AUSTRALIA

Economics

Economy

Nominal GDP (2008)
991.2 bil USD
Population (2008)
21 million
Total Trade/GDP (2008)
38.4 %
Currency
Australian Dollar (AUD)

Exchange regime
Independant Float
Merchandise imports from Canada (2008)
1596.5 million

Largest merchandise export destination (2008)
Japan (18.7 %)
Main imports
Refined Petroleum
Crude Oil
Passenger Autos

Sovereign Ratings
MLT external debt

Fitch	AA+
S&P	AAA
Moody's	Aaa

Risks to the outlook

Fiscal policy
FDI
Domestic Demand

Commodity prices
Currency Appreciation
Credit growth

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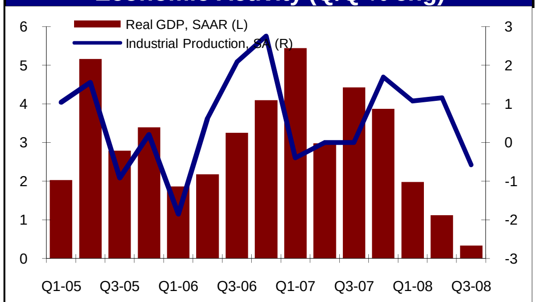
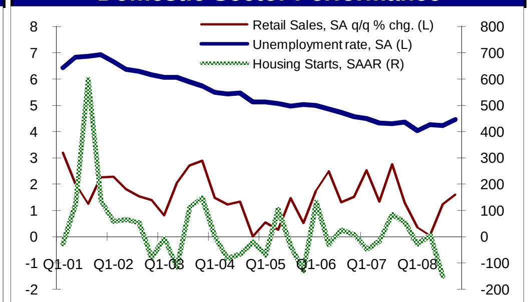
- The Australian economy grew by 0.4%q/q in the first three months of 2009. The strength is mainly due to a positive contribution of net exports; imports fell sharply and exports grew modestly. Our view is that the Chinese demand will ease in H2 of this year as physical limits to storage have been reached and arbitrage opportunities diminish. Exports will be dampened by a higher currency and imports will increase, thus reducing the trade balance in the latter half of this year.
- Total credit extended to the private sector rose by a marginal 0.1% in June after a similarly sized contraction in the previous month. Business and consumer credit shrank with only housing-related credit offsetting the declines.
- Leading indicators in July point to very strong consumer confidence (the highest it has been since December 2007), and a recovery in business confidence (still negative but improving). The manufacturing index is still a long way from expansion but has been improving since April.
- At its policy rate announcement in early July, the Reserve Bank of Australia left rates unchanged at 3%. Prices rose just 1.5% y/y (reported in Q2) which is below the banks target range. A strong currency is keeping import prices down and lower oil prices are impacting the y/y rates. The Australian dollar has been strengthening against the USD on stronger commodity prices.

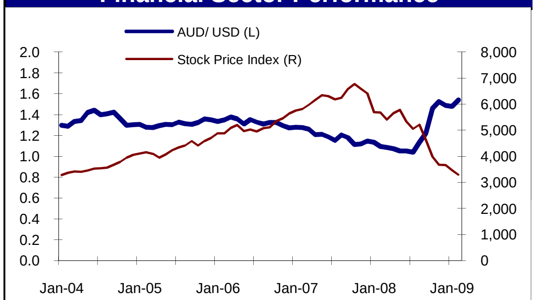
Economic Activity (Q/Q % chg)



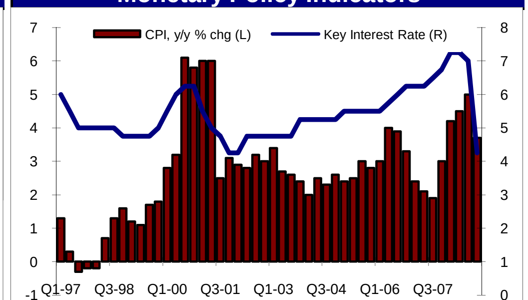
Domestic Sector Performance



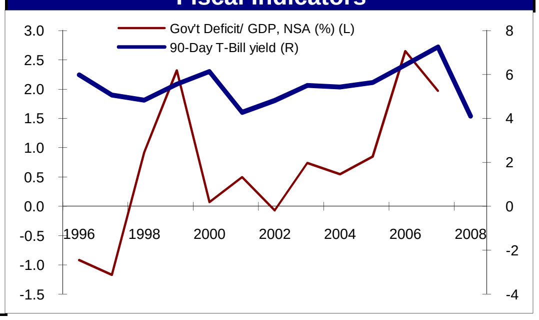
Financial Sector Performance



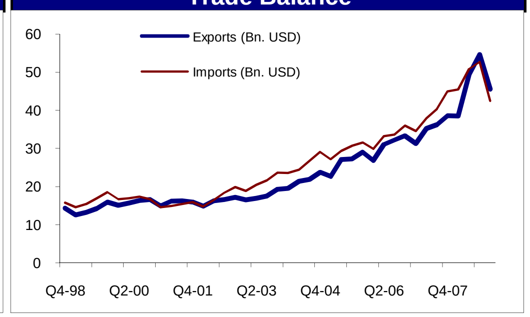
Monetary Policy Indicators



Fiscal Indicators



Trade Balance

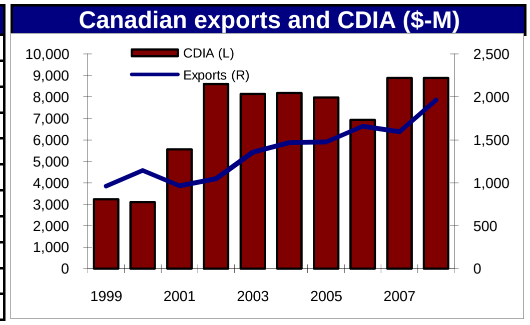


Economic Indicators

	04-08 avg.	2008	2009	2010
GDP (% growth, real)	3.1	2.1	-1.0	1.0
Inflation (%chg, pa avg.)	3.1	4.4	1.8	2.6
Fiscal Balance (% of GDP)	0.8	-1.9	-3.1	-3.1
Exports (%, comp. annual growth)	19.6	21.1	-27.9	8.5
Imports (%, comp. annual growth)	17.7	20.8	-23.8	4.6
Current Account (% of GDP)	-5.7	-5.0	-5.1	-4.9
Reserves (months of curr. debits)	2.0	1.0	0.8	0.7
External Debt (% of GDP)	86.1	105.9	141.0	142.7
Debt Service Ratio (due)	57.6	64.6	99.4	96.2
Exchange Rate (to USD; eoy)	1.3	1.2	1.6	1.6

Sources: EIU, EDC Economics

Canadian exports and CDIA ($-M)



Sources: Haver Analytics, Statistics Canada, EIU, Bloomberg