

Welcome to QETA Newsletter 23 2017.

QETA 2018 CALENDAR OF EVENTS

Feb 19	RBA Seminar at Cannon Hill Anglican College 11am
Feb 19	RBA Seminar at Brisbane Girls Grammar School 4pm
Feb 21	RBA Seminar at Somerset College Gold Coast
Feb 22	RBA Seminar at Cavendish Road State High School at 7am
Feb 22	RBA Seminar at Marist College Ashgrove at 9.30am
Feb 23	RBA Seminar at Toowoomba Grammar School 9.00am
Mar 10	QETA Conference – Brisbane Girls Grammar School
Mar 30	Econopak 1 due to be published
Jul 1	Econopak 2 due to be published
Jul 18	Griffith University Gold Coast Student Economics Day – Date to be confirmed
Jul 19	UQ Student Economics Day
Jul 20	QUT Student Economics Day
Jul 23-27	QETA Student Economics Competition
Sep 10	UQ Student Economics Competition Presentation of Prizes
Oct 1	Econopak 3 due to be published
Oct 17	QETA Annual General Meeting

Note: more events to be added as soon as dates are finalised.

QETA NEWS

1. QETA CALENDAR OF EVENTS 2018

For those compiling school calendars and other event list, the QETA website www.qeta.com.au now has the dates for QETA events for 2018. While these dates are still being finalized, they are unlikely to change. As further details come to hand, they will be passed onto you.

2. MEMBERSHIP 2018

Membership fees will remain the same as 2017. In January 2018, an invoice for membership will be sent to all current members (both individual and schools) and you will have until 31st March 2018 to pay at the discounted rate. If you want to pay early using funds from this year, you can log in to our website www.qeta.com.au, go to "Join Us" and follow the steps from there.

3. RBA SEMINARS 2018 – REGISTRATION IS NOW OPEN

Registration is **now open** for the 2018 RBA Seminar Series. In 2017 bookings were quite heavy for the Gold Coast, Brisbane Girls Grammar School, and Marist College Seminars and we do encourage early bookings for these seminars to avoid disappointment!

The Toowoomba date and venue has now been confirmed as well and is on Friday 23rd February 2017.

Cost is still just \$5.50 for school and individual teacher members – it has been the same price since 2003!

To register, log into our website www.qeta.com.au and follow the steps from the home page. Upon completion of your registration, you will receive advice that this has been done and also an automatically generated invoice for payment!

4. QETA CONFERENCE

QETA is planning to run a State Conference next year, in line with our policy of a Conference every two years. It is scheduled for 10th March, and the main focus of the Conference will be the 2019 Economics Syllabus.

The Conference will be at Brisbane Girls Grammar School again.

5. END OF YEAR CHANGES

If you or another Economics teacher in your school is changing work locations for 2018, could you please let QETA know, so that we can adjust our records. Every year, in January/February we have to tidy up our membership register with returned emails quite frequent.

PROFESSIONAL LEARNING

QCAA

Preview Accreditation Course 1

Accreditation Course 1: *Attributes of quality assessment* is now available via the professional development section in [QCAA Portal](#) to users assigned the role of principal or senior leader.

It is the first of three courses that will be released in the week of 15 January 2018 to skill teachers in the assessment and quality assurance processes that will be part of the new QCE system. This timing would enable schools to make the courses part of teacher learning on the scheduled professional development days.

Completing the courses will be a requirement for those teachers who wish to become assessors (i.e. endorsers, confirmers, item writers or markers) in the new system. For more information, please phone 3864 0272 or email assessoraccreditation@qcaa.qld.edu.au.

RESOURCES

1. FROM DFAT

Launch of Foreign Policy White Paper

The Prime Minister, Minister for Foreign Affairs and Minister for Trade, Tourism and investment launched the 2017 Foreign Policy White Paper on 23 November. The White Paper delivers a comprehensive, long-term framework to secure Australia's future prosperity and security at a time of uncertainty and change. The Australian Government will extend its network of FTAs to cover more partners, including to ensure that by 2020 we have FTAs with countries that account for 80 per cent of trade, up from the current 64 per cent; implement a non-tariff measures strategy to better identify barriers to trade for Australian businesses and respond to them; and develop a stronger "nation brand" to market our commercial, educational and cultural credentials in a competitive global market

[Foreign Policy White Paper](#) [Media Release](#)

Northern Australia Investment Forum

"Foreign investment not only provides essential capital, but it invariably brings with it new perspectives, other ways of doing things, new intellectual property and innovation which can greatly enhance productivity and return on investment," Minister for Trade, Tourism and Investment Steven Ciobo said at the second Northern Australia Investment Forum in Cairns that showcased investment opportunities and projects in the North across agriculture, resources and energy, tropical health and medical research, tourism and infrastructure.

[Speech](#)

Joint Leaders' Statement on RCEP negotiations

The Regional Comprehensive Economic Partnership will improve living standards through supporting job generation, driving sustainable growth, fostering inclusive development and promoting innovation, according to a joint statement issued by leaders in Manila last week. The statement includes an outline of the agreement published without prejudice to the ongoing negotiations.

[Media Release](#)

Trade and income in the long run: Are there really gains, and are they widely shared?

This IMF Working Paper examines cross-country estimates to identify the causal impact of trade on real income over time. The Working Paper's results indicate that a one percentage point increase in trade openness raises real income per capita by between 2 and 5 per cent, and trade tends to reduce overall income inequality.

WTO: Global merchandise trade growth to moderate

The latest World Trade Outlook Indicator prepared by the WTO suggests more moderate trade growth is to be expected in the final quarter of 2017, following stronger growth earlier in the year. The indicator is made up of several components, including export orders which remain above trend but have turned downward recently, suggesting trade growth will moderate in the coming months.

[Media Release](#)

2. FROM THE ABS

5671.0 **Lending Finance**, Australia, September 2017

<http://www.abs.gov.au/ausstats/abs@.nsf/mf/5671.0?OpenDocument>

6345.0 **Wage Price Index**, Australia, Sep 2017

<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6345.0?OpenDocument>

6202.0 **Labour Force, Australia**, Oct 2017

<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0?OpenDocument>

6427.0 **Producer Price Indexes, Australia**, Sep 2017 (Additional Information)

<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6427.0?OpenDocument>

3. FROM THE IMF

[Europe: Engine for Global Trade, but Should Prepare for Rainy Day](#)

[Europe: From Recovery to Resurgence?](#)

[Regional Economic Outlook: Europe Hitting Its Stride](#)

[Measuring the Digital Economy](#)

[Australia: IMF Staff Concluding Statement of the 2017 Article IV Mission](#)

4. FROM WORLD BANK

When disaster hits, damage to transport infrastructure can exacerbate the isolation of small islands, impede recovery, and paralyze the economy. To avoid this, resilience must become a key priority.

<http://wrlid.bg/AkuN30gBaB2>

5. FROM THE RBA

A speech delivered by **Guy Debelle, at the UBS Australasia Conference 2017** in Sydney, is available on the Reserve Bank website.

<https://www.rba.gov.au/speeches/2017/sp-dg-2017-11-13.html>

A speech delivered by **Luci Ellis, at the Stan Kelly Lecture in Melbourne**, is available on the Reserve Bank website.

<https://www.rba.gov.au/speeches/2017/sp-ag-2017-11-15.html>

A speech delivered by **Marion Kohler, at the Australian Securitisation Forum 2017** in Sydney, is available on the Reserve Bank website.

<https://www.rba.gov.au/speeches/2017/sp-so-dm-2017-11-20.html>

A speech delivered by **Jonathan Kearns, at the Aus-China Property Developers, Investors & Financiers** event, in Sydney, is available on the Reserve Bank website.

<https://www.rba.gov.au/speeches/2017/sp-so-2017-11-20.html>

A speech delivered by **Philip Lowe, at the Australian Business Economists (ABE) Annual Dinner** in Sydney, is available on the Reserve Bank website.

<https://www.rba.gov.au/speeches/2017/sp-gov-2017-11-21.html>

The Reserve Bank of Australia has released the **Minutes of the November 2017 Monetary Policy Meeting** of the Reserve Bank Board.

6. FROM TUTOR2U

The Business Cycle - "Match Up" activity

Learning Activities

This Business Cycle (or Economic Cycle) diagram has labels that are mixed up. Drag and drop the labels into their correct position.

<http://tutor2u.cmail19.com/t/ViewEmail/j/8648CD9C989B99572540EF23F30FEDED/AEBE295C90B48A651A01488700E2614F>

Brazil's contaminated river Doce

A short video revealing the long term economic and social damage from the contamination of a river following the bursting of an iron ore waste dam burst in the town...

<http://tutor2u.cmail19.com/t/ViewEmail/j/9A36CE007BF0E8BE2540EF23F30FEDED/AEBE295C90B48A651A01488700E2614F>

Introduction to Macroeconomics - "Prime Minister for the day" activity

Learning Activities

Here's an online resource that requires little in the way of previous knowledge and can be used to introduce some macroeconomic concepts. As such, it may be useful as a...

<http://tutor2u.cmail19.com/t/ViewEmail/j/40A519EB3E7275D22540EF23F30FEDED/AEBE295C90B48A651A01488700E2614F>

Competition and Markets Authority - "Concentration" Activity

It has been announced today that the Competition and Markets Authority have agreed, in principle, to allow the takeover of wholesaler Booker by the retail giant Tesco. Although agreeing in...

<http://tutor2u.cmail19.com/t/ViewEmail/j/40A519EB3E7275D22540EF23F30FEDED/AEBE295C90B48A651A01488700E2614F>

Rhino poaching, property rights and the economics of trading horns

You might not think that rhino poaching is an economic issue. I do.

<http://tutor2u.cmail20.com/t/ViewEmail/j/61A7FE40F948706E2540EF23F30FEDED/AEBE295C90B48A651A01488700E2614F>

Airbus secures \$50 billion deal

A terrific example here of the balance of bargaining power when a duopolist (Airbus) meets a business owning a group of low-cost airlines (monopsony buying power) to reach a deal...

<http://tutor2u.cmail20.com/t/ViewEmail/j/61A7FE40F948706E2540EF23F30FEDED/AEBE295C90B48A651A01488700E2614F>

Crowding-Out

Student videos

This revision video looks at the arguments for and against the crowding-out view of higher government spending and borrowing.

<http://tutor2u.cmail20.com/t/ViewEmail/j/74DBCE5696C8EECC2540EF23F30FEDED/AEBE295C90B48A651A01488700E2614F>

Businesses Switch to Dynamic Pricing

From hotels renting out spare car parking spaces to highly flexible prices in the gym industry Amazon changing price lists every ten minutes, dynamic pricing driven by a world of...

<http://tutor2u.cmail20.com/t/ViewEmail/j/1BC6550AACA8306E2540EF23F30FEDED/AEBE295C90B48A651A01488700E2614F>

Price Elasticity of Demand - Two Example Calculations

Student videos

Here are two calculation questions using price elasticity of demand.

<http://tutor2u.cmail20.com/t/ViewEmail/j/1BC6550AACA8306E2540EF23F30FEDED/AEBE295C90B48A651A01488700E2614F>

London's buses to be powered by coffee!

Think coffee powers you in the morning? Waste coffee is being converted into biofuel - today will see some London buses being powered by coffee-based biofuels. This marks the start...

<http://tutor2u.cmail19.com/t/ViewEmail/j/FDAC39C40437F4EB2540EF23F30FEDED/AEBE295C90B48A651A01488700E2614F>

Christmas tree prices - blame the GFC!

As I was driving down the road the other day, I was shocked to see the high price of the "real" Christmas trees being sold on the side of the...

<http://tutor2u.cmail20.com/t/ViewEmail/j/B314B6924A5D48DD2540EF23F30FEDED/AEBE295C90B48A651A01488700E2614F>

Index Numbers - Furniture Prices (Multiple Choice Revision)

Practice exam questions

Here is a MCQ about changes in the price index for furniture. Given the information, what can we deduce about what has happened to prices? Have a go and test...

<http://tutor2u.cmail20.com/t/ViewEmail/j/B314B6924A5D48DD2540EF23F30FEDED/AEBE295C90B48A651A01488700E2614F>

7. FROM THE ECONOMIST

Our cover this week tackles the [death tax](#). Across the rich world inheritance taxes have dwindled since the 1960s; as part of its tax reform, America's House of Representatives wants to abolish the estate tax by 2025. But a fair, efficient tax system would make more use of inheritance taxes, not less

8. FROM FEDERAL TREASURY

Ticket Reselling in Australia

On 31 August 2017, the Legislative and Governance Forum on Consumer Affairs noted that Treasury would undertake a regulatory impact assessment of ticket onselling. This consultation paper examines the issue of ticket reselling and presents five options to reduce consumer detriment.

[Read more](#)

Fees for paper bills

In recent years, businesses have shifted to providing bills in an electrical/digital format as the preferred method of billing. As a result of this shift to digital billing, many businesses have moved to a fee-for-service model for paper bills.

Digital billing is often offered to consumers as a cost free alternative to paper billing. Those who are capable, willing and able to access the internet can avoid paying fees to receive paper bills by choosing to receive them digitally. However, those who cannot access the internet have no choice but to pay to receive a paper bill. As preliminary analysis suggests many who cannot transition to digital bills come from disadvantaged groups, it appears these groups are being unfairly impacted.

On 31 August 2017, the Legislative and Governance Forum on Consumer Affairs noted that Treasury would undertake a regulatory impact assessment of fees for paper bills. This consultation paper examines the issue of fees for paper bills and presents four options to reduce consumer detriment.

Closing date for submissions: 15 December 2017

[Read more](#)

9. FROM TED TALKS

With amazing maps that show the vast movements of people into cities and across borders, Robert Muggah shares an ancient (and new) idea: **cities shouldn't just be the center of our economics -- they should be the foundation of our political lives**. As he suggests in this fascinating, fact-filled talk: "Cities are where the future happens first. They're open, creative, dynamic, democratic, cosmopolitan, sexy -- and they're the perfect antidote to reactionary nationalism." [Watch »](#)

[Got apocalypse fatigue? How to have a real conversation about global warming](#)

What's the biggest obstacle to dealing with **climate change**? It's between your ears, says psychologist Per Espen Stokes. He's spent years studying the mental defenses we use to avoid thinking about hard things -- and he's developed a new way of talking about global warming, one that keeps us from tuning out and shutting down, and instead encourages us to do what we can. Step away from the hopeless doomsday narratives and learn new techniques for talking and empowering with this fun, informative talk.

[Watch now »](#)

10. FROM AUSTRALIAN INDUSTRY GROUP

15 November 2017

Fair share: inconvenient facts about national income split

[Read the Blog >](#)

21 November 2017

Ai Group welcomes new tax reduction agenda

[Find out more >](#)

11. FROM AIG – ECONOMIC CONDITIONS

17 November 2017

AUSTRALIAN ECONOMIC DEVELOPMENTS

Australia's leading indicators of business conditions diverged somewhat in October, with the NAB's monthly business conditions index jumping to a record high, but the Ai Group performance of manufacturing, services and constructions indexes collectively showing slower – but still broadly positive – conditions. Both surveys are showing activity surging higher in manufacturing, mining and construction but poor conditions in retail. Business confidence remained at around its long-run average in the NAB business survey however, while forward orders and capacity utilisation were lower, which suggests that this month's record could prove to be a statistical outlier.

Among consumers, confidence dropped back into net pessimism in the first weeks of November, with the Westpac-MI index of consumer sentiment dropping 1.7% m/m to 99.7 points. This index has indicated 'net negative' consumer sentiment for all months but one (October) of 2017 to date. For the upcoming pre-Christmas peak sales period for retailers, Christmas spending plans look modest for most households this year, with a third planning to spend less on gifts than last year and just 11% planning to spend more than last year, the lowest such proportion since 2009.

Far more positively, the national labour market showed further improvement in October, with the national unemployment rate falling to 5.4%, the underemployment rate stable at 8.2% and total employment growing by 3.0% (seasonally adjusted). More of the new jobs are full-time than part-time and so the rate of part-time work fell to 31.5% of the workforce and the number of total hours worked across the economy grew by 3.2% p.a. (seasonally adjusted). Although monthly jobs growth was slower in October than in recent months, further jobs growth looks assured for the remainder of 2017, with the SEEK index of new job ads posted online up 16.1% p.a. in October.

Reflecting these improvements in the labour market in 2017, more people are actively coming back into it, to work or seek work. At 65.2% of the adult population, labour force participation is now approaching Australia's record high of 65.7% achieved in December 2010. Labour force participation for Australian women is now at a record high of 59.9% (trend).

Annual wages growth accelerated slightly in Q3 2017. But at 2.0% p.a. – and 1.9% p.a. in the private sector – wages remains weak and at the bottom of the RBA's inflation target of 2-3% p.a.

ABS estimates of gross state product (GSP, the state equivalent of GDP) indicate the strongest economies in 2016-17 were the two territories (4.0% and 4.6% p.a.), followed by Victoria (3.3% p.a.). Western Australia suffered a contraction in GSP in 2016-17 (-2.7% p.a.), but more recent data indicate the worst seems to be over for this mining-dominated state economy.

Business conditions and confidence diverge in October

Australia's leading indicators of business conditions diverged somewhat in October, with the NAB's monthly business conditions index jumping to a record high of 21 points (results over zero are 'net positive' in this survey, with higher results indicating better conditions). Surging sales activity manufacturing, mining and construction were the main drivers of this month's result. Profits were higher in mining and some other sectors. As has been evident in other data, the retail trade sector continued to lag behind all others, with net negative sales, employment and orders.

Despite the spike in conditions, business confidence in the NAB business survey did not move higher in October. The confidence index remained at 8 points, which is just above the long-run average for this index but not exceptionally high. The NAB's economists note that this may be because the forward indicators are not as strong as October's record high result might suggest, with forward orders and capacity utilisation moving lower in October. They therefore expect some pull-back from this record high headline index number over the coming months.

In contrast, the Ai Group performance of manufacturing, services and constructions indexes collectively indicated slower – but still broadly positive – conditions in September and October (chart 1). These surveys indicate the same trends as the NAB survey for individual sectors (positive for manufacturing and construction, less positive for retail trade and the more discretionary consumer spending segments) but they do not include the mining or agricultural sectors, which are doing extremely well at present. This omission may account for the divergence.

NAB's economists and Macquarie Research analysts suggest October's NAB result may turn out to be an outlier, mainly because the forward indicators are not as strong. Macquarie also noted: "Other indicators remain more contained, however, raising questions about whether the October reading is a bit 'rogue'. Ai Group's surveys actually softened overall in September/October. When this last happened in October 2014, the Ai Group surveys proved the better read."

Consumer confidence becomes pessimistic again in November

Among consumers, confidence dropped back into net pessimism in the first weeks of November, with the Westpac-MI index of consumer sentiment dropping 1.7% m/m to 99.7 points. This index has indicated 'net negative' consumer sentiment for all months but one (October) of 2017 to date.

Consumer confidence has remained steadfastly downbeat in 2017, despite clear improvements in local economic activity and employment. NAB's economists speculate that slow incomes growth and political uncertainty are to blame, with speculation about interest rate rises also affecting sentiment in November. They note that "The confidence of respondents who hold a mortgage fell by 4.5% [in November] compared to a more modest fall of 1.4% for those owners who are mortgage free and a 0.5% increase for tenants".

The effects of this negative sentiment can be seen in the poor conditions that have persisted for retailers and other discretionary consumer services (hospitality and local leisure services) in 2017. Unfortunately, this month's survey does not bode well for the all-important pre-Christmas retail period: "Christmas spending plans also point to moderate activity. Just under a third of Australians expect to spend less on gifts this year than last, with 54% expecting to spend about the same and just 11% spending more – the lowest proportion since we began running this question in 2009."

Local consumer spending could also be affected by hotter weather this summer. The Bureau of Meteorology this week issued its climate outlook for December to February. It warns that "Daytime and overnight temperatures [are] likely to be warmer than average for most of eastern Australia. North eastern NSW and regions surrounding the Gulf of Carpentaria may be drier than average."

Labour market improves in October

This week the ABS reported that Australia's unemployment rate fell to 5.4% in October (seasonally adjusted) and 5.5% in trend terms¹, its lowest since early 2013. Total employment grew by 3.0% (seasonally adjusted) or 2.9% (trend) over the year, its strongest annual growth rate since 2008.

More of the new jobs have been full-time than part-time in 2017 and so the rate of part-time work (35 hours per week or less) fell to 31.5% of the workforce and the number of total hours worked across the economy grew by 3.1% p.a. (trend) in October. Full-time employment is now growing by 3.6% p.a., its strongest annual rate of growth since 2007.

Growth in part-time work is slower in late 2017 than it has been in recent years, but it is still growing positively, at 1.5% p.a. (table 1 and chart 2). 46.6% of working women were part-time in October (down from an all-time high of 47.2% in early 2017) and 18.3% of working men were part-time (down from an all-time high of 18.9% in September and October 2016, trend).

Commensurate with this lower rate of part-time work, 1.06 million people are now underemployed (in paid work but wanting more work hours), down from an all-time peak of 1.17 million in December 2016. The underemployment rate is stable at 8.2% of the workforce (original data).

The number of unemployed people (not in work but actively seeking work) fell to 709,000 in October, the lowest such number since Nov 2013, and the unemployment rate remained relatively low at 5.5% (trend). Among the unemployed, 31.3% are looking only for part-time work, including 23.2% of unemployed men

and 40.3% of unemployed women. With the number of both underemployed and unemployed people falling, the labour market is definitely tightening up.

This tightening is happening despite more people actively coming back into the labour force, to work or seek work. At 65.2% of the adult population, labour force participation is now approaching the record high of 65.7% achieved in December 2010. Labour force participation for Australian women is now at a record high of 59.9% of all women aged 15 years or older (trend).

Monthly jobs growth was slower in October than in recent months (chart 2), suggesting that 'peak growth' might have already passed in this cycle. Rising job advertisements however (see SEEK job ads below), suggest this might only be a lull, rather than an outright downturn. Further jobs growth seems assured for the remainder of 2017 and into the early months of 2018.

Across the states, employment growth has been shifting toward NSW and Queensland during 2017, and away from Victoria, which experienced a surge in employment in 2016. Employment growth appears to be slowing in all states. In September and October, Tasmania experienced its first drops in employment since June 2016. Employment in the Northern Territory has contracted in each month since February 2017 (trend).

Unemployment and underemployment rates are now highest in Tasmania and lowest in NSW and the two territories, indicating significantly tighter labour supply in NSW and the territories. Unemployment is higher in Victoria and Queensland than in NSW, but has improved.

Wages growth accelerates slightly in Q3 2017, but remains relatively weak

Annual wages growth accelerated slightly in Q3 2017. But at 2.0% p.a. for all sectors – and 1.9% p.a. in the private sector – wages growth remains weak and at the bottom of the RBA's inflation target of 2-3% p.a. Quarterly rates of change were stable, at 0.5% q/q for all industries and 0.5% q/q for private sector industries.

Annual wages growth in the private sector (1.9% p.a.) is now tracking just above headline inflation (1.8% p.a.) and remains well above the ABS estimate of change in living costs for employees in Q3 (1.5% p.a.). Annual wages growth remains faster in the public sector, at 2.4% p.a. The ABS noted that "The higher wage growth in the September quarter was driven by enterprise agreement increases, end of financial year wage reviews and the Fair Work Commission's annual minimum wage review".

Across industries, private sector annual wage growth varied from 2.7% p.a. in 'arts and recreation services' and healthcare services' to 1.2% p.a. in the mining industry. Across the states, Western Australia recorded the lowest annual wage growth for all sectors (1.3%) while Victoria, Queensland and Tasmania recorded the highest annual wage growth rates (2.2%).

Two territories outpaced all of the states in 2016-17

ABS estimates of gross state product (GSP, the state equivalent of GDP) indicate the strongest economies in 2016-17 were the two territories, followed by Victoria (chart 7). Western Australia suffered a contraction in GSP in 2016-17 (-2.7% p.a.), but more recent data indicate the worst seems to be over for this mining-dominated state economy.

24.11.2017

AUSTRALIAN ECONOMIC DEVELOPMENTS

This week the minutes of the RBA's board meeting in October confirmed that the RBA expects inflation to remain subdued, at around 2% over the next two years, due to the ongoing price dampening effects of slow wage growth, weak local discretionary consumption, fierce competition among retailers and falling prices for tradeable goods. Prices and wages are still looking weak, despite better business conditions, exports, construction activity and employment through 2017.

RBA and IMF expect modestly better growth in 2018, but wages will stay weak

In a speech about Australia's economic outlook delivered this week, RBA Governor Lowe noted that "in a number of [other] countries, low rates of unemployment are coexisting with below average inflation. Low inflation, in turn, means low interest rates." Weak business investment and poor productivity growth have also been particularly pronounced. This disappointing situation has persisted over the past decade, but is finally starting to improve, across a range of local and international indicators. Real wages growth might not pick up however, because "in Australia, we are still some way short of our estimates of full employment of around 5%, so it is not surprising that wage growth is below average. ... structural factors

are likely to be at work as well. ... the economy is less inflation prone than it once was. Both workers and firms feel more competition, and it is plausible that the wage- and price-setting processes are adjusting in response."

The IMF concluded its latest assessment of Australia's economy on 19 November. It expects a modest pickup in growth in 2018 due to a stronger global economy (good for export demand) and stronger local infrastructure investment by state governments. The IMF agrees with the RBA that slow prices and wages growth is likely to continue to weigh down household incomes and consumption until unemployment and underemployment are 'sufficiently reduced'. That is, the labour market needs to tighten before real wages will rise.

In response to this modestly positive outlook, the IMF advises the Australian Government to develop "a strong structural reform agenda [to] renew the foundation for productivity increases and higher longer-term growth" including:

- higher infrastructure spending to improve "physical and digital interconnectivity";
- comprehensive tax reform aimed at shifting the tax base from mobile factors of production (i.e. capital and labour) to consumption and fixed factors and inputs (e.g. lower company and income taxes in favour of a higher GST, or replacing stamp duty on property transfers with a national land tax), plus a simplified system of tax concessions, welfare payments and tax revenue distributions across the states and territories;
- fostering innovation, research and workforce skills (e.g. expanding business incentives for R&D and expanding the 'National Innovation and Science Agenda'); and
- structural reforms in health, education, urban development, and regulatory aspects of market efficiency, as recommended by the Productivity Commission in its inaugural 'Five yearly Productivity Review' and by the Competition Policy Review (the Harper report).

Engineering stronger but other construction activity a touch lower in Q3 2017

Preliminary estimates by the ABS indicate that total construction work done across Australia rose by 15.7% q/q in the September quarter of 2017, to be up by 30% from one year earlier. Economists at several banks noted that the total value of construction work in Q3 was boosted by a one-off surge in activity at large-scale LNG sites (the installation of platforms at the Ichthys and Prelude plants), which saw the value of engineering construction activity rise by 33.0% q/q and 68.4% p.a. This is likely to be among the last giant surges in resources-related engineering construction activity in this cycle, as these large-scale LNG plants get closer to completion.

Abstracting from this LNG-related engineering activity, the value of building work done was broadly stable in Q3 (-0.4% q/q but +1.4% p.a.). Slight falls were evident in Q3 in both residential building (-0.3% q/q and -1.7% p.a., from a very high level) and non-residential building (-0.6% q/q but +7.9% p.a.). Recent rises in building approvals suggest activity in both of these building segments will pick up again in 2018.

Public sector (i.e. Government) construction work continued to expand in Q3 (+3.3% q/q and 18.8% p.a.), reflecting the solid pipeline of infrastructure projects under way.

WEBSITES

1. FROM ANZ

[The China opportunity: profit don't perish](#)

There have been many high-profile foreign company failures in China and they make headlines. But there are lessons in the increasing number of success stories.

Andrew Cornell | Managing Editor, bluenotes

[Answering the China question](#)

Can China continue to consolidate its position while pursuing political and economic reform?

Philipp Ivanov | Chief Executive Officer, Asia Society Australia

[Megatrends 2030, pt 2](#)

Debt, trade and inequality - we look at the likely drivers of market and economic movements over the next 10 years.

Damien Klassen | Head of Investments, Nucleus Wealth

[The household debt solution](#)

The gap between debt and income growth in Australia has widened this year despite policy moves. What

can regulators do?

David Plank | Head of Australian Economics, ANZ

Beyond bitcoin: the open blockchain

Bitcoin may be hogging all the crypto limelight right now, with a skyrocketing value and frenzy of interest from global traders and emerging startups. But cryptocurrency is only one side of the [blockchain](#) coin and comes with its risks.

Blockchain for the enterprise is not bitcoin. Beyond the cryptocurrency, private permissioned [blockchain](#) for enterprise is joining the mainstream.

<https://bluenotes.anz.com/posts/2017/11/Beyond-bitcoin-the-open-blockchain>

[Carnegie: the new banking competition](#)

The new wave of competition in the banking sector will come from outside the traditional players, ANZ's digital boss says.

Janak Rogers | Host, The ANZ Way

[The 'Yes' worth \\$A650 million](#)

Marriage equality in Australia is not just a social imperative – it has the potential to offer a huge economic impact.

Cherelle Murphy | Senior Economist, ANZ

[Japan, Australia, the world](#)

The Japan-Australia relationship has spanned resources, tourism, culture and defence - but the relationship can be more than bilateral.

Andrew Cornell | Managing Editor, bluenotes

[Strong beef prices should continue](#)

US competition and poor winter won't be enough to affect prices, experts say on video.

Simone Stella | bluenotes Contributor

[Retail doom, available online](#)

Will the local retail sector survive the Amazon effect? In all likelihood, yes. But...

Mark Ganz | Director, Client Insights, ANZ

2. FROM CBA

Weekly Perspective

10.11.17 **Australian Political Uncertainty will continue:**

https://www.commbank.com.au/content/dam/commbank/corporate/research/publications/economics/australian-economic-perspective/2017/101117-Eco_Persp.pdf

17.11.17 **High Court Decision Due**

<https://www.commbank.com.au/content/dam/commbank/corporate/research/publications/economics/australian-economic-perspective/2017/171117-Perspective.pdf>

24.11.17 **US Tax debate remains front and centre**

https://www.commbank.com.au/content/dam/commbank/corporate/research/publications/economics/australian-economic-perspective/2017/241117-Eco_Persp.pdf

3. FROM NAB

15 Nov 2017

[The Forward View – Australia: November 2017](#)

Watching the labour market and wages.

16 Nov 2017

[The Forward View – Global: November 2017](#)

Advanced economies to drive lift to above trend global growth.

17 Nov 2017

[NAB's World on two pages: November 2017](#)

The read on business conditions was extremely strong in the October NAB Monthly Business Survey, with manufacturing posting a strong result despite the recent closure of auto manufacturing plants. The

conditions index jumped to a record high, and while confidence is not quite as buoyant, it is holding above long-run average levels.

22 Nov 2017

[NAB Monthly Cashless Retail Sales Index: October 2017](#)

NAB's proprietary indicator of Australian retail sales reveals a continuation of very slow growth in recent months.

4. FROM ROSS GITTINS

MONDAY, NOVEMBER 13, 2017

[Econocrats are giving up on smaller government](#)

You may not have noticed, but the Productivity Commission's search for "a new policy model" for reform, in reaction to the breakdown of the politicians' "neoliberal consensus", offers better prospects for finally getting the budget under control. That's because, although the commission doesn't say so, its reformed approach to reform represents a retreat from a central tenet of neoliberal doctrine for the past 30 years: the goal...

[Read more >>](#)

WEDNESDAY, NOVEMBER 15, 2017

[What we can do to cure affluenza](#)

If our grandparents could see us now, what would they think? They'd be amazed by our affluence, but shocked by our wastefulness. You'd never know it to hear us grouching about the cost of living, but most of us are living more prosperous, comfortable, even opulent lives than Australians have ever lived. We live in a consumer society, surrounded by our possessions. We're always buying more stuff, more gadgets, an extra car, more...

[Read more >>](#)

SATURDAY, NOVEMBER 18, 2017

[Unis should never be allowed to set their own fees](#)

The Productivity Commission has changed its ideological tune, shifting away from the slavish adherence to an idealised version of the "neoclassical" model of the economy for which it and its predecessors became notorious. It's moved to a more nuanced approach, recognising the many respects in which real-world markets differ from those described in elementary textbooks. This shift has been underway since the present chairman...

[Read more >>](#)

MONDAY, NOVEMBER 20, 2017

[Labor plans further blow to Treasury power](#)

It's a process that's gone on for so long few people have noticed it: the waning influence of the once-mighty federal Treasury. There was a time, 40 years ago, when Treasury sought to monopolise the economic advice going to the federal government. But those days are long gone. The peak of Treasury's influence came with the sweeping micro-economic reforms and opening up of the economy in the 1980s and 1990s. It first convinced...

[Read more >>](#)

WEDNESDAY, NOVEMBER 22, 2017

[Tax cuts would have cons and pros](#)

Yippee! It's almost Christmas and Malcolm Turnbull has dropped a big hint that tax cuts are coming. Good old rich Uncle Mal has been to see his bank manager, got the overdraft extended, and is determined we'll all have a great Chrissie, no matter what. Actually, it's all a bit vague at this stage. We don't yet know whether the cuts will even be announced before Christmas, let alone when they'll be delivered. Nor do we have any...

[Read more >>](#)

SATURDAY, NOVEMBER 25, 2017

[Economic garden gets back to normal - very slowly](#)

With the year rapidly drawing to a close, the chief manager of the economy has given us a good summary of where it looks like going next year. The word is: we're getting back to normal, but it's taking a lot longer than expected. The chief manager of the economy is, of course, Reserve Bank governor Dr Philip Lowe, and he gave a speech this week. For years Lowe and others have been tell us the economy is making a difficult "transition"...

[Read more >>](#)

Doug Cave
QETA Secretary/Treasurer

info@geta.com.au

<http://www.geta.com.au>

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