

Welcome to QETA Newsletter 10 2018.

QETA 2018 CALENDAR OF EVENTS

Sep 10	UQ Student Economics Competition Presentation of Prizes
Oct 1	Econopak 3 due to be published
Oct 17	QETA Annual General Meeting

QETA NEWS

1. QETA UQ STUDENT ECONOMICS COMPETITION

QETA is pleased to announce the results of this year's Student Economics Competition, sponsored by University of Queensland School of Economics.

The results are

Year 11

1st place: PJ Bryan and Jian Lin (both Brisbane Grammar School) – 34

2nd place: Joe Manjaly (Qld Academy of Maths, Science & technology – 33

3rd place James Crane and Harrison Emery (both Brisbane Grammar) 32

Year 12

1st place: Gregor Stewart (Brisbane Grammar and Elliot Hunt (Brisbane Grammar) -33

2nd place: Joshua Dalton-Peacock (Ipswich Grammar School) 32

3rd place Christopher Pittaway (Nanango State High School) 31

Individual results will be emailed to schools this week. Student Certificates are now being prepared and will be mailed to each school in the near future.

2. QETA ANNUAL GENERAL MEETING

This is just preliminary notice of the AGM to be held on Wednesday 17th October 2018 at 4.30pm at a venue to be determined. You will receive a formal notice of AGM with relevant papers by early September. It would be great if more people could plan to be there! It lasts for about 1 hour only and there is no pressure to accept nomination for Committee! Nomination forms and full details will be mailed to everyone later this month. Closing date for nomination to Committee and executive Positions is 3rd October 2018.

3. JOIN THE 2019 NAPLAN MARKING TEAM

The best way for a school to boost its NAPLAN expertise is by having at least one of its teachers take part in marking the writing test. By joining the marking team, teachers:

- gain unique insights into how students respond to an 'on demand' writing task
- view student work from across Queensland
- recognise how different teaching approaches can be effective
- network with colleagues from different schools and backgrounds.

We're [recruiting now](#) for 2019.

4. NEW ONLINE COURSE ON ENDORSEMENT

Teachers can now access Accreditation Course 4 — Endorsement in [QCAA Portal](#). It's the fifth of seven courses in the [Accreditation program](#) designed to strengthen the assessment practices of teachers and train them for participation in the new QCE system.

To date more than 13,000 teachers have engaged with the program.

5. EOI OPEN FOR MOCK EXTERNAL ASSESSMENT ROLES

Teachers wishing to be involved in the development of the next round of mock external assessments and associated resources for the new QCE system should [submit an expression of interest](#) (EOI) by close of business on Monday 20 August 2018. The available roles are:

- critical friend
- writing panel member
- scrutiny panel member.

Please view [memo 043/18](#) for the relevant subjects and further details.

6. TEMPLATES SUPPORT DEVELOPMENT OF SENIOR ASSESSMENTS

Microsoft Word templates to support the development of assessment instruments for syllabuses in the new QCE system can be accessed in [QCAA Portal](#). The templates are for:

- short or combination response
- examination short or combination response examination (Languages only)
- extended response examination
- extended response task.

Please view [memo 044/18](#) for more information.

7. SOMERSET COLLEGE - CELEBRATION OF ENTREPRENEURSHIP FESTIVAL

This year Somerset College is again conducting its Celebration of Entrepreneurship Festival. This festival will again deliver a program which supports the growth of entrepreneurial skills amongst high school students in South East Queensland. The keynote speakers in 2018 include Steve Baxter, Mark Sowerby, Dr Clarence Tan, Ben Southall and Orange Sky. Attendance at the festival on both 16 and 17 October 2018 is free for all students and teachers. Do not miss out on the opportunity to have your students hear firsthand stories of both success and failure in business. To register your attendance or find out more information please click here: <https://www.somerset.qld.edu.au/celebration-of-entrepreneurship/programme/>

8. QETA MEMBERSHIP FEE FOR 2019

The Management Committee advises that the membership fee will remain the same as for 2018 in 2019. This will assist those who prepare Department budgets etc. This is the fifth year that membership fees have been the same! QETA remains in a very sound financial position and there is no reason to increase fees!

To remind you, an individual membership will be \$77.00 (discounted if paid by 31st March 2018 to \$71.50); school memberships will be \$154.00 (discounted to \$143.00 if paid by 31st March); pre-service teacher membership will remain free for those in their final year of a pre-service teacher course. A reminder that individual membership covers one person only and cannot be paid for by the school!

TEACHING RESOURCE

THE SUNCORP ESSI MONEY CHALLENGE BEGINS MONDAY, 20 AUGUST!

If your students love playing ESSI Money why not encourage them to put their financial knowledge to the test for a chance to win some great prizes!

We're turning the regular ESSI Money PLUS game that is played all year round into a national competition.

Not only will your students be competing against their classmates, they'll also be up against students from around Australia.

Teachers, [log in](#) to your account and click on the Suncorp ESSI Money Challenge tab to register your classes now!

The competition runs for two weeks from Monday 20 August until Friday 31 August during which time your students will be able to play the Suncorp ESSI Money Challenge game.

Enter [here](#) now!!!

WHAT'S NEW IN 2018 TOP THREE SCORES WIN

This year the three highest scoring students in each age category will win.

First prize is \$1500 cash deposit into a personal Suncorp Bank Kids Savings Account and a bonus cash deposit of \$1500 for the winning student's school.

Second prize is \$1000 cash deposit into a personal Suncorp Bank Kids Savings Account, and third prize is \$750 cash deposit into a personal Suncorp Bank Kids Savings Account.

Individual winners from previous ESSI Money Challenges are not eligible to win in 2018.

16 x \$250 SUNCORP EFTPOS GIFT VOUCHERS FOR STUDENTS

All students that **complete a game** in the 2018 Suncorp ESSI Money Challenge go into a random draw for one of 16 x \$250 Suncorp EFTPOS gift vouchers!

One student from a metropolitan area and one student from a regional area in each of the eight states and territories have chance to win one of the 16 bonus prizes.

3 x \$500 BONUS PRIZES FOR TEACHERS

As part of the #FinLitTip competition, teachers can win one of three x \$500 cash prizes for their school.

Simply tell us in 280 characters or less the best piece of financial advice/lesson/quote/ tip or inspiration you have ever received. *(If providing a quote that's not your own, you must provide the author's name).*

The more classes you register to participate in the 2018 Suncorp ESSI Money Challenge, the more chances you have to enter the #FinLitTip competition.

Click [here](#) to read all of the competition details.

For more information and Terms and Conditions click [here](#).

PROFESSIONAL LEARNING

The Economic Society in Queensland invites you to upcoming events on some diverse and interesting topics.

Friday 31 August, 12 noon at QUT Gardens Point: Short and Long Term Consequences of Teachers' Gender Biases

Presentation by Dr. Rigissa Megalokonomou, University of Queensland

The presentation will explore the extent to which teachers' gender bias in high school influences students' academic performance in high-stake exams that determine admission to universities and on students' choice of university field of study. [Teachers' gender bias - information and booking link](#)

Thursday 6 September, 12.15pm, at Morgans Financial Limited: Economists and the Media

Economists are highly sought after by the media for their views on topical issues. In this seminar, we will hear from a former ABC finance reporter Rebecca Archer and Griffith's Professor Fabrizio Carmignani on how to successfully engage with the media as an economist, particularly how to communicate economic concepts to a general audience. [Economists and the media - information and booking link](#)

Tuesday 18 September, 5.30pm at QUT Gardens Point: A Day in the LIfe

'A Day in the Life' presents an opportunity to hear from three professionals with an academic background in economics reflecting on their careers and providing valuable insight into a typical day on their jobs. Come and join us in an evening of networking and knowledge sharing for those early in their careers. See you there! [Day in the life information and booking link](#)

RESOURCES

1. FROM DFAT

Trade, Tourism and Investment Minister's address to the grains industry

Minister for Trade, Tourism and Investment Steven Ciobo delivered an address in Melbourne last week on the importance of the grains industry to Australia's export performance. The Minister outlined the steps taken by the Australian Government to secure a level playing field for the sector through the rules-based global trading system, and opening up markets through free trade agreements. More than 70 per cent of the industry's output is exported, generating earnings worth \$14.6 billion last year.

[Speech](#)

Australia and New Zealand Trade Ministers meet for CER talks

Minister Ciobo and New Zealand Minister for Trade and Export Growth David Parker met in Auckland last week. The Ministers noted the strong trade and commercial links between our countries, and underscored the effectiveness of the Closer Economic Relations trade agreement in demonstrating the advantages of liberalised trade. Ministers discussed new opportunities for businesses in the trans-Tasman Single Economic Market (SEM) and work to further enhance trans-Tasman integration, including for SMEs. They also discussed progress in bringing the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11) into force, and welcomed other economies showing interest in joining the agreement in the future.

[Media Release](#)

Objectives for the Australia-European Union Free Trade Agreement

The Department of Foreign Affairs and Trade has released a document explaining Australia's objectives in negotiations on a comprehensive and high-quality FTA with the European Union. Core objectives include expanding trade in goods, improving access for services suppliers, increasing two-way investment and securing competitive opportunities. An EU-Australia FTA will also promote shared values on trade and sustainable development.

[DFAT](#)

Australian exports break new record

Australia's total goods and services exports reached a record \$401 billion for the first time in 2017-18, the Australian Bureau of Statistics announced this week. Exports to China grew by 11 per cent to reach \$105 billion, while growth was also recorded in exports to Japan (up 16.4 per cent to \$48.2 billion), ASEAN (up 16.1 per cent to \$32.7 billion), and India (up 7 per cent to \$16.1 billion).

[Media Release](#)

Services exports reach new record

Services exports rose 8.8 per cent to a record \$84.7 billion in 2017 and contributed 4.7 per cent of Australia's GDP, according to DFAT's 'Trade in Services' report released this week. Headline results include education exports (up 17.2 per cent to \$30.8 billion), business services (up 9.3 per cent to \$20.4 billion) and transport services (up 4.8 per cent to \$7.6 billion). Australia's top two-way services trade partners in 2017 were the United States, China and the United Kingdom.

[Media Release](#)

How trade agreements affect global production

This analysis by World Bank researchers reveals how deeper preferential trade agreements increase the domestic value-added content of exports, mainly through global value chains (GVCs). The research also finds evidence that deep trade agreements improve forward linkages, particularly for more complex GVCs, where exported intermediates cross borders two times or more. Researchers based their analysis on the World Bank's dataset of 260 agreements signed by around 180 countries between 1958 and 2015.

[Centre for Economic Policy Research](#)

2. FROM THE ABS

6467.0 **Selected Living Cost Indexes**, Australia, Jun 2018

<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6467.0?OpenDocument>

5368.0 **International Trade in Goods and Services**, Australia, Jun 2018

<http://www.abs.gov.au/ausstats/abs@.nsf/mf/5368.0?OpenDocument>

5609.0 **Housing Finance**, Australia, June 2018
<http://www.abs.gov.au/ausstats/abs@.nsf/mf/5609.0?OpenDocument>

5671.0 **Lending Finance**, Australia, June 2018
<http://www.abs.gov.au/ausstats/abs@.nsf/mf/5671.0?OpenDocument>

3. FROM THE IMF

[Working Paper No. 18/174 : Universal Basic Income in Developing Countries: Issues, Options, and Illustration for India](#)

[Promoting the Inclusive Growth Agenda in the Arab Region](#)

[IMF Executive Board Concludes 2018 Article IV Consultation with India](#)

[Country Report No. 18/255 : India : Selected Issues](#)

[India's Strong Economy Continues to Lead Global Growth](#)

4. FROM WORLD BANK

[India's population is projected to surpass China's by 2022](#)

Thanks to two new dashboards in our Health, Nutrition, and Population portal, you can access this kind of information and more—with interactive data visualization tools covering population and health indicators.

[The potential of the Blue Economy](#)

"It provides food, jobs, water, and is a source of economic growth. It provides the livelihood for hundreds of millions of the poorest and most vulnerable people in the world. By one estimate, it generates USD 3-6 trillion to the world economy. If it were a country, the oceanic economy would be the seventh largest in the world."

[What happens if we don't invest in people?](#)

Without an urgent and concerted global effort to build human capital, vast numbers of people and entire countries are in danger of being excluded from future prosperity.

[5 reasons to check out the World Bank's new data catalog](#)

It provides access to over 3,000 datasets and 14,000 indicators and includes microdata, time series statistics, and geospatial data.

REDUCED INEQUALITIES

Reduce inequality within and among countries

http://datatopics.worldbank.org/sdgateatlas/SDG-10-reduced-inequalities.html?cid=ECR_E_NewsletterWeekly_EN_EXT&deliveryName=DM4527

5. FROM THE RBA

For your information the Reserve Bank of Australia issued the Financial Aggregates for June 2018. You can view this statistical release at:

<https://www.rba.gov.au/statistics/frequency/fin-agg/2018/fin-agg-0618.html>

The Reserve Bank of Australia issued the **Index of Commodity Prices for July** 2018. You can view this statistical release at:

<https://www.rba.gov.au/statistics/frequency/commodity-prices/2018/icp-0718.html>

A speech delivered by **Philip Lowe, to the Anika Foundation** Luncheon in Sydney, is available on the Reserve Bank website.

<https://www.rba.gov.au/speeches/2018/sp-gov-2018-08-08.html>

The Reserve Bank of Australia has released the August 2018 issue of the Chart Pack.

You can view the Chart Pack at:

<https://www.rba.gov.au/chart-pack/>

The latest **quarterly Statement on Monetary Policy** has been released by the Reserve Bank of Australia.

6. FROM ST. LOUIS FEDERAL RESERVE BANK

High School Economics Resources: Chapter one of your textbook likely introduces students to the production possibilities frontier. Use our [videos](#) to introduce or reinforce this essential economic model.

High School Personal Finance Resources: Are your students concerned about inequality? Use "[The Wealth Game](#)," an active learning lesson from the Making Personal Finance Decisions curriculum, to explore the determinants of wealth. We recently added PowerPoint slides to make this amazing lesson even easier to use in the classroom.

7. FROM OXFAM

8. FROM POPULATION MATTERS

20,000 scientists ignored – time for action

Last November, 15,000 scientists [urged](#) humanity to act to avoid what they bluntly called "widespread misery and catastrophic [biodiversity loss](#)". They identified population growth as a "primary driver" of our global environmental crisis.

No government has provided a meaningful response to the warning – which since its release has been endorsed by an additional 5,000 scientists.

In consequence, sustainable population groups from the US, UK, Australia, Canada, Sweden and France have issued a joint statement (online [here](#)) which we have sent to our respective governments and political leaders. The statement calls on them to detail what action they are taking on all of the Scientists' Warning's action points, and to endorse the warning.

[Read more](#)

9. FROM THE ECONOMIST

As lethal fires, heatwaves and drought spread across the northern hemisphere, analysis suggests that Europe's sweltering summer would have been less than half as likely were it not for human-induced climate change. Despite efforts to curb global warming, greenhouse-gas emissions are rising. Investments in oil and gas are up; in renewables they have stalled. It is tempting to think these are temporary setbacks—that people, with their instinct for self-preservation, will muddle through to victory over climate change. In fact, [mankind is losing the war](#)

Our cover this week tackles the **unfashionable subject of tax**. Most of the fuss is over how much governments take and how often it is wasted. Too little is about how taxes are raised. Today's tax systems are not only marred by the bewildering complexity and loopholes that have always afflicted taxation; they are also outdated. That makes them less efficient, more unfair and more likely to conflict with a government's real priorities. The world needs to [remake tax systems to be fit for the 21st century](#)

10. FROM PRODUCTIVITY COMMISSION

The following publication has been released.

Competition in the Australian Financial System (inquiry report)

[View Report](#)

The report looks at the provision of financial services and the interaction of market participants, issues facing the consumers of financial services and the functions and activities of the regulators.

11. FROM AUSTRALIAN INDUSTRY GROUP

1 August 2018

Australian PMI®: Manufacturing growth slows in July

[Find out more >](#)

30 July 2018

Willcox: tax reform goes to heart of economic competitiveness

[Find out more >](#)

30 July 2018: ABC TV interview

Are Australian manufacturers losing the innovation race?

[Watch clip >](#)

7 August 2018

25 million population: are we planning properly for the future?

[Find out more >](#)

7 August 2018

Australian PCI®: Housing stable, infrastructure higher in July

[Find out more >](#)

3 August 2018

Australian PSI®: Services growth softens in July

[Find out more >](#)

12. FROM AUSTRALIAN INDUSTRY GROUP

3 August 2018

AUSTRALIAN ECONOMIC DEVELOPMENTS

This week Ai Group's monthly business surveys showed that Australia's manufacturing and services sectors continued to expand in July, but they appear to be slowing as we head into the new financial year. The Australian Industry Group Australian Performance of Manufacturing Index (Australian PMI®) fell 5.4 points to 52.0 in July, indicating continuing but slower growth across the manufacturing sector, while the Australian Performance of Services Index (Australian PSI®) fell 9.4 points to 53.6 in July, indicating slower growth in July after June's record high. The Performance of Construction Index (Australian PCI®) will be released next Tuesday 7 August.

The ABS 'cost of living' indexes released this week provide useful supplementary detail to the Consumer Price Index (see our Economics Weekly 27 Jul 2018). The cost of living for employee households rose by 2.3% p.a. in the June quarter (Q2) of 2018, indicating stronger cost increases than in the March quarter (Q1) of 2018, largely because of higher petrol prices in Q2.

Also in June, Australia's trade surplus grew to \$1.8bn for the month, driven by the rising value of exports and the lower value of imports. A solid rise in the value of Australia's three biggest commodity exports - iron ore, coal and LNG - lifted total export earnings in June. Exports of manufactured goods were also up in June and have risen slightly over the year 2017-18. Over the past two decades, high-skill and technology-intensive manufacturing exports have more than doubled, while labour intensive and low-skill manufacturing exports have remained relatively flat.

Other data released this week suggest buoyant residential construction activity will continue for the rest of 2018. Building approval numbers rose by +6.0% m/m in June and are up +1.0% over the year. Looking through the volatile monthly numbers, the value of residential building approvals remains high, supported by record low interest rates and strong population growth. The value of non-residential approvals is slowing already however, after reaching a recent peak in 2017. RBA lending data shows that owner-occupiers are continuing to apply for loans (up 7.8% over the year) but loans to property investors fell in June, for the first time since early 2009. Business lending edged up for the month of June, but is still only growing modestly at 3.2% p.a.

Manufacturing and services growth softens in July

The Australian Industry Group Australian Performance of Manufacturing Index (Australian PMI®) fell 5.4 points to 52.0 in July, indicating continuing but slower growth across the manufacturing sector (seasonally adjusted). Results above 50 points indicate expansion with higher results indicating a stronger expansion.

Growth was led by the larger sub-sectors of food & beverages, petroleum, coal & chemical products, non-metallic minerals and machinery and equipment. The smaller sub-sectors of wood & paper products and the 'textiles, clothing & other manufacturing' sub-sectors contracted in July. The metal products sub-sector was stable, at around 50 points in July and has been slowing in recent months, after welcome recoveries in orders in 2017 and early 2018. Some respondents in this sub-sector noted that increased competition from cheaper imports is limiting their ability to win contracts or raise their selling prices, despite increasing costs for their raw materials.

Infrastructure projects continue to support demand for manufacturing products, but rising energy costs and growing wage pressures are constraining activity. The average wages sub-index rose by 1.8 points to 60.6 points in July, indicating a faster rate of wage increases across manufacturing. Many respondents noted an increase in wage rates from 1 July – the date when the Fair Work Commission’s 3.5% minimum wage rise came into operation. Employment was stable in July after a year of growth suggesting that employers may be wary of the increased costs of employment as the FWC decision reverberates through the labour market. Private-sector manufacturing wages rose by 2.2% p.a. in Q1 2018, up from the recent trough for wages growth in Q4 2016 of 1.8% p.a.

The Australian Performance of Services Index (Australian PSI®) fell by 9.4 points to 53.6 points (seasonally adjusted), indicating slowing growth in July compared to June (seasonally adjusted). The Australian PSI® indicated expansion in six of nine sub-sectors in July (trend). The predominantly business-oriented sub-sectors such as property, finance and transport reported steady demand from customers in construction and manufacturing; while the health sector also reported positive conditions in July. Consumer-oriented sub-sectors had mixed results in July. Personal & recreational services increased substantially over the month, while retail trade was stable, and hospitality contracted (trend). Businesses in some of these sub-sectors continue to report judicious discretionary spending.

Cost of living rises because of higher oil prices in Q2 2018

The ABS cost of living cost indexes provides useful supplementary detail to the Consumer Price Index (CPI, last released in July for Q2 2018). Living cost indexes are provided for four different types of households: employees; age pensioners; self-funded retirees; and other government transfer recipient households (mainly disability pensioners). The cost of living index for employee households increased by the same amount as the CPI in Q2 (+0.4% q/q). Higher petrol prices were one of the main contributors across all living cost indexes in Q2. Over the year to Q2, the pace of change in the cost of living for employee households increased to 2.3% p.a. in Q2 of 2018, the fastest annual increase since Q2 2014.

In contrast, the cost of living for ‘other government transfer recipients’ recorded a smaller rise (+0.3%) compared to the CPI (+0.4%) in Q2, because of price deflation for pharmaceutical products (which account for a bigger share of spending for aged and disability pensioners than for other population groups). Over the year however, ABS cost of living indexes rose by 2.7% p.a. in Q2 for households headed by ‘other government transfer recipients’.

Trade surplus grows in June 2018

Australia’s monthly trade surplus rose to \$1.9bn in June 2018, an increase of \$1.1bn from a surplus of 0.7bn in May 2018 (seasonally adjusted). The sum of trade balances for the three months to June (Q2) of 2018 was a surplus of \$3.2bn, slightly lower than the surplus of \$3.4bn for the first three months of 2018. Over the year to June 2018, the value of all exports rose by 12.9% p.a. while the value of all imports rose by 10.4% p.a. indicating the continuation of vibrant two-way trade.

Historically, monthly trade deficits have been the prevailing norm for Australia. However, recent growth in iron ore and coal export volumes and prices have resulted in monthly trade surpluses for most months since late 2016 (except for April 2017 and December 2017). Service exports have also grown since the Australian dollar fell below parity against the USD in 2013. After stabilising in 2017, service exports have increased gradually in 2018 to \$7.4bn in June as the dollar has steadily weakened. Exports increased by \$914mn in June, driven by solid gains in resources (+\$366mn) manufactured goods (+\$264mn), rural exports (+\$181mn), and services (\$87mn). An increase in LNG shipments (+414mn) and demand for thermal coal exports (+226mn) drove resource exports higher in June. Iron ore also made a modest gain, mainly due to higher prices. In contrast to exports, the value of imports fell by \$233mn to \$34.6bn in the month of June, further widening the trade surplus. Total imports were dragged down by imports of ‘intermediate goods’ (-400mn), due to falling imported fuel costs (-\$366mn) after rising by \$184mn in May. Consumption goods also dragged on imports because of weakness in imports of textiles, clothing and footwear which fell by \$68 million. This was partially offset by a rise in capital goods which rose mainly due to the rise in imports for non-industrial transport equipment (mostly cars).

High skill/technology intensive manufacturing exports continue to rise

In 2017-18, the annual value of Australia’s manufacturing exports rose to \$47.1bn, up by \$0.6bn from \$46.5bn in 2016-17, despite the final cessation of automotive assembly and exports in that year. Slower growth in total exports of manufactured goods has been evident in the Australian PMI® exports sub-index, which has weakened over the past year, suggesting that recent buoyant conditions across the manufacturing sector have been driven more by domestic demand.

Machinery exports (excluding transport equipment) were up by 3.8% to \$10bn in 2017-18 while transport equipment exports fell by 14.4% to \$4.2bn, as exports of passenger cars ended with the final cessation of passenger car assembly in Australia. Exports of manufactured goods other than machinery (e.g. food, health products, building materials) grew by 7.4% to \$20.4bn.

Within manufacturing, exports can be classified according to their level of skill and 'technology intensity'. The United Nations Conference on Trade and Development (UNCTAD) splits exports of manufactured goods into four categories, based on their level of skill and technology intensity:

- Labour-intensive and resource-intensive manufactures;
- Low-skill and technology-intensive manufactures;
- Medium-skill and technology-intensive manufacturers; and
- High skill and technology-intensive manufactures.

Applying this UNCTAD classification to ABS data suggests that in 2017-18, 54% of Australia's exports of manufactures can be classified as high skill and technology intensive and 28% is medium-skill and technology-intensive. In contrast, only about 18% are either labour and resource intensive or low skill and technology intensive exports.

Over the past two decades, exports of labour intensive and low-skill exports have been relatively flat. This likely reflects Australia reducing tariff barriers, intense global competition and the progressive relocation of production to lower labour cost emerging and developing economies. Medium-skill and technology-intensive exports rose from 1998 to 2008 but have fallen over the most recent decade. The sharp decline in early 2009 reflects declining exports of passenger cars.

In contrast, high-skill and technology-intensive exports have more than doubled over the past two decades. Between 2008 and 2015 high-skill and technology-intensive exports were relatively flat, probably reflecting a high Australian dollar during the mining investment boom. However, since 2015, these exports have begun to rise again and increased 8.9% in 2017-18. Australia's main high-skill and technology-intensive exports in 2017-18 were medicaments (including pharmaceuticals, medicines and veterinary medicaments), telecommunication equipment & parts and aircraft parts and equipment.

Australia's manufacturing sector is diverse and comprised of multiple sub-sectors that are continuing to adapt to changes in their operating environments. Intense pressure from global competition, a high AUD during the mining investment boom, high labour costs and disruptive technological change have meant manufacturing firms have had to innovate and invest, with many looking to sell highly-skilled and technology-intensive products on the global stage.

10 August 2018

AUSTRALIAN ECONOMIC DEVELOPMENTS

This week the Reserve Bank of Australia (RBA) left the cash rate at a record low of 1.50%, extending the record run of no change in the cash rate to two years. Looking ahead, the RBA expects inflation and wages to accelerate gradually from here, as spare capacity in the labour market is absorbed (that is, as unemployment and underemployment fall). The RBA's latest forecasts (published this week in its August Statement on Monetary Policy) are broadly unchanged from its last quarterly assessment in May.

This week on Tuesday night (at approximately 11pm according to the ABS), Australia's population is estimated to have reached 25 million people. The ABS' latest estimates of Australia's resident population for the December quarter of 2017 indicate population growth is still growing at around 1.6% p.a. (the same as the average from 2005 to 2017). This means that Australia's population increased by almost 400,000 people in 2017. Net overseas migration continues to be the main driver of population growth in Australia, as it has been for many decades. Speaking in Sydney about Australia's demographics, RBA Governor Phillip Lowe highlighted the many benefits to Australia from population growth, immigration and international students:

"migration has helped our economy adjust to large swings in the demand for labour. It has also helped address some particular skills shortages ... It has also boosted the nation's human capital. People living in Australia who were born overseas are more likely than the average Australian to have a post-secondary school qualification. We also benefit from stronger overseas connections when foreign students return home after studying."

As noted previously by Ai Group however, RBA Governor Lowe warned that public infrastructure needs to keep pace with population growth in order to meet growing demand and maintain general living standards. He noted that as of 2018 "Investment in this area has now picked up, particularly in transport, which, in time, will help alleviate some of the pressures".

Elsewhere in the economy, Ai Group's monthly business surveys continue to suggest positive business conditions in July, albeit not as robust as the start of 2018. The Australian PMI® and the Australian PSI® slowed in July but are still indicating expansion (released last week). The Ai-Group/HIA Australian PCI® increased by 1.4 points to 52.0 in July, signalling industry-wide growth for an 18th consecutive month. Stronger engineering construction outweighed a sharp fall in apartment building and broadly stable activity in house building and commercial construction.

RBA cash rate on hold, economy gradually improving

In its quarterly Statement on Monetary Policy for August (the SOMP, published this week) the RBA estimates that GDP grew by 3.0% p.a. in 2017-18 and expects GDP growth of 3.25% in 2018-19 (broadly similar to its forecasts in May. See table on page 9). The RBA hopes headline inflation will lift gradually into the lower end of its 2-3% p.a. target band, as spare capacity in the economy is reduced and prices begin to rise more strongly. In Q3 of 2018 however, the RBA expects headline inflation to fall a little because of expected declines in some administered prices (that is, government regulated or influenced prices). Electricity prices in some cities have declined recently after recent large increases. The RBA also says that changes in federal government policies are likely to result in a decline in child care prices (as recorded in the CPI).

The RBA expects GDP to grow at 3.25% p.a. in 2018-19 (above current trend growth), supported by ongoing public sector spending and strengthening non-mining business investment. Exports are expected to grow until 2020, led by LNG exports as production ramps up. Exports of services and manufactured goods are also expected to grow steadily, support by solid trading partner growth (mainly in Asia). Australian employment growth is expected to outpace growth in the working-age population, which should see the unemployment rate to fall to 5% by the end of 2020.

Globally, the RBA's outlook remains positive and is largely unchanged from the May SOMP. Major advanced economies continue to recover, with US growth in the short-term looking stronger than previously expected due to tax cuts and higher government spending. The risk of trade disruption and protectionism are increasing however, which could slow global GDP growth and/or weaken business confidence and investment.

The RBA reports that growth in China has eased a little as Chinese authorities continue to balance financial risk against growth. Authorities in China have moved to ease fiscal policy in some areas of the economy to avoid a material slowing in growth, while responding to financial stability risks. Measures to improve transparency in China's financial system include: tightening regulations on risky forms of lending such as 'shadow banking' activity; and improving the risk and liquidity management practices of financial institutions. In the very long-term, growth in China is expected to slow gradually, reflecting structural factors such as the declining working-age population.

Construction expansion slowing

The Ai Group-HIA Australian PCI® rose 1.4 points to 52.0 points in July, signalling industry-wide growth in the national construction industry. Across the four sub-sectors (Chart 2), engineering construction was the strongest performer in July (up 3.4 points to 54.4 points), consistent with a strong and expanding pipeline of publicly funded major projects. Commercial construction was more subdued in July, falling into mildly negative territory after 14 months of growth (down 4.6 points to 49.1). In the residential construction sub-sectors, house building activity remained stable (up 0.1 points to 50.3), while apartment building contracted for a fifth consecutive month and more sharply (down 11.7 points to 36.7). The apartment sub-sector has now declined in 11 of the past 12 months, following a cooling in new orders over the second half of 2017 and into 2018.

Looking ahead, weak housing finance results and the ongoing tightening of credit availability are likely to see residential building approvals continue to ease from here. The value of new housing finance approvals reached a record high in November 2017 but has been trending downwards since then, falling by a further 1.6% m/m in June 2018 (seasonally adjusted).

Within this total, owner-occupier finance (excluding refinancing) has been relatively steady, remaining near its record highs for the past year. This has been offset by falls in new financing to investors. New finance commitments to investors fell by 2.7% m/m in June to \$10.4bn, which was the lowest monthly level since August 2013. Investor lending has slowed since APRA introduced macro-prudential measures in April 2017 which capped interest-only lending at 30% of new loans issued. Investor lending has now fallen by 18.1% p.a. This indicates these regulatory measures are having their intended impact.

Housing finance is a reasonably reliable 'leading indicator' of residential building approvals and residential building activity, so this downward trend in finance approvals signals that demand for new residences will ease further, albeit from historically high levels.

The proportion of loans to First Home Buyers (FHBs) lifted to 18.1% in June 2018, which was its highest proportion since October 2012. This was despite the number of finance approvals for FHB's dropping from 10,303 in May to 9,541 in June because the number of non FHB financing approvals dropped more sharply. The proportion of finance approvals for FHB's has increased substantially in the last financial year. Proportions of FHBs are rising most strongly in NSW and Victoria in 2018, probably reflecting stamp duty reductions for FHBs in both states from 1 July 2017. The average amount borrowed by FHBs rose by \$5,200 to \$349,800 in June.

More than one million Australians changed jobs in the 12 months to Feb 2018

New data on Participation, Job Search and Mobility¹ from the ABS estimates that more than one million Australians changed employers or the business they ran in the year to February 2018. Although the absolute number of people changing jobs rose significantly in the past year, the proportion of the workforce that changed jobs rose only slightly to 8.1% in 2018 and is still near the record low of 7.7% of the workforce in 2017. This is much lower than in the 1970's and 1980's where often more than 15% of the workforce changed employer in the previous year.

In the year to Feb 2018, 1.88 million people ceased a job during the year. The majority (around 1.24 million or 66%) left their last job voluntarily and approximately 640,000 (34%) left their last job involuntarily. The most common reason people had for separating from a job was 'wanting to obtain better job conditions or wanting a change' (23.8%). Only 27,700 people left their most recent job to start their own business in the year to Feb 2018.

On job tenure, work longevity seems to be improving; more than four in five workers had been in their current job for more than a year in Feb 2018. This was up from 1988, when around three quarters of workers were in their current job for more than a year. Almost half (45%) have been in their current job for over 5 years and about 27% have been in the same job for more than 10 years which is higher than in 1988.

WEBSITES

1. FROM BROOKINGS INSTITUTE

[Finding breakthroughs for the UN Sustainable Development Goals](#)

[Fred Dews](#), [Bill Finan](#), [Homi Kharas](#), and [Enric Sala](#)

The world is struggling to meet the UN Sustainable Development Goals. Homi Kharas and Enric Sala discuss innovative approaches to reach the global goals by 2030 in an episode of the Brookings Cafeteria podcast.

[Listen to the podcast](#)

[Here's what it was like in China the moment President Trump's trade war started](#)

"Being on the ground when the Trump Administration announced tariffs and began this recent exchange in economic warfare was fascinating, and a sharp reminder of the differences in the battlefield between military and economic conflict," Aaron Klein writes.

[Read more](#)

2. FROM ANZ BANK

[India poised to lead global tech space](#)

Australia's High Commissioner to India Harinder Sidhu talks about the massive potential of the subcontinental giant's rapidly expanding technology industry.

Shayne Elliott | CEO, ANZ

[Banking on platforms](#)

So why are Amazon, Google, & Tencent potential threats to banks? Sangeet Choudary chats about the hidden power of platforms.

Andrew Cornell | Managing Editor, bluenotes

[Kings in grass castles](#)

If business is war and your company a castle, you need a wide moat to protect it.

Anthony Stevens | Founder & CEO, Digital Asset Ventures

[Sustainability, entitlement & the wet stuff](#)

Water trading is lubricating sustainability and a competitive advantage in Australia agriculture.

Chris Olszak | Director, Aither

[Rock on](#)

Commodities have so far shrugged off the trade war, this series of charts shows.

Daniel Hynes | Senior Commodities Analyst, ANZ

[China's own goal on growth](#)

The target's right, hitting it is proving more of a challenge.

Raymond Yeung | Chief Economist Greater China, ANZ

[A perfect circle](#)

What if you could grow the economy, create new jobs and reduce pollution at the same time?

Stan Krpan | CEO, Sustainability Victoria

3. FROM COMMONWEALTH BANK

Economics Perspective

03.08.18 In Australia the focus will be on the RBA

https://www.commbank.com.au/content/dam/commbank/corporate/research/publications/economics/australian-economic-perspective/2018/030819-Eco_Persp.pdf

10.08.18 It was a busy week from the RBA perspective

https://www.commbank.com.au/content/dam/commbank/corporate/research/publications/economics/australian-economic-perspective/2018/100818-Eco_Persp.pdf

4. FROM NAB

2 Aug 2018

[NAB Online Retail Sales Index: June 2018](#)

In seasonally adjusted terms, at 1.2%, online retail sales slowed in June. The 12 months to growth rate is also a bit lower.

6 Aug 2018

[US Economic Update – August 2018](#)

The US economy grew strongly in Q2 2018, driven by a rebound in consumption and further solid business investment growth.

5. FROM BUSINESS COUNCIL OF AUSTRALIA

6 August 2018

Business and industry united in calling for an end to energy uncertainty

<http://www.bca.com.au/media/business-and-industry-united-in-calling-for-an-end-to-energy-uncertainty>

9 August 2018

32 reasons why we need a competitive company tax rate

<http://www.bca.com.au/media/32-reasons-why-we-need-a-competitive-company-tax-rate>

6. FROM ROSS GITTINS

WEDNESDAY, AUGUST 1, 2018

[Young people bearing the brunt of a weak economy](#)

Without wanting to be branded a class traitor, I have to admit that we Baby Boomers have enjoyed a rails-run in the race of life. Most of us had little trouble getting ourselves set up in the jobs market and then the housing market. I look at today's bright and bushy-tailed youngsters, just starting out in both markets, and don't envy them one bit (except, of course, their instinctive understanding of the right place to click...

[Read more >>](#)

SATURDAY, AUGUST 4, 2018

[It's weak investment that's crimping productivity and prospects](#)

US President Donald Trump said his big cut in company tax would do wonders for the economy. It's certainly done wonders for company share buybacks. Which may be a clue to why America's rate of improvement in productivity is so pathetic. The continuing puzzle for the rich world's economists is explaining the unusually weak rate of productivity improvement throughout the advanced economies. In Oz we're not doing so badly, though...

[Read more >>](#)

SATURDAY, AUGUST 11, 2018

[Immigration is sharply slowing the ageing of our population](#)

Reserve Bank governor Dr Philip Lowe thinks Australia's strong population growth in recent years is a wonderful thing, and he sings its praises in a speech this week. I'm not sure he's right. Like most economists and business people, Lowe is a lot more conscious of the economic benefits of population growth than the economic costs. As for the social and environmental costs, they're for someone else to worry about. But whatever...

[Read more >>](#)

Doug Cave

QETA Secretary/Treasurer

info@qeta.com.au

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

If you wish to unsubscribe from this newsletter, send an email to info@qeta.com.au with "unsubscribe" in the subject line.

If you know of others who would like to subscribe, have them send an email to info@qeta.com.au with "subscribe" in the subject line. To subscribe, they or their school must be a member of QETA.