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# **“Economic Trends”**

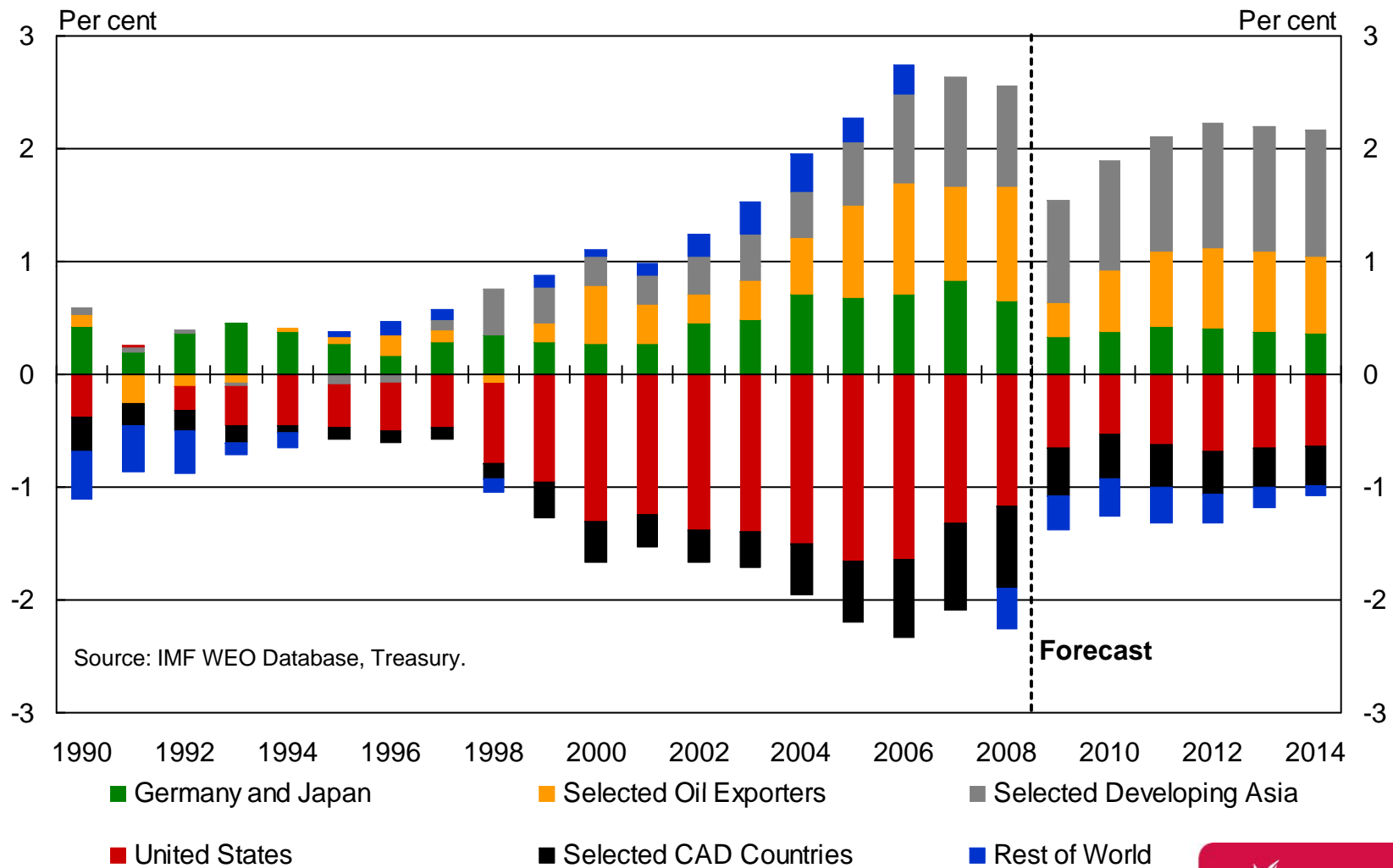
## **Putting the global economy under a local microscope**



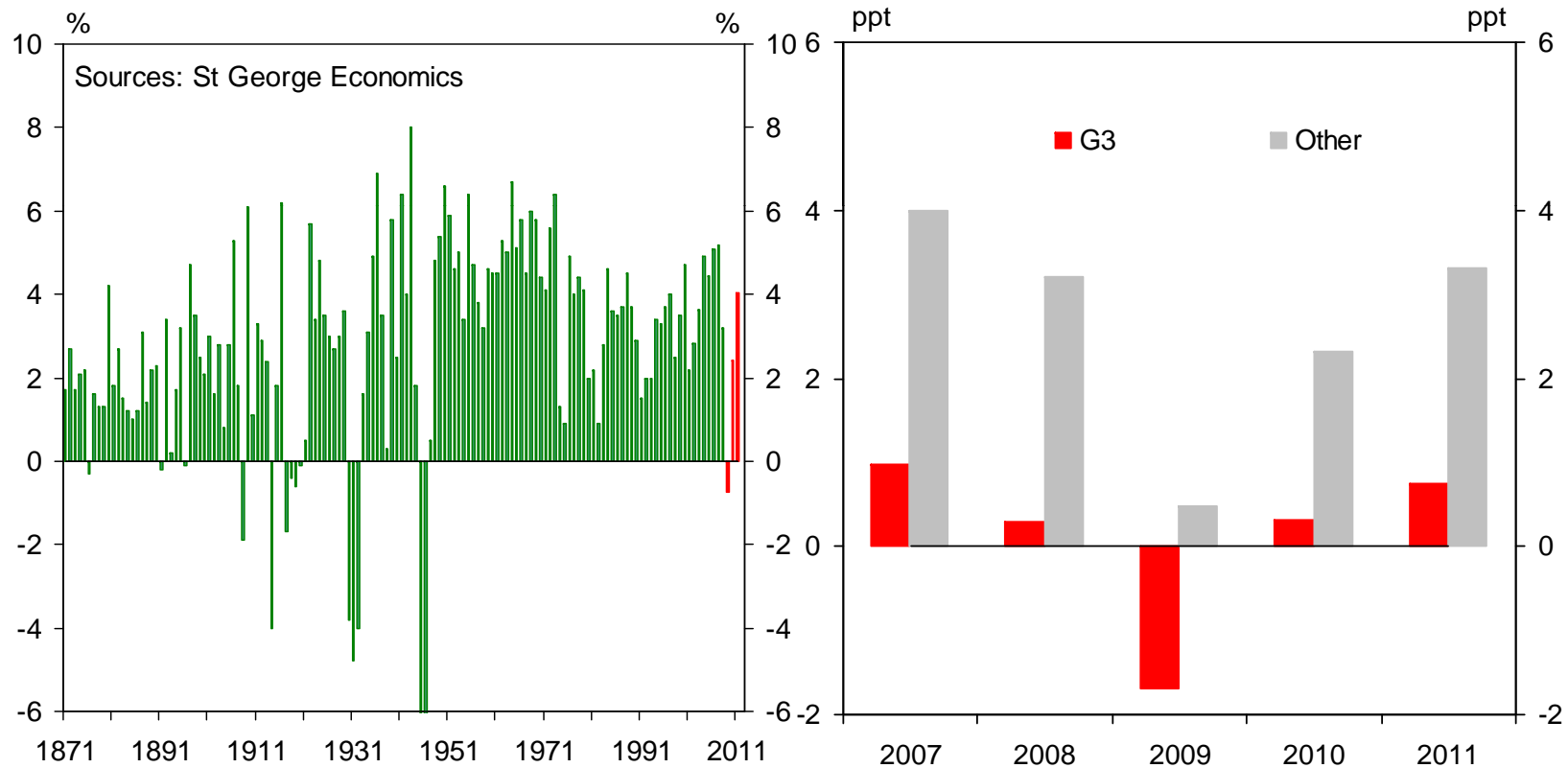
**Prepared for the Sunshine Coast  
State of the Region Summit**

**St. George Economics  
November 13, 2009**

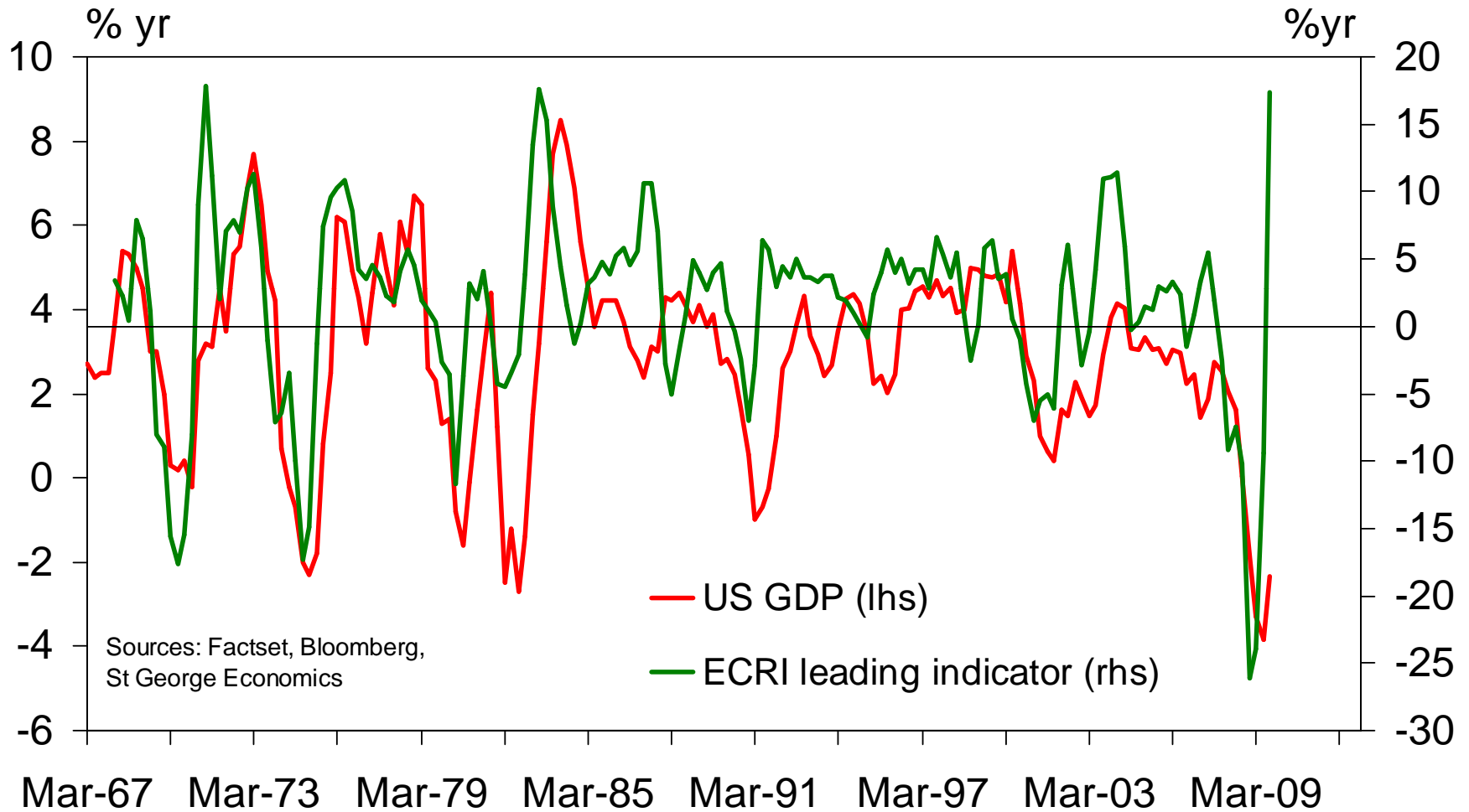
# Current account balances



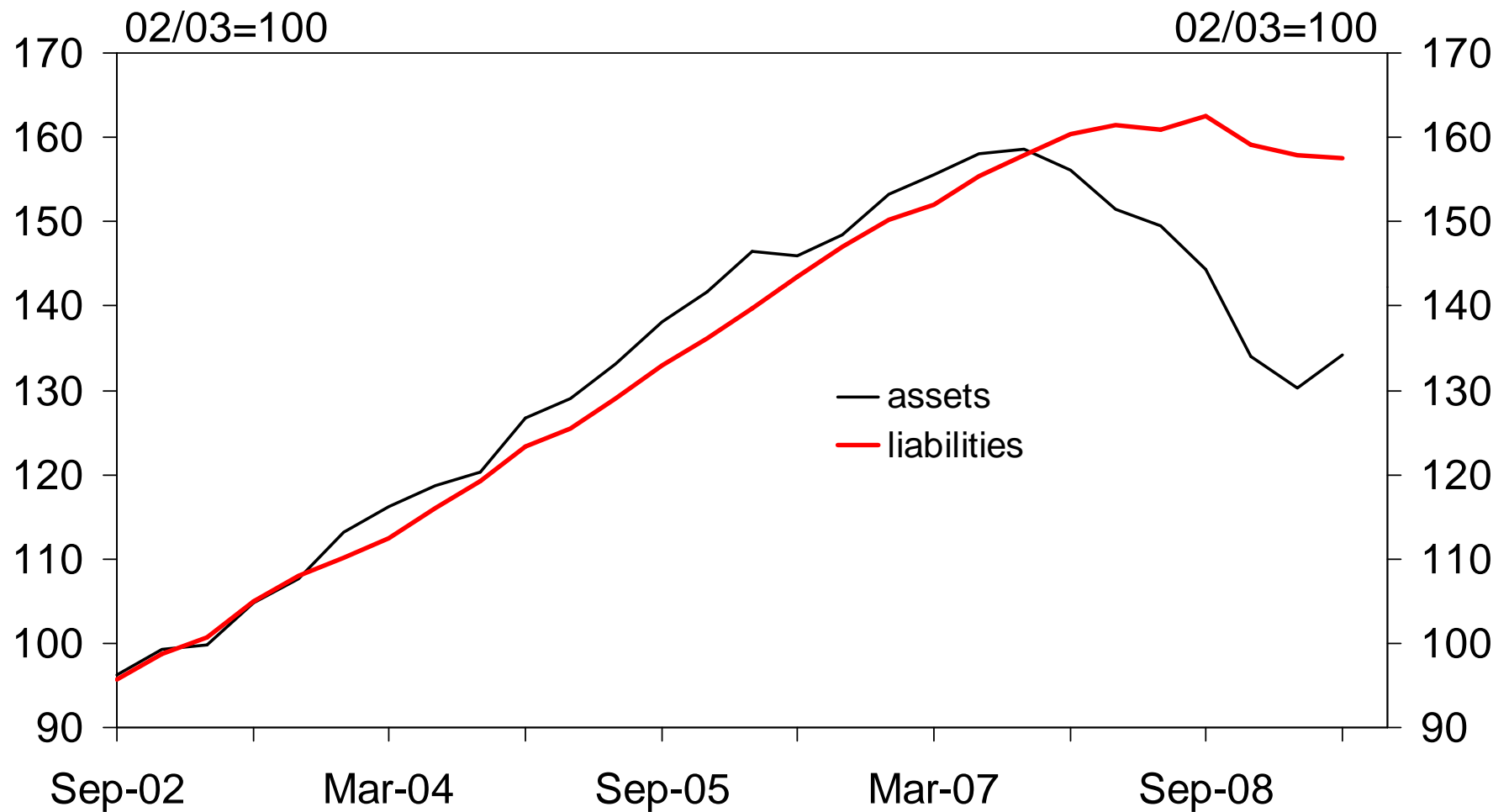
# Surprisingly robust global recovery



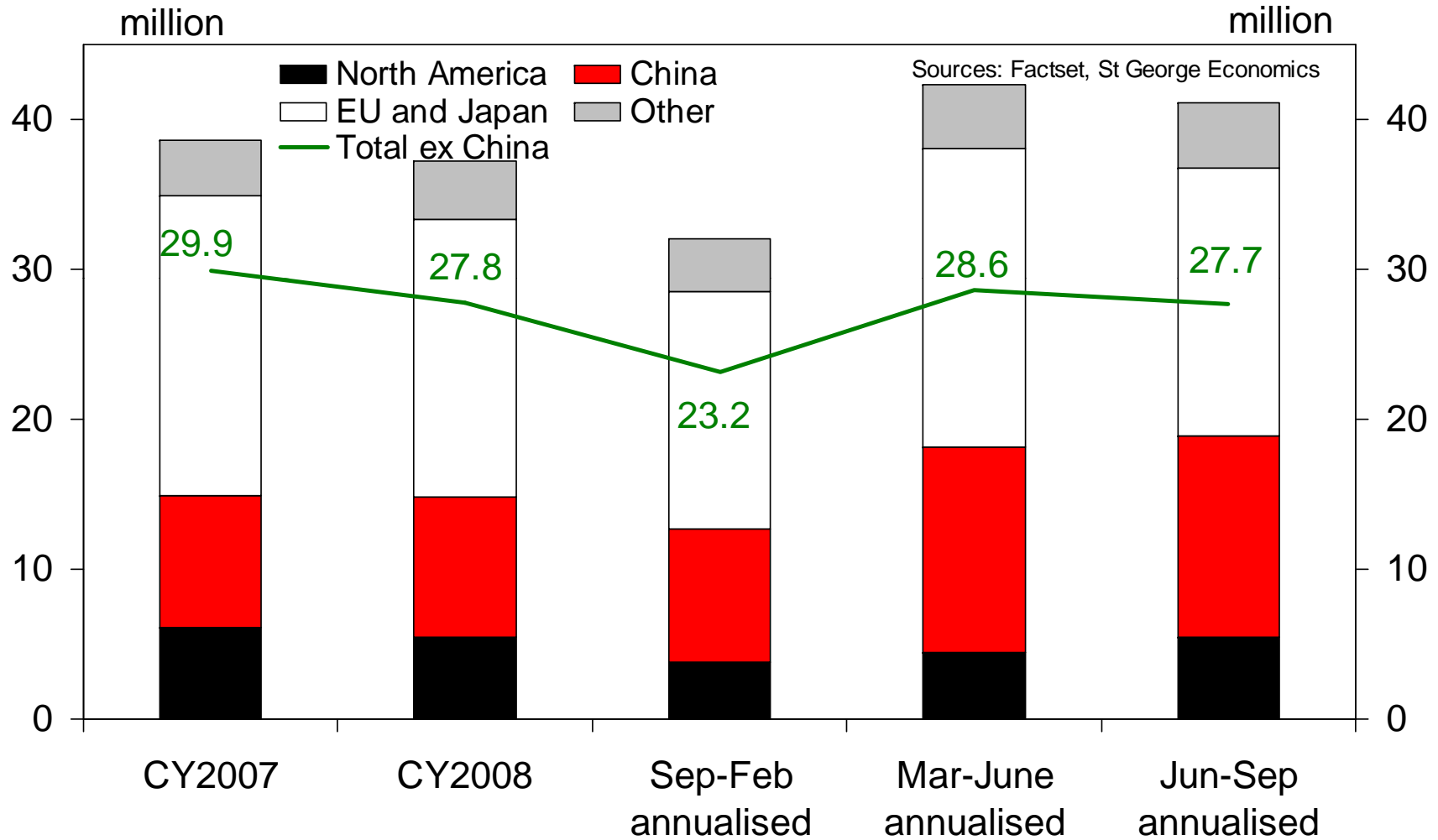
# US economy has staged a recovery



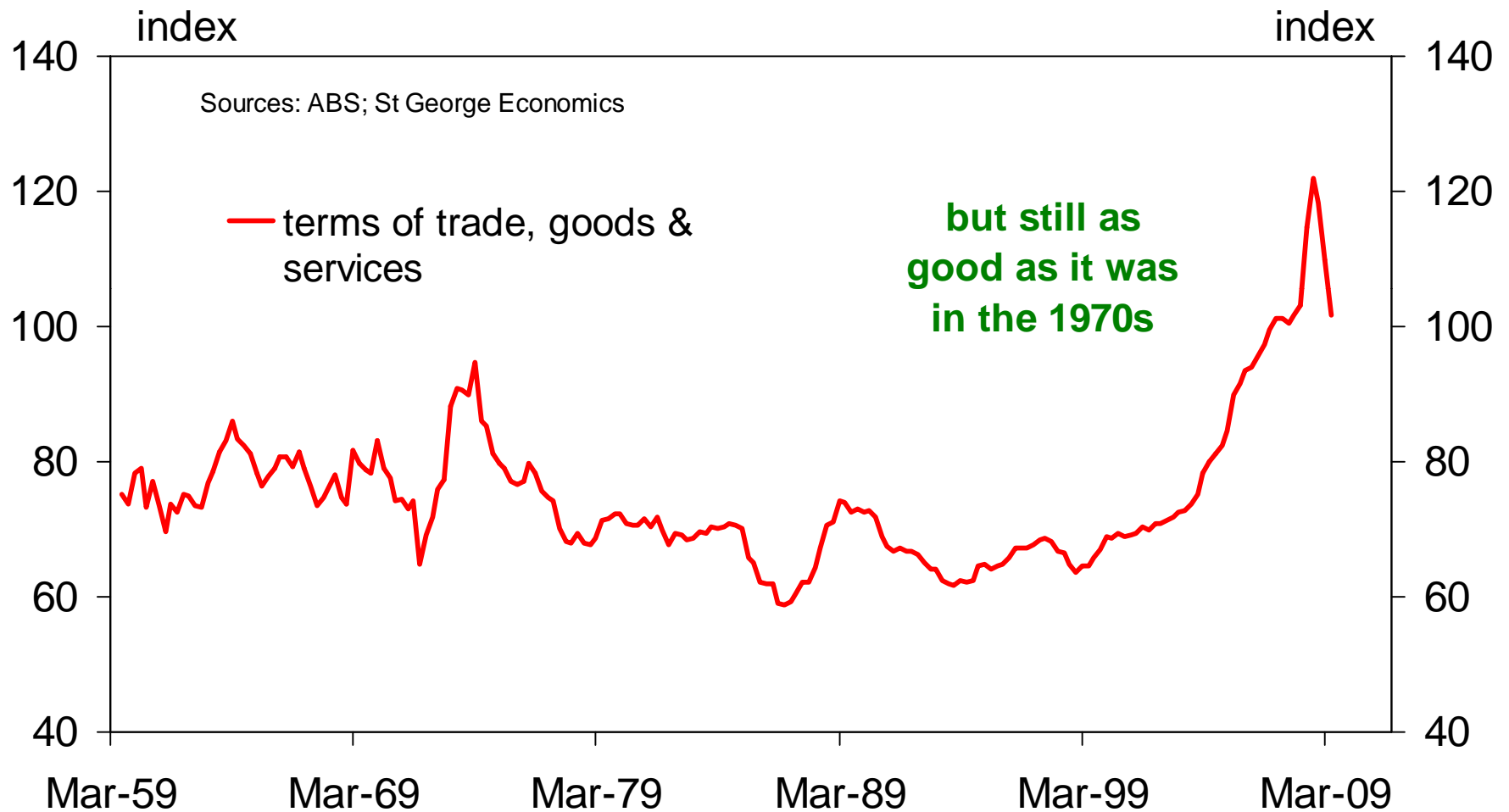
# Unprecedented loss in US wealth



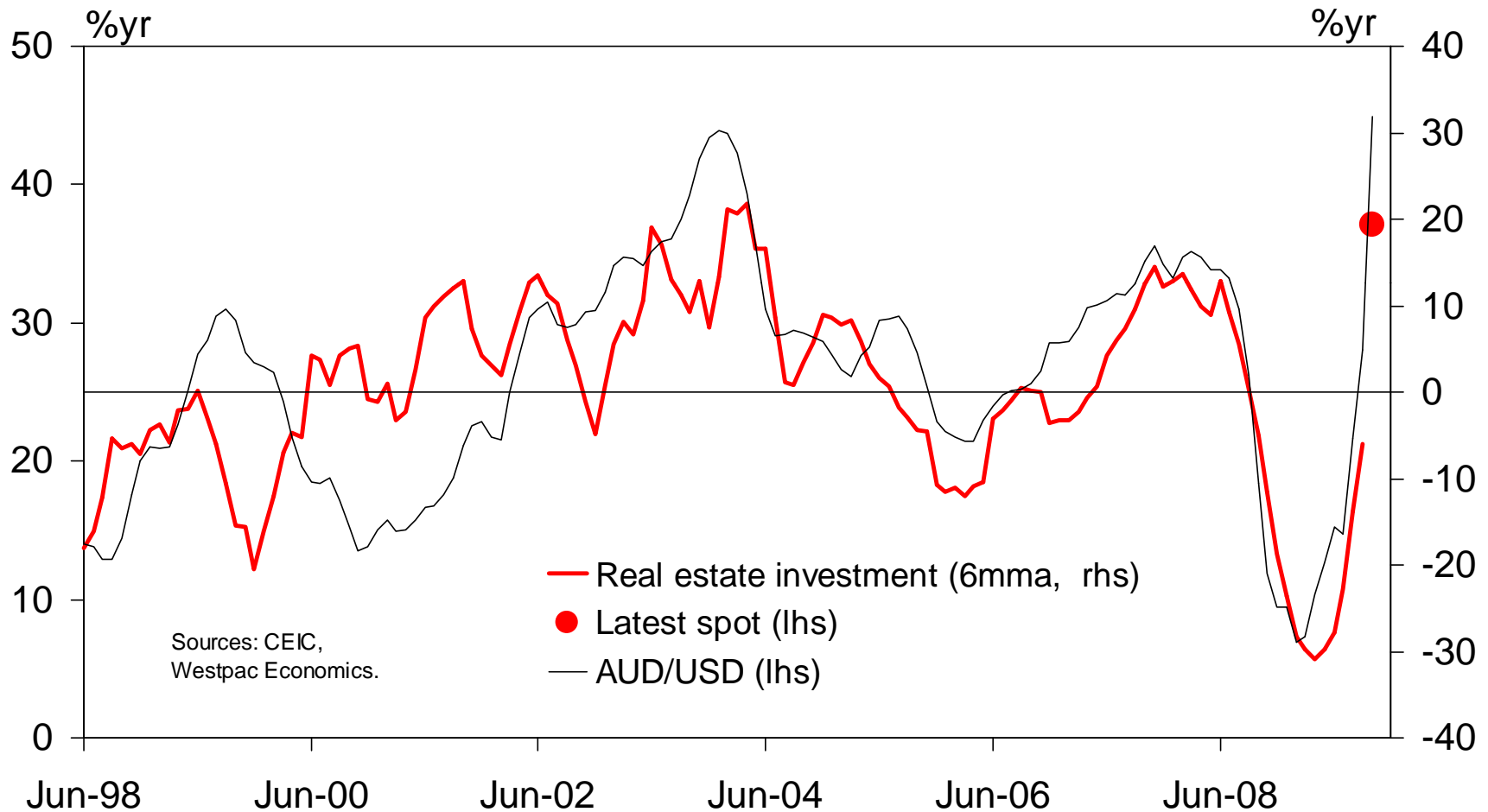
# Global auto sales: focus of stimulus



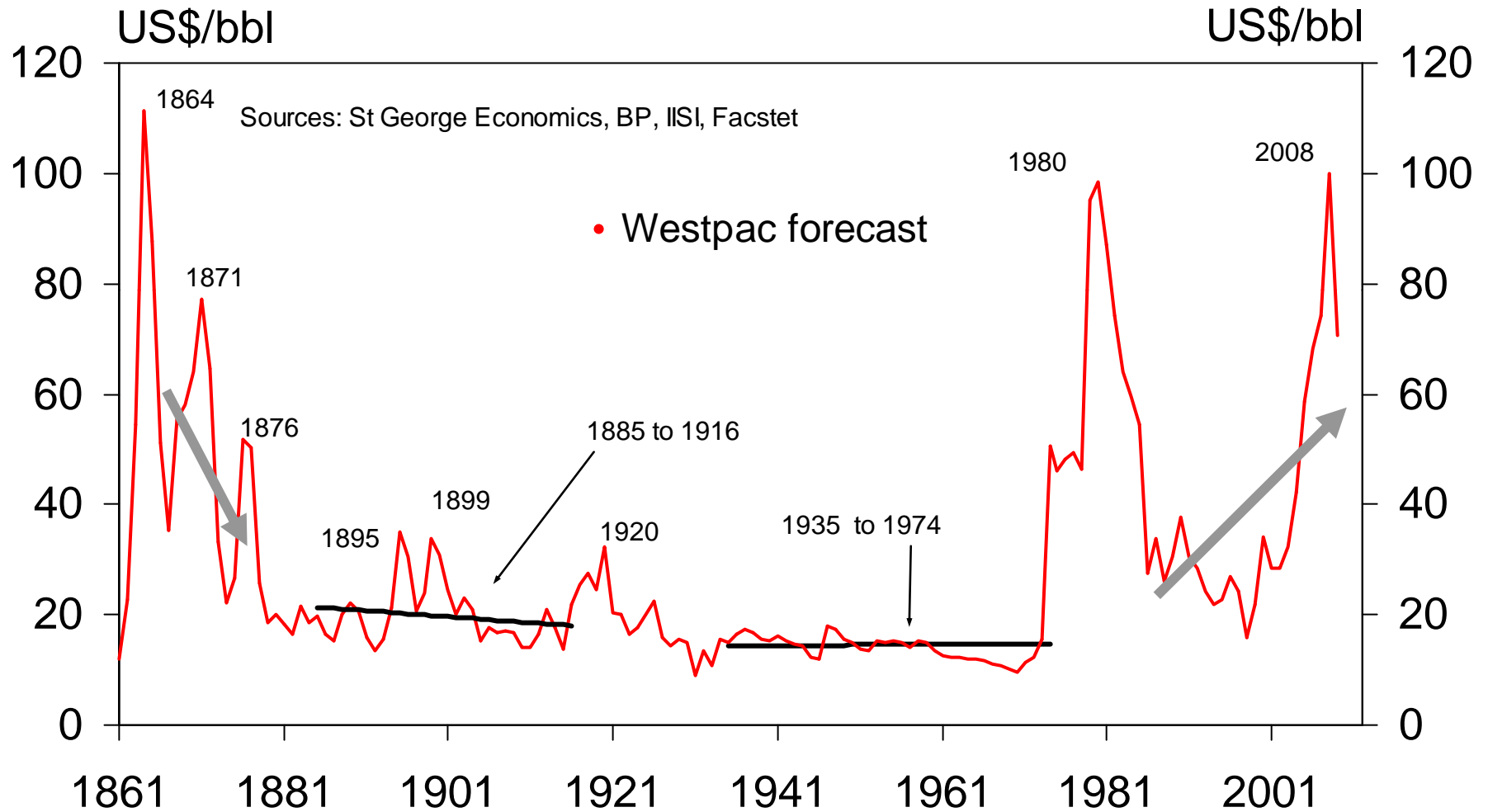
# Terms of Trade has past the peak



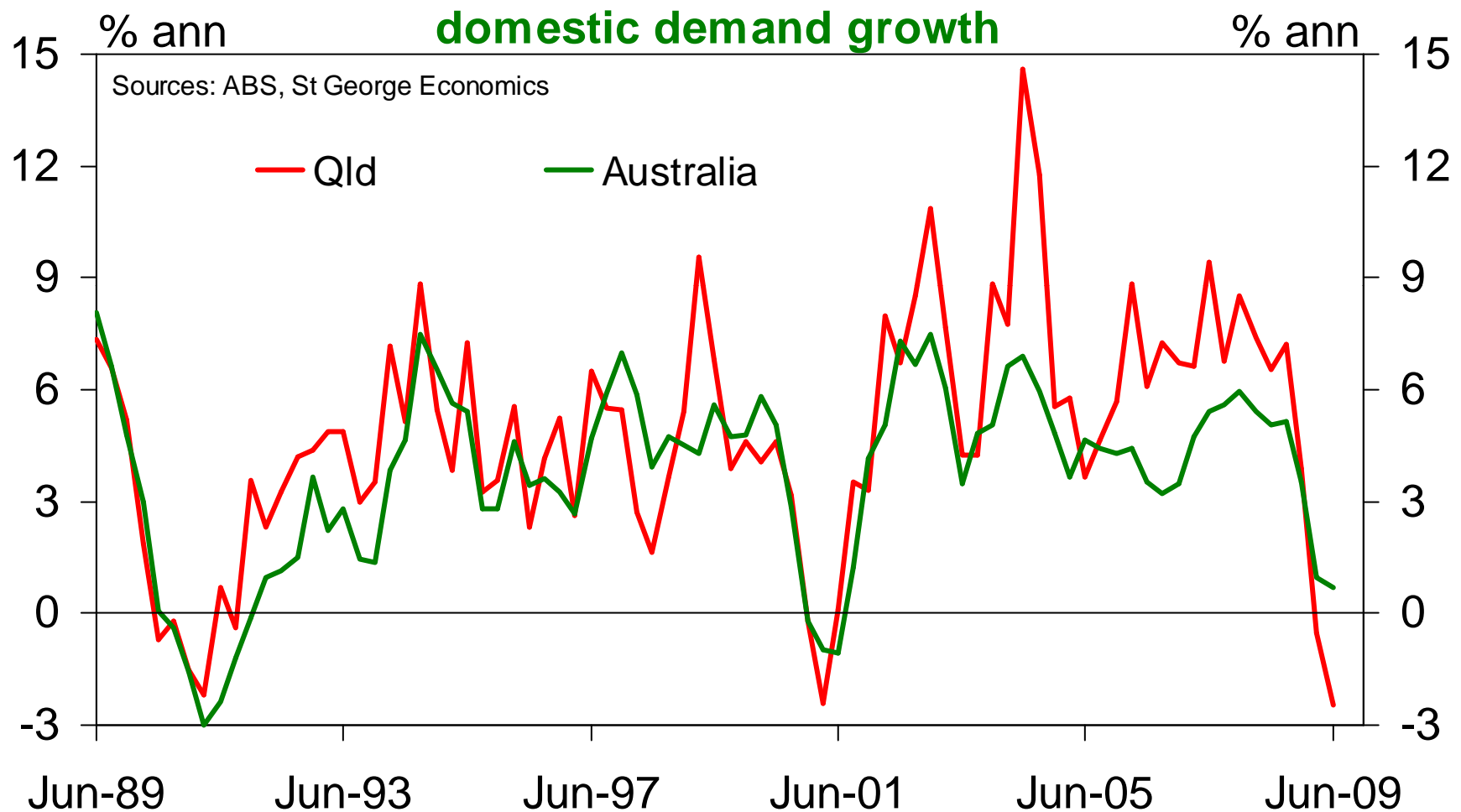
# Chinese construction and the AUD



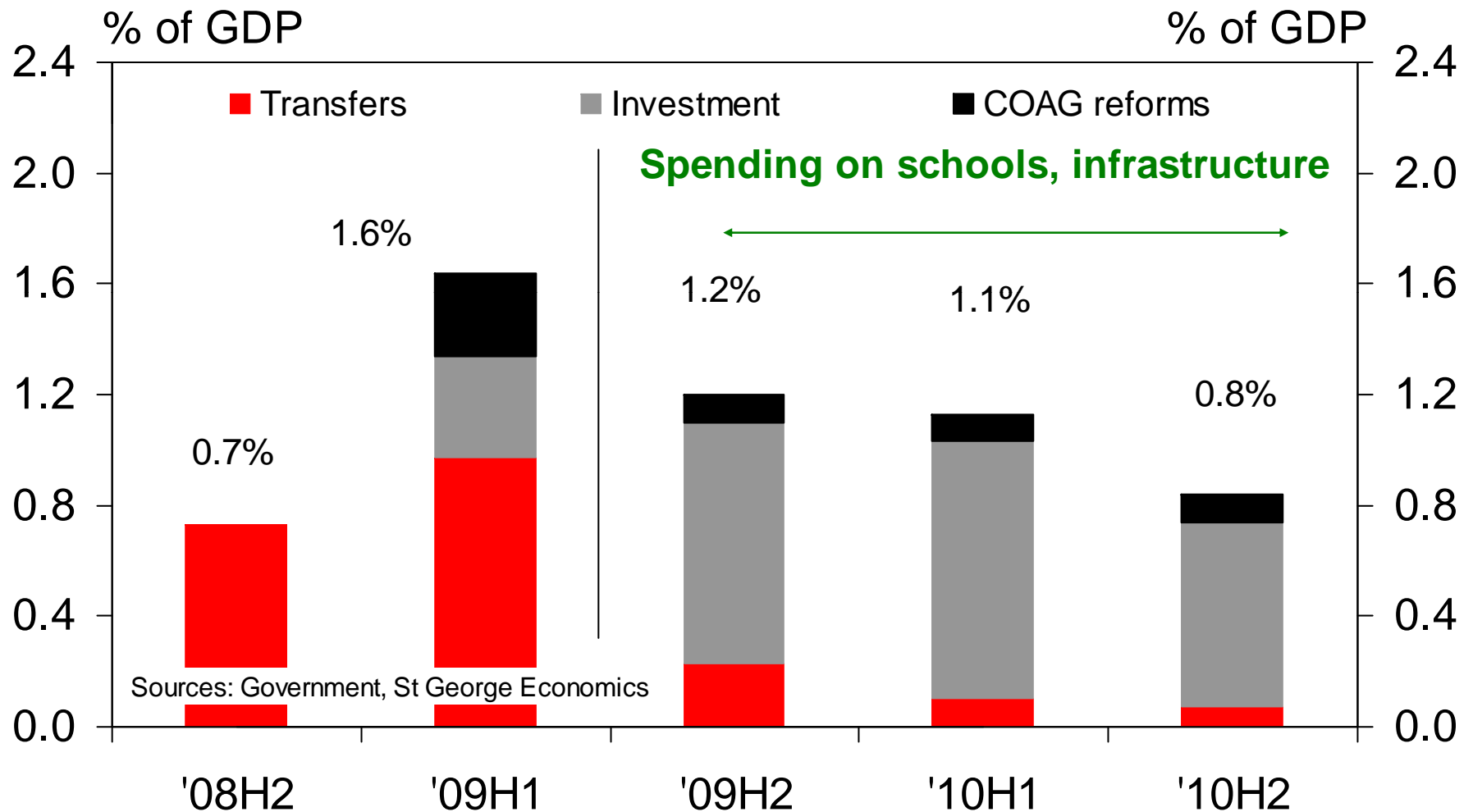
# Real oil prices on a rising trend



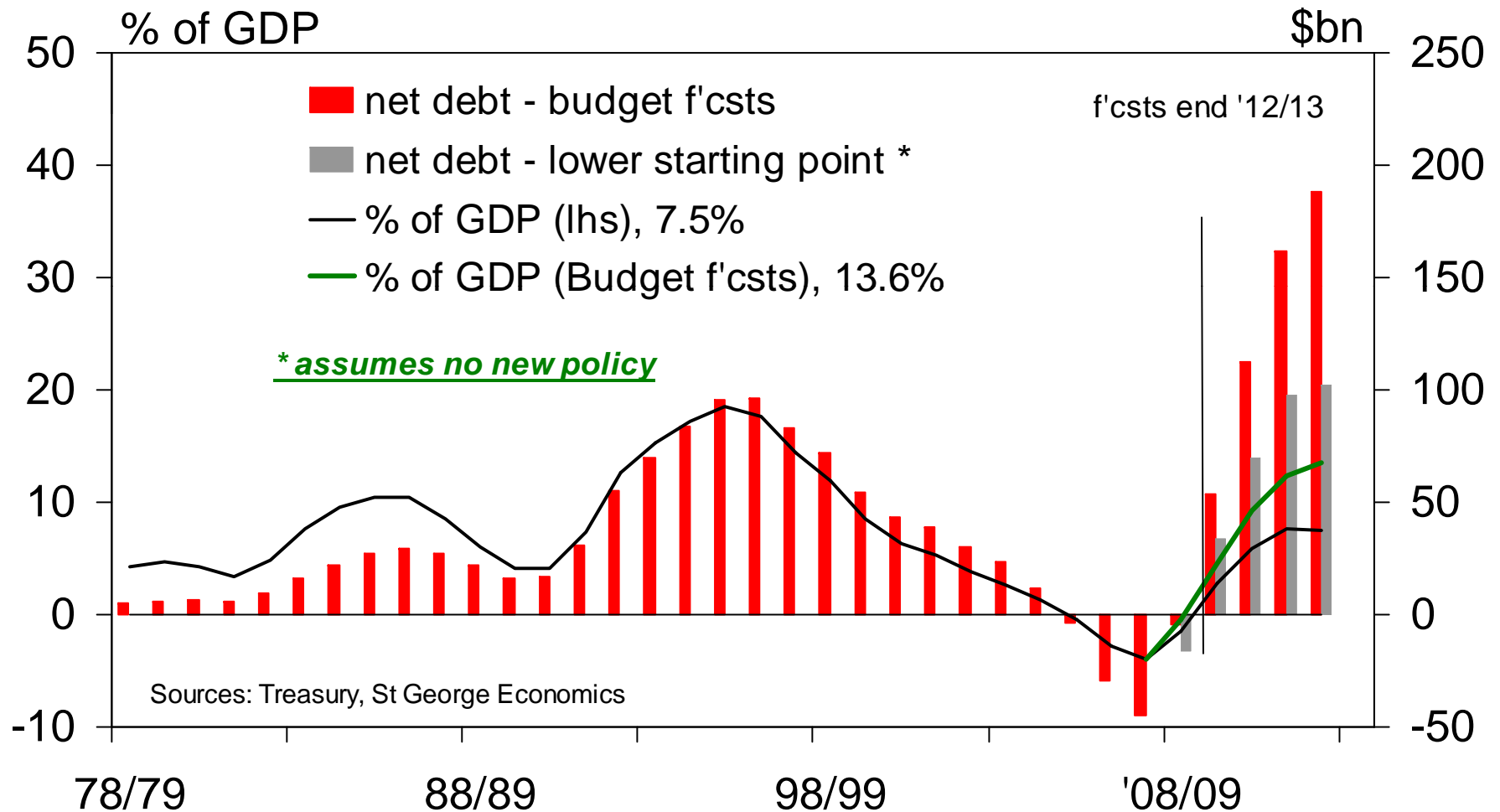
# Queensland economy hits a soft spot



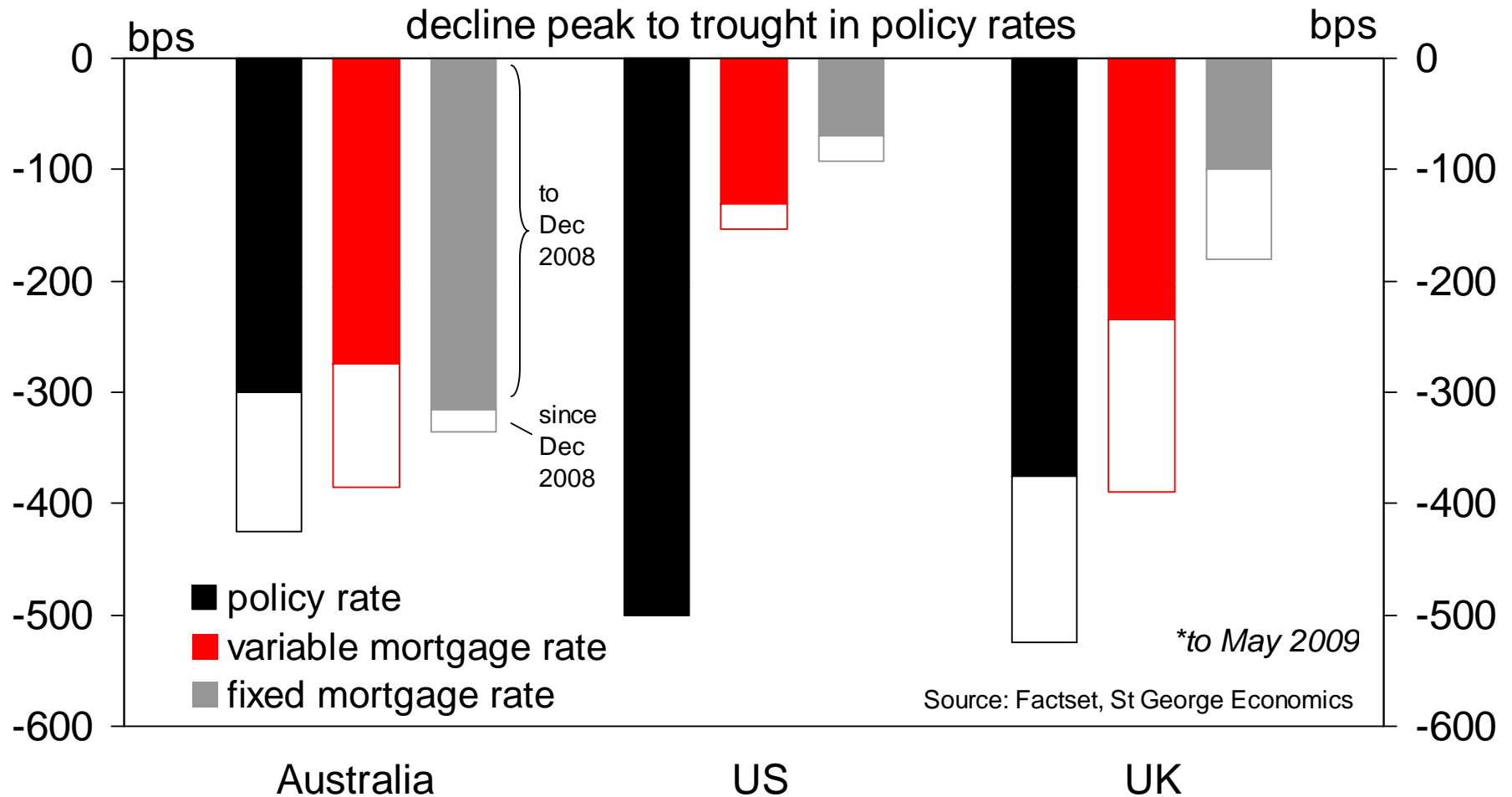
# Fiscal stimulus enters phase II



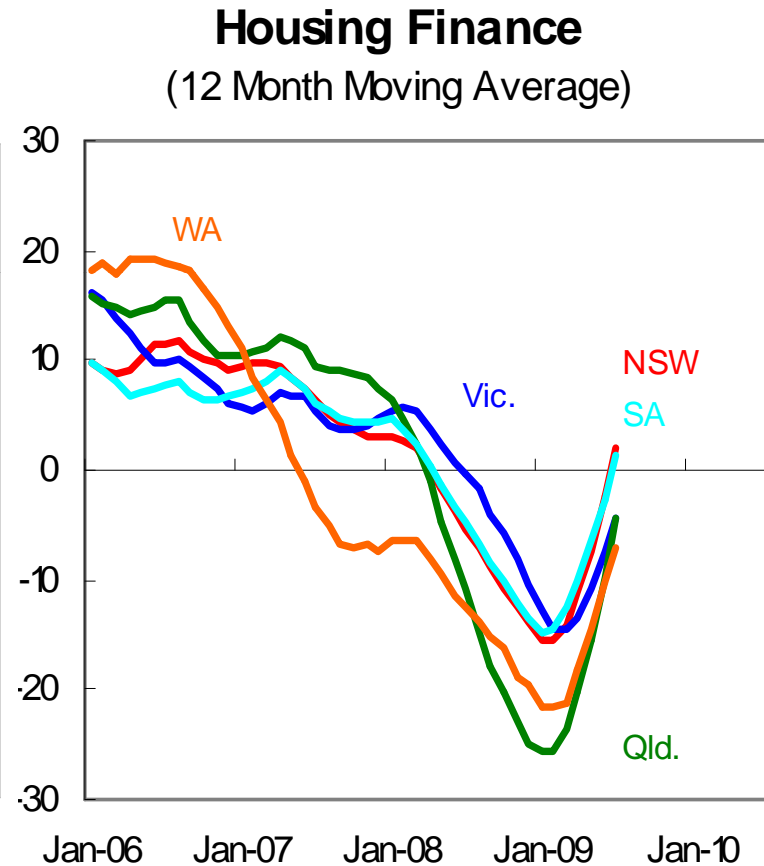
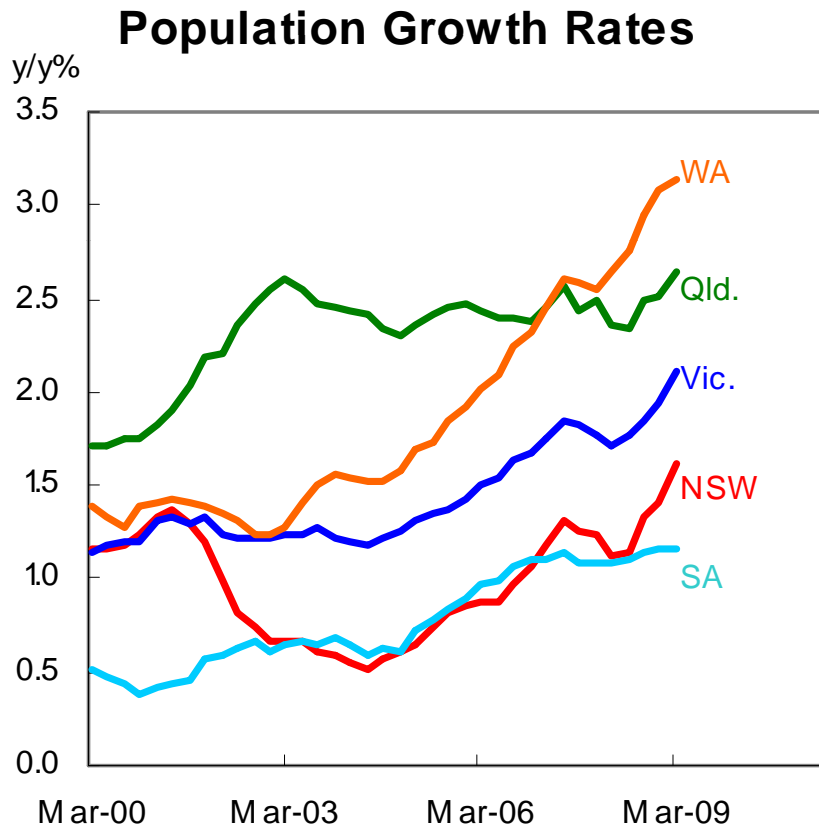
# Commonwealth net debt



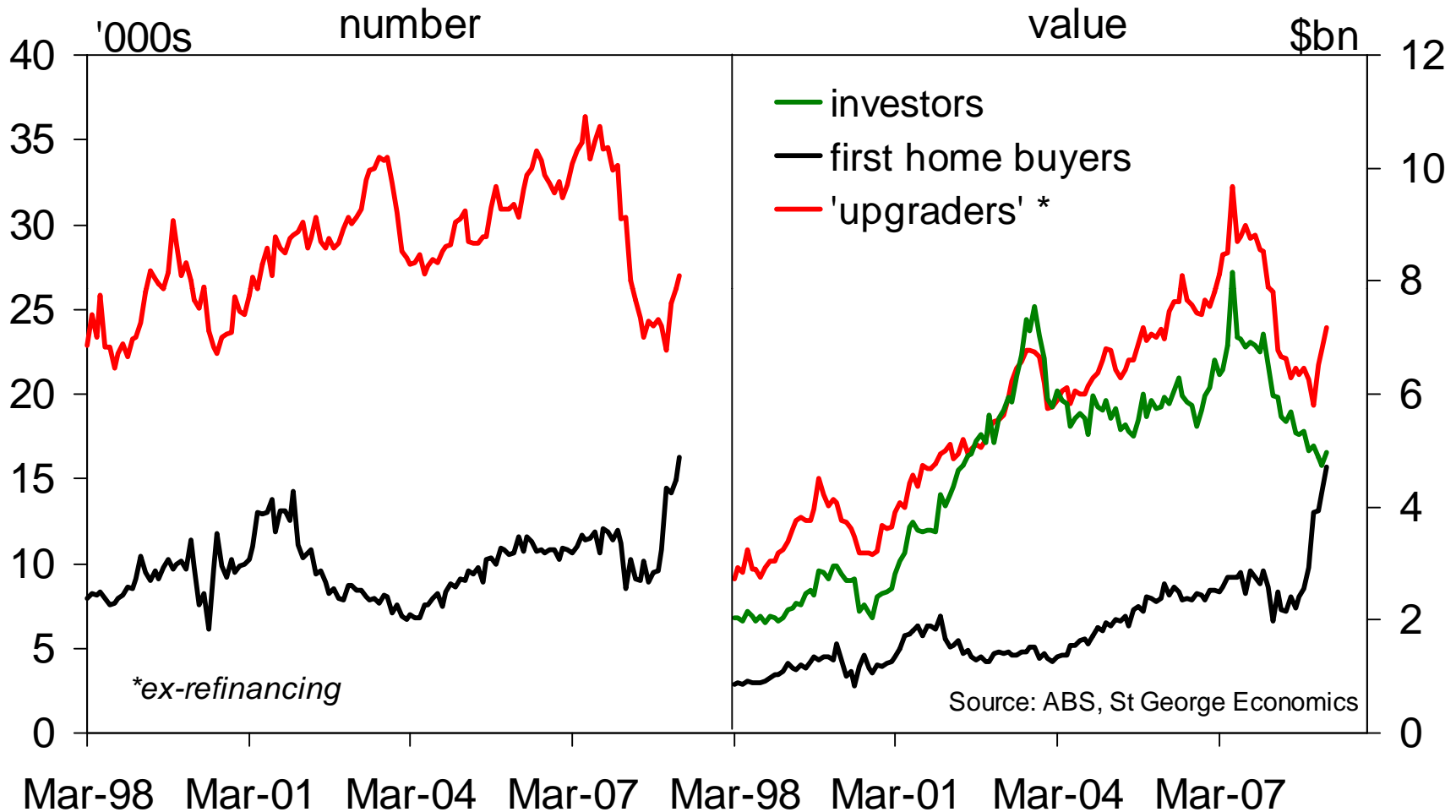
# Official interest rates and housing rates



# Population growth is a key positive

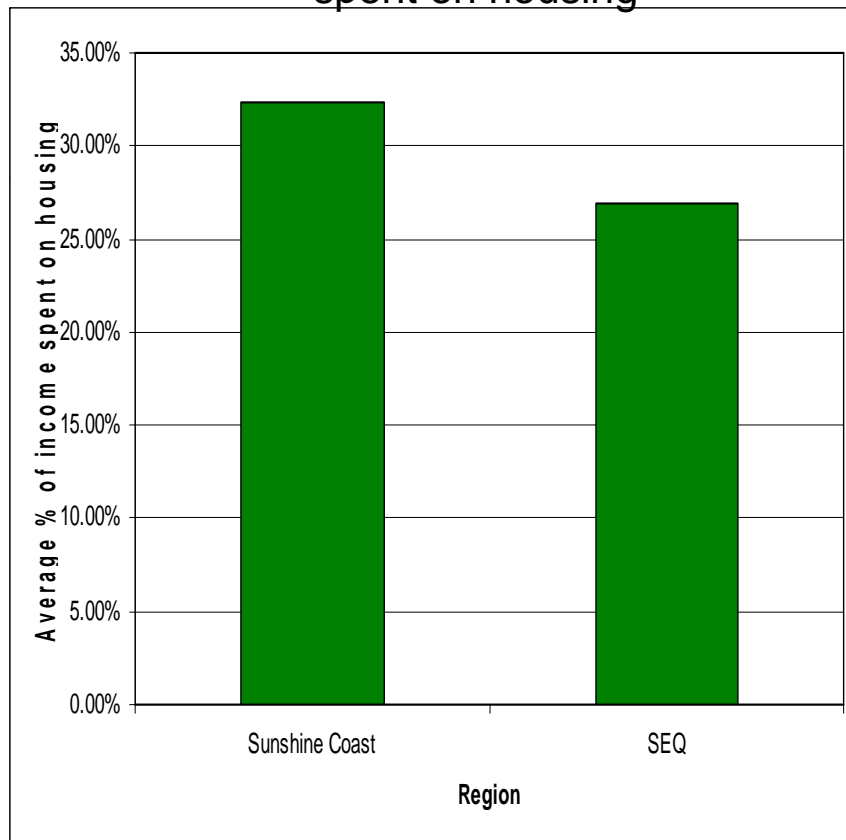


# First home buyers did set the pace

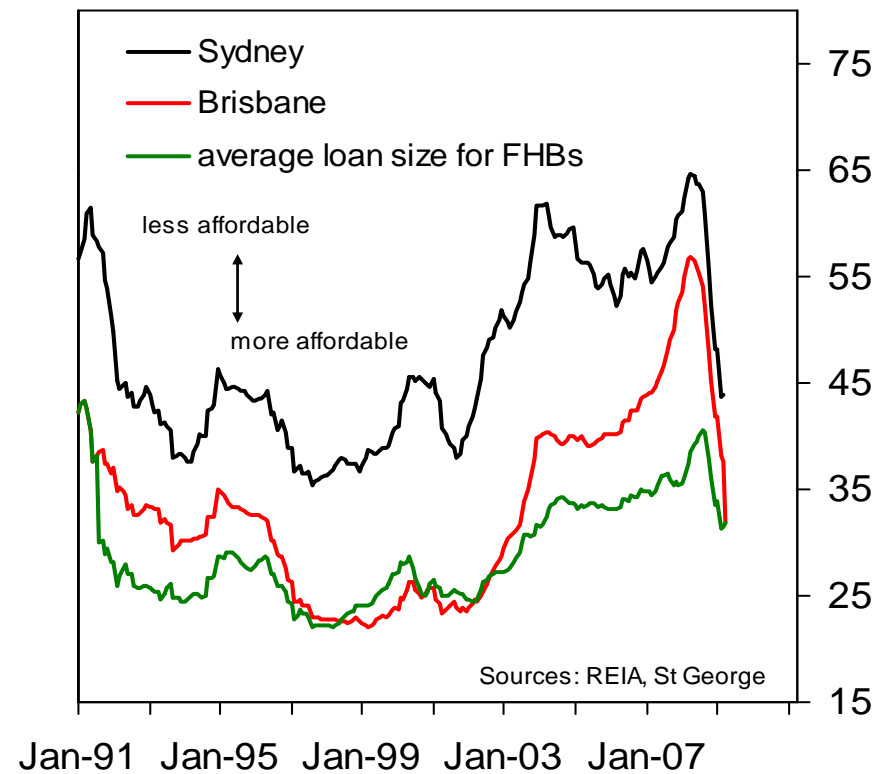


# Housing affordability the key issue

Regional affordability % income spent on housing

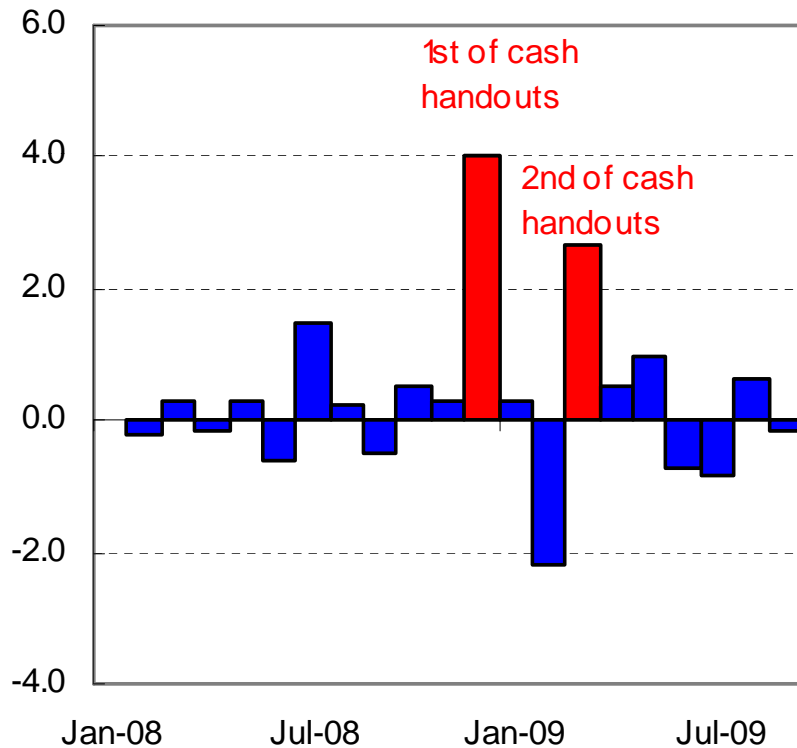


Proportion of average monthly earnings required to service loans %

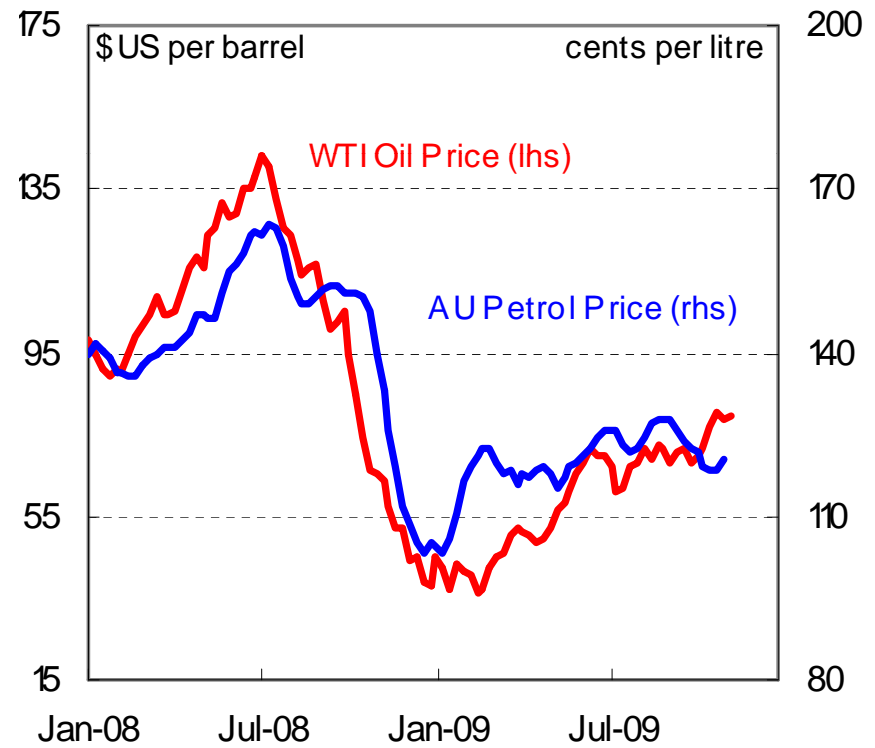


# Headwinds for retail spending

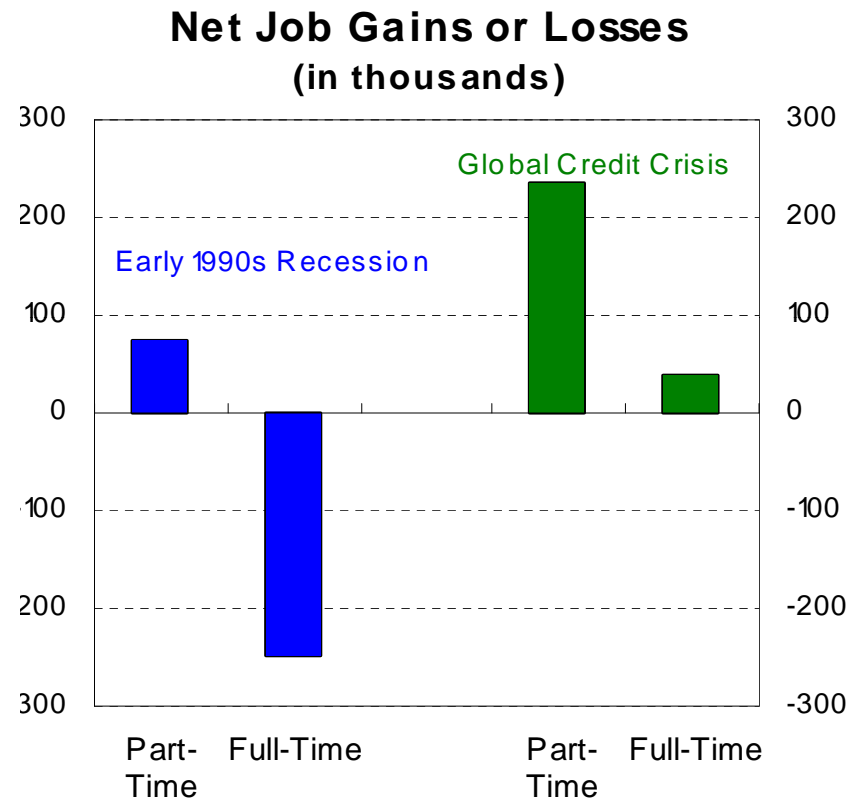
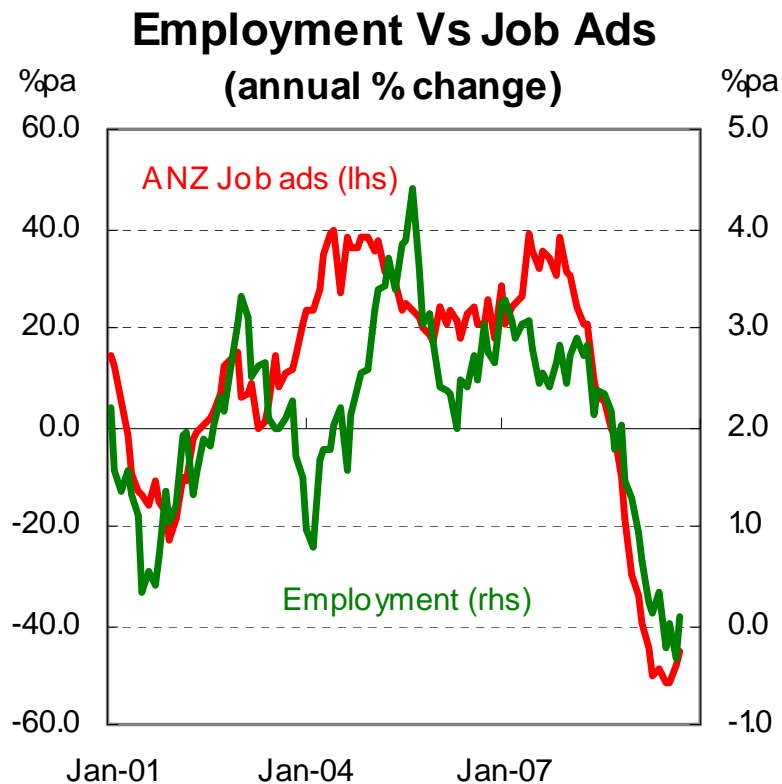
## Retail Sales (monthly % change)



## World Oil Price Vs AU Petrol Price

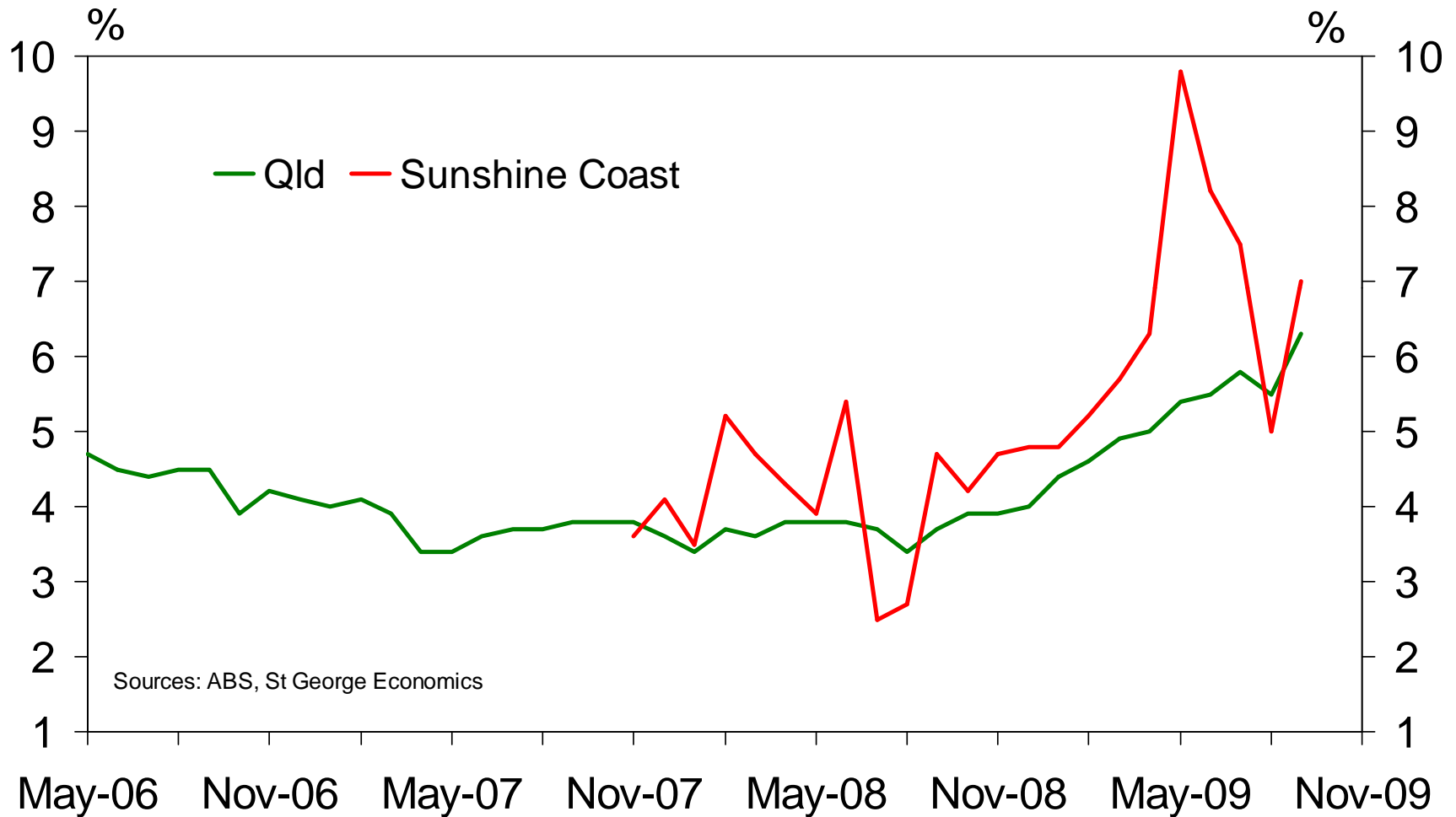


# Labour market has outperformed

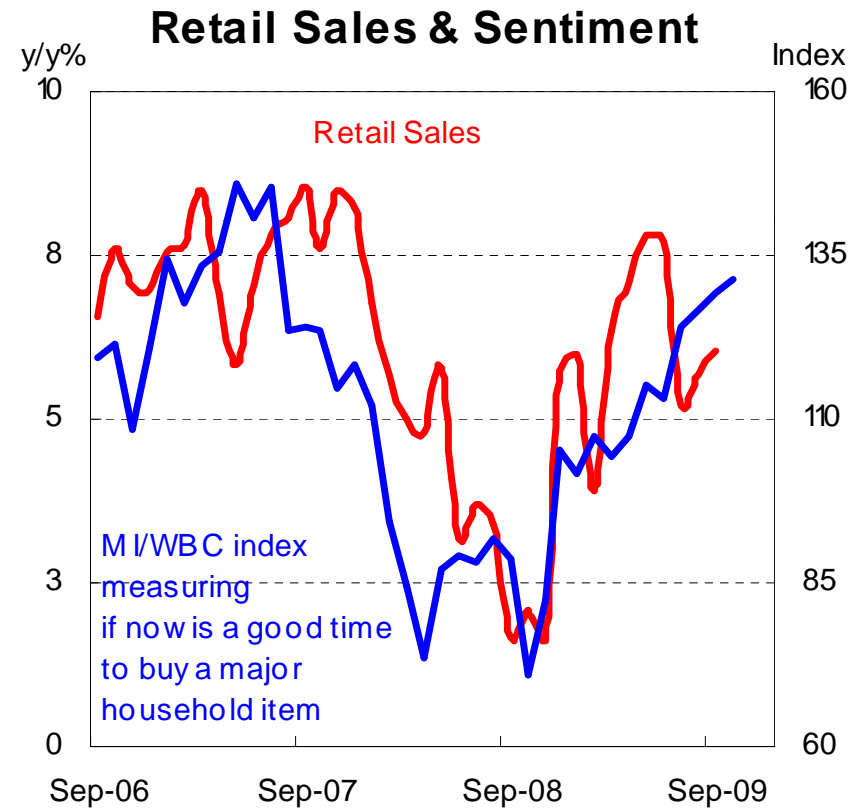
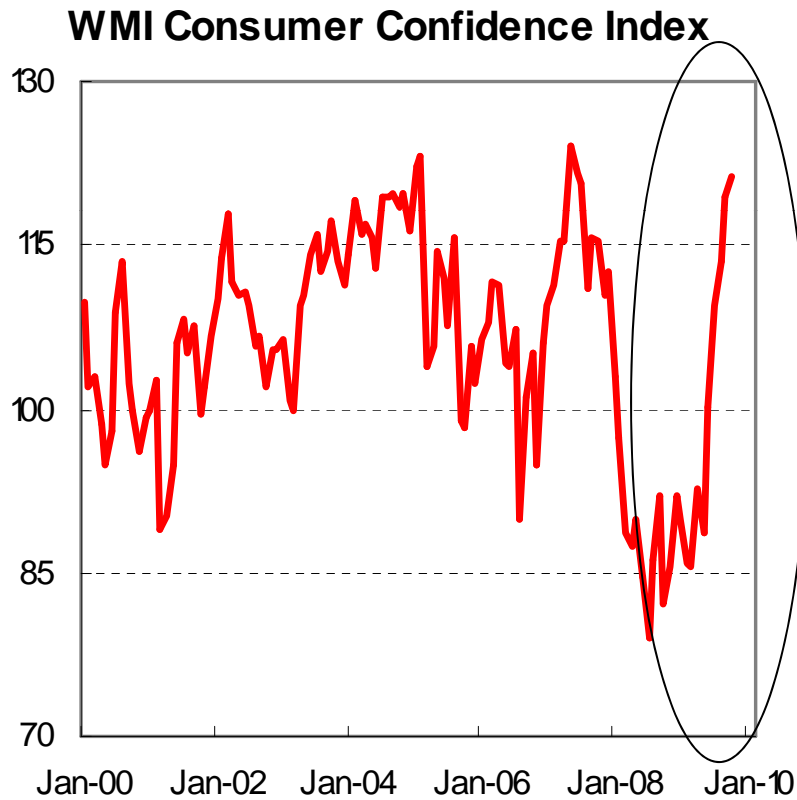


- Rising job loss normally instils caution among consumers.
- But it now increasingly looks like the peak in the unemployment rate will be under 7.0%.

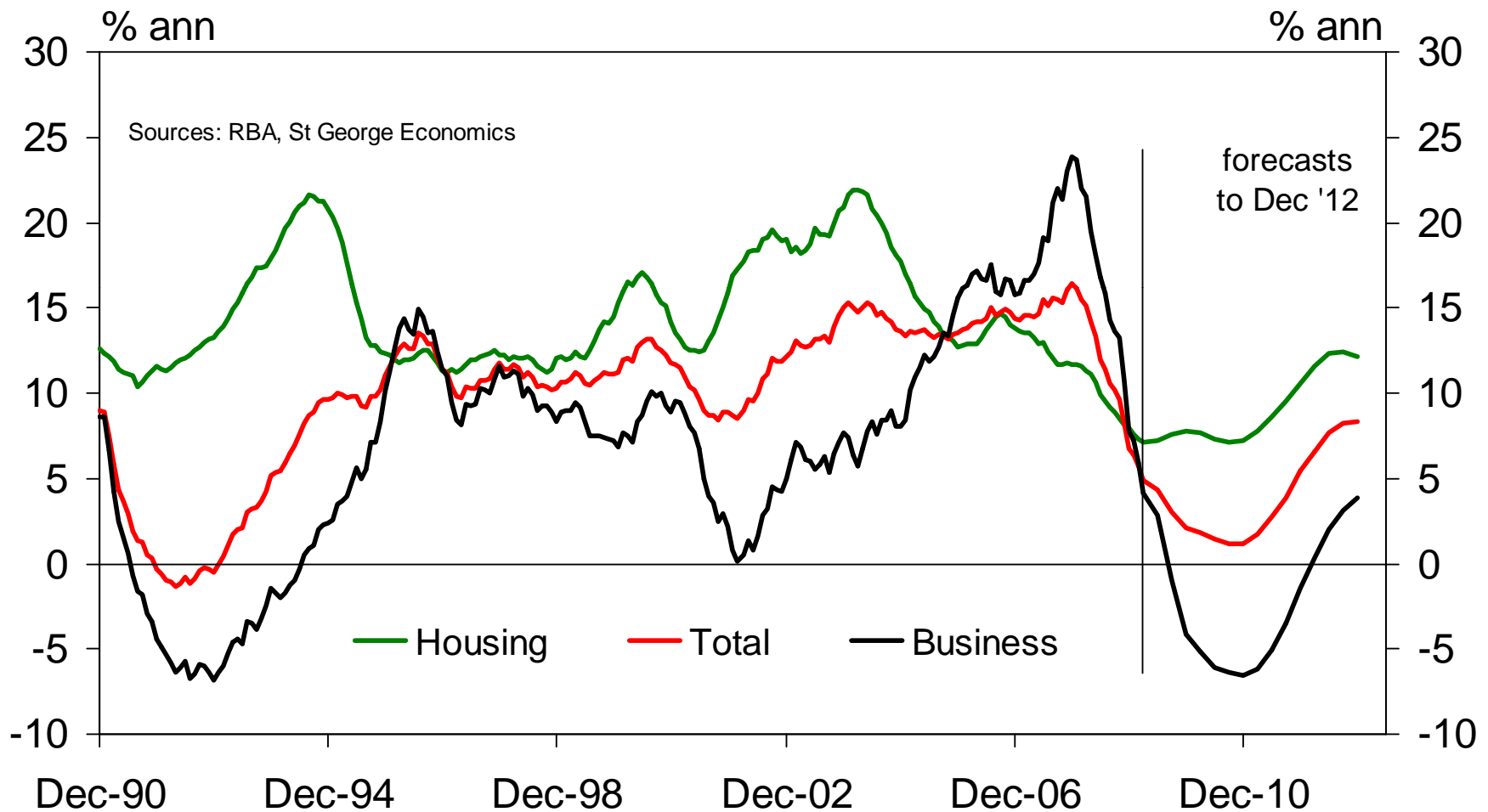
# Unemployment rate looks a little odd



# Retail spending some positives

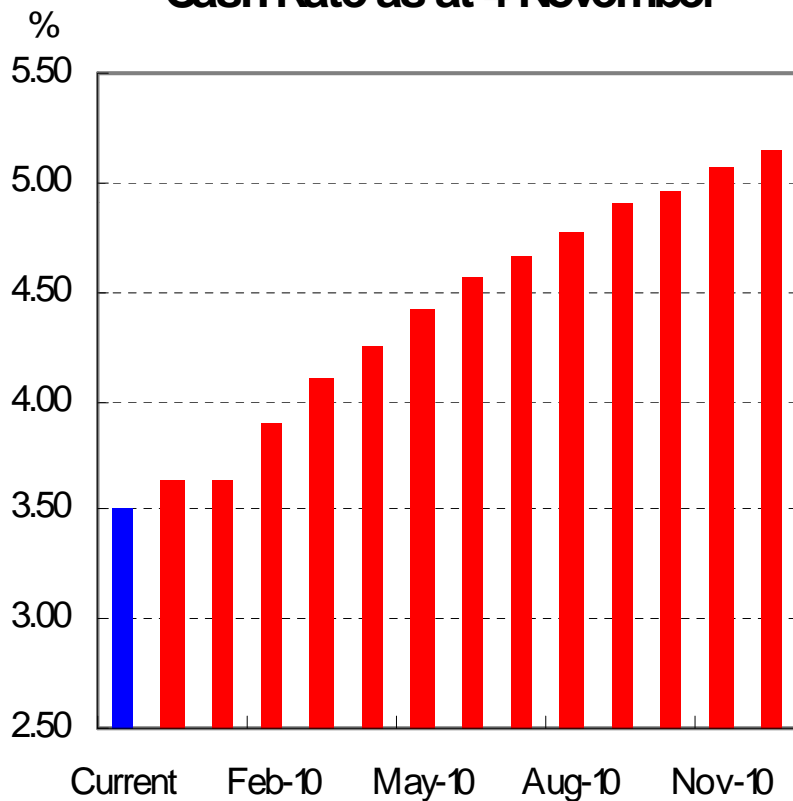


# Business credit remain key risk

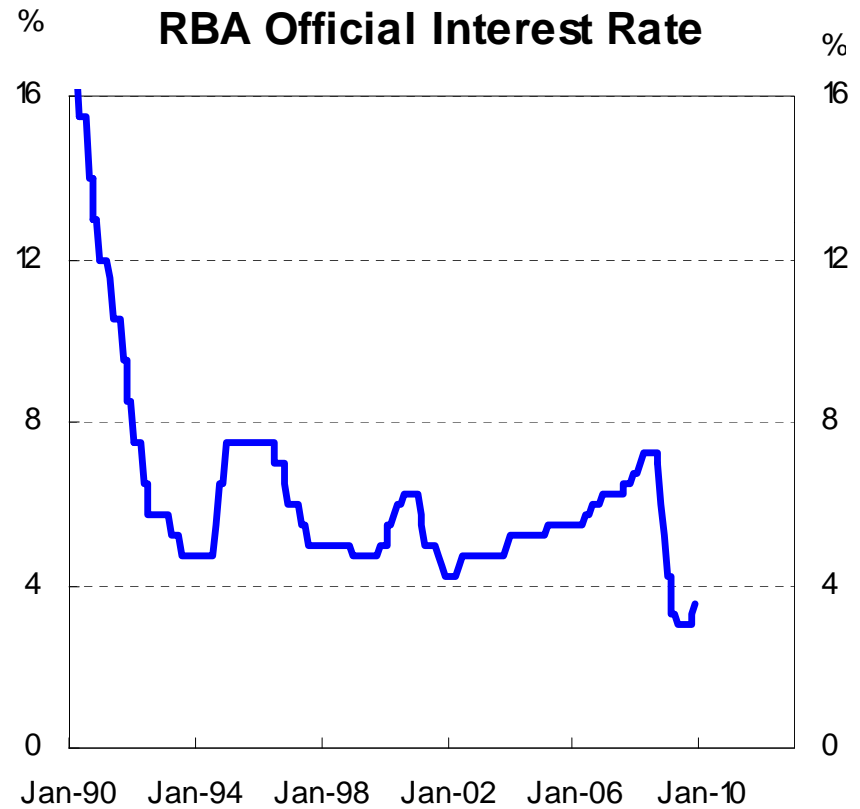


# More rate hikes on the horizon

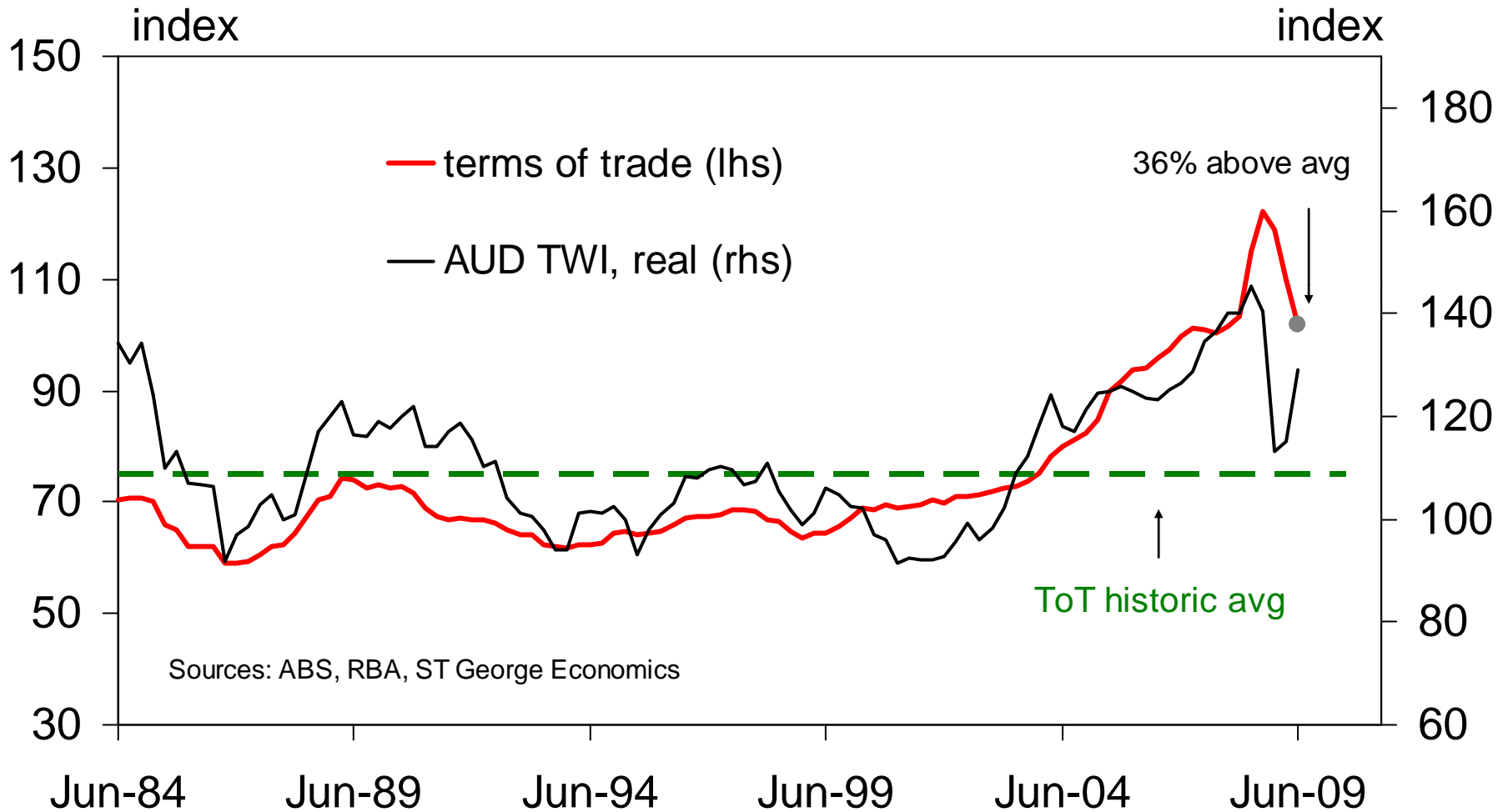
## Market Expectations for the RBA Cash Rate as at 4 November



## RBA Official Interest Rate

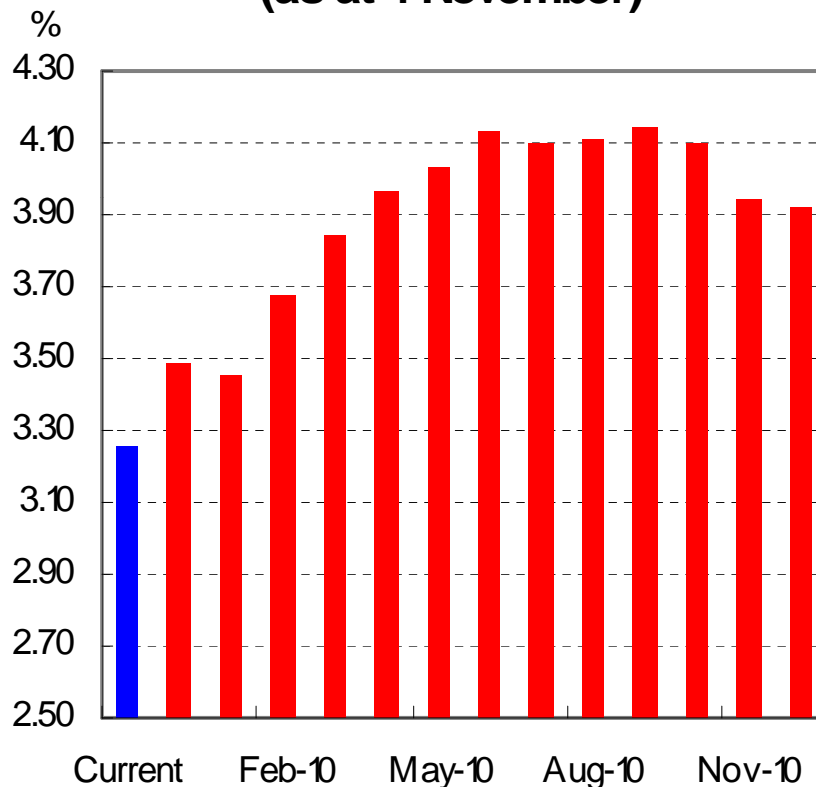


# AUD follows higher commodity prices

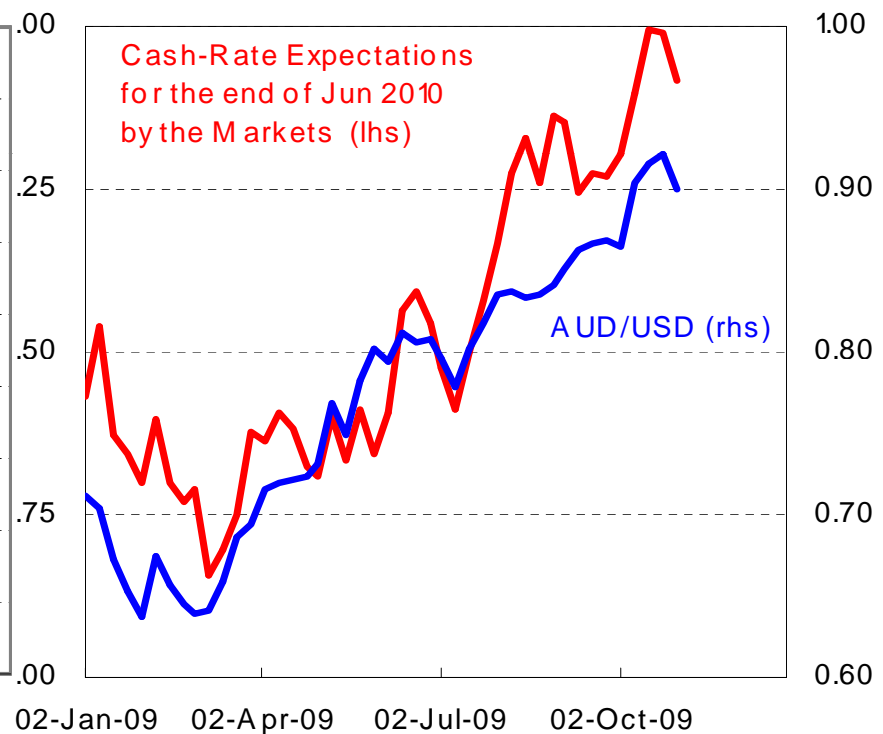


# AUD is lifted by rising rates expectations

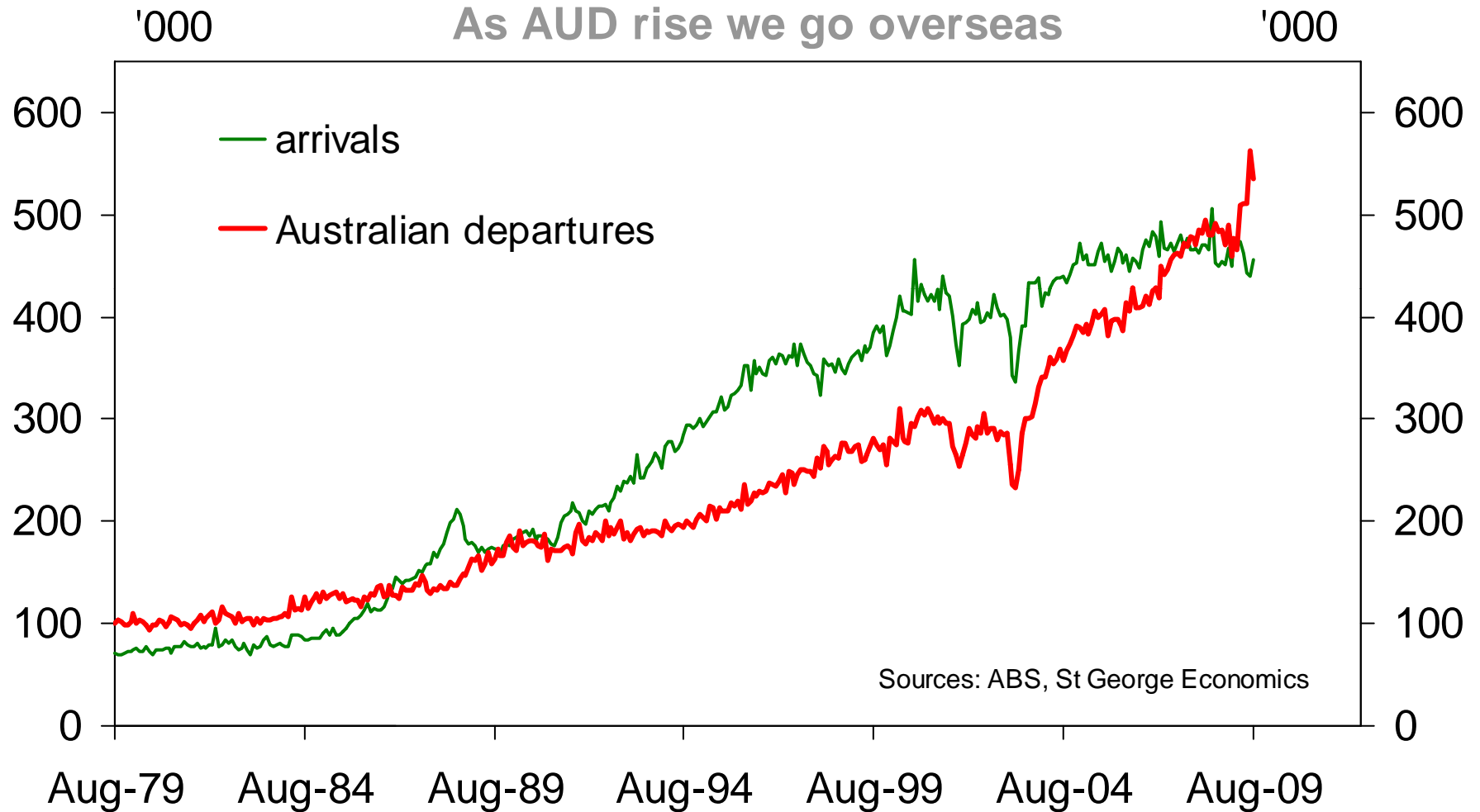
## AU-US Cash Rate Differentials (as at 4 November)



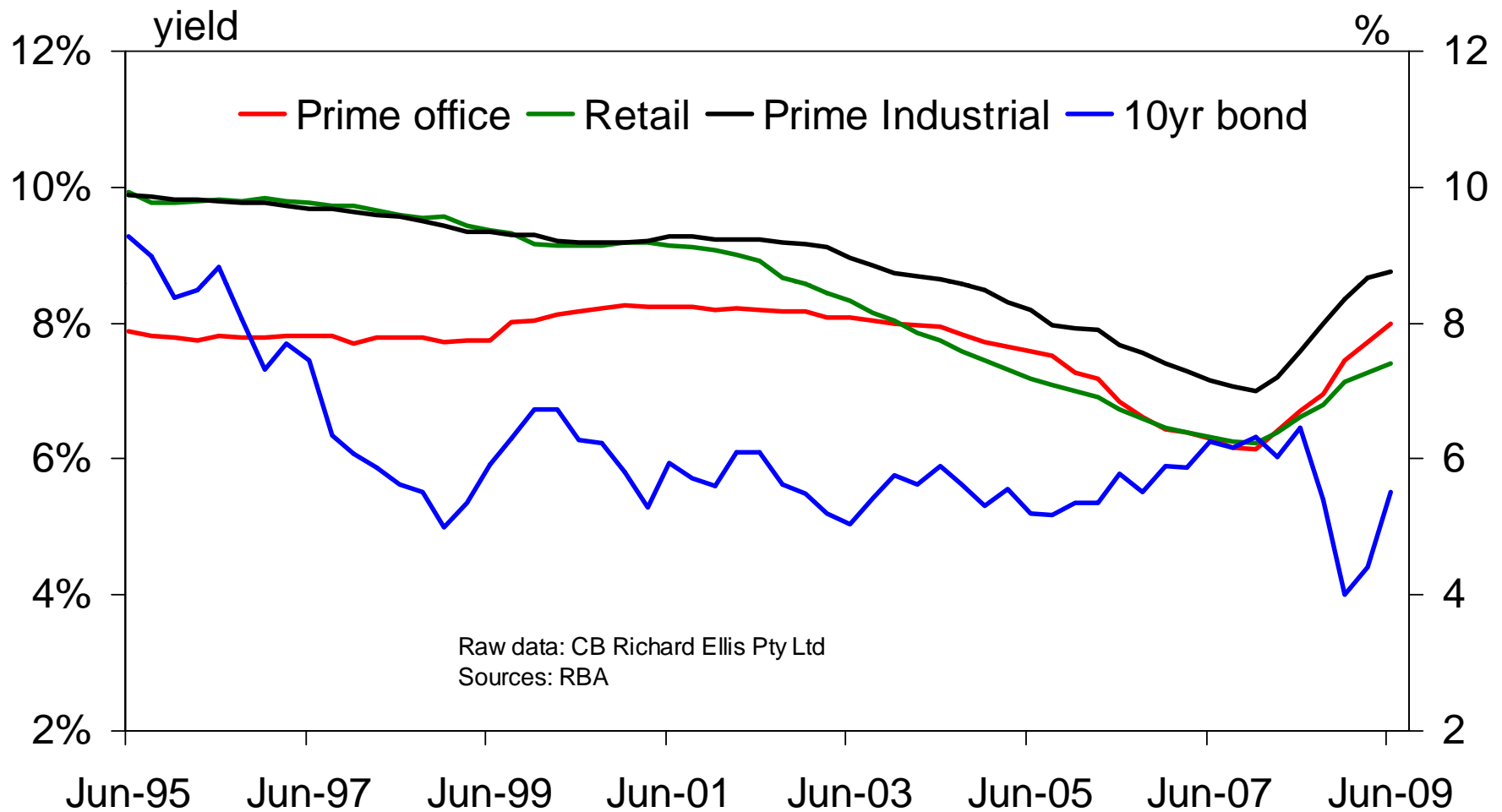
## AUD & Cash-Rate Expectations



# Higher AUD is a major headwind for tourism



# Property yields are still not high enough



# Disclaimer

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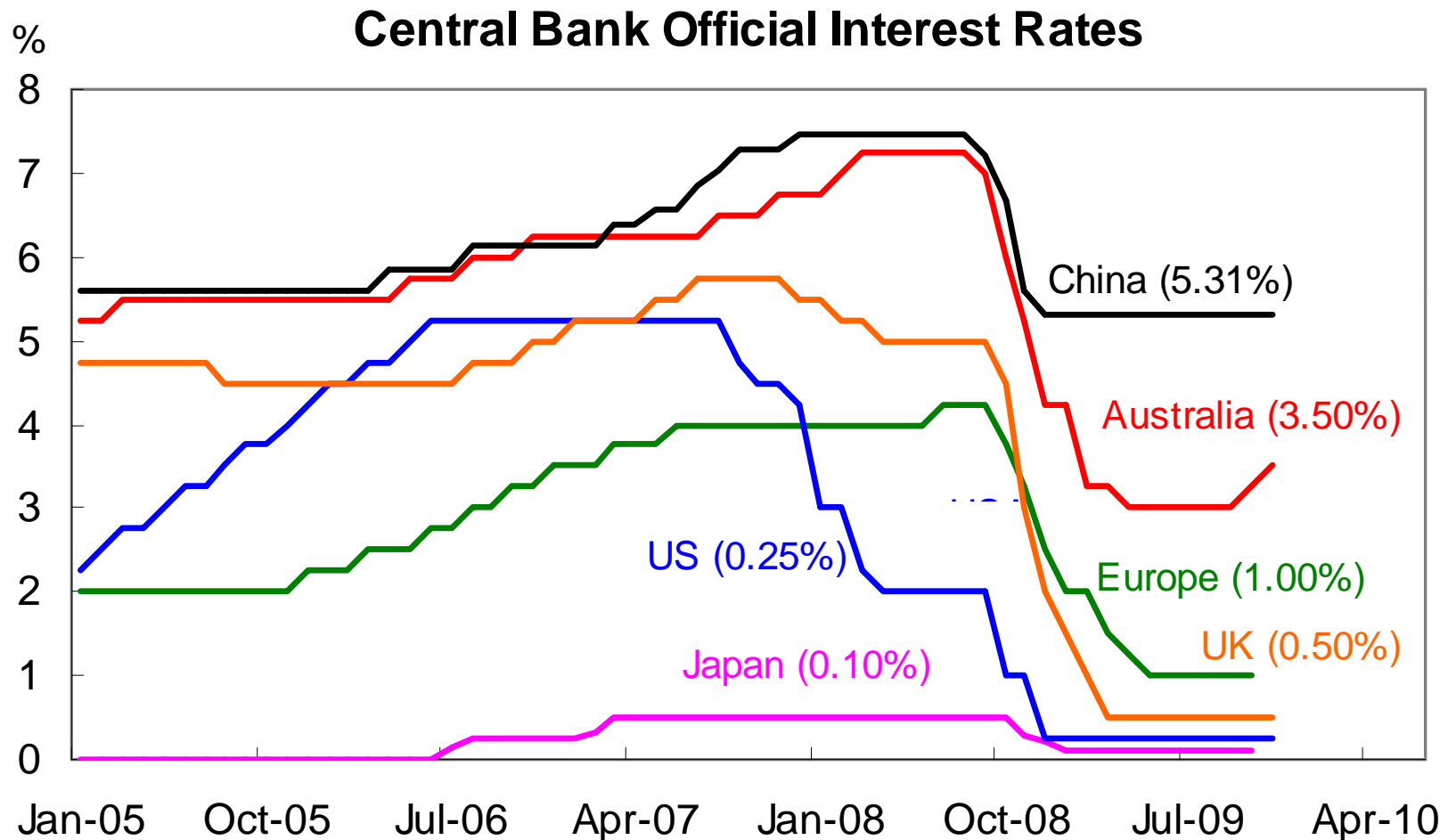
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# Australian economy dodges a bullet

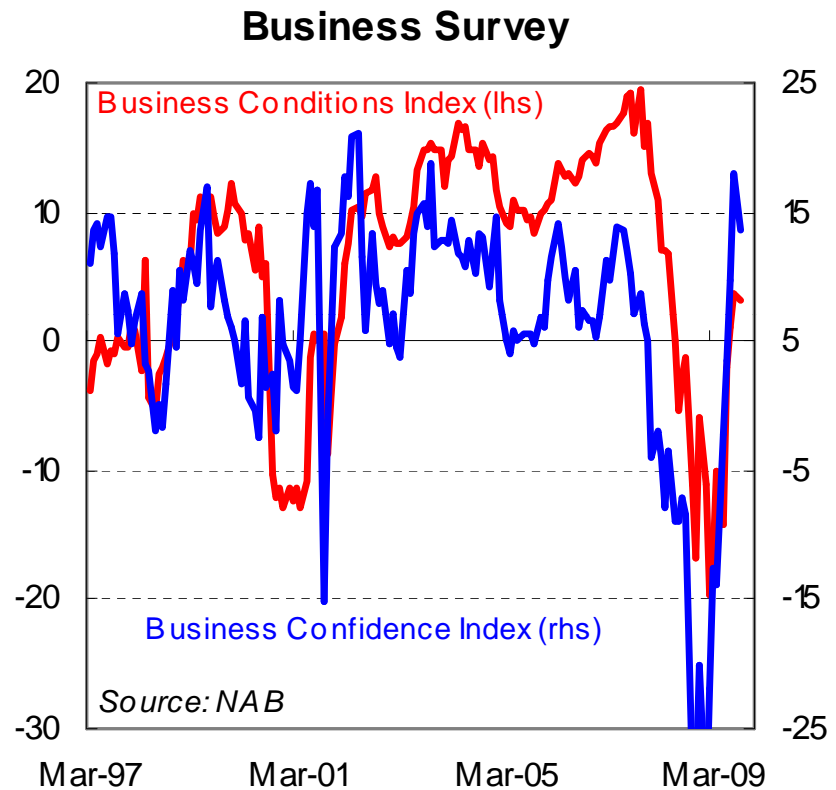
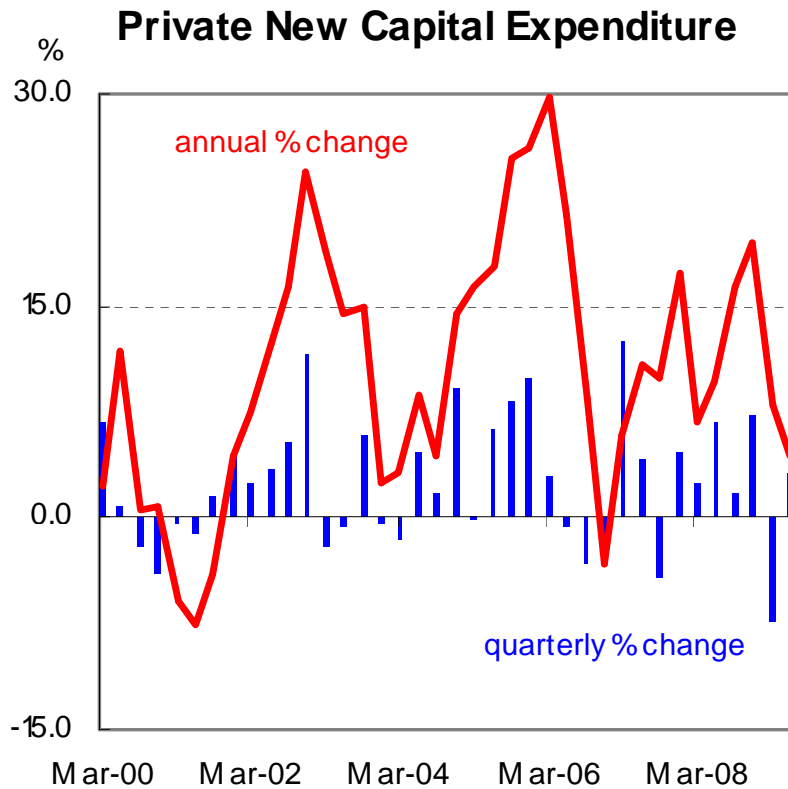
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- **Credit crisis min**
  - Broad overview of what it is, where created it, how will it end
- **Impact on our trading partners**
  - who will recover first?
  - will the recoveries vary between regions?
  - view on global growth outlook and composition.
- **Australia**
  - We do have a domestic led recovery but can it last?
  - China has been a big plus
  - Robust banking system

# RBA the first to raise interest rates...

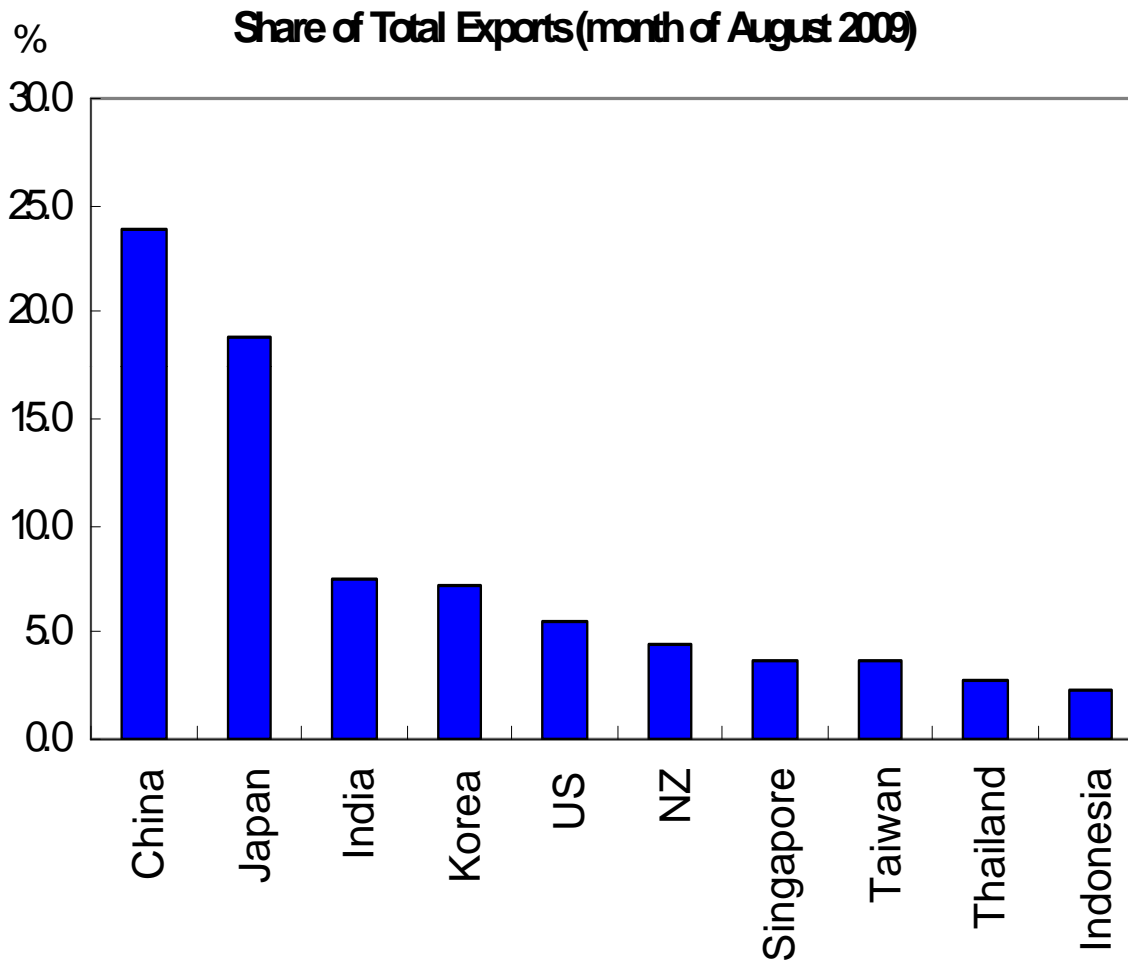


# Business investment outlook



- **Businesses are reconsidering plans to defer or cancel investment spending.**

# Australia's export destinations



Rank in 2000	
Japan	1
US	2
Korea	3
NZ	4
Singapore	5
UK	6
China	7
Taiwan	8
Thailand	12
India	13