Welcome to QETA Newsletter 16 2016.

Risk comes from not knowing what you're doing. - Warren Buffett

People want to think of economics as a natural science, like physics, with the comforting reliability of simple-to-understand theories like F=MA. Unfortunately, it isn't. Economics is a social science, and the so-called theories are really social and moral constructs. - Nick Hanauer

There is a huge shift taking place in the global awareness in the last 5 years with strong views about globalization and the power structures of major corporations. - David Korten

QETA 2016 CALENDAR OF EVENTS

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QETA NEWS

1. QETA SYLLABUS WORKSHOP
A reminder that the QETA Workshop for Syllabus Feedback for Draft 2 of the syllabus is this Monday 29th August 4pm at the Jupiter Room, Annerley Hall, 8 Waldheim St, Annerley. It’s not too late to attend. Simply be there at 4pm on Monday.

For those unable to attend or those in rural and regional areas, QETA urges you to provide feedback to QCAA via the online facility on the QCAA website. It’s so very important that you do. The assessment section of the syllabus is so vastly different to anything teachers will have experienced before. Make sure you have your say on this!

2. DRAFT 2 SENIOR SYLLABUSES
The second drafts of 35 redeveloped senior syllabuses are available on the QCAA website until Wednesday 14 September.
Consultation with teachers and the wider community is an important part of the redevelopment process. Your comments and suggestions are appreciated as we work towards finalising the syllabuses in December.

3. QETA UQ STUDENT ECONOMICS COMPETITION
The 2016 Competition has been finalized and the Presentation of prizes will take place at University of Queensland Art Gallery on Monday 12th September.

In 2016, the successful students are;

Year 11
1st Jillian Wong – Qld Academy for Maths, Science & Technology 36
=2nd – Aditya Chilukuri – Brisbane State High School – 35
=2nd Youmin Chen - Qld Academy for Maths, Science & Technology -35

Year 12
1st Tsun Wing (Alex) LO Brisbane Grammar School – 36
=2nd Grace Houlihan – Brisbane State High School – 35
**QETA MEMBERSHIP SUBSCRIPTION 2017**

Good News! There will not be any increase in membership subscription fees for 2018. For those preparing department budgets, this will indeed be very welcome. Fees will remain the same at $71.50 (for individual membership) and $143.00 (for school membership) until 31st March. After that, the discounted rate will cease and it will be $77 for individuals and $154.00 for a school membership.

**TEACHING RESOURCE**

**EMPLOYER’S PROBLEM – FROM AIG**

A leap of faith - Which doctor?

A maintenance fitter at a Dairy company suffered serious leg and facial injuries in a skydiving accident in February 2014. Thirteen months later, with the fitter yet to return to work, the employer was faced with two medical opinions: one, from the employee’s treating orthopaedic surgeon, who provided clearance for return to work; and another from a specialist occupational physician engaged by the employer, indicating that the employee was unlikely to be able to perform the inherent requirements of his role in the near future. With the latter opinion preferred, the employee was dismissed on the basis that he could no longer do the job - but he was successful in an application for unfair dismissal. So, on being granted permission to appeal, how did the employer fair in arguing its actions had been just and reasonable?

Find out more >

**A 30-year career up in smoke?**

The case of mine operator, with a 30-year employment history at a coal power station, has highlighted issues surrounding the management of recreational drug use in the workplace. After being caught in the toilet at work with a smoking device for synthetic cannabis - his second such offence - the mine operator was given a final warning and directed to complete a 10-week rehabilitation program (at his employer's expense). Shortly afterwards, he was involved in a car accident following the completion of his night shift, admitting to the attending police officer that "he'd had synthetic cannabis". But after the employer exercised its 'final warning' and dismissed the worker, he maintained he had not consumed cannabis before or during his fateful journey from work. So how did he fair in his application for unfair dismissal?

Find out more >

**PROFESSIONAL LEARNING**

**NEW VIDEO ANIMATES SENIOR REFORMS**

A new animated video for school staff provides an entertaining overview of the processes that will underpin Queensland’s new senior assessment and tertiary entrance system, set to commence with Year 11 students in 2018. A shorter video for parents is in development.

**Strategic plan sets out QCAA targets**

The QCAA’s Strategic plan 2016-20 is now publicly available. It sets the direction of the organisation's work and reflects our commitment to providing a world class curriculum, learning and assessment system.

**RESOURCES**

**1. FROM THE FEDERAL TREASURY**

Tax reform and policy for an economy in transition

Roger Brake, Tax Framework Division Head, has addressed the Queensland Tax Forum.
A transcript of the speech is now available on the Treasury website.

2. FROM THE ABS
5609.0 Housing Finance, Australia, Jun 2016

5671.0 Lending Finance, Australia, Jun 2016

6202.0 Labour Force, Australia, Jul 2016

6302.0 Average Weekly Earnings, Australia, May 2016

6345.0 Wage Price Index, Australia, Jun 2016

6427.0 Producer Price Indexes, Australia, Jun 2016 (Additional Information)

5655.0 Managed Funds, Australia, June 2016

6291.0.55.001 Labour Force, Australia, Detailed - Electronic Delivery, Jul 2016

3. FROM THE IMF
The ECB’s Negative Rate Policy Has Been Effective but Faces Limits
More than two years ago, seeking to revive a moribund economy, the European Central Bank (ECB) embarked on a new monetary policy measure: charging interest on excess liquidity that banks held at the central bank. The move complemented a series of other easing measures aimed at bringing inflation back to the ECB’s price stability objective of below, but close to, two percent over the medium term. A negative policy rate makes sense. When commercial banks are charged (rather than remunerated) to deposit their excess liquidity at the ECB, they should be more inclined to lend to consumers and companies. Consumers would then buy more goods, and companies would invest in new productive capacity. Faster economic growth would help prevent inflation from sinking too low—or even becoming negative—which is a sign of economic malaise.

IMF Survey: Emerging Markets Gloom May Be Overdone, Panel Says

Working Paper No. 16/173: China’s Growing Influence on Asian Financial Markets Author/Editor: Serkan Arslanalp ; Wei Liao ; Shi Piao ; Dulani Seneviratne Summary: This paper finds that financial spillovers from China to regional markets are on the rise. The main transmission channel appears to be trade linkages, although direct financial linkages are playing an increasing role. Without an impact on global risk premiums, China’s influence on regional markets is not yet to the level of the United States, but comparable to that of Japan. If China-related shocks are coupled with a rise in global risk premiums, as in August 2015 and January 2016, spillovers to the region could be significantly larger. Over the medium term, China’s financial spillovers could rise further with tighter financial linkages with the region, including through the ongoing internationalization of the renminbi and China’s capital account liberalization.

IMF Video: How Does China’s Outlook Stack Up?

4. FROM WORLD BANK

Water resource management needs to be improved to meet the growing demand for drinking water and for water used in the agricultural and energy sectors. Read More »

5. FROM THE RBA

A speech delivered by Glenn Stevens AC, to the Anika Foundation Luncheon in Sydney, is available on the Reserve Bank website.

The Reserve Bank of Australia has released the Minutes of the August 2016 Monetary Policy Meeting of the Reserve Bank Board.

6. FROM TUTOR2U

Money, capital & foreign exchange markets

Factors affecting the supply of and demand for money

Is Bitcoin real money?

Characteristics and Functions of Money

Globalisation’s discontents

Lesson Starter activity for your first Year 1 (or AS) Economics A Level class this year - the Bridge of Sighs

OPINION

Globalization is the Only Answer

Summary: This section includes information and opinions from various sources, including the World Bank, Glenn Stevens AC's speech, the Reserve Bank of Australia, and Tutor2U study notes and articles on various economic topics.
The Hartz Reforms and the German Economic Miracle
Labour market reforms that reduced unemployment benefits, improved public job intermediation and relaxed regulations on temporary help agencies or marginal employment have been key to the German labour market ‘miracle’.

New evidence on labour market hysteresis
The longer you’re unemployed, the less likely you are to find a job.

7. FROM ECONOMY WATCH

Is China's VAT Reform Helping the Economy?
As of 1 May 2016, China has fully replaced its business tax with a value-added tax (VAT) across all industries in a bid to streamline tax structures and reduce the tax burden. China first established the current VAT system back in 1994, applying it to the sale or import of goods as well as processing and repair services. The business tax was applied to other services transactions, intangible assets and real estate.

Tired of Wasting Tires?
The number of vehicles is growing worldwide and as a result the number of tyres is increasing too. Hundreds of millions of tyres are discarded each year. Their disposal represents a major global problem

China's Economic Woes May Affect its Commitment to Climate Change
As the world’s largest emitter of greenhouse gases, China is under the spotlight in the global climate regime. In recent years, the country has become increasingly active in international climate negotiations, announcing ambitious mitigation goals. However, with its slowing economic growth rate, how committed can we expect China to be?

China's Economic Growth Falls to the Policymakers
The pattern of growth that drove the Chinese economic miracle has broadly run its course. China’s future prosperity now rests on the shoulders of its policymakers. Will they be able to steer the Chinese economy to prosperity, or will China be bogged down in the middle-income trap? Broadly speaking, there are three paths the Chinese economy can go down.

So Much to Watch with Only Two Eyes
Japan’s Q2 GDP: The week begins off with the first estimate of Japan's Q2 GDP. Growth is expected to slow from 0.6% in Q1 to 0.2%–0.3% in Q2. Consumption likely slowed more than investment increased. The GDP deflator, another measure of prices, is expected to have eased to 0.7% from 0.9% (year-over-year).

The Other Steeltown...in China
China’s steelmaking capacity has expanded rapidly since the beginning of the 21st century. The scale of this expansion is unprecedented in the history of industrialisation in Europe, North America and East Asia

Japan's Double Economic Whammy
In February 2016, the Bank of Japan (BOJ), in order to reach a 2% inflation target, initiated a negative interest rate policy by increasing massive money supply through the purchase of long-term Japanese government bonds (JGBs).

8. FROM POPULATION MATTERS

Loss of biodiversity below safe level
Human activity has reduced local biodiversity below the recommended ‘safe’ level in over half of habitats worldwide, according to a study in Science magazine.
Earth Overshoot Day

Monday 8 August 2016 marked the day when we had already used up as much from nature this year as our planet can renew in the whole year. This year’s Earth Overshoot Day has fallen on a much earlier date than in previous years.

Benefits of the demographic dividend

We have issued a briefing on the economic benefits of the demographic dividend, where a falling birth rate increases the proportion of people of working age within a country’s population.

‘Investing in teenage girls’ is a highly appropriate official message for UN World Population Day. From human rights to poverty alleviation and environmental sustainability, ensuring teenage girls have access to education and employment is key. We also agree with the UN that the world needs to end child marriage, curb adolescent pregnancy, and empower girls to make informed choices about their health and lives. Today, there are 285 million girls between 15 and 19 years old — a record number.

9. FROM THE ECONOMIST

Milking it

In India, where three-quarters of the population hold cows to be sacred, business, politics and religion mix to form an unusual ruminant economy

READ MORE >

A new target for central banks

As the consensus over inflation-targeting begins to fracture, central bankers are thinking about new regimes—including focusing on nominal GDP

READ MORE >

10. FROM TED TALKS

If you want to build a business that lasts, there may be no better place to look for inspiration than your own immune system. Join strategist Martin Reeves as he shares startling statistics about shrinking corporate life spans -- and shows how to apply six principles from living organisms to build resilient businesses that flourish in the face of change. Watch »

African growth is a trend, not a fluke, says economist (and former Finance Minister of Nigeria) Ngozi Okonjo-Iweala. In this refreshingly candid and straightforward talk, Okonjo-Iweala describes the positive progress across the continent, and outlines eight challenges African nations still need to address in order to create a better future. Watch »

Machine learning isn't just for simple tasks like assessing credit risk and sorting mail anymore -- today, it's capable of far more complex applications, like grading essays and diagnosing diseases. With these advances comes an uneasy question: Will a robot do your job in the future? Watch »

11. AIG NEWS

READ MORE >
12. FROM AIG STATE OF THE ECONOMY
12 August 2016

AUSTRALIAN ECONOMIC DEVELOPMENTS

This week Governor Glenn Stevens delivered his last speech as Governor of the Reserve Bank of Australia (RBA), after 10 years in the role. Speaking about the policy options that can or should happen from here, Stevens said that carefully targeted government investment activity and spending could be needed to stimulate stronger economic growth in Australia, since monetary policy alone (that is, cash rate movements) cannot "dial up the growth we need". He pointed out that Australian household debt relative to GDP is relatively high (125% of GDP), while gross public debt for all levels of Government is relatively lower (40% of GDP). Government debt – and especially the trajectory of Government debt and the purpose of that debt, if it is for recurrent spending – are of real concern. But in the context of high levels of household debt and limited incomes growth, Stevens raised the "interesting question [of] which sector would have the greater capacity to take on more debt, in the event that we were to need a big demand stimulus?"

Underscoring this issue, data released this week continue to show growth in both investor and owner-occupier new home loans, as of June 2016. The number of job advertisements however, fell in July, signalling weaker hiring intentions, while business conditions and confidence were slightly weaker (but still positive) in July. Consumer confidence recovered somewhat in early August, possibly reflecting the RBA’s cash rate cut in August to a record low. Households are generally more optimistic after the RBA cash rate cut, but caution persists after Brexit, the close Australian Federal Election, and ongoing concerns about the local and global economic outlook.

Housing finance edges up in June

ABS housing finance data released this week show the total value of new housing loans edged up 2.3% in June (after a more subdued April and May), although growth was flat compared to June 2015. New home loan values rose in June for both investor housing finance (+3.2% m/m, -13.1% p.a.) and owner-occupied housing finance (+1.8%, +9.4% p.a.). Annual growth was strong for owner-occupied home loans but fell for investor home loans. Indeed, investor home loans look to have peaked some time in 2015 and are now trending lower (see chart 1). Among new owner occupier home loans, loans for the purchase of a new dwelling increased by 5.3% in June, to be up by 24.3% p.a..

Job advertisements lower in July

In July, ANZ’s monthly count of internet and newspaper job advertisements fell by 0.8% in the month, but was 6.9% up over the year. This was the largest monthly dip in job ad numbers since February (-1.1% m/m) and indicates a further cooling in labour demand. A similar slowing was evident in the SEEK count of new online job ads, which were just 2.5% higher over the year to July (decelerating from 3.2% p.a. in June). SEEK and ANZ both speculated that the UK referendum result might have affected hiring intentions by businesses.

Across the states, the SEEK job ads data indicated that the ACT (+12.6% p.a.), South Australia (+11.9% p.a.), New South Wales (+7.5% p.a.) and Victoria (+5.0 p.a.) showed the best internet job ads growth over the year to July. The mining states of Western Australia (-19.9% p.a.), Queensland (-3.7% p.a.) and the Northern Territory (-1.8%) saw falls in internet job ads over the year to July, with ads in Western Australia falling rapidly. Internet job ads in Tasmania (-1.0% p.a.) were also lower over the year to July.

Business conditions and confidence resilient
The latest National Australia Bank (NAB) Monthly Business Survey reported easing business conditions in July 2016, with the conditions index declining 3 points to +8 points. This was below the stronger conditions evident through most of early 2016 but still above long-run average for this index of +5 (results over zero indicate 'net positive' conditions in this survey). Trade, profits and forward orders all declined in July. Employment was steady, while stocks (inventories) and exports picked up.

As was evident in Ai Group’s performance indexes, the Australian PMI®, Australian PSI®, Australian PCI® in July (see last week’s weekly), the services sectors were the best performers in this month’s NAB survey, with finance, business & property services and recreation & personal services performing strongly. Conditions in mining continue to deteriorate, while the retail, wholesale trade and construction industries were roughly stable. In a positive sign for future business investment, capital utilization crept up to 81.9% (from 81.2% in June), while capital expenditure remained above its long-run average at +8 points.

Business confidence in the NAB survey decreased to +4 points in July (from +5 in June). This reflects recent unsettling events, including Brexit and the Australian Federal election. Businesses are relatively upbeat, but there is a little less optimism than average. Most industries reported positive levels of confidence in July (results above zero), with a notable improvement in mining.

Further on confidence, the Westpac Melbourne Institute Index of Consumer Sentiment recovered by 2.0% to 101.0 points in August, from 99.1 points in July, indicating there are now more optimists than pessimists among householders (100 points divides the optimists from the pessimists in this survey). This recovered some of the dent to consumer confidence seen in July, which was probably lower in response to the Australian Federal Election and Brexit.

The recovery in consumer confidence in August may have been (in part) assisted by the RBA cutting the cash rate to a record low of 1.50% in early August. However, this surge in confidence was relatively muted when compared to previous consumer responses to rate cuts. The response may have been tempered by ongoing concerns about the economy and/or political uncertainty, locally and globally.

**19th August**

**AUSTRALIAN ECONOMIC DEVELOPMENTS**

This week, minutes from the RBA’s August board meeting highlighted the reasons for the RBA’s easing of the cash rate to a record low 1.5% in August. The RBA noted that stronger growth is desirable, with inflation remaining very low and some steam coming off the housing market. The RBA believes lower interest rates and a lower Australian dollar will support the much-needed rebalancing of activity and investment toward our non-mining industries. This rebalancing is especially important, as Australia faces a new wave of global economic uncertainty.

The latest labour market and wages data confirm a softening jobs market in Australia in 2016. The headline unemployment rate eased to 5.7% p.a. in July and (seasonally adjusted) employment growth slowed to 1.9% p.a. Employment growth continues to be dominated by part-time work. The national Wage Price Index (WPI) remained at a record low of 2.1% p.a. in Q2 2016, reflecting a weak inflationary and labour demand environment. Services industries generally saw stronger wage growth, as did the south-eastern states, while public sector wage growth continued to outstrip private sector wage growth.

**Labour market slower in July**

The latest ABS labour force estimates show that in seasonally adjusted terms, the national unemployment rate fell slightly, to 5.7% in July (down from 5.8% in June). In trend terms, the unemployment rate was steady at 5.7% (as it has been since May) and employment growth slowed to 1.8% p.a., down from a recent peak of 2.6% p.a. in December 2015. In number terms, monthly jobs growth decelerated to 11,800 new jobs in July, compared to a recent peak of 31,300 new jobs in September 2015. The employment to population ratio was steady at 61.1% of the adult population in July, down from its recent peak of 61.3% in Jan 2016.

Employment growth continues to favour part-time work (defined by the ABS as less than 35 hours per week). Full-time employment growth decelerated to just +0.6% p.a. in July, with 1,200 fulltime jobs added in the month, compared to a recent peak of +2.1% p.a. in December 2015 and 18,400 full-time jobs added in October 2015. In contrast, part-time jobs grew by 4.4% p.a. with 10,600 part-time jobs added in July, down from a recent peak of 4.5% p.a. in June and 15,100 new part time jobs added in April. The proportion of the workforce working part-time stayed at a record high 31.7% in July.

On the supply side, labour force growth slowed to 1.4% p.a. in July, down from a recent peak of 2.2% p.a. in November 2015. The national labour force participation rate was steady at 64.8% of the adult
civilian population in July (down from a recent peak of 65.1% in December 2015). Labour force participation for men remained at a record low of 70.5% in July. Labour force participation for women edged up to 59.4% in July, equal to the record high for women.

The number of unemployed people fell to 724,100 in July, the lowest number since March 2014. Within this total, 235,100 (32.5%) unemployed people are looking for part-time work only (22.7% of unemployed men and 43.0% of unemployed women), the highest such proportion since January 2008. This suggests that rises in part-time work are being driven partly by jobseeker preferences (labour supply) and partly by structural changes that are affecting the composition of labour demand, such as growing employment in healthcare (with high proportions of part-time workers) but declining employment in the industrial sectors (with low proportions of part-timers).

Across the states, employment growth remained strongest in the south-eastern states in the year to July 2016. Unemployment is highest in South Australia, Tasmania and Western Australia. South Australia has had the nation's highest unemployment rate since December 2014.

Wages growth stays weak in Q2 2016 The ABS Wage Price Index (WPI) was unchanged at +2.1% p.a. (+0.5% q/q) in the June quarter of 2016 (Q2), remaining at the lowest annual rate since records began in 1997. This reflects subdued inflation (just 1.0% p.a. in Q2) and weaker labour demand. Wage growth was stronger in the services industries, weaker in the mining states of WA and Qld and stronger in the public sector than the private sector.

Over the past two years, all major industries have seen slower private sector wage growth rates. Across industries (see Chart 2), private sector wage growth in Q2 2016 was weakest in mining (+1.3% p.a.), followed by administrative services (+1.4% p.a.), construction (+1.4% p.a.), rental & real estate services (+1.4% p.a.), professional services (1.7% p.a.) and public administration (+1.8% p.a.). Wage growth in the utilities industry was again the strongest (+2.5% p.a.) in Q2, followed by health care (2.5% p.a.) and arts & recreation services (both +2.4% p.a.). Manufacturing, retail trade, education & training and other services (all 2.3% p.a.) were also significantly above the all industries average WPI increase in Q2.


In dollar terms, the ABS estimates that Full-time Average Weekly Ordinary Time Earnings (AWOTE, which is measured differently to the WPI and is published only twice per year) increased to $1,516.00 in May 2016. Across industries, employees in the mining industry remain the highest paid on average, followed by people working in finance & insurance, IT and professional services. As a group, industries that provide household services (hospitality, retail trade, healthcare and education) tend to have lower AWOTE than industries that provide business services or industrial goods and services

WEBSITES

1. FROM WESTPAC
A review of the week's important data and events as well as key information affecting the Australian market - prepared by Westpac Economics.

2. FROM CBA
The Housing Market Report is your guide to the current home value trends in Australia. You’ll find information about what’s happened over the last 12 months, as well as NAB’s expectations of where prices are headed in the near future. > Read More

Doug Cave
QETA Secretary/Treasurer

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