



Australian Government

Australian Office of Financial Management

Australian Government Securities

September 2009





AAA Economy

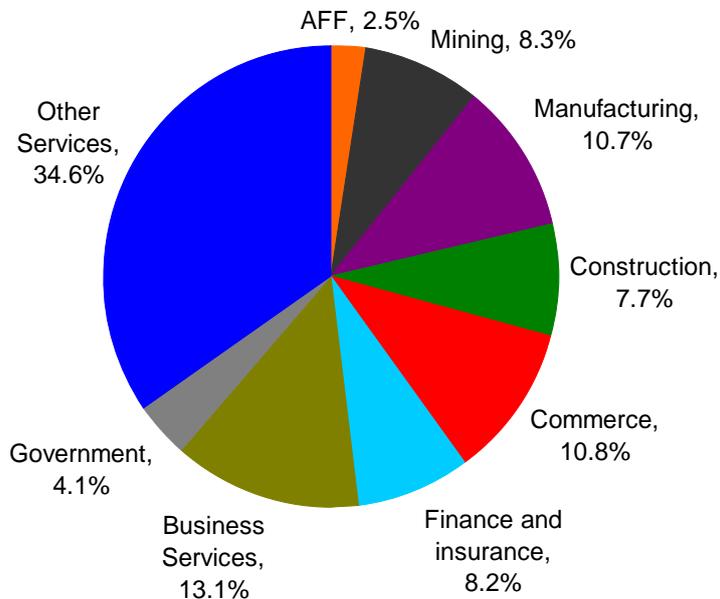
- **A** strong flexible economy
- **A** sound financial system
- **A**ctive and effective policy responses

AAA Securities

- **A** top quality credit
- **A** high yield
- **A** deep and liquid market



A diversified economic base



GDP by Industry (2007-08)

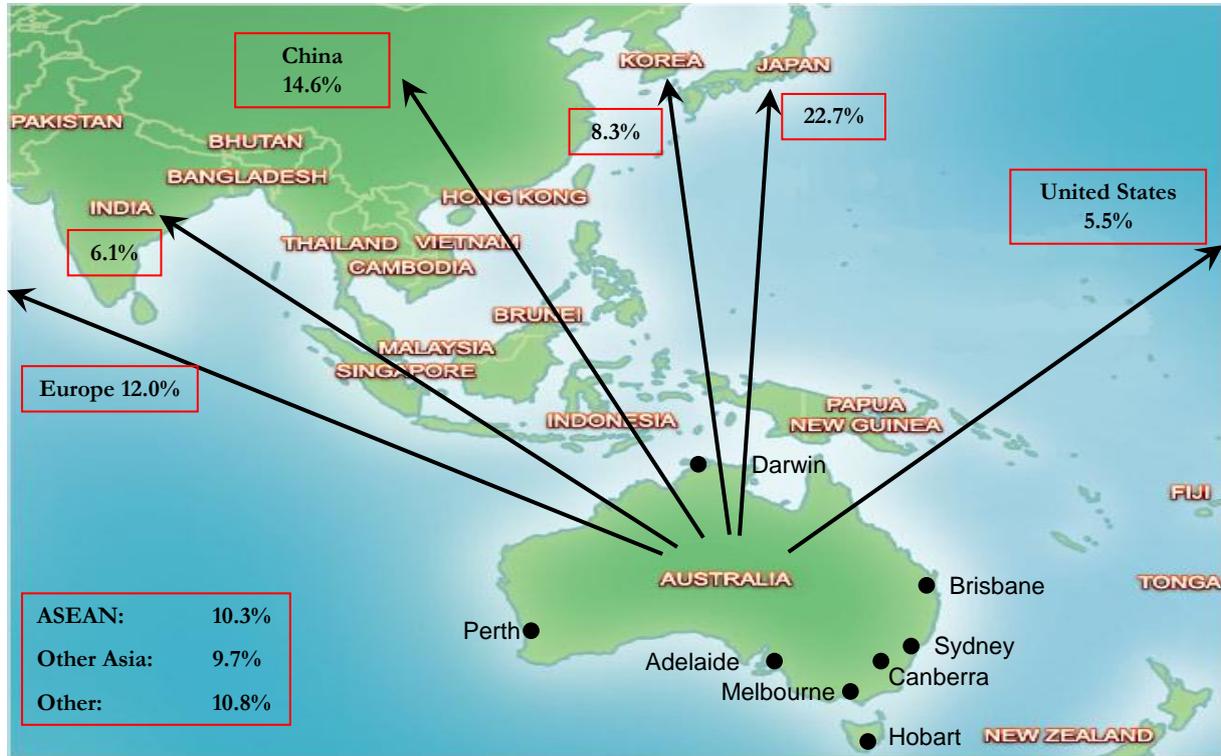


A growing population





Strong trade links to Asia

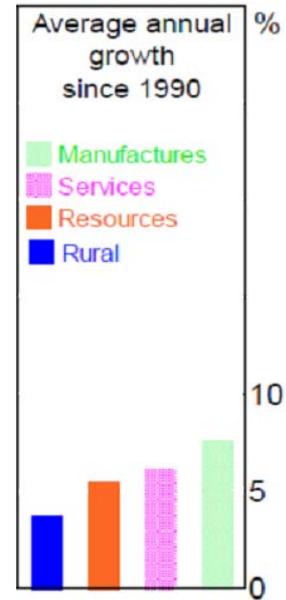
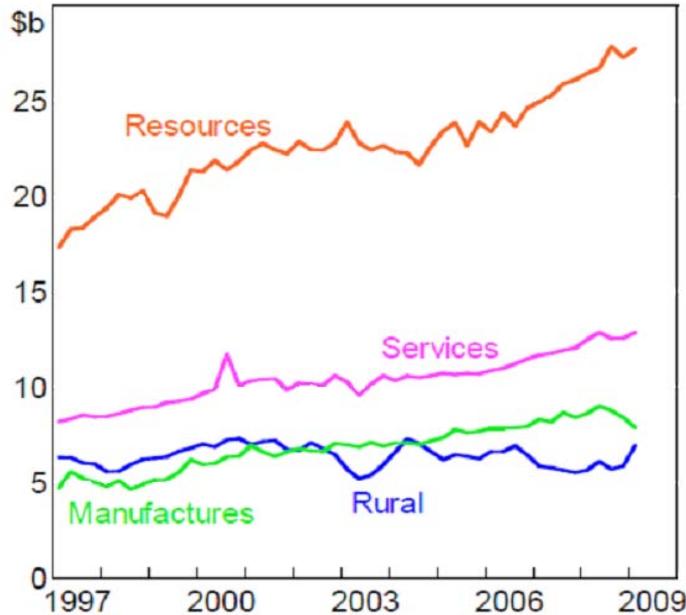


Merchandise Exports (2008)

Source: Department of Foreign Affairs and Trade

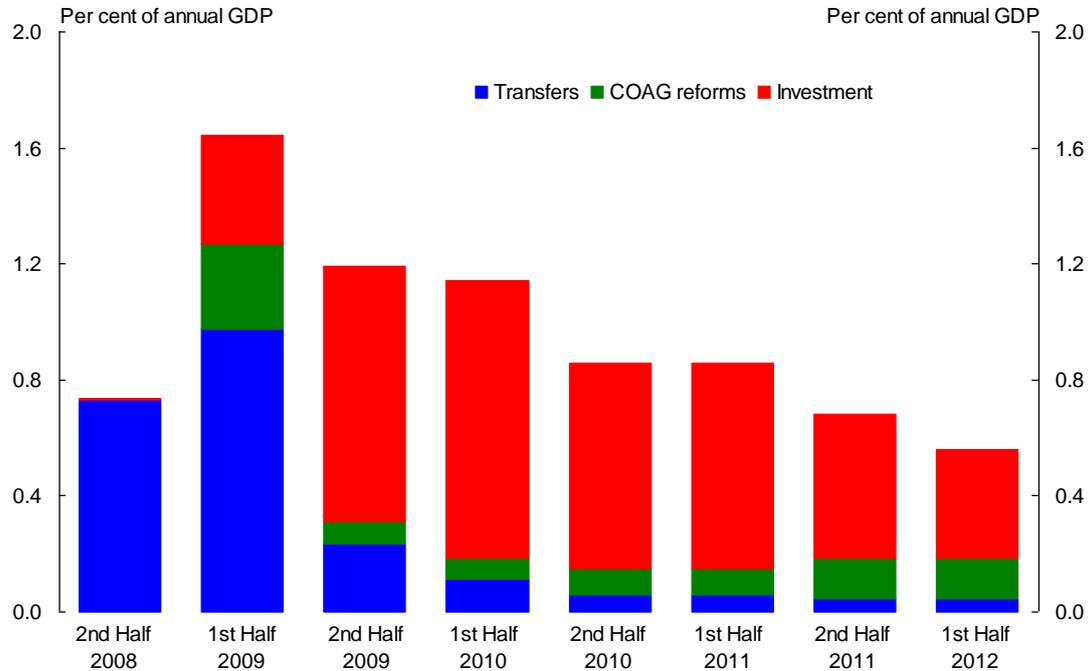


Composition of exports



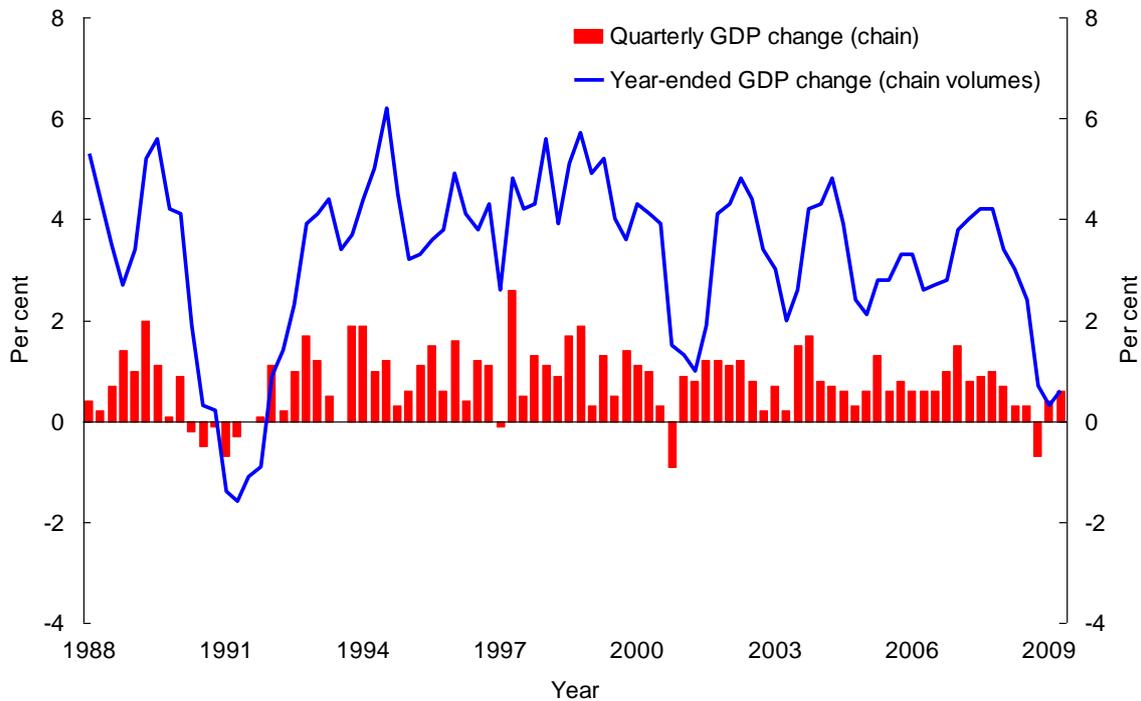


Vigorous policy stimulus



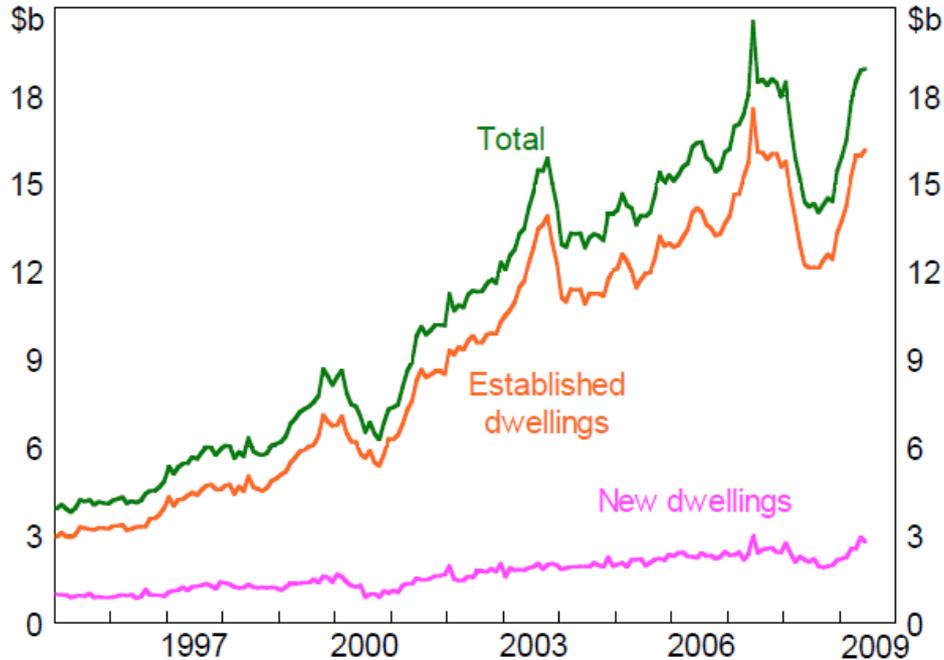


Economic growth is resuming





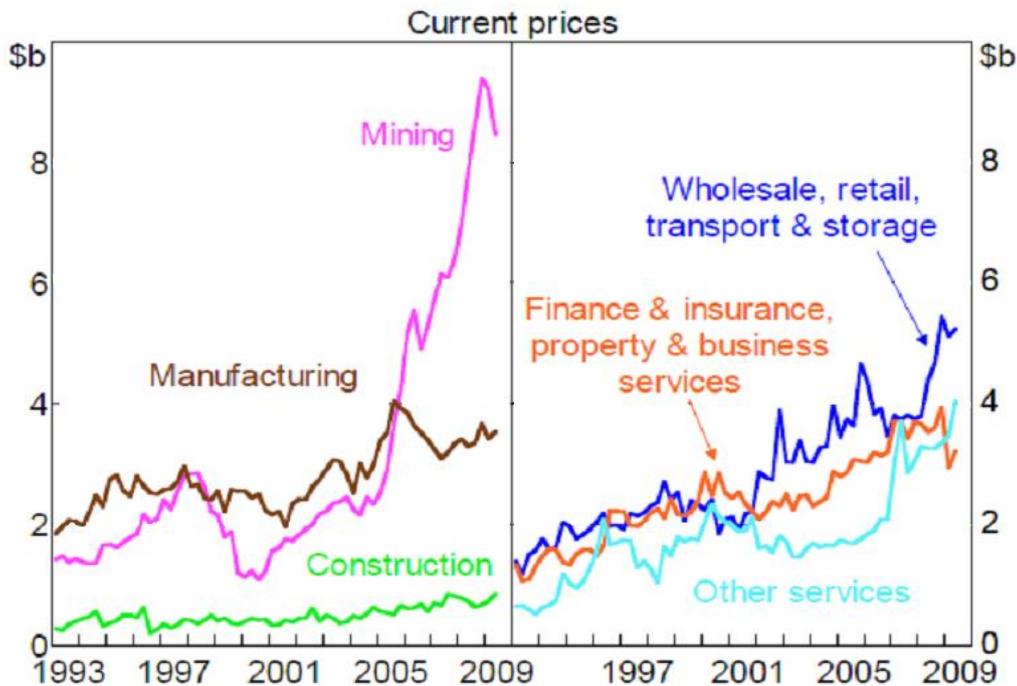
Housing activity has picked up



Housing loan approvals

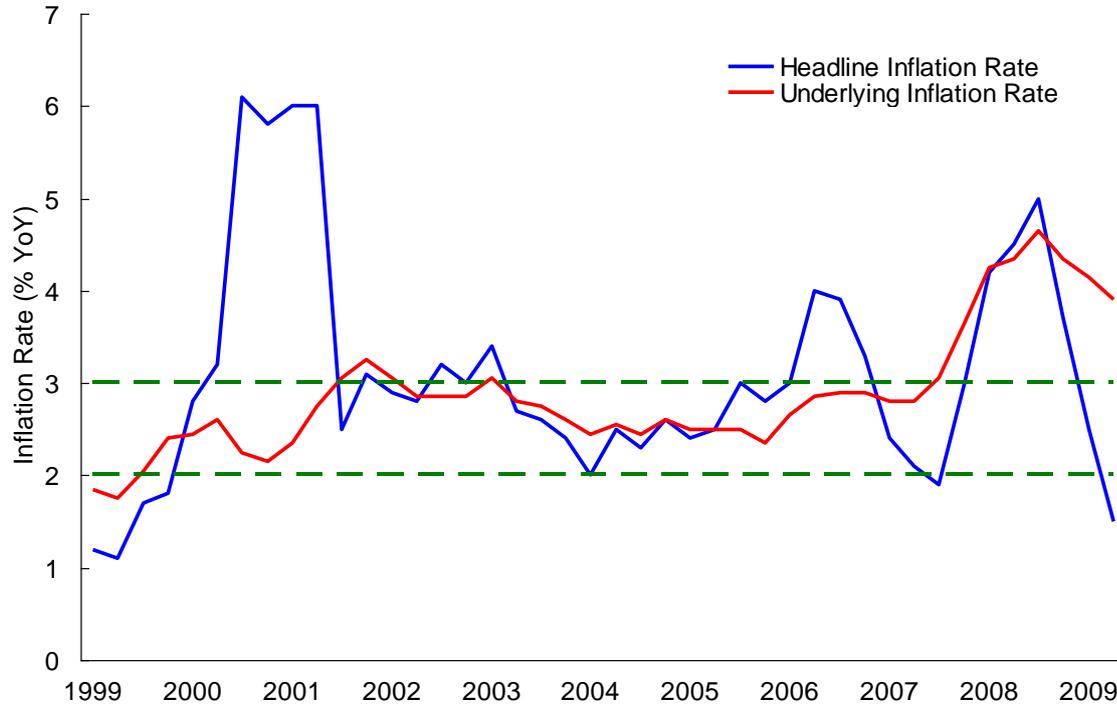


Investment remains relatively strong



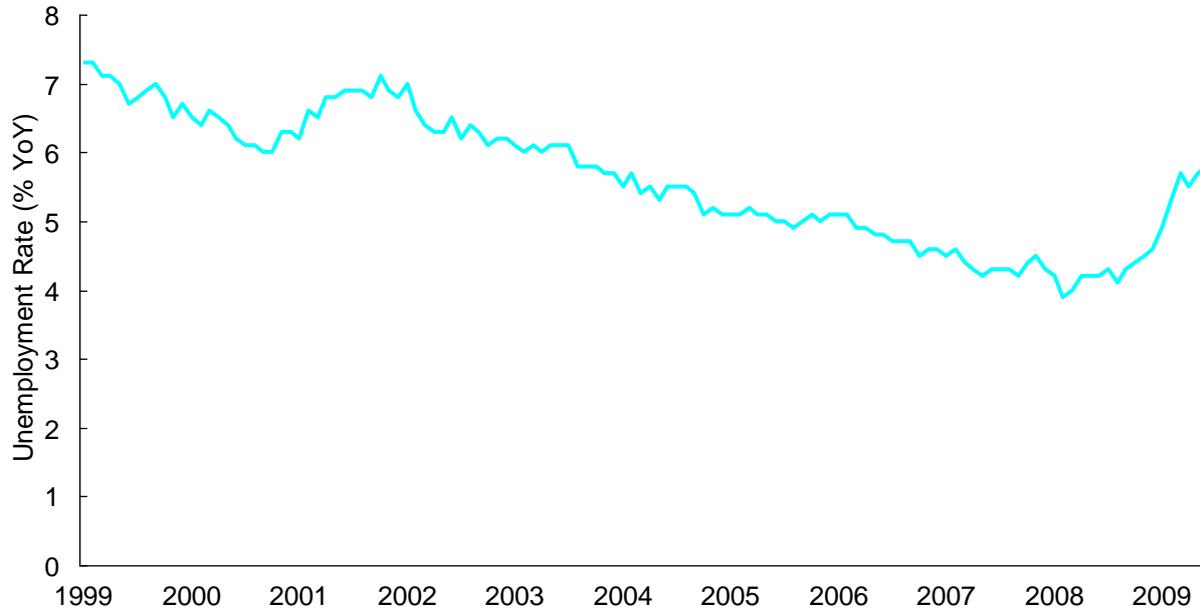


Inflation is returning to its target range...



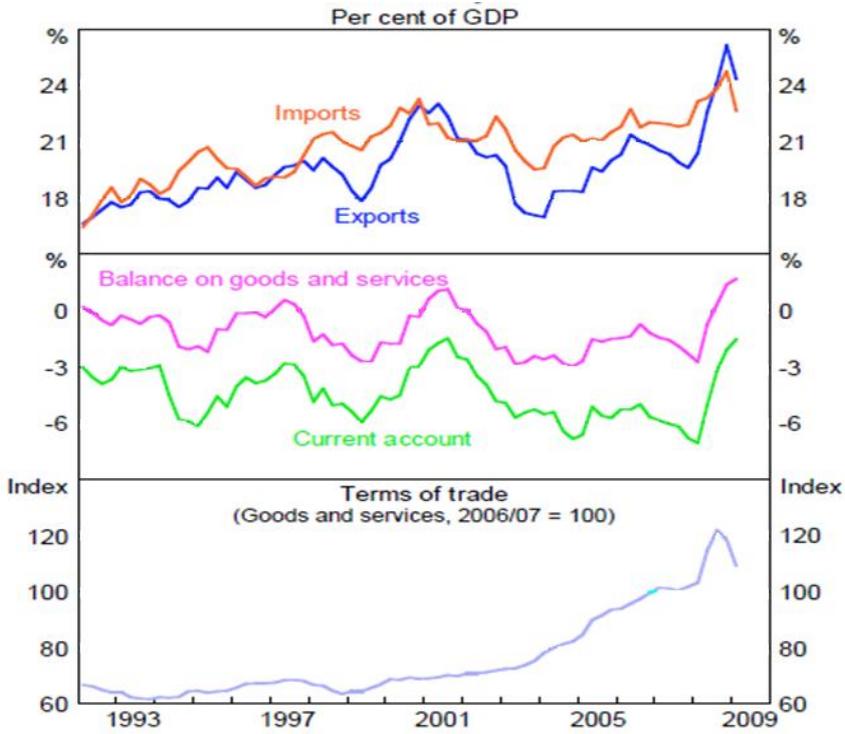


...but unemployment has risen





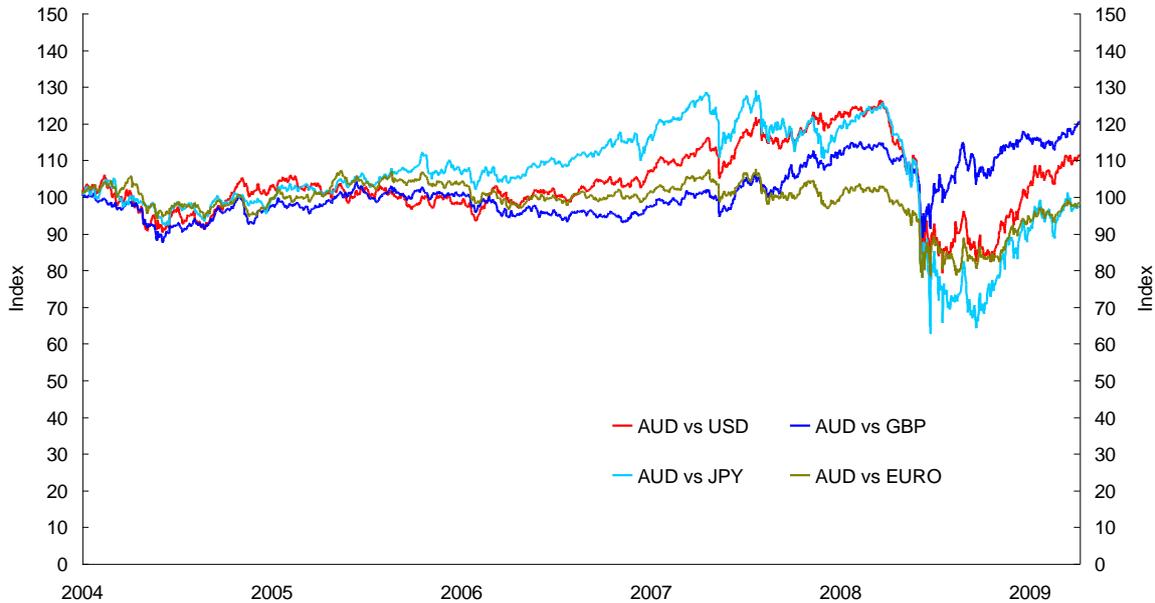
Balance of Payments



Source: Reserve Bank of Australia

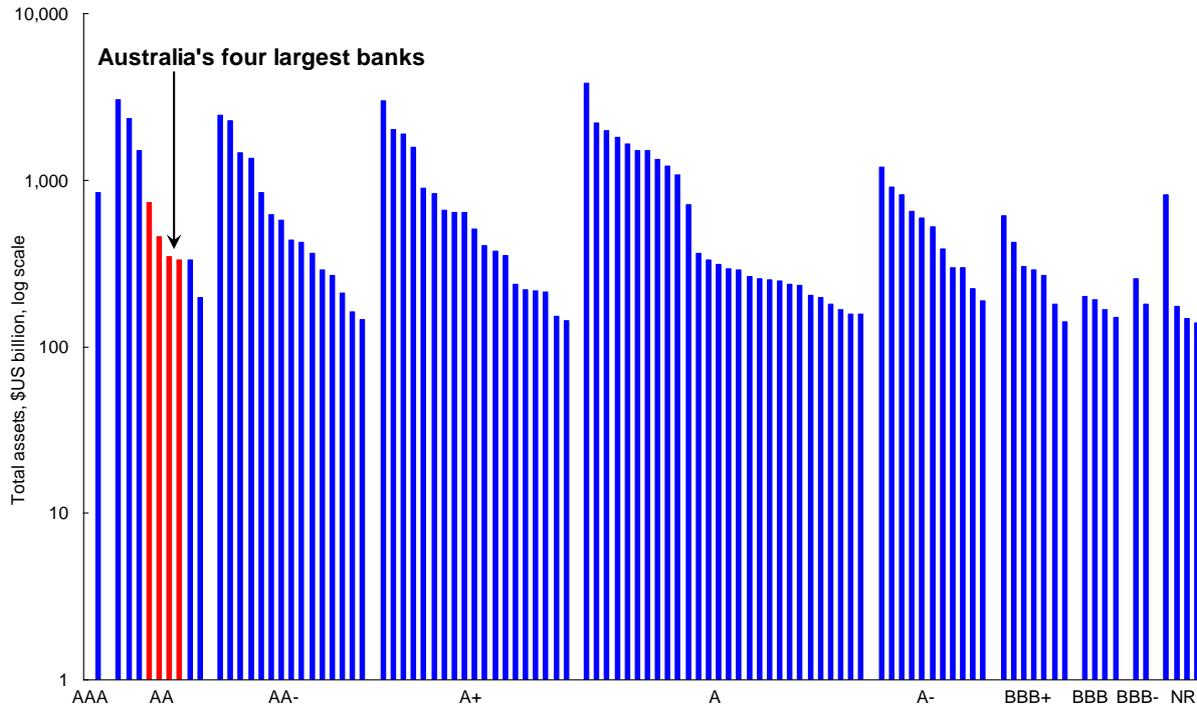


The Australian dollar is resilient





The banking sector is robust



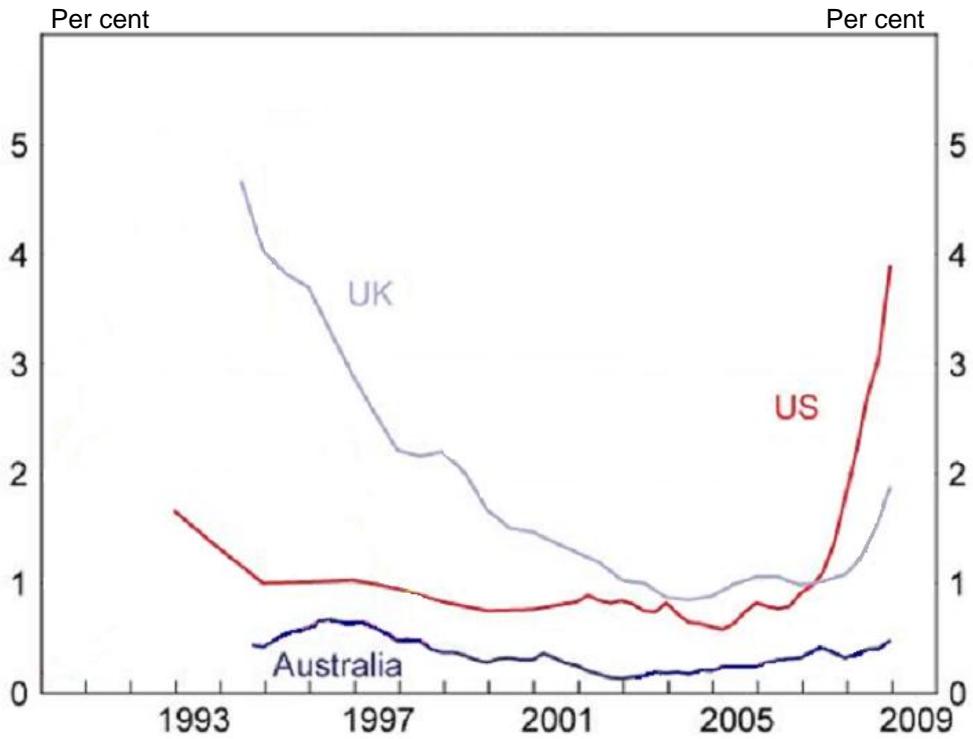
100 largest global banks by assets

Ratings as at August 2009

Sources: Bloomberg and S&P



Low housing arrears

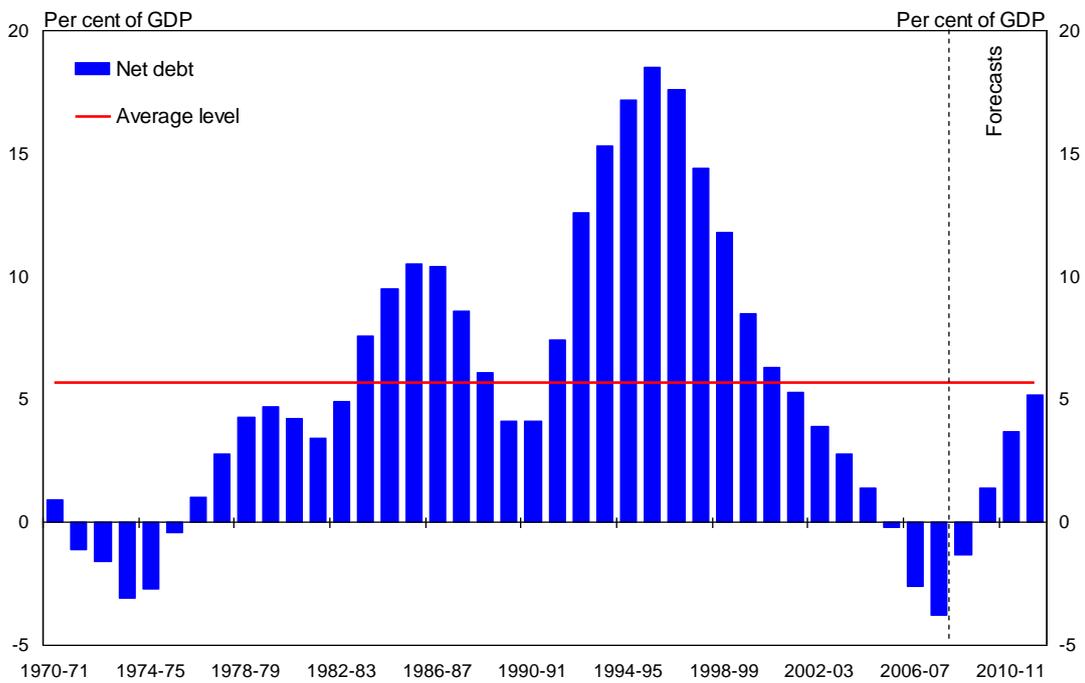


Non-performing Housing Loans

Source: Reserve Bank of Australia –
March 2009 Financial Stability Review



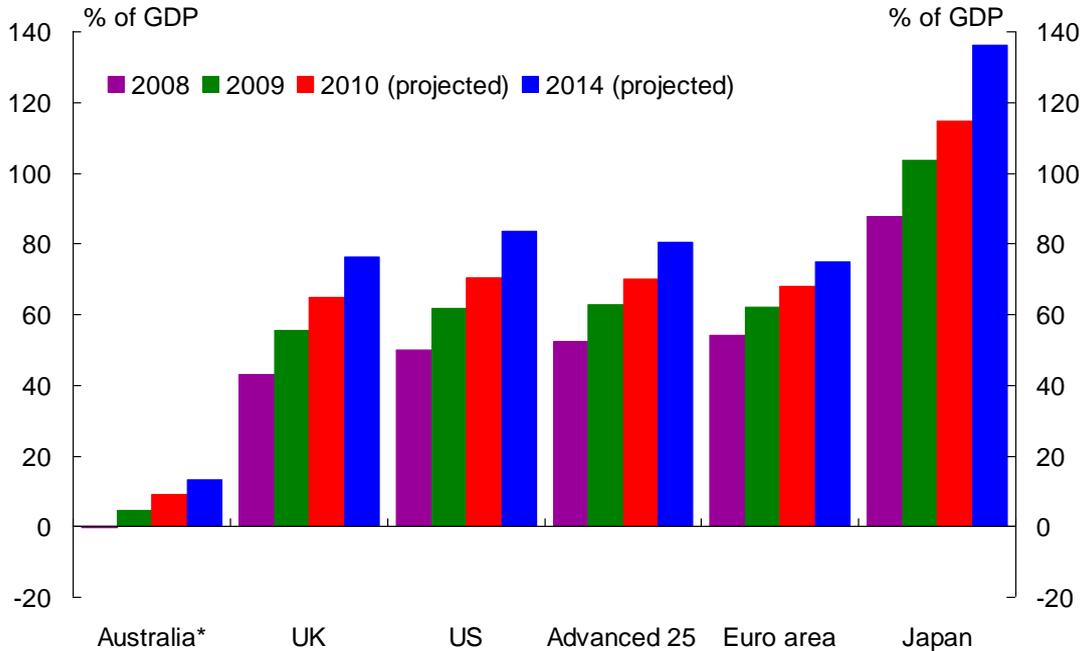
Fiscal surpluses have lowered debt



Australian Government net debt



Government debt will remain relatively low



* includes State government debt

Net general government debt (% GDP)



Australian Government securities

Treasury Bonds

AUD 88.0 billion on issue

Treasury Indexed Bonds

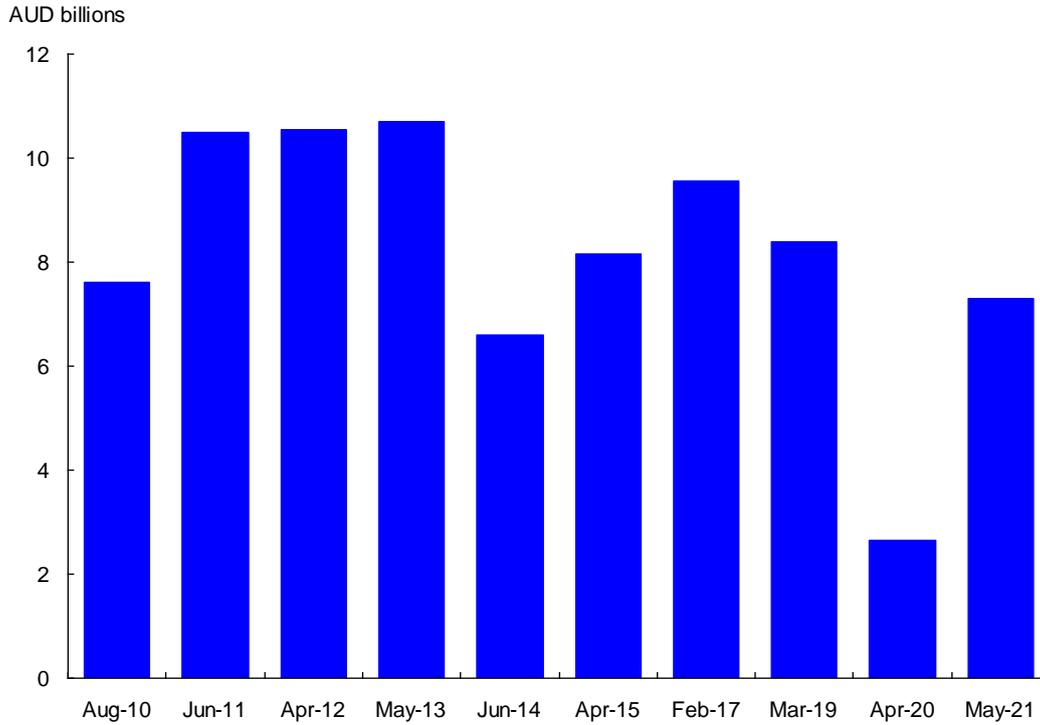
AUD 6.02 billion on issue

Treasury Notes

AUD 14.8 billion on issue



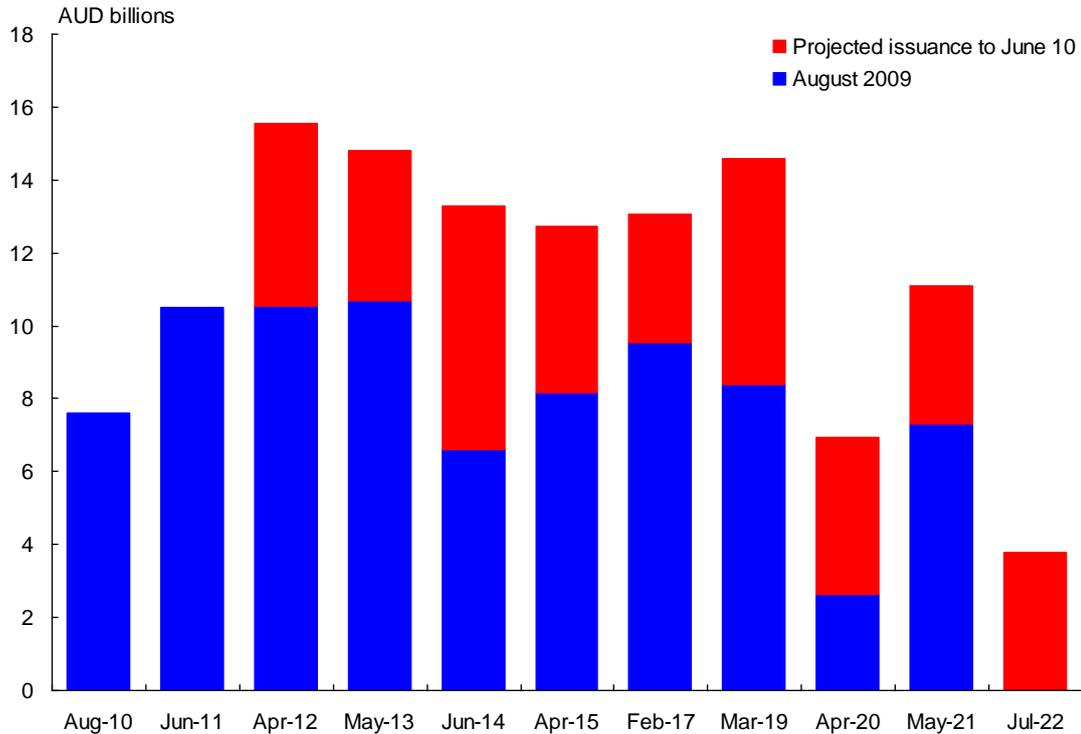
Treasury Bonds are highly liquid



Bonds on issue as at end August 2009

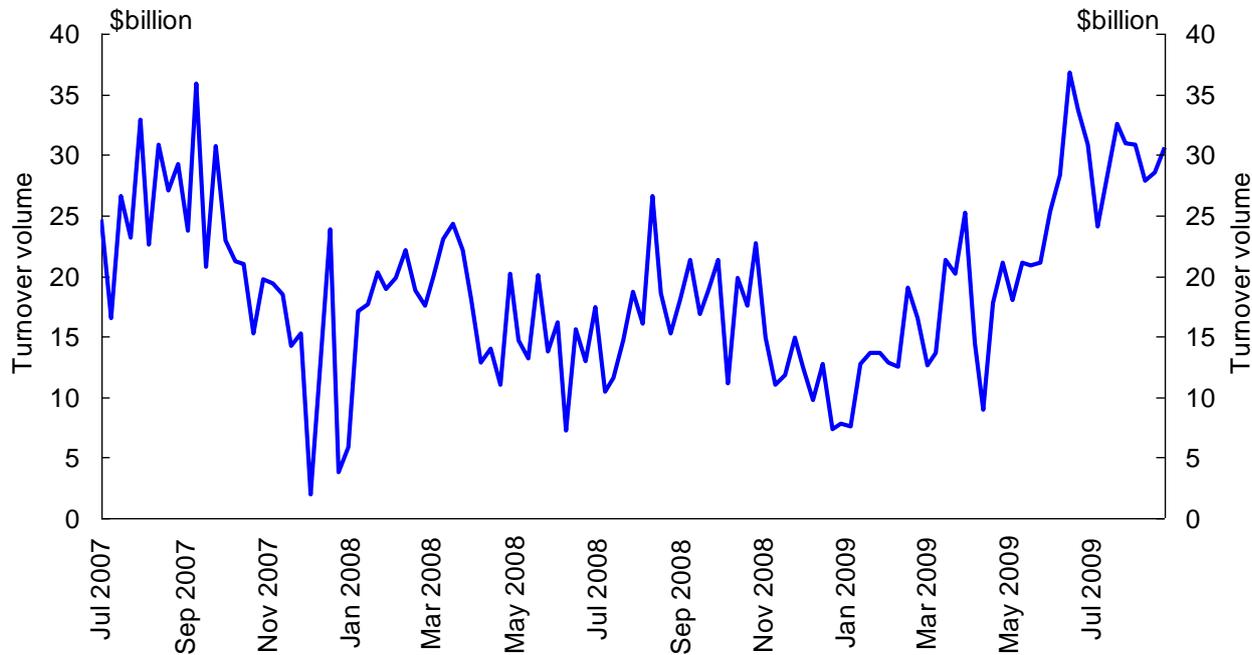


Liquidity will increase further by end June 2010



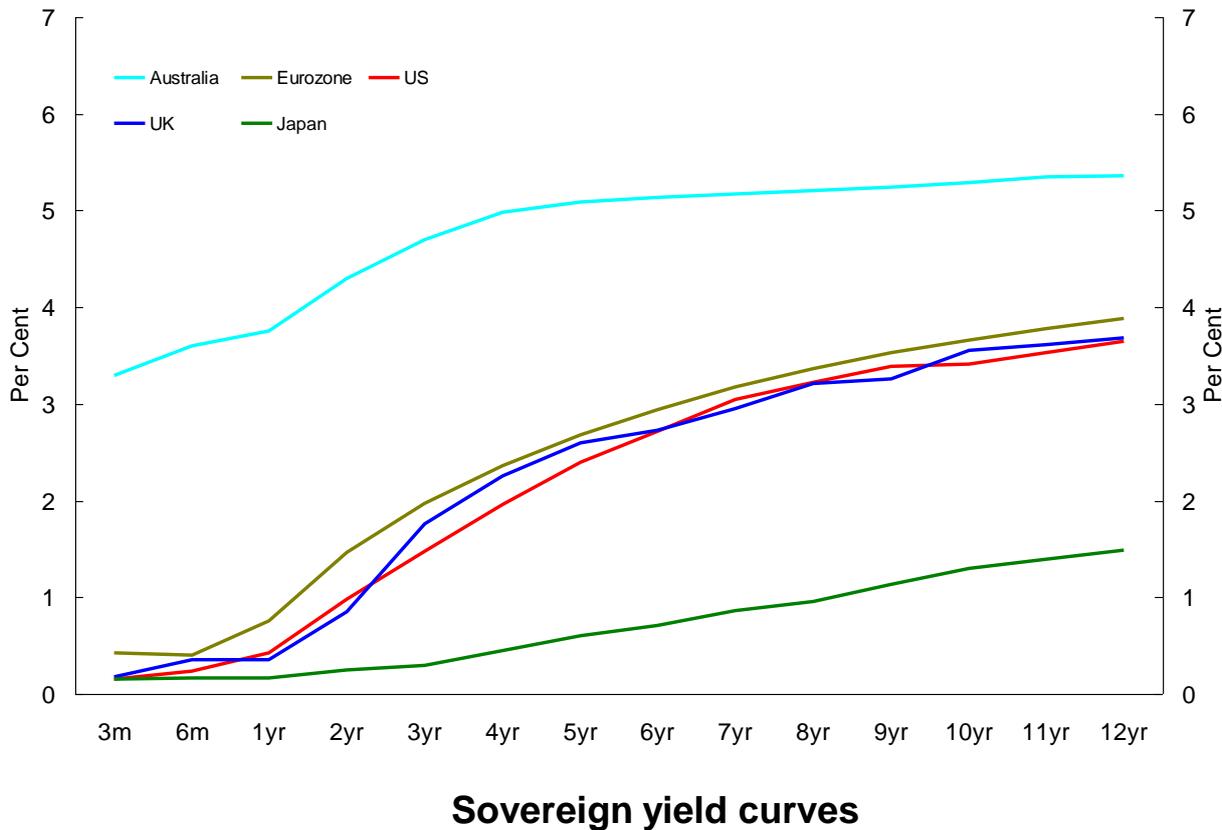


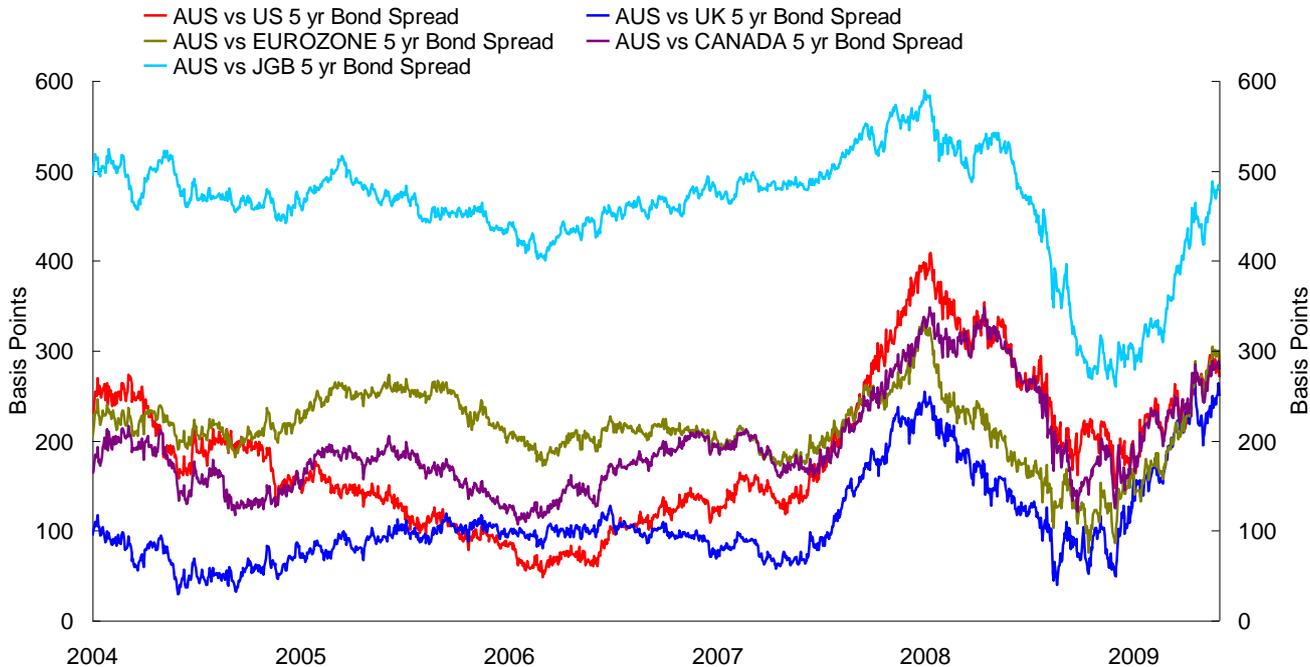
Treasury Bond turnover



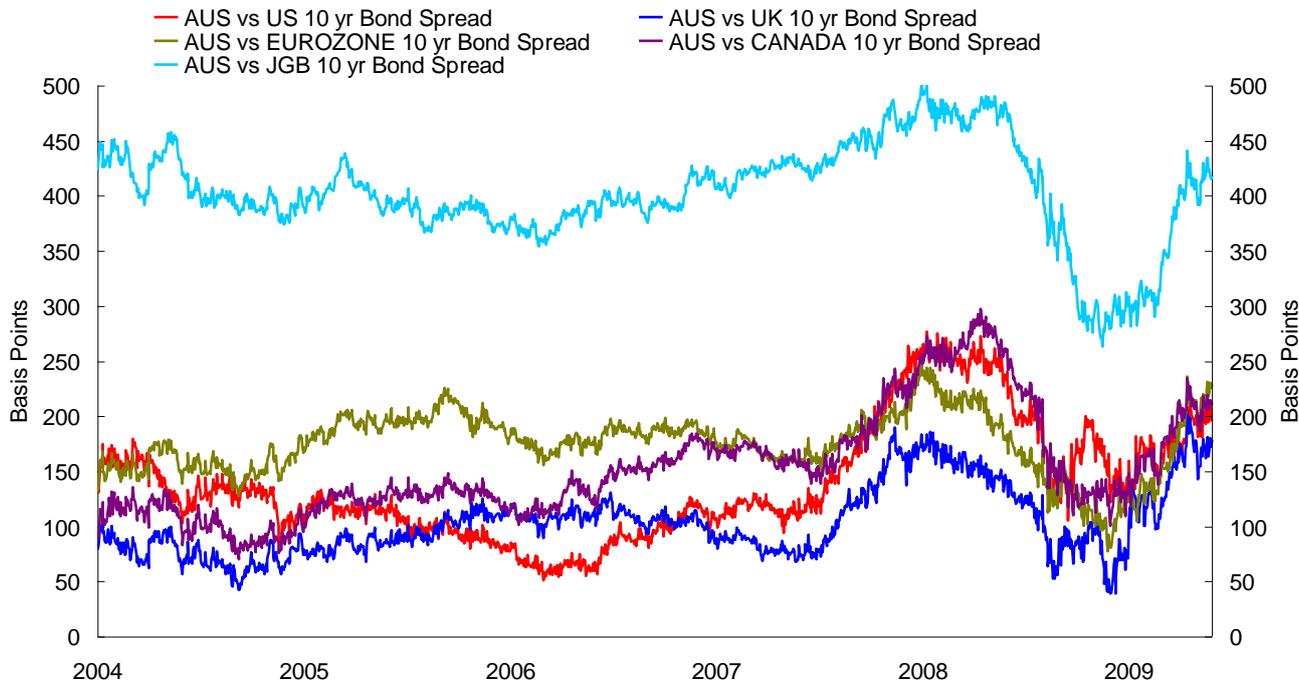


Treasury Bonds offer attractive yields





5YR Bond Spread Comparison



10YR Bond Spread Comparison



Active repo market

- An active and established Australian Government securities repo market
- Repo prices are made by all the major price makers in Australian Government securities
- The repo market is supported by the securities lending facility operated for the AOFM by the Reserve Bank of Australia

Treasury Indexed Bonds

- The capital value is indexed to inflation based on quarterly movements in the CPI
- Currently three bond lines 2010, 2015 and 2020 maturities
- New 2025 line will be launched at the end of September 2009
- The new line will be brought quickly to benchmark size
- Further maturities will be introduced in the future

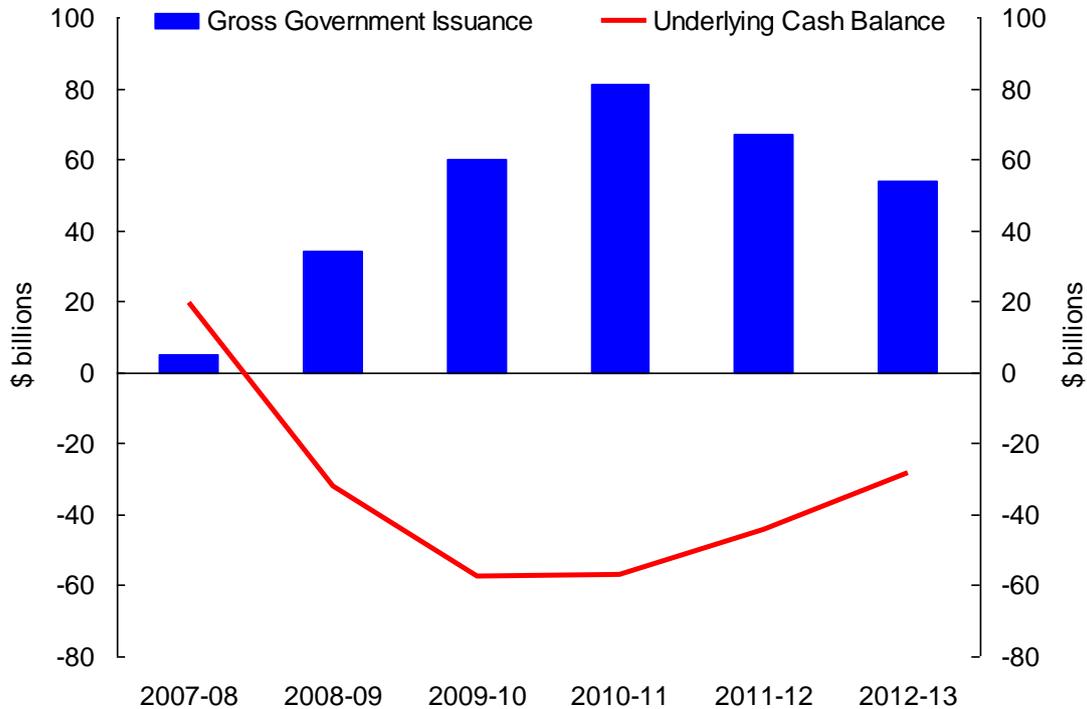


Treasury Notes

- Treasury Notes are short term instruments used to manage the Government's short term cash flows
- Terms mostly no longer than six months
- Currently AUD 14.8 billion on issue



Projected gross issuance of Australian Government debt





Disclaimer

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Appendix



Australian Government Bonds on issue at end August 2009

<i>Treasury Bonds:</i>			
	Volume (AUD millions)	Yield (%)	Duration (yrs)
5.25% 15 August 2010	7,604	3.99	0.92
5.75% 15 June 2011	10,498	4.55	1.66
5.75% 15 April 2012	10,551	4.94	2.36
6.5% 15 May 2013	10,699	5.20	3.21
6.25% 15 June 2014	6,600	5.29	4.06
6.25% 15 April 2015	8,148	5.31	4.61
6.00% 15 February 2017	9,547	5.35	5.97
5.25% 15 March 2019	8,398	5.41	7.23
4.50% 15 April 2020	2,647	5.46	8.08
5.75% 15 May 2021	7,300	5.47	8.34
<i>Treasury Indexed Bonds:</i>			
	Volume (AUD millions)	Yield (%)	Duration (yrs)
4.00% 20 August 2010	1,452	2.24	0.95
4.00% 20 August 2015	2,096	3.19	5.26
4.00% 20 August 2020	2,472	3.10	8.71

Interest Withholding Tax

- The Government announced on 21 August 2009 that Commonwealth Government Securities will be exempt from non-resident Interest Withholding Tax
- The Government will introduce legislation into Parliament for passage in the current sitting period (which concludes on 26 November 2009)



Further Information

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