

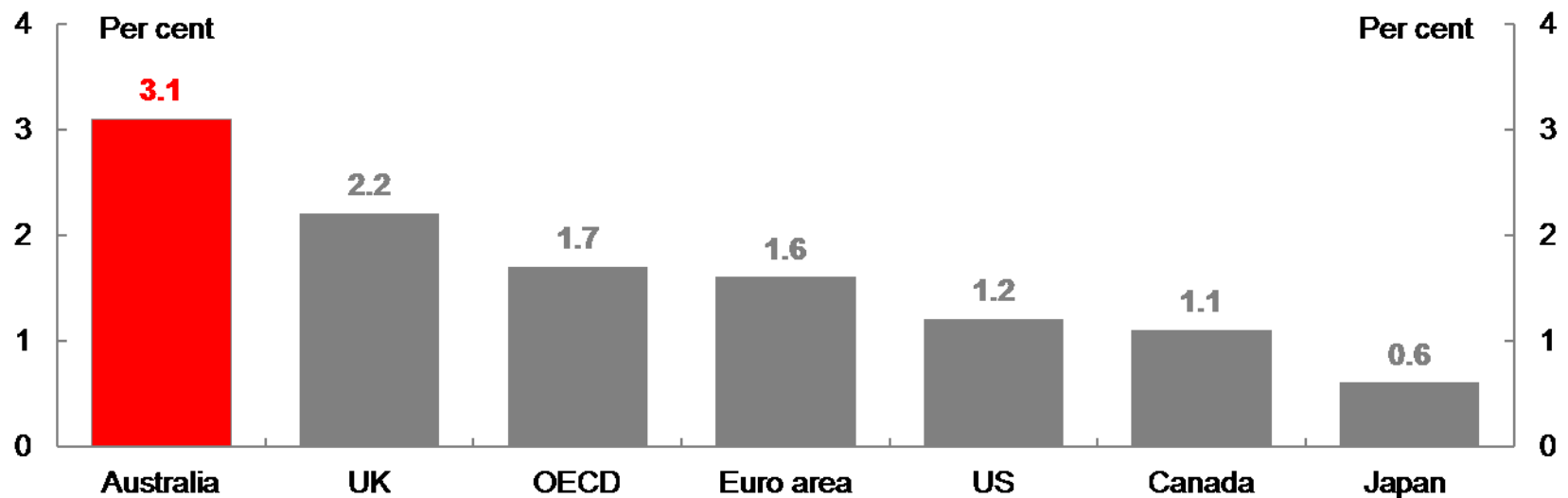
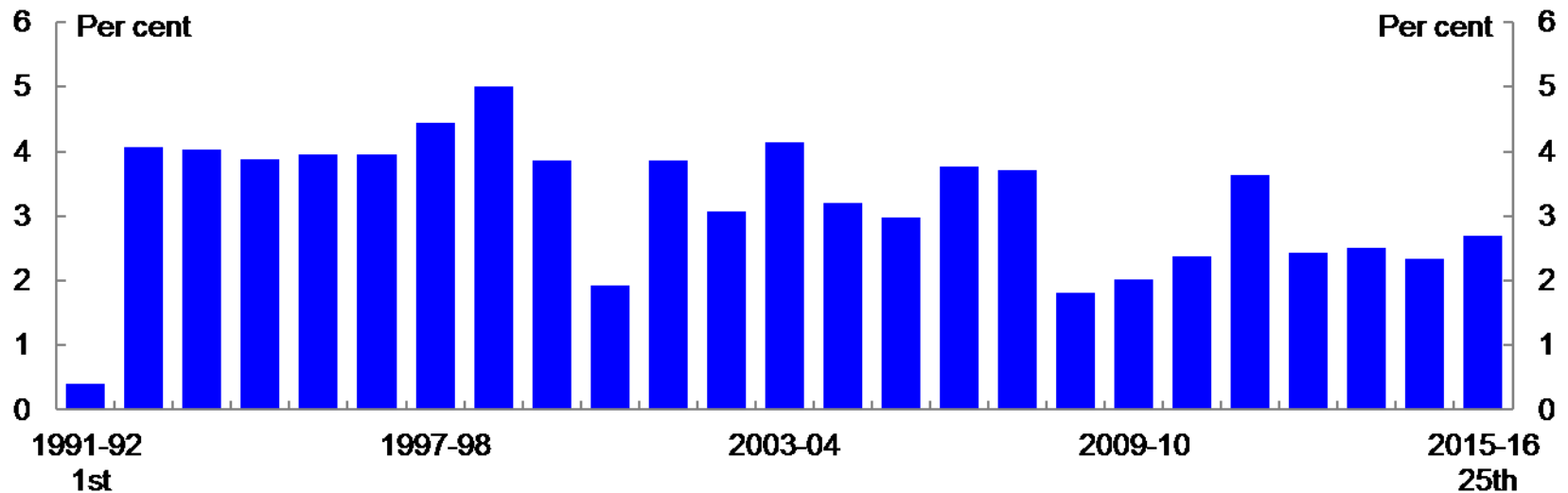


Staying the course – strengthening our resilience in uncertain economic times

25 August 2016

The Hon Scott Morrison MP
Treasurer

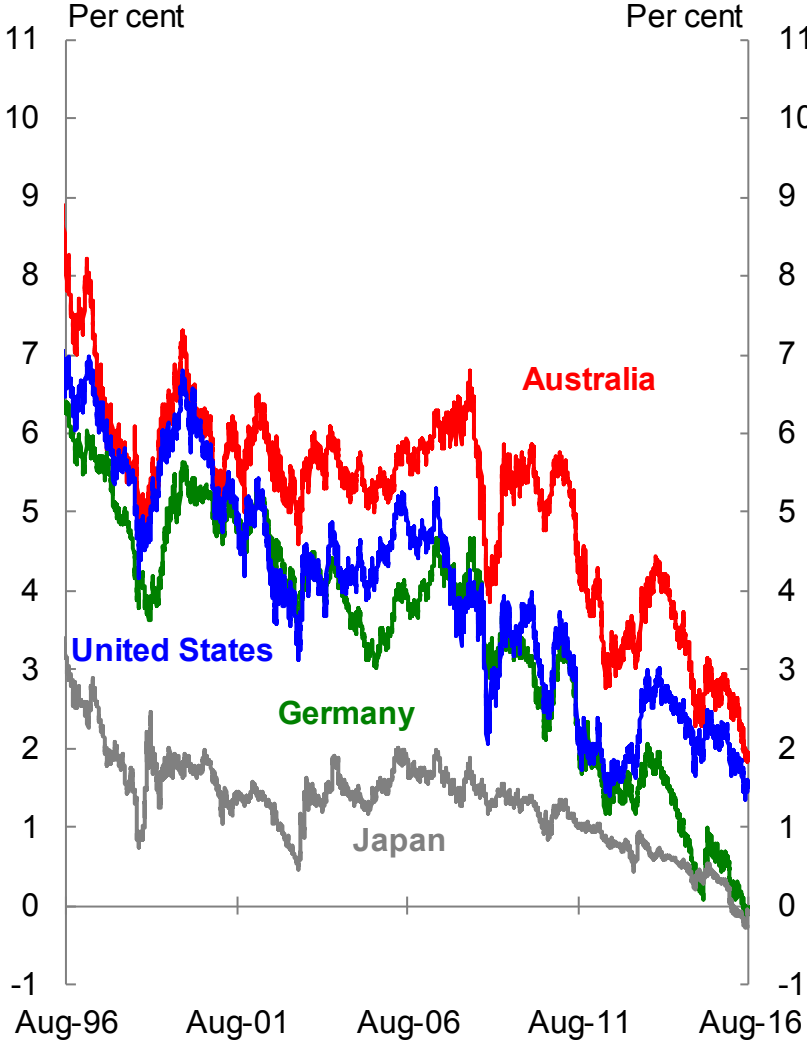
Economic growth



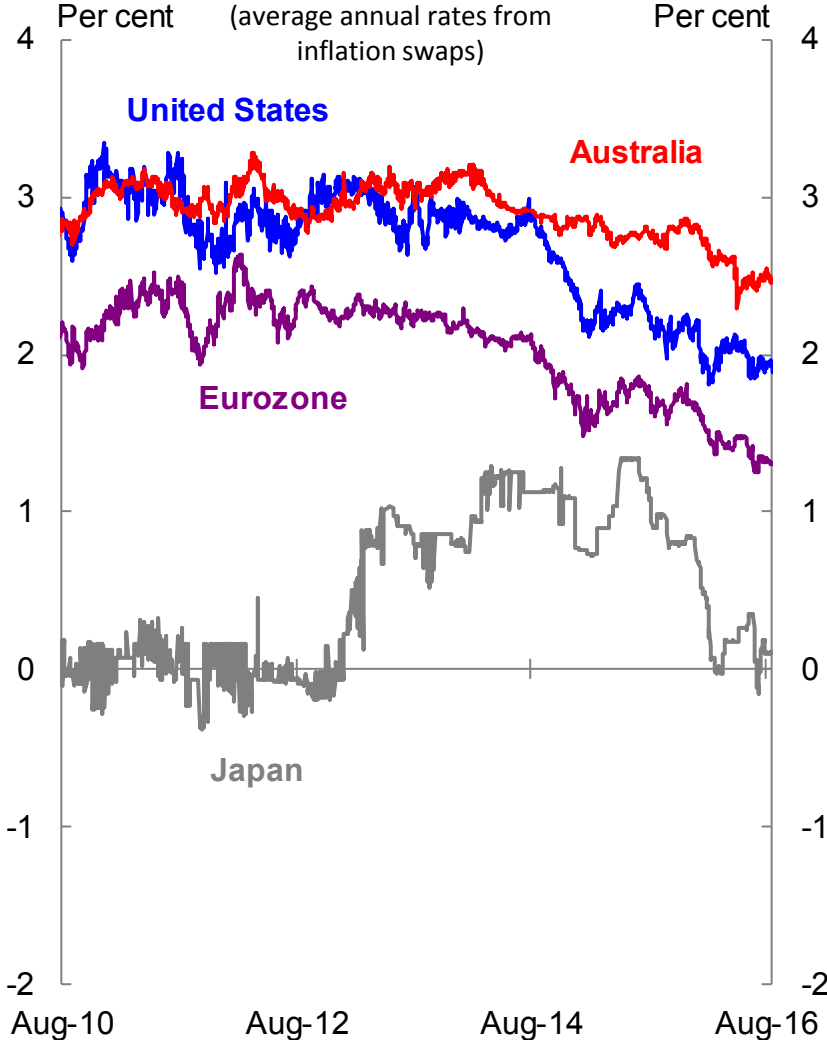
Source: ABS Cat. No. 5206.0, National Statistical Agencies, OECD and Thomson Reuters. Note: Top panel is annual average with 2015-16 estimated from quarterly data, bottom panel is through-the-year growth in the latest quarter.

Government bond yields and inflation expectations

10 year government bond yields

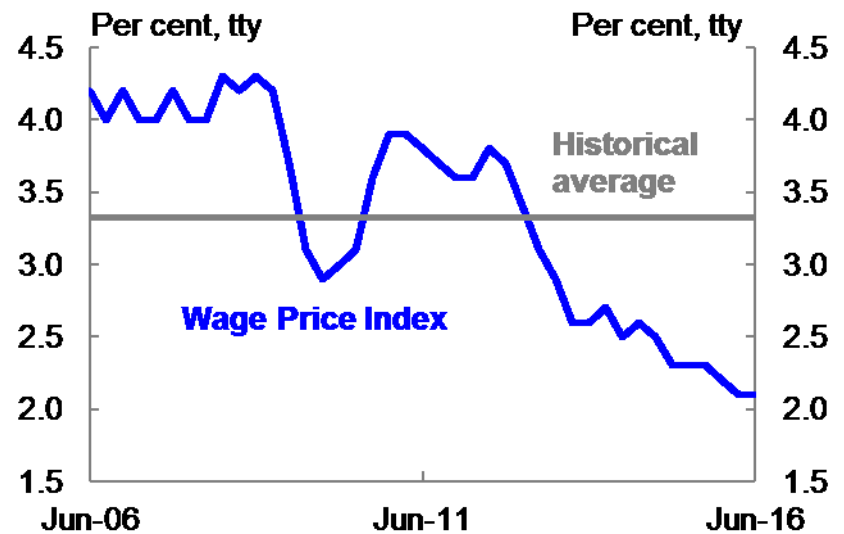
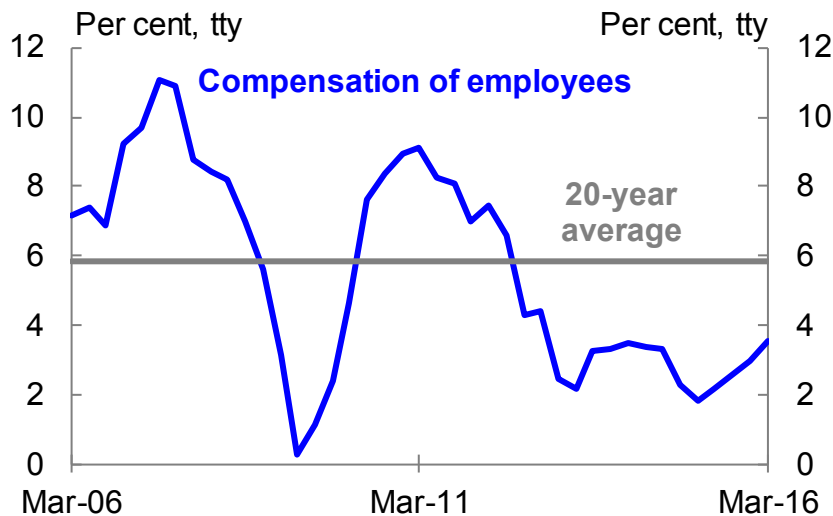
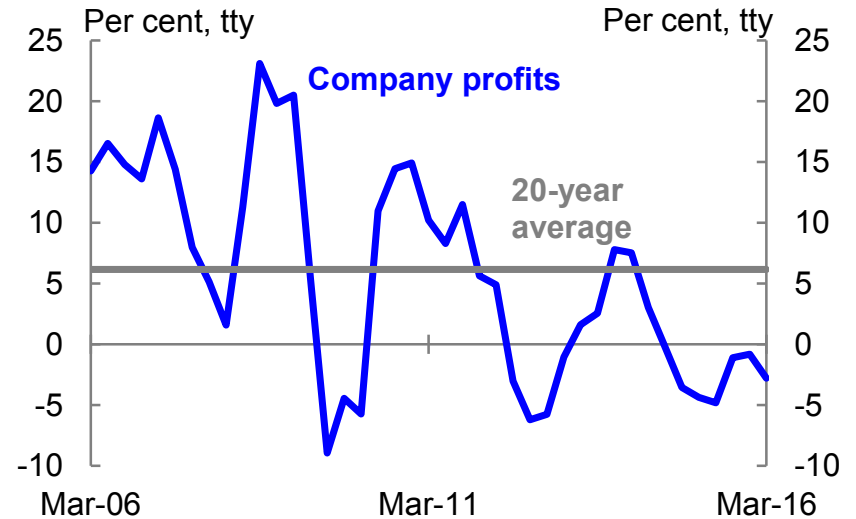
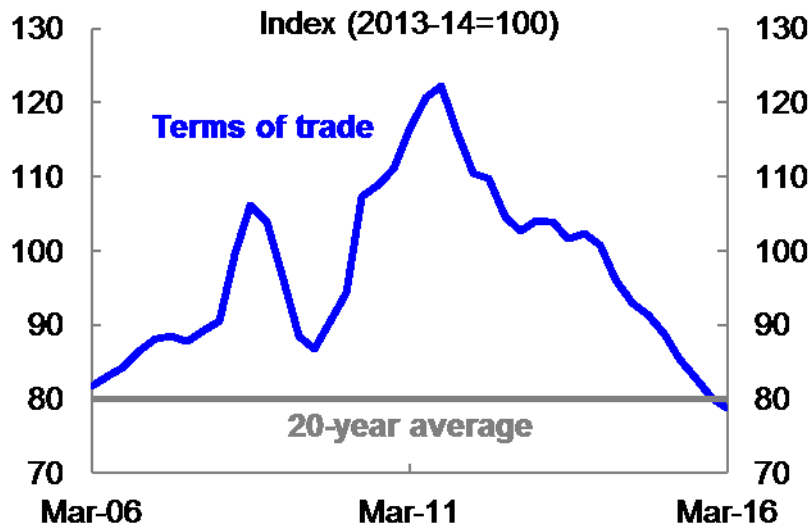


Market expectations for inflation over a five year period starting in five years time



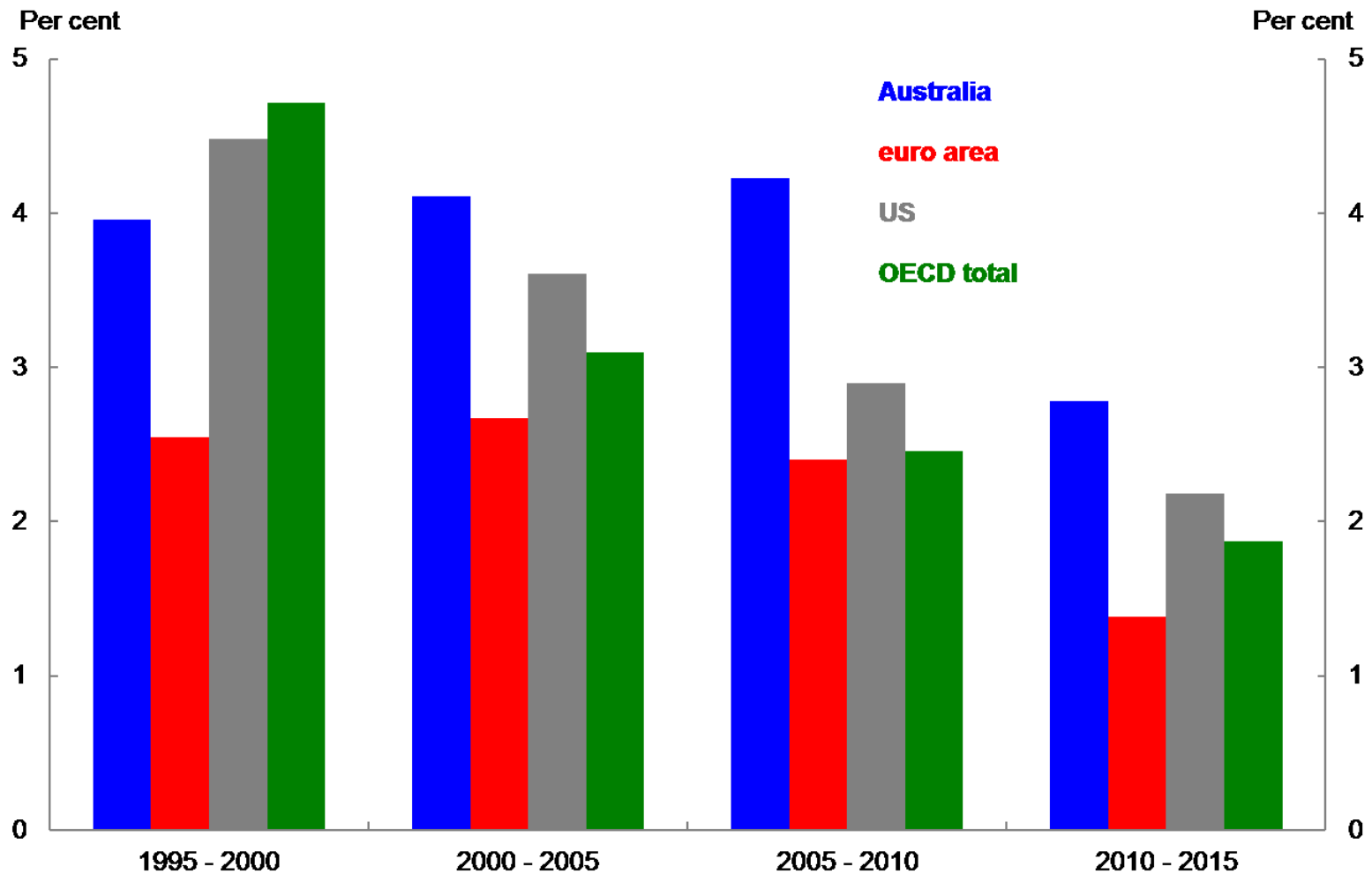
Source: Bloomberg

Prices and income



Source: ABS Cat No. 5206.0 and 6345.0. Note: Profit is the gross operating surplus (GOS) for private non-financial and financial corporations. GOS only includes the income derived from the production of goods and services and does not include depreciation, foreign exchange or other revaluation gains and losses.

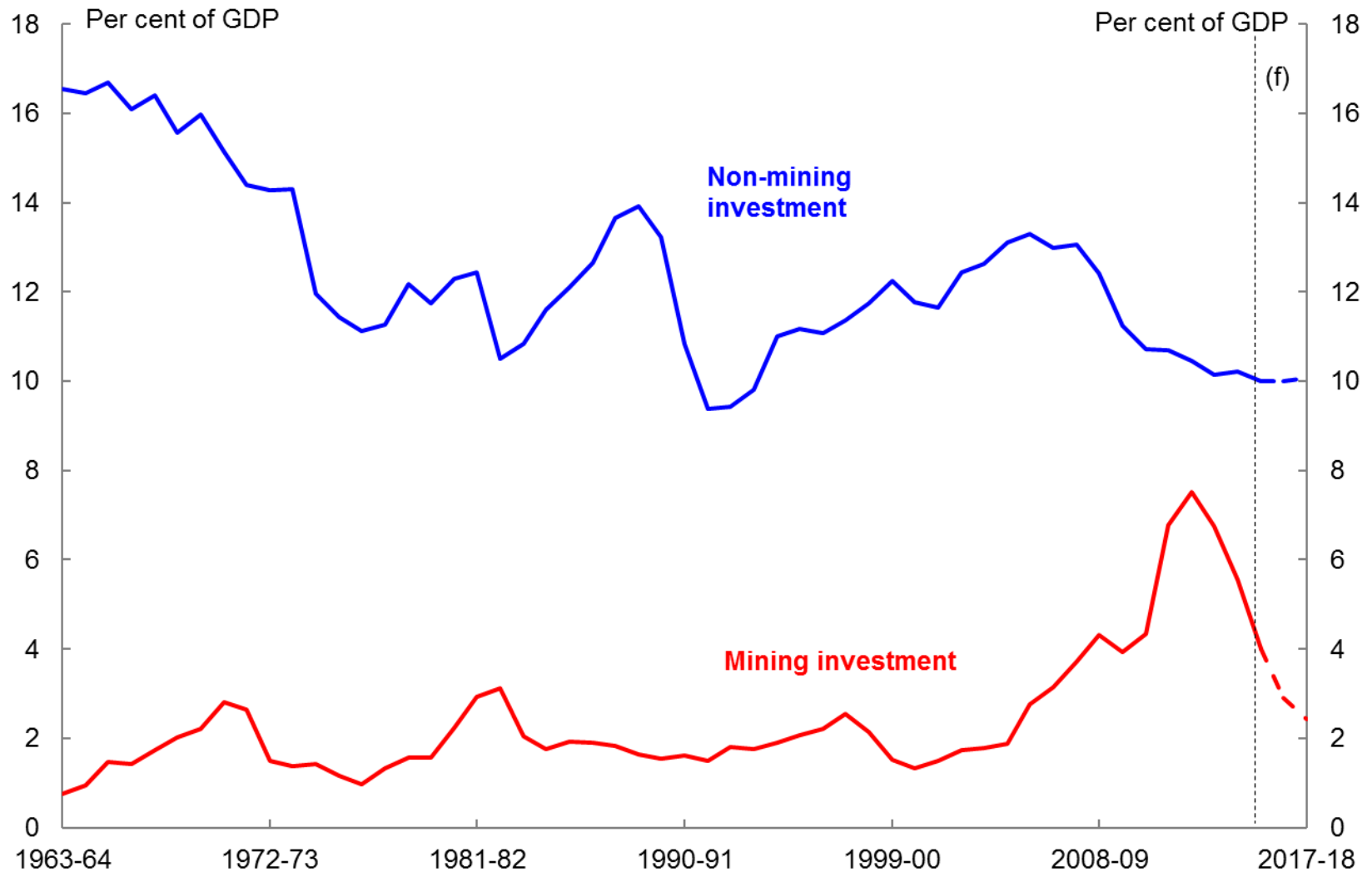
Wages growth – international comparison



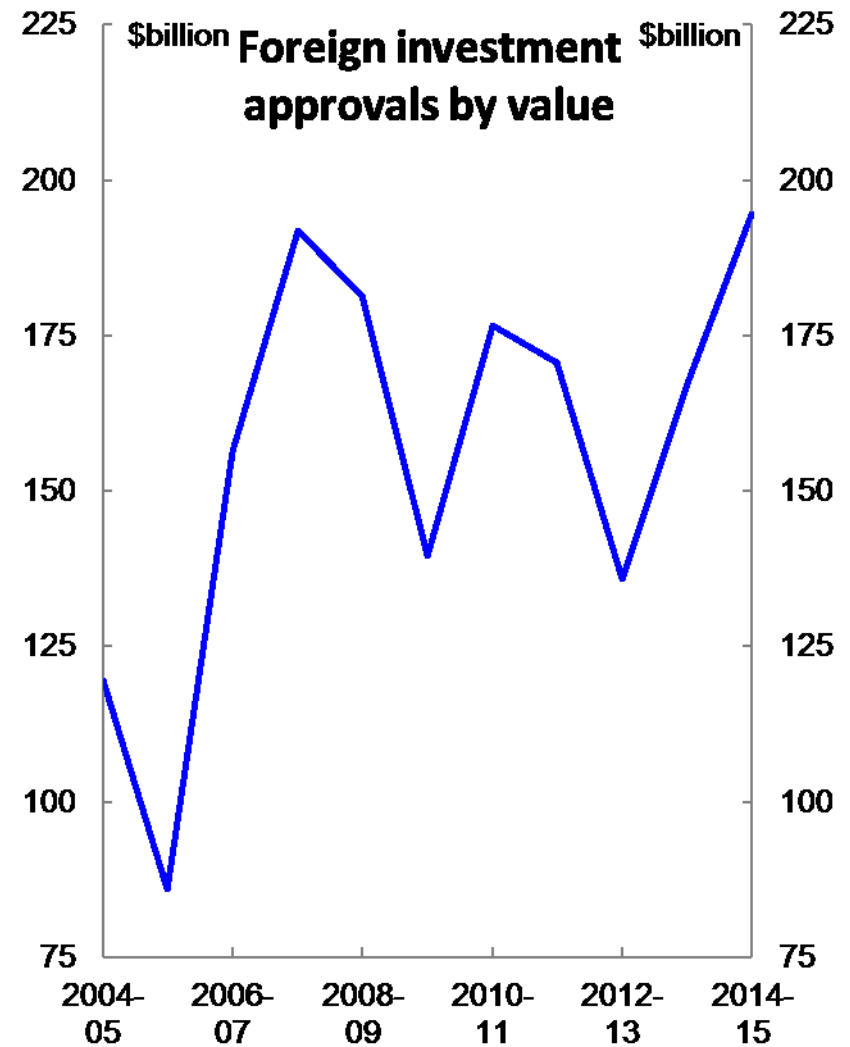
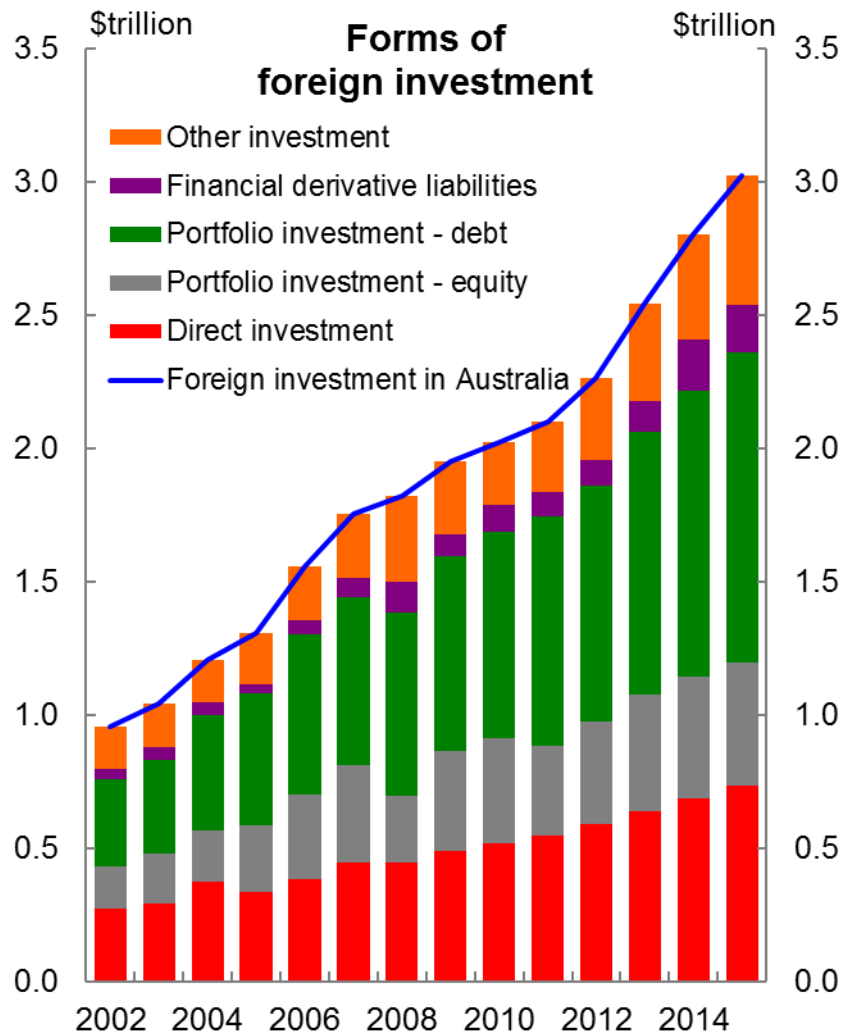
Source: OECD Economic Outlook, June 2016.

Note: Five year annual average. Measure used is compensation of employees

Mining and non-mining investment

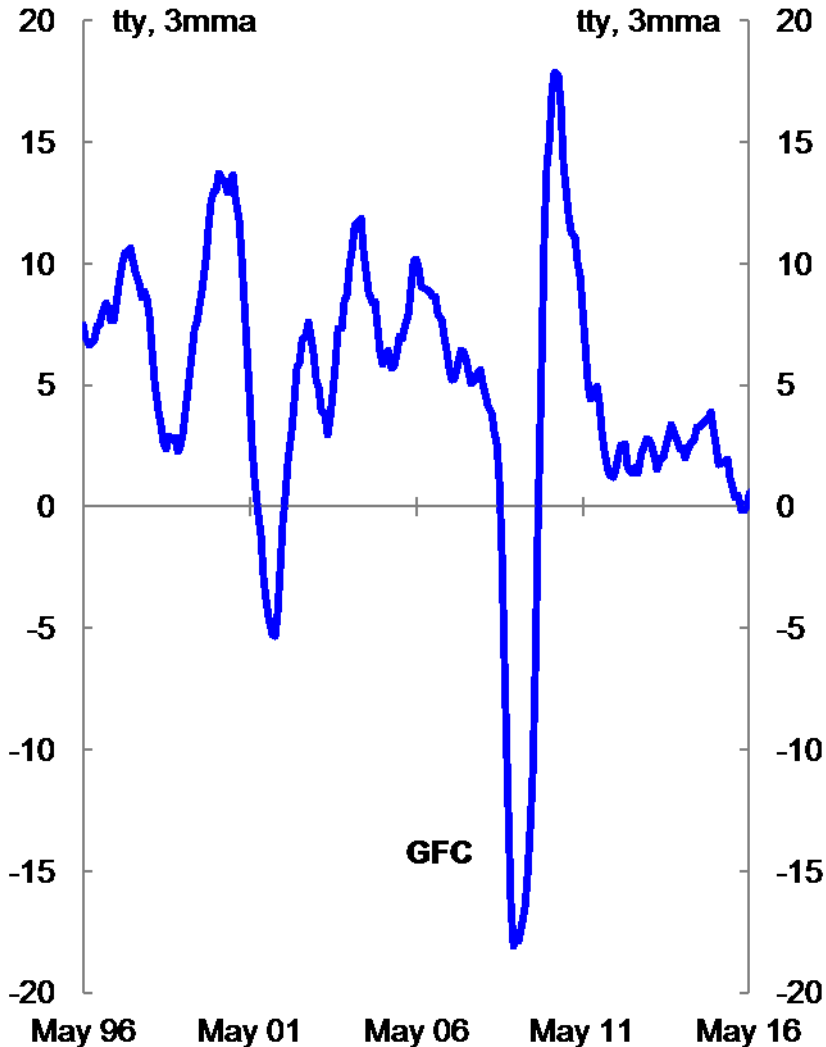


Foreign investment

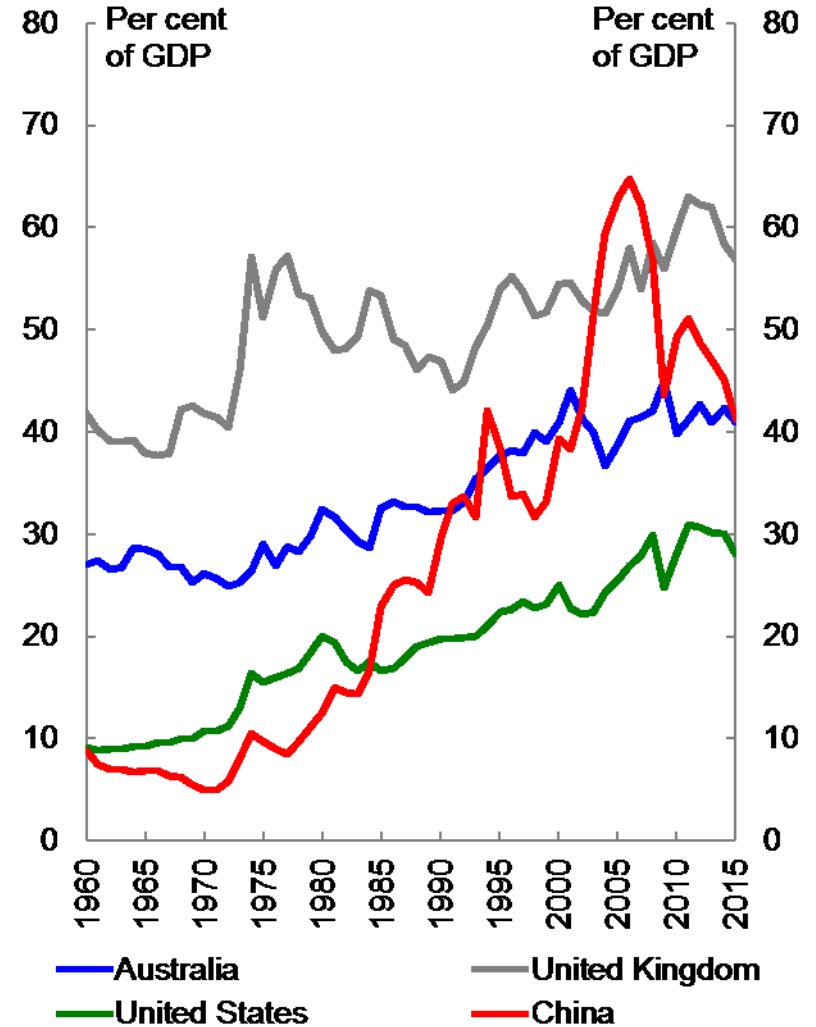


Trade

World merchandise trade volumes



Trade intensity

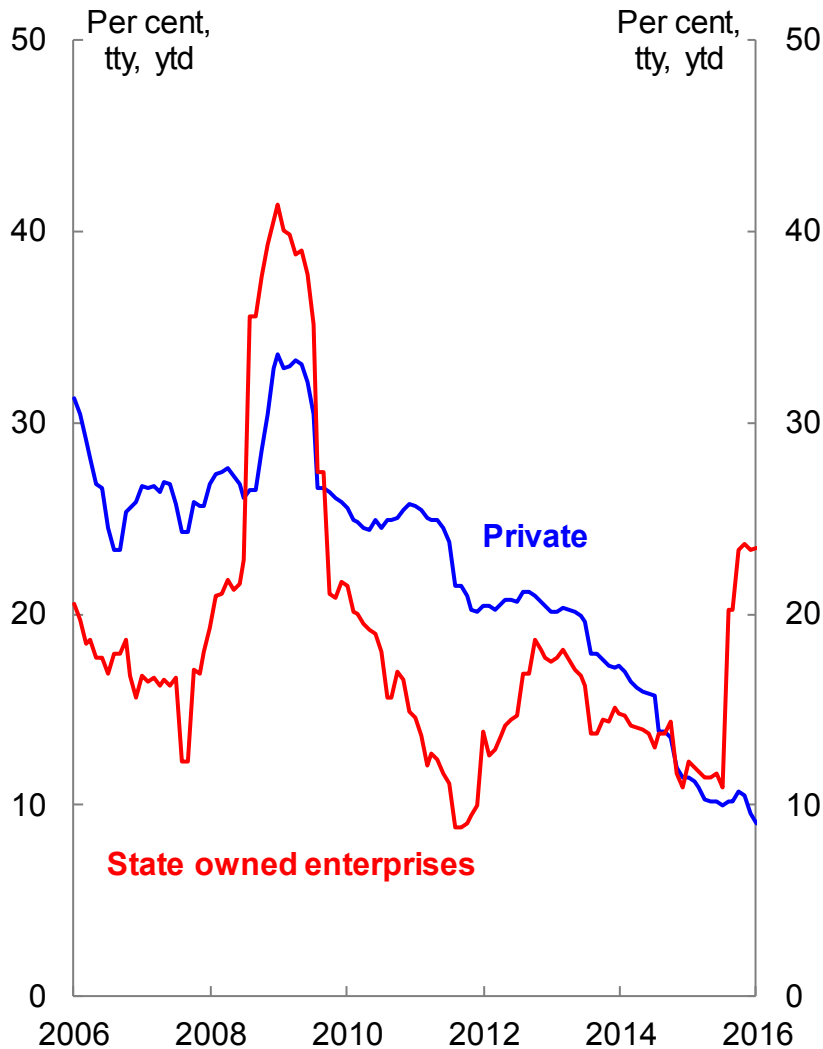


Source: Bloomberg and World Bank.

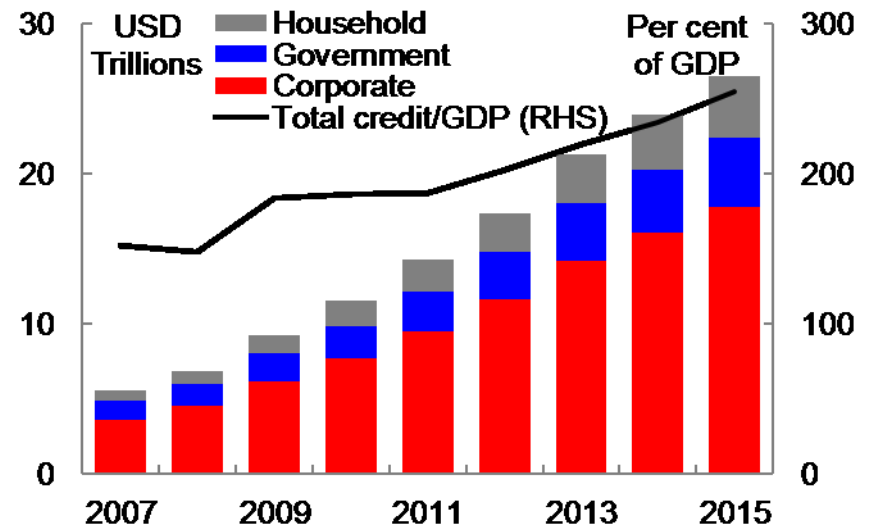
Note: Trade intensity is measured as the sum of exports and imports of goods and services measured as a share of GDP.

China's investment and debt

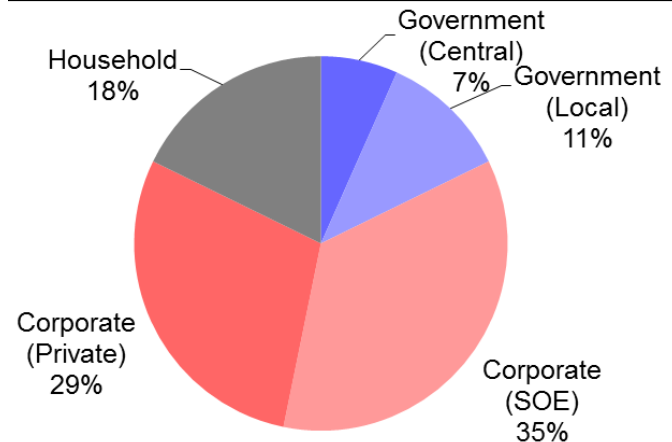
Fixed asset investment



National Debt



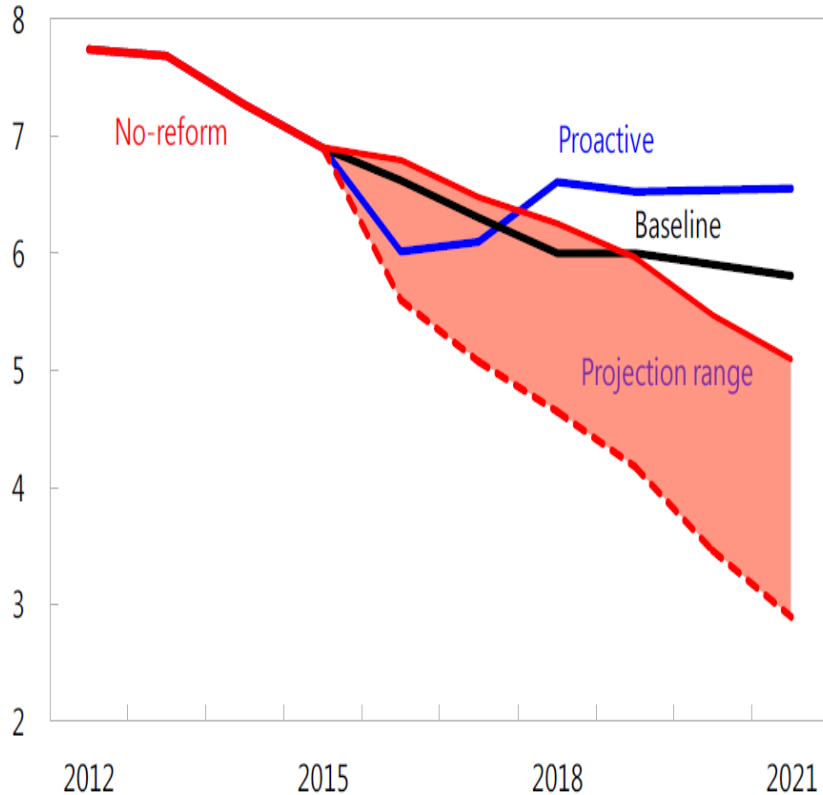
IMF Estimate of National Debt, 2015



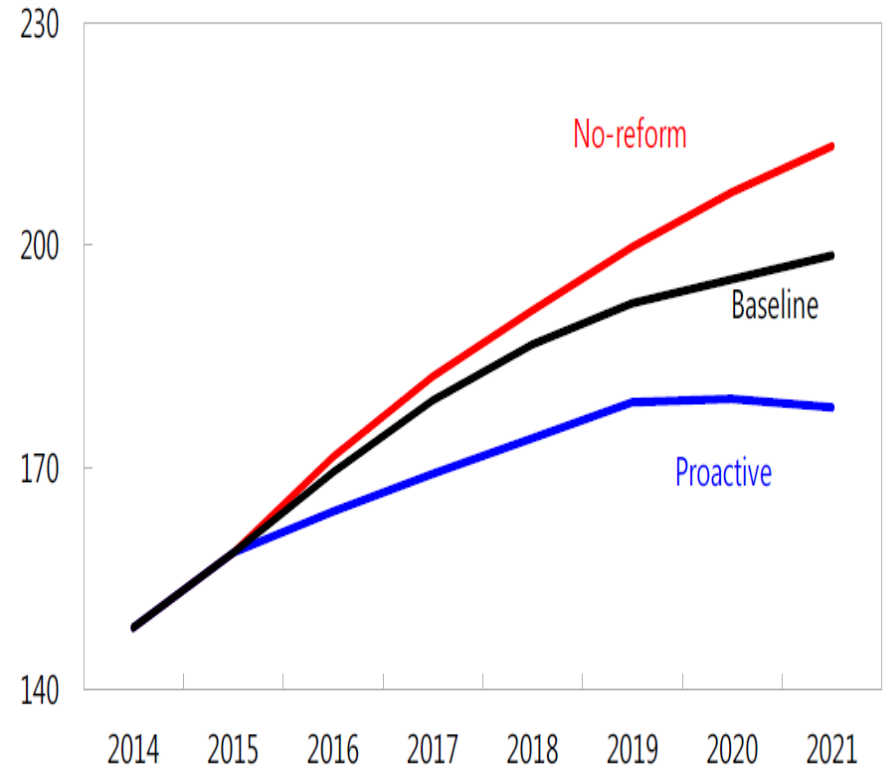
Source: CEIC Data Company Ltd, Bank for International Settlements, IMF. Note: Investment in fixed assets (excluding rural households) refers to the total workload on construction and purchase for fixed assets during a certain period in the form of currency, as well as the concerning expenses.

IMF China scenarios

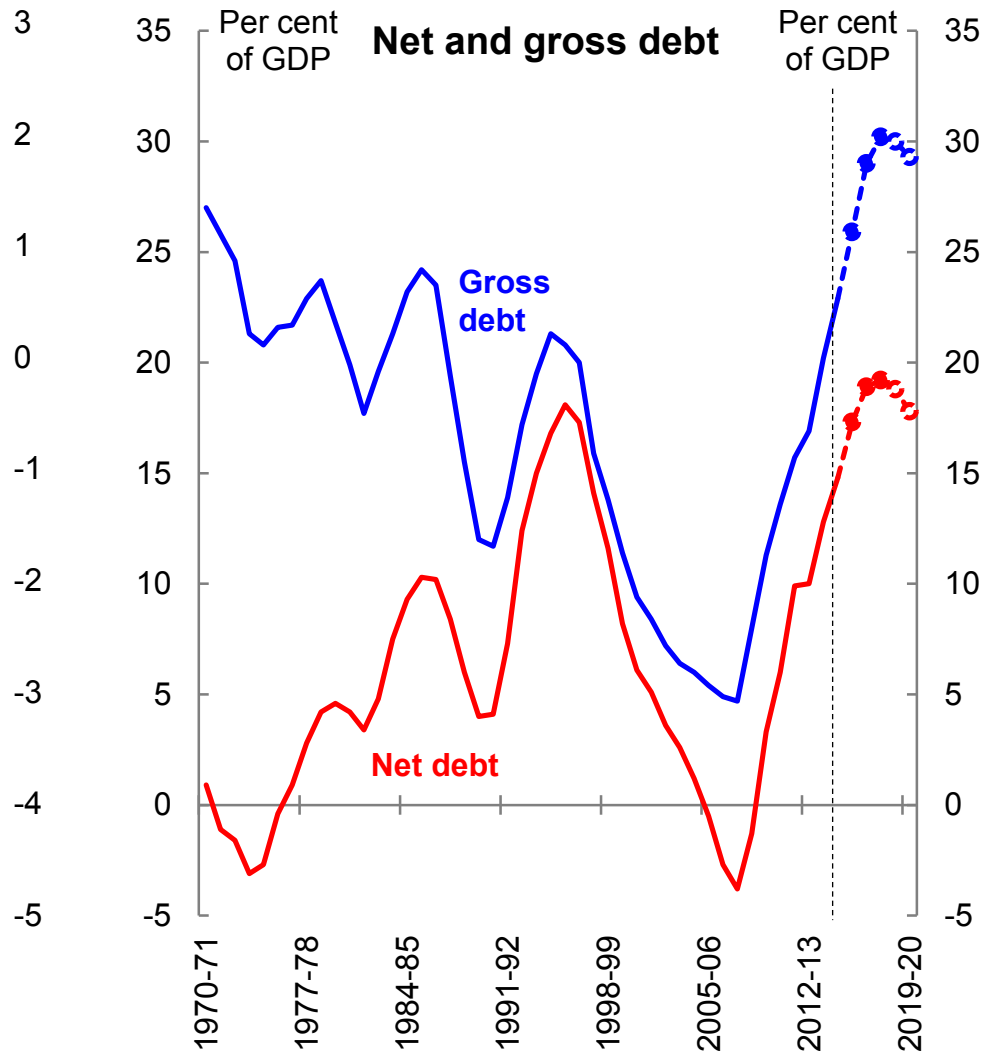
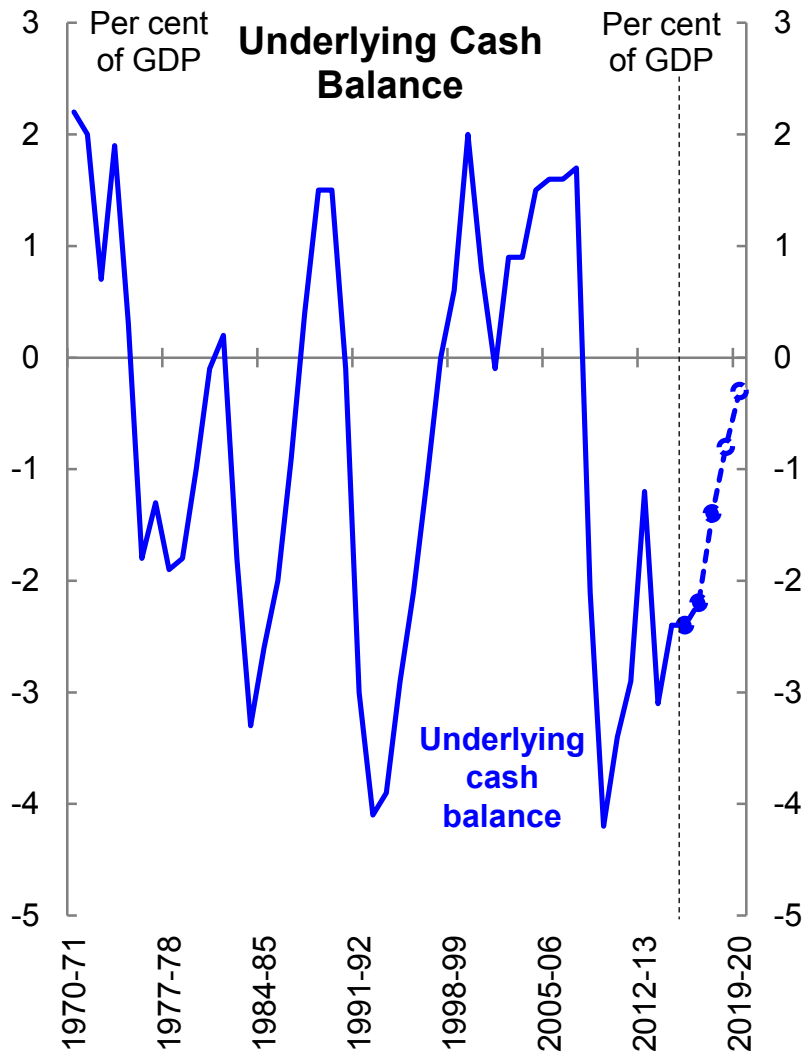
GDP Growth: IMF Illustrative Scenarios
(per cent, year-on-year growth)



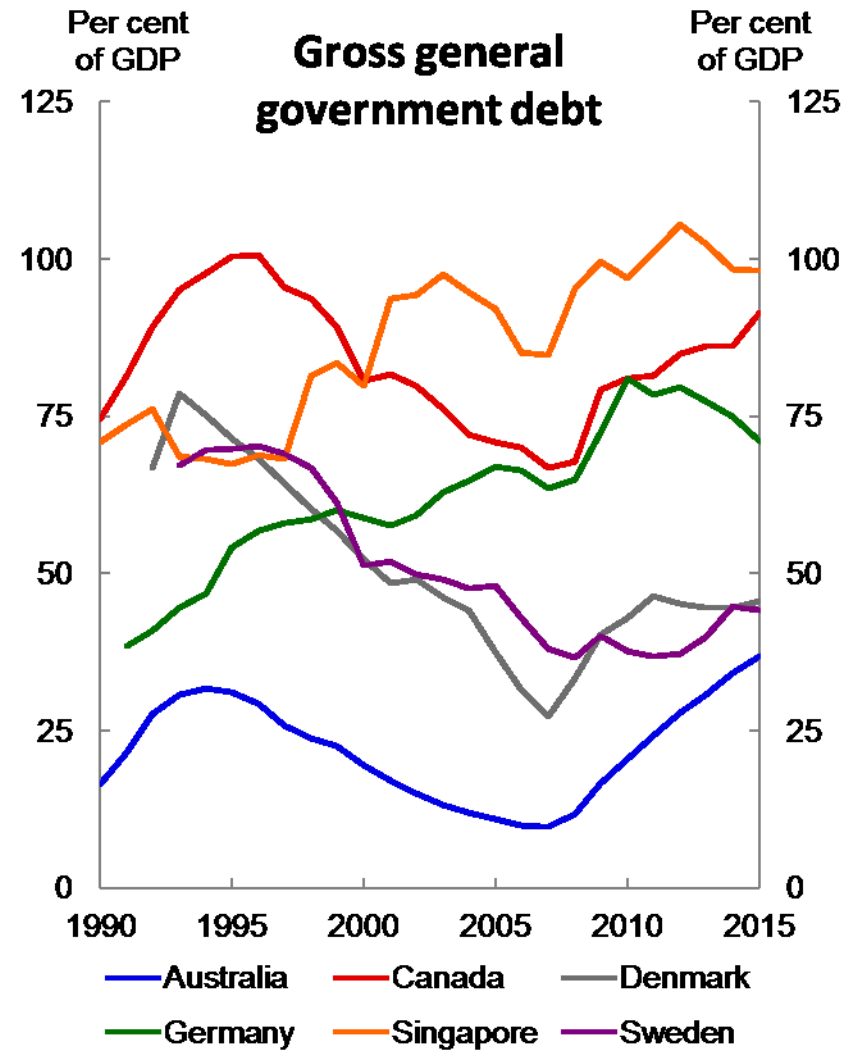
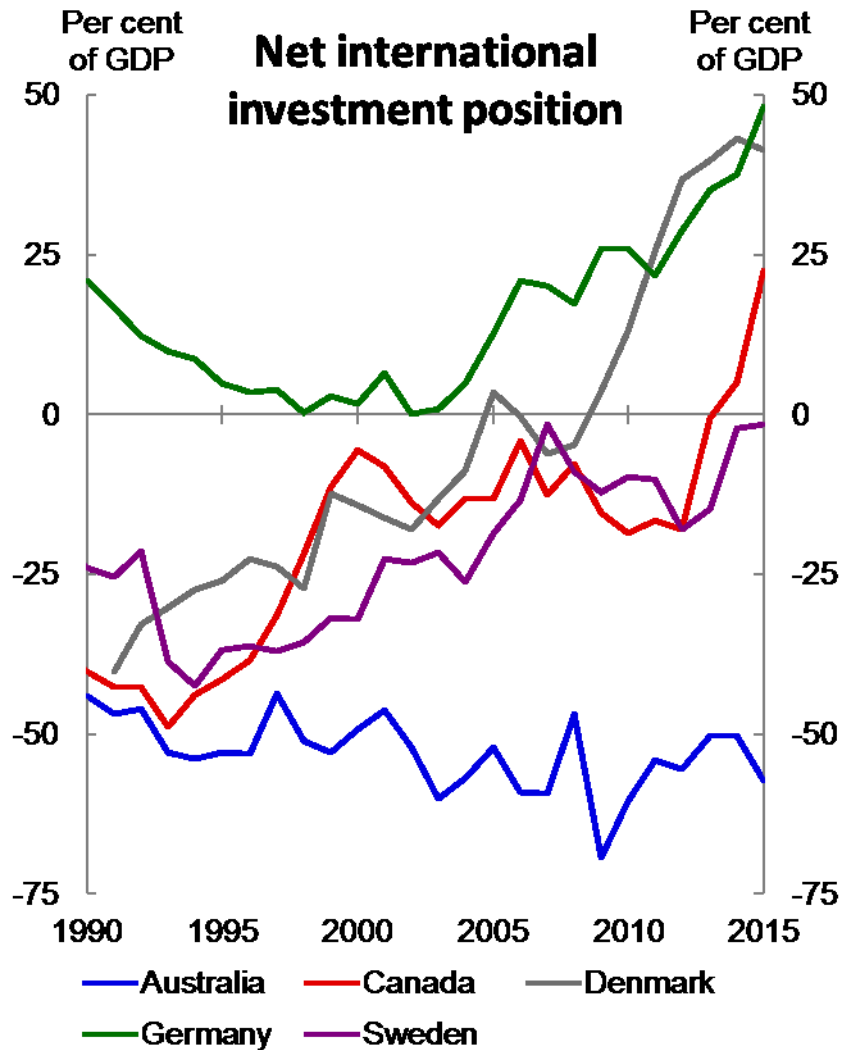
Credit Ratio: IMF Illustrative Scenarios
(per cent of GDP)



Debt and deficit



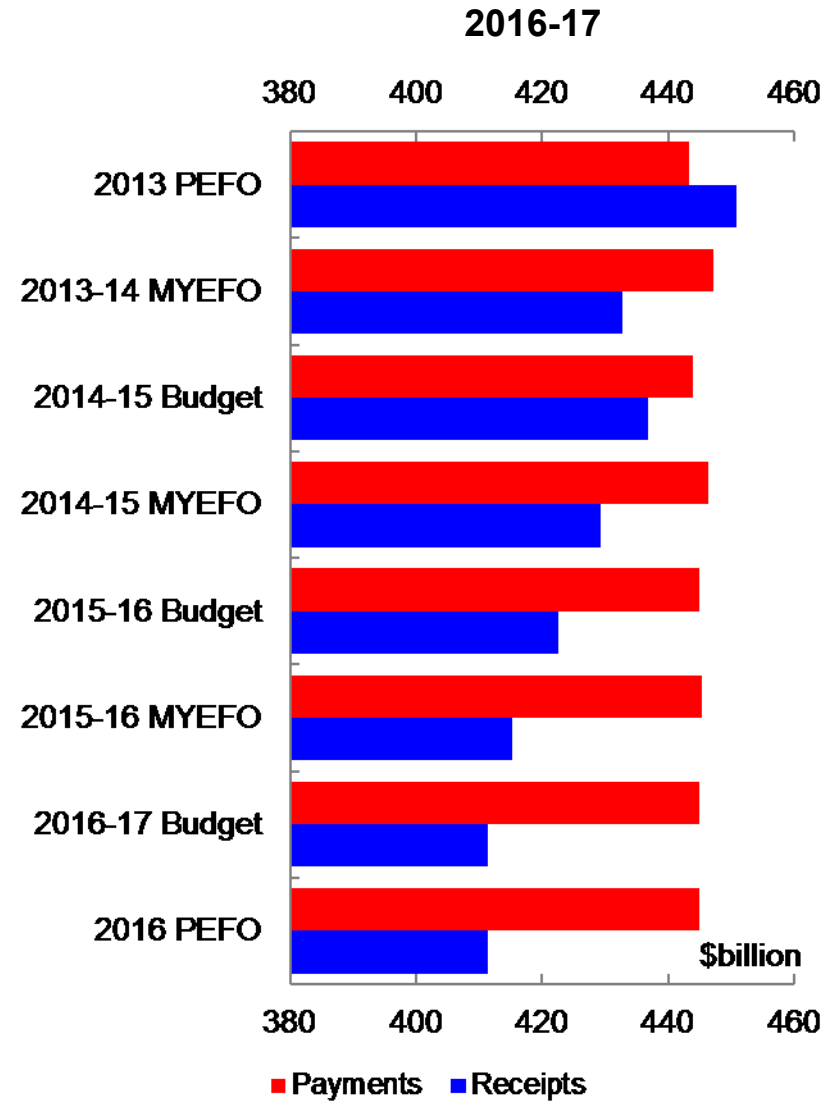
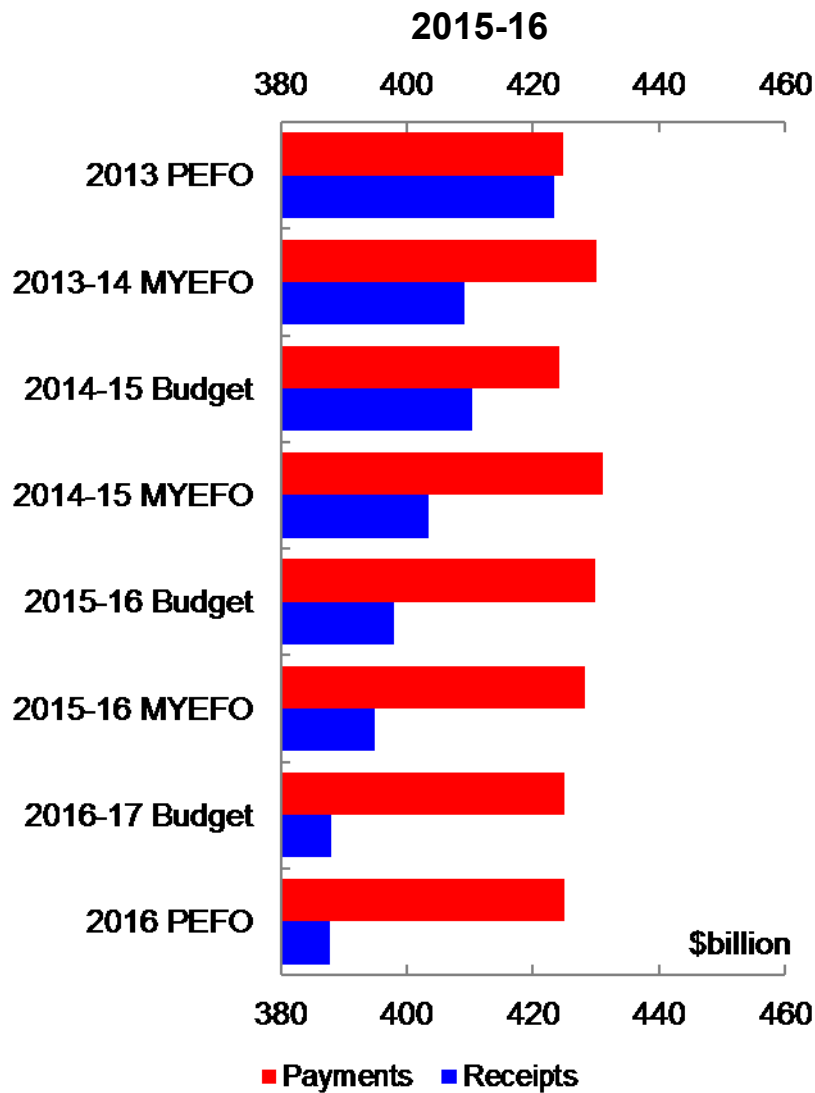
AAA credit rating



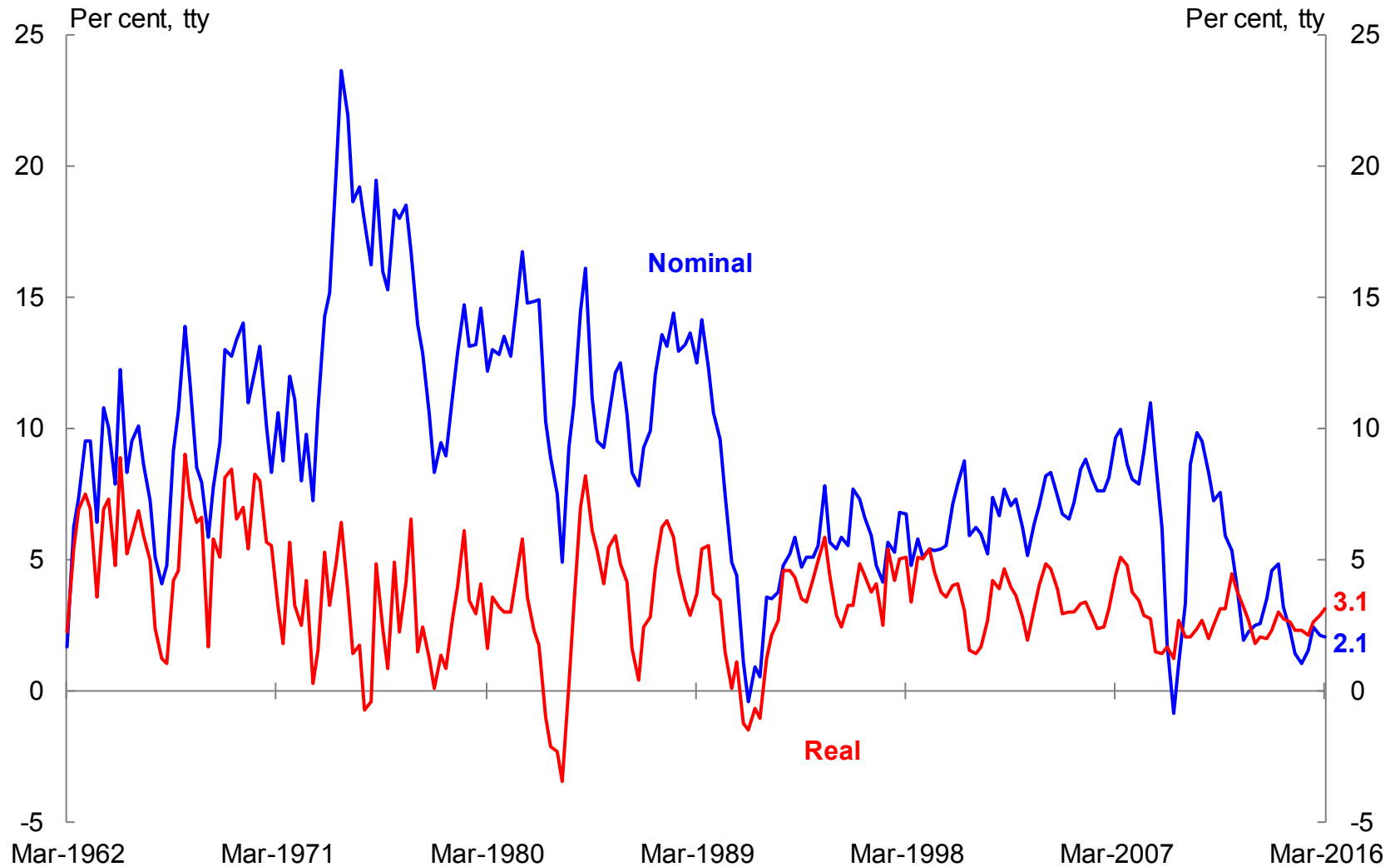
Source: IMF

Note: Gross general government debt includes all levels of government.

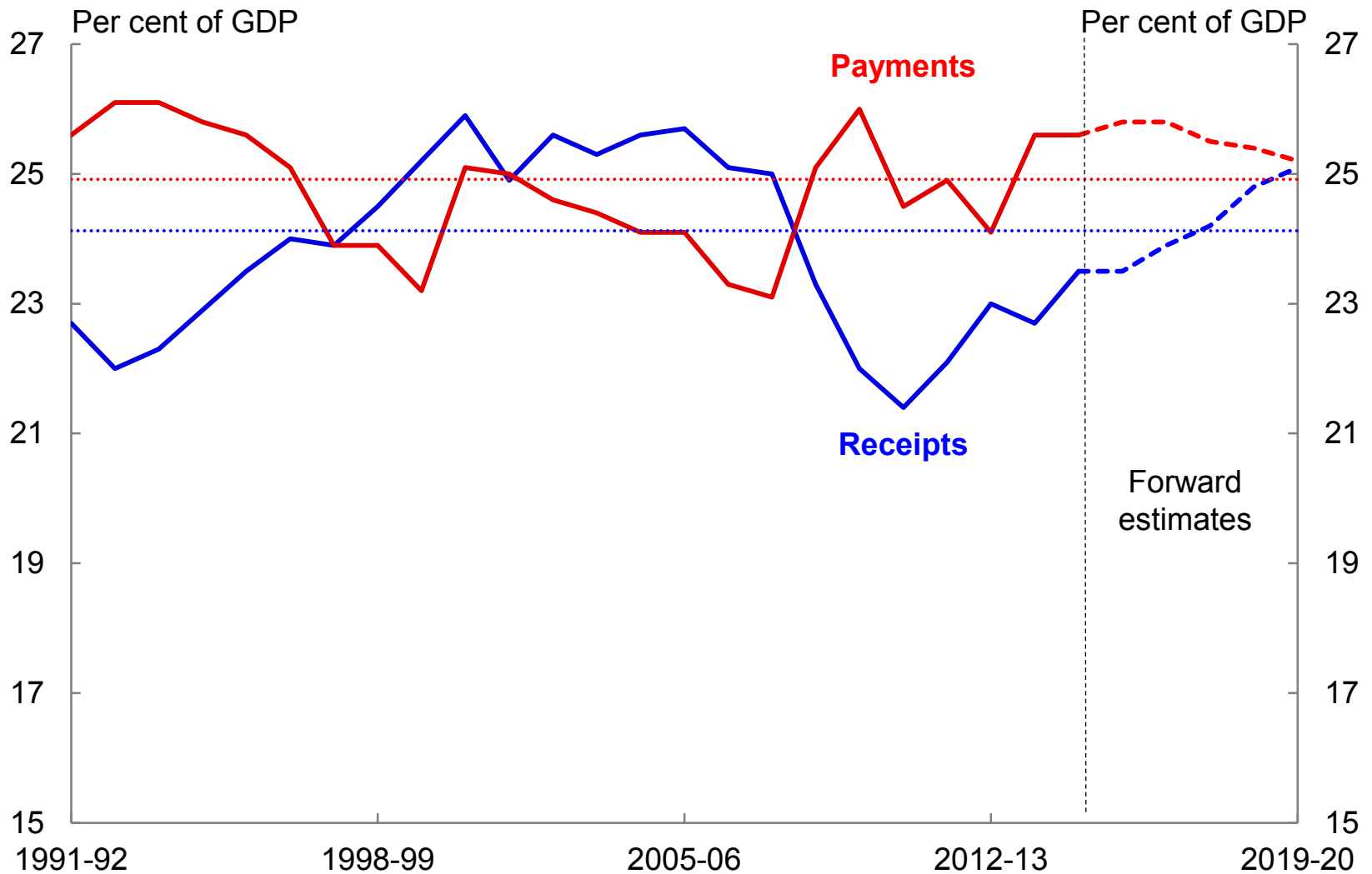
Changes to forecasts



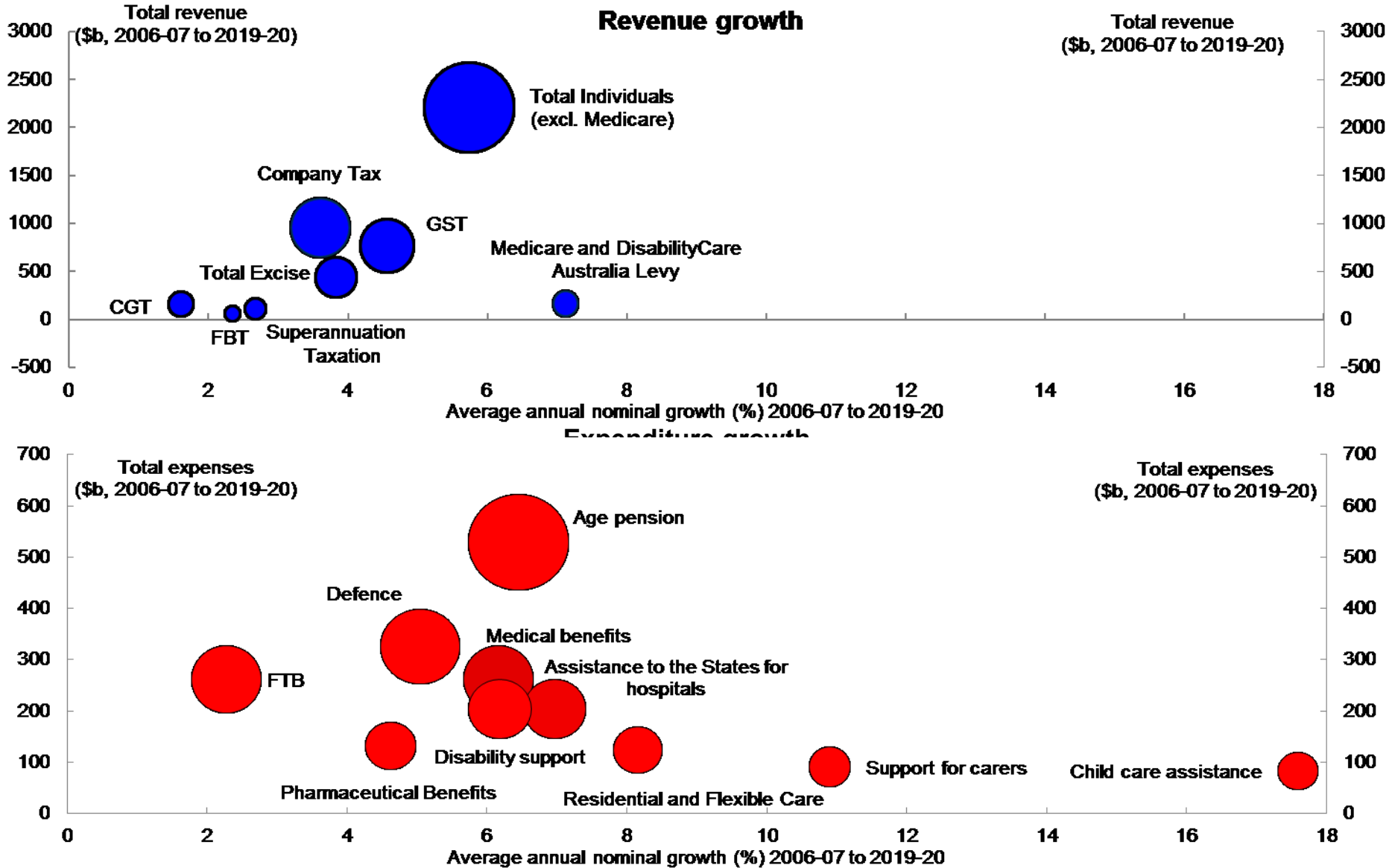
Real and nominal GDP



Payments to GDP remain at a high level



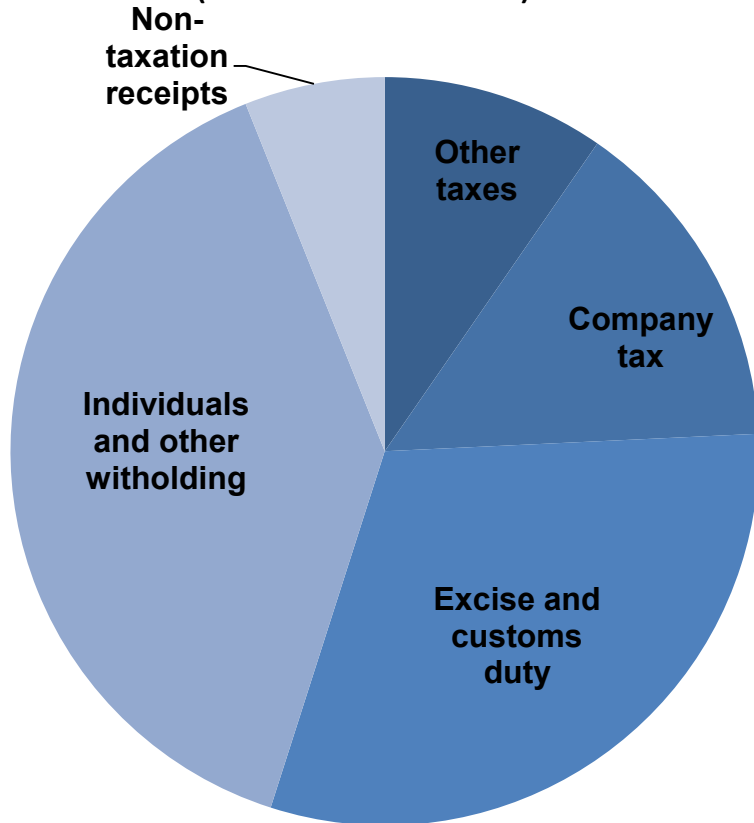
Expenditure and Revenue Growth



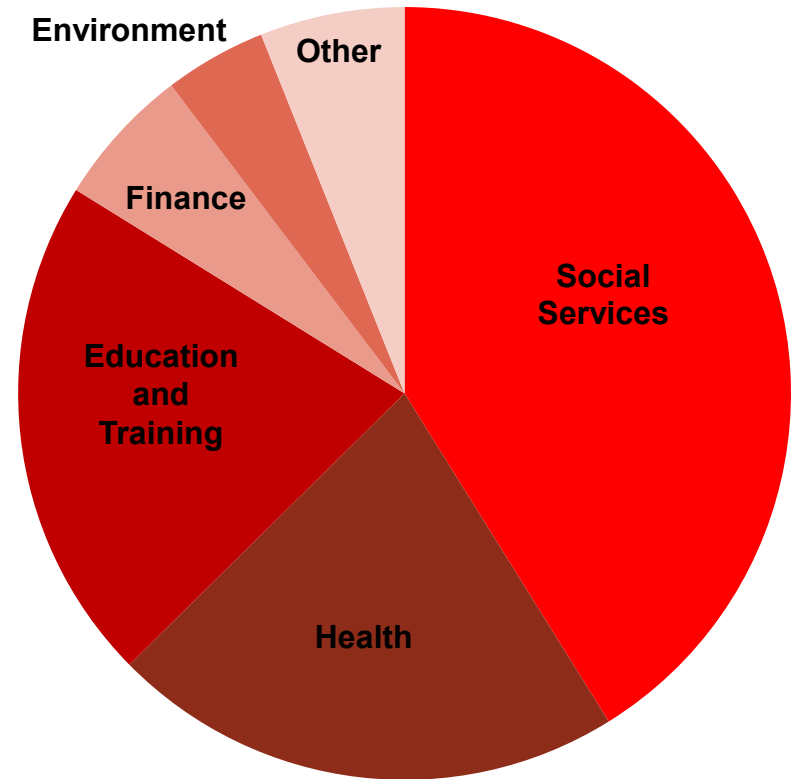
Source: Treasury

Unlegislated measures

\$15 billion in Unlegislated Revenue
Increasing Measures by Type
(as at PEFO 2016)

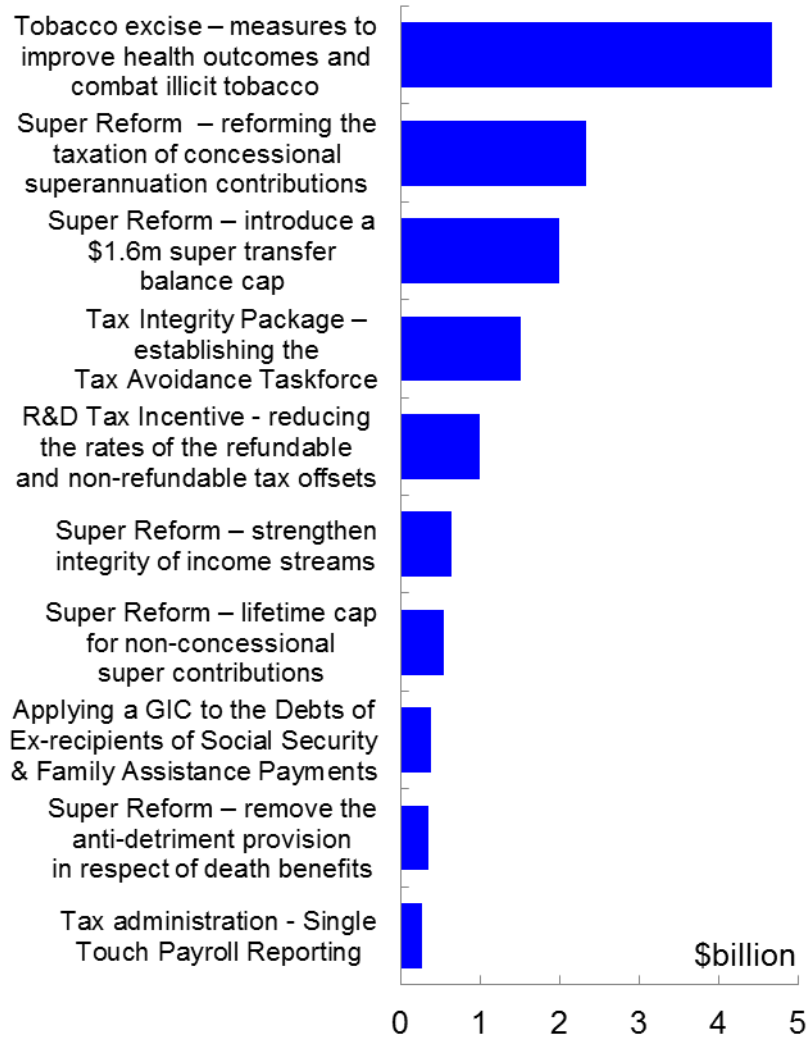


\$25 billion in Unlegislated Savings
Measures by Portfolio
(as at PEFO 2016)

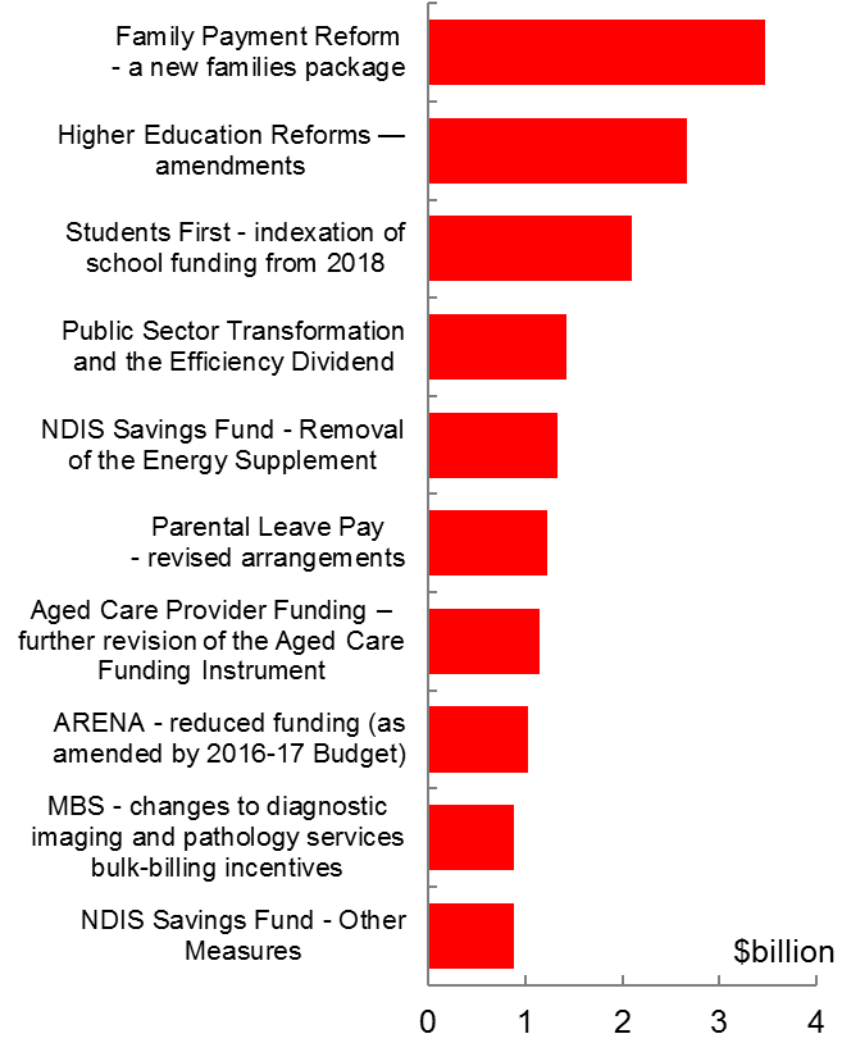


Top 10 Unlegislated Measures improving the bottom line

Revenue measures

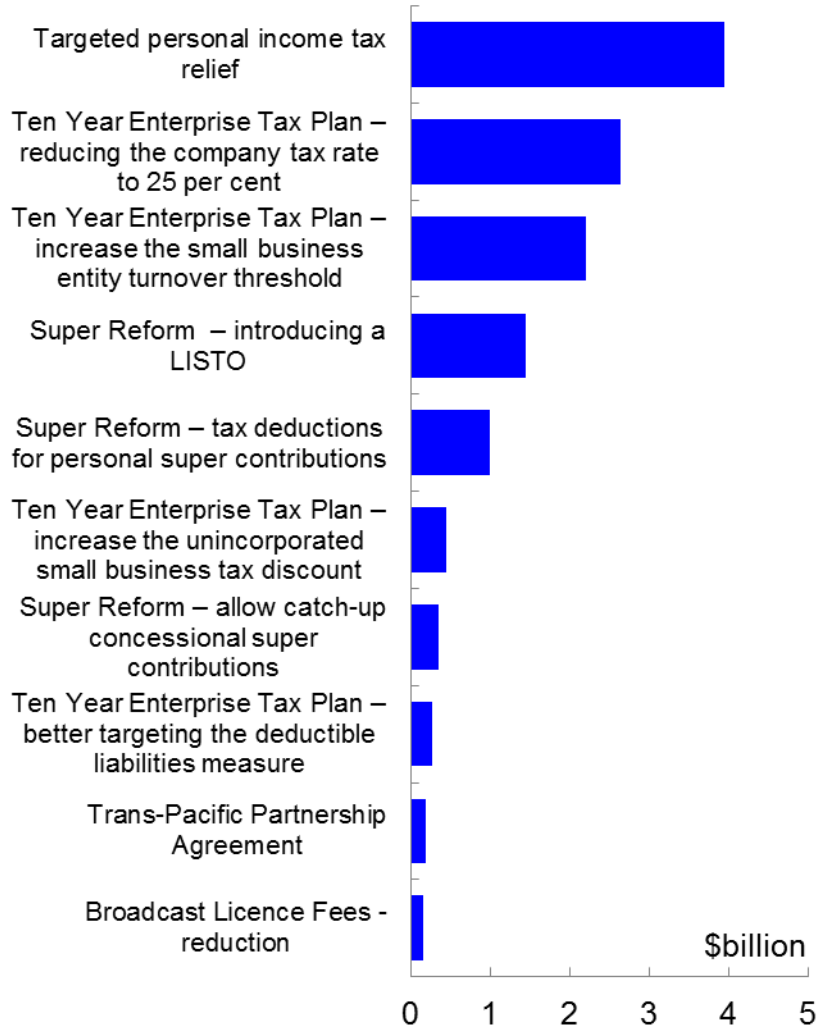


Expense measures

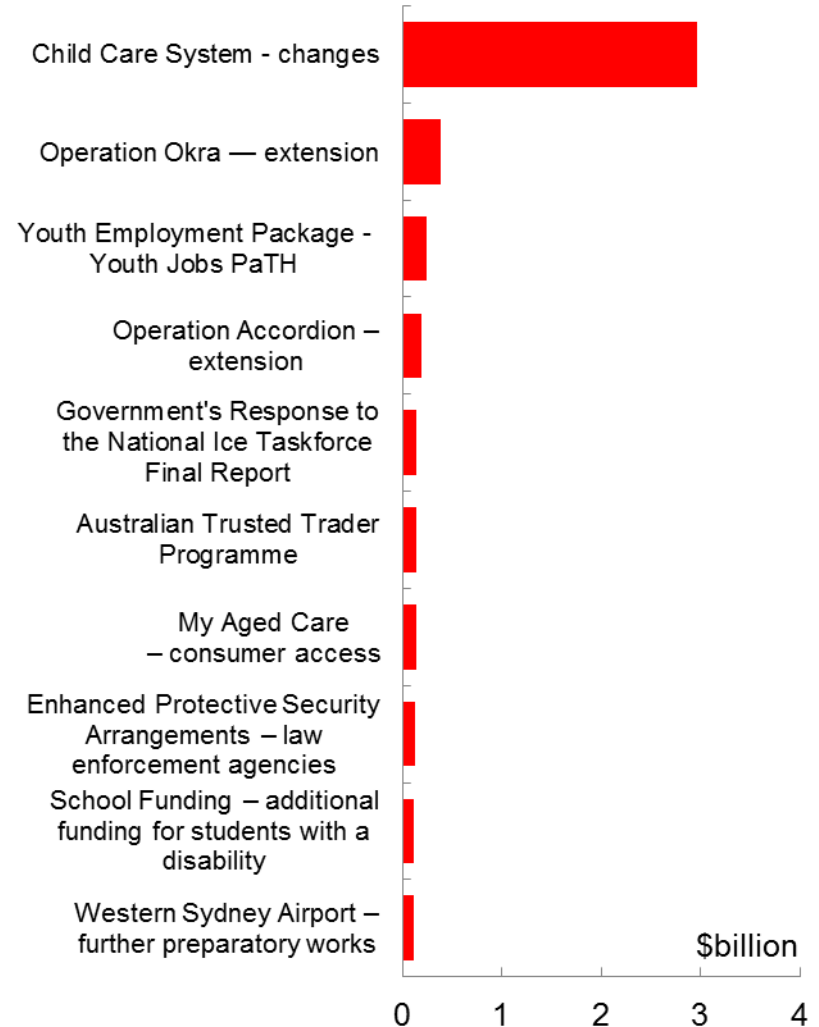


Top 10 Unlegislated Measures negatively impacting the bottom line

Revenue measures



Expense measures



Possible scenarios

Scenario 1 assumes:

- Currently unlegislated measures supported by the opposition are passed by Parliament.
- Other unlegislated measures explicitly opposed by the opposition are abandoned.

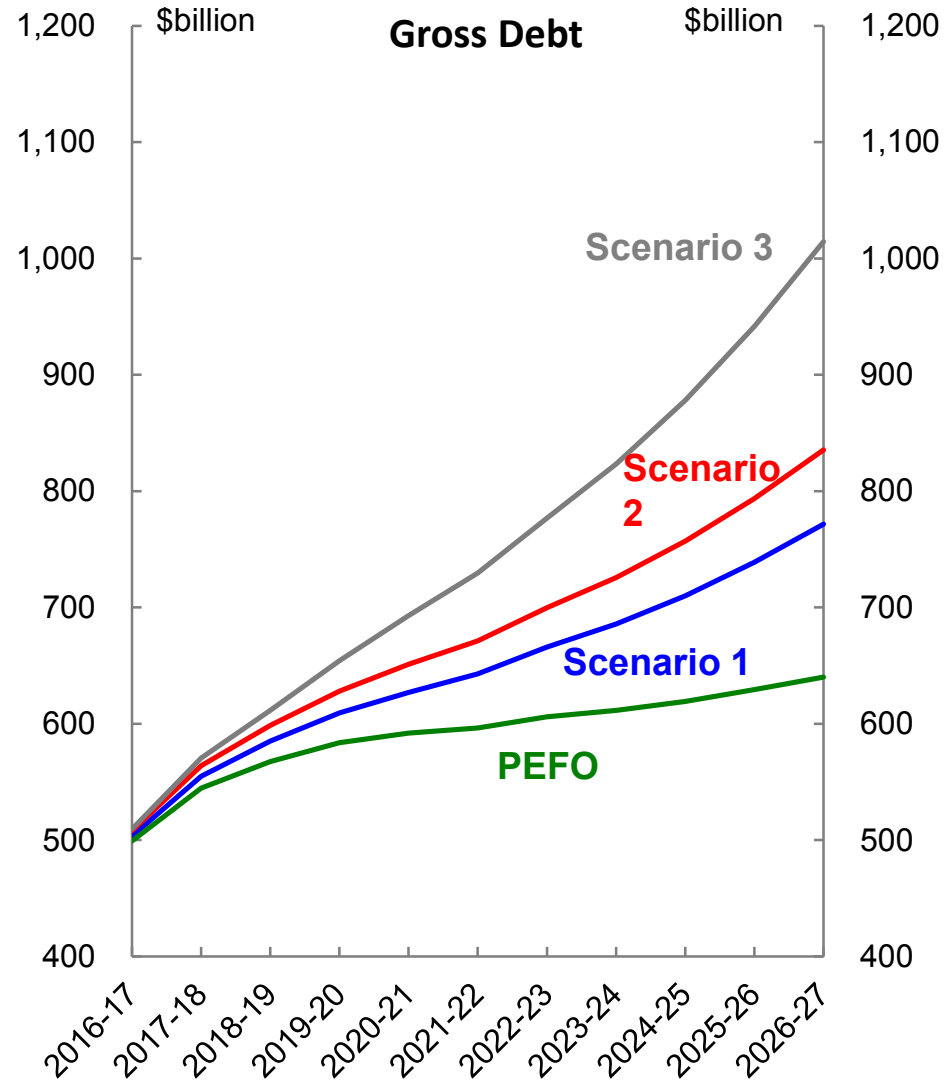
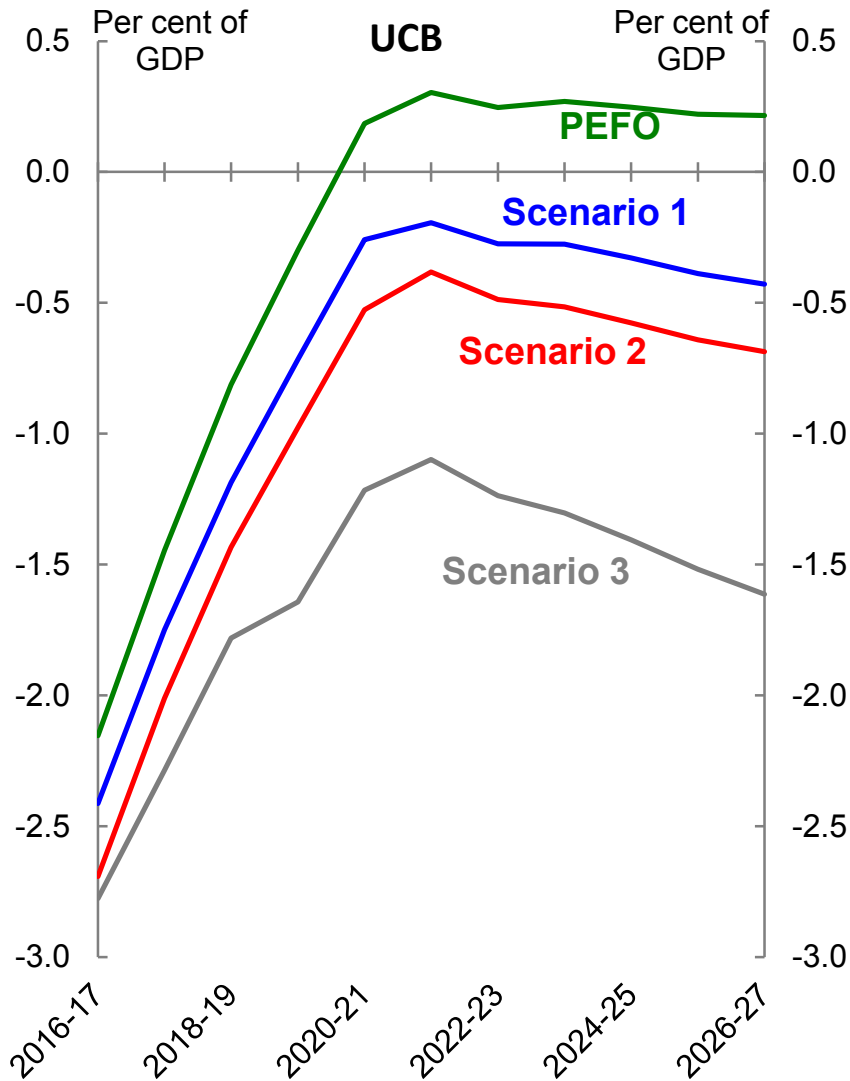
Scenario 2 assumes:

- As per Scenario 1, but assumes further downgrades due to economic parameters.

Scenario 3 assumes:

- As per Scenario 2, but assumes all currently unlegislated measures are abandoned.

Possible scenarios



Note: The scenario projections are preliminary and are only broadly indicative of the impact of alternative policy and economic scenarios.

Financial Systems - High priority government actions

Consumer outcomes	
<ul style="list-style-type: none">• Life insurance remuneration• Professional standards• External Dispute Resolution framework review• Product issuer obligations and intervention power	<ul style="list-style-type: none">• Consumer credit protections• Credit cards• Whistleblower reforms (<i>Corporations Act</i>)
Innovation	
<ul style="list-style-type: none">• NISA employee share scheme• Insolvency reform rules• Asia Region Funds Passport	<ul style="list-style-type: none">• Crowd-sourced equity funding• Collective investment vehicles (corporate)• Collective investment vehicles (limited partnership)
Resilience	
<ul style="list-style-type: none">• Crisis management toolkit	
Regulatory Architecture	
<ul style="list-style-type: none">• Financial Sector Advisory Council• Review of ASIC enforcement powers	<ul style="list-style-type: none">• ASIC industry funding