

ACT Economic Notes

2017

ACT economy booms throughout most of 2016

In the year to September 2016 the ACT outperformed the Australian economy. Growth in final demand was 6.2 per cent compared to Australia's 1.4 per cent. Both Consumption and Investment grew strongly in the ACT over this period. The weakest component was household consumption which grew at almost 3.0 per cent. Private Investment in the ACT grew by 10.1 per cent. In contrast all Australian private investment fell by 5.3 per cent. (See Table 1 below)

Table 1: Components of final demand Australia and ACT 12 months to September 2016 (original at constant prices)

	Australia			ACT		
	September 2015 (\$m)	September 2016 (\$m)	Percentage change	September 2015 (\$m)	September 2016 (\$m)	Percentage change
Final consumption						
General government	74,250	77,143	3.9	8,946	9,488	6.1
Households	232,546	238,376	2.5	4,027	4,144	2.9
Investment						
Private	88,337	83,683	-5.3	1,123	1,237	10.1
Public	14,881	16,461	10.6	836	983	17.5
Final demand	410,015	415,663	1.4	14,932	15,852	6.2

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

However some turbulence in the September quarter

Things were not as rosy in the September quarter. ACT Final demand fell by 1.3 per cent, more than Australia's decline of 0.5 per cent. A lot of the ACT's decline can be attributed to

Table 2: Components of final demand Australia and ACT 3 months to September 2016 (deseasonalised at constant prices)

	Australia			ACT		
	June 2016 (\$m)	September 2016 (\$m)	Percentage change	June 2016 (\$m)	September 2016 (\$m)	Percentage change
Final consumption						
General government	77,957	77,644	-0.4	9,427	9,557	1.4
Households	237,622	238,805	0.5	4,164	4,174	0.2
Investment						
Private	83,211	82,559	-0.8	1,156	1,184	2.4
Public	20,957	18,781	-10.4	1,286	1,147	-10.8
Final demand	419,614	417,648	-0.5	16,186	15,968	-1.3

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

the substantial slump in ACT investment in the September quarter of 2016. Public investment fell by 10.8 per cent and private investment, though positive, was only 2.4 per cent. Household consumption was also weak, growing by only 0.2 per cent (See Table 2). These amounts could be subject to revision.

ACT second highest performer over 2015/16

For the financial year 2015/16 the ACT's growth in Gross State Product was the second highest in Australia at 3.4 per cent (Table 3). Only New South Wales was better at 3.5 per cent. The ACT's performance was much better than the resource states of Western Australia, Queensland and the Northern Territory.

Over the last 10 years the ACT economy has grown at 2.6 per cent a year, just below the Australian rate at 2.8 per cent. The ACT did, however outgrow New South Wales, Victoria, South Australia and Tasmania. The best performer over this period was Western Australia followed by the Northern Territory. The ACT economy is, and has been for some time, the fifth largest in Australia. In 2015 the Gross State product of the ACT was \$36,225m compared to Tasmania \$23,648m. South Australia was \$101,096m.

Table 3: Gross state product: Annual percentage changes and annual average percentage changes over last 10 years (Constant Prices)

State/Territory	Change 2016/15 over 2015/14	Annual average change 2006/07 to 2015/16
New South Wales	3.5	2.2
Victoria	3.3	2.2
Queensland	2.0	2.9
Western Australia	1.9	5.0
South Australia	1.9	2.1
Tasmania	1.3	1.1
Australian Capital Territory	3.4	2.6
Northern Territory	2.7	3.9
Australia	2.8	2.8

Source: ABS 5220.0 State Accounts

Canberra's coffee, café and health care employment boom

Table 4 looks at the ACT's employment trends over the last 10 years. Data on employment by industry is derived from a sample survey conducted by the Australian Bureau of Statistics. As the sample size is small for the ACT (about 2,000) the data for each industry, especially smaller ones can be subject to large sampling error. To reduce the impact of such error the data has been converted to four quarter moving averages. Therefore, the 10 year comparison may have a reasonable degree of reliability, but the comparison over the previous year may be unreliable and is only included for larger industries with over 10,000 employed.

The average annual employment growth for all industries is 1.22 per cent. A number of industries achieved higher growth rates and are shown in red in Table 4. Accommodation and Food Services, Transport, Postal and Warehousing, Professional, Scientific and Technical Services and Health Care and Social Assistance all experienced above average growth. As, despite recent cutbacks, did Public Administration and Safety (the Public Service). This sector did report negative growth over the year of 0.63 per cent.

Retail and Wholesale Trade both reported negative employment growth over the 10 years. It is a bit surprising given the ACT's population growth over that period. It may be a

consequence of the growth of online sales. Some evidence of this growth may be found in the solid employment growth in Transport, Postal and Warehousing.

Table 4: Employment by ACT Industries (000s) 4 Quarter moving averages

	2006	2015	2016	Percentage change 2016/15	Annual average percentage change 10 years from 2006
Manufacturing	4.9	4.26	4.47	*	-0.99
Electricity, Gas, Water and Waste Services	1.7	2.56	1.86	*	0.91
Construction	12.4	15.28	14.32	-6.33	1.45
Wholesale Trade	3.2	2.65	2.29	*	-3.35
Retail Trade	17.5	16.36	15.16	-7.33	-1.44
Accommodation and Food Services	10.8	12.61	13.35	5.83	2.14
Transport, Postal and Warehousing	4.4	4.48	5.57	*	2.41
Information Media and Telecommunications	4.7	4.40	3.79	*	-2.12
Financial and Insurance Services	3.9	3.56	3.90	*	-0.05
Rental, Hiring and Real Estate Services	2.7	2.87	2.98	*	0.84
Professional, Scientific and Technical Services	18.3	19.93	22.35	12.18	2.01
Administrative and Support Services	6.1	5.49	5.91	*	-0.35
Public Administration and Safety	51.6	63.28	62.88	-0.63	1.99
Education and Training	16.5	17.82	17.36	-2.57	0.49
Health Care and Social Assistance	16.2	22.34	22.05	-1.27	3.10
Arts and Recreation Services	4.4	5.15	4.52	*	0.27
Other Services	6.4	6.71	6.62	*	0.28
Total	187.1	210.55	211.18	0.30	1.22

Source: ABS unpublished data 6291.0.55.003 * Due to small numbers, there is likely to be large sample error making their estimate unreliable

In Table 5 the total factor incomes for all industries are outlined. Generally those industries that have experienced growth above the total for all industries are the same as those that have reported the highest employment growth. Although, it is not always so. Electricity, Gas, Water and Waste Services had a high growth in factor incomes of 9.1 per cent but employment only grew at 0.91 per cent. Similar outcomes were observed for Rental, Hiring and Real Estate Services, Education and Training and Arts and Recreational Services.

Such outcomes suggest that these industries experienced high levels of labour productivity increases.

The largest ACT industry in terms of both numbers employed and total factor income is Public Administration and Safety, no surprise there! The second is Professional, Scientific and Technical Services. It includes activities, such as legal and accounting services, veterinary services and computer system design. In the ACT it accounts for 10.6 per cent of total employment and 8.8 per cent of economic activity.

Health Care and Social Assistance has also experienced rapid employment and total factor income growth since 2006. On present trends it will become the second largest employing industry within a few years.

The last column on Table 5 contains an estimate of real growth for each industry but the accuracy of these cannot be guaranteed. However, they do provide some insights. For example, Construction achieved modest employment growth (1.45 per cent) in the last 10

years but the estimate of real output growth is only 0.1 per cent per year. It suggests sluggish labour productivity growth in the Construction industry over the last 10 years. In contrast Financial and Insurance Service which recorded an estimated real output growth of 2.5 per cent but no employment growth, so that industry appears to have had some growth in labour productivity. As did Professional, Scientific and Technical services, an important industry in the ACT.

Real output growth was also negative for Retail leading to job losses over the 10 year period.

Canberra's café culture also seems to be very productive; annual average real output grew by 4.6 per cent but employment growth was a more modest, though above average, 2.14 per cent.

The Utilities sector (Electricity, Gas, Water and Waste Services) also displayed high apparent labour productivity growth which means that any price increases for utilities cannot in any way be attributed to wage demands.

In terms of the total economy real output increased by 2.6 per cent per year since 2005/6; therefore, given that employment increased by 1.22 per cent per year then the estimated apparent increase in labour productivity is 1.38 per cent per year.

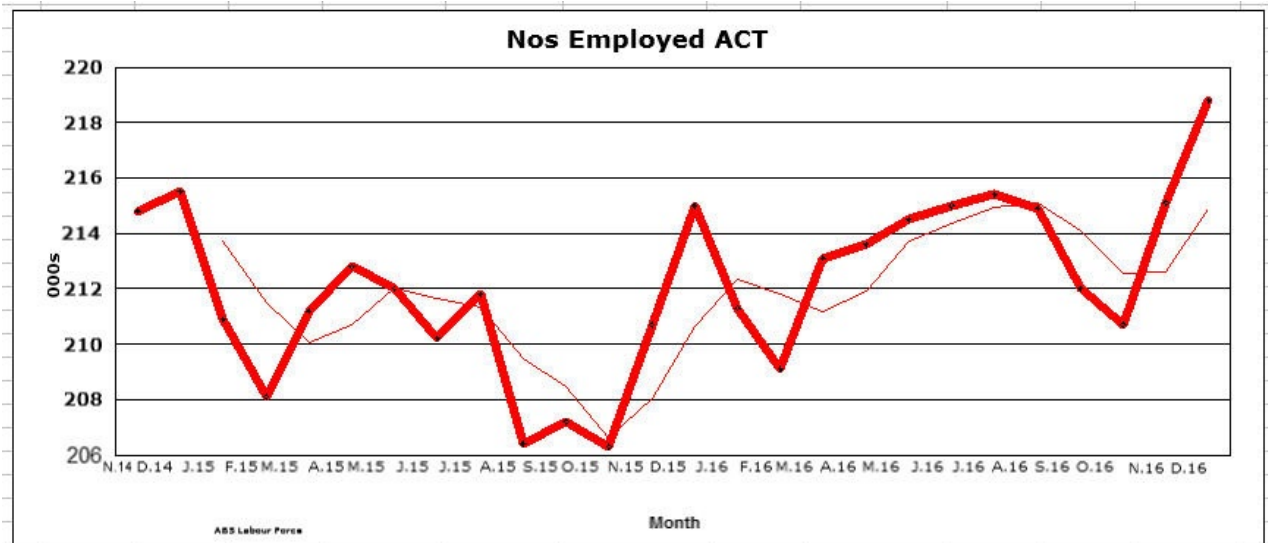
Table 5: Total factor income (value added) ACT industries 2005/6 and 2015/16 (Current prices \$m)

	2005/ 6	2015/ 16	Annual average percentage change	Annual average percentage change (Real growth estimate*)
Manufacturing	310	359	1.4	-2.0
Electricity, Gas, Water and Waste Services	489	1,171	9.1	5.7
Construction	1,138	1,610	3.5	0.1
Wholesale Trade	390	531	3.1	-0.3
Retail Trade	815	1080	2.8	-0.6
Accommodation and Food Services	487	1,049	8.0	4.6
Transport, Postal and Warehousing	510	1163	8.6	5.2
Information Media and Telecommunications	505	748	4.0	0.6
Financial and Insurance Services	805	1431	5.9	2.5
Rental, Hiring and Real Estate Services	526	1,042	7.0	3.6
Professional, Scientific and Technical Services	1,416	2,988	7.8	4.4
Administrative and Support Services	478	569	1.8	-1.6
Public Administration and Safety	6,227	11,255	6.1	2.7
Education and Training	1,246	2,458	7.0	3.6
Health Care and Social Assistance	1,140	2,280	7.2	3.8
Arts and Recreation Services	415	812	6.9	3.5
Other Services	431	540	2.2	-1.2
Ownership of dwellings	1,450	2,698	6.3	2.9
Total	18,788	33,775	6.0	2.6

Source: ABS 5220.0 State Accounts *An estimate based on the Implicit Price Deflator used for estimating Gross State Product at Constant Prices

ACT Employments hits record in December 2016

Total numbers employed in December 2016 reached a record 218,800 but don't get too excited as employment in the ACT usually peaks in December and drops off in January. However, it is a large increase and indicative of a buoyant economy. The unemployment rate was 3.3 per cent compared to 4.7 per cent in December 2015. The participation rate was 71.3 per cent, the highest for 2016.



Beyond the ACT

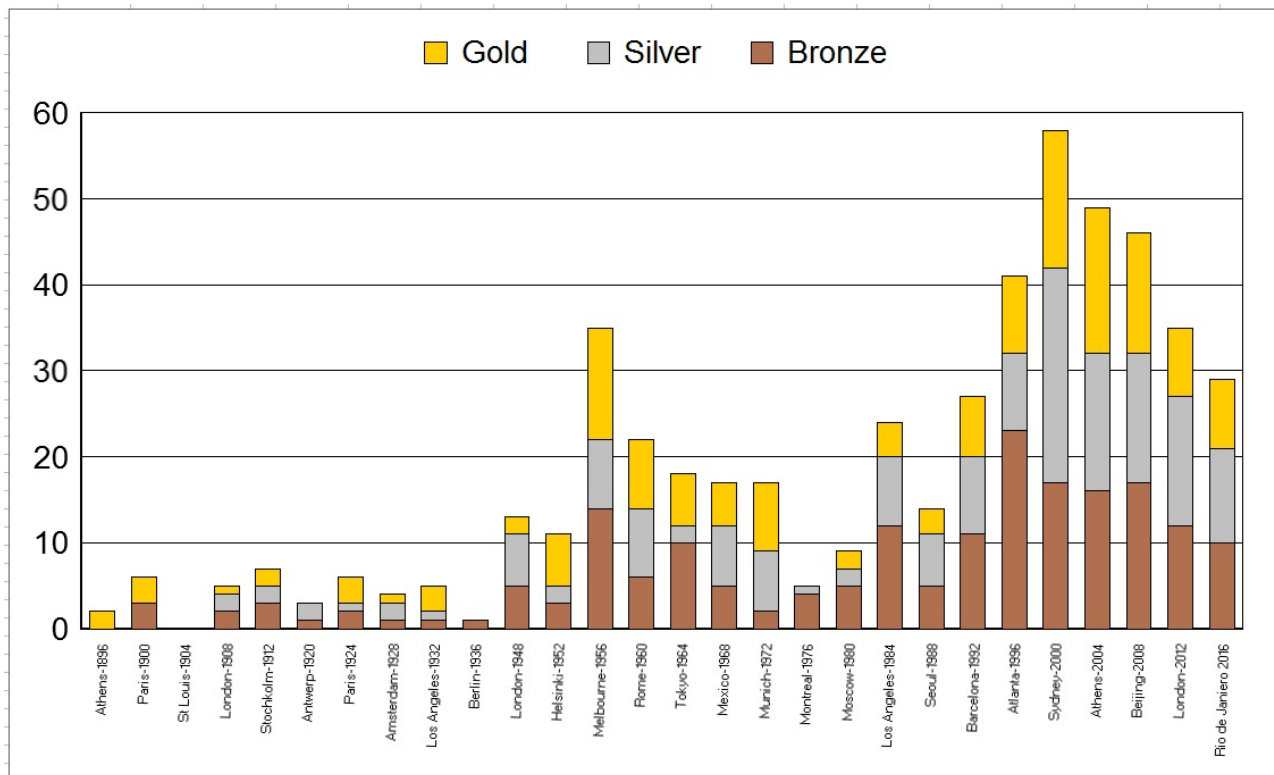
Australian share prices as measured by the ASX 500 edged up to their long term trend during 2016.



The last time they were on trend was in 2014/15 but dropped away in 2015. Growth resumed in 2016.

Australia's Olympic performance slips away

Another Olympics in Rio saw Australia's medal tally drop away. Actually the pattern is quite similar to that recorded after the Melbourne Olympics in 1956. Only this time the drop away has been more marked. Last time the Institute of Sport seemed to spur a renewed gold rush. What will get us back this time?



Crummy jobs, crummy society

When in North America last October I caught a discussion on one of the US news networks (which one I don't remember) about the US labour market. The commentator was saying that although jobs were growing, a lot of the new jobs were part time and casual. Full time steady jobs were not experiencing growth. He added that crummy jobs led to a crummy society. The basis of a decent community is an adequate supply of full time jobs with a reasonable degree of security.

There is no doubt that jobs are still growing in most OECD economies, but in Australia, and the ACT, the proportion of part time jobs has increased. In December 1980 the part time job proportion in the ACT was 16.6 per cent, in December 2016 it was 26.7 per cent. While some like part time work many want to work longer. This is reflected in the underutilisation rates (See ACT Economic Notes 2016a) which have increased over time especially for Australia, but not so much for the ACT.

Table 6: Underemployment and underutilisation Australia and ACT

Period	Underemployment rate		Underutilisation rate	
	Australia	ACT	Australia	ACT
Feb 1980	2.8	2.7	9.6	10.3
Feb 2013	7.3	4.6	13.4	9.8
Feb 2014	7.5	6.3	14.3	9.9
Feb 2015	8.3	6.8	15.0	12.3
Feb 2016	8.2	5.3	14.3	10.7

Source: ABS Labour force Survey 6202.0

After the second World war most governments accepted responsibility for "full employment" and embraced economic management tools to ensure that employment levels were sufficient to keep most persons in work. As such the extremely high unemployment experienced in the

1930s depression have not re-occurred. This is a quantity issue.

Today, the problem is employment quality. Privatisation, outsourcing and the decline of manufacturing has led to more part time casual work. Perhaps governments need to address employment quality, more full time jobs with all the conditions associated with them need to be created especially for lower skilled workers. People with job security and good conditions are less likely to want to ban the burqua or elect wild card politicians.

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