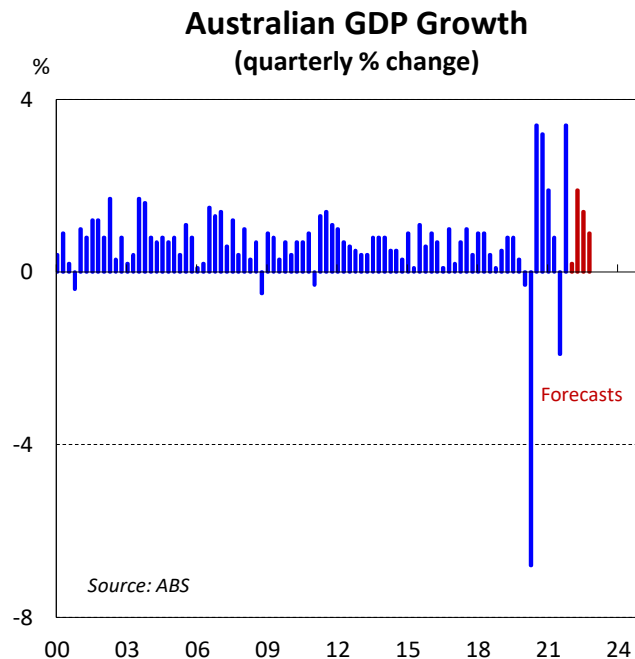
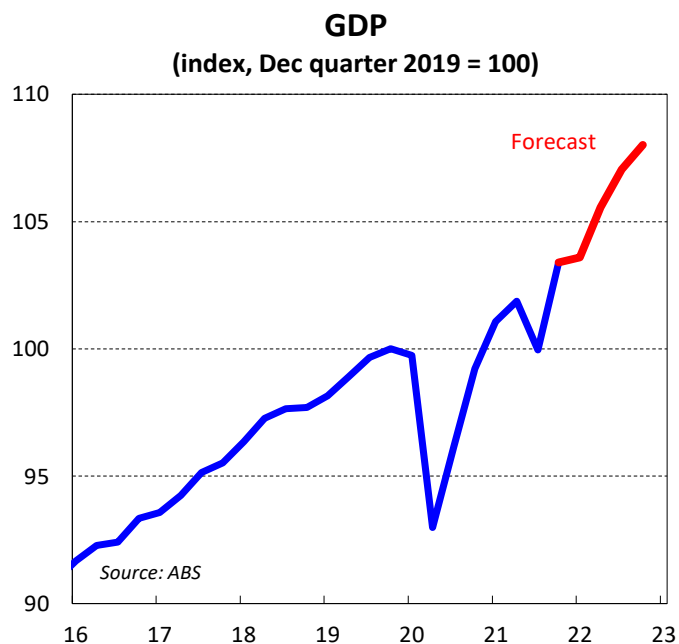


Economic Outlook: Australia's Recovery

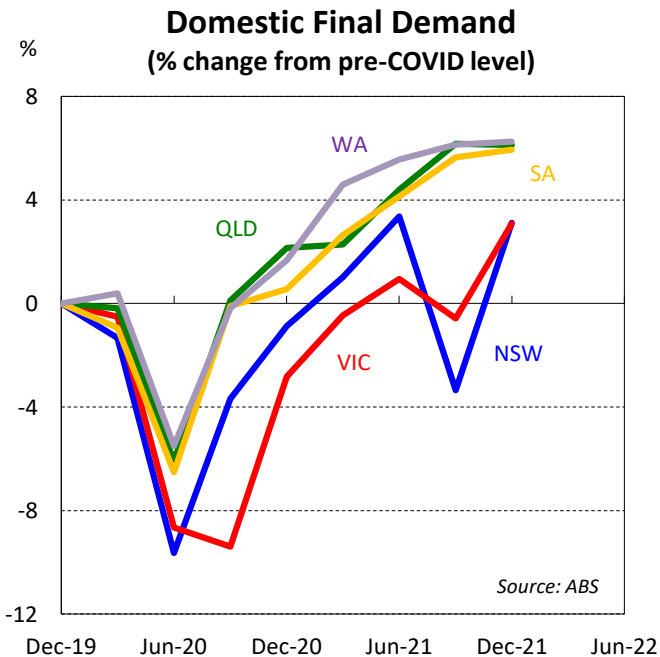
St.George Economics
Jarek Kowcza – Senior Economist
11 May 2022

Economy Bouncing Back Strongly



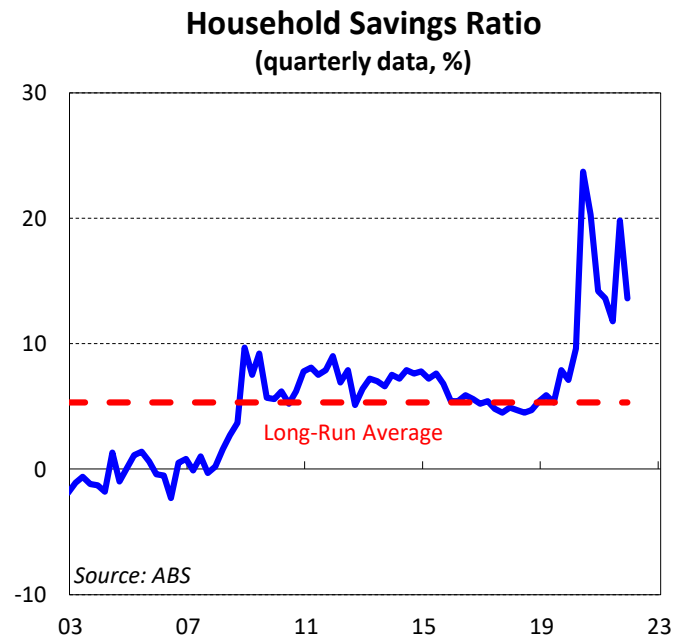
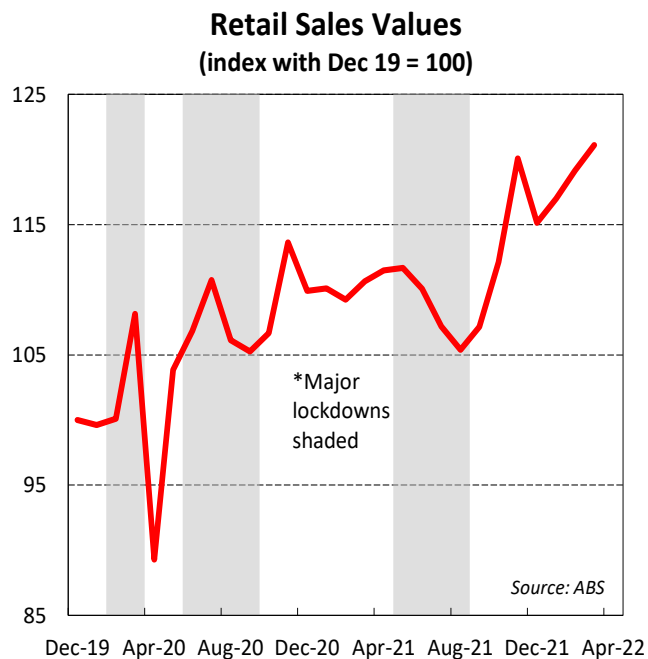
- We expect 4.5% growth in 2022 – well-above the 10-year average
- RBA expects 4.25%

NSW Almost Back to Pre-Delta Levels



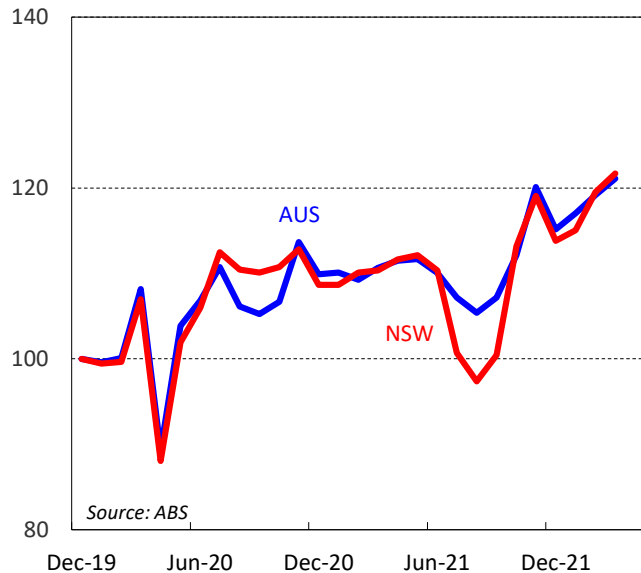
- Conditions uneven across Australia
- NSW impacted by Delta lockdowns
- Activity almost back to pre-Delta levels after rebound in December quarter 2021
- Strong growth expected

Consumer Spending Driving Recovery

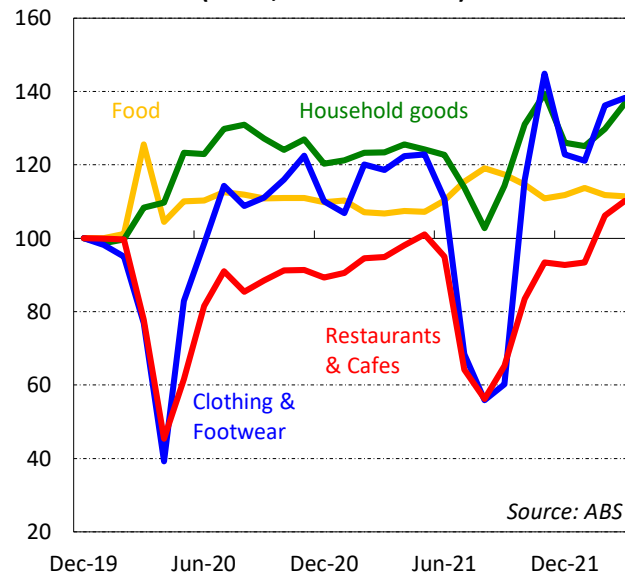


Services Spending Coming Back After COVID Hit

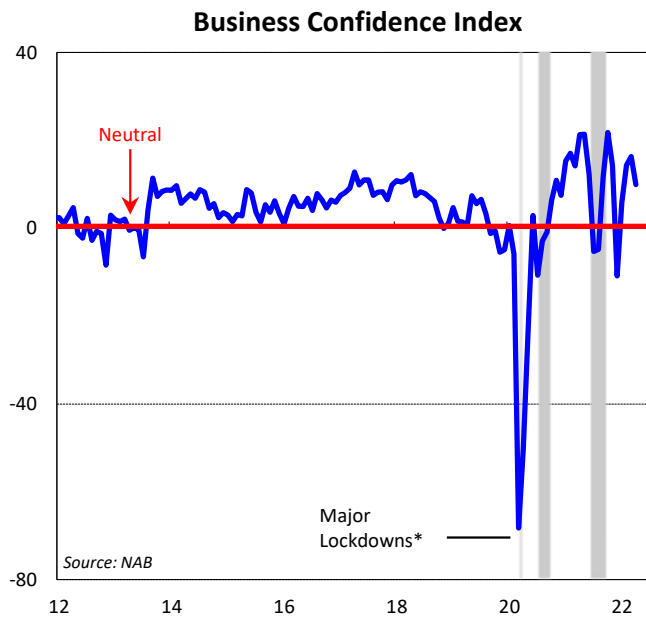
Nominal Retail Sales
(index with Dec 2019 = 100)



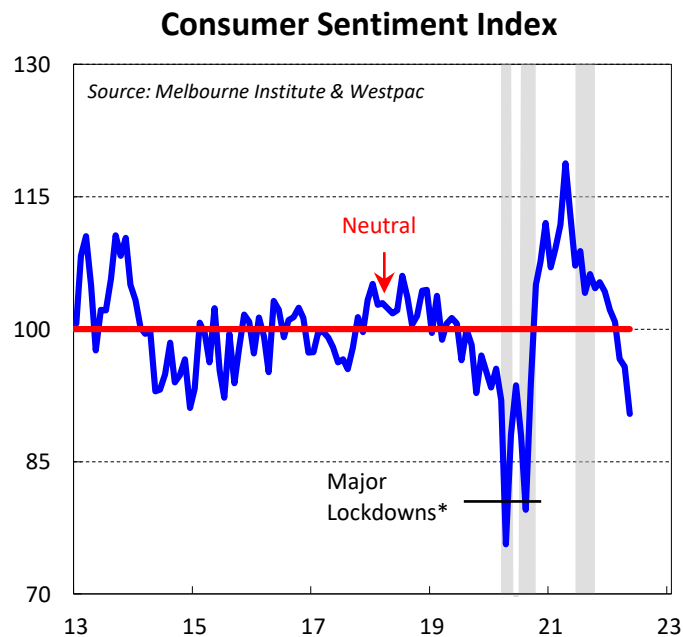
NSW Retail Sales
(index, Dec 2019 = 100)



Business Confidence Steady But Consumers Weary



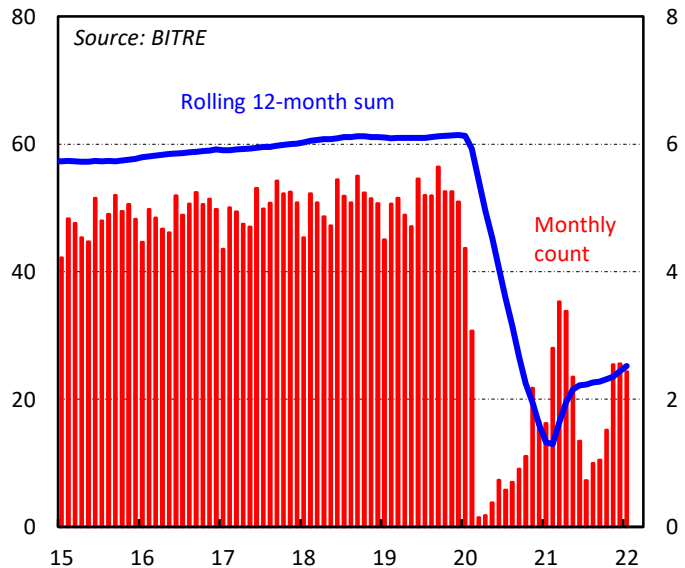
*National lockdown 2020, VIC's 2nd extended lockdown & current lockdowns



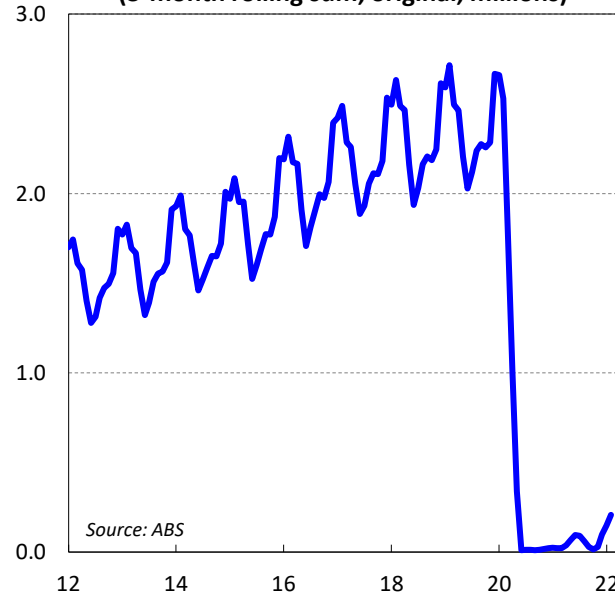
*National Lockdown 2020, VIC's 2nd lockdown & Delta Lockdowns

Green Shoots But Travel Recovery Will Take Time

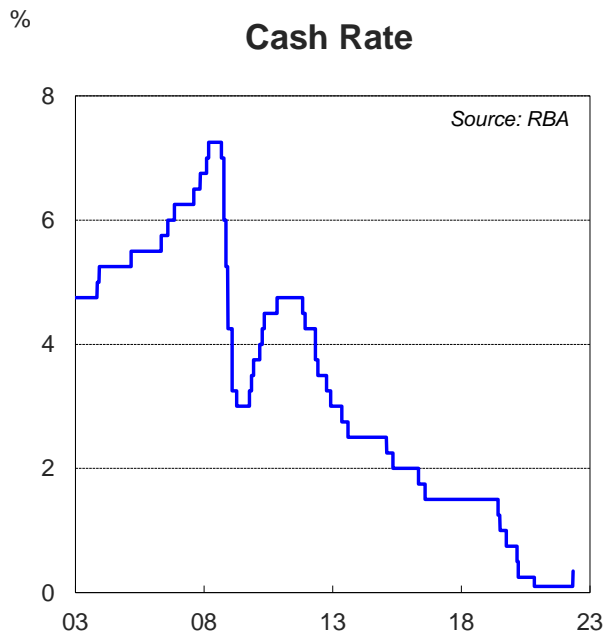
Domestic Air Travel
(# Passengers, Millions)



Short-Term Visitor Arrivals
(3-month rolling sum, original, millions)



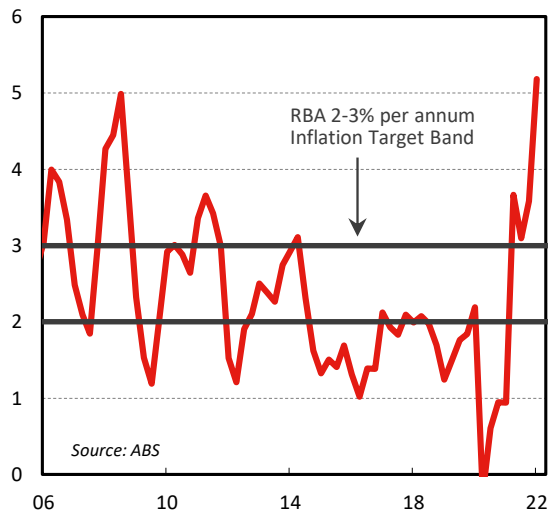
First RBA Rate Hike in 11½ Years



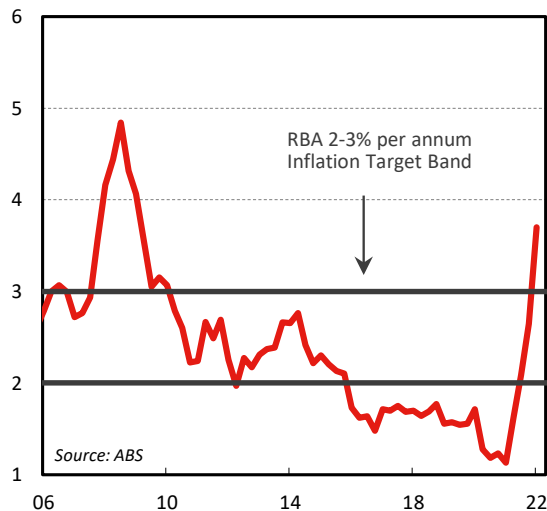
- Increased cash rate by 25 basis points
 - From 0.10% to 0.35%
- Surprised markets, which were expecting a 15 basis point hike
- Stressed the importance of “getting back to business” and “normalising” policy

Inflation Elevated & Well Above RBA Band

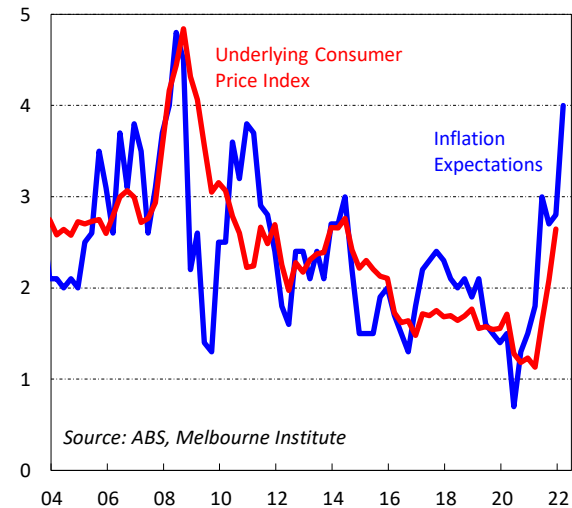
Headline Consumer Prices
(Annual % Change)



Underlying Consumer Prices
(Trimmed Mean, Annual % Change)

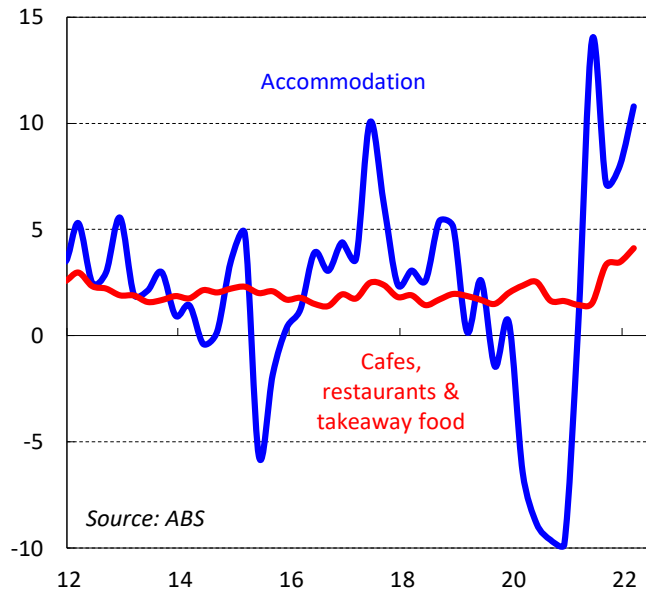


Consumer Inflation Expectations
(annual % change, quarterly frequency)

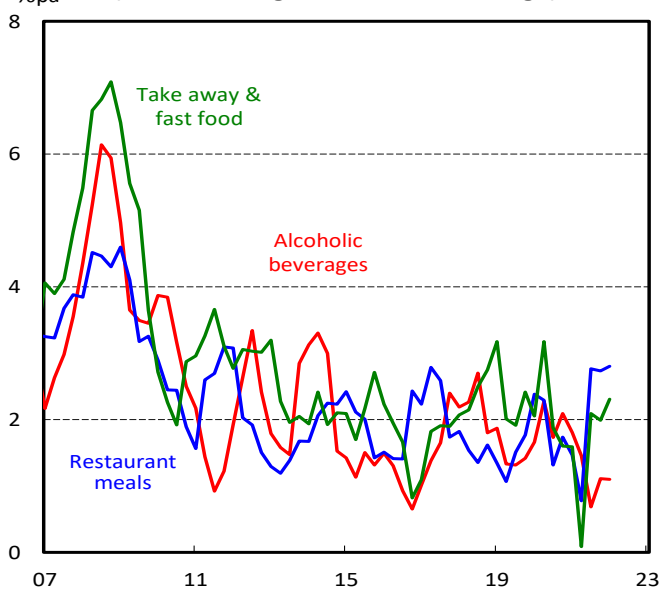


Pressures Rising in Accommodation & Food Services

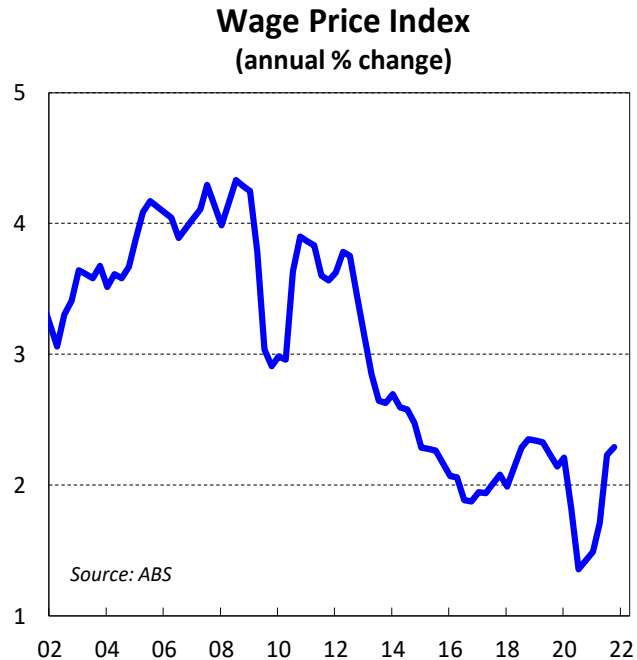
PPI - Accom. & Food Services
(Annual % change)



Consumer Price Inflation
(selected categories, annual % change)



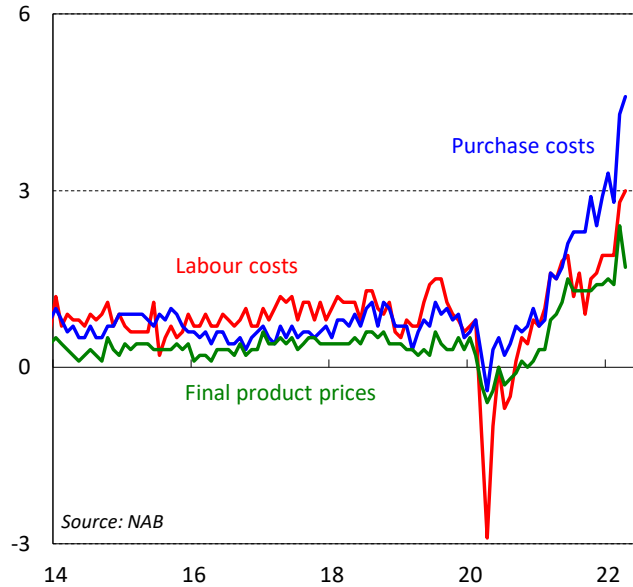
Wages an Area to Watch



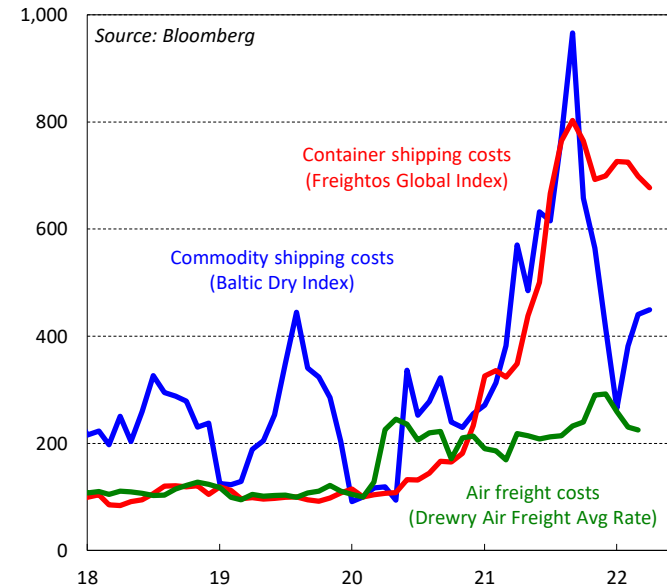
- Stronger wages growth needed for inflation to be sustainably within the 2-3% band over longer-term
- Internal survey: 30% of businesses experienced an increase in staffing costs over past 12 months
- RBA liaison: More than 50% of firms expect wage increases above 3% over the year

Supply Chain Disruptions Remain a Concern

Costs and Prices
(% change at qtrly rate)

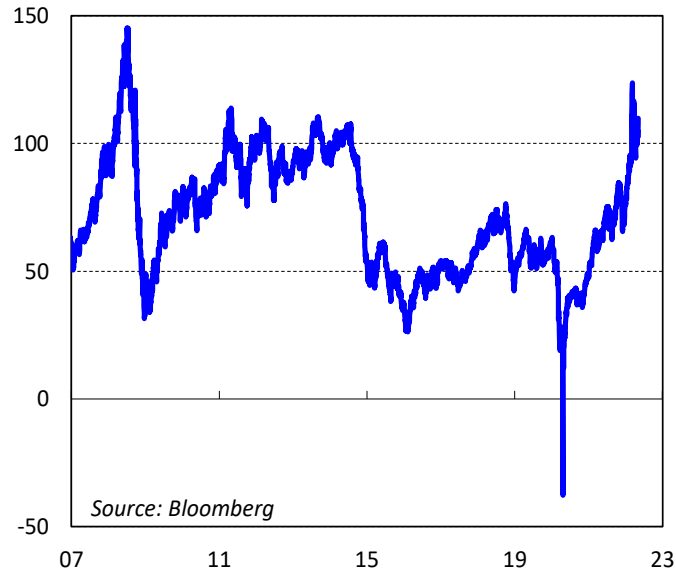


Global Shipping Prices
(Index, Feb 2020 = 100)

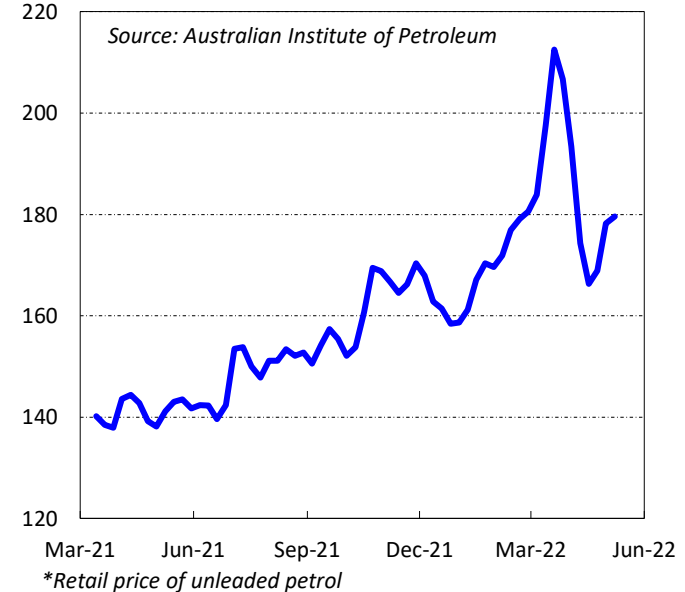


Ukraine War and China Lockdowns Adding to Pressures

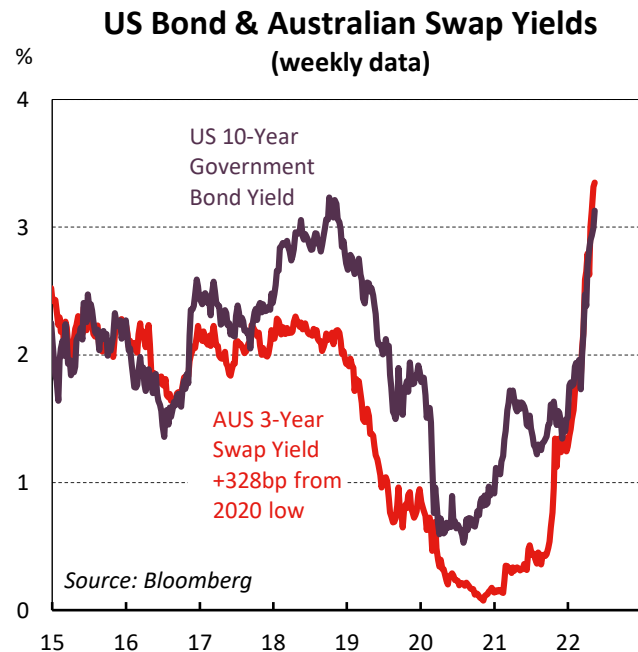
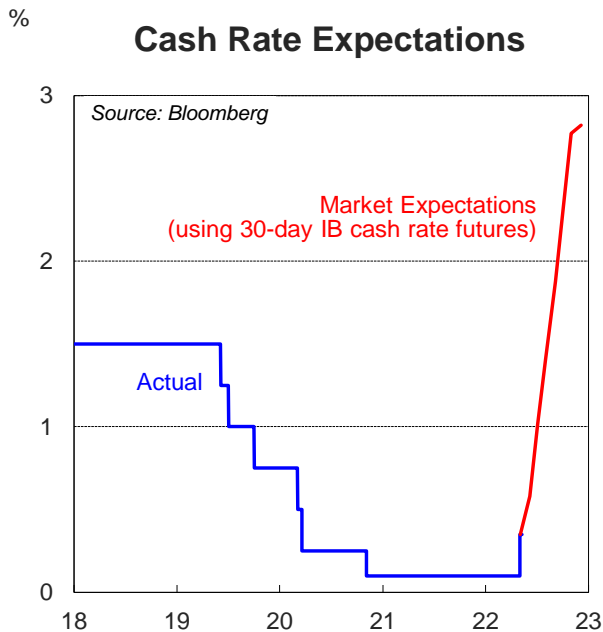
WTI Crude Oil Price
(daily, \$US per barrel)



National Average Petrol Price*
(weekly, cents per litre)



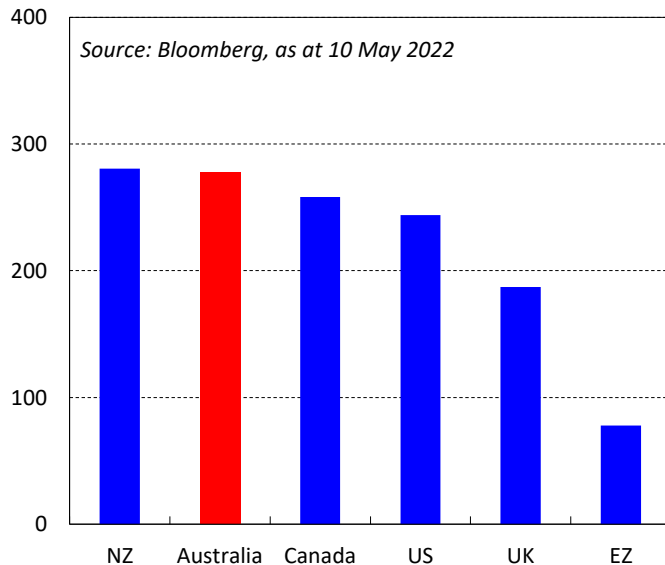
More Rate Hikes to Come



- Markets currently priced for cash rate to hit almost 3.0% by end 2022
- We expect rates to hit 1.75% by end 2022

Tightening Expectations Are a Global Phenomenon

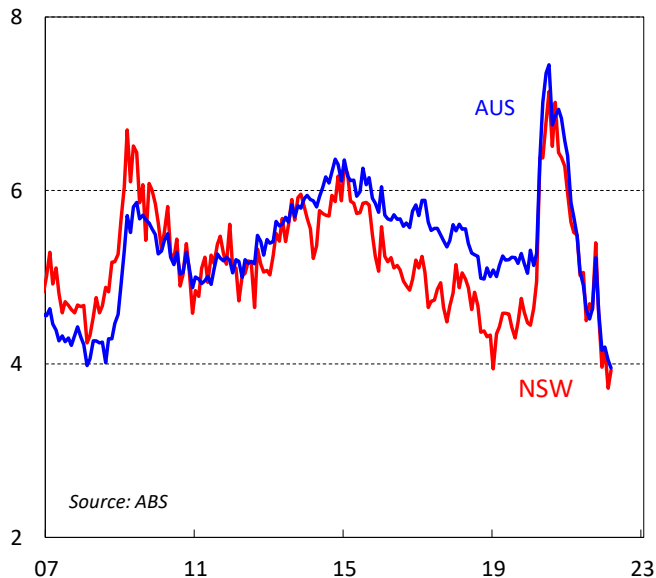
Amount of Tightening for 2022
(Bps, Pricing by Interest Rate Markets)



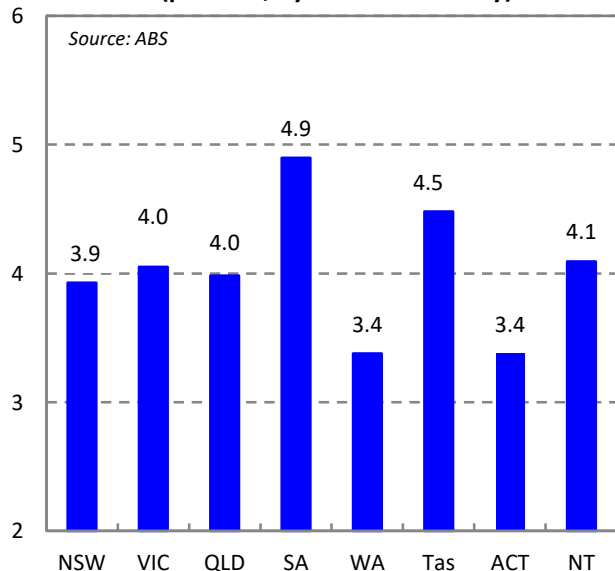
- Multiple central banks hiked last week
 - RBA: 25 basis points
 - US Fed: 50 basis points
 - UK BoE: 25 basis points
- Aggressive tightening is expected across most regions over 2022

Unemployment Rate Heading Into '3s'

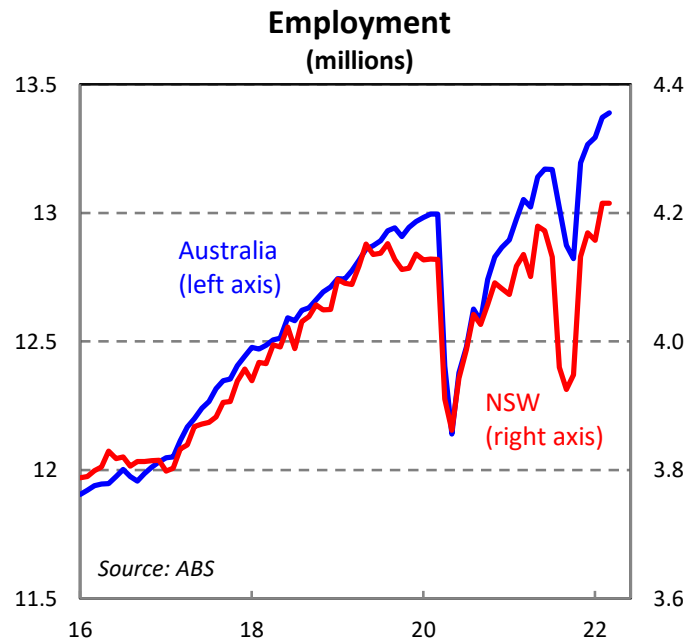
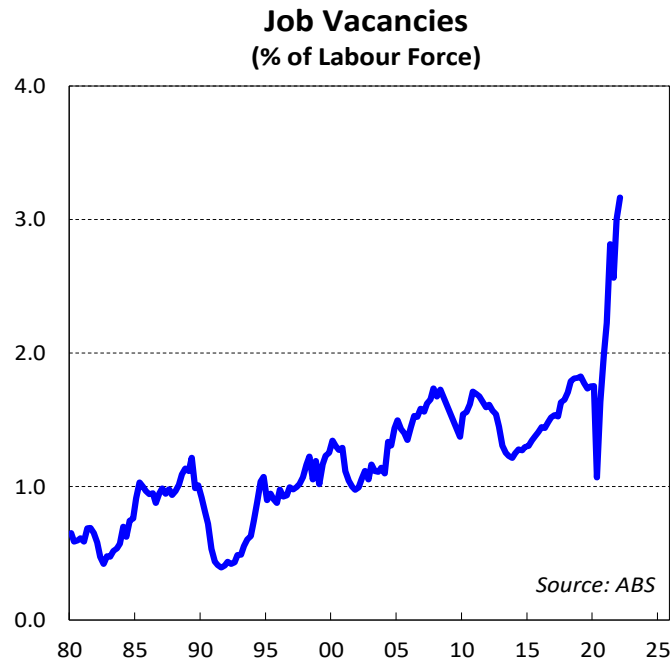
Unemployment Rate
(per cent)



Unemployment Rate
(per cent, by State & Territory)



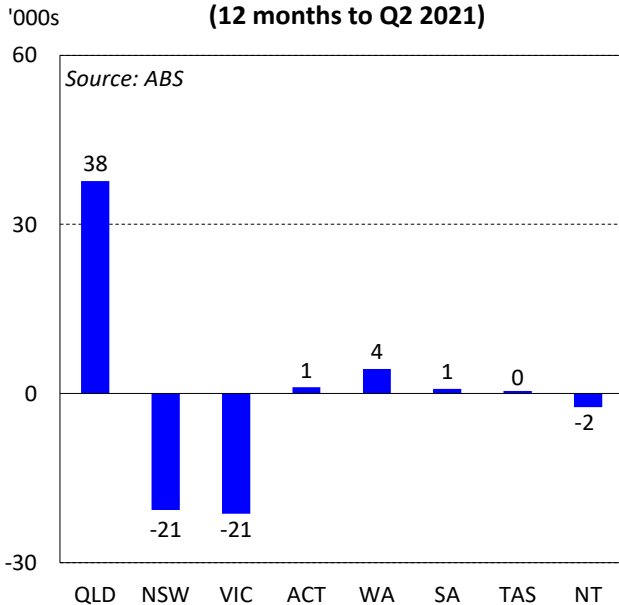
Demand for Labour is Strong



Borders Opening and Immigration Set to Recover

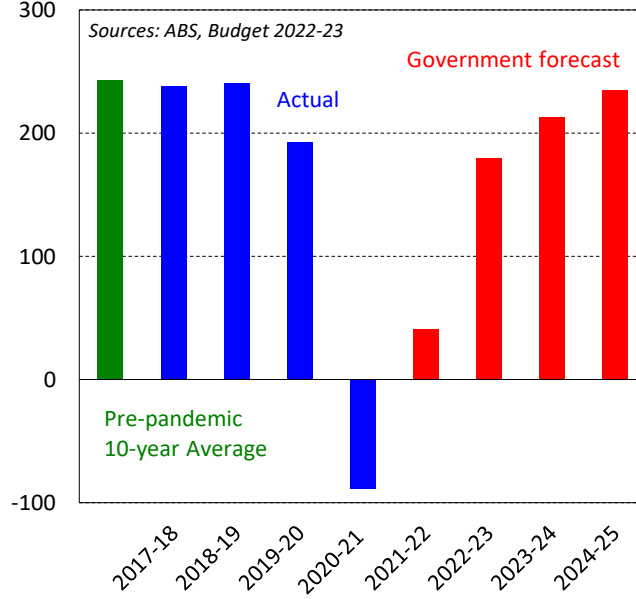
Net Interstate Migration

(12 months to Q2 2021)



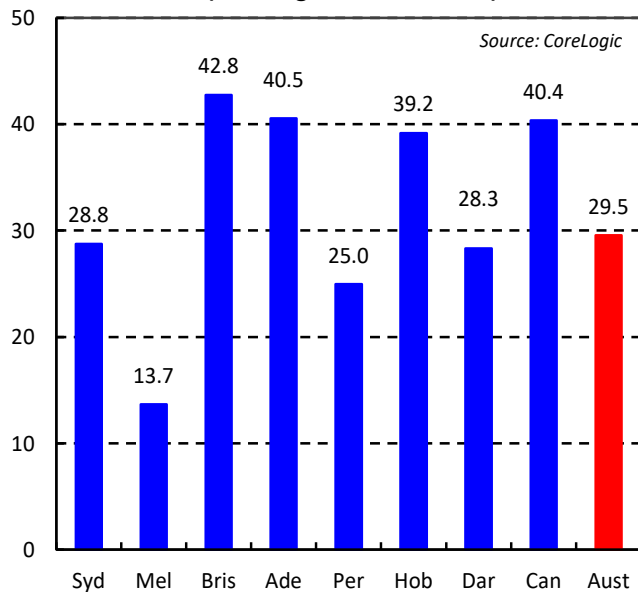
Net Overseas Migration

'000s

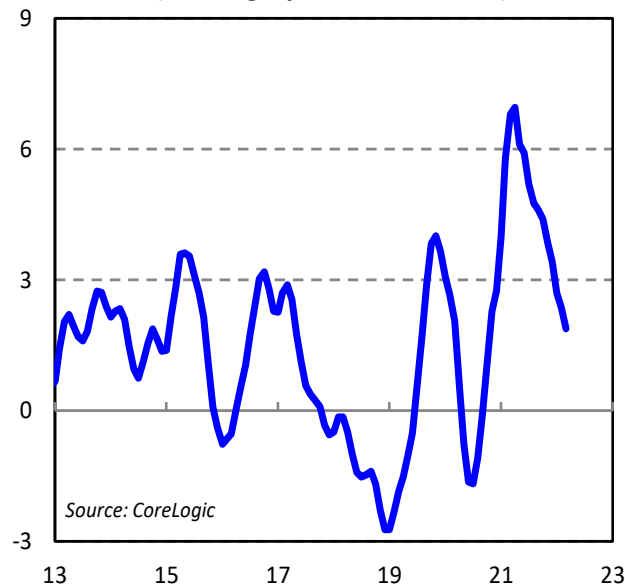


Housing Boom Continues, But Momentum Slowing

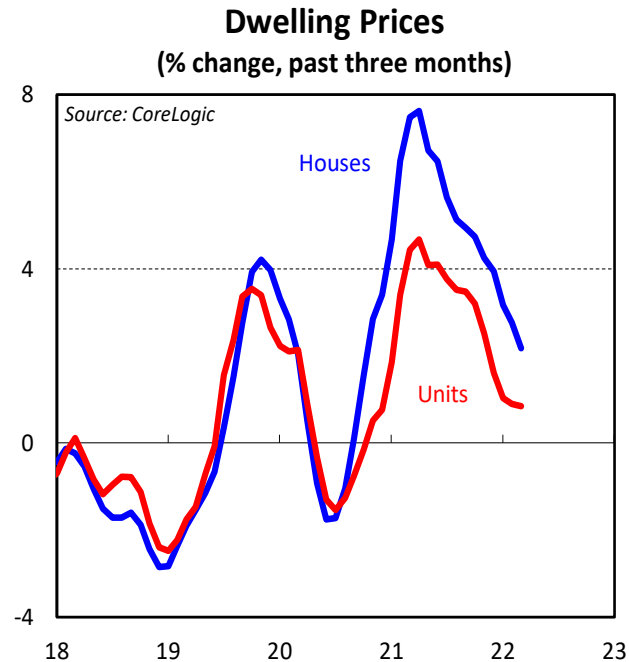
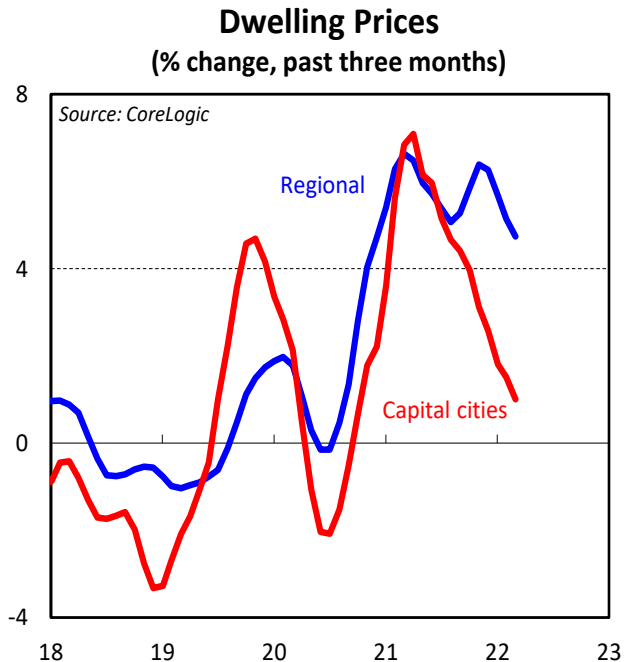
Dwelling Prices for Apr 2022
(% Change since Dec 2019)



National Dwelling Prices
(% change, past three months)

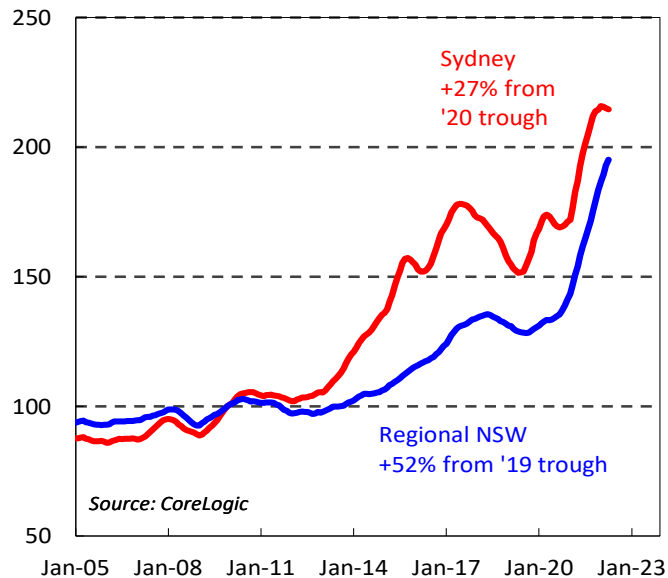


Regions & Houses Outpacing Cities & Apartments

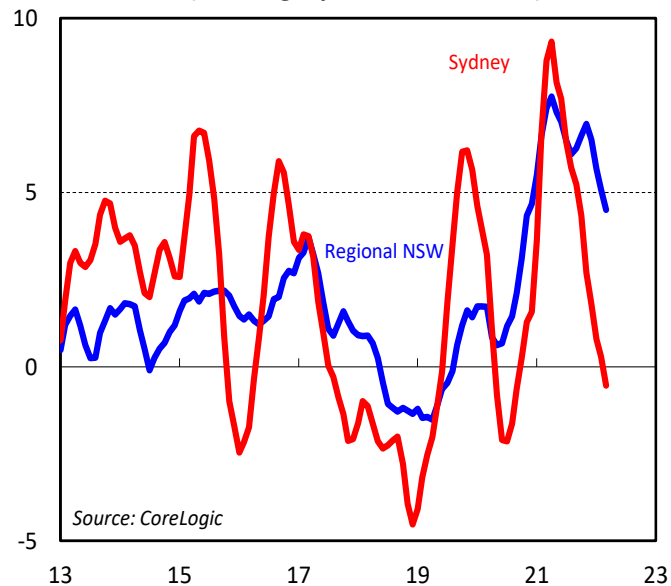


Strong Growth But Momentum Fading

CoreLogic Hedonic Home Value
(index, dwellings)



NSW Dwelling Prices
(% change, past three months)



House Price Forecasts

	2019	2020	2021	2022f	2023f	2024f
Sydney	5.3	2.7	25	-3	-9	-2
Melbourne	5.3	-1.3	15	-3	-9	-3
Brisbane	0.3	3.6	27	4	-4	1
Perth	-2.8	7.3	13	0	-6	1
Adelaide	-0.2	5.9	23	3	-4	1
Hobart	3.9	6.1	28	-2	-6	-2
Australia	3.1	1.8	21	-2	-8	-1

Thank you

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