

# ACT Economic Notes

2017c

## Economic growth in ACT slows in June quarter of 2017

ACT Final demand (constant prices) in the June quarter 2017 was 1.4 per cent greater than that of the corresponding quarter for 2016, the growth for Australia was higher at 2.4 per cent. An outcome in sharp contrast to that of the March quarter when ACT growth was 4.8 per cent and Australia's 1.9 per cent.

**Table 1: Components of final demand Australia and ACT (Constant Prices) June quarters 2016 and 2017**

	Australia			Australian Capital Territory		
	Quarter ending:			Quarter ending:		
	June 2016 \$m	June 2017 \$m	Percentage change	June 2016 \$m	June 2017 \$m	Percentage change
<b>Final consumption</b>						
<b>General Government</b>	80,197	82,483	2.9	9,875	10,087	2.1
<b>Households</b>	234,912	240,635	2.4	4,141	4,233	2.2
<b>Investment</b>						
<b>Public</b>	24,725	28,150	13.9	1,565	1,488	-4.9
<b>Private</b>	85,334	84,177	-1.4	1,172	1,184	1.0
<b>Final Demand</b>	425,168	435,445	2.4	16,753	16,992	1.4

Source: ABS Australian National Accounts: National income, Expenditure and Product 5206.0

The main reason for the lower growth appears to have been the large turn around in ACT public investment which increased by 22.1 per cent (March quarter 2017 from March quarter 2016) then actually declined by 4.9 per cent (June quarter 2017 from June quarter 2016). Private investment also declined over this period (4.0 per cent to 1.0 per cent). However, household consumption increased from 1.5 per cent to 2.2 per cent.

Government expenditure accounted for 68.1 per cent of ACT final demand but only 25.3 per cent of Australian final demand.

## ACT Labour market continues on growth path

In Table 2 (below) ACT Labour market data for the six months to June 2017 to that of the same period for 2016. Total employment grew by 1.6 per cent with part time employment growth at 7.7 per cent outpacing growth in both male and female full time employment. Female full time employment actually fell by 3.1 per cent.

Numbers unemployed declined slightly by 200 leading to an unemployment rate of 4.0 per cent, it was 4.2 per cent for the first half of 2016.

The high growth in part time employment meant that in the first half of 2017 part time employment was 28 per cent of total numbers employed, comparatively high for the ACT.

The participation rates was unchanged and the underutilisation rate declined slightly despite the increase in part time work.

Those not in the labour force grew (at 1.2 per cent) at a lower rate than both the labour force (1.5 per cent) and the civilian population 15+ (1.4 per cent).

In summary the ACT Labour market appears to be fairly robust.

**Table 2: ACT Labour market data, Six months to June 2016 and 2017**

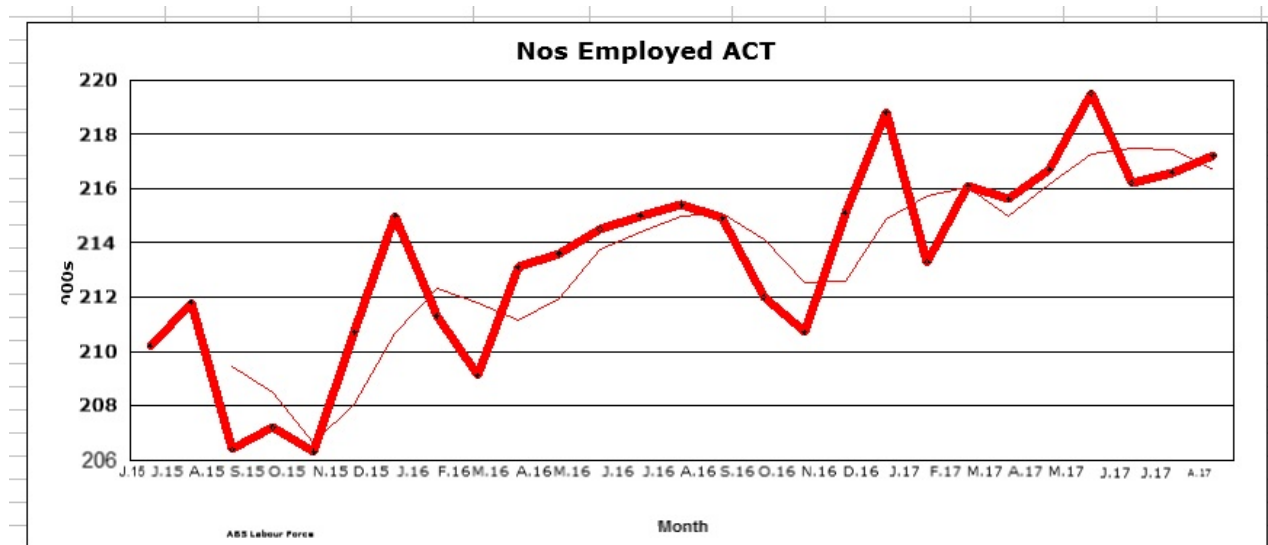
	2016	2017	Percentage Change
<b>Male full time</b>	89,300	90,600	1.5
<b>Female full time</b>	67,300	65,200	-3.1
<b>Total Part time</b>	56,200	60,500	7.7
<b>Total employed</b>	212,800	216,200	1.6
<b>Unemployed</b>	9,200	9,000	-2.2
<b>Labour force</b>	222,000	225,300	1.5
<b>Not in labour force</b>	93,500	94,600	1.2
<b>Civilian population 15+</b>	315,500	319,900	1.4

Source: ABS Labour force survey 6202.0

**Table 3: ACT Labour market indicators, Six months to June 2016 and 2017**

	2016	2017	Change
<b>Unemployment rate</b>	4.2	4.0	-0.2
<b>Participation rate</b>	70.4	70.4	0.0
<b>Proportion employed part time</b>	26.4	28.0	1.6
<b>Underutilisation rate</b>	10.2	9.9	-0.3

In the chart below ACT numbers employed have been on a growth path since November 2016. ACT Employment tends to peak in December then drop in January before stabilising and growing for the remainder of the year.



### Beyond the ACT

There is a lot of discussion on low wage growth at present and its impact on consumption. At every Fair Work Commission hearing for the minimum wage it is asserted by employer groups that wage increases threaten employment, the ACTU focusses on purchasing power and the cost of living. What is correct? Wages are a bit like the Christian trinity being three in one. Wages are a price, a cost and of course, an income. Wages are the price of labour so it follows that if the price goes up demand will fall. But labour is

a little different to other commodities in that it is a factor of production and demand for it is a derived demand. Labour is purchased for what it can do not as an item of final consumption. For example if you built a factory for analogue televisions demand would be zero regardless of the price of labour.

To an employer wages are a cost that must be covered by price. To the wage earner wages are an income and if incomes are low or lowered consumption will decline. As consumption is a major part of GDP such a decline will adversely impact on the level of economic activity.

So it is a balancing act, all three aspect of the wages trinity need to be considered. The Accord under the Hawke Government was successful in ensuring wage growth while taking into account price and cost impacts.

Terry Giesecke  
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