



Media Release

Regional, Rural &
Small Business Banking
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Regional economy buoyant despite hurdles

An improved outlook for regional Australia is forecast in the latest ANZ Regional and Rural Quarterly report released today.

The report says there is cause for optimism this year due to expected bumper crops fed by widespread rain in north-eastern Australia, greater global demand for commodities and rising house prices in country areas.

However, continuing drought in southern Australia, and flooding in central Queensland and along the New South Wales north coast is presenting challenges for many communities. Also, the likelihood of further interest rate rises, tight labour markets and an appreciation of the Australian dollar to a 24-year high is creating a more difficult external environment for some.

ANZ Managing Director Regional, Rural and Small Business Banking, Mr Rob Goudswaard said: "Overall, we think 2008 will be positive with higher commodity prices and production levels outweighing the challenges faced by most regional areas."

"The mining sector remains very healthy and northern rains mean better prospects for crops, although this is no consolation to southern Australia farmers who need drought-breaking rainfall," he said.

"Another factor fuelling regional economic growth is housing, particularly in areas associated with the mining boom. Strong demand has led to higher prices and construction activity. We expect this to continue as more people seek out opportunities in regional Australia," Mr Goudswaard said.

ANZ Regional and Rural Quarterly provides an in-depth assessment of Australia's regional economies and also features region-by-region focus on population growth, employment, taxable income, farm debt and equity, building approvals and the value of rural landholdings.

Key findings of the latest report include:

- Total summer crop production to rise by nearly 40% following widespread rain across key agricultural regions. Sorghum crop expected to lift by 80% to a record 2.5 million tonnes.
- Wheat, coal and iron ore producers to benefit from higher global commodity prices.
- Demand for housing to place continued upward pressure on prices. The mining boom has driven significant rises in house prices in country Northern Territory (14.4%), Queensland (13.8%) and Western Australia (13.3%) in the year to December 2007.

ANZ Regional and Rural Quarterly is available free of charge at www.anz.com/go/economics

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