

Economic Outlook:

Living in remarkable times



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@CommSec,

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Important Information

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Hurdles cleared, more to come

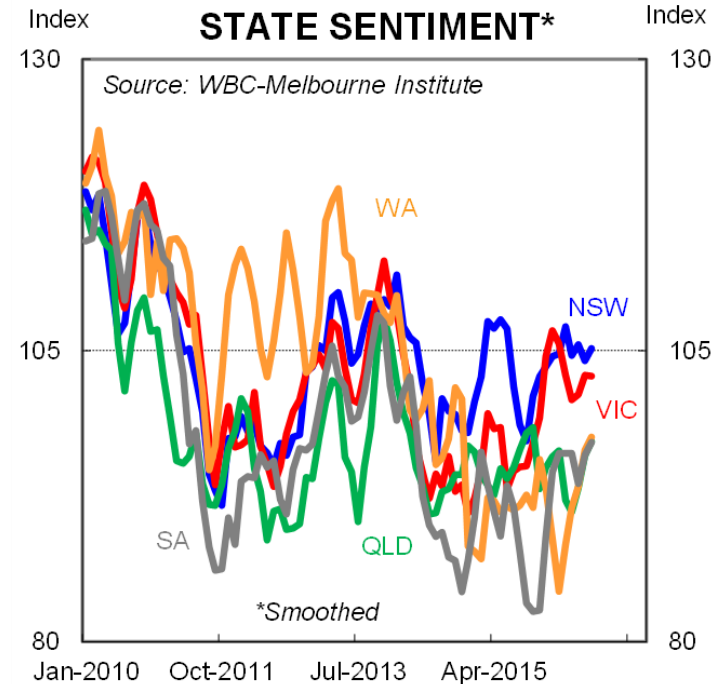
Hurdles cleared...

- ✓ **Brexit**
- ✓ **Federal Election**
- ✓ **Budget/superannuation**
- ✓ **US Federal Reserve**

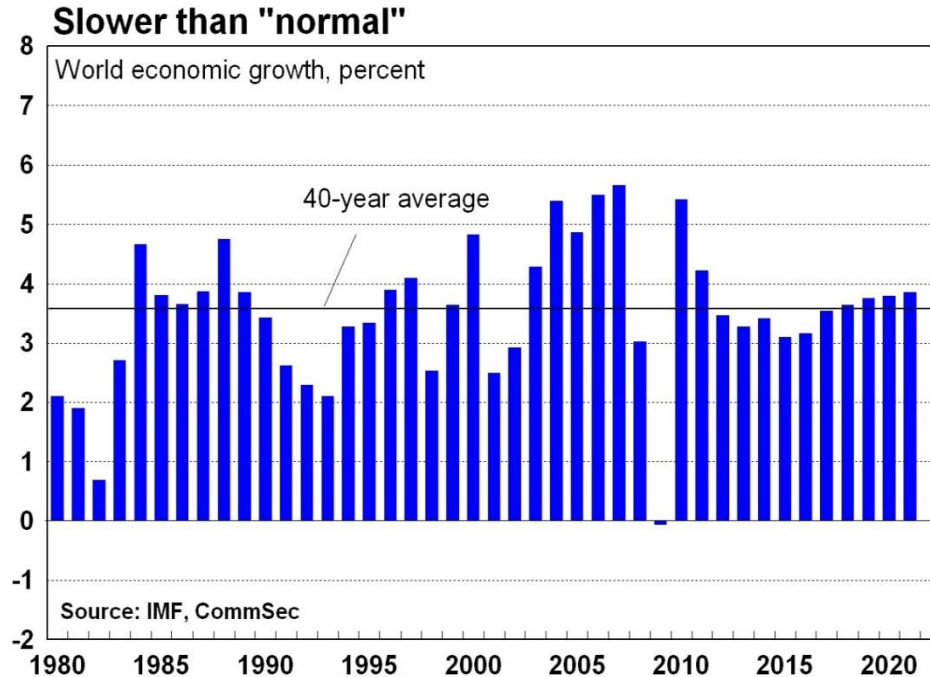
To come?

US election

European bank stability



Global: *Can do better...*

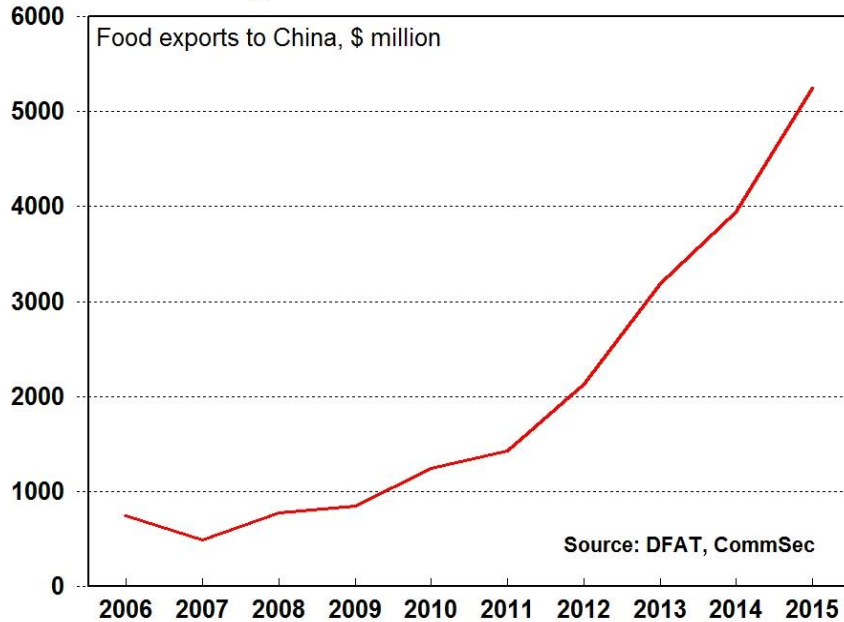


Stocktake

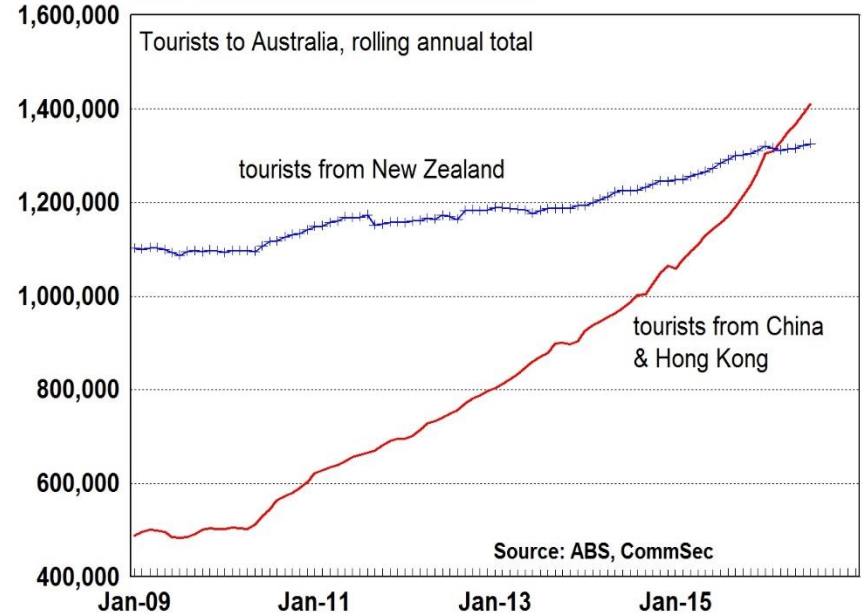
- **US in good shape**
- **Low unemployment**
- **No inflation**
- **China in new phase**
- **Rebalancing**
- **Focus on consumer**

China: *Consumers to lead*

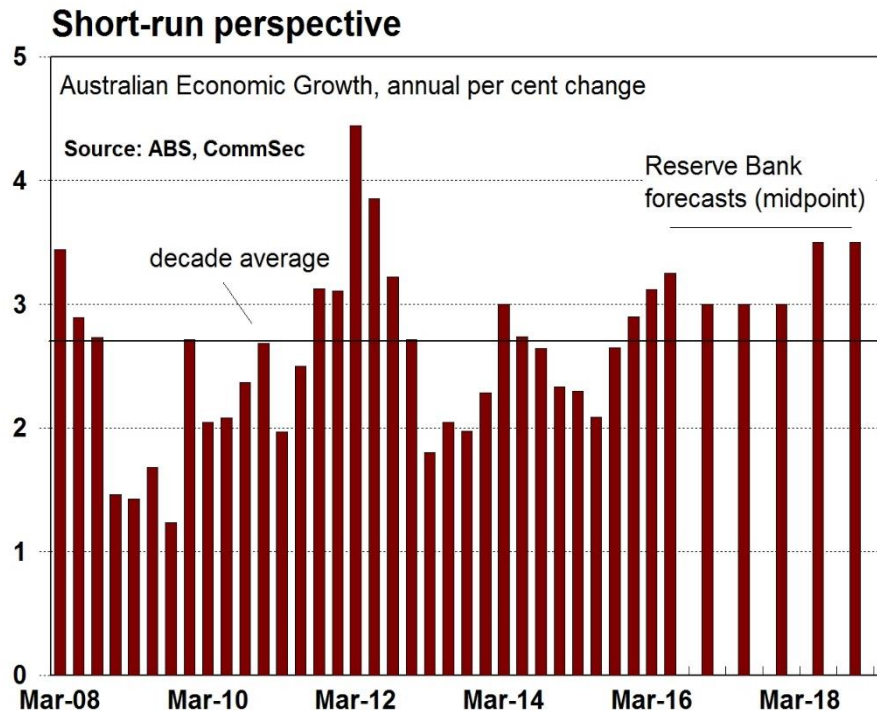
The "Dining Boom"



The Chinese tourism boom



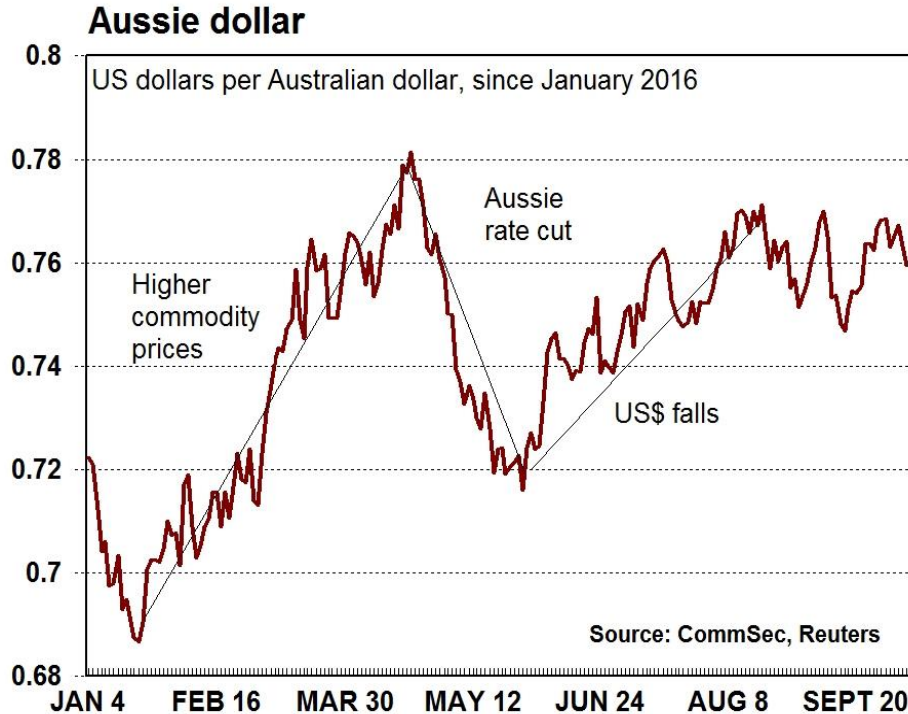
Australia: *In good shape*



Stocktake

- **World-leading growth**
- **Jobless rate 3-year low**
- **Record car sales**
- **Record dwelling starts**
- **Record tourist arrivals**
- **Spending OK**
- **Biz conditions 8yr high**

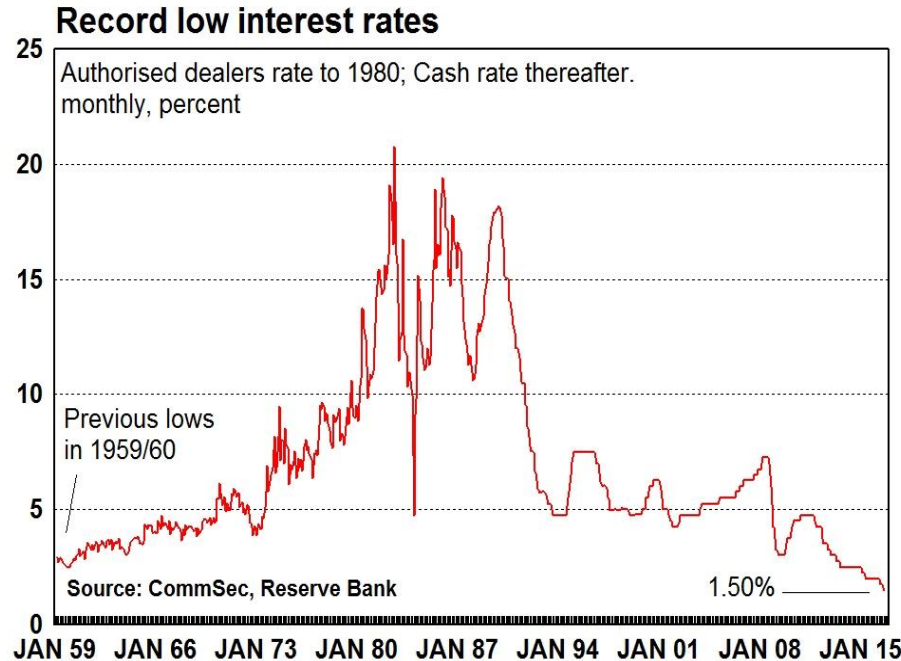
Aussie Dollar: *The key drivers*



Stocktake

- Influences vary....
- US rates
- Aussie interest rates
- Chinese economy
- Commodity prices
- Firmer Aussie economy

Interest rates



Now 1.5%

- **Inflation is key**
- **Aussie interest rates - we are pencilling in a rate cut in November**
- **CUP DAY CUT**

Inflation: *All about prices*

Retail inflation... and deflation

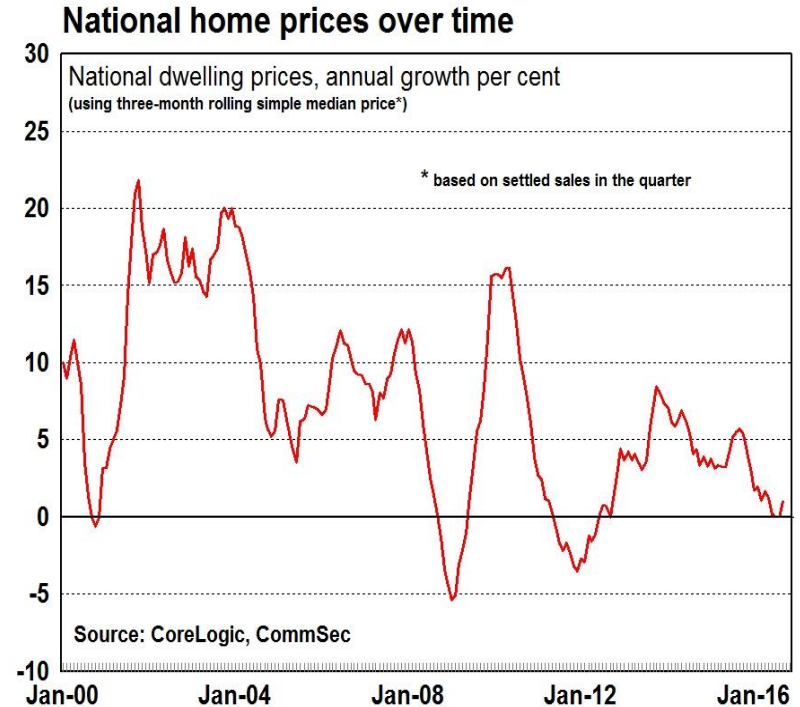
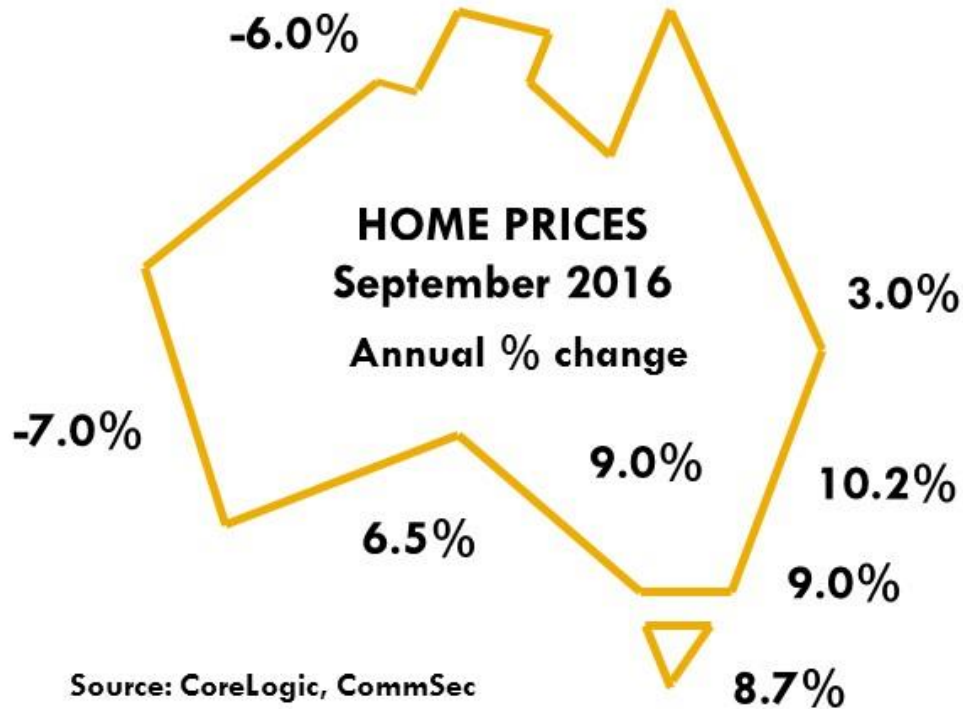
| <i>Prices at retail outlets, June quarter</i> | annual change |
|---|---------------|
| Newspapers And Books | 3.2% |
| Flowers, antiques etc | 3.1% |
| Furniture, Floorcovering | 2.6% |
| Takeaway Food Services | 2.3% |
| Hardware, Building & Garden Supplies | 2.3% |
| Supermarkets And Grocery Stores | 1.7% |
| Liquor Retailing | 1.7% |
| Meat, fruit, bread, fish shops | 1.6% |
| Cafes And Restaurants | 1.5% |
| All retail | 1.3% |
| Pharmaceutical Cosmetic And Toiletry | 0.4% |
| Electrical, Electronic & Gas Goods | -0.0% |
| Department stores | -0.2% |
| Clothing Retailing | -0.3% |
| Sporting goods, toys, video games | -1.1% |
| Footwear, watches & jewellery | -1.5% |

Source: ABS, CommSec

Broad-based trends

- Internet shopping
- Outsourcing
- Disruption
- Technology
- Competition
- Soft global growth

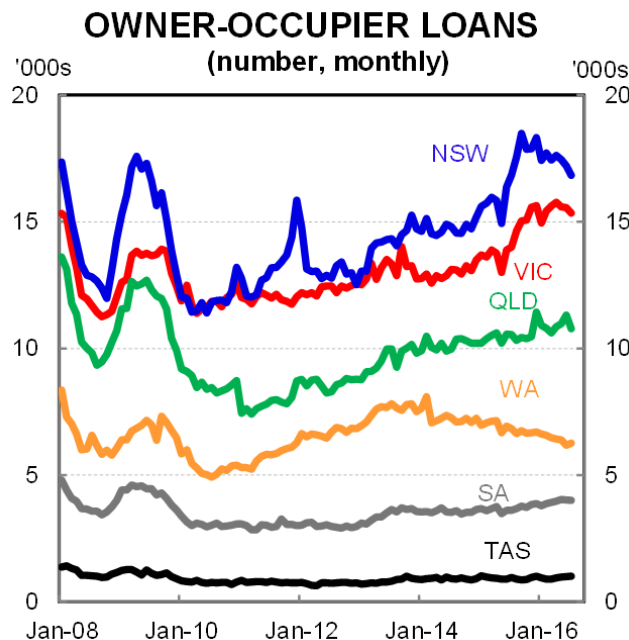
Home prices: *In context*



Property Outlook

Challenges

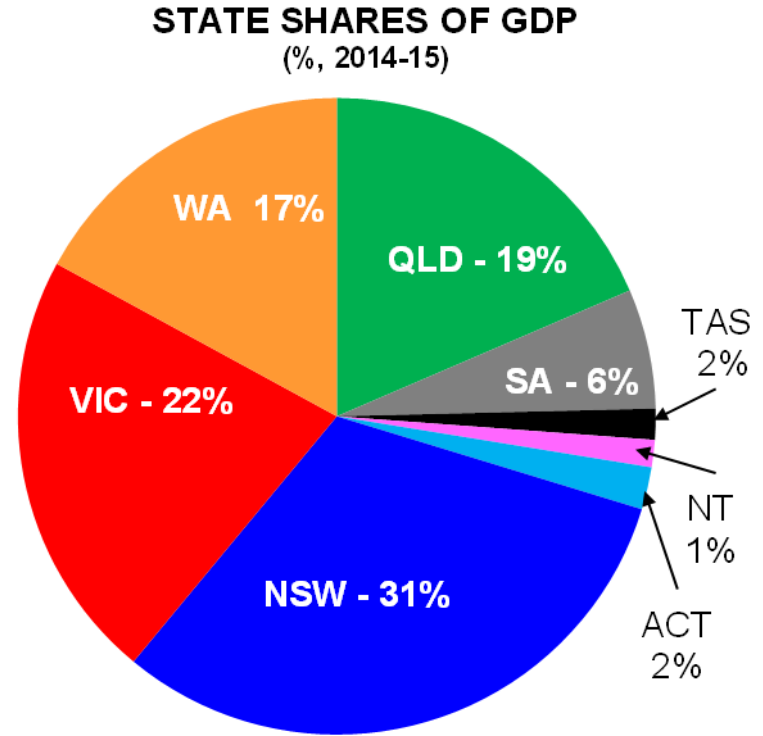
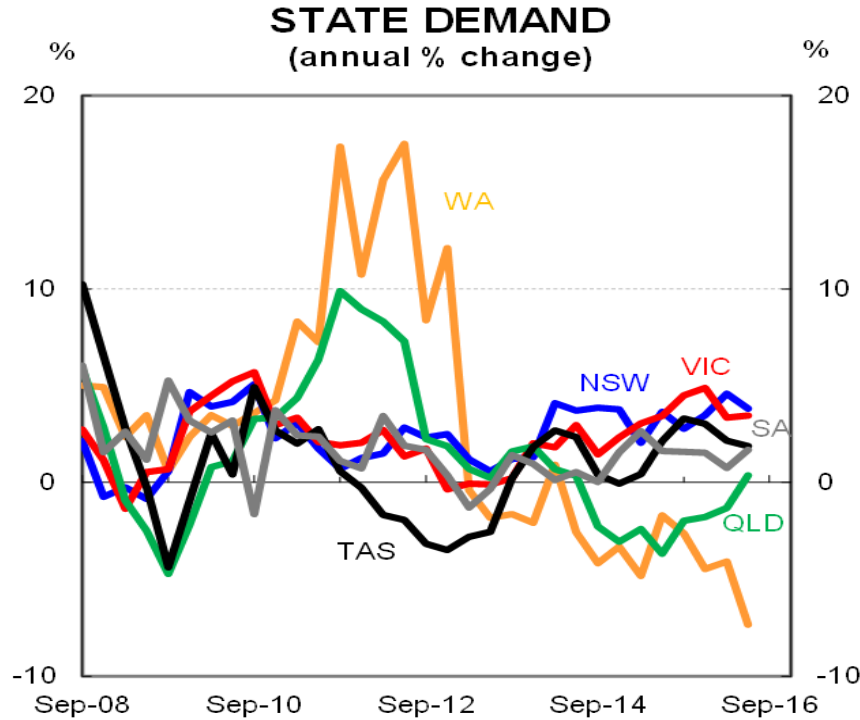
- More supply
- Bigger homes
- Extra rooms
- Affordability



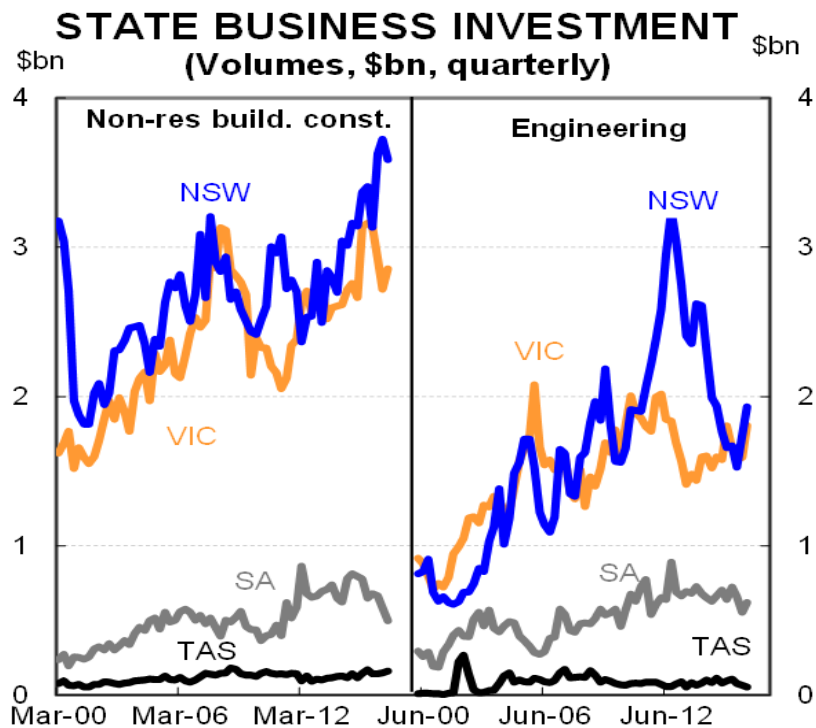
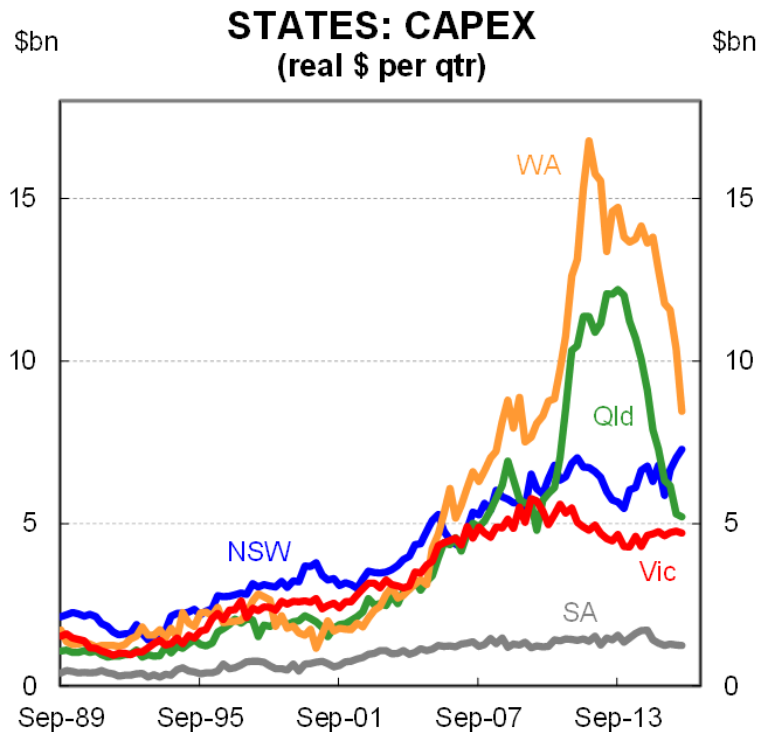
Positives

- Low rates
- Lower jobless rate
- Population growth
- Rising home prices

Victoria: *State demand*

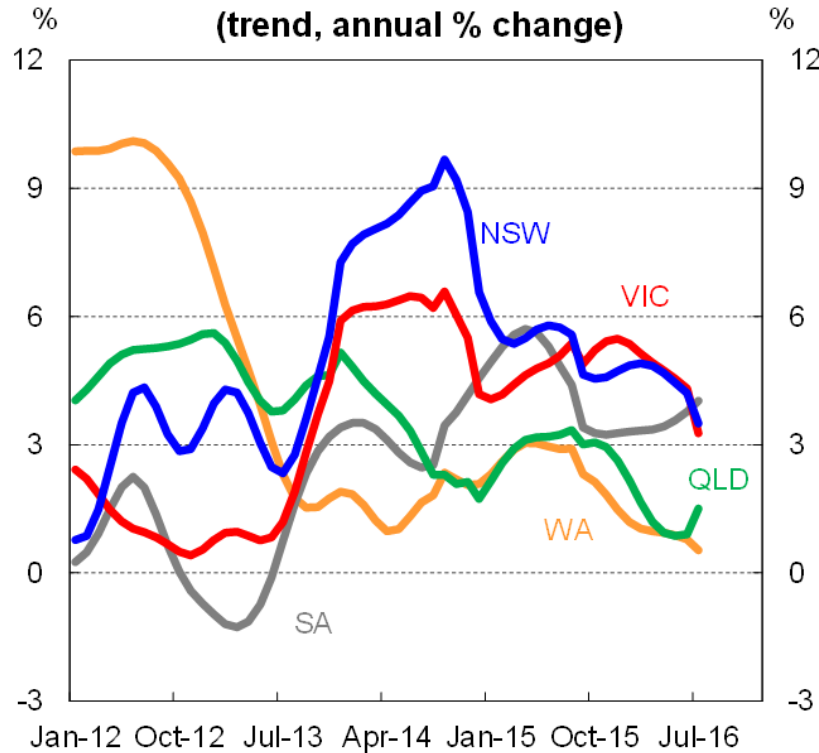


Victoria: *Expenditure*

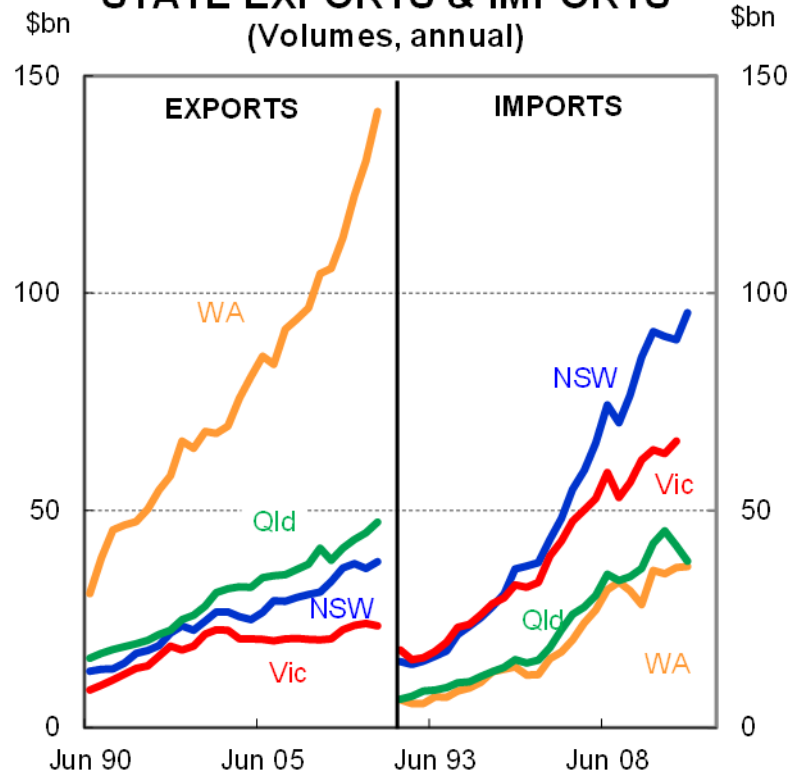


Victoria: *Trade*

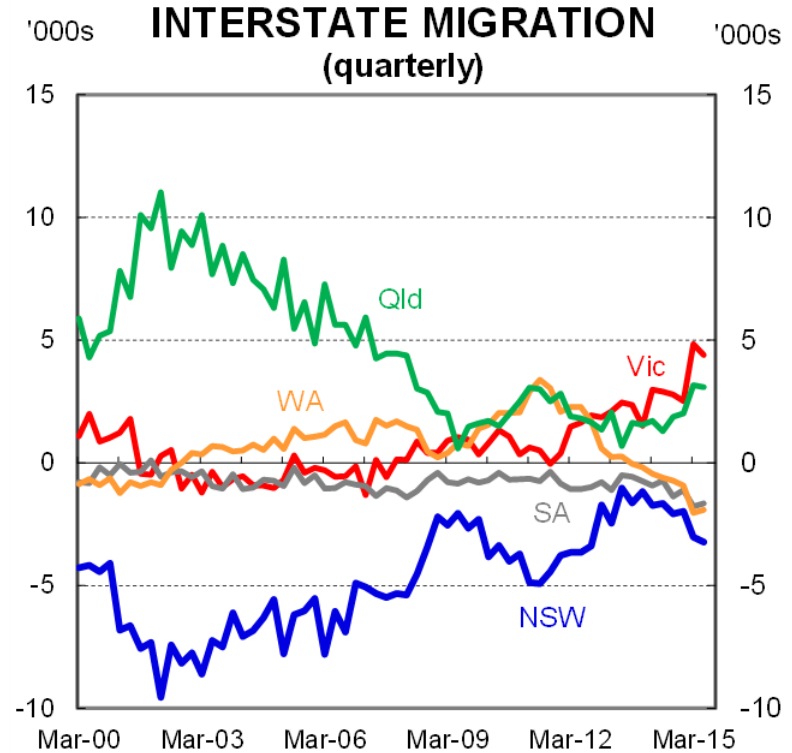
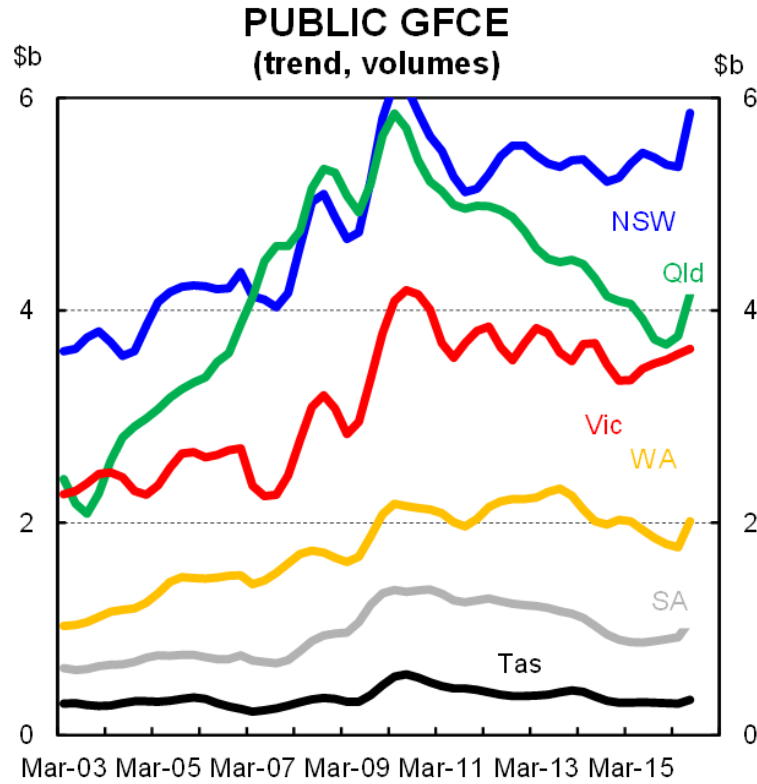
RETAIL TRADE
(trend, annual % change)



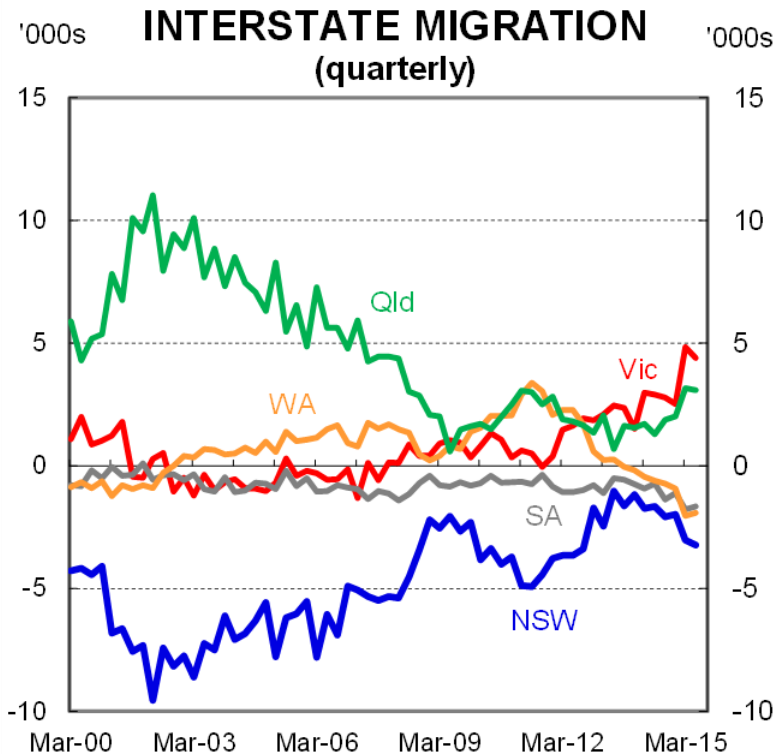
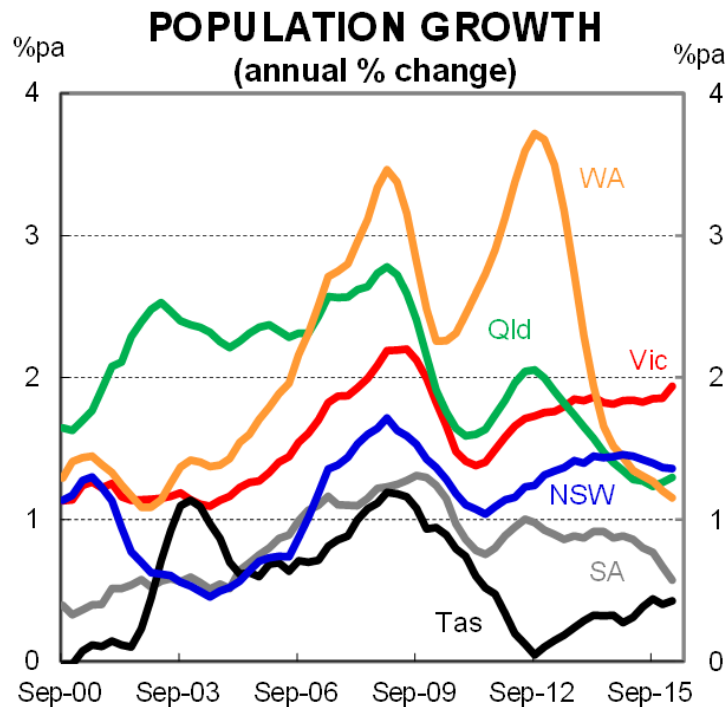
STATE EXPORTS & IMPORTS
(Volumes, annual)



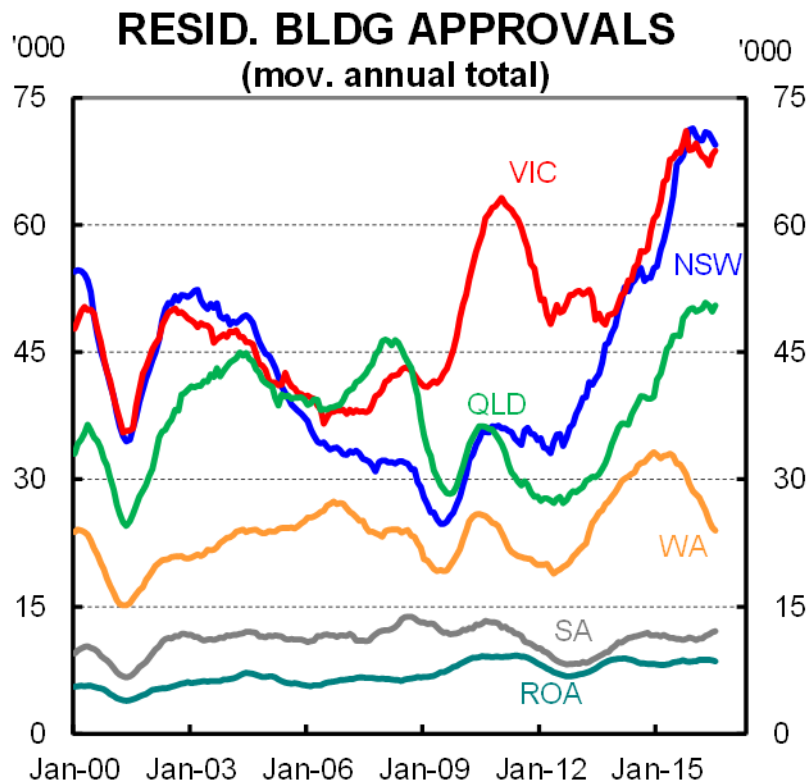
Victoria: *Public Investment*



Victoria: *population*



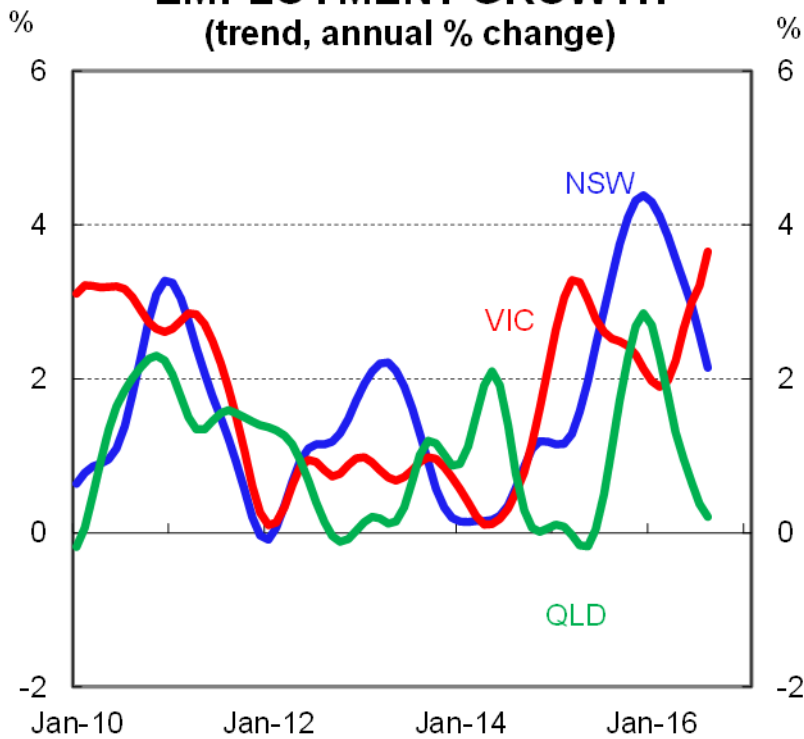
Victoria: *Residential Building Approvals*



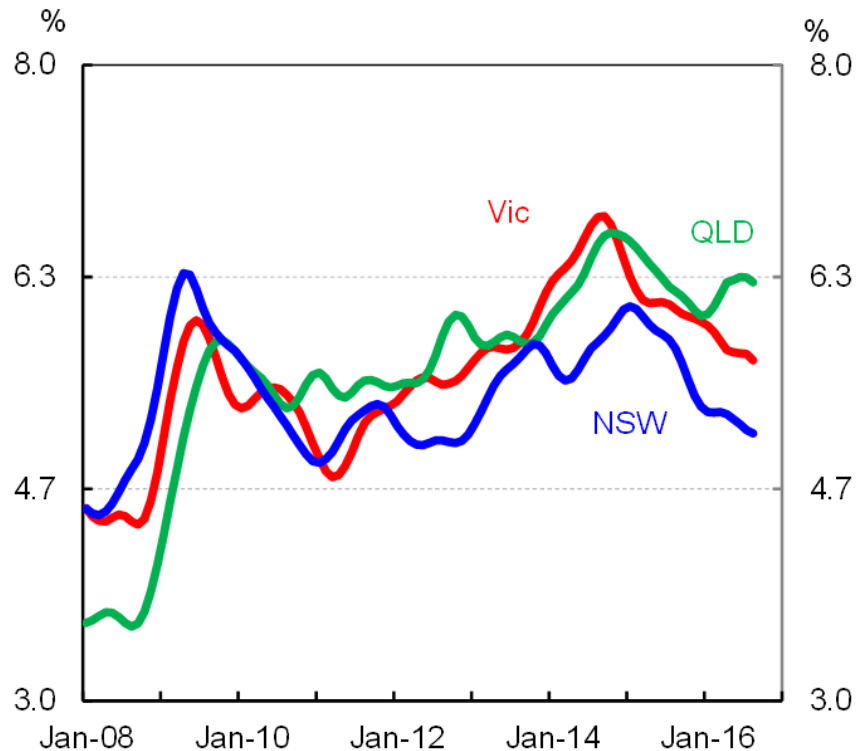
- **Mainly apartments**
- **Have had a second wind after peaking in early 2015**
- **Approvals have lifted in NSW and Vic over the three months to July**

Victoria: *Employment*

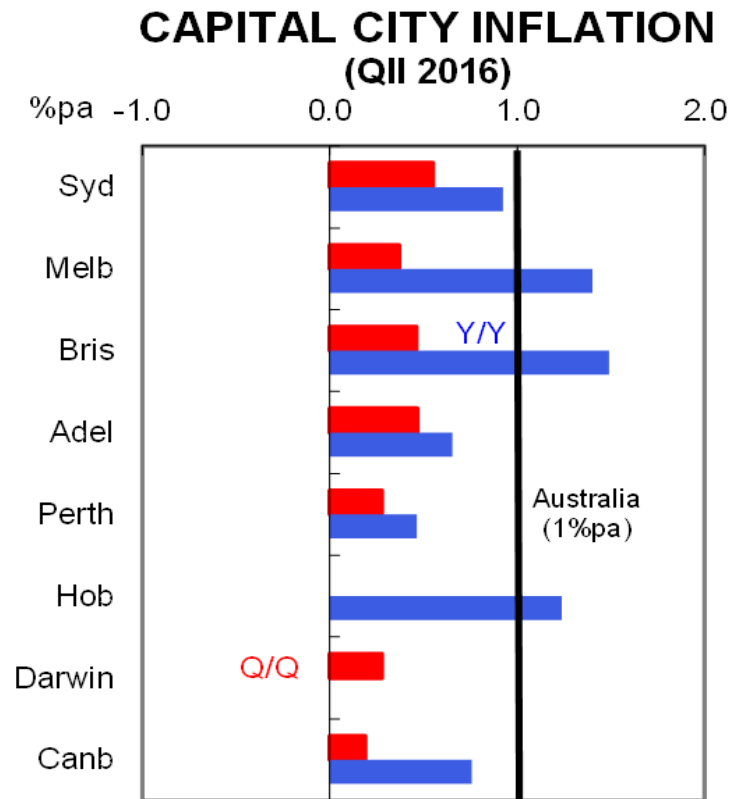
EMPLOYMENT GROWTH
(trend, annual % change)



UNEMPLOYMENT RATES



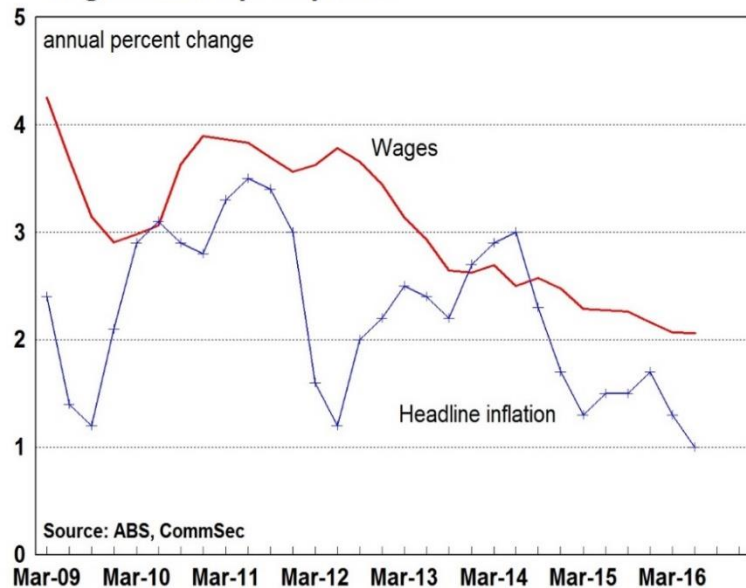
Victoria: *Inflation*



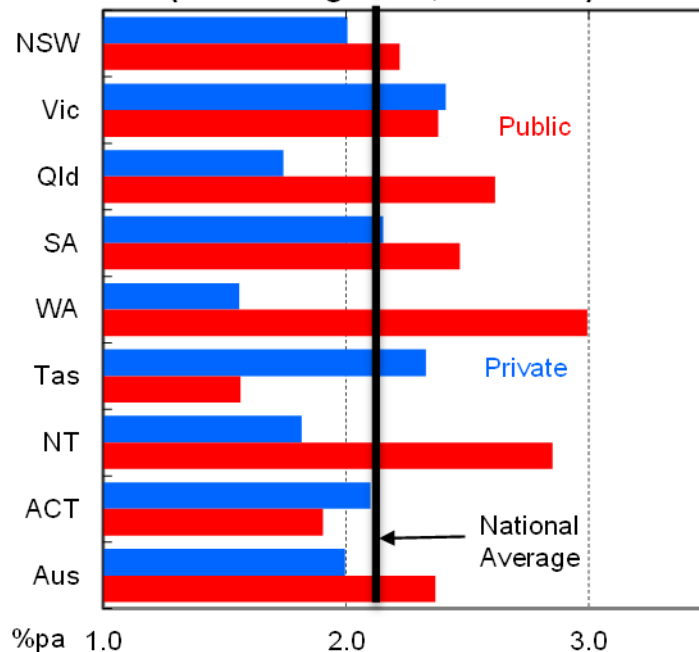
- **Melbourne CPI above the national rate**
- **Overall inflation pressures to be contained over 16/17**

Wages

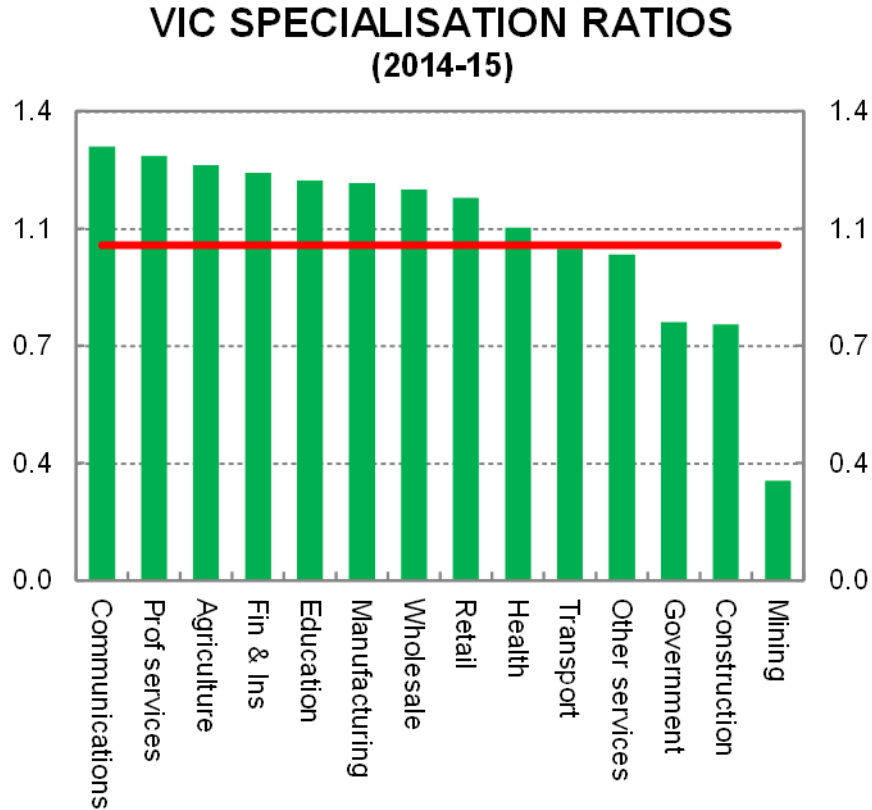
Wages still outpace prices



WAGE PRICE INDEX (% annual growth, QII 2016)



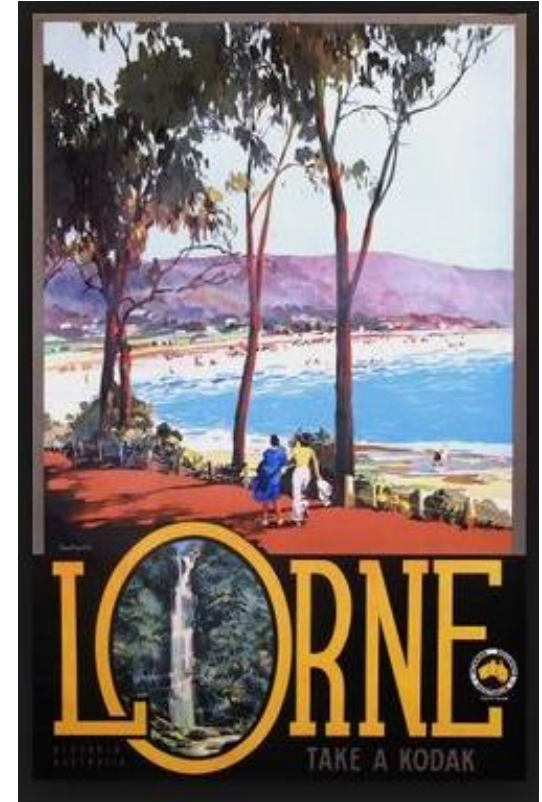
Victoria: *State Specialisation Ratios*



- Ratios measure the importance of industries to each State relative to their national importance

Looking Ahead

- **Changing preferences**
- **Changing world**
- **Competition reigns**
- **Finding the point of difference**
- **Ageing populations**
- **Asia dominates, especially China**



Outlook

| FORECASTS | | |
|------------------------|------------------------|------------------------|
| | <i>2016</i> | <i>2017</i> |
| Economic Growth | 2.75-3.25% | 2.75-3.25% |
| Underlying inflation | 1.25-1.75% | 1.50-2.00% |
| Unemployment | 5.50-6.00% | 5.50-6.00% |
| | <i>end 2016</i> | <i>mid 2017</i> |
| Cash rate | 1.25-1.50% | 1.25-1.50% |
| Sharemarket (All Ords) | 5,500-5,700 | 5,700-5,900 |
| Australian dollar | US71-78c | US70-78c |