

Julius Bär

AUSTRALIA ECONOMIC & MARKET UPDATE

Mark Matthews, Head Research Asia Pacific

22 Oct 2020



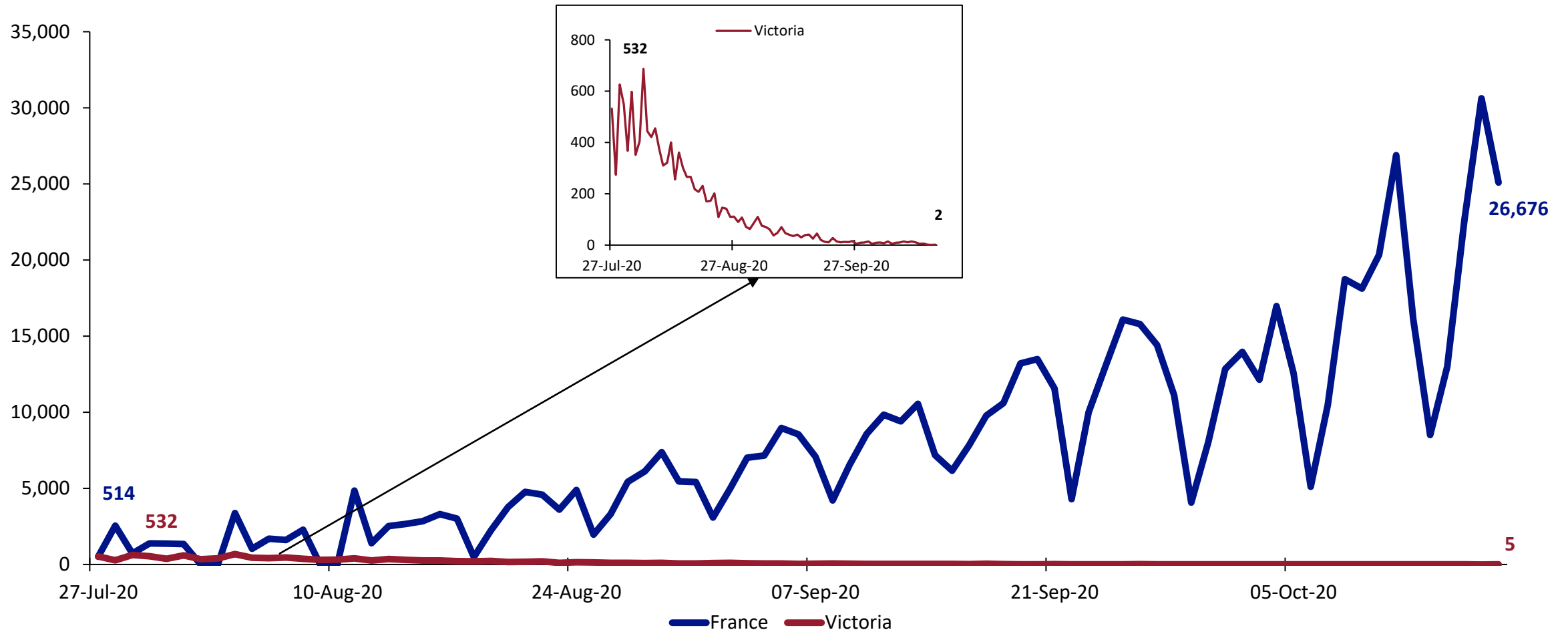
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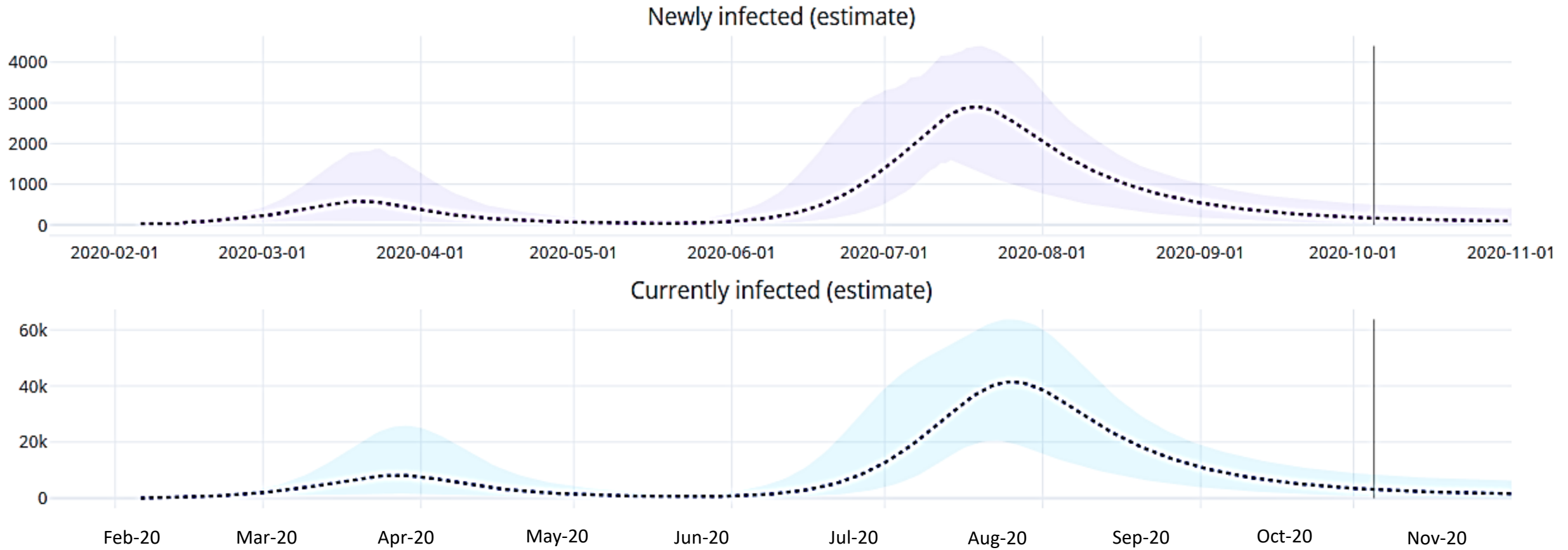
VICTORIA STATE & FRANCE DAILY NEW CASES

In July, Victoria had more cases than France. Today it has almost none.



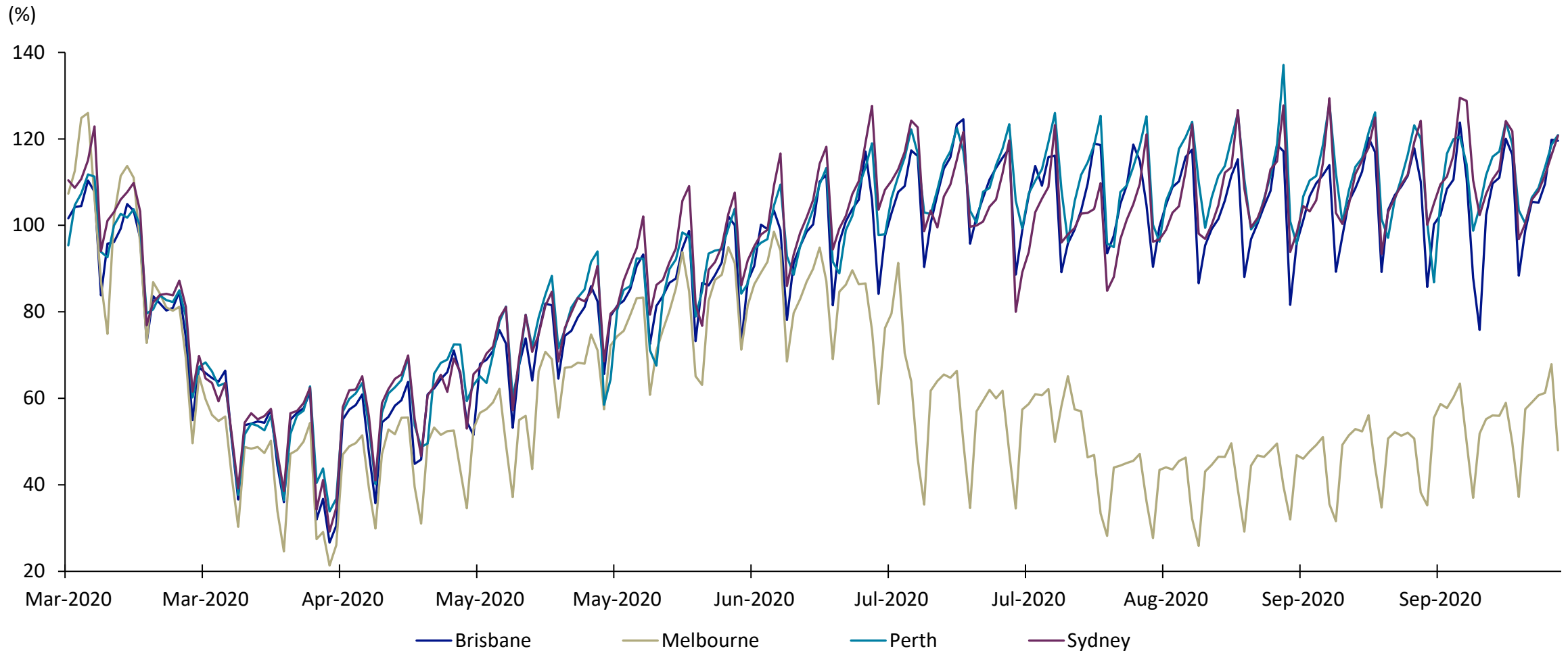
AUSTRALIA DAILY CORONAVIRUS CASES & PROJECTIONS

Youyang Gu's intuitive COVID-19 model adds machine learning techniques to a classic infectious disease model.



APPLE DRIVING INDEX FOR AUSTRALIA

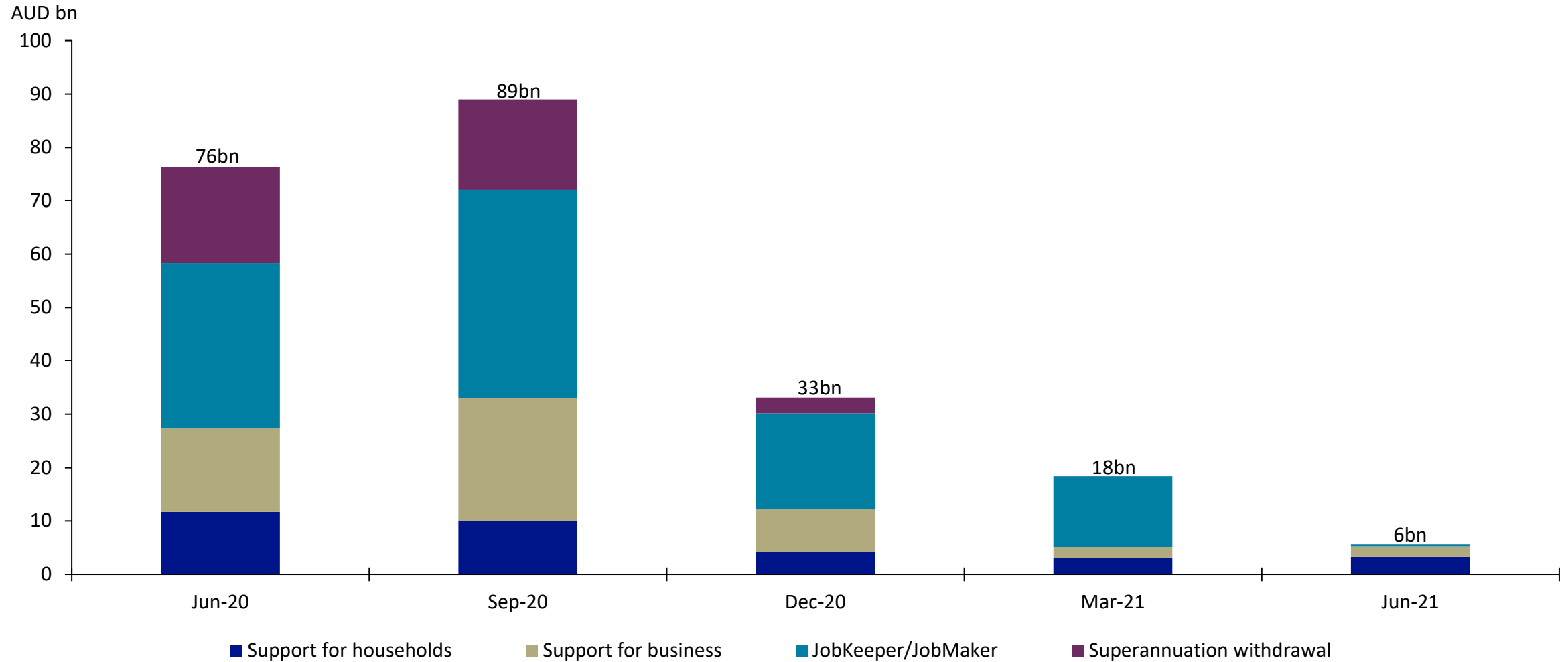
The Apple driving indices show activity above 100 in Sydney, Brisbane and Perth, exceeding pre-COVID levels.



¹Apple Driving Index – shows a relative volume of directions requests per country/region from Apple Maps

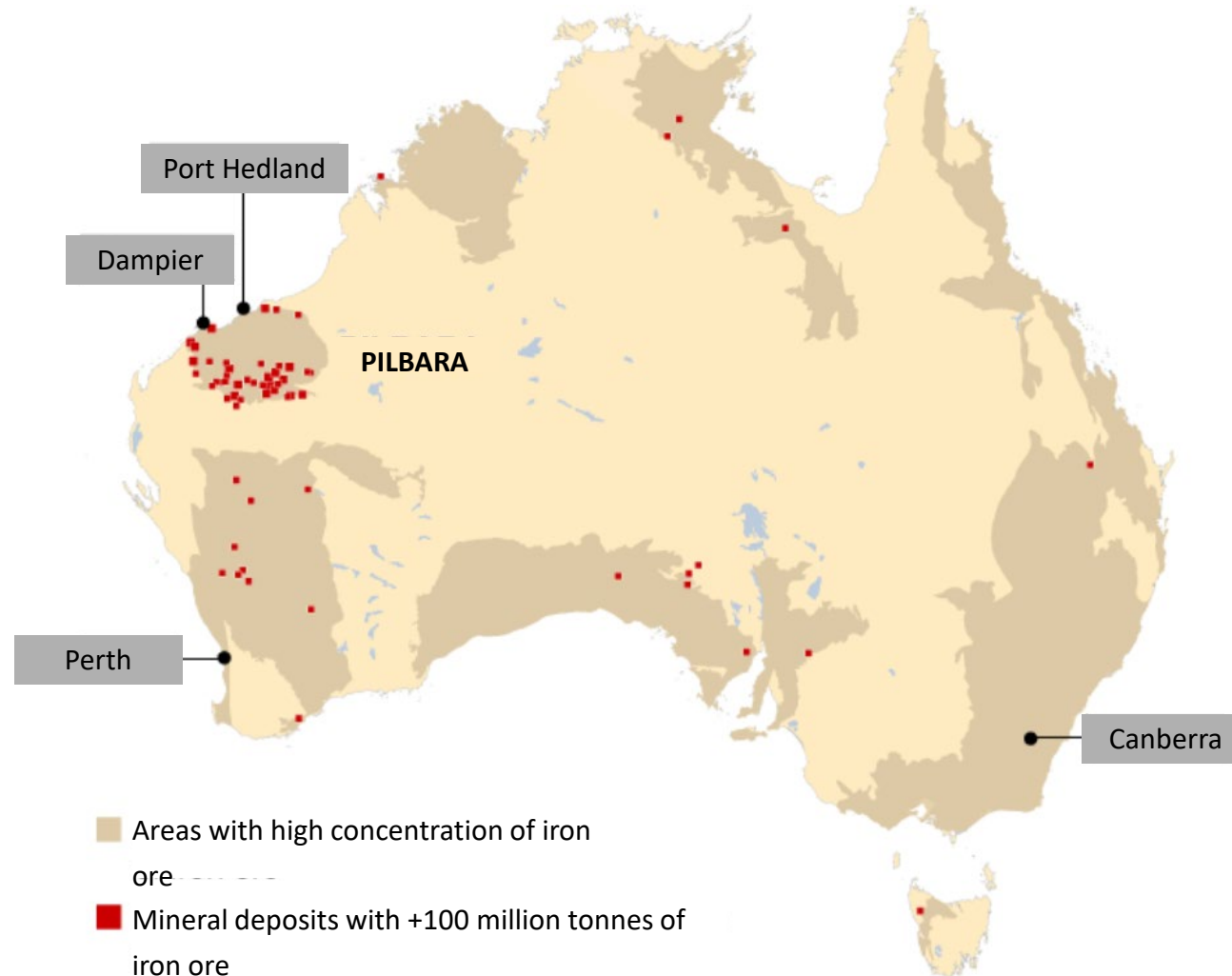
GOVERNMENT STIMULUS RELEVANT TO HOUSEHOLDS

Government stimulus for households is expected to decline from now on.



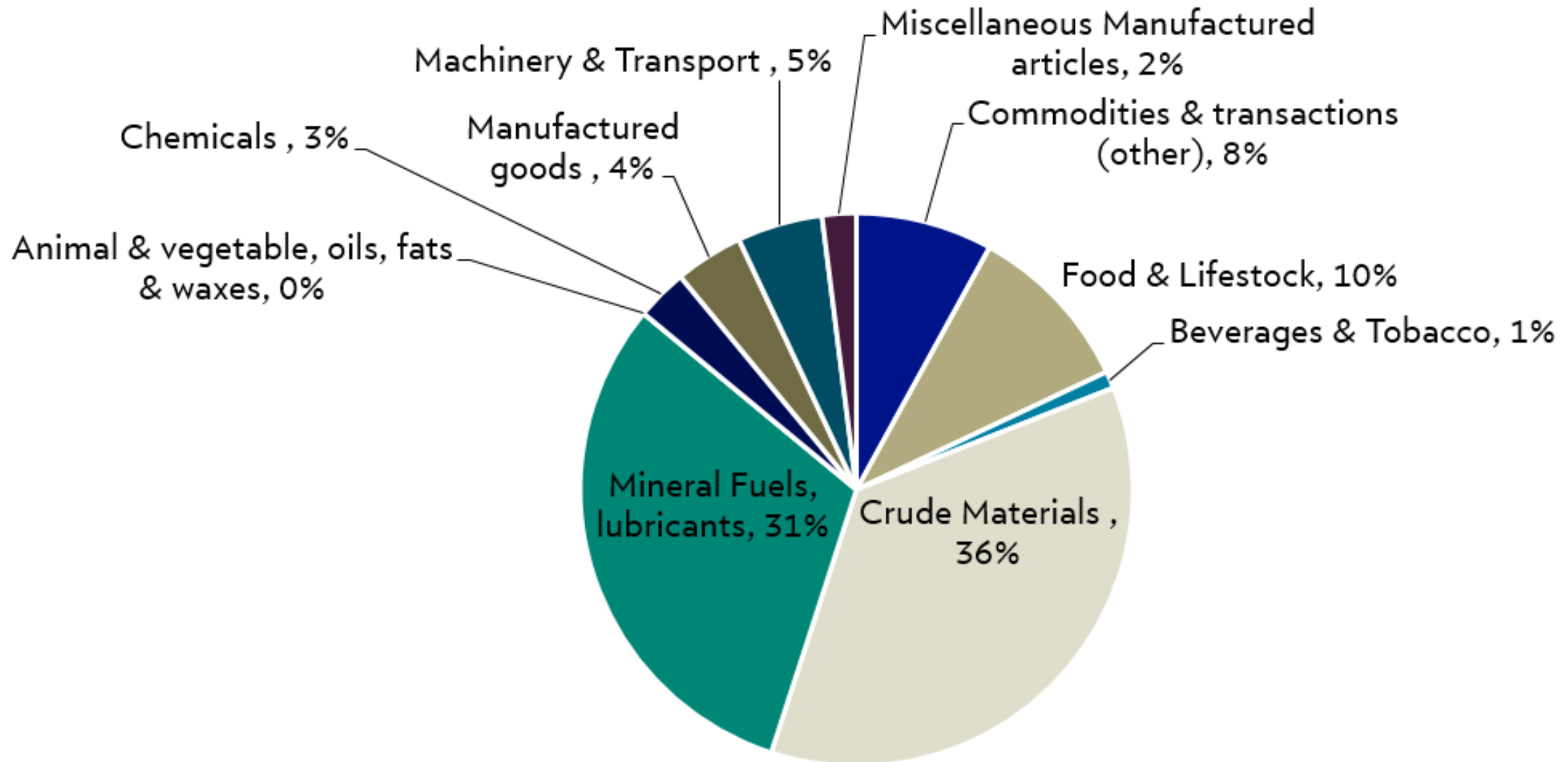
AUSTRALIA'S IRON ORE DEPOSITS

Australia is the world's largest producer of iron ore, most from Western Australia.



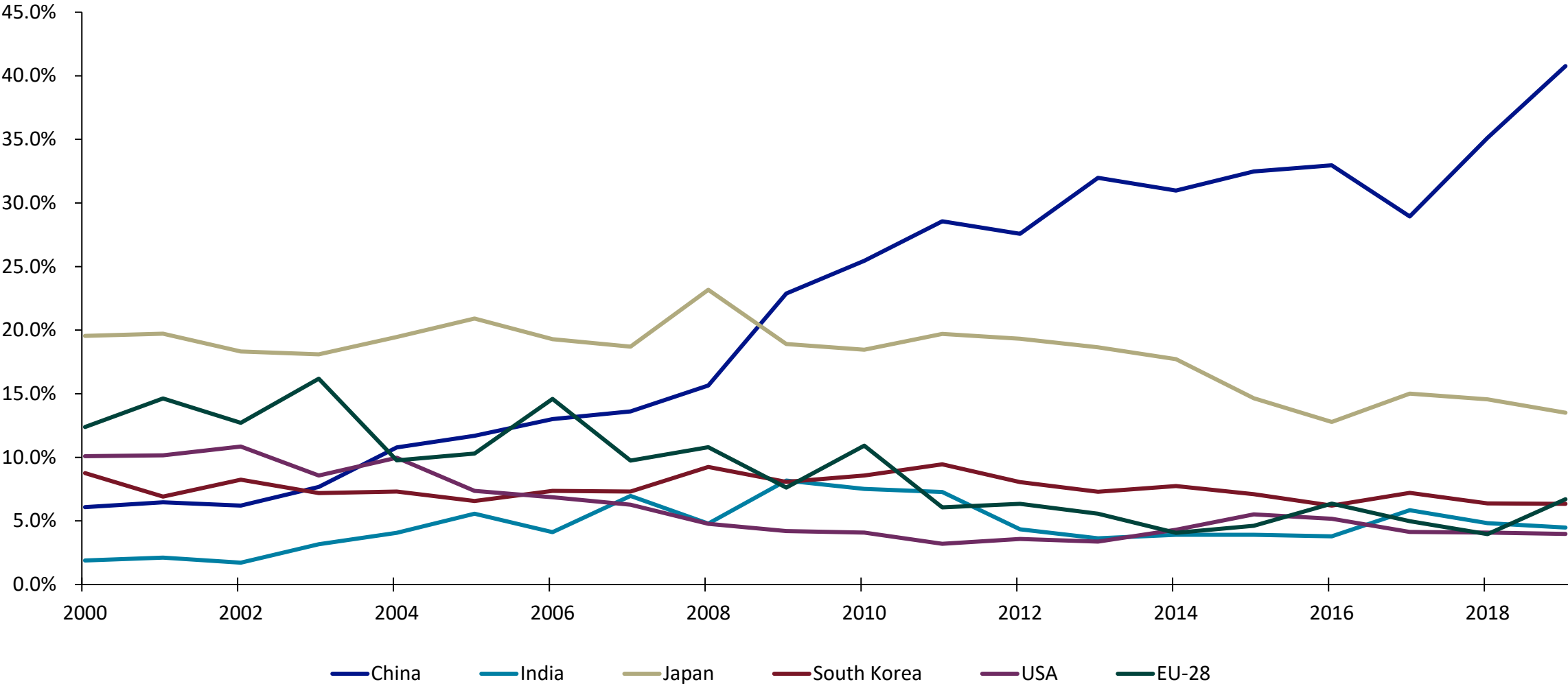
AUSTRALIAN EXPORTS BY CATEGORY

Over two-thirds of Australia's exports are crude materials and mineral fuels.



AUSTRALIAN EXPORTS BY DESTINATION AS % OF TOTAL

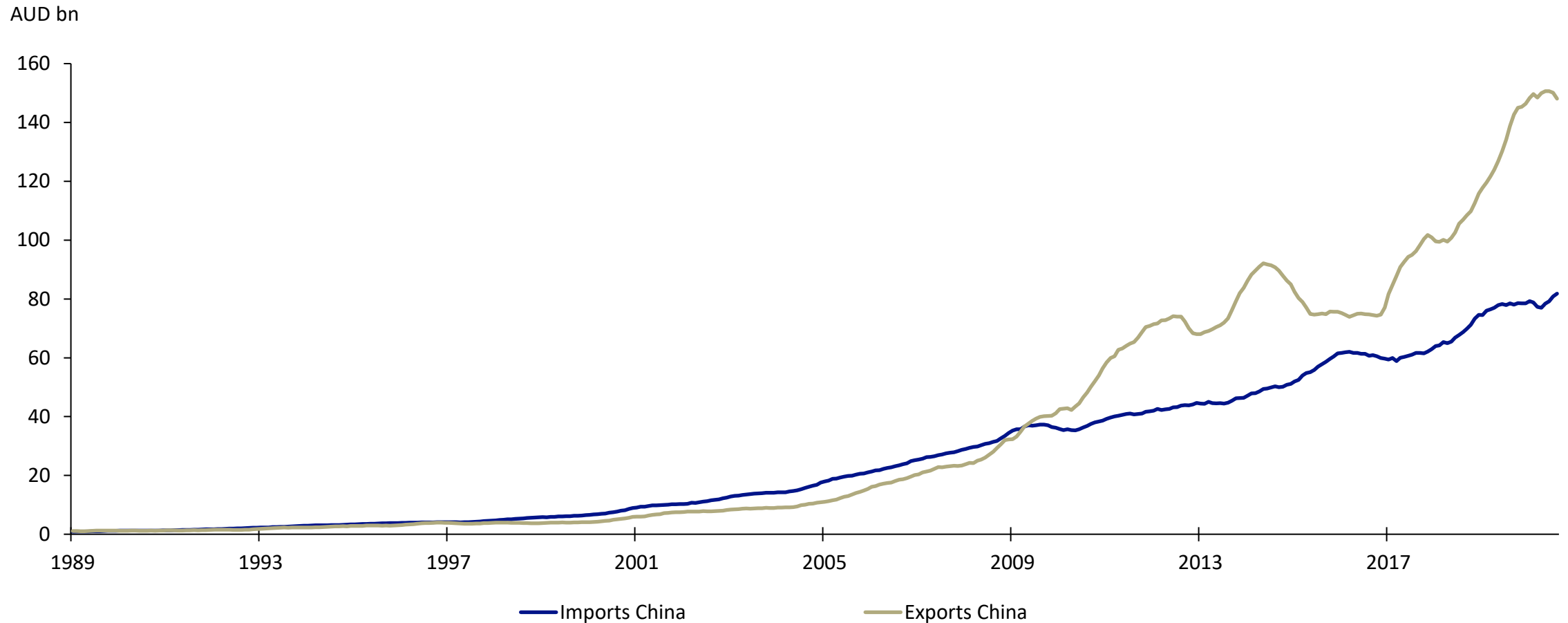
Australia is a massive net exporter to China.



Source: Jefferies, Australian Bureau of Statistics

AUSTRALIAN TRADE RELATIONSHIP WITH CHINA

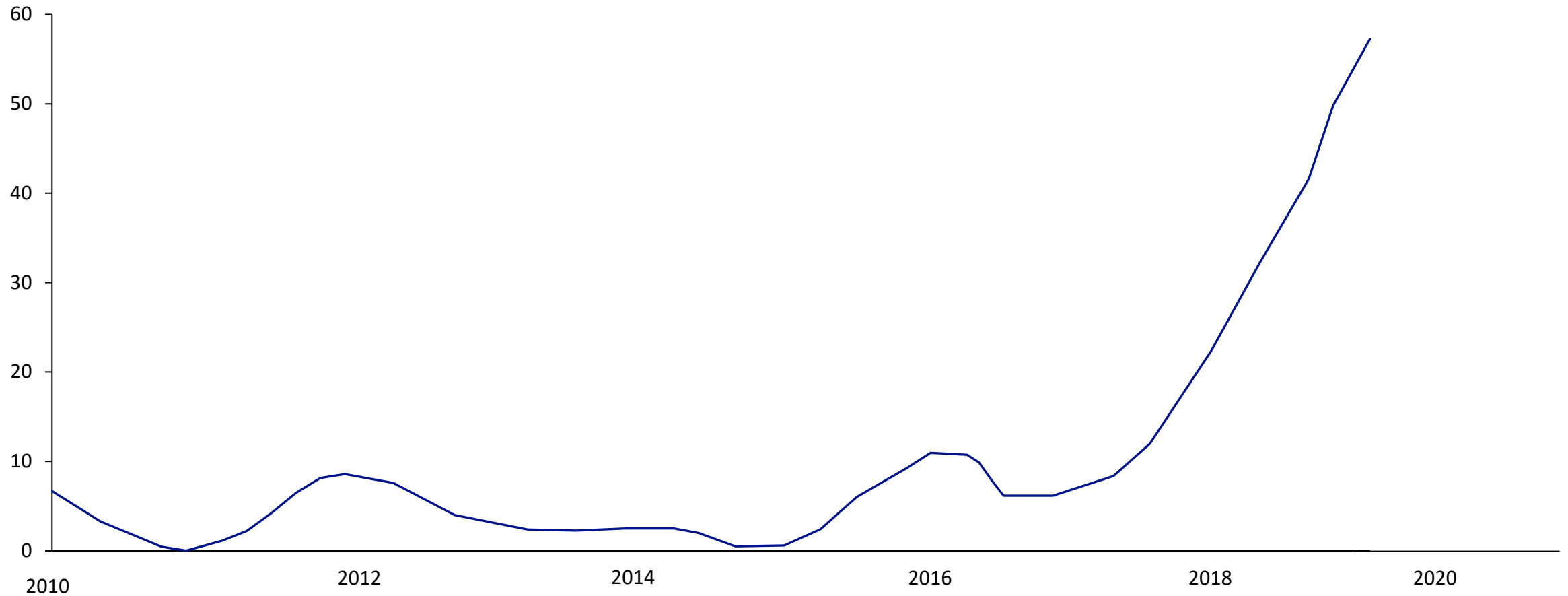
The trade surplus with China has been widening.



CASES OF COERCIVE DIPLOMATIC ACTIVITY BY CHINA

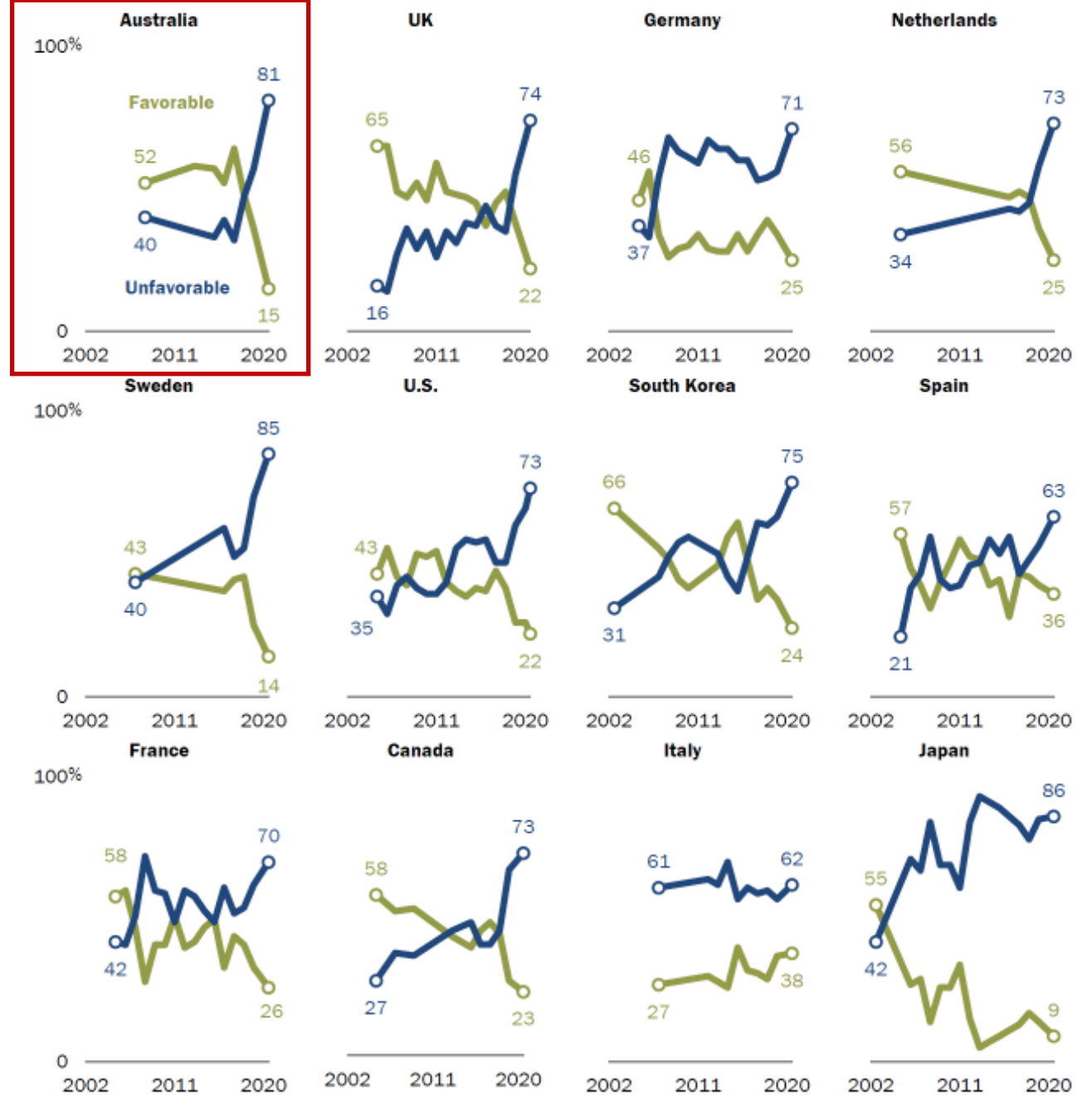
The Australian Strategic Policy Institute quantifies coercive diplomacy, and notes it has risen in China.

Number of cases



% WHO HAVE A FAVORABLE / UNFAVORABLE VIEW TOWARD CHINA

— Favorable
— Unfavorable



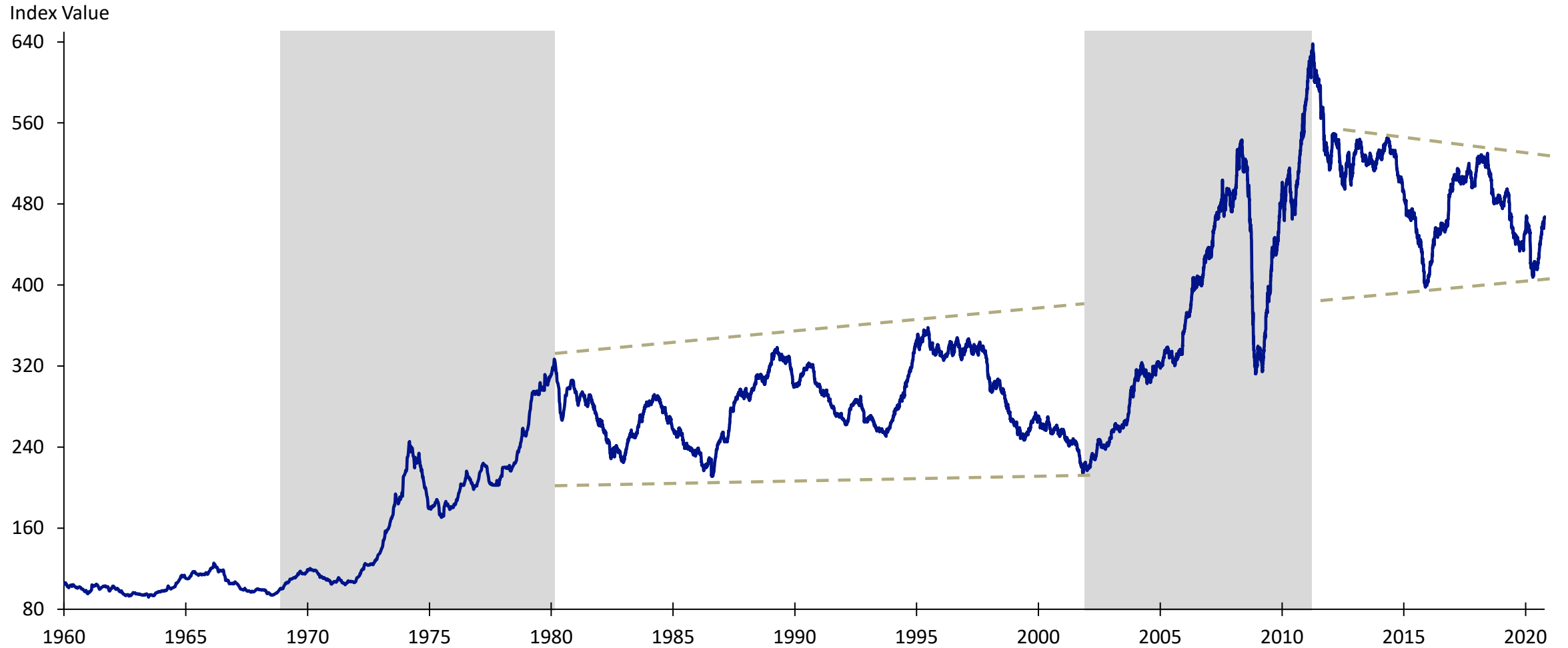
% GROSS VALUE ADDED BY INDUSTRY

Australia is a services based economy as is employment.

| % Gross Value Added by Industry | Jun-1990 | Jun-2010 | Jun-2019 |
|---------------------------------|--------------|--------------|--------------|
| Agriculture | 4.6% | 2.4% | 2.2% |
| Mining | 4.9% | 7.9% | 10.2% |
| Manufacturing | 15.0% | 8.6% | 6.0% |
| Construction | 7.5% | 8.1% | 8.0% |
| Services | 68.0% | 73.0% | 73.6% |
| - Utilities | 3.9% | 2.5% | 2.7% |
| - Wholesale Trade | 5.4% | 4.6% | 3.9% |
| - Retail | 5.2% | 4.9% | 4.4% |
| - Hospitality | 2.2% | 2.5% | 2.5% |
| - Transport | 5.4% | 5.0% | 5.0% |
| - Telecommunications | 3.5% | 3.4% | 2.4% |
| - Financial Services | 5.8% | 8.6% | 9.3% |
| - Real Estate | 340.0% | 2.6% | 3.2% |
| - Scientific & Technical | 4.4% | 6.9% | 7.1% |
| - Admin | 2.1% | 3.3% | 3.7% |
| - Public Admin | 6.1% | 5.6% | 5.5% |
| - Education | 4.6% | 4.8% | 5.0% |
| - Health Care | 5.0% | 6.5% | 7.5% |
| - Arts & Recreation | 0.8% | 0.9% | 0.9% |
| - Other | 10.2% | 10.9% | 10.5% |

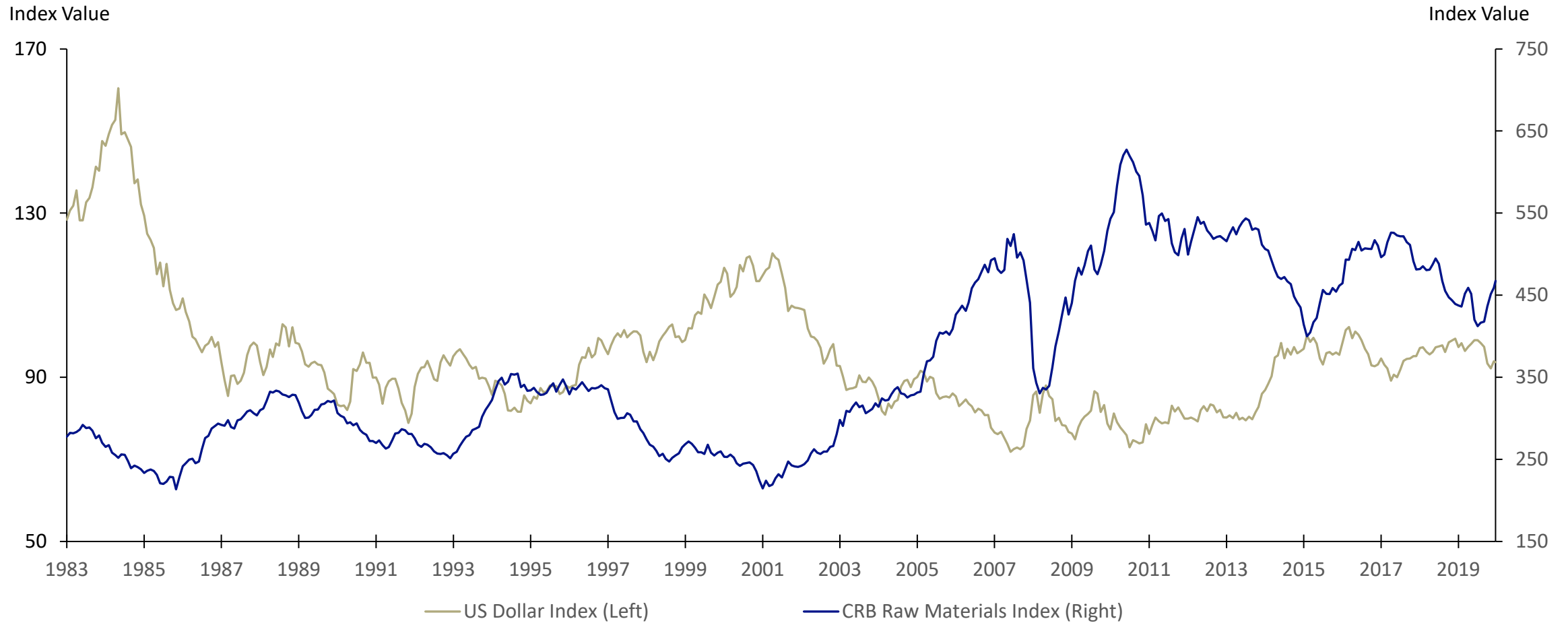
CRB RAW MATERIALS INDEX

Outside of booms, commodities prices tend to move in mini-cycles.

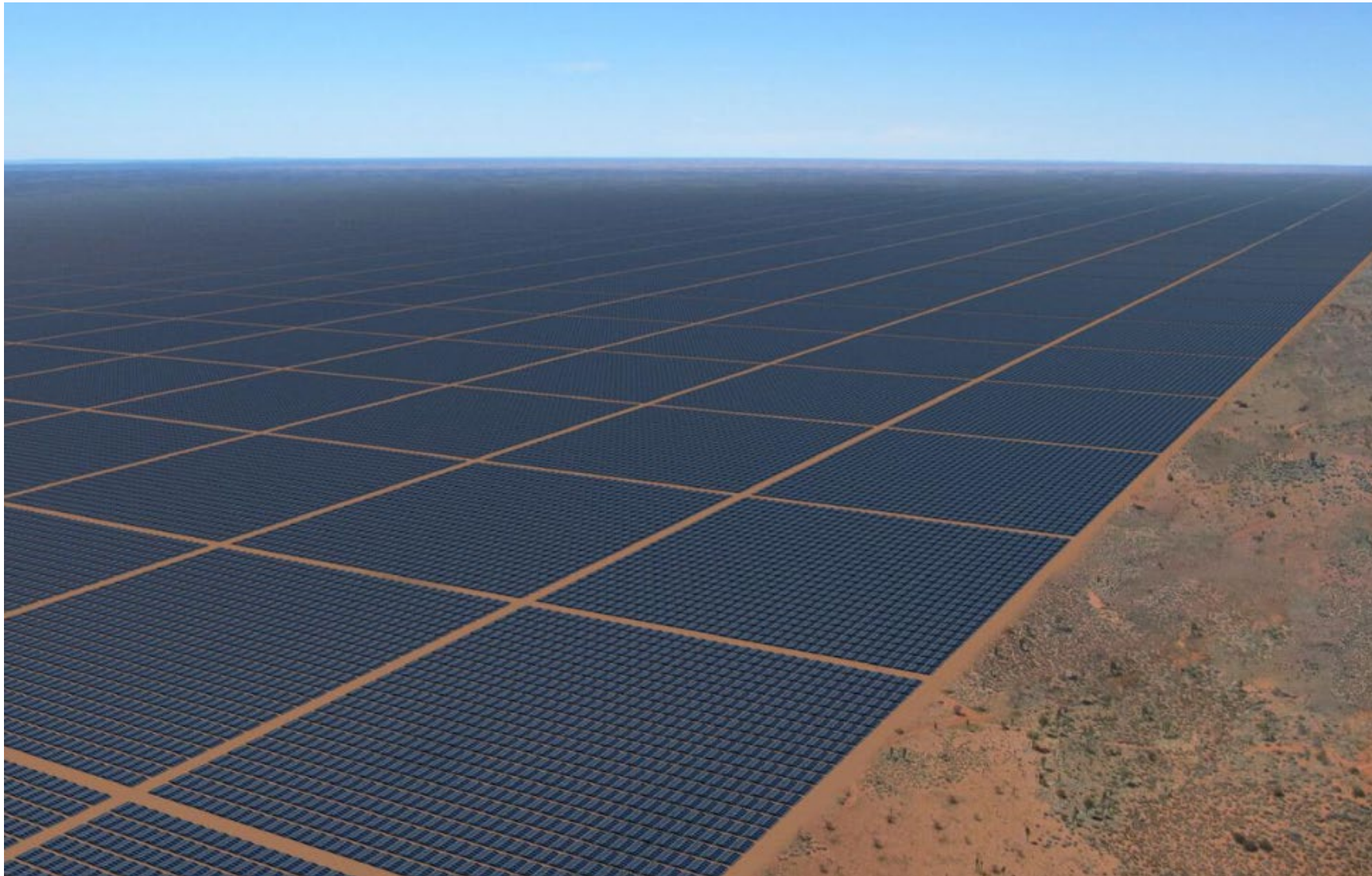


CRB RAW MATERIALS INDEX & US DOLLAR INDEX

The dollar and raw materials prices have historically been inversely correlated.



AUSTRALIA: A SOLAR SUPERPOWER



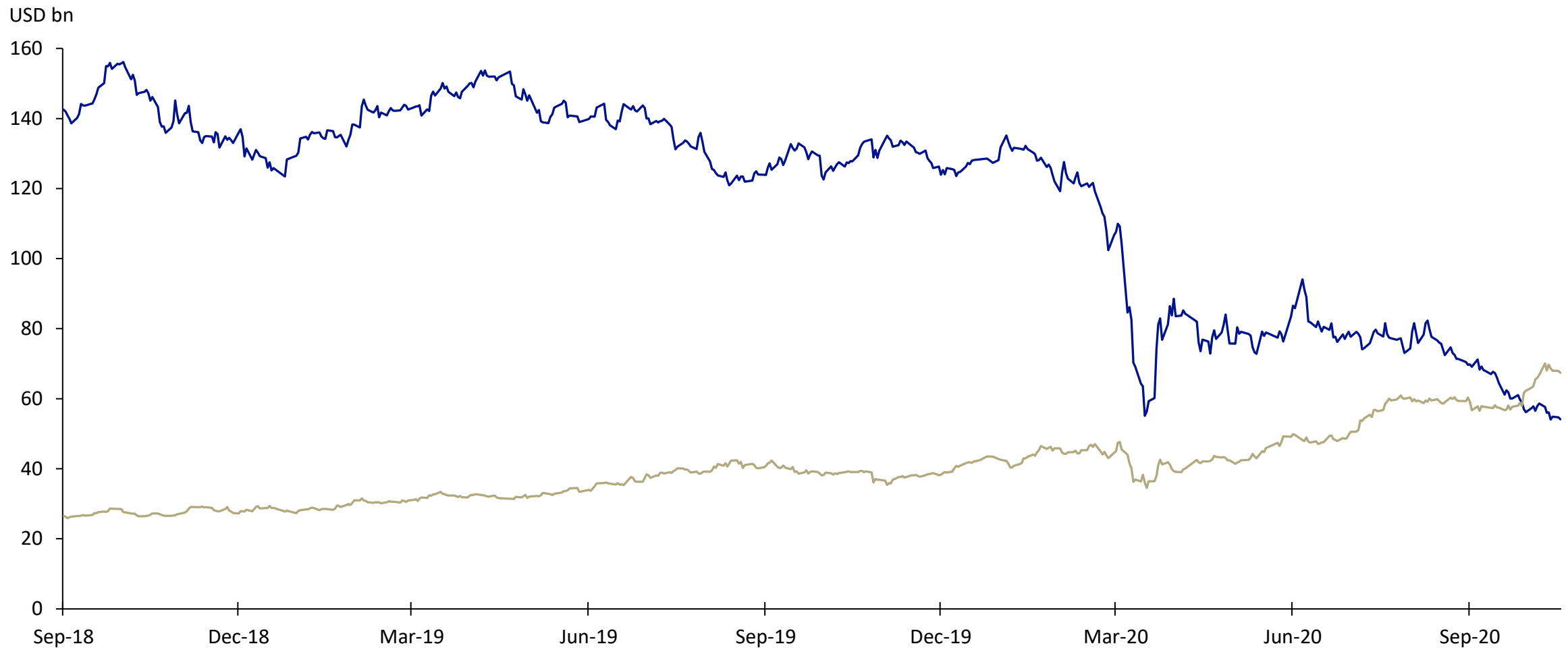
RENEWABLE ENERGY FROM AUSTRALIA TO SINGAPORE

Sun Cable's plan to supply renewable energy to Singapore



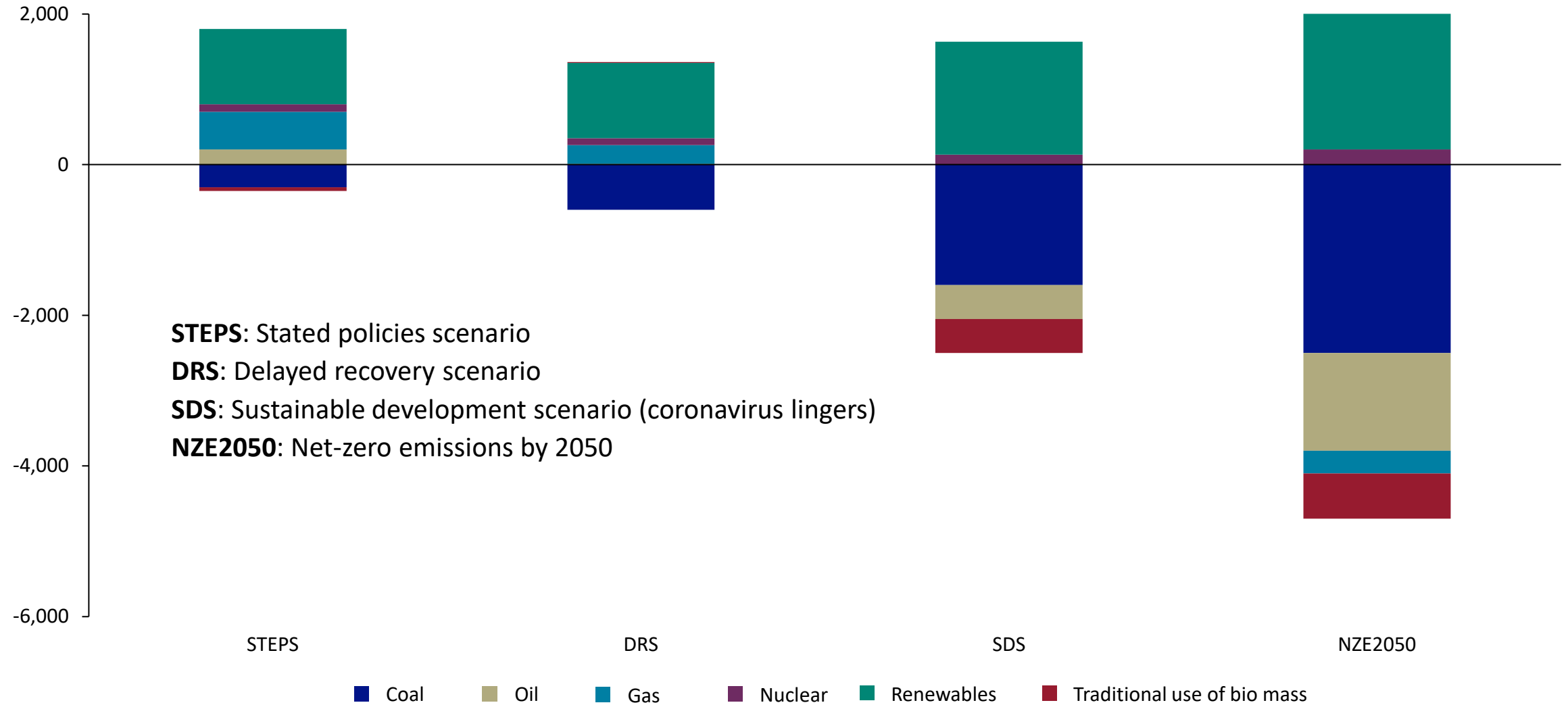
ORSTED A/S & BP MARKET CAPITALIZATION

Orsted, a Danish renewable energy company, is now more valuable than BP.



CHANGE IN ENERGY SOURCES FROM 2019 TO 2030 REQUIRED TO MEET ...

Million tonnes of oil equivalent (Mtoe)



ARTICLE FROM CARBON BRIEF NEWSPAPER

“Solar is now ‘cheapest electricity in history’, confirms IEA”

(13 Oct) – The International Energy Agency’s **World Energy Outlook 2020 has 43% more solar output by 2040 than it expected in 2018, partly due to detailed new analysis showing that solar power is 20-50% cheaper than thought.**

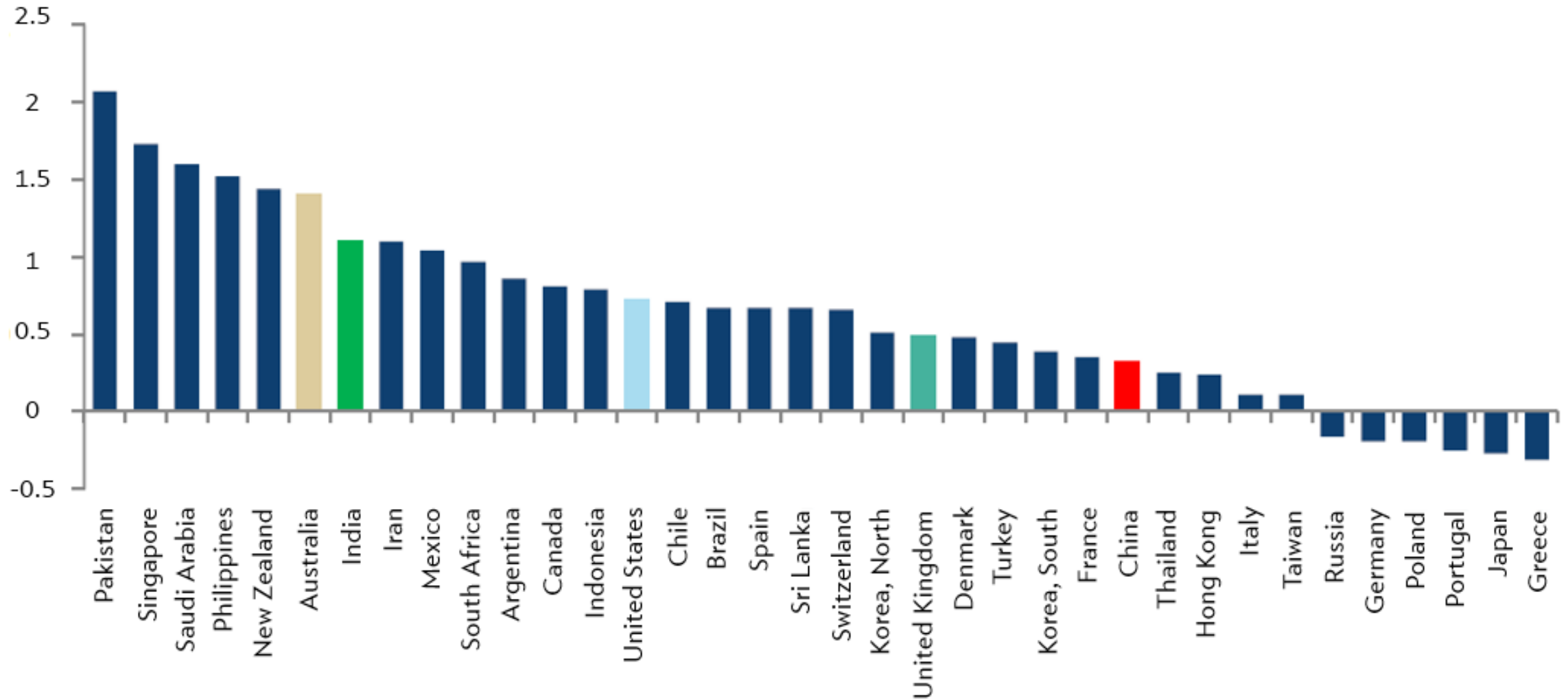
For the first time this year, the WEO has “detailed modelling” of a “net-zero emissions by 2050 case” (NZE2050). This shows what would need to happen for CO2 emissions to fall to 45% below 2010 levels by 2030 on the way to net-zero by 2050, with a 50% chance of meeting the warming 1.5C limit.

It says energy sources would have to change over the decade to 2030. Individual behaviour change, such as working from home “three days a week”, would play an “essential” role in reaching this new “net-zero emissions by 2050 case” (NZE2050).



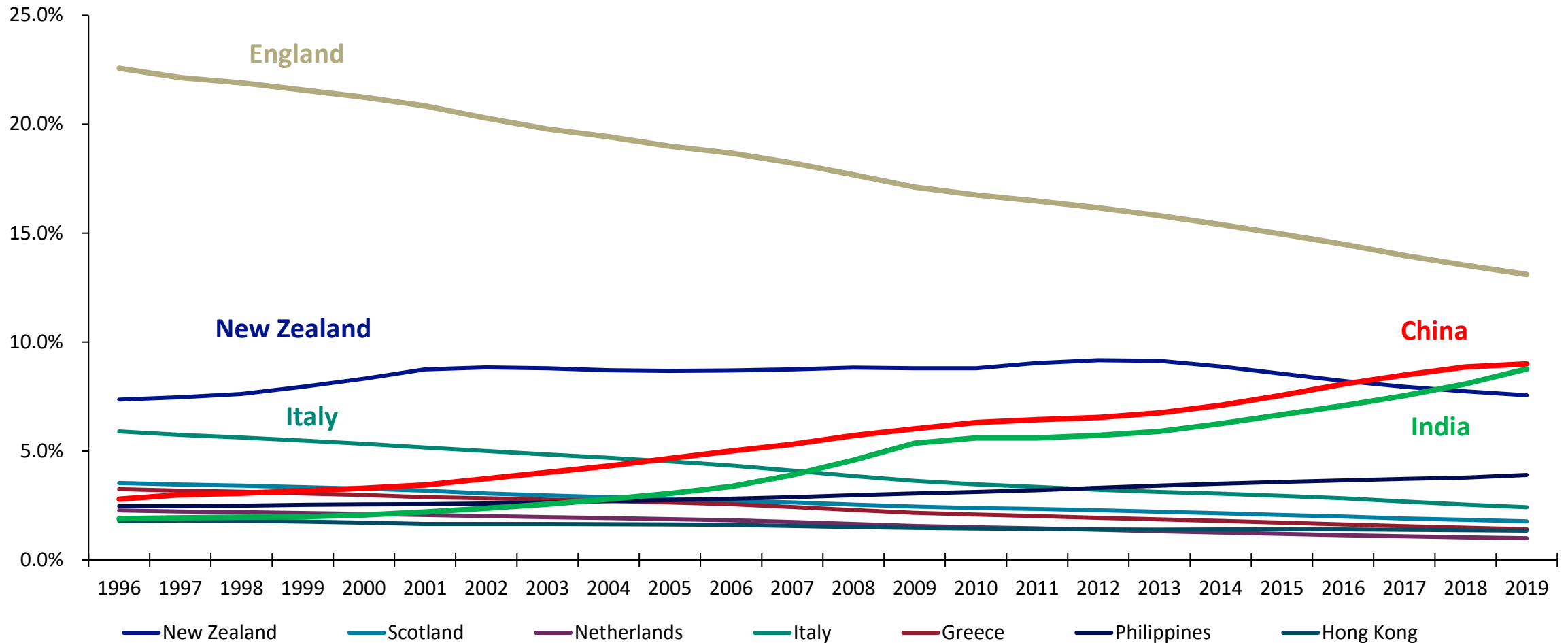
GLOBAL POPULATION GROWTH RATES (%) 2020 ESTIMATE

Australian GDP has benefitted from strong population growth.



AUSTRALIAN RESIDENTS BORN OVERSEAS

The proportion of residents born in the UK has been consistently falling and the aggregate of those born in China and India is greater.



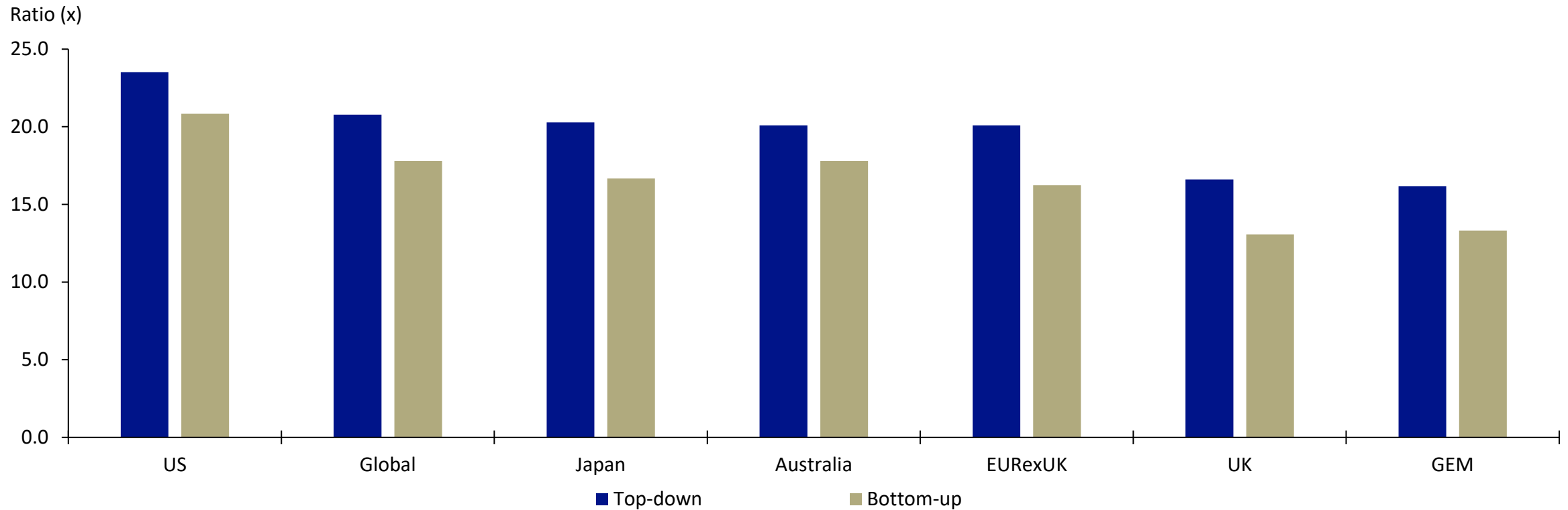
ASX200 CONSENSUS EPS GROWTH ESTIMATES

| ASX200 Consensus EPS Growth Estimate in (%) | FY19 | FY20(f) | FY21(f) | FY22(f) | FY19-22e CAGR |
|---|------------|--------------|-------------|-------------|------------------|
| Market | 3.1 | -17.5 | -2.3 | 16.9 | -1.9 |
| Resources | 21.4 | -2.7 | -9.2 | -0.3 | -4.2 |
| Market ex resources | -4.1 | -21.9 | 0.3 | 22.8 | -1.3 |
| Banks | -9.2 | -31.5 | 12.7 | 16.1 | -3.6 |
| Market ex resources, banks | -1.2 | -15.8 | -6.1 | 26.9 | 0.1 |
| Selected sectors | | | | | |
| Engineering | 4.5 | 2.6 | -14.5 | 6.9 | -2.1 |
| Retailing | -13.9 | -1.4 | -5.2 | 11.1 | 1.3 |
| Food & Staples Retailing | 7.6 | -3.9 | 8.7 | 8.6 | 4.3 |
| Food Beverage vs Tobacco | -0.8 | -7.8 | 9 | 19.1 | 6.2 |
| Health Care | 12.9 | -2.5 | 14 | 15.1 | 8.6 |
| Insurance | 22 | -28.2 | -50.2 | 158.7 | -2.5 |
| Diversified Financials | 0.8 | -12.5 | -15.1 | 18.9 | -4 |
| Information Technology | 16.4 | -27.2 | 9.8 | 36.9 | 3.1 |
| Communication Services | -33.2 | -21.6 | -12.4 | 12.6 | -8.2 |
| Utilities | 0.6 | -18.3 | -14.7 | -7.5 | -13.6 |
| Real Estate | 0.5 | -15.6 | -2.6 | 15.5 | -1.7 |

¹CAGR = Compound Annual Growth Rate

VARIOUS STOCK MARKET 2021 PRICE/EARNING RATIOS

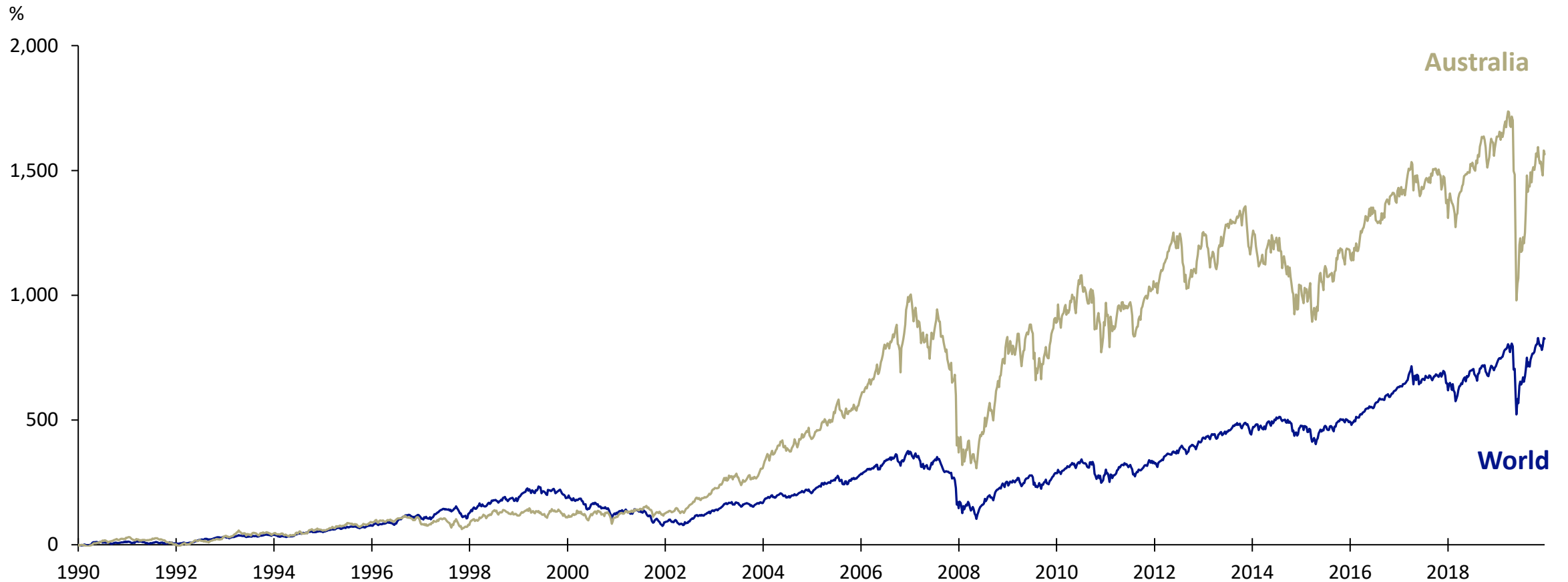
Australia's price/earnings ratio is lower than the US, but higher than Europe.



¹GEM = Growth & Emerging Markets

MSCI WORLD & MSCI AUSTRALIA CUMULATIVE TOTAL RETURNS

Over the past 30 years, Australia has returned 9.8% per year in dollars including dividends vs. 7.7% for the world.



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