

Winners and losers from the 2009 'Robin Hood' Budget

On Tuesday 12 May 2009, the Government released its 2009/2010 Federal Budget to the Australian public. This budget is expected to create a \$58 billion deficit by funding investment in infrastructure, health, education, climate change and support for innovation.

In the words of our Treasurer, Mr Wayne Swan "Nation Building for recovery has become Australia's central task. The central task of this Government. And the central task of this Budget".

However, many economic commentators are skeptical at best, and believe that the Government's ability to achieve the anticipated return to surplus by 2015/2016 is based on overly optimistic expectations of a shallow recession and a swift economic recovery.

Budget implications for the Australian sharemarket

While we all look to assess the Federal Budget 2009/2010 and understand what it means for our families and the nation as a whole, it is important to also reflect on the impacts of the Budget on the Australian sharemarket.

The big spending and investment the Government has pledged in infrastructure will assist the contractors and developers as well as building material stocks. In particular Leighton Holdings Limited (LEI) and United Group Limited (UGL) will benefit in the area of major infrastructure projects including rail expenditure. Boral Limited (BLD) and Adelaide Brighton Limited (ABC) will be the beneficiaries where cement is concerned and are the likely winners in the building materials. The steel stocks, in particular Sims Metal Management Limited (SGM), should be assisted by the major infrastructure build.

The Health Care sector appears to be a Budget loser overall, due to a decrease in funding for pathology and the negative impact on health insurance, with decreased government rebates and reduced safety net provisions. This Budget change is likely to reduce the number of individuals taking out or continuing with private health insurance which may lower numbers of patients at private hospitals and increase waiting times at public hospitals.

Most of these cuts and changes had been leaked to the market prior to the Budget announcement and as such, affected stocks have been de-rated. The less affected stocks appear to be Sonic Healthcare Limited (SHL), and Primary Health Care Limited (PRY), compared to the more severely affected hospital operators.

Beneficiaries of the extension of the increased First Home Owners grant will be the home builders and also the banks. Stockland (SGP) will benefit to a lesser extent through its development of retail units and community housing which will receive ongoing support.

The changes to the tax concessions on additional superannuation contributions may be negative for the major superannuation players in Australia, in particular AMP Limited (AMP) and AXA Asia Pacific Holdings Limited (AXA). However if you look at the reductions that are likely to occur in their Funds Under Management growth, from the changes, it can be offset by a 1% improvement in equity market returns. Therefore we don't think it is overly significant to profitability. However the more the Government tampers with superannuation, the less attractive it becomes to investors as a reliable income stream for retirement. This may push investors into alternative strategies to fund their retirement plans as they cannot rely on the premise of 'what you see today, you get tomorrow'.

The Budget forecast unemployment rate of 8.5% can only be seen as negative and income earners of more than \$70,000 p.a. will be worse off than before the Budget changes. With this in mind, our view is that this is a 'Robin Hood' Budget, where the Government is taking from the 'haves' and giving to the 'have nots' to help in the process of "Nation building for recovery".

There is no doubt that the 2009/2010 Federal Budget decisions will impact the sharemarket over the coming year and the Managed Investments Team will continue to actively manage the portfolio to take advantage of the opportunities that are, and will become available through this next year.

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