

Australia in 2009

**An indispensable guide for identifying opportunities and threats,
forecasting and contingency planning**

Set the right strategic directions for change and uncertainty

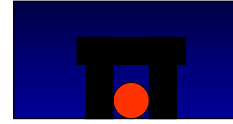
Are more destructive forces lurking?



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Australia in 2009 provides demographic, economic, and consumer spending forecasts for 2009 and 2010 and also analyses opportunities and risks. It provides survey data on what consumers expect to happen, a major factor which will influence their behaviour in 2009.

As at September 2008, the US sub-prime mortgage crisis is still playing out, the stockmarket has had a correction, oil prices have hit record levels and then retreated. Interest rates have fallen slightly but high price inflation will limit the speed of their further reduction. Add to that, concerns about a slowing of growth in China and India.

Of course there are opportunities too, including a pickup in the number of births and overall population growth amongst others. Also, we identify who the big spenders are so that they can be better targeted.

In late 2005, when we were researching our Australia in 2006 study, we found that consumers attached a 73% likelihood to rising petrol prices. They were right, but more importantly this indicated how they would modify their behaviour in 2006 – such as by buying smaller cars and using public transport more often. We predicted that there would be a “train change” – and since then Melbourne train patronage has risen by what the operators call an “unpredictable” 30%. And sales of new large passenger vehicles have fallen by 28% despite the release of new models.

We have a set of expectations measures including interest rates, house prices, economic downturn, petrol prices, economic growth, stockmarket, and a terrorist attack in Australia amongst others. This information, updated in late 2008, will provide important guidance about consumer behaviour in 2009.

Our forecasts have achieved a consistent track record for accuracy and our extensive tracking of the consumer pulse provides insight into consumer priorities and behaviour in 2009. We have drawn on a diverse range of analysis and opinion in evaluating risk factors.

Our forecasting models quantify the impacts, including lagged effects, of factors such as interest rates and petrol prices on activity. We also apply analytical techniques to evaluate the trajectory of global warming and the likelihood that other events will occur, such as further rises in the price of oil.

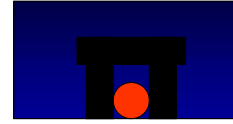
But some things are hard to predict with any certainty – economists almost never correctly predict an economic recession or even a slowdown.

In his book “The Wisdom of Crowds”, James Surowiecki makes a compelling case that if you want to make a correct decision then large numbers of ordinary people can provide better advice than a small number of experts.

Surowiecki shows that if you ask a large enough sample of diverse, independent people to make a prediction or estimate a probability, and then average those estimates, the errors each individual makes in coming up with an answer will cancel

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themselves out. Each person's guess has two components: information and error (or signal and noise). The process of averaging tends to cancel out the errors, leaving the information.

Australia in 2009 taps into the wisdom of the masses by asking consumers how likely they expect each of a range of events to occur. Their expectations provide an insightful guide to consumer behaviour in 2009.

We have segmented consumers on these expectations and found one segment which expects a lot of change (Apocalyptics) and another which expects very little change (Steady Staters). Other segments have more realistic expectations.

Australia in 2009 also analyses some important consumer trends. These include the debt burden, time poverty, nostalgia, and lifestyle changes. There is also analysis of workforce trends.

In summary, we have tapped into a variety of sources of information about the future. These include:

- Modelling the past to predict the future, quantifying the impact of interest rate changes and other factors on the future;
- Trend analysis of consumer opinions and expectations;
- The wisdom of the masses;
- Scanning the business environment.

The report will be released in December 2008 and costs only \$200 including GST.

A preview report was released in October 2008. It contains economic and population forecasts plus analysis of the implications for investment portfolios of recent events in the financial markets. It also analyses the impact on consumer spending of the government's fiscal stimulus package.

Australia in 2009 is a unique combination of forecasts based on econometric models along with analysis of risks plus insights into the mindsets of consumers as they plan and make their purchasing and investment decisions. These expectations will also influence where people choose to live, work, and shop.

“Nelson is one of Australia’s most respected forecasters of consumer behaviour and spending patterns. Why is he respected? Because most of his forecasts come true”.
Neil Shoebridge, Business Review Weekly, November 13-19 2003, page 62.

“Congratulations on being eerily close again.” Nick Senior, General Manager, Subaru.

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The contents page of Australia in 2008 is shown below as an example of what to expect in Australia in 2009. New analyses will include workforce trends and investment portfolio implications of recent financial market events.

Introduction & Overview	2
Consumer Pulse: willingness and ability to spend and save	7
Who are the Big Spenders?	13
Forecasts	
Population Growth, Births	17
Economic Growth: GDP and components	23
Outlook for price inflation and interest rates	25
Housing: housing finance, dwelling approvals, house prices	28
Retail sales	31
New vehicle sales	33
International tourism	35
The Wisdom of the Masses	36
Scenarios and Risk Factor Assessments	41
Petrol Prices	42
Australian Dollar	44
Commodity Prices	46
Share Market	47
Economic Downturn	49
Climate: Global Warming	51
Climate: Drought	52
Bird Flu	56
Terrorism	57
Consumer Futurescape	
Attitudinal influences on behaviour	58
Future concerns	66
Expected lifestyle changes in 2008	69
Summary and Implications	70