

Financial Quarter 4 Market Update

The Thriving Global Economy

The year started with a cataclysmic blow to the global economy. The impact of the pandemic did not only leave the people thriving, but with such a huge blow to the workforce, it ultimately resulted in a devastating economic strain. Events of the preceding year had severe impacts on financial markets, including stock, bond, and commodity. The director of World Pensions Council (WPC) and advisory board member at the World Bank Global Infrastructure Facility, M. Nicolas Firzli describes the event as the greater financial crisis with the Covid-19 pandemic placing almost all the parts of the world in total lockdown. He warns that the crisis is bringing to the surface many pent-up financial and geopolitical dysfunctions. However, industries were quick to adapt to the situation. Adjustments have been made so that economies can keep enjoying sustained growth. Different government sectors as well as private organisations have aided and cooperated in the transition as well.


Stronger recovery projected

Policy support and vaccines are expected to lift economic activity.

(world real GDP growth forecast; year-on-year percent change)



Source: IMF staff estimates.



According to the latest market update of the World Economic Outlook, there is a stronger recovery projected for the global economy with growth projected to be 6% in 2021 that is 0.5% higher compared to the January forecast. It is also projected that there will be a 0.2% point upgrade in 2022 after an estimated historic contraction of -3.3% in 2020.

WEO admits that there is huge uncertainty surrounding their forecast. They claim that faster vaccine rollouts can uplift the forecast to faster progress while prolonged pandemic can lead to a sharp downgrade. However, they also warn that multispeed recoveries could pose financial risks if interest rates rise further in unexpected ways. Inequality in the rate of rising recovery could cause disarray in the disentanglement of inflated asset valuations, drastic consolidation of financial conditions, and recovery prospects to deteriorate. The risk is especially high for emerging markets and developing economies.

Australia's Recovery

The difference in speed of recovery among economies paved the way in the formation of three categories. Countries with V-shaped recoveries and are expected to recover lost GDP levels even before the end of the previous year belong in A. Those with asymmetric V-shaped recoveries which will recover pre-pandemic activity levels by the end of 2021 or early 2022 are in B, and lagging countries which will take at least another year to recover are placed under category C.

Australian economy has been acknowledged as one of the fastest recovering economies in the world and is rightly categorized under A. According to the financial update accounts released by the ABS, in the September quarter of last year, GDP levels increased to 3.4% growth as most parts of the country emerged from lockdown. In the December quarter however, the GDP rebounded to 3.1% which was quite telling that achieving the pre-Covid levels was a little ways down the road than expected. Nonetheless, the statistics still placed the country's recovery rate at the pedestal of economic recovery.

Consumer Spending

The emergence of households from stage four lockdown played an instrumental role with consumer spending that was by far the biggest driver of GDP growth in December. The consumer confidence that ease of restrictions gave the households, particularly in Victoria, propelled the consumer spending to 10.4% from its depths. As a result, the rebound in real national income even capped pre-pandemic levels by 2.1% despite falling almost 8% in June 2020.



Upsurge in Investment

Aside from the impact of consumer spending, the contribution of private business investments comes in a close second. By the December quarter, business confidence significantly improved with machinery and equipment spending rising to 8.9%, and property and new homes to a staggering 4.1% rising investment.

Moving Forward

It goes to show that even despite a pandemic that took its toll on the global economy, business industries will always thrive. It will be a massive tool in bouncing back and raising GDP-levels that will not only positively affect the business itself but the country's economy as a whole.

Now that the economy in the country is slowly going back to its normal rate, and with the uncertainty of jobs, more and more are encouraged to invest. But the same cannot be said to others who still fear that their hard earned money might not improve when invested. It is true, navigating through business finance at this time can be tough but not with the proper financial partner.

At Forward360, we will provide you with the help you need. Our team of professional advisors will assist you in making decisions that will propel your business in the right direction. We will help you in understanding the scheme, rewards, and risks. Let us start the journey on reaching your financial goals, please contact our friendly customer support team today.

