Australia outlook report

Third quarter of 2024

R & D

www.managementsolutions.com

Design and Layout:

Marketing and Communication Department
Management Solutions

Photographs:

Management Solutions' picture library,
iStock

© Management Solutions 2025

All rights reserved. This publication may not be reproduced, distributed, publicly released or transformed, wholly or in part, freely or onerously, using any means or methods, without the prior written consent of Management Solutions. The contents of this publication are provided for information purposes only. Management Solutions does not accept any liability for the use that might be made of this information by third parties. The use of this material by anyone without the express authorization of Management Solutions is forbidden.

Index

The objective of Australia's quarterly report is to provide a comprehensive and summarized overview of the main indicators of the country's banking sector, as well as the macroeconomic situation at the end of each quarter.

1. International overview

Global growth remains stable, driven by recovery in both advanced and emerging economies, with moderating inflation supporting real income growth. Labour market pressures continue to ease, while unemployment remains mostly stable, majorly at or near historical lows.

Macroeconomic outlook

- In the third quarter, GDP in the eurozone grew by 0.93% year-on-year, continuing its upward trend. However, Germany continued its negative trend, recording negative growth of -0.32%. The average CPI in the eurozone continued to fall for another quarter, reflecting the effectiveness of the EU's current monetary policy. Only the Netherlands recorded an increase in its CPI compared to 3Q23. The average unemployment rate in the eurozone was 6.33%, down slightly from 6.40% in the previous quarter.
- In the third quarter of 2024, U.S. GDP grew by 2.66%, while Canada's year-over-year growth was 1.49%, still slightly up from the second quarter. Latin America's growth rate rose to 1.87%. Inflation in the U.S. decreased to 2.62% and in Canada to 2.04%. The average inflation rate in Latin America was 2.57%, excluding Argentina's high rate of 234.24%. Also in Latin America, the average unemployment rate was 5.88%, with a slowdown observed in Brazil (6.40%) and Peru (5.99%), both of which declined on a quarterly and annual basis. On the other hand, the unemployment rate increased in the United States and Canada, reaching 4.20% and 6.50%, respectively.
- In the Asia region, China recorded growth of 4.60% in the quarter, down from 4.90% in 3Q23. Japan recorded a GDP increase of 0.23% after two consecutive quarters of negative growth. Turkey’s growth slowed down to 1.93%, continuing a downward trend since 1Q24 (6.70%). China's inflation rose to 0.48%, an increase both year-on-year and quarter-on-quarter. Turkey ended its upward trend, with inflation dropping by 18.18 p.p. quarter-on-quarter and by 2.11 p.p. Y-o-Y. Unemployment rates in China and Japan remained relatively stable compared to the previous quarter. In Turkey, however, the unemployment rate decreased by 0.53 p.p. compared to 3Q23.
- In the third quarter of 2024, South Africa's GDP growth rate increased by 0.87 p.p. compared to 3Q23, reaching a growth rate of 0.37%. Inflation continued to decline, falling by 0.78 p.p. year-on-year. The unemployment rate remained high at 32.10%. In Australia, GPD slowed down with a decline of 1.28 p.p. compared to 3Q23. The CPI continued its downward trend and stood at 2.81%, 2.56 p.p. lower than in 3Q23. Unemployment worsened significantly by 4.62 p.p. compared to 3Q23.
- According to the OECD, indicators point to a gradual moderation in the second half of the year after the strong growth in the first half. The services sector slowed down in July and August, but recovered in September. Similarly, retail trade grew by 5.1% in the first half of 2024, remained flat in July and August, and then picked up again in September. Industrial production followed a similar trend, showing robust growth in early 2024, but losing momentum in July and August.
- The IMF's growth projections show that emerging economies will remain stable, similar to advanced economies, which slowed in 2023. Global inflation is expected to decline, although disinflation will be faster in advanced economies than in developing ones.

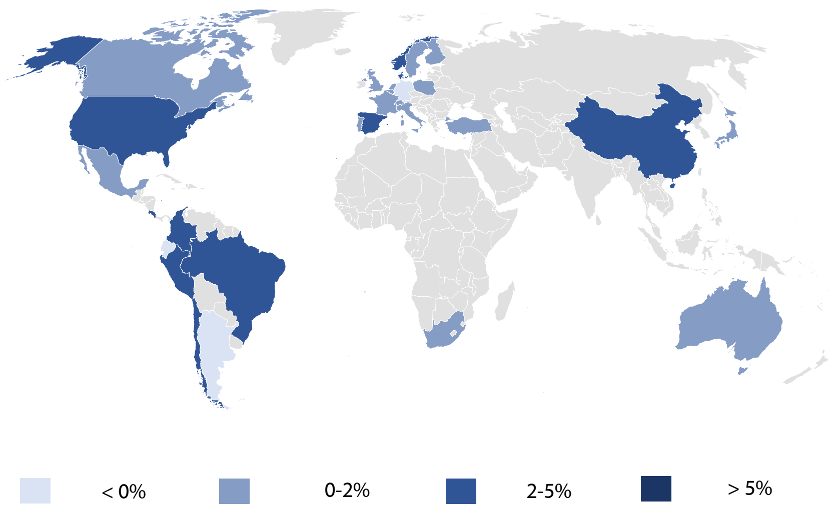
Other indicators and key risks

- The IMF highlights the importance of mitigating the disruption caused by exchange rate volatility. Differences in disinflation across countries lead to desynchronization of central bank policies, which may result in increased capital flows. The appreciation of the US dollar on the back of high-interest rate expectations could push up domestic prices in economies with higher import dependence and a larger share of dollar-denominated imports, potentially putting pressure on their financial sectors.
- OECD notes that global risks include geopolitical tensions, trade issues, and slower growth, but a recovery in real incomes could boost consumer confidence. Fiscal measures and structural reforms are crucial to ensuring sustainability and long-term growth.
- The OECD also warns that financial risks remain due to elevated debt levels, overvalued assets, and the deteriorating creditworthiness of some borrowers, particularly in the commercial real estate sector. In addition, the growing scope and interconnectedness of less regulated non-bank financial institutions increase the likelihood of adverse shocks spreading rapidly across different market segments.

(1) The average for Latam countries is based on macroeconomic data for Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru

GDP (%, year-on-year growth)

Europe	
BEL	1.20
DEU	-0.32
DNK	3.86
ESP	3.35
FIN	0.34
FRA	1.23
GBR	0.95
ITA	0.45
LUX	1.16
NLD	1.86
NOR	3.11
POL	1.71
PRT	1.94
SWE	0.65
SWT	1.67
UEM(1)	0.93

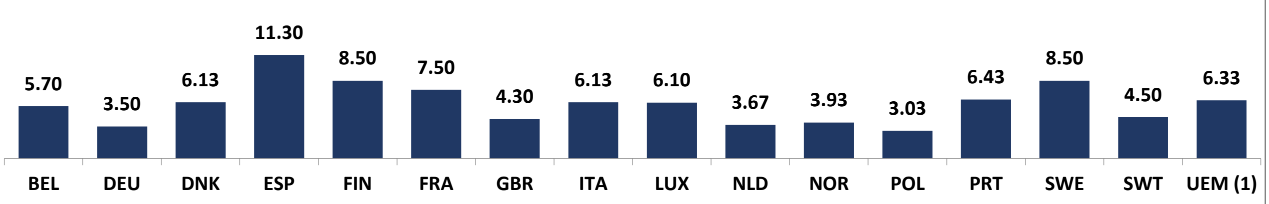


America	
ARG	-2.04
BRA	3.54
CAN	1.49
CHL	2.31
COL	2.02
CRI	3.75
ECU	-1.54
MEX	1.58
PER	3.80
USA	2.66
LATAM(2)	1.60
Oceania	
AUS	0.84
Asia	
CHN	4.60
JAP	0.23
TUR	1.93
Africa	
ZAF	0.37

Source: OECD data. Non-member central banks.
(1) Economic and Monetary Union. (2) Latin America: average of Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru.

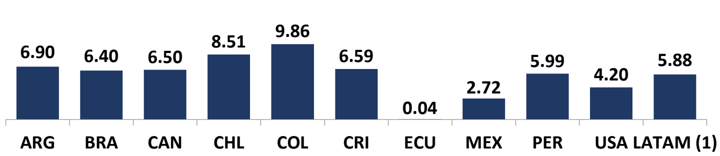
Unemployment rate (%)

EUROPE



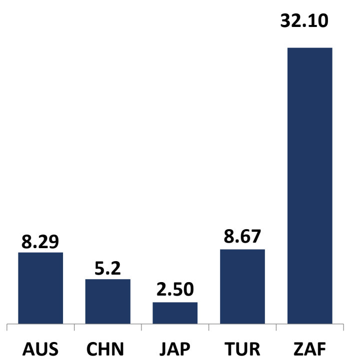
Source: OECD data. Non-member central banks.
(1) UEM: Economic and Monetary Union

AMERICAS



Source: OECD data. Non-member central banks. Data of Ecuador retrieved from INEC.
(1) LATAM: average countries of Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru

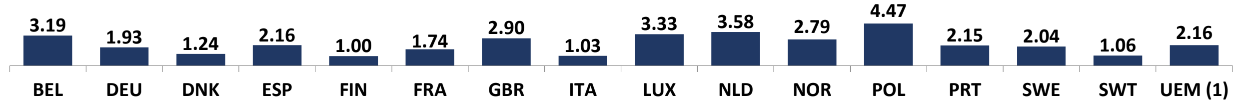
OCEANIA, ASIA, AFRICA



Source: OECD Data. Central Banks of Non-Member Countries.

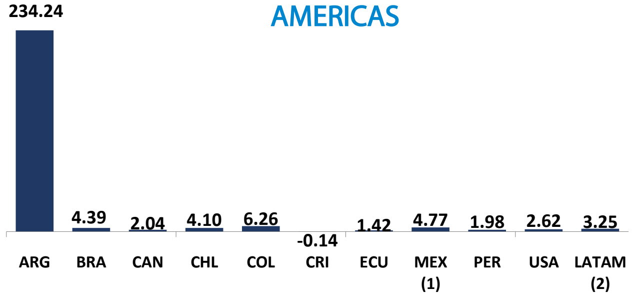
Inflation rate (%)

EUROPE



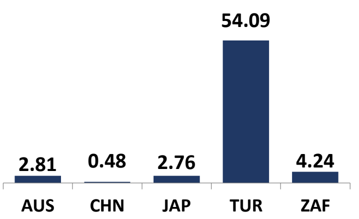
Source: OECD Data. Central Banks of Non-Member Countries.
(1) Monetary and Economic Union

AMERICAS



Source: OECD Data, Trading Economics. Central Banks of Non-Member Countries. Data of Ecuador retrieved from INEC.
(1) Data from 2Q24. 3Q24 data not available.
(2) LATAM: average of Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, and Peru

OCEANIA, ASIA, AFRICA



Source: OECD Data, Trading Economics. Central Banks of Non-Member Countries

Global Ratings and Exchange Rates

LONG-TERM RATES 3Q24

	MOODY'S	S&P	Fitch
		EUROPE	
BEL	Aa3	AA	AA-
DEU	Aaa	AAA	AAA
DNK	Aaa	AAA	AAA
ESP	Baa1	A	A-
FIN	Aa1	AA+	AA+
FRA	Aa2	AA-	AA-
ITA	Baa3	BBB	BBB
LUX	Aaa	AAA	AAA
NLD	Aaa	AAA	AAA
NOR	Aaa	AAA	AAA
POL	A2	A-	A-
PRT	A3	A-	BBB+
GBR	Aa3	AA	AA-
SWE	Aaa	AAA	AAA
SWT	Aaa	AAA	AAA
		AFRICA	
ZAF	Ba2	BB-	BB-
		OCEANIA	
AUS	Aaa	AAA	AAA
		ASIA	
CHN	A1	A+	A+
JAP	A1	A+	A
TUR	B1	BB- ▲	B
		AMERICAS	
ARG	Ca	CCC	C
BRA	Ba1 ▲	BB	BB ▲
CAN	Aaa	AAA	AA+
CHL	A2	A	A-
COL	Baa2	BB+	BB+
CRI	Ba3 ▲	BB-	BB-
ECU	Caa3	B-	B-
MEX	Baa2	BBB	BBB-
PER	Baa1	BBB-	BBB
USA	Aaa	AA+	AAA

▲ Increased from 2Q24 ▼ Decreased from 2Q24

Source: Investing

EXCHANGE RATES 3Q24 ($[1])

EUROPE	3Q23	4Q23	1Q24	2Q24	3Q24	2024
EUR	0.92	0.93	0.92	0.93	0.91	0.92
CHF	1.13	1.13	1.14	0.90	0.87	0.88
DKK	6.85	6.93	6.87	6.93	6.79	6.90
NOK	10.48	10.81	10.51	10.75	10.70	10.75
SEK	10.81	10.65	10.39	10.68	10.42	10.58
GBP	0.79	0.81	0.79	0.79	0.77	0.78
PLN	4.14	4.10	3.99	3.99	3.90	3.99
AMERICAS	**3Q23**	**4Q23**	**1Q24**	**2Q24**	**3Q24**	**2024**
ARG	334.66	443.71	833.91	885.25	940.59	913.54
BRL	4.89	4.96	4.95	5.21	5.55	5.36
CLP	839.20	895.36	945.96	933.72	903.11	943.76
COP	4,043.78	4,064.32	3,913.15	3,923.29	4,904.54	4,090.76
PER	3.66	3.77	3.74	3.73	3.47	3.76
MXN	17.06	17.54	16.97	17.23	18.93	18.30
AFRICA	**3Q23**	**4Q23**	**1Q24**	**2Q24**	**3Q24**	**2024**
ZAR	18.64	18.73	18.87	18.56	17.97	18.36
OCEANIA	**3Q23**	**4Q23**	**1Q24**	**2Q24**	**3Q24**	**2024**
AUS	1.53	1.54	1.52	1.52	1.49	1.51
ASIA	**3Q23**	**4Q23**	**1Q24**	**2Q24**	**3Q24**	**2024**
RMB	7.24	7.22	7.19	7.24	7.16	7.20
TRY	26.81	28.55	30.90	32.35	33.50	32.77

Source: Investing. OECD projections, December 2024.
(1) The base currency used is the U.S. dollar against each local currency quoted

2. Macroeconomic view

Australia's economy continued to experience a challenging environment, marked by subdued growth and persistent inflation. The Reserve Bank of Australia (RBA) maintained its restrictive monetary stance while navigating with external pressures such as declining commodity prices, global demand slowdown and domestic consumption weakness.

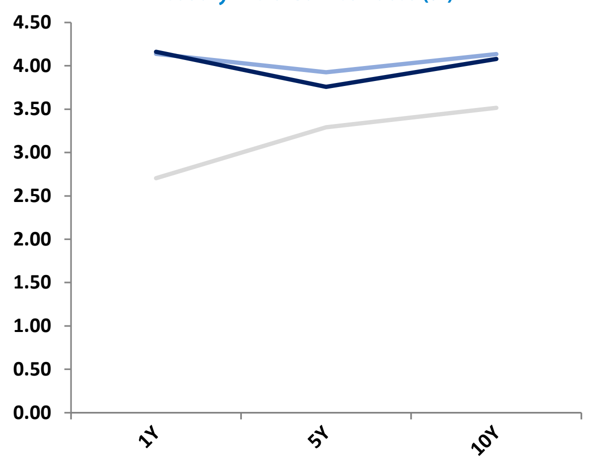
Main Macroeconomic Indicators (%)

ACTIVITY	3Q23	4Q23	1Q24	2Q24	3Q24	Var. p.p.2Q24	Var. p.p.3Q23	2024	2025
GDP	**2.12**	**1.48**	**1.14**	**0.99**	**0.84**	-0.15	-1.28	**1.09**	**1.89**
DOMESTIC DEMAND	1.60	1.63	2.03	2.29	1.54	-0.75	-0.06	1.88	1.74
HOUSEHOLD CONSUMPTION	1.84	1.05	1.23	0.40	0.44	0.04	-1.40	1.02	1.89
PUBLIC CONSUMPTION	3.14	2.87	4.07	4.54	4.66	0.12	1.52	4.04	2.27
CAPITAL FORMATION	5.56	6.06	3.46	1.28	1.55	0.27	-4.01	1.84	1.24
EXTERNAL DEMAND									
EXPORTS	8.42	3.72	3.26	-0.07	-1.10	-1.03	-9.52	1.47	2.71
IMPORTS	6.10	5.69	8.38	5.85	2.67	-3.18	-3.43	5.56	2.23
INFLATION									
CPI	**5.37**	**4.05**	**3.62**	**3.81**	**2.81**	-1.00	-2.56	**3.17**	**2.26**
LABOUR MARKET									
UNEMPLOYMENT RATE	**3.67**	**3.89**	**3.89**	**4.06**	**8.29**	4.23	4.62	**4.11**	**4.36**
EMPLOYMENT (1)	**3.16**	**3.11**	**3.04**	**2.25**	**2.67**	0.42	-0.49	**2.56**	**2.17**

(1) The employment variable represents the year-on-year change in employment growth.
Source: quarterly data extracted from the Organization for Economic Cooperation and Development (OECD) as of Nov 26th 2024. The series for the other quarters have also been updated to the database as of Nov 26th, 2024, to gain consistency. Projections OECD December 2024.

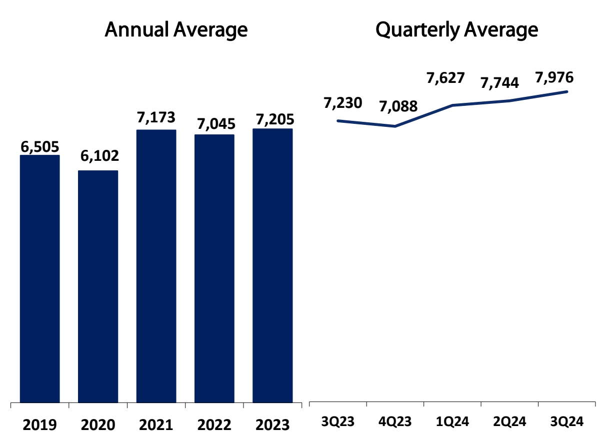
- Australian quarterly growth slowed down to 0.84%, with weaker domestic demand as higher interest rates constrained household and business spending. Public consumption remain stable, providing slight support to overall growth. Regarding external demand, exports continue to decline primarily by a reduction in global demand for Australian commodities reflecting weakened industrial activity in key trading partners like China. Imports fell more sharply largely due to reduced consumer demand and decreased business investment.
- Inflation decreased to 2.81%, marking continued progress toward the RBA's target range of 2-3%. However, inflationary pressures persisted in services and energy costs. The RBA projects inflation to moderate further but acknowledges risks from wage growth and external cost shocks.
- Labour market situation shows an increase in unemployment (from 4.06% in 2Q24 to 8.29% in 3Q24), reflecting a gradual softening in labor demand. However, participation rates remained high, signaling sustained workforce engagement.

Treasury Yield Curves Rates (%)



Source: Investing

S&P/ASX 200 (AXJO)



Source: Investing

3. Banking sector

During 3Q24, the Australian banking sector registered a decrease in YoY loan growth rates. Additionally, deposit growth rates also declined compared to 3Q23. The efficiency ratio improved and the NPL ratio worsened year-over-year, and the RBA maintained the interest rate at 4.35%, since 4Q23.

BANKING SECTOR CONTEXT 3Q24 (%)

BUSINESS	3Q23	4Q23	1Q24	2Q24	3Q24	Var p.p. 2Q24	Var p.p. 3Q23
TOTAL LOANS[(1)]	8.92	9.11	8.30	6.49	6.35	-0.14	-2.57
TOTAL DEPOSITS[(1)]	3.95	4.30	2.35	3.75	3.68	-0.07	-0.27
LTD RATIO	70.54	70.71	71.87	72.04	72.33	0.29	1.79
EFFICIENCY							
EFFICIENCY RATIO	53.70	52.34	50.80	53.00	52.00	-1.00	-1.70
GM/ATA	0.49	0.49	0.50	0.50	0.49	-0.01	0.00
OE/ATA	0.26	0.26	0.25	0.26	0.26	0.00	0.00
CREDIT RISK							
NPL RATIO	0.90	1.00	1.00	1.00	1.00	0.00	0.10
SOLVENCY							
CAPITAL RATIO	19.80	17.70	20.50	20.00	20.00	0.00	0.20
CET1	12.60	12.61	12.70	13.00	12.00	-1.00	-0.60
TIER 1	14.60	13.40	14.70	15.00	14.00	-1.00	-0.60
RBA INTEREST RATE							
INTEREST RATE	4.10	4.35	4.35	4.35	4.35	0.00	0.25

Source: Australian Banking Association (ABA).
(1) The values for loans and deposits reflect their year-on-year growth rates

- The growth rate of total loans dropped to 6.35% in the third quarter of 2024, reflecting a decline of 2.57 p.p. compared to the same period last year. Similarly, the growth rate of total deposits also saw a reduction of 0.27 p.p. in comparison to 3Q23. Additionally, the LTD (loan-to-deposits ratio) rose both quarterly and year-on-year by 0.29 p.p. and 1.79 p.p. , respectively, reaching 72.33%.
- In the Australian banking sector, the efficiency ratio stood at 52.00% in 3Q24, which was 1.00 p.p. better than the previous quarter and 1.70 p.p. better than in 3Q23. The GM/ATA and OE/ATA ratios were recorded at 0.49% and 0.26%, respectively.
- Regarding risk, the NPL (non-performing loans) ratio remained steady compared to 2Q24 and since 4Q23 at 1.00%, although it worsened by 0.10 p.p. relative to 3Q23.
- From all solvency ratios, only the capital ratio showed year-over-year improvements (+0.20 p.p.), but CET 1 and TIER 1 both declined by 0.60 p.p. Compared to 2Q24, the capital ratio remained stable, while CET 1 and TIER 1 both fell by 1.00 p.p., reaching 20.00%, 12.00% and 14.00%, respectively.
- The Reserve Bank of Australia (RBA) opted to maintain interest rates at 4.35%, which have been the same since 4Q23, after being increased by 0.25 p.p. during the fourth quarter of 2023. This decision was made to ensure inflation returns to target in a reasonable time frame. The decision to maintain a restrictive stance was largely due to inflationary pressures in key sectors. However, efforts to reduce living costs, such as electricity subsidies, are expected to help curb inflation in the second half of the year.

4. Glossary

- **ABA:** Australian Banking Association.
- **BUSINESS VOLUME:** The business volume is the set of activities that generate income for a bank, formed by financing (loans) plus customer resources (deposits).
- **CAPITAL RATIO:** the ratio of a bank's capital in relation to its risk weighted assets and current liabilities.
- **CET 1:** Common Equity Tier 1 capital is the highest quality of regulatory capital, as it absorbs losses immediately when they occur.
- **CPI:** The consumer price index is an indicator that measures the variation of prices of a basket of goods and services in a specific location during a certain period of time.
- **EFFICIENCY RATIO:** It is a ratio that measures the productivity of an entity. It is the result of the quotient between operating expenses and gross margin. In other words, it relates the income obtained with the expenses necessary for its achievement. As a conclusion, an entity will be more efficient the lower its efficiency ratio.
- **GDP:** Gross Domestic Product (GDP) is an economic indicator that reflects the monetary value of all final goods and services produced by a territory in a certain period of time. It is used to measure the wealth generated by a country.
- **GM/ATAs:** Gross Margin / Average Total Assets. Gross margin is composed of the set of revenues generated by a financial entity in its activity.
- **LEVERAGE RATIO:** The Tier 1 leverage ratio measures a bank's core capital relative to its total assets. The numerator consists of the most stable and liquid capital, as well as the most effective at absorbing losses during a financial crisis or recession. The denominator is a bank's total exposures, which include its consolidated assets, derivative exposures and certain off-balance sheet exposures.
- **LCR (Liquidity Coverage Ratio):** this ratio measures a bank's liquidity. It is calculated as the institution total liquid assets divided by its short-term obligations.
- **LTD RATIO:** The loan-to-deposit ratio (LDR) is used to evaluate a bank's liquidity by comparing the total loans of a bank with the total deposits during the same period.
- **NON-PERFORMING LOANS (NPL) RATIO:** The non-performing loan (NPL) ratio is an indicator used to measure the volume of operations that have been considered non-performing, in relation to the volume of loans and credits granted by said entity.
- **OE/ATAs:** Operating Expenses / Average Total Assets. Operating expenses are those that an entity incurs during the exercise of its activity.
- **OECD:** Organization for Economic Cooperation and Development.
- **p.p.**: percentage points.
- **ROA:** An indicator that measures the profitability of a company in relation to its total assets. It indicates the return that is being obtained for its assets. It is calculated as the quotient between profit and total assets. The profit used is that obtained before taxes and interests.
- **ROE:** Financial profitability is also known as return on equity, which relates the net profits obtained in a given investment operation with the own resources.
- **TIER 1:** Tier 1 capital refers to the core capital held in a bank's reserves and is used to fund business activities for the bank's clients. It includes common stock, as well as disclosed reserves and certain other assets
- **RBA:** The Reserve Bank of Australia

5. Appendix

MACROECONOMIC OVERVIEW

- Australian Banking Association: http://www.ausbanking.org.au
- OECD Projections: https://data.oecd.org/
- Reserve Bank of Australia: http://www.rba.gov.au
- World Government Bonds: http://www.worldgovernmentbonds.com/

FINANCIAL SECTOR

- Australian Banking Association: http://www.ausbanking.org.au

ACRONYMS

- DEU - Germany
- BEL - Belgium
- DIN - Denmark
- ESP - Spain
- FIN - Finland
- FRA - France
- ITA – Italy
- LUX - Luxembourg
- NLD - Netherlands
- NOR - Norway
- POL - Poland
- PRT - Portugal
- GBR- United Kingdom
- SUE – Sweden
- TUR - Turkey
- ARG - Argentina
- BRA - Brazil
- CAN – Canada
- CHL - Chile
- COL - Colombia
- CRI - Costa Rica
- ECU - Ecuador
- MEX - Mexico
- PER - Peru
- USA- United States
- AUS - Australia
- CHN - China
- JAP – Japan
- ZAF - South Africa
- UEM- European Monetary Union

Our goal is to exceed client expectations, becoming their trusted partners

Management Solutions is an international consulting services firm focused on business, risk, finance, organization and process consulting, both in their functional components and in the implementation of related technologies.

With a multidisciplinary team (functional, mathematical, technical, etc.) of nearly 4,000 professionals, Management Solutions operates through 48 offices (21 in Europe, 22 in America, 3 in Asia, 1 in Africa & 1 in Oceania).

To meet these requirements, Management Solutions structures its activities by industry (Financial Institutions, Energy, Telecommunications, Consumer Products and Industry, Government and Construction), grouping together a wide range of areas of specialization, including Strategy, Sales and Marketing Management, Organization and Processes, Risk Management and Control, Management and Financial Reporting and New Technologies.

Manfred Nolte
Partner at Management Solutions
manfred.nolte@managementsolutions.com

Marta Hierro
Partner at Management Solutions
marta.hierro@managementsolutions.com

Management Solutions
Tel. + (34) 91 183 09 00
Fax. + (34) 91 183 09 00
www.managementsolutions.com

© Management Solutions 2025. All rights reserved.

Management Solutions, Professional Consulting Services

Management Solutions is an international consulting firm whose core mission is to deliver business, risk, financial, organisation, technology and process-related advisory services.

For further information please visit **www.managementsolutions.com**

Follow us at:

© Management Solutions. 2025
All rights reserved

www.managementsolutions.com

Madrid Barcelona Bilbao Coruña Málaga London Frankfurt Düsseldorf Wien Paris Amsterdam Copenhagen Oslo Stockholm Warszawa Wrocław Zürich Milano Roma Bologna Lisboa Beijing Abu Dhabi İstanbul Johannesburg Sydney Toronto New York New Jersey Boston Pittsburgh Atlanta Birmingham Houston Miami SJ de Puerto Rico San José Ciudad de México Monterrey Querétaro Medellín Bogotá Quito São Paulo Rio de Janeiro Lima Santiago de Chile Buenos Aires