



PAY MARKET IN
AUSTRALIA & NEW ZEALAND
IN 2006 REPORT





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FOREWORD

Each year, organisations and in particular HR Professionals are faced with forecasting salaries and wages for the upcoming period. This is a highly detailed process because a projection that falls short or above the actual increase, even by a small amount, can be costly to the organisation. The organisation needs to develop a method using a variety of credible sources, to forecast growth.

In order to assist with this process, CSi – The Remuneration Specialists have compiled this Pay Market Report for 2006. The report provides figures and statistics that are derived from our extensive databases and current economic and general data. For the first time in this series, we have included a section on New Zealand. Forecasts within this report are predominantly from our most recent edition of the Australian General Industry Remuneration Report, which was published in late November 2005 and is the largest remuneration survey in Australia.*

The Australian employment market remains tight with low unemployment and skills shortages in various fields. A poor prediction of upcoming salaries and wages costs may hinder an organisation's ability to attract new employees and to retain current employees. The current market conditions require organisations to be extremely diligent in their decision-making.

This report provides organisations with an overview of the anticipated pay market in 2006. For further information, please contact us at consulting@csirem.com.au.

Jairus Ashworth
Managing Director
CSi – The Remuneration Specialists

December 2005

* Based on number of contributors and employees surveyed. Correct at time of writing.

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INTRODUCTION

Strong economic growth is set to continue

The Australian economy is in its 15th year of expansion and continues to remain strong, despite some slowing. The IMF forecasts growth at 3.2% in 2006. The global economy has remained strong throughout 2005 due to low interest rates. The mining boom that is having a positive effect on the Australian economy as a whole has offset a slowing housing market and cooling domestic consumption. Weakening of the Australian dollar, together with large export volumes of commodities will see a more balanced trade outcome.

Inflation is predicted to remain steady. Since reaching 3% in September 2005, the Reserve Bank of Australia (RBA) has been closely monitoring the situation but weaker domestic demand is acting to reduce price pressure. It is expected that the RBA will increase interest rates in 2006, more likely later in the year.

It is anticipated that the labour market will remain tight in 2006 but not at the level seen in 2005. Wages growth has been steadily increasing in 2005 due to low unemployment and high participation rates. With unemployment reaching record lows, slight easing, which started at the end of 2005 and is expected to continue in 2006, should see unemployment increase up to around 5.5% next year. Skilled vacancies are down by 5% in the year to November. These movements should alleviate some of the pressure on wages growth in 2006.

Many Australian employees have been able to prosper in 2005 and predictions are that they will continue to do so (but to a lesser extent) in 2006 due to a variety of factors. Low interest rates, high wages growth, tax breaks and a bottoming out of the housing market have increased the "wealth" of Australians. There is pressure on the Federal Treasurer to provide further tax breaks in next year's budget as a result of the huge budget surplus.

One of the most significant changes to Australian workplaces is now set to occur and is based around the Federal Government's controversial workplace reforms. They will become a reality in 2006. The changes have been described as significant, but with the ultimate aim of further boosting the Australian economy and generating more jobs and higher wages.

(For further economic statistics, refer to Appendix 1.)

STAFF ATTRITION

In the current tight labour market with low unemployment and high participation rates, the Australian labour market is very much an employee's market (see Appendix 2). This puts pressure on organisations to retain key employees but also to attract employees that will add value to the organisation. Some of the ways in which the organisation can retain employees and thus keep their staff attrition rate low are:

1. Ensuring that employees are engaged through a flexible work place and a focus on intrinsic rewards such as job content, growth and quality of life.
2. Ensuring that financial rewards are market competitive and motivate employees' loyalty and productivity such as meaningful performance based bonuses to align individual and corporate goals.
3. Ensuring a good work/life balance. In a time where employees have a dual focus on both private and work life, it is important for organisations to recognise this shift from what was historically a single focus (i.e. work comes first mindset) and have policies in place to accommodate employees such as "family friendly" benefits like telecommuting and day care facilities.

From the above, it is evident that both financial and non-financial factors have an impact on employees and a good balance of both (that support the organisational culture) is an effective form of employee attraction and retention. Although the unemployment rate has been slowly rising recently, it is expected to stay relatively low throughout 2006. Skills shortages will still be experienced in certain sectors and regions.

Attrition rates for 2005

The following table presents a summary of the Staff Attrition rates for 2005 in terms of simple (indicates the average company specific turnover rate in the last 12 months) and weighted (indicates the proportion of the total surveyed market that has turned over in the past 12 months) averages.

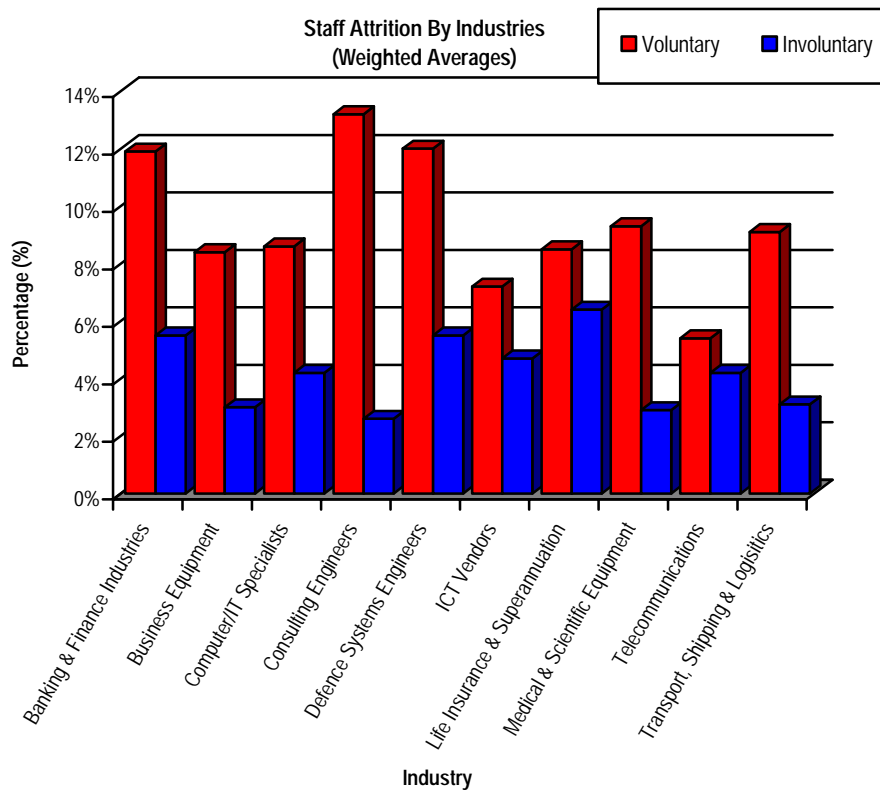
Type of Staff Attrition	Weighted Average	Simple Average	Median Response	Minimum Reported	Maximum Reported
Voluntary	13.1%	15.6%	14.2%	0.0%	57.0%
Involuntary	2.9%	2.8%	1.5%	0.0%	20.0%
Total Staff Attrition	17.3%	18.2%	17.4%	2.0%	57.0%

Note: Total attrition may not equal the sum of Voluntary and Involuntary attrition figures as contributors were able to enter a Total Attrition only in cases where Voluntary and involuntary Attrition figures could not be reported.

Source: CSI's Australian General Industry Remuneration Report November 2005

Staff Attrition Rates by Industry for 2005

The graph below shows a comparison between voluntary and involuntary turnover (using weighted averages) across a number of industries.

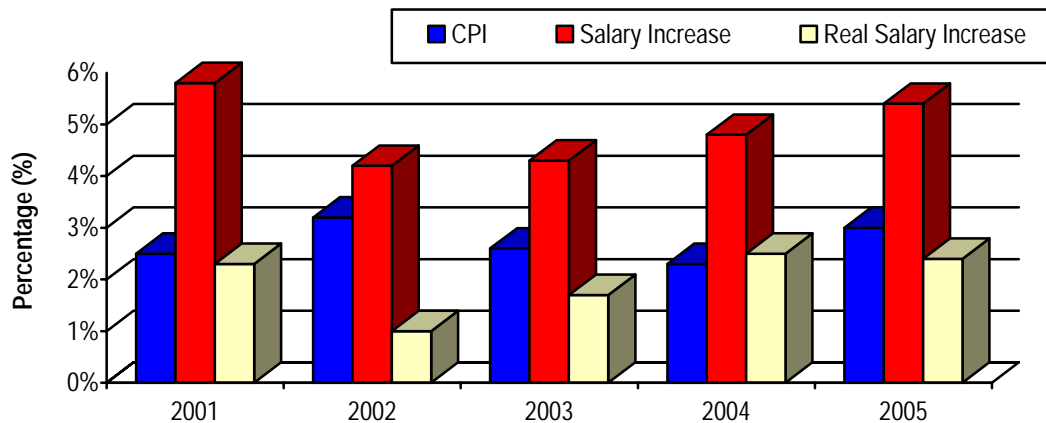


Source: Various industry specific salaries and benefits surveys conducted by CSI – The Remuneration Specialists in 2005

Apart from consulting engineering, defence systems engineering and banking and finance industries, rates are relatively low across all sectors. The general thinking amongst HR theorists is that voluntary attrition of 5-10% is considered manageable as it allows for the inflow of new employees with new ideas without causing major disruptions to the entire organisation. In times of skills shortages, however, even a turnover of this rate may cause problems for organisations. Engineers are currently in high demand due in part to large infrastructure projects that are taking place across the nation. Banking and finance industries predominantly have a high turnover as a result of the sheer size of the industries and new competitors that have entered the market.

Involuntary attrition is relatively low across all industries in the above graph, the highest at 6.5% is the life insurance and superannuation industries. This is a result of merger/acquisition and restructuring activities in these industries.

PAST PAY TRENDS/MOVES



The above graph displays real salary increases for employees over the past 5 years. Real salary increases are defined here as the difference between the CPI and annual average salary increases [based on same incumbent movements at Nominal Base Salary* as reported in the November 2005 Australian General Industry Remuneration Report (previously titled General/Combined Industries Salaries & Benefits Survey) for each year]. From 2002, we have seen growth in real salary increases.

In order for a further real salary increase in 2006 (in comparison to 2005),

1. salary increase must grow and inflation remain steady;
2. salary increase remain steady and inflation decrease; or
3. salary increase grow and inflation decrease simultaneously.

In 2006 it is likely that inflation will remain steady due to RBA monitoring, so an increase in average nominal base salary of more than 5.4% will see greater real salary increases relative to 2005 (Option 1).

Annual salary growth over time is displayed in the table on the following page. Nominal Base Salaries have increased between 3.7% and 6.1% each year since June 1996. Since June 2000, Total Remuneration Costs have increased annually from 4.1% to 7.2%. A gradual increase in nominal base salaries can be seen in data post 2002 and this trend is expected to continue in 2006.

*Nominal Base Salary: the addition of Taxable Base Salary and Employee Salary Sacrifice Superannuation amounts.

History of Average Salary Increases as reported in CSi's Australian General Industry Remuneration Report (formerly General/Combined Industries Salaries & Benefits Survey)

DATE	Average Salary Increase	
	Nominal Base Salary	Total Remuneration Cost
June 1996	4.8%	3.4%*
November 1996	5.2%	5.0%*
June 1997	5.1%	5.2%*
November 1997	4.6%	4.8%*
June 1998	6.1%	5.8%*
October 1998	6.0%	5.7%*
June 1999	6.0%	5.9%
October 1999	5.8%	5.8%
June 2000	5.1%	5.8%
November 2000	5.3%	5.8%
June 2001	5.2%	6.1%
November 2001	5.8%	7.2%
June 2002	5.2%	5.4%
November 2002	4.2%	5.6%
June 2003	3.7%	4.4%
November 2003	4.3%	4.1%
June 2004	4.8%	5.4%
November 2004	4.8%	5.4%
June 2005	5.4%	5.7%
November 2005	5.4%	5.9%

Nominal Base Salary: the addition of Taxable Base Salary and Employee Salary Sacrifice Superannuation amounts.

Total Remuneration Cost: Nominal Base Salary plus all benefits, fixed allowances and variable payments.

* Indicates Total Package rather than Total Remuneration Cost (i.e. Does not incorporate FBT and variable pay).

FUTURE PAY TRENDS/MOVES

Anticipated Salary Increases for this Financial Year

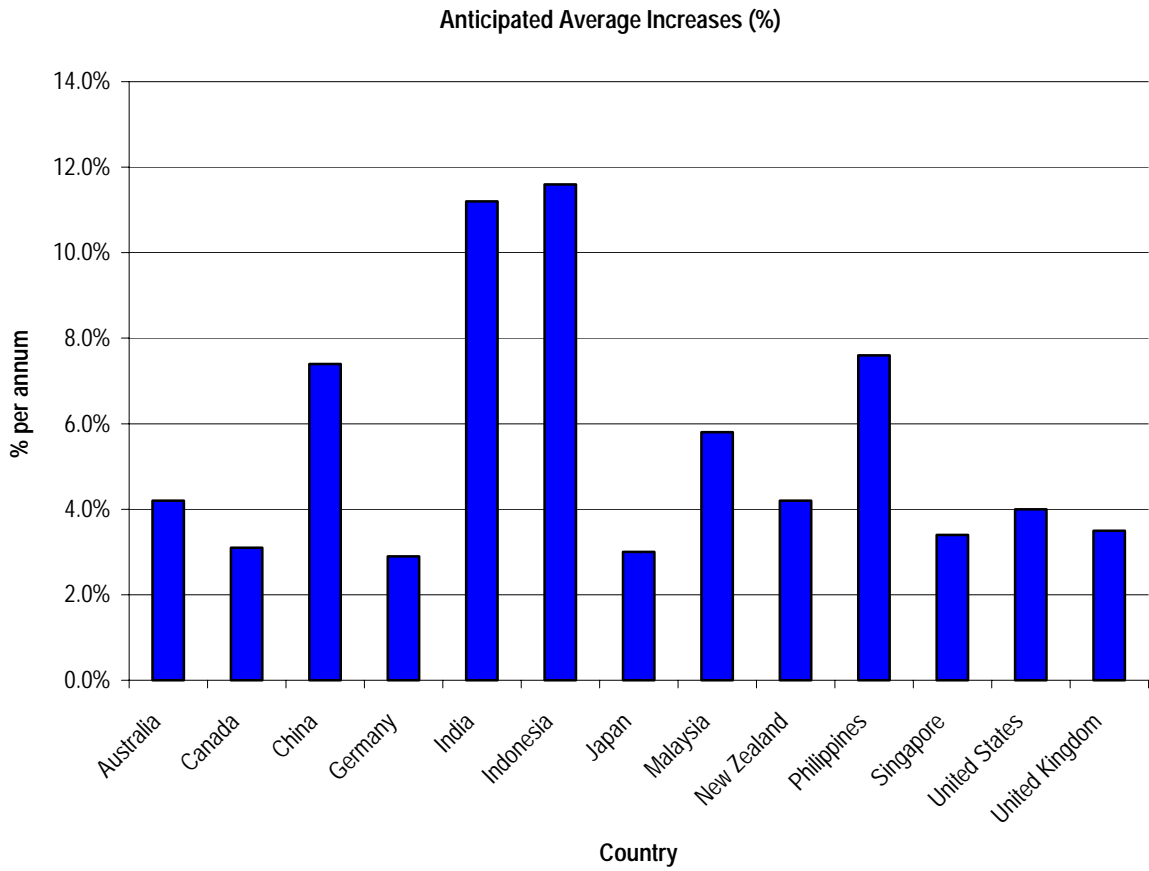
CSi anticipates that salaries will increase on a broad scale of 4%, yet there will be greater increases in industries with skills shortages. Many organisations are under pressure to increase salaries due to the tight labour market; however, they are somewhat unwilling to increase salaries on an organisation-wide basis as doing so may affect the organisation's performance and profitability in an extremely competitive market. Despite the importance of employees in forming a corporation, organisations are also aware of satisfying all stakeholders and as such, profit and revenue figures are of high importance.

The table below summarises contributor expectations for the 2005/06 financial year across a range of CSi surveys. This supports CSi's forecast.

Survey	Average Increase	Median Increase
Banking & Finance Industries (Oct 05)	4.3%	4.0%
Business Equipment (Sept 05)	3.8%	4.0%
Computer/IT Specialists (Nov 05)	4.1%	4.0%
Consulting Engineers (April 05)	5.1%	4.5%
Defence Systems Engineers (Nov 05)	4.2%	4.1%
ICT Vendors (Aug 05)	4.6%	4.0%
Life Insurance & Superannuation (Sept 05)	3.8%	4.0%
Medical & Scientific Equipment (Oct 05)	4.2%	4.0%
Telecommunications Industry (Aug 05)	3.8%	4.0%
Transport, Shipping & Logistics (Aug 05)	4.2%	4.0%
Australian General Industry (Nov 05)	4.3%	4.0%

The following graph shows Australia's and New Zealand's expected salary increases for 2006 in comparison to other countries. The graph shows that amongst other developed nations, Australia and New Zealand are highly competitive. Other nations in the Asia Pacific region (excluding Japan) show a much greater increase but this is due to their rapid development. Although it will continue for a few years yet, this pace is considered unsustainable once a good level of development has been met.

An international perspective of expected salary increases for 2006



Source: Watson Wyatt Global 50 Remuneration Planning Report 2005/06

COUNTRY FOCUS: NEW ZEALAND

Economic Expectations

The New Zealand economy is currently decelerating following a peak in GDP of 4.8% in 2004. Low unemployment, labour shortages and high consumer demand are putting pressure on resource capacity, thereby affecting economic growth. This slowdown is anticipated to continue in 2006, with growth forecasts at around 2%. But GDP is forecast to rebound in 2007.

With an unemployment rate of 3.4% in September 2005 representing a 20-year low, New Zealand is suffering from severe labour shortages as demand for labour resources intensify. Strong employment has led to wages growth, which in turn, increases demand for labour. High wages growth is expected to continue despite a slightly higher unemployment rate in 2006 as the difficulty to source labour decreases.

Inflation has now swelled beyond the Reserve Bank of New Zealand's (RBNZ) mid-term range of 1 - 3%, reaching up to 3.4% in September 2005. It is being driven by strong domestic demand, a strong housing market sector and a tight labour market. In contrast, inflation is quite well contained on a global scale. The RBNZ has been curtailing inflation by increasing interest rates. With the Official Cash Rate increasing by 0.75% over 2005, inflation is expected to decrease towards the end of 2006 and into 2007, as the effects of higher interest rates are felt on the economy. This will lead to a gradual decrease of the Cash Rate throughout 2007.

Business investment remains strong as organisations look towards new capital investment due to strong demand both overseas and domestically. However, this is likely to weaken in conjunction with slower growth in 2006.

The strong NZ dollar is aggravating the balance of trade as imports are cheaper and in demand from the domestic sector. However, as demand falls over 2006, so too will the exchange rate and allow the export sector to recover.

Politically, New Zealand has a relatively weak stance with the government being elected in 2005 by a small margin. Pre election promises of tax breaks and reforms to student loans are expected to take shape in 2006.

In 2006 the pace of the New Zealand economy will slow as inflationary pressures ease and the exchange rate weakens. The labour market is expected to remain strong with low unemployment and high wages growth. Weakening of the NZ dollar will help stimulate exports and then even out the balance of trade.

Attrition Rates for 2005

The following table presents a summary of the Staff Attrition rates for 2005 in terms of simple and weighted averages.

TYPE OF STAFF ATTRITION	Weighted Average	Simple Average	Median Response	Minimum Reported	Maximum Reported
Voluntary	14.8%	15.6%	13.0%	0.0%	32.0%
Involuntary	1.5%	1.6%	0.5%	0.0%	6.3%
Total Staff Attrition	16.6%	17.0%	15.8%	4.0%	32.0%

Source: CSi New Zealand Computer/IT Specialists Salaries & Benefits Survey September 2005

TYPE OF STAFF ATTRITION	Weighted Average	Simple Average	Median Response	Minimum Reported	Maximum Reported
Voluntary	16.4%	16.2%	15.0%	2.0%	46.0%
Involuntary	3.3%	3.4%	3.0%	0.0%	18.0%
Total Staff Attrition	20.1%	18.9%	18.0%	2.0%	59.0%

Source: CSi New Zealand IT & Telecommunications Industries Salaries & Benefits Survey August 2005

As mentioned in the Australian section, voluntary attrition of between 5 and 10% is a level that is unlikely to cause a major disruption to the organisation. High attrition in New Zealand is expected due to skills shortages and low unemployment that allows employees who are in high demand to move around and find the employer who is offering the "best deal".

Future Pay Trends/Moves

Survey	Average Increase	Median Increase
IT/Computer Specialists (Aug 05)	4.0%	4.0%
IT & Telecommunications (Sept 05)	3.9%	4.0%

Like Australia, New Zealand organisations are also anticipating a salary increase of 4% in 2006. This may be conservative but also a strategy by organisations to protect their profit margins.

(For further New Zealand statistics, refer to Appendix 3.)

PRESSURE POINTS

We expect salary increases in 2006 to be 4% across the board. However, there will be areas in which greater pressure will push salary increases higher than this. The following is a list of "hot spot" activities.

- Salary increases for employees should see a moderate increase on the 2005 offerings by organisations as the pressure to retain key talent increases and the ICT market continues to strengthen. A number of medium to large contracts are on offer or up for retender during 2006 - this will drive wage pressures in selected job families;
- Sales and Pre-Sales roles will remain high growth areas, particularly the top end sales roles - outsourcing and large contract sales representatives;
- Organisations continue to upgrade their software and hardware, which brings greater demand for specialist consulting and service roles - SAP, Security, CRM, etc. A number of organisations have put large upgrades on hold during 2005 due to the lack of skilled resources - the pressure for quality staff in these areas will continue;
- The pressure on back office roles should continue to decrease as offshoring increases - Helpdesk, Shared Service (Accounts Payables/Receivables, etc) and some "low level" HR and administrative roles are likely to be outsourced and offshored;
- Corporate Governance is still a high issue for US multinationals and the slow growth in the US economy may create reward issues for some of these organisations as local growth outpaces the US;
- Specialist or Subject Matter Expert (SME) roles that deliver high value direction for organisations should continue to demand greater increases - CEO's, HR strategic partners, selected marketing roles, etc;
- Stock Options, particularly for local and US owned organisations will prove to be an issue for attracting and retaining top talent. The use of RSU grants and other equity vehicles is likely to increase.

Our thanks to Rick Watt, Chairman of the AIIA Remuneration Committee for his contribution to the above.

SENIOR EXECUTIVES

Pay practices and trends at the senior executive level will remain “hot” in 2006 although new corporate governance guidelines may cool this sector of the pay market over time. Changes to the reporting of executive reward have resulted in individual packages being communicated in greater detail. The major Australian Banks in particular have embraced disclosure and their reports to shareholders contain in depth background to remuneration practices, in addition to details about the structure of individual executive packages.

However, disclosure has not led to the dampening of increases in packages at this level over the last year nor should it for the next. CSI’s Australian Top Executive Remuneration Report for 2005 has shown senior executive increases of 7.5% on total variable package and 6.6% on base salary/guaranteed remuneration. These rates are more than 1 percentage point higher than the 5.9% on variable and 5.4% on base reported in our Australian General Industry Remuneration Report November 2005. It is worth noting the increases of 16% total variable pay and 6% base salary reported in the Australian Financial Review’s (AFR) annual survey published on the 19th November 2005. The AFR Survey covers the top 300 listed companies – CSI’s top executive database is comprised of contributors from a wider range of company size – senior executives from medium and smaller companies have more conservative movements in reward than the larger companies.

There are a number of other reasons for the continued higher rate of increase in reward at the senior executive level;

1. Good trading conditions – the Australian economy continues to grow and the outlook is also positive. In these circumstances executive pay, particularly the STI or variable “at risk” component will continue to rise at higher levels. But as the AFR survey pointed out – the higher proportion of reward is tied to performance and therefore suggests that the structure of pay at this level is heading in the right direction. In future years when the economic climate changes there will be increased pressure on Remuneration Committees and Boards to deal with pressure to lower performance targets.
2. Global pressures – the CEO and senior executive pay market is “hot” in most of Australia’s trading partners.
3. Different market – CEO and Senior Executive reward is treated differently from that of staff at other levels. Rates are determined in individual contracts often negotiated with the aid of specialists and dealt with by remuneration committees in listed companies. Individual and company performance targets and bonuses leveraged on those targets are typically the issues considered in determining potential reward packages for senior executives rather than compliance with general pay trends.
4. High Finance/Fund Managers and entertainment/sports stars – whose rewards may also be determined by individual contract, most often with the aid of specialist intermediaries – continue to earn lucrative fortunes and are used as a benchmark by executives.

We predict therefore that guaranteed fixed remuneration for senior executives will again rise by 4.5% to 6% (depending on organisational size) but that total reward which includes variable pay, will rise at levels higher than 2005.

Peter Barton
Chairperson

CONCLUSION

The strength of the Australian economy is favourable for employees. Low unemployment and high participation rates have seen substantial salary increases in 2005. These tight labour conditions are expected to continue in 2006, but to a lesser degree.

In conjunction with ensuring remuneration rates are market competitive and remuneration structures are equitable and defensible, employers are now focusing more on variable pay and non-financial benefits that are meaningful to employees and support work/life balance. Organisations must formulate a customised package that will assist in attracting and retaining employees that add value to the organisation. This requires identification of both the organisation and employees' needs and designing HR/remuneration policies to address these.

CSi has the tools to provide organisations with information concerning competitive remuneration. CSi's online Data Centre allows survey contributors to view their employees' compa-ratios and determine whether they are market competitive. Our consulting services provide comprehensive information tailored to organisations' individual needs. A good remuneration system is essential for organisations to engage employees and remain competitive.

Jairus Ashworth
Managing Director
CSi – The Remuneration Specialists

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APPENDIX 1: ECONOMIC COMMENTARY - AUSTRALIA

Forecasts depict easing of economic growth relative to the previous year. Growth figures for this financial year are 2.5% – 3.1%. Consumer confidence will be low relative to 2004 and is expected to decline throughout the 2005 financial year. Business investment and household consumption are expected to remain relatively robust. This is tempered by a slowing in the housing sector and slow export growth.

Since the world economy experienced the highest growth in nearly 30 years in 2004 and China's economy continued to surge in 2005, global conditions are expected to remain relatively strong. An increase in interest rates in 2006 to curb inflation will slow down global growth. World economic growth is lead by the US and China, however, should either of these economies falter and global conditions deteriorate, growth in the local economy will be impacted.

GDP - Economic Growth	Current Quarter: 2.8% September*	Forecast
		2005/06: 3.1%#

* Annualised Figures # Forecast for Financial Year 2005/06

Comment:

Overall, the Australian economy remains in very good shape despite the slowing domestic economy. Households have benefited from rising incomes, due to wage increases, tax cuts and increases in family benefit payments. The rising cost of petrol however poses a significant threat to households, acting to offset these benefits and reduce consumer confidence. As oil prices stabilise, consumers will regain confidence.

Whilst the domestic economy remains strong, the trade sector has by contrast been disappointing. Despite strong global growth and an increase in the prices of commodities, trade accounts are slow to change. Exports are recovering slowly, although full recovery is not expected until 2006 where continuing increased export volumes and higher export prices will boost their value. The average GDP growth for the 2005/06-year is forecast at 3.1%.

Imports as a share of GDP will remain high with solid household and business spending set to continue. However, moderating domestic demand growth and a rising A\$ will combine to slow the growth of import volumes. As a result it is anticipated that trade balances will unlikely shift significantly and the current account deficit will be around 6% of GDP over 2005/06.

The global economy remains relatively strong, with 2005 forecasts of around 4%, down from exceptionally strong growth of about 5% in 2004, its strongest performance since 1976 (despite sustained rises in oil prices, rising US and UK interest rates and on going geo-political uncertainty). The lower forecast comes as a result of higher oil prices and the affect of Hurricane Katrina on the US economy. Slower US growth impacts the global economy, which is expected to slowdown even further to 3.8% in 2006.

Inflation	Current Quarter: 3.0% September*	Forecast
* Annualised Figures # Forecast for Financial Year 2005/06		2005/06: 2.9%#

Comment:

The September Consumer Price Index (CPI) revealed that annual inflation rose by 3.0%, placing it at the top of the RBA's target range (2 - 3%). Inflation in both consumer prices and wages is well contained and this should see interest rates remain relatively stable throughout 2005 and early 2006. However, with the continuing strength of the economy and tight labour market, the Reserve Bank maintains a 'bias' towards raising interest rates at some point during 2006.

Inflation is forecast by a number of economists to be around 2.9% for this financial year, thanks to the more sustainable pace of demand growth and easing of the labour market. A higher Cash Rate will also reduce inflationary pressures.

The main contributors to the overall increase in prices over the past quarter (+0.9%) were automotive fuel, house purchase, domestic holiday travel and accommodation, property rates and charges, beer, overseas holiday travel and accommodation, fruit, restaurant meals, rents, electricity and water and sewerage. In contrast, the cost of pharmaceuticals, deposit and loan facilities, audio, visual and computing equipment and telecommunication fell.

Unemployment	Current: 5.1% November*	Forecast
* Annualised Figures # Forecast for Financial Year 2005/06		2005/06: 5.4%#

Comment:

After reaching the lowest unemployment rate in thirty years, unemployment is still low in November 2005 in which the rounded estimate remained at 5.1%. With the tight labour market and ongoing skills shortages in particular industries, employment demand is expected to remain quite strong in 2006. Forecasts by all four major banks predict unemployment rising above 5.0% (but still below 6%) this financial year.

ECONOMIC GROWTH FORECASTS

Bank	2005/06
ANZ	3.0%
CBA	3.1%
National	2.5%
Westpac	3.0%

INFLATION

ANNUALISED INFLATIONARY MOVEMENTS

(September 2004 – September 2005)

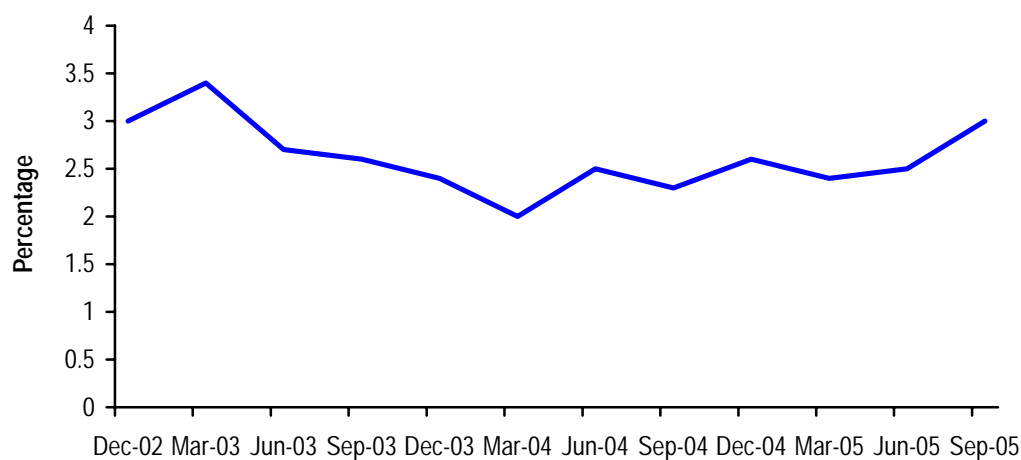
Consumer Price Index (CPI)	Annualised Movements
All Groups	3.0%*
All Groups Excluding Housing and Financial and insurance services	3.0%

** September 2005 CPI figures incorporate an updated weighting pattern. Changes in the weighting pattern have been made by the ABS at approximately five-yearly intervals to take account of changes in household spending patterns.*

The annual change in the inflation rate to September 2005 was 3.0%, with a 0.9% change from June quarter 2005.

HISTORY OF CPI MOVEMENTS (ALL GROUPS)

(Annual Movements December 2002 – September 2005)



CAPITAL CITY COMPARISON – CPI, ALL GROUPS

(% Annualised Movements September 2004 – September 2005)

Capital City	Annualised Movements
Sydney	2.9%
Melbourne	3.1%
Brisbane	2.8%
Adelaide	3.0%
Perth	4.1%
Hobart	3.5%
Darwin	2.8%
Canberra	2.9%

INFLATION FORECASTS

Bank	2005/06
ANZ	2.9%
CBA	3.0%
National	2.8%
Westpac	2.9%

INTEREST RATES

* RBA Cash Rate Target 5.5% December 2005

The Reserve Bank of Australia (RBA) made a decision at its meeting on 6 December 2005 to leave the cash rate target unchanged at 5.5 per cent.

OFFICIAL CASH RATE (OCR) FORECASTS

Bank	2005/06
CBA	5.8%
Westpac	5.5%

LABOUR MARKET

Employment Growth

ABS figures for November 2005 showed that the trend figure of people employed decreased to 10,035,800.

Changes to Employment Distribution

The fastest growing job industries, according to ABS job vacancy figures (August 2005) are: Property and business services, Retail trade, Manufacturing, Health and community services and Finance and insurance.

Unemployment

The trend unemployment rate in the period October 2005 to November 2005 remained at 5.1%, while the participation rate decreased to 64.4% over the same period.

The trend unemployment rate by state for November 2005 is as follows:

State	Number Unemployed	Unemployment Rate
New South Wales	182,300	5.3%
Victoria	144,200	5.5%
Queensland	101,900	4.8%
South Australia	38,600	4.9%
Western Australia	43,100	3.9%
Tasmania	17,000	7.1%
Northern Territory	5,000	4.8%
ACT	6,300	3.4%

UNEMPLOYMENT FORECASTS

Bank	2005/06
ANZ	5.2%
CBA	5.4%
National	5.8%
Westpac	5.2%

TAXATION

Changes to the tax thresholds that were announced in the May 2005 - 06 Federal Budget became effective July 1 2005.

INCOME TAX CHANGES

Previous Tax Rates		Tax thresholds from 1 July 2005	
Taxable Income (\$)	Tax Rate (%)	Taxable Income (\$)	Tax Rate (%)
0 – 6,000	Nil	0 – 6,000	Nil
6,001 – 21,600	Nil + 17% of excess over 6,000	6,001 – 21,600	Nil + 15% of excess over 6,000
21,601 - 58,000	2,652 + 30% of excess over 21,600	21,601 – 63,000	2,340 + 30% of excess over 21,600
58,001 – 70,000	13,572 + 42% of excess over 58,000	63,001 – 95,000	14,760 + 42% of excess over 63,000
70,001+	18,612 + 47% of excess over 70,000	95,000+	28,200 + 47% of excess over 95,000

Source: Australian Tax Office

HECS REPAYMENT RATES

The current HECS repayment rates for 2005 - 2006 are as follows. The measure is taken as a percentage of the employees HECS repayment income (HRI). This figure is defined as the taxable income plus net rental losses, total reportable fringe benefits received and exempt foreign employment income.

HRI	Repayment Rate (as % of HRI)
\$0 - \$36,185	0
\$36,185-\$40,306	4.0
\$40,307-\$44,427	4.5
\$44,428-\$46,762	5.0
\$46,763-\$50,266	5.5
\$50,267-\$54,439	6.0
\$54,440-\$57,304	6.5
\$57,305-\$63,062	7.0
\$63,063-\$67,199	7.5
\$67,200 +	8.0

APPENDIX 2: VARYING EMPLOYMENT MARKET SITUATIONS

What Is An Employees' Market?

An employees' market is one where an individual's bargaining power is strong – the “pay me more or I will leave” mentality prevails. There is a low risk factor from the employee's perspective because there are so many other employment opportunities available, often at higher rates of pay. Staff attrition rates tend to be relatively high (>20%pa) despite many varied attempts by employers to reduce them. “Just in time” staff loyalty prevails.

What is an Employers' Market?

An employers' market is one where the employer holds the relative advantage over employees in the employment relationship and can therefore keep pay rates in check. Staff attrition is generally lower (in the 10- 15% range) and unemployment tends to be rising.

APPENDIX 3: ECONOMIC COMMENTARY – NEW ZEALAND

ECONOMIC GROWTH

Economic Growth increased by **3.1%** in the year to June 2005 following a rise of 1.1% in the June 2005 quarter.

ECONOMIC GROWTH FORECASTS

GDP (Forecast % annual changes)	2005	2006
ASB	3.0%	2.3%
ANZ National	2.7%	1.5%
Bank of New Zealand	2.6%	2.4%
Westpac	2.4%	1.9%

CPI MOVEMENTS

The New Zealand CPI figure for the year to September 2005 stands at **3.4%**, which follows rises of 2.8% in the year to June 2005 and 2.8% in the year to March 2005. Significant upward contribution to the movement in the CPI came from petrol (up 20.3%) and the purchase and construction of new dwellings (up 6.6%). Downward contributions came from international air travel (down 5.1%) and fresh vegetables (down 11.8%).

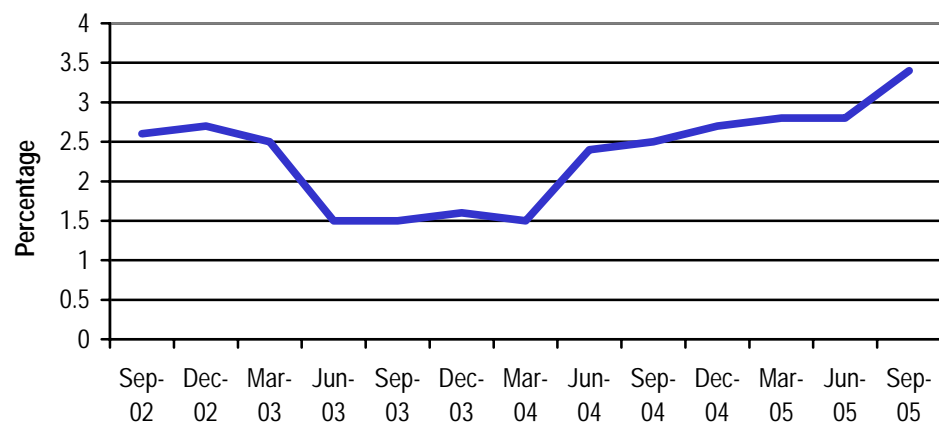
ANNUALISED MOVEMENTS

(September 2004 – September 2005)

Consumer Price Index (CPI)	Annualised Movements
All Groups	3.4%
All Groups Excluding Housing	2.8%

HISTORY OF CPI MOVEMENTS

(September 2002 – September 2005)



INFLATION FORECASTS

Inflation (Forecast % annual changes)	2005	2006
ASB	3.4%	2.7%
ANZ National	3.2%	2.8%
Bank of New Zealand	3.5%	3.2%
Westpac	3.3%	2.4%

INTEREST RATES

Current Official Cash Rate: 7.25% - as at December 2005

The Reserve Bank increased the official cash rate by 0.25% in December 2005, following an increase of 0.25% in March and October 2005 to the current rate of 7.25%. This is a result of the Reserve Bank's concern towards high inflation and restrictions on productivity due to labour shortages.

Reserve Bank of New Zealand website: News Release, December 8 2005

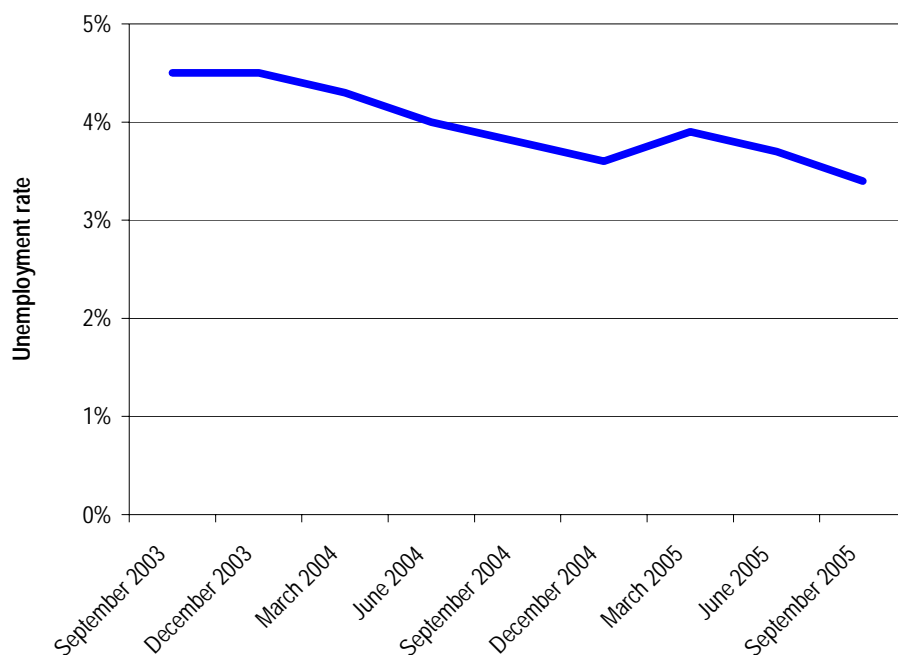
INTEREST RATE FORECAST

Interest Rates (Forecast Official Cash Rate)	2005	2006
ASB	7.0%	6.5%
ANZ National	7.0%	7.2%
Bank of New Zealand	7.3%	6.8%
Westpac	7.3%	6.5%

LABOUR MARKET

UNEMPLOYMENT

New Zealand's trend unemployment rate in the year to September 2005 fell to 3.4% while the participation rate increased to 68.1% over the same period.



UNEMPLOYMENT RATE BY REGIONAL COUNCIL AREA SEPTEMBER 2005

	Number Unemployed	Unemployment Rate
Northland	3,500	4.9%
Auckland	17,900	2.8%
Waikato	6,400	3.6%
Bay of Plenty	3,700	3.8%
Gisbourne/Hawkes Bay	6,200	6.0%
Manawatu/Wanganui	5,600	4.7%
Taranaki	2,200	3.6%
Wellington	7,700	2.8%
Tasman/Nelson/ Marlborough/West Coast	2,700	2.9%
Canterbury	9,400	2.7%
Otago	3,200	3.1%
Southland	1,100	1.9%

Source: Statistics New Zealand Household Labour Force Survey

UNEMPLOYMENT FORECASTS

Unemployment Rate (Forecast % annual changes)	2005	2006
ASB	4.0%	4.5%
ANZ National	3.3%	4.0%
Bank of New Zealand	3.6%	3.7%
Westpac	3.3%	3.9%

INDICATORS OF WAGES AND SALARIES

Salary and Ordinary Time Wage Rates

Salary and ordinary time wage rates being paid to employees in all sectors were, on average, 3.0% higher in the year to September 2005.

All Salary and Wage Rates

The All Salary and Wages Rates component of the Labour Cost Index in New Zealand rose by 3.1% in the year to September 2005.

Public Sector (All Salary and Wage Rates)

Public sector workers secured a 1.5% average increase in the 3 months to September 2005 and a 3.6% increase in the year to September 2005.

Private Sector (All Salary and Wage Rates)

Private sector workers secured a 0.8% average increase in the 3 months to September 2005 and a 2.8% increase in the year to September 2005.

WAGES GROWTH BY INDUSTRY

(September 2004 – September 2005 - % change from same quarter previous year)

Industry	Salary and Ordinary Time Wage Rates	All Salary and Wage Rates
Communication Services	1.8%	1.9%
Finance & Insurance	2.7%	2.6%
Government Administration & Defence	2.5%	2.5%
Health & Community Services	4.3%	4.2%
Manufacturing	2.6%	2.7%
Transport & Storage	3.0%	2.9%

Source: Statistics New Zealand – Labour Cost Index (Salary and Wage Rates) All sectors combined

TAX RATES

INDIVIDUAL TAX RATES

	Tax rate for every \$1 of taxable income (excluding earner levy)	Tax rate for every \$1 of taxable income (including earner levy ¹)
\$0 - \$38,000	19.5%	20.7%
\$38,001 - \$60,000	33.0%	34.2%
\$60,001 & over	39.0%	40.2%
No Declaration ²	45.0%	46.2%

1. The earner levy rate for the tax year 1 April 2005 to 31 March 2006 is **1.2%** (\$1.20 per \$100)
2. Employers are legally required to use the no-declaration rate when an employee does not fully complete the IR330 tax code declaration form. A completed form must include name, IRD number and tax code.

Source: New Zealand Inland Revenue