



# Economic Report

## Australia

### September Quarter 2017

#### HIGHLIGHTS

- ◆ Consumer Price Index (CPI) increased by 0.6% over the three months to September 2017, bringing the inflation rate over the last twelve months to 1.8%.
- ◆ The Westpac Melbourne Institute Index of Consumer Sentiment indicates an increase of 2.5% over the month to September, from 95.5 in August to 97.9 in September 2017.
- ◆ Interest rates were left on hold throughout the September quarter, with the rate remaining at 1.50% since August 2016.
- ◆ Ten year Australian government bond yields floated between 2.50% and 2.85% during the September quarter, peaking at 2.86% towards the end of September and bottoming to a low of 2.53% at the beginning of August.
- ◆ Over the three months to September, the Australian dollar experienced various changes against most major currencies, appreciating against the US Dollar, Japanese Yen and NZ Dollar, whilst depreciating against the UK Pound and Euro.
- ◆ In September 2017, Australia's seasonally adjusted unemployment rate declined by 0.1% to 5.5%- the lowest level of unemployment since March 2013.

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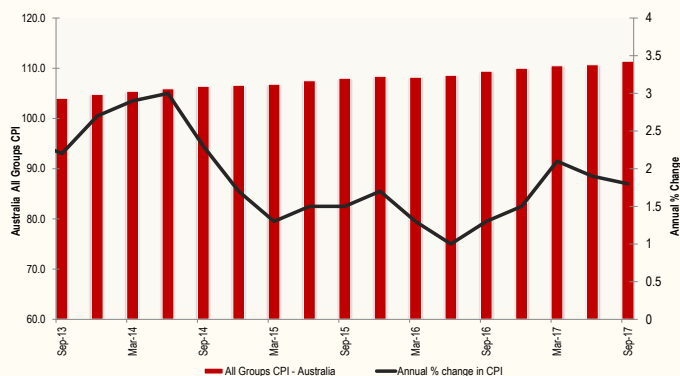
## Inflation and Investor Sentiment

### Consumer Price Index

Consumer Price Index (CPI) increased by 0.6% over the three months to September 2017, bringing the inflation rate over the last twelve months to 1.8%. When we look at underlying inflation, which removes the volatile components of inflation and is closely more monitored by the Reserve Bank of Australia, an increase of 0.4% was recorded for the quarter- the second weakest increase ever recorded- leaving the annual rate unchanged at 1.9%. Over the quarter, strong increases stemming from the Housing group (+1.9%), Alcohol & tobacco group (+2.2%), Recreation & culture group (+1.3%) was offset by declines in Food & non-alcoholic beverages group (-0.9%), Communication group (-1.4%) and Clothing & footwear group (-0.9%).

The Housing group was the most significant contributor to the All groups CPI movement over the September quarter, driven by an increase of 8.9% in electricity prices over the period. The rise in the Alcohol & tobacco group was driven by an increase of 4.1% in tobacco prices- a direct effect of the 12.5% federal excise tax increase that's effective as of 1 September 2017. The rise in prices in the Recreation and culture group was mainly driven by an increase of 4.1% in spending on international holiday travel and accommodation. In contrast, the decline in the Food and non-alcoholic beverage group was driven by a decline of -10.9% in vegetable prices, from favourable growing conditions which led to an increase in the supply of vegetables which ultimately had a downward impact on prices. The fall in the Communication group was mainly driven by a decline of 1.5% of prices in telecommunication equipment and services, which was influenced by the increase in data usage for mobile phones and mobile broadband devices. The decline in the Clothing & footwear group was driven by decline in spending on garments for women (-1.25%), garments for men (-2.1%) and accessories (-0.7%) - all due to prolonged periods of sales in the retail industry.

When we look at the states and territories around Australia, All Groups CPI increased across all eight capital cities. Melbourne recorded the largest increase of 2.2%, followed by Canberra with 2.1% and Hobart with 2.0%. In contrast, Perth and Darwin recorded the lowest increase in inflation over the year to September 2017, of 0.8% and 0.6% respectively.

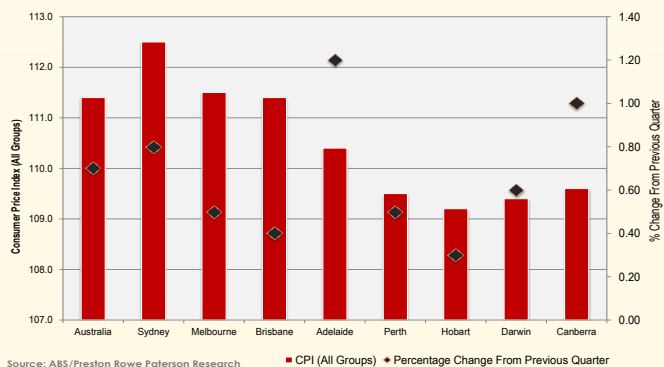


Source: ABS/Preston Rowe Paterson Research

Chart 1—Australia's All Group CPI and Percentage Change from September 2013—Present—Source—ABS

	Percentage Change		
	Quarterly to June 2017	Yearly to June 2017	Index number, June 2017
Sydney	0.4	2.4	111.7
Melbourne	1.0	2.4	111.0
Brisbane	0.3	2.0	111.0
Adelaide	0.4	1.7	109.2
Perth	0.0	0.8	108.9
Hobart	0.9	2.5	108.9
Darwin	-0.1	0.5	108.8
Canberra	0.7	2.2	108.6
Weighted Average of 8 Capital Cities	0.2	1.9	110.7

Table 1 — Quarterly and Yearly Percentage Changes in Australia's Capital Cities, including Weighted Average—Source—ABS



Source: ABS/Preston Rowe Paterson Research

Chart 2—All Group CPI and Percentage Change over the quarter to September 2017 —Source—ABS

## Business Sentiment

According to the National Australia Bank Business performance indicators, business conditions remain unchanged whilst business confidence performed strongly over the month to September, following declines recorded in the previous months. On the one hand, business conditions remained at +14 index points, which the National Australia Bank reports to be just below the peaks experienced prior to the GFC. The business confidence index, on the other, experienced a lift of 2 points over the month, bringing it to +7 index points and back to above long-run average.

Considerable changes were recorded in business conditions across the states and territories during September. All states except for Western Australia are in strong positive positions, with South Australia (+18 points) taking the top spot amongst mainland states, followed by New South Wales (+17 points), Victoria (+17 points) and Queensland (+12 points). Business confidence also remains positive in all states, with most (except New South Wales) seeing increases over the month to September. Queensland recorded the highest confidence with +12 points, whilst Western Australia recorded the lowest level with +4 index points.

## Consumer Sentiment

The Westpac Melbourne Institute Index of Consumer Sentiment indicates an increase of 2.5% over the month to September, from 95.5 in August to 97.9 in September 2017. A reading below 100 indicates that the number of pessimists outweigh optimists in their outlook on the economy, which means that September is the tenth consecutive month in which the pessimism persists. Westpac notes the main factors influencing sentiment around the economy comes down to consumers' concerns around interest rates, pressures on family finances, rising energy prices and the housing affordability crisis. When combined, these factors outweigh the positivity stemming from an improved outlook in the job market, especially when the strengthening labour market is not leading to strong wages growths.

Family finance when compared to twelve months ago still indicates a strong area of concern, dropping to an index of 82.9. When looking at survey respondents' sentiment on the economic conditions in the next twelve months, the sub-index increased by 2.7% to 95.8, whilst the economic conditions in the next five years sub-index increased by 5.1%. Westpac reflected on the recent improvement in Australia's national accounts, as the economy showed a solid 0.8% increase in GDP over the June quarter, however noted the mediocre growth over the year may have influenced consumers to have more 'lukewarm' sentiments on future economic outlook.

When we look at the different industries around the country, business conditions in most appear to be performing above average levels. We note the exception of the retail industry, which has continued to follow a downward trend into negative territory into the month to September. On the other hand, the construction industry continues to record strong increases in business conditions over the past twelve months, and currently has the highest levels of business conditions at +20 points. When we look at business confidence around different industries, almost all but retail have recorded positive confidence. Notably, mining continues to top the business confidence survey with +19 index points. National Australia Bank notes that forward orders are highest in the construction industry (+17 points), whilst they are lowest for the retail industry (-3 points).

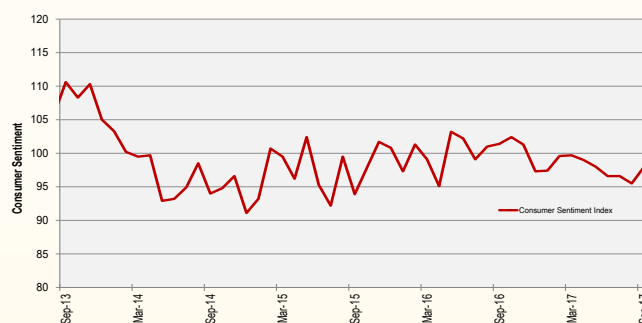


Chart 3—Consumer Sentiment Index—Source—Westpac Melbourne Institute Survey

	September 2017	June 2017	September 2016
<b>Consumer Sentiment Index</b>	97.9	96.2	101.4
<b>Family finance vs. a year ago</b>	82.9	81.4	89.5
<b>Economic conditions next 12 months</b>	95.8	91.3	90.8
<b>Time to buy a dwelling</b>	95.2	90.9	109.3

Table 2—Consumer Sentiment in September 2017 — Source—National Australia Bank

When looking at consumers' sentiments on the overall housing market, mixed views were recorded during the month of September. The time to buy a dwelling sub-index increased by 0.8% to 95.2, however Westpac indicates that this figure remains comparatively low when compared to historical standards. New South Wales experienced the lowest outlook with an index of 81.3, whilst Western Australia's

## Lending Rates

### Interest Rates

Interest rates were left on hold throughout the September quarter, with the rate remaining at 1.50% since August 2016. The statement released by Reserve Bank of Australia's (RBA) Governor, Philip Lowe, points to an improvement in the global economy, with strong labour market figures and above-trend economic growth expected for several advanced economies. When we look at the Chinese economy, strong economic growth is supported by the increase in spending on infrastructure and property construction, though the country's high level of debt continues to be of a medium-term risk. Being Australia's largest trading partner, the strong growth in China will continue to support Australia's relatively high level of terms of trade.

Australia recorded strong employment data over recent months, with declines in the unemployment rate in all states and an increase in the labour force participation rate. The RBA notes that various forward-looking indicators are pointing to solid employment growth, though reiterates that unemployment rate is expected to decline only gradually over the next few years. In saying this, Australia's wage growth remains at record low, and the RBA predicts that this trend will likely continue for a while, though strong labour market conditions should assist in lifting wage growth over time.

Australia's housing market continue to show signs of variance across the country, with Sydney and Melbourne leading the charge in increasing house prices, whilst in other states, prices have been declining. The RBA notes that a considerable amount of additional supply of apartments is continuing to enter the eastern capital cities, with rent increases remaining low in most capital cities over recent times. The RBA continues to reiterate the growth in housing debt and the continual outpacing of slow household incomes. The household debt ratio currently stands at above 190%, with the RBA being considerably mindful of the amount of capital Australian households use to service their debt without impacting household consumption. The RBA believe that the current level of interest rate is consistent with ability for the Australian economy to sustainably grow and achieve inflation target over the medium term.

consistent fall in house prices over the years have led to a very strong index of 130.4 in September. The house price expectations index declined to 141.5, though this is still a historically high level. Furthermore, 57% of consumers with a view expect house prices to increase over the next twelve months, 31% expect no change and 12% expect a price decline over the same period.

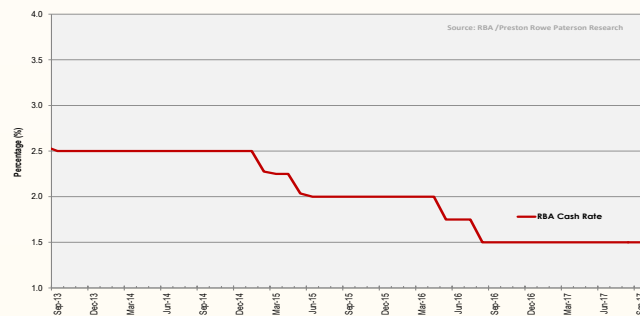


Chart 5— Reserve Bank of Australia Overnight Cash rate—Source: RBA

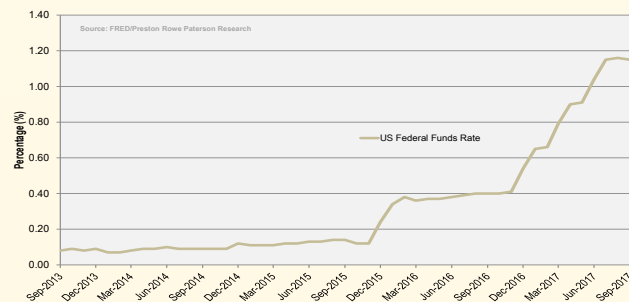
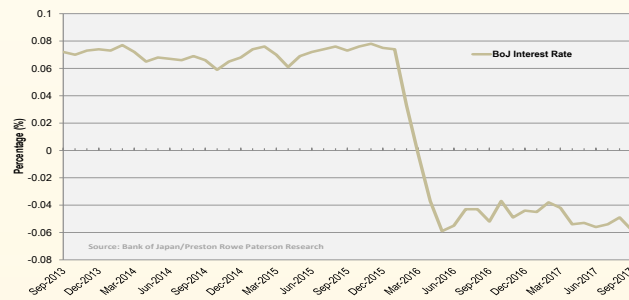
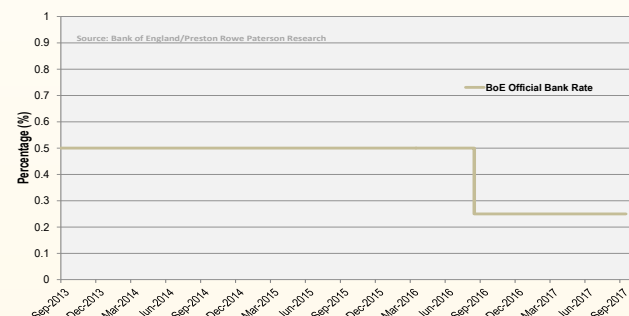


Chart 6— Movement of Central Bank's Cash Rate in England, Japan and US— Source: Bank of England; Bank of Japan; US Federal Reserve

## 10 Year Bond & 90 Day Bill Rate

Ten year Australian government bond yields floated between 2.50% and 2.85% during the September quarter, peaking at 2.86% towards the end of September and bottoming to a low of 2.53% at the beginning of August. Through July, bond yields increased by 21 basis points to a high of 2.65%, with different geopolitical factors influencing global bond yields throughout the month. The European Central Bank held their official interest rate steady which reflect steady bond yields globally during the first half of the month, whilst inflation data from the US market resulted in a short spur of declining bond yields. Nevertheless, unexpected strong employment data from Australia pushed bond yields up at the short end, reflecting the increased probability of an interest rate increase in the near future. Australian ten year bond yields increased more than the US ten year yields over the month, resulting in the widening of the US-Australia bond spread by 12 basis points to 35 basis points.

Over the month of August, yields declined in most advanced economies around the world, however Australia did not follow trend. Increases were recorded at the beginning and the end of the month, bringing Australian bond yields up by 3 basis points to 2.71% when compared to July's peak. Over the month, geopolitical events, notably tension between North Korea and the U.S., led to an increase in demand for safe-haven bonds, which resulted in the decline of global bond yields.

Through September, the ten year bond yield increased by 16 basis points, to 2.86%, reflecting increases in bond yields in all advanced economy markets globally. As usual, increases in Australian bond yields lagged behind their US counterparts' increase, with the spread between the Australian and US yields tightening by 5 basis points to 54 basis points.

## Housing and Business Loan Rates

Over the September quarter 2017, residential secured and other small business loans experienced no changes, remaining at 6.45% and 7.30% respectively. Over the same period, 3-year fixed small business loan rate increased by 0.10%, to 5.35%. When we look at changes over the last twelve months, residential secured and other small business loans both increased by 0.05%, whilst 3 year fixed small business loan increased by 0.10% over the same period.

Housing loans in Australia have experienced varying changes over the three months to September. Banks' variable home loans declined by -0.05% over the quarter, down to 5.20%, whilst mortgage managers' standard variable rate declined by -0.10% down to 3.85%. Over the same period, home equity loan rate increased by 0.05%, to 6.40%. Over the twelve months, banks' variable home loan declined by -0.05%, mortgage manager's standard variable home loan declined by -0.05%, whilst home equity loan increased by 0.75%.



Chart 7— Daily Movement of 90-day Bill, 10-year bond yields and Cash rate—Source: RBA

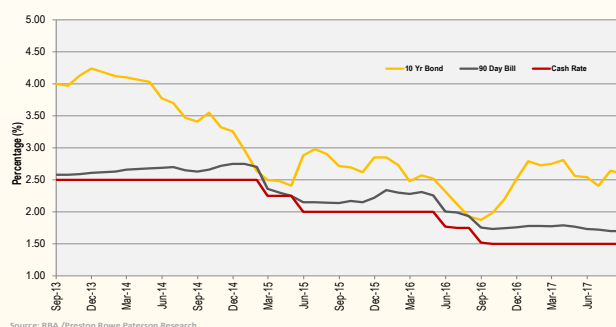


Chart 8— Monthly Movement of 90-day Bill, 10-year bond yields and Cash rate—Source: RBA

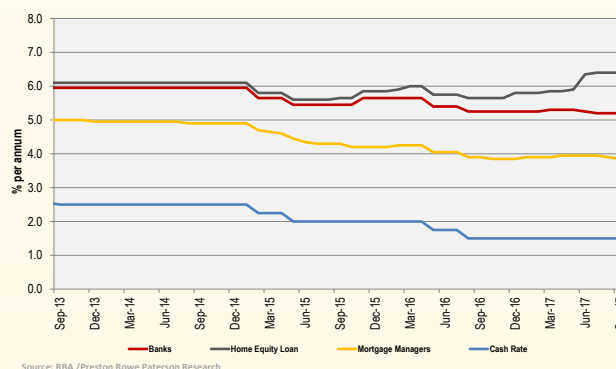


Chart 9— Housing Loan Indicator Lending Rates— Source: RBA

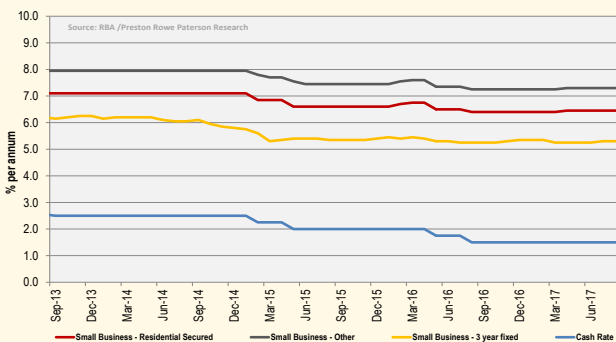


Chart 10— Small Business Indicator Lending Rates— Source: RBA

## Australian Exchange Rates

Over the three months to September, the Australian dollar experienced various changes against most major currencies, appreciating against the US Dollar, Japanese Yen and NZ Dollar, whilst depreciating against the UK Pound and Euro.

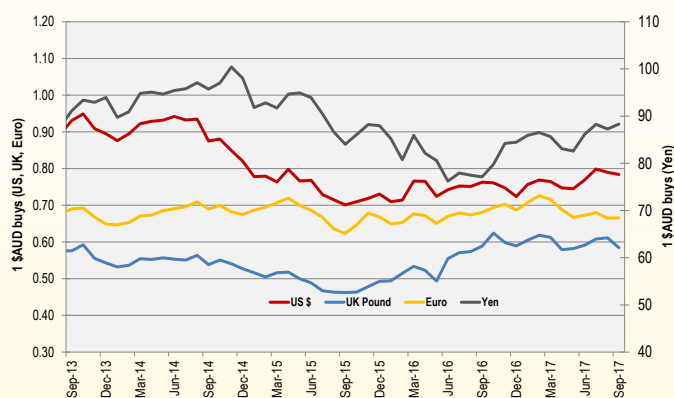
As at the end of September 2017, \$AUD1.00 bought \$USD0.7839 (from June's \$USD0.7692). The Australian Dollar has remained stubbornly high against the US Greenback, after depreciating below \$USD0.70 during the commodity crash in 2015. Since the start of June, the Australia dollar appreciated more than 8 per cent, touching close to \$USD0.80 towards the end of July, and then depreciating down to September's level at \$USD0.78, correlating with steep drops in commodity prices (notably a 10 per cent drop in iron ore spot prices). The Australian economy has been performing strongly, especially when we look at economic growth and the domestic labour market. Furthermore, weak figures stemming from the US economy- notably when we look at inflation figures- leads to a justification of why the Australian Dollar has remained so stubbornly high over the September quarter. Furthermore, the US Federal Reserve have stalled in increasing interest rates, which have gone against traders' bets of an aggressive rate hike by the central bank and ultimately means that the US Dollar is seen as overvalued and hence is being sold off. In saying this, the Australia dollar depreciated slightly towards the end of September, due to the optimism over US tax reforms, solid US economic data and higher expectations for another interest rate increase from the US Federal Reserve towards the end of 2017.

The Australian Dollar depreciated by -4.4% against the British Pound over the month to September to £0.5913, influenced by a strong decline in iron ore prices and positivity from the Brexit negotiations. Over the course of the year, the Australian Dollar has maintained a strong position against the British Pound, however, Preston Rowe

Paterson Research predicts a weaker Australian Dollar in the future, based on the fact that iron ore prices continue to decline (25% since late August 2017) and economic growth in China continue to slow down, all whilst negotiations between Britain and the European Union is progressing strongly through some key issues. Even though there is still more progress to be made in the future, the positive trajectory of the talks means that the two parties could hopefully move towards the subject of future trade relationship between Britain and the European Union.

The Australian Dollar remained steady over the month to September, buying around €0.666, however when we compare this to three months prior, the Australia dollar depreciated by -1.1% from €0.673. Political uncertainty from Germany's recent 2017 federal election has not impacted on the Euro, which performed stronger from positive Eurozone data. Future economic data would determine the trajectory of the Australian Dollar to Euro Exchange. The RBA is expected to make a neutral stance on monetary policy, whilst Europe could see new political pressure from the uncertainty around Germany's political development, with the potential for the Euro to strengthen upon progress being made on coalition negotiations by German Chancellor Merkel.

Against the Japanese Yen, the Australian Dollar performed strongly, with a 1.2% appreciation over the month and 2.5% appreciation when compared to three months prior. Notably, over the twelve months to September 2017, the Australian Dollar appreciated by 14.5%. When we look at the Australian-New Zealand exchange rate, the Australian Dollar depreciated by -1.3% over the month to September 2017. However, when we look at three months prior, the Australian Dollar appreciated by 3.53%, whilst when compared to twelve months prior, the Australian dollar appreciated against the New Zealand dollar by 3.7%.



Source: RBA /Preston Rowe Paterson Research

Chart 11— Movement in Exchange Rate over the year to June 2016— Source: RBA

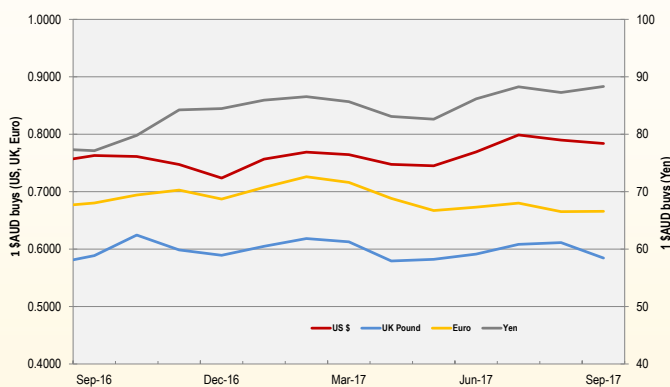


Chart 12— Movement in Exchange, from June 16 to June 2017— Source: RBA

## Equity Markets

### Share Price Indices

Over the September quarter, the Australian S&P/ASX200 declined by 0.72%, from 447.1 in June to 443.9 in September. Over the year, the index recorded an increase of 4.5%. When we look at the United States S&P500 Index, a 4.0% increase was recorded over the three months to September, from June's 733.9, to September's 762.9. When we compare the index to twelve months prior, an increase of 16.2% was recorded.

### Industrials, All Ordinaries & Property Trust Index Values

Over the month to September 2017, the All Ordinaries experienced a decline of -0.5%, down to 5,744.9. Over the twelve months to September, the All Ordinaries recorded an increase of 4.0%. When we look at the long term picture, the All Ordinaries has gained 30.4% over the last five years, but down 12.7% in the last ten years. The index peaked at 6873.20 in November 2007.

The Industrials Index recorded an increase of 4.4% over the month to September, to 5,907.1. Over the year, the index recorded an increase of 12.5%. When we look at the Property Trust Index, an increase of 0.5% was recorded over the month, to 1,321.9. However, over the last twelve months, the index experienced a decline of -7.4%.

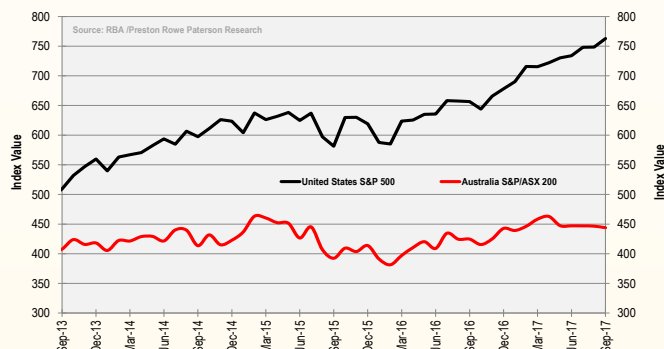


Chart 13— Australian and US Share Price Indices— Source: RBA

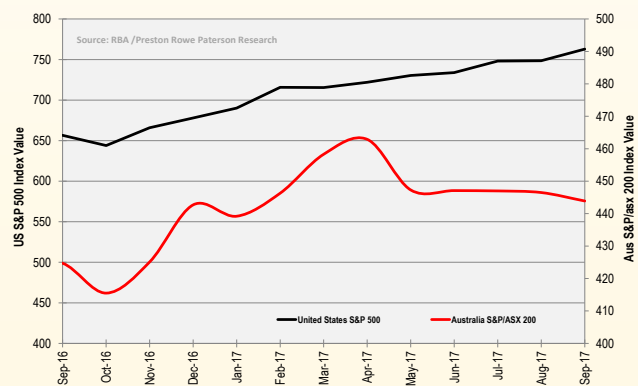


Chart 14— Australian and US Share Price Indices, Movement over the year to June 2017— Source: RBA

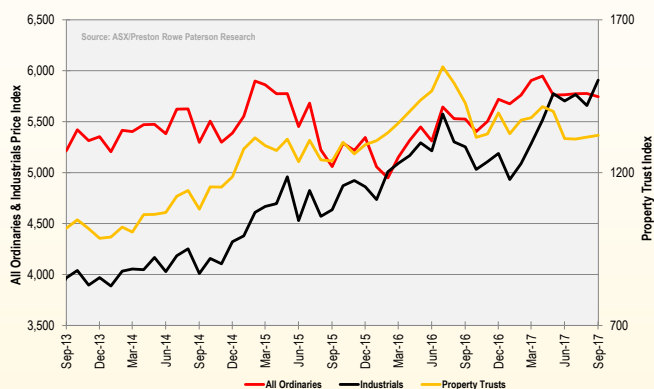


Chart 15— Australian Share Price Indices— Source: ASX

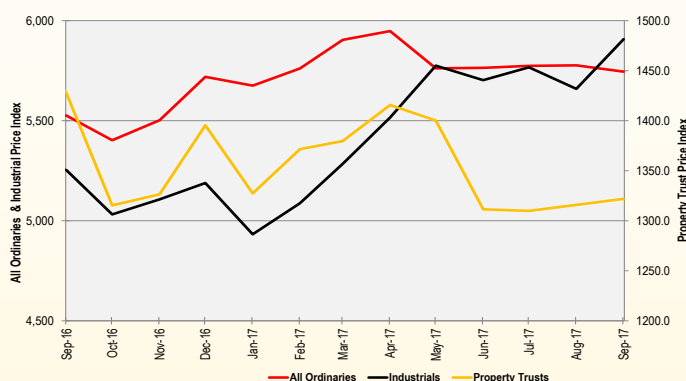


Chart 16— Australian Share Price Indices, over the year to June 2017— Source: ASX

## Economic Growth

### Gross Domestic Product

Over the three months to the June Quarter 2017, Australia's Gross Domestic Product (GDP) increased by a seasonally adjusted 0.8%. Over the twelve months to June 2017, GDP increased by 1.8%. June quarter figures were considerably higher than the 0.3% growth recorded during the first quarter of the 2017 calendar year. Over the June quarter, domestic consumption contributed 0.4% to GDP growth. This was driven by a lift of 0.7% in household consumption expenditure, which was influenced by the increase in spending on food (1.5%), insurance & other financial services (1.3%) and rent & other dwelling services (0.5%). Over the year, Household consumption expenditure increased by a seasonally adjusted 2.6%.

The Australian Bureau of Statistics noted that household savings ratio in the June quarter 2017 is at 4.6%, a considerable fall from March Quarter 2017's ratio of 5.3%. Furthermore, gross disposable income

over the past five quarters has increased on an average of 0.5%, which is noted to be consistently lower than the growth observed in household consumption expenditure.

Dwelling investment over the second quarter 2017 increased by a modest 0.2%, after the steep decline of 3.7% during the March quarter. Dwelling investment in New South Wales and Victoria continue to increase at elevated levels, whilst investment in Queensland has plateaued. Meanwhile, investment in Western Australia has declined significantly.

When we look at wholesale trade inventories, over the June quarter 2017, a decline of \$1,411 million was recorded. These results were influenced by a reduction in grain inventories, following strong harvests from the previous quarters. In saying this, a positive build up still exist in Wholegrain Trade inventories over the past twelve months.

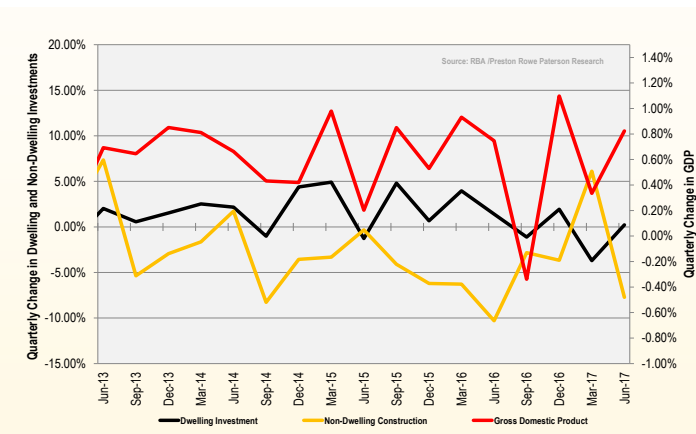


Chart 17— Percentage Change in Dwelling, Non-Dwelling Investments and GDP— Source: ABS

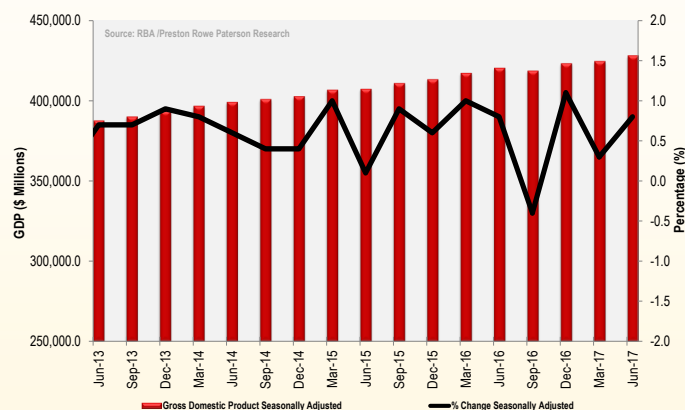


Chart 18— Seasonally Adjusted GDP and Seasonally Adjusted Change in GDP— Source: ABS

## Labour Force

### Unemployment

In September 2017, Australia's seasonally adjusted unemployment rate declined by 0.1% to 5.5% - the lowest level of unemployment since March 2013. From August to September, seasonally adjusted employment increased by 19,800 persons, which comprises of 6,100 persons in full-time employment and 13,700 persons in part-time employment. In total over the last twelve months, full time employment has increased by 315,900 persons, whilst part time employment has increased by 55,600 persons. Over the month, the nation's participation rate increased slightly to 65.2%.

When we take a look around Australia, New South Wales experienced the largest increase in employment (21,100 persons), followed by Victoria (8,900 persons) and Western Australia (8,300 persons). New South Wales and Tasmania both recorded strong declines in seasonally adjusted unemployment, both down by 0.3%, followed by Western Australia which was down by 0.2%. In contrast, Queensland's unemployment rate increased by 0.2% over the month. When we look at the participation rates around the country, Western Australian recorded the largest increase in participation of 0.2%, whilst Queensland and South Australia experienced the largest declines of 0.1% over the month.



When we look at job vacancies data from the Australian Bureau of Statistics, total number of job vacancies for the month of August stands at 201,300. This figure represents an increase of 3.9% from May 2017, and 14.0% increase from twelve months prior. Total job vacancies in August in the private sector stands at 181,400, which

represents a 3.8% increase from May 2017 and a 13.7% increase when compared to twelve months prior. 19,000 jobs remain vacant in the public sector in August 2017, which represents a 4.5% increase from May 2017 and a 16.8% increase when compared to twelve months prior.

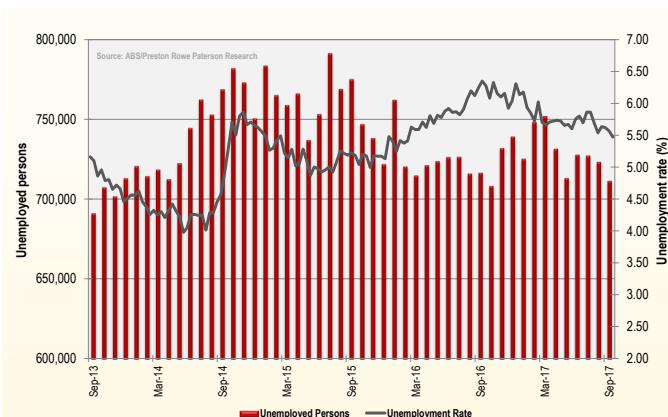


Chart 19— Unemployment Persons and Unemployment Rate, March 2011 to March 2017 — Source: ABS

	Unemployment Rate (%)		Participation Rate (%)	
	September 2017	June 2017	September 2017	June 2017
Australia	5.5	5.6	65.2	65.0
New South Wales	4.6	4.8	63.8	63.5
Victoria	6.0	5.9	66.3	66.1
Queensland	5.9	6.4	65.4	65.0
South Australia	5.8	6.5	62.0	62.4
Western Australia	5.7	5.6	68.2	68.0
Tasmania	5.7	5.6	61.1	61.2
Northern Territory*	4.1	3.5	73.2	74.8
Australian Capital Territory*	4.4	4.3	71.3	70.6

Table 3— Unemployment Rate and Participation Rate, February vs. March 2017 — Source: ABS  
\* Trend figures used for NT and ACT as seasonally adjusted data for both are not publicly available

## Wage Price Index

Seasonally adjusted Wage Price Index (WPI) for the June Quarter 2017 increased by 0.5% over the quarter. Annual increase in wage growth amounted to 1.9%. Over the June Quarter, the Private Sector index increased by 0.4% over the quarter and the Public Sector index increased by 0.6%. Over the year, the Private sector index increased by 1.8%, whilst the Public sector index increased by 2.4%.

The Australian Capital Territory recorded the largest increase of 0.6%. In contrast, Tasmania, the Northern Territory and South Australia recorded the lowest quarterly rise of 0.2%. When we look at the private sector, New South Wales, Victoria and the Australian Capital Territory recorded equal highest quarterly increases of 0.4%. In contrast to this, Queensland, South Australia and Tasmania recorded equally lowest increases in the Private sector with 0.2%. In the public sector, the Australian Capital Territory recorded the highest quarterly increase of 0.6%, whilst the Northern Territory recorded the lowest increase of 0.1%.

When we look at the different industries in the private sector, mining recorded the highest quarterly wage rise of 0.8%, driven by the mining industry in Western Australia. The lowest growth (0.0%) was recorded by public administration and safety. In the public sector, electricity, gas water and waste recorded the highest increase over the quarter with 0.8%.

\*September quarter figures are currently not available and hence June quarter's figures will be used for analysis.

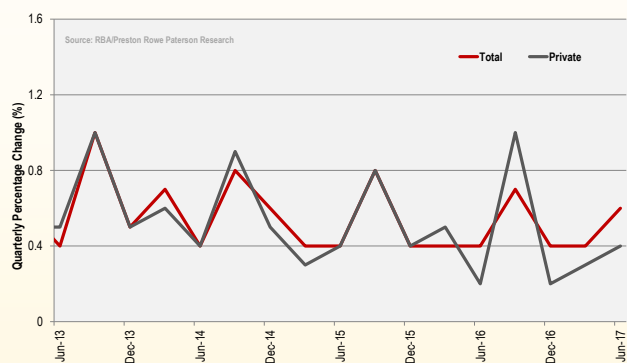


Chart 20— Wage Price Index from December 2007 to December 2016— Source: ABS

## Balance of Payments

### Current Account Balance

Australia's current account deficit, in seasonally adjusted current price terms over the June Quarter 2017, increased by \$4,808 million to \$9.6 billion. The seasonally adjusted terms of trade index for the June quarter declined by 6.0%, bringing the index down to 103.6. Furthermore, the implicit price deflator for goods and services credits declined by 5.4%, whilst the implicit price deflator for goods and services debits increased by 0.7%.

When we look at the balance on goods and services, a deficit of \$196 million was recorded for the June Quarter 2017. This signifies a decline of \$1,363 million, from March Quarter's deficit of \$1,559 million. Seasonally adjusted net goods for the quarter stand at a surplus of \$3,633 million, a decline of \$4,109 million on March Quarter figures. Goods debit increased by \$1,117 million to \$71,818 million. Services debit, in seasonally adjusted terms at current prices, increased by \$523 million to \$19,260 million, whilst services debit increased by \$298 million to \$18,697 million.

	Balance on Current Account	Balance on Goods & Services	Net Primary Income
June Quarter 2017	-\$9,562m	\$3,070m	-\$12,159m
March Quarter 2017	-\$4,754m	\$7,403m	-\$11,660m

Table 4— Balance on Current Account, Balance on Goods & Services and Net Primary Income, Seasonally Adjusted, (\$m— millions) — Source: ABS

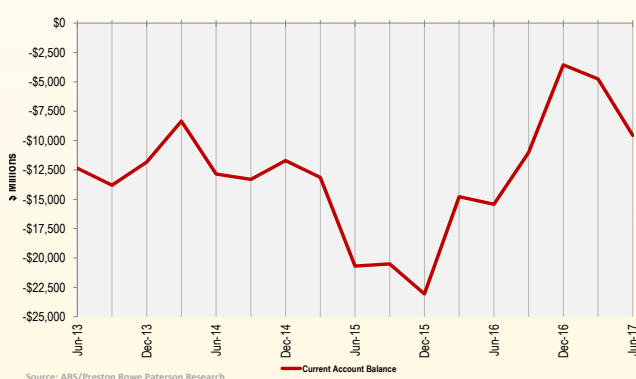


Chart 21— Current Account Balance, Seasonally Adjusted — Source: ABS

### International Investment Position

Australia experienced a decrease of \$24.4 billion in Net International Investment Liability Position on revised 31 March 2017 figures, reaching \$1,000.3 billion at the end of June 2017. Net foreign liability declined by \$21.2 billion to \$990.6 billion, whilst net foreign equity liability declined by \$3.5 billion to \$9.7 billion at the end of June 2017. Australia's debt position has slowly increased over the years, though the Organisation of Economic Development notes that the nation's debt figures are still 'middle ranking in international comparison'. The Federal Budget papers (released May 2017) estimated net debt, as a share of Gross Domestic Product (GDP), to be at 19.5% in 2017-18, and peaking at 19.8% in 2018-19. By 2020-21, net debt is projected to decline as a share of GDP to 17.6%. Medium term prospects, as outlined by the Budget, indicate that net debt is projected to fall to an estimated 8.5% by 2027-28.

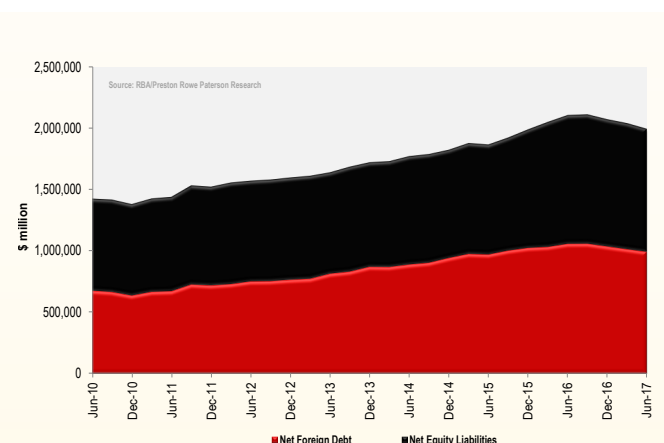


Chart 22— Net Foreign Debt and Net Equity Liability, December 2006 to December 2016— Source: ABS

	Net Foreign Debt		Net Foreign Equity	
	June Quarter 2017	March Quarter 2017	June Quarter 2017	March Quarter 2017
Australia	\$990,599m	\$1,011,765m	\$9,665m	\$12,854m

Table 5 — % Change over Quarter & Year of Net Foreign Debt and Net Equity Liability, December 2016 vs. March 2017 — Source: ABS

## Our Research

At Preston Rowe Paterson, we pride ourselves on the research which we prepare in the market sectors within which we operate. These include Commercial, Retail, Industrial, Hotel & Leisure and Residential property markets as well as infrastructure, capital and plant and machinery markets

## We have *property* covered

- Investment
- Development
- Asset
- Corporate Real Estate
- Mortgage
- Government
- Insurance
- Occupancy
- Sustainability
- Research
- Real Estate Investment Valuation
- Real Estate Development Valuation
- Property Consultancy and Advisory
- Transaction Advisory
- Property and Asset Management
- Listed Fund, Property Trust, Super Fund and Syndicate Advisors
- Plant & Machinery Valuation
- General and Insurance Valuation
- Economic and Property Market Research

## We have all *real estate* types covered

We regularly provide valuation, property and asset management, consultancy and leasing services for all types of real estate including:

- CBD and Metropolitan commercial office buildings
- Retail shopping centres and shops
- Industrial, office/warehouses and factories
- Business parks
- Hotels (accommodation) and resorts
- Hotels (pubs), motels and caravan parks
- Residential development projects
- Residential dwellings (individual houses and apartments/units)
- Rural properties
- Special purpose properties such as: nursing homes; private hospitals, service stations, oil terminals and refineries, theatre complexes; etc.
- Infrastructure including airports and port facilities

## We have all types of *plant & machinery* covered

We regularly undertake valuations of all forms of plant, machinery, furniture, fittings and equipment including:

- Mining & earth moving equipment/road plant
- Office fit outs, equipment & furniture
- Agricultural machinery & equipment
- Heavy, light commercial & passenger vehicles
- Industrial manufacturing equipment
- Wineries and processing plants
- Special purpose plant, machinery & equipment
- Extractive industries, land fills and resource based enterprises
- Hotel furniture, fittings & equipment

## We have all *client profiles* covered

Preston Rowe Paterson acts for an array of clients with all types of real estate, plant, machinery and equipment interests such as:

- Accountants
- Banks, finance companies and lending institutions
- Commercial and Residential non bank lenders
- Co-operatives
- Developers
- Finance and mortgage brokers
- Hotel owners and operators
- Institutional investors
- Insurance brokers and companies
- Investment advisors
- Lessors and lessees
- Listed and private companies corporations
- Listed Property Trusts
- Local, State and Federal Government Departments and Agencies
- Mining companies
- Mortgage trusts
- Overseas clients
- Private investors
- Property Syndication Managers
- Rural landholders
- Self managed super funds
- Solicitors and barristers
- Sovereign wealth funds
- Stock brokers
- Trustee and Custodial companies

## We have all *locations* covered

From our capital city and regional office locations we serve our client's needs throughout Australia. Globally, we operate directly or via our relationship offices or special purpose real estate asset classes, infrastructure and plant & machinery.

## We have *your needs* covered

Our clients seek our property (real estate, infrastructure, plant and machinery) services for a multitude of reasons including:

- Acquisitions & Disposals
- Alternative use & highest and best use analysis
- Asset Management
- Asset Valuations for financial reporting to meet ASIC, AASB, IFRS & IVSC guidelines
- Compulsory acquisition and resumption
- Corporate merger & acquisition real estate due diligence
- Due Diligence management for acquisitions and sales
- Facilities management
- Feasibility studies
- Funds management advice & portfolio analysis
- Income and outgoings projections and analysis
- Insurance valuations (replacement & reinstatement costs)
- Leasing vacant space within managed properties
- Listed property trust & investment fund valuations & revaluations
- Litigation support
- Marketing & development strategies
- Mortgage valuations
- Property Management
- Property syndicate valuations and re-valuations
- Rating and taxing objections
- Receivership, Insolvency and liquidation valuations and support/advice
- Relocation advice, strategies and consultancy
- Rental assessments and determinations
- Sensitivity analysis
- Strategic property planning

## About This Report

The Preston Rowe Paterson Economic Report provides an analysis of the Australian Economy based on various economic indicators and information provided in the June 2016 Statistics from the Reserve Bank of Australia. Our report provides a summary of current figures as well as providing historical data to give an indication of movements in the economy over recent years and to determine possible future trends.

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