

ACT Economic notes 2011b

ACT Economy grows steadily over 2010/2011

According to ABS State Accounts ACT Gross State Product grew by 2.8 per cent over 2010/2011. This was the second best of all States and Territories.

Table 1: Growth in Gross State Product (Constant prices) 2009/2010 to 2010/2011

State/Territory	Growth rate - percent
New South Wales	2.2
Victoria	2.5
Queensland	0.2
Western Australia	3.5
South Australia	2.4
Tasmania	0.8
Australian Capital Territory	2.8
Northern Territory	2.1
Australia	2.1

Source: ABS State Accounts 5220.0

Western Australia was the best at 3.5 per cent and Queensland the worst at 0.2 per cent. Queensland's low result has been attributed to infrastructure damage caused by natural disasters. This may be a harbinger of the potential for climate change induced extreme weather events to dramatically impact on economic activity.

Over the same period numbers employed in the ACT increased by 3.8 per cent and the population, 15 years and over, by 3.0 per cent.

ACT leads in per capita Gross State Product and Household Income

In terms of Gross state product (GSP) per capita the ACT is second only to Western Australia; however, The ACT's Gross Household Income per capita is by far the highest in Australia (Table 2 below). Gross Household Income includes wages and salaries plus transfer payments (pensions and other Centrelink payments) along with other income such as rents, interest, dividends etc.

Gross State product consists of income of labour (Wages and Salaries) and capital (Gross Operating Surplus - GOS), GOS would be substantial in mining companies operating in Western Australia. In fact GOS as a percentage of GSP in Western Australia is 59.6 per cent, compared to 47.3 per cent for Australia and only 30.2 per cent for the ACT.

Therefore; GSP per capita in Western Australia is much higher than GSP per capita in Australia (53.4 per cent), whereas, its Household income is only 9.7 per cent higher.

There is also more variation in GSP per capita than in Household income per capita. Western Australia's GSP per capita is almost twice that of Tasmania as opposed to the ACT's being 75 per cent higher than Tasmania.

The high ACT household income explains some aspect of ACT expenditure such as the high level of usage of private schools.

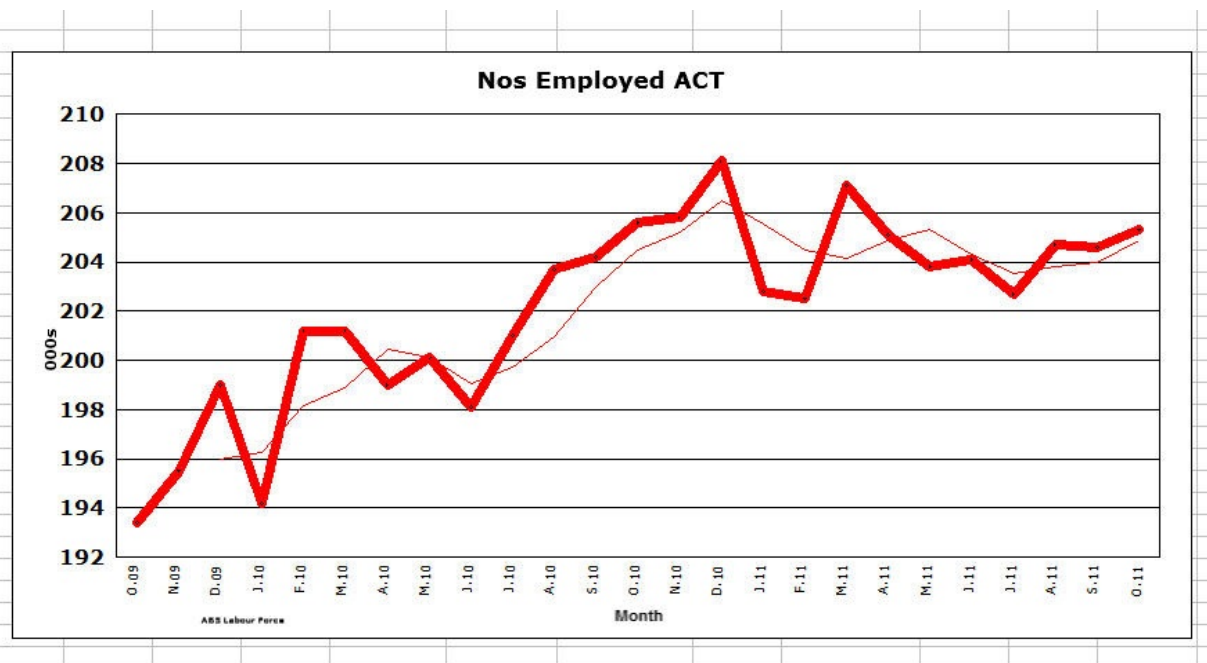
Table 2: Gross State Product and Household income 2010/2011

State/Territory	Gross State Product per capita \$ Constant prices	Gross Household Income per capita \$ Current prices
New South Wales	58,761	41,041
Victoria	55,291	38,269
Queensland	57,468	38,317
Western Australia	93,782	44,277
South Australia	53,654	38,893
Tasmania	47,261	38,025
Australian Capital Territory	81,516	65,971
Northern Territory	73,337	45,875
Australia	61,127	40,360

Source: ABS State Accounts 5220.0

ACT employment growth stalls in 2011

Numbers employed in the ACT stood at 205.3 thousand in October 2011, compared to 205.6 in October 2010 and 193.4 in 2009.



As the chart shows, employment grew strongly from October 2009 to October 2010 but has levelled out since then. The unemployment rate has increased from 2.9 per cent in 2010 to 3.3 per cent. Over the same period the participation rate declined from 73.2 per cent to 72.0 per cent. Both of these indicate a slight weakening in the ACT Labour market.

From October 2010 to October 2011 numbers unemployed increased by 700 to 6,900 and those not in the Labour Force by 5,100 to 82,500. If the participation rate had remained at 73.2 the number of unemployed would have increased to 10,400, an increase of 4,200. The weaker labour market has induced people to leave the labour force rather than continue to

seek work.

Employment growth diverges among ACT Industries

Over the last five years the annual average growth in ACT employment has been 1.9 per cent, but there has been substantial divergences from this on an individual industry basis.

Table 3: Annual average growth in ACT industries, employment, gross annual value added (constant prices) and apparent labour productivity from 2005/6 to 2010/11- percent

	Employment	Gross value added	Apparent labour productivity
Manufacturing	-1.8	0.0	1.8
Electricity, Gas, Water and Waste Services	0.5	1.3	0.8
Construction	3.6	4.6	1.0
Wholesale Trade	-1.5	2.9	4.4
Retail Trade	-1.8	1.3	3.1
Accommodation and Food Services	2.8	1.0	-1.8
Transport, Postal and Warehousing	2.8	4.1	1.3
Information Media and Telecommunications	-2.8	5.1	7.9
Financial and Insurance Services	0.2	2.3	2.1
Rental, Hiring and Real Estate Services	-4.8	-1.8	3.0
Professional, Scientific and Technical Services	1.6	6.3	4.7
Administrative and Support Services	0.0	6.7	6.7
Public Administration and Safety	4.4	1.1	-3.3
Education and Training	0.0	2.7	2.7
Health Care and Social Assistance	1.8	3.8	2.0
Arts and Recreation Services	-0.7	0.0	0.7
Other Services	5.3	0.9	-4.4
Total	1.9	2.5	0.6

Source: ABS 5220.0 State Accounts and 6291.0.55.003

The industry group with the fastest annual employment growth (5.3 per cent) was "Other services" (Personal services such as Hair dressing, Beauty, Diet and Weight control, Funerals, Religion and Domestic Cleaning). Second fastest was Public Administration and Safety (Public service, Defence, SES, Fire and Police) which reported average annual growth of 4.4 per cent. Construction at 3.6 per cent was third.

However, average annual growth in Retail employment declined by 1.8 per cent. Retail value added growth was 1.3 per cent, below that of total value added, 2.5 per cent. Productivity improvements in the sector and/or a shift towards on line buying which may have shifted employment to other parts of Australia or overseas. Its interesting to note that Transport, Postal and Warehousing enjoyed above average growth over the same period for both employment (2.8 per cent) and value added (4.1 per cent).

The ACT burgeoning café culture was also reflected in above average employment growth 2.8 per cent for Accommodation and Food Services. However, its value added growth was more subdued.

The biggest employment decline was in Rental, Hiring and Real estate Services. Its annual rate of decline was 4.8 per cent. Its value added also declined by an average of 1.8 per cent, somewhat inexplicable given that Canberra continues to have relatively high population growth. Such growth should provide demand for the services of this industry.

Apparent labour productivity in Public Administration and Safety appears to have declined. Although measuring productivity in this industry is problematical as value added is mainly comprised of the wages component. This industry is by far the biggest employer in the ACT with some 63,000 employees, followed by Education and Training (18,900), Professional, Scientific

and Technical Services (18,500) and Construction (16,300)-as of May 2011.

Beyond the ACT

Share prices fall in second half of 2011

Share prices as measured by the ASX all ordinaries index have fallen over most of 2011.



Although, it has not yet plummeted to the lows of the Global Financial crisis of 2008/2009. In 2010 it looked as though it might get up to the long term trend line but is now a long way from it.

It's about interest rates - Stupid!

Almost every day there is media discussion about the Government's desire to obtain a budget surplus by 2013/2014. Some say forget it while others question its achievability.

But a surplus, or a determination to move towards one, has implications for interest rates. The Reserve Bank is more likely to drop interest rates if the prospects look good for a reduction in the Budget deficit. The last thing the Government would want is for interest rates to go up over the next couple of years.

Furthermore, interest rates impinge upon the value of the dollar, higher interest rates will raise the dollar whereas lower interest rates will put some downward pressure on it. A lower dollar would take the pressure of export industries and industries subject to import competition.

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