



in conjunction with
Arnold Stevens Finlay & IACR
Partners

Chartered Accountants
welcome you

to:

A Global Economic & Investment Update

Craig James
(Chief Economist CommSec)



Economy 2016: *Hurdles cleared, more to come*



Craig James, Chief Economist, @CommSec, July 2016

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.

Commonwealth Securities Limited ABN 60 067 254 399

AFSL 238814 (CommSec) is a wholly owned but non-guaranteed subsidiary of Commonwealth Bank of Australia ABN 48 123 123 124 and a Participant of the ASX Group.

Examples used in this presentation are for illustrative purposes only.

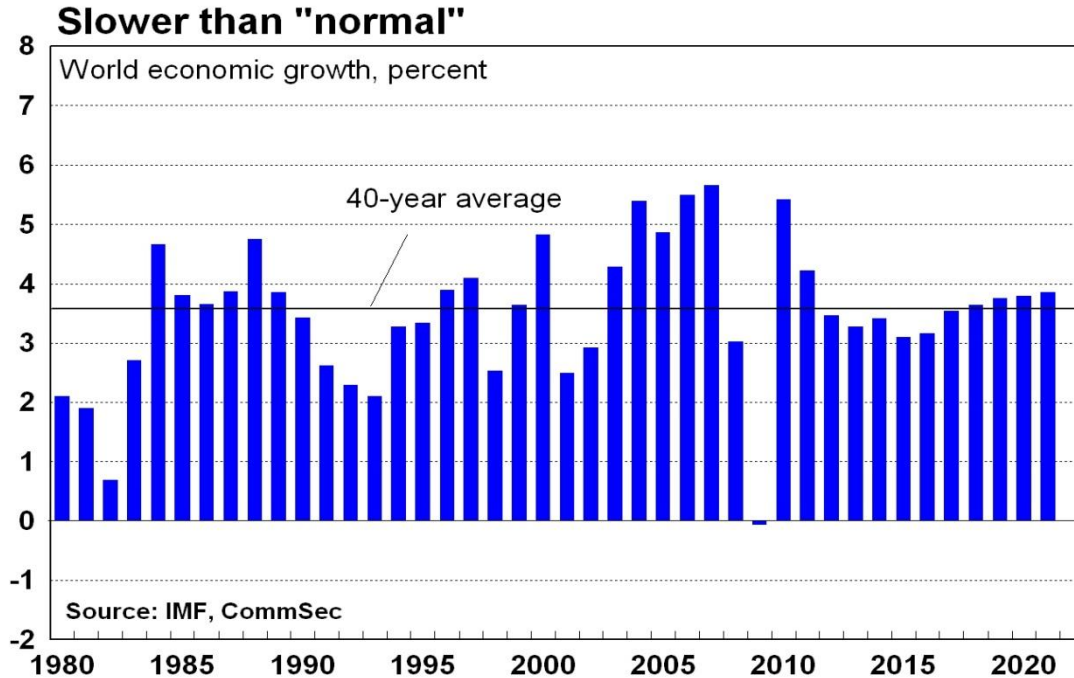
Hurdles cleared, more to come

- ✓ **Brexit**
- ✓ **Federal Election**
- ✓ **Chinese data**
- ✓ **US Federal Reserve**
- ✓ **February-July rate meetings**

- ❑ **Earnings season**
- ❑ **US election**



Global: *Can do better...*



Drivers of world economy

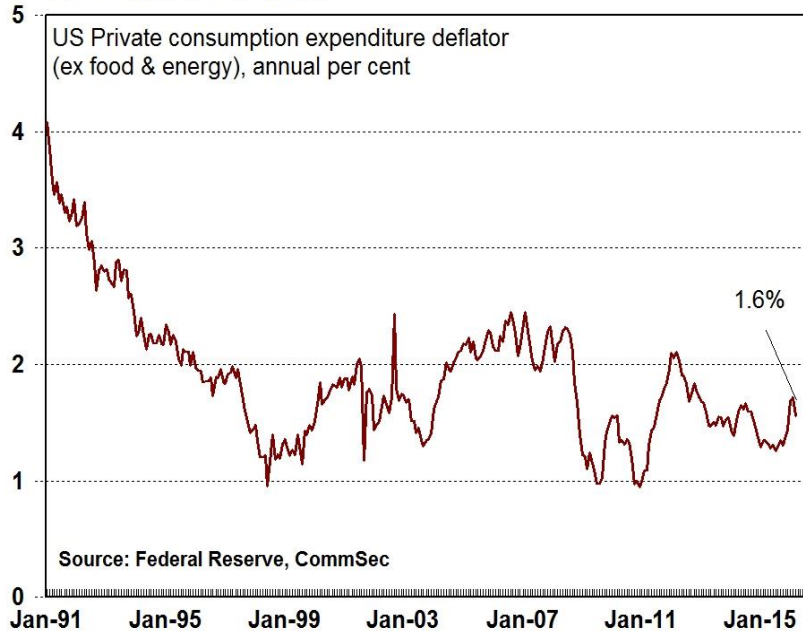
Contribution to growth 2016 (pct points)

China	1.02
United States	0.56
India	0.23
Germany	0.08
Indonesia	0.06
United Kingdom	0.06
France	0.05
Korea	0.05
Spain	0.04
Australia	0.04
Turkey	0.04
Mexico	0.04
Canada	0.03
Sweden	0.03
Philippines	0.03
Italy	0.02
Japan	0.02
<i>Other countries</i>	<i>0.70</i>
WORLD	3.1

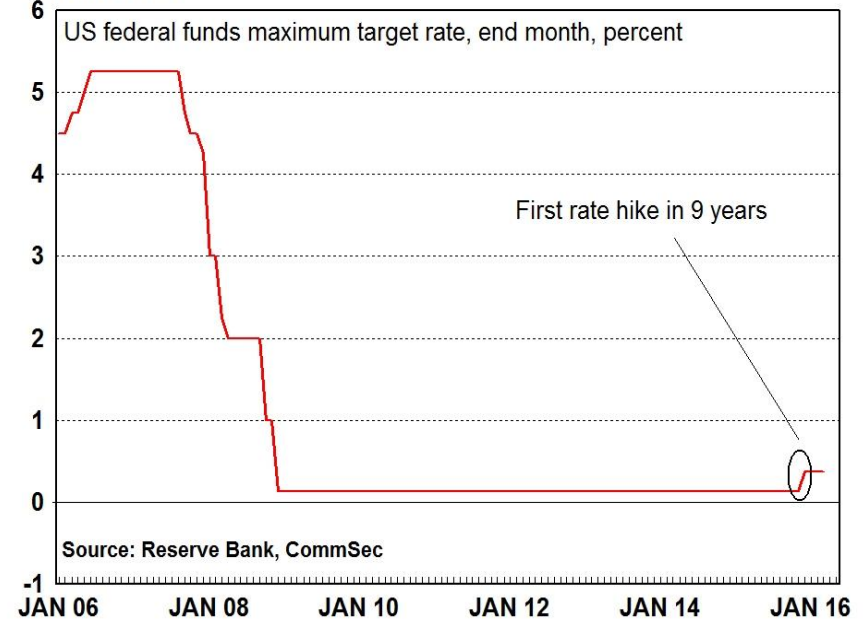
Source: IMF, CommSec

United States: *Time on its hands*

US inflation still low

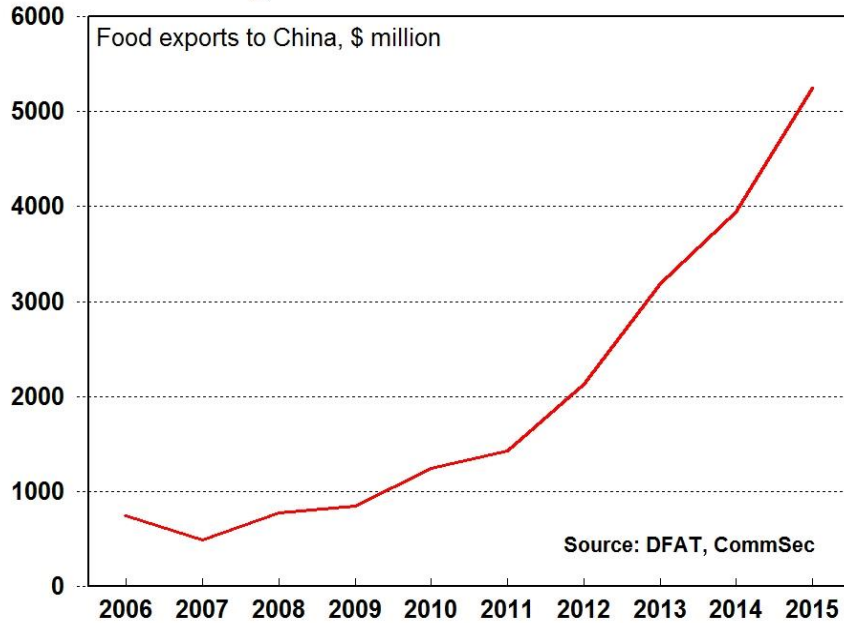


Lift-off...



China: Consumers to lead

The "Dining Boom"



The Chinese tourism boom



NT

+ Construction Work

- Population Growth

The Northern Territory remains in top spot for construction work done & is also now best on unemployment. NT is ranked last on population growth, business investment & housing finance.

WA

+ Retail Trade

- Unemployment

Western Australia is third on retail trade and middle ranked on construction work. But WA struggles on unemployment (last).

SA

+ Equipment Investment

- Retail Trade

South Australia is middle ranked on population growth & housing finance & fifth ranked on economic growth. It remains last on retail trade.

VIC

+ Housing Finance

- Unemployment

Victoria is ranked second on economic growth, population growth, retail trade, business investment, construction work & housing finance.

TAS

+ Job Market

- Economic Growth

Tasmania is fifth ranked on four indicators, but is last on dwelling starts and economic growth.

QLD

+ Dwelling Starts

- Construction Work

Queensland is second ranked on dwelling starts. But QLD is bottom ranked on construction work & seventh ranked on economic growth & unemployment.

NSW

+ Population Growth

- Construction work

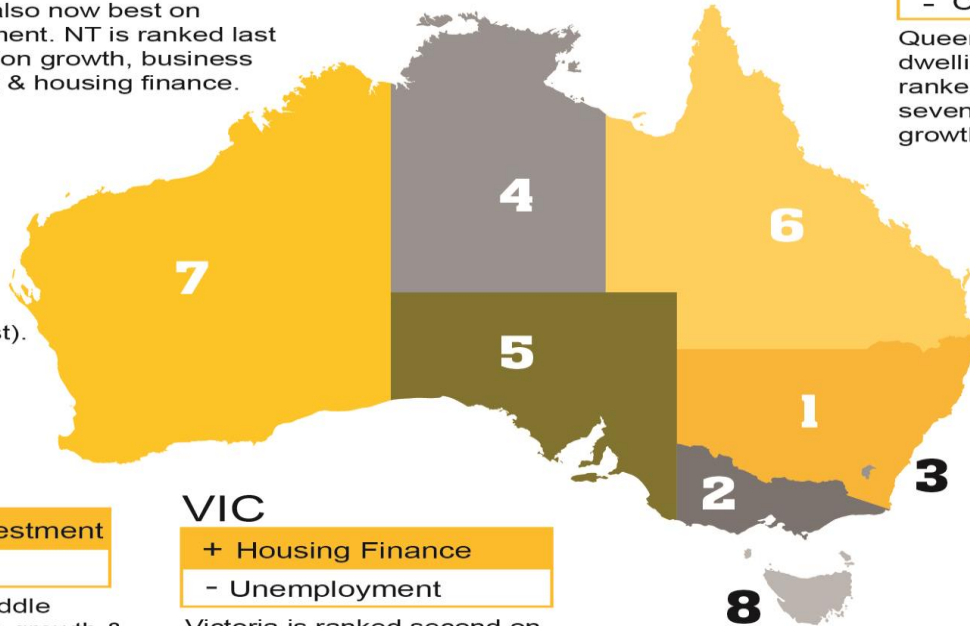
NSW has retained its top spot on equipment investment, population growth, retail trade and dwelling starts and added economic growth.

ACT

+ Housing Finance

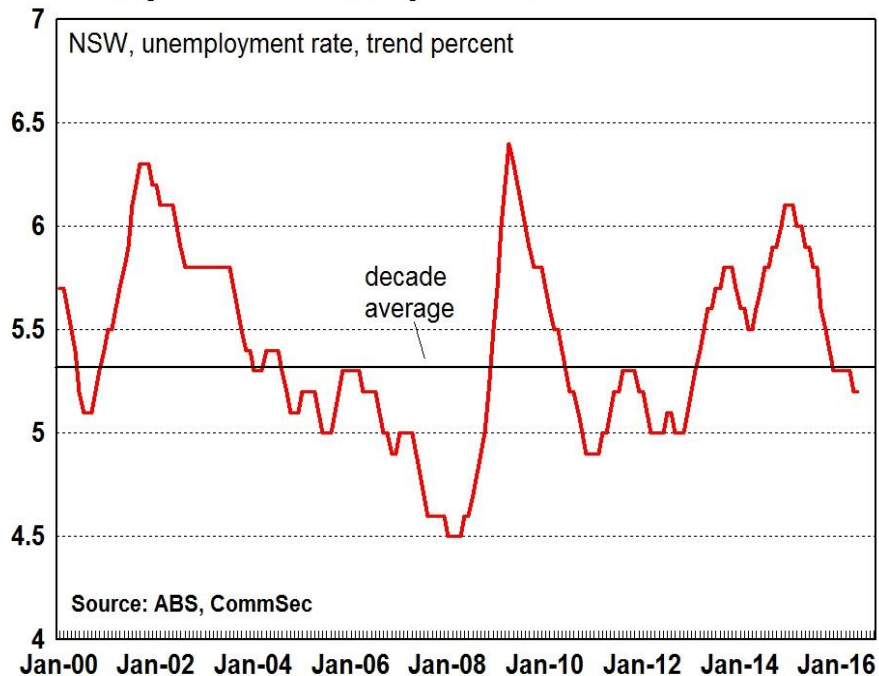
- Construction Work

The ACT is top ranked on housing finance and third ranked on economic growth, unemployment and population growth.

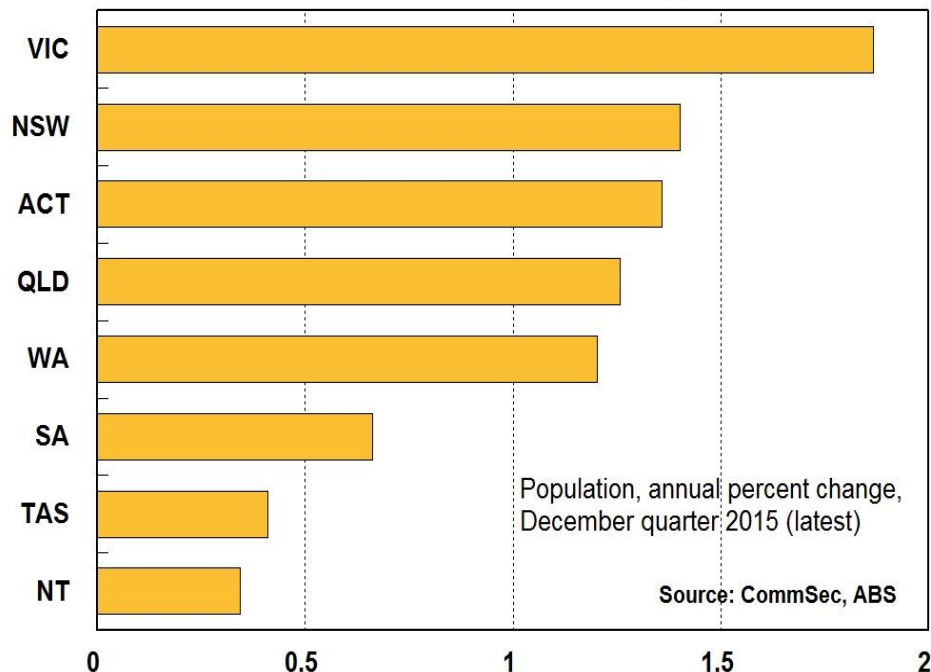


NSW: *Out-performing*

NSW jobless rate at 3-year low

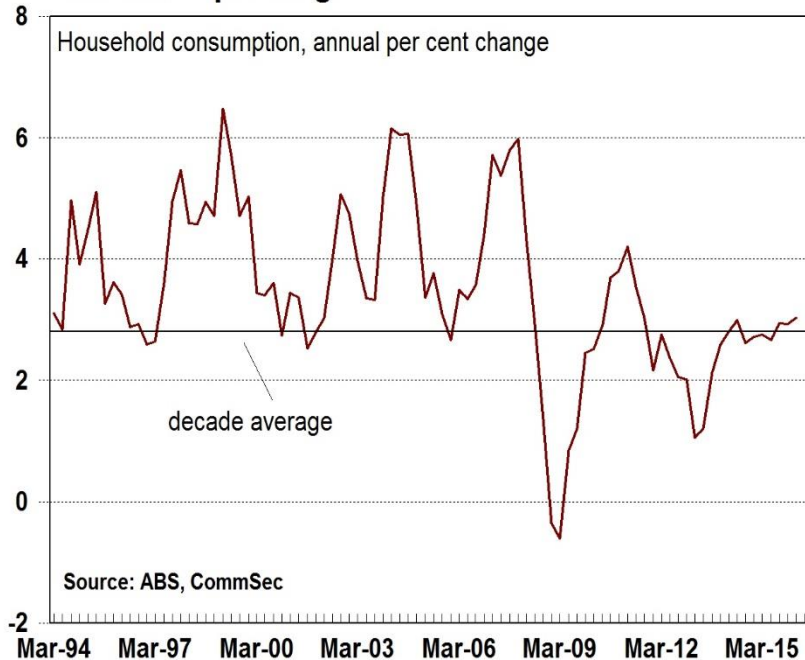


Victoria leads the way on population growth

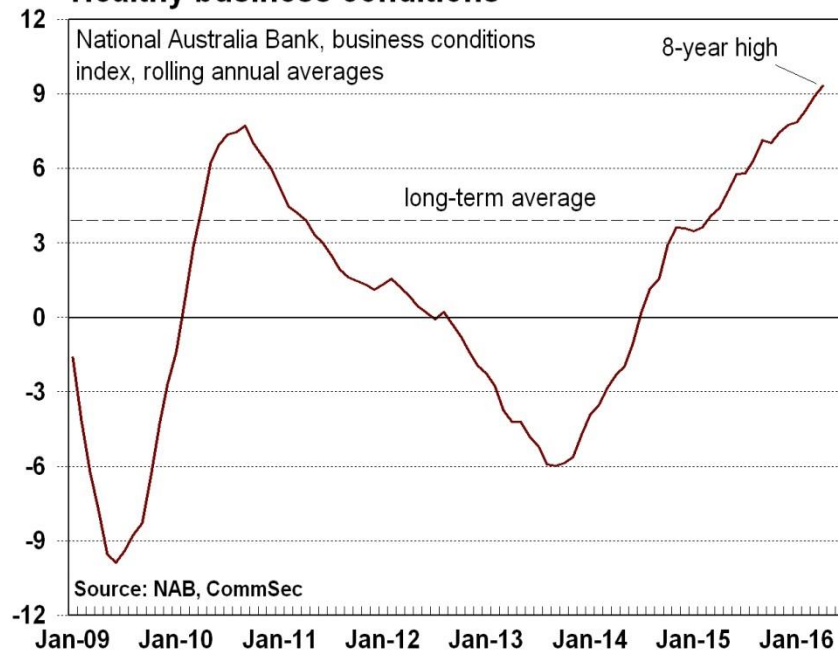


Activity & Spending

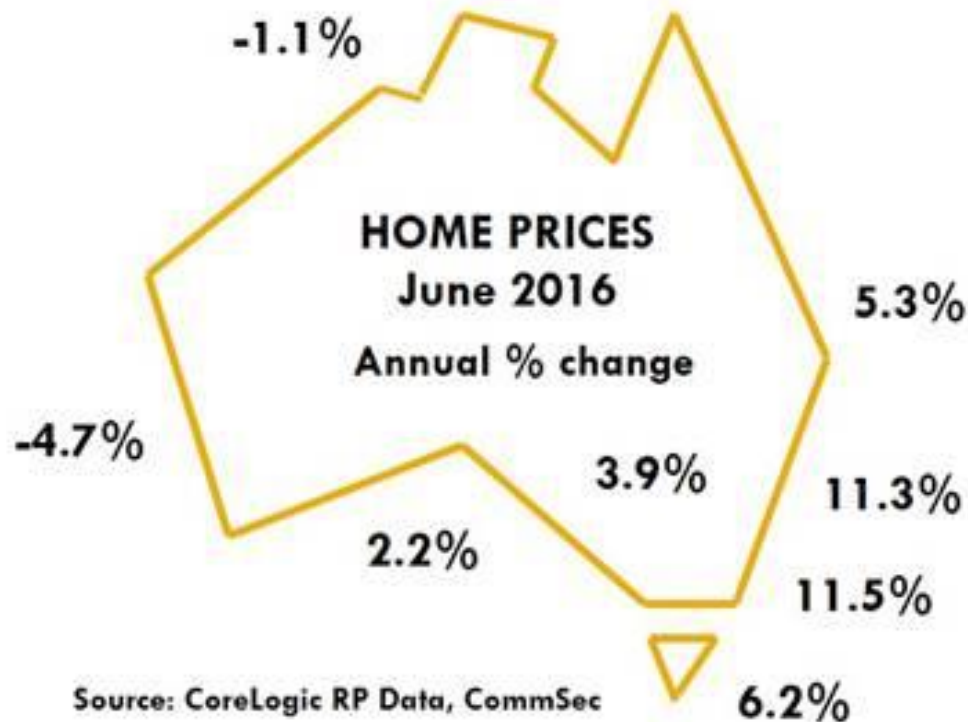
"Normal" spending



Healthy business conditions



Home prices: *In context*



Average Home Prices

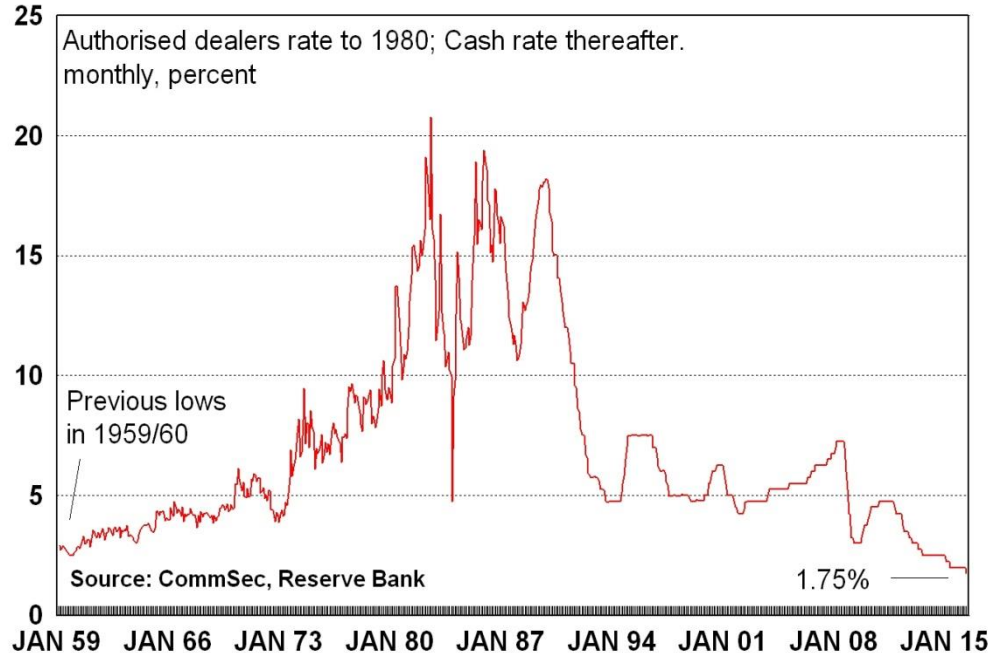
% annual average past decade

Hobart	1.6
Adelaide	3.8
Brisbane	3.9
Canberra	4.0
Perth	4.6
Sydney	6.1
Darwin	6.5
Melbourne	7.3

Source: CoreLogic RP Data, CommSec

Interest Rates: *At record lows*

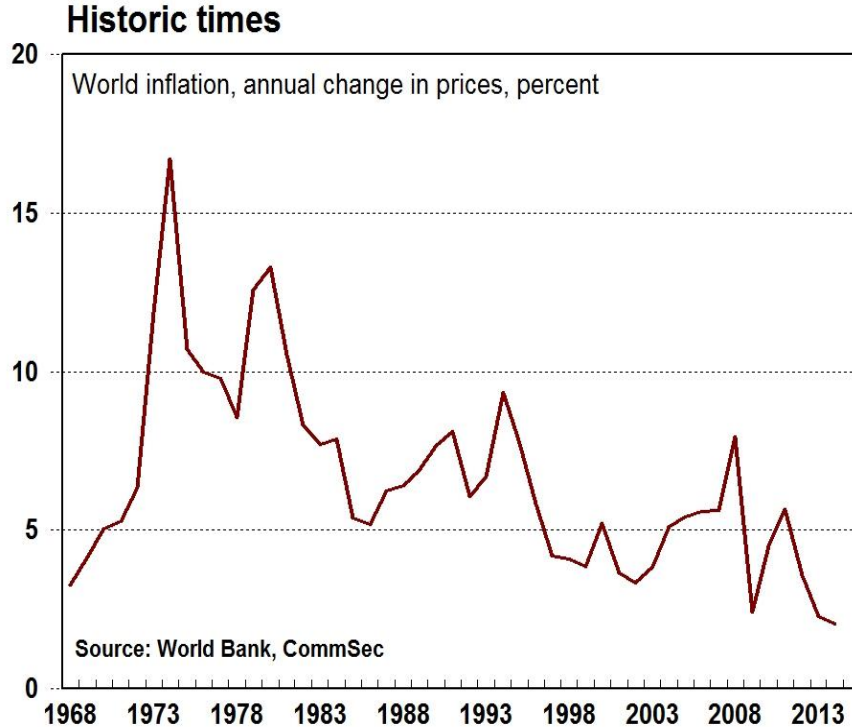
Record low interest rates



Stocktake

- Super-low inflation
- But good economy
- Grow a little faster
- Lower for longer
- Disruption!

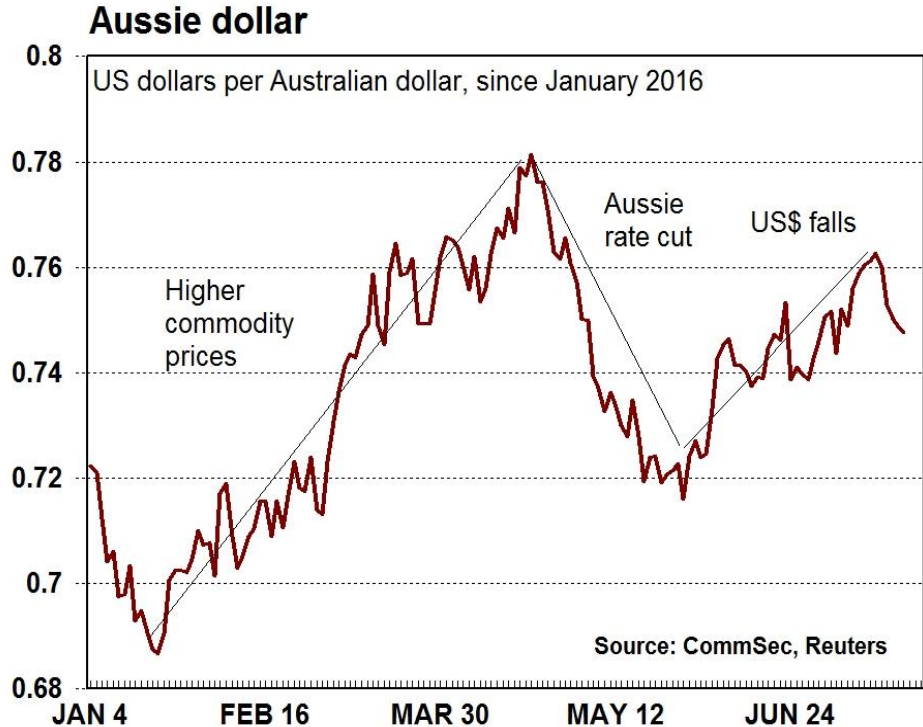
All about prices



Broad-based trends

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

Aussie Dollar: *The key drivers*

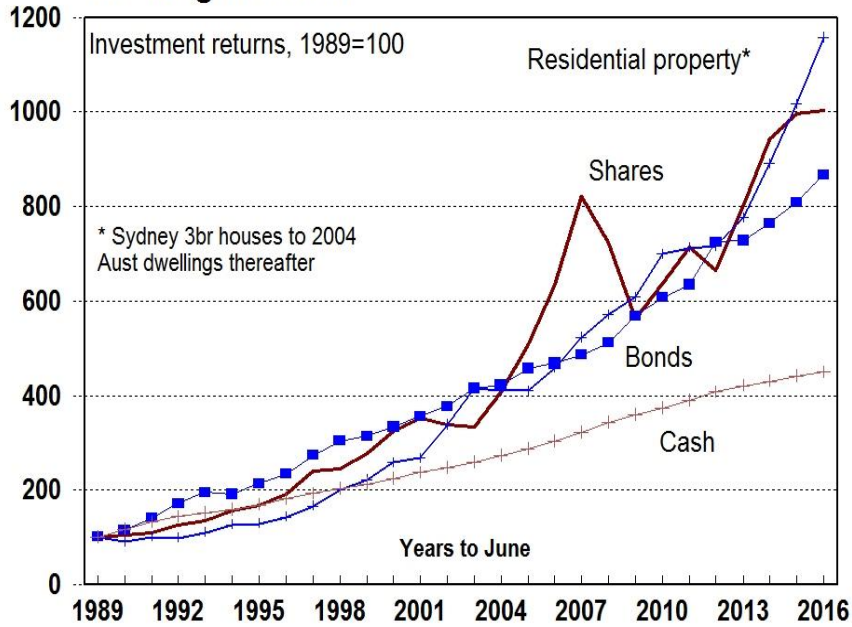


Stocktake

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

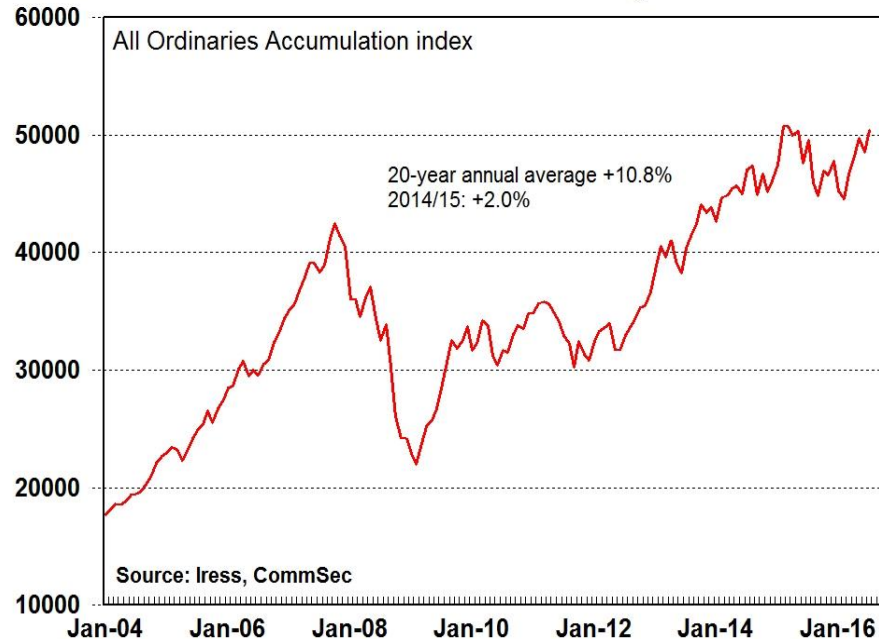
Investments: *Diversification wins out*

The long-run view



Source: CommSec, REIA, RP Data, Iress

Shareholder returns near record high



Outlook

FORECASTS

	<i>2016</i>	<i>2017</i>
Economic Growth	2.75-3.25%	2.75-3.25%
Underlying inflation	1.25-1.75%	1.75-2.25%
Unemployment	5.50-6.00%	5.50-6.00%
	<i>end 2016</i>	<i>mid 2017</i>
Cash rate	1.25-1.75%	1.25-1.75%
Sharemarket (All Ords)	5,500-5,700	5,700-5,900
Australian dollar	US71-78c	US70-78c