The economic ups and downs of 2018

As an export and service economy, Australia is dependent on a prosperous global economy. Here are the main 2018 flashpoints we need to keep watching.

A year of ‘T’ risks

- Trump
- Tightening of US interest rates
- Trade wars
- Turkey

United States

- NASDAQ best performing index in the US share market in 2018
- The US Federal Reserve warns of interest rate hikes
- Higher interest rates could negatively impact:
  - Economic growth
  - Company profits
  - Share market returns

US mid-term elections Nov 2018

- Political risk and uncertainty
- Could see Republicans lose control of Congress
- Trump’s corporate tax cuts may be challenged

Trade war escalation

The trade war escalated rather than faded over 2018

Possible effects on the US economy

- Further tariffs
- Higher prices
- Rising inflation

US tariffs on Chinese imports

- Tariffs on steel and aluminium
- US$50 billion on select imports
- Threat of extra US$200 billion

Shock waves from emerging markets

Turkey

- 15% inflation1
- Large budget and trade deficits
- European banks’ large capital investments and loans exposed
- Contagion risk to global markets
- Proximity to Syria

China

- Share market negative returns = more cautious investors
- Trade war concerns
- High company and local government debt
- Economic growth slowing
- Reduced company profit outlook

Pulse of the nation

Australia’s economy seems to be ending 2018 in better health

Important Information

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1. Reuters, 3 July 2018.