

Australian Economic Outlook

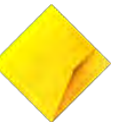
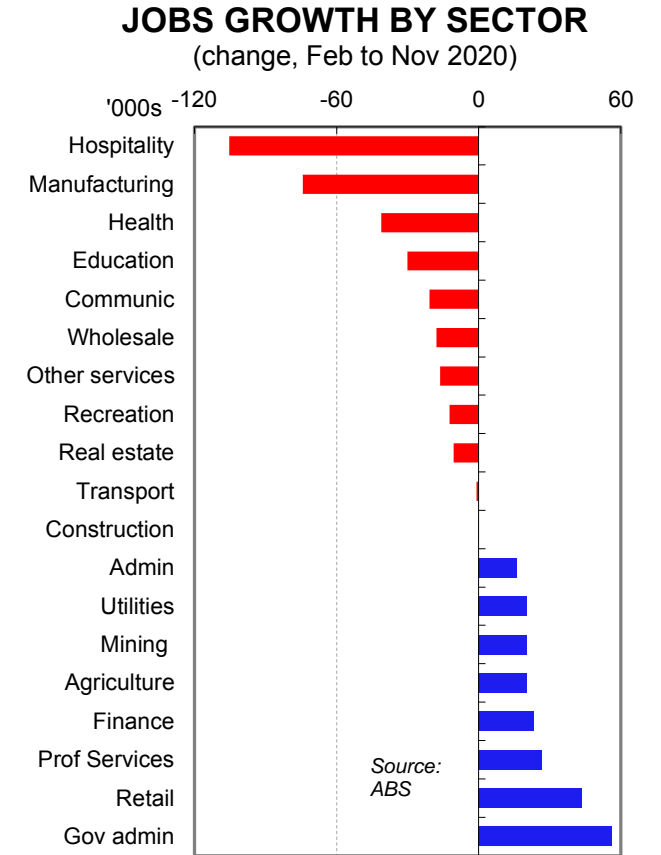
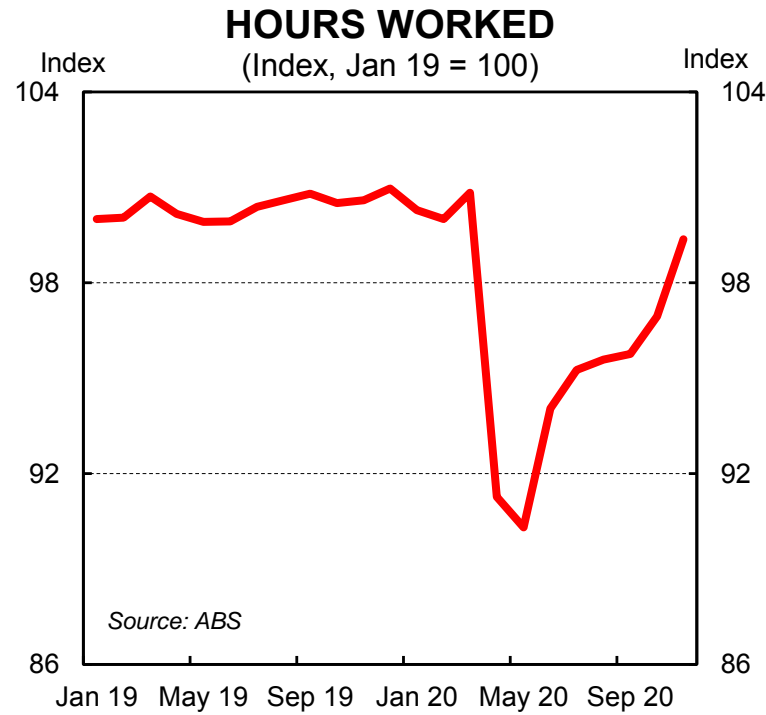
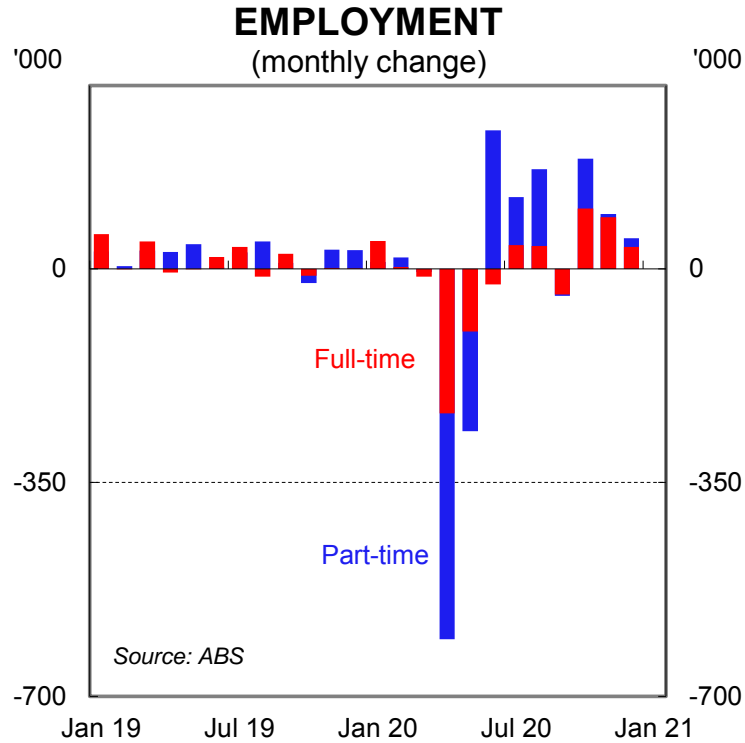
Global Economic & Markets Research

Kristina Clifton - Senior Economist

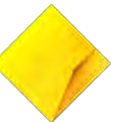
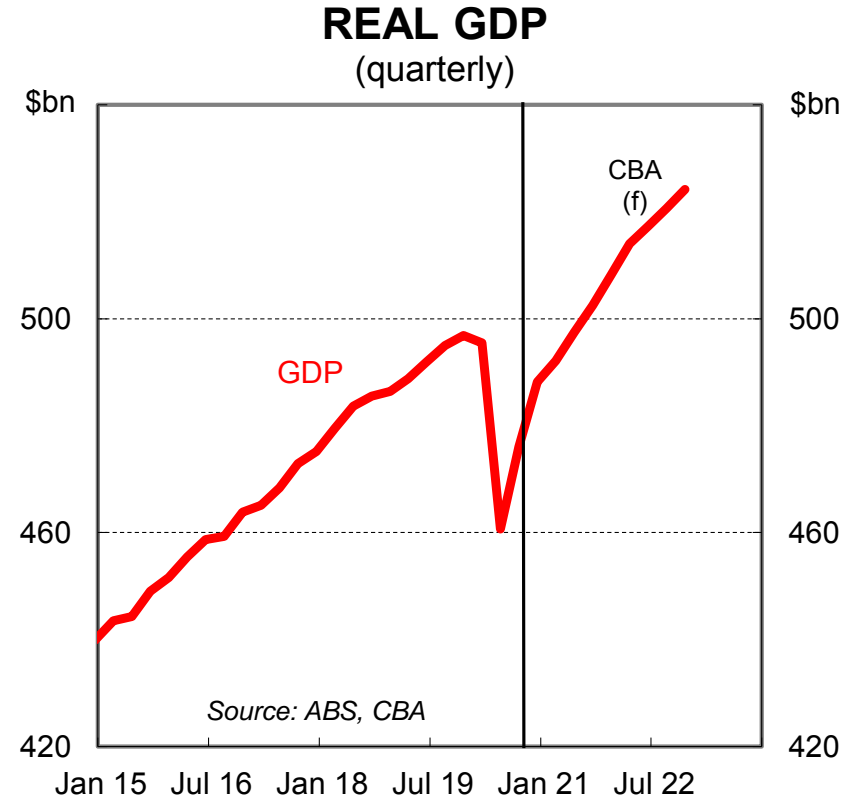
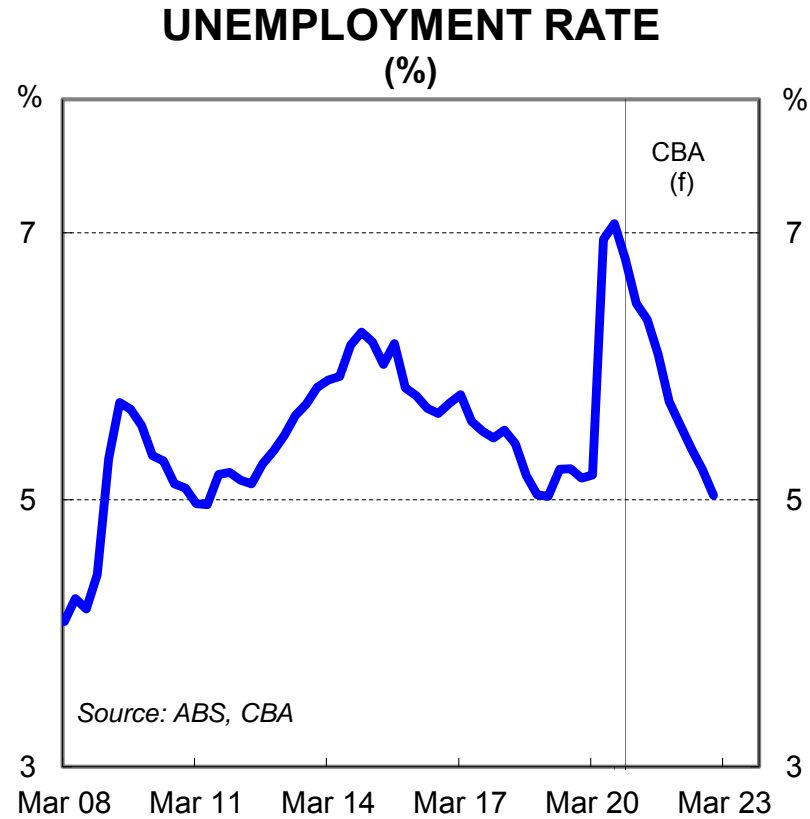
17 February 2021



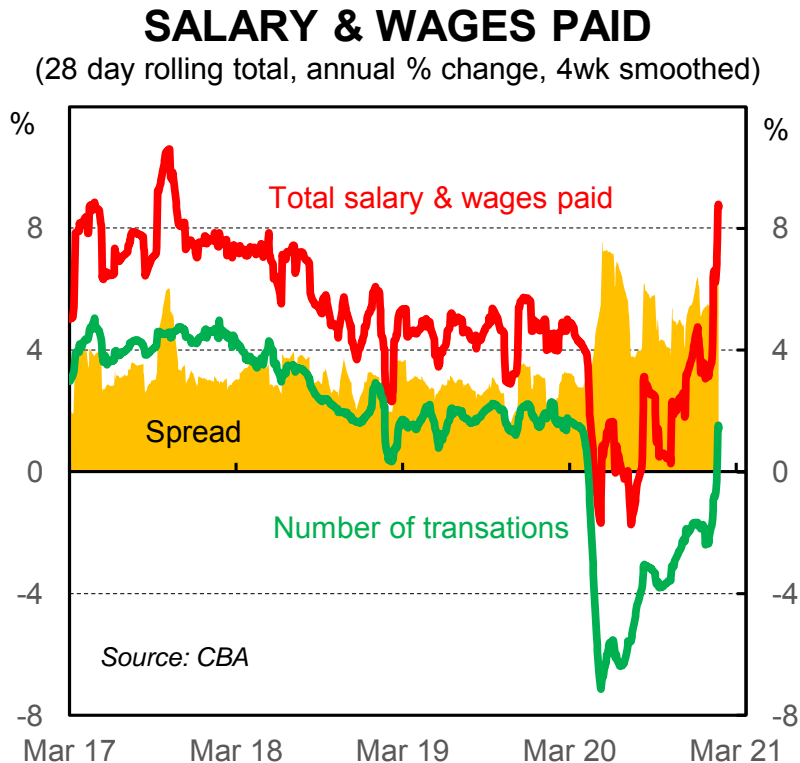
V-shaped recovery in jobs



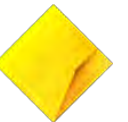
We expect the unemployment rate to fall quickly from here



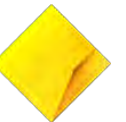
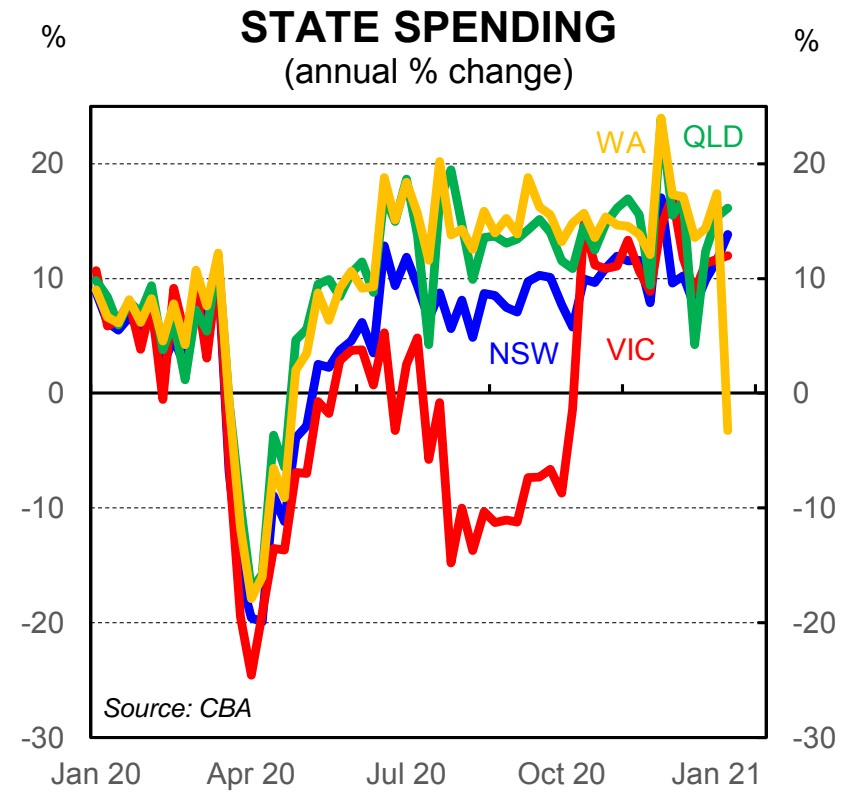
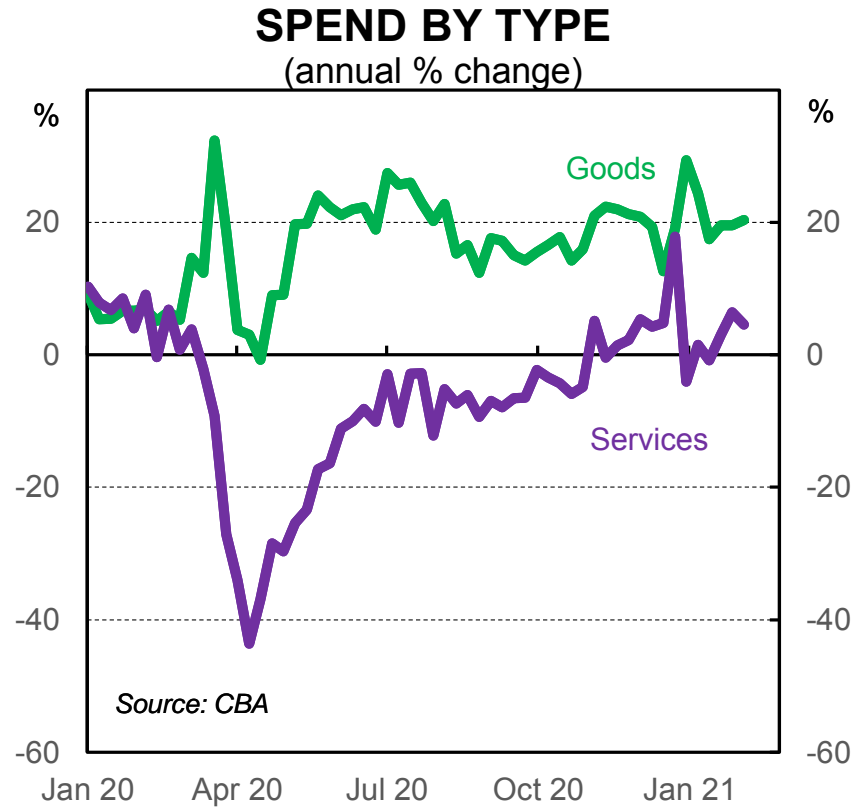
JobKeeper tapering so far so good, but it's a key risk



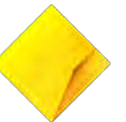
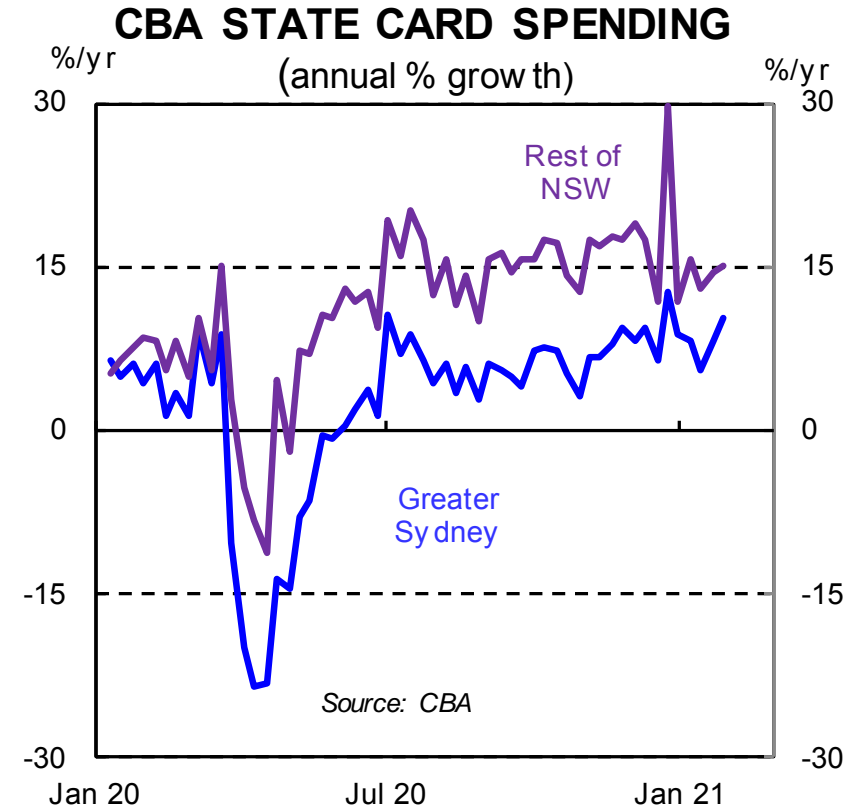
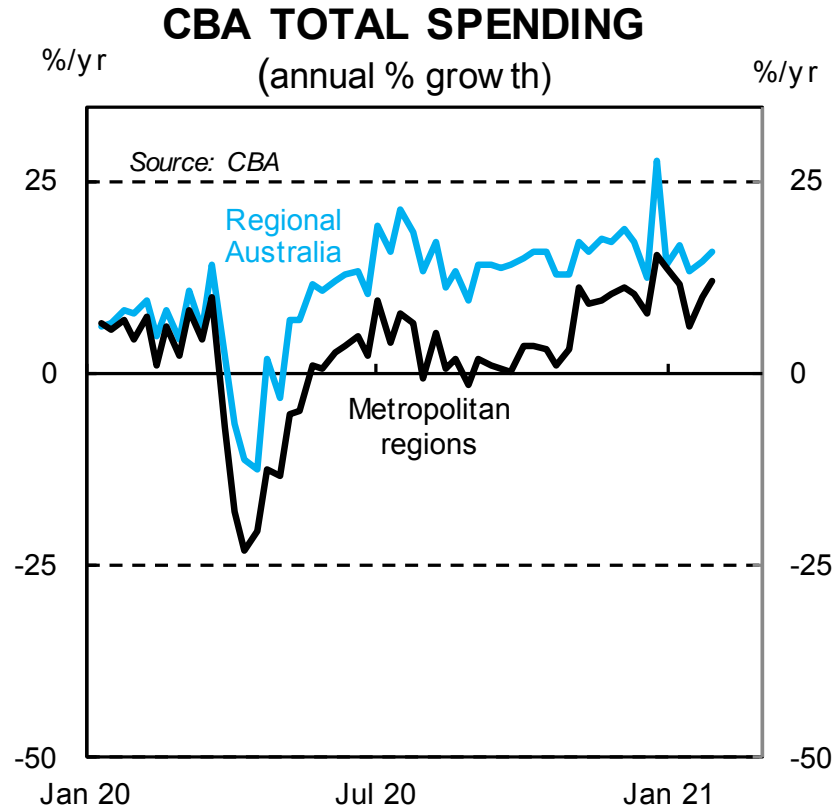
- Q2 & Q3 2020: 1 million businesses & 3.6 million employees (\$1500 per fortnight per worker).
- Q4 2020: 500k businesses & 1.5 million employees (\$1200 per fortnight (86%) or \$750 per fortnight (14%)).
- Re-test for eligibility for Q1 2021 (\$1000 or \$650 per fortnight).



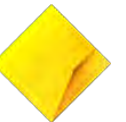
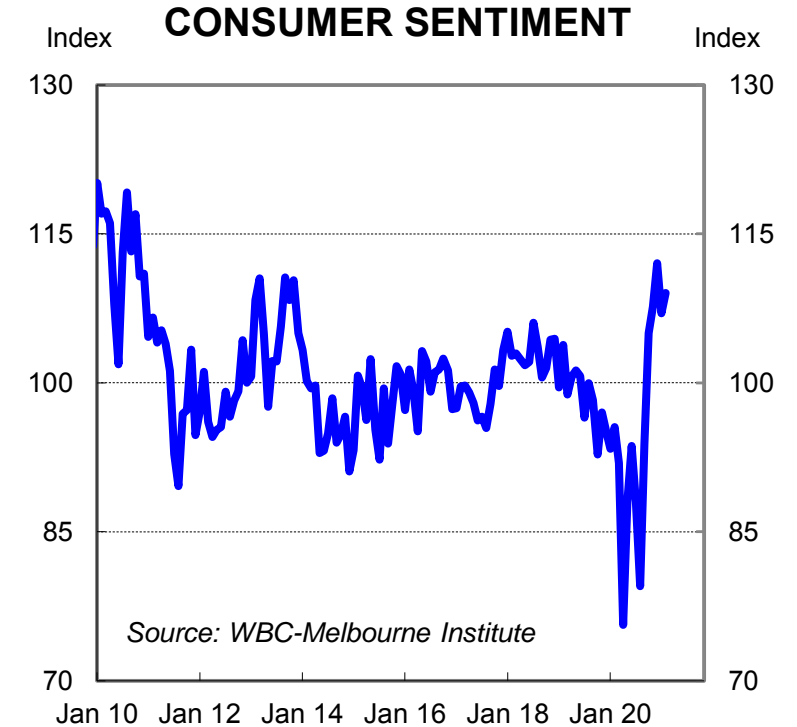
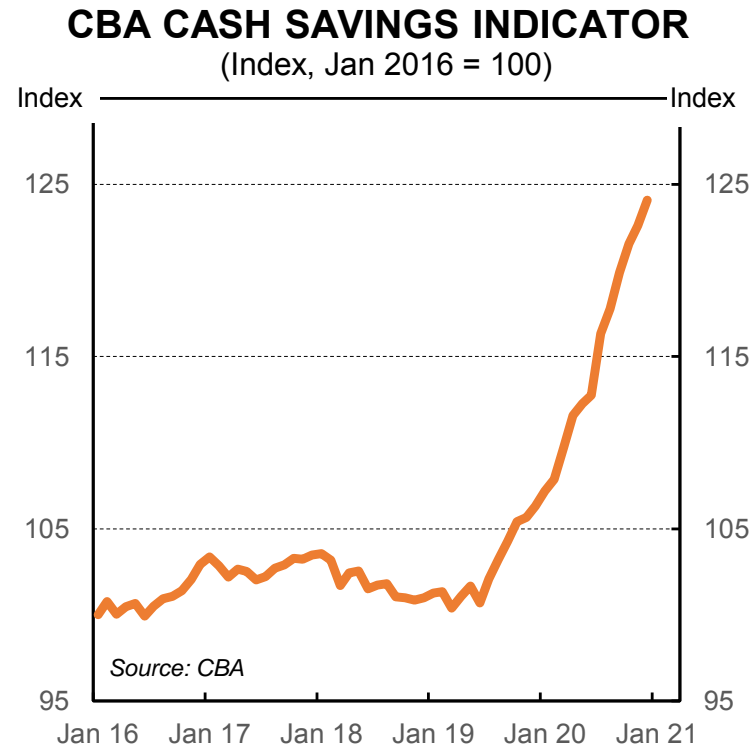
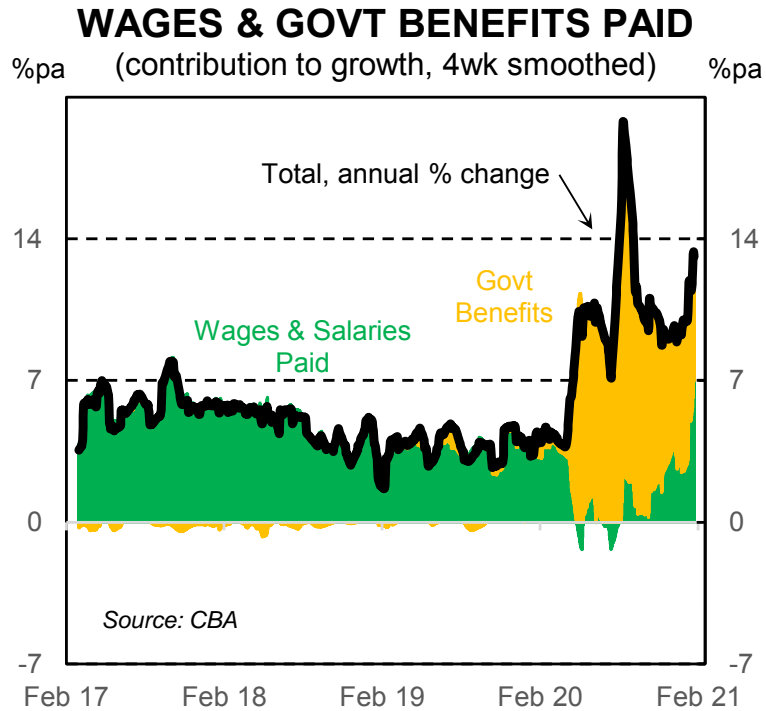
Spending picked up solidly over H2 2020



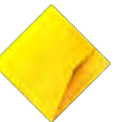
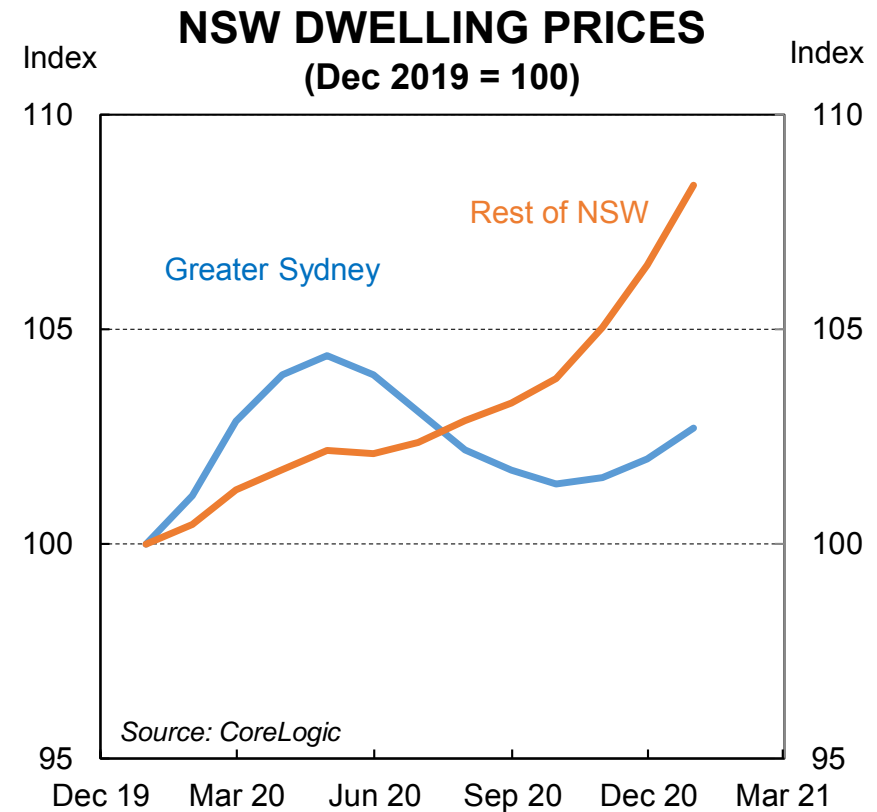
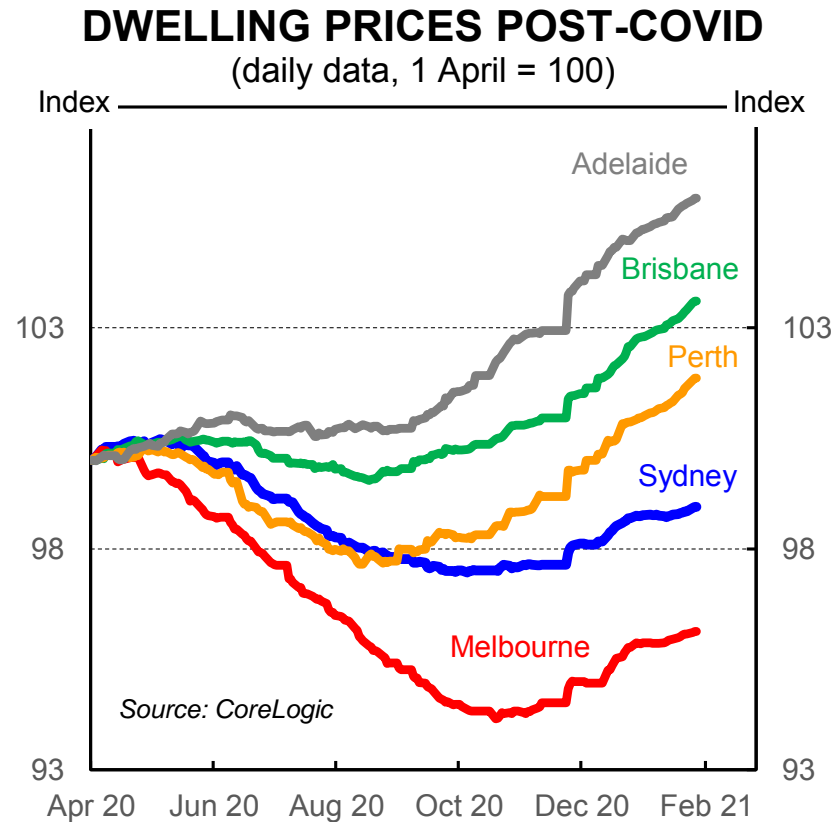
Regional areas have outperformed



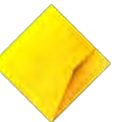
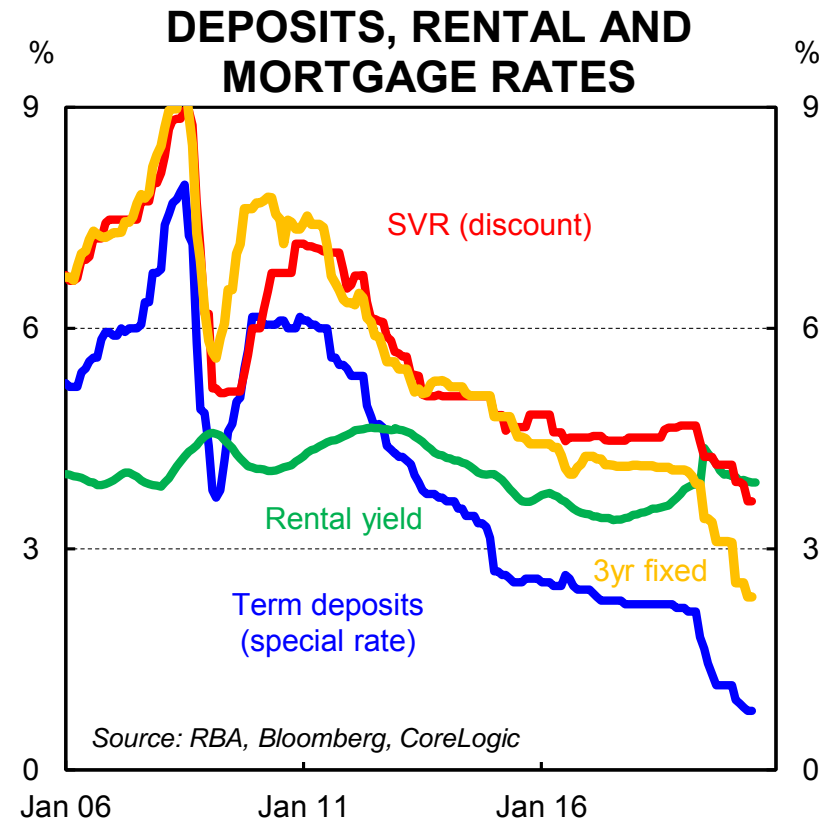
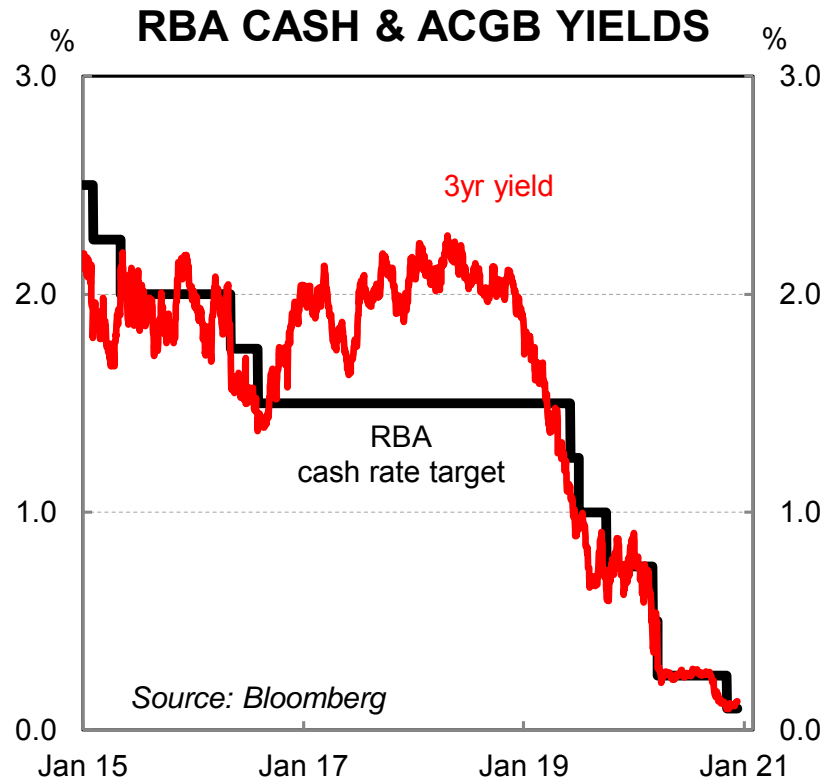
Income growth is strong and households are cashed up



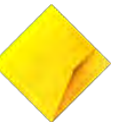
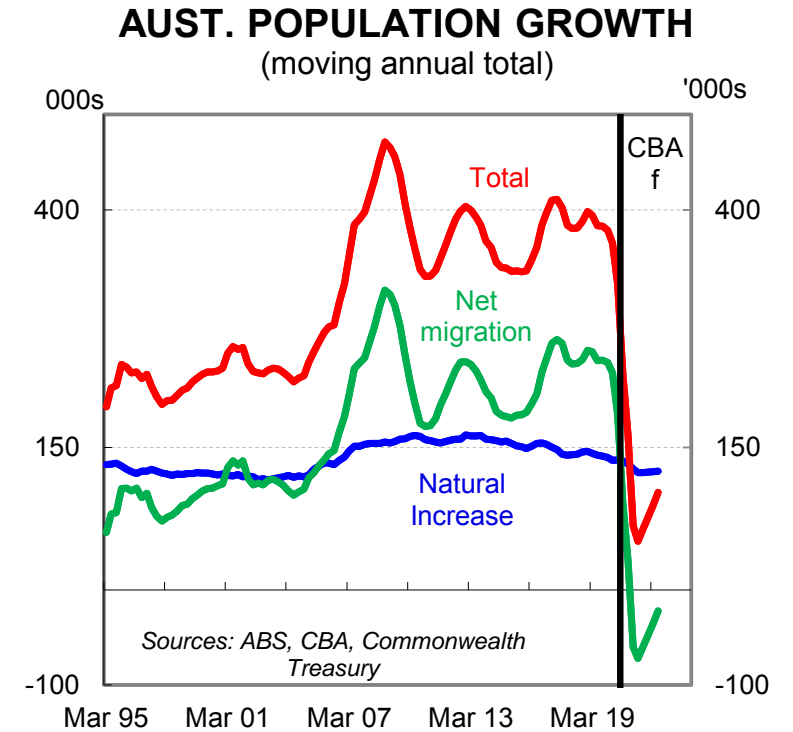
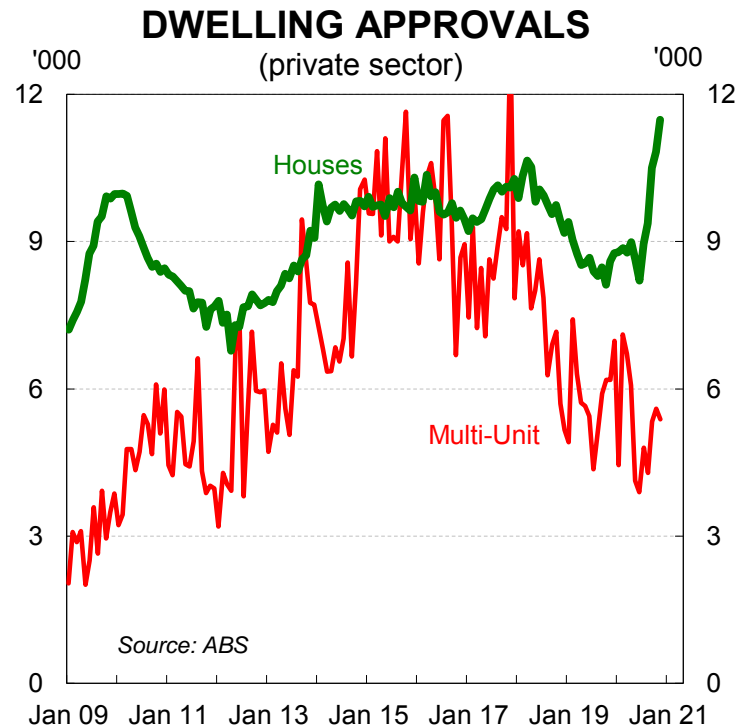
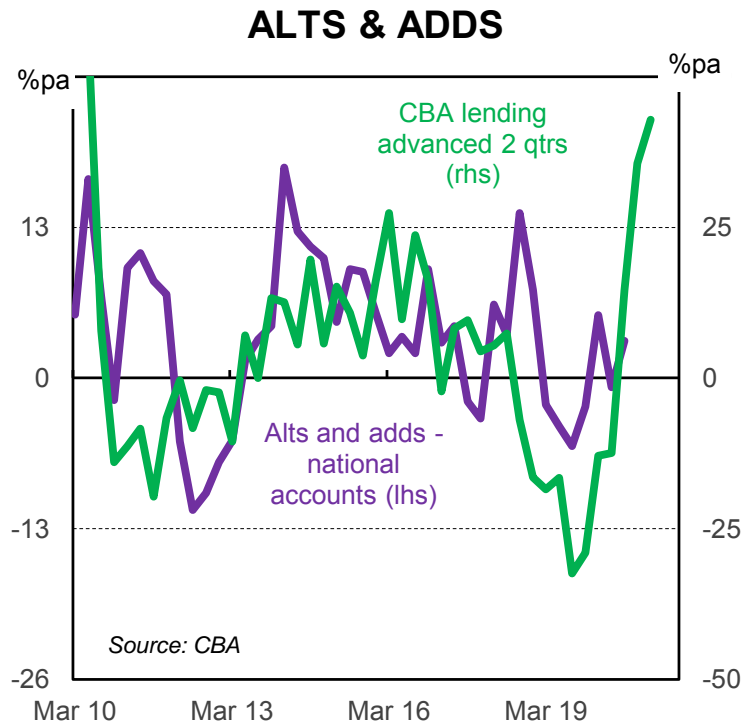
Housing market will support the economy.....



.....it's all about interest rates

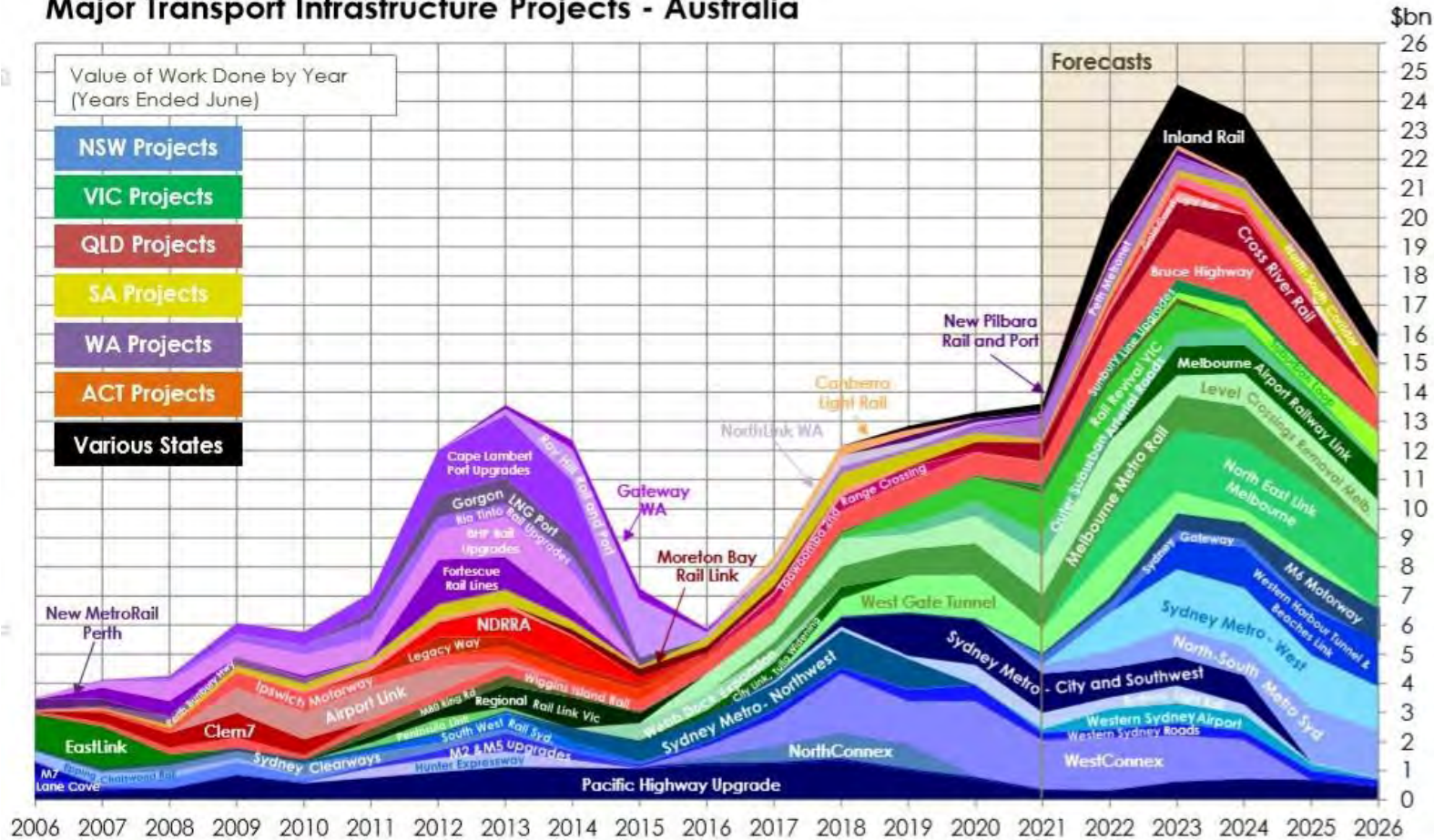


Renovation activity to surge and new home construction to rise



Public capital works programs are massive

Major Transport Infrastructure Projects - Australia



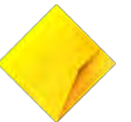
Note: This chart includes projects with a value of work done greater than \$300 million in any single year

Capital Works Programs*

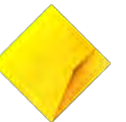
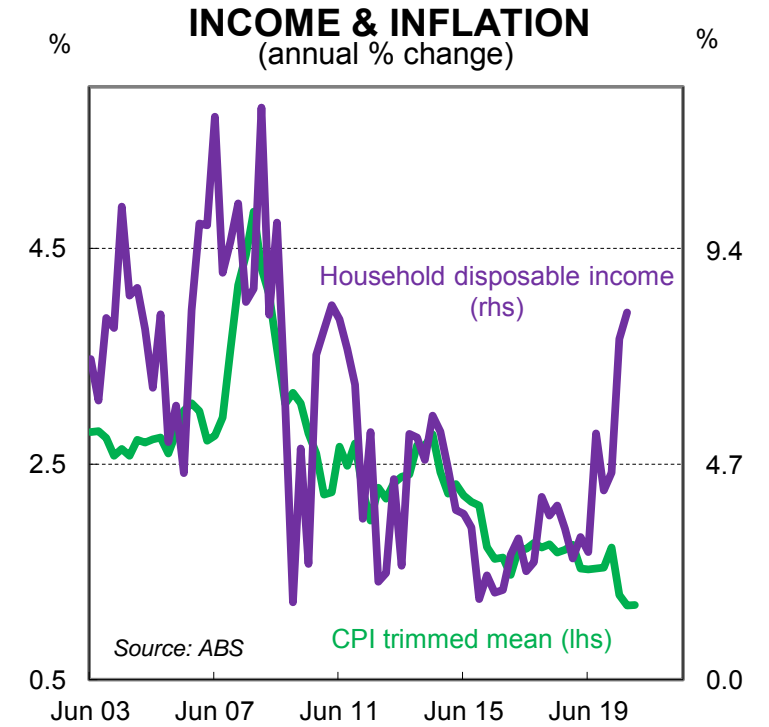
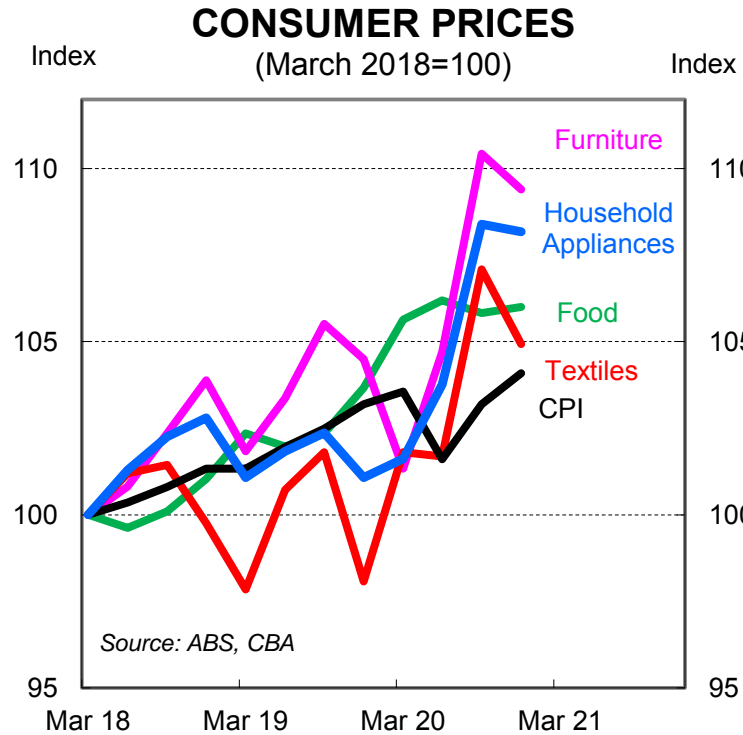
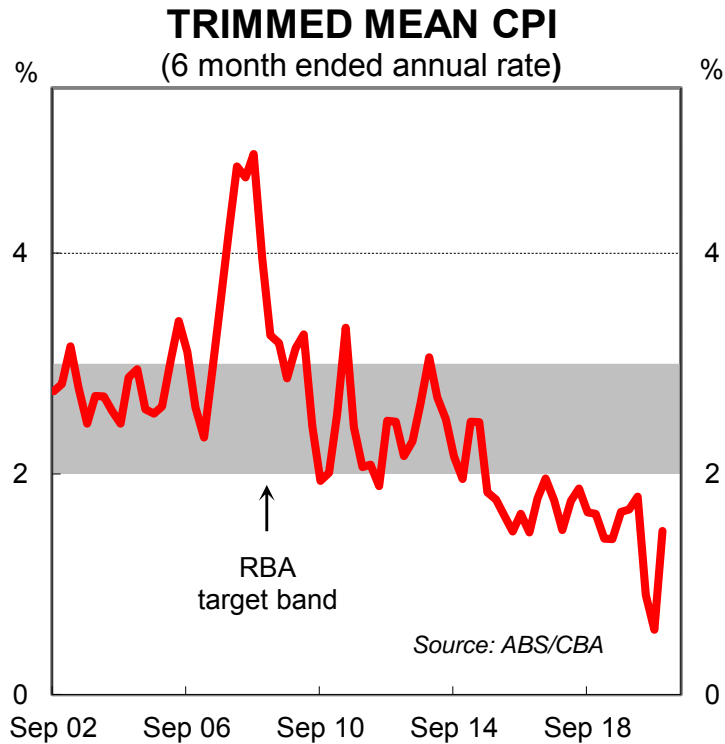
	19/20	20/21	21/22	22/23	23/24
NSW	21.0	27.0	26.8	23.3	18.3
VIC	12.5	19.8	19.8	20.1	19.0
QLD	9.2	10.7	11.5	11.3	10.7
WA	4.5	9.9	9.6	8.0	7.3
SA	4.2	5.1	7.3	6.5	7.4
NT	1.2	1.3	1.5	1.0	0.9
ACT [^]	0.9	0.8	0.9	0.7	0.9
TAS	1.0	1.7	1.4	2.1	1.5
Total state	54.5	76.2	78.8	72.9	65.1
Federal	30.3	40.5			
Total	84.8	116.7			
%GDP	4.5	6.3			

Source: Government budget papers 2020/21, CBA

*Purchases of non-financial assets



We may see some upside inflation surprises



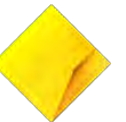
Forecasts

	Q3 20 (a)	Q4 20 (f)	Q1 21 (f)	Q2 21 (f)	Q3 21 (f)	2020 (f)	2021 (f)	2022 (f)
Economic Activity								
Private final demand	5.8	2.8	1.4	1.6	1.3	-5.9	5.2	3.8
<i>Of which:</i> Household spending	7.9	3.6	1.6	1.2	1.2	-6.0	6.6	3.5
Dwelling investment	0.6	2.7	2.2	1.3	0.8	-6.5	4.5	-1.1
Business investment	-3.2	-1.5	-0.7	1.3	1.2	-7.0	-2.8	7.7
Public final demand	1.2	0.6	0.3	0.8	0.6	5.8	3.0	2.9
Domestic final demand	4.5	2.2	1.1	1.1	1.1	-2.9	4.6	3.6
Net exports (contrib to GDP)	-1.9	-0.2	0.3	0.0	-0.1	0.3	-0.6	0.0
GDP	3.3	2.6	0.8	1.1	1.0	-2.6	4.2	3.8
Prices & Incomes								
CPI (%pa)	0.7	0.9	0.8	3.2	2.4	0.8	2.1	2.1
Trimmed mean CPI (%pa)	1.2	1.2	1.2	1.6	1.7	1.3	1.5	1.8
Wage Price Index	0.1	0.3	0.3	0.4	0.4	1.6	1.1	1.6
Labour Market								
Employment ('000)	275	282	75	30	75	-188	326	276
Unemployment rate*	7.1	6.8	6.5	6.3	6.1	6.5	6.2	5.3



Downside risks

- The return of COVID-19 'clusters' and resultant reimposition of restrictions / lockdowns.
- End of JobKeeper.
- Ineffective vaccine/s.
- Fiscal tightening (i.e. premature budget repair).
- A surge in net overseas migration (i.e. a labour market supply shock).
- Higher consumer price inflation leading to a lift in bond yields and a tightening in financial conditions.
- Further escalation of Australia / China trade tensions.
- Macroprudential policy resulting in a tightening in credit supply.
- Housing oversupply, particularly in some apartment markets.



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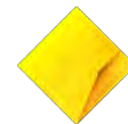
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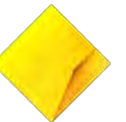
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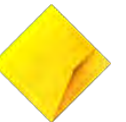
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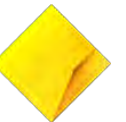
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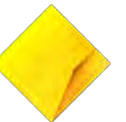
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ADDITIONAL INFORMATION FOR PROFESSIONAL INVESTORS OUTSIDE OF AUSTRALIA (CONT.)

US Investors

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