

Deloitte Access Economics

# NCCA Economic Update



9 October

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**Deloitte.**

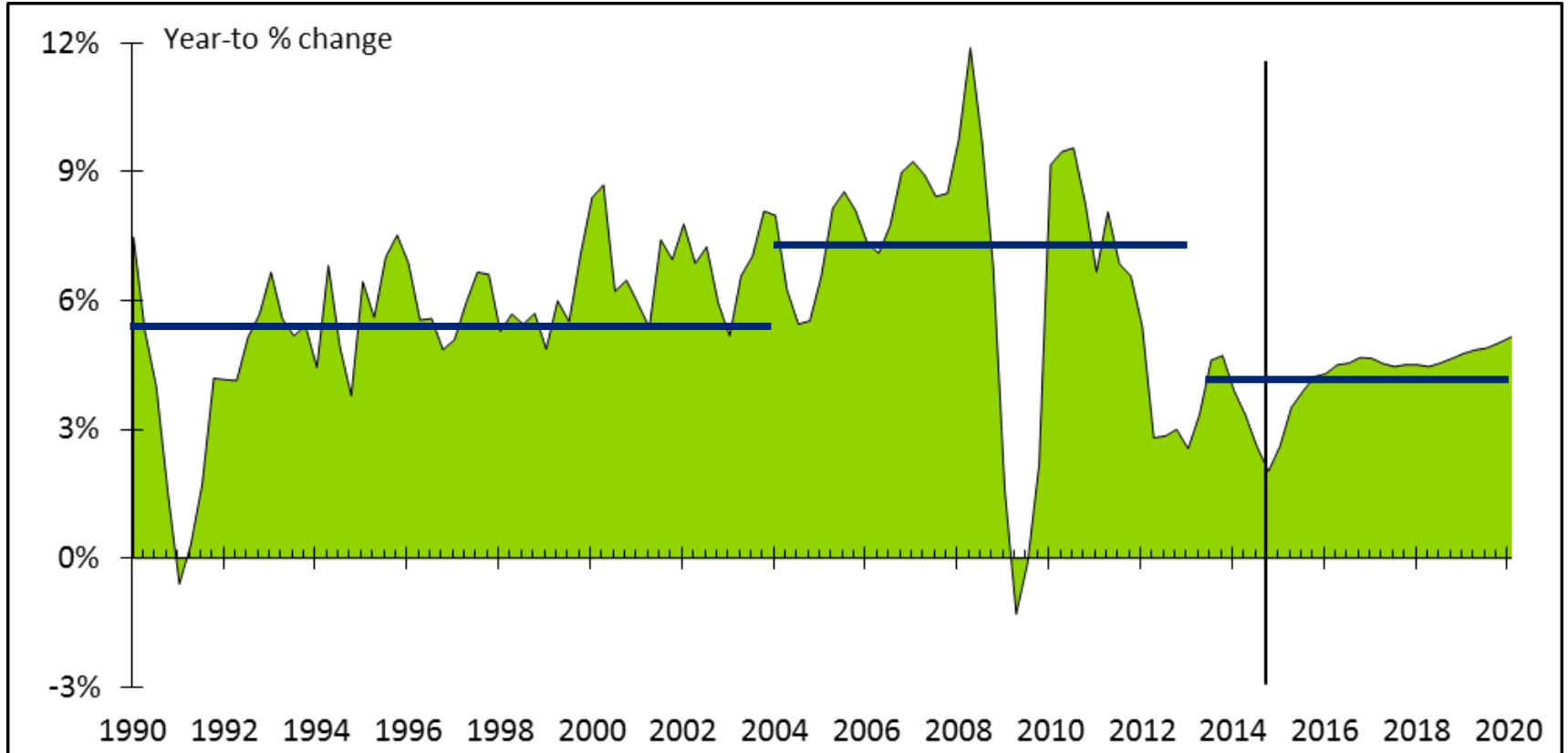
# The economic challenges for Australia

It's a challenging environment for Australia. **Australia's economy is in a major transition** as the once in a century mining investment boom winds down.

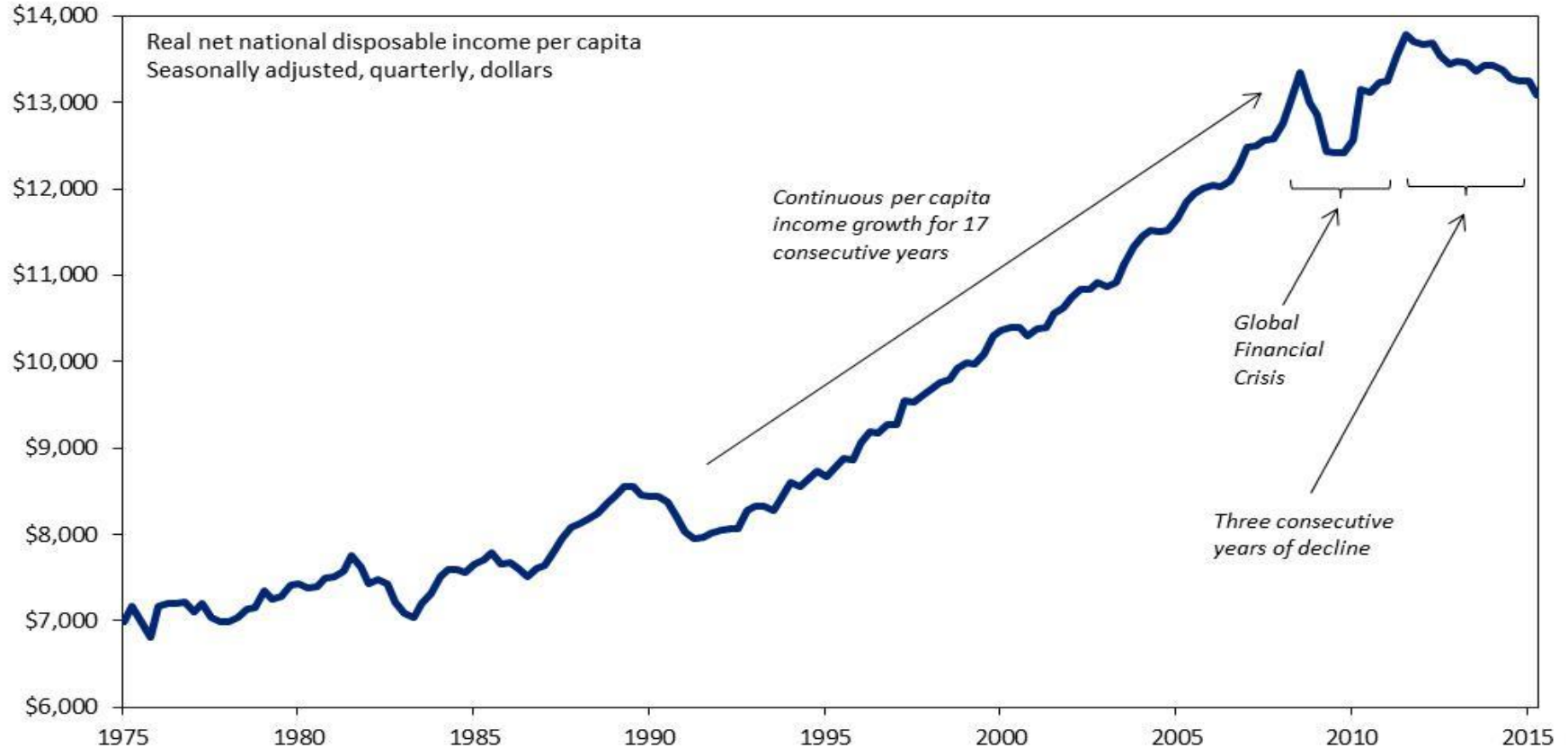
At the same time **China is slowing and global commodity prices are still sliding**. Those forces are keeping the labour market and underlying income growth weak. **But lower interest and exchange rates are big positives for the outlook**.

The overall outlook is for Australia's economic growth to stay below trend through to 2017.

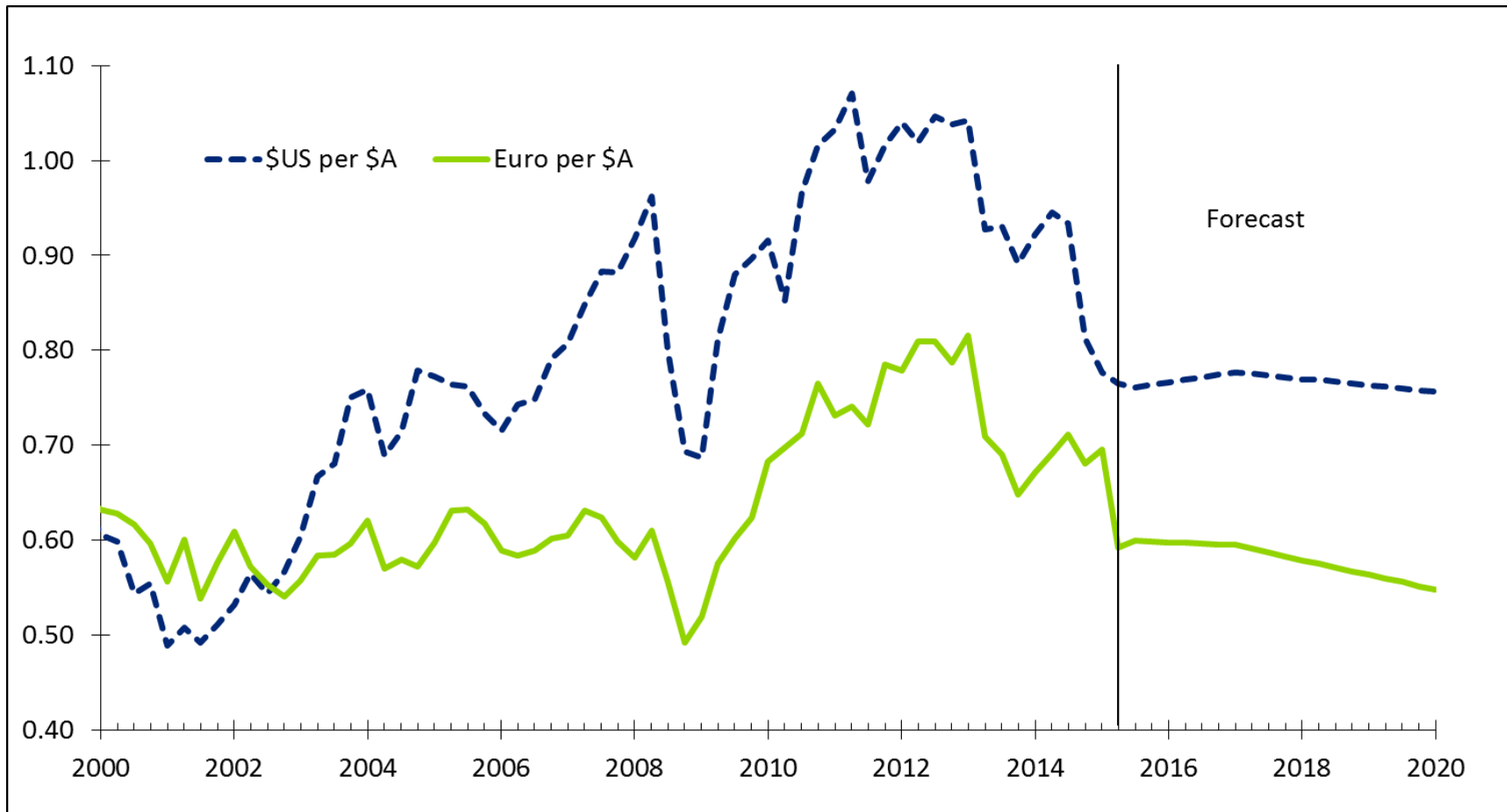
# Revenue growth for Australia (nominal GDP)



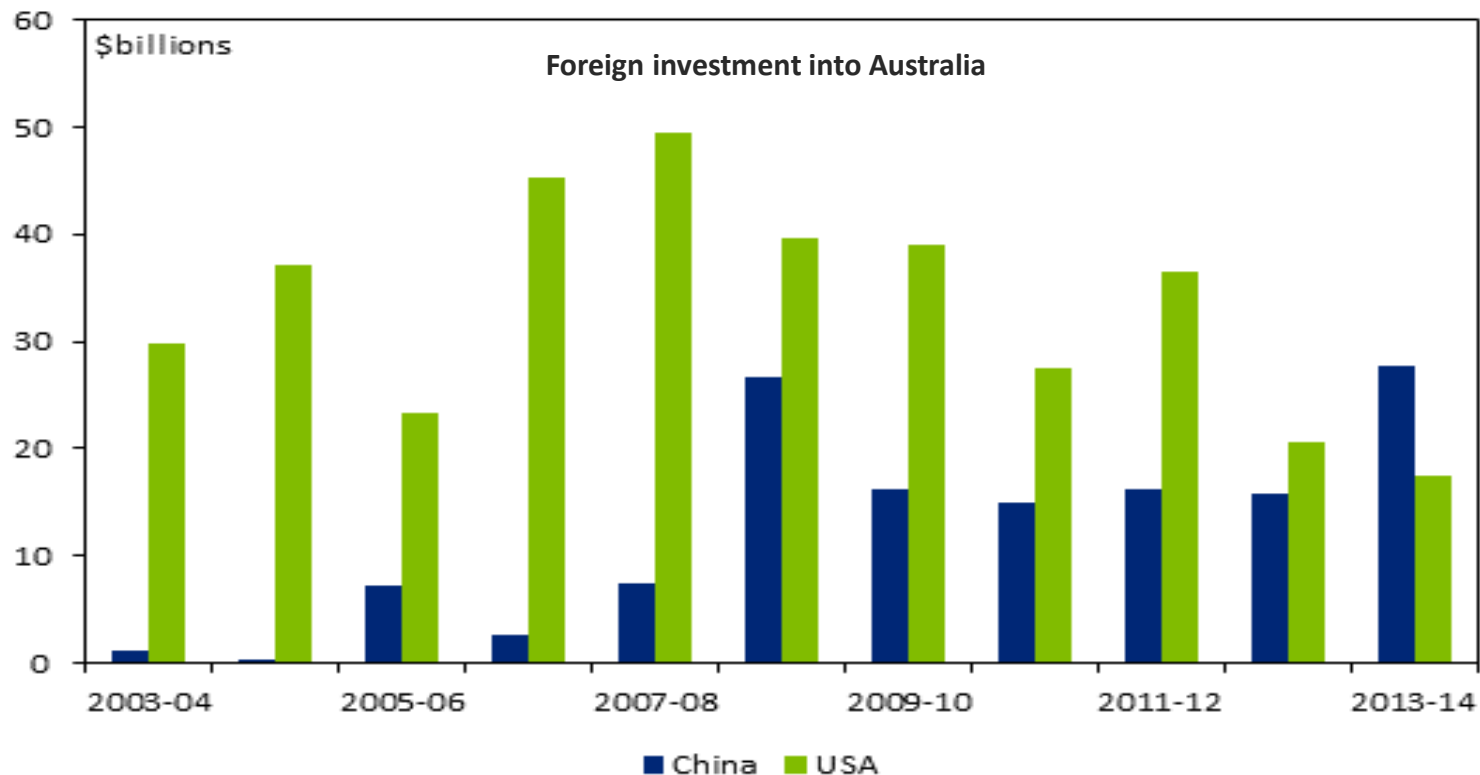
# Australia's national income per capita is in decline as the mining boom has ended



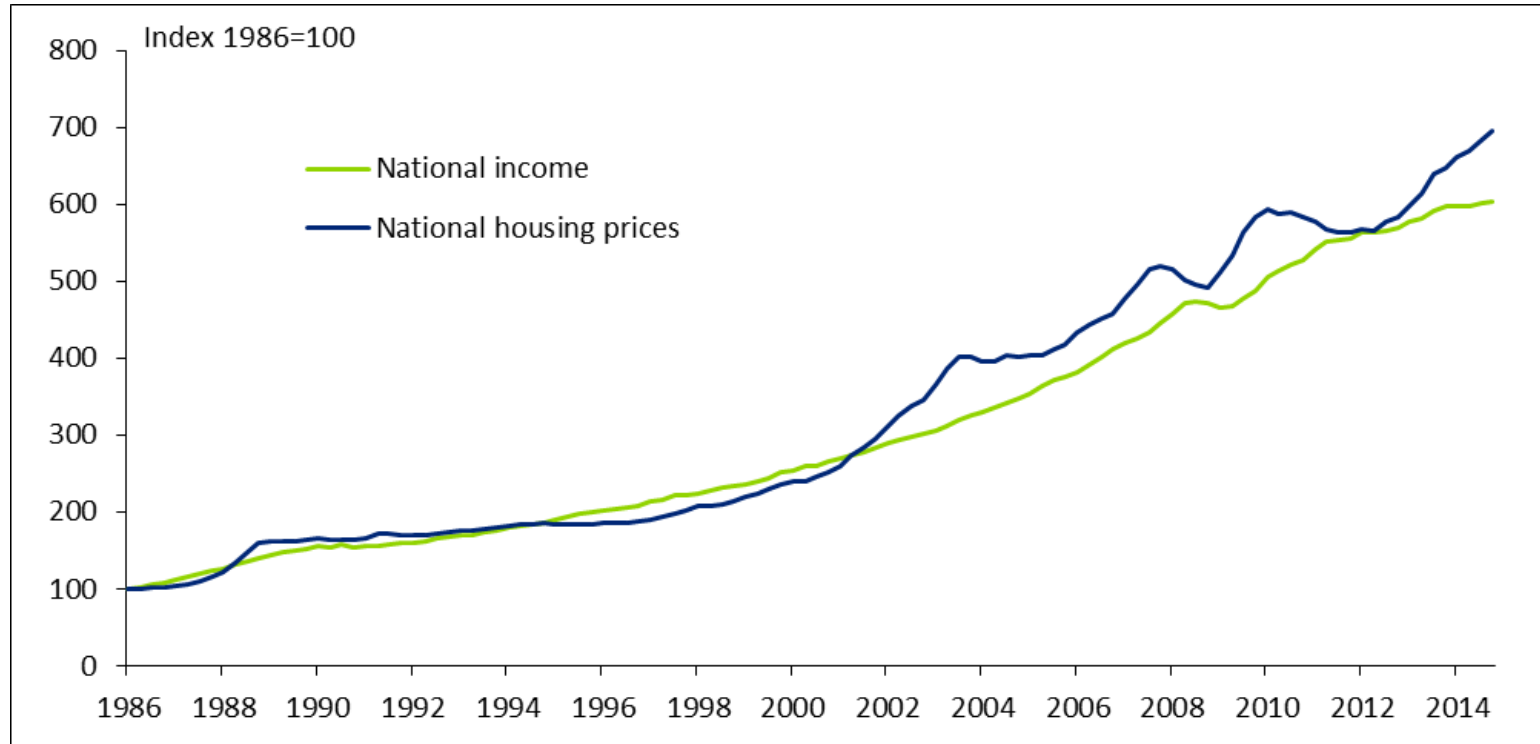
# The lower Australian dollar provides the broader economy some support



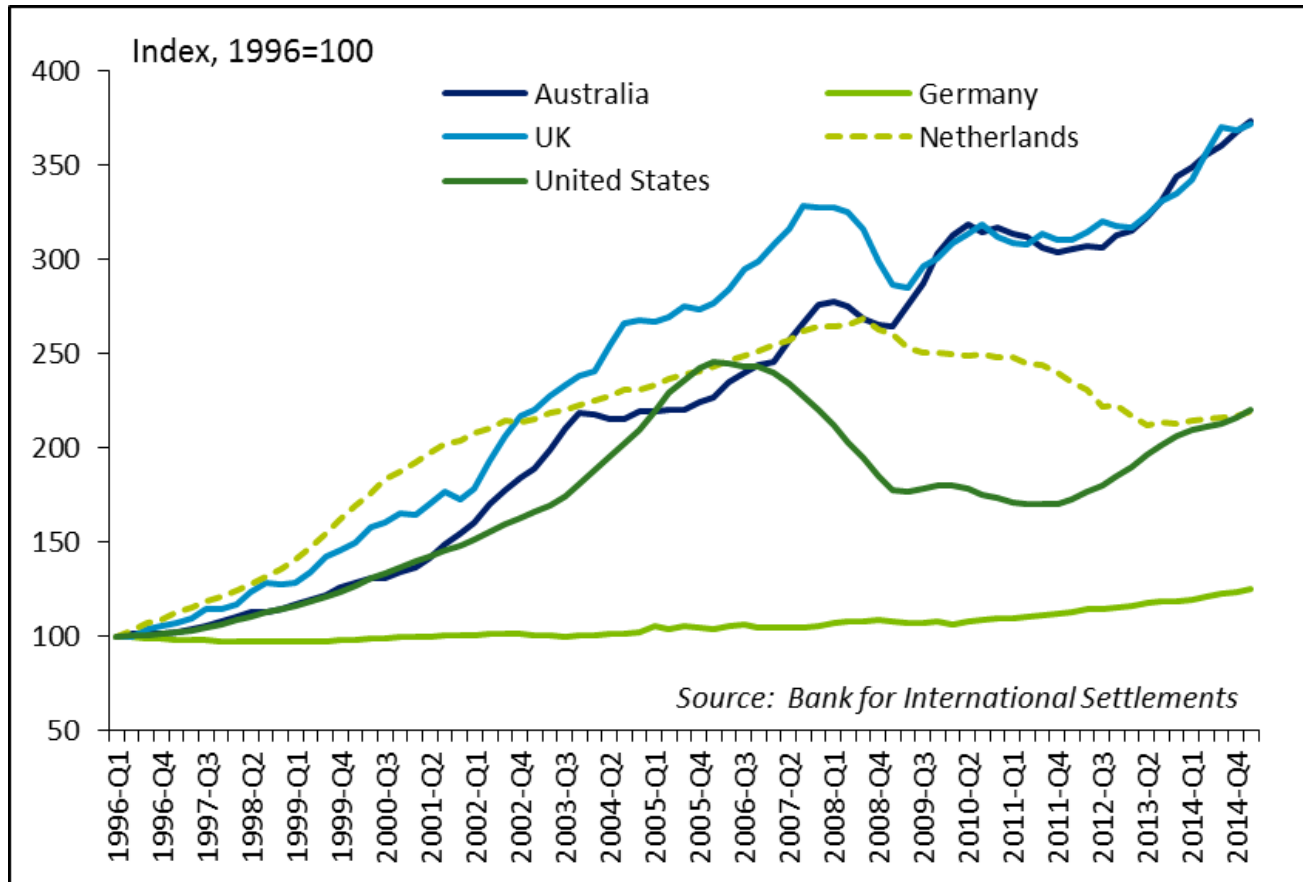
# Follow the money – greater foreign investment from China has helped to pump up asset prices



# House prices detaching from national income

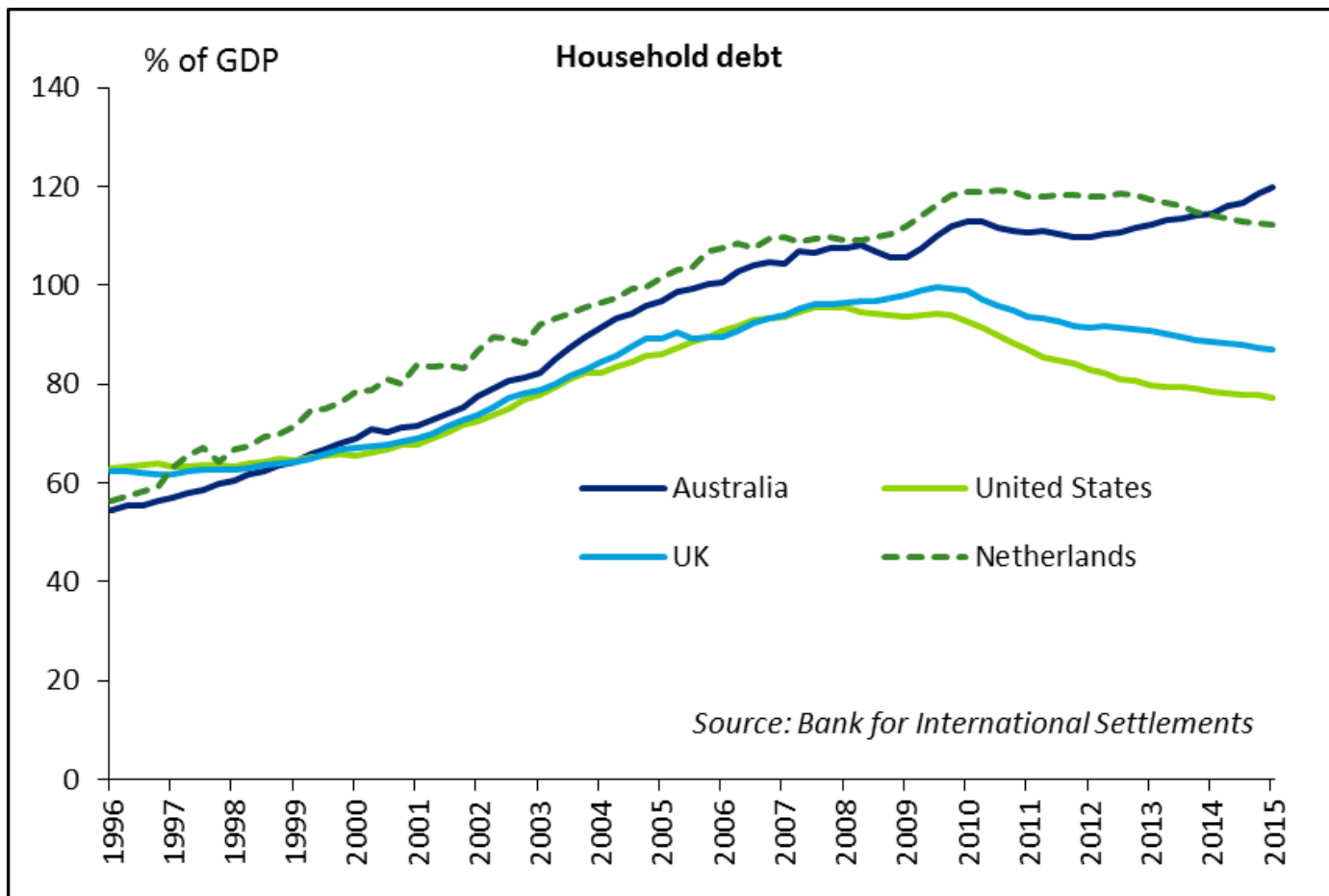


# Australian house prices have outperformed most other countries

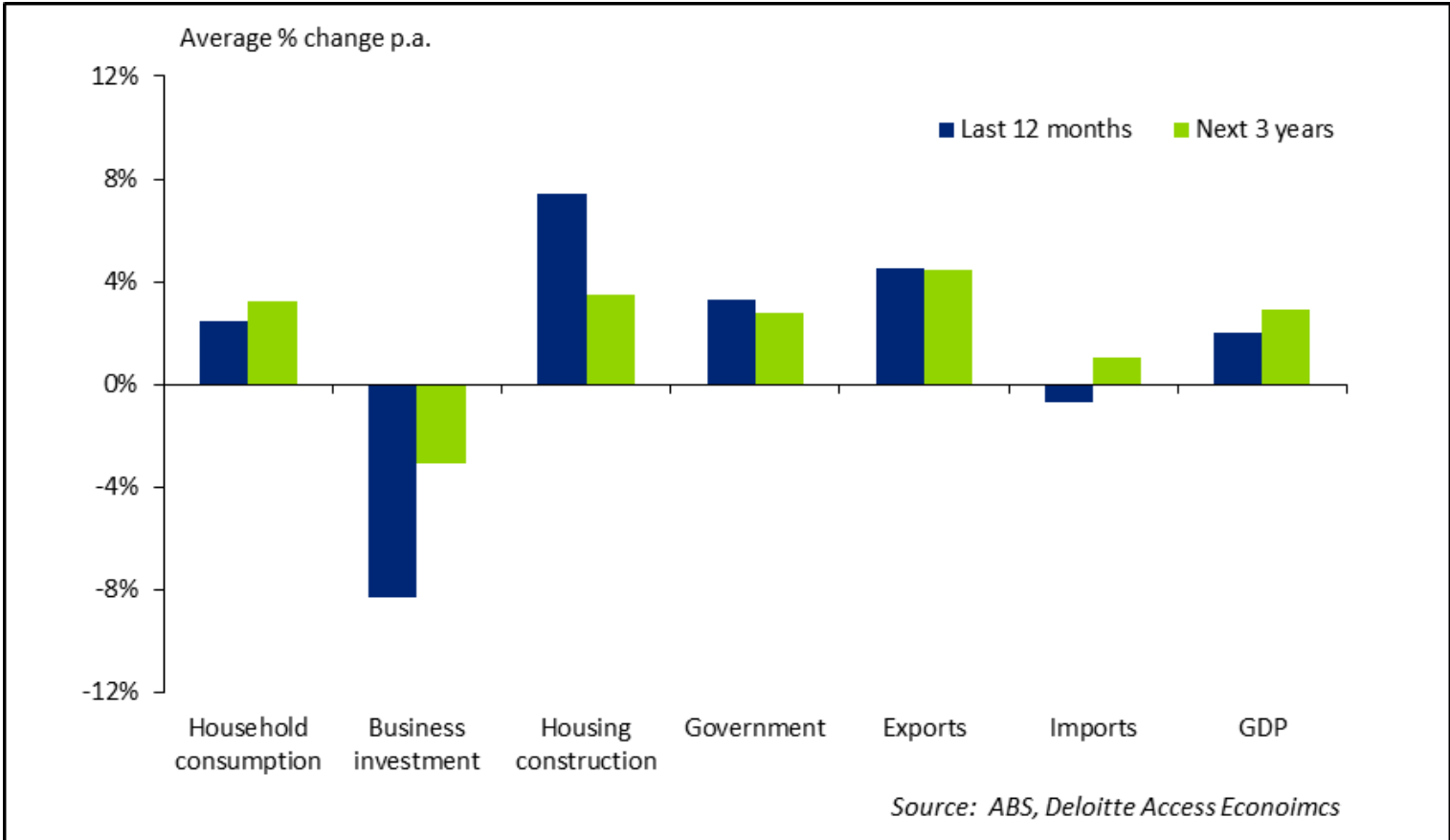




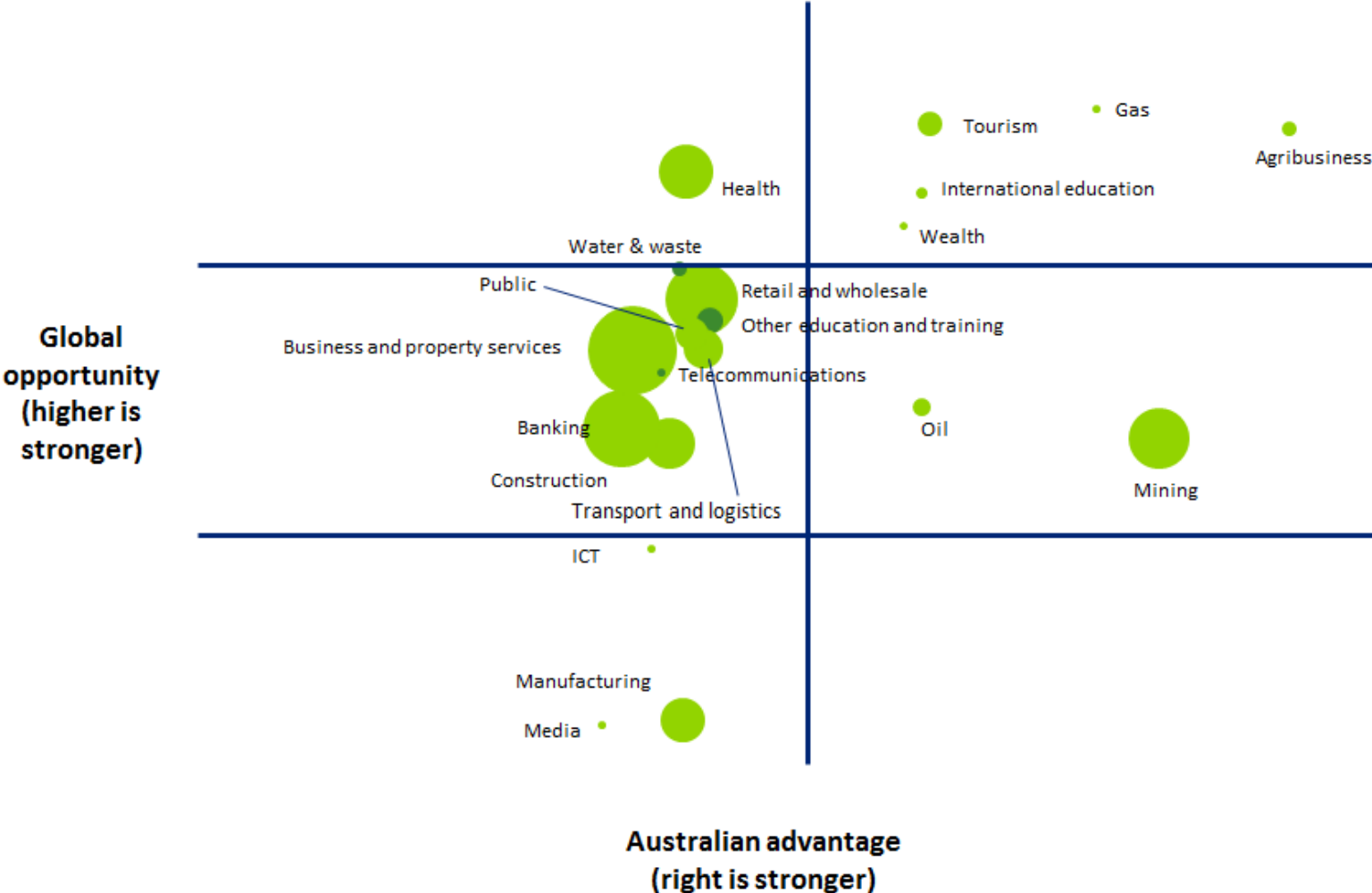
# Australian household debt still rising



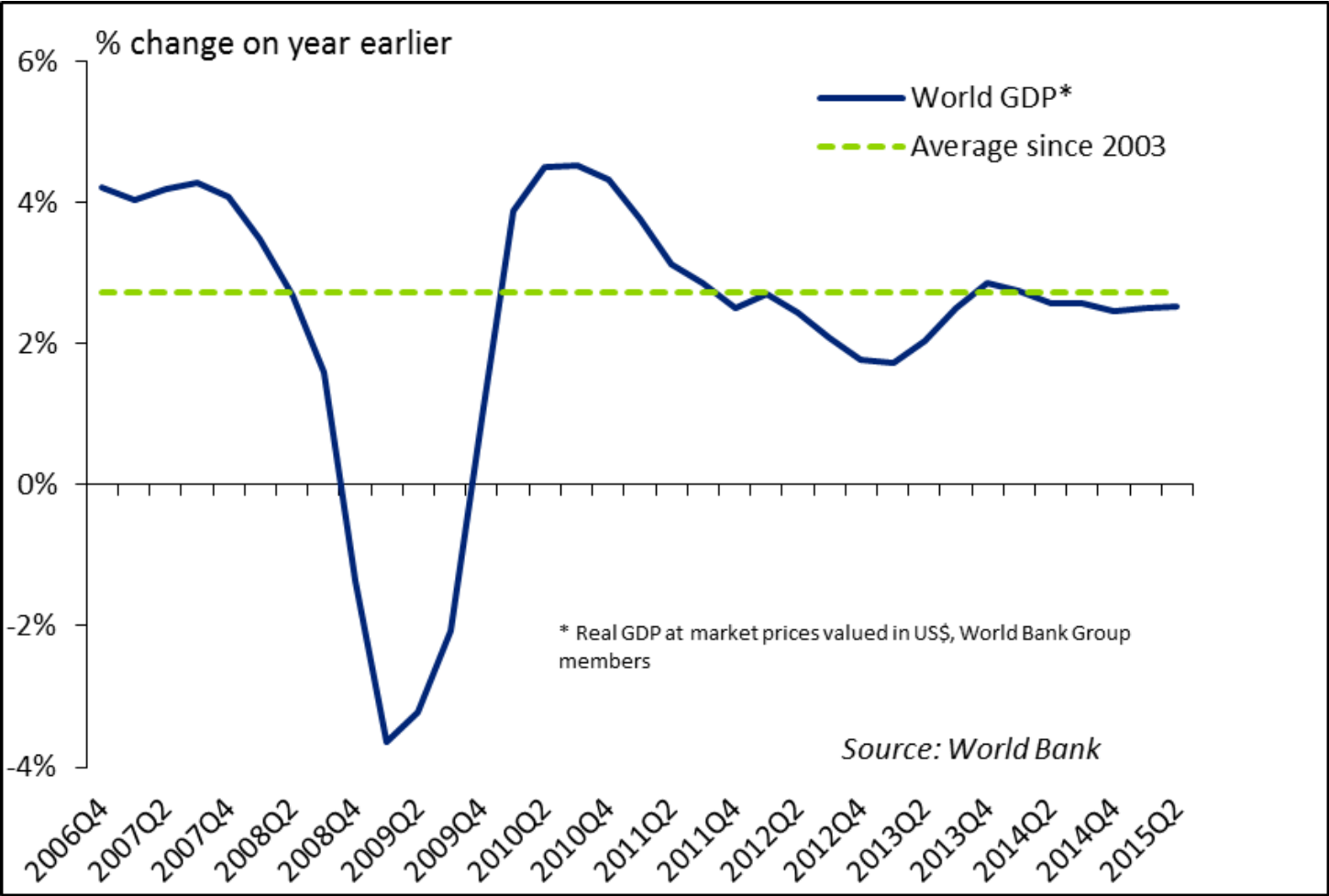
# Australian key drivers - components of final demand



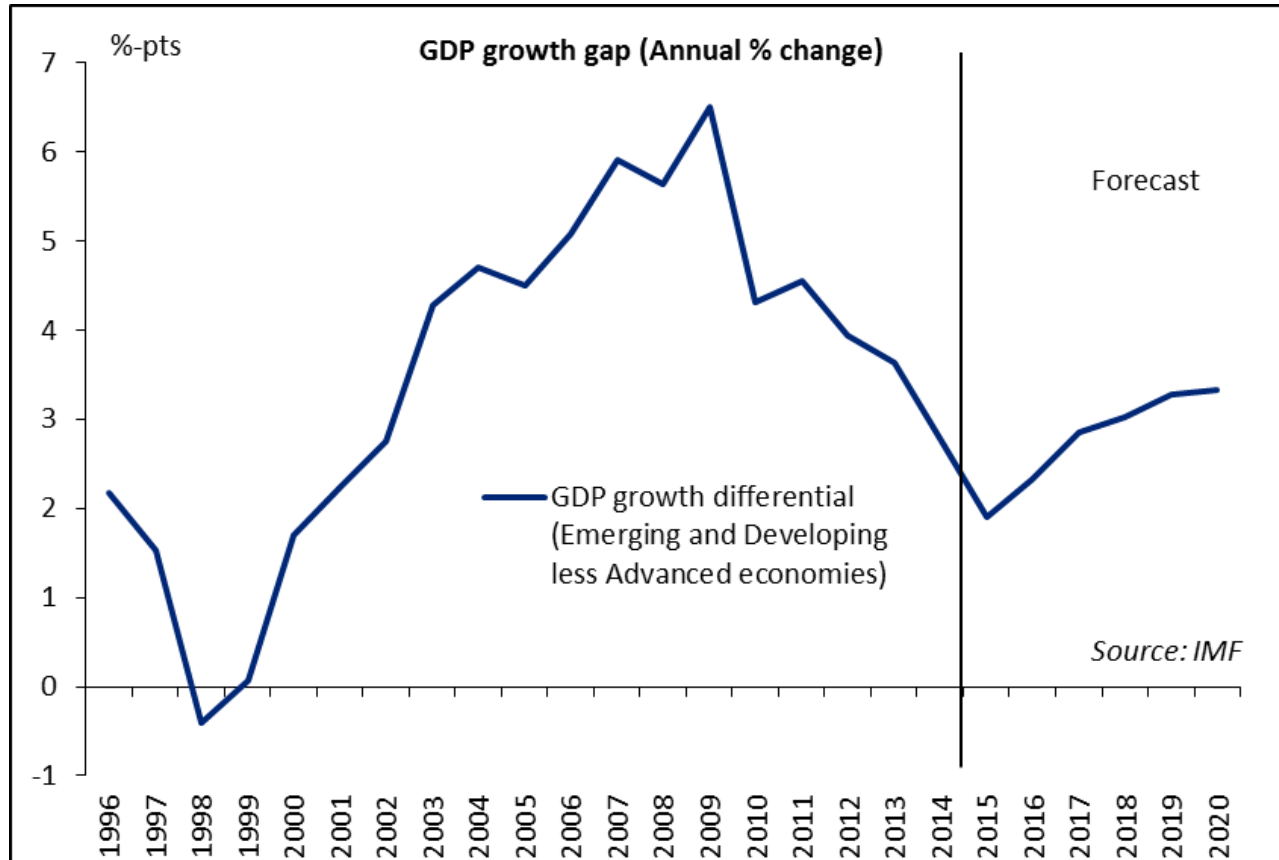
# Looking longer term - positioning for prosperity



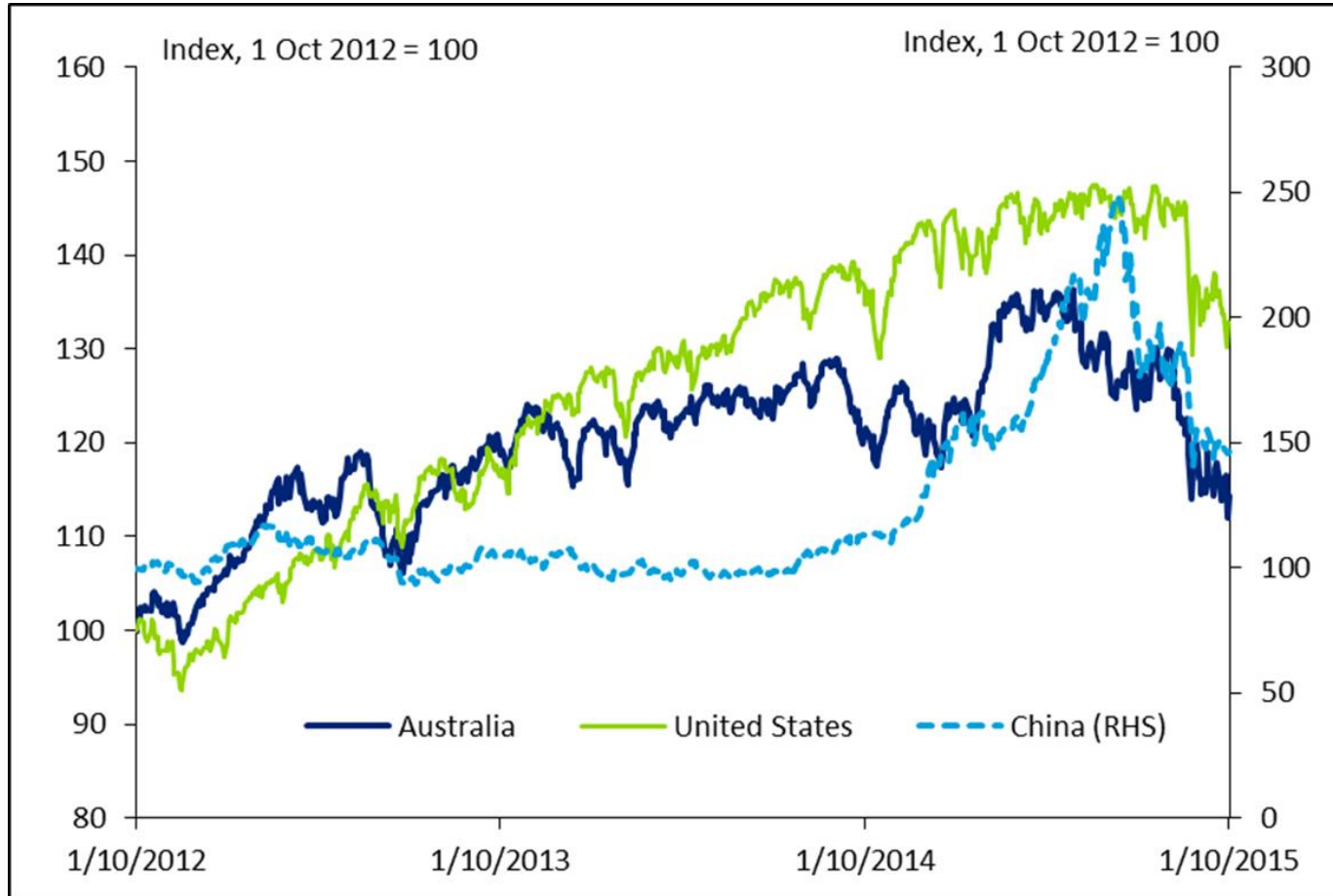
# Global GDP growth remains steady for now



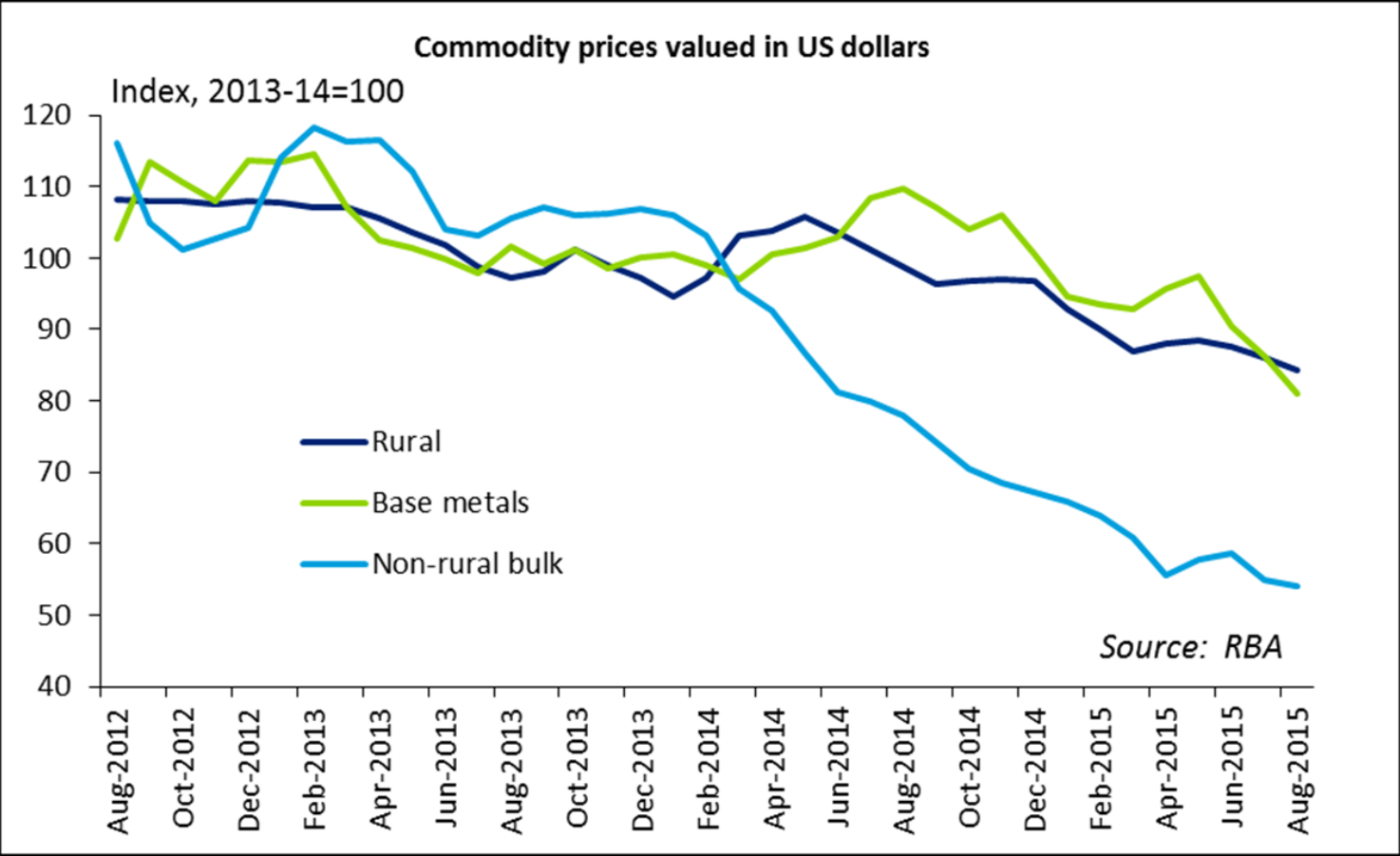
# That GDP growth is driven less by developing countries that it has been for some time



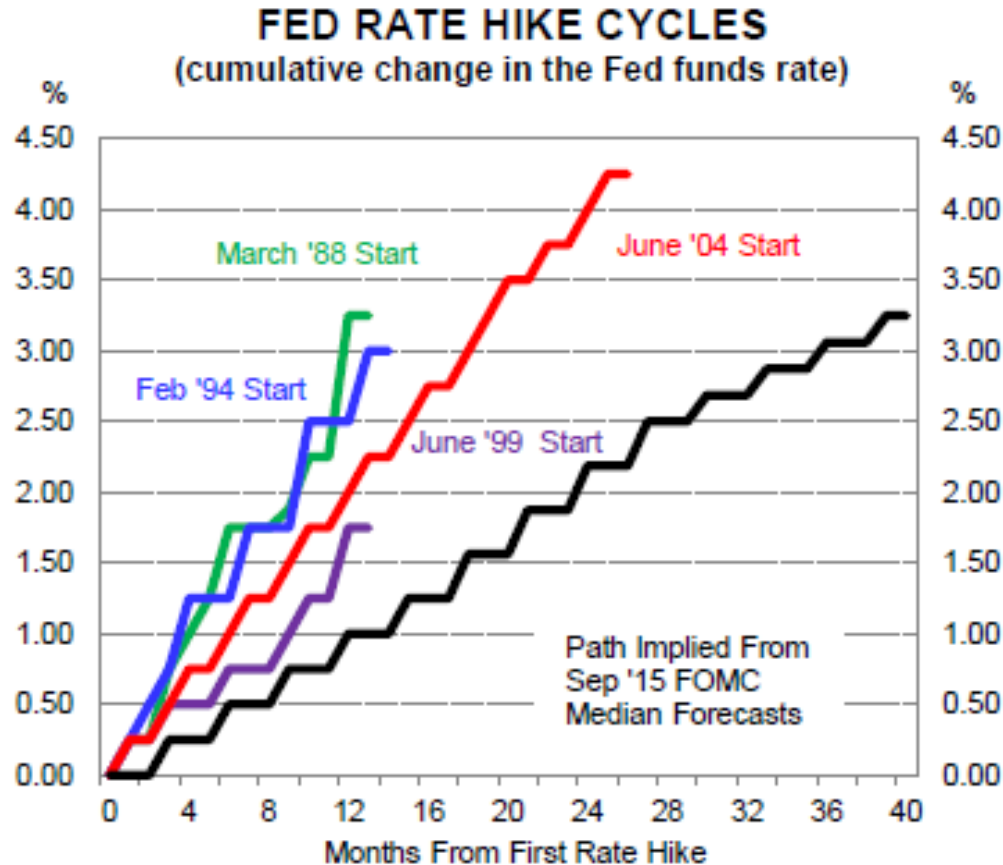
# Share markets are suffering volatility (China on an extreme scale)



# For Australia, the downturn links back to commodity prices

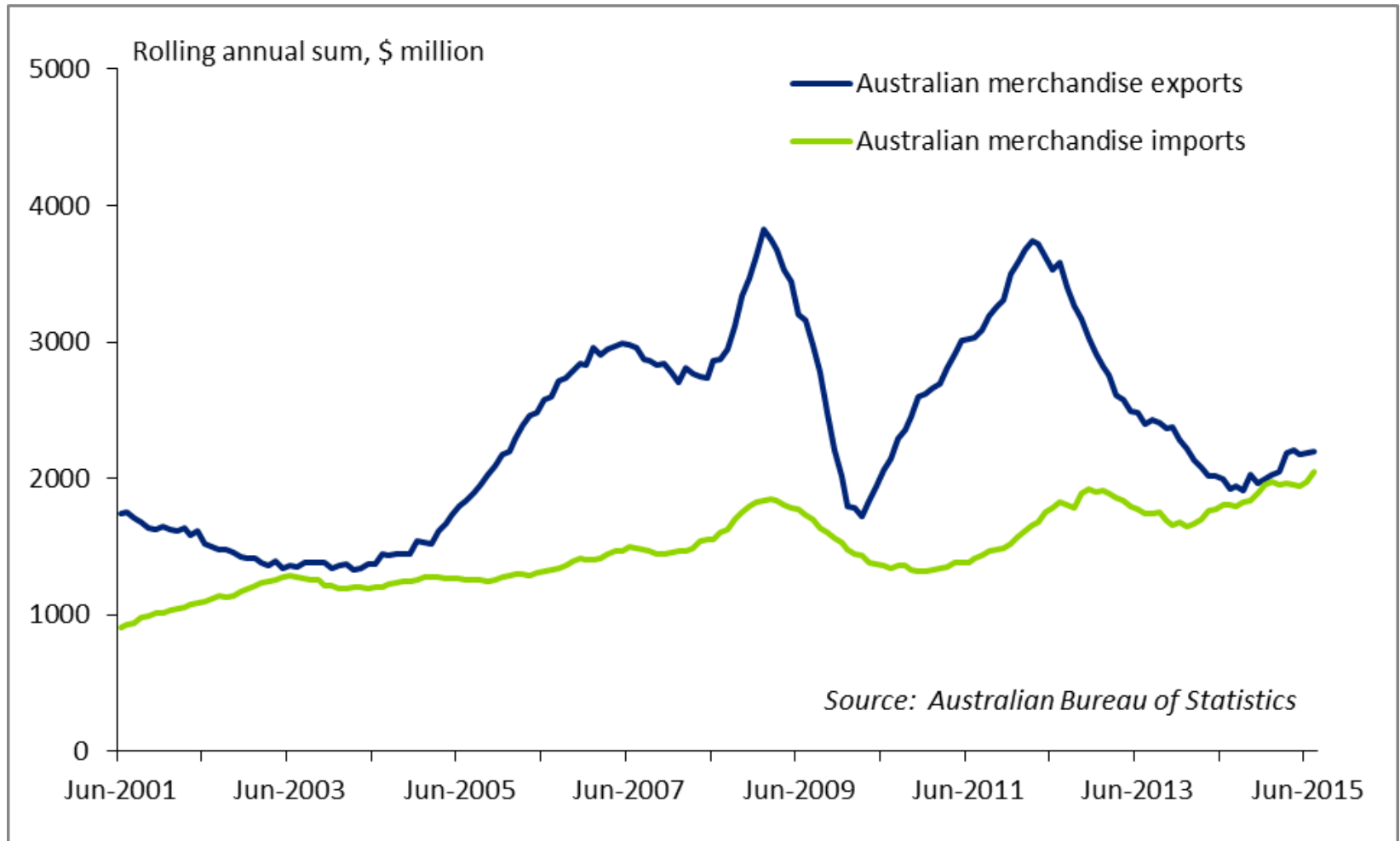


# The US Fed is still planning to lift interest rates – this could see funds move back to the US





# Australia's trade with the Netherlands



# Euro area update and outlook

Greece hit the headlines, but it never really hit the Eurozone economy. For all the disasters that have genuinely hit Greece, **the overall picture of Europe continues to get better** rather than worse.

Families are spending more than they were, while businesses are investing more too, partly thanks to the improved competitiveness gained from **depreciation of the euro**. The **ECB has begun to 'print money'** and make it clear that interest rates will stay lower for longer.

Many recent gains have been centred on those parts of Europe which were hardest hit at the height of the crisis. The upshot is that unemployment across the Eurozone has been trending down for two years now.

# Netherlands update and outlook

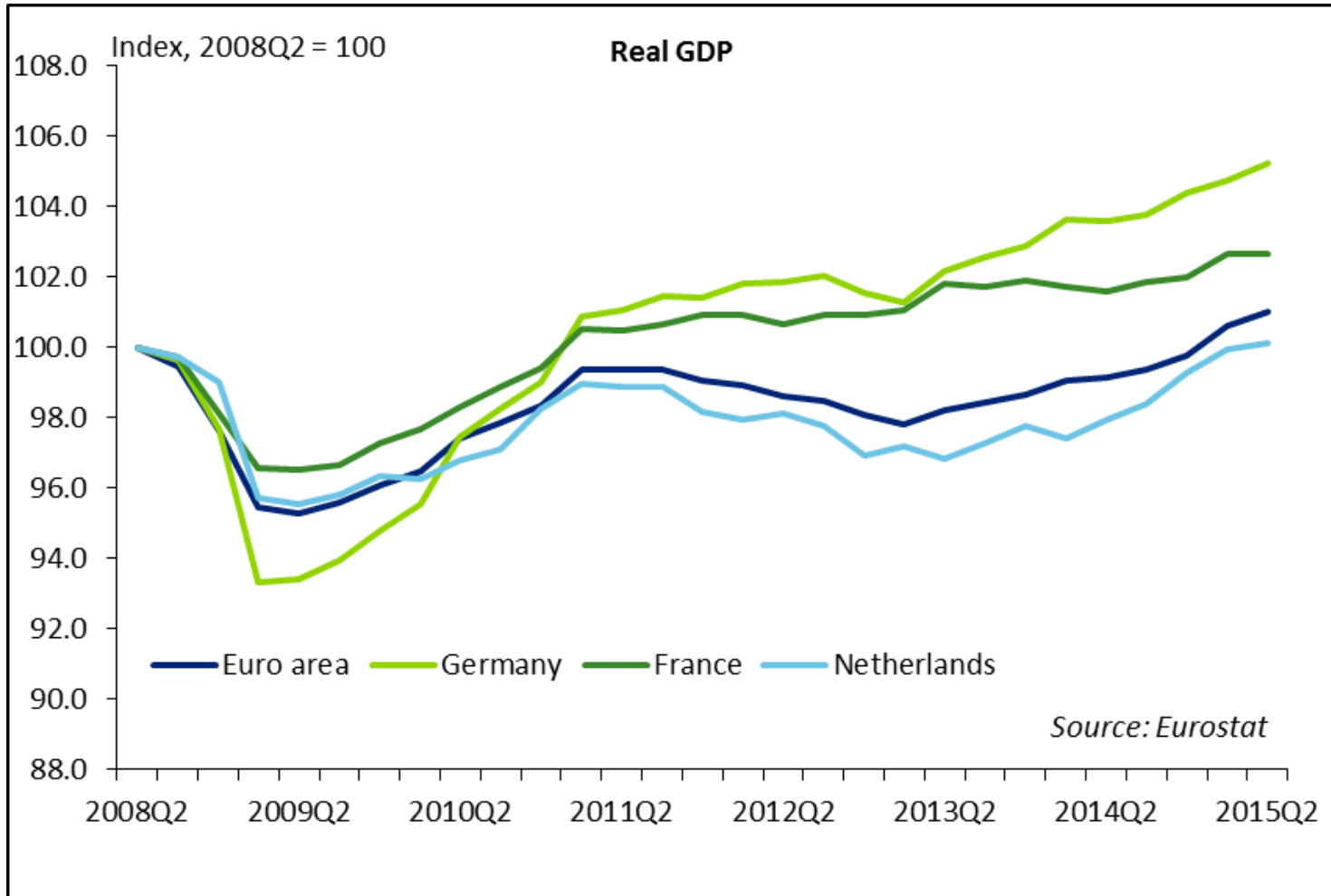
The Netherlands is on the path of recovering from its recent downturn and housing market bust.

The housing market is now showing signs of stabilising – house prices are recovering, the number of house sales is increasing, negative equity is becoming less of an issue and investment in housing construction is rising.

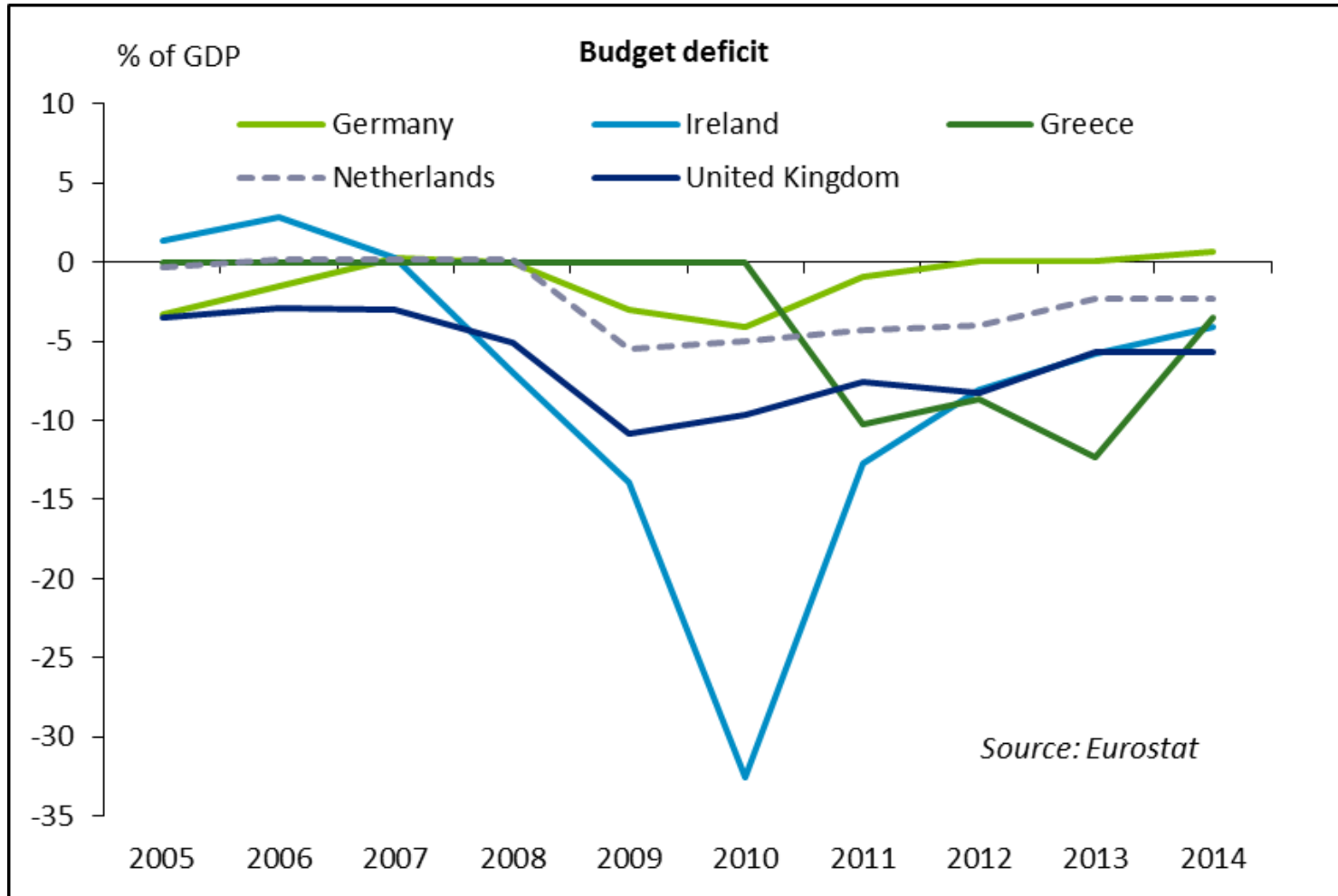
Household and business spending is also contributing to growth. This is being helped by the improved housing market, lower oil prices and the lower euro. The export outlook is mostly positive and unemployment is trending down.

The recently announced €5bn tax reduction package will raise household after-tax income and boost spending from 2016.

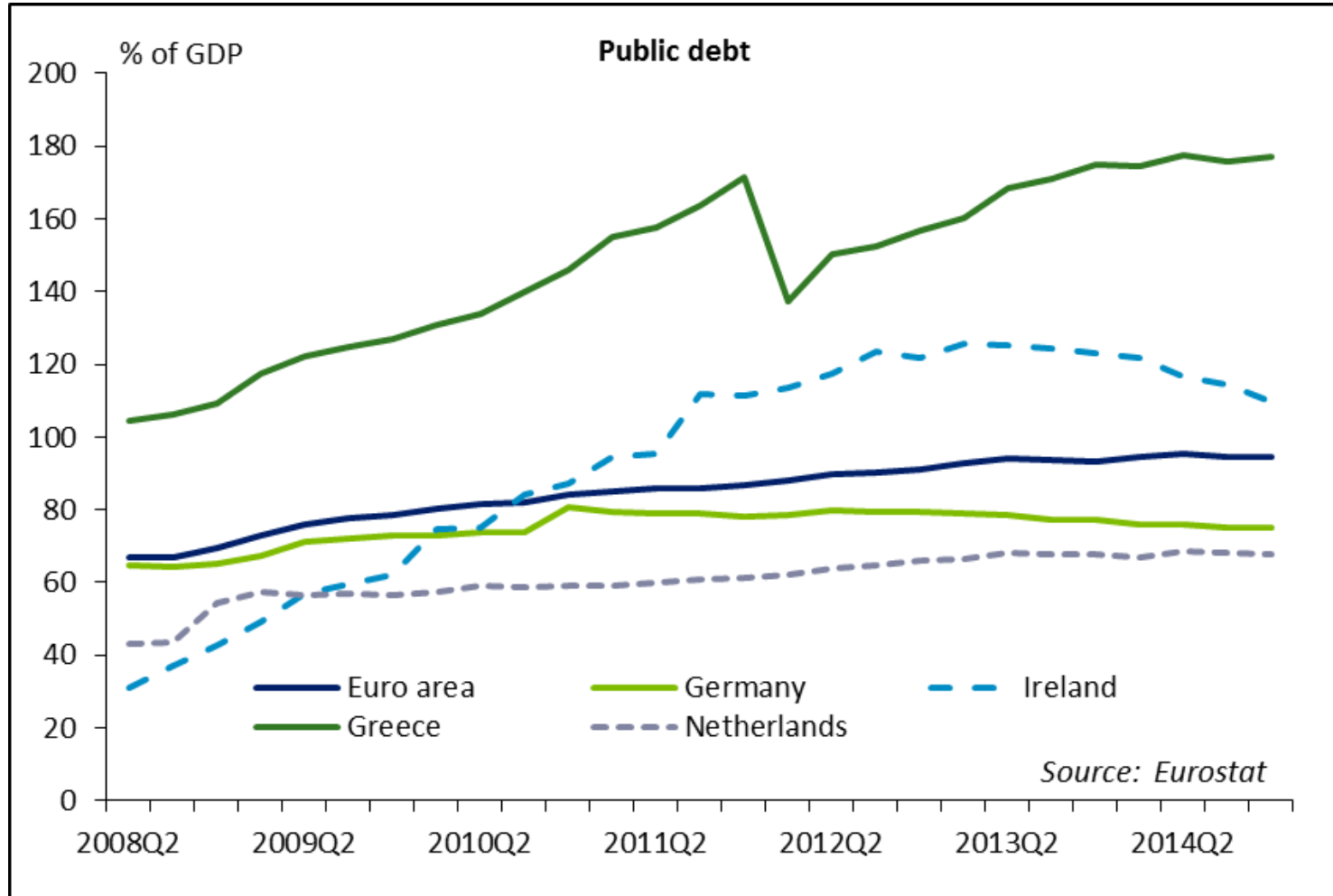
# Euro area update and outlook



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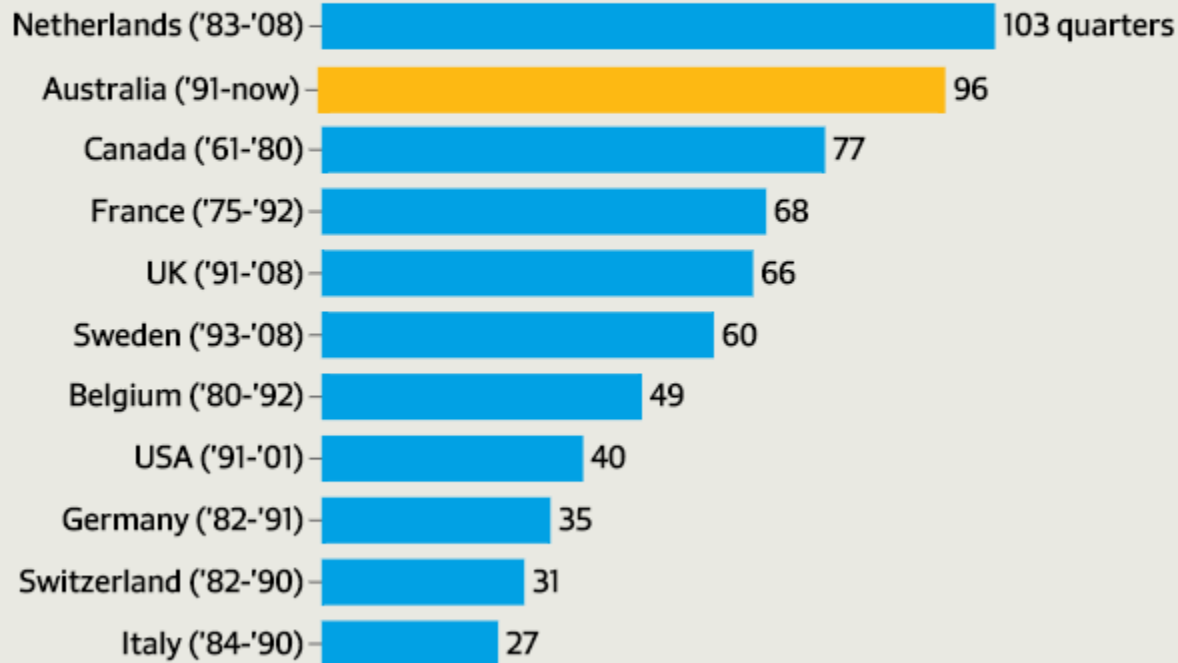
# Euro area update and outlook



# Longest growth streaks since a recession

## Still growing, but only just

Longest streaks without a recession since 1970



# Key issues for business

- ***Australian domestic focused:*** Market growth may disappoint in the near term driven by the mining downturn but the lower \$A improves the outlook for trade-exposed sectors and interest rates will be lower for longer. Longer term prospects bright for the 'Fantastic Five'.
- ***Australian exporter:*** The lower \$A improves competitiveness and the outlook is improving for the US, Europe and Netherlands but China is a concern.
- ***Australian importer from Netherlands:*** The lower \$A raises import prices, while the challenges for the Australian domestic economy mean that demand for imports may be subdued.





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