OUTLOOK

January 2019 | Chamber of Commerce and Industry of Western Australia (Inc)

SEAS OF UNCERTAINTY

ABOUT OUTLOOK

Outlook is CCIWA's biannual analysis of the Western Australian economy. All growth rates cited in **Outlook** are calculated in terms of year-on-year growth, comparing four quarters of data to the previous four quarters of data, unless otherwise stated. The editor of **Outlook** is Dan Norrie, Senior Economist.

Chamber of Commerce and Industry WA

OUTLOOK AT A GLANCE

The road to recovery is proving to be rockier than expected for Western Australia's economy. The end of major LNG projects is impacting investment and household financial concerns are affecting consumption spending and dwelling investment.

Businesses are investing in a wider variety of new mining projects, but these projects will not make up for the major LNG projects that are concluding construction. Consumers and businesses are more confident about future economic conditions but are worried about their financial circumstances now. This is due to lower savings in the case of consumers and lower expected profits in the case of businesses compared to last year. These factors will lead to subdued growth in GSP in 2018-19 which will gradually increase in 2019-20 and 2020-21.

We are cautious of several risks that may impact the WA economy. The United States (U.S) will automatically increase tariffs on $200 billion worth of Chinese imports by 15 percentage points (to 25 per cent) on 2 March 2019 unless China (our largest trading partner) presents a deal that satisfies the U.S. We are in a Federal election year where increasingly divergent policies are laid out by the two major parties, particularly regarding industrial relations and taxation, which could make running a business or investing in Australia more difficult and less profitable.

The WA economy's green shoots continue to show but have not yet laid down deep roots. Gross State Product expanded by 1.9 per cent over 2017-18 which is a welcome return to growth after contracting by 1.8 per cent over the year 2016-17.

We expect more bumps along the road to recovery. Business investment has not experienced the decline we forecast for this year due to new investments and project delays, but that decline is still to come. We forecast business investment to fall by 15 per cent in 2018-19 as the last of the major LNG projects are completed. As a result, we expect the domestic economy to contract this year after 1.1 per cent growth in 2017-18, returning to a sustained, but subdued, growth trajectory in 2019-20.

The grain silo remains half full. WA farmers have delivered a record value crop and are expected to reinvest much of the proceeds in farm upgrades and throughout the wider economy. The *WA Super – CCI Business Confidence Index* shows that farmers are responding to price signals and plan to invest more money in capital expenditure. Regional retailers, who are experiencing crushing pressure from online competition and weak demand, can expect a boost from these proceeds.

Household consumption is showing strength, in line with improved consumer confidence for the future of the economy, but West Australians remain cautious. We expect consumption to continue to grow at 1.5 per cent this year. This is because although consumers are more confident about general economic conditions, they have also run down their savings and some are concerned about their personal finances. This means more people are on, or are closer to, their borrowing constraint and there is limited room for some people to increase their spending in the future.

Low population growth and persistent unemployment and underemployment also loom large over the WA economy.

It is possible that declining real estate prices have weighed on consumption growth as house owners are cautious to open their wallets and will continue to do so if prices remain subdued. Many West Australian home owners remain in a position of negative equity. We remain conservative on house prices for this year at least. A decline in east coast property prices, which may continue this year, has historically coincided with a reciprocal decline in Perth property prices, however given the adjustments already experienced in WA we expect the impact to be more limited this time around.

Major risks to our forecasts remain. WA is the most dependent Australian state economy on China. CCIWA estimates that Chinese consumers and businesses contribute around 30 per cent of WA's economy. Currently, 47 per cent of our exports go to China and 53 per cent of WA's Gross State Product is made up by exports. Consumers and businesses from China also invest in education, tourism, property and new projects in WA.

The WA economy is recovering, slowly, with major political risks looming large over its future.

SECTION 1: ECONOMIC OUTLOOK

ECONOMIC FORECASTS FOR WESTERN AUSTRALIA (PER CENT)

Forecasts[1]	2017-18[2] Actual	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast
Economic Activity				
Housing Consumption	1.6%	1.5%	1.5%	2.0%
Dwelling Investment	-2.8%	-1%	2%	5%
Business Investment	0.1%	-15%	6%	8%
State Final Demand	1.1%	-1%	2.5%	3%
Exports[3]	4.3%	5%	3%	1.5%
Imports[3]	-3.6%	-7%	3%	2%
Gross State Product	1.9%	2.2%	3%	3%
Labour Market				
Unemployment Rate	6.1%	6.0%	5.9%	5.9%
Inflation	0.9%	1.4%	1.8%	2.0%
Wages	1.5%	1.8%	2.2%	2.5%

Footnotes:

1 Forecasts are produced in terms of year-on-year growth, comparing four quarters of data to the previous four quarters of data.

2 Actual outcomes as reported in the 2017-18 State Accounts (ABS Cat. 5220.0).

3 Exports and imports figures are for goods and services trade measured on a Balance of Payments basis.

Risks to the forecasts

Select risks to the forecasts are discussed in Section 2, including global growth, trade disputes and changes to Chinese investment.

ECONOMIC GROWTH

	State Final Demand	Gross State Product
2017-18 Actual	1.1%	1.9%
2018-19 Forecast	-1%	2.2%
2019-20 Forecast	2.5%	3%
2020-21 Forecast	3%	3%

The WA economy performed better than forecast in 2017-18. The whole state economy expanded by 1.9 per cent over 2017-18 (measured by GSP). This was driven by stronger household consumption, business investment and dwelling investment than forecast.

A decline in business investment, due to the LNG investment cliff, will affect the WA economy in 2019-20. We forecast a 1 per cent reduction in state final demand 2019-20 (which does not include exports and imports). An increase in Gross State Product of 2.2 per cent is forecast for 2018-19, driven by growth in exports. The WA economy will expand more robustly as a result of further investment in resources projects in 2019-20 and 2020-21.

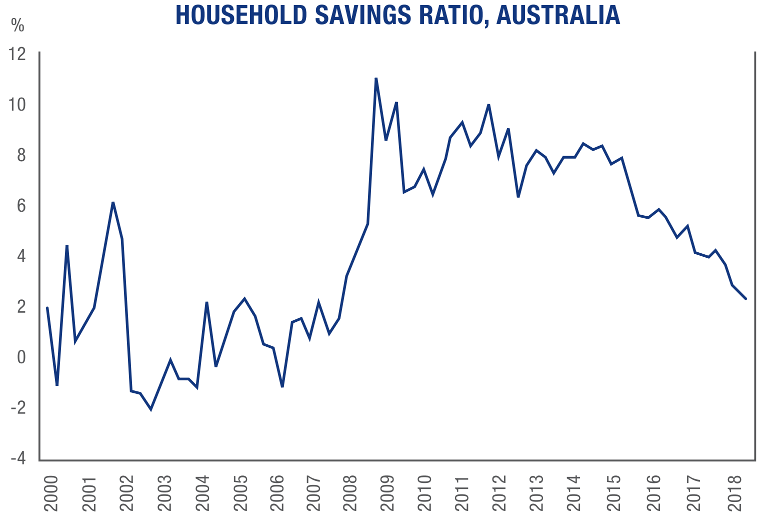
HOUSEHOLD CONSUMPTION

	Household Consumption
2017-18 Actual	1.6%
2018-19 Forecast	1.5%
2019-20 Forecast	1.5%
2020-21 Forecast	2.0%

CCIWA is conservative about the future of consumption growth in WA, forecasting growth of 1.5 per cent in 2018-19, 1.5 per cent in 2019-20 and 2.0 per cent in 2020-21.

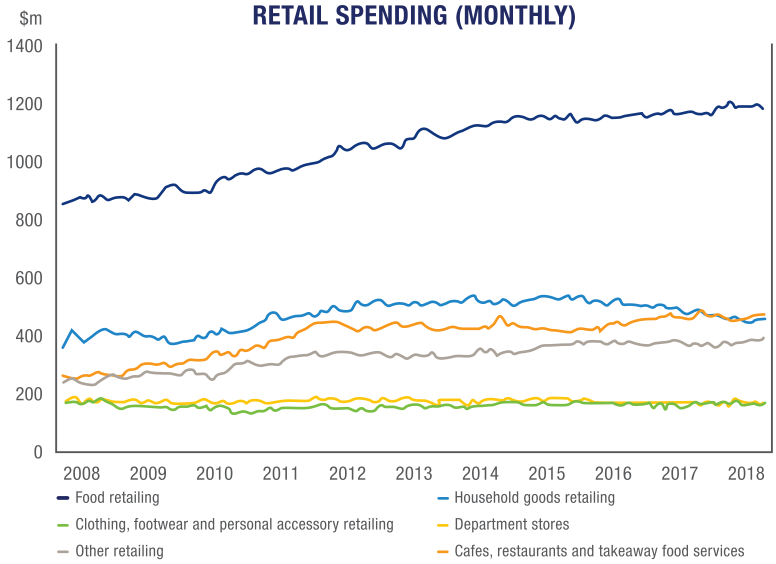
Since 2016, CCI's *Consumer Confidence Survey* (and other Melbourne and Sydney surveys) have shown that consumers are more optimistic about future economic conditions. This implies that consumers will spend more of their income on purchases now, given they think economic conditions

HOUSEHOLD SAVINGS RATIO, AUSTRALIA



Source: CCIWA, ABS

MOST BUSINESSES HAVE NOT NOTICED AN INCREASE IN CONSUMER SPENDING AND WEAK DEMAND IS THE MOST COMMONLY CITED BARRIER TO GROWTH BY BUSINESS



Source: CCIWA, ABS

in the future will be better, and they will earn a similar income from their job and investments.

Consumers have been spending more of their income, as the national household savings ratio has fallen from 8.3 per cent in 2014 to 2.4 per cent in 2018. However, this has not led to much growth in consumption, as this has increased by 1 per cent per year on average in Western Australia since 2014. This has mostly been driven by increased spending on: food; rent and other dwelling services; and health services.

The decrease in the savings rate signals that a future increase in wages growth or employment will not immediately result in an equivalent increase in consumption. This is because the effect of the reduction in the savings rate is that more people are on, or are closer to, their borrowing constraint. This means: (1) more consumers are experiencing some financial stress; and (2) there is less room for people to increase their spending or make major purchases in the future. This is reflected in the CCI Consumer Confidence Survey in December 2018 which shows that 57 per cent of consumers have experienced some financial stress in the last three months and 60 per cent of consumers will not make a major household purchase in the next period.

Most businesses are not noticing an increase in consumer spending and weak demand is the most commonly cited barrier to growth by business. This is partly due to growth in retail trade being largely contained to increased spending on food consumption. Growth in online purchases (which is growing by 20-30 per cent per year) is also eating into the sales of retailers. As a result of changing consumer tastes, we believe consumption spending and retail business activity will continue to remain soft.

We also expect that a soft WA property market will continue to affect consumption growth. Since 2013, reductions in property prices in WA have reduced the wealth and borrowing power of property owners. Since we believe house price growth will remain weak, we are more conservative on household expenditure over the next two years.

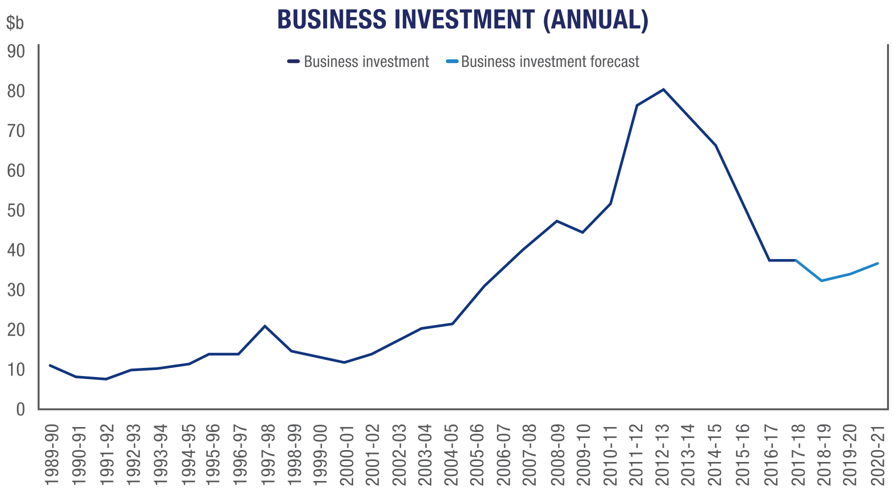
BUSINESS INVESTMENT

	Business Investment
2017-18 Actual	0.1%
2018-19 Forecast	-15%
2019-20 Forecast	6%
2020-21 Forecast	8%

Business investment performed better than forecast last financial year, largely due to additional spending on new projects, cost increases and delays in some major projects that meant additional spending occurred in 2017-18.

We forecast that WA business investment will decrease by 15 per cent in 2018-19 as WA finally drops off the LNG investment cliff. Business investment will recover and increase by 6 per cent in 2019-20 and 8 per cent in 2020-21.

LNG projects announced prior to 2015 are now mostly completed, bar some



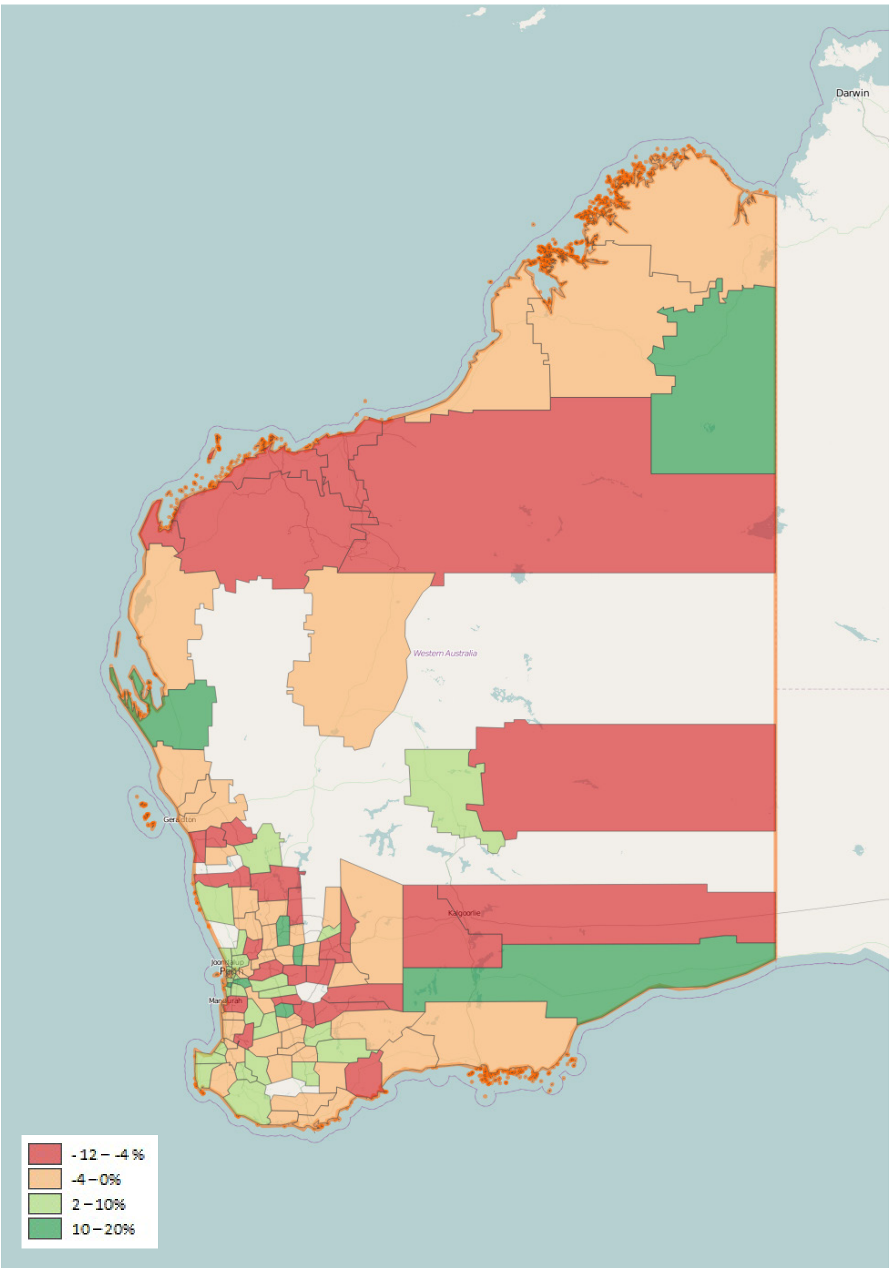
Source: CCIWA, ABS

THE NUMBER OF NEW BUSINESSES IN WA INCREASED BY 4 PER CENT BETWEEN 2015-2017

hiccups and delays that led to higher than expected capital expenditure in financial year 2017-18. The remaining projects include Prelude, which had its first LNG in December 2018; Wheatstone, which brought its second LNG train on stream in June 2018; and Ichthys which farewelled its first LNG shipment in October 2018.

The end of the construction of these projects represents a reduction in investment spending of around $7 billion in the current financial year. Recent data shows that this is already affecting investment figures, as business investment decreased by 2.8 per cent over the year to September 2018. However, it is important to not overstate the impact of this on the WA economy. These are offshore projects, the investment figures include components imported from overseas and not every dollar in investment equates to employment in WA.

CHANGE IN NUMBER OF BUSINESSES BY LGA, WA, 2015-2017



Source: CCIWA, ABS
Note: Blanks indicate that the sample size is particularly small

The grain silo remains half full. WA farmers have delivered a record value crop and are expected to reinvest much of the proceeds in farm upgrades and throughout the wider economy. The *WA Super – CCI Business Confidence Index* in December 2018 shows that farmers are responding to price signals and plan to invest more money in capital expenditure.

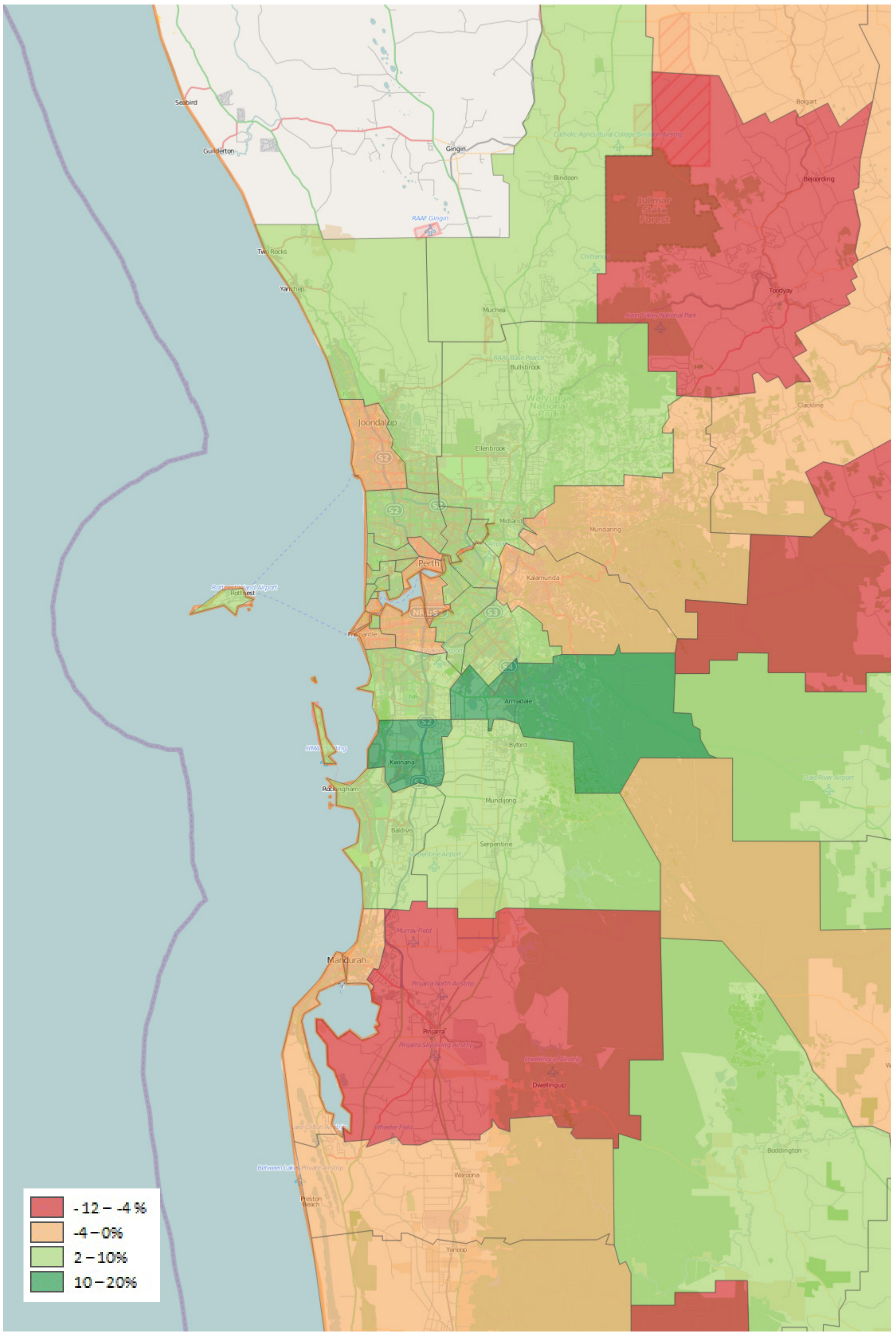
Investment by small and medium size businesses

Business entry and exit by location provides a more granular view of investment in different regions of WA, which is obscured by aggregated state figures. The number of new businesses in WA increased by 4 per cent between 2015-2017, but this varies widely across the State.

The end of the mining construction boom had a large impact on business creation in regions that rely on resources projects. For example, from 2015-2017 the number of businesses decreased in Karratha by 12 per cent, in Port Hedland by 6 per cent and the East Pilbara by 11 per cent. The number of businesses declined in Kalgoorlie by 4 per cent. Conditions have also been poor in the metropolitan area. The number of businesses in the City of Perth decreased by 2 per cent between 2015 and 2017.

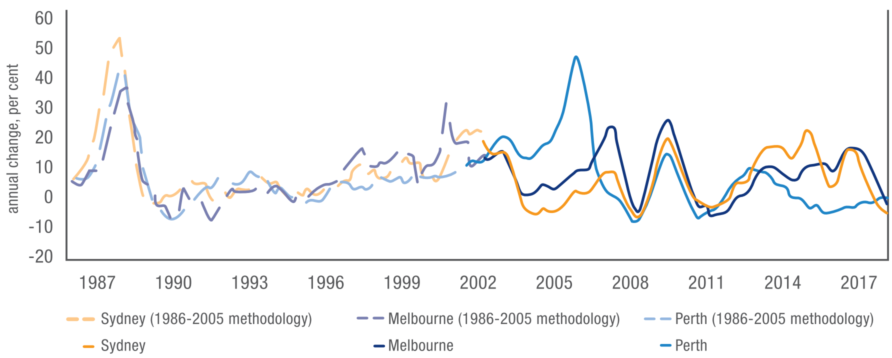
However, there are some regions where more people are investing to start up businesses. For example, the number of businesses in Kwinana has increased by 17 per cent between 2015 and 2017.

CHANGE IN NUMBER OF BUSINESSES BY LGA, GREATER PERTH, 2015-2017



Source: CCIWA, ABS
Note: Blanks indicate that the sample size is particularly small

ANNUAL CHANGE IN PROPERTY PRICES – MELBOURNE, SYDNEY, PERTH



Source: CCIWA, ABS

DWELLING INVESTMENT

	Dwelling Investment
2017-18 Actual	-2.8%
2018-19 Forecast	-1%
2019-20 Forecast	2%
2020-21 Forecast	5%

Dwelling investment has performed better than forecast. The latest data shows that dwelling investment grew by 1.6 per cent to September 2018. Some factors that continue to impact the value of dwelling investment include flat or negative price growth in regional and metropolitan areas (with some exceptions); reductions in housing finance commitments; and a reduction in building approvals. Since 2014, building approvals have fallen by 12 per cent per year on average in value terms. There is some improvement as building approvals fell by 7 per cent to November 2018, while housing finance commitments for owner occupiers fell by 5 per cent.

We consider that these factors and subdued national property conditions will continue to impact dwelling investment in 2018-19. We forecast that dwelling investment will fall by 1 per cent in 2018-19, before recovering and increasing by 2 per cent in 2019-20 and 5 per cent in 2020-21.

Australia is an interconnected property market with sellers and buyers impacted by the same conditions. Although there are some indicators of rebalancing in the Perth property market, including a reduction in the vacancy rate, it is likely that a weak east coast property market will mute the recovery of property prices in Perth. The below chart shows that Perth, Sydney and Melbourne property prices moved together between 1986 and 2013, as when prices have increased or decreased in one city they have moved with others. The relationship ended in 2013 when Perth property prices experienced a correction, while Sydney and Melbourne experienced significant price rises. Sydney property prices have now been in a correction since July 2017, while Melbourne property prices entered a correction at the start of 2018.

We do not believe property prices in WA will resume moving in line with the east just yet, as WA has already experienced a significant correction. However, we expect national conditions including Melbourne and Sydney's weakness to affect the recovery of property prices and investment in new housing in WA. There is a risk that problems with the east coast property market have a larger impact on WA. Conversely, a decrease in the RBA cash rate this year could put upward pressure on WA property prices.

INTERNATIONAL TRADE

	Exports	Imports
2017-18 Actual	4.3%	-3.6%
2018-19 Forecast	5%	-7%
2019-20 Forecast	3%	3%
2020-21 Forecast	1.5%	2%

Exports contribute 53 per cent of the total size of the WA economy – the largest proportion of any state. Exports are currently growing at 4.4 per cent year-on-year (September 2018).

We forecast that exports will grow by 5 per cent in 2018-19, softening in 2020-21 as constructed LNG projects (Prelude and Wheatstone) reach capacity.

Grain producers have delivered their second-largest crop on record by volume and largest by value. The total grain production has been recorded at 14.27 million tonnes. There are strong global prices for agricultural commodities, resulting in a high value crop. The decline in the value of the Australian dollar will also improve competitiveness and increase the value of exports.

UNEMPLOYMENT

	Unemployment Rate
2017-18 Actual	6.1%
2018-19 Forecast	6.0%
2019-20 Forecast	5.9%
2020-21 Forecast	5.9%

Since June 2015, the unemployment rate has hovered between a high of 6.8 per cent and a low of 5.4 per cent. Although the economy has created additional jobs, more people also want work. The participation rate increased to 69.1 per cent in November 2018. The latest data shows that the unemployment rate was 6.5 per cent in November 2018.

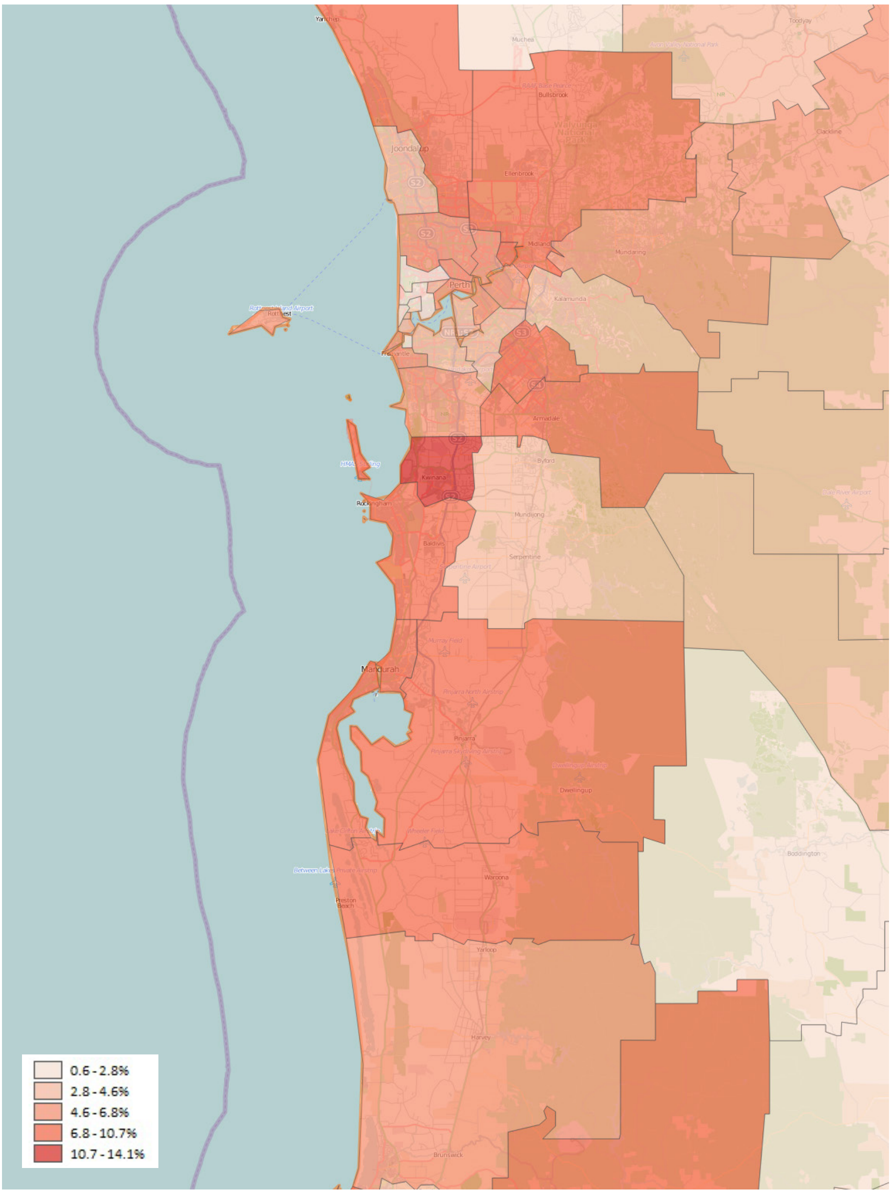
Put simply, a consistent lack of new jobs are being created for people in WA looking for work.

Some good news is on the horizon for job seekers. Job advertisements in WA increased by 12.1 per cent over the year to October 2018. This was driven by an increase in job ads in the mining, resources and energy industry by 23 per cent.

We forecast a slight upwards revision to the June 2018 Outlook unemployment forecast due to a revision to the business investment forecast. We expect unemployment will decrease slightly with improved business investment figures in 2019-20 and 2020-21.

Pockets of WA are experiencing extremely high levels of unemployment, particularly in north east and central WA. This includes Halls Creek (30.4 per cent), Derby-West Kimberley (25.2 per cent), Leonora, Menzies and Ngaanyatjarraku (15.1 per cent) and Laverton (15.0 per cent). Unemployment is also relatively high in some parts of outer Perth including Kwinana (11.9 per cent) and Rockingham (9.0 per cent).

UNEMPLOYMENT BY LGA, PERTH



Source: CCIWA, ABS

WAGES AND INFLATION

	Wages	Inflation
2017-18 Actual	1.5%	0.9%
2018-19 Forecast	1.8%	1.4%
2019-20 Forecast	2.2%	1.8%
2020-21 Forecast	2.5%	2.0%

Private sector wages have grown slightly, increasing 1.5 per cent over the year to September 2018 (wage price index). This is roughly in line with the estimated labour productivity growth rate of 1.8 per cent per year over the five years to 2015-16.

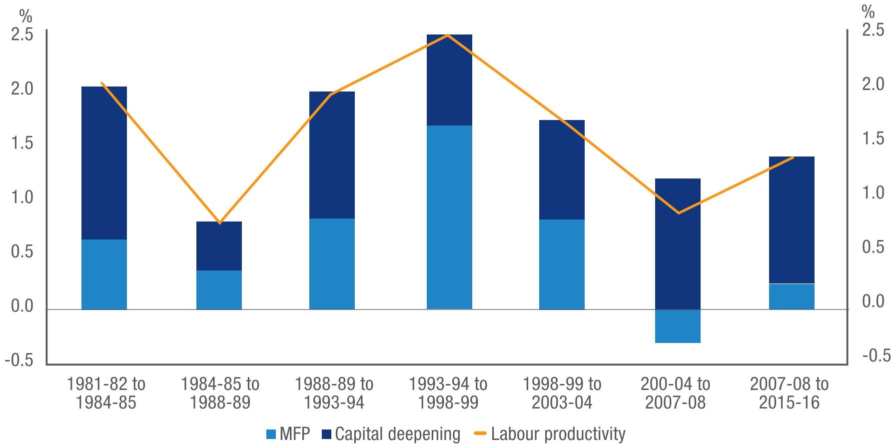
Labour productivity is increasing for two reasons. Productivity can increase because a worker produces a greater number of outputs from the same amount of time at work (measured by multi-factor productivity), or because businesses spend more on machinery and equipment that increases the output from each worker (capital deepening).

Productivity growth is necessary for wage growth. A business that experiences an increase in productivity achieves more output from the same number of inputs and additional revenue. This is necessary for a business to pay its employees more. Conversely if a businesses' costs (wages) grew faster than its revenue, it would go broke at some point in the future.

Since the 1980s, the largest contribution to labour productivity has been from capital deepening. Multi-factor productivity has increased by a small amount.

We forecast that inflation will creep up towards 2.0 per cent in line with wages as the economy continues to recover. The depreciation of the Australian dollar will increase inflationary pressures in the WA economy, as it will cost more to import goods from overseas.

LABOUR PRODUCTIVITY GROWTH DECOMPOSITION



Source: ABS, Commonwealth Treasury

POPULATION

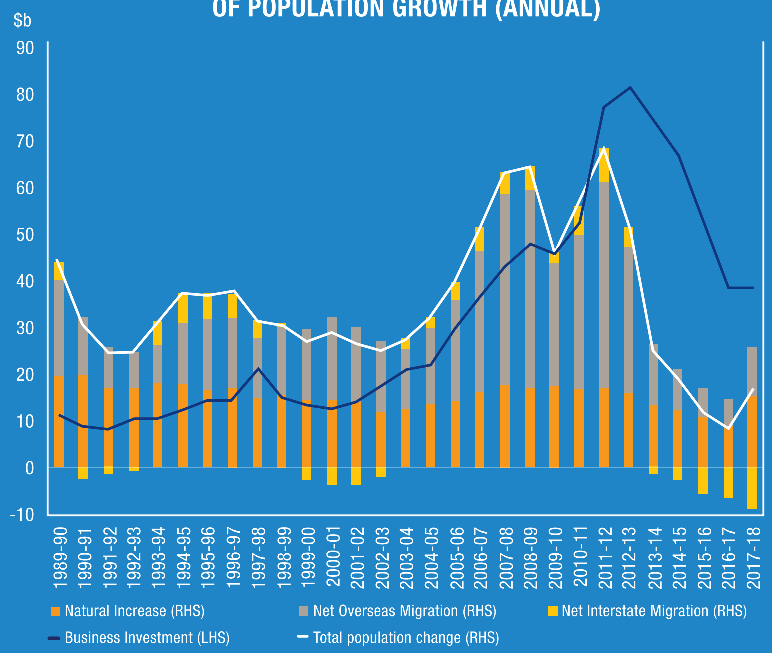
Population growth is associated with business investment. ABS data shows that the population growth rate during a sustained period of higher growth (a boom) is around 2.5 per cent on average. The growth rate when WA is not in a boom is around 1.5 per cent on average.

The decline in business investment since 2013 has resulted in a major decline in population growth. Since 2013, around 40,000 people have left WA for other states and territories (net negative interstate migration). This has meant that population growth in WA is currently dependent on net overseas migration and births (although both have also fallen).

Changes to employment policies have also affected population growth. Migration policies have made it more difficult for businesses to fill jobs in WA. This includes the removal of the Federal Government's 457 visa stream and the State Government's reduction of occupations on the WA Skilled Migration List from 178 to 18, and its removal of Perth's classification as a region under the Regional Sponsored Migration Scheme.

We believe that business investment will continue to drive population growth.

BUSINESS INVESTMENT AND COMPONENTS OF POPULATION GROWTH (ANNUAL)



Source: CCIWA, ABS

SECTION 2: RISKS TO THE WA ECONOMY

Exports make up around 50 per cent of the size of the WA economy and China accounts for approximately 50 per cent of WA's exports. This means WA's domestic economy is intrinsically linked to its trading partners, particularly China.

The IMF and OECD have revised down their forecasts for the Chinese economy in 2018. Since this time, the most recent data indicates that consumption growth is softer than anticipated and that exports are lower than anticipated.

The table below outlines some events that have impacted the China and U.S. trade relationship 2018-2019.

LINKAGES BETWEEN CHINA AND WESTERN AUSTRALIA

China and WA have a complementary economic relationship, based on their strengths. Western Australia provides land, resources and capital-intensive commodities to China, which provides labour-intensive consumer goods to WA and the rest of the world. Citizens in each economy have a much higher standard of living as a result of this trade relationship.

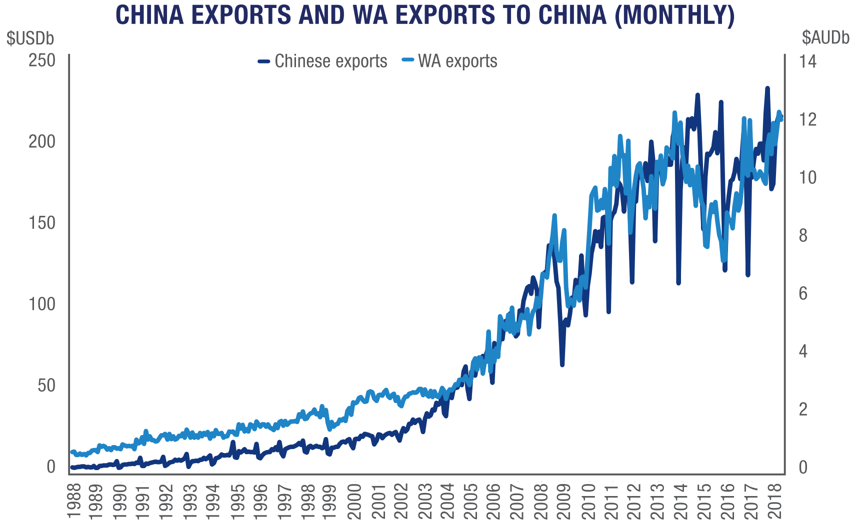
The supply of Australian mineral resources is important to development in China. Mineral resources such as iron ore are inputs in the production of goods and infrastructure necessary to sustain intensive Chinese growth.

The Chart below shows Chinese exports to the world and WA exports to China.

MAJOR CHINA AND U.S. EVENTS

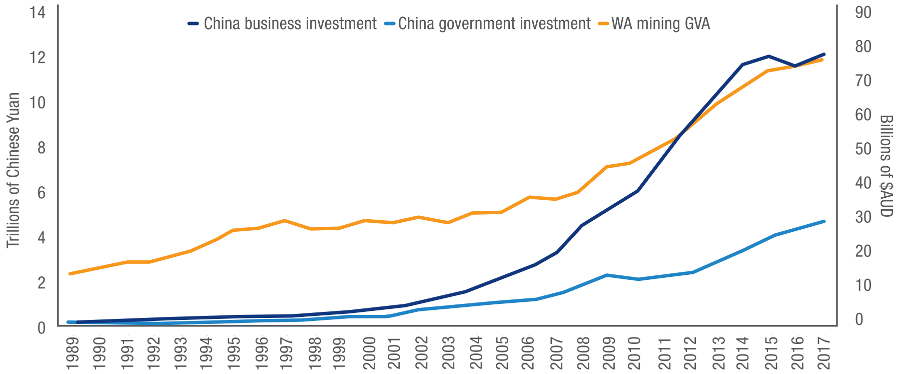
Date	Issue
February 2018	The US imposed 30 per cent tariffs on solar panels and washing machines.
March 2018	The US imposed steel and aluminium tariffs on many US trading partners, including China. The Chinese government imposed tariffs on 128 US products, including agricultural commodities.
July 2018	The US imposed additional duties on US $34 billion in Chinese products. China imposed additional duties.
August 2018	The US imposed tariffs on an additional US $16 billion in Chinese imports. China imposed additional duties.
September 2018	The US imposes tariffs on US $200 billion of Chinese products. China imposed US $110 billion in tariffs on US goods.
Late-September 2018	China cancels scheduled talks. US officials state they will not return to negotiate unless China presents a concrete proposal.
December 2018	The US and China agreed a 90-day truce at a G20 dinner in Argentina.
December 22, 2018 - present	The US Government was shut down on December 22 when the US Congress and US President Trump did not agree to the funds required for the 2019 fiscal year, affecting 800,000 government employees.

CHINA EXPORTS AND WA EXPORTS TO CHINA (MONTHLY)



Source: CCIWA, China Customs, ABS

PRIVATE SECTOR AND GOVERNMENT INVESTMENT IN CHINA AND WA MINING SECTOR GVA



Source: CCIWA, Oxford Economics, ABS

The Chart above shows investment in China and the size of the WA mining sector. When there is increased investment in China, this is associated with increased demand for WA mining commodities.

Two factors that can impact China are:

(1) A resumption of a tariff war that impacts exports, investment and consumption;

(2) Domestic economic issues that impact exports, investment and consumption.

(1) A resumption of the tariff war

During 2016-2018, U.S. President Donald Trump has demanded that China must open its economy and conduct reforms. President Trump has stated that China must buy more US. goods and reduce the trade deficit, address market-distorting behaviour of state enterprises, confront harmful industrial subsidy practices, stop harmful forced technology transfers including IP theft, promote World Trade Organisation reforms and remove tariffs on goods such as U.S. cars. China has not responded to these requests.

President Trump has stated that these issues and existing Chinese tariffs on U.S. goods have given Chinese firms an unfair advantage and led to the closure of factories in the U.S. Tariffs are a tax on imports – they increase the price of imported goods from another country. This makes the countries imports less attractive for domestic consumers and businesses, so consumers and businesses substitute to produce other goods, or if they continue to purchase imported goods, they can afford to purchase less. Consumers of the country levying the tariff ultimately lose out (lower standard of living).

During 2017, the U.S. imposed tariffs on China. China has retaliated and imposed tariffs on the U.S. There was a respite in early December when there was a 90-day truce for the two parties to work towards achieving a deal. If that deal is not achieved, U.S. tariffs will automatically increase on 2 March 2019.

IMPACT ON CHINA

Chinese exports to the U.S. account for around 20 per cent of Chinese exports. It is difficult to determine the impact of tariffs on the Chinese economy because the data is unclear. However, the value of new export orders has contracted for a seventh consecutive month (a reading below 50 index points indicates a contraction in export orders).

U.S. imports from China have shown more volatility in 2018 than they have in recent years.

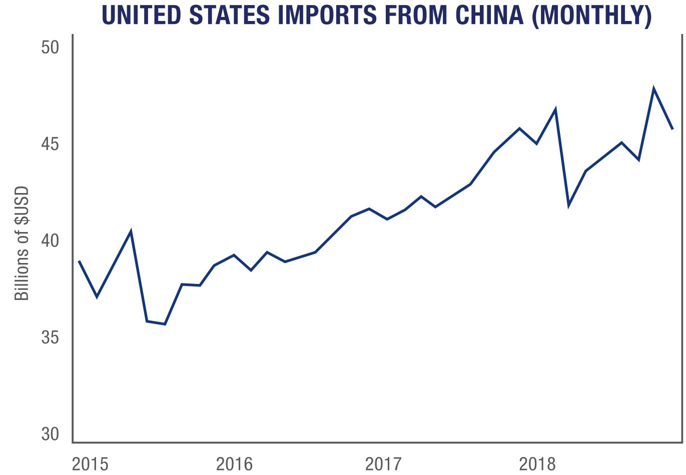
(2) China domestic economic issues

There are other risks that could impact the Chinese economy and demand for WA's mineral resources and energy, including:

CHINA'S EXPORTS TO THE U.SS (ANNUAL GROWTH) AND CHINA NEW ORDER EXPORT INDEX (MONTHLY)

Source: CCIWA, Thomson Reuters, China Customs, National Bureau of Statistics of China

UNITED STATES IMPORTS FROM CHINA (MONTHLY)



Source: CCIWA, Thomson Reuters, US Customs

U.S. IMPORTS FROM CHINA HAVE SHOWN MORE VOLATILITY IN 2018 THAN THEY HAVE IN RECENT YEARS.

(1) Chinese debt – debt is around 300 per cent as a percentage of GDP.

(2) Consumption growth is soft – there is recent data that indicates that Chinese consumption is weaker than anticipated (see Apple 2018 profit results). This increases the reliance of the Chinese economy on business investment and export growth.

(3) Investment as a proportion of GDP is around 40 per cent. Any shocks that affects investment will have a large impact on the economy.

(4) China liquidity issues. There have been credit crunches in China in the past few years. Consumers and businesses have been unable to access money as banks and other financial institutions have been unwilling to lend or provide access to funds. The Chinese Government has resolved these issues by pumping money into the system. This has resulted in an ongoing reliance on such liquidity injections.

One additional external risk, which we have not considered in as much depth as the U.S. relationship, is that Brexit/eurozone economic issues negatively impact future demand for Chinese exports.

These factors, combined or standalone, could impact employment in China and demand for inputs to produce goods exported to the world or fixed investment in China.

IMPACT ON WA – DISCUSSION OF NEXT 6 MONTHS

WA has a major interest in the U.S. and China coming to a deal and deciding to not increase tariffs any further.

If a tariff war resumes, this will reduce Chinese and U.S. exports. This will reduce economic activity in each economy and therefore the demand for commodities that are used in the production of those exports and the infrastructure supporting growth in the economy. The immediate effect is that the value of WA exports falls, led by price or volume, affecting WA exporters and the businesses that support these projects. A medium-term effect is that it will make it less profitable for Chinese businesses to invest in additional projects – this will reduce demand for iron ore used in producing steel and could affect projects in WA.

China might respond by injecting additional funding into construction of infrastructure. This will support demand for some WA mining products in the short-term, but it will not address underlying issues. Some modelling indicates that a 1 per cent reduction in Chinese GDP is associated with a reduction in the value of mining GVA by 0.47 per cent.[1] The WA mining GVA accounts for 30 per cent of WA GSP.

KEY DATES

2 March 2019 – deadline before U.S. tariffs on Chinese goods increase. U.S. tariffs on Chinese imports increase by 15 percentage points (to 25 per cent) unless a deal is achieved in meetings between now and March 2, 2019.

29 March 2019 – Brexit. The UK is scheduled to leave the EU on 29 March 2019. UK MPs have rejected the deal British Prime Minister Theresa May has negotiated with the EU and as such British businesses will face increased tariffs when they export goods to European countries (a hard Brexit), unless a deal is achieved shortly, or Brexit is deferred. This is affecting trade and investment in Europe which is a major destination for Chinese exports.

1 Norrie, D. (2013, July). Made in China, Mined in Australia. In *ACE 13: Proceedings of the Australian Conference of Economists 2013.* Murdoch University.

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