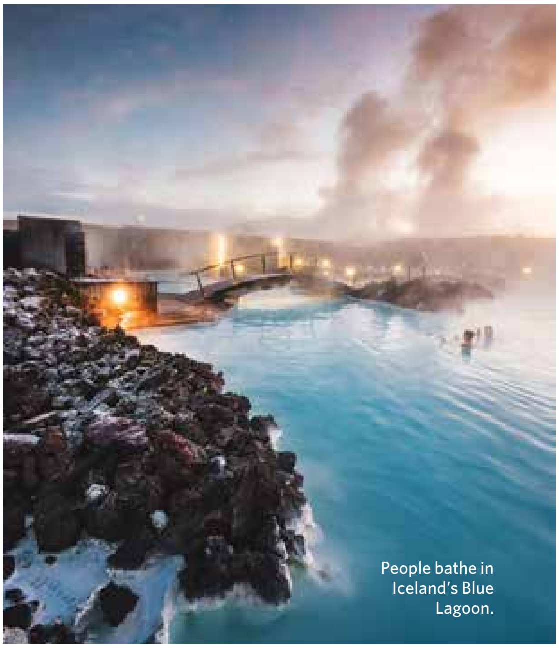
THE TICKER

BRACING FOR A DOWNTURN


People bathe in Iceland's Blue Lagoon.

Iceland slipped into a recession earlier this year for a simple reason: Fewer people decided to travel to the island nation. It was tourism, after all, that had lifted Iceland's economy out of the wreckage of its uniquely severe financial crisis earlier this decade—accounting for one-third of Iceland's economy by 2015.

Then the tourist boom, fueled by low airfares, started busting. Growth in arriving vacationers began to slow back in 2017 and sharply decelerated last year. When budget airline Wow Air went bankrupt in March, its collapse sent ripples throughout Iceland's economy—and the government sprang into action. The country's central bank cut its main interest rate while warning of a contraction this year. Arion Bank now predicts a downturn as deep as 1.9%.

"We have never been as well prepared in our history to deal with adverse situations as we are now."

—Mar Gudmundsson, Iceland Central Bank governor, to Bloomberg

Scary stuff—but compared to the 10% decline in Iceland's GDP between 2007 and 2010, not terrifying. Back then, the country's three largest private banks collapsed, sending Iceland into an economic depression. Iceland's crisis was the largest in the world during this period, relative to the size of its economy. It took the International Monetary Fund and Scandinavian neighbors to bail out the country to the tune of $4.6 billion.

This time, government officials say they are ready. "We have never been as well prepared in our history to deal with adverse situations as we are now," Central Bank Governor Mar Gudmundsson told Bloomberg in June. "We have policy space … to cut [interest] rates if necessary."

The government can also throw money at the problem; it could roll out new stimulus spending instead of sustaining the budget surplus it expects this year. If this year's recession proves mild and short, it could underscore the resiliency of Iceland's economy and bolster its leaders' post-crash reputation as turnaround artists. Few countries staged such a fast recovery from the 2008-2009 financial downturn. Having been through the fire 10 years ago, many Icelanders seem confident that the current downturn will be relatively mild. One potential indicator of this? Champagne sales at state-run liquor stores, which tend to rise in times of prosperity, were on track to set an all-time annual record as of July. The current record is from 2007, just before the big crash.

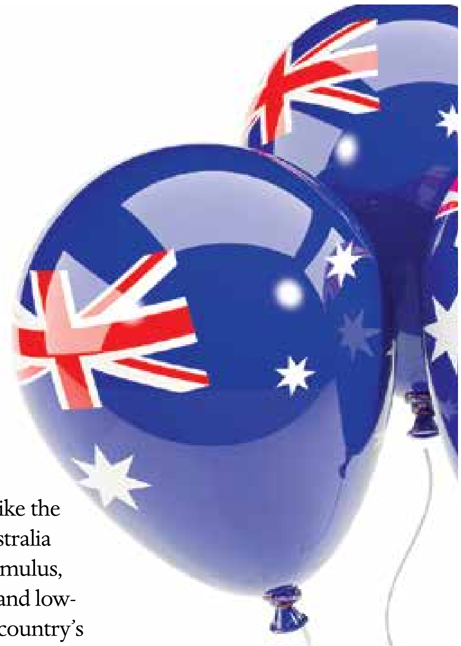
"Even though we are going through a slump, we will regain our former strength," Skapti Orn Olafsson of the Icelandic Travel Industry Association told Bloomberg. "In 18 to 24 months we will hopefully be back on track." At which point, there will be good reason to pop the bubbly.

E-COMMERCE'S NEXT GROWTH SPURTS

Between Amazon and Alibaba, it is easy to forget that e-commerce is still coming of age. Yes, business has been booming online for years in many developed countries, but e-commerce is still not the world's biggest retail channel. That will happen in 2021, when it will account for 14% of total retail sales, according to Euromonitor International. Between then and now, expect dramatic surges in online purchases in places such as Vietnam and the United Arab Emirates.

Vietnam saw 20% growth in its e-commerce numbers last year, according to *The Hanoi Times*. Some experts predict that number will increase to 30% to 50% over the next few years.

"In the past couple of years, marketplaces like Lazada, Rakuten, Flipkart and Shopee have made it easy for Vietnamese merchants to sell online within the APAC region and gave them the experience they needed to further expand around



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THE 'MIRACLE ECONOMY' COULD END SOON

It has been called a "miracle economy" and the "wonder Down Under." No country in modern history has ever sustained an economic expansion as long as Australia's. The last time the country faced a recession was in 1991—nearly 30 years ago. Since then, its economy has managed to dodge the worst effects of two major blows: the Asian financial crisis of 1997 and the global recession roughly 10 years later.

How did Australia pull it off? Chalk it up to a mixture of happenstance and smart policymaking. "Australia found itself in the right place at the right time and embraced the Asia century," Tim Harcourt of the University of New South Wales told the BBC.

Australia opened up its economy in the 1990s, exporting commodities to Asian neighbors just as they began revving their economic engines. China's rapid growth, in particular, has directly benefited Australia: Trade between the two countries grew tenfold in the 2000s.

"Openness to trade and investment has been a huge part of our growth story," Jarrod Ball, chief economist at the Committee for Economic Development of Australia, told *The Atlantic*. "As protectionism has made a bit of a comeback, we have continued to promote and negotiate free-trade agreements."

Another lesson from Australia's success involves how best to fight off a recession. To be sure, a booming mining sector helped cushion Australia from the 2008-2009 global recession. But policy choices mattered too. Unlike the U.S. and European governments, Australia moved quickly to embrace a fiscal stimulus, boosting spending on infrastructure and low-income households. In addition, the country's consistently high immigration rates have been crucial to sustaining the economic boon—no other country even comes close to the nearly 45% population growth rate Australia has posted since 1991. That growth has boosted demand for things such as housing, supporting a massive building boom in cities this century.

Australia is "in the midst of an unprecedented experiment in mass immigration the likes of which the developed world has never seen," Salvatore Babones of the Centre for Independent Studies in Sydney, Australia wrote in *Foreign Policy* last year.

Australia's long run of success may be nearing its (inevitable) end, however. One possible scenario is that the escalating U.S.-China tensions trigger a global recession that ensnares Australia. Another possible trigger? A housing market bust—the same culprit that sent the U.S. economy into a tailspin back in 2008. Home prices have fallen 15% on average since a five-year boom ended in 2017, as regulators tightened mortgage standards. Consumer confidence fell to two-year lows in July.

But do not bet on a recession. The "miracle" economy has proved naysayers wrong before.

"Australia found itself in the right place at the right time and embraced the Asia century."

—Tim Harcourt, University of New South Wales, to the BBC

the world," Miguel Warren, regional head of Southeast Asia at Payoneer Philippines, told *Forbes*.

Meanwhile, since 2014, the number of online shoppers in Africa has continued to grow about 18% every year, aided by an increase in internet connections, smartphone sales and a burgeoning middle class. And in the United Arab Emirates—the top market in the Middle East—online sales doubled between 2015 and 2017, according to ResearchandMarkets.com.

Meanwhile, China is on pace to replace the U.S. as the world's largest retail market—with online sales as the primary driver. (China's e-commerce sales account for 35% of its total retail sales, whereas in the U.S., it's only 10%.)

With the introduction of new technologies such as 5G, which promises to make the internet not only faster but more accessible to rural and emerging economies, e-commerce's dominance is all but in the bag.