



# Economic Report

## Australia

### December Quarter 2017

#### HIGHLIGHTS

- ◆ Consumer Price Index (CPI) increased by 0.6% over the three months to September 2017, bringing annual change in inflation over the last twelve months to 1.8%.
- ◆ The Consumer Sentiment Index released by Westpac every month increased by 3.6% to 103.3 in December, from 99.7 in November. The strong results came right before the Christmas and New Year period and confirmed the strengthening of sentiment amongst consumers over the past few months.
- ◆ The Reserve Bank of Australia has left interest rates unchanged at 1.50 per cent over the December quarter.
- ◆ When compared to three months prior, The Australian Dollar recorded a depreciation against the USD (-0.50%), UK Pound (-0.80%), Euro (-1.90%) and Yen (-0.40%), whilst appreciating against the NZD (+1.10%). As at the end of December, \$AUD1.00 bought \$USD0.78, £0.58, €0.65, ¥87.94 and \$NZD1.10.
- ◆ Over the month of December, 10-year bond yields increased to a high of 2.58%, from November's 2.57%. Notably, bond yields finished off the year lower than when it started, with a twenty basis point different compared to the beginning of the year.

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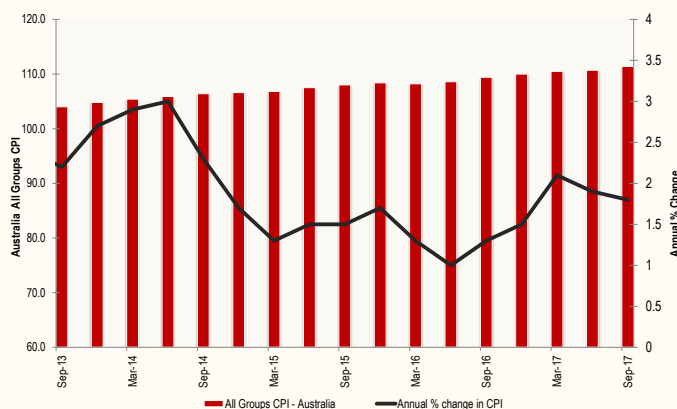
## Inflation and Investor Sentiment

### Consumer Price Index

Consumer Price Index (CPI) increased by 0.6% over the three months to September 2017, bringing annual change in inflation over the last twelve months to 1.8%. When we look at underlying inflation, a measure which removes the volatile components of inflation and is closely more monitored by the RBA, an increase of 0.4% was recorded over the quarter. Notably, this figure is the second weakest increase ever recorded and leaves the annual rate unchanged at 1.9%. Over the quarter, strong price 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 became effective as of 1 September 2017. The increase 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 across the country, All Groups CPI increased across all eight capital cities. Over the year to September, 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 same period, of 0.8% and 0.6% respectively.

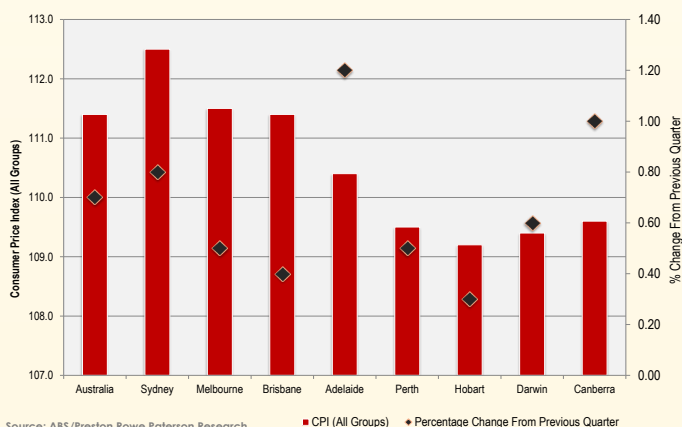


Source: ABS/Preston Rowe Paterson Research

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

	Percentage Change		
	Quarterly to September 2017	Yearly to September 2017	Index numbers- September 2017
Sydney	0.7	1.9	112.5
Melbourne	0.5	2.2	111.5
Brisbane	0.4	1.5	111.4
Adelaide	1.1	1.8	110.4
Perth	0.5	0.8	109.5
Hobart	0.3	2.0	109.2
Darwin	0.6	0.6	109.4
Canberra	0.9	2.1	109.6
Weighted Average of 8 Capital Cities	0.6	1.8	111.4

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 (NAB) Monthly Business Survey, business confidence fell 3 points to +6 index points over the month to November. We note that there’s been a downward trend in the series since half way through 2016, with firms reacting to the wage pressures as well as the uncertain outlook in demand. The NAB survey suggests that firms are more concerned about the outlook for their businesses, pressures on margins and wage costs on having an influence on business confidence. Nevertheless, confidence levels remain positive across all industries in Australia, with Construction, manufacturing & transport the main driver behind the moderation in confidence levels. Confidence within the Mining sector has continued to strengthen over time, lifting to +23 index points, with Personal services recording the weakest confidence at +4 index points.

## Consumer Sentiment

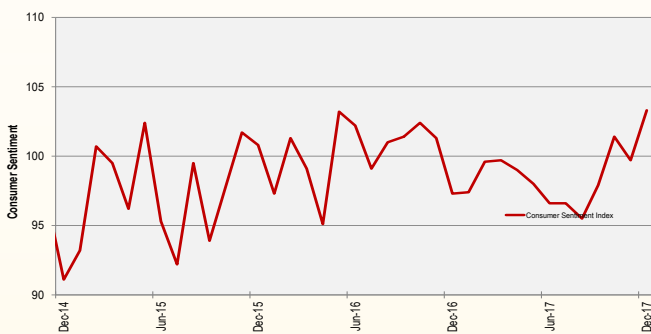
The Consumer Sentiment Index released by Westpac every month increased by 3.6% to 103.3 in December, from 99.7 in November. The strong results came right before the Christmas and New Year period and confirmed the strengthening of sentiment amongst consumers over the past few months. December quarter’s average is 5% above the September quarter average, indicating that consumer sentiment and also just as likely, consumer spending, slumped to a low during the September quarter. Westpac indicates however, that despite the increase recorded during the December quarter, macroeconomic factors affecting Australia at the current stage- such as low savings rate amongst households, high debt levels and weak wage increase- have influenced consumers’ capacity to increase spending despite the recorded increase in confidence.

The Family Finance Index, when compared to twelve months prior, increased strongly by 5.6% to 89.6. This figure stands at an eighteen month high, however still sits below the 100-mark which indicates that more consumers are seeing a deterioration in their finances. Westpac’s forecast for the next twelve months represents a more positive outlook, posting a further 1.8% increase to 107.3 (most positive in more than two years).

The ‘Time to Buy a Dwelling’ Index increased by 2.3% to 100.6, the first time it has increased to over 100 since the beginning of 2017. However, weaker readings were recorded in New South Wales (90) and Victoria (88)- reiterating the affordability issues arising in these two states as house prices remains a constraint on many potential buyers. However, Westpac Melbourne Institute Index of House Price Expectations declined

Business confidence varied across the states over the month, with Western Australia recording an improvement (up 6 index points), whilst South Australia remained unchanged. In contrast, all other states recorded declines in confidence, with Victoria sliding into negative territory (down 7 to -1 index points).

Employment conditions remained steady over the month to November, with the majority of industries across Australia recording deteriorations in their employment index. Nonetheless, the declines were offset by the strength in the Finance, property & business services (up 10 index points) and, to a less extent, Mining industry.



Source: Westpac Melbourne Institute /Preston Rowe Paterson Research

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

	December 2016	November 2017	December 2017
<b>Consumer Sentiment Index</b>	97.3	99.7	103.3
<b>Family finance vs. a year ago</b>	102.5	105.4	107.3
<b>Economic conditions next 12 months</b>	91.6	96.2	101.1
<b>Time to buy a dwelling</b>	102.9	98.3	100.6

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

slightly by 0.4% to 135. Notably, New South Wales recorded a strong decline of 12% in December (24% over the year). Victoria recorded an increase of 2% over the month (10% over the year), whilst Queensland and Western Australia recorded 8% and 9% increases, respectively.

## Lending Rates

### Interest Rates

The Reserve Bank of Australia has left interest rates unchanged at 1.50 per cent over the December quarter. This makes it the fifteenth consecutive meeting that the RBA has left rates unchanged, despite changes in economic conditions in both domestic and global economies. RBA Governor, Philip Lowe, have noted the above-trend growth figures in a number of advanced economies, though uncertainty still entails around the trajectory of future global economic growth. When we look at Australia’s major trading partner in China, their economy have shown vast improvements from the increased spending in infrastructure and property construction, though the RBA noted the medium-term risk stemming from an increasingly high debt level. Consequently, the RBA expects Australia’s terms of trade to decline in the near future, albeit remaining at a relatively high level.

Australia’s economy is forecast to grow on average 3 per cent over the next few years, after recording on trend growth rate over the September quarter. Business conditions are expected to increase further into the new year, with positive outlooks stemming from non-mining business investments. In saying this, the RBA also noted the uncertain outlook for household consumption, with slow income growths combined with high debt levels. Inflation and wage growth remain low, as is the same for most developed countries, though the RBA has forecasted for inflation to increase gradually as the economy picks up pace.

Australia’s residential housing market has steadied, notably across the eastern seaboard states. Dwelling approval data published by the Australian Bureau of Statistics indicate that the pipeline of new apartments and houses entering the market peaked in late 2016, albeit still remaining at a historically high level. Price increases have slowed in Sydney, whilst remaining little changed in Brisbane and Perth over the recent months and continuing to strengthen in Melbourne. The RBA noted that growth in rents have also slowed down, whilst new financing have shifted away from interest-only lending as new lending measures from APRA takes stance in monitoring the medium-term risks associated with high and rising household debt levels.

### Housing and Business Loan Rates

Over the December quarter 2017, Residential secured and Other small business loan rates remained unchanged at 6.45% and 7.30% respectively. Over the same period, 3-Year fixed small business loans increased by 0.10% to 5.25%. Over the last twelve months, Residential secured business loan and Other business loan rates both had increased by 0.05%, whilst 3-Year fixed business loan rates increased by 0.10%.

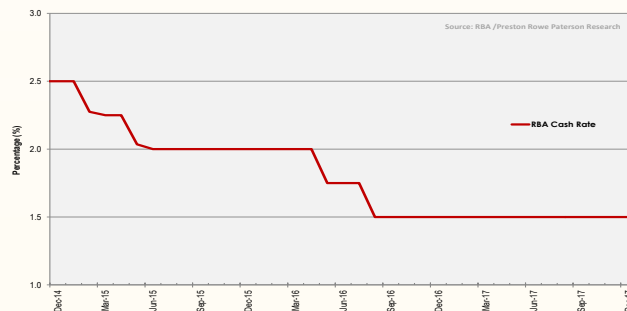


Chart 5— Reserve Bank of Australia Overnight Cash Rate—Source: RBA

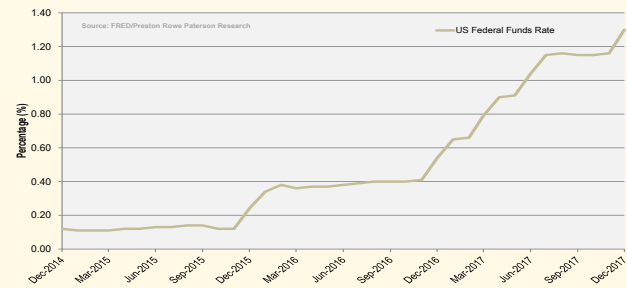
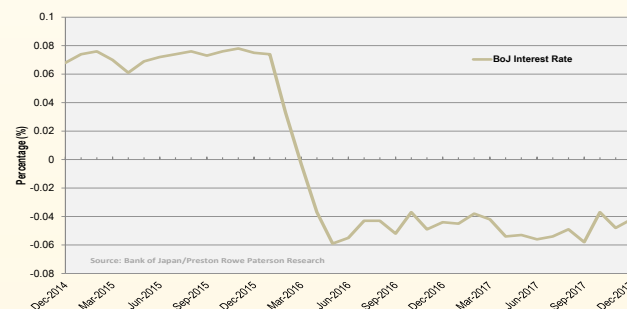
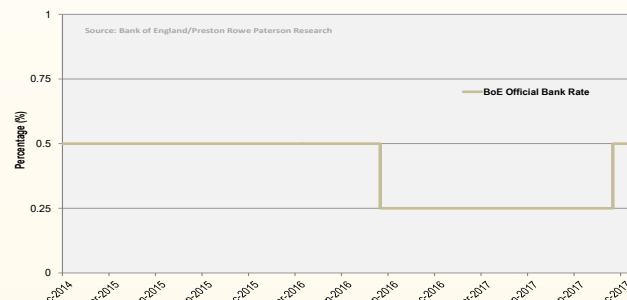


Chart 6— Movement of Central Bank’s Cash Rate in England, Japan and US— Source: Bank of England; Bank of Japan; US Federal Reserve

Home loans experienced various changes over the December quarter. Variable home loan rate remained unchanged over the three months to December, at 5.30%. Home equity loan rate increased by 0.05% to 6.40%, whilst Mortgage managers variable home loan rate declined by 0.10% to 3.8%. Over the last twelve months, Variable home loan rate had increased by 0.05%, whilst Home equity loan rate increased by 0.75%. In contrast, Mortgage manager’s standard variable rate declined by 0.05%.

## 10 Year Bond & 90 Day Bill Rate

Australian 10-year bond yields floated between 2.47% and 2.87% over the December quarter, peaking at the beginning of October and slumping to the lowest level at the end of November. Over the month of December, 10-year bond yields increased to a high of 2.58%, from November's 2.57%. Notably, bond yields finished off the year lower than when it started, with a twenty basis point different compared to the beginning of the year. Furthermore, the spread to US Treasury bond yields has declined over the past few months, even as Australian 10-year government bonds remained stable over the period.

In October, Australia experienced less favourable inflation figures, prompting bond yields to fall by 0.17% to 2.67%. Through November, bond yields rallied further, with weak wage inflation figures influencing yields to decline, by 0.17% to a low of 2.50% for the month. Bond yields increased over the month of December which reflected capital markets pricing for an interest rate increase by the fourth quarter of 2018.

The 90-day bank bill swap rate increased to 1.77% in December, from November's 1.72% and October's 1.70%. Over the last twelve months, the 90 day bank bill swap rate had declined by 0.01%. Over 2017, the yield spread (difference between 10-yr bond yields and 90-day bank bill swap rate) fluctuated slightly below the 100 basis point mark, narrowing to 81 basis points as of December. This figure, when compared to a spread of 101 basis points prior, indicates a less vigorous economy as we head into 2018.

The three main factors that influence the trajectory of Australia's bond yields heading into 2018 include: interest rate movements, US bond yields and credit spread. There appears to be much talk about possible interest rate increases in 2018. A change in the RBA's cash rate will function as a determinant for short term funding costs in the Australian debt market, and effectively as a base-setter for all other interest rates in the economy. Many economists have predicted that interest rates will begin to increase as early as May, however, the question remains in place as to how quickly and how much the central bank will alter it. Historically, the best time to purchase long-term securities such as 10-year government bonds is towards the end of the tightening of monetary policy cycle. However, the outlook for interest rates in Australia remains largely influenced by changes global geo-political and economic factors, as well as the state of Australia's burdening

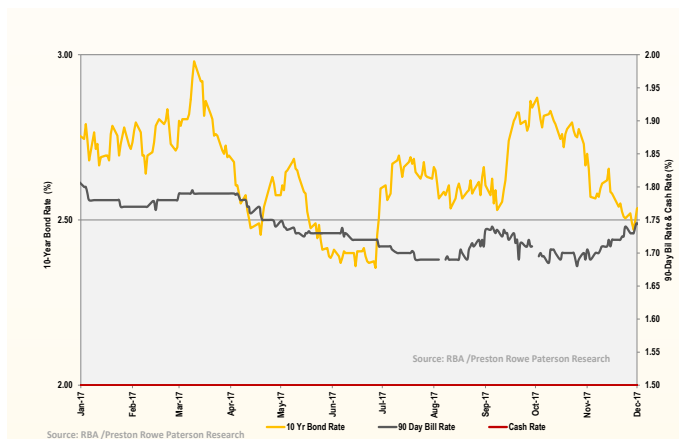


Chart 7— Daily Movement of 90-day Bill, 10-year bond yields and Cash rate—Source: RBA

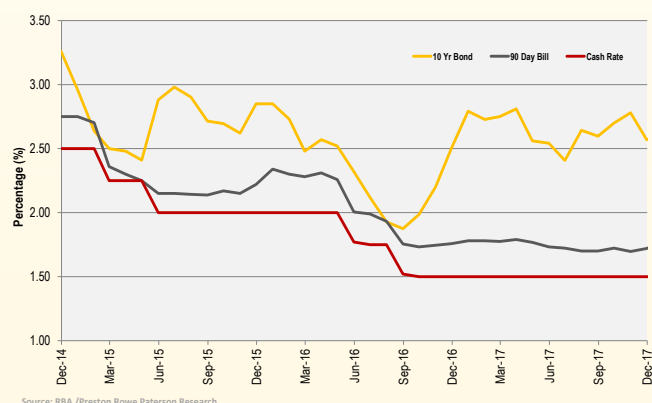


Chart 8— Monthly Movement of 90-day Bill, 10-year bond yields and Cash rate—Source: RBA

household debt levels and low inflation rate. In saying this, any future increases in interest rates is predicted to be elongated as the Australian economy further attempts to push inflation back into the 2-3% long term average range.

The US economy appears to be growing solidly as we head into 2018, with long-term Treasury bond yields predicted to increase alongside an expansion in the economy and normalisation of monetary policy, which involves an increase in the Federal Reserve funds rate and removal of Quantitative Easing methods. Economists are expected US 10 year Treasury yields to increase above 3.00% over the next twelve months, with Australian 10-year bond yields also expected to mirror the increase.

## Australian Exchange Rates

Over the month to December, the Australia Dollar performed strongly against most of the major currencies, appreciating against the US Dollar, UK Pound, Euro and the Japanese Yen. In saying that, the AUD experienced a slight depreciation against the New Zealand Dollar over the same period. When compared to three months prior, The Australian Dollar recorded a depreciation against the USD (-0.50%), UK Pound (-0.80%), Euro (-1.90%) and Yen (-0.40%), whilst appreciating against the NZD (+1.10%). As at the end of December, \$AUD1.00 bought \$USD0.78, £0.58, €0.65, ¥87.94 and \$NZD1.10.

Throughout the month of December, the Australian Dollar performed strongly against the US Dollar on the back of the strengthening of oil and metal prices. Over the same period, the US experienced mixed economic data, with consumer confidence improving whilst new home sales increasing. Furthermore, investors showed less signs of optimism when it comes to President Trump’s tax reforms and whether they would increase consumer confidence. Over the twelve months to December, the Australia Dollar had appreciated 7.8% against the US Dollar.

Economic data coming out of the UK failed to keep the currency strong against the Australian Dollar, with investors still anxious about the outcomes of the most recent Brexit negotiations. The mid-December meeting resulted in EU officials taking a more rigid stance on the type of deals Britain will be able to achieve, with reports that the City of London not likely to receive special post-Brexit treatment in the EU financial sector. Furthermore, the EU set 2021 as the latest date for any potential Brexit transition to conclude, whilst the International Monetary Fund noted that the whole process is negatively impacting

the local economy. Consequently, investors became concern, notably over the question of whether London is able to maintain its status as the financial capital of Europe. Despite these factors, the British Pound still performed stronger against the Australian Dollar when compared to twelve months prior, as the Dollar recorded a -1.6% depreciation against the Pound when compared to December 2016 figures.

The Australian currency performed strongly against the Euro towards the end of the December Quarter. The Euro performed strongly at the start due to optimism about Eurozone’s economic outlook, though the result from the vote for independence of Catalonia from Spain has resulted in fresh uncertainty in Catalonia that the nation will possibly continue to push for independence from Spain. German’s consumer confidence survey for January increased, as expected, whilst Italy’s December consumer confidence beat market expectation. Furthermore, France’s GDP figures beat market expectations, and increased at 0.6% (higher than the 0.5% expected by economists). Despite pressure from political concerns, positive Eurozone data limited the Australian-Euro exchange rate losses. When compared to twelve months prior, the Australian Dollar recorded a depreciation of -5.0% against the Euro.

Japan’s economy showed signs of acceleration over the December Quarter; however inflation still remains stubbornly below the Bank of Japan’s 2 per cent target. The East Asian economy has recorded steady growth over the year though low inflation means that their central bank will not be hurried in implementing expansionary monetary coming into 2018. Over the twelve months to December, the Australian Dollar recorded a 4.1% appreciation against the Japanese Yen.

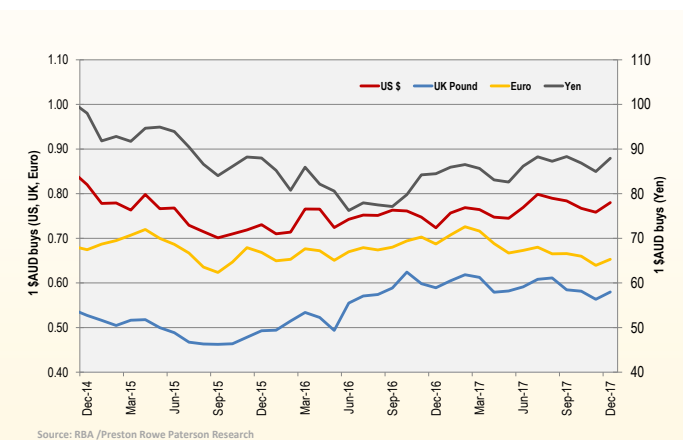


Chart 11— Movement in Exchange Rate over the year to June 2016— Source: RBA

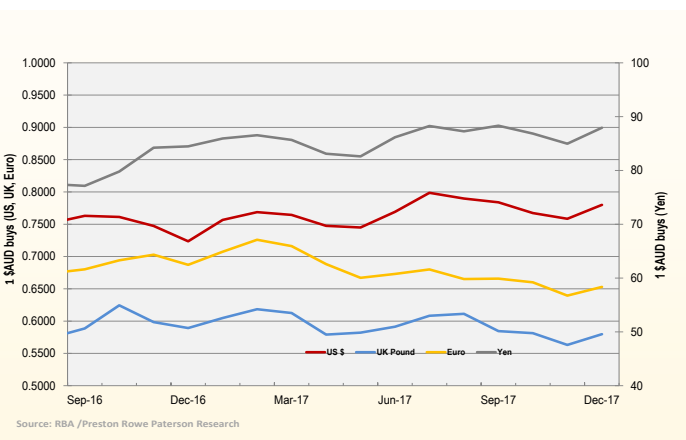


Chart 12— Movement in Exchange, from June 16 to June 2017— Source: RBA

## Equity Markets

### Share Price Indices

Over the three months to December, the Australian S&P/ASX200 Index increased by 6.8%, from September's 443.9 to December's 473.9. Over the twelve months, the index recorded an increase of 7.0%. The United States S&P 500 Index increased by 6.1% over the December quarter, whilst the index recorded an increase of 19.4% when compared to twelve months prior.

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

Over the month to December 2017, the All Ordinaries Index increased by 1.8% to 6167.3. This figure represents a 7.4% increase when compared to three months prior, and 7.8% increase when compared to December 2016. Notably, the Index reached 6,000 points in November, the first time since December 2017 (October 2017 recorded the highest index at 6779.1). The top performing sectors for 2017 include Healthcare, of which the S&P/ASX 200 Health Care Index increased by 26% over the last year, and Information Technology, which also recorded 26% increase over the year. In contrast, the Telecommunication Services sector recorded a decline of -23% as they undergo structural change in order to adapt to the uncertainty over the National Broadband Network and its pricing.

The S&P/ASX200 Industrials Index recorded a decline of -2.1% over the month to December, from 6,023.5 in November to 5,897.1 in December. Over three months, the Index recorded an increase of 4.2%, whilst over twelve months, the Index increased by 13.7%. The S&P/ASX200 Property Trust Index recorded a decline of -1.3% over the month, declining to 1,404.9 in December. Over the three months to December, the Index recorded an increase of 6.3%, whilst over

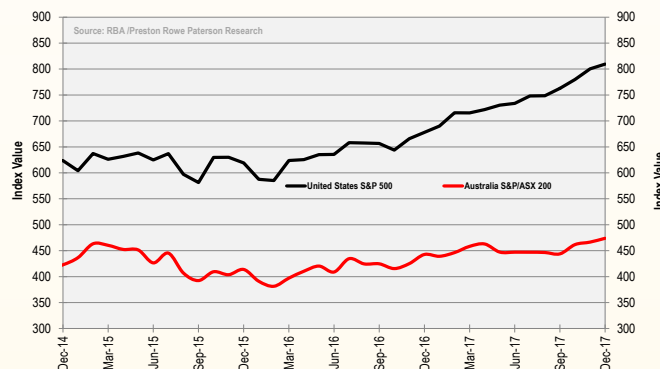


Chart 13— Australian and US Share Price Indices— Source: RBA

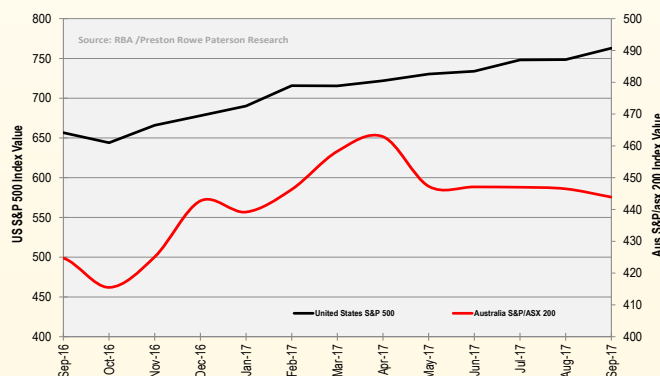


Chart 14— Australian and US Share Price Indices, Movement over the year to June 2017— Source: RBA

twelve months, the Index increased by 0.7%. Notably, it is the first time since 2013 that the Property Trust sector underperformed their peers in the broader top 200 Index, and the second year of underperformance in the past seven years. Notably, most REITs recorded positive total returns over the year, with the major shopping centre owners Scentre and Vicinity recording negative growths and

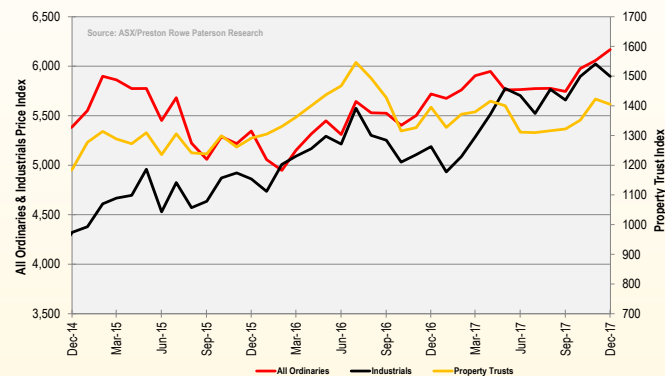


Chart 15— Australian Share Price Indices— Source: ASX

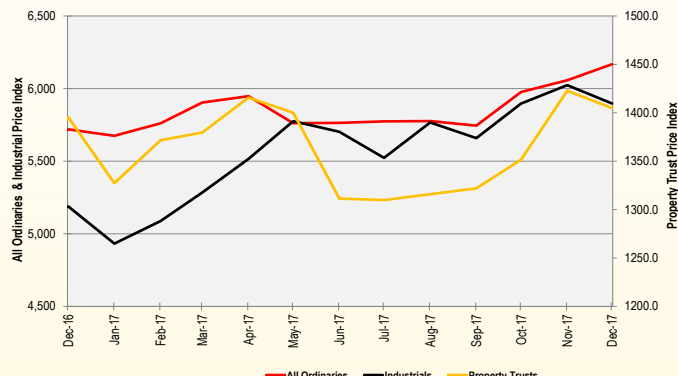


Chart 16— Australian Share Price Indices, over the year to December 2017— Source: ASX

## Economic Growth

### Gross Domestic Product

In the September Quarter 2017, the Australian economy increased by 0.6%, following an increase of 0.9% in the June Quarter. Over the year, Australia's Gross Domestic Product (GDP) increased a seasonally adjusted 2.8%. Over the quarter, the better than expected growth over the twelve months to September was supported by the negative data from the September quarter 2016 dropping out, taking annual growth figures close to average level. Furthermore, both the public and private sectors performed strongly. Households' final consumption expenditure increased by a seasonally adjusted 0.1%, driven by an increase in Insurance & financial services (1.3%), Rent & other dwelling services (0.6%) and Food (1.0%) and offset by declines in spending on Health (-1.0%), Hotels, cafes & restaurants (-0.9%) and Recreation & culture (-0.6%). Final consumption expenditure by governments increased by a seasonally adjusted 0.2%, with State & local government consumption growing by 0.4%, whilst National government consumption declining by 0.1%.

When we look at the production chain volume measure, growths were recorded in most sectors across Australia including: Mining (1.1%), Manufacturing (1.5%), Electricity, gas, water & waste services (1.9%) and Construction (0.6%). These gains were offset by contractions in the Agriculture, forestry & fishing (-4.1%) sector, Information, media & telecommunication (-1.3%) sector and the Rental, hiring & real estate (-1.6%) sector.

The Australian Bureau of Statistics noted that Compensation of employees recorded a strong growth of 1.2% over the quarter, and contributed to 0.6% to overall GDP growth. Over the year, Compensation of employees increased by 3.0% and remained consistent with growth in hours worked as well as the wage price index.

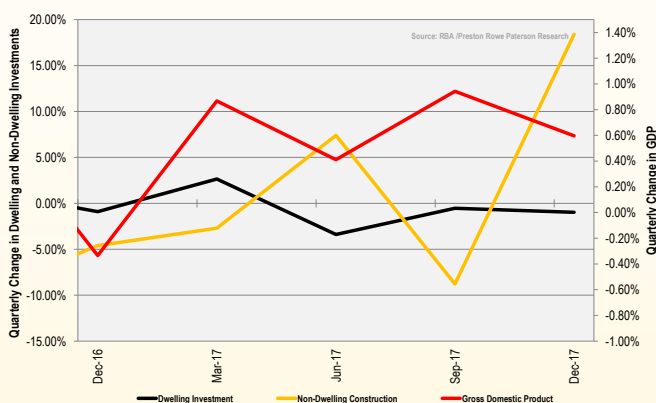


Chart 17—Percentage Change in Dwelling, Non-Dwelling Investments and GDP—Source: ABS

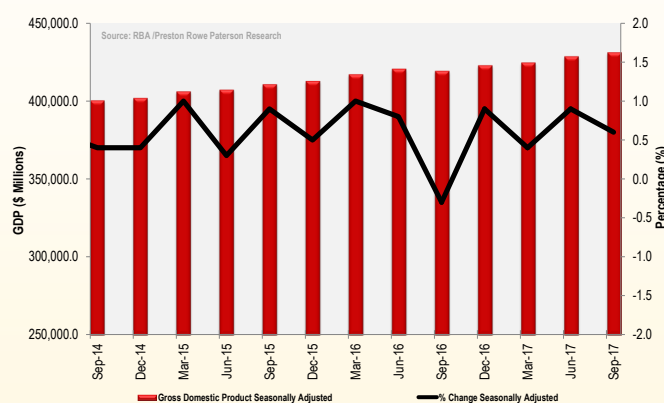


Chart 18—Seasonally Adjusted GDP and Seasonally Adjusted Change in GDP—Source: ABS

## Labour Force

### Unemployment

Over the month to December 2017, seasonally adjusted unemployment rate increased by 0.1% to 5.5%, whilst the participation rate increased from 65.5% to 65.7%. 34,700 employed persons were added onto the market across Australia from November to December, of which 15,100 persons were in full-time positions and 19,500 in part-time roles. Over the twelve months to December 2017, a total of 303,400 persons had been employed in full-time roles, whilst part-time employment over the same period increased by 99,700. Notably, 2017 was the first full year which recorded employment increases every month since statistics

began to be published in 1978. Furthermore, the employment to population ratio increased by 0.1% to 62% over the month and 1.0% over the year, whilst the participation rate increased to a seven year high of 65.7%.

Around the country, New South Wales and Western Australia recorded the largest increase in employment, adding on 14,300 and 6,100 persons, respectively. In contrast, Victoria recorded a decline of 3,900



persons in employment. Victoria and Tasmania recorded the largest increase in unemployment rate over the month to December, up 0.6% and 0.4% respectively. Western Australia recorded the largest decline in unemployment rate of 0.9%, followed by 0.2% recorded in South

Australia. Participation rate increased in Tasmania (+0.4%), New South Wales (+0.3%) and Victoria (+0.3%), whilst Western Australia recorded a decrease (-0.3%) over the month.

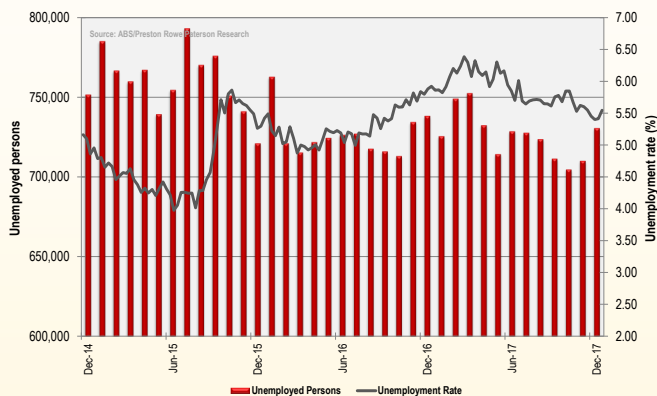


Chart 19— Unemployment Persons and Unemployment Rate, December 2014 to December 2017 — Source: ABS

	Unemployment Rate (%)		Participation Rate (%)		
	December 2017	September 2017	December 2017	September 2017	
Australia	5.5	5.5	65.7	65.2	▲
New South Wales	4.8	4.6	64.6	63.8	▲
Victoria	6.1	6.0	66.4	66.3	▲
Queensland	6.0	5.9	65.8	65.4	▲
South Australia	5.9	5.8	62.1	62.0	▲
Western Australia	5.7	5.7	68.5	68.2	▲
Tasmania	6.1	5.7	61.3	61.1	▲
Northern Territory*	4.9	4.1	76.1	73.2	▲
Australian Capital Territory*	3.9	4.4	72.6	71.3	▲

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

## Wage Price Index

Australia's Wage Price Index (WPI) increased by a seasonally adjusted 0.5% in the September quarter, bringing change over the year to 2.0%. According to the Australian Bureau of Statistics, quarterly wage growth over the last thirteen quarters ranged between 0.4% and 0.6%. Both Private and Public sector wage indexes increased by 0.5%, with the Private sector increasing by 1.9% over the year, whilst the Public sector recorded an increase of 2.4%.

Looking around the country, Tasmania recorded the highest quarterly growth of 1.3%, whilst the Northern Territory and the Australian Capital Territory both recorded the lowest rise of 0.5%. Over the 2016-2017 financial year, South Australia and Tasmania recorded the largest increase each with 2.2%. New South Wales and Victoria both recorded an increase of 2.0%, the Northern Territory recorded an increase of 2.1% and Queensland and the Australian Capital Territory both recorded an increase of 1.9%. Western Australia recorded the lowest increase over the financial year with 1.9%.

Among the private industries, Accommodation & food services recorded the highest increase over the quarter with 1.7%, whilst the Mining industry recorded the slowest growth of 0.2%. Over the year to

September, Health care & assistance recorded the largest growth of 2.7%, whilst Mining recorded the lowest with 1.2%. When we look at the public sector, Public administration & safety recorded the largest quarter increase with 1.2%, whilst Electricity, gas, water & waste services, Professional, scientific & technical services and Education & training recorded the lowest wage growth of 0.5%. Over the year, Health care & social assistance recorded the largest wage growth of 2.8%, whilst Professional, scientific & technical services recorded the lowest growth of 1.5%.

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

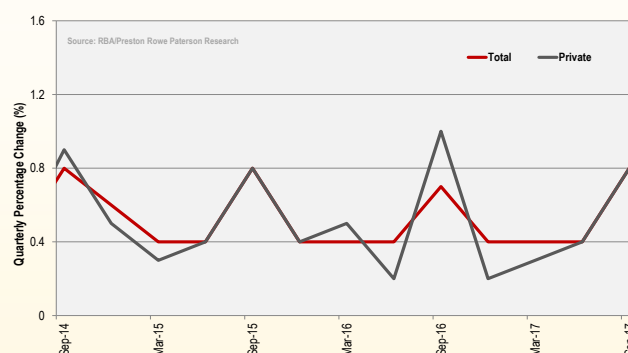


Chart 20— Wage Price Index from December September 2014 to September 2017 — Source: ABS

## Balance of Payments

### Current Account Balance

In seasonally adjusted current price terms, Australia's current account deficit fell by \$539 million over the September quarter, down to -\$9,125 million. The balance on goods and services surplus declined by -11.0% to \$3,056 million, with exports of goods and services declining by \$154 million whilst imports of goods and services increased by \$222 million. In volume terms, however, exports and imports grew at the same pace over the September quarter, and hence international trade is expected to have no impact to overall growth in Gross Domestic Product for the September quarter. Net primary income declined by \$1,044 to \$11,968 million over the quarter, making it the main contributor to the decline in Australia's current account deficit over the quarter.

Australia's terms of trade declined by 0.4% over the September quarter, to 114.7. The implicit price deflator (IPD) for goods and services credit declined by 2.1%, whilst the IPD for goods and services debit declined by 1.6%.

	Balance on Current Account	Balance on Goods & Services	Net Primary Income
<b>September Quarter 2017</b>	-\$9,125m	\$3,056m	-\$11,968m
<b>Change in Current Prices</b>	5.6%	-11.0%	8.0%

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

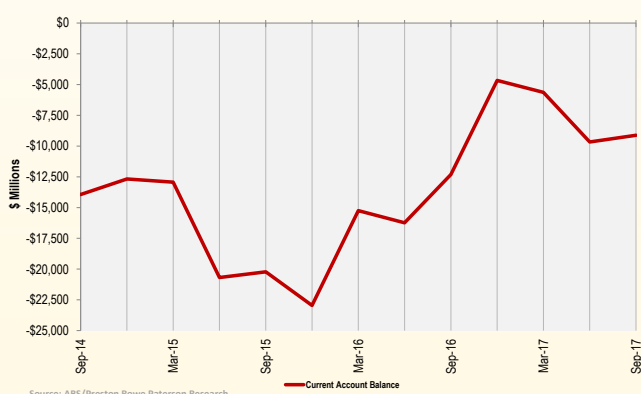


Chart 21— Current Account Balance, Seasonally Adjusted — Source: ABS

### International Investment Position

Australia's net International Investment Position (IIP) increased by \$13.2 billion (or 1%) on the revised June 2017 position, to \$958.8 billion as at 30<sup>th</sup> September 2017. Net foreign debt liability increased by \$26.0 billion (or 3%) to \$989.7 billion, whilst net foreign equity asset increased by \$12.8 billion (or 71%) to \$30.8 billion. Australia's debt position has increased gradually 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.

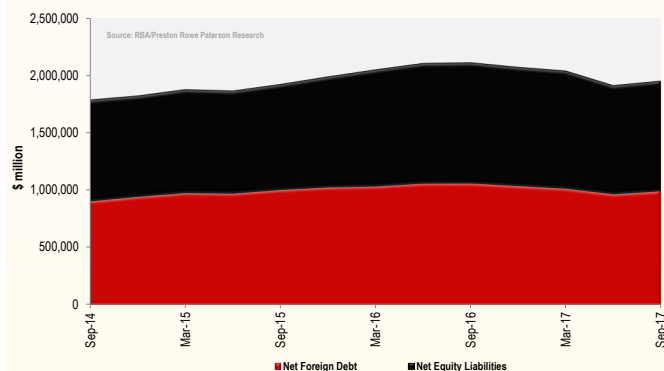


Chart 22— Net Foreign Debt and Net Equity Liability, December 2006 to December 2016— Source: ABS

	Net Foreign Debt		Net Foreign Equity	
	September Quarter 2017	June Quarter 2017	September Quarter 2017	June Quarter 2017
<b>Australia</b>	\$963,740 m	\$985,490m	-\$18,068m	-\$15,676m

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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