



ECONOMIC INDICATORS

Edition 2



“We cannot solve problems with the same thinking we used when we created them.”

Albert Einstein

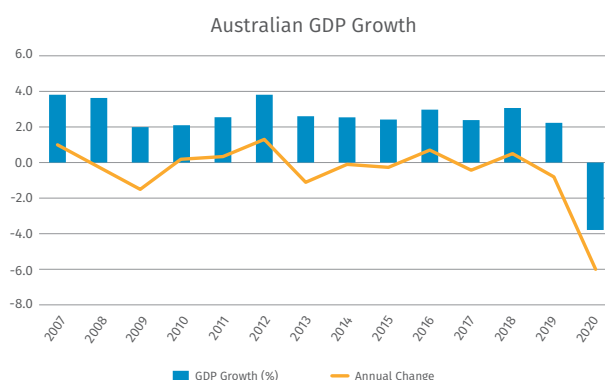
TRACKING CURRENT TRENDS

As we enter into the second year of living with COVID-19 it has become increasingly more important that the sustainability of current approaches being taken by Governments, in managing/mismanaging the economy be called into question and looked at thoroughly through a long-term economic lens as opposed to a short-term political lens.

In this edition of our Economic Indicators publication, we look at key economic statistics both domestically and globally and explore the possibility that global share markets may be overvalued and understand why the probability of economic stability is unlikely over the next market cycle.

Australian Economic Indicators

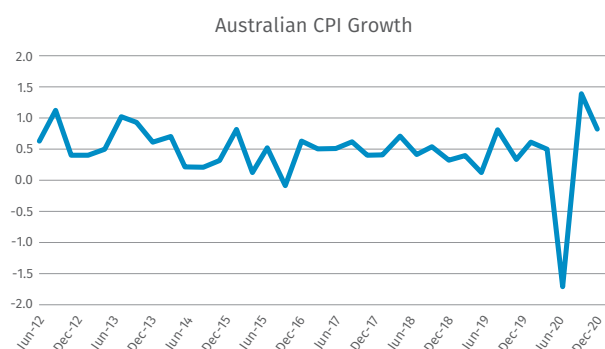
Gross Domestic Product (GDP)



- GDP for Quarter Ending September 2020 was 3.3%.
- Annual GDP Growth to September 2020 was: -3.8%

Source: Australian Bureau of Statistics, Australian National Accounts: National Income, Expenditure and Product September 2020

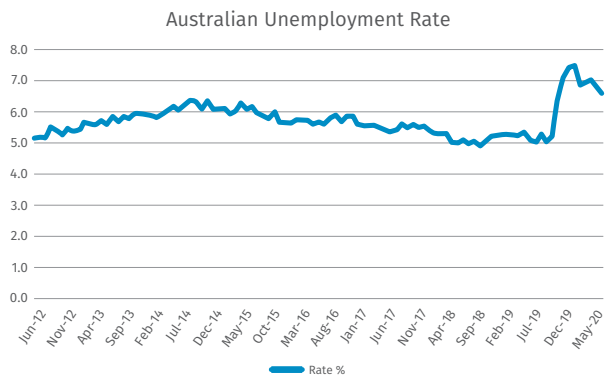
Consumer Price Index (CPI)



- The Consumer Price Index (CPI) rose by 1.6% in September 2020 quarter.
- Over the twelve months to September 2020 quarter the CPI rose by 0.7%.

Source: Reserve Bank of Australian, Updated 27 January 2021

Unemployment Rate %



- Over the year to December 2020, full-time employment decreased by 75,900 people and part-time employment increased by 12,000 people.
- The part-time share of employment over the past 12 months, increased by 0.3 to 32.1%.

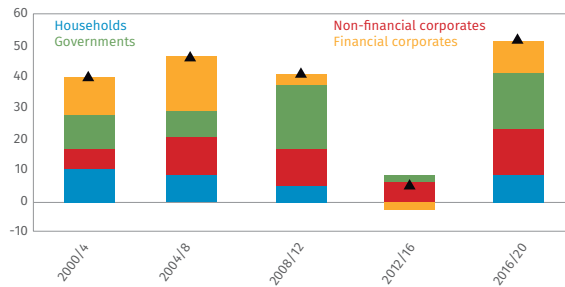
Source: Australian Bureau of Statistics, Released 21 January 2021

Global Economic Indicators

Global Debt

Chart 1: The past four years have seen the largest global debt buildup on record

\$ trillion, change in debt, latest reading is Q3 2020



Source: IIF Global Debt Monitor

- Global debt has surged by over \$15 trillion since 2019 up to an estimated record high 365% of GDP (\$277 trillion) at the end of 2020.
- Governments are continuing to use debt to fund the fiscal response to the pandemic.
- Small businesses have seen a much bigger increase in debt-to-revenue ratios than have larger corporations.

Source: Institute of International Finance Global Debt Monitor, 18 November 2020

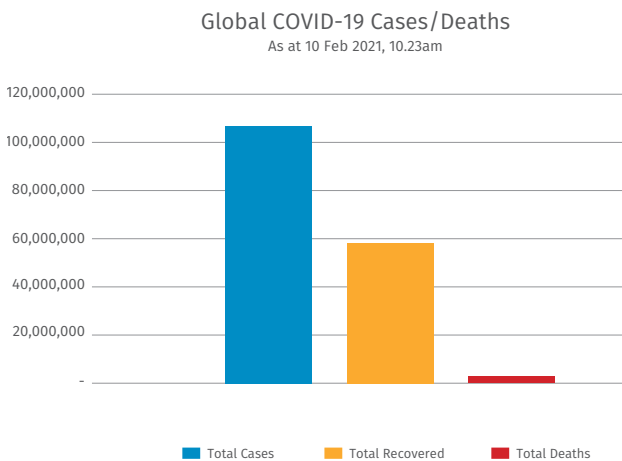
Global GDP



- Global GDP for 2020 is reported as -3.8%.
- The annual change in Global GDP from 2019 to 2020 is close to -6%.

Source: OECD Economic Outlook, December 2020

COVID-19 Global Case Numbers



- 106.9 million cases of COVID-19 have been reported globally.
- 59.7 million cases have been reported as recovered from COVID-19.
- 2.3 million cases have been reported as COVID-19 deaths.
- The current world population is 7.8 billion

Source: COVID-19 Dashboard by the Centre for Systems Science and Engineering (CSSE) at John Hopkins University

OBSERVATIONS & COMMENTARY

- Ongoing management/mismanagement of the pandemic, by various governments, is causing economic damage globally.
- Global political tensions are being seen across major nations.
- Global trade tensions have arisen as a consequence of global political tensions.
- Social unrest is present in major economies, possibly triggered by rising unemployment and the level of bankruptcies particularly in small to medium sized business.
- Structural change is occurring within economies.
- Record level of global government debt and low interest rates.
- Record levels of domestic debt across developed economies, as a result of an extended period of record low interest rates.
- Ongoing global GDP expectation of annual growth at 3% is actually unsustainable.
- Poor long term economic management by governments in trying to sustain their power as opposed to dealing with economic challenges that will only become more complicated the more debt that is incurred.

An interesting exercise is to consider where the majority of the power to influence the public sits (i.e. governments, media, large corporates, unions, mega rich individuals, other organised bodies who lobby their opinion through various channels etc.). It is also interesting to consider that each influencer has a different underlying agenda which may or may not always be in the best interest of the public or individuals. One only needs to look back through history to know that governments do not always operate in the best interest of the public 100% of the time.

There is a major struggle for power in all developed economies with governments being more defensive and reactionary rather than doing the right thing in the circumstances. The typical approach in Australia for a Coalition government is that they try to suppress other opinions through legislation such as IR laws for unions or regulatory controls over banks or new controls over social media and also global corporates (such as any company involved in the proliferation of social media). They do this in an attempt to reduce the power of other players or in fact to blame others for their bad decisions.

It is observed that the media no longer reports the news as purely factual information for the public to consider and make their own mind.

News reports available via commercial channels are now generally just hyped up, sensationalised, editorial opinions. Unions across the world have become somewhat interconnected and their view is generally more money for the same if not less productivity. In certain developed economies, the pressure to provide social welfare has absolutely reached new heights.

Based on the above observations, economic stability looks unlikely over the short to medium term.

CONTACT AXIS

As super specialists, we have a keen awareness of key economic indicators and have been assisting individuals with growing and protecting their super for over 25 years.

Give us a call on **1800 111 299** or email super@axisfg.com.au

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