



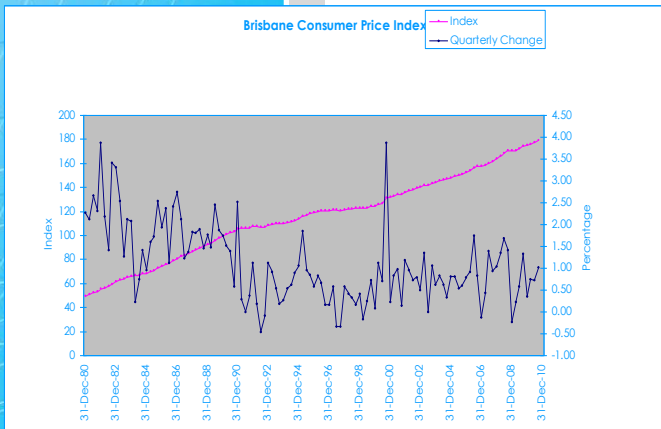
The Office of Economic and Statistical Research within the Queensland Treasury recently issued its November edition of the Queensland Economic Review. The comments below include extracts from the report.

Inflation

The Brisbane headline CPI rose 1.0% in September quarter 2010, to be 2.9% higher over the year. A seasonal rise in housing costs, which occurs every September quarter, was the main driver of inflation. In addition, higher tobacco prices reflecting Commonwealth tax increases earlier this year remained a key driver of inflation in the September quarter. Tobacco prices rose 7.0% in the quarter,

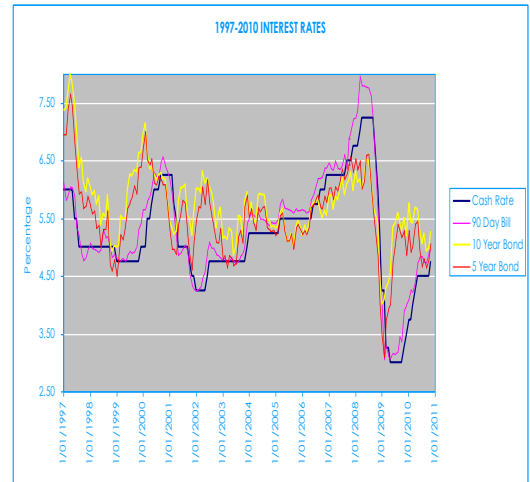
following a 15.5% rise in the previous quarter. Automotive fuel, health and food costs detracted slightly from inflation in the quarter.

The national headline CPI increased 0.7% in September quarter 2010, to be 2.8% higher over the year, below market expectations of a 0.9% quarterly result and a 2.9% annual result. Measures of quarterly underlying inflation were also below market expectations, with the trimmed mean measure at 0.6% and the weighted median measure at 0.5%. Measures of annual underlying inflation continued to moderate in the September quarter, to 2.3% for the weighted median and 2.5% for the trimmed mean, the lowest outcomes since December quarter 2005 for the trimmed mean and March quarter 2001 for the weighted median.



Interest Rates

On 2 November 2010, the RBA decided to raise the cash rate by 25 basis points to 4.75%. In the November 2010 *Statement of Monetary Policy*, the RBA revised down its short term forecasts for inflation, reflecting the lower than expected result for the September quarter and the recent appreciation of the A\$. However, the RBA left its medium term inflation forecasts unchanged. The RBA expects that national underlying inflation will trend to the upper limit of the target band (2%-3%) towards the end of the forecast period, reflecting a tightening labour market and higher levels of capacity utilisation. During this is an expectation that Australian GDP growth will strengthen from 3.5% in the current financial year to 4% in 2012-13, supported by a recovery in business investment, particularly in the resources sector.

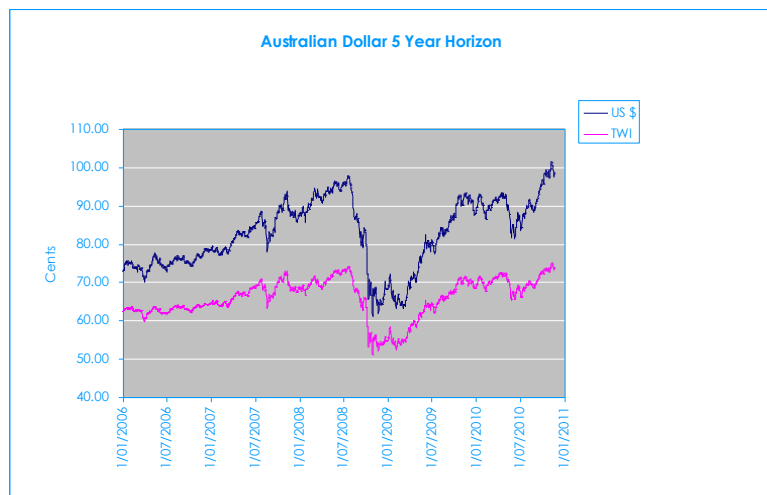


Exchange Rates

Over the month ending 9 November 2010 the A\$ appreciated to post-float highs against the Euro and the US\$, where it briefly surpassed parity against the latter. Within the period, the A\$ reached its highest level against the British pound since March 1985.

| Exchange Rates | 09-Nov-09 | 08-Oct-10 | 09-Nov-10 | Change | |
|----------------------|-----------|-----------|-----------|-----------|-------|
| | | | | One Month | Year |
| US\$ (USD) per AU\$ | 0.9264 | 0.9835 | 1.0115 | 2.8% | 9.2% |
| Euro (EUR) per AU\$ | 0.6202 | 0.7050 | 0.7293 | 3.4% | 17.6% |
| Yen (JPY) per AU\$ | 83.48 | 80.97 | 81.88 | 1.1% | -1.9% |
| Pound (GBP) per AU\$ | 0.5540 | 0.6187 | 0.6269 | 1.3% | 13.2% |
| TWI (Indes) | 71.10 | 73.40 | 75.00 | 2.2% | 5.5% |

Source: Datastream

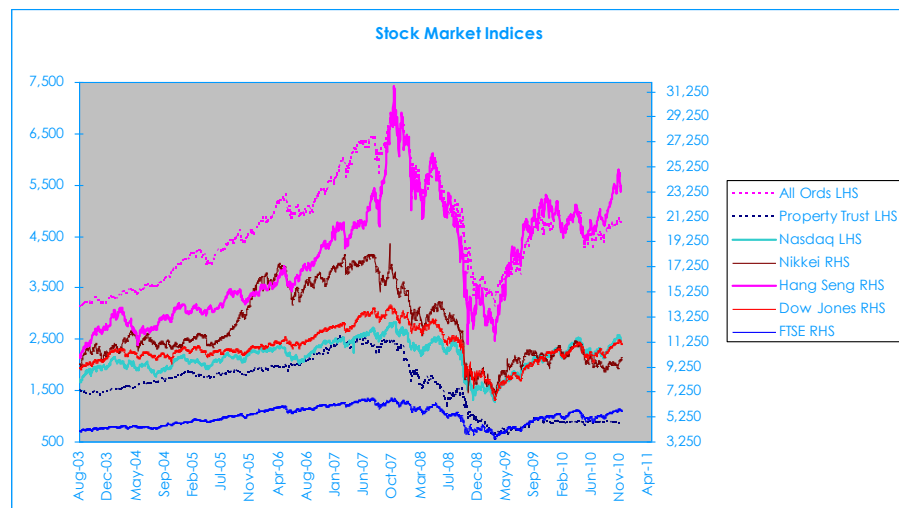


Sharemarkets

Global financial market sentiment improved, and risk appetite increased over the month ending 9 November 2010, leading major sharemarket indices and base metal prices higher.

| Sharemarkets | 09-Nov-09 | 08-Oct-10 | 09-Nov-10 | Change | |
|-------------------------|-----------|-----------|-----------|-----------|-------|
| | | | | One Month | Year |
| Australian S&P/ASX 200 | 4,675 | 4,681 | 4,741 | 1.3% | 1.4% |
| US S&P 500 | 1,093 | 1,165 | 1,213 | 4.1% | 11.0% |
| US Dow Jones Industrial | 10,227 | 11,006 | 11,347 | 3.1% | 10.9% |
| Japan's Nikkei 225 | 9,809 | 9,589 | 9,694 | 1.1% | -1.2% |
| Hong Kong Hang Seng | 22,208 | 22,944 | 24,711 | 7.7% | 11.3% |
| UK FTSE 100 | 5,235 | 5,658 | 5,875 | 3.8% | 12.2% |
| German DAX 30 | 5,620 | 6,292 | 6,788 | 7.9% | 20.8% |
| French CAC 40 | 3,785 | 3,763 | 3,946 | 4.9% | 4.2% |
| Shanghai SEE Composite | 3,176 | 2,739 | 3,135 | 14.5% | -1.3% |

Source: Datastream



Queensland Commodity Prices

The monthly average price index of Queensland's major commodity exports rose 3.9% in Special Drawing Right terms (SDR), and rose 0.3% in A\$ terms in September 2010. There was strong growth in the world prices of both the mineral and agricultural components of the index. However, an appreciation in the A\$ resulted in weaker A\$ outcomes compared with SDR terms in the month.

Growth in the mineral Index demonstrated strong gains across all key minerals in September, reflecting generally improving economic and financial market sentiment. Copper prices strengthened, reflecting continued strong demand from China and announcements from key copper producers of sluggish productions growth and news that London Metal Exchange (LME) stocks declined in the month. Aluminium prices have also continued to strengthen, reflecting increasing world demand and decreasing stocks (partly reflecting a decline in production in China following the closure of several smelters).

All key agricultural exports recorded price growth in September. Cotton prices reached a 15 year high, reflecting tight world stocks, a downward revision by China's government to domestic cotton production forecasts and a delay to India's harvest. World prices of sugar also continued to increase, reflecting flooding in Pakistan damaging crops and weather related port delays in Brazil (the world's largest exporter of sugar).