

Bold Government Move Applauded by National Australia Bank

The Director of Brooke Stone Real Estate, Darryl Flaherty and their Accountant Mike Rowell, were fortunate to be invited to a working breakfast at the Parmelia Hilton Hotel sponsored by well known Australian taxation consultants Abbott Solutions.

Whilst this was an 'invitation only' breakfast Abbott Solutions have authorised Brooke Stone Real Estate to release details.

Darryl found the message being emphasised by both Abbott Solutions and the National Bank was upbeat and the very strong economic foundation, primarily in Western Australia, was the basis that the Australian financial system has been saved.

The meeting was addressed by Mathew Braysher, Head of NAB Financial Markets for WA and Thomas Klein, Treasury Manager for nabCapital who both fully endorsed the government initiatives of injecting billions of dollars into the economy to avoid recession and to maintain employment at a reasonable level.

Mr Braysher acknowledged that most of the western world economies were facing recession but what was happening to both the Australian stock market and the value of the Australian Dollar was mainly a knee jerk reaction and the NAB expected a return to a higher figure in the near future. At least with the Australian dollar in its parity with the US.

Australia has a very sound banking system and has not been drastically affected by the sub prime lending disaster that has primarily hit the US and UK financial institutions. In fact The World Bank rates Australia as one of the best countries in the western world to ride out the downturn.

Nevertheless, Mr Braysher considered that the Australian economy could slip into deficit for a relatively short period but overall the NAB were confident that an Australian recession could be avoided.

Unemployment was one of the main concerns, but unlike the two previous recessions where unemployment rose to in excess of 10%, these previous recessions both came from a base rate of in excess of 5.5 %. Whereas the current base rate of 3.8% is only likely to increase to around 6%.

It would appear that both the RBA and the government learnt harsh lessons from the previous recessions and they are determined to avoid the past mistakes of not acting boldly and quickly to stimulate the economy.

Mr Braysher is expecting the RBA to lower the base interest rate by

December	-0.75 points (poss 1.0) to 4.50%
February	-0.50 points to 4.00%
March	-0.25 points to 3.75%

If this is to happen the NAB expect a revival in the real estate market, although not a return to the previous appreciation rate which was completely unsustainable.

In terms of GDP, Darryl Flaherty was most interested in the NAB figures showing that in the western economies, Australia would lead the way in 2009 and the rest of the world would show resilience by rebounding in 2010 .

In both China and India, the two largest increasing world economies, there appears to be no bank crisis. Whilst most western countries have underwritten bank balance sheets to ensure liquidity and public confidence, neither of these two giants have deemed it necessary to guarantee either bank deposits or offer security guarantees. This, in itself, says something about the growing overall strength of their economies.

Should you wish to receive more information on this report covering "Credit, Finance and Current Market Conditions" please request this by emailing Darryl Flaherty at Brooke Stone Real Estate stating your name and postal address and the report will be posted to you.

SPECIAL POINTS OF INTEREST:

- *WA has a strong economic foundation*
- *NAB endorses governments decision to inject money into the economy*
- *Australian Dollar and stock market expected to recover*
- *NAB confident that a recession can be avoided*
- *Interest rates are set to drop.*