

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

Export growth Infrastructure spending High employment

Retail spending down Electricity prices high Low income growth

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

1. Reuters, 3 July 2018.

Important information

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