

Economy 2013: A New Dawn



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Important Information

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Examples used in this presentation are for illustrative purposes only.



US Rate-hike Fiscal-Cliff Rate-cut Rates Jobs
Euro-recovery
Election China X-factor
Debt-Ceiling Budget
Aussie Iron-ore Confidence

Apple Product Timeline

16.5 billion



350 million



2 billion

Apple App Store



84 million



2002

2004

2006

2008

2010

2012

2014

2001

2003

2005

2007

2009

2011

2013



192 million



2.4 million



361 stores

CommSec Infographic 2013
Source: Apple, Statisticbrain

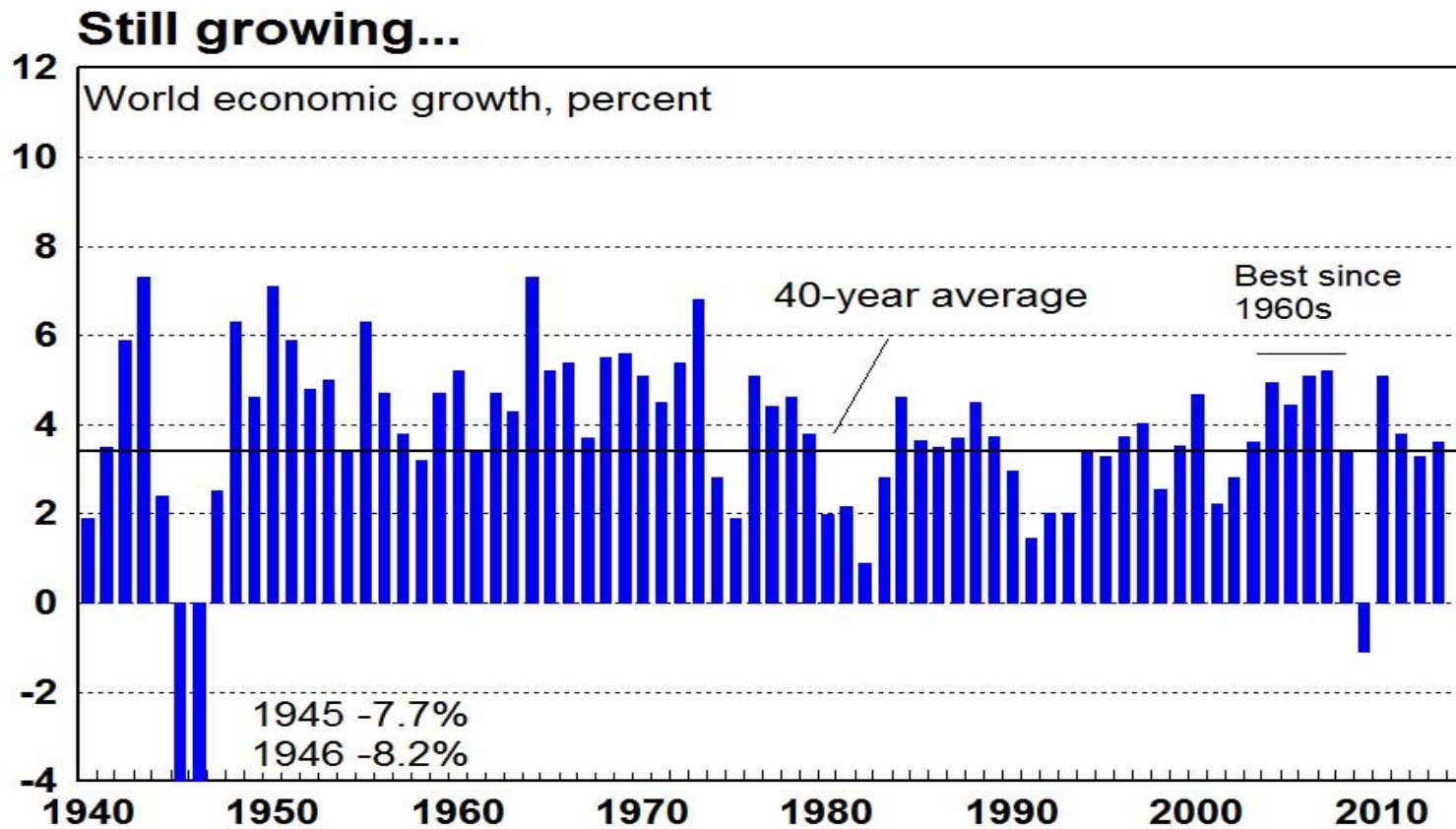
Big Picture



40-year average: 3.4%

2012: 3.2%

2013: 3.5%



Source: Groningen, IMF, CommSec

Big Picture

Recovery over...

Now consolidation...

World GDP*

% change on a year earlier



Source: *The Economist*

*Estimates based on 52 countries representing 90% of world GDP. Weighted by GDP at purchasing-power parity

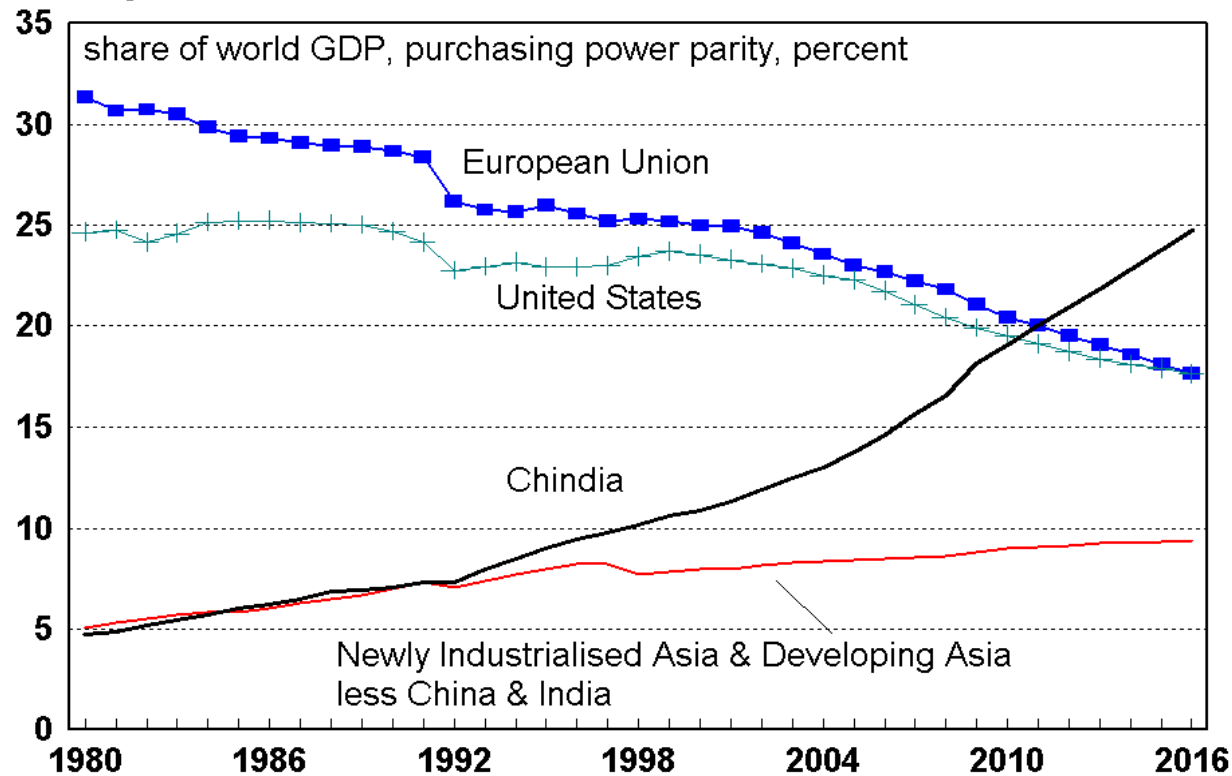
China

No.2 in world economy

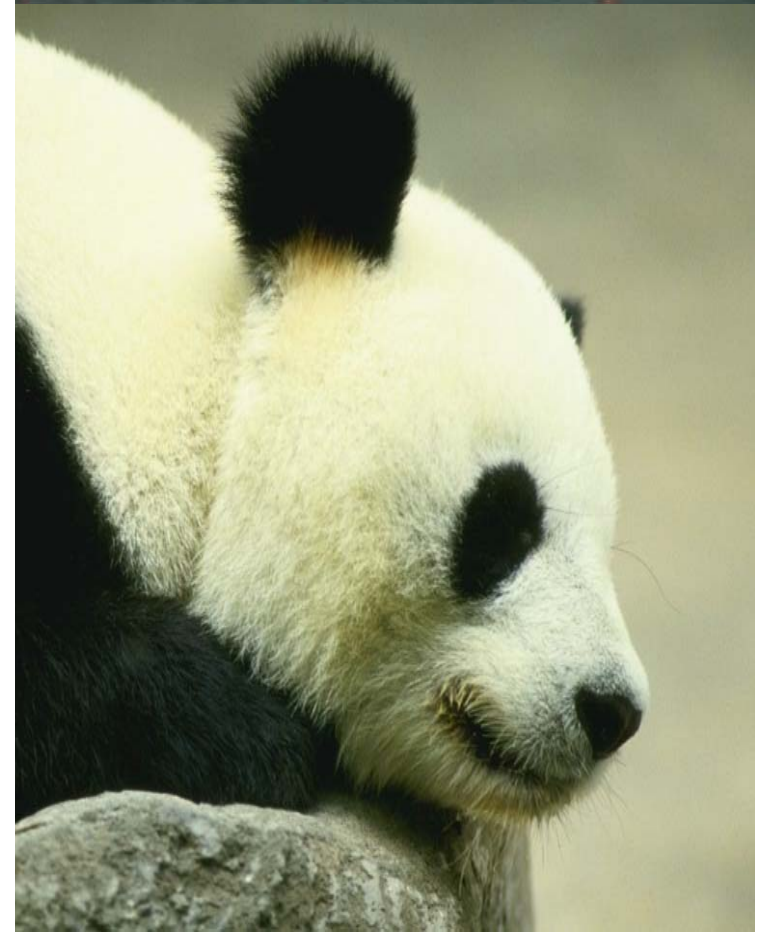
Biggest contributor to world growth

Australia's largest trading partner

Importance of China & India



Source: IMF, CommSec



China

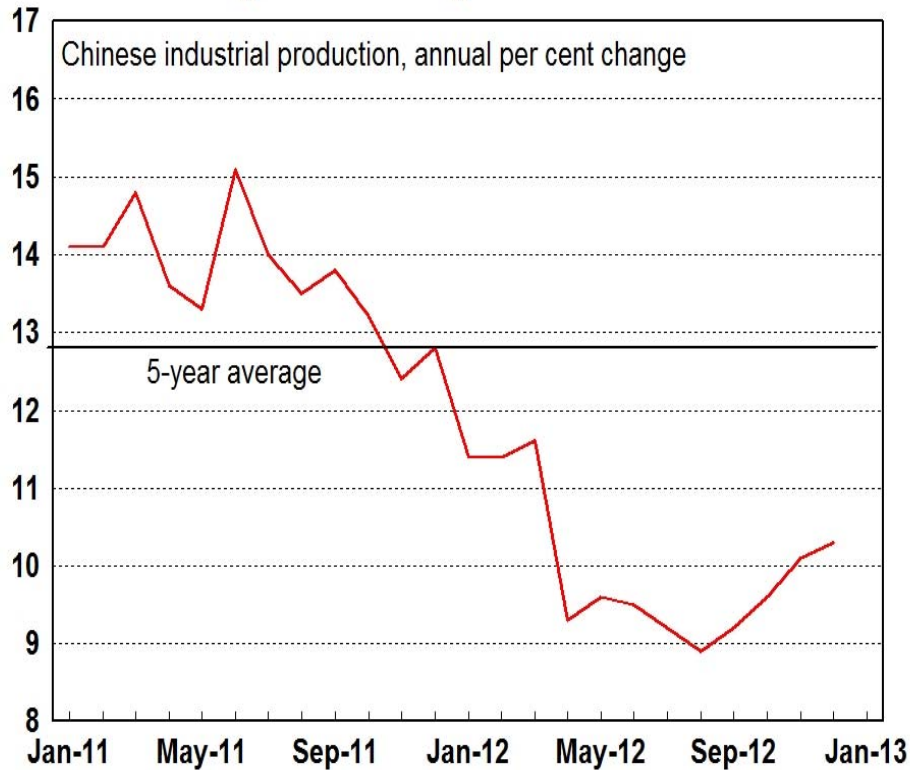


Recovery underway

7.8% growth in 2012

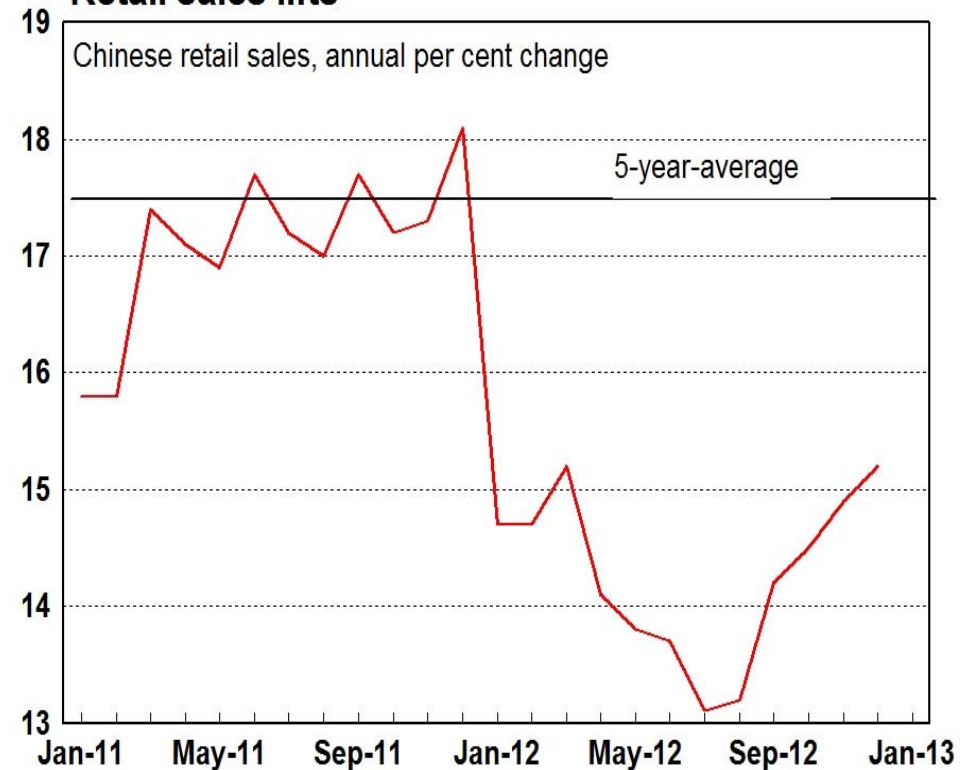
8.0-8.5% growth in 2013

Production growth lifts again



Source: Reuters, CommSec

Retail sales lifts



Source: Bloomberg, CommSec

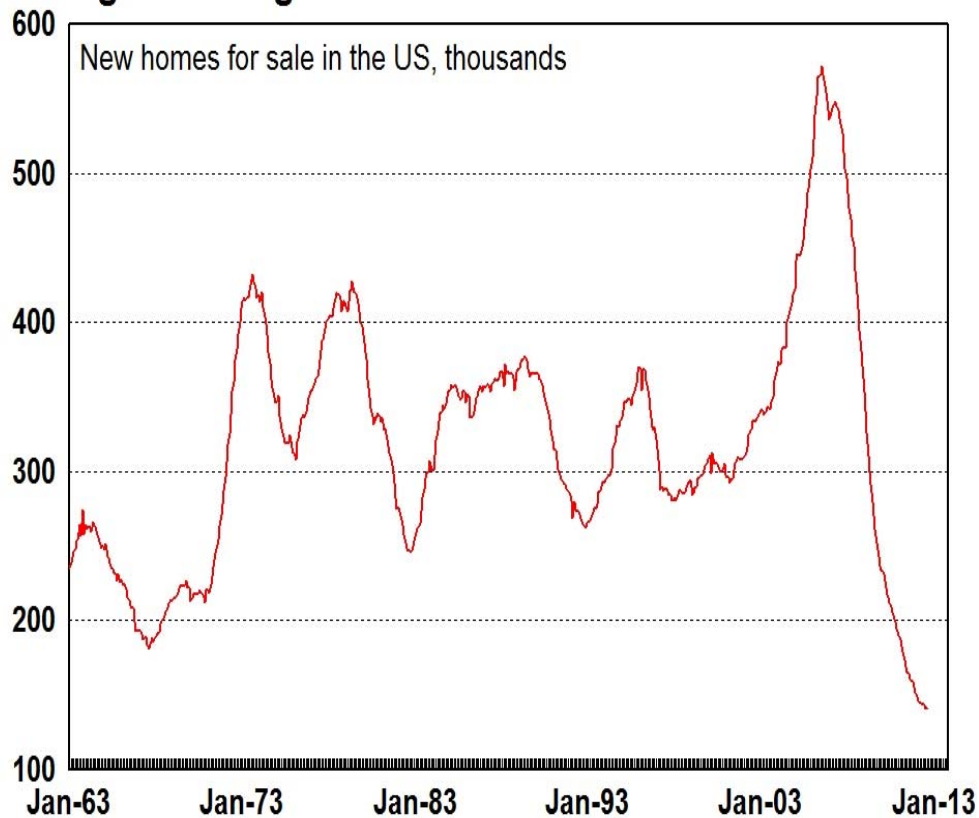
United States

Politics, budgets, debt...

Housing lifts

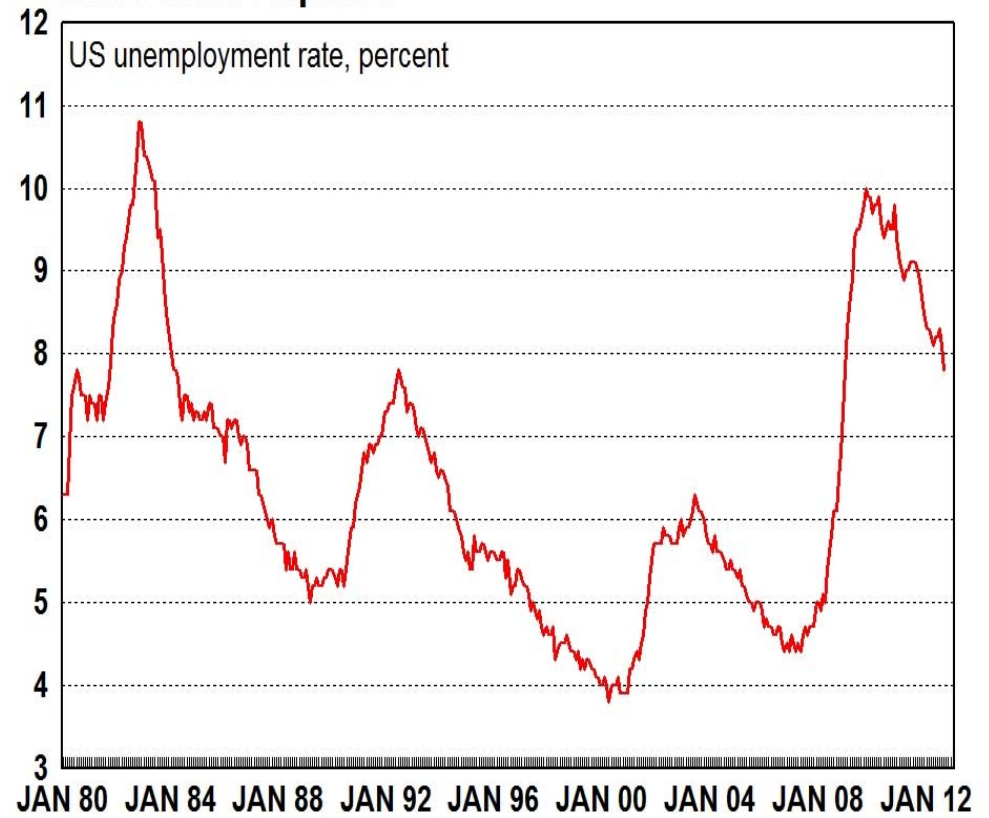
Job market the key

Tight housing market



Source: US Federal Reserve

More work required



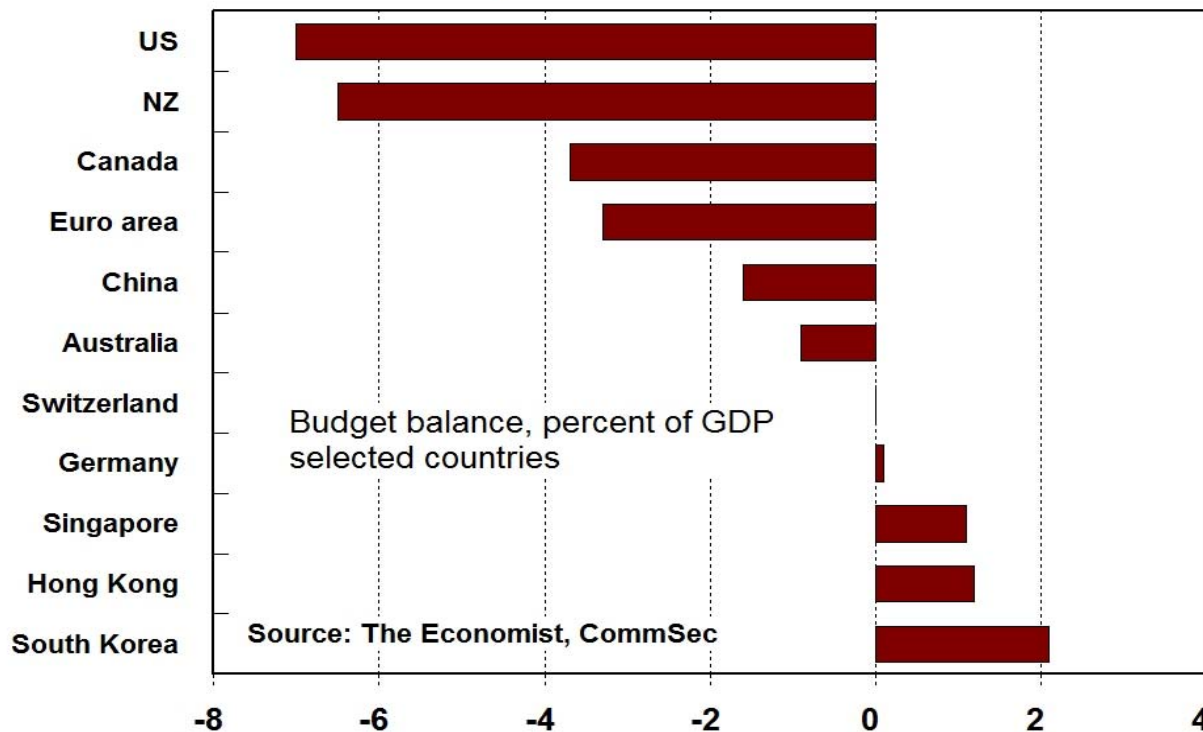
Source: US Bureau of Labor Statistics

Australia

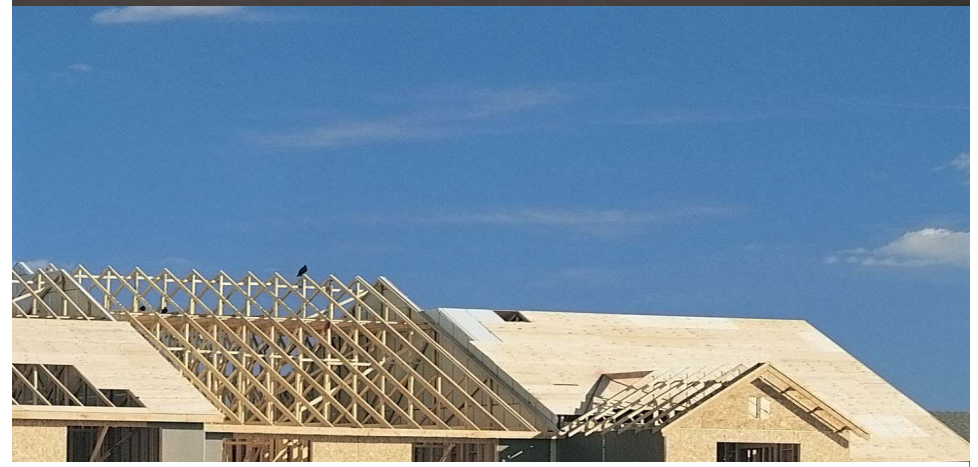
Is there a stronger economy?

- ✓ No recession in 21 years
- ✓ Unemployment 5.4%
- ✓ Inflation near 2.25%
- ✓ Budget deficit headed for 1% of GDP

Middle of the pack



Stocktake



OVERALL:

Normal growth, 3.1%

STATES:

WA strong; Tasmania weak

SECTORS:

Best - No stand-outs

Weak - Manufacturing

SPENDING:

Normal growth, 3.3%

CONFIDENCE:

Average, 100.6

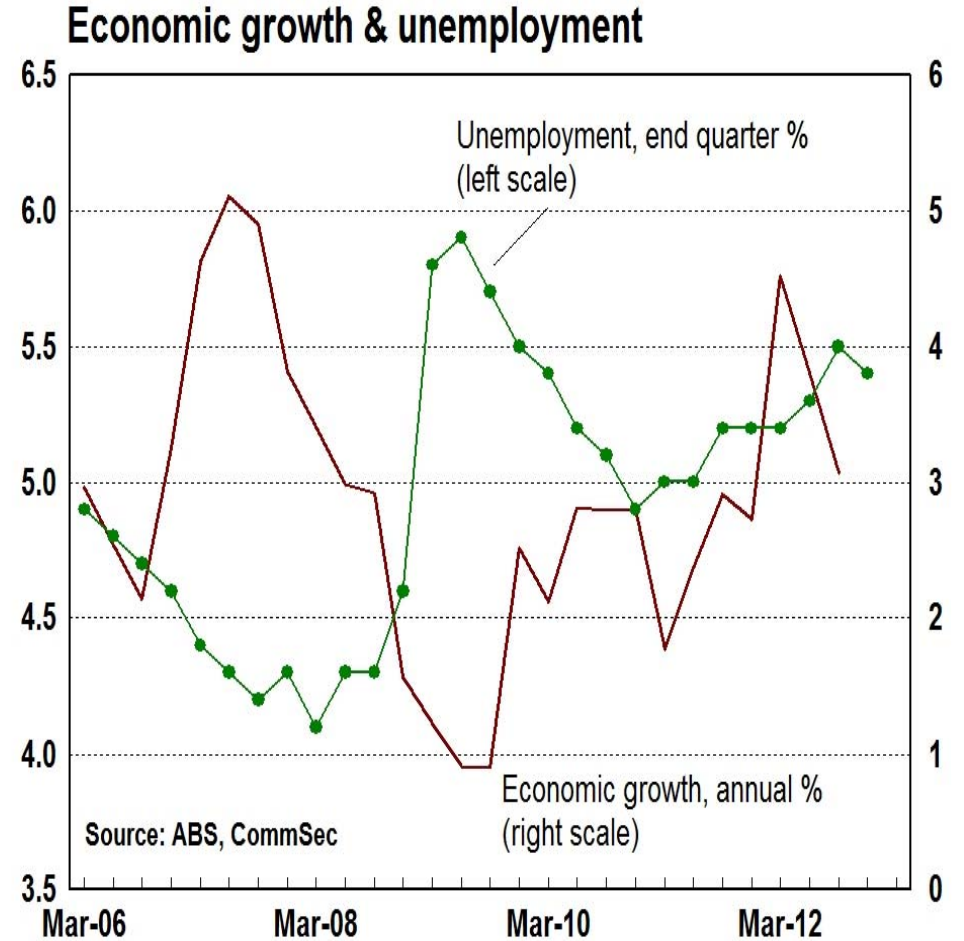
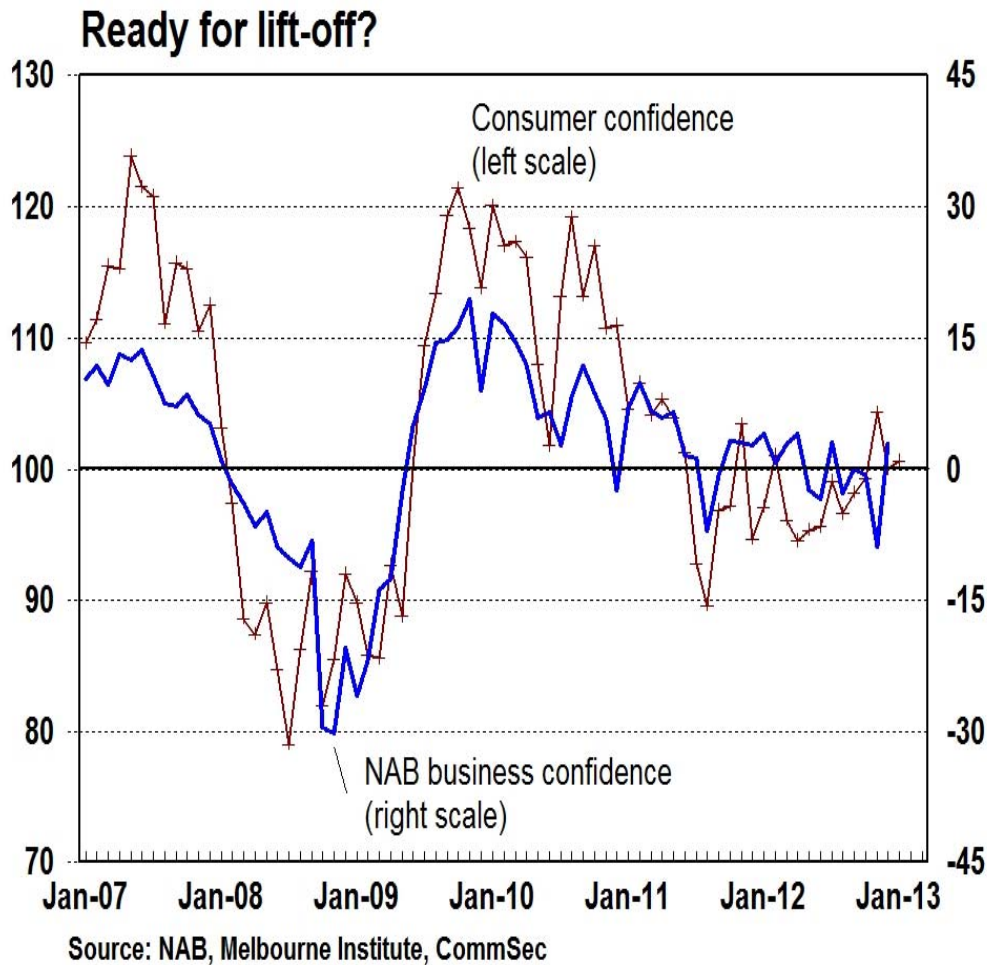
JOB MARKET:

Weak hiring; low jobless

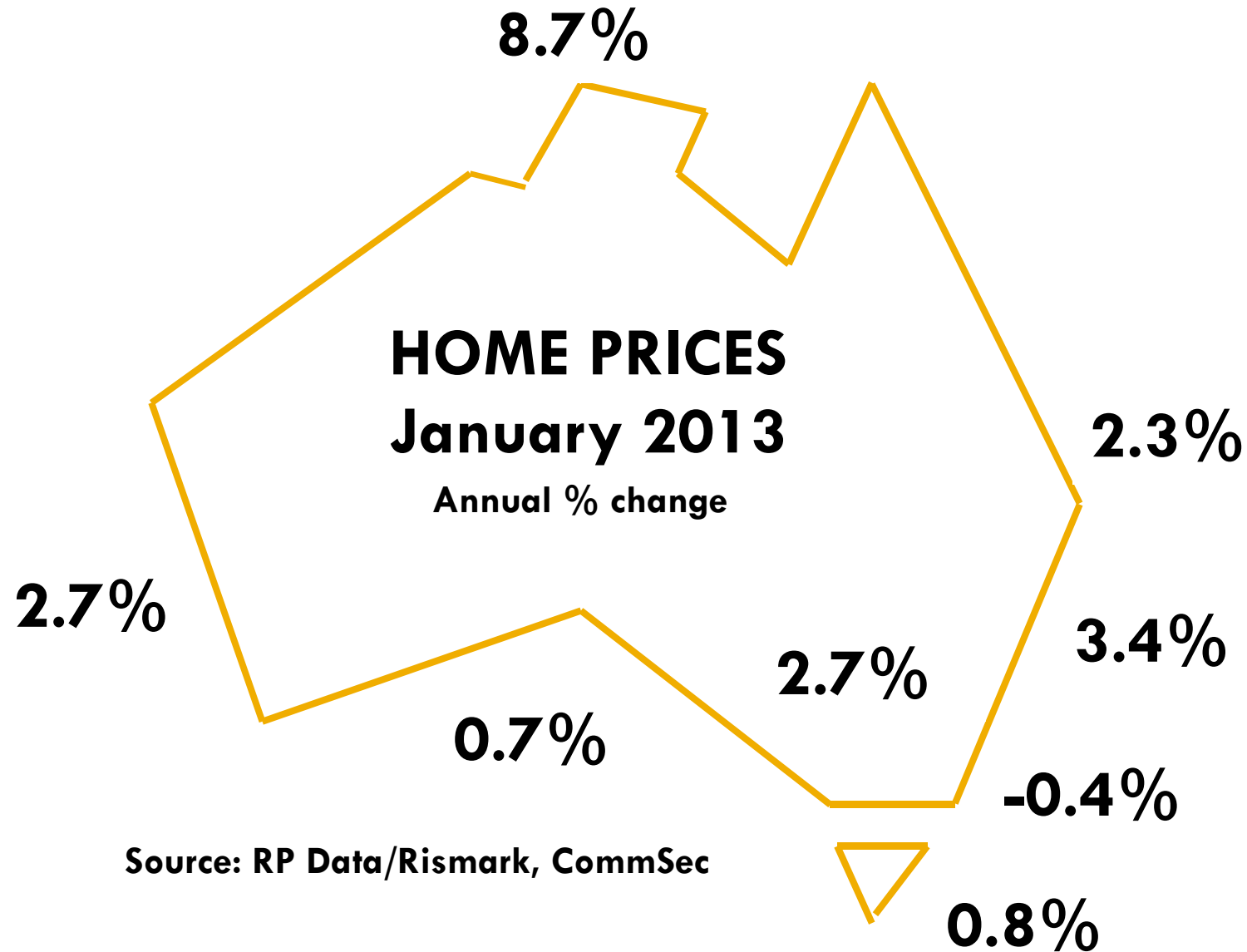
HOUSING:

Flat prices; activity lifting

The Keys: Jobs & confidence



Home prices lift



Source: RP Data/Rismark, CommSec

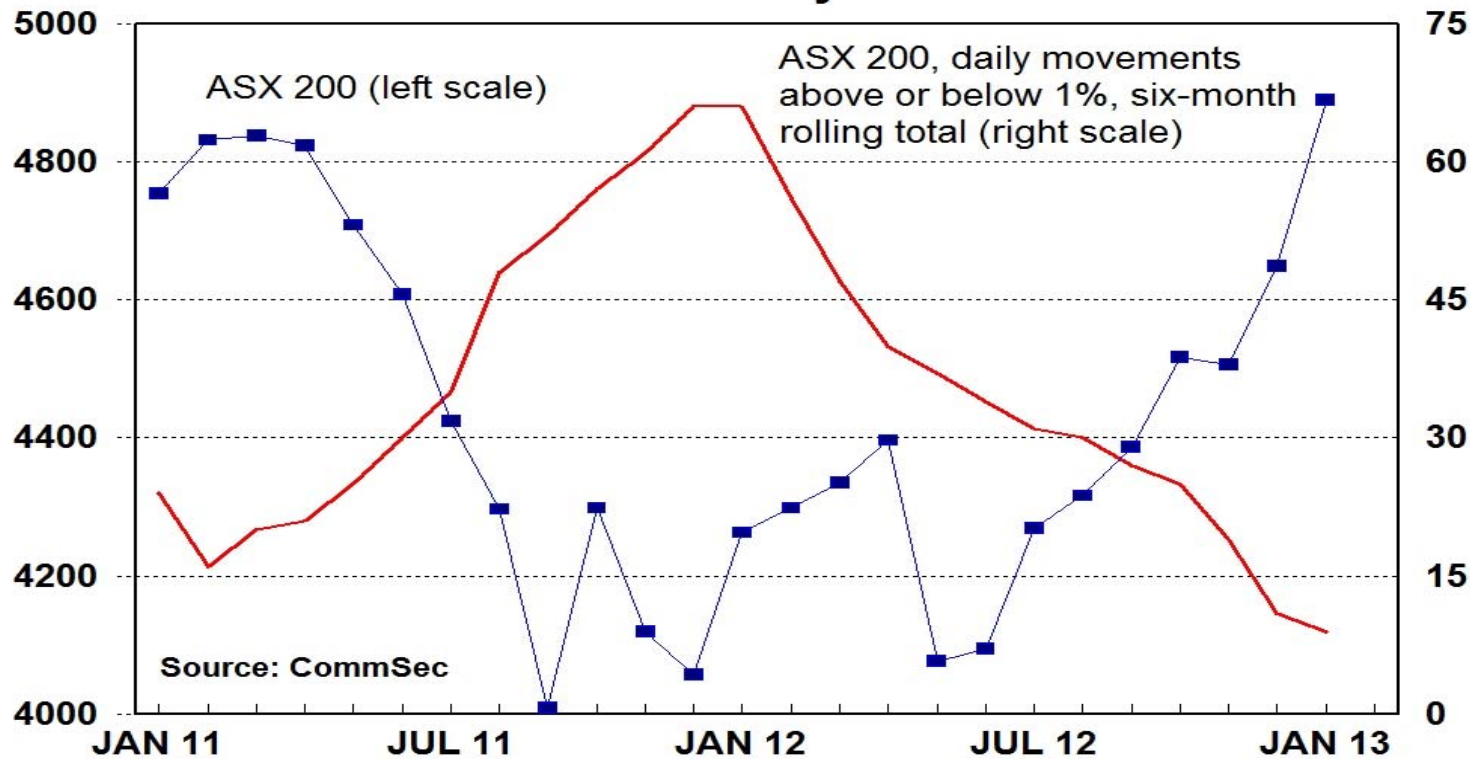
Sharemarket

Total returns: +18.8% in 2012

Last decade: +11.7%

Utilities, HealthCare, Consumer Staples hit record highs

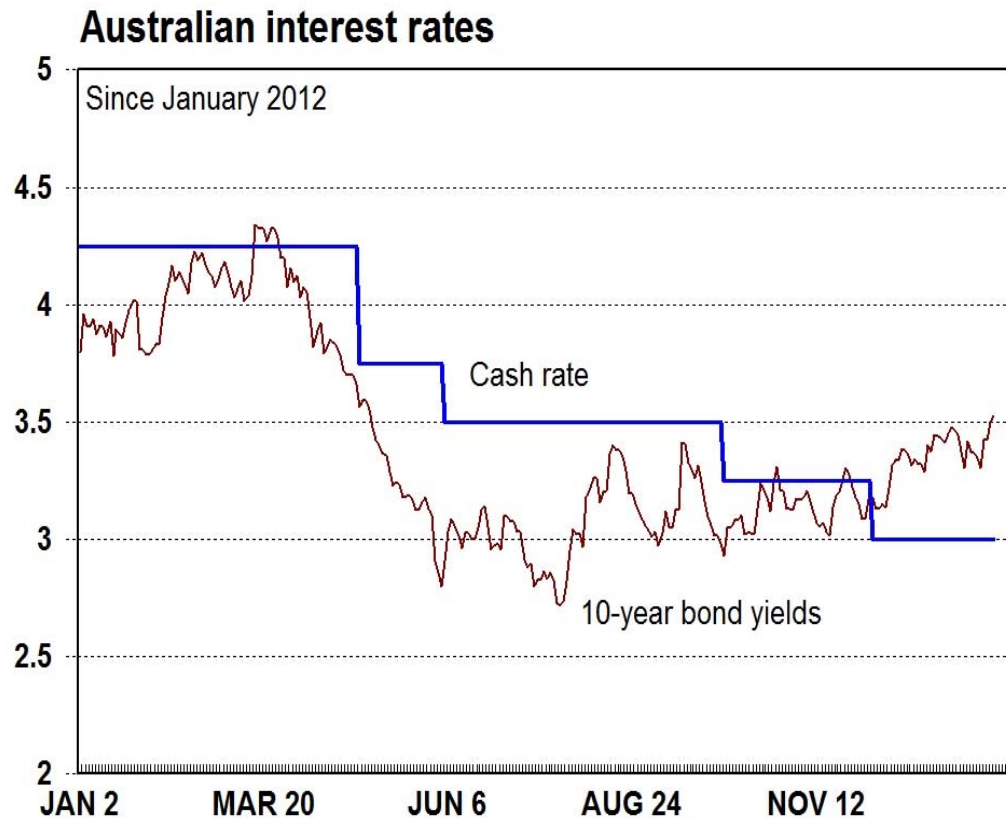
Sharemarket lifts as volatility recedes



Interest rates



Australia	3.00%
New Zealand	2.50%
Canada	1.00%
Euro area	0.75%
UK	0.50%
US	0.13%
Japan	0.05%
Switzerland	0.00%



Source: Reuters, CommSec

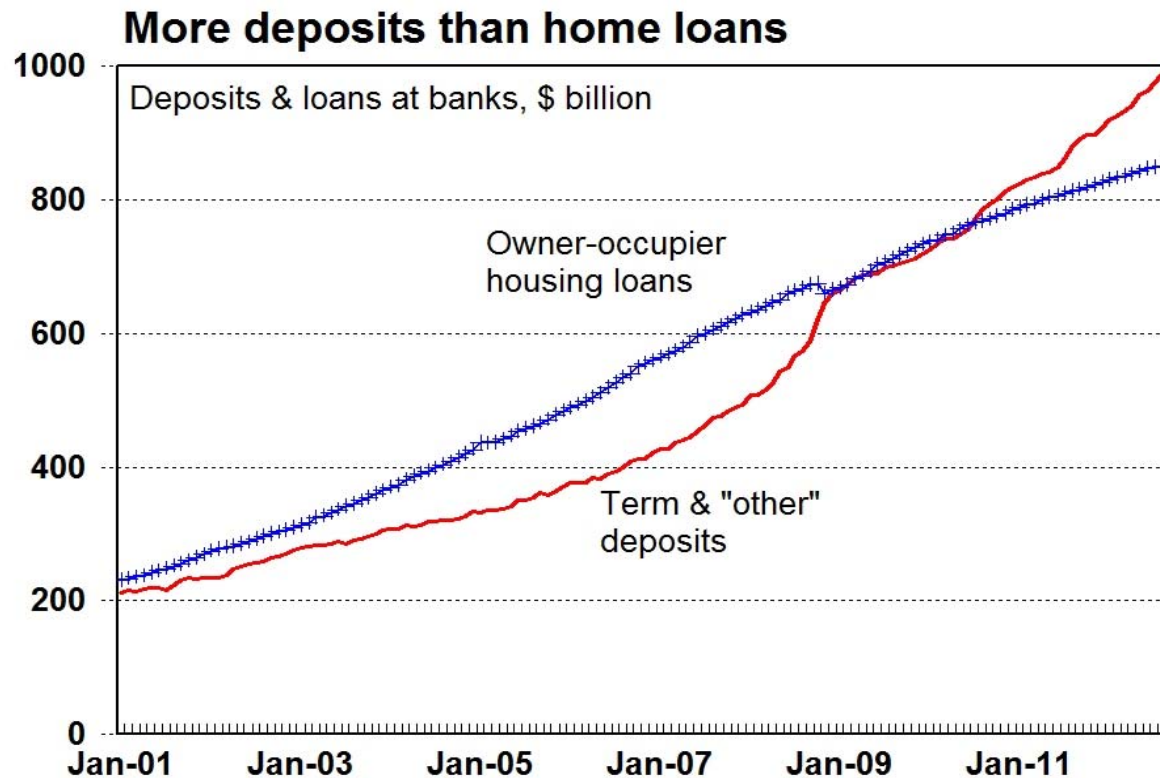
Interest rates

Do rate cuts still work?

More depositors

Fewer borrowers

Confidence is key



Source: Reserve Bank, CommSec

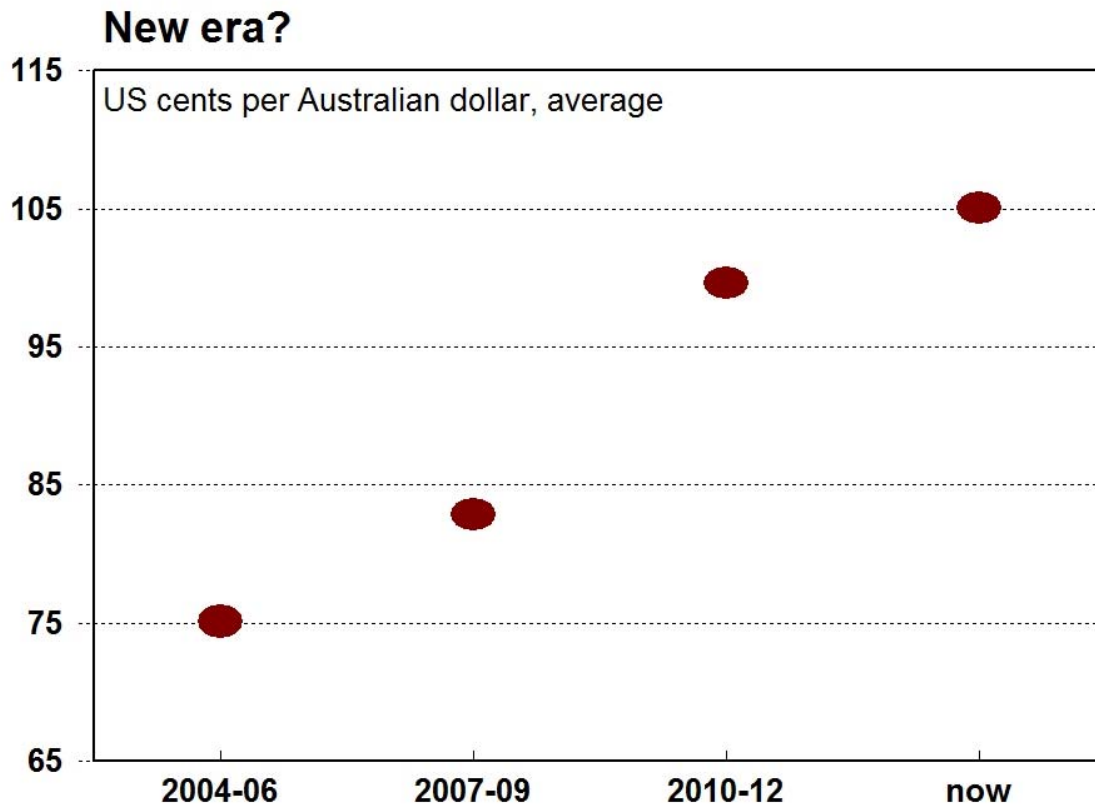
Aussie dollar



Winners & losers

Need to review strategy

Rates to stay lower



Outlook



CONFIDENCE TO LIFT

Global economy healing, but note election in September

REAL WAGE GROWTH TO CONTINUE

Wages 3-4%; Inflation 2-3%

JOBLESS RATE TO STAY LOW

Businesses to lift hiring as confidence improves

AUSSIE DOLLAR TO REMAIN FIRM

Range of implications

Forecasts



ECONOMY:	Normal...around 3%
INFLATION:	In Band...2-3%
UNEMPLOYMENT:	Still low...4.75-5.50%
HOUSING:	Prices up 2-3%
INTEREST RATES:	Risk lower, then higher Range 2.75-3.50%
AUSSIE DOLLAR:	Range US98-110c US108c, September