

Global Megatrends

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The 'new normal' will look different, and provides new opportunities for businesses who are able to adapt

The unevenness of COVID-19 and its recovery is playing out differently across

- **Country/Geography**
- **Age**
- **Gender**
- **Income level**

GLOBAL TRADE AND FDI DOWN IN 2020



↓ **16** per cent
Goods, Q2 2020

The volume of global trade in goods fell sharply (-16%) in Q2, on a year-on-year basis



↓ **29** per cent
Services, Q2 2020

Exports of services fell -29% with falls across all major categories (Travel, Transport & Other Services)



↓ **49** per cent
FDI, H1 2020

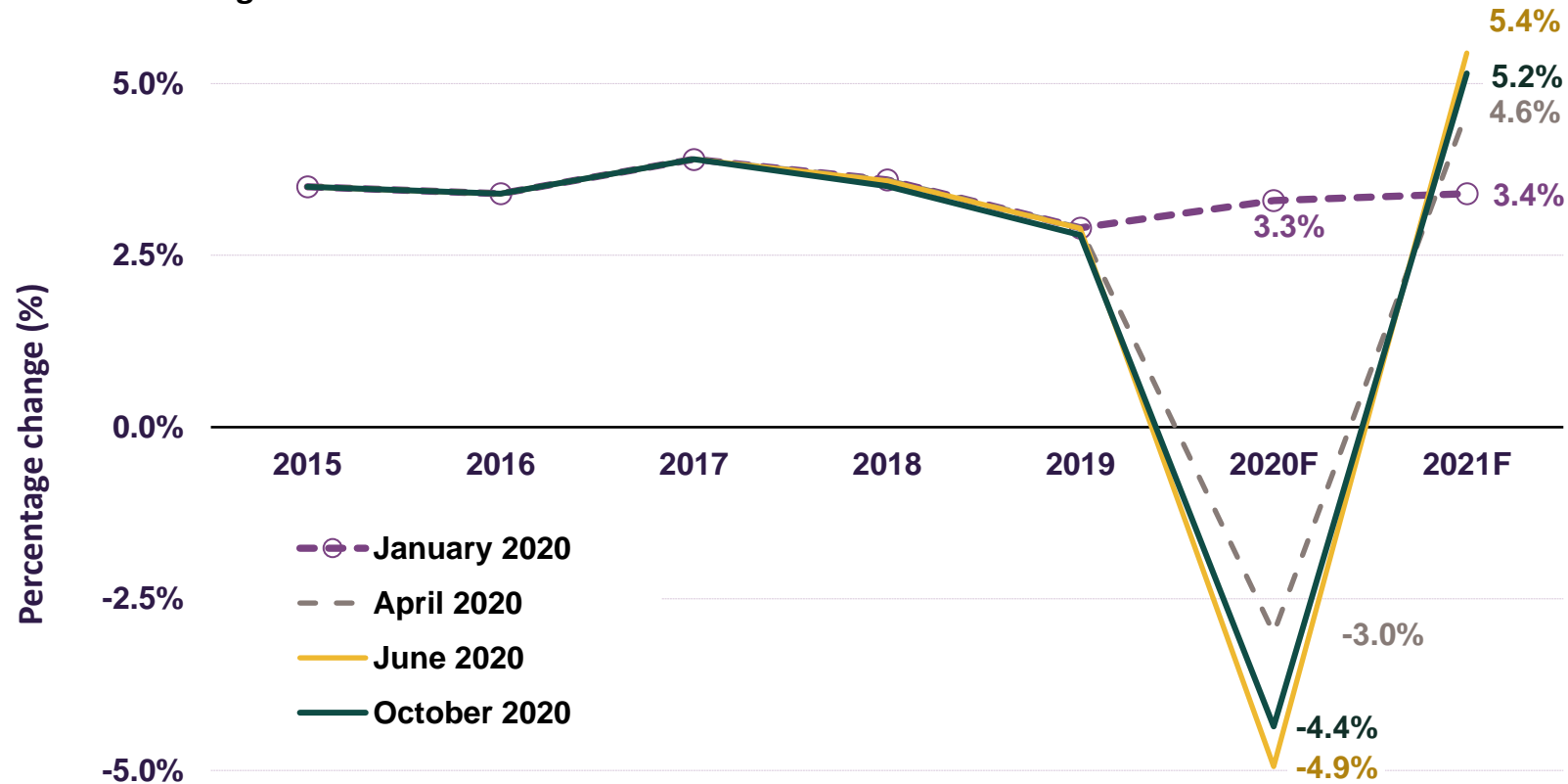
The fall for global FDI reflects collapses in business confidence. Low earnings by MNCs are likely to impact global reinvestment

2020 HAS SEEN UNPRECEDENTED FALLS IN GLOBAL TRADE AND INVESTMENT

GLOBAL GROWTH IS FACING ITS TOUGHEST CHALLENGE IN GENERATIONS

The IMF's forecast predicts the "Great Lockdown" will be the largest recession since the Great Depression and far greater than GFC. For the first time since the Great Depression, both advanced economies, and emerging market and developing economies, are in recession.

World real GDP growth 2015-2021F

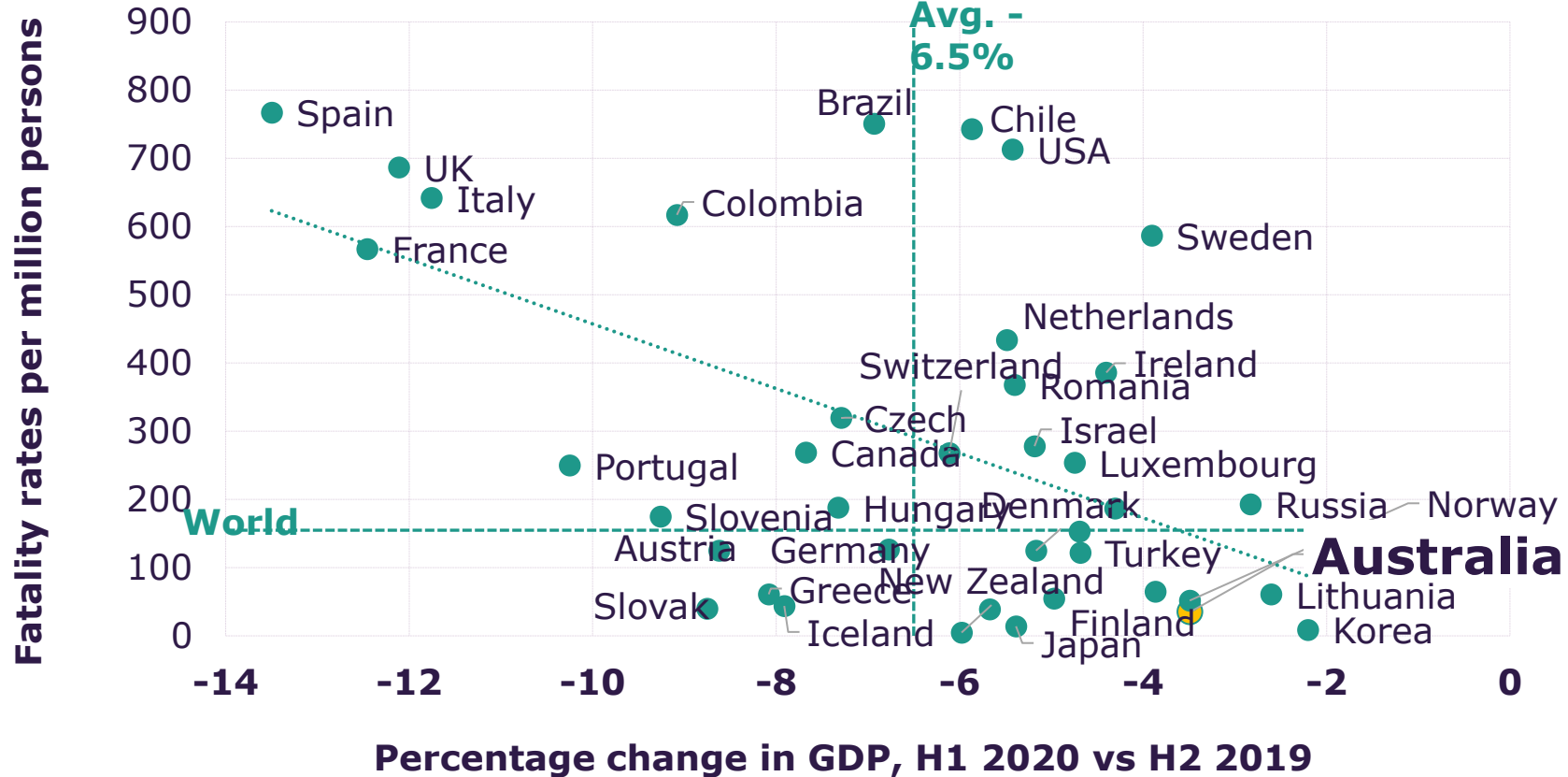


Source: IMF World Economic Outlook database January 2020, April 2020, June 2020 and October 2020.

THE 'V' SHAPED RECOVERY IS LOOKING LESS LIKELY, WITH THE EURO ZONE HEADING FOR A SECOND RECESSION

AUSTRALIA'S EARLY PANDEMIC RESPONSE BENEFITED THE ECONOMY

COVID 2019 Fatality rates and GDP Growth



Markets	Cases/mil.pop	Deaths/mil.pop
USA	27,748	706
UK	14,196	676
France	19,638	551
Germany	5,942	124
India	5,842	87
Australia	1,077	35
ASEAN-8 (avg)	2,130	20
Japan+Korea (avg)	647	12

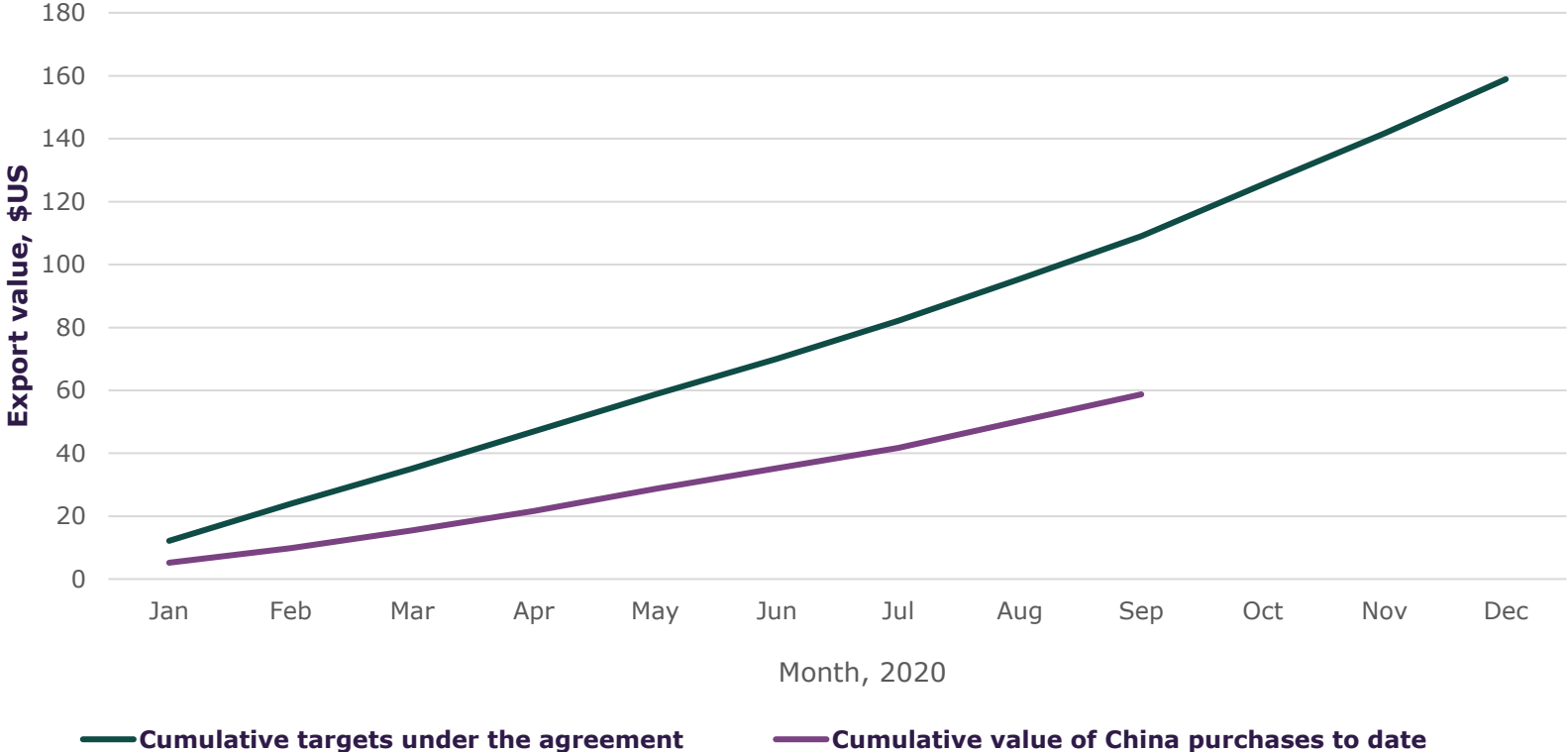
Source: WorldoMeter (2020) COVID-19 Coronavirus Pandemic; OECD (2020) Quarterly National Accounts, and Austrade.

DESPITE CLAIMS TO THE CONTRARY, BETTER COVID-19 MANAGEMENT APPEARS CORRELATED WITH STRONGER ECONOMIC GROWTH

NO END IN SIGHT FOR U.S. – CHINA TRADE TENSIONS

China has only purchased around half the total value of exports agreed to be purchased in 2020 and 2021 under the *Economic and Trade Agreement Between the United States of America and the People’s Republic Of China: Phase One*

Actual purchases by China vs target purchases under Economic and Trade Agreement Between the U.S. and China



Source: Petersen Institute, Austrade

US-CHINA TRADE TENSIONS LIKELY TO CONTINUE

DIFFERENT GROUPS ARE EXPERIENCING COVID-19 IMPACTS UNEVENLY



Young people

The 19 percentage point drop in employment between March and April was four times larger than the overall drop for the working-age population.



Women

Female majority occupations - Sales workers and Community & Personal services workers – saw the largest falls in employed persons between February and August 2020



Geography

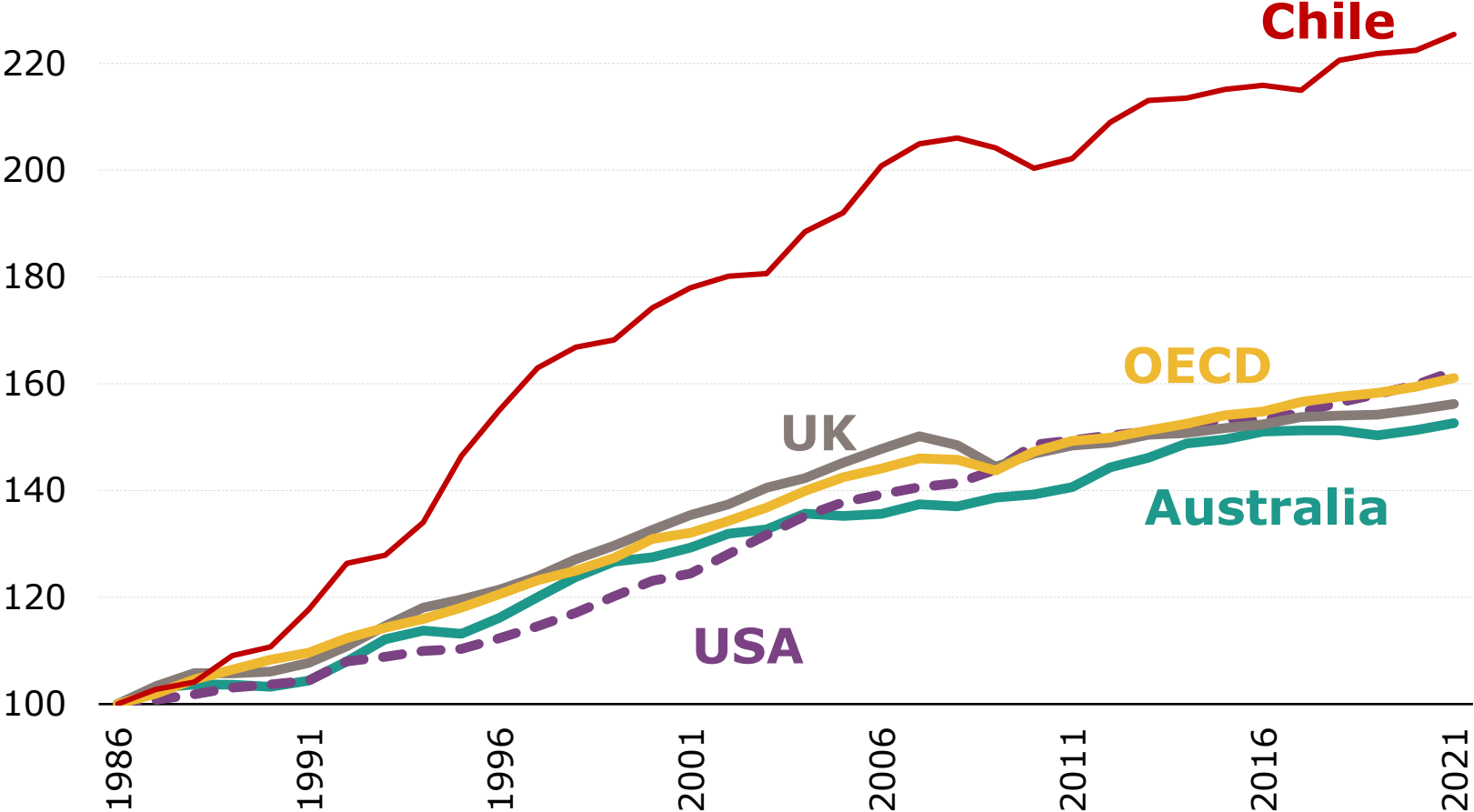
Payroll jobs are down 8% in Victoria since mid-March, compared to between 1% (WA) and 5% (ACT and Tas) for other states.

WOMEN AND YOUTH ARE DISPROPORTIONATELY AFFECTED, BUT SOME REGIONAL AREAS ARE FARING BETTER THAN MAJOR POPULATION CENTRES

Productivity growth has stagnated since the 2008 Financial crisis

Index of labour productivity

Base = 1986



Source: OECD, Austrade

ADDRESSING PRODUCTIVITY IS THE WAY OUT OF THIS CRISIS

The Productivity Power of General Purpose Technology



Journal of Macroeconomics
Volume 31, Issue 3, September 2009, Pages 363-375



Technological change and the roaring twenties: A neoclassical perspective

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<https://doi.org/10.1016/j.jmacro.2009.05.003>

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Abstract

This paper addresses the causes of the Roaring Twenties in the United States. In particular, we use a version of the real business cycle model to test the hypothesis that an extraordinary pace of productivity growth was the driving factor. Our motivation comes from the abundance of evidence of significant technological progress during this period, fed by innovations in manufacturing and the widespread introduction of electricity. Our estimated total factor productivity series generate artificial model output that shows high conformity with the data: the model economy successfully replicates the boom years from 1922 to 1929.

What made the Roaring 1920s roar?

“extraordinary rate of productivity growth”

“innovations in manufacturing”

“widespread introduction of electricity”

Megatrends reshaping the economic landscape



Digital transformation



Investing in supply chain resilience



Localisation and staying closer to home



A changing economic landscape



Stepping into the new normal

Strategic Actions

Harnessing opportunity and mitigating risk





A high degree of uncertainty requires additional govt flexibility and adaption

Information flows are even more valuable in a rapidly changing environment

Economic nationalism is turning countries inwards – Australia must continue to advocate for free trade

Escalating trade tensions have become a priority

Global people movements will be slower for some years, this will change migration, travel, education and air freight