



## RBA Credit June 2010. A weak result.

- All credit categories were weak in June. Business credit was flat while housing credit growth was equal to its lowest.
- Personal credit fell by 0.3% in June to be just 3.1% higher over the year.
- Total credit rose by a meagre 0.2% in June, to be 2.8% higher over the year.
- Business credit was flat in June. It is still 5.0% lower than a year ago. The trough was in late 2009.

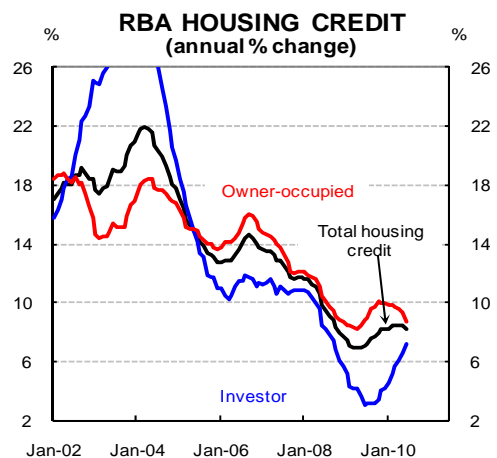
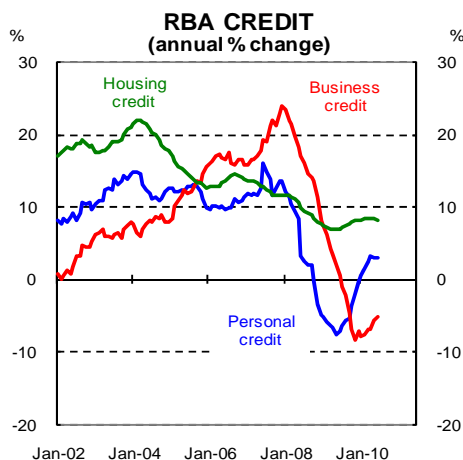
### Summary

**Today's June RBA Credit data was unusually soft.** It was driven by the smallest rise on record, of 0.3%, in owner-occupier housing credit. The flat result for business credit is a little hard to reconcile with the positive view on the growth outlook in the major business surveys. But it could be that the major corporates are content with maintaining very low gearing levels. The flipside to the caution on borrowing is the significant build-up in cash and term deposits. It indicates that corporates remain cautious about the availability of finance. Cash reserves held by corporates are at relatively high levels. We are still of the view that credit growth will continue to rise gradually and support the domestic growth outlook.

**Housing credit** rose by a low 0.4% in June to be 8.2% higher over the past year. It was equal to the smallest monthly rise on record (August 2008). Owner-occupier credit rose by only 0.3% (the lowest on record) to be 8.7% higher over the year. Investor related credit rose by 0.6% to be 6.6% higher over the year. It looks as though the investors are increasingly active in the winter housing market. The investor credit figures have been rising since early 2009. Rental growth has been firm, driven by strong population growth.

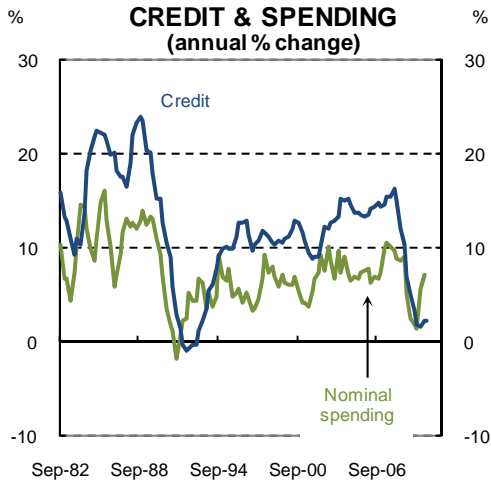
**Business credit** was flat in June. The annual change in business credit, now *minus 5%*, looks to have troughed in November 2009. Business credit is expected to return to a positive annual growth path in early 2011, as the large monthly falls of late 2009 are replaced with rises. We are forecasting business investment to keep rising *slowly* through 2010 and 2011. The business and ABS surveys remain positive on the investment and growth outlooks. The mining sector will be the major driver of higher investment in their own and related sectors. Elsewhere, the utilities, transport, infrastructure, education and health sectors will also contribute.

**Personal credit** fell 0.3% in June to be a weak 3.1% higher over the past year. It could be that the share market's dramatic fall in late June pulled the margin lending issues to the fore. We remain positive on the other side of consumer borrowing – credit cards. Consumers appear to be gradually changing their relatively cautious use of credit cards. They are slowly moving away from using their own cash or debit cards, towards a greater use of credit. There are, in our view, reasonable grounds to be positive on the outlook for consumer spending and credit card usage later this year and into 2011. The jobs market will continue to strengthen, lifting wages and household disposable income growth.

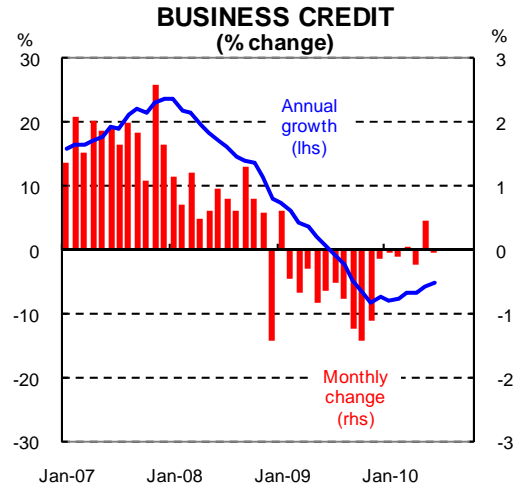




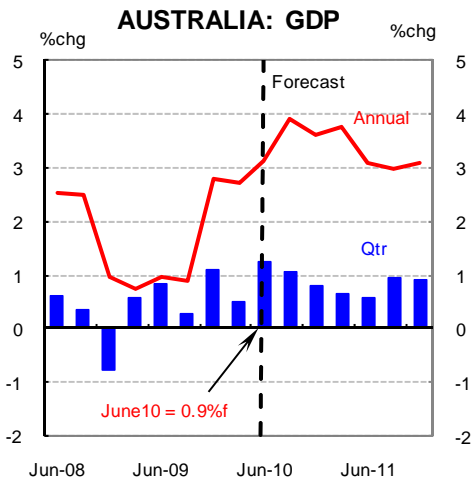
**Credit growth** is expected to rise in line with nominal spending (or Gross National Expenditure, GNE).



**Business credit** growth is very gradual. Caution over debt levels is the prevailing view in the corporate sectors.



**Real GDP growth** forecast to be 3.6% in 2010.



**Interest rates** are close to "normal" for most borrowers given the +3%pa GDP growth outlook for 2010.

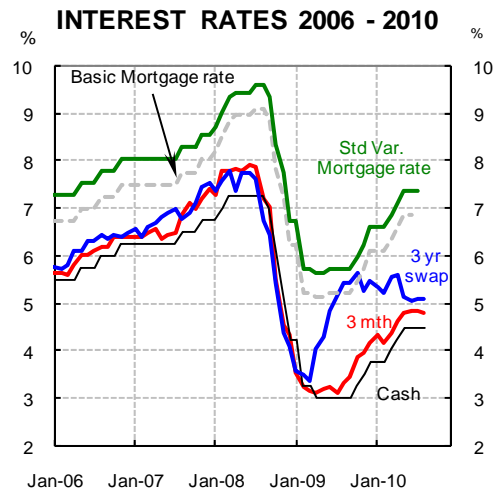


Table 1: RBA Credit June 2010

|               | TOTAL | Housing |                  |            | Business | Other Personal |
|---------------|-------|---------|------------------|------------|----------|----------------|
|               |       | Total   | - Owner-occupied | - Investor |          |                |
| % monthly chg | 0.2   | 0.4     | 0.3              | 0.6        | 0.0      | -0.3           |
| % annual chg  | 2.8   | 8.2     | 8.7              | 7.2        | -5.0     | 3.1            |

Source: RBA



## Research

| Commodities  |                             | Telephone      | Email Address           |
|--------------|-----------------------------|----------------|-------------------------|
| David Moore  | Base & Precious Metals, Oil | +612 9118 1099 | MoorDa@cba.com.au       |
| Luke Mathews | Agri Commodities            | +612 9118 1098 | luke.mathews@cba.com.au |
| Lachlan Shaw | Iron Ore, Coal, Steel, LNG  | +613 9675 8618 | lachlan.shaw@cba.com.au |

| Economics       |                  | Telephone      | Email Address              |
|-----------------|------------------|----------------|----------------------------|
| Michael Blythe  | Chief Economist  | +612 9118 1101 | michael.blythe@cba.com.au  |
| Michael Workman | Senior Economist | +612 9118 1019 | michael.workman@cba.com.au |
| John Peters     | Senior Economist | +612 9117 0112 | john.peters@cba.com.au     |
| James McIntyre  | Economist        | +612 9118 1100 | james.mcintyre@cba.com.au  |

| Fixed Income   |                                      | Telephone      | Email Address             |
|----------------|--------------------------------------|----------------|---------------------------|
| Adam Donaldson | Head of Debt Research                | +612 9118 1095 | adam.donaldson@cba.com.au |
| Philip Brown   | Fixed Income Quantitative Strategist | +612 9118 1090 | philip.brown@cba.com.au   |
| Michael Bors   | Credit Research Analyst              | +612 9118 1108 | borsma@cba.com.au         |
| Steve Shoobert | Credit Research Analyst              | +612 9118 1096 | steve.shoobert@cba.com.au |
| Winnie Chee    | Securitised Product                  | +612 9118 1104 | winnie.chee@cba.com.au    |
| Tally Dewan    | Quantitative Analyst                 | +612 9118 1105 | tally.dewan@cba.com.au    |
| Kevin Ward     | Database Manager                     | +612 9118 1960 | kevin.ward@cba.com.au     |

| Foreign Exchange |                           | Telephone      | Email Address             |
|------------------|---------------------------|----------------|---------------------------|
| Richard Grace    | Chief Currency Strategist | +612 9117 0080 | richard.grace@cba.com.au  |
| Joseph Capurso   | Currency Strategist       | +612 9118 1106 | joseph.capurso@cba.com.au |

| Delivery Channels & Publications |                      | Telephone      | Email Address          |
|----------------------------------|----------------------|----------------|------------------------|
| Monica Eley                      | Internet/Intranet    | +612 9118 1097 | monica.eley@cba.com.au |
| Al-Quynh Mac                     | Information Services | +612 9118 1102 | maca@cba.com.au        |

| New Zealand         |                     | Telephone     | Email Address                 |
|---------------------|---------------------|---------------|-------------------------------|
| Chris Tennent-Brown | CBA NZ Economist    | +64 9374 8819 | chris.tennent-brown@asb.co.nz |
| Nick Tuffley        | ASB Chief Economist | +64 9374 8604 | nick.tuffley@asb.co.nz        |
| Jane Turner         | Economist           | +64 9374 8185 | jane.turner@asb.co.nz         |
| Christina Leung     | Economist           | +64 9369 4421 | christina.leung@asb.co.nz     |

## Sales

| Institutional      | Telephone        | Equities         | Telephone        |
|--------------------|------------------|------------------|------------------|
| Syd FX             | +612 9117 0190   | Syd              | +612 9118 1446   |
|                    | +612 9117 0341   | Asia             | +613 9675 6967   |
| Credit             | +612 9117 0020   | Lon/Eu           | +44 20 7710 3573 |
| Japan Desk         | +612 9117 0025   | NY               | +1212 336 7749   |
| Melb               | +613 9675 6815   |                  |                  |
|                    | +613 9675 7495   | <b>Corporate</b> | <b>Telephone</b> |
|                    | +613 9675 6618   | NSW              | +612 9117 0377   |
|                    | +613 9675 7757   | VIC              | +612 9675 7737   |
| Lon FX             | +44 20 7329 6266 | SA               | +618 8206 4155   |
| Debt & Derivatives | +44 20 7329 6444 | WA               | +618 9482 6044   |
| Corporate          | +44 20 7710 3905 | QLD              | +617 3015 4525   |
| HK                 | +852 2844 7538   | NZ               | +64 9375 5738    |
| Sing               | +65 6349 7077    | Metals Desk      | +612 9117 0069   |
| NY                 | +1212 336 7739   | Agri Desk (Corp) | +612 9117 0157   |
|                    |                  | Agri Desk        | +612 9117 0145   |



Please view our website at [www.research.commbank.com.au](http://www.research.commbank.com.au). The Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945 ("the Bank") and its subsidiaries, including Commonwealth Securities Limited ABN 60 067 254 399 AFSL 238814 ("CommSec"), Commonwealth Australia Securities LLC, CBA Europe Ltd and Global Markets Research, are domestic or foreign entities or business areas of the Commonwealth Bank Group of Companies (CBGOC). CBGOC and their directors, employees and representatives are referred to in this Appendix as "the Group". This report is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy any securities or financial instruments. This report has been prepared without taking account of the objectives, financial situation and capacity to bear loss, knowledge, experience or needs of any specific person who may receive this report. No member of the Group does, or is required to, assess the appropriateness or suitability of the report for recipients who therefore do not benefit from any regulatory protections in this regard. All recipients should, before acting on the information in this report, consider the appropriateness and suitability of the information, having regard to their own objectives, financial situation and needs, and, if necessary seek the appropriate professional, foreign exchange or financial advice regarding the content of this report. We believe that the information in this report is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this report. Any opinions, conclusions or recommendations set forth in this report are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by the Group. We are under no obligation to, and do not, update or keep current the information contained in this report. The Group does not accept any liability for any loss or damage arising out of the use of all or any part of this report. Any valuations, projections and forecasts contained in this report are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. The Group does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met. Past performance is not a reliable indicator of future performance. The Group has provided, provides, or seeks to provide, investment banking, capital markets and/or other services, including financial services, to the companies described in the report and their associates. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject any entity within the Group to any registration or licensing requirement within such jurisdiction. All material presented in this report, unless specifically indicated otherwise, is under copyright to the Group. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior written permission of the appropriate entity within the Group. In the case of certain products, the Bank or one of its related bodies corporate is or may be the only market maker. The Group, its agents, associates and clients have or have had long or short positions in the securities or other financial instruments referred to herein, and may at any time make purchases and/or sales in such interests or securities as principal or agent, including selling to or buying from clients on a principal basis and may engage in transactions in a manner inconsistent with this report.

**US Investors:** If you would like to speak to someone regarding the subject securities described in this report, please contact Commonwealth Australia Securities LLC (the "US Broker-Dealer"), a broker-dealer registered under the U.S. Securities Exchange Act of 1934 (the "Exchange Act") and a member of the Financial Industry Regulatory Authority ("FINRA") at 1 (212) 336-7737. This report was prepared, approved and published by Global Markets Research, a division of Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945 ("the Bank") and distributed in the U.S. by the US Broker-Dealer. The Bank is not registered as a broker-dealer under the Exchange Act and is not a member of FINRA or any U.S. self-regulatory organization. Commonwealth Australia Securities LLC ("US Broker-Dealer") is a wholly owned, but non-guaranteed, subsidiary of the Bank, organized under the laws of the State of Delaware, USA, with limited liability. The US Broker-Dealer is not authorized to engage in the underwriting of securities and does not make markets or otherwise engage in any trading in the securities of the subject companies described in our research reports. The US Broker-Dealer is the distributor of this research report in the United States under Rule 15a-6 of the Exchange Act and accepts responsibility for its content. Global Markets Research and the US Broker-Dealer are affiliates under common control. Computation of 1% beneficial ownership is based upon the methodology used to compute ownership under Section 13(d) of the Exchange Act. The securities discussed in this research report may not be eligible for sale in all States or countries, and such securities may not be suitable for all types of investors. Offers and sales of securities discussed in this research report, and the distribution of this report, may be made only in States and countries where such securities are exempt from registration or qualification or have been so registered or qualified for offer and sale, and in accordance with applicable broker-dealer and agent/salesman registration or licensing requirements. The preparer of this research report is employed by Global Markets Research and is not registered or qualified as a research analyst, representative, or associated person under the rules of FINRA, the New York Stock Exchange, Inc., any other U.S. self-regulatory organization, or the laws, rules or regulations of any State.

**European Investors:** This report is published, approved and distributed in the UK by the Bank and by CBA Europe Ltd ("CBAE"). The Bank and CBAE are both registered in England (No. BR250 and 05687023 respectively) and authorised and regulated in the UK by the Financial Services Authority ("FSA"). This report does not purport to be a complete statement or summary. For the purpose of the FSA rules, this report and related services are not intended for retail customers and are not available to them. The products and services referred to in this report may put your capital at risk. Investments, persons, matters and services referred to in this report may not be regulated by the FSA. CBAE can clarify where FSA regulations apply.

**Singapore Investors:** This report is distributed in Singapore by Commonwealth Bank of Australia, Singapore Branch (company number F03137W) and is made available only for persons who are Accredited Investors as defined in the Singapore Securities and Futures Act and the Financial Advisers Act. It has not been prepared for, and must not be distributed to or replicated in any form, to anyone who is not an Accredited Investor.

**Hong Kong Investors:** This report was prepared, approved and published by the Bank, and distributed in Hong Kong by the Bank's Hong Kong Branch. The Hong Kong Branch is a registered institution with the Hong Kong Monetary Authority to carry out the Type 1 (Dealing in securities) and Type 4 (Advising on securities) regulated activities under the Securities and Futures Ordinance. Investors should understand the risks in investments and that prices do go up as well as down, and in some cases may even become worthless. Research report on collective investment schemes which have not been authorized by the Securities and Futures Commission is not directed to, or intended for distribution in Hong Kong.

**All investors: Analyst Certification and Disclaimer:** Each research analyst, primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the report. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing, and interpreting market information. Directors or employees of the Group may serve or may have served as officers or directors of the subject company of this report. The compensation of analysts who prepared this report is determined exclusively by research management and senior management (not including investment banking). No inducement has been or will be received by the Group from the subject of this report or its associates to undertake the research or make the recommendations. The research staff responsible for this report receive a salary and a bonus that is dependent on a number of factors including their performance and the overall financial performance of the Group, including its profits derived from investment banking, sales and trading revenue.

Unless agreed separately, we do not charge any fees for any information provided in this presentation. You may be charged fees in relation to the financial products or other services the Bank provides, these are set out in the relevant Financial Services Guide (FSG) and relevant Product Disclosure Statements (PDS). Our employees receive a salary and do not receive any commissions or fees. However, they may be eligible for a bonus payment from us based on a number of factors relating to their overall performance during the year. These factors include the level of revenue they generate, meeting client service standards and reaching individual sales portfolio targets. Our employees may also receive benefits such as tickets to sporting and cultural events, corporate promotional merchandise and other similar benefits. If you have a complaint, the Bank's dispute resolution process can be accessed on 132221.

Unless otherwise noted, all data is sourced from Australian Bureau of Statistics material ([www.abs.gov.au](http://www.abs.gov.au)).