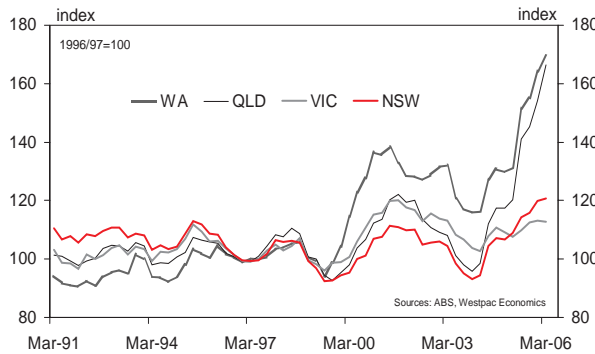


Chart 4.

Population trends: some reversion apparent

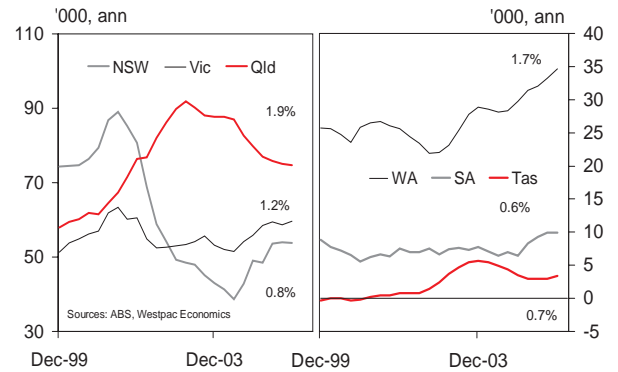


Chart 5.

Stretched housing affordability

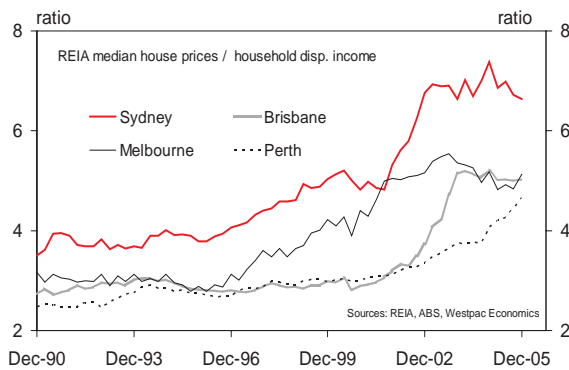
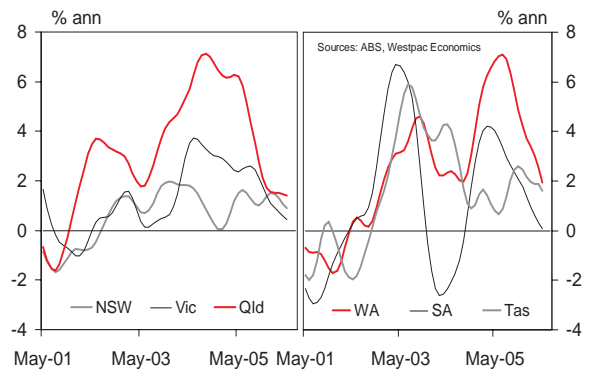


Chart 6.

Employment trends converging



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Coarse grains to drive growth in the grains industry

China and industrial demand are long-term positives for the grain industry.

Rising Chinese demand and the use of grain for industrial purposes is seen as a positive for the grain industry. In this article we explore these issues and find that while China is set to be a significant importer, the focus will be on fodder rather than grains for human consumption. In addition, productivity remains a longer-run cap on prices.

Wheat stocks near record lows and yet prices are not near record highs.

Wheat stocks have fallen to near record lows, just as we have seen in base metals. And yet, unlike base metal prices, wheat prices are not at record highs. Why is this you may ask? The second chart over provides a clue; it plots the real value of wheat against the stock to use ratio. Since 1970 a higher stock/use ratio is broadly associated with lower wheat prices. However this relationship has a fit of just 0.17, unity or one is a perfect fit, so there is clearly more at play. If you look at the chart a little more closely you see that while prices broadly move along the trend line, there has been a longer run trend decline. This is the result of continued productivity improvements and as wheat yields rise, the production cost per tonne falls and so prices are driven lower. It is these continued productivity gains that are expected to drive prices lower over time even though stocks may not rise significantly.

Rising productivity lowers production costs and keeps wheat prices down.

Chinese production to continue to fall in the longer-term.

Chinese wheat production has been falling as land is lost to urbanisation and desertification. As a result, Chinese wheat stocks have fallen from around 100 million tonnes in 1999 to close to 20 million tonnes this year. So this loss in productive land and resulting decline in production has resulted in China turning to imports to make up for the seasonal shortfalls in domestic production.

Urbanisation will boost human consumption of animal proteins and not cereals.

A bigger question is what impact will the urbanisation of Asia have on grain demand? The resulting rise in incomes means there will be a shift in the composition of food consumed. Currently Chinese diets are based on grains, vegetables and starchy roots. Compare that with a Western diet that is much higher in dairy, meat and fruit. As incomes rise in China, they too will consume more dairy and meat products at the expense of grain. As such, the demand for grain for human consumption will fall but demand for fodder grain will rise as the Chinese increase domestic livestock production. It is this rising demand for fodder that will push China into being a net importer of grains.

Coarse grains and oilseeds are set to benefit from rising demand.

Incomes are rising globally and thus grain consumption per head is set to continue to fall. Of course, total grain consumption will rise with population growth, however, it will not rise as fast as it has in the past. Rising incomes are also associated with an increase in the consumption of vegetable oils. So oilseed crops are one of the few grains directly consumed by humans that are set to lift on a per capital basis and thus face very solid demand growth. However, these grains also face solid supply growth from Brazilian soybean and competition from palm oil which will provide a significant offset.

The impact of ethanol and biodiesel should not be overstated.

Recently, we have seen significant debate on the merits of grains for industrial purposes, in particular biodiesel and ethanol. However, sugar provides a timely reminder that farm commodities are very different to hard commodities. Sugar prices peaked in April around US\$17.5¢ per kg as Brazil lifted its production of ethanol. At the time oil was US\$71 per barrel and recently touched US\$78. However, sugar prices have since fallen to almost US\$12¢. Clearly, growth in sugar production is outpacing ethanol demand.

Out to 2010, total grain production is set to grow by 1.4 million tonnes to 23.7 million tonnes. However, wheat production is unlikely to return to even 2004/05 levels and given the above analysis it should not be surprising that it is the coarse grains industry, growing at around 3% per annum, driving industry expansion.

Coarse grains to drive growth in the grains industry

Chart 1.

Low stocks a temporary support for wheat

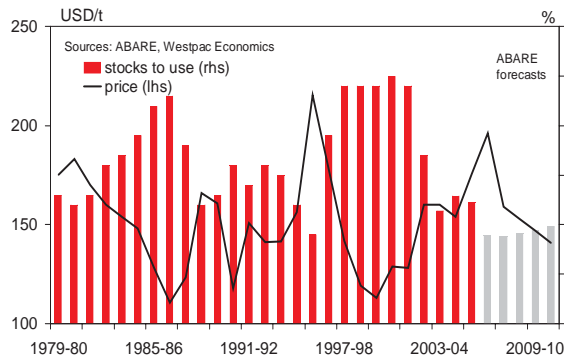


Chart 2.

World real wheat prices and stocks

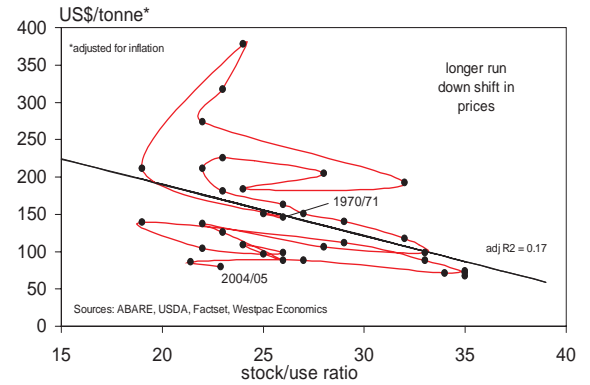


Chart 3.

Chinese stocks falling as production declines

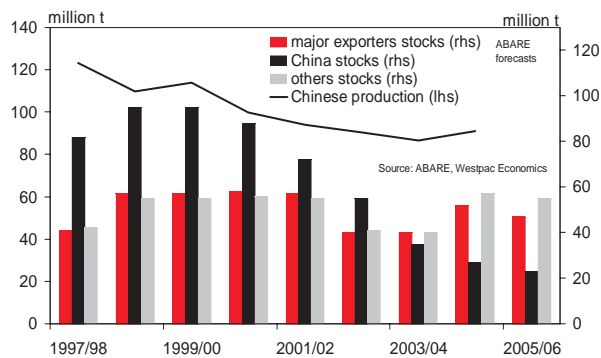


Chart 4.

Diets will change with rising incomes

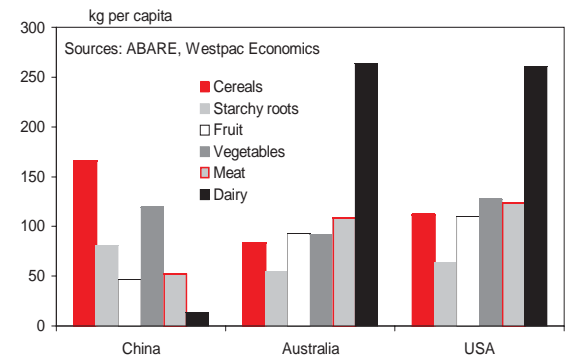


Chart 5.

Wheat consumption per person

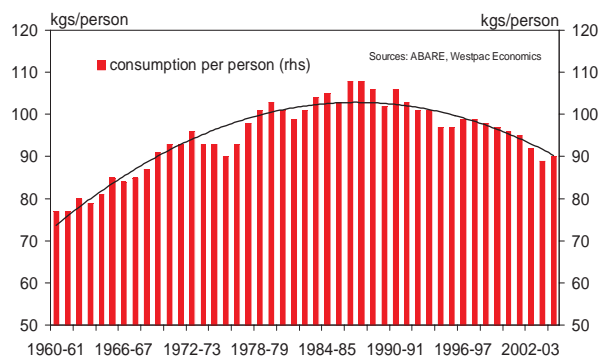
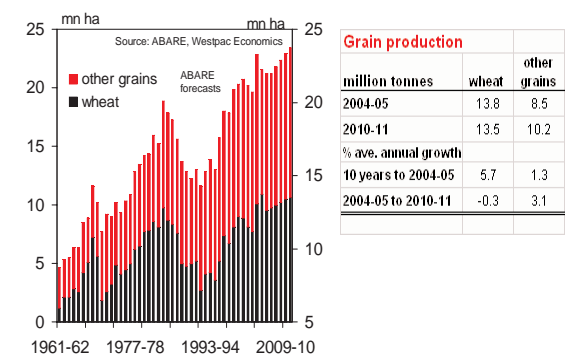


Chart 6.

Growth to come from other grains



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Regional industries – wheat and coarse grains

Rainfall has been disappointing this year.

Rainfall across most of Australia throughout summer of 2005/06 was below the long term average and this dry trend continued through April and May. The Bureau of Meteorology forecasts that the odds for August to October have shifted to below normal seasonal rainfall across most of northeastern Australia. For the rest of the country, the chances are generally close to 50% for median rainfall over the same period. The downgrading of the seasonal outlook across Australia is partly a function of raised temperatures in the Pacific, but more strongly related to rapidly increasing Indian Ocean temperatures. The current outlook is suggesting a very disappointing finish to a below average season.

Global wheat production is down 20 million tonnes on the previous year.

Wheat

The USDA has reduced its estimate for global wheat production by 7 million tons this to 598 million tonnes, 20 million tonnes less than the previous year and 31 million tonnes below the 2004/05 record. The most dramatic change was the 7 million tonne reduction to the European wheat forecast. Hot, dry conditions during July spread from Spain through France and Germany and into Scandinavia, reducing wheat yield potential during the vital filling stage. Smaller reductions for Canada and Argentina were offset by increases for Russia, Ukraine, and other countries. Projected global use was reduced much less than production, resulting in a 5 million tonne drop in projected world wheat ending stocks to 128 million tonnes, the lowest since 1981/82.

Australian cropping programmes are smaller and yields are down.

Most of the Australian wheat belt recorded below to very much below average rainfall during the summer of 2005/06. With the exception of South Australia, the dry trend continued throughout autumn across most states. The lack of subsoil moisture, particularly in southern and central New South Wales, means that crops in these regions will be more than usually vulnerable to dry seasonal conditions. ABARE has forecast that the area sown to wheat will be down 5 per cent to 12.4 million hectares and production to decline by around 9 per cent to 22.8 million tonnes. However, the rainfall the northern WA wheat belt has been very poor and recent industry estimates suggests that production from this region alone may be down as much as 1 million tonnes. The risk to ABARE's estimates clearly lies to the downside.

World coarse grain production to match 2005.

Coarse grains and oilseeds

The USDA is projecting world coarse grains production for 2006/07 to hold at 970 million tonnes as an increase from the United States is offset by reduced prospects elsewhere. Non-US coarse grains production is down nearly 5 million tons mostly due to reduced prospects for the EU. EU projected corn production was dropped 2.6 million tonnes while barley production prospects were reduced 1.1 million tonnes. A record soybean harvest in Argentina, and profitable crush margins, are driving a surge in the country's exports of soybean meal and soybean oil. Shipments out of Brazil are down a cumulative 2 million tons and Chinese imports of soybean oil are slowing due to rising prices and substitution to palm oil. Global canola production for 2006/07 was trimmed 1.3 million tons to 45.4 million tonnes due to smaller domestic crop estimates for China and Europe.

ABARE is forecasting smaller barley and canola crops and with a reduction on yields, with total production is forecast to be 8.5 million tonnes and 1.4 million tonnes respectively. Again a possible dry finish to the season points to downside risks these forecasts.

Regional industries – wheat and coarse grains

Chart 1.

Drought conditions sever in the West

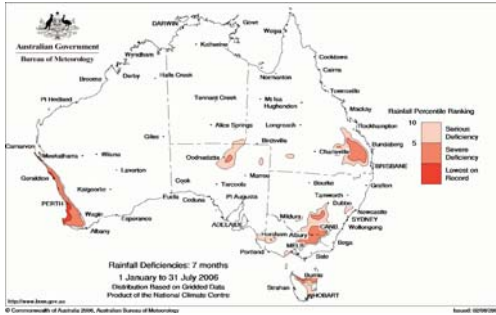


Chart 2.

Wheat price spreads

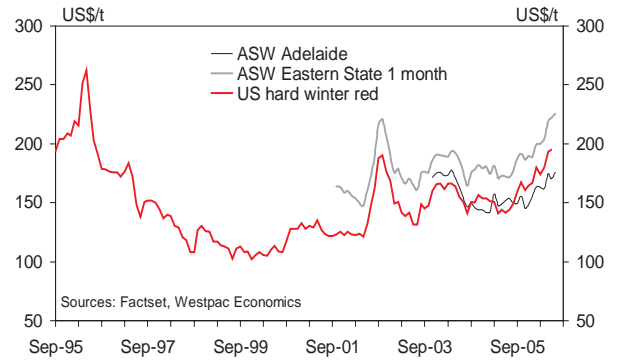


Chart 3.

Australian wheat production

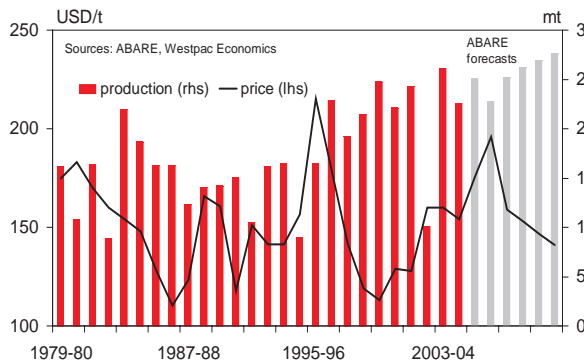


Chart 4.

Oilseed consumption on the rise

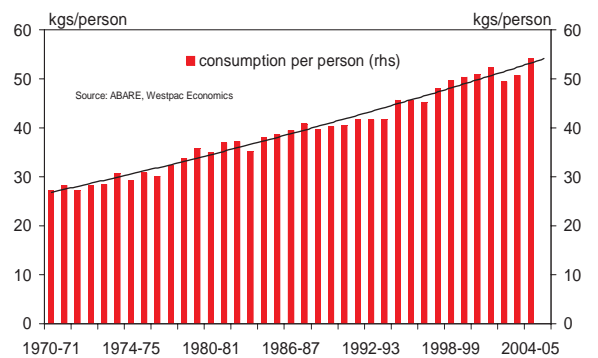


Chart 5.

World corn and barley prices

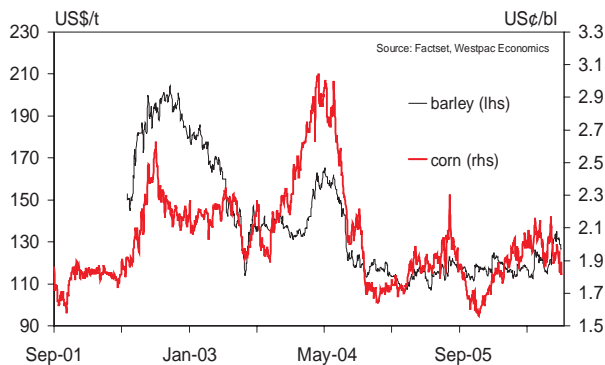
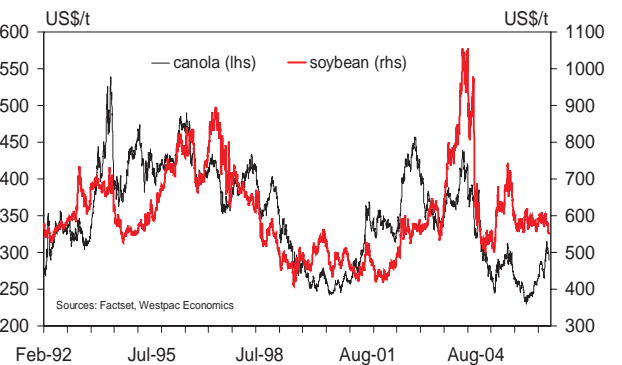


Chart 6.

World canola & soybean prices



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Regional industries – cotton and sugar

World cotton stocks to tighten in 2006/07.

Cotton

World cotton stocks are expected to tighten in 2006/07. Production should be roughly unchanged from the year before as larger non-US production (led by India) more than offsets a smaller U.S. crop; total world production is estimated to be 116 million bales. Consumption is expected to continue to grow in 2006/07, albeit at a slower rate than during the previous two years, to 122 million bales. As such, world stocks are expected to fall 8 percent from the year before. As a share of world consumption, stocks (excluding China) remain slightly larger than in either 2002/03 or 2003/04 suggesting stocks remain a buffer to higher prices.

India still has room for further significant yield improvement.

The USDA's analysis of India's recent surge in cotton yields suggests there is still plenty of room for improvement. Gujarat's 2003/04 yield was lower than its 1998/99 yield and has been consistently below the trend achieved from 1999 to 2002. From this the USDA speculates that the current lift in yields may include a return to previous productivity levels as well as a boost from the adoption of Bt (genetically modified cotton). The availability of increased irrigation supplies has created opportunities to grow higher yielding cotton in Gujarat. Thus, while Gujarat was an early adopter of Bt cotton in India the 132-percent yield gain it realised between 2000/01 and 2005/06 derives from other factors as well as Bt. Given the potential for Bt to lift yields, the relativity of current yields to historical yields suggest there is still plenty of room for improvement. Similarly, Punjab's 102 per cent yield gain during this time still leaves per hectare yields below their 1991/92 level, suggesting a similar mix of developments.

The lack of water is inhibiting the size of the Australian cotton crop.

ABARE is forecasting the area planted to cotton in Australia to fall by 20 per cent to 269,000 hectares in 2006/07 as dam storage in key cotton growing districts remains low in comparison to the same period last year. In addition, the relatively low cotton price in Australian dollar terms, may also increase the appeal of alternative crops.

Sugar did get a temporary price boost from high oil prices ...

Sugar

Sugar prices followed oil prices higher earlier in the year as Brazil increasingly diverted a larger proportion of its huge sugar industry to the production of fuel. However, sugar's rally has spurred growers in Brazil, Thailand, China and India to plant more cane. Production this year may rise to a record 156.9 million tonnes, exceeding the 149.2 million tonne record set in 2002. A record Brazilian cane harvest is expected to centre in the south east region of that country due to a combination of favourable seasonal conditions and an increase in the area planted. As a result of this increase in production, and the threat of further increases in production, sugar prices have eased back from over US17¢ per pound to closer to US12¢.

... but rising sugar production soon had prices falling again.

High energy prices do have the potential to keep sugar prices above the US10¢ level. However rising production from Brazil, Thailand, India, and the Russian Federation (rising beef production) should see prices average around US15¢, if not lower, over the next year. The almost US5¢ fall in sugar prices this year was a very timely reminder to those who are looking for agricultural commodities to boom like other commodities have. While prices can lift significantly in the short-run, unlike miners farmers can quickly respond to higher prices by significantly boosting production.

Tropical cyclone Larry hit northern Queensland hard causing severe crop damage between Innisfail and Maurilyan. ABARE estimates that about 10 per cent of the sugar crop has been affected and is forecasting a 1 per cent fall in Australian cane production in 2006/07. However, due to reduced rainfall and the lack of sunshine since Larry ABARE is forecasting a larger 6 per cent fall in sugar production.

Regional industries – cotton and sugar

Chart 1.

Cotton stocks falling – productivity rising

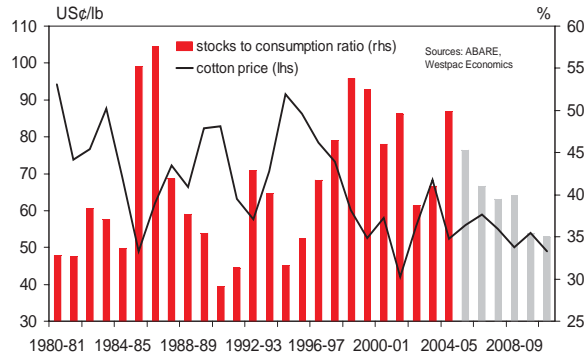


Chart 2.

Real cotton prices close to trend

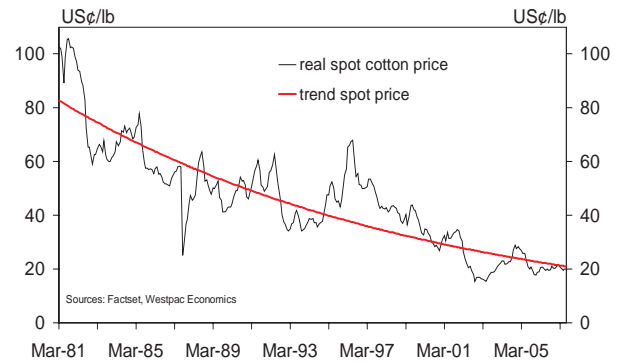


Chart 3.

Oil boost has faded for sugar

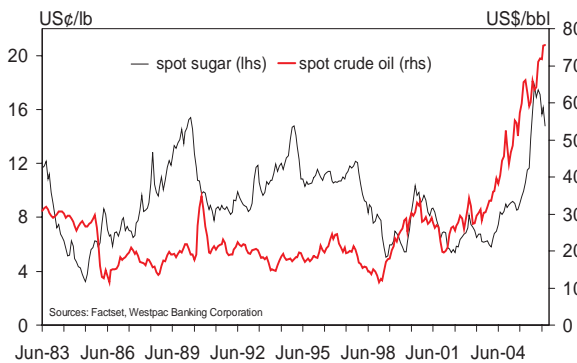


Chart 4.

Sugar stocks falling but prices have peaked

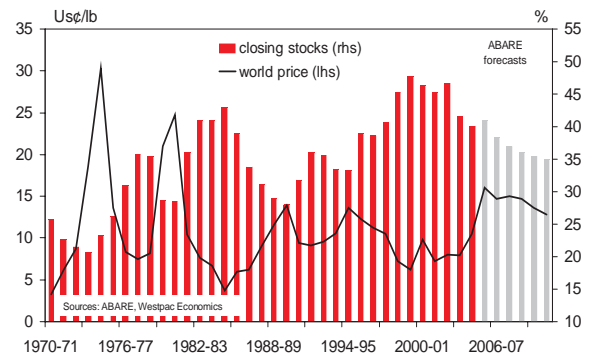


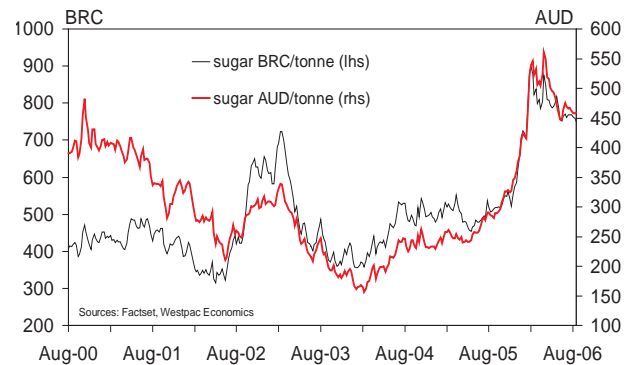
Chart 5.

Real sugar prices breaks through trend



Chart 6.

Since 2000 prices gains larger in Brazil



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Regional industries – livestock (beef and sheep)

US beef is set to re-enter the Japanese market.

Beef

In July, Japan's Food Safety Commission approved the resumption of imports of US beef following the granting of export approvals to 34 of the 35 US facilities inspected by Japanese authorities. US beef, initially in limited quantities, is expected to reach the Japanese market by late August. The short-term impact on Australian beef sales to Japan, which have grown 45 per cent since 2003, is expected to be small and confined largely to some price declines for grassfed and shortfed product.

Meanwhile, the USDA has reported that US beef production in June was the highest monthly production since 2002 and the highest June on record. However this has not deterred cattle numbers on feed in the US, which are expected to continue to rise in the medium term, and the total cattle herd has continued to grow to total 105.7 million cattle and calves, 1 percent more than the level last year and 2 percent above two years ago. The 2006 calf crop is expected to be 37.9 million, up slightly from 2005 and up 1 percent from 2004.

Prices are set to pull back as production rises and exports face greater competition.

Through 2006/07, Australian exports to Japan and Korea are expected to fall as US beef returns to those markets. In addition, domestic US beef prices are expected to fall in line with production increases and as a result, beef exports to the US are expected to fall. Meanwhile Australian cattle numbers have been increasing steadily since the 2002/03 drought. Through 2006/07, cattle numbers are projected to grow further as producers respond to the good prices and the expectation for returns to remain favourable over the next few years. ABARE is forecasting the Australian cattle herd to reach 29.2 million by June 2007 while exports are forecast to grow 3 per cent as the fall in exports to Japan, Korea and the US are more than offset by higher shipments to Canada and other Asian destinations.

Adverse seasonal conditions will reduce graziers' margins.

Sheep meat and prime lambs

Adverse seasonal conditions and reduced feed availability throughout inland Australia has meant that many producers have had to resort to hand feeding to maintain their flock over the winter months. Along with rising grain prices, this is expected to reduce grower margins. Through 2006/07, Australian mutton and lamb prices are expected to ease back as domestic demand eases – consumers are expected to substitute beef for lamb as beef becomes relatively less expensive through the year – just as supply rises. The relatively high prices of 2005/06 have encouraged many farmers to maintain supply in the coming year.

Falling lamb prices should be a positive for export demand.

Falling lamb prices are expected to increase the demand for lamb exports. New Zealand is our main competitor for lamb exports and while the stronger Australian dollar has made Kiwi lamb a little more price competitive, supply constraints prevent New Zealand lamb from displacing Australian product in many markets.

Competition from synthetic fibres continues to grow.

Wool

The production of sheep meat is now the main driver of the flock rebuilding underway. Nevertheless, the resulting increase in sheep numbers will result in an increase in wool production. China remains the most important destination for Australian wool taking over half of our exports. While economic growth and rising incomes means growth in Chinese textile demand will remain robust, competition from alternative fibres should also remain very strong. As such, ABARE is forecasting Chinese demand for wool to remain flat in 2006/07. Synthetic fibres continue to become more functional and while we have seen a significant increase in oil prices, synthetic fibre prices have remained relatively stable. As such, wool prices are expected to remain around current levels.

Regional industries – livestock (beef and sheep)

Chart 1.

Real cattle prices are not at record highs

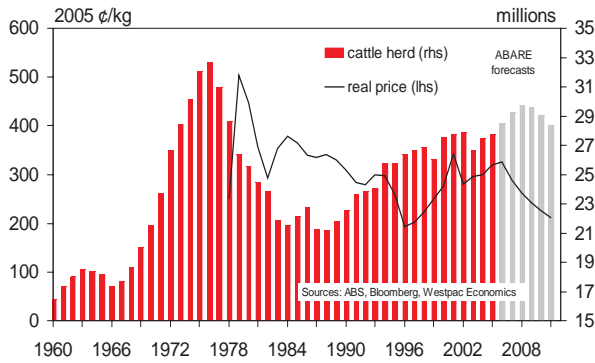


Chart 2.

Beef prices and cattle slaughtering

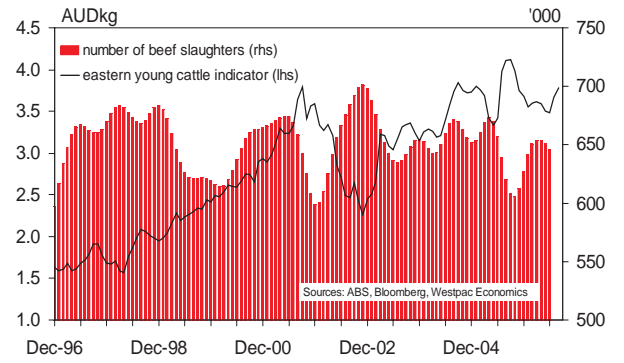


Chart 3.

Japanese beef consumption

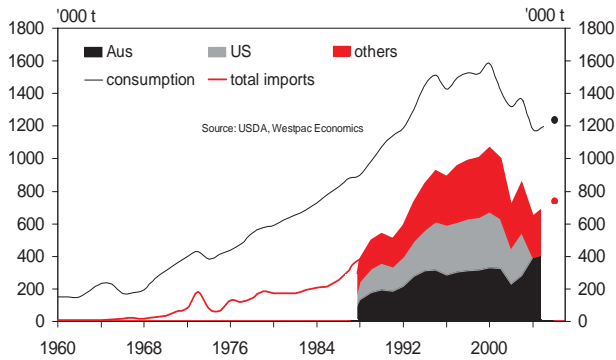


Chart 4.

Softer demand so small rise in wool stocks

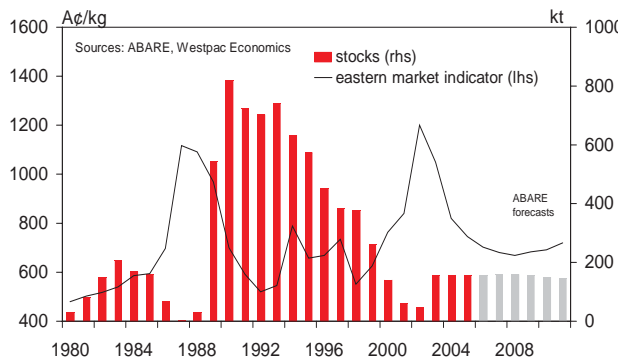


Chart 5.

Wool trending higher relative to cotton

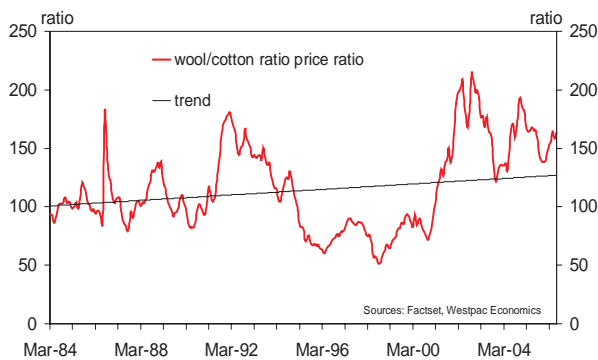
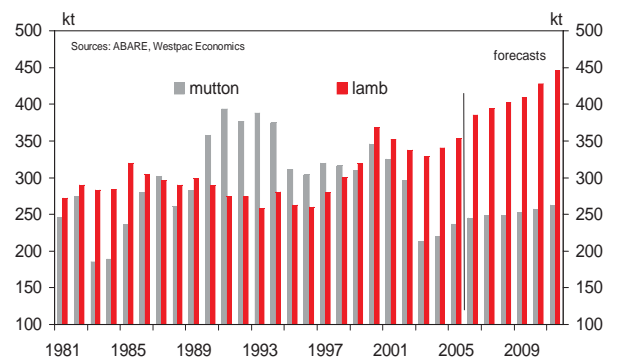


Chart 6.

Solid prices boosting lamb production



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Regional industries – livestock (dairy)

The outlook for dairy remains fairly positive.	Dairy The outlook for international dairy markets for the balance of 2006 continues to be fairly positive as demand continues to be driven by strong economic growth. This strong growth, particularly in developing regions, translates into rising disposable incomes and accelerating expenditures not only for basic food products but also higher value added branded products (see our earlier report on the outlook for the grains industry). However, the growth outlook is being clouded by the upward adjustment of interest rates and the impact this will have not just on emerging market growth but the OECD as well.
The EU is experiencing a significant over supply of butter fat.	Global prices for the major dairy commodities have experienced a mild decline but for the most part appear to be settling at relatively high levels. In contrast, butterfat markets remain unsettled as excess supplies in the EU have filled the intervention stores. As a result, prices have been slipping in recent months and the EU has been raising export restitutions in order to stimulate butterfat exports and balance the domestic market.
Global milk supply is forecast to match 2005.	The global milk supply situation is forecast to remain stable with milk production in Oceania expected to increase by nearly one percent with gains in New Zealand being offset by a decline in Australian production. In the EU, milk output for 2006 is projected to be fractionally higher and aside from butterfat, the internal markets appear to be well balanced. The consumption of cheese and other dairy products continues to absorb excess supplies of milk.
Dry conditions has ment a downgrading of 2006 milk production forecasts.	ABARE had been forecasting Australian milk production to lift this year with producers responding to relatively high world milk prices and a return of normal seasonal conditions. However, the production estimate for the calendar year 2006 has been adjusted down by 5 percent to 10.25 million tonnes reflecting the emergence of dry conditions in south eastern Australia over the latter half of the season. This impact has been particularly severe in the main producing state of Victoria. The Australian Bureau of Meteorology noted that Australia-wide, it was the fifth driest June from 107 years of records, and the third driest for Victoria. Consequently, total Australian milk output is now expected to decline by 2 percent from last year. In addition, the appreciation of the Australian dollar coupled with a drop in export prices is lowering profit margins.
Australian farmers are getting a positive boost from commodity prices.	Overall farm sector Over the last six months farm commodity prices, as measured by the Westpac-NFF Farm Commodities Index, have risen 4.6 per cent in US dollar terms. However, at the same time the Australian dollar has risen by 2.9 per cent against the US dollar thus reducing the rise in Australian dollar terms to around 2 per cent. Over the year the Australian dollar is close to where it started so the small rise in global prices have flowed through to Australian prices. However, as it is Westpac's view that the Australian dollar should trade around current levels to the end of the year, any improvement in receipts will only come through higher global prices. And as you have no doubt picked up earlier in this report, coarse grains are the only farm commodity where there is a reasonable upside risk for prices. Thus while we do not expect farm commodity prices to deteriorate from here, we also do not see much upside.

Regional industries – livestock (dairy)

Chart 1.

Ave farmgate price paid by Vic. companies

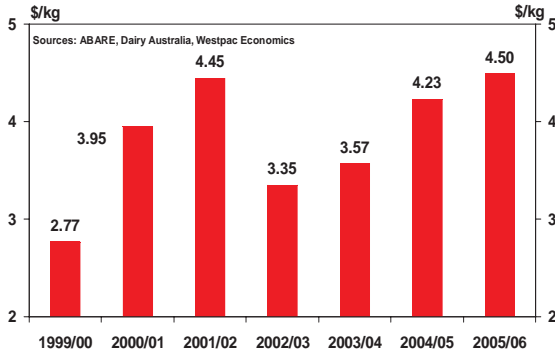


Chart 2.

Change in milk prod. by major exporters

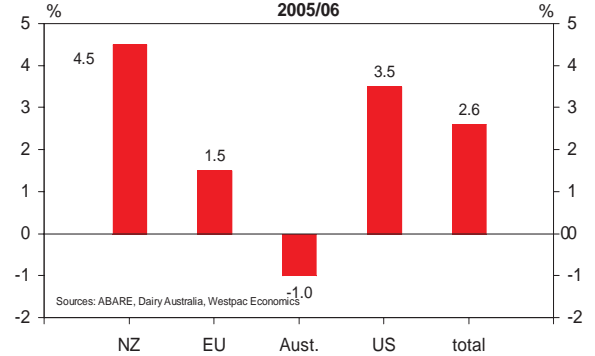


Chart 3.

Victoria, key to Australian dairy production

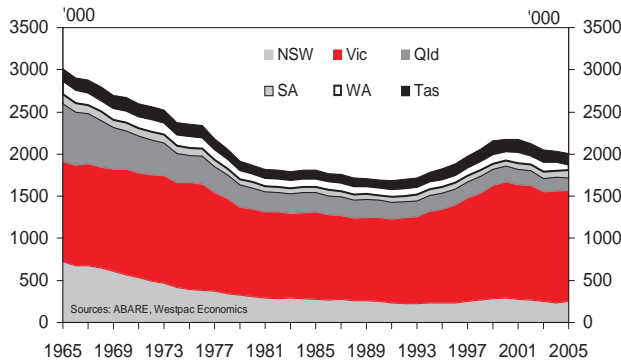


Chart 4.

Currency is crimping rather than buffering

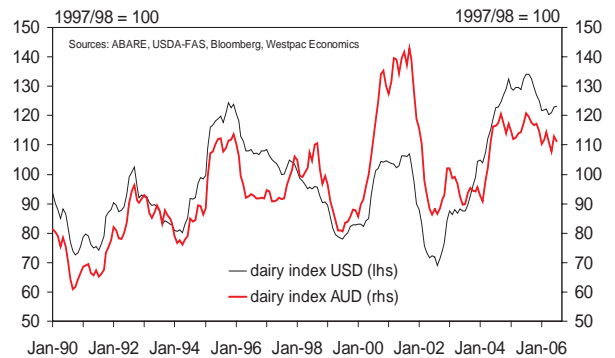


Chart 5.

Westpac NFF Farm Commodities Index
1994/95 = 100 monthly averages

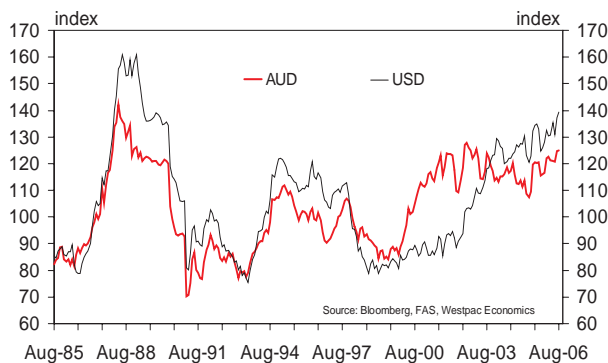


Chart 6.

Westpac–NFF farm commodities index

Australian \$	Index numbers			% change	
	Aug-06	Feb-06	Aug-05	6 months	12 months
Wheat (AU c/bu)	534	497	437	7.5	22.3
Barley (AUD/t)	159	143	132	11.1	20.0
Canola (AU c/kg)	356	289	311	23.3	14.7
Cotton (AU c/lb)	73.6	77.1	65.4	-4.5	12.6
Sugar (AU c/lb)	19.02	23.95	13.08	-20.6	45.4
Beef (AUD/kg)	3.78	3.60	4.11	5.2	-8.0
Dairy price index (AU\$)	109.8	111.7	120	-1.7	-8.1
Wool (AU c/kg)	787.1	807.8	759	-2.6	3.8
USD Index 94/95 = 100	137.1	131.1	134.1	4.6	2.2
AUD/USD	0.762	0.742	0.762	2.7	0.0
AUD Index 94/95 = 100	122.8	120.5	120.1	1.9	2.2

a) The indexes are calculated as monthly averages
b) Data sources are Bloomberg, USDA FAS.

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Regional industries – steel and steel inputs

Steel prices have gained momentum in 2006.

Steel production and demand

After the spectacular highs of 2004 and the doldrums of 2005, steel prices have gathered upward momentum again in 2006. The rapid increases in prices during the second quarter of 2006 led to fears that steel prices were going to repeat the 2004/05 boom-bust cycle, when a lack of real demand to support the meteoritic price rises saw them come crashing down, leaving the market in oversupply. However at this stage the risk of a fall on that scale occurring during 2006 appears slim, with strong global economic growth, rising raw material costs and balanced supply supporting prices being maintained through to the end of the year. China is a major exception to the expectation of steel price stability, with the level of overcapacity now a serious concern. While increasing Chinese exports could threaten prices in other markets, European and US steel producers are carefully watching imports and actively seeking trade protection at the first signs of negative impacts.

Distinctive regional trends have emerged in the global steel market.

While the globalised nature of steel trade means that supply-demand imbalances in any major market will have flow-on effects around the world, distinct regional trends can still emerge. US export prices have returned to levels well above those in other regions, after dipping below Japanese prices in 2005. Latin American and Western European prices continued to trace a near-identical projection through the first half of the year till that parted company in July.

China remains the largest yet still growing player in the global iron ore market.

Iron ore

Production increases from Rio Tinto and BHP Billiton's Australian operations over the first half of 2006 were minimal. Australian production in the first half of the year was curtailed by cyclone activity in the March quarter. Demand remains strong in the Asian region with China's growing imports more than compensating for Japan's decline. China's iron ore imports in the first half of 2006 were up 30 million tonnes or 23 per cent over the same period in 2005. However, import growth has been outstripped by incremental domestic production, up 35 per cent to over 245 million tonnes for January-June. Given China's low ore grades, Chinese production is equivalent to around 109 million tonnes of imported ore. Spot prices for Indian iron ore landed in China spiked in mid June to US\$72 per tonne as traders reacted to the 19% increase in benchmark iron ore prices. Since then Indian spot prices have fallen sharply to around US\$67.50 per tonne. Faced with continuing strong demand, Chinese authorities are considering raising the import license to limit the number of iron ore importers. Such a move could halve the number of registered traders to around 20, consolidate China's iron ore imports and strengthen its negotiating position ahead of next year's annual iron ore negotiations.

Russia continues to disappoint as a supplier of coking coal.

Metallurgical (coking) coal

The doubling of Russia's metallurgical coal exports between 2000 and 2004 led to speculation the country would displace the US within this decade as the world's third largest exporter, and then power on to rival Canada by around 2015. However, after a flat export performance last year, a fall in first half 2006, and another setback for the Elga project, confidence in Russia realising its potential over the next 10 years has waned. In first half of this year, Russia's total coal exports were up 7.4 per cent. However, all of the export growth was in thermal coal, with coking coal deliveries plummeting by 20 per cent in the year to approximately 4.2 million tonnes. What happened? Virtually all of the country's incremental coking coal production remained in the domestic market. Domestic demand firmed as Russia's hot metal (pig iron) output recovered, growing by 6 per cent year-on-year in the first half after weakening last year by approximately 4 per cent. New coking coal export capacity will predominantly come from the proposed Elga project.

Regional industries – steel and steel inputs

Chart 1.

Steel prices have bounced again

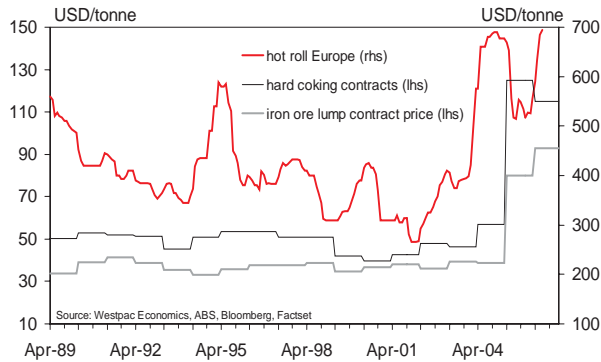


Chart 2.

Steel prices have risen in Asia as well

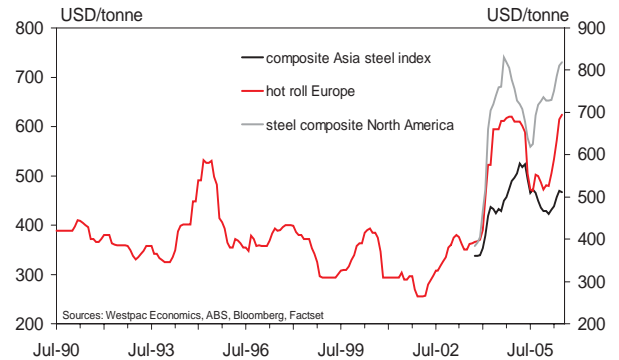


Chart 3.

Iron ore production has lifted already

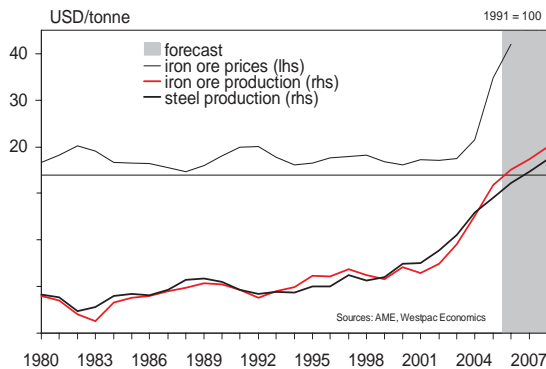


Chart 4.

Chinese imports of raw materials (trend)

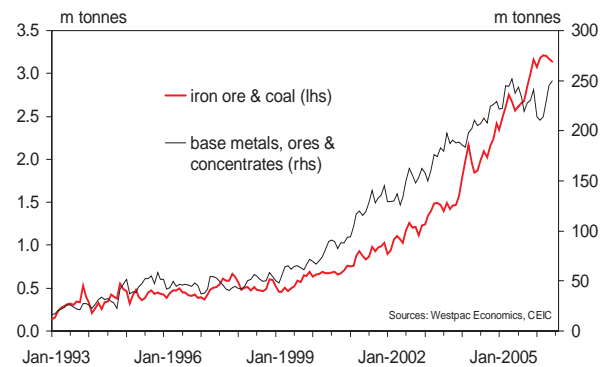


Chart 5.

OECD indicator is heading south

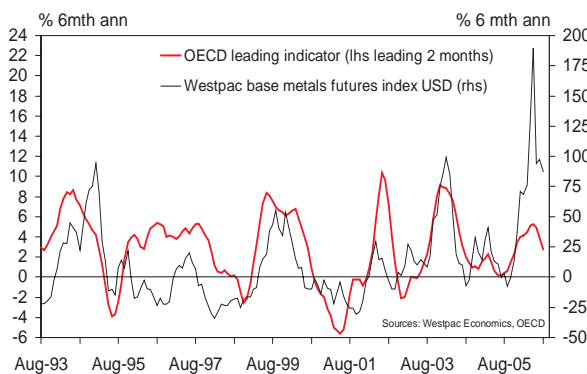
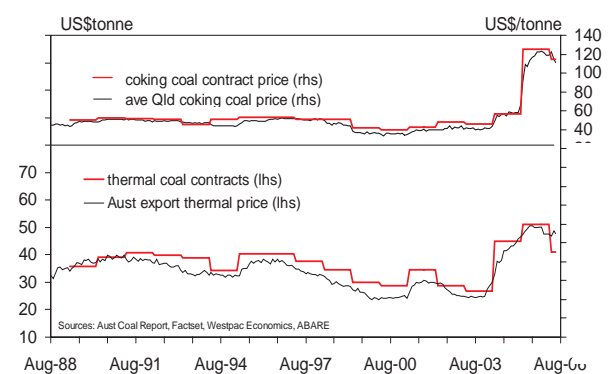


Chart 6.

Coal prices – the thermal/coking divide



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Regional industries – energy

Supply constraints are still driving the energy market ...

... and so the fundamentals for high oil prices remain in place.

There is an overwhelming incentive for coal miners to lift production.

As long as supply remains constrained, high cost producers will set coal prices.

Energy price summary

Global demand has remained robust but it is the supply side constraints on how fast new production of coal, natural gas and oil can be developed and brought to the market that is holding prices up. It is this growing sense of scarcity that is keeping the market nervous in the face of supply disruptions. Nonetheless, a moderation in global demand and a modest lift in supply should invoke a modest price correction in 2007.

Crude oil

The fundamentals that have taken oil prices well above historical norms – the rising cost of production and uncertain supply growth – remain in place. For the longer term, demand growth is expected to continue to moderate as higher oil price result in consumers improving efficiency of use and/or turning to alternative sources of energy. However, the first half of 2006 has seen a transitory bounce in the growth in oil demand as hurricane damage and a historically warm winter put a large dent in North American demand in the later half of 2005. In addition, Chinese oil demand rose at a 8 per cent annual pace in the first six months of 2006 driving non-OECD in oil consumption growth to a 4½ per cent annual pace. So despite a hefty lift in inventories, the more costly and uncertain supply outlook has kept oil markets on the edge and prices remain susceptible to supply shocks. Key recent events include lawlessness in the Niger delta which resulted in a 25 per cent cut in Nigerian oil production, the bursting of BP's Prudhoe Bay pipeline and the threat recent Middle East unrest posed to Arabian Gulf oil supplies. As each shock emerged, oil prices spiked higher. In addition, the markets' focus on the longer-term risk to oil supplies has resulted in the longer-dated oil contracts rising sharply across the oil curve. That is, the market is increasingly focusing on scarcity and are now expecting prices to hold around current levels, if not going higher.

Thermal (steaming) coal

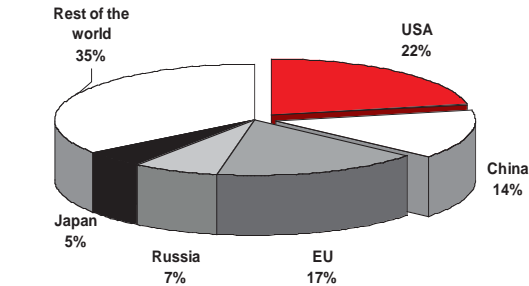
The price for thermal coal remains at a historically high level providing coal miners with an overwhelming incentive to increase capacity. So assuming no material impediments to supply growth, a rebalancing of supply and demand will result in a fall in price. Near term infrastructure constraints in Australia, South Africa and Colombia as well as coal demand spikes in Europe and the U.S. will temper this decline. (A recent heat wave in northern Europe, and restrictions on river water use by nuclear plants in Germany, came together to lift spot thermal coal prices from around US\$68 per tonne in late July to US\$73 tonne in August.) However, there appears be fundamental changes underway in the global coal industry which is seeing Australia usurped as the price maker.

Over the last decade thermal coal prices have been driven by the low cost producers, such as Australia, but recently some fundamental changes to the market have emerged. The first is Russia, a marginal cost supplier into Europe which lifted its exports to 46 million tonnes from just 19 million tonnes in 2000. The second is the rapid expansion of cross regional trade in thermal coal from Asian suppliers to Atlantic consumers. The rapid growth in the demand growth for coal, coupled with infrastructure limits for low cost producers, means that high cost suppliers are now the price setters. Analysis by Barlow Jonker suggests significant volumes of Russian coal will be required to meet medium-term demand from Europe. As the cost structure of Russian operations is unlikely to materially improve over this period, these higher costs will determine the market price in that region. As long as demand remains robust, demand for more expensive Russian coal will keep global prices elevated until infrastructure improvements are realised in South Africa, Colombia and Australia.

Regional industries – energy

Chart 1.

Total primary energy consumption



Sources: BP Statistical Review of World Energy 2005, Westpac Economics

Chart 2.

Per capita oil consumption

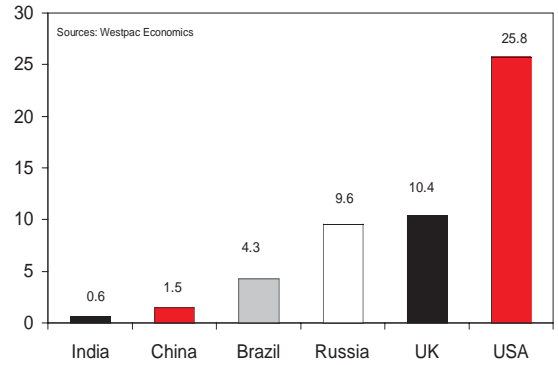


Chart 3.

Macro perspectives on the world oil market

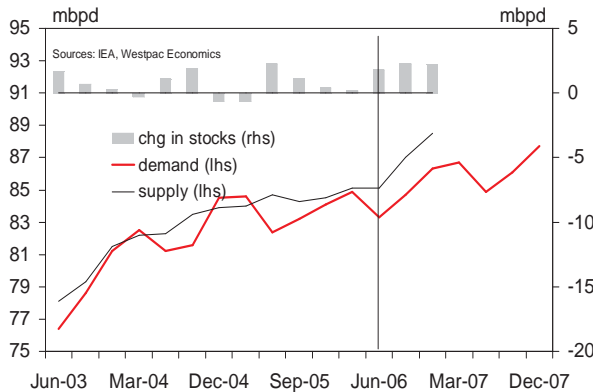


Chart 4.

Real oil prices above 1991 but not 1970s

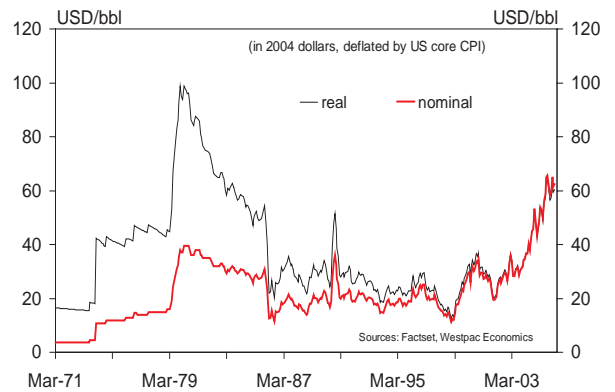


Chart 5.

Thermal coal prices

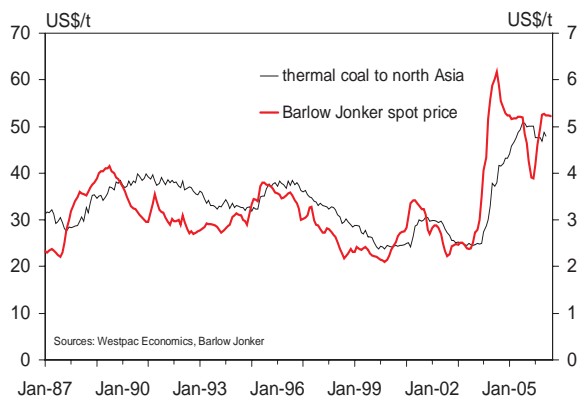
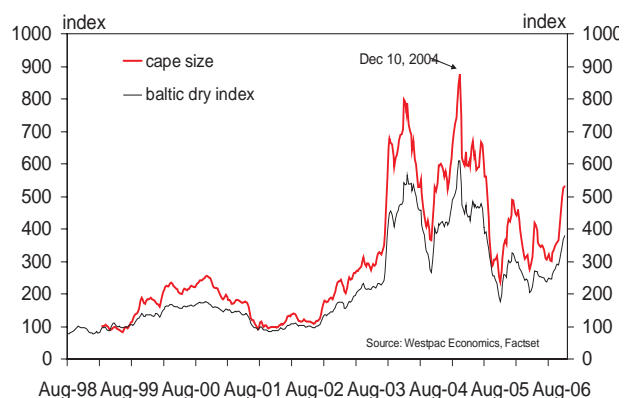


Chart 6.

Freight costs rising again but well off the high



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Regional industries – copper and aluminium

Base metal prices peaked in the first quarter of 2006.

Base metals peaked in the first quarter of 2006

Base metal prices peaked on May 11 2006 when uncertainties began to emerge as to the extent of the impact of the US Federal Reserve tightening cycle on the US economy. Price fell by more than 22 per cent from May 11 to June 13 and while they have since recovered they are still down slightly more than 6 per cent from the peak. So while base metal stocks remain at critically low levels, and supply shocks have led to significant downward revisions to near-term forecasts of supply and inventories, price have not managed to exceed the May highs. Our own modelling of supply and demand conditions points to 2006 being the peak and for prices to correct through 2007 as demand growth slows and supply growth gathers momentum. With global interest rates rising the growth rate of the OECD leading indicator has turned over and if it continues on its current trend, it will be soon pointing to a moderation in industrial activity in 2007. However, while stocks remain at historical lows any upside surprise in demand, or an unexpected supply shock, will result in a spike higher in base metal prices.

Copper continues to hold the high ground ...

Copper

The copper market's attention for the past month has been on the labour unrest at Escondida. The potential effect of a strike at the giant mine on a copper market already in deficit is enormous. Lost production from a strike lasting one week would equate to one quarter of the LME copper stocks, while total exchange stocks represent 1½ months of Escondida's production. China remains the key focus for the copper market but it is difficult to determine the true state of affairs until the SRB (the official Chinese metal trading bureau) ceases releasing metal. In the meantime, you can observe that China's economic growth in the first half – the strongest in 10 years, with GDP growth of 10.9 per cent and industrial production up 19.5 per cent in the year – is not compatible with reduced copper demand unless mass substitution has smoothly taken place. Also watch the US economy. Close to 50 percent of the copper consumed in the United States is used in construction and with the US housing industry clearly entering a meaningful downturn, this should have a significant impact on copper consumption. And this is before we even consider the possibility of the current high copper prices driving the search for cheaper alternatives. While use of plastics for plumbing is a key risk area, the power generation and distribution industry is increasingly turning to cheaper and lighter aluminium for long distance cabling. In China the power industry alone accounts for 50 percent of copper consumption.

... but the downturn in US dwelling construction will hit copper demand.

Aluminium production lifts in China

China is now the largest consumer of aluminium

The impact of a potential slowing of demand growth in the United States has been the recent focus for the aluminium market. While we think the US slowdown will have a meaningful impact on aluminium demand, China overtook the US in 2004 as the largest consumer and has been extending its lead ever since. As such the uncertainty surrounding Chinese data has made the job of assessing fundamentals and overall market balances that much more difficult. There are widely varying estimates of total Chinese capacity versus idled capacity, in addition to ambiguity regarding the scale and commissioning dates of new projects. Some reports suggest total idle capacity in China to be as high as 2,800kt, or conversely, "far, far less". However, it does appear that much of this idled smelter capacity will not restart, despite the looming alumina glut, due to diseconomies of scale and/or outdated technology and the continued efforts by the central government to consolidate the primary sector. Indeed, it appears likely that the central government will shift its attention to the alumina industry where many new or proposed high cost refineries are likely to suffer if the alumina price continues to decline.

Regional industries – copper and aluminium

Chart 1.

Metals have not returned to May 2006 levels

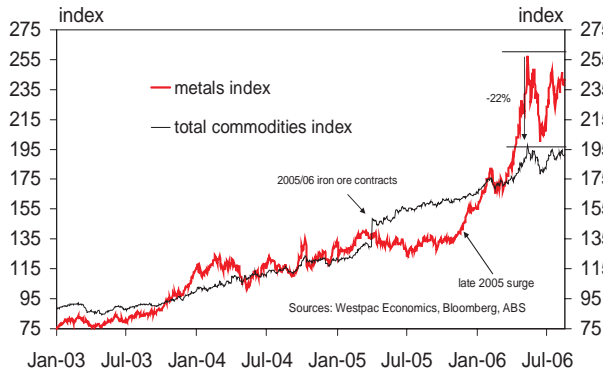


Chart 2.

Stocks falling below 1980s lows

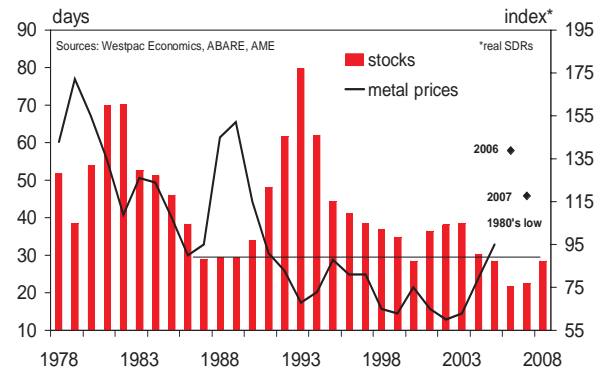


Chart 3.

Base metals over-running fundamentals

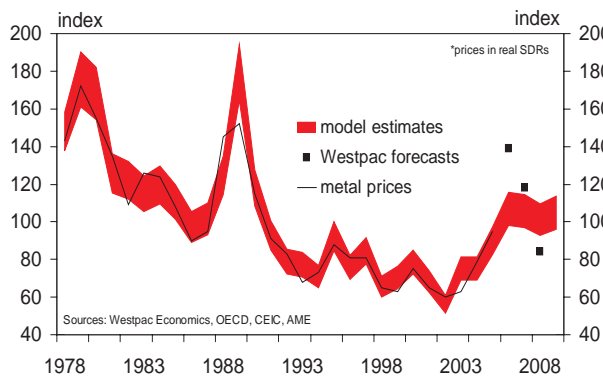


Chart 4.

Supply problems boosted copper prices

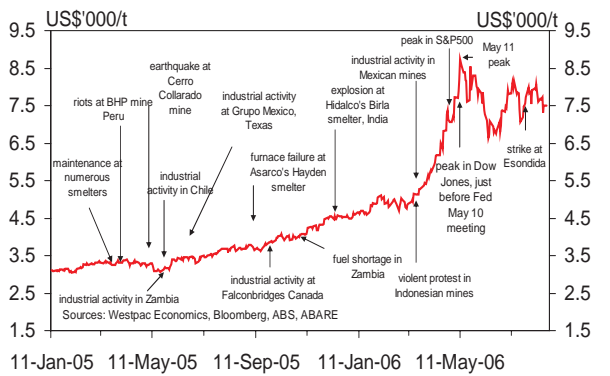


Chart 5.

Copper stocks now well below 1996 lows

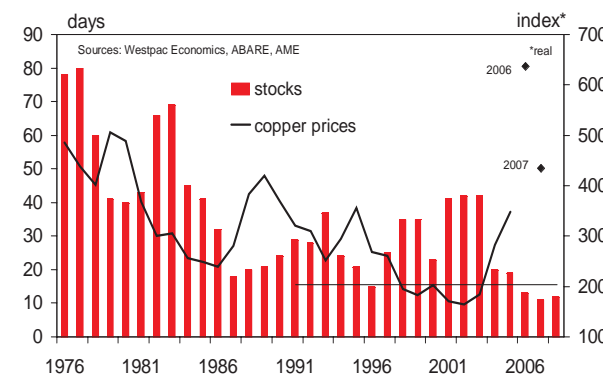
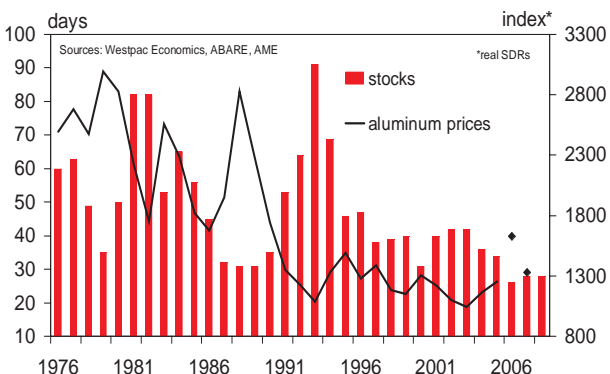


Chart 6.

Aluminium below 1980s lows



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Regional industries – zinc, nickle and gold

Substitution to alternatives poses the greatest threat to nickle prices.

Nickle

Despite the continuing high nickel prices, which so far in August has set a new monthly record average cash price of US\$27,442/tonne, we have yet to see any substantial slowing of demand through substitution. And the spot price continues to drift higher. However, change is in the air with several stainless steel producers starting to alter their product mix to reduce nickel consumption. Brazil's Acesita and China's Baosteel have both announced increased output of low or no-nickel stainless grades. Major Chinese mills, worried about the impact the high stainless steel prices will have on demand, have also made an agreement to reduce domestic availability to bolster local prices. Interestingly, there were reports of increased buying of cobalt for plating and stainless steel production when cobalt was, abnormally, priced lower than nickel during July. In addition, supply side disruptions have encouraged many forecasters to look for only a very slight surplus in the second half of the year but note the risk that this surplus could easily be consumed by an extended mine strike or some other supply-side upset, the likes of which appear be developing in 2006. The drawdown of LME stocks continues with levels now below the previous nadir of May last year. While LME stocks are only a fraction of industrialised nations stocks, there is little doubt that such low levels have helped drive up prices.

Mine underperformance has lifted zinc prices.

Zinc

After an extended quiet period, a number of zinc projects have been announced in rapid succession, with the most important for the immediate future being Xstrata's expansion of its mining operations at Mount Isa. If this project comes on line by the announced time, it has the potential to halve earlier estimates of the 2007 refined zinc deficit. However, a number of mines have underperformed, including Mount Isa, and thus it is best to expect no significant change to the near term supply outlook. It may be worth looking at the extraordinary price appreciation of nickel (see above) which is subject to substitution, as an analogue of the way zinc prices may react. It is quite possible that zinc prices will move to a level so high that demand is forced to be cut. However, it appears that the current price of zinc is not having a significant effect on demand and so there remains significant upside to zinc prices. In an interesting twist to the nickel and zinc demand story, the massive price of nickel is forcing some consumers to consider substituting galvanized steel in place of stainless steel for corrosion resistance. The price of 300-grade stainless has surpassed €3,000/t whereas galvanized prices are around €50/t. The differential caused tightening of the galvanized steel market in Europe in early July. This substitution into zinc provides us with another reason to remain bullish for nickel prices, at least for the near-term.

Gold broke through US\$600 per ounce but could not maintain the momentum.

Gold

Gold broke through US\$600 per ounce early in 2006 and for a while it look to be threatening US\$700. On the supply side, gold miners are yet to produce a material increase in production despite the 25 year high in price. Exploration has been unsuccessful at locating high quality minable deposits and the depletion of existing mines threatens medium-term supply. However, demand is also responding to price. Jewellery consumption of gold has fallen 22 per cent in the year to the first quarter of 2006. However, even though jewellery normally accounts for 80 percent of total demand it has not been the key driver of gold since mid 2005. Investment demand, primarily investments by hedgefunds and private clients, is behind the more recent volatility. In addition, the markets continue to be buffeted by speculation of Asian and Middle East central banks buying but there is no evidence to support this. At the same time European central banks continue to reduce the dominance of gold in their reserves.

Regional industries – zinc, nickle and gold

Chart 1.

Copper is getting more expensive

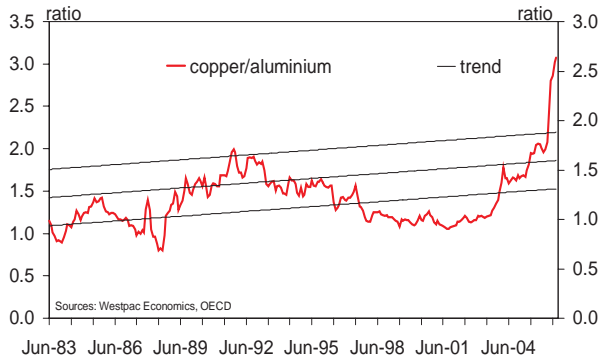


Chart 2.

Nickel stocks holding at lows for now

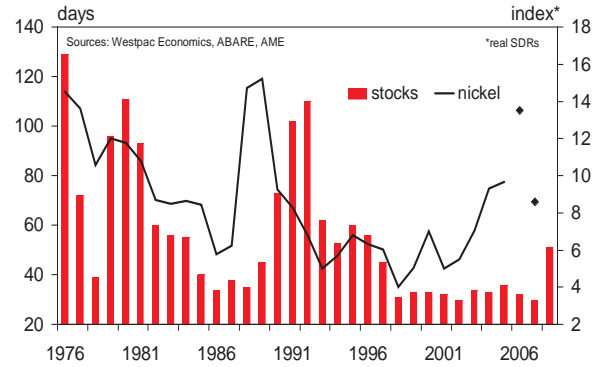


Chart 3.

Zinc stocks will remain at low levels

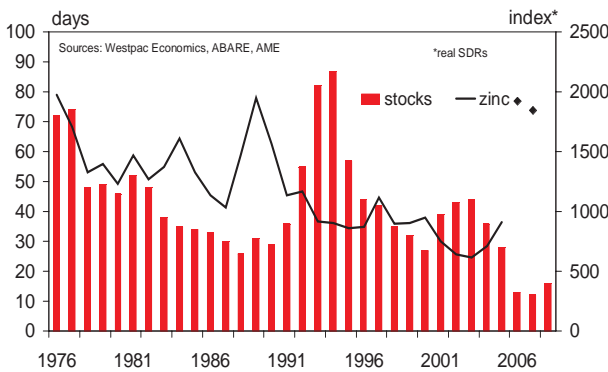


Chart 4.

Gold still an underperformer to metals

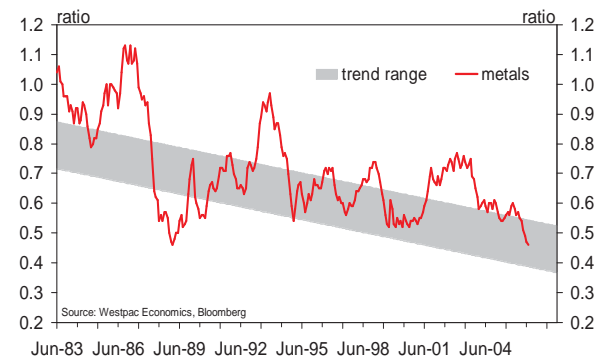
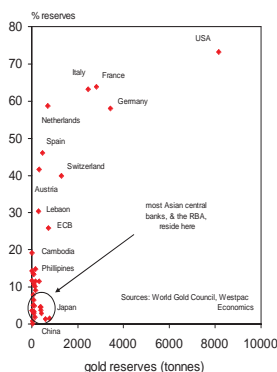


Chart 5.

Asian CB holdings of gold are small

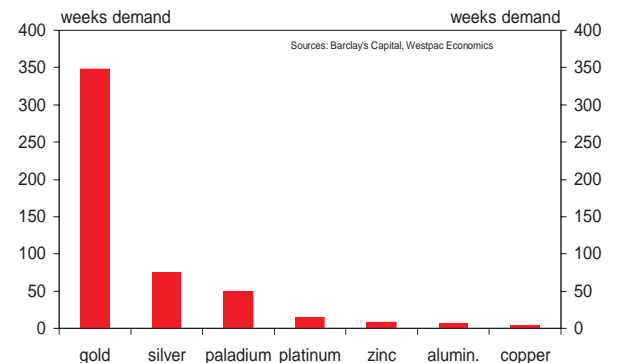


	tonnes of gold in reserves	% of reserves	tonnes needed to reach 10%
Japan	765.2	2.0	4390.8
China	600.0	1.1	4107.5
Taiwan	423.3	2.4	1170.8
India	657.7	3.6	528.5
Indonesia	96.5	4.1	105.3
Thailand	84.0	2.4	220.2
Total	2626.7		10513.1

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

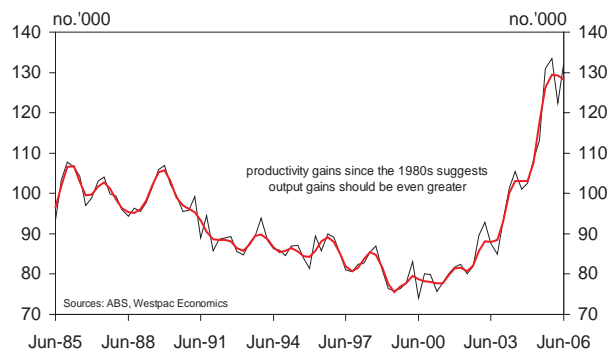
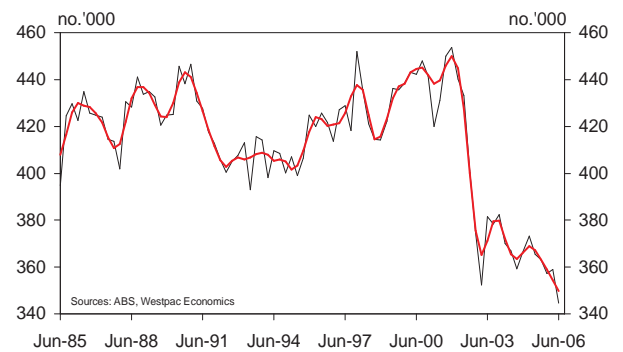
Chart 6.

No lack of gold above the ground



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Regional economic indicators & forecasts

Chart 1.
Mining jobs hitting new highs

Chart 2.
Farmers are doing more with less labour


Commodity Forecasts

annual averages	2005	2006	2007	2008	2005%yr	2006%yr	2007%yr	2008%yr
bulk commodities index	197	223	202	188	62.8	13.1	-9.6	-6.7
iron ore (USD/t)*	35	42	38	32	62.1	20.4	-9.1	-15.0
coal (USD/t)*	71	78	70	69	63.1	9.6	-9.9	-2.2
ave coking price (USD/t)	93	109	99	88	86.3	16.8	-9.0	-11.0
ave thermal price (USD/t)	49	47	45	48	30.7	-2.9	-4.7	6.7
crude oil (USD/bbl)	57	71	66	50	39.6	23.6	-7.4	-23.7
gold (USD/oz)	448	618	653	580	9.0	37.9	5.6	-11.1
base metals index	135	213	171	133	15.0	57.6	-19.6	-22.4
copper (USD/t)	3590	6819	4775	3200	26.8	89.9	-30.0	-33.0
aluminium (USD/t)	1904	2526	2175	2000	10.5	32.6	-13.9	-8.0
nickel (USD/t)	14698	20919	14100	11000	6.4	42.3	-32.6	-22.0
zinc (USD/t)	1388	2976	3025	2118	31.2	114.5	1.6	-30.0
lead (USD/t)	959	1110	875	700	10.9	15.7	-21.2	-20.0
WCFI	155	210	187	155	14.4	35.9	-11.0	-16.9
rural commodities index	72	82	79	77	-3.6	14.8	-4.5	-2.4
wool AUD¢/kg	766	794	740	757	-9.3	3.7	-6.9	2.3
wheat USD¢/bu	330	385	379	363	-6.9	16.7	-1.5	-4.2
sugar USD¢/lb	10	16	14	13	32.4	58.0	-13.3	-5.6
cotton USD¢/lb	52	56	55	56	-7.7	8.5	-2.6	2.3
all commodities index	149	186	167	153	32.9	25.2	-10.4	-8.5

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Notes

Notes

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