

No Need For Pain- The Stats

My fear now is that the pendulum has swung way back to the other extreme...from foolish optimism to unreasonable pessimism. It is a timely reminder that economies are made up of highly emotional, living, breathing human beings, you and me.

We sometimes see economic figures as some intangible index rather than a measurement of how we are feeling.

That's why I'm concerned with these latest consumer sentiment and business confidence figures which have plunged to levels equivalent to the 1990 recession.

The economy has certainly slowed, the share market has crashed and property slowed but it is nowhere as bad as the last recession. Let's put things into perspective.

- The economy contracted 1.7 per cent in the last recession (this year Australia's GDP will be still grow by 2 per cent)
- Unemployment was 10.8 per cent (about 4,5 percent this financial year)
- Official interest rates were at 18 per cent (7.25 per cent now) and mortgage rates rose to 17 percent (9 to 10 per cent current)
- Inflation 7.5 percent (current 4 per cent)

There is just no comparison between the last recession and now. But we "think" it's the same and if we act on that psychology and go into our shell then there is a danger it may become a self fulfilling prophecy.