Australia’s 2017-18 Outlook
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As Australia starts 2017-18, we can look back over the previous financial year and notice several interesting trends. Australia grew at a slow pace in 2016-17, a percentage point below its 3.2% per annum long-term average. Australia is prone to a recession every eight-and-a-half years, but has avoided one since 1991-92, and looks as though it will miss one in 2017-18 too unless there is a huge external shock; which seems unlikely at this juncture. If so, we could have over 30 years of recession-free growth into the 2020s; a trend never previously experienced in Australia’s modern history of almost 230 years.

The first chart suggests we could grow at 3.0% in 2017-18.

This may be a little hopeful, but this rate of growth would make us the sixth-fastest growing nation in the world’s 20 biggest nations. However, like almost all the OECD nations, Australia’s longer term growth trend is gently downwards.

The slowing growth pattern in Western nations is due to scarce leadership, vision and direction in our new age of services and ICT, and economic reform. Historically, Australia did better than its peers in the 1990s and most of the 2000s, due to outstanding reforms from 1983 to 2007 under Hawke, Keating and Howard/Costello leadership. That stopped in 2008, and shows no sign of revival under either the Coalition or Labor parties in the immediate future.

This comes at a time when the Eastern Countries’ GDP has
overtaken the West, China has overtaken the United States, India has overtaken Japan and Indonesia has overtaken the UK, France and Italy. Luckily, we are part of the Asia Pacific, the largest region in the world and the fastest growing of the eight regions. The vast majority of our trade, tourism and immigration now takes place within Asia (including the Indian subcontinent region).

The chart below reminds us of what pulls our economy along: the markets for consumption, investment and exports.

Export growth is typically strong and rarely negative, and has never caused a recession over the past six decades.
Likewise, consumption expenditure growth has not caused a recession over the past six decades and indeed has never been negative over that period, as seen below.

Only capital expenditure has gone sufficiently negative over the past six decades to cause a recession. However, it needs to plunge by over 9% to do so; and that has only happened twice since 1960 (in 1982-83 and 1991-92). And it seems unlikely to do so in 2017-2018 or 2018.
Most of our jobs growth has occurred in our service industries over the past five years. As the chart below shows, we have managed to create seven times more jobs over this period than we have lost.

However, as the final chart shows, productivity in our service industries has generally been poor. This is where our government needs to remove barriers to efficiency, increase competition, and where the service industries themselves need to innovate and take advantage of the emerging digital age utility of fast broadband, AI, big data and analytics. Some are already heading down this track, but most aren’t yet.

They need to.
LIFE ISN’T AS BAD AS IT MAY SEEM

Phil Ruthven’s analysis of things past tells us that the best is yet to come.