

Global economy

Global economic data shows continued rapid economic decline world-wide and intense retrenchments in industry sectors.

- Deep recession in advanced economies and sharply slowing growth in major emerging economies of China, India and Brazil.
- The sustained intensity of the downturn is now recognised and world economic growth in 2009 is expected to be the worst in the last sixty years. According to the IMF, world trade collapsed by nearly 45% in annual terms in the final 3 months of 2008.
- The world growth is projected (IMF) to be 0.5 per cent in 2009 (revised down from 2.2 percent forecast done in December 2008) and increase to 3.0 per cent in 2010.
- China's economic growth forecast in 2009 is revised down to 6.7 per cent, India to 5.1 per cent and Brazil to 1.8 per cent.
- Renewed efforts are underway world-wide to continue to stimulate economic activities through fiscal and monetary measures.
- Large multi-national companies are consolidating their operations and which has resulted in large scale retrenchments.
- The ILO projects 2009 global unemployment to increase by 15 million to 20 million workers and by more than 50 million if the situation continues to deteriorate.
- It is feared that with the deepening crisis, protectionist trade policies will rise. A protracted crisis and any mishandling of economic management have the potential to backlash against free trade and globalisation, and result in social unrest in some countries.
- Toxic debts are still clogging the financial system
- Financial institutions world-wide are becoming risk averse and this is affecting credit flows to firms and businesses depending on their risk exposure, size and location. Many SMEs, because of their dependence on credit, are particularly vulnerable to the current financial crisis. This situation is of concern to many governments around the world as SMEs make significant contributions to economic output and employment.
- The new Obama Administration proposes a massive stimulus package worth \$US 850 billion.
- The World Economic Forum met last week to ponder the causes, consequences and constructive remedies regarding the prevailing global financial and economic crisis.

- Calls are getting louder to fix the systemic failure of the financial system and its regulatory framework so that a repeat of the financial crisis of this magnitude may not happen again.

Australian economy

Australian economy is expected to slow and into a mild recession in 2009 in the absence of further stimulus

- IMF also project Australia's economic growth be close to zero
- In response to the possibility of a severe economic downturn the Federal Government has announced a second economic stimulus package worth \$42 billion. The stimulus is designed to support key sectors of the Australian economy that are expected to face tough times ahead, and support economic growth and jobs across all Australian jurisdictions.
- The unwinding of the mining boom and a sharp slowing of the Chinese economy is projected to impact significantly on the Federal budget. The Budget deficit is expected to be around \$115 billion over the next few years. NSW, QLD, SA, NT and Tasmania will incur a budget deficit at least for this year.
- Supply of credit remains a big issue, particularly if foreign banks restrict credit flows to Australia.
- Federal Government and Australia's four major banks set up a facility, *Australian Business Investment Partnership* to prop up the commercial property sector for projects including shopping centres, office towers and factories. This will reduce the risk of Australian banks having to "fill the gap" if foreign banks tighten up credit to the Australian market.
- Access Economics reported that capital investment spending declined in the December quarter 2008. It plummeted by \$37 billion, a 5.8 per cent fall from the September quarter. Although \$23 billion worth of projects were added in the December quarter, no new mining projects were announced.
- Retrenchments are on the rise as businesses consolidate, close and/or go into receivership with part time job losses are expected to be high.
- The impact on business income growth is also impacting on businesses' ability to take on new apprentices and trainees.
- A surge in welfare payments is inevitable as the crisis drives up unemployment.
- A report by AIG and Deloitte state that manufacturing, construction and services will face their toughest year in decades as exports and sales are battered by the financial and economic crisis.

- A survey by Tourism and Transport Forum found that two-thirds of tourism businesses are expected to slash jobs. About 63 percent expect moderate cuts and 8 per cent expect significant cuts.
- Additional economic stimulus package is expected from the Federal government.
- It is expected that the Reserve Bank of Australia will be more aggressive in its approach to easing monetary policy. A further cut in interest rates is expected in first week of February 2009.

Northern Territory economy

The NT economy is not immune to the global financial and economic crisis – the adverse impacts will become more pronounced in six to twelve months time.

- The Government plans to implement a four pronged approach to maintain the strength of the economy: a range of housing initiatives; record spending on capital works; maintaining a competitive tax environment; and attracting investment.
- Chief Minister recently visited Asia and the US where he met with company representatives, industry bodies and Governments about potential investment and trade opportunities for the NT.
- In the mining sector, McArthur River Mine has closed – gone into a “care and maintenance mode” with job losses extending to businesses associated with the operations of the mine. Compass Resources went into receivership.
- Access Economics forecasts NT unemployment to rise to six per cent in 2010-11 before declining marginally.
- The NT Chamber of Commerce states that NT companies are delaying projects because they can't get credit and this situation is expected to get worse.
- December quarter CPI decreased in Darwin by 0.4 per cent and 0.3 per cent nationally. In annual terms, Darwin's CPI by 3.7 per cent, same as the national average.

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2 Feb 09.