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Emma Lawson Highlights Fragile Australian Outlook

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Australia’s economy is entering the second half of 2025 with lingering weakness and cautious optimism, according to Emma Lawson, Fixed Interest Strategist at Janus Henderson. In her latest analysis, Lawson noted that while inflation is gradually easing and interest rates are stabilising, growth remains subdued as businesses and households grapple with high costs and global uncertainty. The Reserve Bank of

Australia (RBA) is expected to hold rates steady for the near term, but momentum in key sectors remains inconsistent.

Consumer demand is showing signs of fatigue after enduring multiple rate hikes over the past two years. Retail activity has softened, and housing market growth has stalled in several capital cities. Lawson identified weaker discretionary spending and tighter credit conditions as the main drags on domestic recovery. While employment remains strong on paper, underemployment and stagnant wage growth continue to weigh on real household income. The country's fiscal position also faces  pressure, exacerbated by unproductive government spending and a lack of structural economic reform.

On the global front, Lawson warned that Australia remains vulnerable to shifting international dynamics. The United States' continued use of trade tariffs and secondary sanctions, particularly targeting energy and metals markets, has introduced new risks for Australian exporters. China's uneven recovery is another challenge, especially for the resource-heavy sectors of the local economy. While iron ore prices have held relatively firm, weaker demand in other commodities suggests that broader export performance could underwhelm in the coming quarters.

Despite the cautious tone, Lawson emphasised opportunities for investors, particularly in fixed interest and quality credit markets. The combination of steady yields and a potentially slowing inflation cycle presents a chance for income-focused portfolios to outperform. However, she underscored the need for disciplined policy direction at home. A focus on productivity, infrastructure, and business competitiveness will be critical to insulating Australia from future global shocks. Without

decisive action, the country risks prolonged stagnation at a time when agile economic leadership is more necessary than ever.

