

2016 Budget Breakfast

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Overview

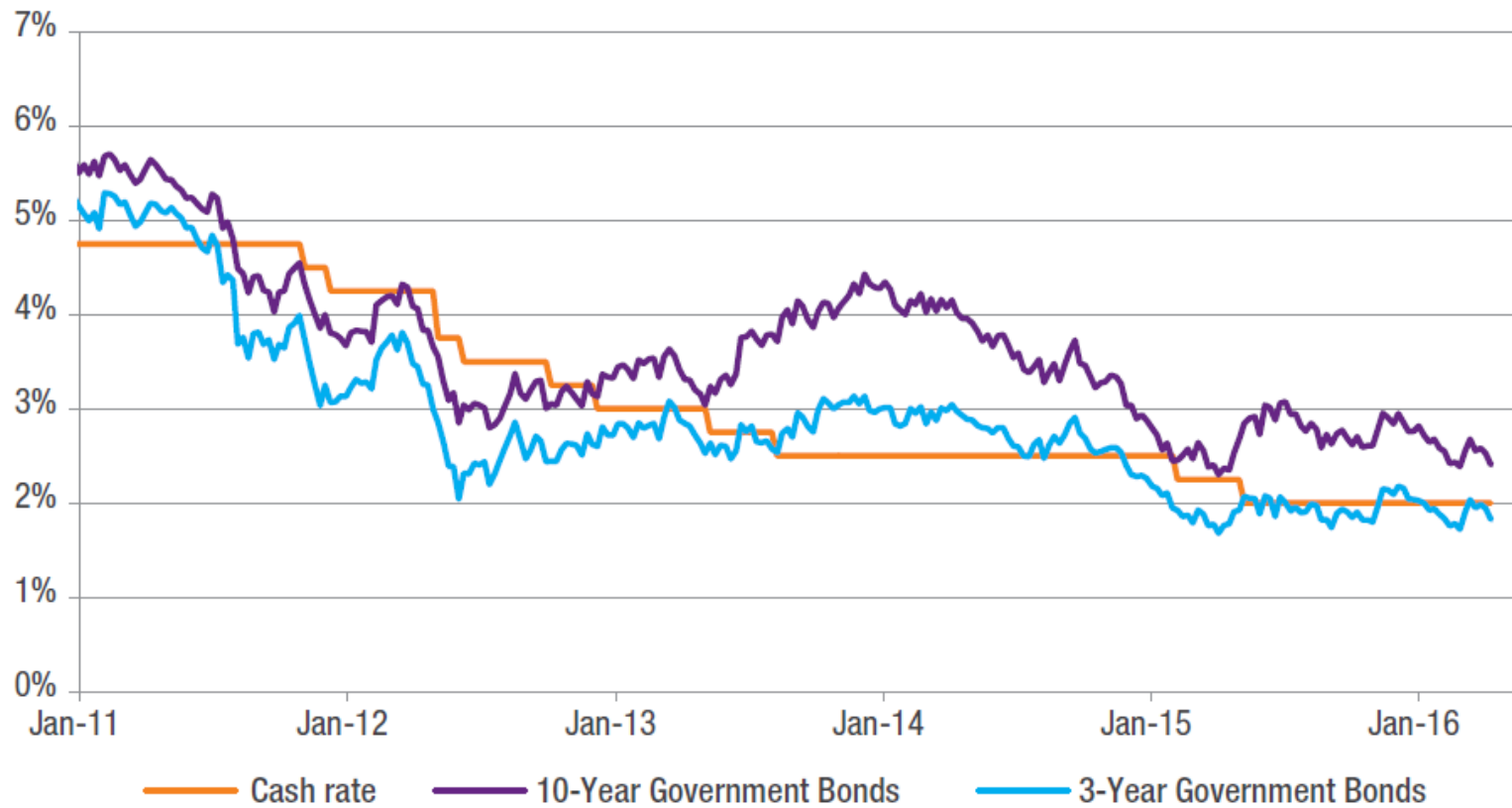
- Economy – Jobs & Growth
- Australian State of Play
- Global Indicators
- Commodities & Resources
- Economic Outlook

Economy - Jobs & Growth

- Economy – the most important issue in current poll's.
- Jobs
 - *Unemployment rate is currently 5.7%*
 - *“Natural rate” is 5.2%*
 - *Cuts to Corporate Tax Rates*
- Growth
 - *CPI is sitting at 1.3%*
 - *Target band is 2-3%*
 - *Increase tobacco tax (increase revenue)*
 - *Reduce incentives to super savings (increase revenue)*
 - *Reprioritise government spending (progressively being announced)*

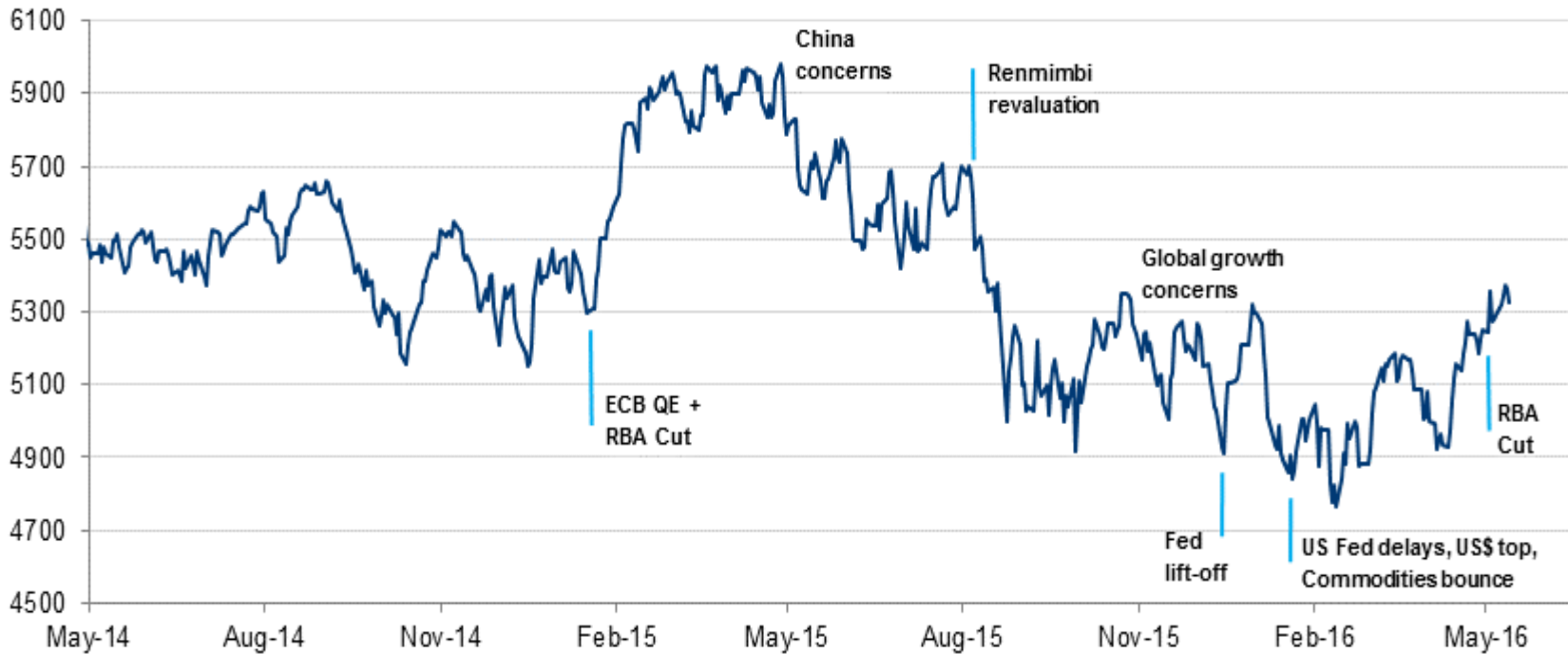
Interest Rates

Australian Government bond yields versus the RBA cash rate



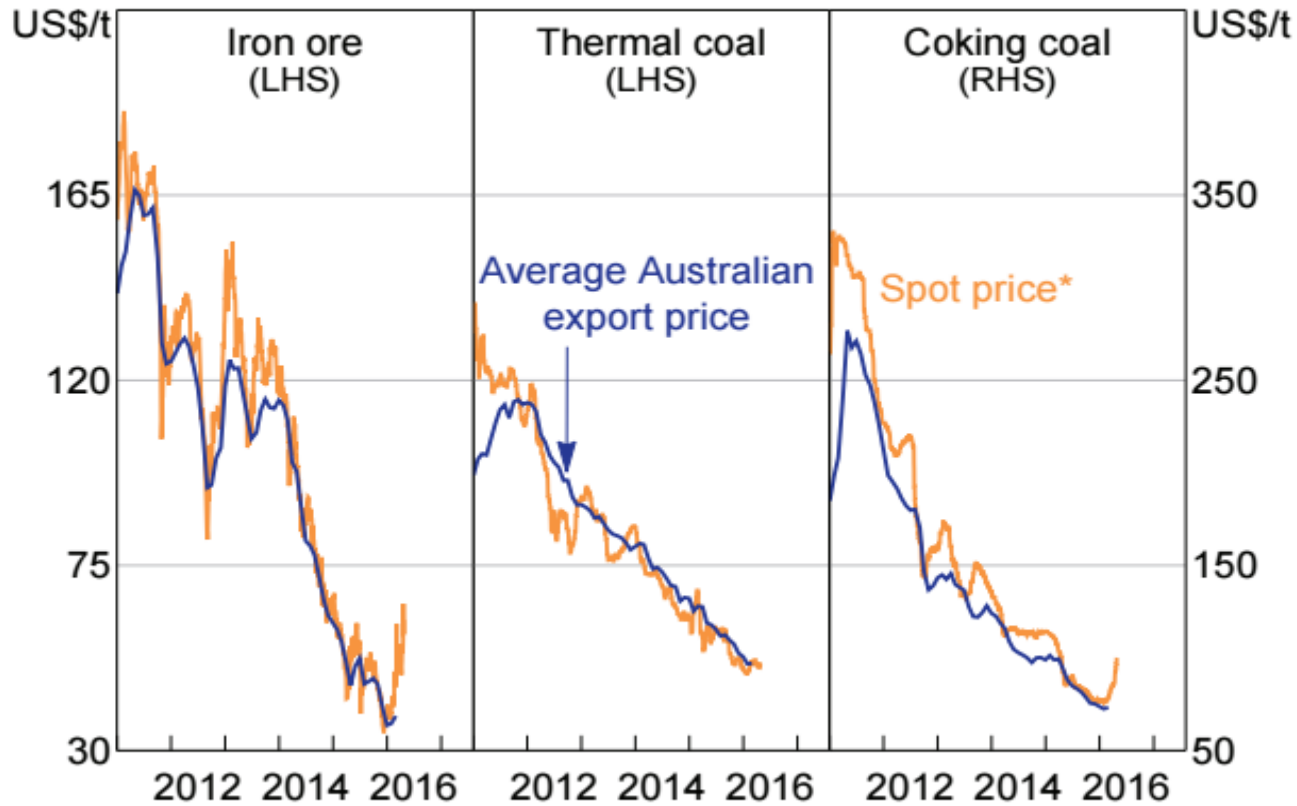
Source: IRESS, Morgans

Australian Stock Exchange (XJO)



Bulk Commodity Prices

Free on board basis



* Iron ore fines, Newcastle thermal coal and premium hard coking coal

Sources: ABS; Bloomberg; IHS; RBA

NT Resource Sector

Significance to Local Economy

- Mining & Manufacturing was 14.9% of Gross State Product (GSP) in 2014/15 (17.8% in 2013/14) contributing \$3.5 billion to GSP.
- The Territory produced \$3.2 billion of minerals during 2014/15.
- Manganese was the largest component – 30%
- Exploration is at the lowest level in 10 years.

Gas

- Onshore Gas Production increased 54.1% in 2014/15
- Owen Springs powering Alice Springs supplied locally - Dingo Gas Field.
- Darwin/ Katherine power - Blacktip field via Yelcherr (Wadeye).
- NGP can be supplied by Mereenie once completed – 2018.
- Note – LNG from Inpex is recorded as WA production.

Global Indicators

- TED Spread
- Chicago Fed National Activity Indicator
- US S&P 500, Interest rates and Unemployment
- European Quantitative Easing
- Commodity Prices and Oil
- Chinese Renmimbi/ Yuan

The TED Spread



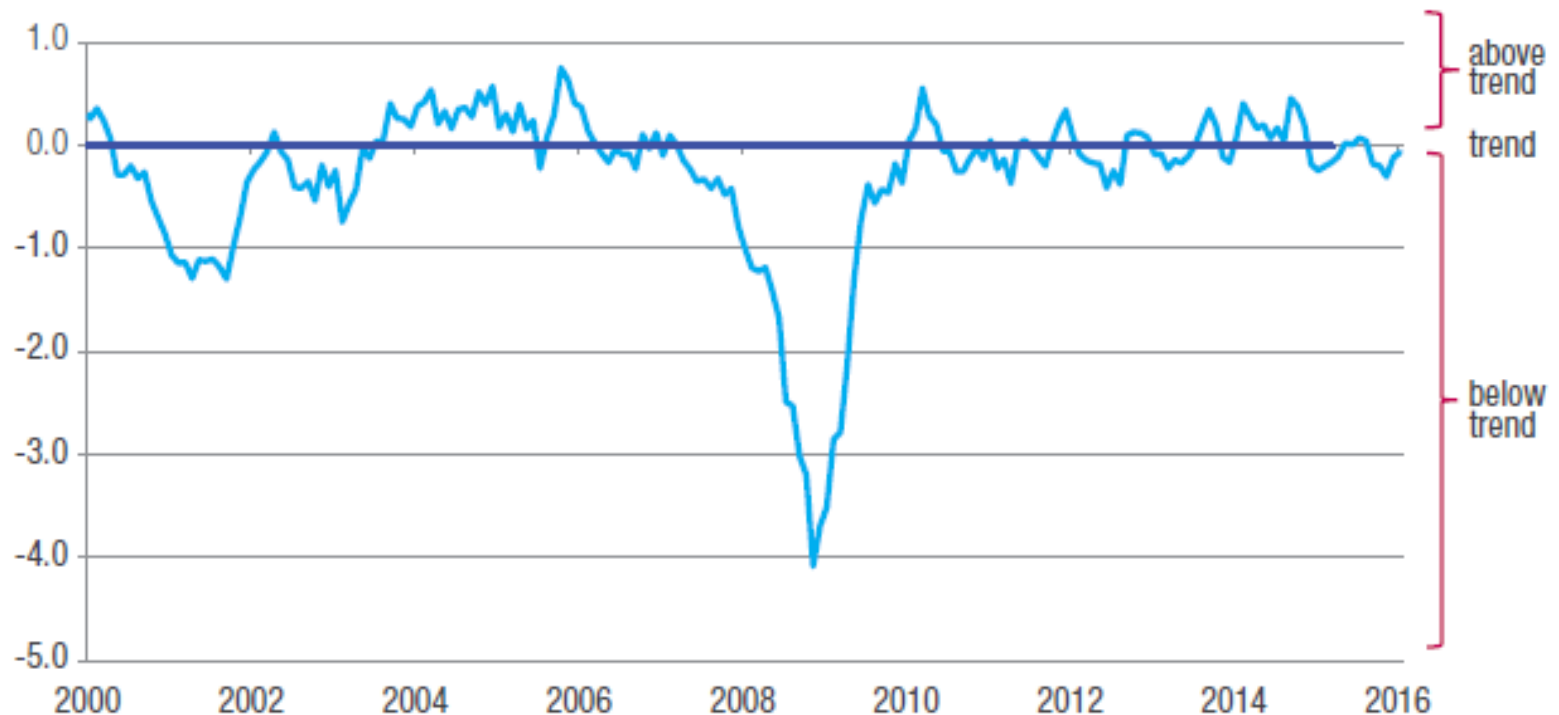
US S&P 500



Bloomberg, 2016

Chicago Fed National Activity Indicator

The index confirms that US economic growth is steadily trending upward.



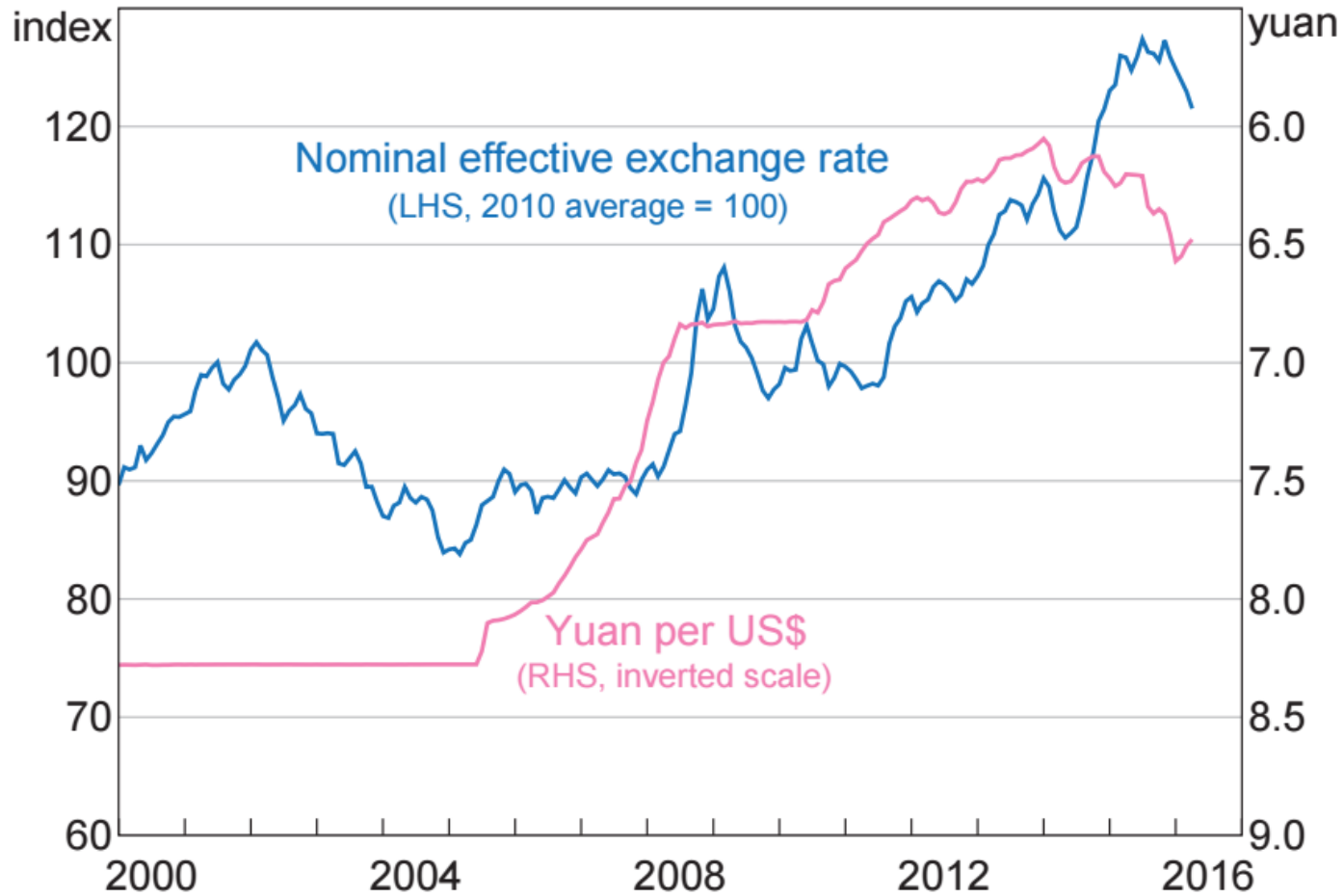
Source: Factset, Morgans

West Texas Crude Oil (\$USD per barrel)



Bloomberg, 2016

Chinese Renminbi



Sources: BIS; Bloomberg; RBA

Economic Outlook

- A\$ to weaken further, target of AUD/USD \$0.70
- RBA likely to cut interest rates further.
- Base metals prices to continue to remain depressed.
- Oil to firm, medium term target US\$60 a barrel.
- ASX short term correction but with a Dec 2016 target 5,270

Key concerns:

- US Interest Rates
- Political Elections (Domestic & International)
- Chinese Renmimbi
- Brexit
- Eurozone Quantitative Easing

Australian Economic forecasts – End of 2016

	Morgans Forecasts	Market Consensus
GDP Growth	2.8%	2.6%
Inflation	2.5%	2.0%
RBA Cash rate	1.75%	2.00%
Aussie Dollar	0.705c	0.72c
ASX200 Index	5,270pts	5,350pts

Source: Morgans, Bloomberg



It is one
thing to be clever
and another
to be **W**ISE

George R.R. Martin