

## Adviser Update



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### SuperRatings

The 2018 SuperRatings product ratings have just been released and we are excited to announce that ING Living Super has achieved a **Gold** rating for both the Personal and Pension account options. In comparison to the rest of the industry, both products have been rated excellent in the category of fees and charges, and rated above average in the following categories: investment, member servicing, administration, and governance.



### Economic Review 2017 and outlook for 2018 by ING Treasurer Michael Witts

#### Global markets

The global economy performed solidly during 2017. Stronger employment markets and improved business and consumer confidence were the main drivers.

In the US, the post- Trump election rally saw equities set new record levels. Similarly

across Europe and Asia, the fundamentals of these economies improved. Against this background, central banks, led by the US Federal Reserve, began the very gradual process of unwinding 10 years of substantial liquidity support.

Notwithstanding the geo-political hot spots scattered across the world, the global economy enters 2018, with a solid footing, providing for accelerated growth in the year ahead.

China and India will continue to be important engines for global growth and will underpin demand for key commodities.

Global GDP	2016	2017	2018
China	6.70	6.80	6.40
India	8.00	7.50	6.80
Japan	1.00	1.50	1.10
United States	1.50	2.20	2.40
Euro Area	1.80	2.20	1.90
Asia incl China	6.00	5.90	5.80
World	3.20	3.50	3.60

Source: Bloomberg

### Australian outlook

The feature of Australia's economic performance during 2017 has been the ongoing strong employment gains across the majority of sectors of the economy. Equally, although the RBA kept the cash rate unchanged during the year, the macro prudential policy measures introduced by APRA did start to have the desired impact on the housing market. During the December quarter 2017 the national auction clearance rate was around 65% well below levels from earlier in the year, and pricing pressures in key markets have dissipated somewhat. Despite the strong employment growth, wage inflation remains modest as underemployment and increased participation in the workforce augment labour supply. Despite this, shortages are beginning to emerge in new sectors of the economy requiring specialist skills.

Australia	2016	2017	2018
GDP	2.50	2.50	3.25
Consumer spending	2.70	2.60	2.50
CPI	2.00	2.25	2.25
Unemployment	5.70	5.50	5.50

Source: Bloomberg, RBA

Consumer spending remains modest as consumers respond to minimal wages growth by running down savings. All of this is against the background of record household indebtedness; suggesting higher susceptibility to rising interest rates.

Inflation is expected to continue to remain subdued and will likely struggle to breach the lower bound of the RBA target range (2-3%) during 2018.

Against this background, the RBA is on hold for an extended period, well into 2018.

The Australian dollar has progressively weakened since mid-year; with the prospect of further weakness in light of the prospects for a stronger US dollar, given rising US interest rates and strong equity markets.

### **Growth forecasts**

Growth in the Australian economy is forecast to accelerate appreciably during 2018.

Growth is forecast at 3.25% in 2018, compared with 2.5% the previous year. This reflects the combination of increased investment spending, (both public infrastructure and private spending) together with the export phase of the resources boom driving sharply higher export volumes, especially in iron ore and LNG.

### **Summary**

- Stronger global economy
- Higher global interest rates
- Improved growth in Australia led by investment spending and exports
- Employment markets remain positive
- Wages growth has scope to increase
- RBA likely leaving rates on hold until at least well into 2018.

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60 Margaret Street, Sydney, NSW, 2000, AU