

SEQ Property Overview

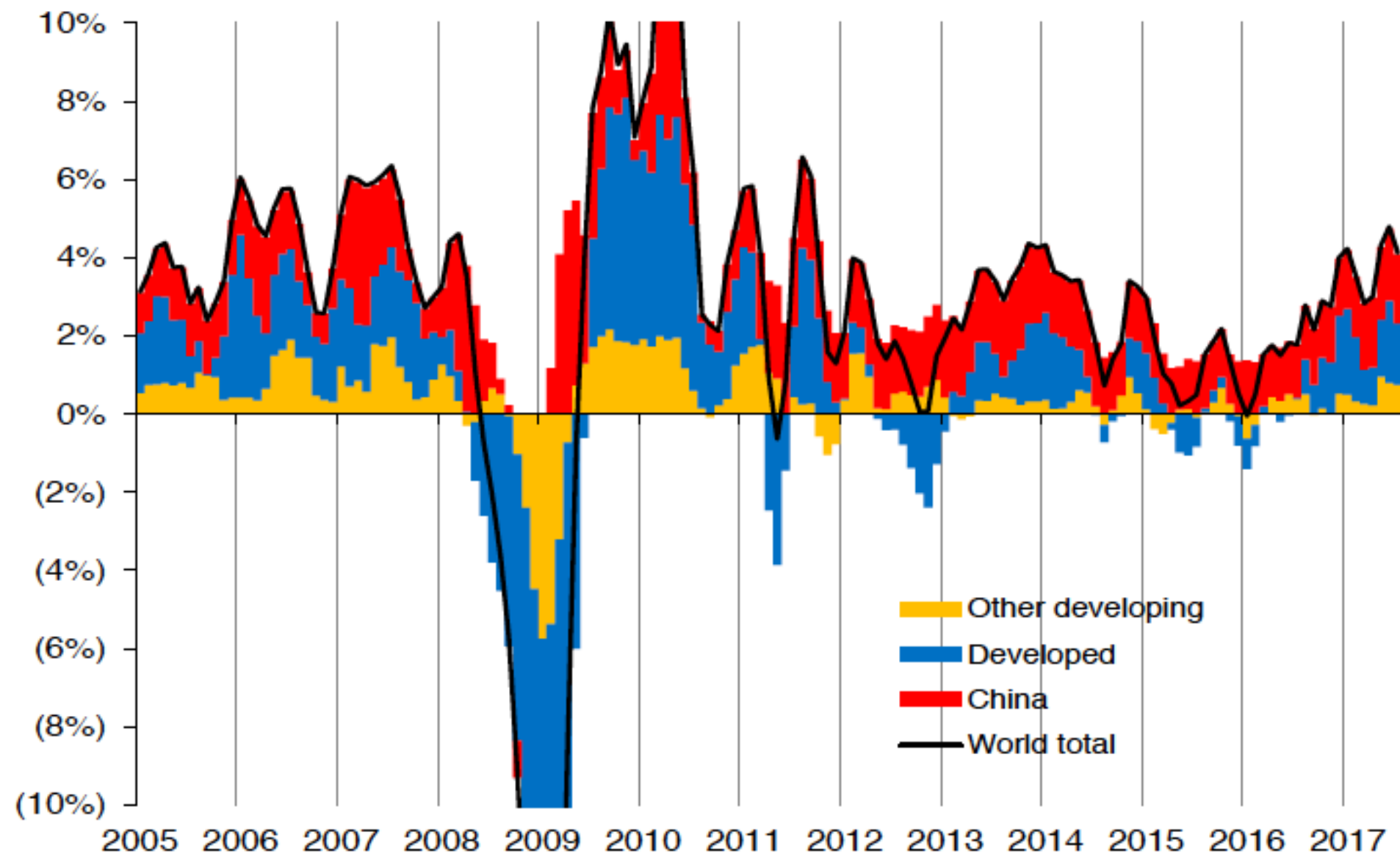
Alan Kohler

16 November 2017



We're in a synchronised global recovery

Global Industrial Production (3m/3m, %)



Source: National Sources, Macquarie Research, September 2017

Global growth is back to its long run (50 year) average



Source: IMF, UBS calculations

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Global share prices are booming, having tripled since the 2009 low

MSCI World Index

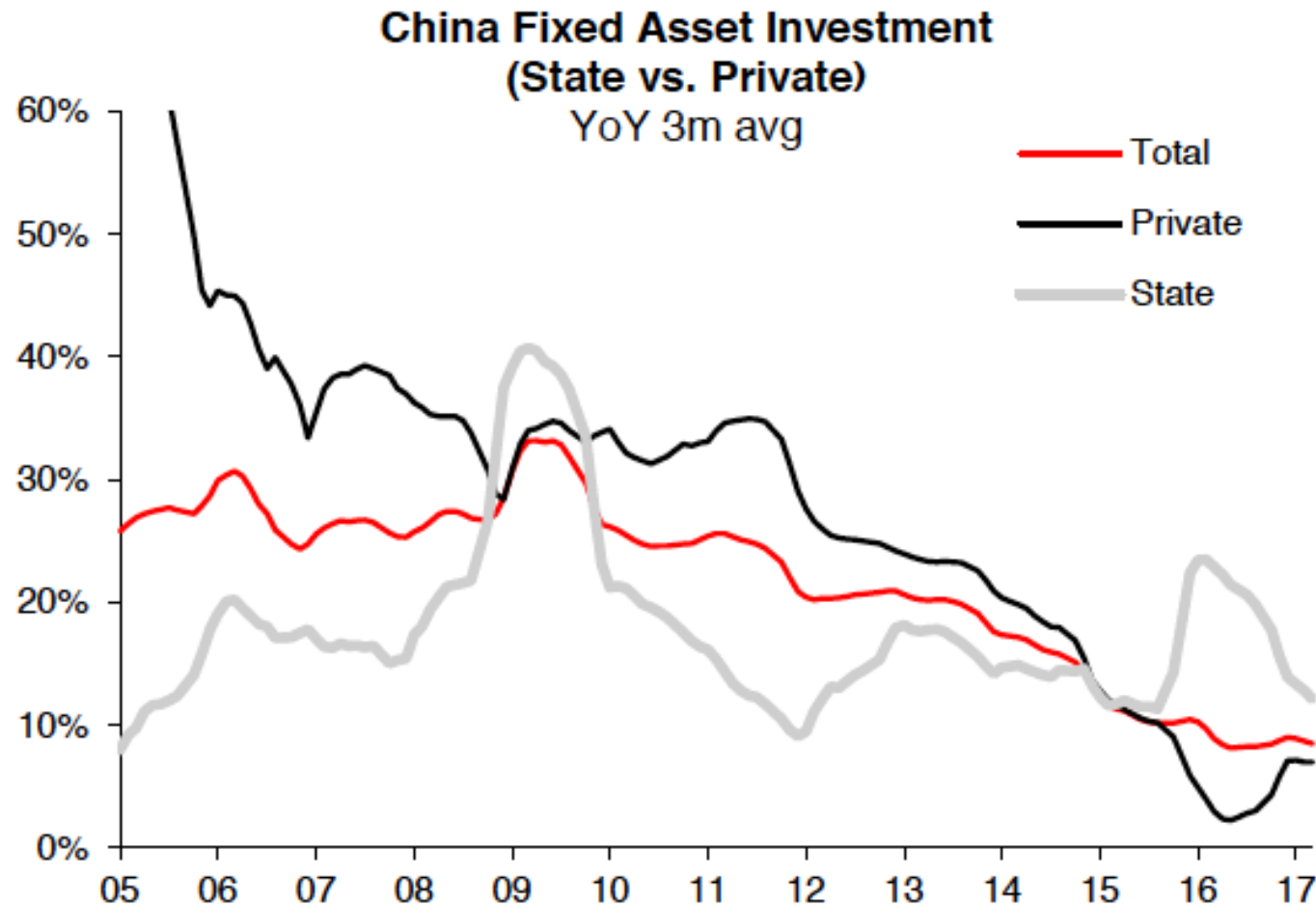


The US broke out of its structural bear market in 2013

S&P 500 (linked to earlier indexes)



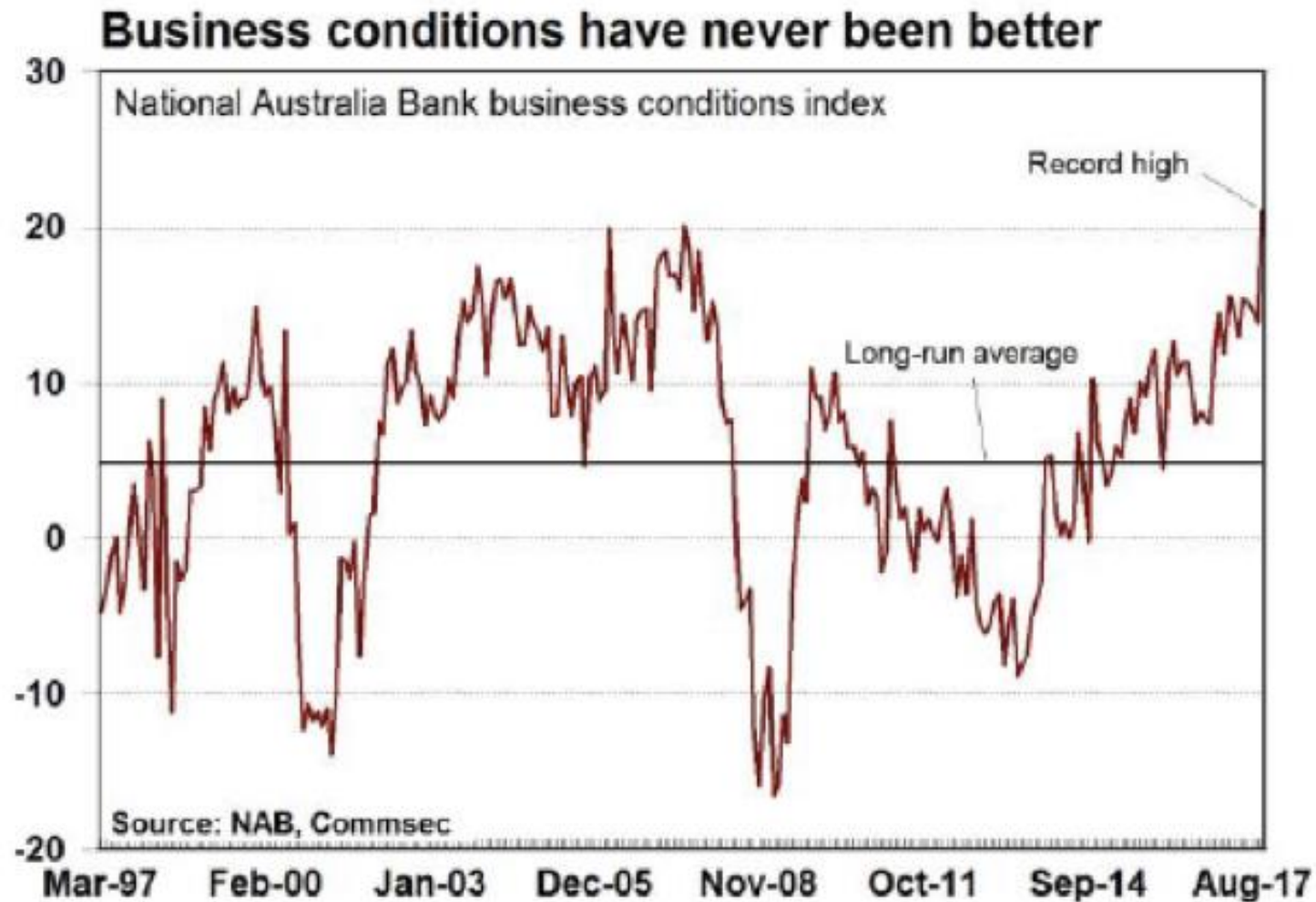
China's communists have rescued the global economy three times in the past 10 years



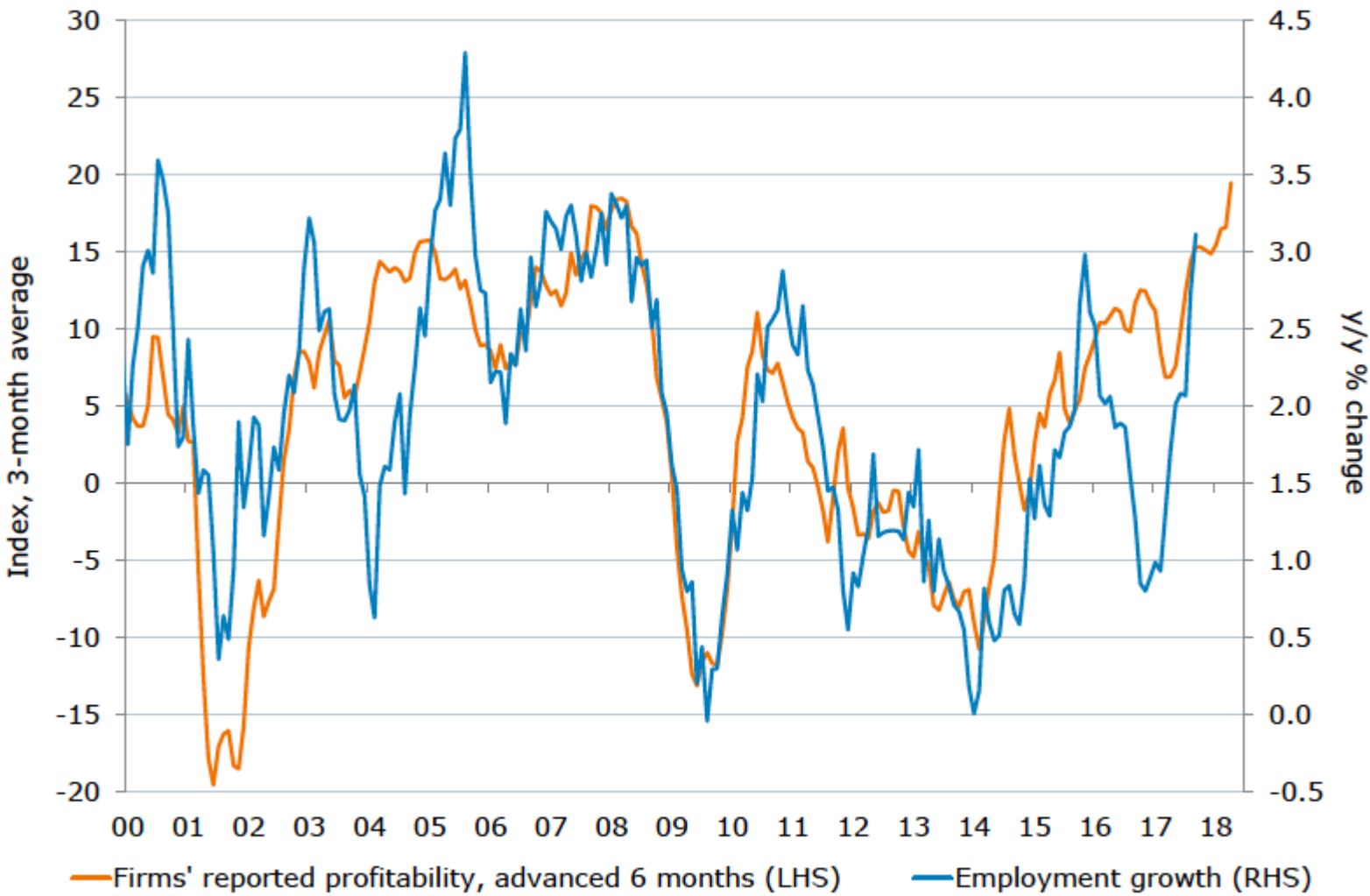
Source: CEIC, Macquarie Research, September 2017

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In Australia...



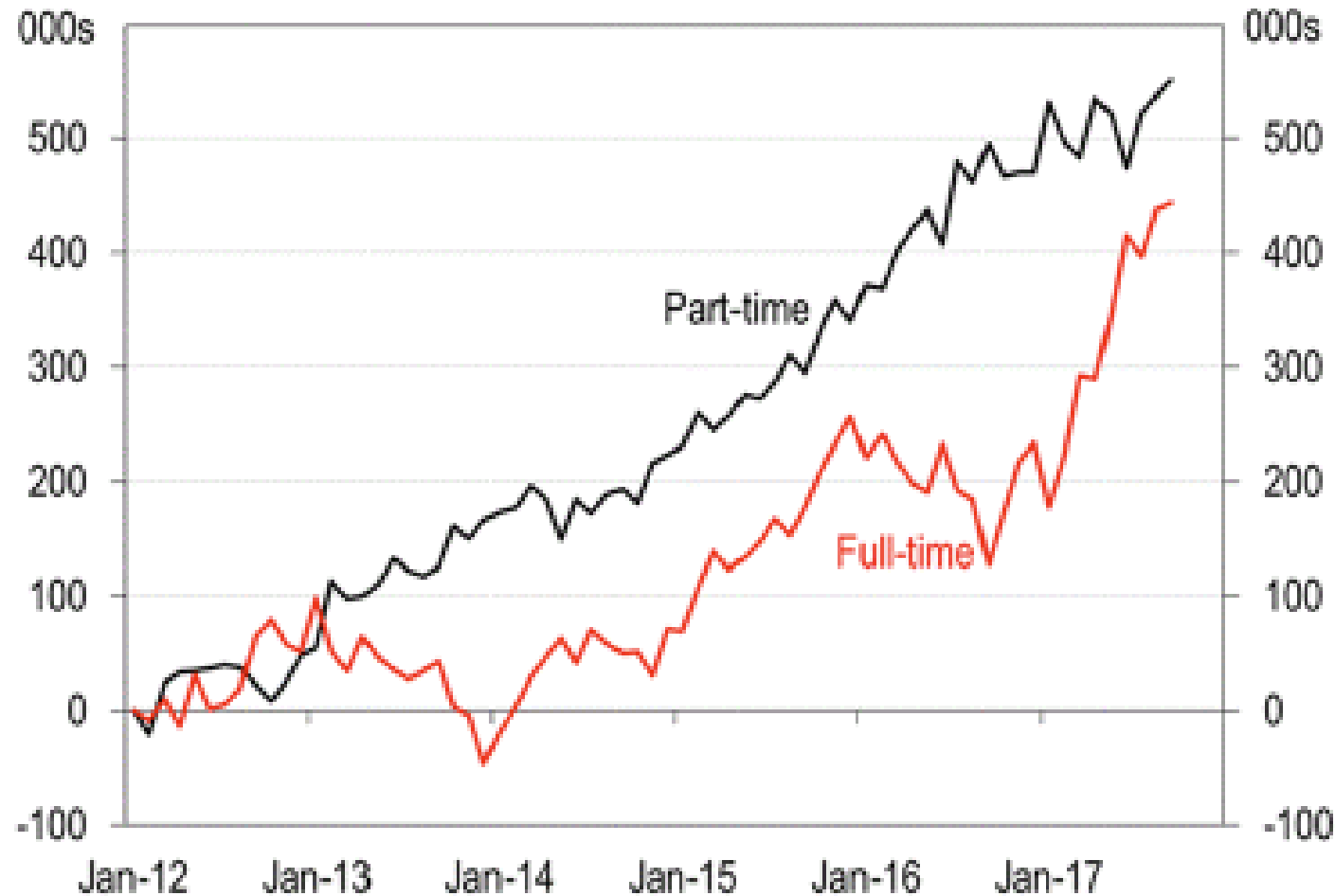
Profitability is also at a record high...



Source: ABS, NAB, ANZ Research

And jobs have been booming

**Cumulative change in employment since
January 2012**



Source: ABS

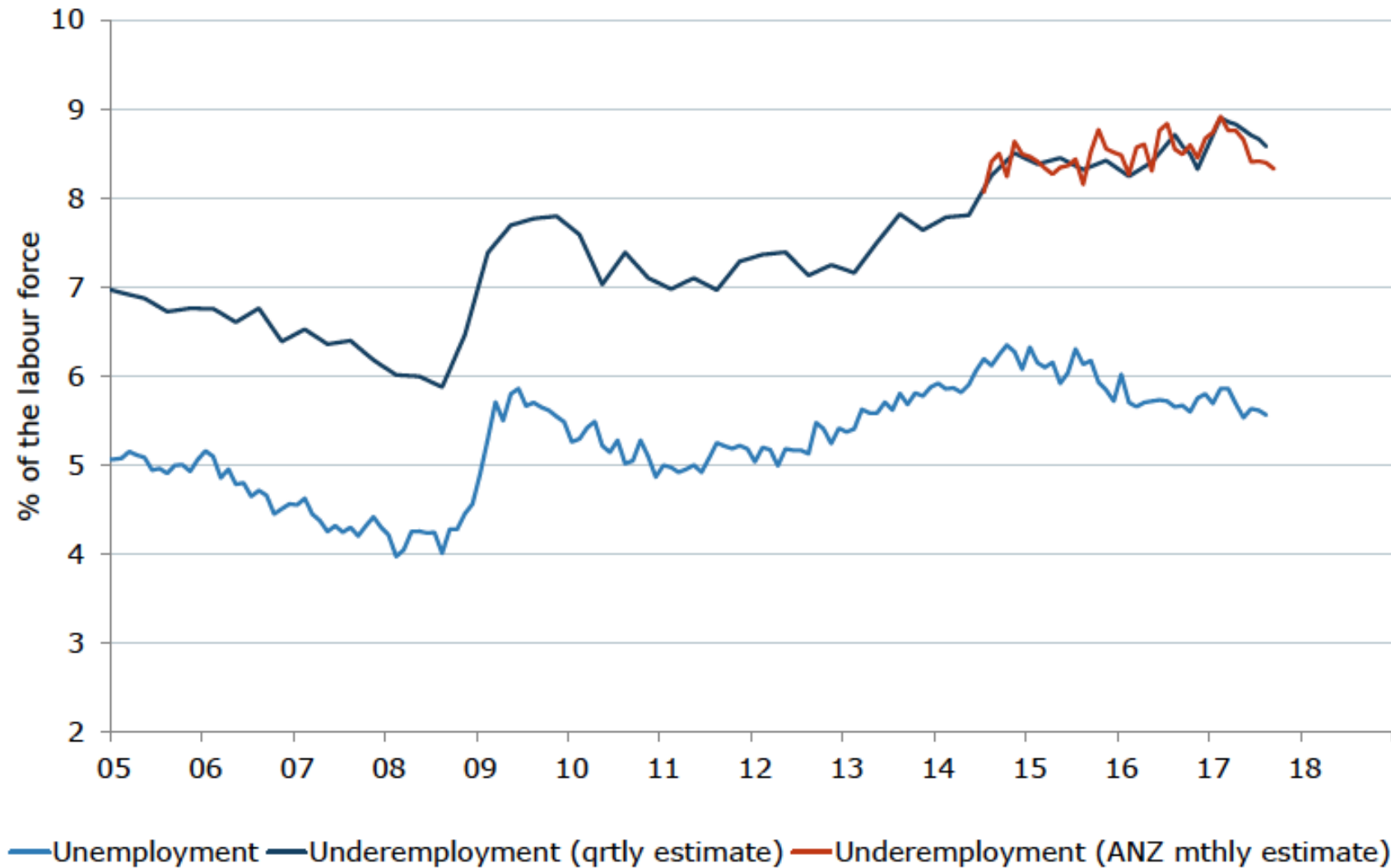
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Unemployment is falling...



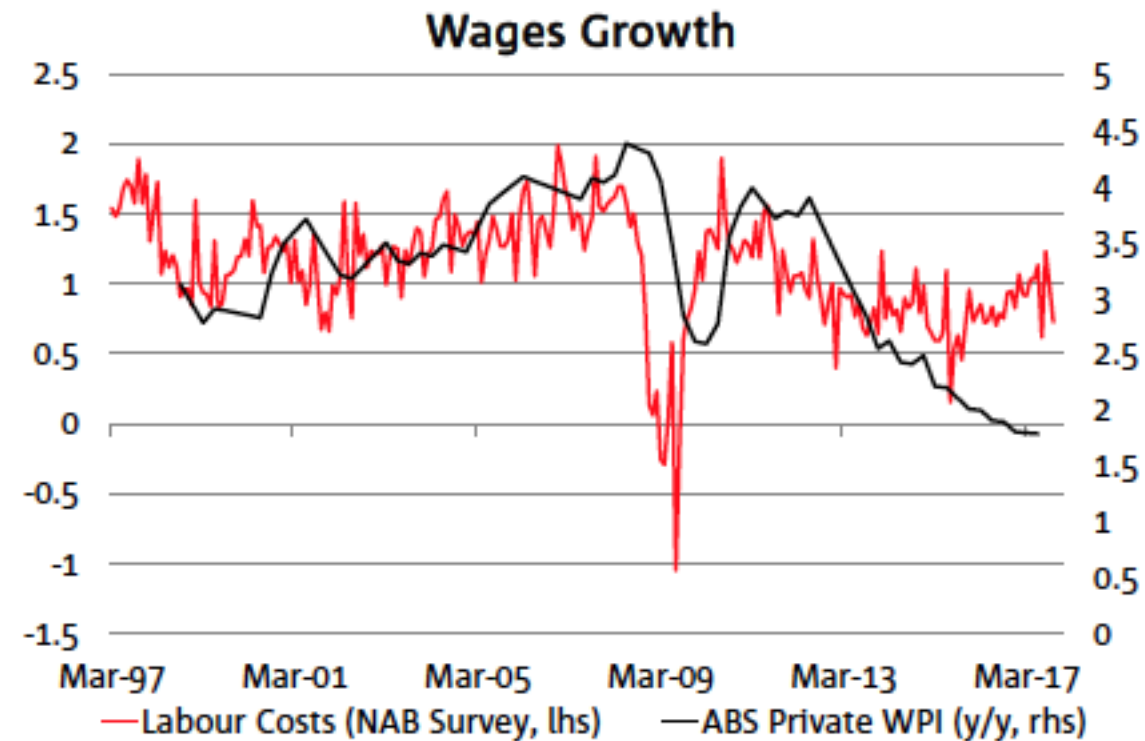
Source: ABS

...and underemployment has stopped rising

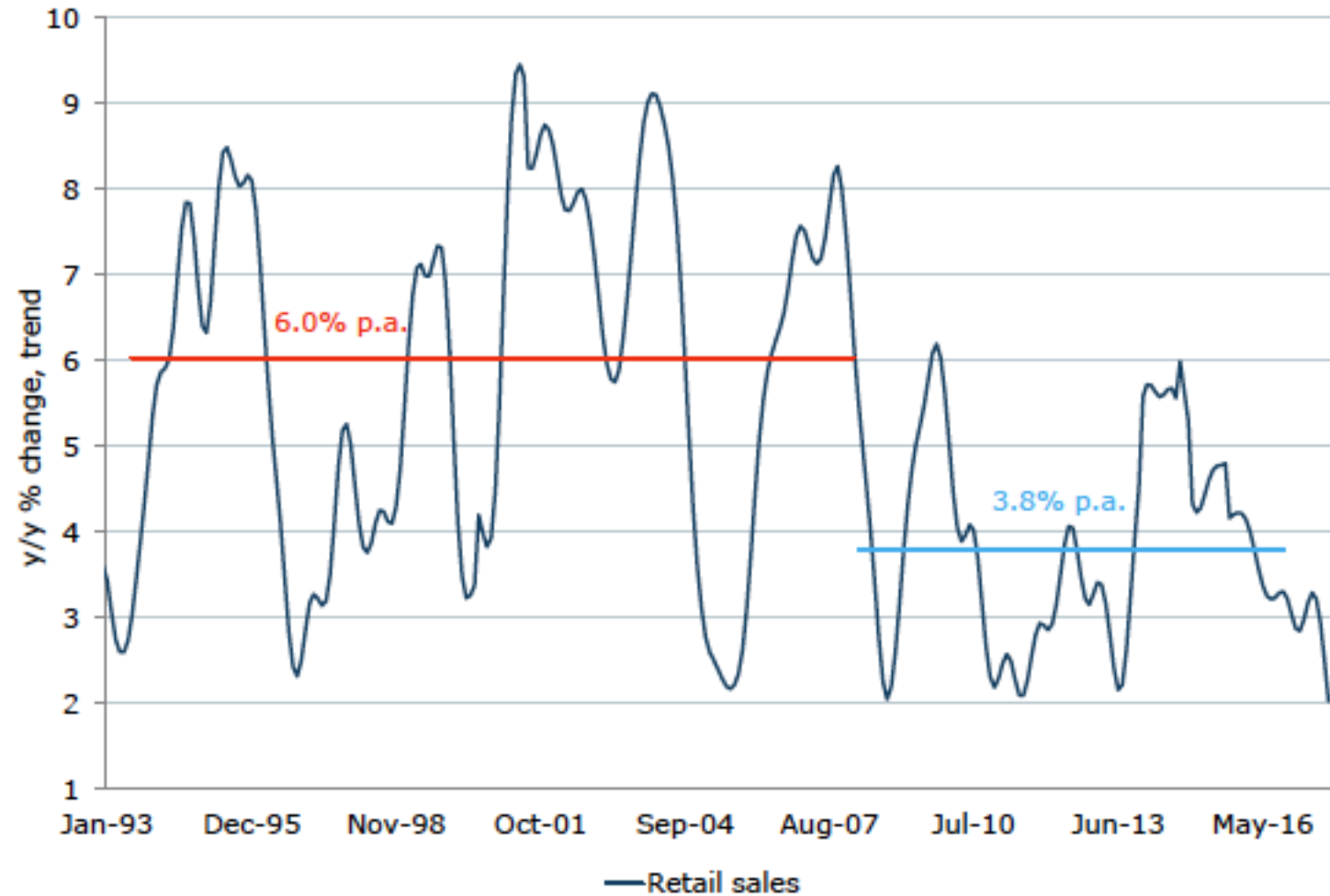


Source: ABS, ANZ Research

But look at wages ...

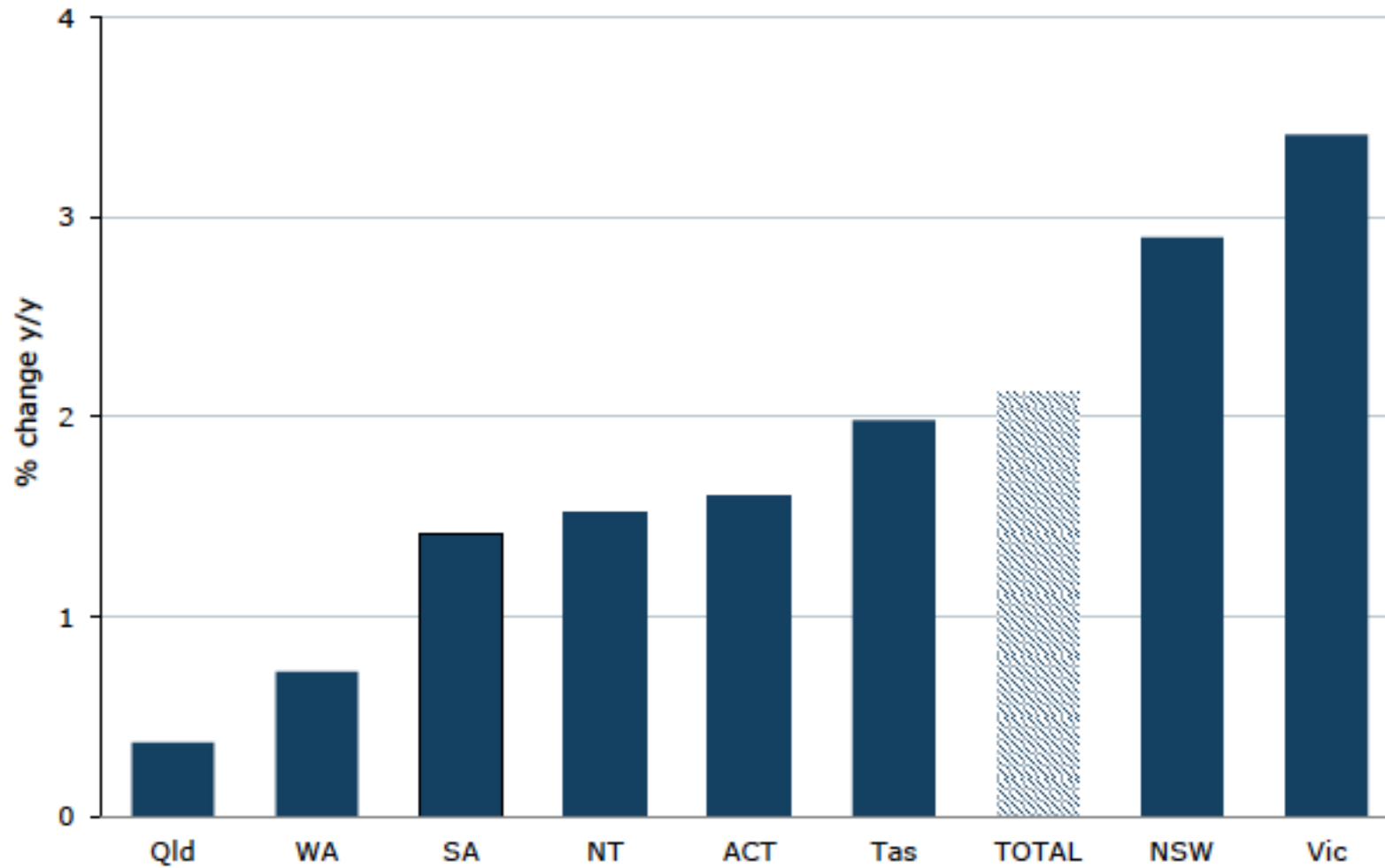


Retail sales are very weak



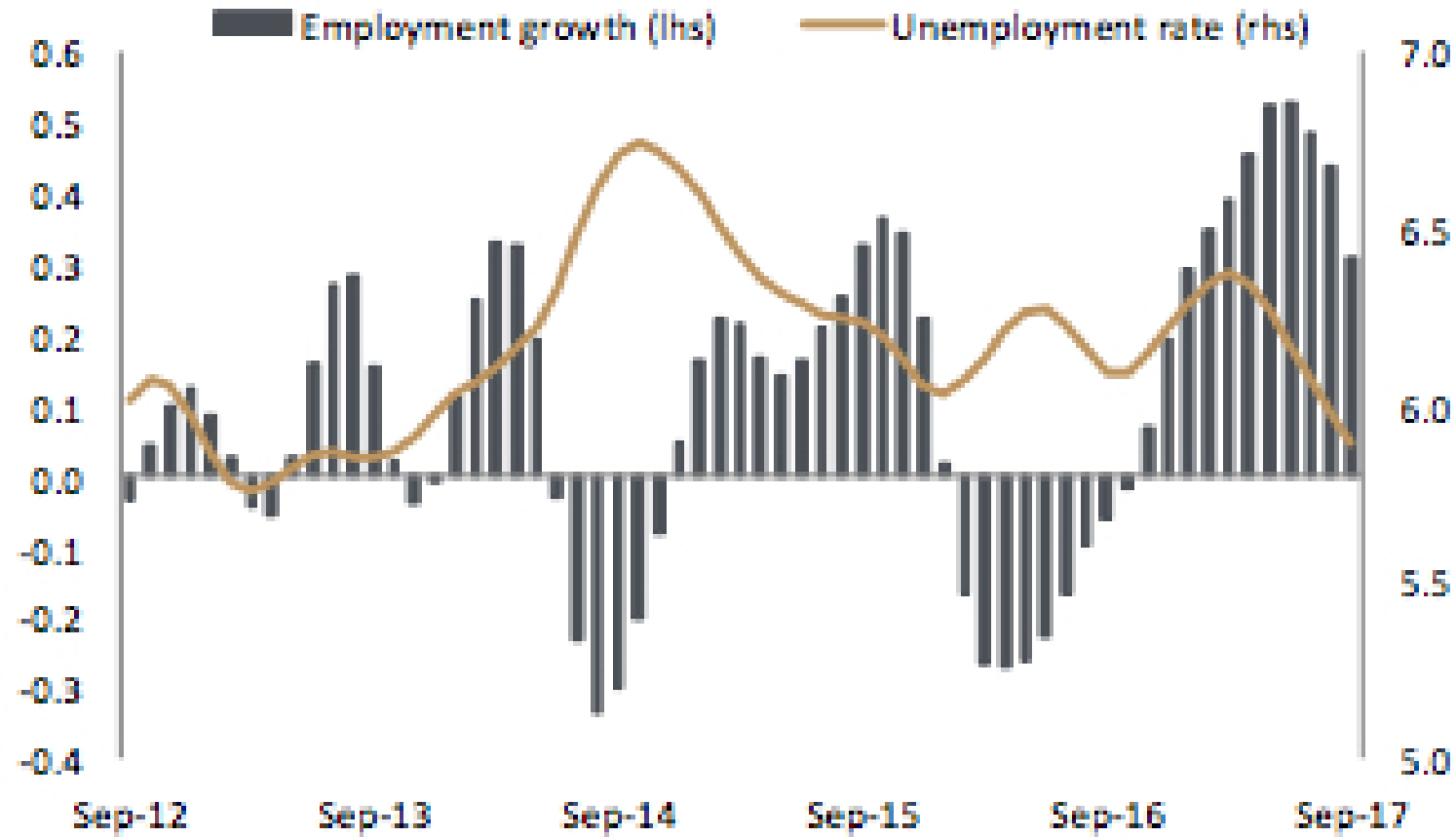
Source: ABS, ANZ Research

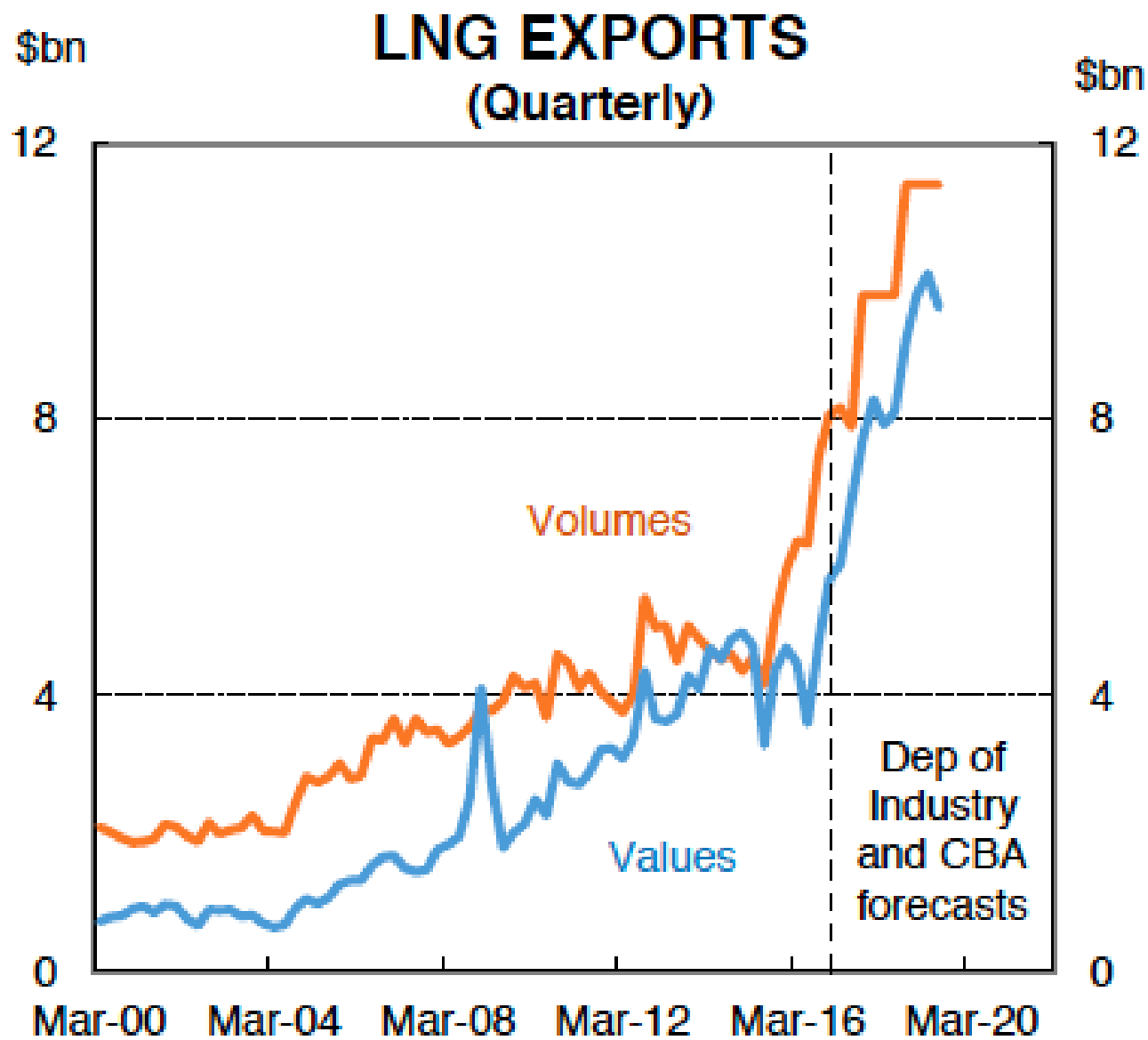
Retail sales: Qld is getting left behind; NSW and Vic by far the strongest



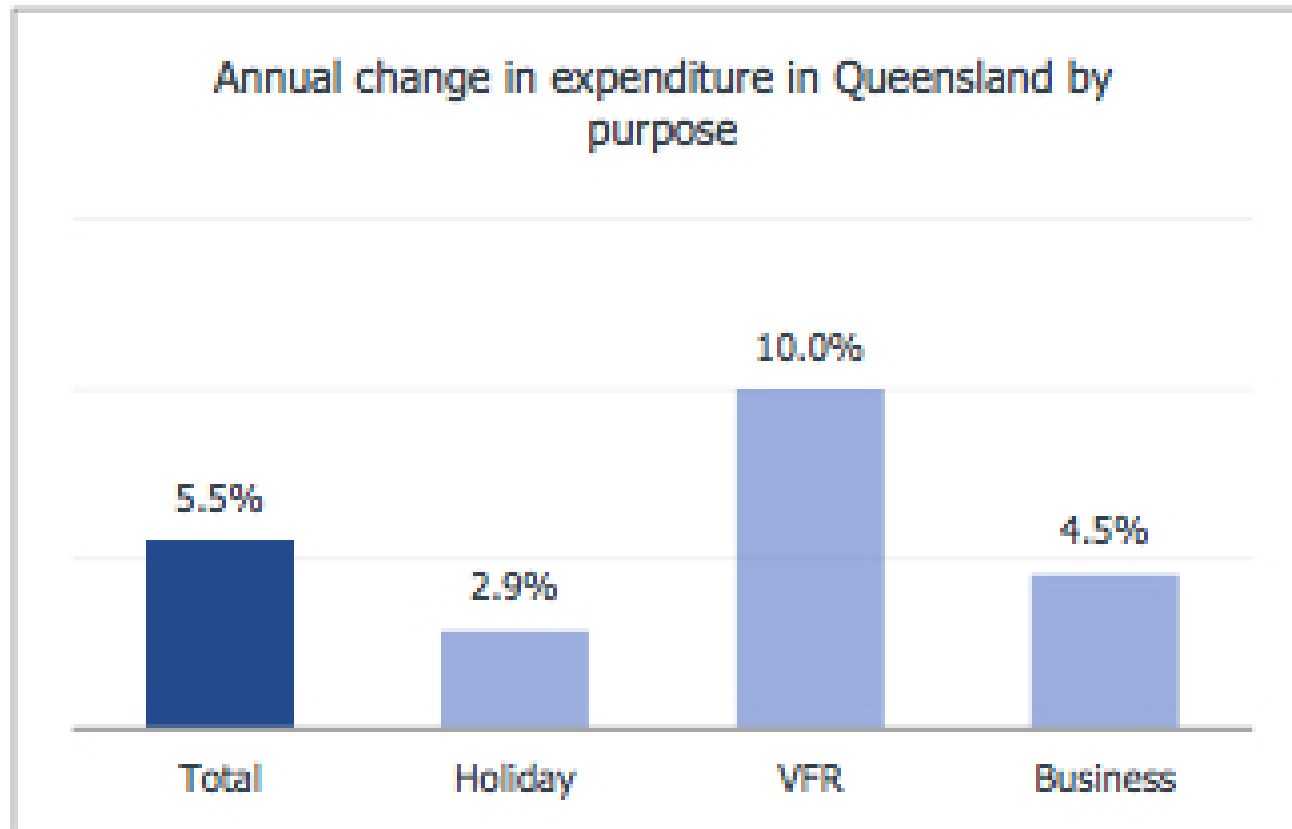
Source: ABS, ANZ Research

...Queensland's unemployment rate is coming down, but is relatively high

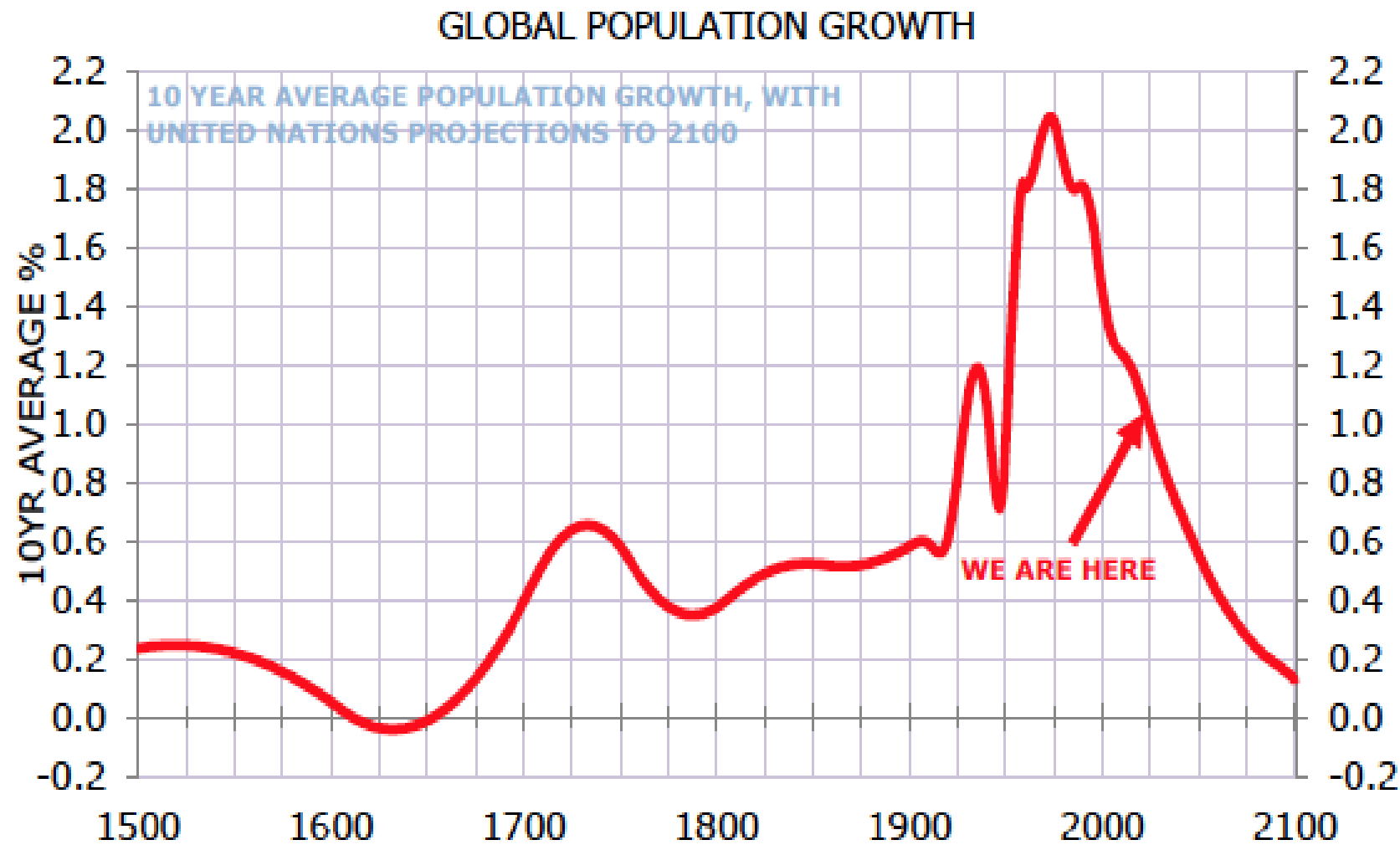




Queensland's opportunity is in tourism

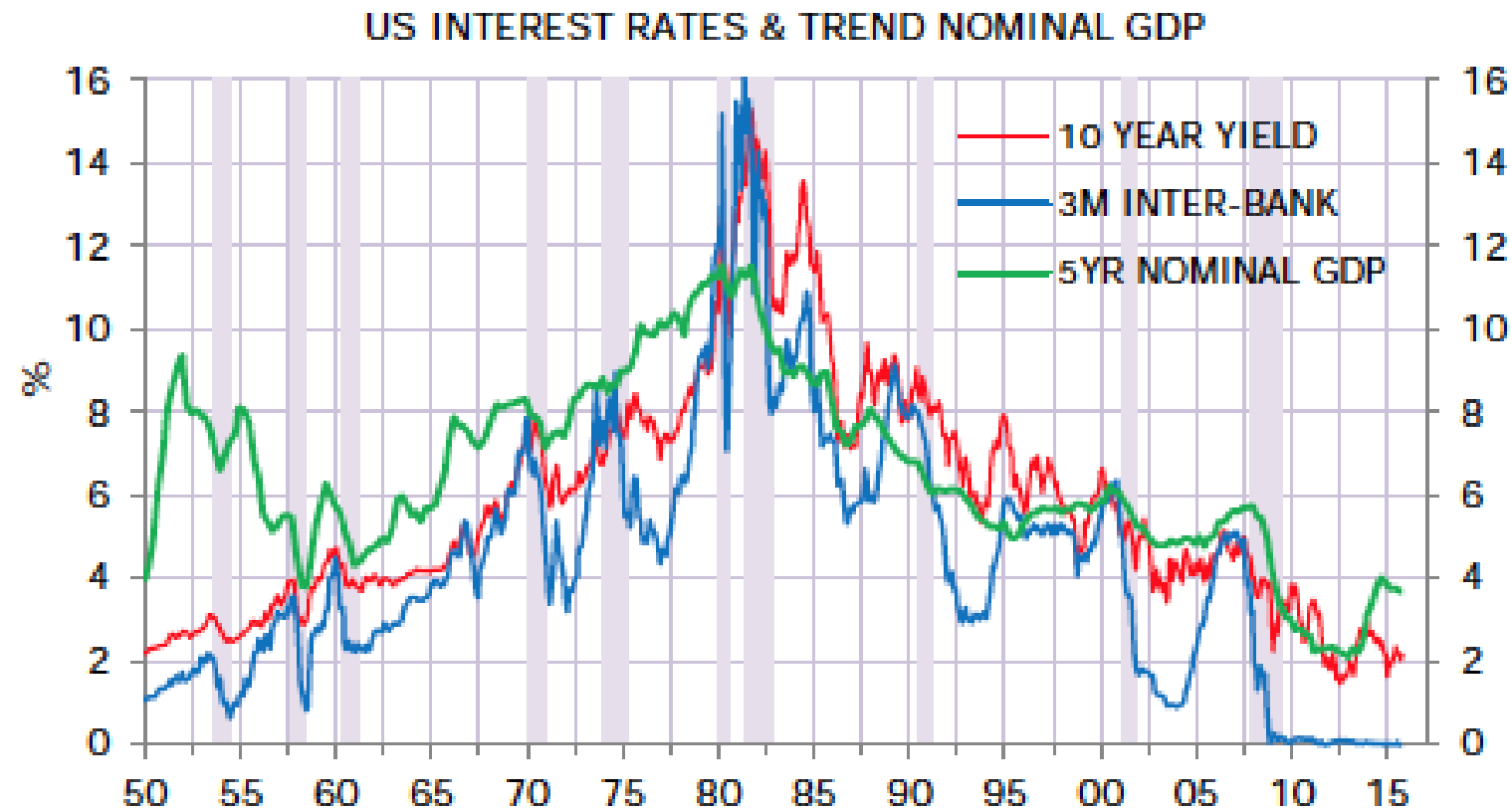


The big global trends



Source: UN; Kremer *Population growth and technological change, One million BC to 1990*, <https://ourworldindata.org/>; Minack Advisors

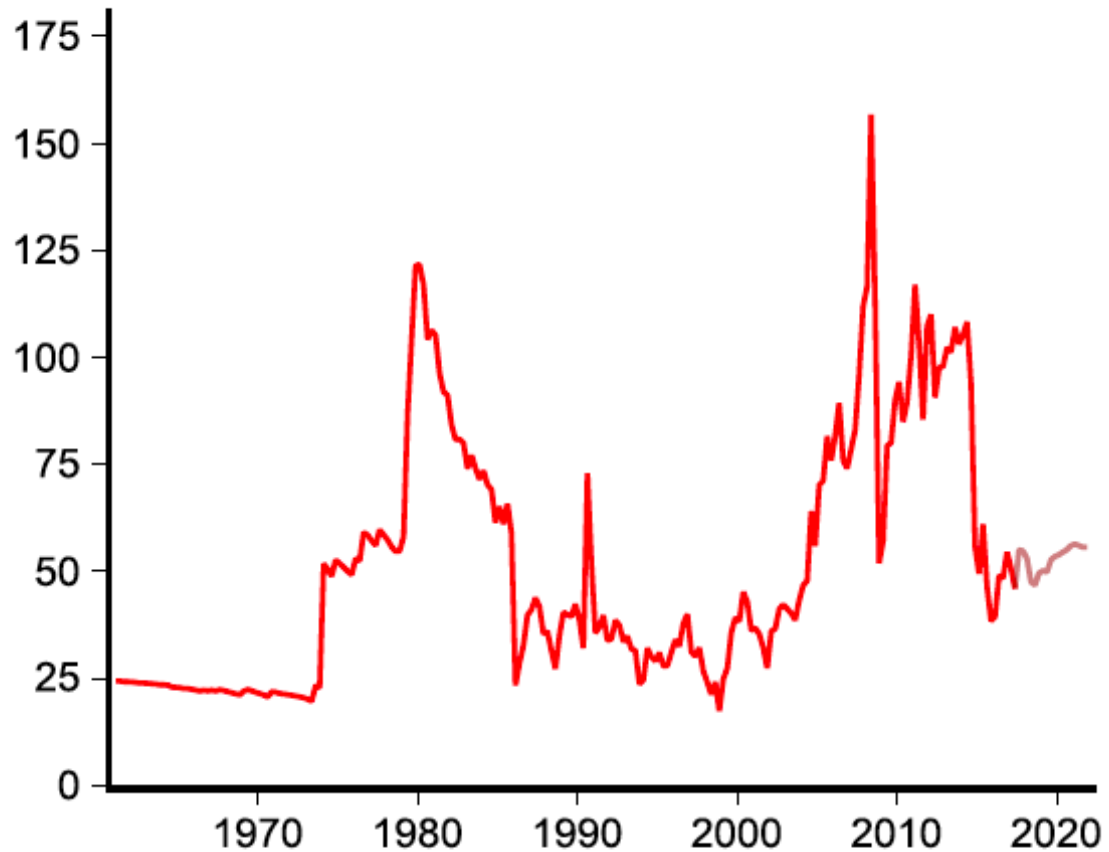
The Great Rise And Great Fall



Source: Federal Reserve, BEA, Bloomberg, NBER; Minack Advisors

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The oil price has stopped being US\$100, and is now around US\$50.
That's probably the ceiling now.

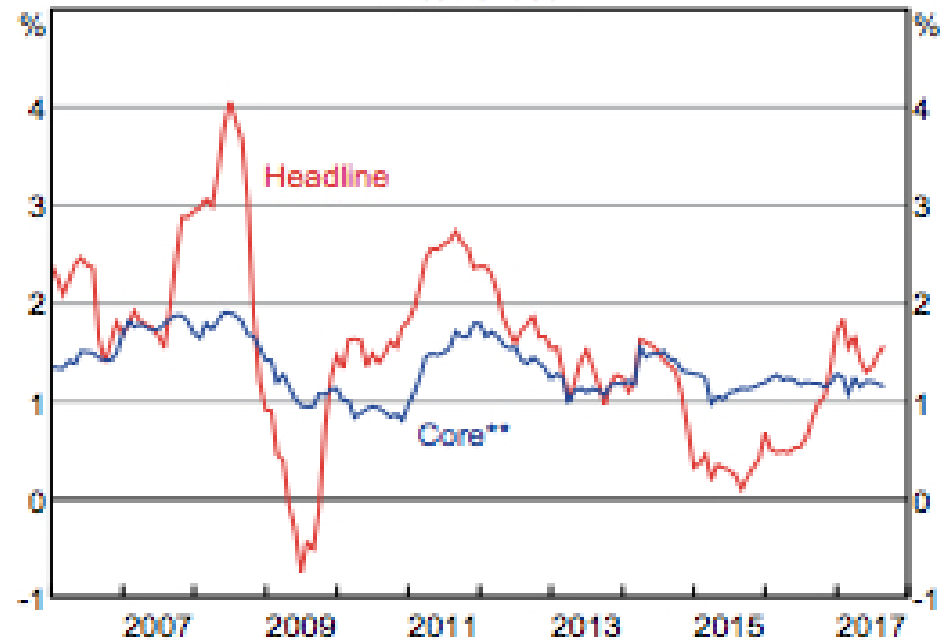


Source: Bloomberg, Macquarie Research, September 2017

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Inflation – Advanced Economies*

Year-ended



* PPP-weighted

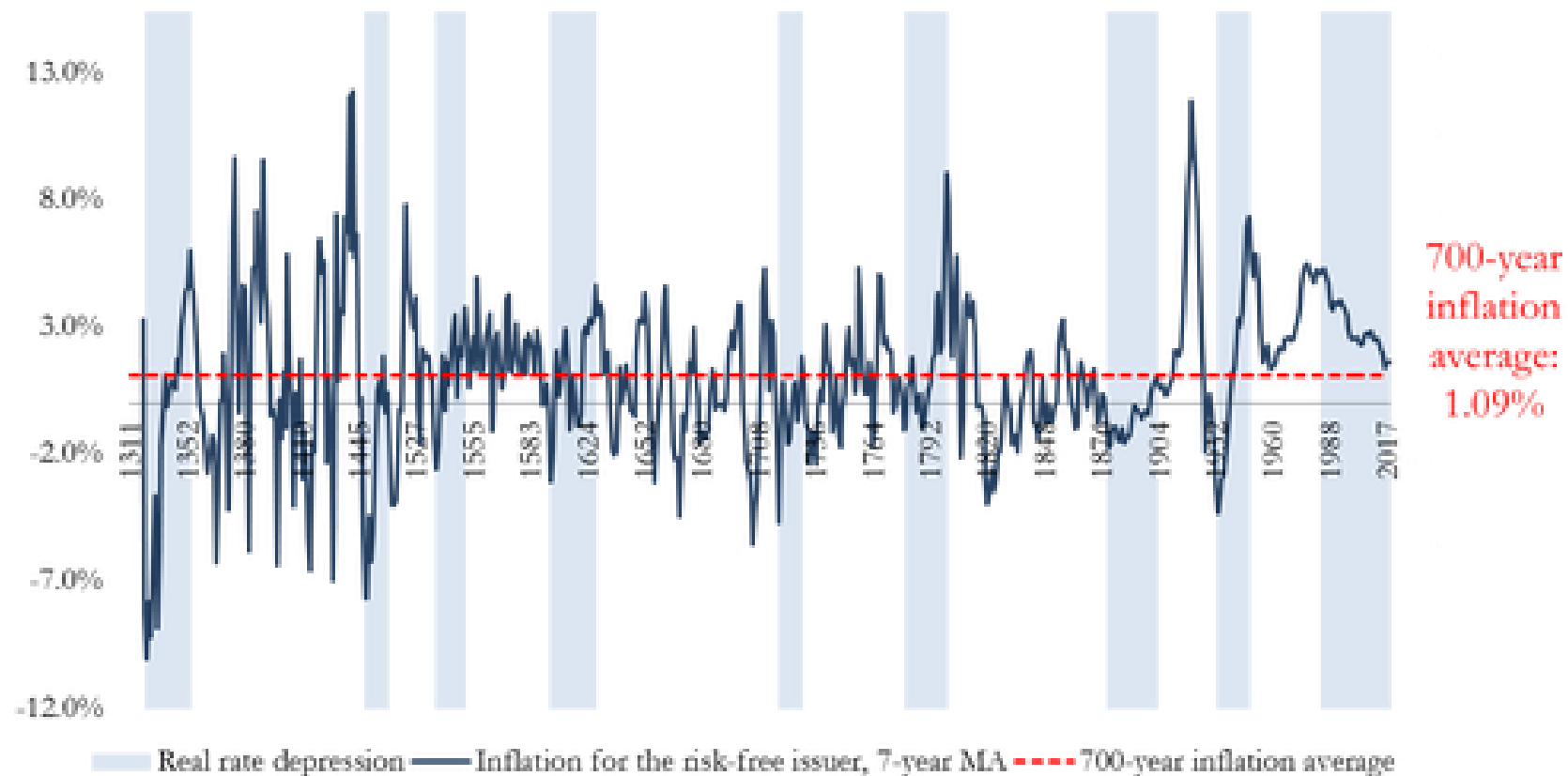
** Excluding food and fuel

Sources: IMF; RBA; Thomson Reuters

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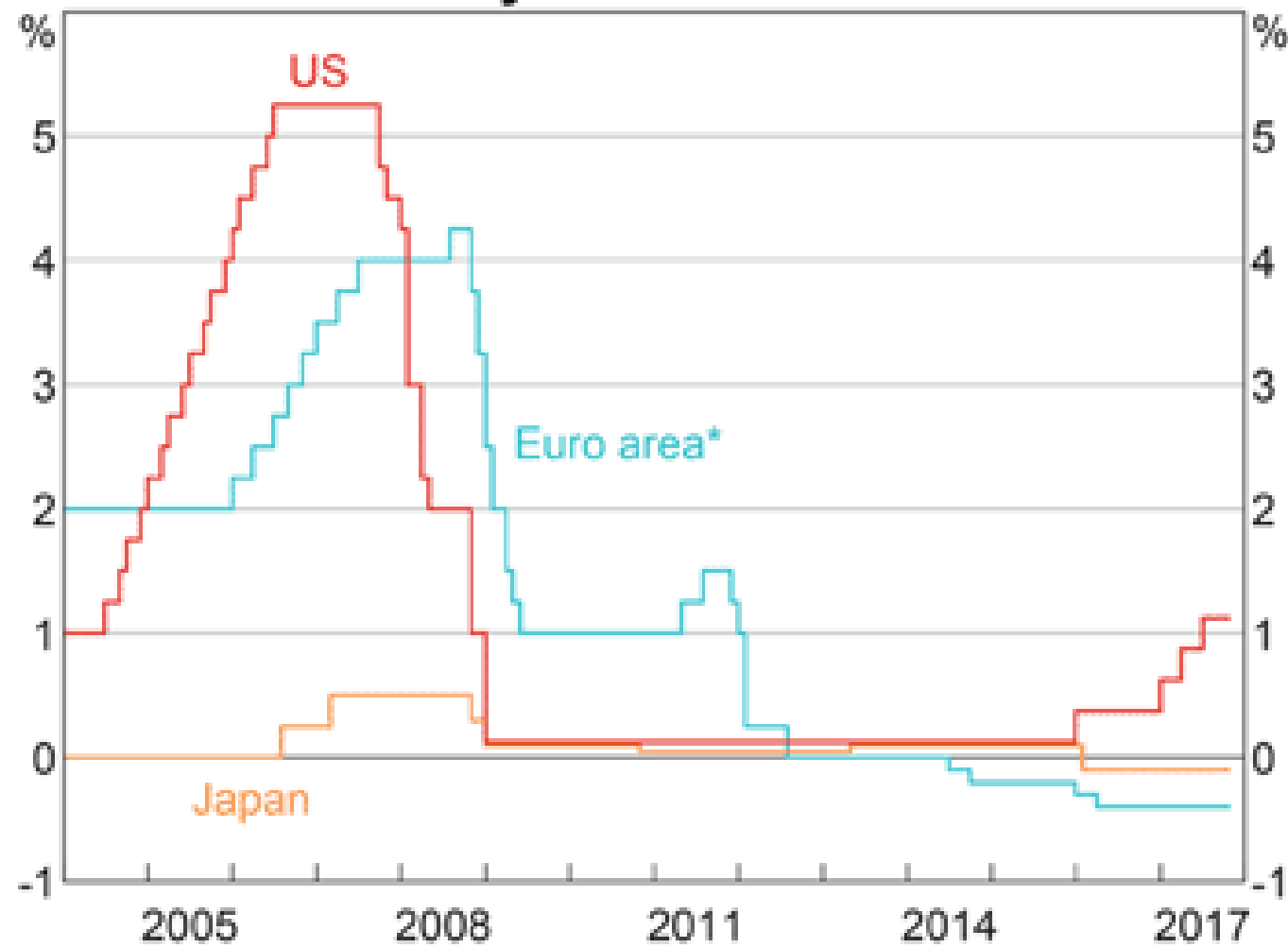
Deflation used to be common – but not this century

CHART 3: Long-run trends in inflation.



Source: Bank of England

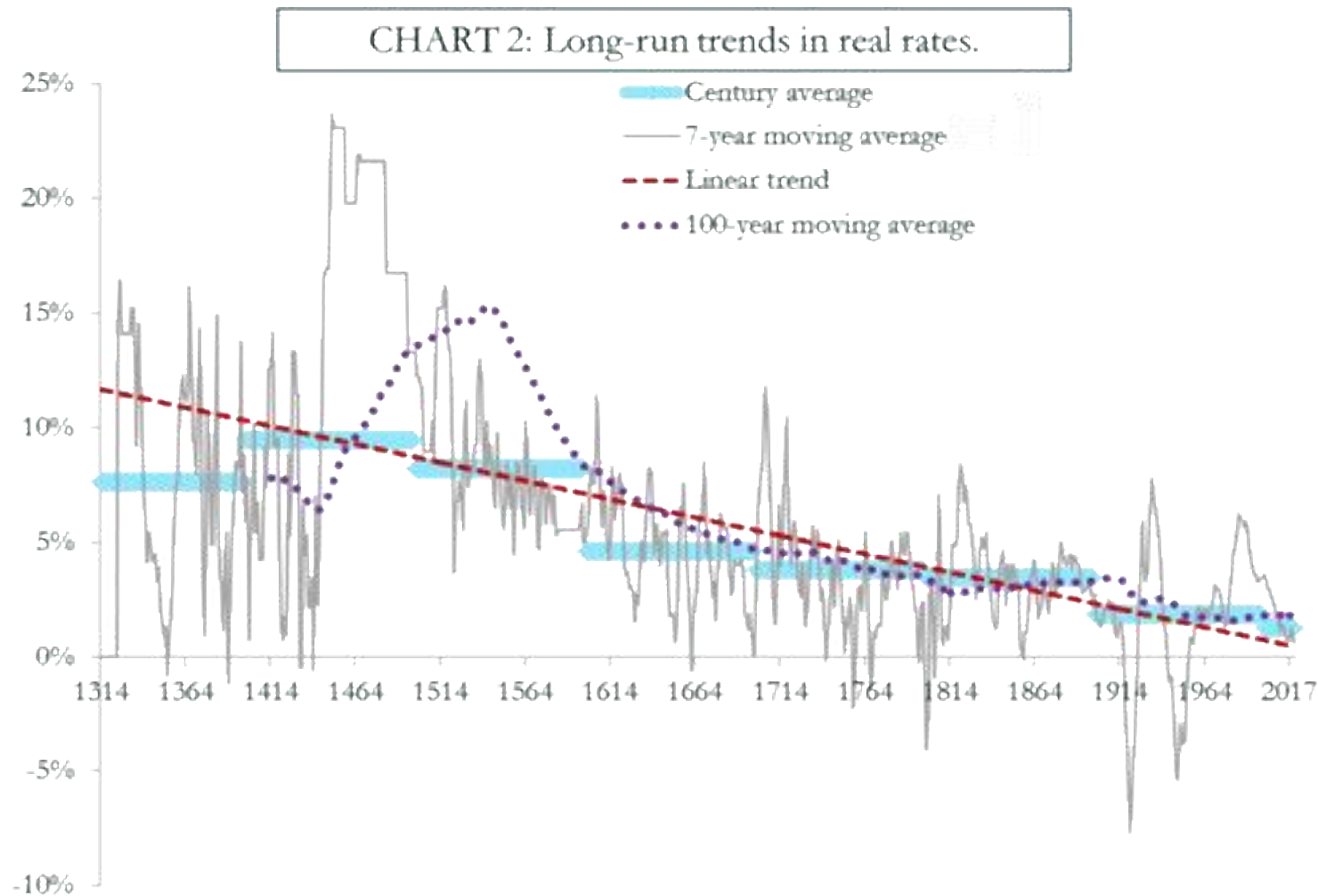
Policy Interest Rates



* Main refinancing rate until the introduction of 3-year LTROs in December 2011; deposit facility rate thereafter

Source: Central banks

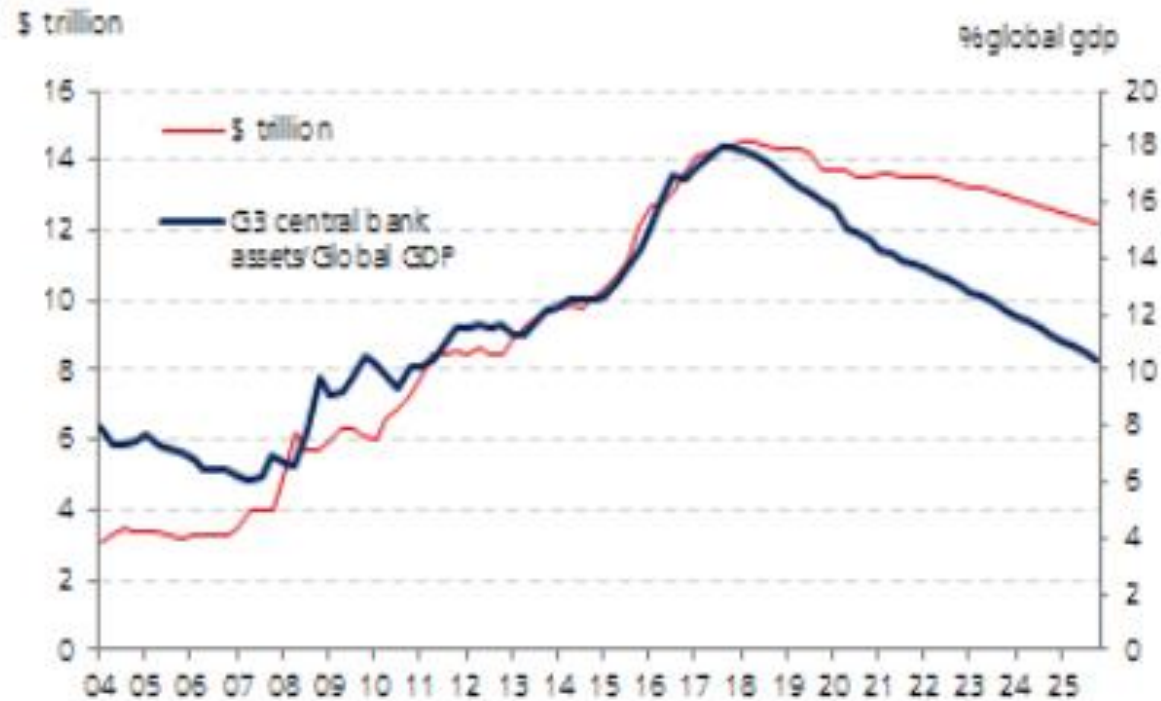
Actually, real interest rates started declining 600 years ago



Source: Bank of England

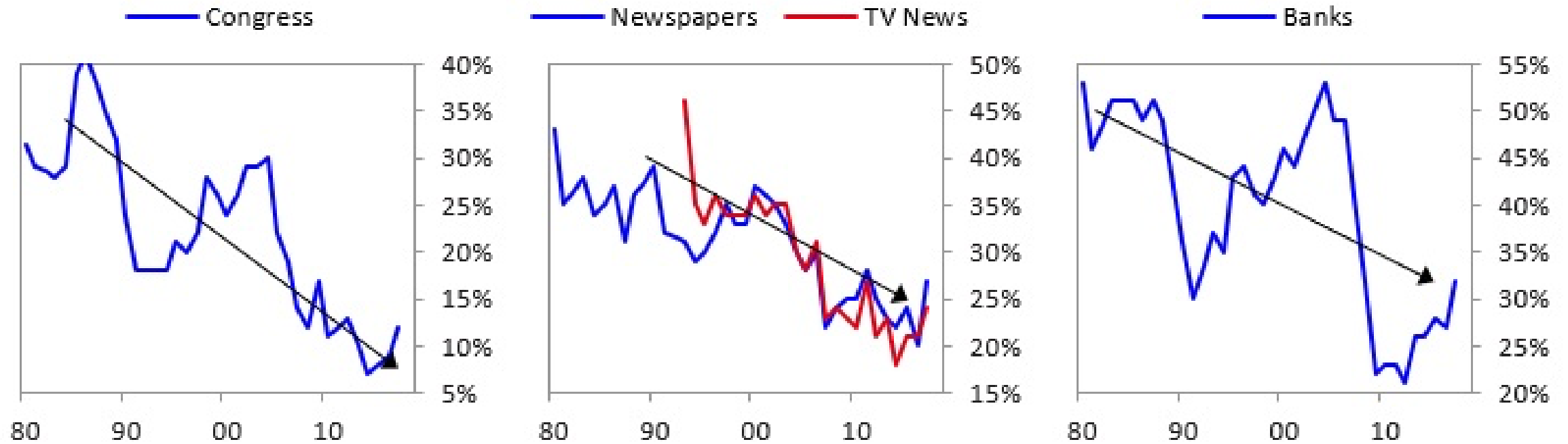
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G3 central bank assets

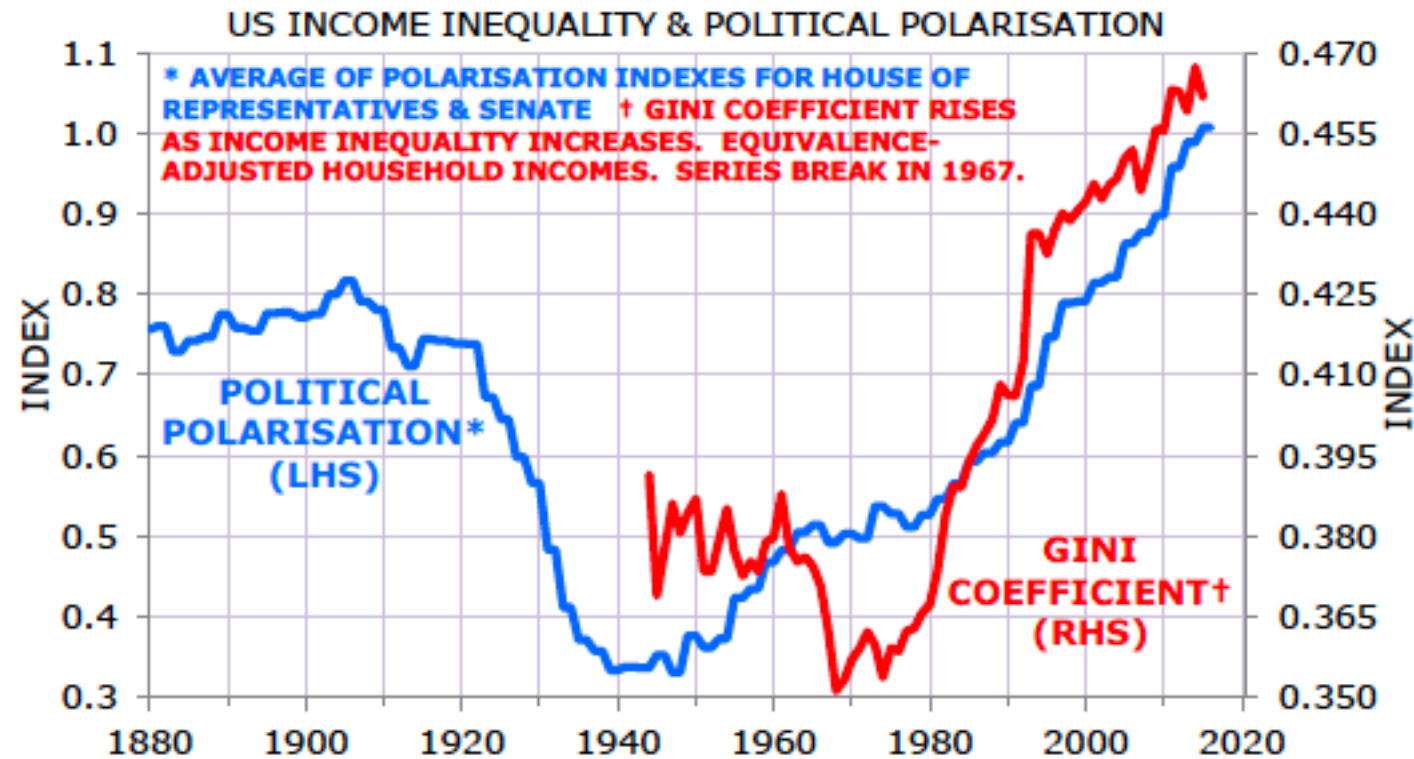


Source: UBS calculations, BoJ, ECB, Fed, Haver

% of Americans with Confidence in the Institution

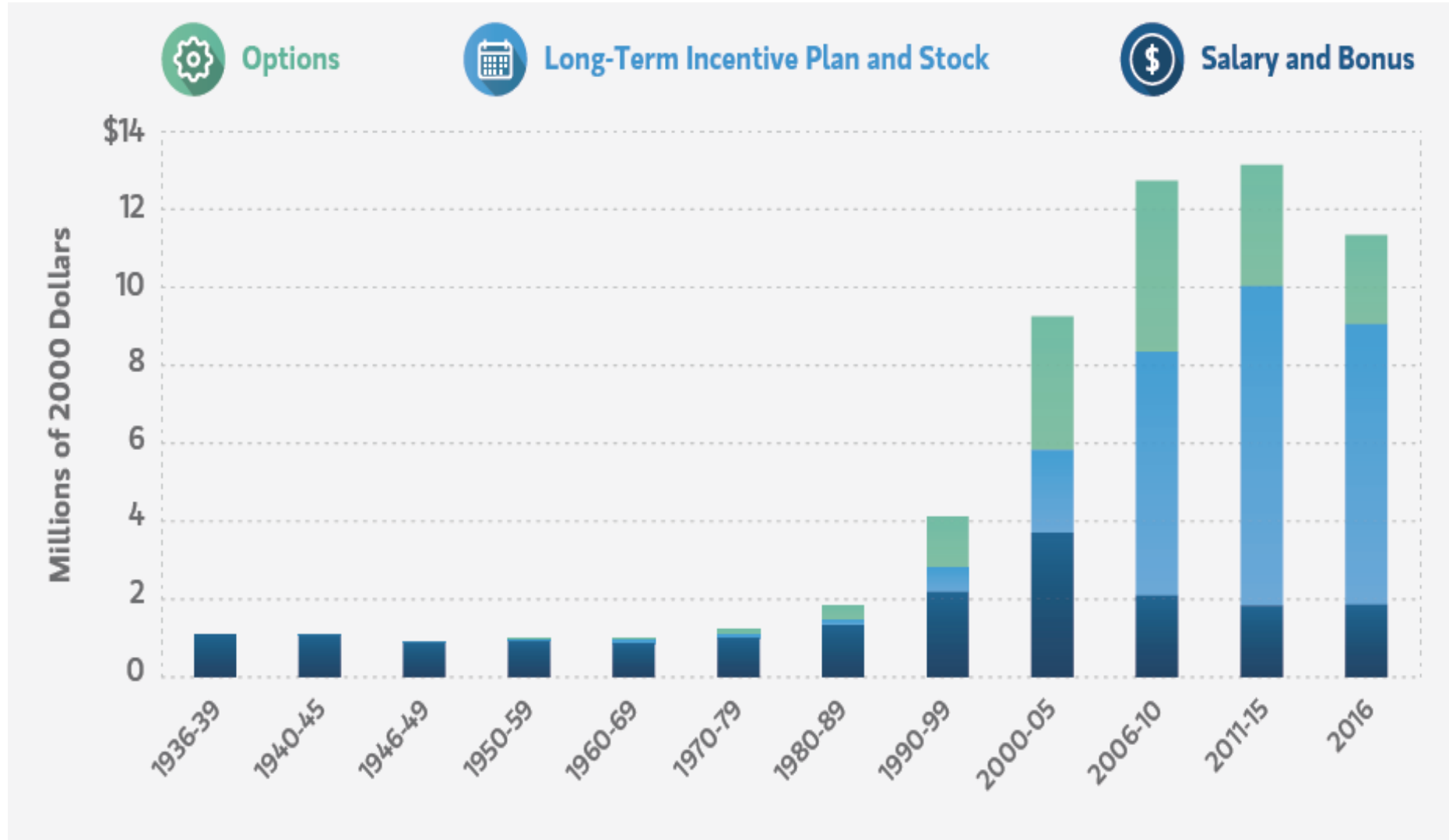


Rising Polarisation Pre-dates GFC

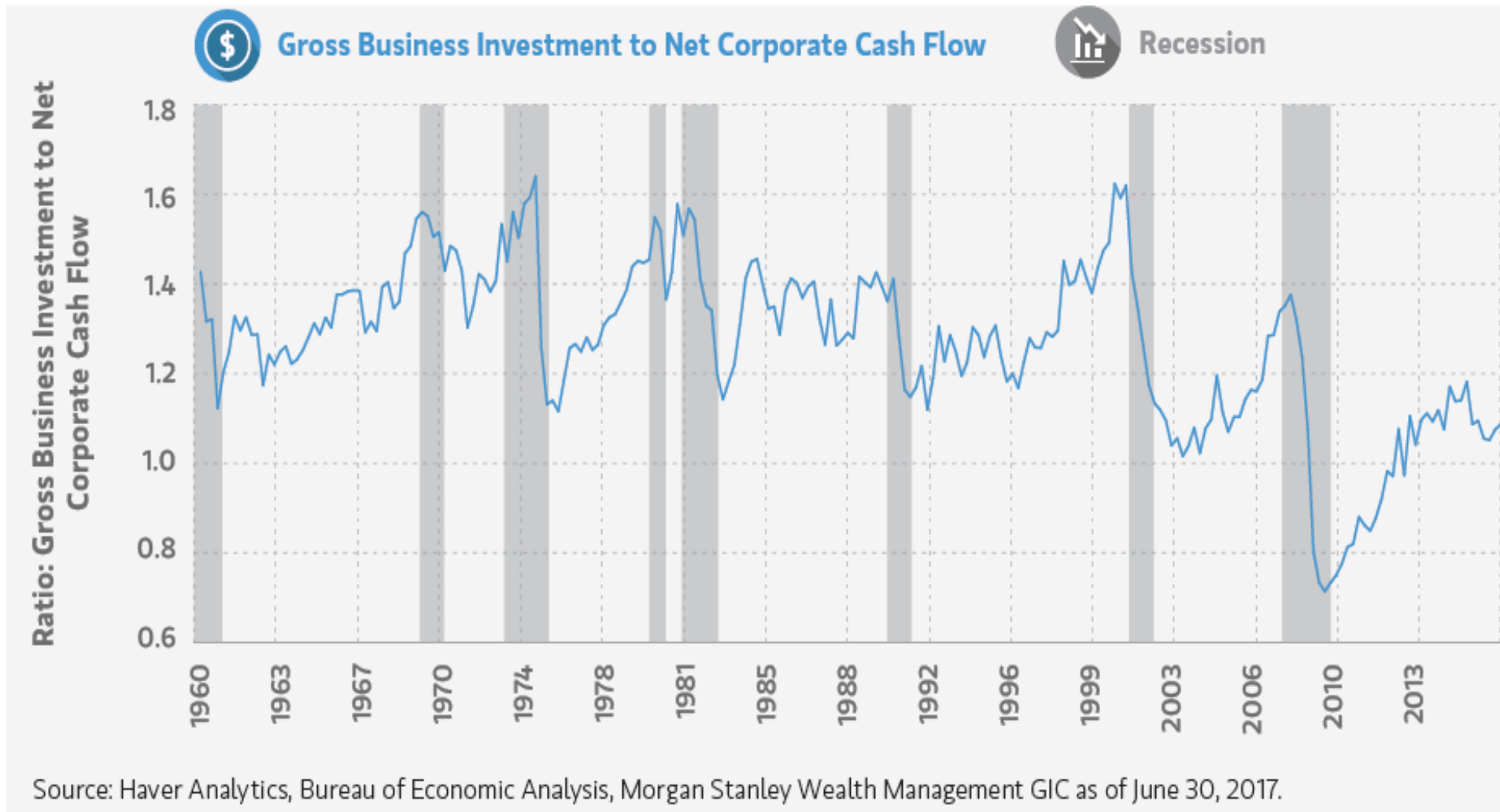


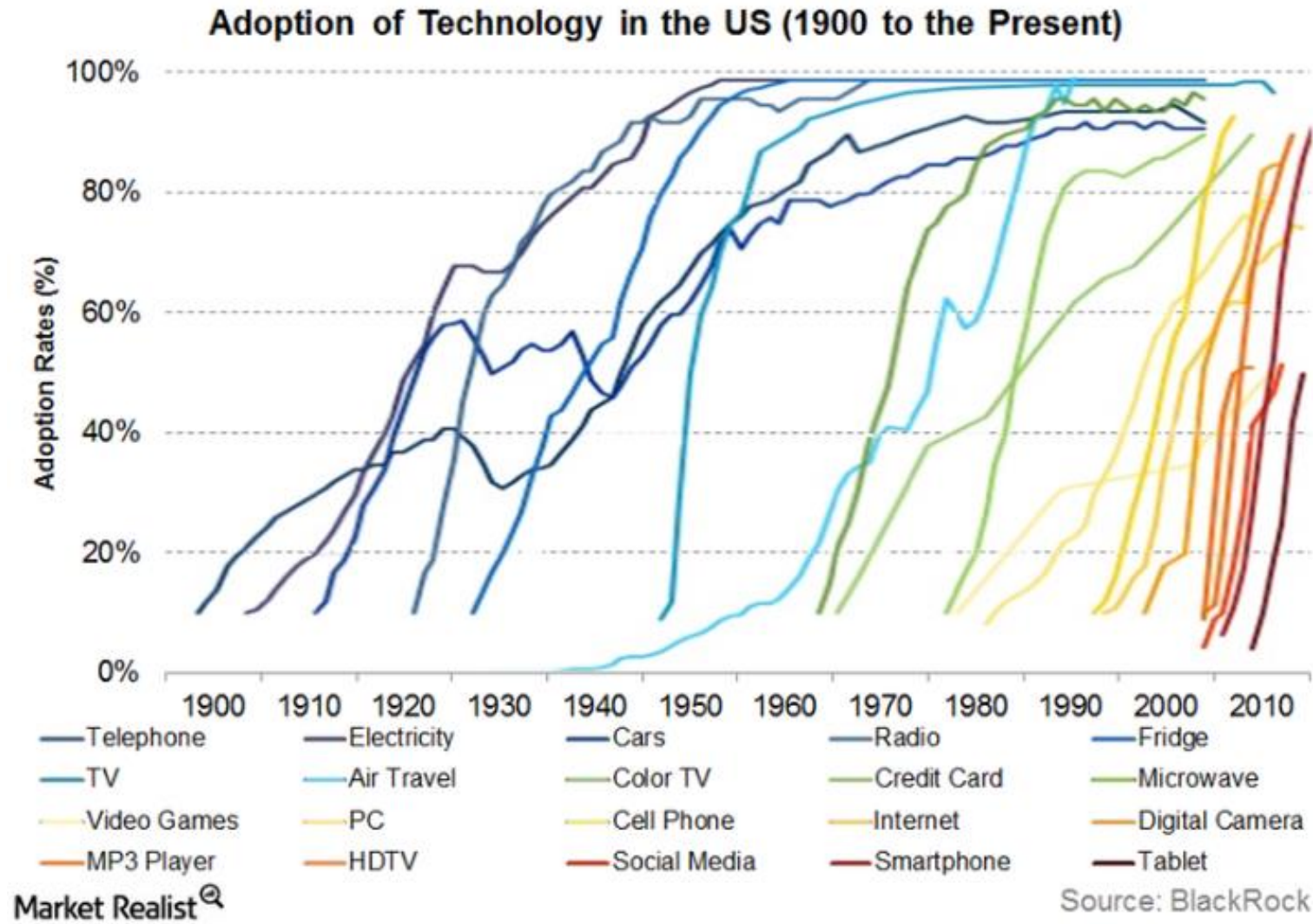
Source: Voteview.org, Census Bureau; Minack Advisors

CEO compensation has become skewed towards ownership, not cash



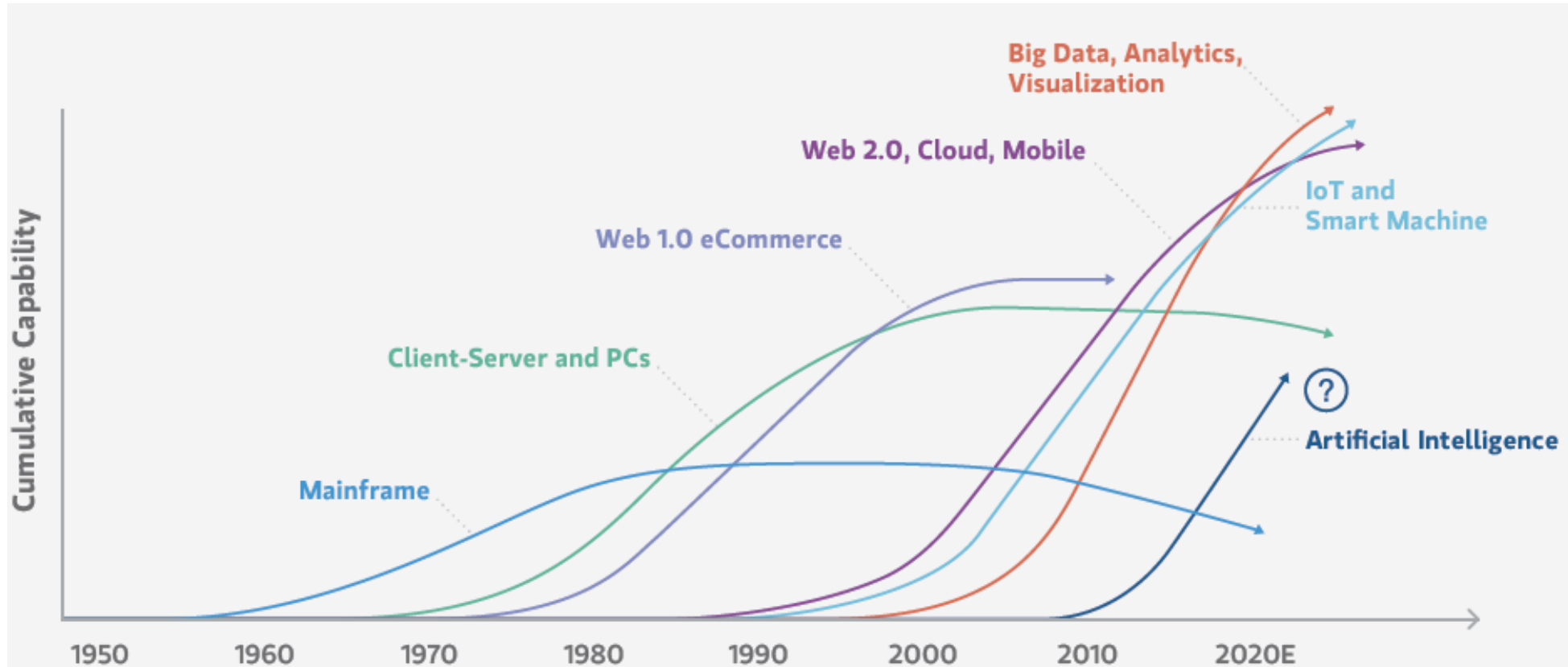
With the result that capital investment has been weak





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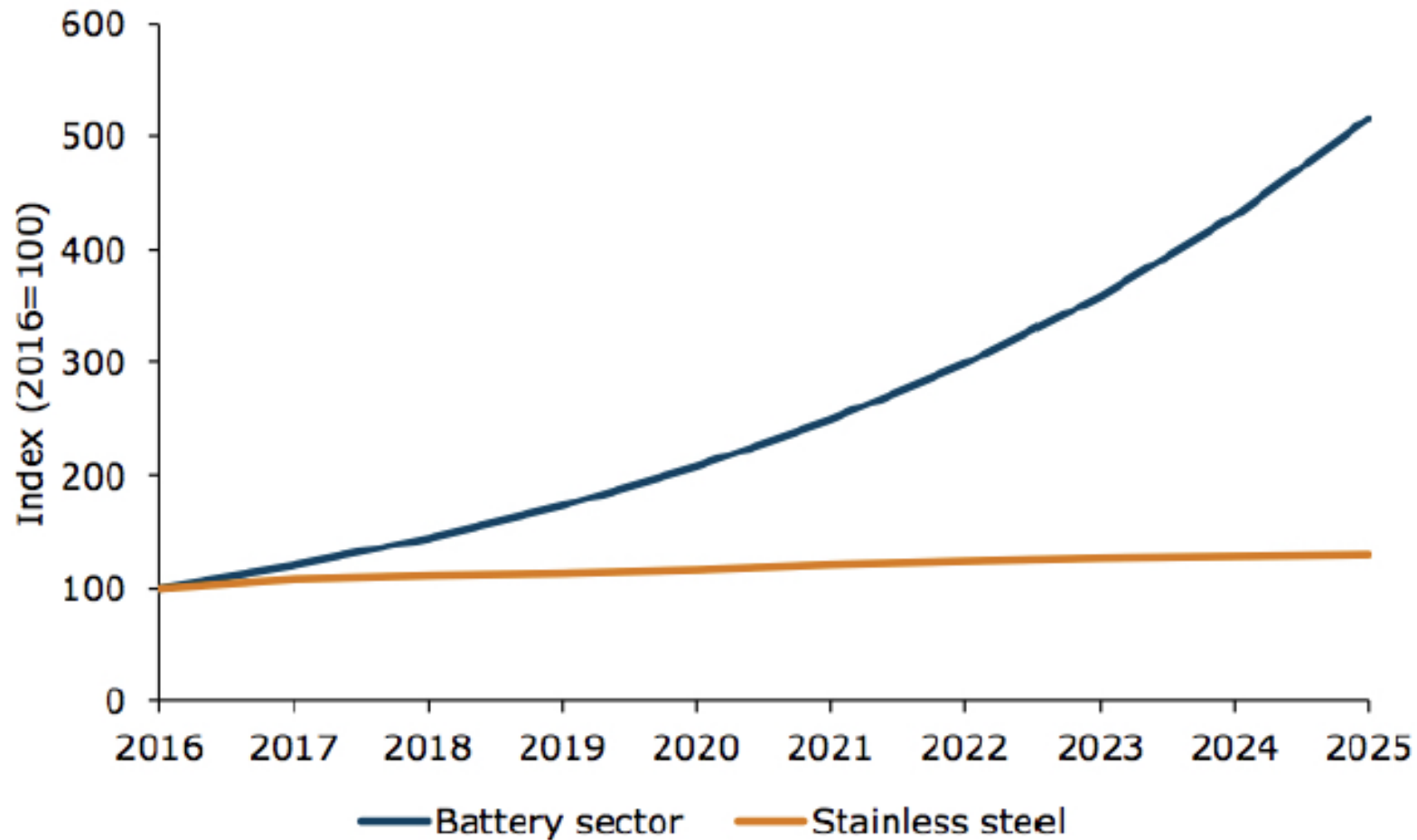
The potential of new technologies



Source: Morgan Stanley Wealth Management GIC as of Sept 30, 2017. Inspired by work of the Digital Transformation Initiative of the World Economic Forum and Accenture: <http://reports.weforum.org/digital-transformation/>.

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A straw in the wind: forecast growth in nickel demand by sector

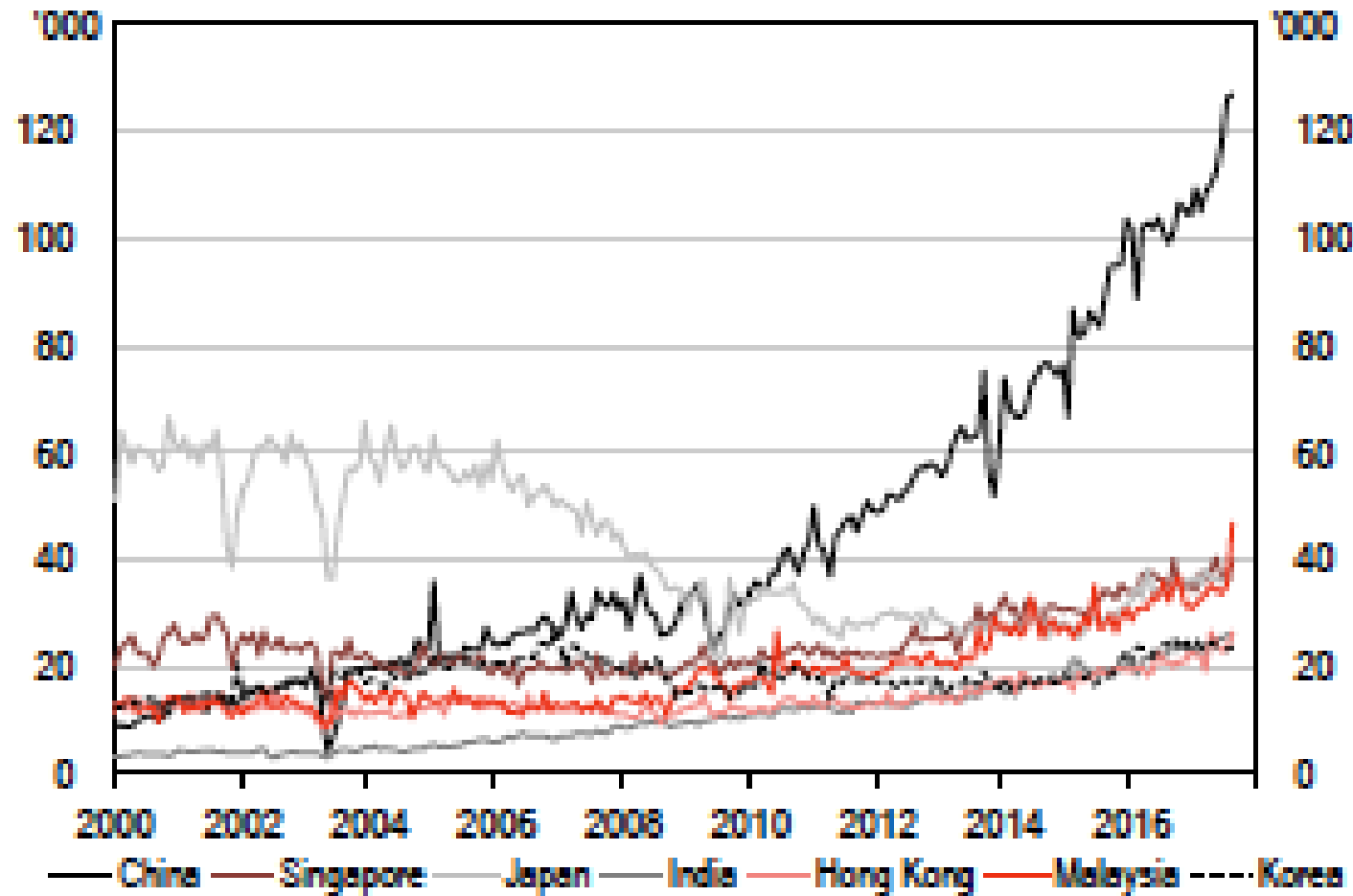


Source: Bloomberg, ANZ Research

Why I'm optimistic about Australia (and Queensland) (with reservations)

Short-term arrivals by country of origin

- Asian countries



Source: HSBC

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5%

(Percentage of Chinese people with a passport)

(In Australia, it's 60%)

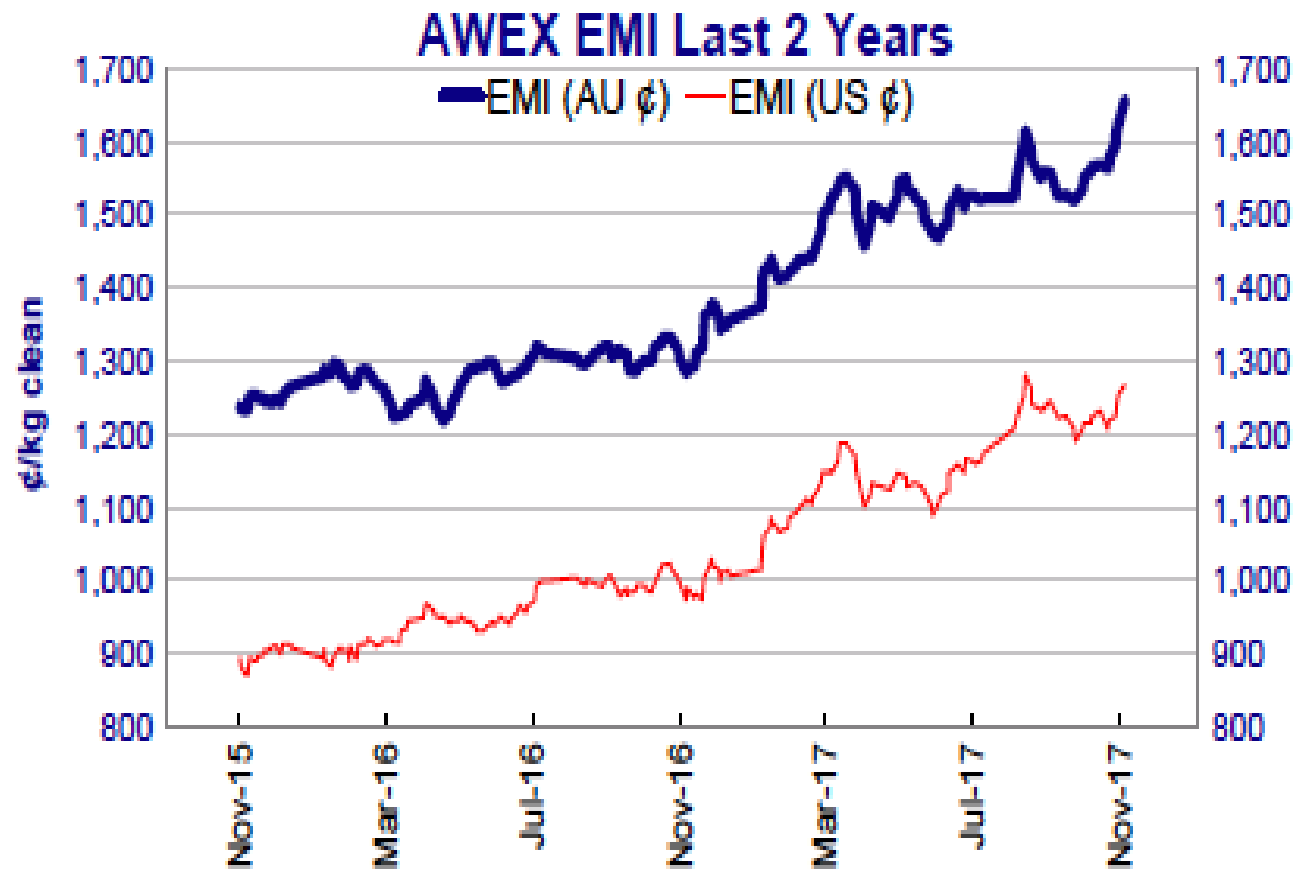
1%

(Australia's market share of Chinese travelers)

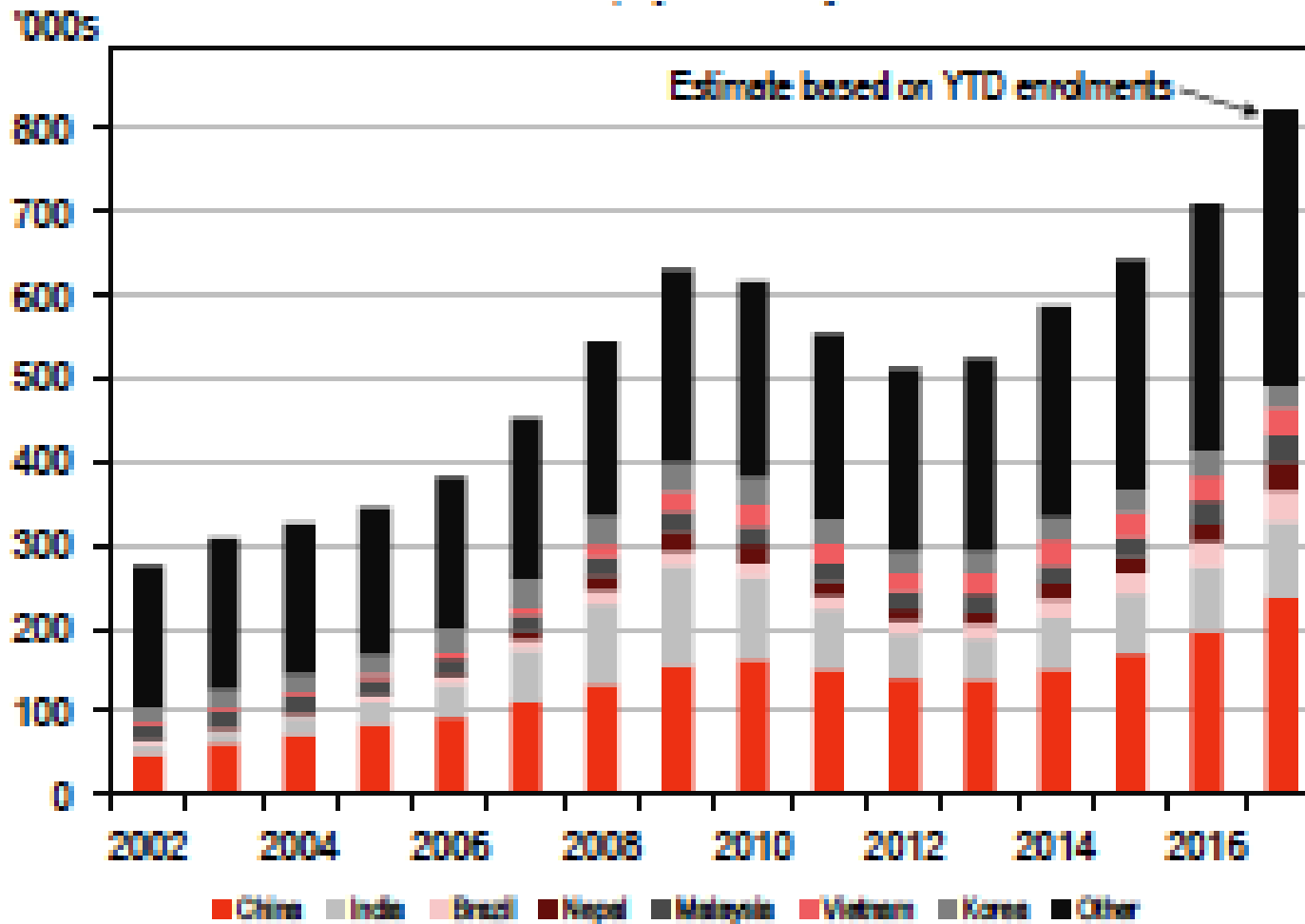
60,000

(The number of parcels sent from Australia to China by daigou shoppers – PER DAY)

The Australian wool price



International student enrollments in Australia



Source: HSBC

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China: Slower Growth With A Different Mix

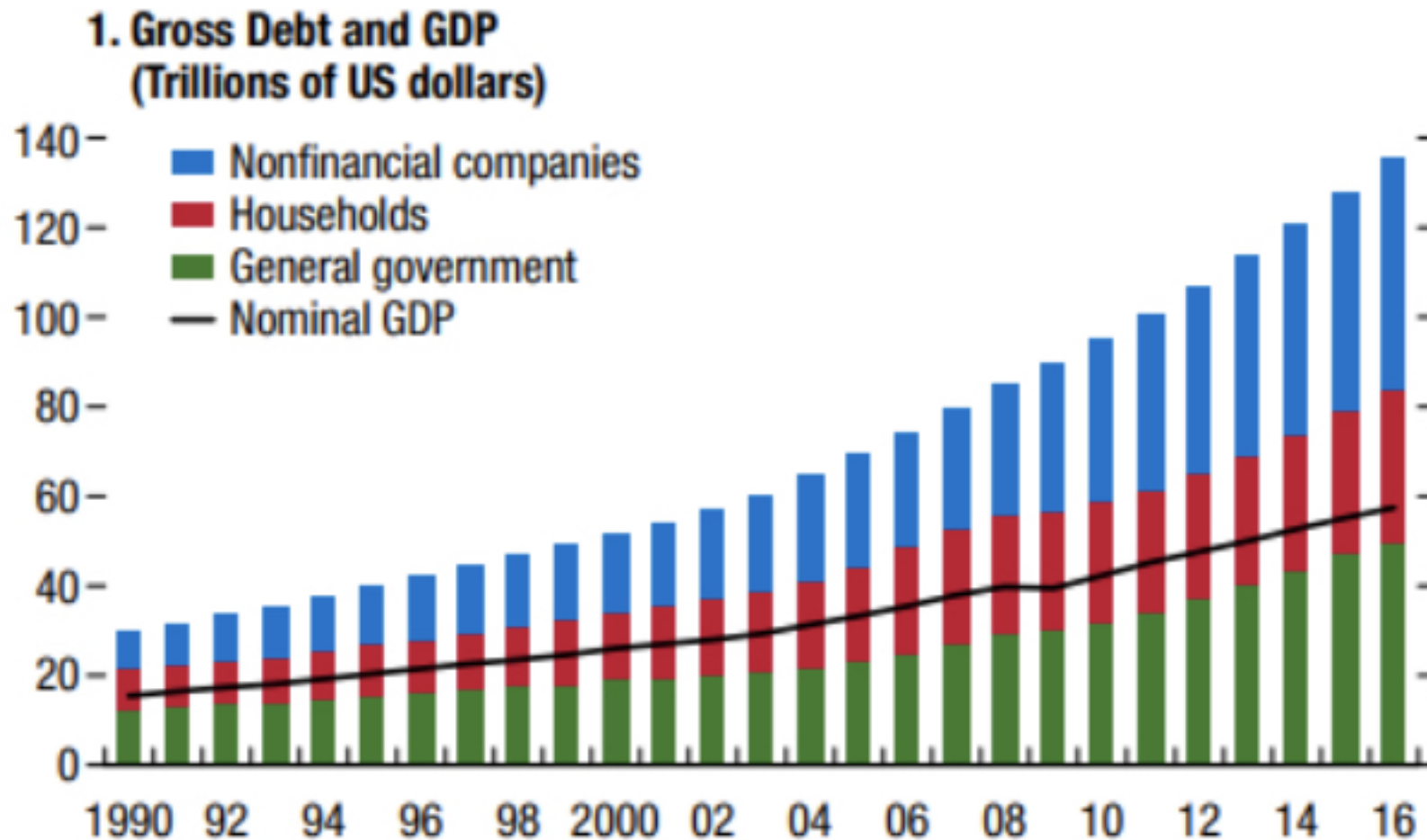


Source: NBS, OCED, NBER; Minack Advisors

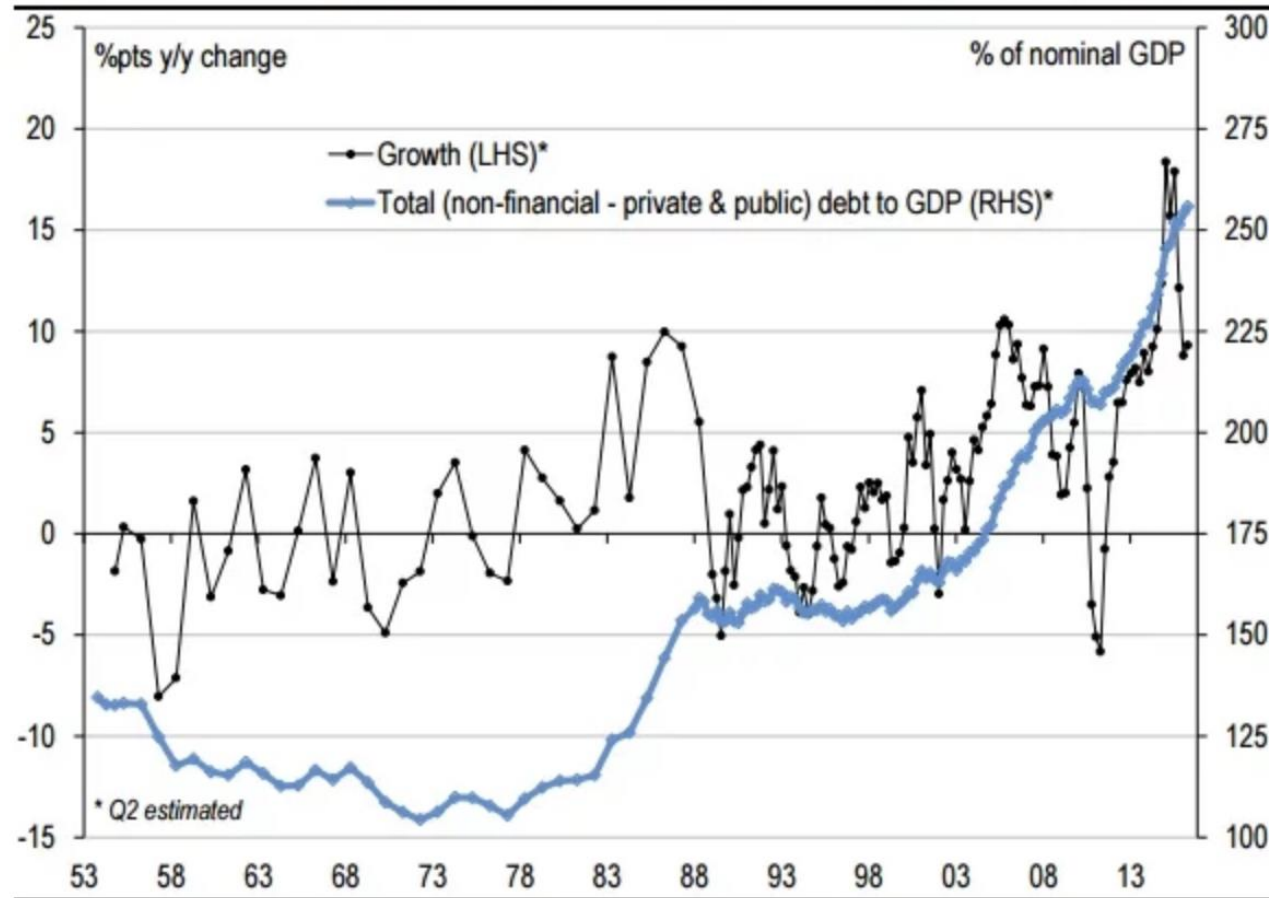
What are the risks?

Mainly one word: debt

Leverage is rising faster than GDP

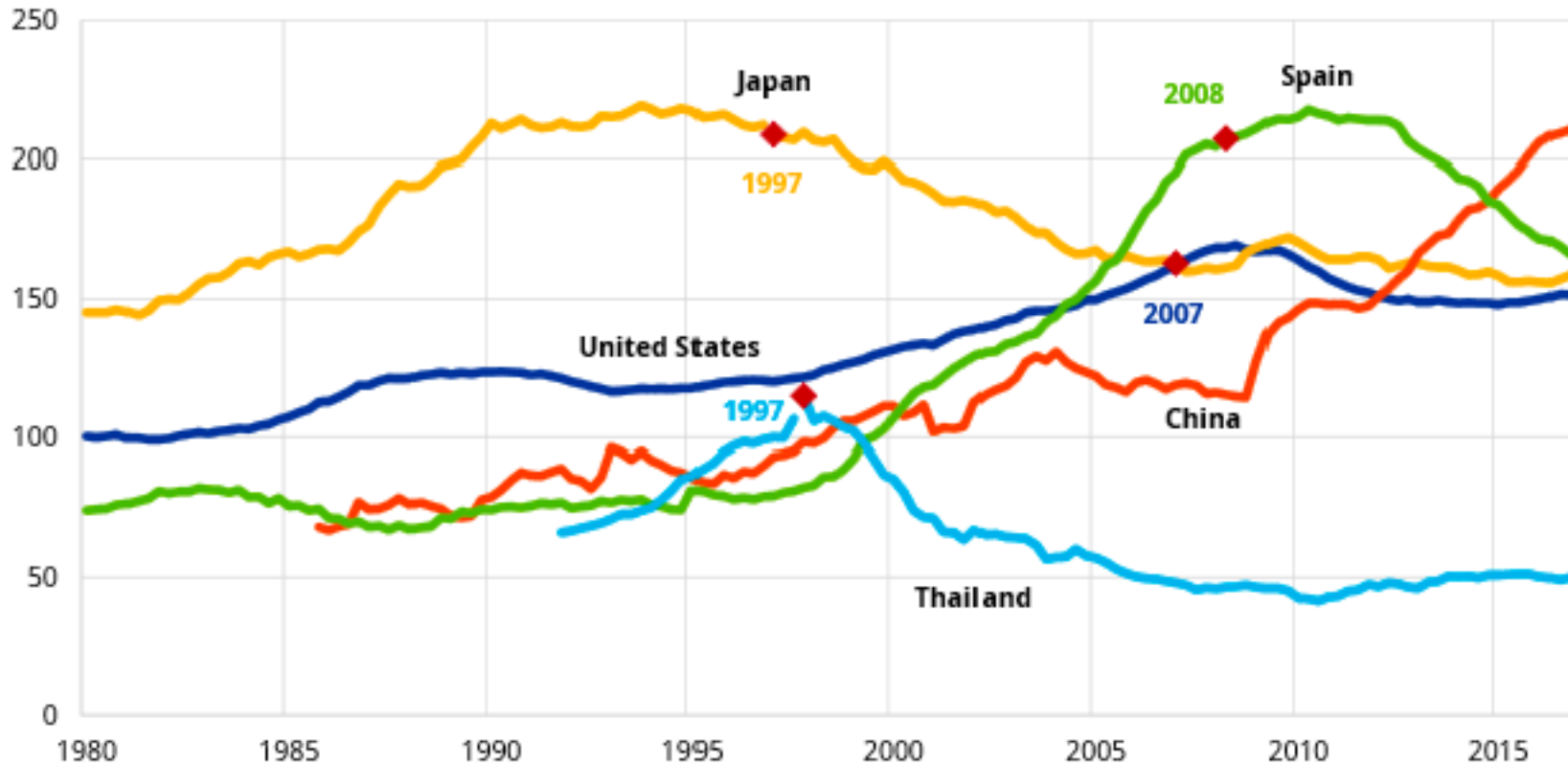


Australian credit to GDP



Source: ABS, BIS, UBS

Debt to GDP ratios are still high (especially China's)



Source: Shaw & Partners



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