ECONOMIC INDICATORS

EDITION 14

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The economic problem facing the global economy is always apparent well before it is finally reported. When reality dawns, democratic governments are experts at blaming others for the consequences of their actions.

~ Harry Burke – SuperWiser – Superannuation Specialist ~

ECONOMIC INDICATORS

In this edition of our Economic Indicators publication, we take a closer look at some of the key domestic and global indicators. As always, we invite you to review, consider and formulate your own opinions.

AUSTRALIAN INDICATORS

Indicator	Value	Effective Date
Cash Rate Target[1]	4.35%	Dec 2024
Inflation CPI (Annual Change)[1]	2.80%	Sep 2024
Inflation CPI (Monthly Change)[1]	2.30%	Nov 2024
GDP (Annual Change)[2]	0.80%	Sep 2024
GDP Per Capita (Annual Change)[2]	-1.50%	Sep 2024
Terms of Trade (Annual Change)[2]	-3.90%	Sep 2024
Household Savings to Income Ratio[2]	3.20%	Sep 2024
Unemployment (Seasonally Adjusted)[3]	4.00%	Dec 2024
Forecast National Net Debt[4]	$881.9 billion	2024-25
Forecast National Net Debt to GPD Ratio[4]	32.0%	2024-25

National public debt interest payments are forecast to increase from 1.5% of GDP ($41.2 billion) in 2024-25 to 1.9% of GDP ($61.3 billion) in 2027-28. Compared to the previous National Fiscal Outlook released in October 2023, forecast national public debt interest payments have been revised up by $1.8 billion for 2023-24 and $4.5 billion for 2026-27.[4]

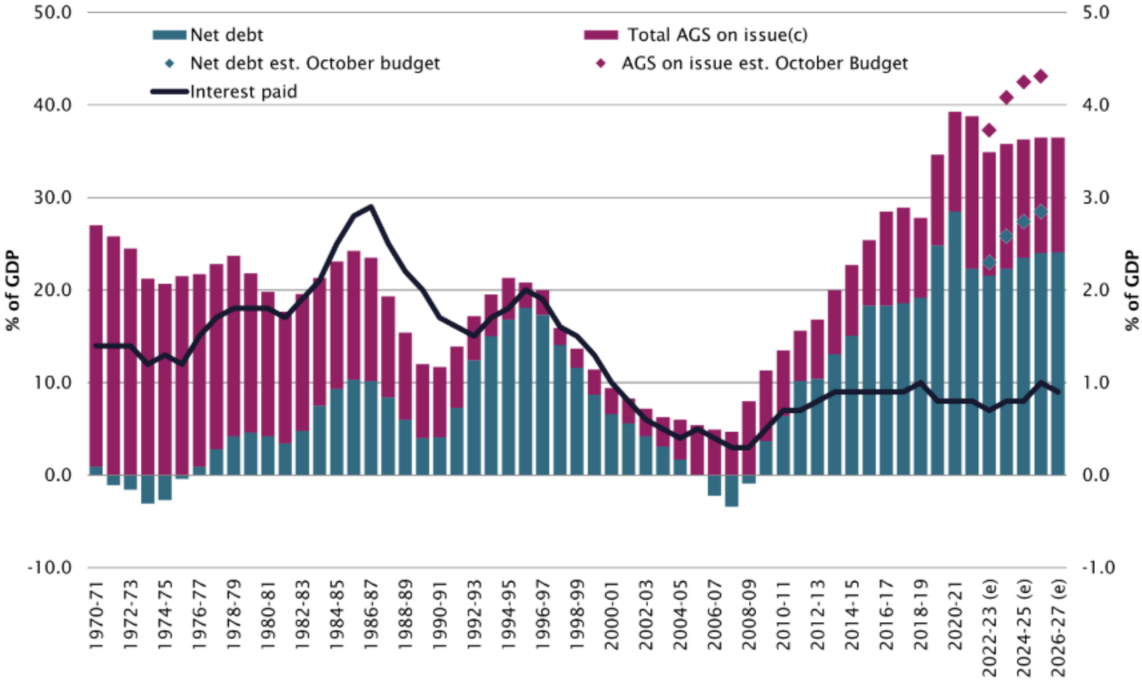
The increase in the level of Australian Government debt following the GFC did not see a commensurate rise in the amount of interest paid because interest rates on Australian Government debt fell over the period, largely offsetting the increase in the debt level. However, interest rates on Australian Government debt have risen steeply since 2022.[25]

This increase has been common to many countries globally in response to inflationary pressures and the tightening of monetary policy by central banks. This increase in interest rates has led to a rise in the estimates for Australian Government interest payments as a proportion of GDP.[25]

Australian Government debt is composed of a portfolio of fixed-rate securities with maturities extending up to 2051, meaning the interest rate on this debt responds slowly to changes in market interest rates. So, the full effect of an increase in market interest rates takes many years to be reflected fully in the interest paid on Australian Government Securities (ASG).[25]

National net debt is forecast to increase from 32.0% of GDP ($881.9 billion) in 2024-25 to 35.7% of GDP ($1,136.3 billion) in 2027-28. Compared to the October 2023 National Fiscal Outlook, forecast national net debt has improved, being revised down by $78.5 billion for 2023-24 and $6.8 billion for 2026-27.[4]

Australian Government Total ASG on Issue (Gross Debt), Net Deb, and Interest Paid

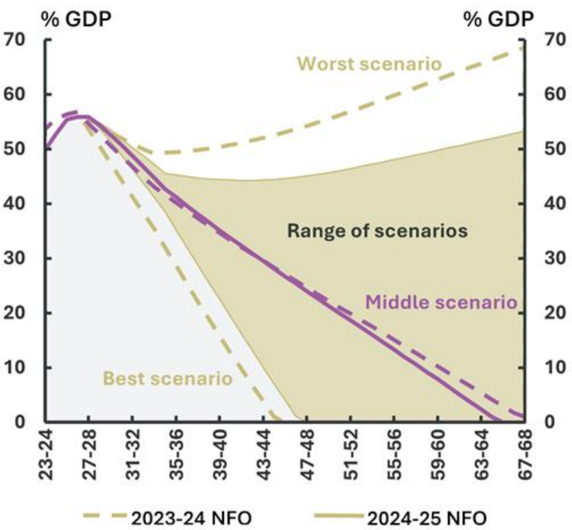


Source: Australian Government, Budget 2023-24: Budget Paper No. 1, and October Budget 2022-23: Budget Paper No 1, 380-383.

The Parliamentary Budget Office's fiscal sustainability analysis examines 27 scenarios for the consolidated national debt to-GDP ratio over a 40-year period. Each scenario reflects the range of historical outcomes to project upper, middle, and lower variations from 2027-28. Variations are made to the consolidated national budget balance (headline cash balance before interest payments), the prior stock of debt and the interest rates that apply to this debt, and economic growth (nominal GDP).[25]

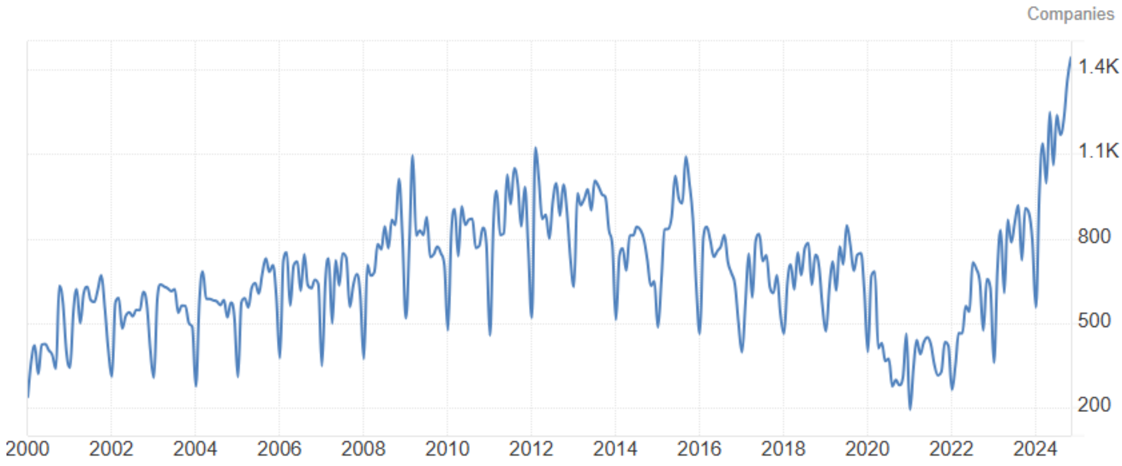
The chart opposite illustrates what the path could be under a range of economic and policy conditions which are broadly consistent with historical fluctuations.[25]

National Fiscal Sustainability Over the Long Term - Gross Debt % GDP



Bankruptcies in Australia reached an all-time monthly high of 1,442 companies in November 2024. The chart below tracks monthly bankruptcies in Australia from Jan 2000 until Dec 2024.[26]

Australian Bankruptcies



Source: Trading Economics

On an annual basis, insolvency rates were roughly 25 per cent higher than they were prior to the pandemic.[28]

The main contributors to the rise in business failures, include:

- Higher interest rates impacting debt servicing.
- Supply chain disruptions causing delays and increased costs.
- Reduced consumer spending, particularly on discretionary goods and services.

CreditorWatch reports that contributing factors of higher prices and interest rates have increased the cost of living for consumers and the cost of doing business for companies.[28] The construction industry faced severe pressures, with many firms unable to cope with rising costs and decreased demand. Retail businesses struggle as consumer spending declines and the hospitality sector continues to feel the impact of changing consumer habits and economic uncertainty.[27]

Another factor at play is that the ATO has recommenced collection activities and is attempting to recover some of the $35 billion in outstanding debt owed to it by small businesses.[28]

While inflation has eased, the global economic outlook continues to be uncertain and vulnerabilities in the global financial system remain.

~ Reserve Bank of Australia - Financial Stability Review – September 2024 ~

GLOBAL DEBT OVERVIEW

Global Total Debt (Percent of GDP, weighted averages)	**1968**	**1986**	**2004**	**2019**	**2023**
World	**106.6**	**157.2**	**198.9**	**228.9**	**237.2**
Euro Area	70.9	146.0	207.9	245.0	237.4
Japan	127.7	242.4	333.5	400.7	432.2
United Kingdom	129.0	127.5	198.0	242.6	243.5
United States	138.8	179.5	220.7	261.8	273.2
China	-	70.8	142.4	246.8	289.4

Source: IMF 2024 Global Debt Monitor - December 2024[6]

Global Public Debt (Percent of GDP, weighted averages)	**1968**	**1986**	**2004**	**2019**	**2023**
World	**36.4**	**55.1**	**69.9**	**84.7**	**93.8**
Euro Area	25.1	52.3	69.5	85.6	89.3
Japan	11.8	74.1	169.5	236.4	251.6
United Kingdom	71.0	42.9	39.8	85.7	101.1
United States	48.7	60.1	67.4	108.5	123.0
China	-	-	26.4	60.4	84.3

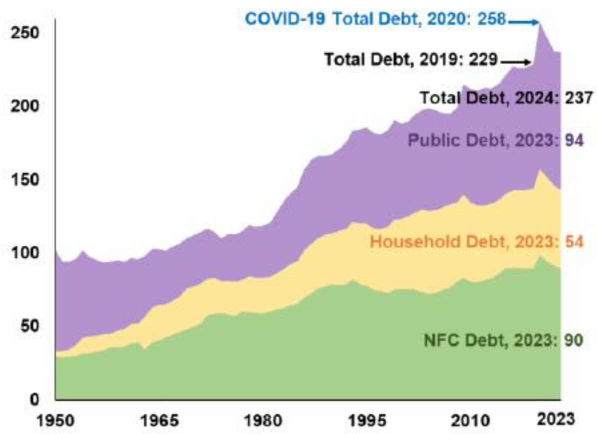
Source: IMF 2024 Global Debt Monitor - December 2024[6]

Global Private Debt (Percent of GDP, weighted averages)	**1968**	**1986**	**2004**	**2019**	**2023**
World	**70.2**	**102.1**	**129.0**	**144.2**	**143.4**
Euro Area	45.8	93.7	138.4	159.5	148.1
Japan	115.9	168.3	164.0	164.3	180.6
United Kingdom	58.1	84.7	158.2	157.0	142.3
United States	90.0	119.4	153.2	153.4	150.1
China	-	70.8	116.1	186.4	205.1

Source: IMF 2024 Global Debt Monitor - December 2024[6]

> ***High debt reduces fiscal space and the governments' ability to respond to economic downturns, crowds out necessary growth-enhancing investments, and raises the risk of sovereign distress.***
>
> ***~ International Monetary Fund – Fiscal Monitor (October 2024) ~***

Global Public and Private Debt 1950 to 2023 (Percent of GDP)



Source: IMF 2024 Global Debt Monitor - December 20246

IMF Fiscal Monitor (October 2024) reports that now is the time for a strategic pivot in fiscal policy. Deficits are high, and global public debt is very high and rising, projected to go above $100 trillion at the end of 2024. If it continues at the current pace, the global debt-to-GDP ratio will approach 100 per cent by the end of the decade, rising above the pandemic peak.[5]

Countries where debt is not projected to stabilize account for more than half of global debt and about two-thirds of global GDP. Countries where debt is expected to rise faster than in the pre-pandemic period include China, the United States, Brazil, France, Italy, South Africa, and the United Kingdom.[5]

There are good reasons to believe that future debt levels could be higher than currently projected. The political discourse on fiscal issues has increasingly tilted toward higher government spending in recent decades. Fiscal policy uncertainty has increased, and political redlines on taxation have become more entrenched. Spending pressures to address green transitions, population aging, security concerns, and long-standing development challenges are mounting.[5]

Experience shows that projections tend to systematically underestimate debt levels: realized debt to GDP ratios three years ahead are, on average, higher than projected by 6 percentage points of GDP.[5]

UNITED STATES INDICATORS

Indicator	Value	Effective Date
US National Debt[7]	$36.13 trillion	Dec 2024
Total Household Debt[8]	$17.94 trillion	Q3 2024
Credit Card Debt[8]	$1.17 trillion	Q3 2024
Mortgage Balances[8]	$12. 95 trillion	Q3 2024
Auto Loan Balances[8]	$1.64 trillion	Q3 2024
Real GDP (Annual Rate)[9]	3.10%	Q3 2024
Annual Inflation Rate (Not Seasonally Adjusted)[10]	2.90%	Dec 2024
Civilian Unemployment Rate[11]	4.10%	Dec 2024

According to the House Budget Committee Debt Tracking Report for December 2024, US National Debt has increased by $2.28 trillion since December 2023. To put this into perspective, this rate of increase equates to $190 billion in new debt per month, $6.3 billion in new debt per day, $261 million in new debt per hour, $4.3 million in new debt per minute, $72,366 in new debt per second.[7]

Maya MacGuineas, president of the Committee for a Responsible Federal Budget states that with so many trillion-dollar debt milestones in recent years, it is easy to forget that each of them has real-world consequences. But rising debt poses serious domestic and geopolitical risks: it slows our economy, threatens higher inflation and interest rates, and squeezes our budget through higher interest rates. And it hampers our ability to be flexible in responding to recessions and disasters at home and foreign crises abroad.[12]

The future trajectory for debt looks bleak. Even when using the more economically meaningful measure of debt held by the public (currently well over $28 trillion) debt is headed for an all time record share of the economy in just two years. Interest payments are the fastest-growing part of the budget and will cost $13 trillion over the next decade alone.[12]

The Federal Reserve Bank of New York's Household Debt and Credit Report for Q3 2024 states that total household debt increased by $147 billion to reach $17.94 trillion, according to the latest Quarterly Report on Household Debt and Credit. Aggregate delinquency rates edged up from the previous quarter, with 3.5 percent of outstanding debt in some stage of delinquency.[8]

Mortgage balances rose by $75 billion from the previous quarter to reach $12.59 trillion at the end of September. While growth in income has outpaced debt, elevated balance levels continue to reveal stress for many households. Credit card balances increased by $24 billion to hit $1.17 trillion, and auto loan balances saw an $18 billion increase and stood at $1.64 trillion.[8]

Business bankruptcy filings in the United States increased by 33.5% to 22,762 during the 12-month period ending September 30th, 2024.[30]

UNITED KINGDOM INDICATORS

Indicator	Value	Effective Date
Cash Rate Target[19]	4.75%	Dec 2024
Inflation CPI (Annual Change)[17]	2.50%	Dec 2024
Forecast GDP (Annual Change)[18]	0.80%	Dec 2024
Household Savings to Income Ratio[20]	10.10%	Dec 2024
Unemployment (Seasonally Adjusted)[21]	4.40%	Nov 2024
Public Sector Net Debt[22]	£2,560.5 billion	Sep 2024
Estimated Public Sector Net Debt to GPD Ratio[22]	98.5%	Sep 2024

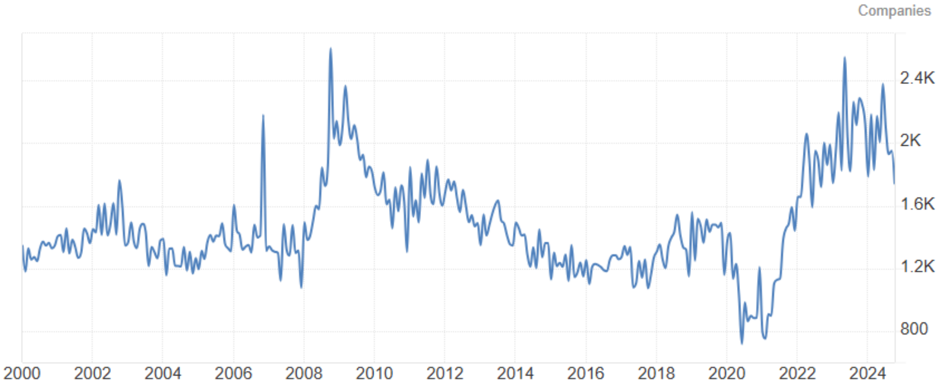
The Financial Times reports that nearly 100 economists surveyed on the UK's economic outlook for 2025 are forecasting that higher government and consumer spending will restore growth in the UK economy in 2025, helping it to outperform European peers that are more exposed to the threat of political instability and new trade wars. But households will not feel much better off, as wage growth will slow and rising unemployment will fuel anxiety. Meanwhile, inflation will linger stubbornly above 2 per cent, limiting the scope for the Bank of England to cut interest rates, as businesses feel the effects of rising taxes.[23]

The clear consensus is that Britain would continue to lag the more dynamic US economy and GDP growth would be too slow to avert the need for the government to raise taxes again later in the parliament.[23]

Professor Alan Tylor member of the Bank of England's Monetary Policy Committee suggests that the most recent data and forward-looking activity indicators present an increasingly gloomy outlook for 2025. The labour market is near balance, but is still loosening at pace, GDP growth appears to have ground to a halt in the second half of 2024, and with confidence indicators and business expectations veering to the pessimistic, in my view the risks are now more skewed to the downside.[24]

Bankruptcies in the UK have been on a steep upwards trajectory since February 2001 with an average of 2,000 companies per month from January 2024 to October 2024. The chart below tracks monthly bankruptcies in UK from Jan 2000 until Dec 2024.[29]

United Kingdom Bankruptcies



Source: Trading Economics

CHINA INDICATORS

Indicator	Value	Effective Date
Estimated Annual GDP Growth Rate[13]	5.00%	Dec 2024
Urban Surveyed Unemployment Rate[16]	5.10%	Dec 2024
Inflation CPI (Annual Rate)[15]	0.10%	Dec 2024
Total Population[14]	1,408.28 million	Dec 2024
Real Estate Investment (Annual Change)[13]	-10.3%	Dec 2024

The Bank of China Research Institute reports that in 2024, China's economy operated stably (on the whole), moving in a V-shaped trajectory. In the first three quarters of 2024, economic prosperity weakened quarter by quarter. A package of pro-economic growth policies has been rolled out since September 2024, leading to positive changes in many areas. However, the foundation for economic recovery is not solid yet, with foreign demand not strong enough to make up for insufficient domestic demand, the boom of emerging industries far from adequate to offset the drag by traditional industries, and pains in the structural and cyclic economic transformation remaining obvious. Initial estimates put the annual GDP growth at around 5%.[13]

In 2025, changes in internal and external policies will be the biggest variable affecting the trends of China's economy. Internally, the implementation and enhancement of incremental policies will be the key to economic recovery. Externally, the tariff adjustment targeting China, introduced by Donald Trump, will significantly impact China's exports. It is expected that China's GDP growth will be around 5% in 2025.[13]

Macro policies should actively address external uncertainties and reinforce the internal momentum of economic growth. Fiscal policies may go beyond the 3% deficit limit, intensifying support for areas like innovation and people's livelihood. Multiple financial policies should be combined to push sustained and steady economic development. Existing real estate policies should be synergized with new ones to stop further market decline and drive stabilization.[13]

Domestic demand policies should be more proactive, integrating measures to promote consumption and stabilize investment. Foreign trade policies should be devised to expand market reach and improve the resilience of foreign trade enterprises. Industrial policies should focus on creating an enabling environment for new quality productive forces and reasonably optimizing the layout of production capacity.[13]

GOT QUESTIONS?

As super specialists, we have a keen awareness of key economic indicators and have been assisting individuals with growing and protecting their super for over 25 years.

Got questions about the economic impacts on your super?

Give us a call on **1800 467 467** or email **yoursuper@superwiser.com.au**

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