



State of the States

State & Territory Economic Performance Report

January 2021



Tasmania leads the way

How are Australia's states and territories performing? Each quarter CommSec attempts to find out by analysing eight key indicators: economic growth; retail spending; equipment investment; unemployment; construction work done; population growth; housing finance and dwelling commencements.

Just as the Reserve Bank uses long-term averages to determine the level of "normal" interest rates; we have done the same with the economic indicators. For each state and territory, latest readings for the key indicators were compared with decade averages – that is, against the "normal" performance.

Now in its 12th year, the State of the States report also includes a section comparing annual growth rates for the eight key indicators across the states and territories as well as Australia as a whole. This enables another point of comparison – in terms of economic momentum.

For the fourth quarter in a row, **Tasmania** holds the mantle of the best performing economy. But notably there has been compression in the rankings with little to separate five of the other seven economies.

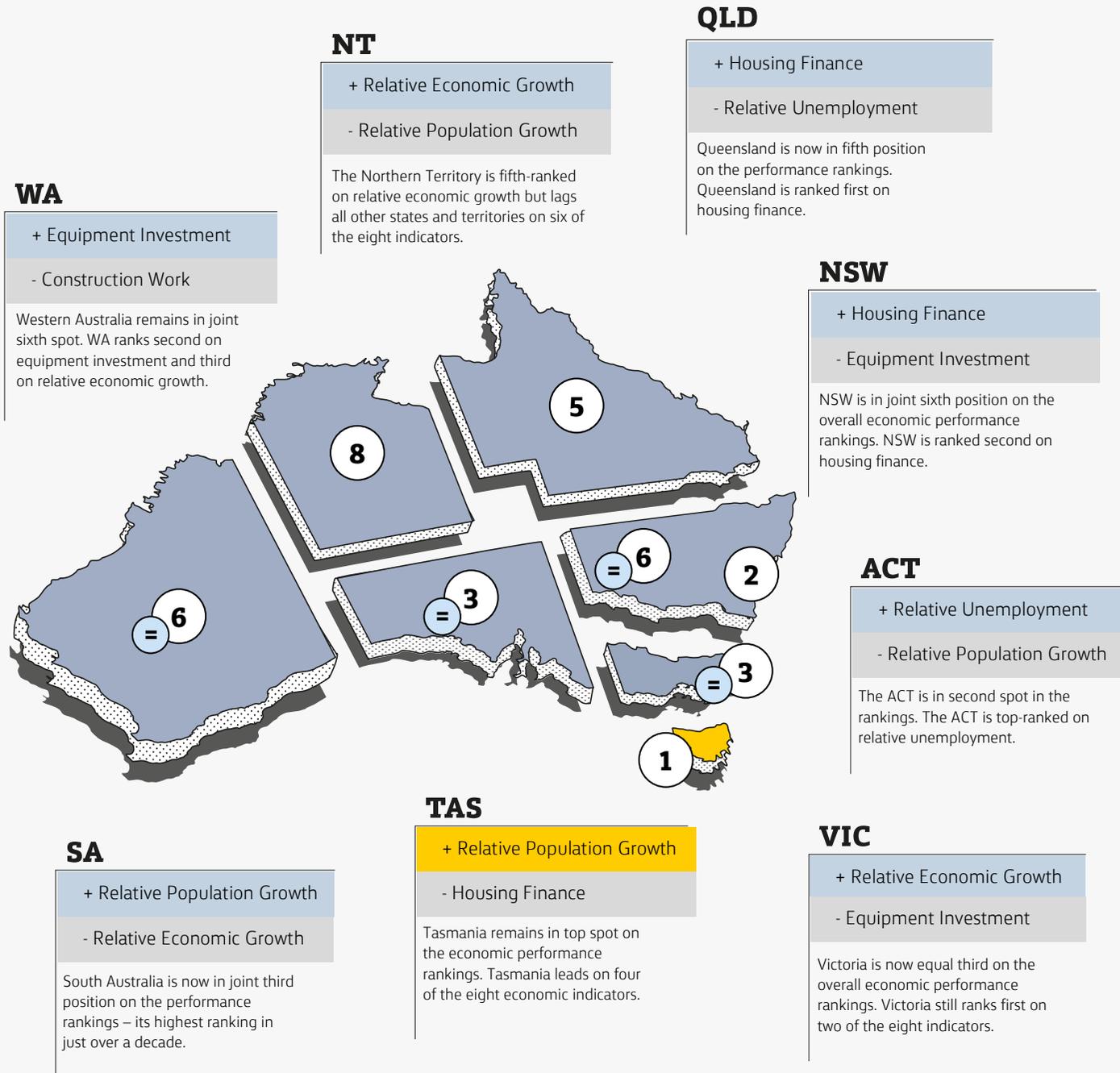
The **ACT** remains in second spot, ahead of **South Australia**, in equal third spot with **Victoria**. **Queensland** is in fifth spot. **NSW** and **Western Australia** are just behind in joint sixth spot from the **Northern Territory**.

As noted above, **Tasmania** has now been on top for four straight surveys – either shared with another economy or in its own right.

The second ranking for **the ACT** maintains its highest ranking for over three years (April 2017).

And the joint third ranking for **South Australia** is its highest position in just over a decade.

The equal sixth ranking for **NSW** is its lowest position for eight years.



Economic growth

Ideally Gross State Product (GSP) would be used to assess broad economic growth. But the data isn't available quarterly. We have previously used state final demand (household and equipment spending) plus exports less imports to act as a proxy for GSP. But the Bureau of Statistics has ceased calculation of state trade data in real terms. So nominal state final demand plus trade is assessed with rolling annual totals used to remove seasonality.

Victoria still leads on relative economic growth. Economic activity in Victoria in the year to September was 23.0 per cent above its 'normal' or decade-average level of output, ahead of the ACT with output 21.4 per cent above the 'normal' level of output.

Western Australia has now slipped into third position, (up 20.0 per cent) from Tasmania (up 19.7 per cent), Northern Territory (up 18.0 per cent).

At the other end of the scale, economic activity in South Australia in the September quarter was 13 per cent above its decade average, behind Queensland (up by 15.9 per cent) and NSW (up 17.2 per cent).

The ACT recorded the fastest nominal economic growth, up 4.8 per cent over the year to September, supported by a firm job market. Next is Northern Territory (up 2.9 per cent), from Western Australia (up 2.4 per cent), Tasmania (up 1.1 per cent) and South Australia (up 0.2 per cent).

The weakest on annual nominal economic activity are NSW (down 3.1 per cent), Queensland (down 2.8 per cent) and Victoria (down 2.3 per cent).

If seasonally adjusted State Final Demand in real terms is used, comparing the latest result with decade averages reveals some subtle changes in the rankings. Western Australia and Northern Territory lose the benefit of their strong export economies.



Tasmania remains Australia's best performing economy.

Tasmania is ranked first on relative population growth, equipment investment, dwelling starts and retail trade. The lowest ranking on other indicators is fourth.

The ACT remains in second position on the overall performance rankings. The ACT leads other economies on relative unemployment.

Of the other economies there is little to separate South Australia, Victoria, Queensland, NSW and Western Australia.

South Australia remains in third position on the overall performance rankings, sharing the spot with Victoria. South Australia is second-ranked on relative population growth and relative unemployment.

Victoria is in joint third spot on the performance rankings. Victoria still ranks first on relative economic growth and construction work done. Victoria's lowest ranking is eighth position on retail trade.

Queensland is now fifth in the performance rankings. Queensland is ranked in first spot for housing finance. But Queensland is seventh-ranked for both relative unemployment and relative economic growth

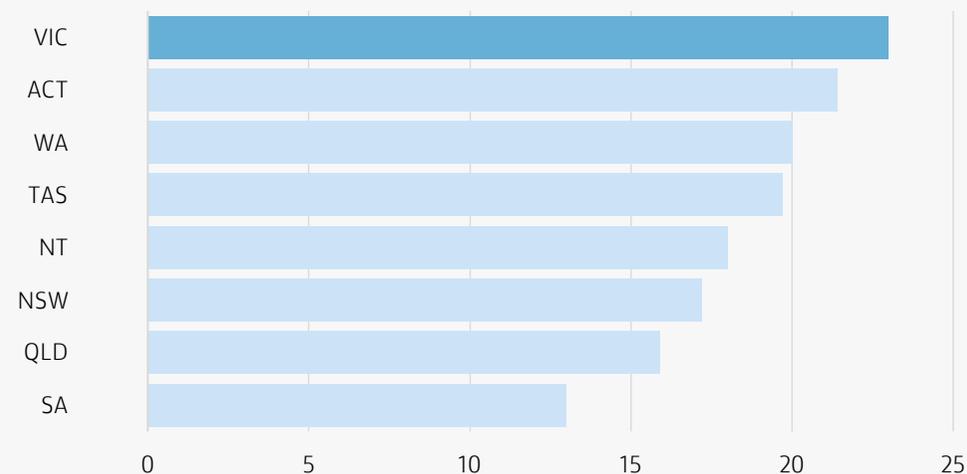
NSW is in joint sixth position in the rankings. While second-ranked on housing finance it is ranked seventh on equipment investment.

Western Australia is joint sixth on the performance rankings, up from seventh.

Western Australia is ranked second on equipment investment and third on relative economic growth relative unemployment. But WA is ranked seventh on dwelling starts and construction work done.

The Northern Territory is fifth-ranked on relative economic growth and seventh on retail trade. But Northern Territory lags all of the other states and territories on the other six indicators.

Victoria retains top position



Economic activity in **Victoria** in the year to September was 23.0 percent above its 'normal' or decade average level of output

Retail spending

The measure used was real (inflation-adjusted) retail trade in seasonally adjusted terms with September quarter data the latest available.

There have been notable changes in the rankings since the last quarter. Tasmania remains in top spot of the retail rankings, but Victoria has slipped from fifth to eighth.

Retail spending in Tasmania was 23 per cent above decade-average levels in the September quarter. Success in suppressing the COVID-19 virus boosted confidence, while government cash handouts and wage subsidies supported incomes.

In second spot (up from third) is the ACT, with spending 20.9 per cent above decade-average levels.

Now in third position is Queensland (down one spot) with spending 18.2 per cent up on the decade average. NSW has lifted from sixth to fourth, with spending 17.2 per cent up on 'normal'.

Western Australia is now fifth, with spending 14.7 per cent above the decade average, followed by South Australia with spending up by 14.1 per cent.

Victoria recorded the weakest result, with retail spending up 1.4 per cent on the decade average, below Northern Territory with 4.9 per cent growth.

If monthly retail trade was assessed instead to calculate the rankings (November data is available), Victoria would lift to top of the rankings from Tasmania and the ACT.

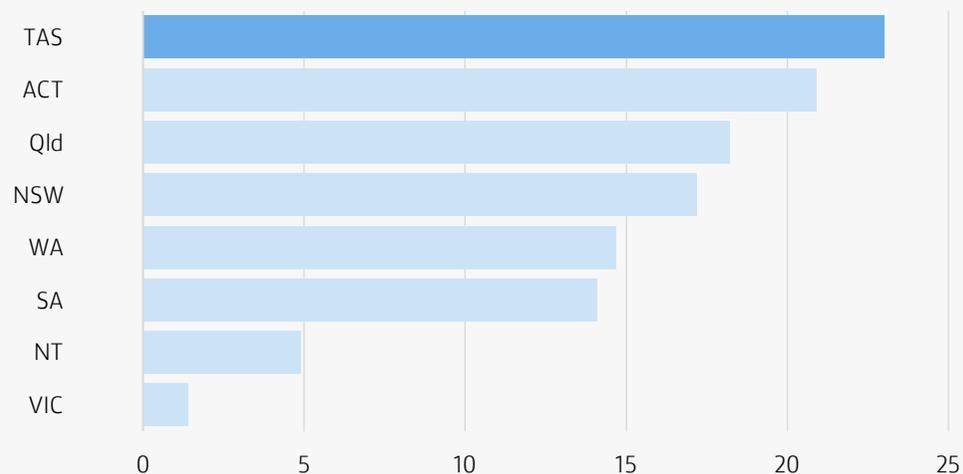
In terms of annual growth of real retail trade, Western Australia is still strongest (up 12.8 per cent), from Tasmania (up 12.6 per cent) and Queensland (up 11 per cent).

Looking at the annual growth rate in monthly retail trade, Western Australia (up 16.6 per cent) is ahead of Northern Territory (up 15.6 per cent) and Queensland (up 14.8 per cent). The weakest result was recorded by South Australia (up 8.1 per cent).



“ Tasmania remains in top spot of the retail rankings but Victoria has slipped from fifth to eighth. ”

Tasmania is strongest for spending



Real retail trade, percentage change September quarter on decade-average. Source CommSec, ABS

Equipment investment

The measure of equipment investment is spending on new plant and equipment in seasonally adjusted terms with September quarter data compared with decade averages (the 'normal' performance).

In the September quarter, only Tasmania had equipment spending above decade-average levels, compared with three economies in the June quarter.

Equipment investment in Tasmania was up 1.6 per cent on the decade average. Western Australia is now second (down just 1.2 per cent) from the ACT (down 5.2 per cent).

Queensland is in fourth position (down 12.3 per cent) from South Australia (down 13.7 per cent) and ahead of Victoria (down 15.8 per cent).

Spending in NSW was down 16.0 per cent on 'normal', ahead of Northern Territory (down 44.4 per cent).

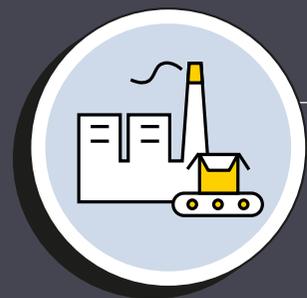
On a shorter-run analysis, equipment investment in the September quarter was up on a year ago in just one of the state and territory economies: Tasmania – up 7.7 per cent on the June quarter. But Western Australia spending was only down 1.3 per cent.

New equipment investment in the Northern Territory was down by 44.9 per cent on a year ago with spending in Victoria down 22.1 per cent followed by South Australia (down 16.9 per cent).

Investment in the ACT was down 12.4 per cent on a year earlier while the annual decline in Queensland investment was 11.2 per cent, ahead of NSW, down 11.1 per cent.

Only Queensland, South Australia and the Northern Territory lifted spending in the September quarter. And while equipment investment in Western Australia fell 5.6 per cent in the quarter, it was from 6½-year highs.

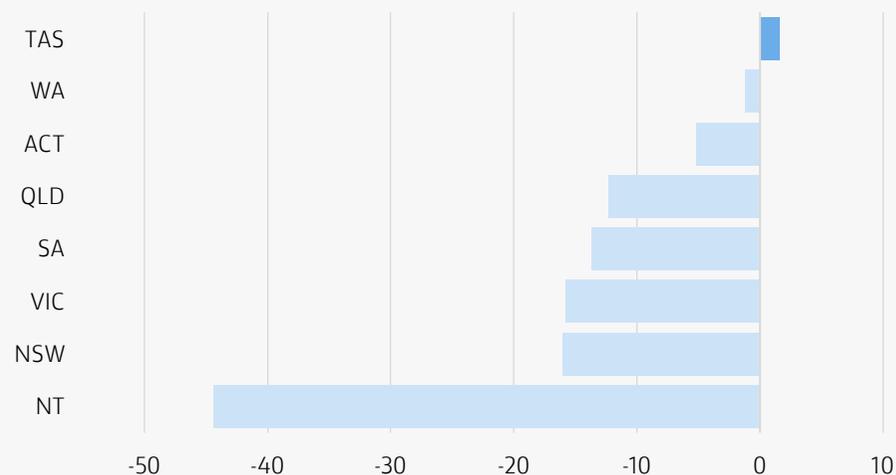
Equipment investment in Victoria stands at 15-year lows.



“ In the September quarter, only Tasmania had equipment spending above decade-average...”

“ Equipment investment in Victoria stands at 15-year lows.”

Tasmania leads the way



Equipment spending, percent change September quarter on decade-average. Source CommSec, ABS



“...the ACT has the strongest job market. Despite the COVID-19 shock, unemployment in the ACT stands at 3.7 per cent, 7.0 per cent below the decade average.”

Unemployment

Which state or territory has the strongest job market in the nation? It is not an easy question to answer. But we have looked at unemployment rates across state and territory economies, comparing the rates with decade averages.

On this measure, the ACT has the strongest job market. Despite the COVID-19 shock, unemployment in the ACT stands at 3.7 per cent, 7.0 per cent below the decade average.

Next best was South Australia, its 6.4 per cent jobless rate being just 1.0 per cent above the decade average. Tasmania comes next (7.6 per cent above the decade average) from Western Australia (13.6 per cent above the 10-year average) and Victoria (13.8 per cent above the decade average.)

At the other end of the scale, the Northern Territory jobless rate of 5.4 per cent was 23.5 per cent above the 4.4 per cent decade average rate.

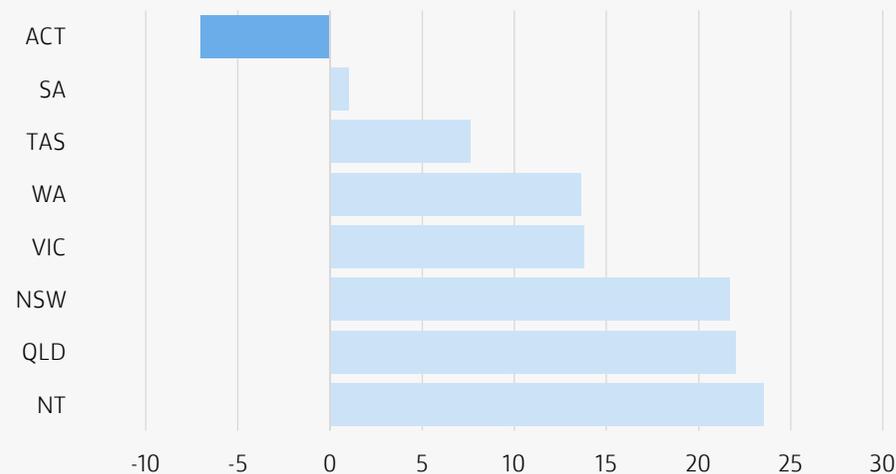
Ahead of the Northern Territory was Queensland, its jobless rate being 22.0 per cent above the decade average, behind NSW (its jobless rate 21.7 per cent above the decade average).

In December, employment in all of the states and territories was above decade-average levels except for the Northern Territory (down 1.8 per cent). Victoria was strongest on this measure with employment 10.1 per cent higher than the decade average.

Looking over the year to December, employment in four of the states and territories recorded annual declines. Doing best was the ACT (jobs up 3.2 per cent) followed by Western Australia (up 1.3 per cent); Queensland (up 1.1 per cent); and South Australia (up 0.6 per cent).

By contrast, employment in Northern Territory was 3.6 per cent lower over the year, behind Victoria (down 1.7 per cent); NSW (down 1.3 per cent) and Tasmania (down 1.1 per cent).

Winners & losers on jobs



Victoria was strongest when comparing employment to the decade average

10.1%
above
the decade
average

Construction work

The measure used for analysis was the total real value of residential, commercial and engineering work completed in seasonally adjusted terms in the September quarter.

In four of the states and territories, construction work in the September quarter was higher than the decade average, down from five economies in the previous quarter.

Victoria has retained top spot with construction work done 18.8 per cent above its decade average. Tasmania was next strongest, 11.2 per cent above the 'norm' or decade-average followed by NSW (up 9.6 per cent).

South Australia is in fourth position with construction work 7.2 per cent above decade averages, ahead of the ACT (down 0.8 per cent).

At the other end of the scale, Northern Territory construction work done in the September quarter was 65 per cent below the decade-average.

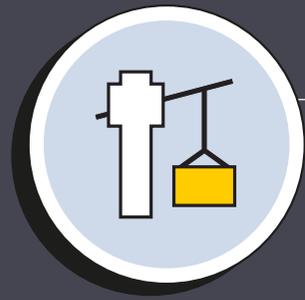
Next strongest was Western Australia with construction work down 43.8 per cent on the decade average behind Queensland (down 25.8 per cent).

Northern Territory, Tasmania and South Australia were the only economies to post stronger construction work in the September quarter.

In terms of annual growth rates, five economies had construction work lower than a year ago. Down the most was Tasmania with construction 9.0 per cent lower than a year earlier.

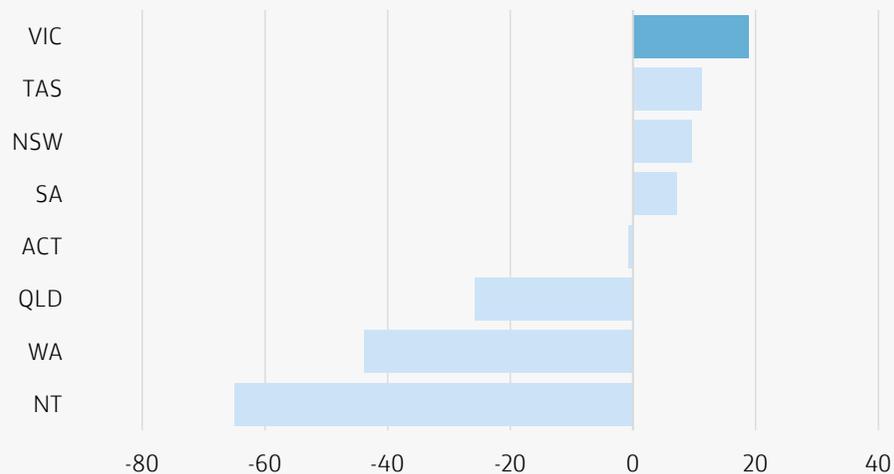
NSW construction activity was down by 7.0 per cent on a year ago followed by Queensland (down 5.0 per cent); Victoria (down 4.1 per cent); and the ACT (down 3.4 per cent). Construction in South Australia was broadly flat on a year ago.

At the other end of the scale, construction work was higher than a year ago in Northern Territory (up 7.3 per cent) followed by the Western Australia (up 5.6 per cent).



“ In four of the states and territories, construction work in the September quarter was higher than the decade average, down from five economies in the previous quarter. ”

Victorian construction is still strongest



Victoria has retained top spot with construction work done, 18.8 per cent above its decade average

Population growth

We assess relative population performance – the current annual growth rate and compare it with each economy’s decade-average (‘normal’) growth pace. This is most relevant to the economic performance of each state or territory.

Population growth is clearly an important driver of the broader economy, especially retail spending and housing demand. The key point being that only two economies have population growth above long-term averages.

Tasmania remains strongest on the relative population measure, with its 1.12 per cent annual population growth rate 86.4 per cent above the decade-average rate for the year to June.

South Australia remains next strongest on relative population growth, up 11.9 per cent on the decade average.

Annual population growth rates in the other states and territories were below decade averages: Queensland (down 3.1 per cent) from Western Australia (down 5.2 per cent); Victoria

(down 28.4 per cent); NSW (down 30.3 per cent); ACT (down 37.1 per cent); and Northern Territory (down 109 per cent).

The state with the fastest absolute annual population growth is now Queensland (up 1.58 per cent). Next strongest is Victoria (up 1.49 per cent), Western Australia (up 1.47 per cent) and ACT (up 1.13 per cent).

By contrast, the Northern Territory population shrank by 0.07 per cent over the past year after falling by 0.10 per cent in the year to March.

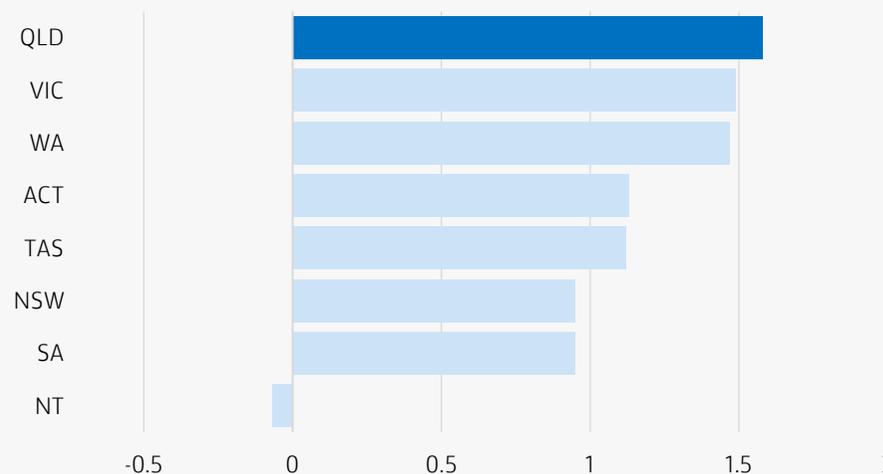
Victoria’s annual population growth of 1.77 per cent is the slowest rate in nine years and the NSW population growth is the slowest in 13½ years.

Western Australia’s annual population growth of 1.47 per cent is just off the 1.59 per cent annual rate in March which was the fastest rate in six years.



“ Tasmania is strongest on the relative population measure, with its 1.12 per cent annual population growth rate 86.4 per cent above the decade-average rate. ”

Annual population growth rates



Population, annual percent change, June 2020 quarter (latest). Source: CommSec, ABS

Victoria’s annual population growth is the slowest rate in nine years

UP
1.49%



“ In all of the eight states and territories, housing finance commitments are above decade averages, up from seven economies in the previous quarter.

”

Housing finance

The measure used is the *value* of owner-occupier housing finance commitments (home loans) and this is compared with the decade average for each respective state and territory. In the past the trend *number* of loans was used, but the Bureau of Statistics has made major changes to the home loan data. November data is the latest available.

Housing finance is not just a leading indicator for real estate activity and housing construction, but it is also a useful indicator of activity in the financial sector. It would be useful to compare figures on commercial, personal and lease finance, but long-term data is not available.

In all of the eight states and territories, housing finance commitments are above decade averages, up from seven economies in the previous quarter. And remarkably, home loans were above year-ago levels in all economies, the same outcome in the previous report.

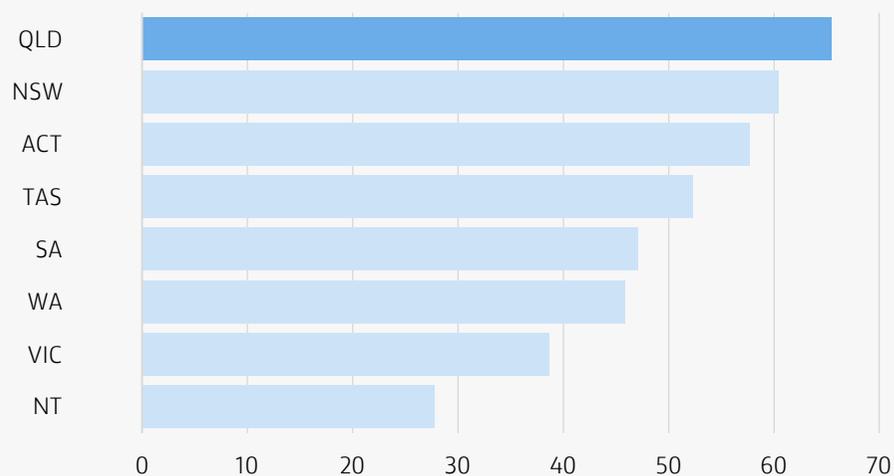
Queensland is now in top spot with the value of home loans up by 65.5 per cent on the long-term average. Next strongest is NSW (up 60.5 per cent) followed by the ACT (up 57.7 per cent) and Tasmania (up 52.3 per cent).

Northern Territory remains the weakest for housing finance with commitments 27.8 per cent higher than its decade average. Commitments in Victoria were up 38.7 per cent on the decade-average, followed by Western Australia (up 45.9 per cent) and South Australia (up 47.1 per cent).

On an annual comparison, commitments in the Northern Territory were up the most (up 91.1 per cent) from Western Australia (up 75.6 per cent), Queensland (up 48.5 per cent), NSW (up 28.2 per cent) and Tasmania (up 27.4 per cent).

Victoria continues to have the slowest annual growth at 11.4 per cent, from the ACT (up 24.8 per cent) and South Australia (up 26.6 per cent).

Home lending trends



Queensland is now in top spot on the value of home loans compared with the long-term average

UP 65.5%

Dwelling starts

The measure used was the seasonally adjusted number of dwelling commencements (starts) with the comparison made to the decade-average level of starts. Starts are driven in part by population growth and housing finance and can affect retail trade, unemployment and overall economic growth. However, any over-building or under-building in previous years can affect the current level of starts.

Home building has been strong in Tasmania because population growth is well above 'normal' and home prices are still relatively low compared with the mainland.

Tasmania remains in top spot for dwelling starts, ahead of Victoria and South Australia. In the September quarter, starts in Tasmania were 23.5 per cent above the decade-average, followed by Victoria (up 2.9 per cent).

South Australia has lifted from fifth to third spot with starts down just 0.6 per cent on the decade average. Next is NSW (down 9.3 per cent).

At the other end of the scale, dwelling starts in the Northern Territory were 64.4 per cent below the decade average. Next weakest was Western Australia (down 41.3 per cent) from the ACT (down 40.5 per cent) and Queensland (down 22.1 per cent).

In terms of quarterly changes, four of the state and territories posted gains led by South Australia (up 11.7 per cent).

In terms of annual changes, three of the states and territories posted gains. Starts in Victoria were up 13.0 per cent) from NSW (up by 7.4 per cent) and Tasmania (up 2.7 per cent).

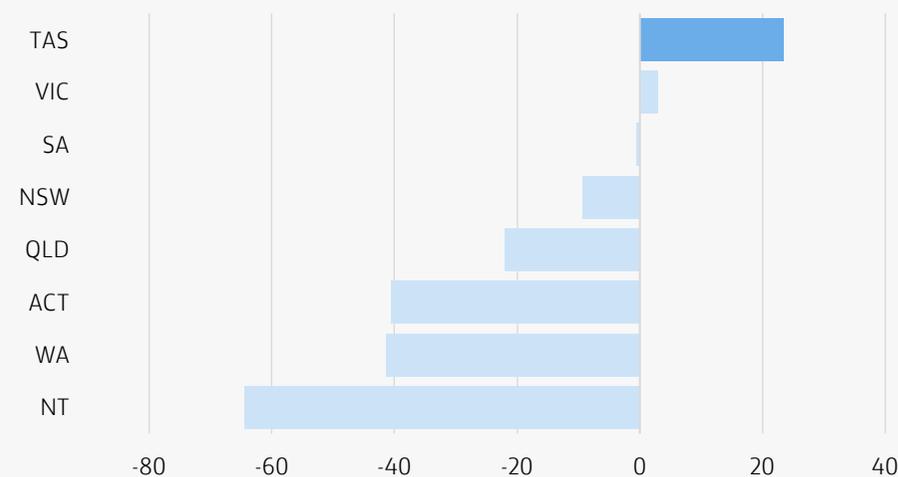
At the other end of the scale, starts fell most in Western Australia (down 9.7 per cent) behind Northern Territory (down 8.8 per cent); Queensland (down 8.7 per cent); the ACT (down 7.6 per cent); and South Australia (down 3 per cent).

Dwelling starts have been volatile in the ACT over recent years. But the 43.1 per cent fall in starts to 721 in the September quarter took starts to 2½-year lows.



“ Home building has been strong in Tasmania because population growth is well above 'normal' and home prices are still relatively low compared with the mainland. ”

Mixed home building starts



Tasmania remains in top spot for dwelling starts, ahead of **Victoria** and **South Australia**



Other indicators

Annual percentage changes in consumer prices were all higher in the September quarter than the June quarter. Canberra and Brisbane recorded the biggest increases (both up by 1.6 percentage points) followed by Darwin (up 1.4 pp).

Hobart had the highest annual inflation rate in the September quarter at 1.7 per cent, ahead of Perth (1.3 per cent) and Adelaide and Canberra (both 1.0 per cent).

All of the states and territories except Tasmania had positive real wage growth in the September quarter (the gap between wage growth and inflation). Tasmanian wages were 0.1 of a percentage point lower than consumer prices.

The biggest real wage growth was in Northern Territory (2.1pp) from NSW (1.1pp).

Wage growth in the year to the September quarter was strongest in South Australia (1.8 per cent) from the Northern Territory (up 1.7 per cent) and Tasmania (1.6 per cent). The

lowest growth of wages was in Victoria (up 1.2 per cent) from NSW, the ACT and Western Australia (all up 1.4 per cent).

Turning to home prices, in December 2020 just one of the states/territories recorded an annual decline in home prices – a result in line with the year to September. National home prices rose by 3.0 per cent over the year to December, down from the result back in May 2020 (up 8.3 per cent) – which was the fastest annual rate in 33 months.

The strongest annual growth in home prices was in Tasmania (up 8.8 per cent) from Northern Territory (up 8.0 per cent); the ACT (up 7.5 per cent); South Australia (up 6.2 per cent); Queensland (up 5.1 per cent); NSW (up 3.8 per cent); and Western Australia (up 1.1 per cent).

Home prices were lower than a year ago in Victoria (down 0.5 per cent).

Highest inflation rate in Hobart

1.7%

Wage growth in South Australia

1.8%

National home prices rose

3.0%

Wages and prices*

	Wages Sep Qtr	CPI Sep Qtr	Home Prices Dec
NSW	1.4	0.3	3.8
VIC	1.2	0.7	-0.5
QLD	1.5	0.6	5.1
SA	1.8	1.0	6.2
WA	1.4	1.3	1.1
TAS	1.6	1.7	8.8
NT	1.7	-0.4	8.0
ACT	1.4	1.0	7.5

The fastest annual growth in home prices was in **Tasmania**

**UP
8.8%**

*Annual % change. Source: ABS, CoreLogic, CommSec. CPI – Consumer Price Index. Wages Price Index.



Annual growth rates

“ On the eight indicators assessed, Western Australia and the ACT top the annual changes on two measures. ”

The **State of the States** report assesses economic performance by looking at the most recent result – such as retail trade or construction – and compares that with the ‘normal’ experience. And by ‘normal experience’, we define this as the decade average.

A resident of the state or territory can therefore assess whether they are experiencing relatively better economic times. Comparing states or territories on the same criteria determines which state or territory is performing the best on a certain indicator.

In addition to relative economic performance, some are also interested in economic momentum. That is, annual changes in key indicators. A state/territory may have been under-

performing, but if annual growth is rising, then this suggests that performance has scope to improve.

On the eight indicators assessed, Western Australia and the ACT top the annual changes on two measures. All of the other economies except NSW and South Australia are on top for annual growth on one of four economic indicators.

When looking across growth rates for the states and territories, Western Australia exceeds the national-average on seven of the eight indicators.

Next best is Queensland (five) from the ACT, South Australia and the Northern Territory (four). Tasmania and NSW out-performed the national average on three indicators followed by Victoria (two).

Annual Growth %

	 Economic Growth	 Retail Trade	 Equipment Investment	 Employment	 Construction Work	 Population	 Housing Finance	 Dwelling commencements
NSW	-3.1	7.1	-11.1	-1.3	-7.0	0.95	28.2	7.4
VIC	-2.3	-9.8	-22.1	-1.7	-4.1	1.49	11.4	13.0
QLD	-2.8	11.0	-11.2	1.1	-5.0	1.58	48.5	-8.7
SA	0.2	7.0	-16.9	0.6	0.0	0.95	26.6	-3.0
WA	2.4	12.8	-1.3	1.3	5.6	1.47	75.6	-9.7
TAS	1.1	12.6	7.7	-1.1	-9.0	1.12	27.4	-2.7
NT	2.9	7.3	-44.9	-3.6	7.3	-0.07	91.1	-8.8
ACT	2.9	10.3	-12.4	3.2	-3.4	1.13	24.8	-7.6
AUST	-1.2	2.3	-12.3	-0.5	-3.8	1.27	31.4	3.5



Looking ahead

If rolling annual new vehicle sales are added to the list of indicators, South Australia would move to outright third on the performance rankings with Queensland outright fourth.

The ACT is the only state or territory where annual new vehicle sales are above 'normal', up 11.5 per cent on the decade average. And the ACT is the only economy where annual new vehicle sales are up on a year ago (up 22.6 per cent).

In the overall rankings, the big improvers over the past quarter were Queensland, South Australia and Western Australia. The biggest losers were Victoria and the ACT. But the key result was the compression in the rankings.

Over the quarter Tasmania lost three places on housing finance but improved one place on construction work done and relative unemployment.

The ACT fell three places on dwelling starts and either rose or fell one place on each of six of the other indicators.

Victoria fell on housing finance and retail trade (three places) and one place on relative unemployment and equipment spending.

South Australia gained two places on dwelling starts, and one spot on four indicators. But SA fell two places on retail trade.

Queensland gained four places on housing finance, three places on equipment spending and one place on dwelling starts while losing one place on retail trade.

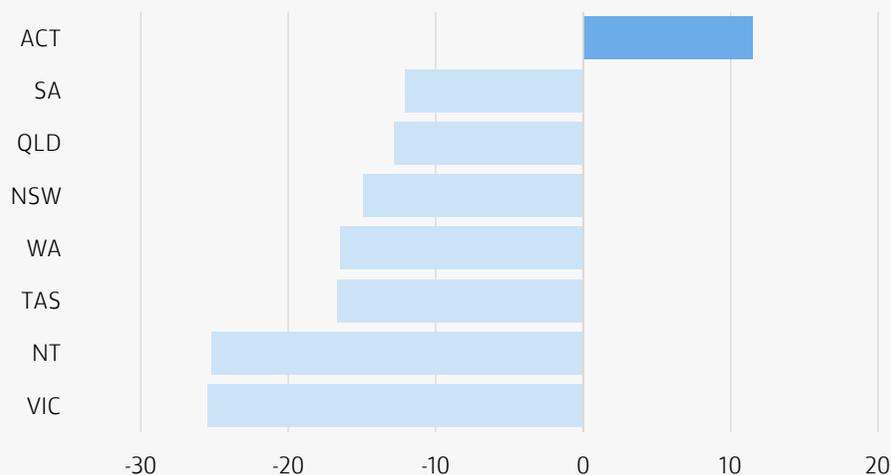
NSW fell three places on equipment investment and one spot on construction work. But NSW lifted two spots on relative unemployment and retail trade and one place on housing finance.

Western Australia improved two places on relative unemployment and retail trade and one place on equipment investment. But in fell one place on relative economic growth.

Northern Territory fell six places on relative unemployment but gained one place on retail trade.

“The big improvers over the past quarter were Queensland, South Australia and Western Australia. The biggest losers were Victoria and the ACT.”

Weak new auto sales



The ACT leads the ranking with rolling annual new vehicle registrations

UP
22.6%

State of the States

State & Territory Economic Performance Report

METHODOLOGY

Each of the states and territory economies were assessed on eight key indicators: economic growth; retail spending; equipment investment; unemployment, construction work done; population growth; housing finance and dwelling commencements.

The aim is to find how each economy is performing compared with “normal”. And just like the Reserve Bank does with interest rates, we used decade-averages to judge the “normal” state of affairs. For each economy, the latest level of the indicator – such as retail spending or economic growth – was compared with the decade average.

While we also looked at the current pace of growth to assess economic momentum, it may yield perverse results to judge performance. For instance retail spending may be up sharply on a year ago but from depressed levels. Overall spending may still be well below “normal”. And clearly some states such as

Queensland and Western Australia traditionally have had faster economic growth rates due to historically faster population growth. So the best way to assess economic performance is to look at each indicator in relation to what would be considered ‘normal’ for that state or territory.

For instance, the seasonally adjusted jobless rate in Victoria was 6.5 per cent in December with the jobless rate at 7.0 per cent in Tasmania. However Tasmania’s unemployment rate is 7.6 per cent above its decade average, while the Victorian rate is 13.8 per cent above its decade average. So Tasmania ranks above Victoria on this indicator.

Except for economic growth, seasonally adjusted or trend measures of the economic indicators were used to assess performance on all measures. While preference was for trend measures, in many cases these have been suspended in the wake of the COVID-19 crisis. Rolling annual nominal data was used to assess economic growth.

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