



New South Wales

STATE OVERVIEW

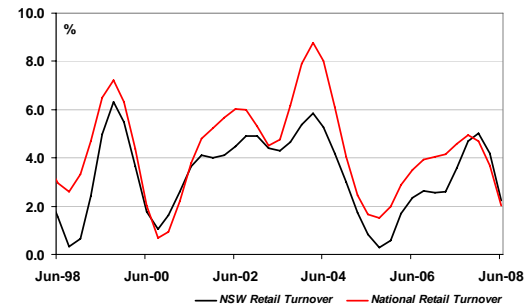
Indicators of activity in the NSW economy including demand, retail sales and the labour market have softened over the past six months under the weight of tight credit conditions and high fuel prices.

State Final Demand (SFD) moderated to 2.7% in the 12 months to June 2008 from 5.1% in December 2007. The slowdown can be attributed to a downturn in household consumption and private investment.

While we have yet to see the effects of a rate cut on retail sales, prior to the cut retail sales declined. A decline of 1.0% was recorded in the June quarter, following a 0.4% decline the previous quarter.

The labour market in NSW has softened, with a 0.2% rise in the unemployment rate to 4.9%. The unemployment rate in NSW is now 0.8% higher than the national level.

NSW Retail Turnover– Yearly % (Trend)



OUTLOOK

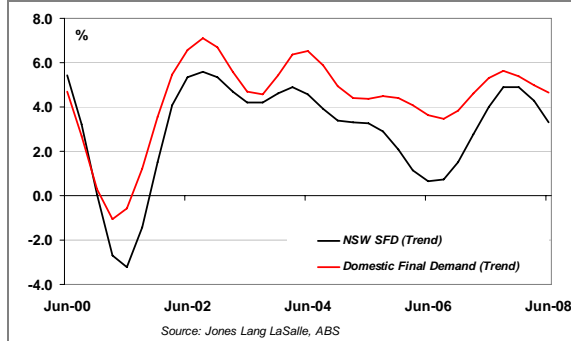
The exposure the NSW economy has to business services, as well as its limited exposure to the commodities boom suggests a soft outlook for the NSW economy when compared to other economies nationally.

The recent reduction in petrol prices and an easing bias in monetary policy should start to improve household balance sheets and provide uplift to the retail sector.

The state's economy should sustain moderate growth in SFD of between 2%-3% in 2008, however, the possibility of an improvement in credit conditions has the potential to improve demand growth in 2009.

Although there is the potential for retrenchment in the banking, finance and property sectors, the unemployment rate is forecast to remain below long-term averages.

NSW State Final Demand – Yearly %



NEW SOUTH WALES AT A GLANCE

| Indicators | Period (y-o-y %) | New South Wales | Australia |
|------------------------------------|------------------|-----------------|-----------|
| Demand Growth (SFD) | June 2008 | 2.7% | 4.3% |
| Economic Growth (GSP*) | June 2008 | 1.8% | 2.7% |
| CPI / Inflation (Sydney) | June 2008 | 4.3% | 4.5% |
| Labour Price Index | June 2008 | 3.9% | 4.2% |
| Retail Sales (seasonally Adjusted) | June 2008 | 2.6% | 2.2% |
| Total Employment Growth | Aug 2008 | 1.1% | 2.3% |
| Unemployment Rate | Aug 2008 | 4.9% | 4.1% |
| Official Cash Rate | As at 12 Sep08 | NA | 7.00% |

Source: Jones Lang LaSalle, ABS, RBA. *GSP was derived from access economics figures.

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