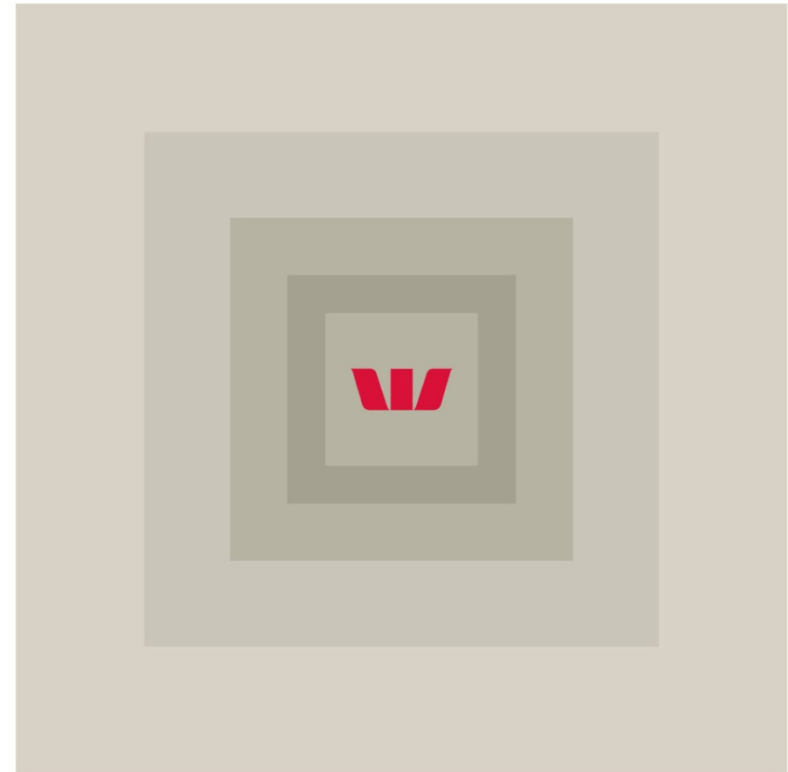


Geelong Chamber of Commerce

August 2016

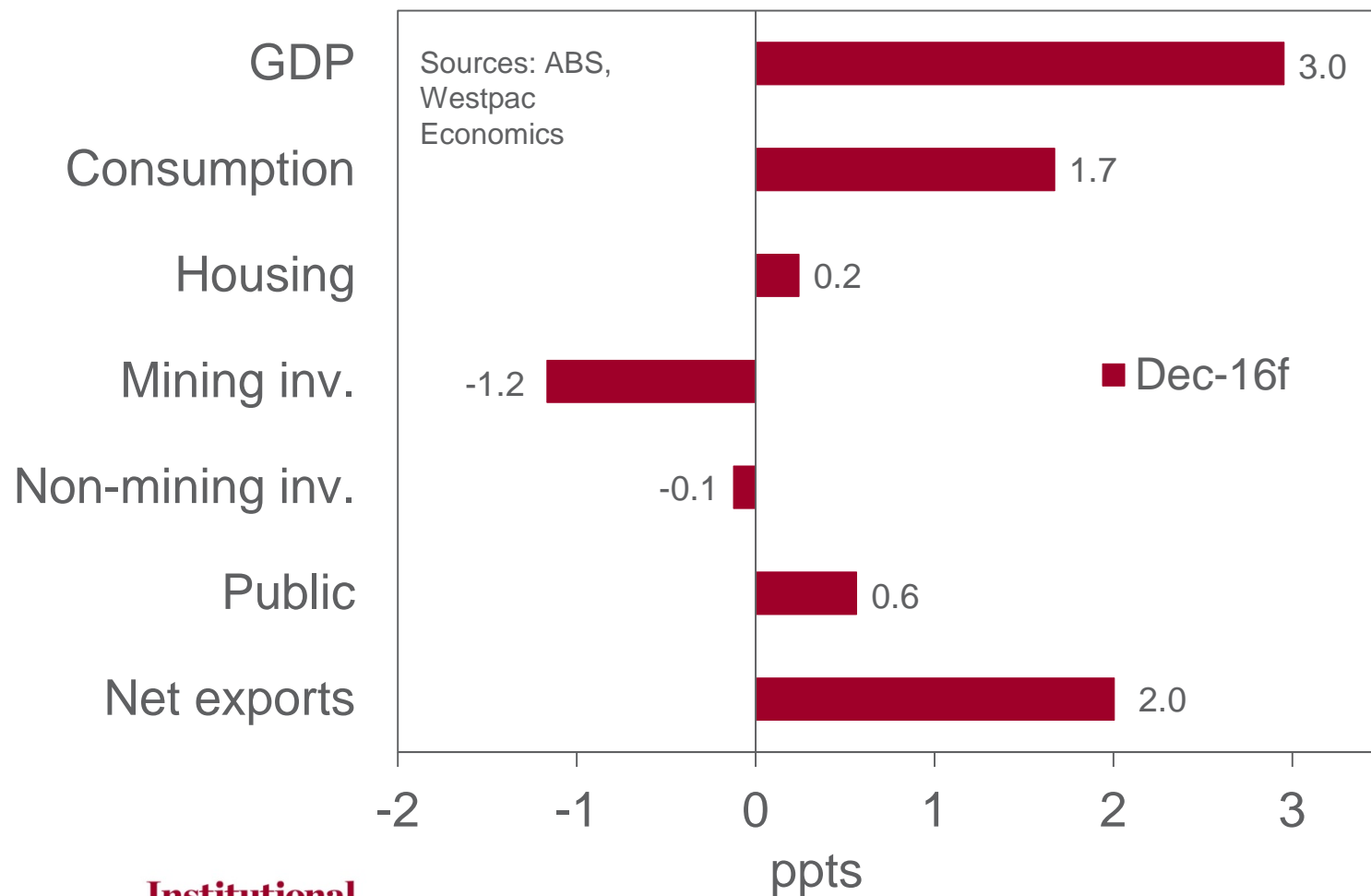
**Bill Evans
Chief Economist**



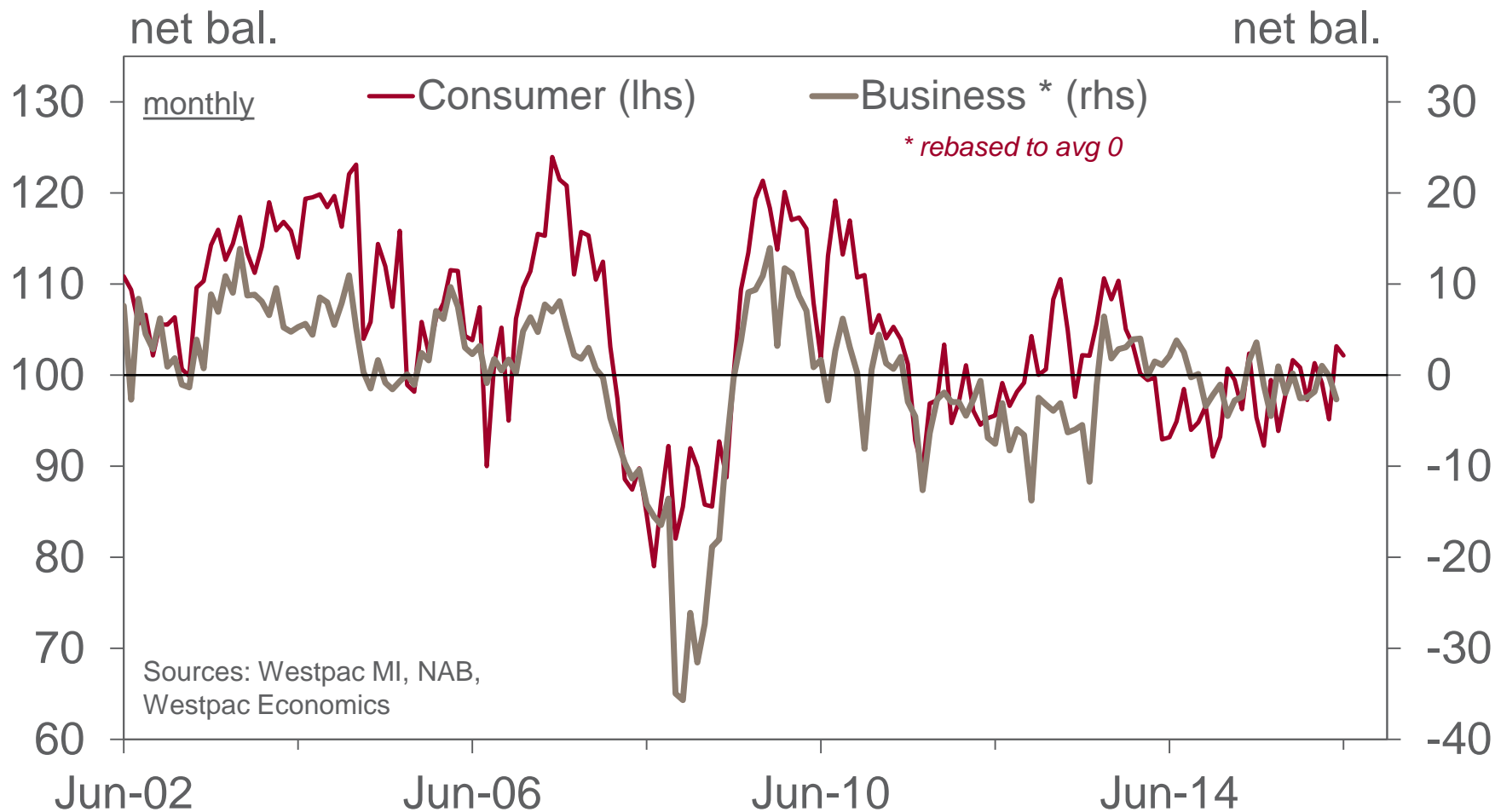
Current Forecasts – August 2016

	Latest	Dec-16	Jun-17	Dec-17	Dec-18
RBA Cash	1.75	1.50	1.50	1.50	2.00
3 yr swap	1.65	1.75	2.00	2.25	3.00
AUD/USD	0.75	0.72	0.69	0.70	0.75

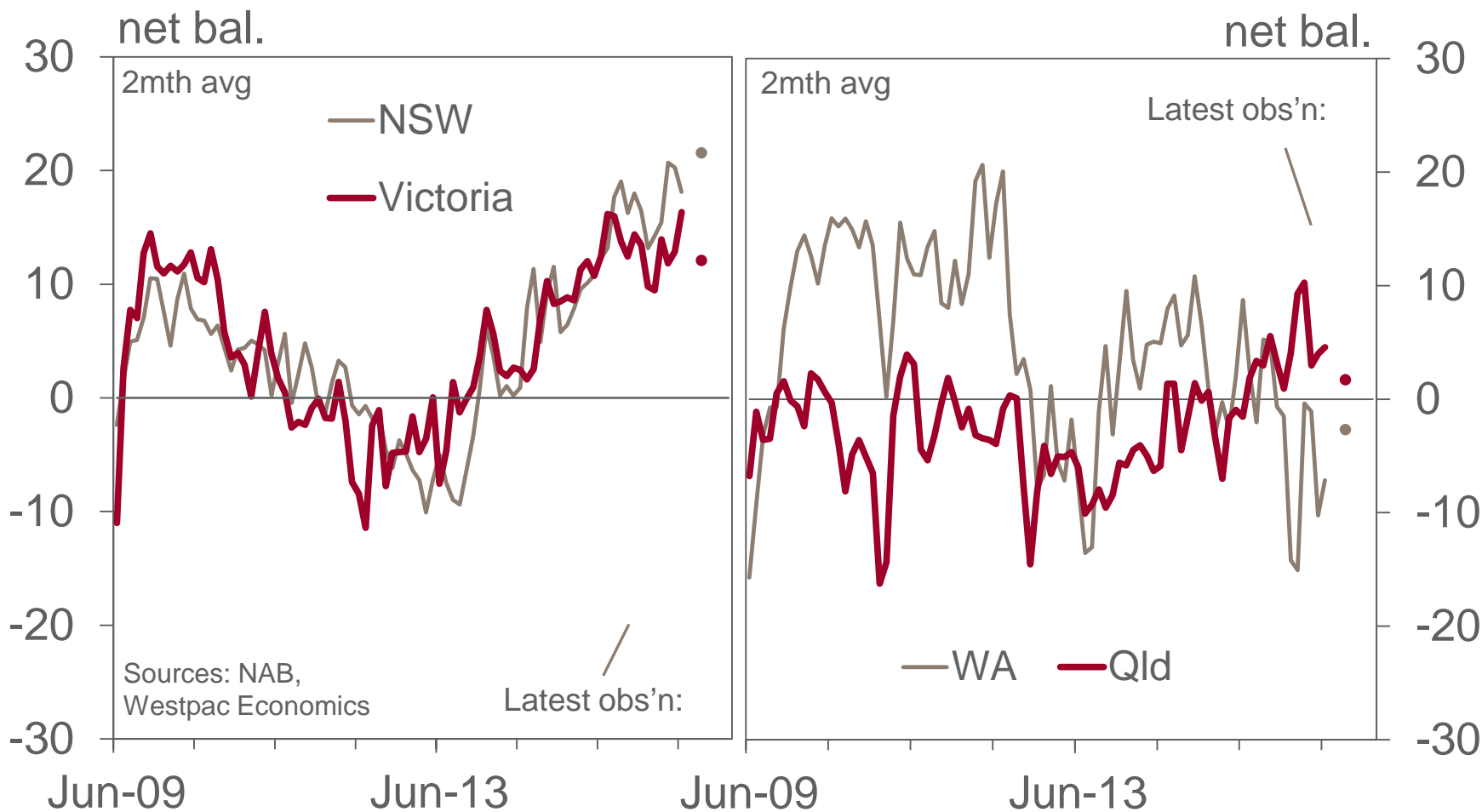
GDP growth: contributions (2016)



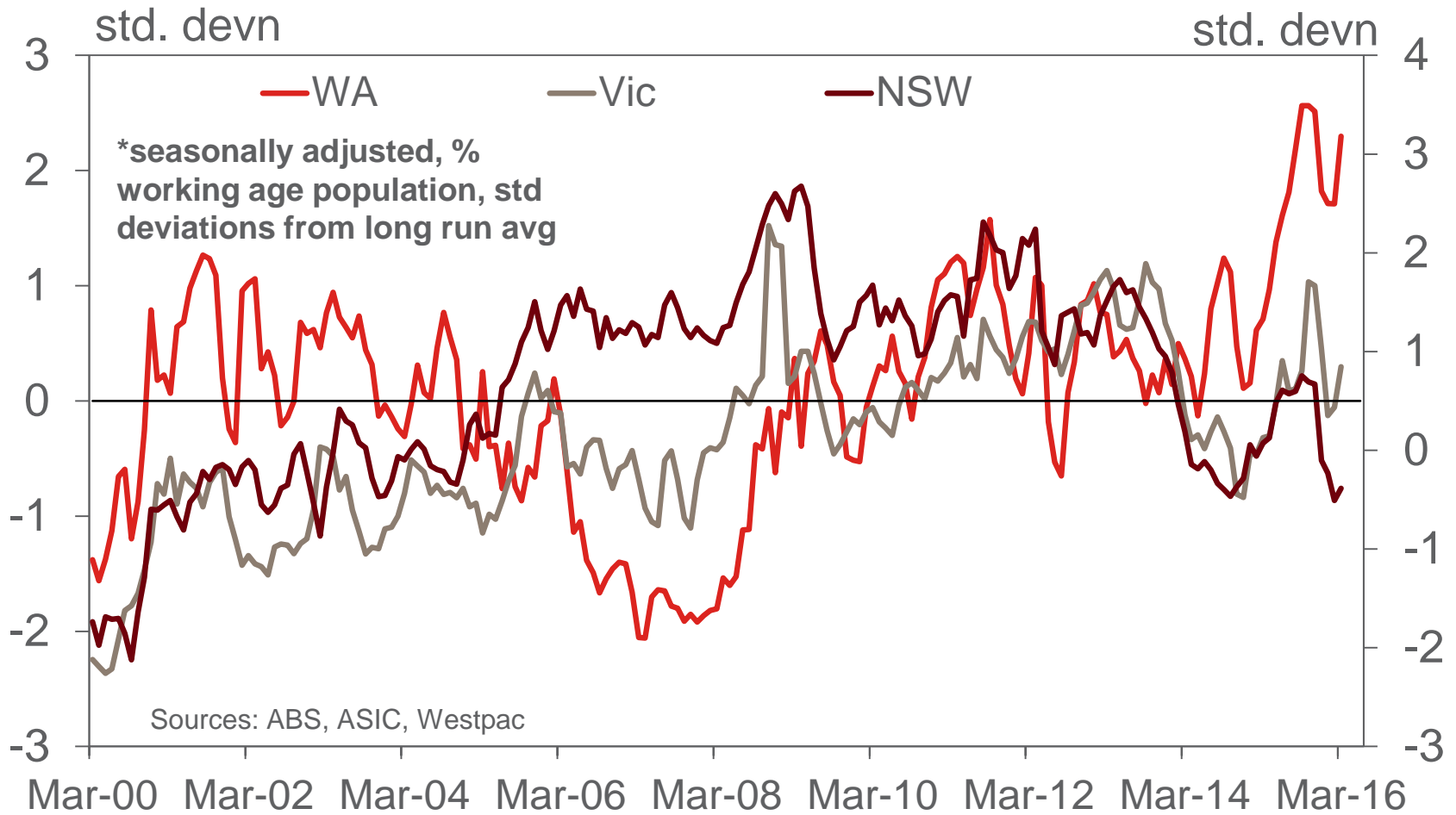
Confidence: consumer and business



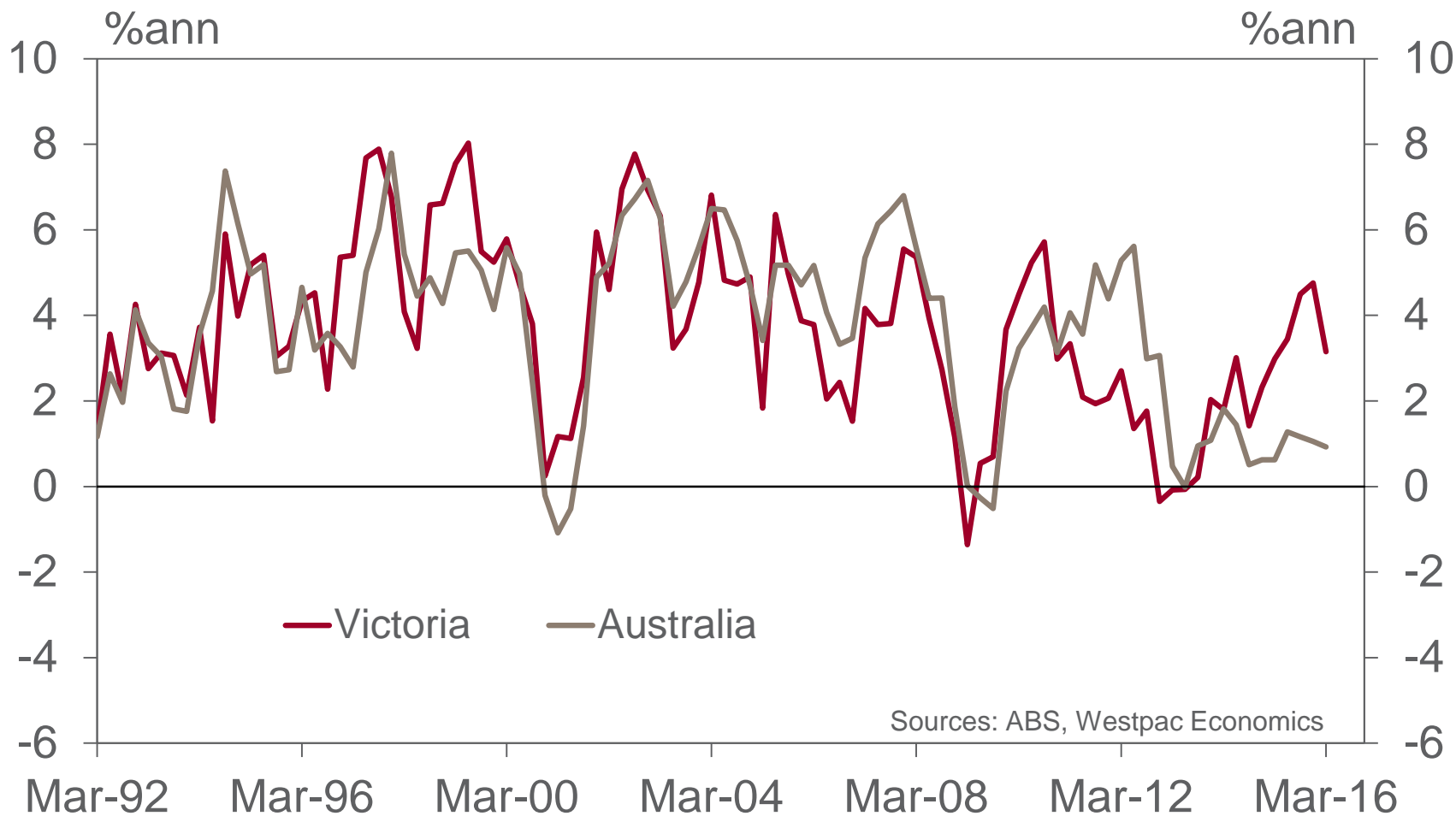
State view: business conditions



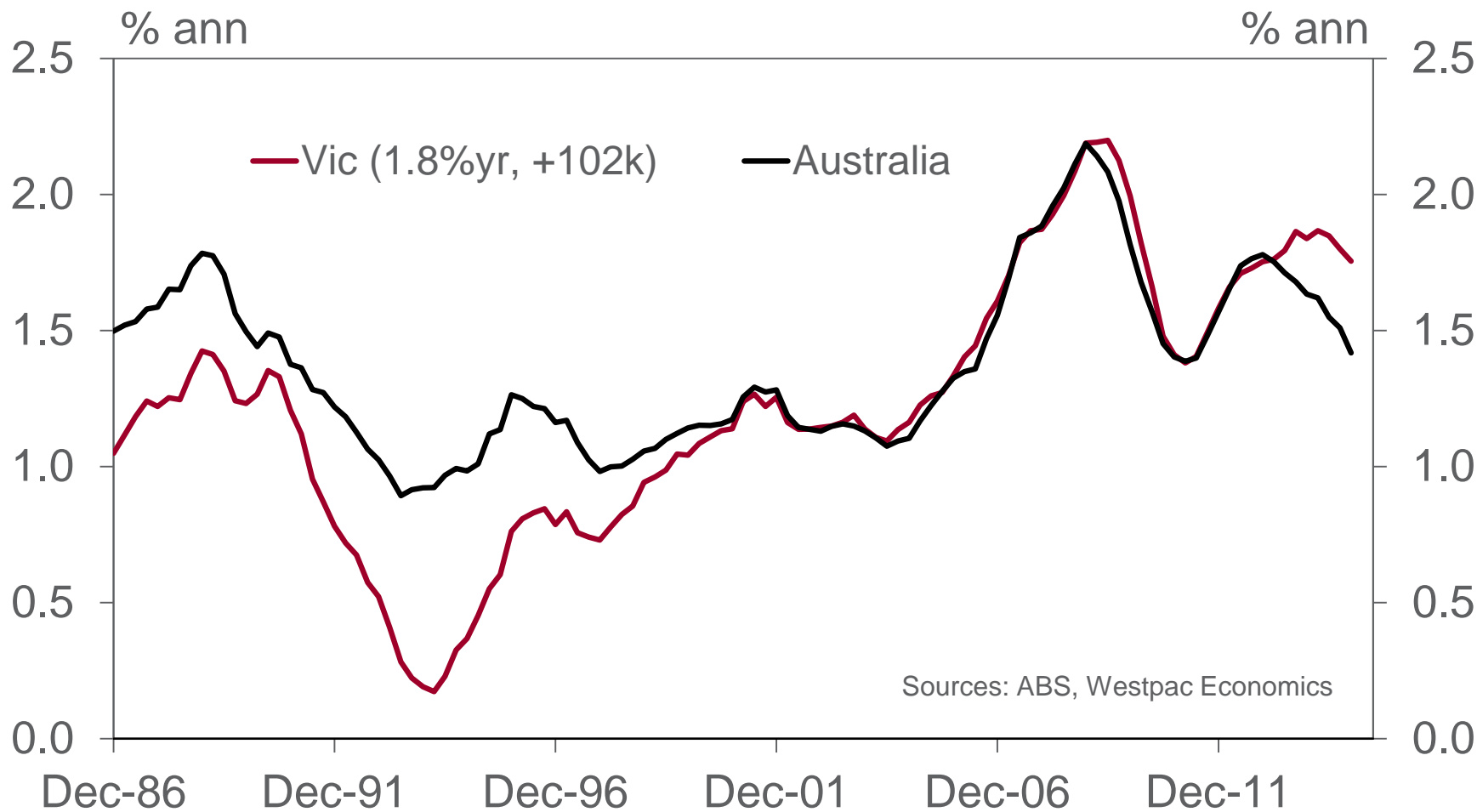
Company insolvencies by state



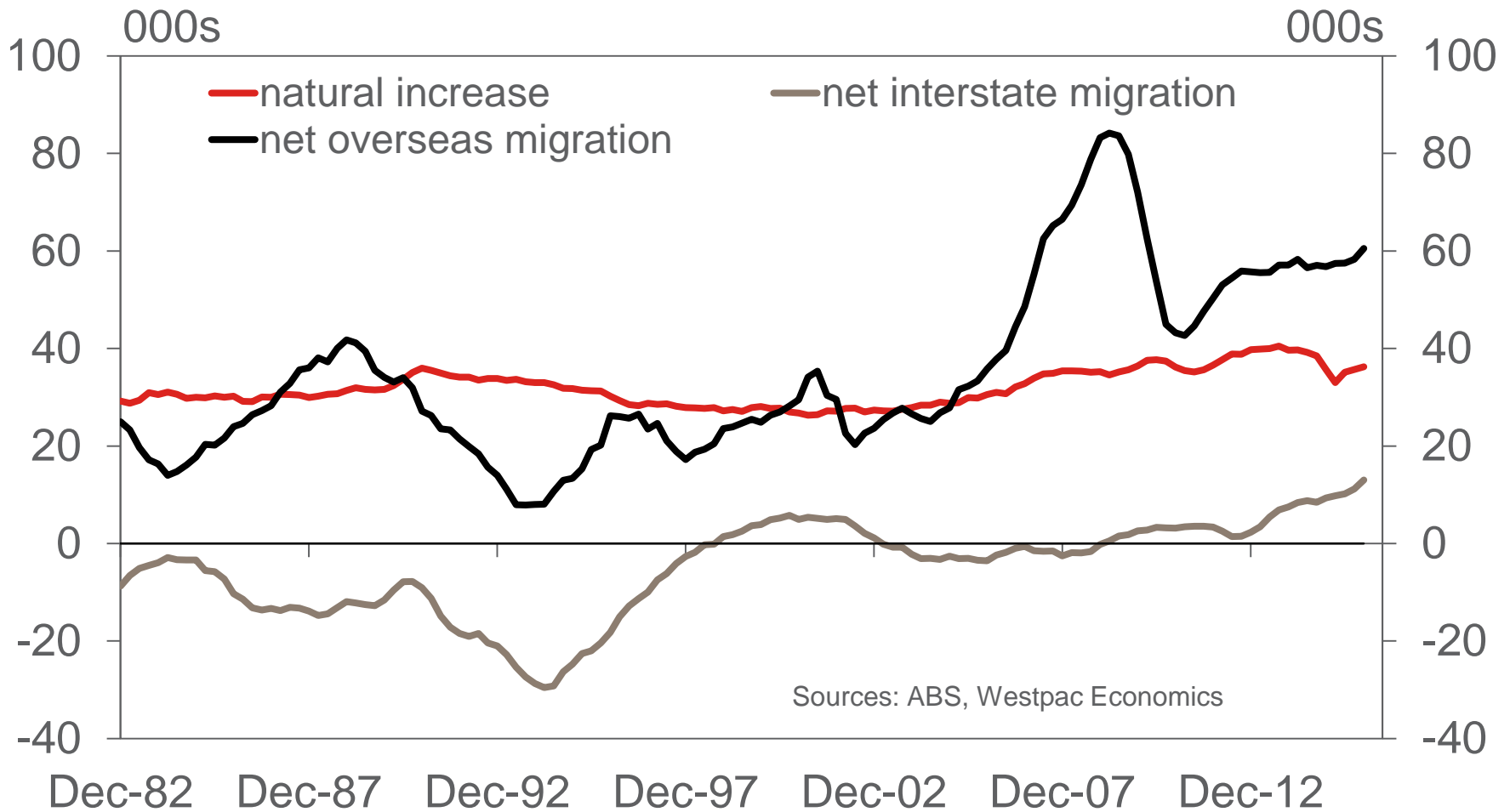
Vic domestic demand, well ahead of pack



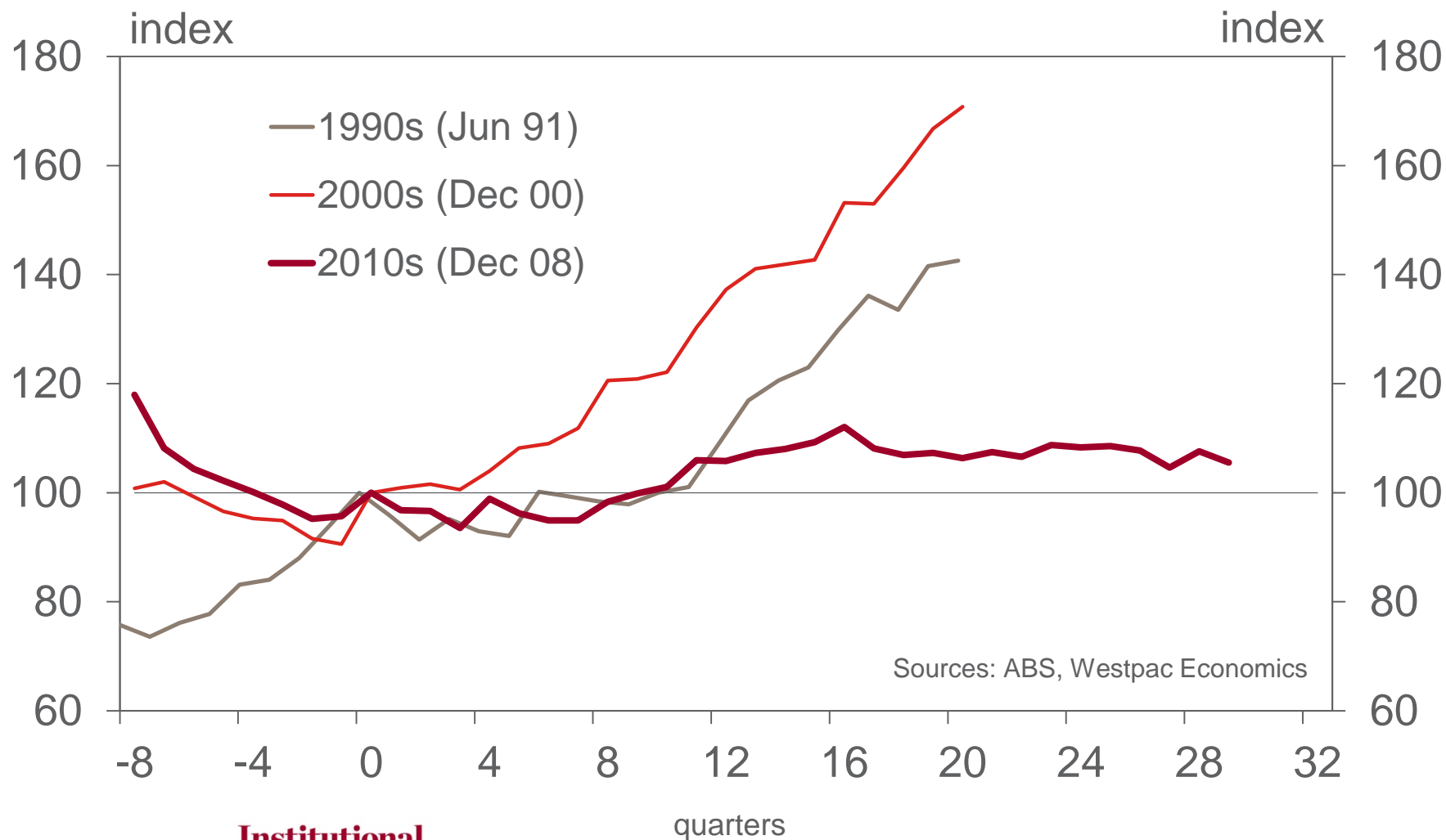
Population growth: recovery



Vic population growth strong and on the rise

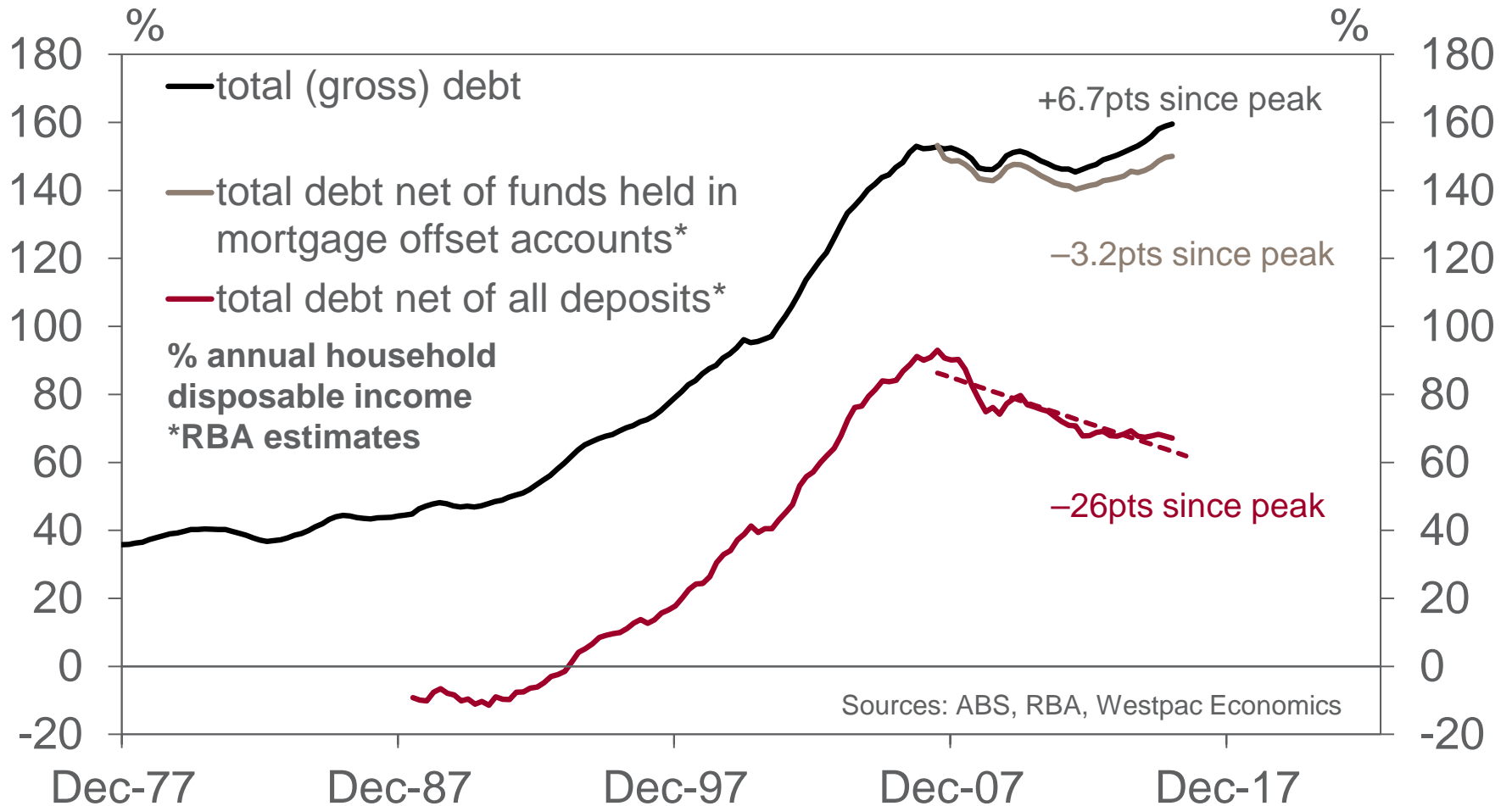


Non-mining business investment cycles

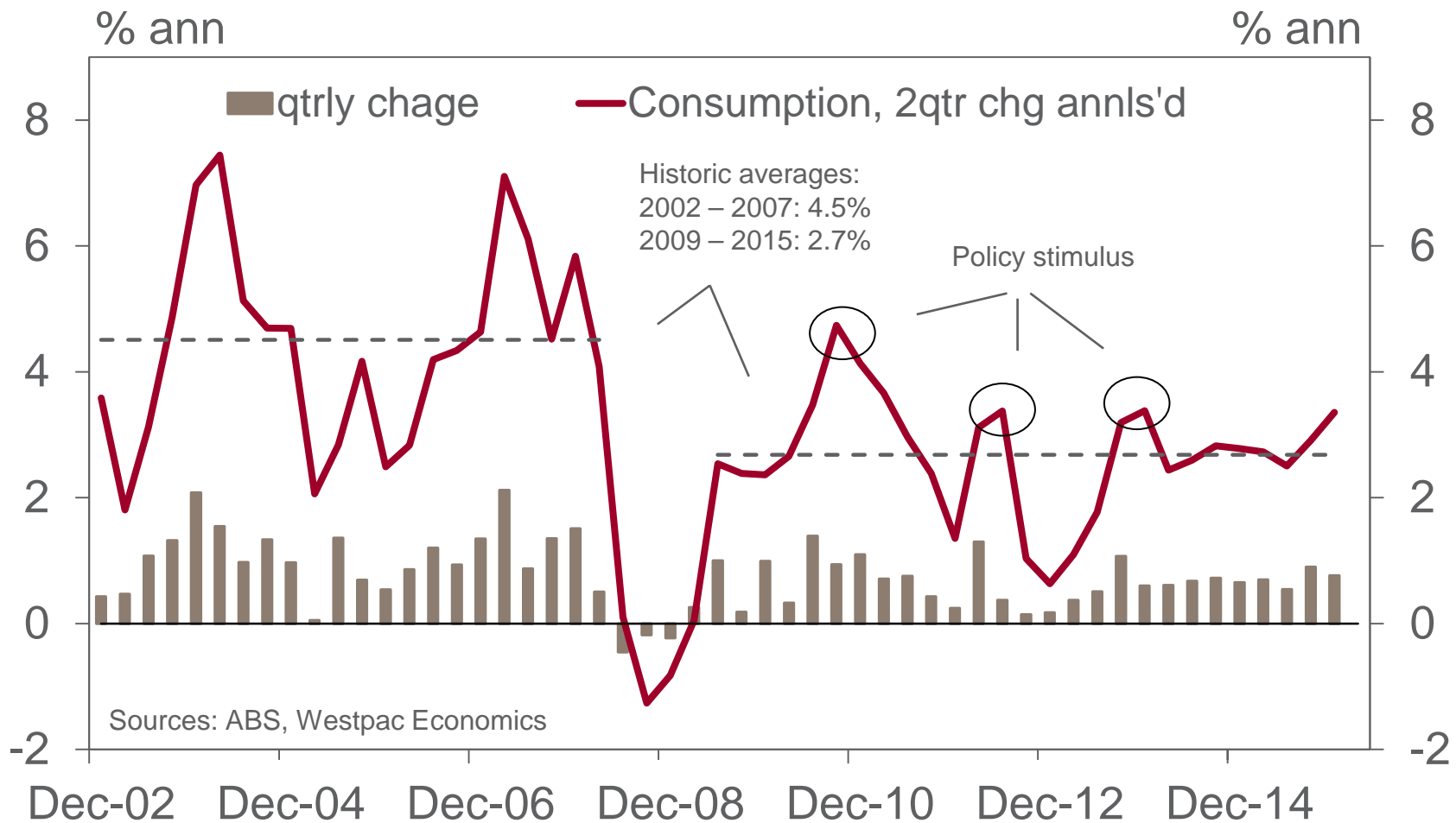


Sources: ABS, Westpac Economics

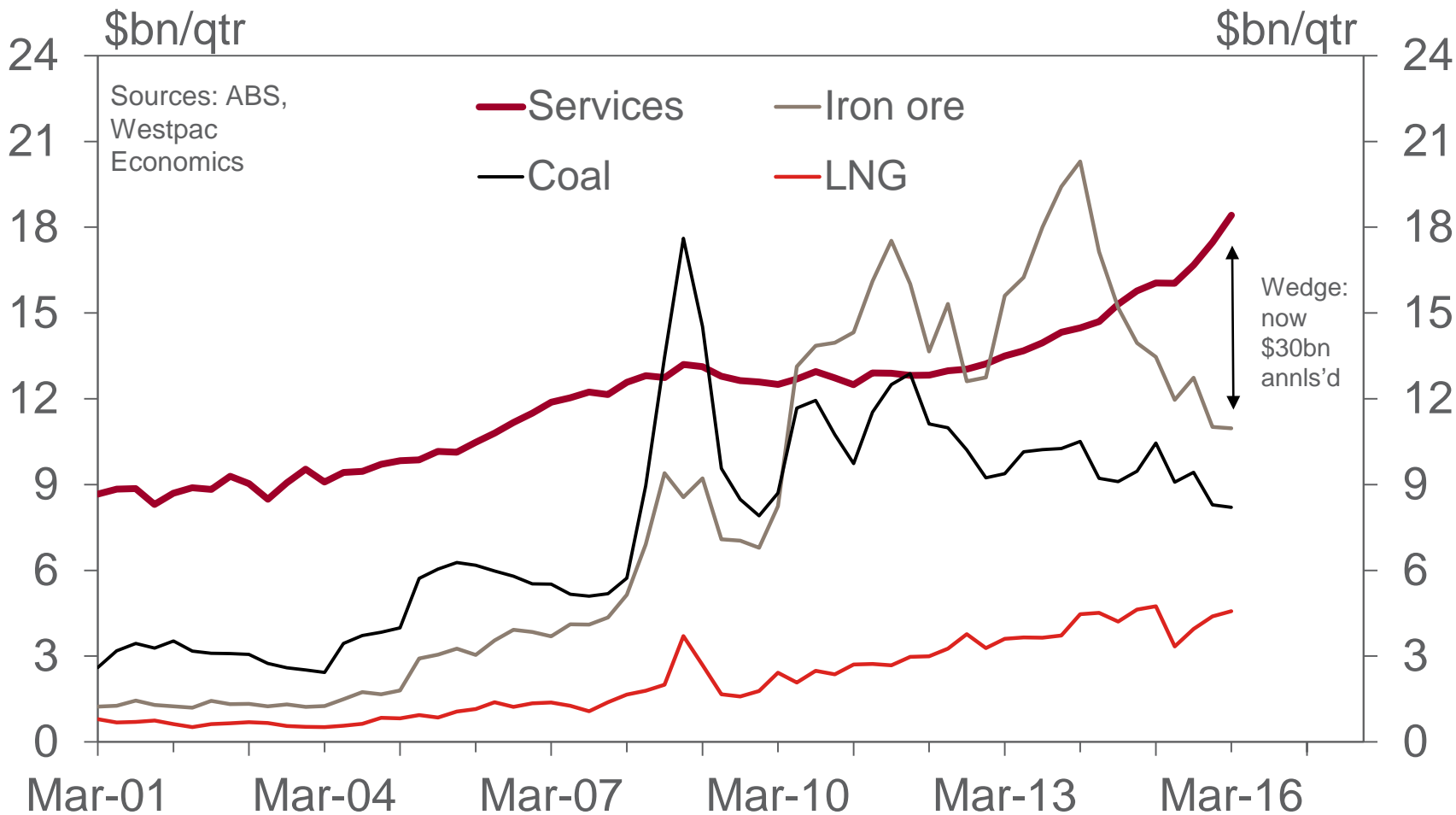
Australian household debt- not stabilising.



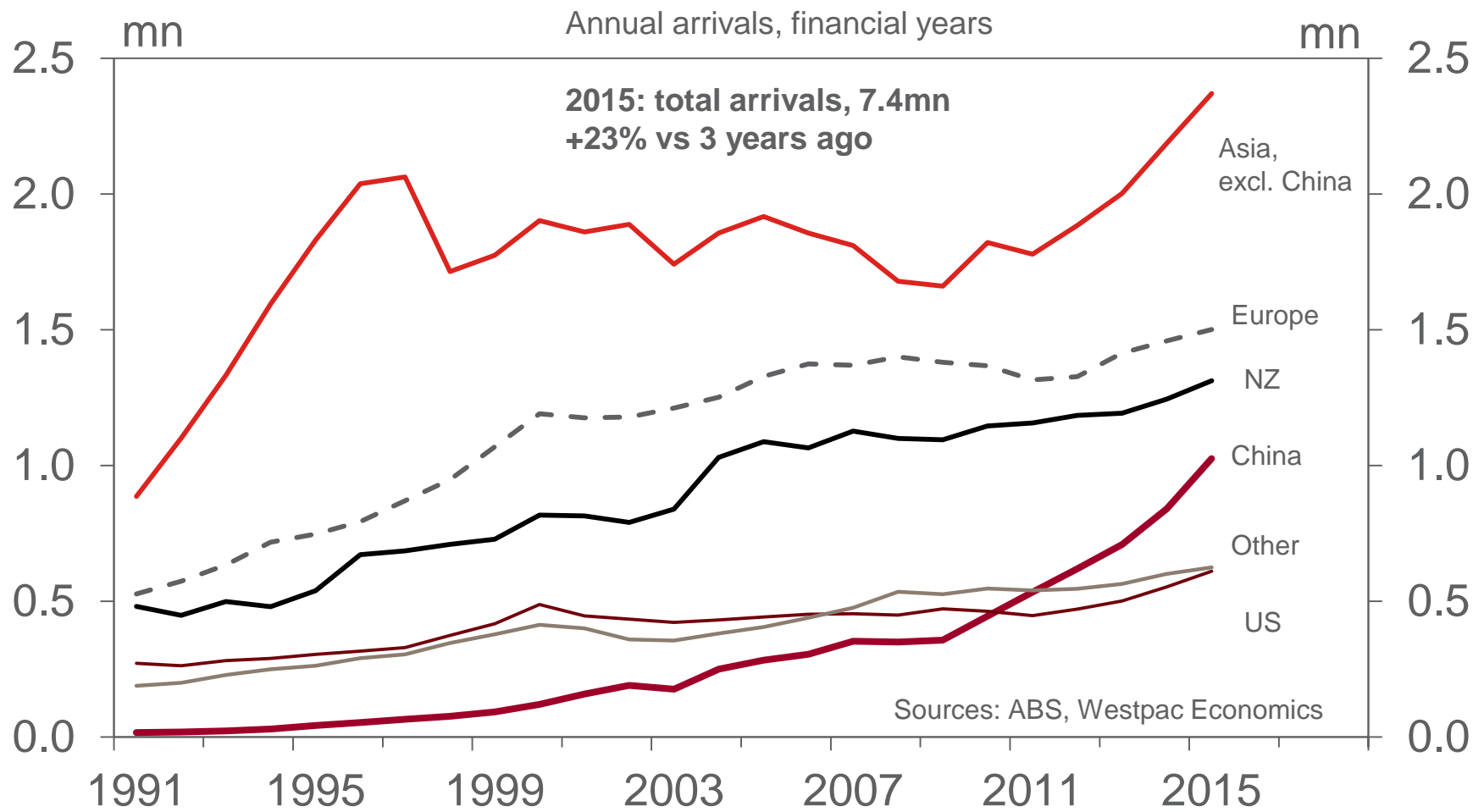
Consumer spending: fails to sustain momentum



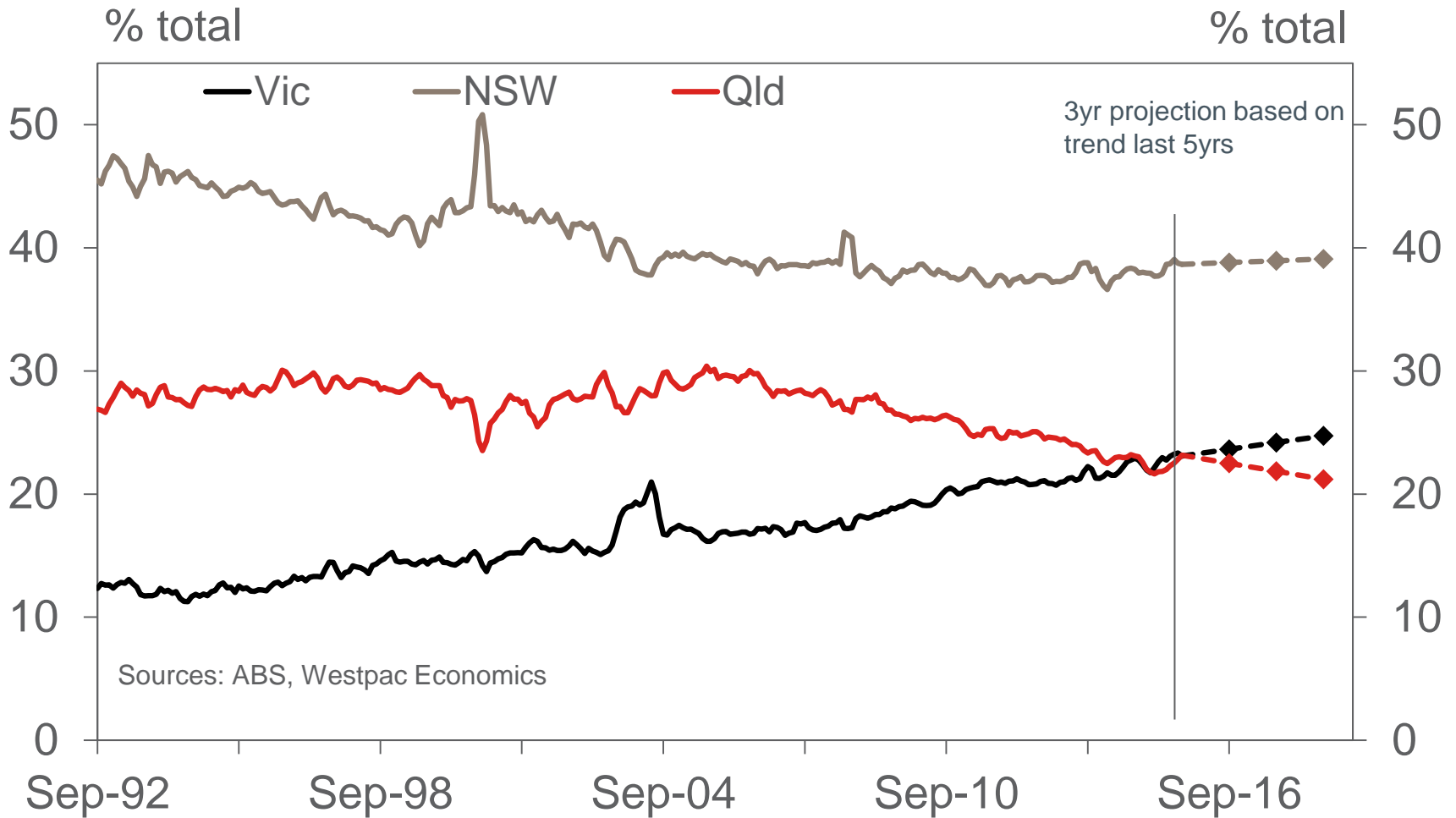
Service exports leave iron ore in the dust



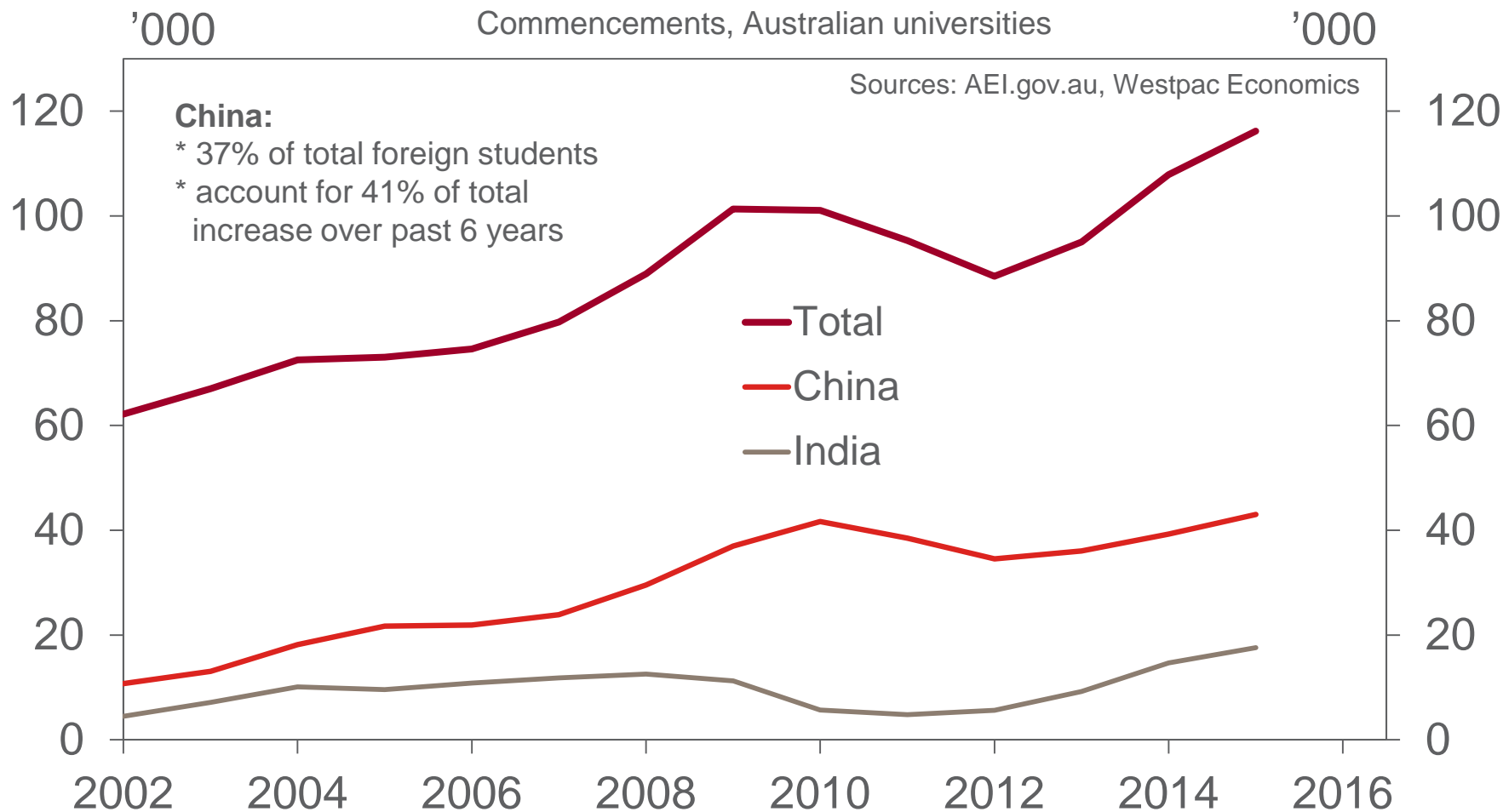
International arrivals – Asia dominates growth



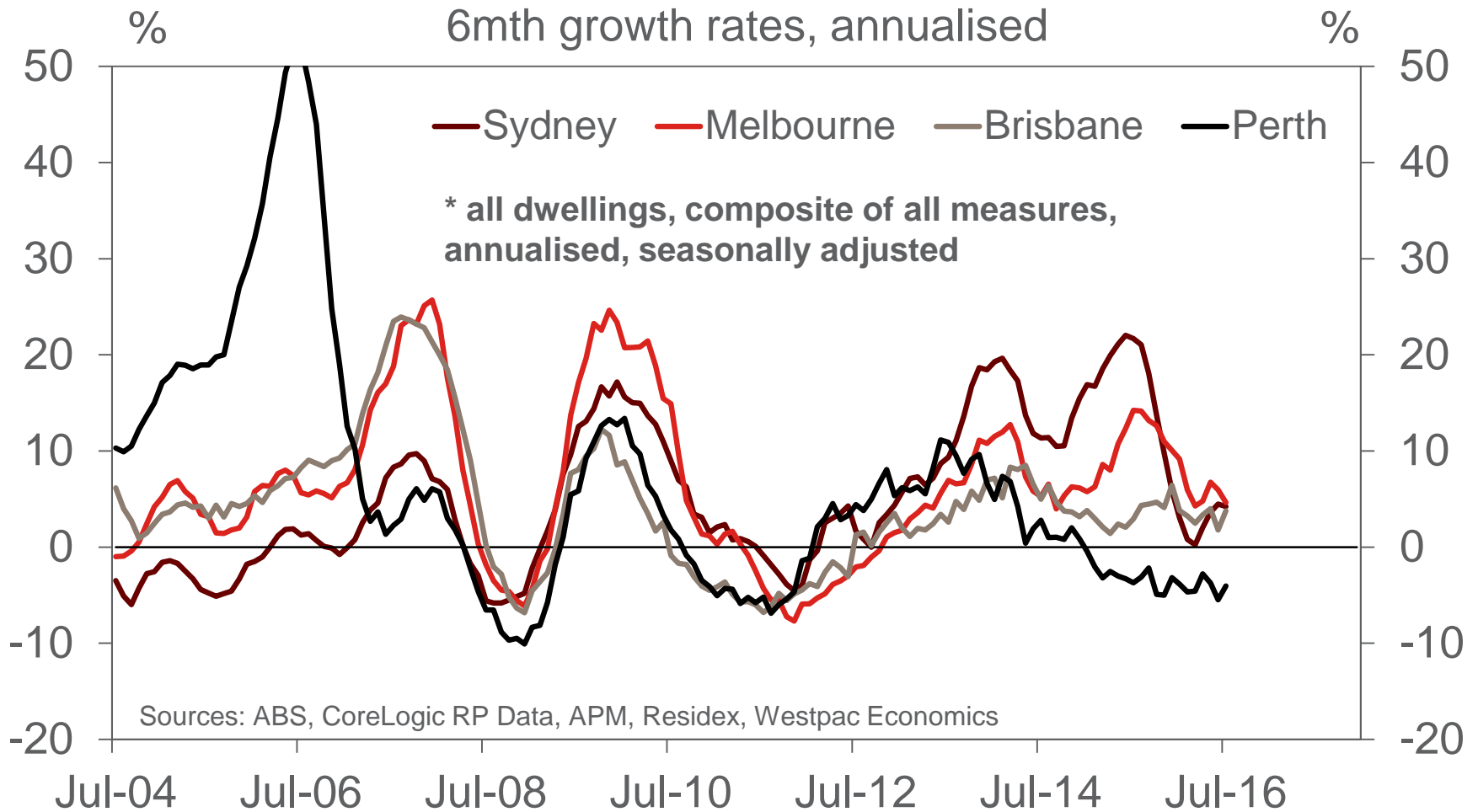
Tourists: state of longest stay, QLD is lagging



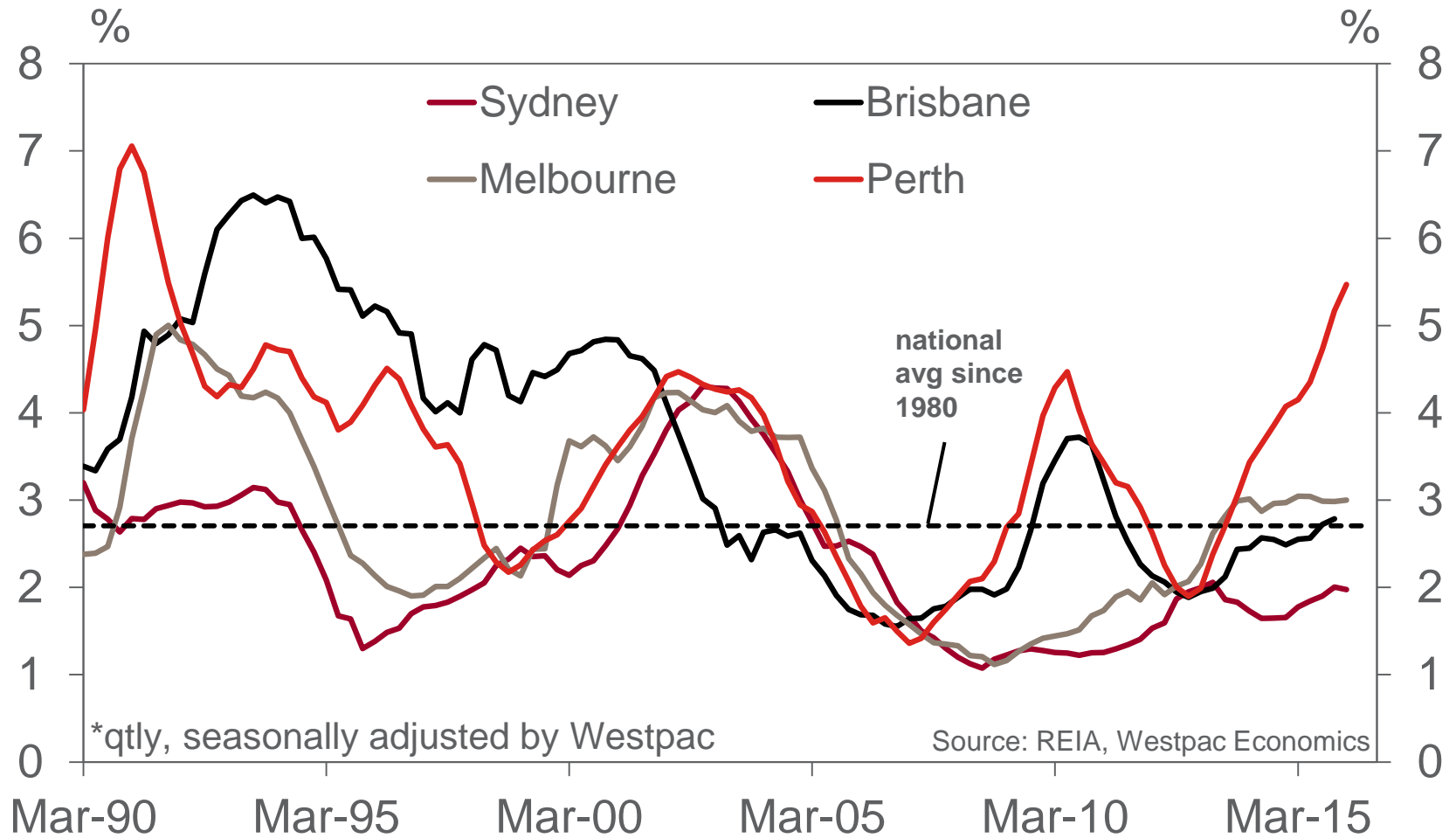
International students : China and India 50%



Capital city dwelling prices to slow: now



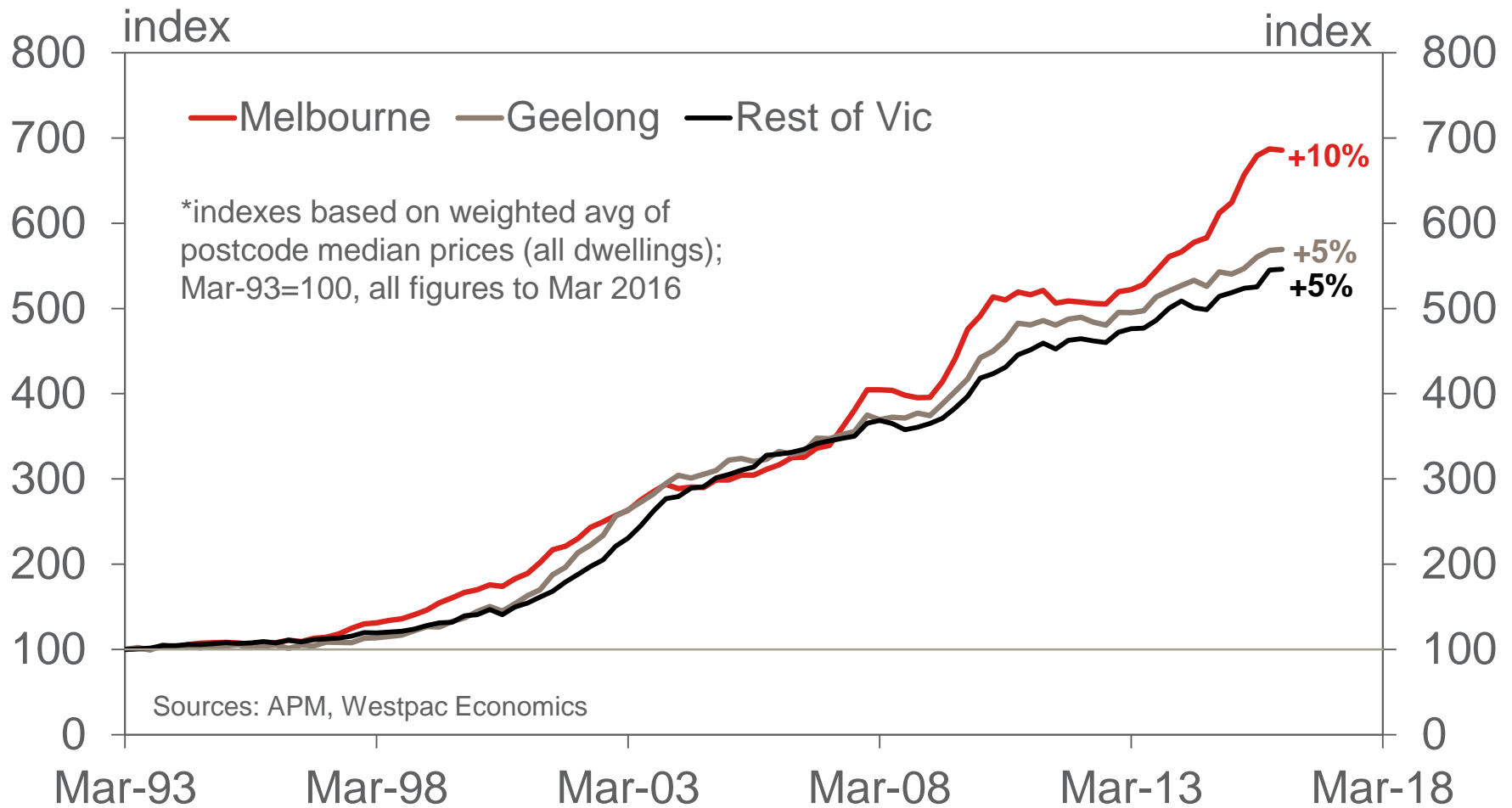
Rental markets: vacancy rates show oversupply



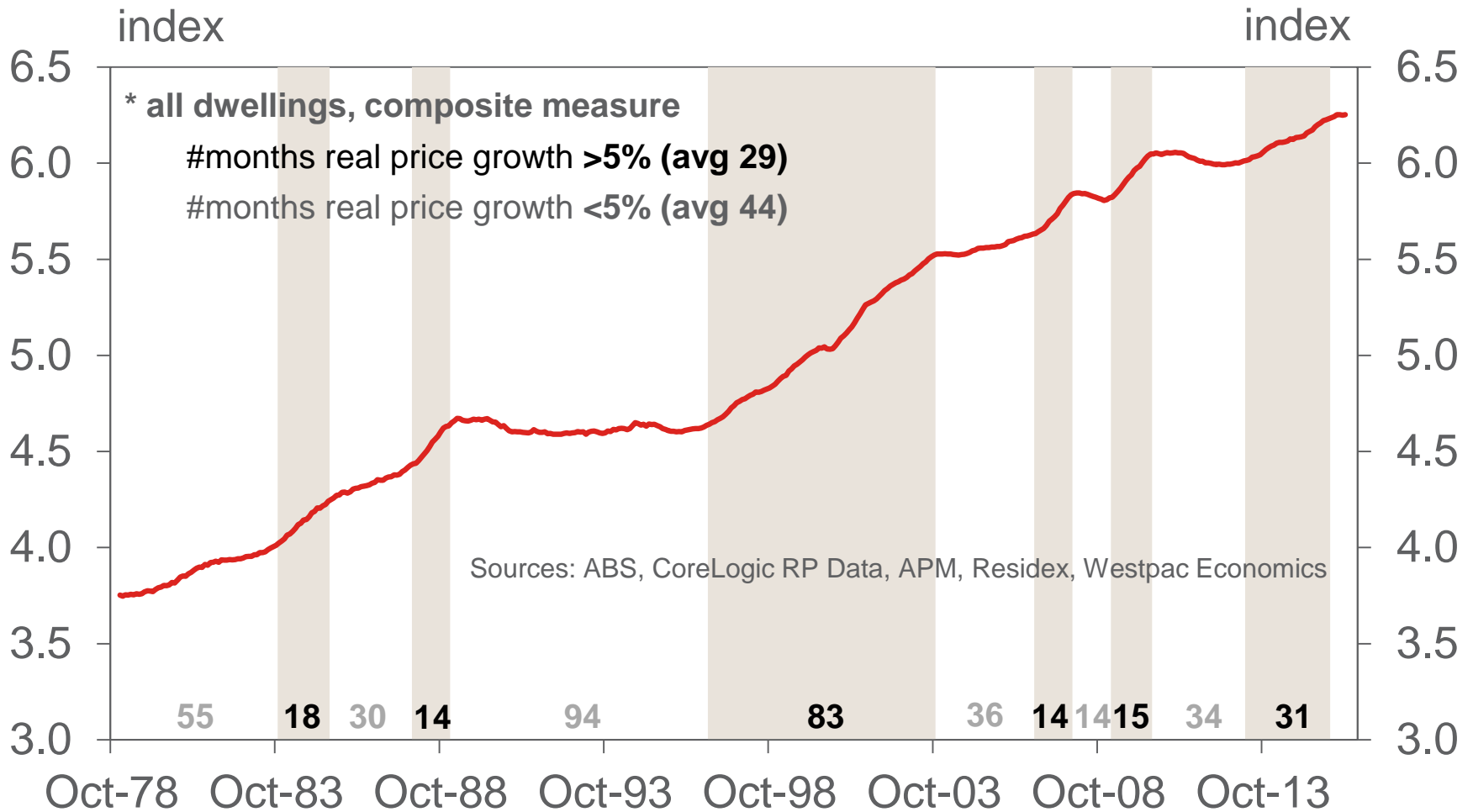
*qtlly, seasonally adjusted by Westpac

Source: REIA, Westpac Economics

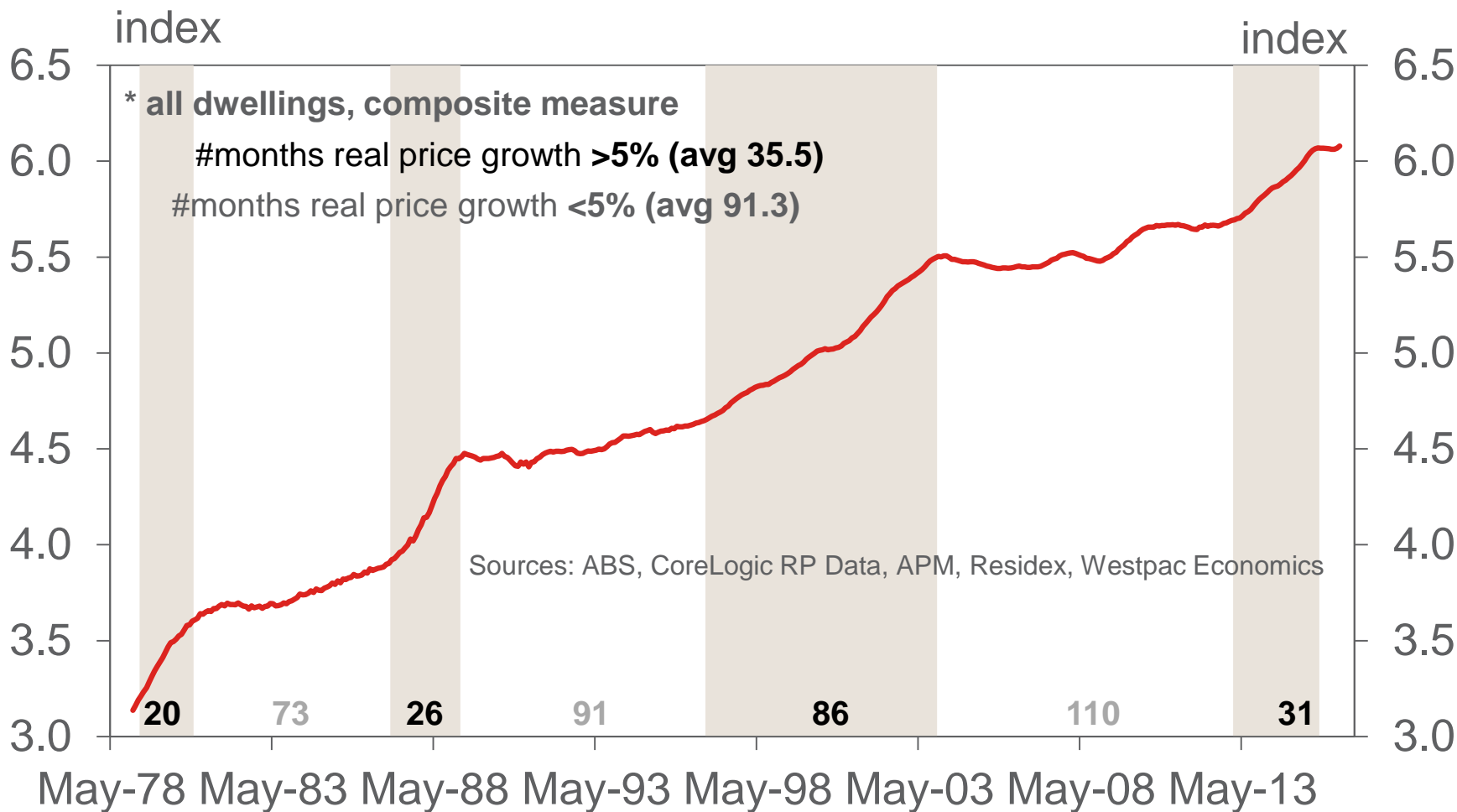
House prices: Geelong outpaces rest of Victoria



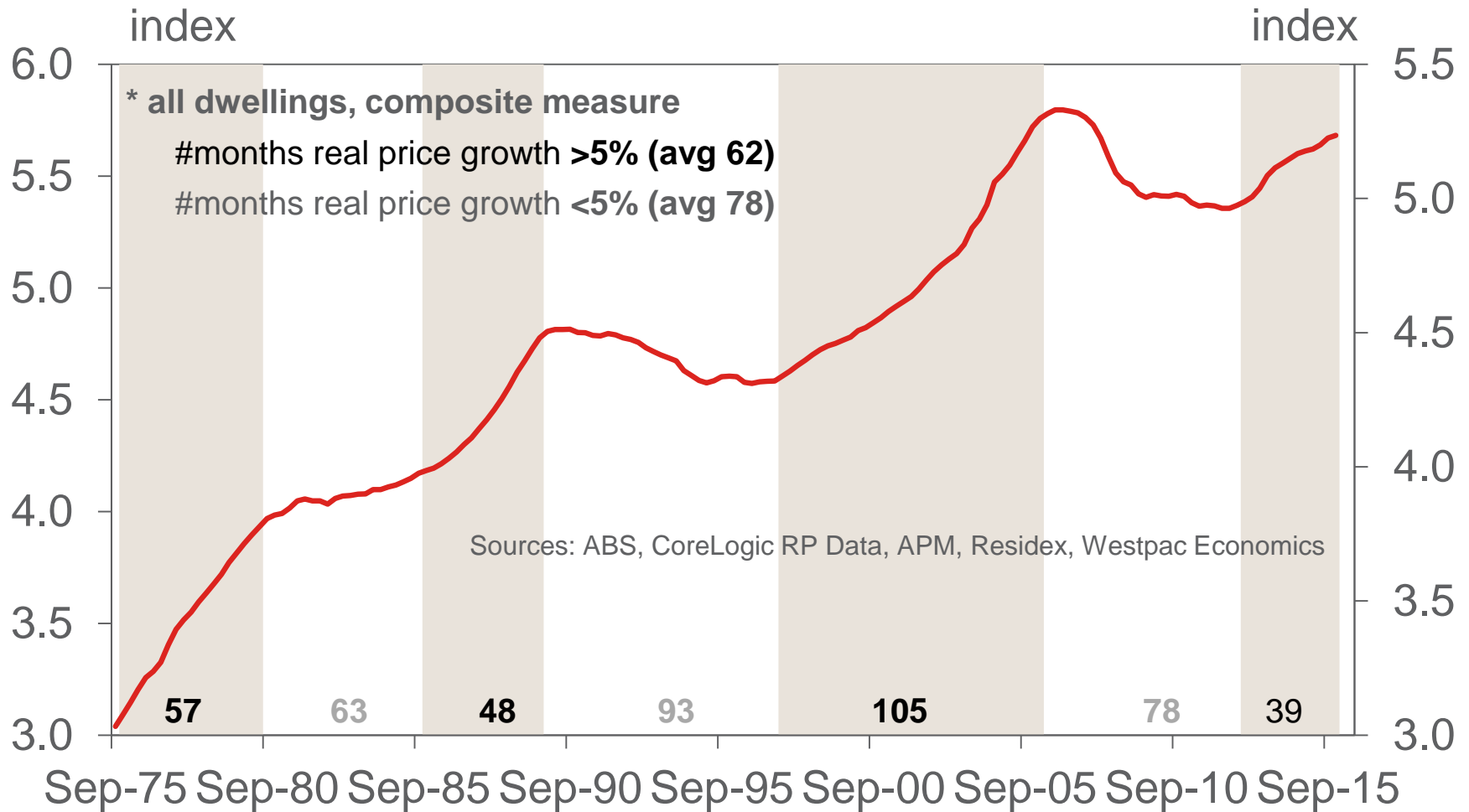
Melbourne dwelling prices (logs):now a breather



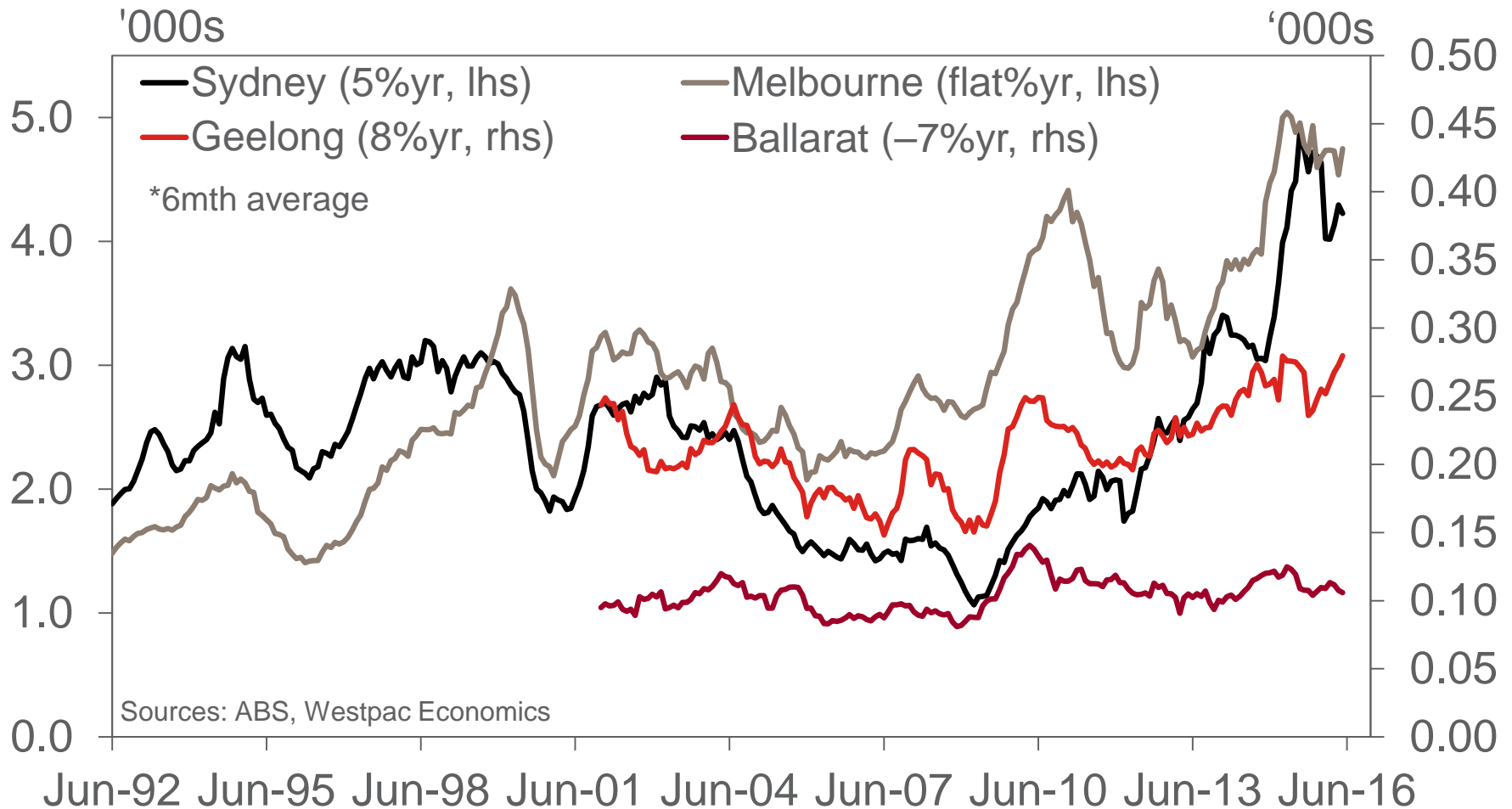
Sydney dwelling prices: log scale



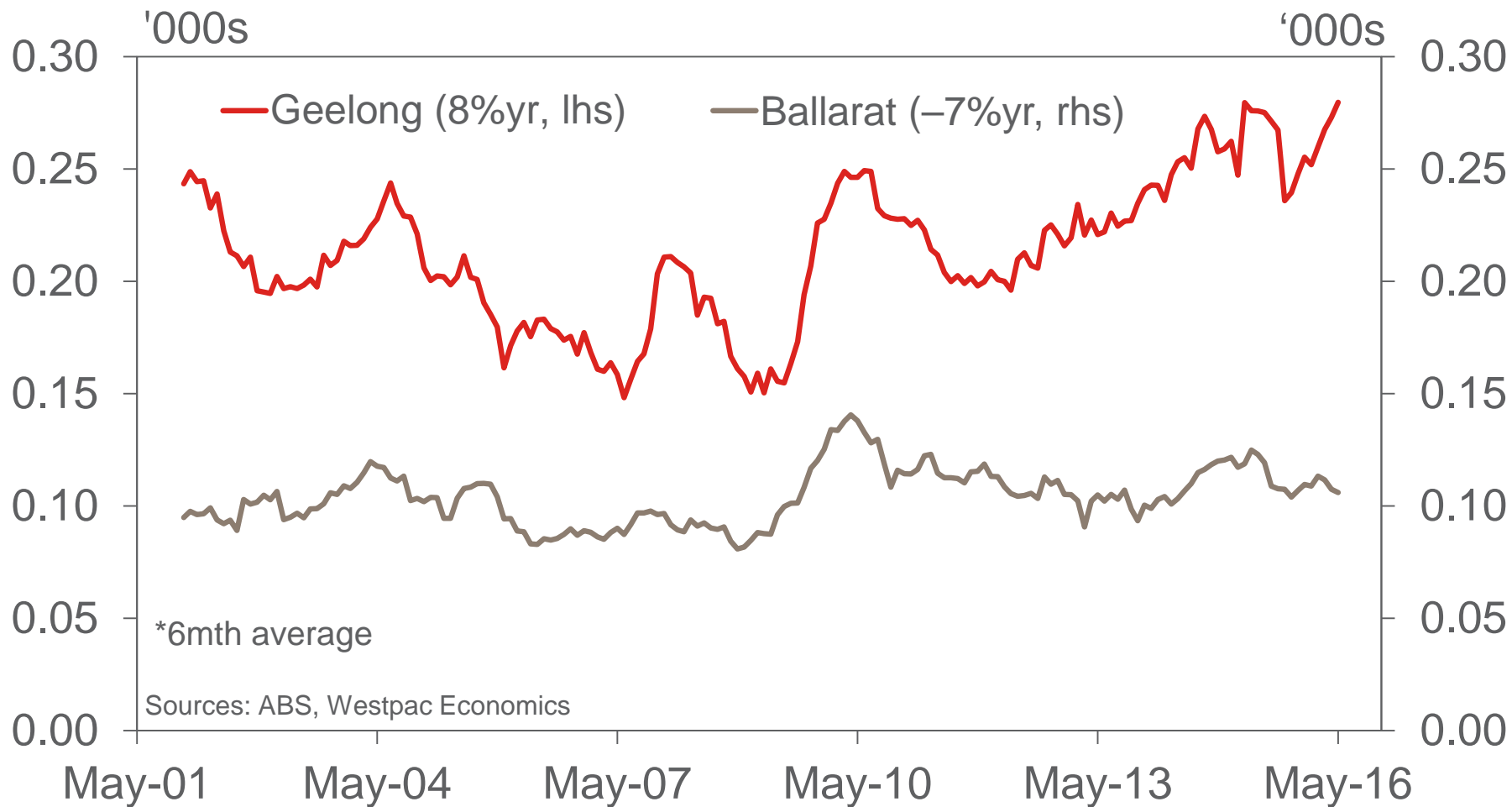
Los Angeles dwelling prices(logs): rollercoaster!



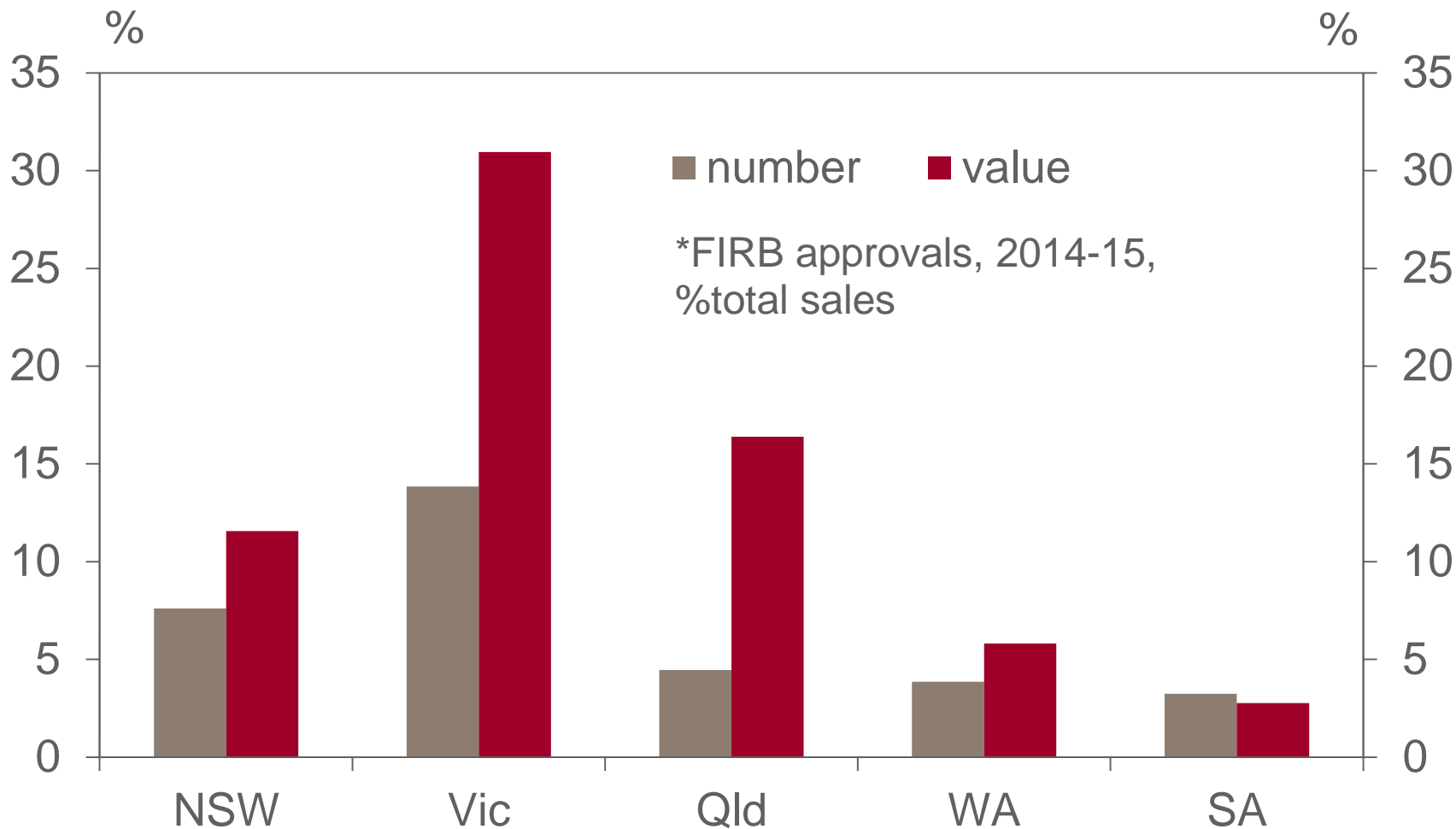
Dwelling approvals: Syd, Melb, Geelong & Ballarat



Dwelling approvals: Geelong (up 80% in 7 years)



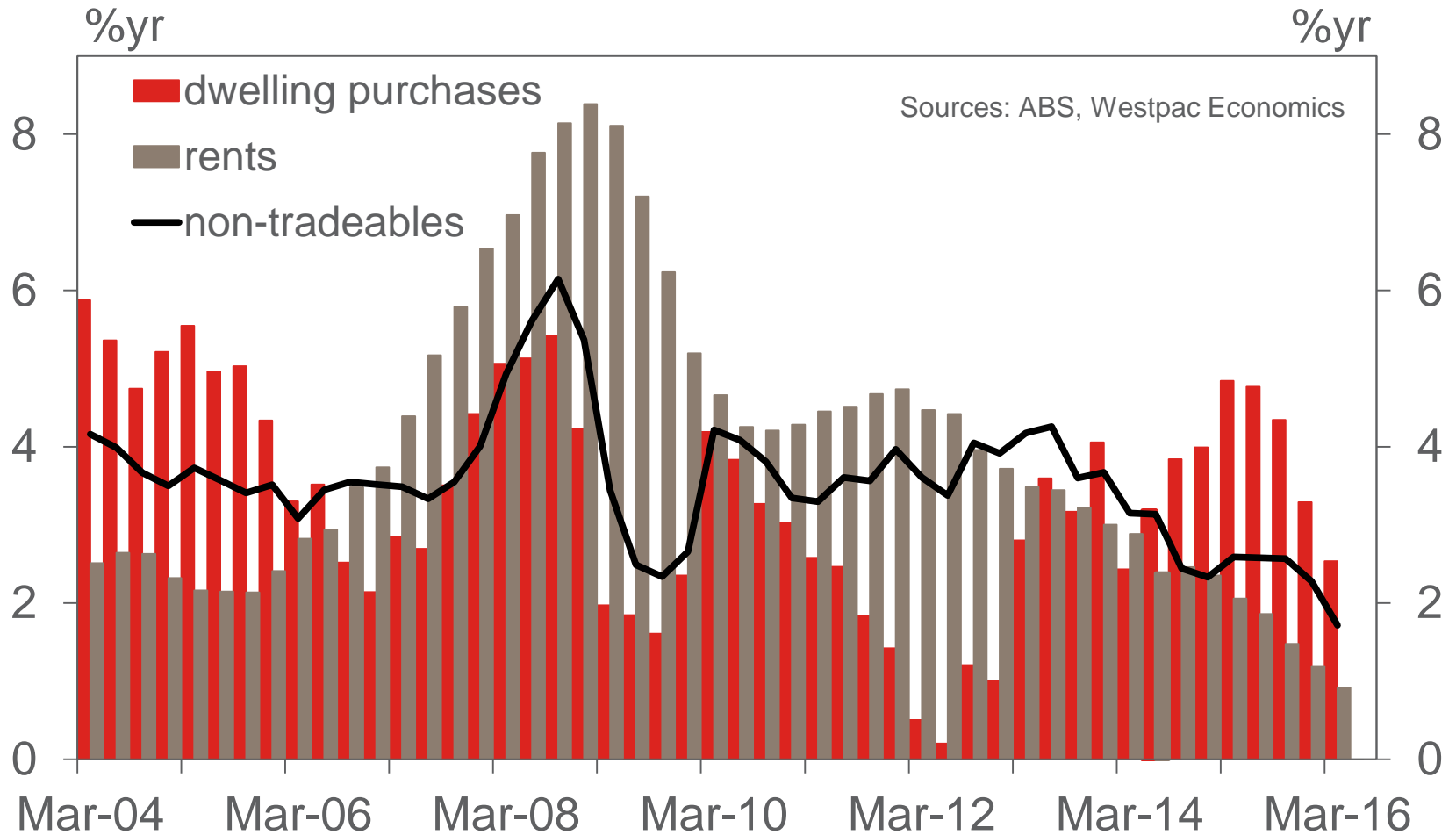
Foreign demand – Victoria may be over exposed



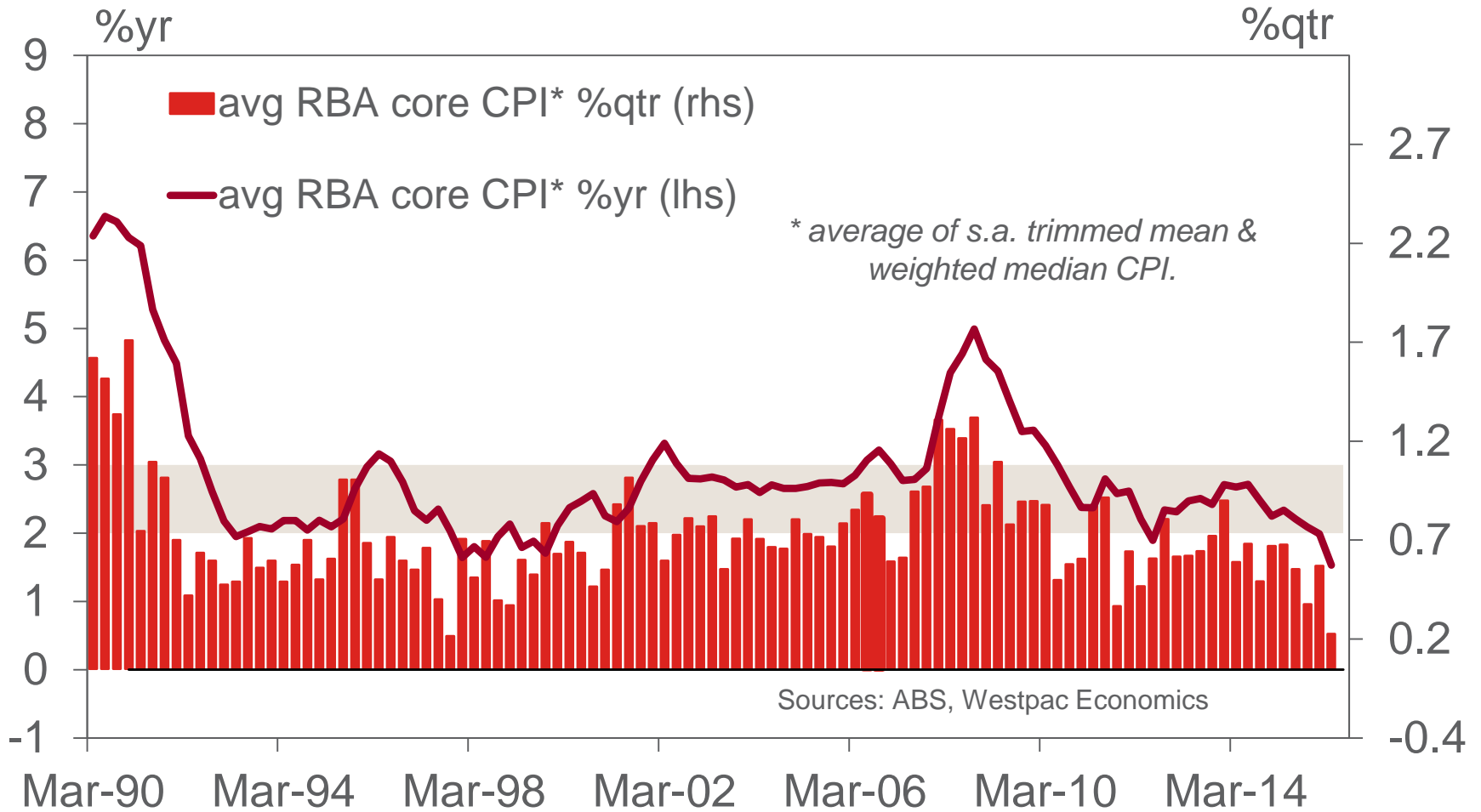
Wages fail to respond to lift in employment



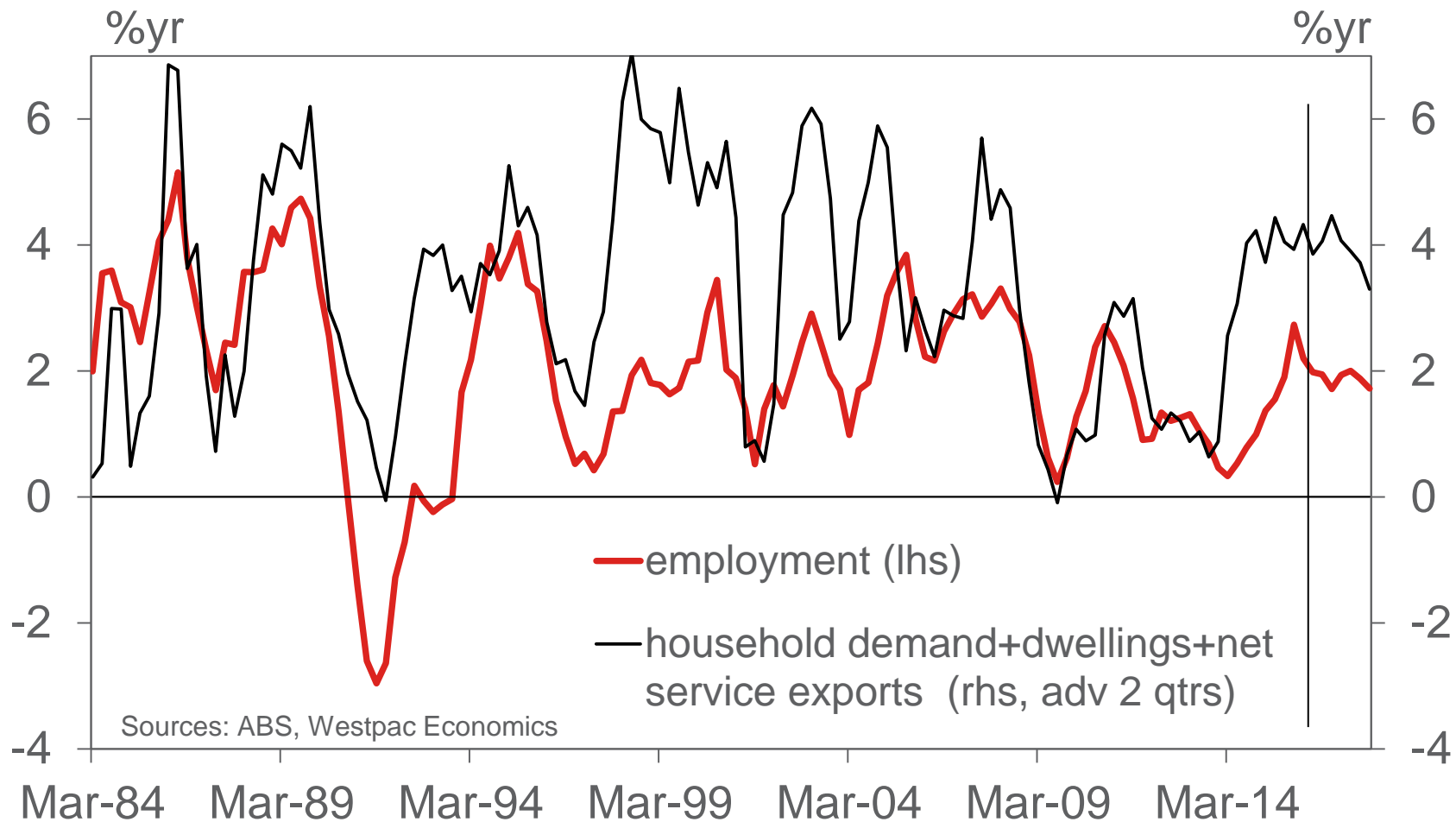
Rents & now dwellings holding back non-traded



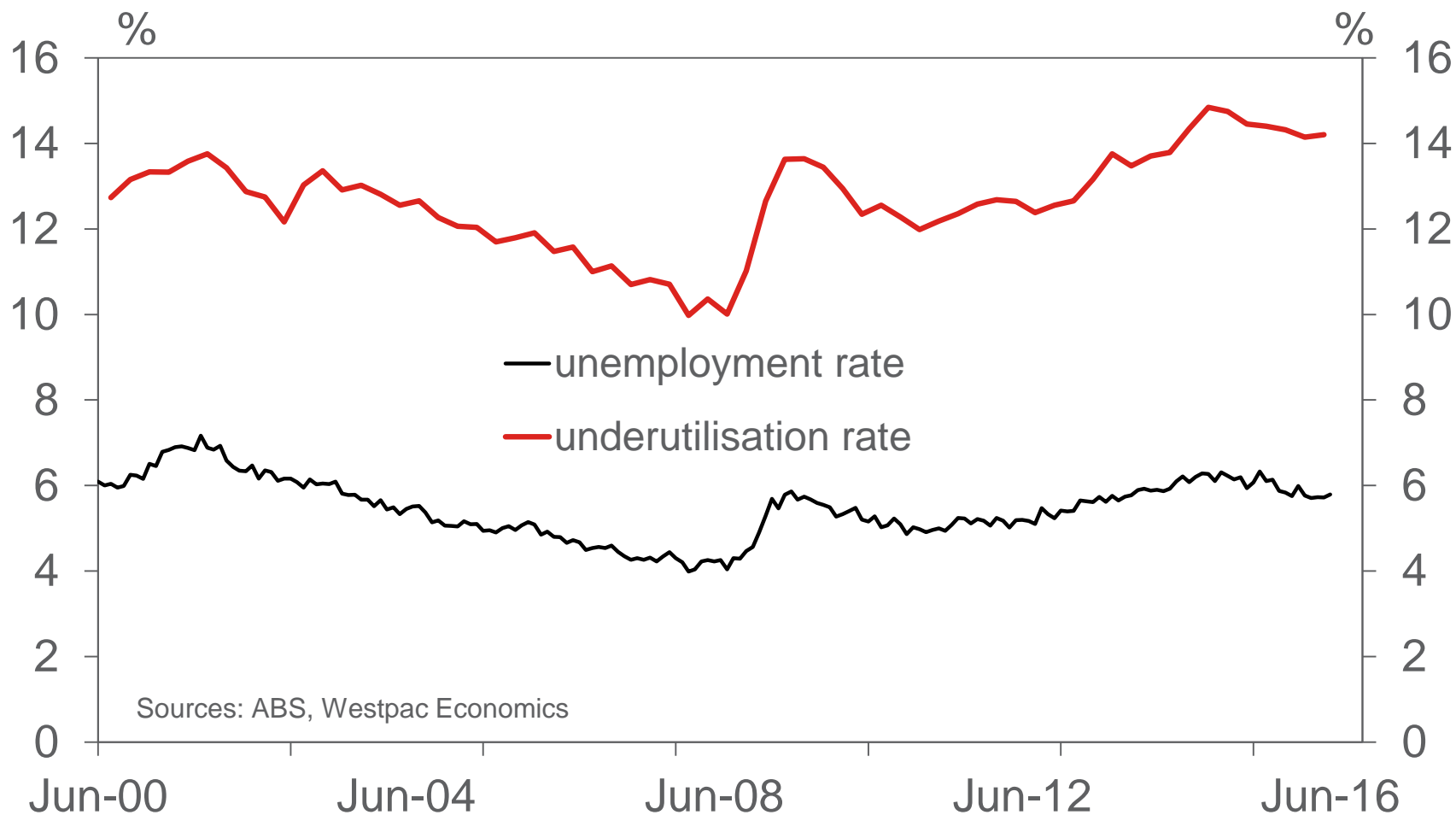
Headline below, core at the base of the band



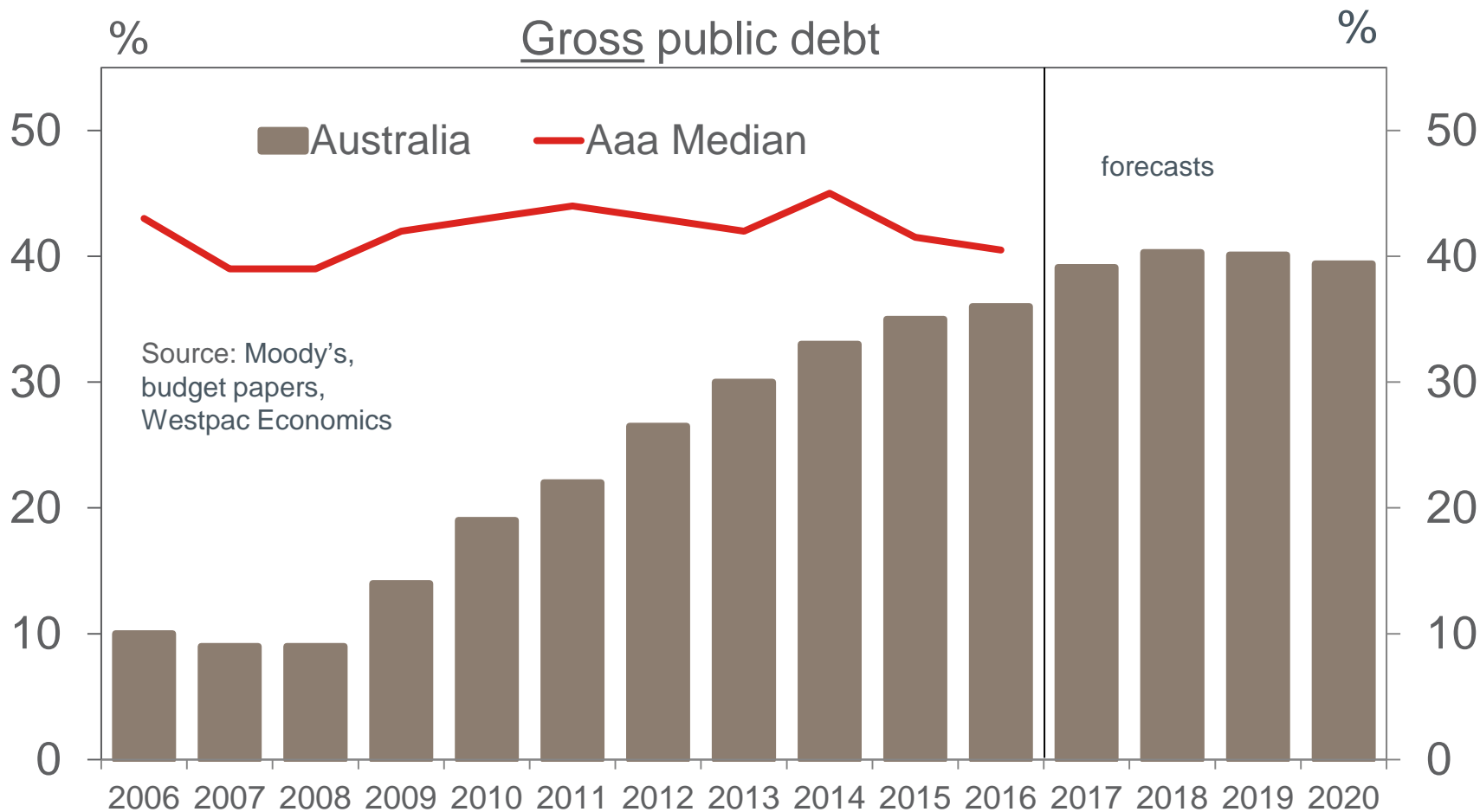
Households/ housing, service exports = jobs



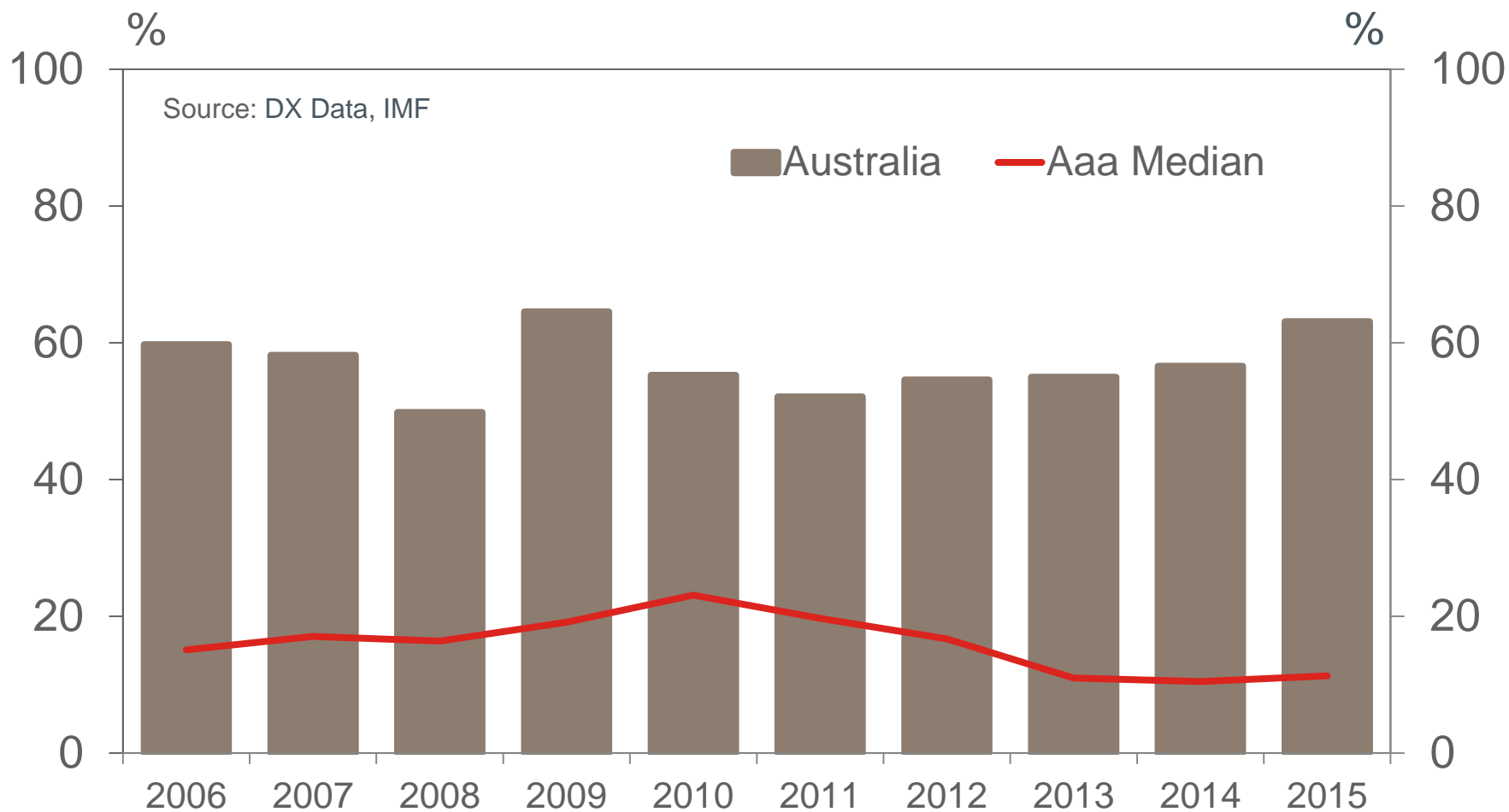
Unemployment vs underutilisation- still way too high



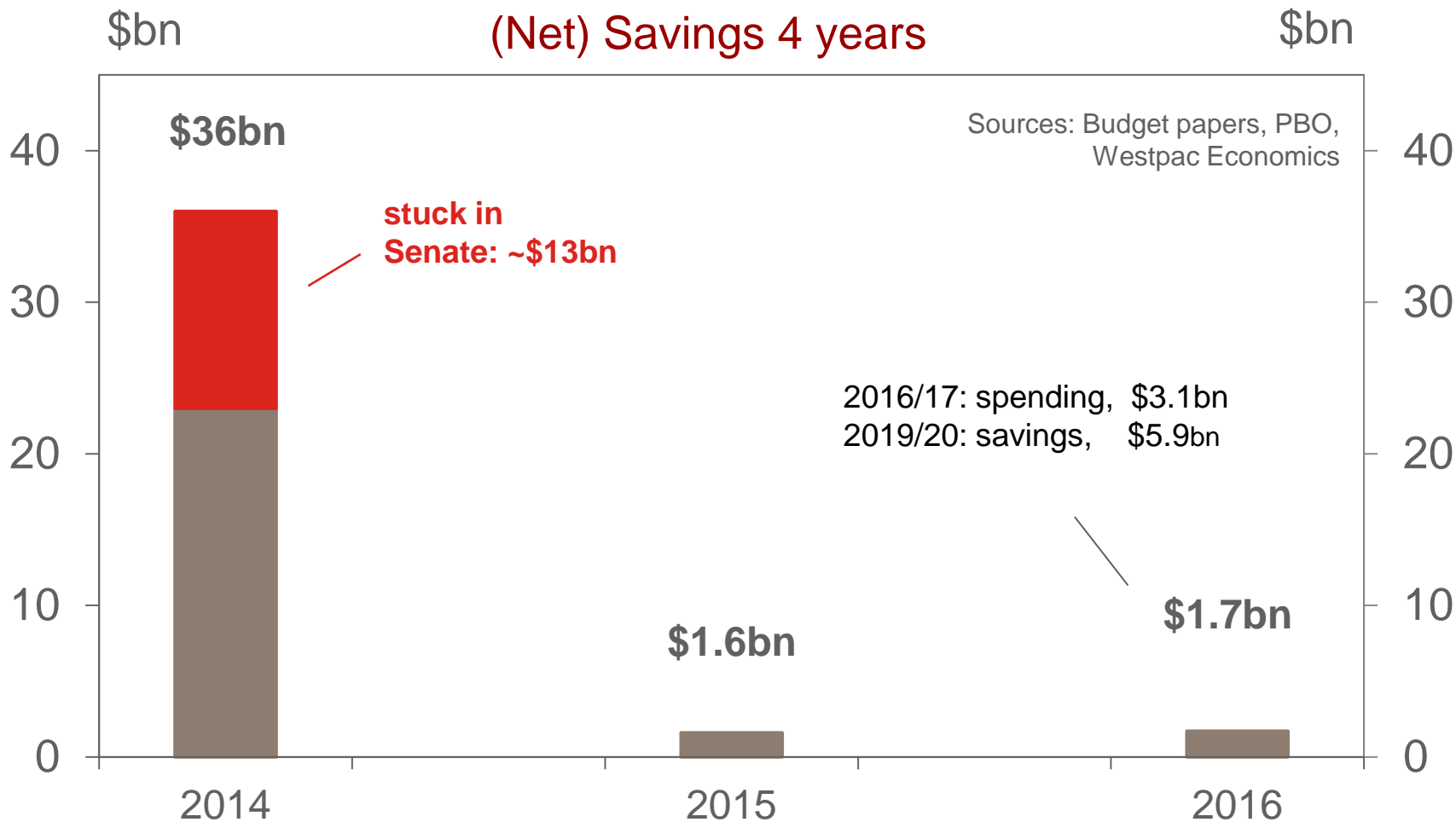
Gross government debt as % of GDP: relative to peers



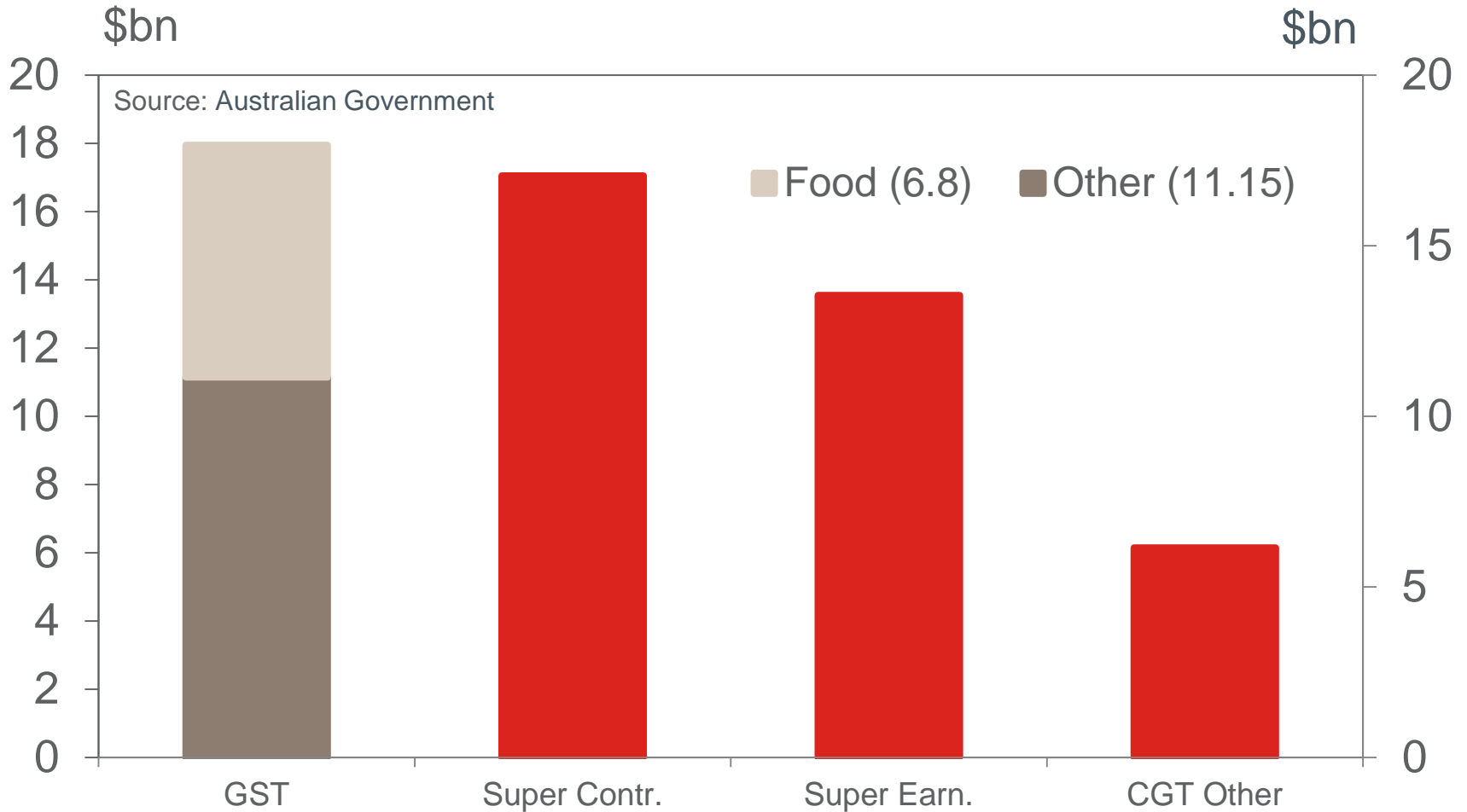
Net foreign debt to GDP: Australia relative to Aaa peers



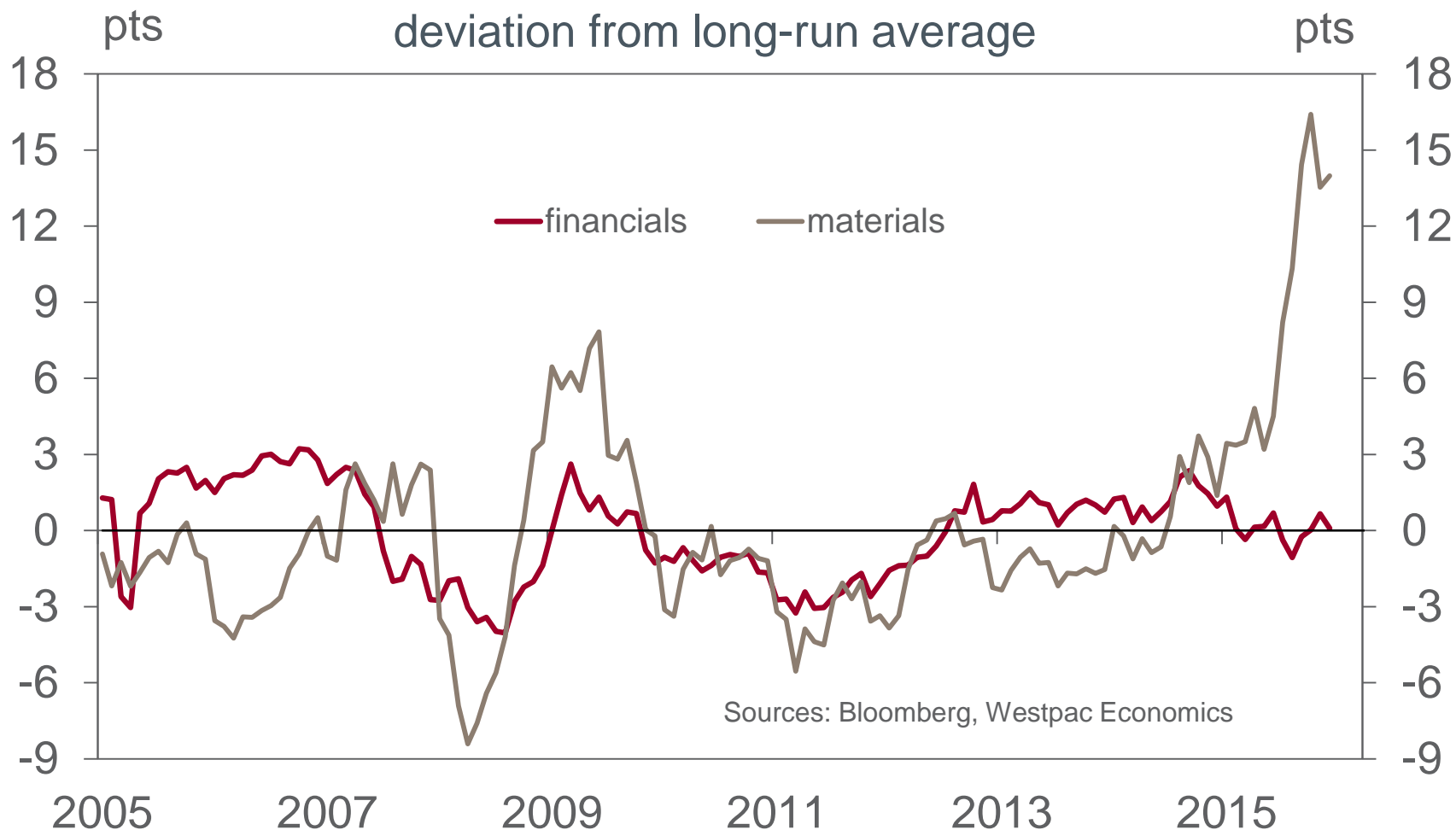
Savings measures: Budget 2014 ; 2015; 2016



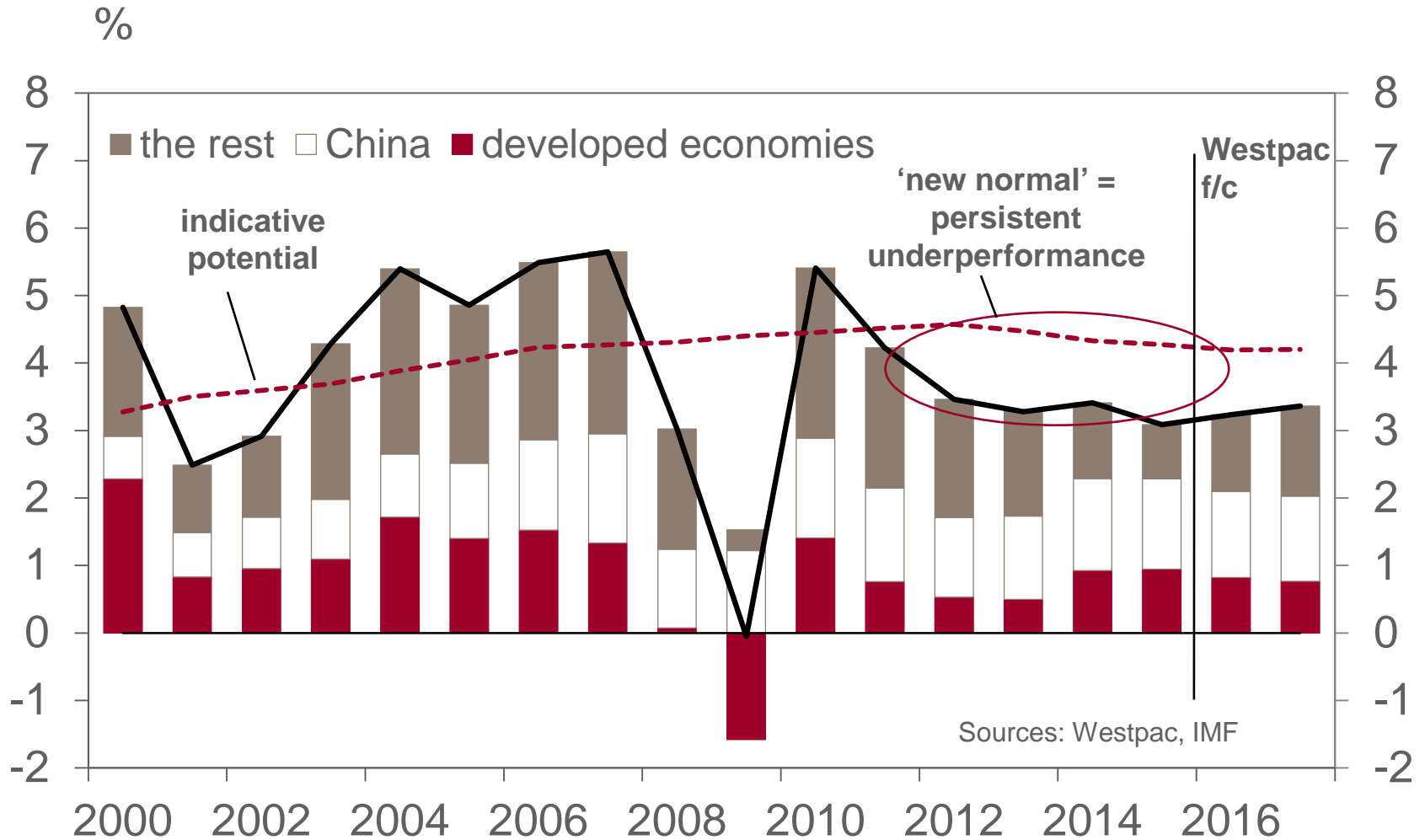
Tax Costs (2015/16)- estimates



ASX200 by sector, forward P/E's – some value

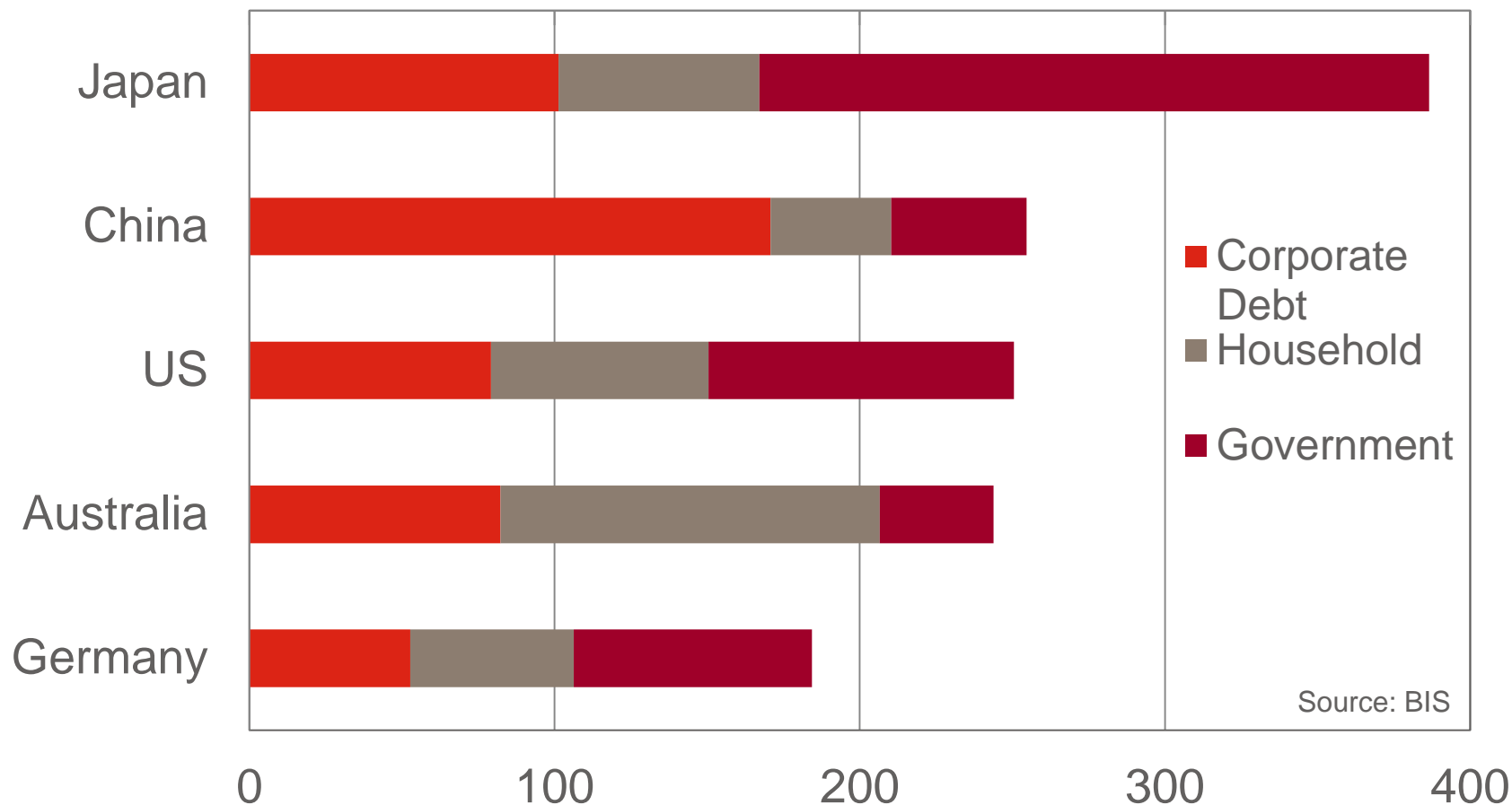


World economy: another lack-lustre year



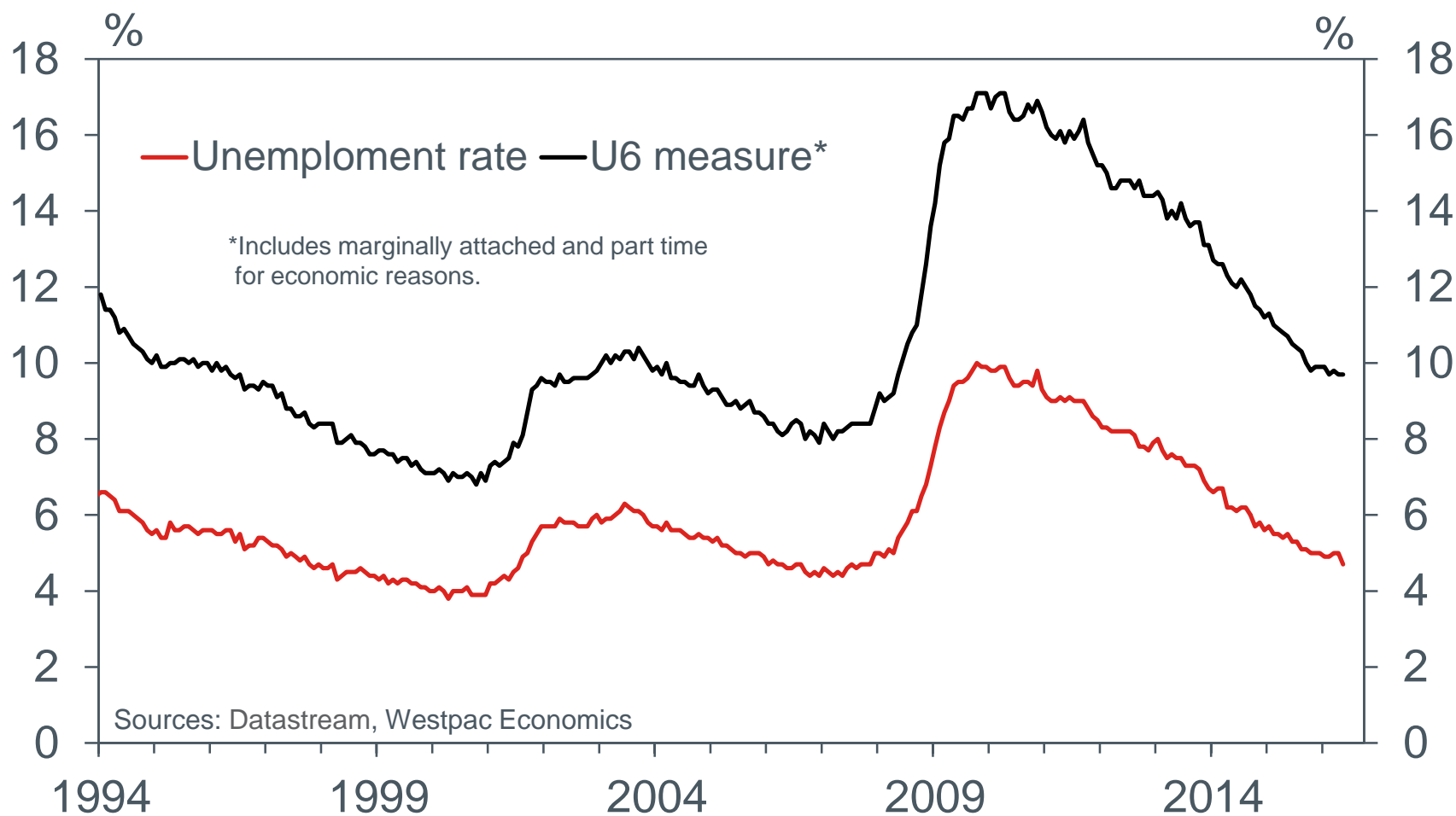
Non-Financial Sector Debt

As % of GDP, end 2015

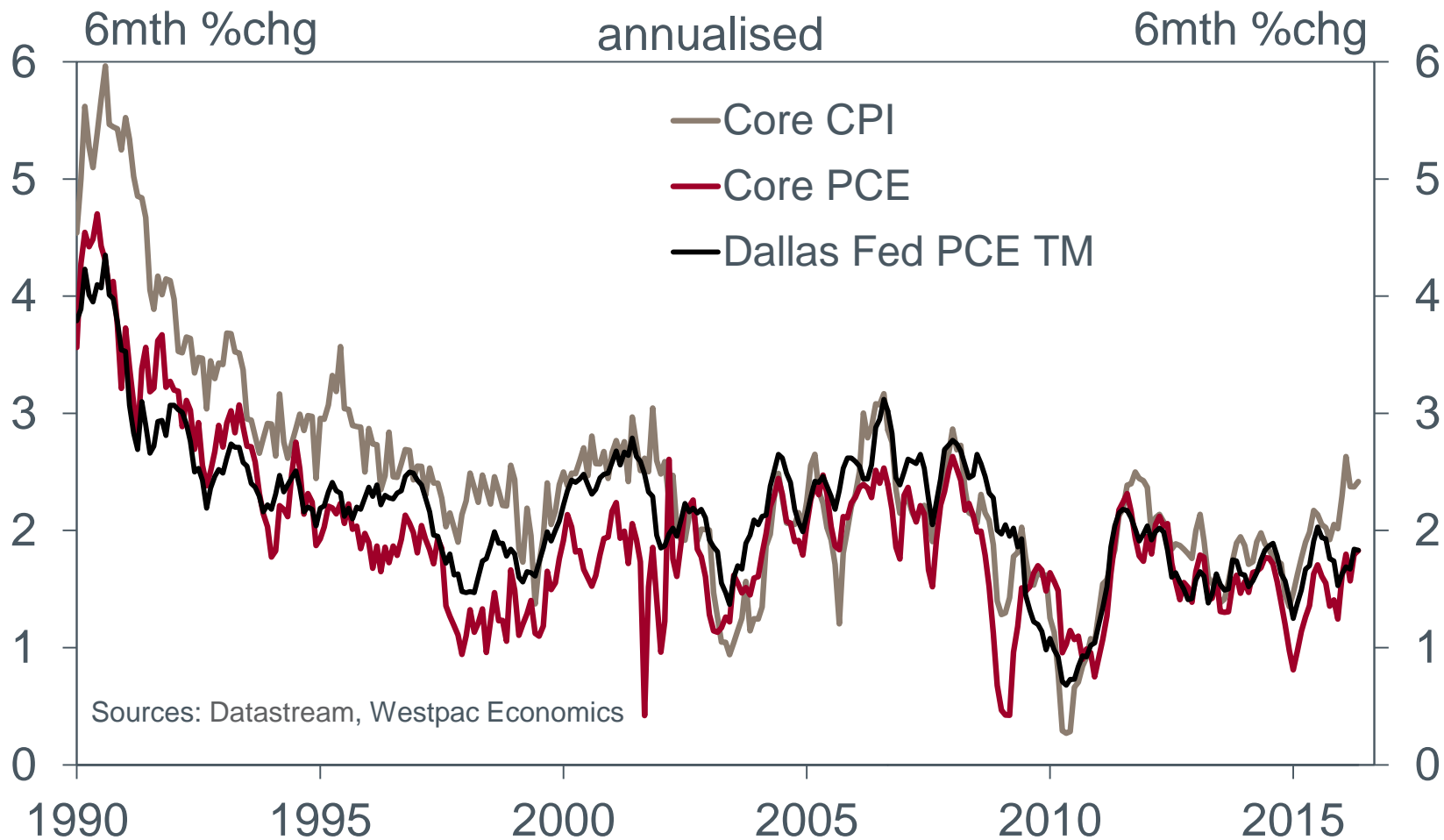


Source: BIS

Labour market slack has fallen considerably



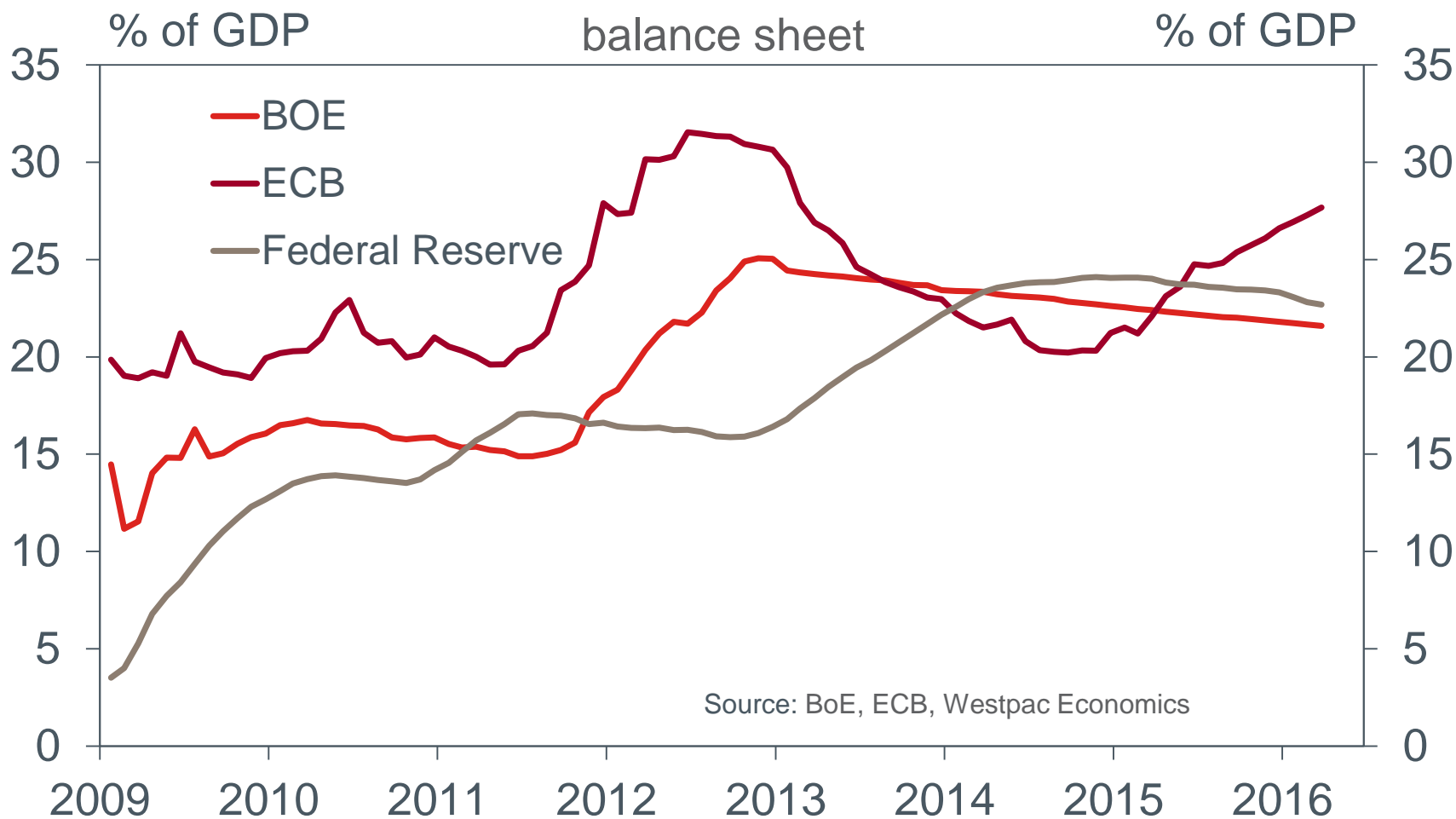
Underlying inflation pressures persist



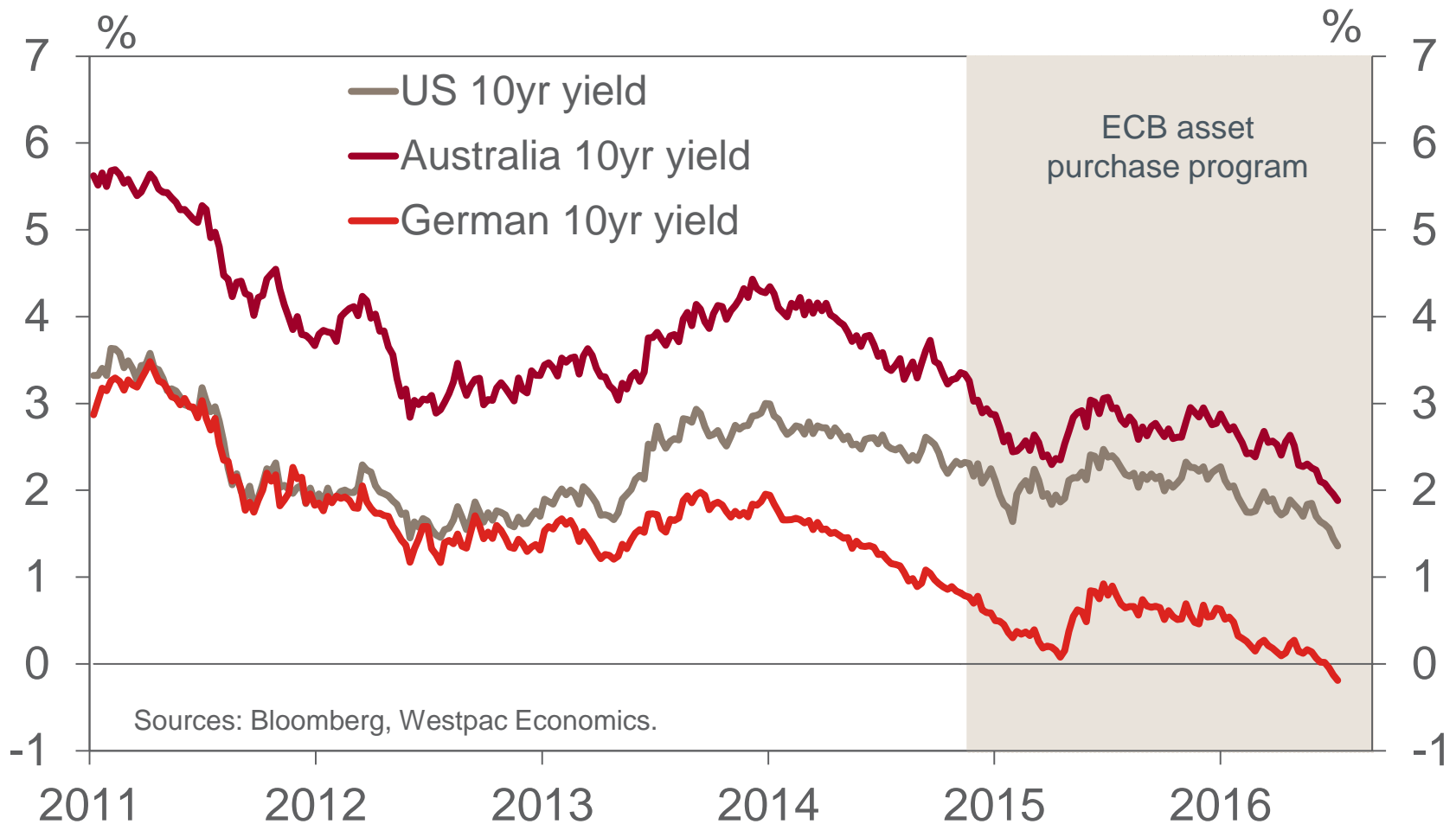
DXY post December 2013 taper announcement



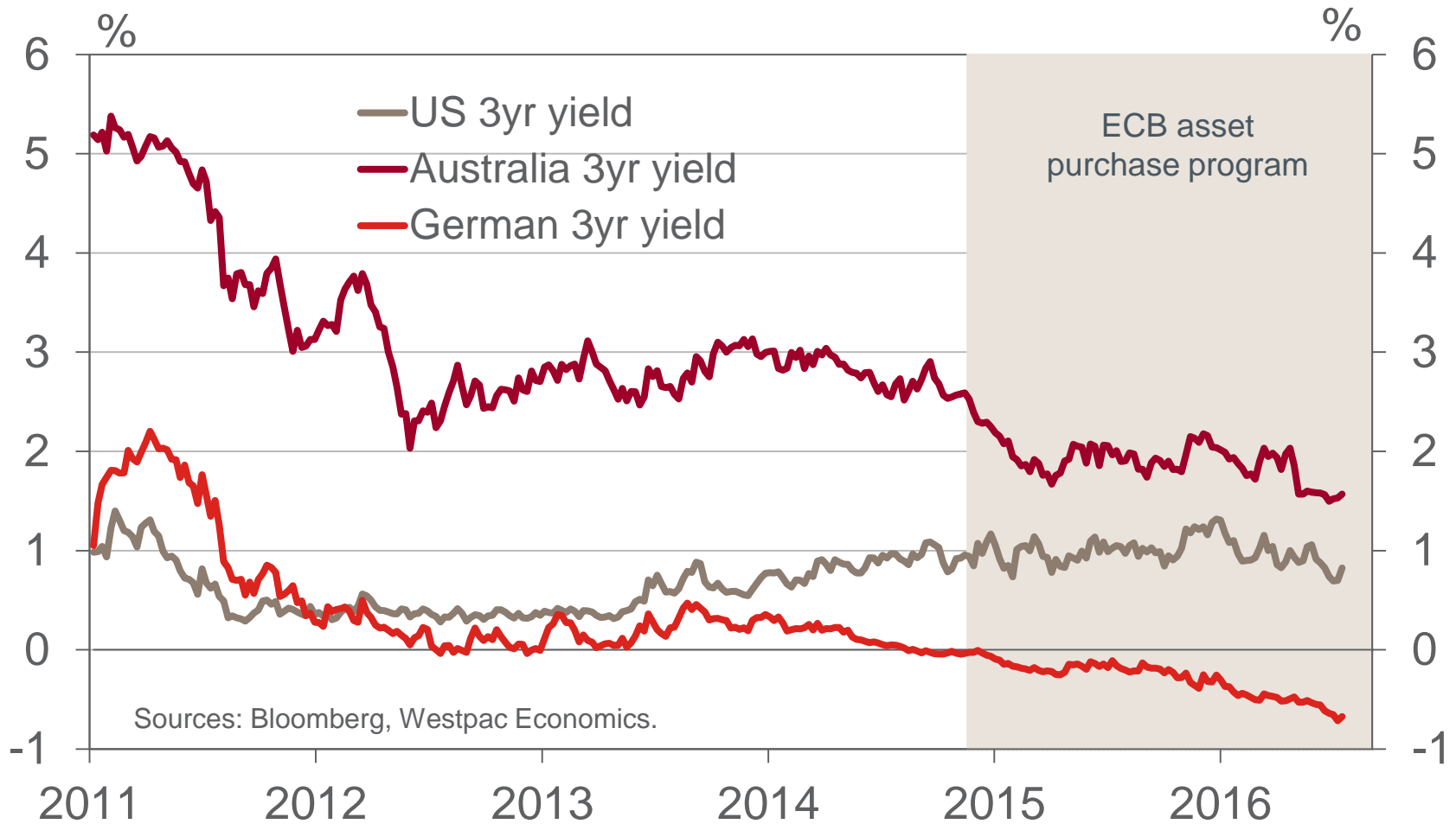
North Atlantic – central bank balance sheets



Australian 10yr following global trend lower



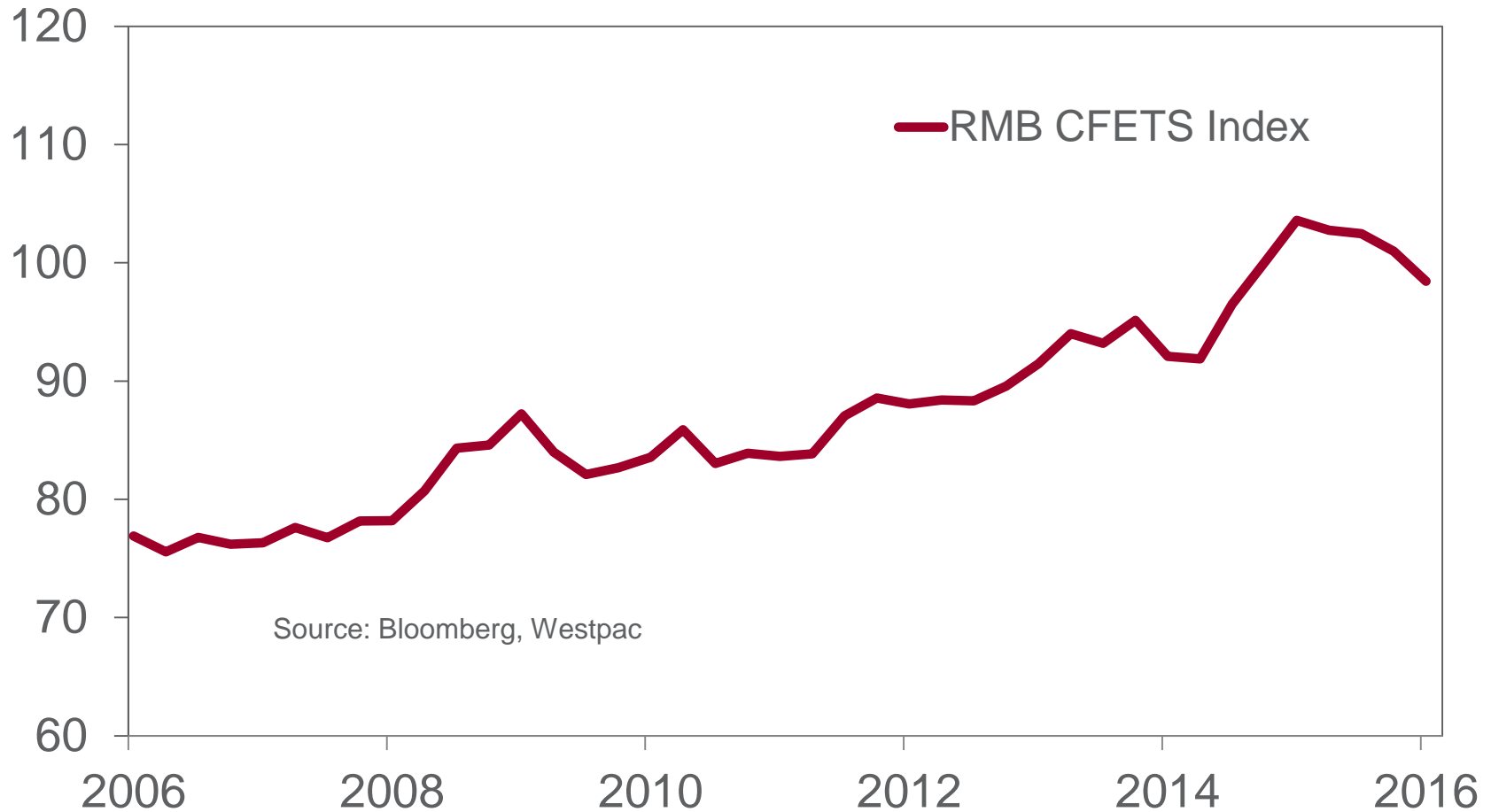
Australian 3yr following global trend lower



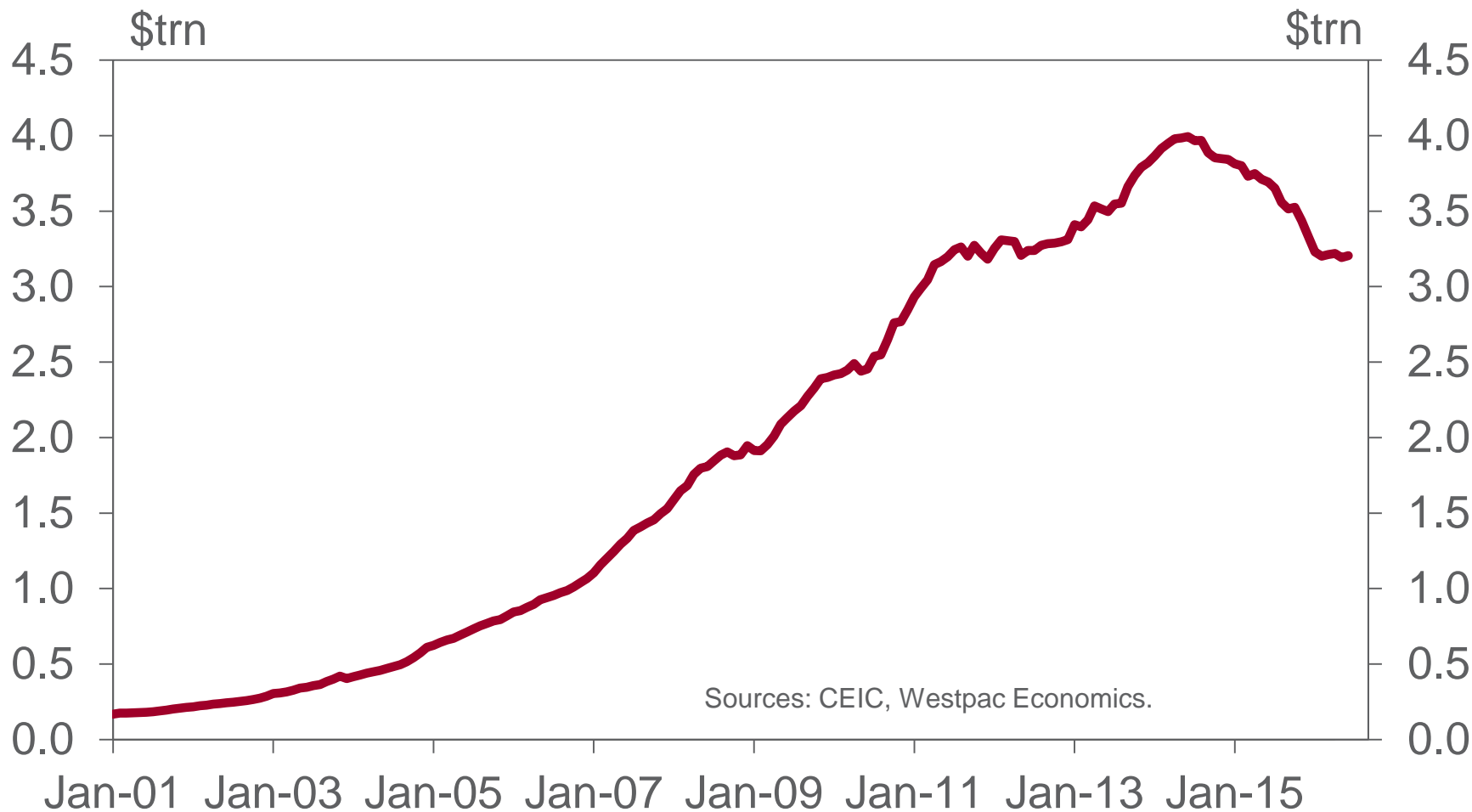
Measures of Chinese inflation



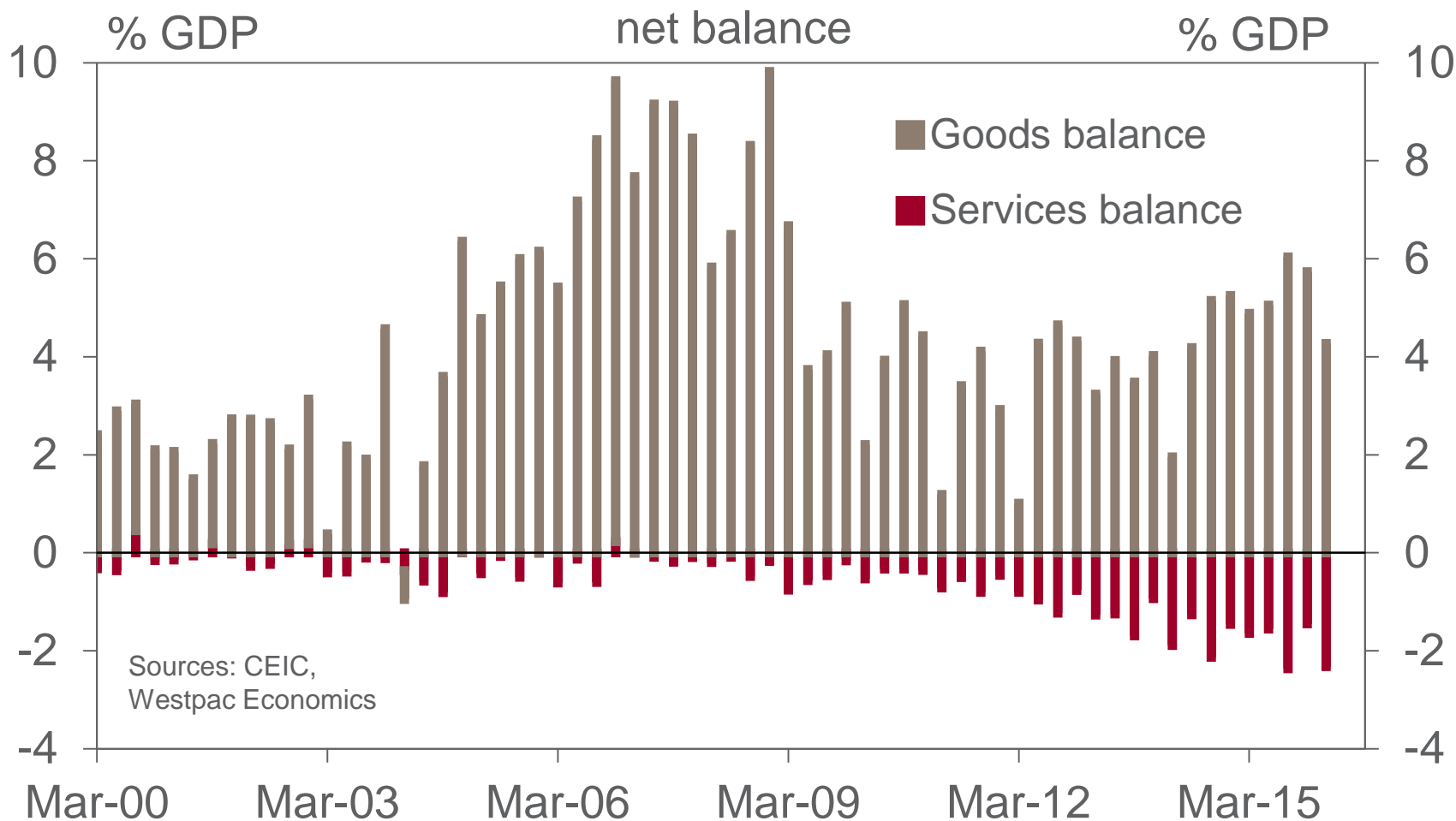
RMB TWI +35% over 10 years to Q1 '15 peak



China's stock of FX reserves- stabilising OK!

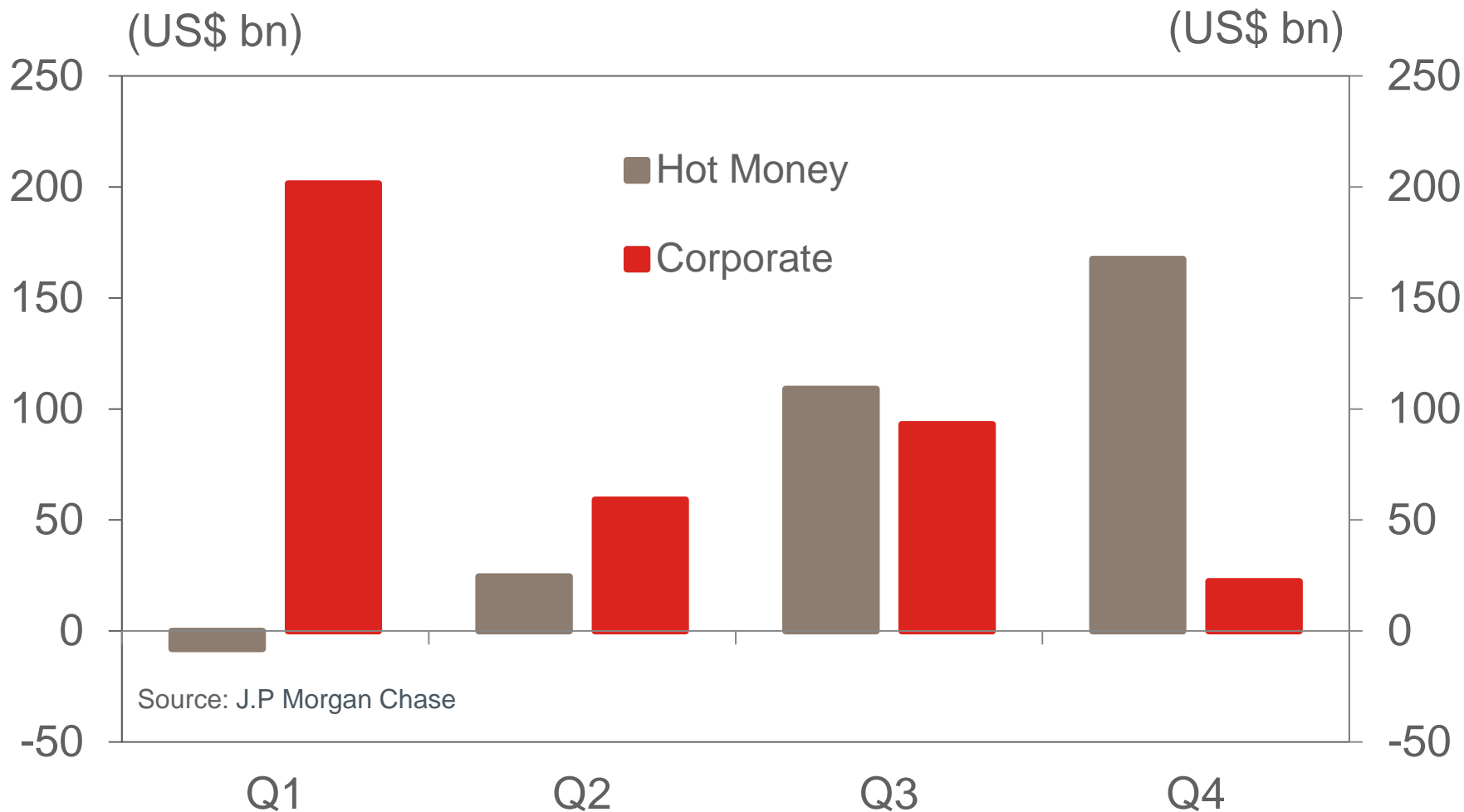


China's trade position

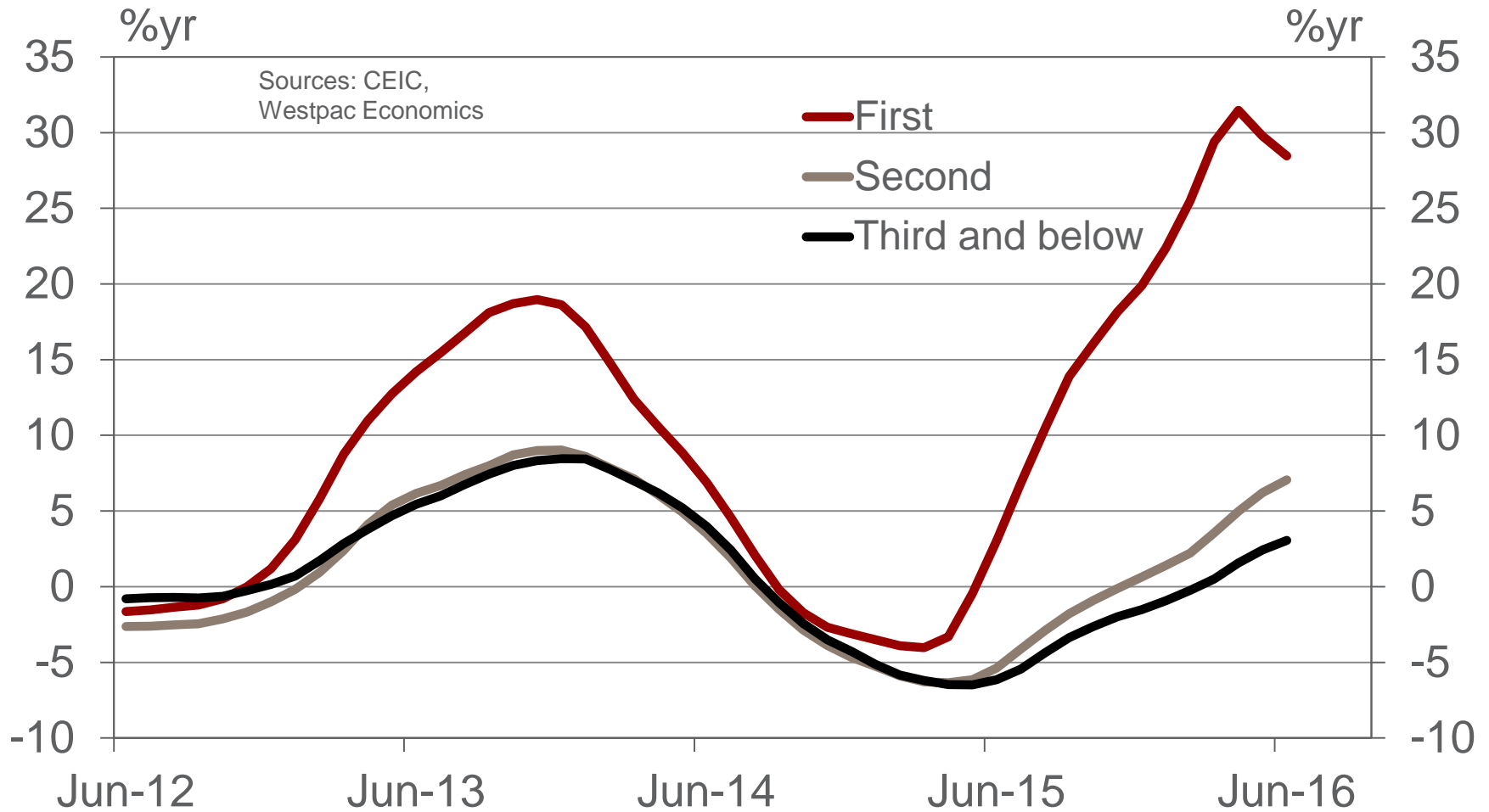


Sources: CEIC, Westpac Economics

China capital outflows (2015)



New house prices: growth by tier



Conclusions

- Global backdrop remains unsettled: low inflation seems entrenched into global system.
- Australian economy outperforming on growth: terms of trade drag to ease; no sign of lift in investment.
- Inflation outlook central to RBA view: one more cut at least but asset prices will be a constraint.
- Residential property settling after abrupt slowdown, risk of renewed optimism with lower rates, although oversupply looms in parts of Melbourne.
- NSW and VIC have been the strongest states boosted by construction; services exports and population growth.

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