

Australia outlook report

Fourth quarter of 2024



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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.

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1. International overview

Global growth held steady in late 2024, inflation gradually declined and labor markets improved, though vulnerabilities remain due to persistent inflationary pressures and heightened uncertainty in trade and financial conditions.

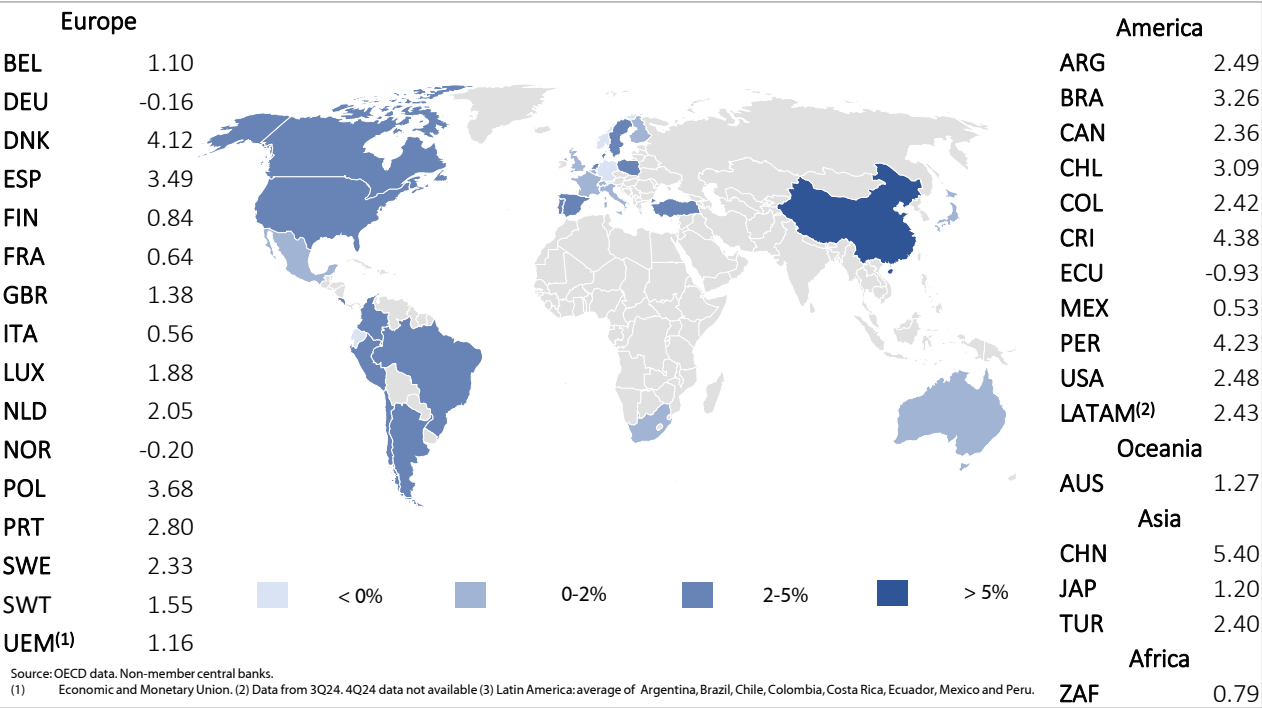
Macroeconomic outlook

- ▶ The Eurozone experienced year-on-year growth of 1.16% in the fourth quarter of the year, continuing the upward trend observed in previous periods. However, during 4Q24, Germany recorded negative growth. The region's average CPI increased slightly to 2.23% compared to the previous quarter. The average unemployment rate in the eurozone was 6.20%, showing a decrease from the previous quarter, which was 6.33%.
- ▶ The UK continued its upward trend in GDP, reaching 1.38% during the last quarter of the year. However, the CPI increased to 3.40% and the unemployment rate also rose to 4.40%, 0.50 p.p. above the 3Q23 level.
- ▶ In the fourth quarter of 2024, U.S. GDP grew by 2.48%, reflecting a decrease of 0.23 p.p. compared to the previous quarter. Meanwhile, Canada recorded a growth rate of 2.36%, an increase of 0.48 p.p. from the third quarter. The growth rate in Latin America reached 2.43% in 4Q24. As for inflation, the U.S. experienced an increase from the previous quarter, reaching 2.74%. The average inflation rate in Latin America was 3.18%, excluding Argentina's high rate, which reached 154.36%. In terms of unemployment, the U.S. saw its unemployment rate fall to 4.13%, whereas Canada's rate increased to 6.73%. In Latin America, the average unemployment rate was 6.19%, reflecting a slight decrease compared to 3Q24. Most countries followed this downward trend, except for Costa Rica and Chile, where unemployment rose.
- ▶ In the Asia region, China recorded a growth rate of 5.40% in the fourth quarter of 2024, marking a year-on-year increase from 5.30% in 4Q23. Japan maintained its positive trend from the previous quarter, reaching 1.20%. Meanwhile, Turkey reversed its previous downward trend, with growth rising to 2.40% compared to the previous quarter. The inflation rate declined in China, Japan and Turkey, continuing the downward trend observed in earlier periods. Additionally, the unemployment rate in all three countries experienced a slight decrease compared to the previous quarter.
- ▶ During the fourth quarter of 2024, South Africa's GDP grew compared to the previous quarter, reaching 0.79%. Inflation continued its downward trend, registering 2.81% in the fourth quarter of the year, compared to 4.24% in the previous quarter. The unemployment rate remained high at 31.90%. In Australia, GDP increased by 0.50 p.p. from 3Q24, reaching 1.27% in 4Q24. The CPI continued its downward trend, standing at 2.42%. The unemployment rate improved by 0.13 p.p. compared to 3Q24, reaching 4.01%.

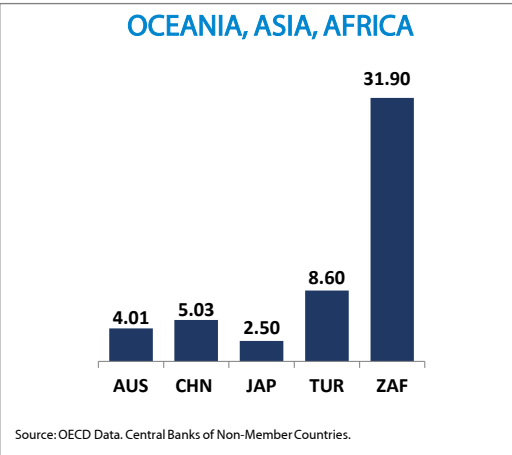
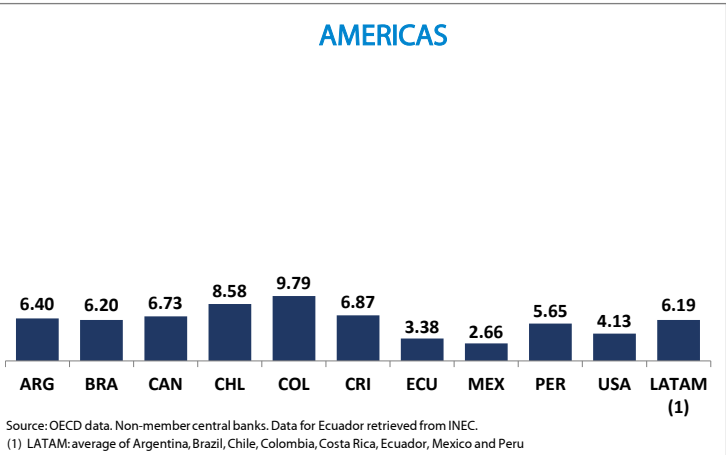
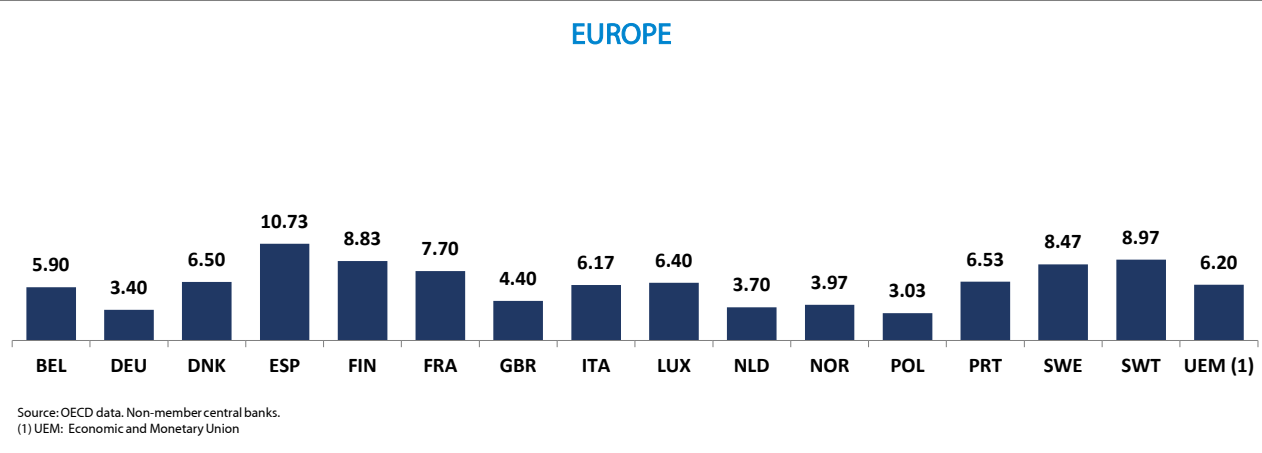
Macroeconomic forecasts and key risks

- ▶ The International Monetary Fund projects stable global economic growth of 3.3% in both 2025 and 2026. The U.S. leads among advanced economies with a 2025 growth forecast of 2.7%, driven by strong domestic demand and favorable financial conditions. In contrast, the euro area is expected to grow only 1.0%, hindered by weak manufacturing and geopolitical tensions. In Asia, China is projected to grow by 4.6%, slightly higher than previous estimates, and in Latin America, growth is forecast at 2.5%, despite slowdowns in the region's largest economies. Moreover, global inflation continues to decline, largely due to falling oil prices, though prices for other goods such as food are projected to rise in 2025.
- ▶ Short-term risks are divergent—tilted upward in the U.S. but downward in other regions—while medium-term risks are broadly to the downside globally. Trade tensions, political uncertainty, and potential monetary disruptions pose significant threats to future economic stability.
- ▶ The OECD is less optimistic and projects that global GDP growth will slow to 3.1% in 2025 and 3.0% in 2026. This deceleration is attributed to rising trade barriers, political and geopolitical uncertainty, and weaker momentum in investment and consumption. In the U.S. growth is expected to fall to 2.2% in 2025, and China is projected to grow by 4.8% in 2025. In the euro area it is projected to reach only 1.0%, in line with the IMF's projections. In terms of prices, the OECD affirms that inflation is expected to fall but remain elevated, though core inflation would stay above target in several countries.
- ▶ Regarding risks, major threats include trade fragmentation and tighter monetary policy if inflation persists. On the other hand, agreements to reduce tariffs, improvements in the political environment, or higher public spending could boost growth. The OECD stresses the importance of structural reforms and international cooperation to mitigate these risks and enhance long-term productivity.

GDP (% , year-on-year growth)

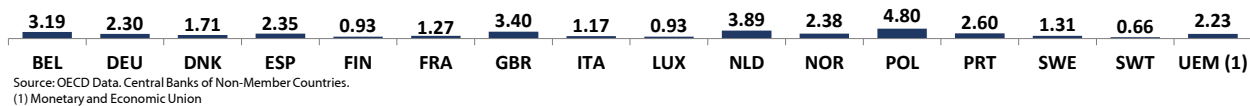


Unemployment rate (%)

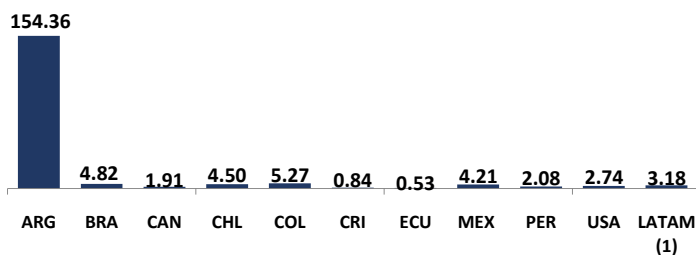


Inflation rate (%)

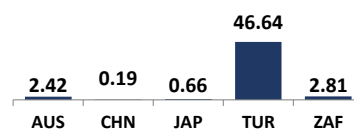
EUROPE



AMERICAS



OCEANIA, ASIA, AFRICA



Global Ratings and Exchange Rates

LONG-TERM RATES 4Q24

	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	Aa3	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 3Q24

▼ Decreased from 3Q24

Source: Investing

EXCHANGE RATES 4Q24 (\$1)

EUROPE	4Q23	1Q24	2Q24	3Q24	4Q24	2025
EUR	0.93	0.92	0.93	0.91	0.94	0.95
CHF	1.13	1.14	0.90	0.87	0.88	0.89
DKK	6.93	6.87	6.93	6.79	7.00	7.08
NOK	10.81	10.51	10.75	10.70	11.02	11.16
SEK	10.65	10.39	10.68	10.42	10.78	10.98
GBP	0.81	0.79	0.79	0.77	0.78	0.79
PLN	4.10	3.99	3.99	3.90	4.03	4.12
AMERICAS	4Q23	1Q24	2Q24	3Q24	4Q24	2025
ARG	443.71	833.91	885.25	940.59	999.45	998.25
BRL	4.96	4.95	5.21	5.55	5.84	5.79
CLP	895.36	945.96	933.72	903.11	963.71	973.93
COP	4,064.32	3,913.15	3,923.29	4,904.54	4,348.68	4,484.94
PER	3.77	3.74	3.73	3.47	3.75	3.81
MXN	17.54	16.97	17.23	18.93	20.07	20.41
AFRICA	4Q23	1Q24	2Q24	3Q24	4Q24	2025
ZAR	18.73	18.87	18.56	17.97	17.90	18.21
OCEANIA	4Q23	1Q24	2Q24	3Q24	4Q24	2025
AUS	1.54	1.52	1.52	1.49	1.53	1.55
ASIA	4Q23	1Q24	2Q24	3Q24	4Q24	2025
RMB	7.22	7.19	7.24	7.16	7.19	7.23
TRY	28.55	30.90	32.35	33.50	34.52	34.33

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 continues to face challenges, with modest GDP growth, persistent inflation, and a gradually easing labor market. The Reserve Bank of Australia (RBA) is maintaining a cautious monetary stance, balancing efforts to control inflation with supporting economic activity.

Main Macroeconomic Indicators (%)

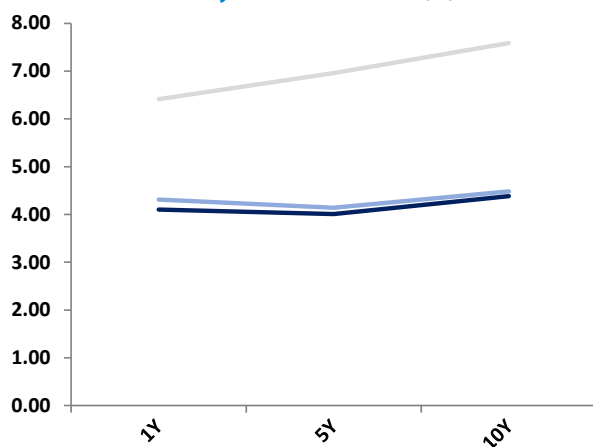
ACTIVITY	4Q23	1Q24	2Q24	3Q24	4Q24	Var. p.p.3Q24	Var. p.p.4Q23	2025	2026
GDP	1.49	1.12	0.98	0.78	1.27	0.49	-0.22	1.89	2.55
DOMESTIC DEMAND	1.54	1.89	2.22	1.65	2.29	0.64	0.75	1.74	2.37
HOUSEHOLD CONSUMPTION	0.95	1.02	0.31	0.33	0.00	-0.33	-0.95	1.89	2.42
PUBLIC CONSUMPTION	2.89	4.25	4.79	4.70	5.05	0.35	2.16	2.27	2.17
CAPITAL FORMATION	6.07	3.45	1.21	1.86	2.49	0.63	-3.58	1.24	2.46
EXTERNAL DEMAND									
EXPORTS	3.66	3.32	-0.03	-1.19	1.73	2.92	-1.93	2.71	4.13
IMPORTS	5.50	7.96	5.79	2.73	5.84	3.11	0.34	2.23	3.40
INFLATION									
CPI	4.05	3.62	3.81	2.81	2.42	-0.39	-1.63	2.26	2.57
LABOUR MARKET									
UNEMPLOYMENT RATE	3.90	3.89	4.05	4.14	4.01	-0.13	0.11	4.36	4.39
EMPLOYMENT ⁽¹⁾	3.07	3.00	2.08	2.45	2.37	-0.08	-0.70	2.17	1.75

⁽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 March 6th, 2025. The series for the other quarters have also been updated in the database as of March 6th, 2025, to ensure consistency. OECD projections, Dec 2024.

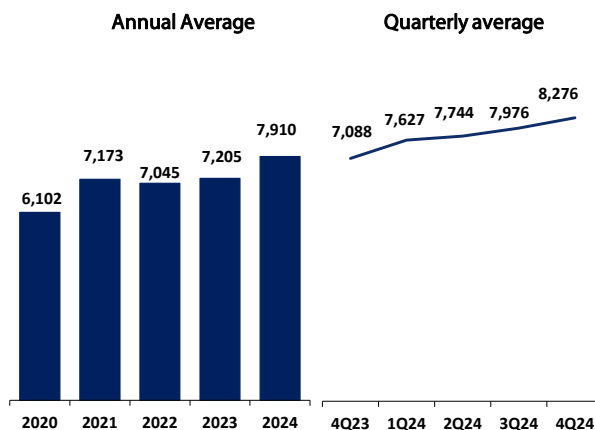
- ▶ Australia's GDP grew by 1.27% in 4Q24, reflecting moderate pace. Domestic demand expanded by 2.29%, driven by growth in public consumption (5.05%) and capital formation (2.49%). However, household consumption was stagnant at 0.00%, constrained by the high cost of living and cautious spending. External demand showed mixed signals, with exports growing by 1.73%, while imports surged to 5.84%.
- ▶ Inflation fell to 2.42% in 4Q24, marking progress toward the RBA's 2-3% target. However, underlying price pressures remain due to wage growth, supply constraints, and subdued productivity. The OECD expects inflation to moderate to 2.26% in 2025 before slightly increasing to 2.57% in 2026. The labor market remained tight but showed signs of easing. The unemployment rate was 4.01% and employment growth slowed to 2.37%. Future projections point to rising unemployment (4.39% by 2026) as the economy adjusts to weaker demand.
- ▶ In 4Q23, GDP was projected to reach 1.36%, which was slightly optimistic compared to the actual outcome of 1.27% in 2024. However, the projected CPI and unemployment rate were better than expected, reaching 2.42% and 4.01%, respectively, both below the projections of 3.44% and 4.11%. Looking ahead, GDP is expected to recover gradually, reaching 1.89% in 2025 and 2.55% in 2026, supported by public investment and a recovery in household consumption.

Treasury Yield Curves Rates (%)



Source: Investing

S&P/ASX 200 (AXJO)



Source: Investing

3. Banking sector

During 4Q24, the Australian banking sector registered an increase in YoY deposits growth rates. Additionally, the cost to income ratio worsened year-over-year, while NPL ratio remained stable. Additionally, the RBA maintained the interest rate at 4.35%.

BANKING SECTOR CONTEXT 4Q24 (%)							
BUSINESS	4Q23	1Q24	2Q24	3Q24	4Q24	Var. p.p. 3Q24	Var. p.p. 4Q23
TOTAL LOANS ⁽¹⁾	9.11	8.30	6.49	6.35	n.a.	n.a.	n.a.
TOTAL DEPOSITS ⁽¹⁾	4.30	2.35	3.75	3.68	6.24	2.56	1.94
LTD RATIO	70.40	71.43	71.80	71.97	n.a.	n.a.	n.a.
EFFICIENCY							
COST-TO-INCOME RATIO	52.38	50.82	52.62	52.35	52.51	0.16	0.13
GM/ATAs	0.49	0.50	0.50	0.49	0.48	-0.01	-0.01
OE/ATAs	0.26	0.25	0.26	0.26	0.25	-0.01	-0.01
RISK							
NPL RATIO	1.00	1.00	1.00	1.00	1.00	0.00	0.00
SOLVENCY							
CET 1	12.61	12.70	13.00	12.00	12.00	0.00	-0.61
TIER 1	14.65	14.70	15.00	14.00	14.00	0.00	-0.65
TOTAL CAPITAL RATIO	19.97	20.50	20.00	20.00	20.00	0.00	0.03
RBA INTEREST RATE							
INTEREST RATES	4.35	4.35	4.35	4.35	4.35	0.00	0.00

Source: Australian Banking Association (ABA).

(1) The values for loans and deposits reflect their year-on-year growth rates. Total loans are reported as "n.a." due to unavailable data for business loans.

- ▶ The total deposits growth rate showed an increase of 2.56 p.p. and 1.94 p.p., with respect to 3Q24 and 4Q23, respectively.
- ▶ Regarding efficiency, the Australian banking sector recorded a cost to income ratio of 52.51% in 4Q24, worsening by 0.16 p.p. and 0.13 p.p. with respect to 3Q24 and 4Q23, respectively. The GM/ATAs and OE/ATAs ratios reached 0.48% and 0.25%, respectively.
- ▶ In terms of risk, the NPL (non-performing loans) ratio remained unchanged with respect to the prior quarter and the same quarter last year, at a rate of 1.00%.
- ▶ Regarding solvency, CET 1 ratio stood at 12.00%, decreasing by 0.61 p.p. compared to the same quarter last year. TIER 1 also declined annually by 0.65 p.p., reaching 14.00%. In 4Q24, only the capital ratio increased year-over-year, by 0.03 p.p., achieving a level of 20.00%. All solvency ratios remained unchanged with respect to the previous quarter.
- ▶ The Reserve Bank of Australia (RBA) decided to keep interest rates unchanged at 4.35% since the fourth quarter of 2023. This decision was made to ensure that inflation returns to the target within a reasonable timeframe. The decision to maintain a restrictive policy was partly due to price pressures in key sectors. However, measures to ease living costs, like electricity discounts, are expected to help reduce inflation in the year's second half.

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

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