

Sydney Chapter Forum March 2012



Welcome

How will the economy impact your business
this year?

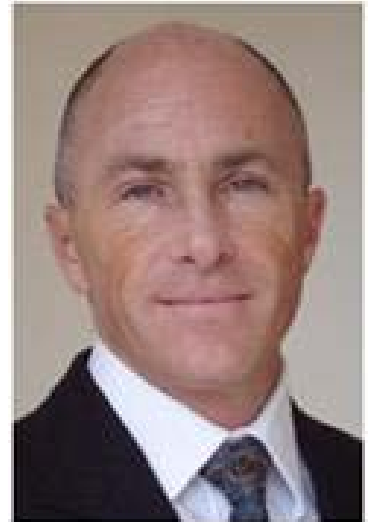


Empowering Corporate Real Estate
and Workplace Executives

How will the economy impact your business this year?

Craig James is the Chief Economist at CommSec and regular media personality who features in 2-3 regular TV crosses a day, ad hoc radio and newspaper interviews and writes regular commentaries as well as presenting to staff, clients and external organisations.

Holding a Bachelor of Commerce (Economics) and Masters of Commerce (Economics) from the University of NSW, Craig became chief economist of Colonial Group in September 1997, before becoming chief economist at CommSec in August 2000 with the Commonwealth takeover of Colonial.



Economy 2012 and beyond: Opportunities & Challenges

Craig James,
Chief Economist, CommSec
March 2012



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.

Hurdles, hurdles, hurdles

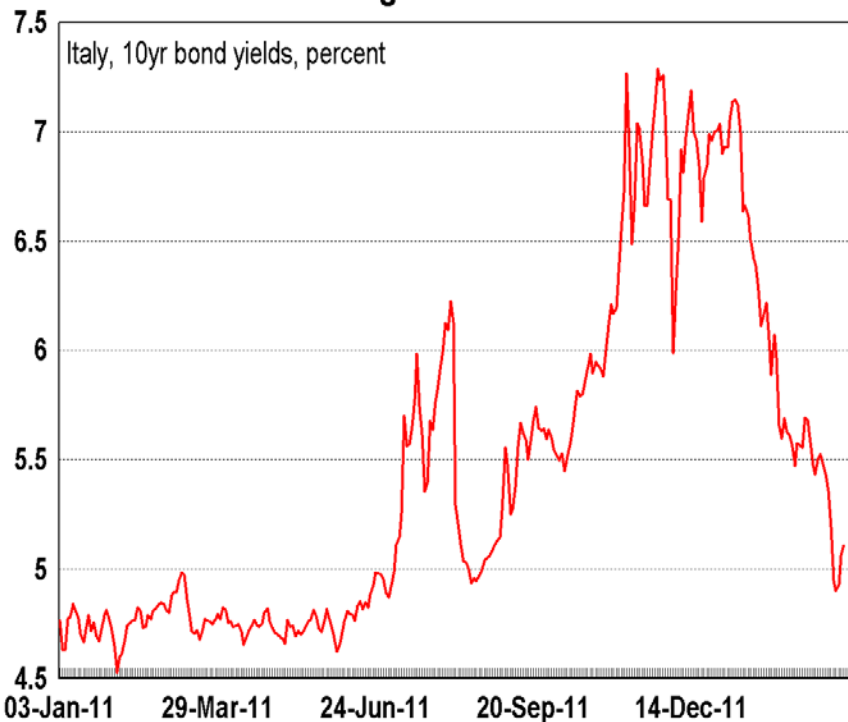


- Global economy
- Changing shape
- Indebted West;
Growing East
- Two-speed Australia
- Property in focus

European Debt Crisis

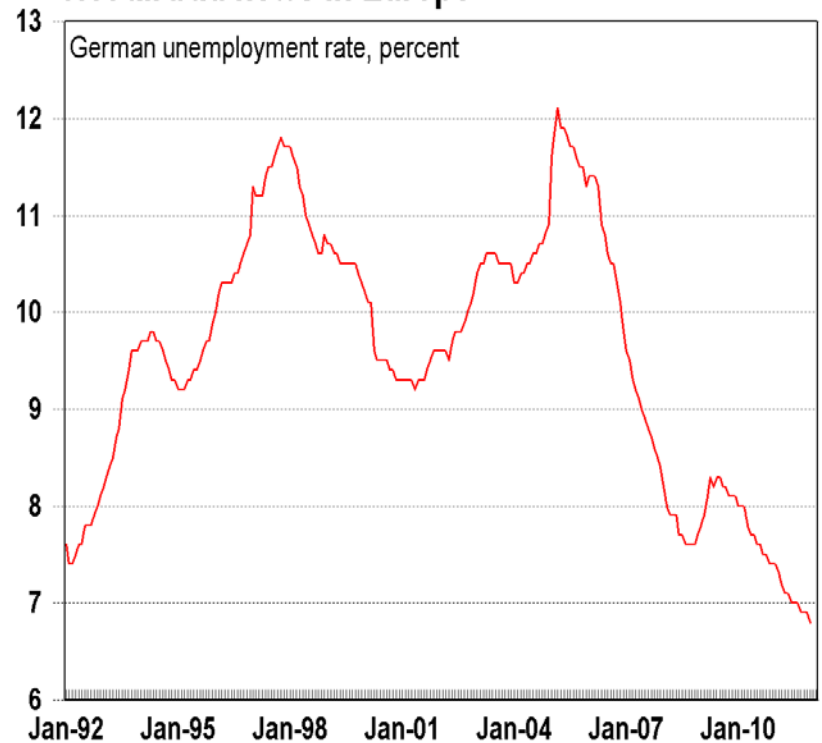


It's a confidence thing



Source: Reuters, CommSec

Not all bad news in Europe

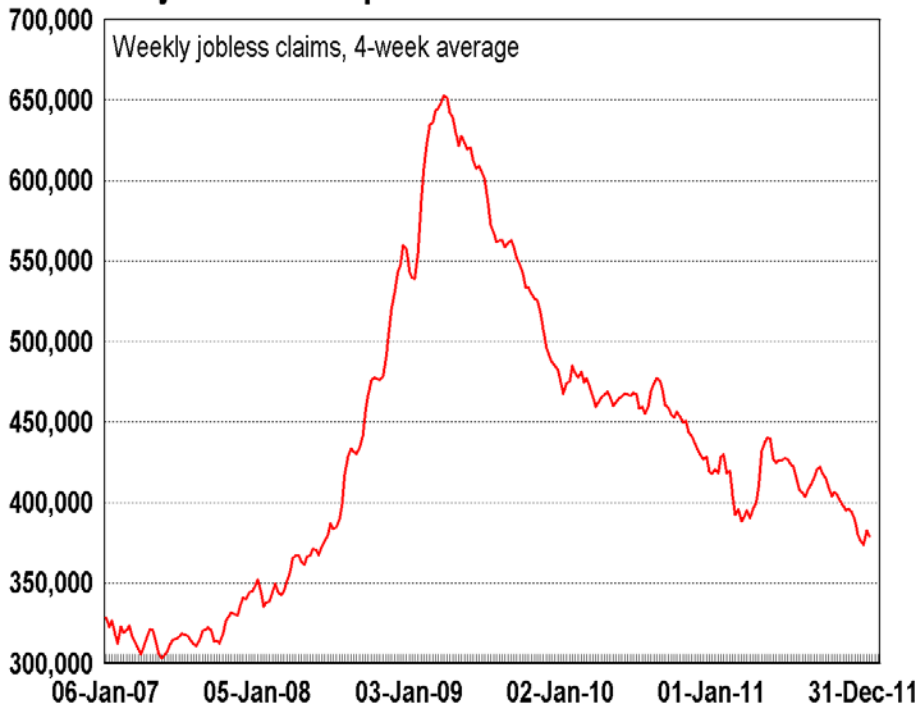


Source: FactSet, CommSec

...better elsewhere...

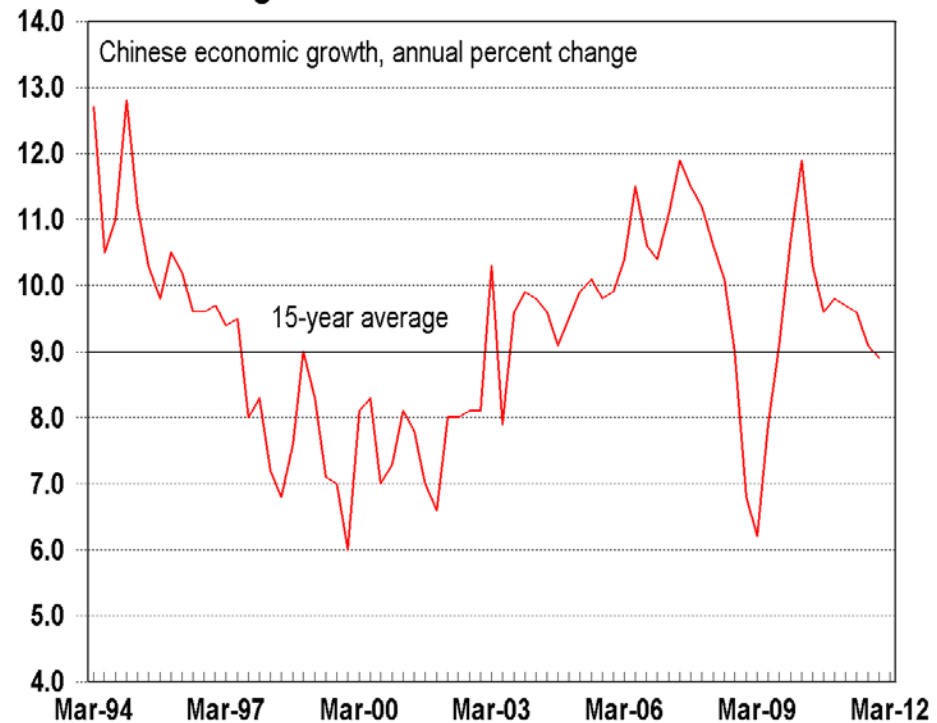


US job market improves



Source: US Bureau of Labor Statistics

Soft landing

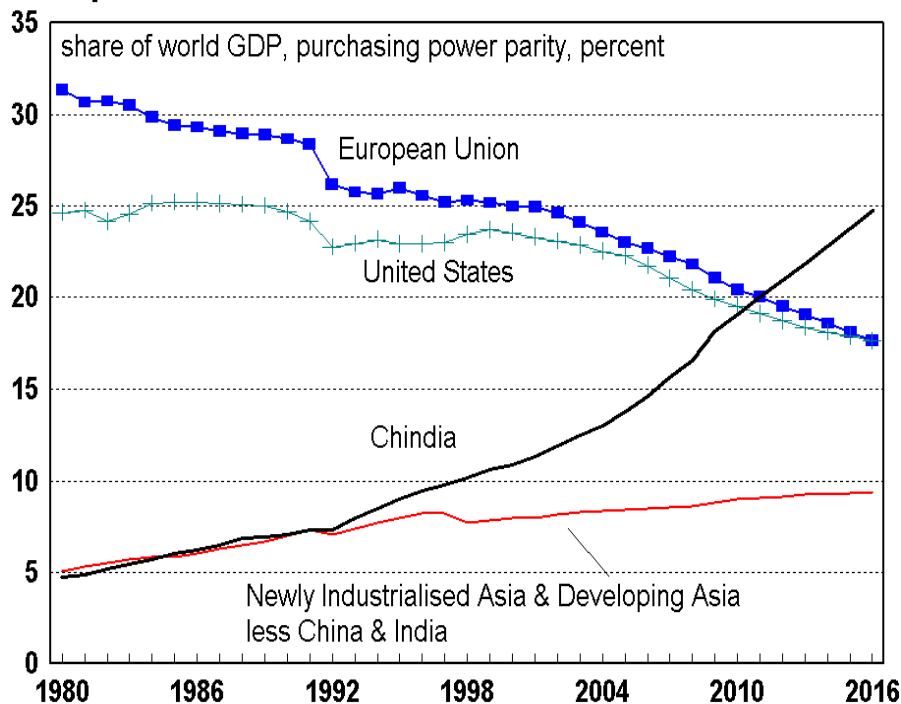


Source: Reuters, CommSec

Big Picture



Importance of China & India



Drivers of world economy - Contribution to growth 2012

China	0.69%
United States	0.44%
India	0.15%
Japan	0.15%
ASEAN 5 #	0.11%
Newly Industrialised Asia*	0.09%
Brazil	0.08%
Russia	0.07%
Australia	0.05%
Mexico	0.05%
Canada	0.04%
United Kingdom	0.02%
Other countries	1.40%
World	3.30%

Source: IMF & CommSec

* Newly industrialised Asia – Hong Kong, Taiwan, Singapore and South Korea

ASEAN 5 – Indonesia, Malaysia, Thailand, Philippines and Vietnam

Long-term perspective

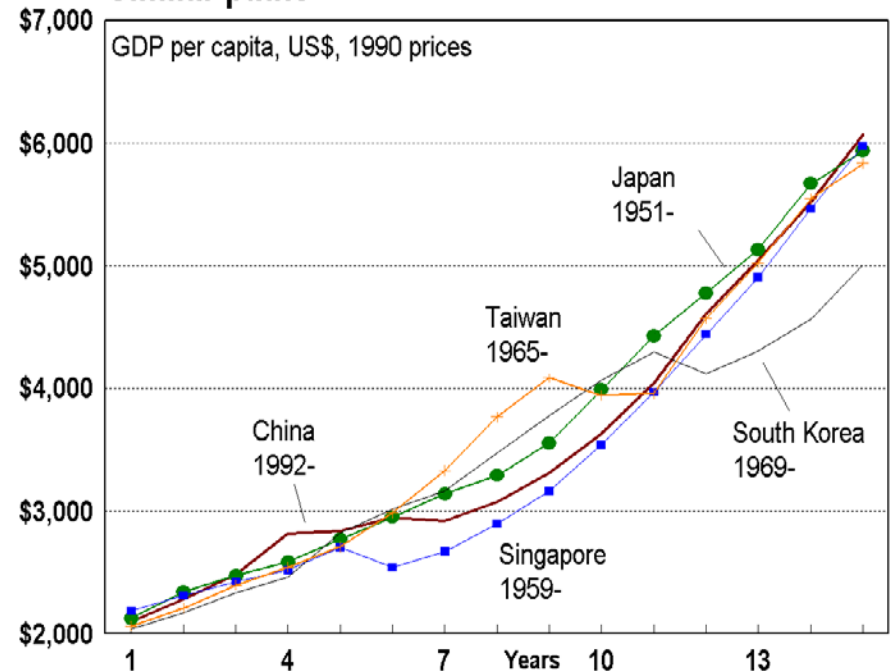


Dragon awakes



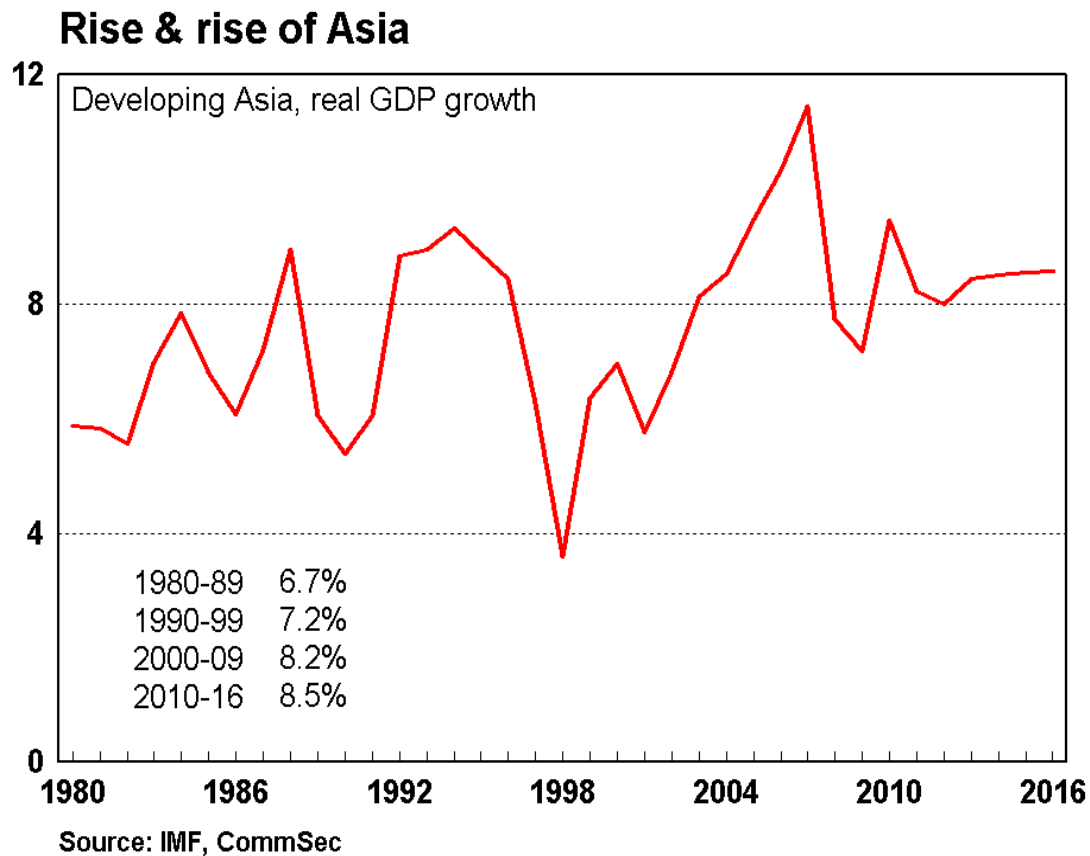
Source: Groningen GDC, IMF, CommSec

Similar paths



Source: Groningen GDC, CommSec

The Asian Era



People

- Middle East, Africa to grow most....Europe, flat growth or shrinking

Population growth in 2016

Saudi Arabia	2.0%
Philippines	2.0%
Singapore	1.7%
Malaysia	1.7%
Australia	1.3%
India	1.3%
Indonesia	1.1%
United States	1.0%
China	0.5%
Germany	-0.2%
Japan	-0.3%
Russia	-0.4%

Source: IMF, CommSec

Income

- Qatar, Sweden, UAE, Finland....amongst big improvers

Per Capita Income in 2016 (\$US)

Australia	6th
Singapore	9th
Canada	11th
United States	15th
Japan	17th
United Kingdom	21st
Hong Kong	23rd
South Korea	30th
Taiwan	31st
Indonesia	102nd
China	80th
India	128th

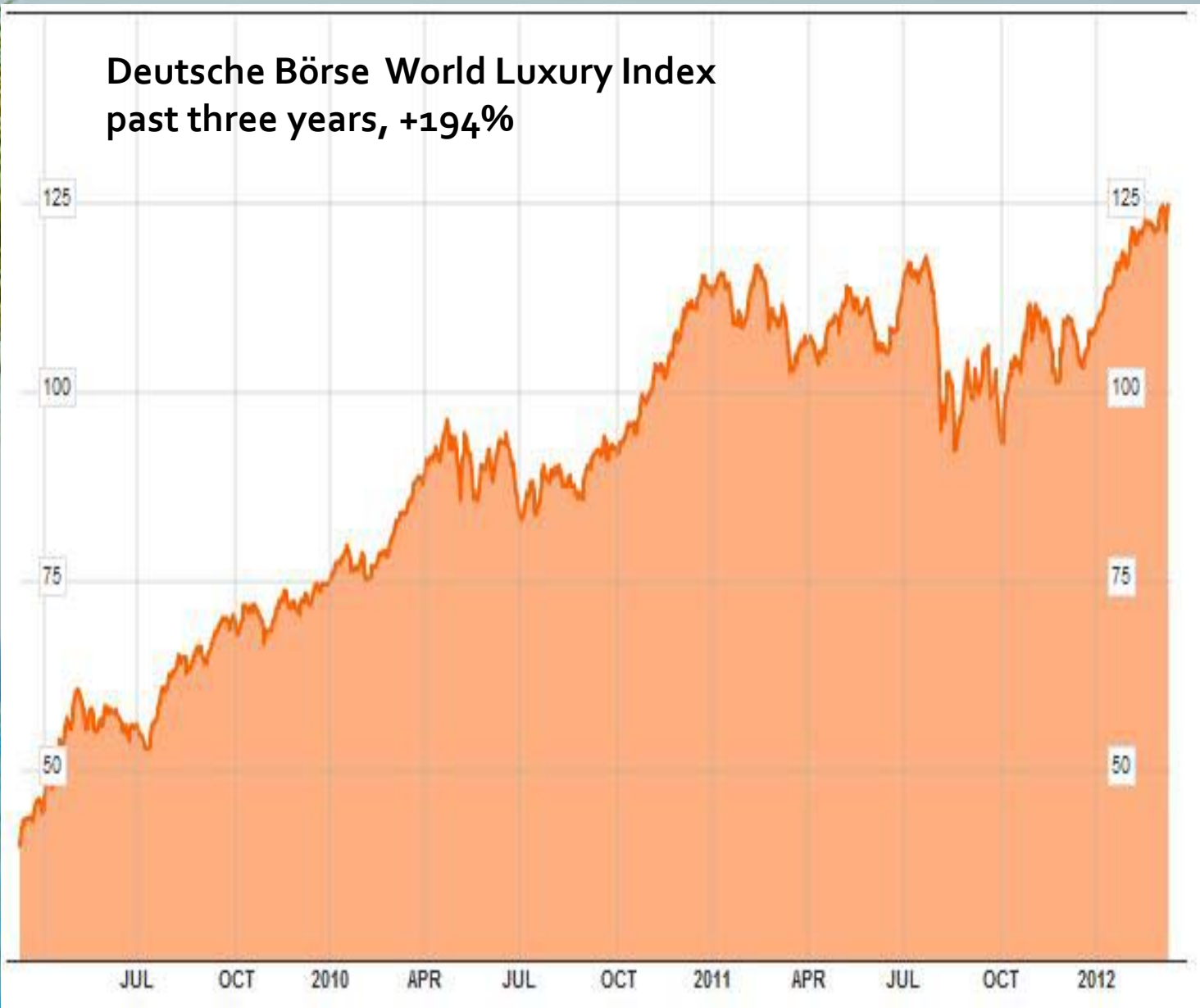
Source: IMF, CommSec



Wealth



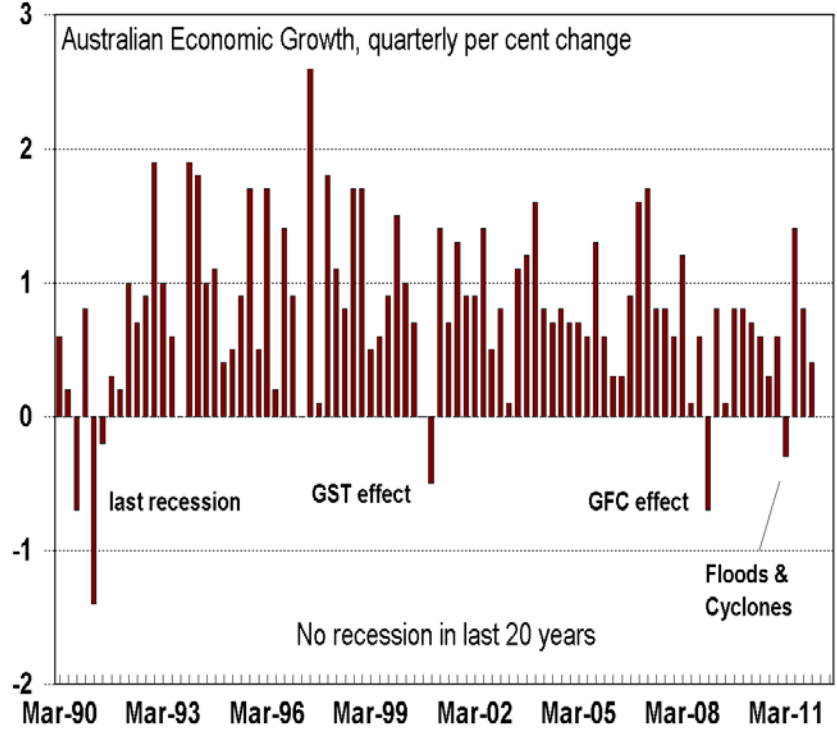
Deutsche Börse World Luxury Index
past three years, +194%



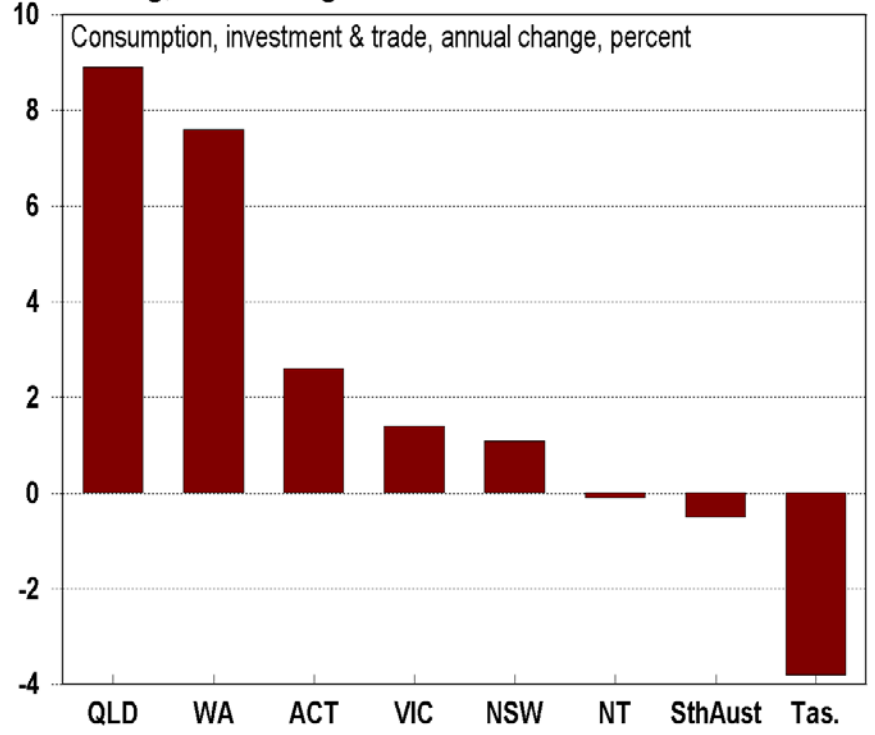
Australia



Record economic expansion

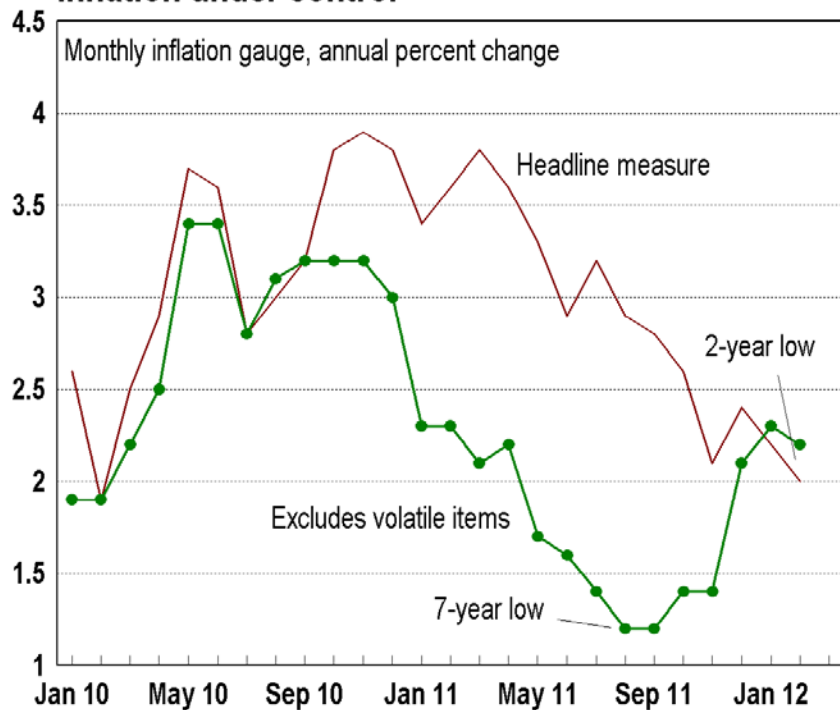


Mining, rebuilding & the rest

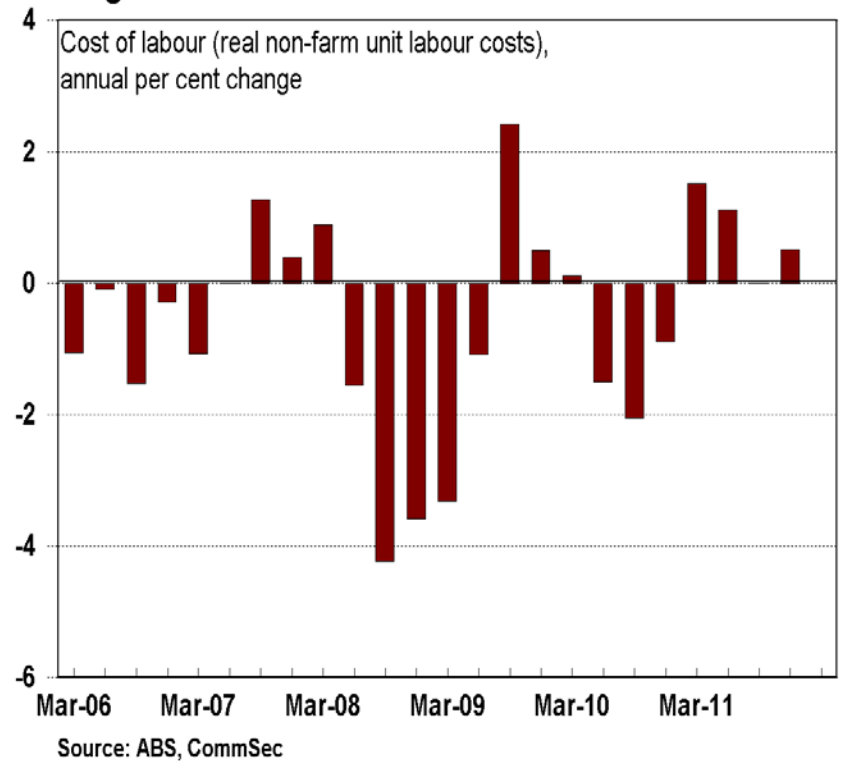




Inflation under control



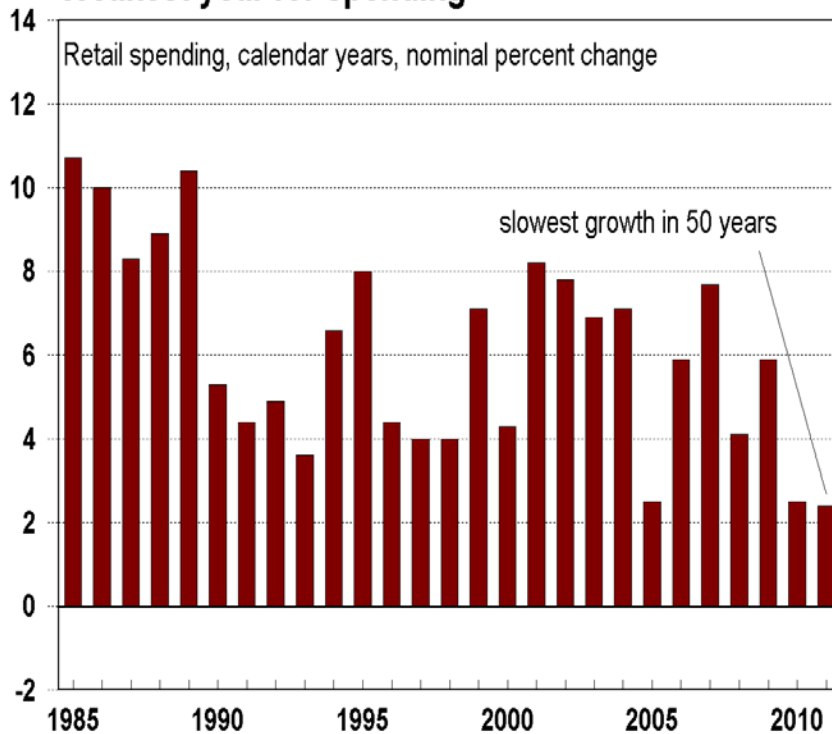
Wage costs contained



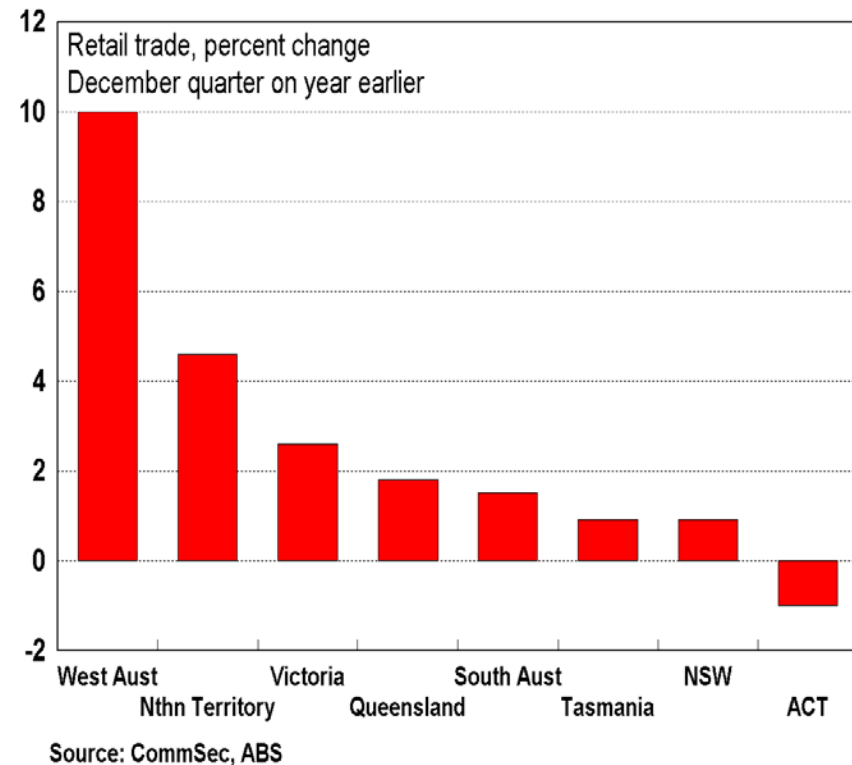
Caution dominates



Weakest year for spending



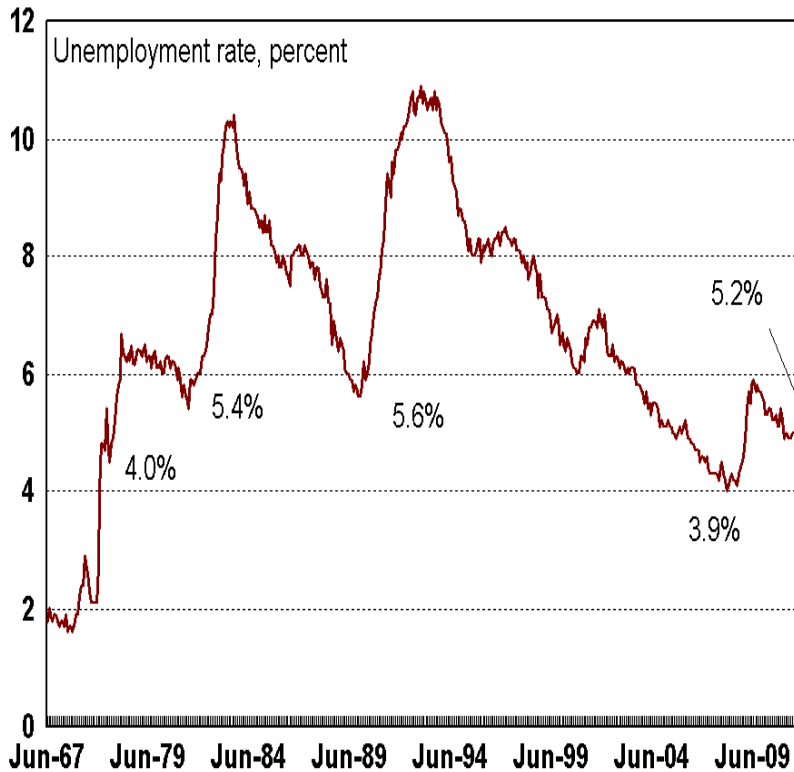
WA...and the rest



Job market

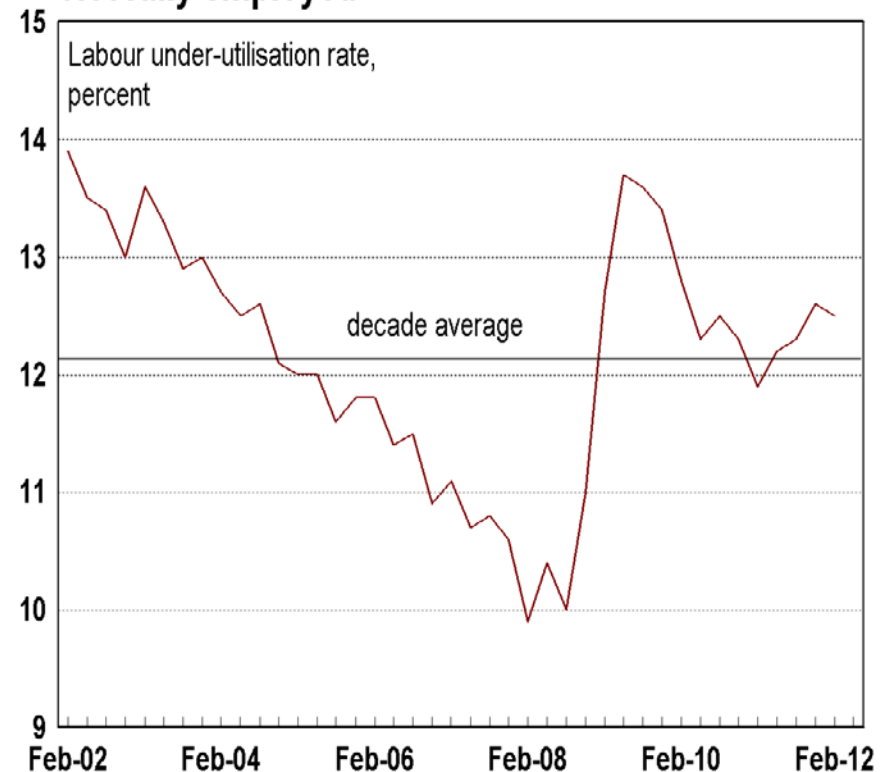


Long-run view



Source: ABS, CommSec

Not fully employed

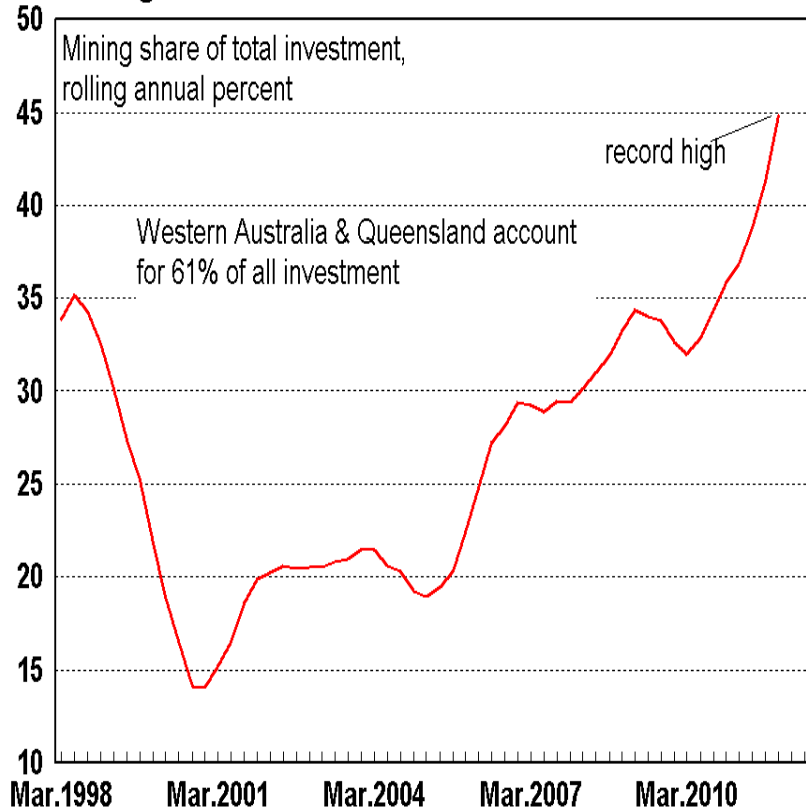


Source: ABS, CommSec

Mining boom

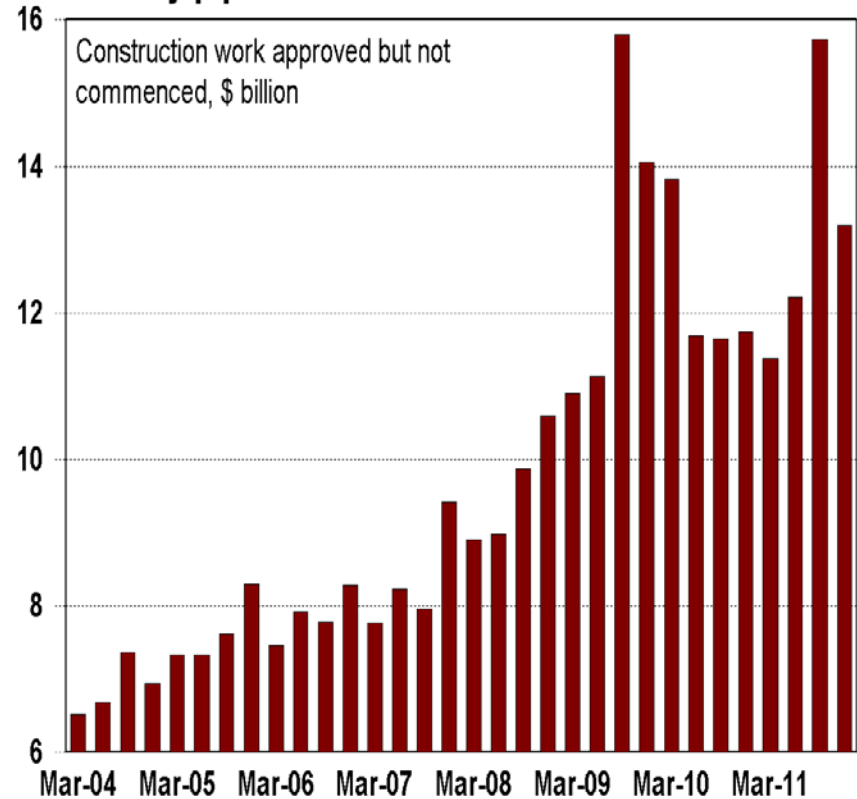


Mining takes lion's share



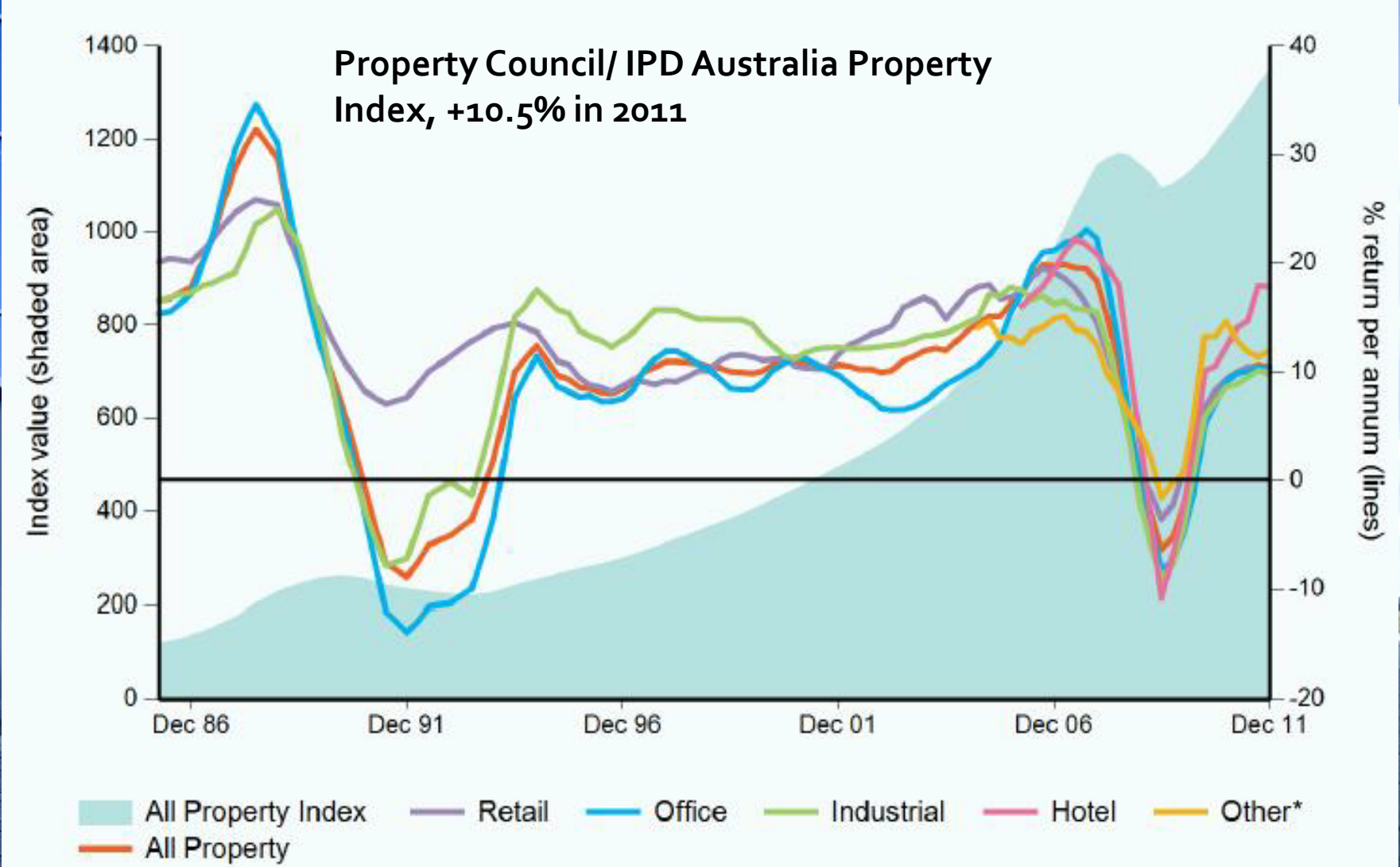
Source: ABS, CommSec

Healthy pipeline of work



Source: ABS, CommSec

Commercial property

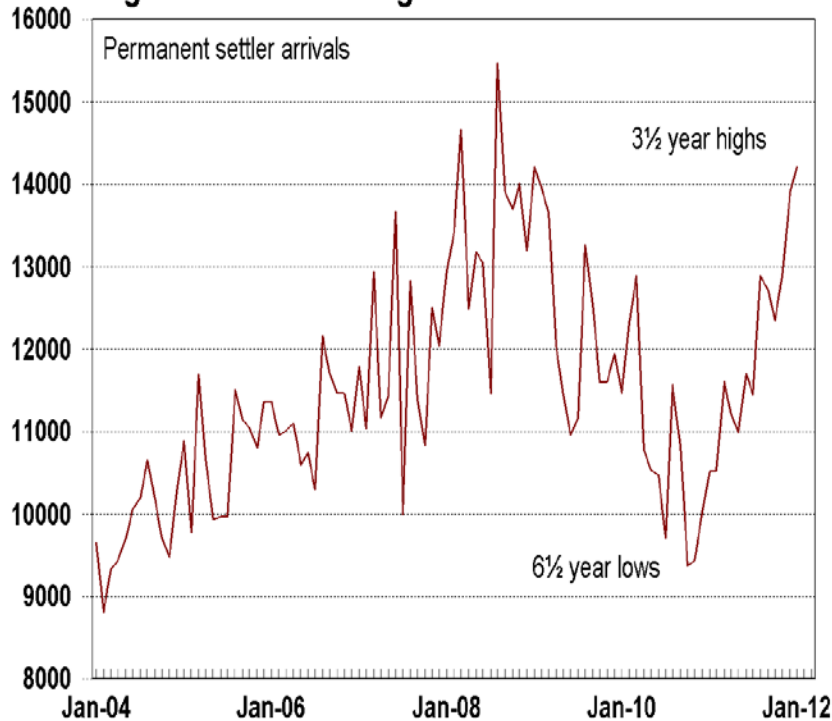


Residential property

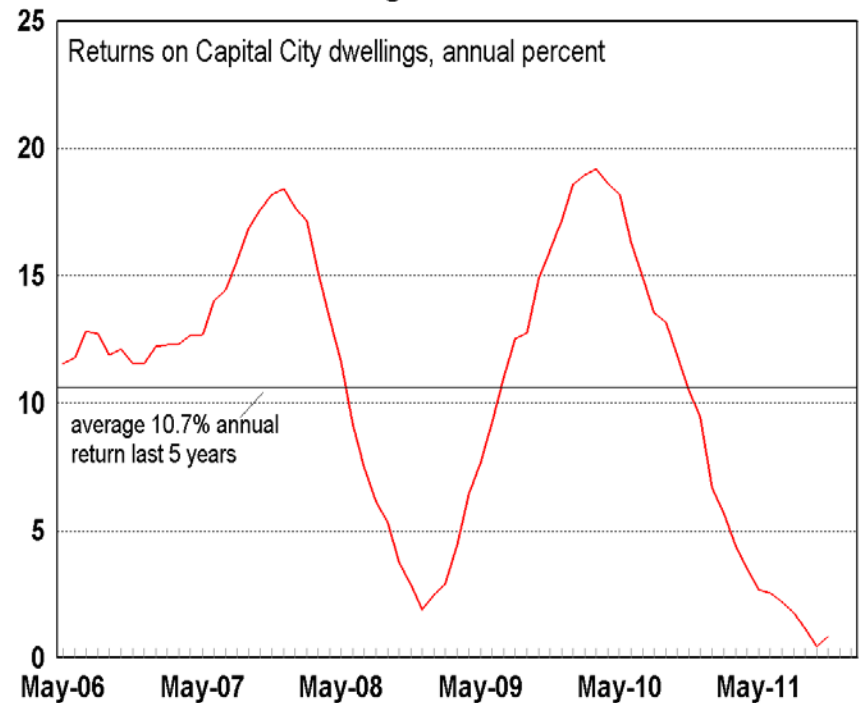
- Tight rental markets; isolated over-supply in Qld & Victoria



Migrant numbers lift again



Returns continue to grow

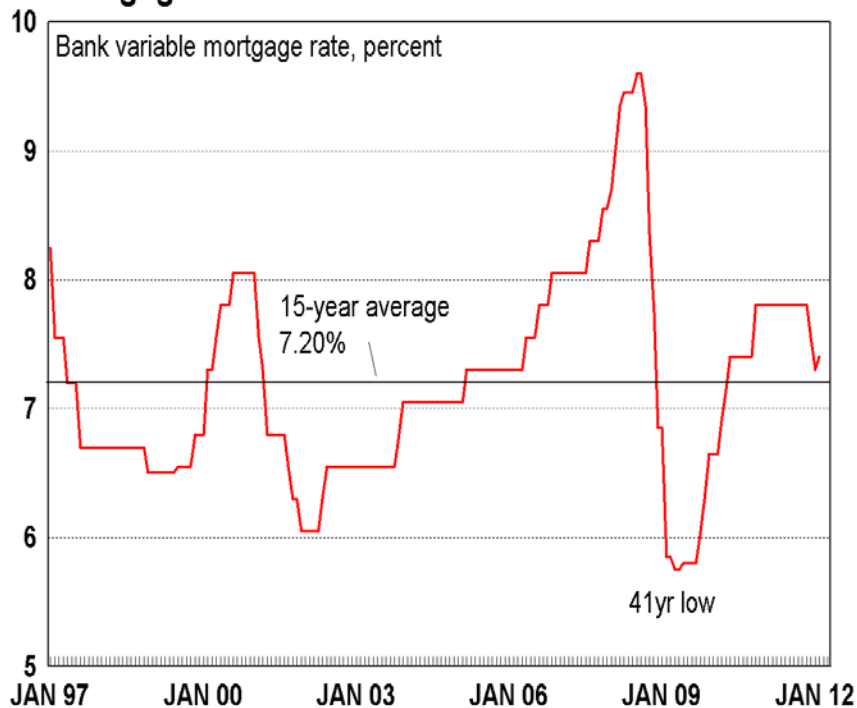


Financial conditions

- Interest rates, Borrowing, Home prices, Aussie dollar

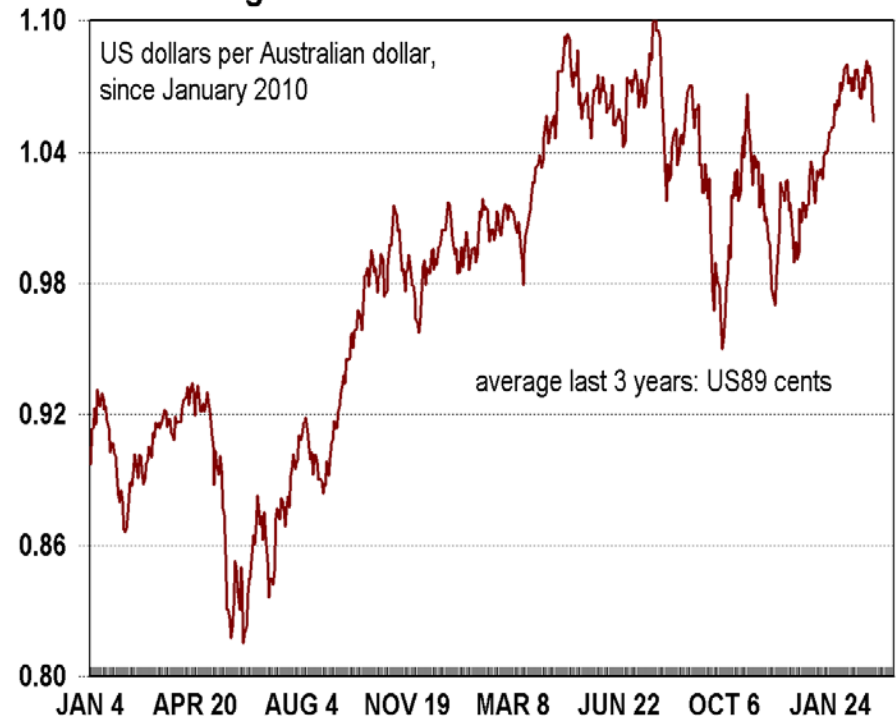


Mortgage rates near "normal"



Source: Reserve Bank, CommSec

The Strong Aussie

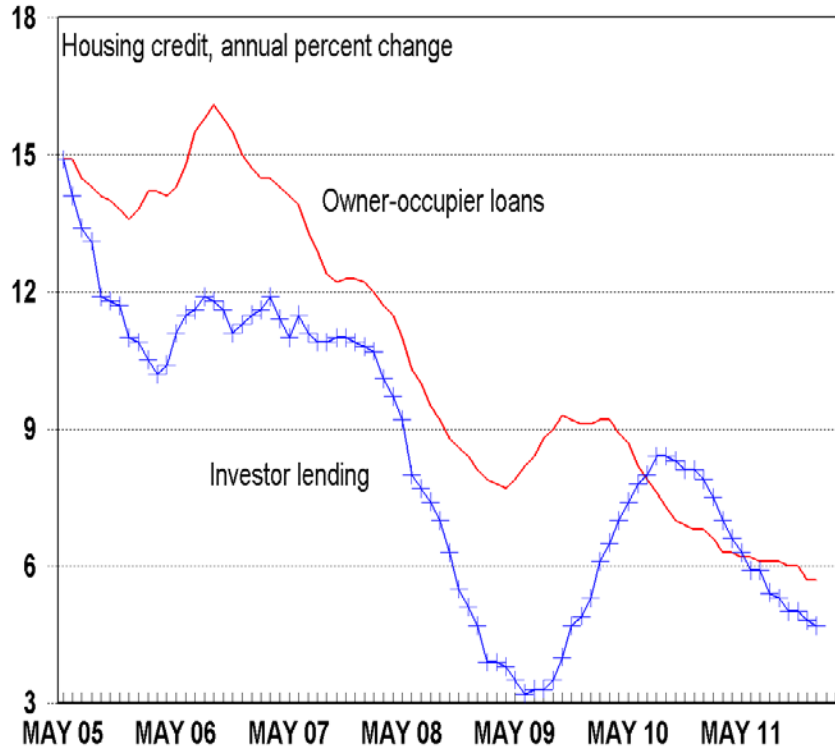


Source: CommSec, Reuters

Borrowing & asset prices

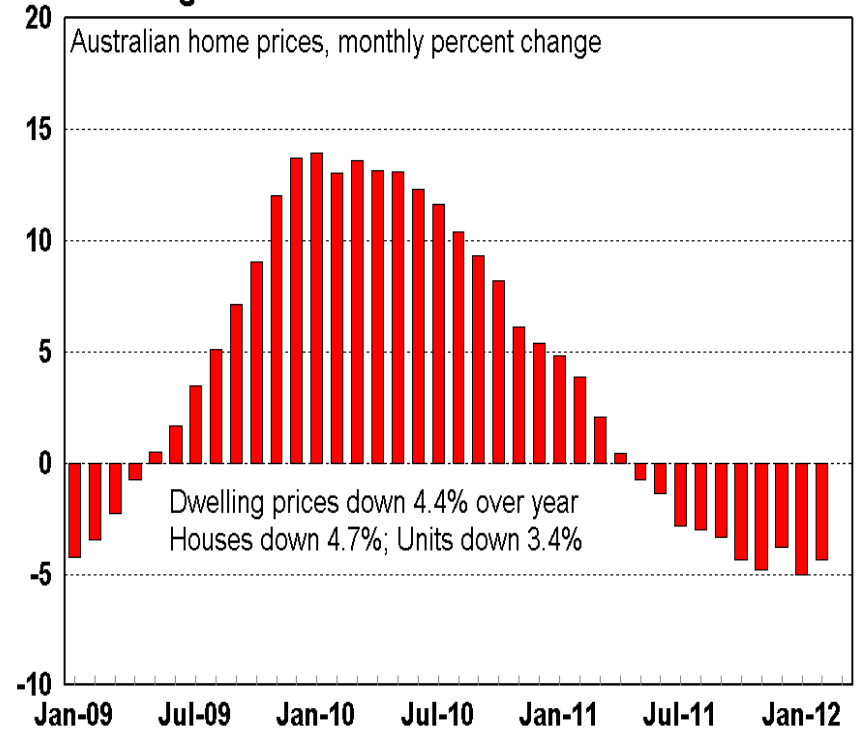


On the slide



Source: Reserve Bank, CommSec

Housing consolidation...



Source: RP Data-Rismark, CommSec

“Hot Buttons”

European debt crisis

Rising oil price

Two-speed Australia

Conservatism

‘Right’ interest rate settings

High Aussie dollar



Oil price back in focus



Source: Reuters, CommSec

Forecasts

Economic growth (IMF)	3.2% in 2011/12	3.4% in 2012/13
Inflation	2.7% in 2011/12	3.2% in 2012/13
Unemployment	5.00%-5.50%, mid 2012	4.75-5.25%, end 2012
Cash rate	4.00-4.25%, mid 2012	4.00-4.25%, end 2012
Sharemarket (All Ords)	4,450 points, June 2012	4,650 points, end 2012
Australian dollar	US108c in June 2012	US109c in Dec 2012

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Silver



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