

Australia in the Trump era



http://currencies.wikia.com/wiki/United_States_100,000_dollar_banknote?file=US100000dollarsbilloverse.jpg

Craig James, Chief Economist, @CommSec, August 2017

Important Information

This presentation has been prepared without taking account of the objectives, financial situation or needs of any particular individual. Before acting on the information in this seminar, you should consider its appropriateness to your circumstances and, if necessary, seek appropriate professional advice.

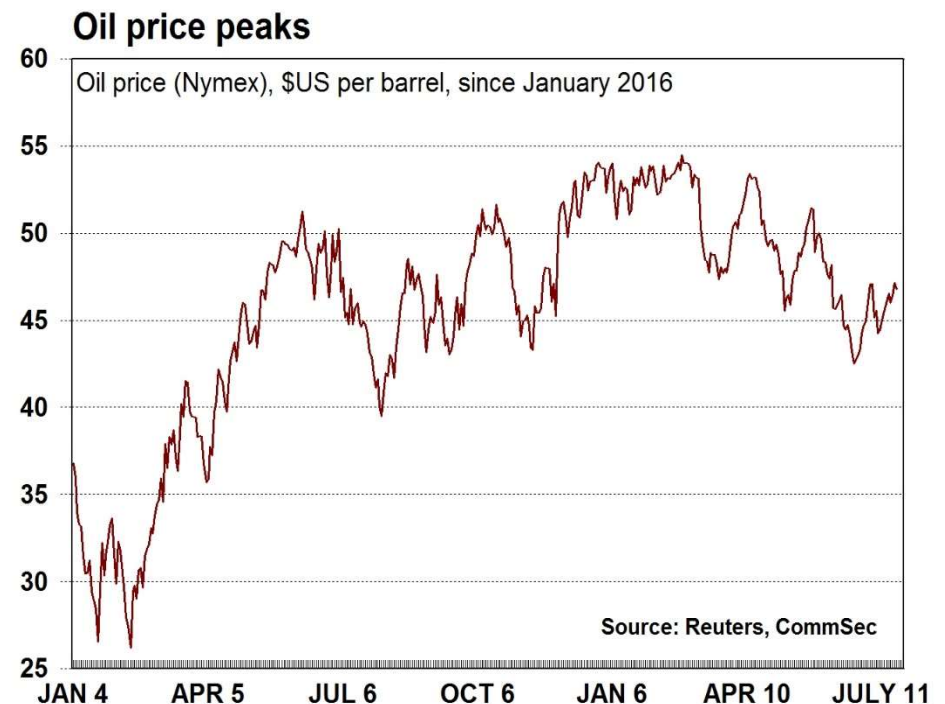
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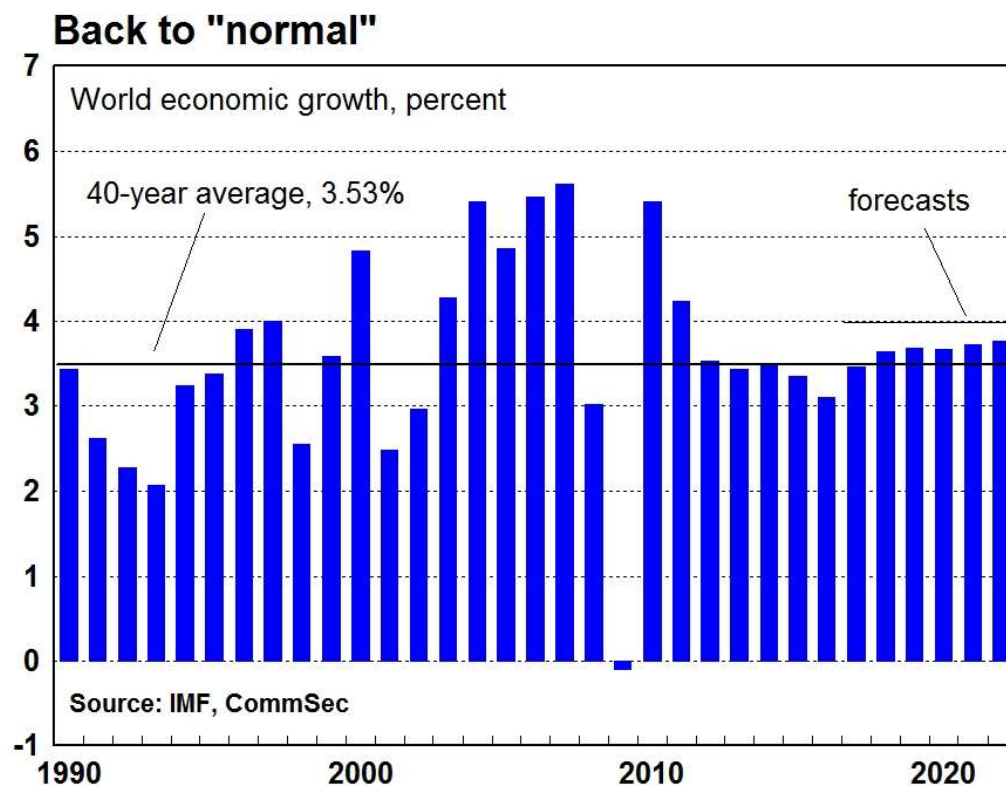
Examples used in this presentation are for illustrative purposes only.

Big Picture

- ❑ Global growth lifts
- ❑ 'New' US government
- ❑ Inflation still low
- ❑ Higher US rates
- ❑ Mixed housing markets
- ❑ Housing market landing
- ❑ Infrastructure



Global: *return to normal?*



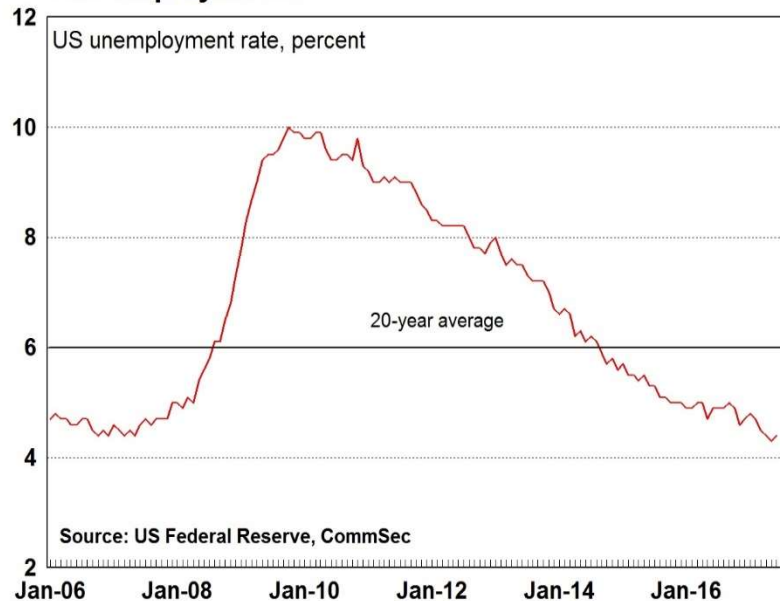
Drivers of world economy Contribution to growth 2017 (pct points)

China	1.00
United States	0.58
India	0.23
Japan	0.08
Germany	0.07
Indonesia	0.07
United Kingdom	0.07
Australia	0.05
Korea	0.05
France	0.04
Spain	0.04
Canada	0.04
Libya	0.04
Philippines	0.03
Russia	0.03
Turkey	0.03
Bangladesh	0.02
Other countries	1.00
WORLD	3.5

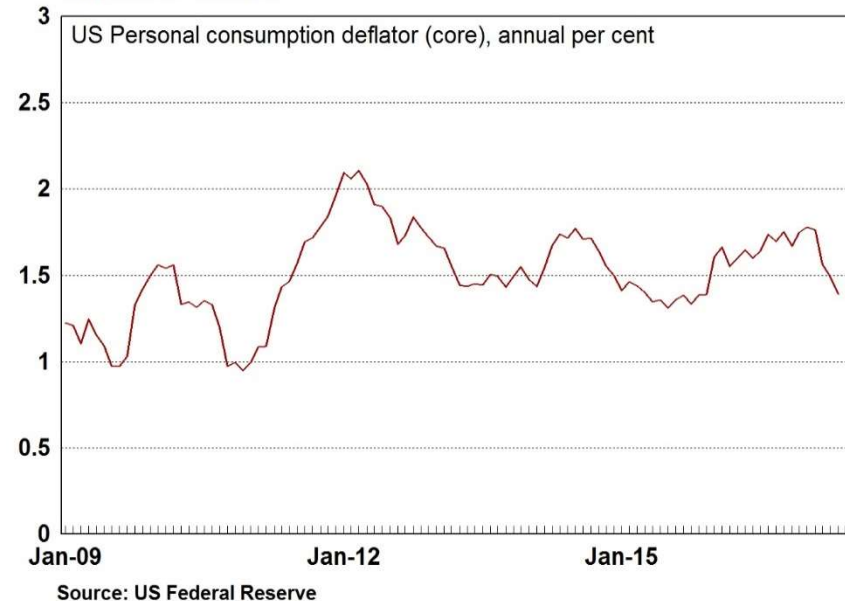
Source: IMF, CommSec

United States: Lower taxes, Infrastructure spending, Trade barriers? Interest rate response

Full employment?

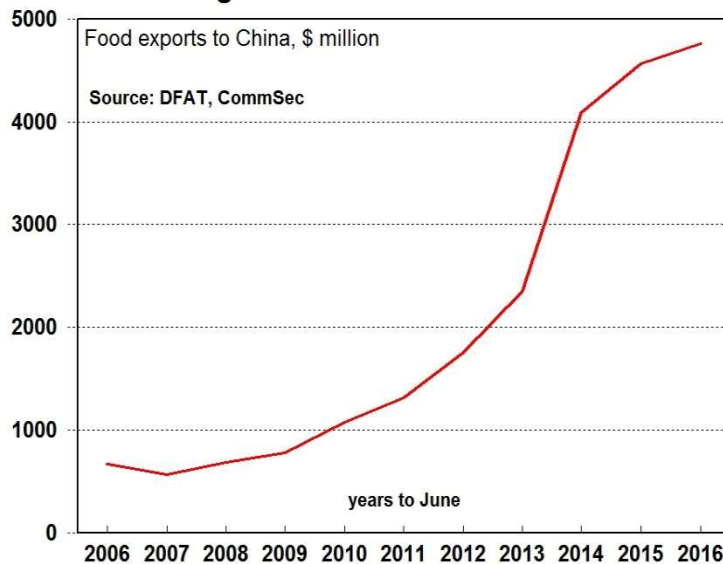


Inflation watch

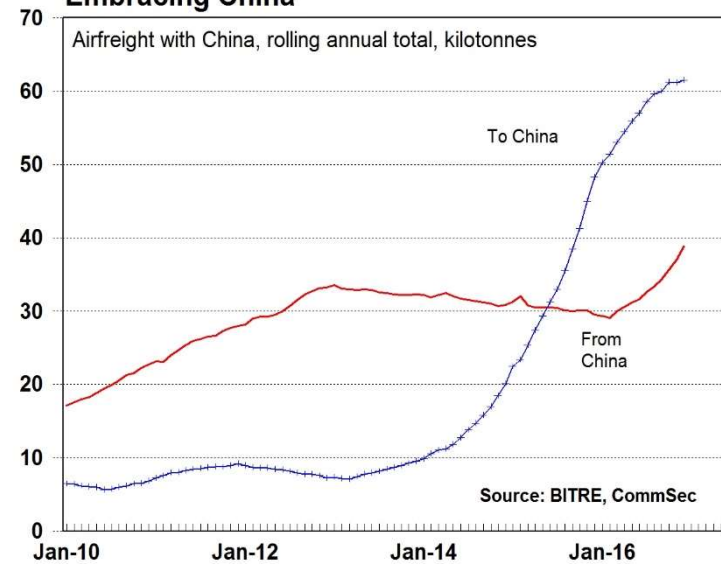


China: Consumers are now driving growth

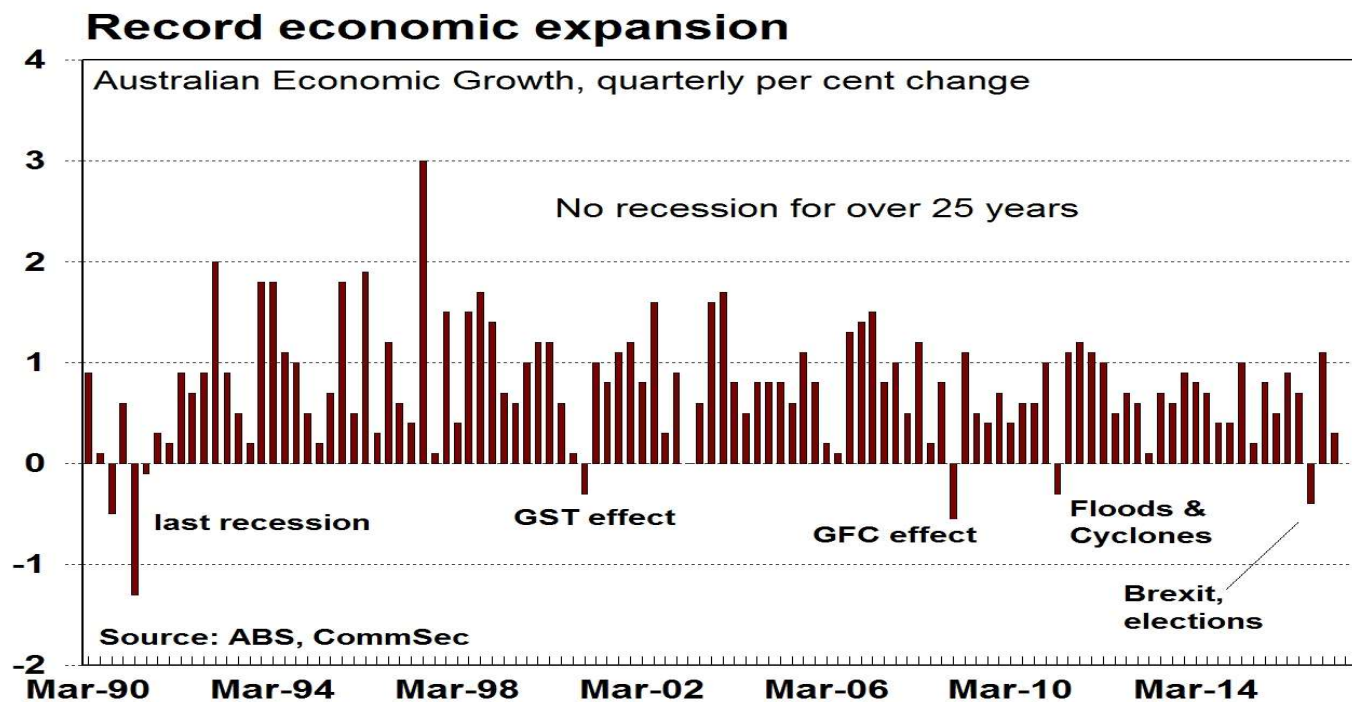
The "Dining Boom"



Embracing China

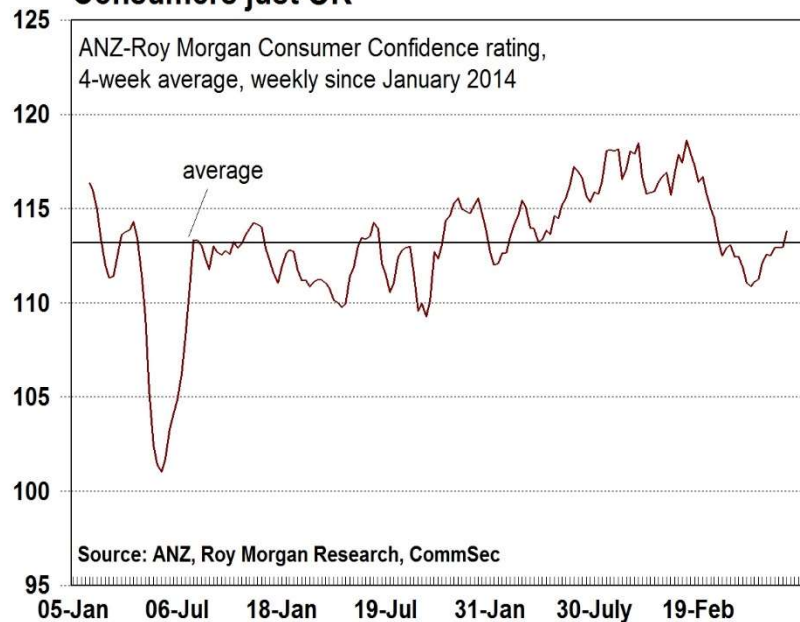


Australia: World's longest economic expansion

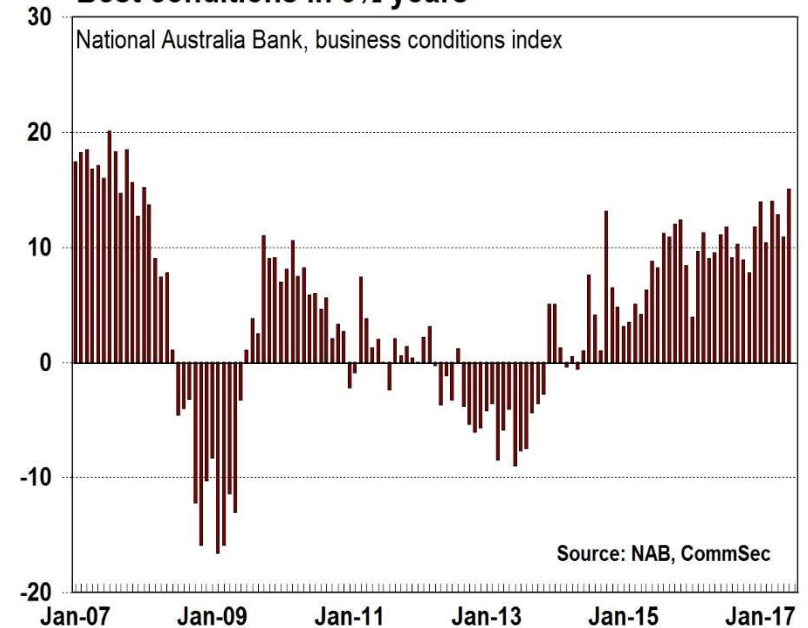


Concerned consumers; Buoyant business

Consumers just OK

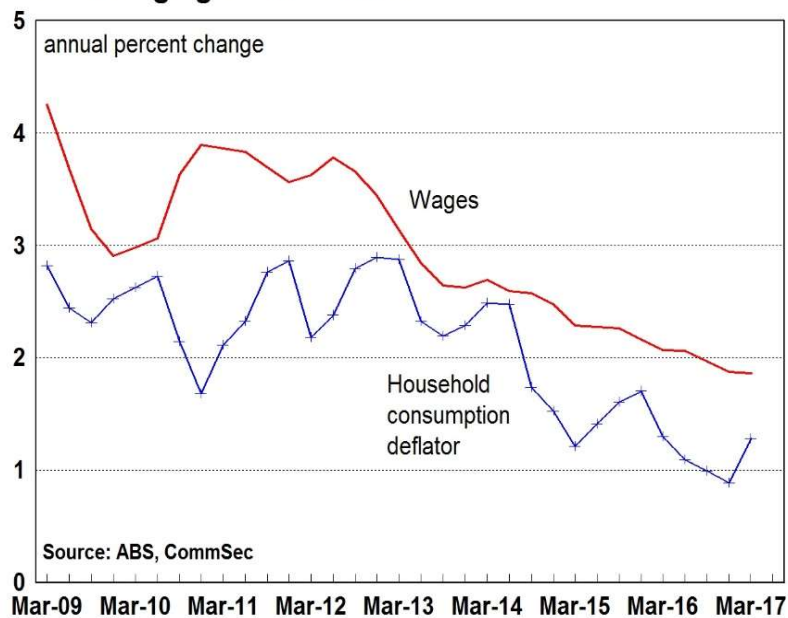


Best conditions in 9½ years

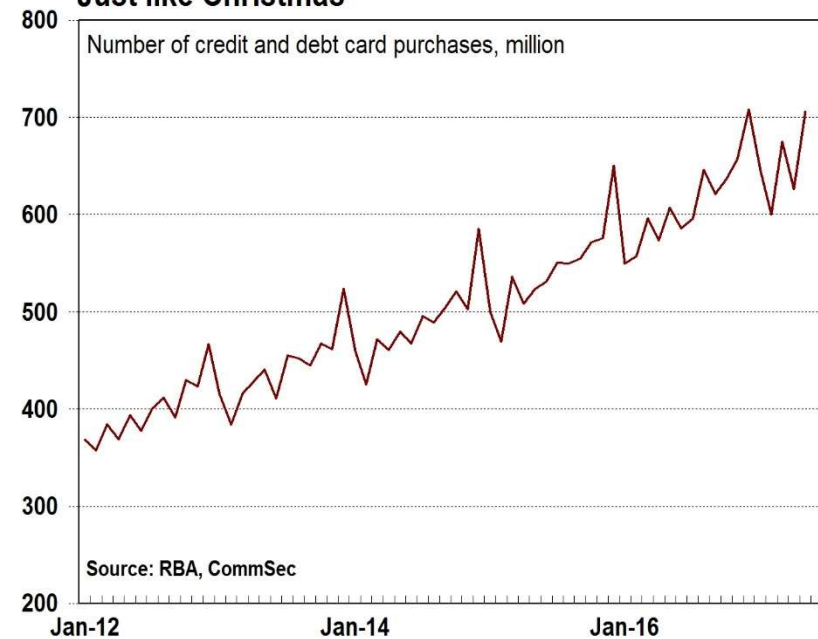


Despite slower wages, still spending

Real wage growth continues

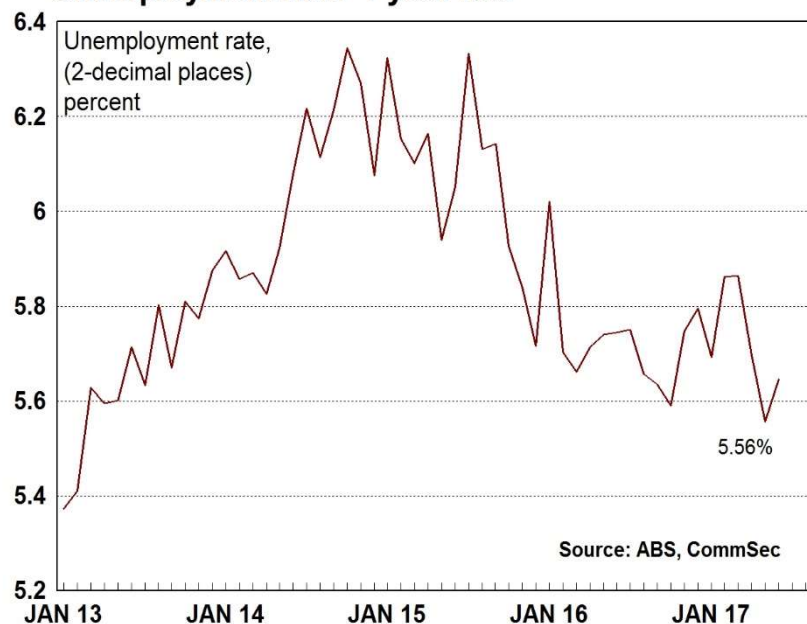


Just like Christmas

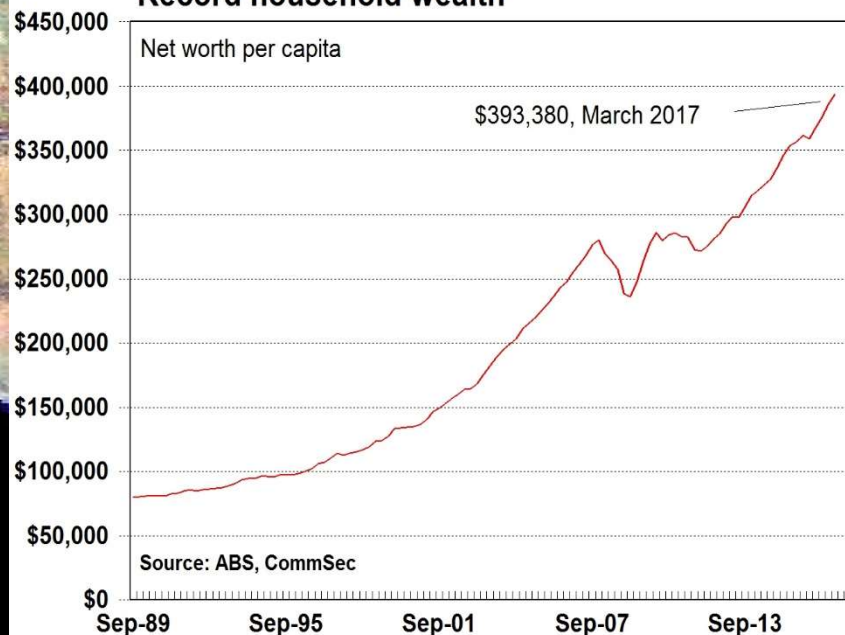


Jobs lift; Wealth soars

Unemployment near 4-year low



Record household wealth



NT

- + Unemployment
- Population Growth

The Northern Territory is ranked first on construction work done, unemployment and economic growth.

QLD

- + Retail Trade
- Construction Work

Queensland is benefitting from strong export growth. Exports are growing at a 56 per cent annual rate.

WA

- + Retail Trade
- Unemployment

The economic performance of Western Australia reflects the ending of the mining construction boom.

SA

- + Business Investment
- Unemployment

South Australia is now top-ranked on business investment.

VIC

- + Population Growth
- Unemployment

Victoria has lifted from third to second, with momentum provided by its leading position on population growth.

TAS

- + Population Growth
- Economic Growth

Tasmania is third on population growth and unemployment. Annual employment growth is the highest in the nation.

NSW

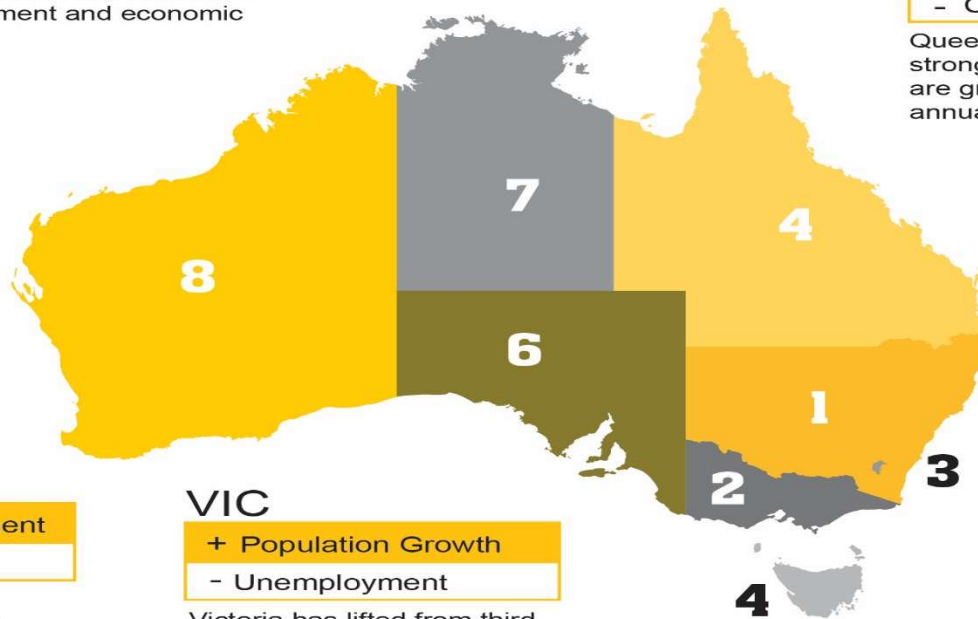
- + Dwelling Starts
- Construction Work

NSW has retained its top rankings on both retail trade and dwelling starts and is second on five of the eight indicators

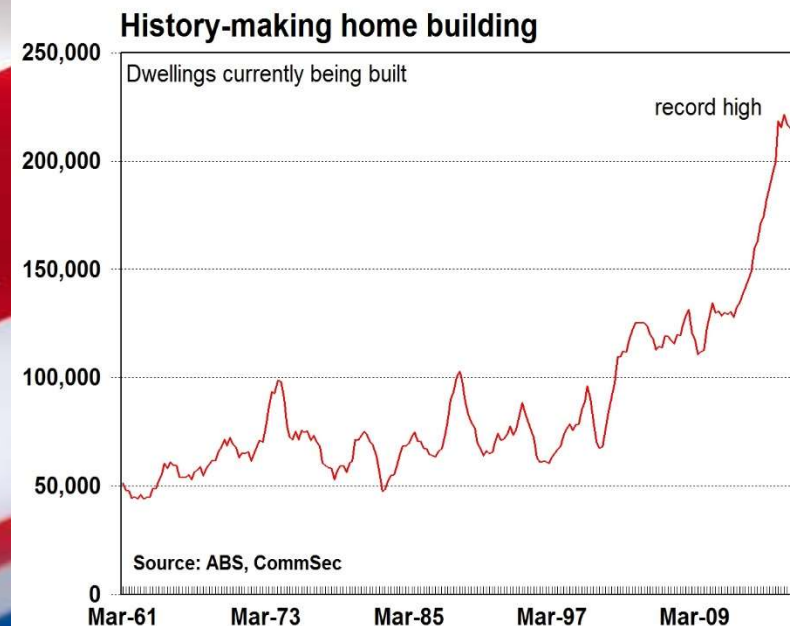
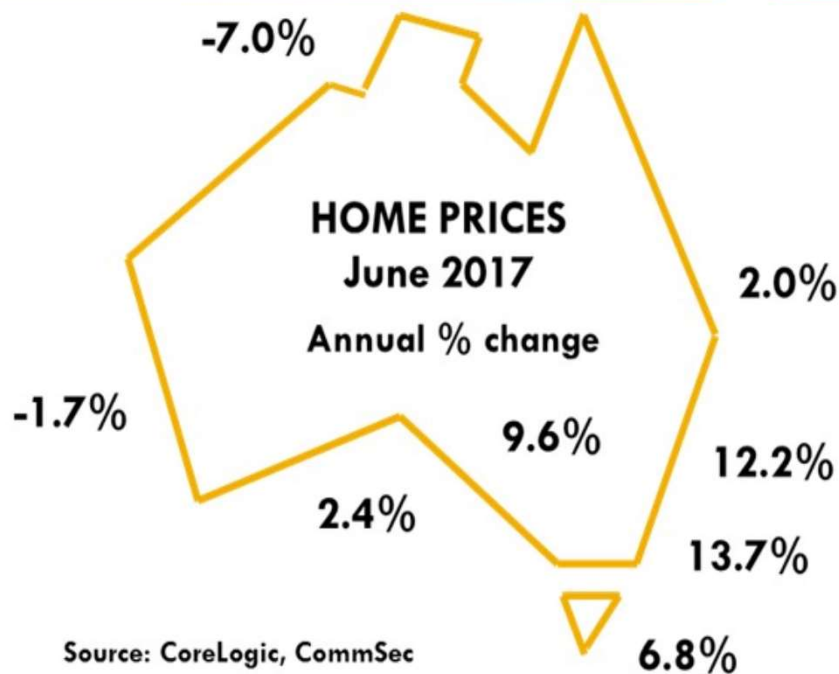
ACT

- + Housing Finance
- Construction Work

The ACT is top-ranked on housing finance, second on dwelling starts and in third spot on another three indicators.

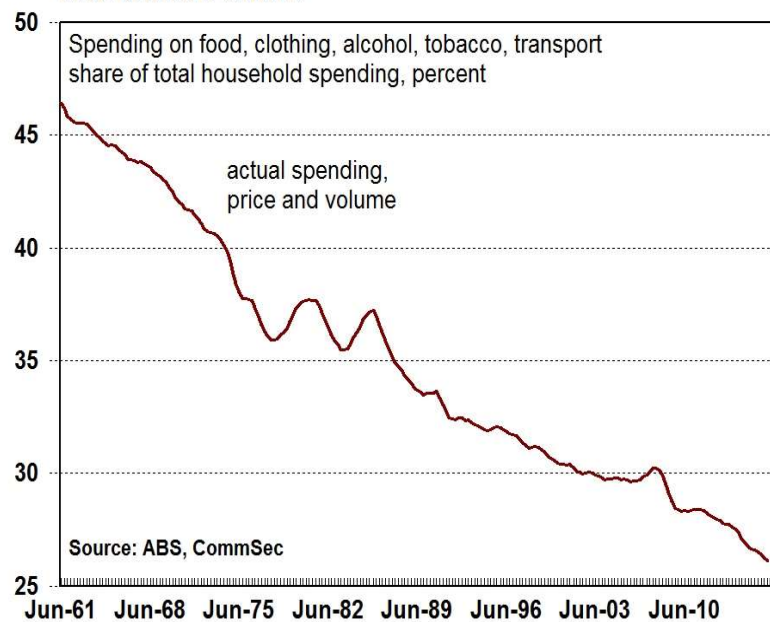


Home prices: Supply & demand, affordability



Affordability: In context

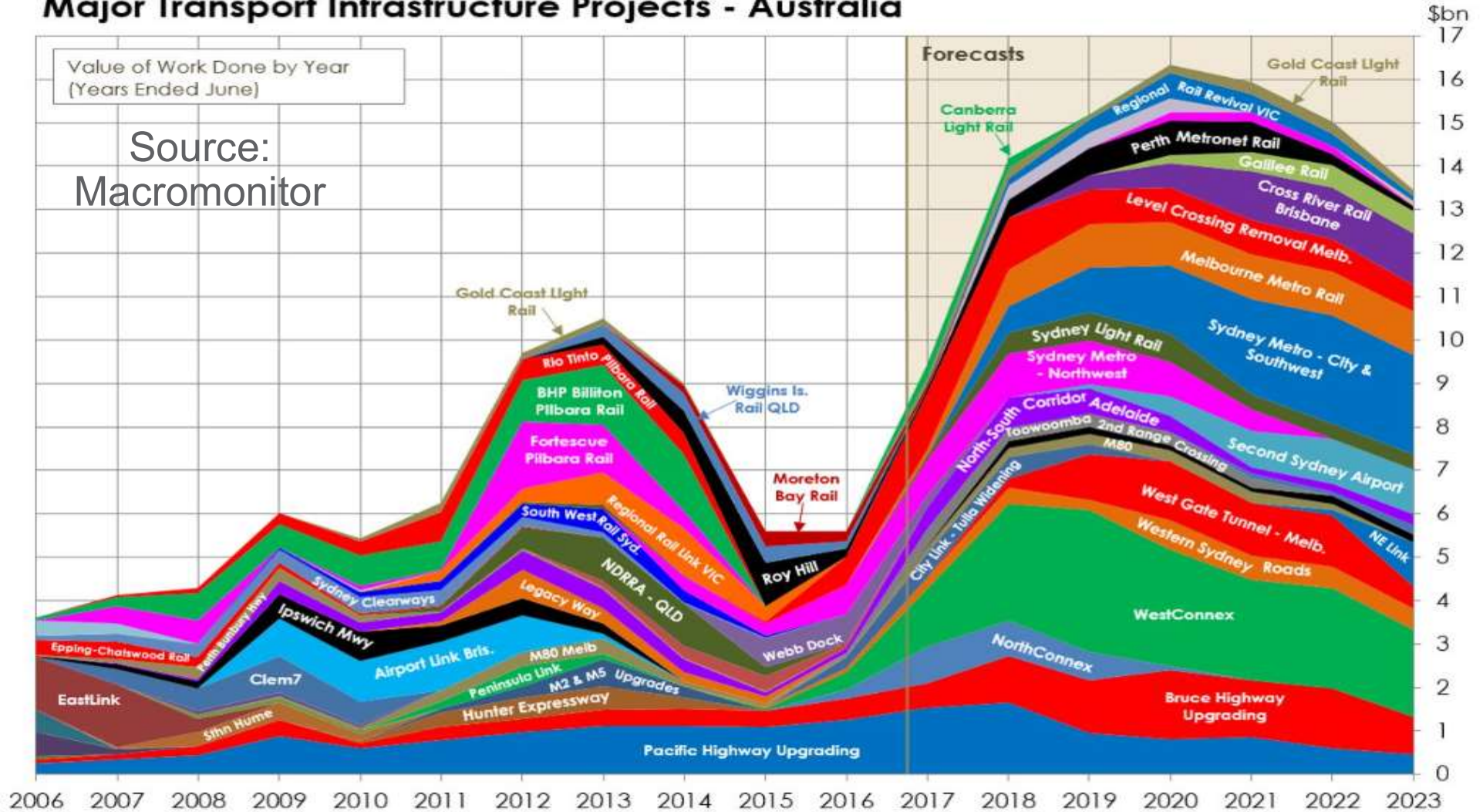
Record low share



Food affordability best on record

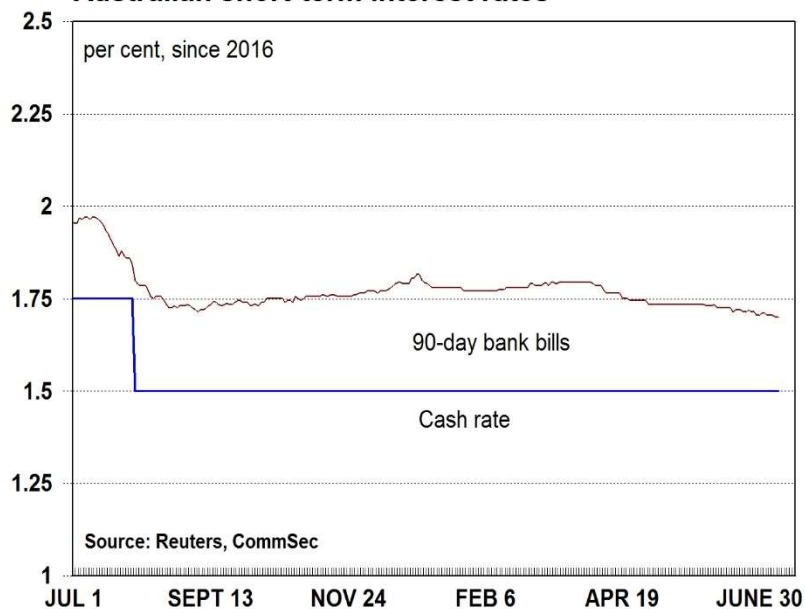


Major Transport Infrastructure Projects - Australia

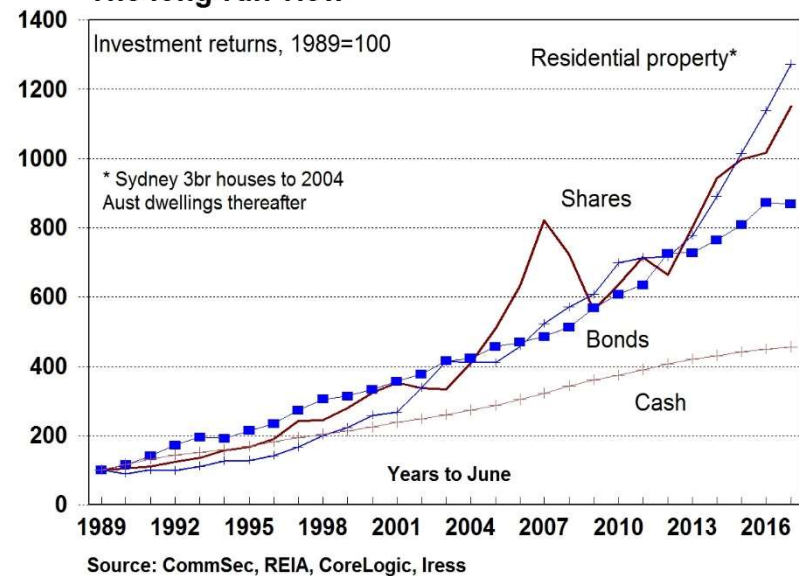


Rates & shares: Low inflation, yield, Trump

Australian short-term interest rates

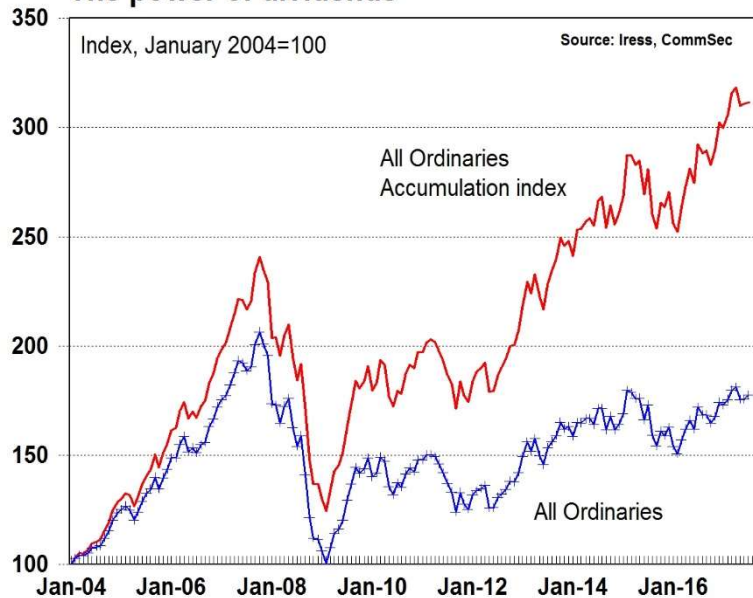


The long-run view

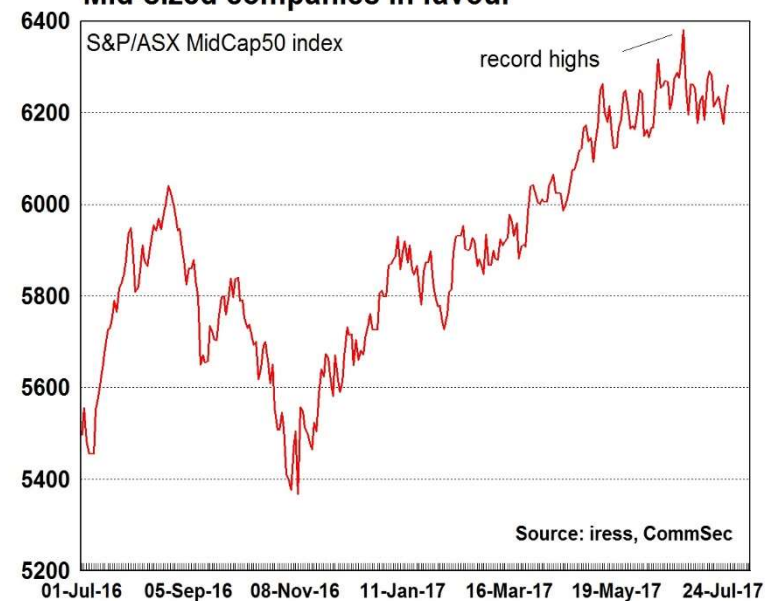


Shares: Dividends and disruption

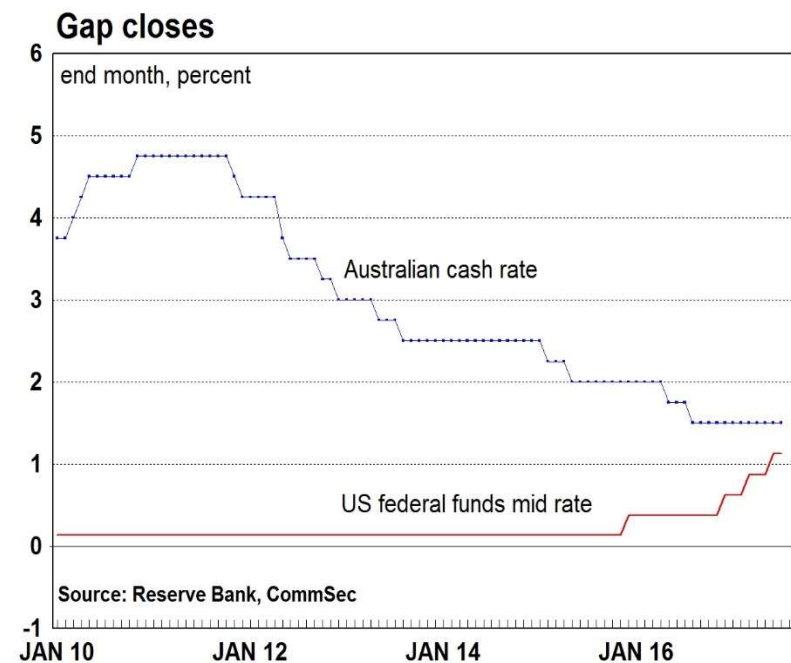
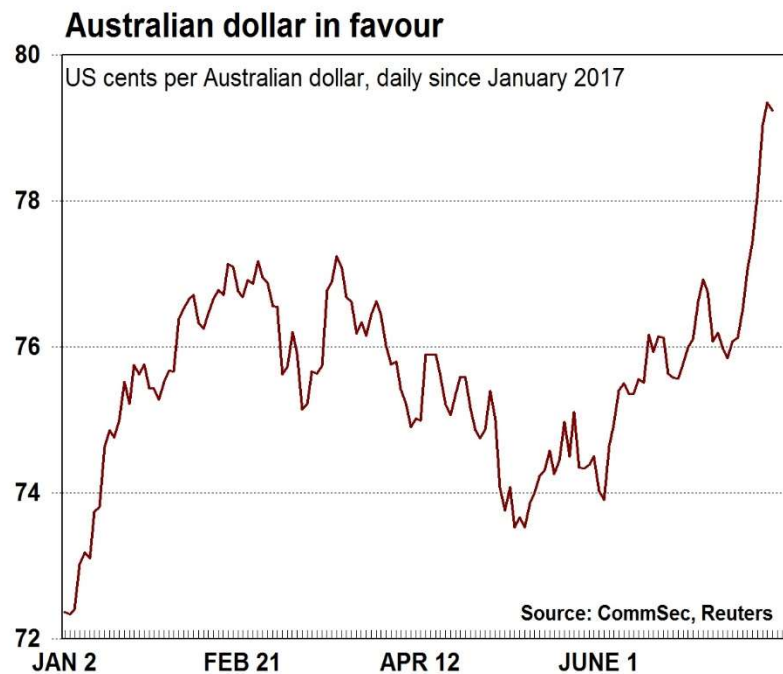
The power of dividends



Mid-sized companies in favour



Currency: US interest rates, Trump tax plans



Radar Screen

Trump
Oil prices
US Federal Reserve
Home Prices
Inflation
Job market

Outlook 2017/18

FORECASTS		
	<i>2016/17</i>	<i>2017/18</i>
Economic Growth	2.00%	3.00%
Underlying inflation	1.75%	2.00%
Unemployment	5.50%	5.00-5.50%
	<i>end 2017</i>	<i>mid 2018</i>
Cash rate	1.50%	1.50%
Sharemarket (All Ords)	5,900-6,100	6,000-6,200
Australian dollar	US74-79c	US74-79c