

Welcome to QETA Newsletter 16 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. SCHOLARSHIPS FOR YEAR 12 STUDENTS TO STUDY ECONOMICS AT UQ

UQ Economics are offering a full fee waiver for a domestic student completing Year 12 who is seeking admission to the Bachelor of economics program at UQ.

Full details can be found at <https://economics.uq.edu.au/year-12-australian-domestic-students>

There is also an equity and diversity scholarship available for students completing Year 12 in 2018. Details can be found at <https://economics.uq.edu.au/year-12-equity-and-diversity-scholarship>

Both are worth considering for your Year 12 students who wish to study Economics at UQ!

2. QETA ANNUAL GENERAL MEETING

The QETA AGM will be held on Wednesday 17th October 2018 at 4.30pm at St. Paul's Anglican Church Hall, Vulture Street, East Brisbane. A formal notice of AGM with relevant papers has been mailed to all financial members. 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! Closing date for nomination to Committee and executive Positions is 3rd October 2018.

3. 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/>

4. 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 2019 to \$71.50); school memberships will be \$154.00 (discounted to \$143.00 if paid by 31st March 2019); 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

Bill Gates says the forces governing supply and demand have been killed by big tech

<https://www.news.com.au/technology/innovation/bill-gates-says-the-forces-governing-supply-and-demand-have-been-killed-by-big-tech/news-story/e07873e2ba0052b21fdb9274f1aa5323>

Definitely worth reading and linking to supply and demand, and the price mechanism!

RESOURCES

1. FROM THE ABS

5494.0 **Economic Activity of Foreign Owned Businesses in Australia**, 2014-15

<http://www.abs.gov.au/ausstats/abs@.nsf/mf/5494.0?OpenDocument>

6202.0 **Labour Force**, Australia, Jul 2018

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

6302.0 **Average Weekly Earnings**, Australia, May 2018

<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0?OpenDocument>

6345.0 **Wage Price Index**, Australia, Jun 2018

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

6291.0.55.001 **Labour Force**, Australia, Detailed - Electronic Delivery, July 2018

<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6291.0.55.001?OpenDocument>

2. FROM WORLD BANK

1. Introducing two new dashboards in the Health, Nutrition and Population data portal

The renewed HNP portal has two main dashboards covering Population and Health. Both dashboards are designed to be interactive data visualization tools where users can see various population and health indicators. Users can access various charts and maps by selecting specific time, country or region and indicators. We have added new indicators, charts and new health topics such as Universal Health Coverage and Surgery and Anesthesia. Below are some examples of stories gleaned from our dashboards.

http://blogs.worldbank.org/opendata/introducing-two-new-dashboards-health-nutrition-and-population-data-portal?cid=ECR_E_NewsletterWeekly_EN_EXT&deliveryName=DM4574

2. Why is it hard for some countries to thrive?

In some countries, a low quality of human capital is affecting—and limiting—a growth in productivity. But they can change that.

Cured into destitution: The risk of financial catastrophe after surgery

By [Kathryn Wall](#), [Emi Suzuki](#), [John G. Meara](#), [Mark G. Shrim](#)

[Five billion people](#)—two thirds of the world's population—lack access to safe, timely, and affordable surgical, anesthesia, and obstetric (SAO) care, as [World Bank Group President Dr. Jim Yong Kim stated](#).

3. FROM THE RBA

A speech delivered by **Luci Ellis, at the Australian National University** in Canberra, is available on the Reserve Bank website.

<https://www.rba.gov.au/speeches/2018/sp-ag-2018-08-17.html>

The statement delivered by the Governor, **Philip Lowe, to the House of Representatives Standing Committee on Economics** in Canberra is available on the RBA website.

<https://www.rba.gov.au/speeches/2018/sp-gov-2018-08-17.html>

The Reserve Bank of Australia has released the **Minutes of the August 2018 Monetary Policy Meeting** of the Reserve Bank Board.

<https://www.rba.gov.au/monetary-policy/rba-board-minutes/2018/2018-08-07.html>

Remarks delivered today by Philip Lowe, at the Breakfast event to launch ASIC's National Financial Capability Strategy 2018 in Canberra, are available on the Reserve Bank website.

<https://www.rba.gov.au/speeches/2018/sp-gov-2018-08-21.html>

The Reserve Bank of Australia this afternoon issued a media release, which can be viewed at: <https://www.rba.gov.au/media-releases/2018/mr-18-19.html> Report of happenings in relation to the Payment System.

A speech delivered by Lindsay Boulton, at the Business Banking Summit 2018 in Sydney, is available on the Reserve Bank website.

<https://www.rba.gov.au/speeches/2018/sp-ag-2018-08-23.html>

A speech delivered by Guy Debelle, at The Economic Society of Australia (QLD) Business Luncheon in Brisbane, is available on the Reserve Bank website.

<https://www.rba.gov.au/speeches/2018/sp-dg-2018-08-22.html>

4. FROM FEDERAL RESERVE BANK ST. LOUIS

Herd Immunity and Positive Externalities Lesson

In this lesson, students participate in a simulation using the idea of herd immunization to investigate the concept of positive externalities related to market failure and the role of government. The lesson also introduces the concept of negative externalities.

[READ MORE](#)

5. FROM THE ECONOMIST

The cost of cool

Air-conditioners do great good, but at a high environmental cost

<https://www.economist.com/international/2018/08/25/air-conditioners-do-great-good-but-at-a-high-environmental-cost?cid1=cust/ednew/n/bl/n/2018/08/23n/owned/n/n/nwl/n/n/ap/146317/n>

6. FROM ACCC

ACCCount

1 April to 30 June 2018

The Australian Competition and Consumer Commission (ACCC) has published ACCCount, its quarterly report on its activities for the period 1 April to 30 June 2018.

ACCCCount details the work of the ACCC in promoting competition and fair trading, protecting consumers from unfair business practices and unsafe products, and regulating national infrastructure and other markets. It covers enforcement, mergers, compliance, adjudication, regulatory, economic and international activities.

In this quarter:

- Nine ACCC court proceedings were concluded, with a total of \$65.25 million in penalties ordered, including:
 - o \$15 million against Air New Zealand for its role in a global air cargo cartel.
 - o \$12.5 million against Flight Centre for attempting to induce three international airlines to enter into price fixing arrangements.
 - o \$10 million against Telstra for making false or misleading representations to customers in relation to its third-party billing service known as "Premium Direct Billing".
 - o \$9 million against Apple for making false or misleading representations to customers with faulty iPhones and iPads about their rights under the Australian Consumer Law.
 - o \$4.6 million against Thermomix for making false or misleading representations and misleading the public in relation to its Thermomix kitchen appliances.
- The Commonwealth Director of Public Prosecutions (following an investigation by the ACCC) laid criminal cartel charges against ANZ, Deutsche Bank, Citigroup as well as six senior executives and former executives.
- The ACCC provided the Treasurer with its final report into the supply of retail electricity and the competitiveness of retail electricity prices in the National Electricity Market.
- The ACCC published the final report of its communications sector market study which allowed the ACCC to deepen its understanding of developments in the Australian communications sector and to enable it to subsequently address market failures in the future.

· The ACCC published its annual Airport Monitoring Report for 2016-17 which revealed that Brisbane, Melbourne, Perth and Sydney airports all significantly increased their profits from aeronautical activities in 2016-17.

· The ACCC published its annual Water Monitoring Report for 2016-17 which found that this was a largely stable period for most on-river and off-river infrastructure operators within the Murray-Darling Basin.

The full report and all previous editions can be found at <https://www.accc.gov.au/publications/acccount>

7. FROM MONEYSMART

Reach your savings target

https://www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/savings-goals-calculator?utm_medium=email&utm_campaign=MoneySmart%20Tips%20-%20August%202018&utm_content=MoneySmart%20Tips%20-%20August%202018+Version+A+CID_bab9cf07976a106f66406d1a652cb0a1&utm_source=CampaignMonitor&utm_term=Read%20more

Learn the investing essentials

https://www.moneysmart.gov.au/investing/invest-smarter/investor-toolkit?utm_medium=email&utm_campaign=MoneySmart%20Tips%20-%20August%202018&utm_content=MoneySmart%20Tips%20-%20August%202018+Version+A+CID_bab9cf07976a106f66406d1a652cb0a1&utm_source=CampaignMonitor&utm_term=Read%20more

8. FROM TED TALKS

When bankers refused to serve her neighbors in rural India, Chetna Gala Sinha did the next best thing: she opened a bank of her own, the first ever for and by women in the country. In this inspiring talk, she shares stories of the women who encouraged her and continue to push her to come up with solutions for those denied traditional financial backing. [Watch »](#)

9. FROM AUSTRALIAN INDUSTRY GROUP

Politics breeds uncertainty for business

Ai Group Chief Executive Innes Willox spoke to ABC Radio National this week regarding the impact of current political instability on the business community.

[Listen now >](#)

10. FROM PRODUCTIVITY COMMISSION

Productivity Commission News

The following publication has been released.

Rising inequality? A stocktake of the evidence (Commission Research Paper)

[View Paper](#)

The Commission's self-initiated research paper aims to contribute to an informed discussion in Australia by bringing together and taking stock of the latest and most complete evidence measuring the prevalence of, and trends in, inequality, economic mobility and disadvantage across Australian society.

11. FROM AIG

17 August 2018

AUSTRALIAN ECONOMIC DEVELOPMENTS

Australia's labour market continues to expand in 2018. The ABS estimates that the national unemployment rate fell to 5.3% in July 2018, its lowest point in five and a half years (seasonally adjusted). Total employment decreased by 3,900 people in July, partially unwinding a large (+58,200) increase in working people in June. The participation rate — the number of people working or actively looking for work — also declined a touch in July. These falls in employment and participation in July were very small and come after big gains in June, so the labour market is still heading in a positive direction. Most positively, increasing job opportunities are encouraging greater workforce participation among older Australians and lower unemployment rates for young jobseekers (aged 15-24 years), as highlighted by RBA Governor Lowe in his testimony to the Australian Government's House of Representatives Standing Committee on Economics this week.

Wage rates continue to grow more slowly than jobs growth however, with the national headline wage price index (WPI) up by 2.1% p.a. in Q2 2018 (a slight acceleration from Q1 2018) and fulltime adult weekly ordinary time earnings (AWOTE) up by 2.7% over the year to May 2018. Stronger rises in female than male AWOTE in the year to May 2018 saw Australia's 'gender pay gap' shrink to 85.5% in May, the smallest gender wage gap since these data began in 1994. The slow pace of growth in wages and incomes in 2018 reflects ongoing weakness in:

- inflation (2.1% p.a. for headline CPI and 1.9% p.a. for core inflation in Q2 2018); and
- national productivity growth (labour productivity per hour worked up by 0.5% p.a. in 2016-17 and multi-factor productivity up by 0.3% p.a. in the market sectors); and
- labour market spare capacity (5.3% unemployment plus 8.4% underemployment, adding up to an underutilisation rate of 13.6% of the labour force).

Governor Lowe reiterated this week that stronger nominal wages growth "would be a welcome development" across the economy for a range of reasons including inflation targeting and nominal debt reduction. Real income growth however, requires real productivity growth; "to the extent that stronger wages growth is backed by stronger productivity growth, it would boost our real incomes".

In separate data released by the ABS this week, there were 9,946 foreign-owned businesses in Australia in 2014-15. They accounted for just 0.5% of all businesses in 2014-15, but 9% of employment, 21% of industry value-added output and 29% of exports in that year.

Unemployment rate falls in July 2018, despite a small loss of employment

The ABS estimates that the national unemployment rate fell to 5.3% in July 2018, its lowest point in five and a half years (seasonally adjusted). This occurred despite total employment decreasing by 3,900 people because 9,600 people left the labour force (stopped working or searching for work) in the same month. In July, jobs growth of 19,300 full-time workers was more than offset by a decrease of 23,300 part-time workers (those working 35 hours or less per week). At the same time, the number of unemployed people looking for full-time work increased by 2,300 and the number of unemployed people looking for part-time work fell by 8,000.

These monthly labour market data are volatile and subject to revision. For example, results for June originally included a gain of 50,900 jobs but this was revised up to 58,200 jobs in this week's data release (and might be revised again in future data releases). For these reasons, the ABS recommend the trend estimates as the best guide to underlying patterns in the labour market¹.

In trend terms, the national unemployment rate held steady at 5.4% in July, down from a recent peak of 5.6% in July 2017. Employment increased by 26,900 in July, with part-time employment increasing by 8,800 and full-time employment increasing by 18,200. Part-time employment accounted for 31.8% of the workforce in July 2018, just below the record high of 32.0% in November 2016. Reflecting this high rate of part-time work, aggregate hours worked across the economy continued to grow more slowly than 'headcount' employment, with all hours worked up 1.9% p.a. in July compared with 2.4% p.a. for employment.

Stronger employment growth is attracting more people into the labour market and pushing up the national participation rate (those that are working or looking for work). This has occurred despite the long-term ageing of our population, which more typically sees participation rates decline. This is a normal response to stronger demand for labour, as more job vacancies and more jobs draw more people into active participation. As of July, Australia's participation rate was 65.5%, just shy of our record high of 65.6% in February this year (trend). Rising labour force participation rates are particularly evident at present among older workers and among women.

More positively, the youth unemployment rate (those aged 15-24 years) fell to 11.1% in July 2018 from 12.8% in July 2017 and a recent peak of 14.1% in December 2014. This was the lowest youth unemployment rate since the GFC.

Across the states, employment increased in the year to July 2018 in all states and territories. Annual employment growth was strongest in New South Wales (+3.2% p.a.), Victoria (+2.5% p.a.) and Queensland (+2.5% p.a.).

Unemployment rates fell in July 2018 in Western Australia (6.1%) and the Northern Territory (4.0%) and remained steady in New South Wales (4.9%), Victoria (5.1%), Queensland (6.1%), South Australia

(5.6%), Tasmania (6.2%) and the ACT (3.6%). In seasonally adjusted term, the Victorian unemployment rate fell to a seven year low of 5.0%.

Wage growth accelerates modestly to 2.1% in Q2 2018

The ABS Wage Price Index² (WPI) for the June quarter (Q2) of 2018 rose by 0.6% q/q and 2.1% p.a. This was a slight acceleration from (a downwardly revised) 2.0% p.a. in Q1. Wage growth in Q2 2018 rose at its fastest quarterly rate (0.6% q/q) since Q1 2014, lifting annual growth to 2.1% p.a. This was the fourth quarter in a row that annual wage growth was above 2.0% p.a.. It has lifted from its slowest point in this cycle after reaching an historical low of 1.9% p.a. in 2016.

Annual wage growth in Q2 2018 remained stronger in the public sector (+0.6% q/q and 2.4% p.a.) than the private sector (+0.5% q/q and 2.0% p.a.). Public sector wages have been stronger than wage increases in the private sector since 2014. Over much of the past 20 years, wage growth has been stronger in the public sector and stronger for employees covered by Enterprise Bargaining Agreements (EBAs) than for other employees.

Private sector wages excluding bonuses accelerated mildly, to 0.5% q/q and 2.0% p.a. In contrast, private sector wages including bonuses rose by 2.5% p.a. in Q2, which suggests that some firms are now paying higher bonuses instead (for example, in order to retain flexibility and/or to reward stronger performances).

Wage growth tends to reflect the strength of labour demand and activity across industries and geographies. Across industries, private sector wage growth was strongest in Q2 2018 in education (2.8% p.a.), health care (2.7% p.a.), finance & insurance (2.4% p.a.) and manufacturing (2.2% p.a.). These industries all increased their employment numbers in 2017-18. Private sector wage growth was weakest in mining (1.3% p.a., albeit off a significantly higher base wage than other industries), retail (1.5% p.a.) and rental & real estate services (+1.7% p.a.).

Ongoing weakness in inflation (with core inflation at just 1.9% p.a. in Q2) means that average wages are still growing in real terms across the public sector and across most of the larger private sector industries.

Across the states, private sector wage growth was strongest in Tasmania (2.5% p.a.), followed by Victoria (2.2% p.a.), ACT (2.1% p.a.), Queensland (2.1% p.a.) and New South Wales (2.1% p.a.). Wage growth was weakest in Northern Territory (1.4% p.a.) and Western Australia (1.6% p.a.) due to the prevalence of mining jobs in those states. Mining wages are now growing more slowly than in other industries (albeit off a significantly higher base wage).

Average national wage growth is accelerating from very slow rates in 2016 and 2017, but it is likely to remain relatively weak in the short term due to ongoing slow growth in: (1) productivity; (2) low inflation and (3) spare labour market capacity. The ABS estimates that national labour productivity per hour worked improved by just 0.5% p.a. in 2016-17 in the market sectors, with multi-factor productivity up by just 0.3% p.a. Over the longer term, this is holding wages back.

As has been observed by the RBA and others, recent Australian wage growth has been tracking lower than its historical relationship with the unemployment rate would suggest (chart 6). Since around 2014 however, underemployment has remained relatively elevated even though the unemployment rate has declined. This has seen the total 'underutilisation rate' (unemployment plus underemployment, expressed as a proportion of the labour force) remain high. At a national average level, changes in annual wages are now aligning more closely to the underemployment rate than to unemployment rate (charts 6 and 7). This suggests a larger effect on wages is being exerted by the incidence of underemployment than in the past, for a range of reasons. This stronger effect from underemployment has also been noted internationally by the IMF and OECD.

Average weekly earnings rise slowly in first half 2018

In addition to the WPI (which measures hourly wage inflation every quarter), the ABS also estimates nominal average weekly earnings twice per year. This measures the total taxable gross weekly earnings of all Australian workers divided by the total number of workers and takes into account changes over time in the composition of Australia's labour force, such as variations in the mix of occupations and industries and the proportions of full-time, part-time, casual and junior employees. This enables meaningful comparisons of total earnings between groups of workers.

In dollar terms, the ABS estimates that nominal Full-time Average Weekly Ordinary Time Earnings³ for full-time workers increased to \$1,585.30 in May 2018. This was an increase of 1.0% over the last six months and 2.7% over the year.

Female workforce participation has risen to record levels in 2018 and this appears to be reflected in female full-time AWOTE, which rose by 3.4% over the year to May, faster than the 2.4% rise for male full-time AWOTE. This has seen female wages as a proportion of male wages - the 'gender wage gap' - rise to 85.5%. This was the highest level (or smallest gender pay gap) since this series began in November 1994. For more information on the gender pay gap, please read Ai Group's blogpost [here](#).

Across industries, private sector employees in mining remain the highest paid workers, even though their average pay has flattened since the recent mining boom. Nominal AWOTE rose in all industries except construction over the year to May 2018.

Over the past year, jobs growth has been stronger in the larger employing sectors such as manufacturing, professional services, construction and healthcare. Jobs growth over the past year was positive in all goods production and business services industries including mining, which despite receiving the smallest hourly wage increase in the WPI, is by far the highest paying sector. Retail, other services and transport were the only sectors to experience a fall in employment over the past year.

Nearly 10,000 foreign owned businesses operated in Australia in 2014-15

This week the ABS released data about the number and nature of foreign-owned⁴ businesses in Australia, as of 2014-15. In 2014-15, there were 9,946 foreign owned businesses in Australia accounting for 0.5% of all businesses operating in Australia. Despite only accounting for 0.5% of operating businesses in Australia, foreign owned business accounted for 8.7% of the Australian workforce, 21% of all industry value added and 29% of all exports in that year.

The mining industry had the largest proportion of foreign owned businesses in 2014-15 (5.9% or 474 businesses) of any industry. In raw number terms however, wholesale trade had the greatest number of foreign owned businesses at 1,909 businesses (2.5% of all businesses in the industry), followed by professional services (1,604 businesses but only 0.6% of the industry), financial and insurance services (1,138 businesses or 0.6%) and manufacturing (1,010 businesses or 1.2%).

Of the 9,946 foreign owned businesses in Australia in 2014-15, United States residents owned the largest number of foreign owned businesses (2,039) in Australia, followed by the United Kingdom (842), Japan (538), New Zealand (420) and Germany (341).

Foreign owned business from the United states employed 272,700 people followed by the United Kingdom (141,400) and Japan (73,900).

24 August 2018

AUSTRALIAN ECONOMIC DEVELOPMENTS

This week the economy (and everything else) took a back seat to political developments in Australia, as the governing Liberal-National Coalition worked its way through another leadership challenge. The National Energy Guarantee (NEG) was effectively deferred prior to this event. Ongoing uncertainty about political leadership and energy policy are likely to detract from business investment and planning across key sectors of the economy. As noted by Ai Group CEO Innes Willox in relation to the NEG earlier this week, "a lack of policy certainty will only serve to make energy investment more costly, more problematic and put jobs at risk."

The Minutes of the RBA board meeting for August (held on 7 August but released this week) indicate that prior to this week's events, the RBA expected real GDP growth "to strengthen to be a bit above 3% over 2018 and 2019, before easing to a little above trend [around 2.75%] towards the end of 2020". Most positively, non-mining business investment and public-sector spending by federal and state governments (on transport infrastructure, the National Disability Insurance Scheme, hospital upgrades, defence projects and more) are contributing to current growth and might help to improve future productivity. On the downside, the current drought and increasing probability of an El Niño weather event (bringing drier conditions to much of Australia) will detract from agricultural output and export volumes in 2018-19 but push up agricultural prices.

Notwithstanding the drought, the next move in the cash rate is more likely to be up than down. RBA Governor Phillip Lowe noted in a speech this week that when it finally happens, a cash rate rise “would be a sign that things are returning to normal” but might not be welcomed or understood by everyone since the previous eight years of no rate rises “means that many borrowers have never experienced a rise in official interest rates” and will need to adjust to higher rates.

Demographic and economic data released this week confirm that population growth – underpinned by positive net migration (that is, permanent and long-term arrivals less departures) - is continuing to support economic growth. This is especially evident in the construction sector, with residential building activity up by 3.1% q/q and 5.6% p.a. in Q2, non-residential building up by 1.3% q/q and 8.2% p.a. and public-sector infrastructure construction looking even stronger. Employment growth looks likely to remain robust through the remainder of 2018, with the SEEK online job advertisements index up by 8.7% p.a. in July and the Department of Jobs and Small Business ‘Internet Vacancy Index’ up by 4.7% p.a.

Australian net migration continues to support growth in 2018

This year Australia’s estimated resident population grew to 25 million people, sometime in August. This estimate was based on 2017 growth rates. In 2017, the population grew by 1.6% p.a. or 388,000 people. Net overseas migration (permanent and long-term arrivals less departures) accounted for 62.0% of the rise, (240,400 more people), with natural population growth (births less deaths) accounting 38% of the rise (147,500 more people). The current population growth rate of 1.6% p.a. is about the same as the average that has been observed since 2005.

The latest data on arrivals and departures from Australia (released this week by the ABS) indicate that Australia’s relatively large migration flows continued into the first half of 2018. In the year to June 2018, a record high of 808,480 people arrived in Australia for permanent or long-term (over 12 months) stays. They were comprised of 113,000 permanent settler arrivals, 140,000 Australian residents returning home from long-term stays outside Australia and 555,000 visitors arriving for stays of longer than 12 months. The number of residents returning from long-term stays has been slowly growing over many years, as our resident population increases. The number of permanent settler arrivals fell in 2017-18, but the number of long-term visitors (for stays of longer than 12 months) rose strongly, with the great majority arriving as international tertiary students.

At the same time however, a record high of 532,290 Australian residents and long-term visitors left Australia permanently or for long-term stays (of longer than 12 months), giving a ‘net migration’ estimate of 276,190 for 2017-18. So, although the flow of permanent and long-term movements in and out of Australia increased in 2017-18, the ‘net migration’ number was about the same as it was in 2016-17, and smaller than during the recent peaks in 2013 and 2009.

In addition to these permanent and long-term movements, large numbers of people arrive and depart from Australia every month for short-term stays of less than 12 months. In the year to June 2018, there were a record high of 9,071,900 short-term visitor arrivals (for stays of less than 12 months by non-residents) and a record high of 11,126,500 returns by Australian residents who had been overseas for stays of less than 12 months, giving a ‘net balance’ of around two million short-term absences over any 12 months. For a country of 25 million people, 11 million resident departures (and rising) per year represents an extremely high rate of international travel.

Among both visitor arrivals and resident returns, around 80% of all short-term travel movements are for holidays or to ‘visit friends and relatives’. Other short-term movements are for study, business or conference purposes. Since 2008, more Australian residents have departed for holidays overseas than visitors have arrived for holidays in Australia, creating a sizeable and persistent ‘holiday spending deficit’ that detracts from local discretionary spending within Australia.

In the month of June 2018, the top five source countries for short-term visitor arrivals were: New Zealand (112,000 of 646,700 short-term visitor arrivals), China (77,700 arrivals), USA (58,000), Singapore (45,300) and Malaysia (37,900).

For Australian residents returning home from short-term stays overseas, the top five destination countries in June 2018 were: Indonesia (104,500 of 808,700 short-term resident returns), USA (91,300), New Zealand (79,000), UK (66,700) and China (45,300).

Building activity contributes to growth in Q2 2018

The value of construction activity continued to grow in Q2 2018, with total construction work done up by a further 1.6% q/q but was relatively flat (-0.1 %p.a., seasonally adjusted) over the year. In trend terms, the value of construction work was up by 2.0% q/q and 9.0% p.a. Estimates of construction work done in Q1 of 2018 were also revised upwards. Negligible price increases in Q2 meant that the volume of construction work done was up by 2.0% q/q in Q2, in trend terms.

Within this total, the type of construction work being done is continuing to shift towards residential and non-residential building instead of engineering construction. The volume of residential building rose by 3.1% q/q and 5.6% p.a. to \$19.3bn in Q2, with the volume of new house building and new multi-units both up, but alterations and additions down. The volume of non-residential building rose by 1.3% q/q and 8.2% p.a. to \$10.5bn in Q2 (seasonally adjusted and inflationadjusted). In contrast, the volume of engineering construction work was relatively flat in Q2 (+0.4% q/q) and down by 7.2% p.a. to \$23.7bn. Construction work done by the public sector rose significantly in Q2, with more public engineering construction work (mainly transport infrastructure in NSW and Victoria) offsetting a fall in private sector engineering work (mainly mining-related work in Western Australia and Queensland).

Across the states, building work and especially residential building work remains elevated in NSW and Victoria, with a gentle lift also apparent in South Australia. Engineering construction is also elevated in these states, with almost all of the lift related to public sector projects.

WEBSITES

1. FROM THE BROOKINGS INSTITUTION

[Population aging reduces per capita GDP growth when nominal interest rates are constrained by the zero-lower bound](#)

Using data on 168 countries from 1990 to 2015, Gauti Eggertsson and Manuel Lora of Brown University and Lawrence Summers of Harvard University document that countries with more rapidly aging populations had higher GDP growth per capita over the last 25 years. Since 1990, real interest rates have also been declining as populations have aged, suggesting that capital deepening explains the positive relationship between aging and GDP growth per capita, the authors argue. As a country's population ages, savings and, therefore, investment in productive capital per worker rise, which increases output per worker. This mechanism relies on real interest rates to adjust downwards as needed to make investment equal savings. When real interest rates are unable to adjust, for example due to the zero-lower bound on nominal interest rates, aging leads to secular stagnation. Indeed, the authors find that [aging led to slower growth in GDP per capita after 2008](#) in those countries that were constrained by the zero-lower bound.

[How Africa's historic free trade agreement will change the continent](#)

[Witney Schneidman](#), [Landry Signé](#), and [Adrianna Pita](#)

Witney Schneidman and Landry Signé discuss how the African Continental Free Trade Agreement will transform market access within Africa and assess what the deal means for future commercial relations with the United States, EU, and other trading partners.

[Listen to the podcast](#)

The business-as-usual approach to meeting the SDGs leaves millions behind. Homi Kharas, John McArthur, and Krista Rasmussen make the case that [40 million lives are at stake](#) as the world struggles to make needed progress on the SDGs.

Bringing global health actors together for a healthier world. In a video and blog post, Ikuo Takizawa writes that in the SDG era, [the vision of global health governance needs to be broadened](#) to focus on coordination efforts between individual health initiatives.

Developing statistical capacity in low-income countries. Ryuichi Tomizawa and Noriharu Masugi discuss how [developing countries can overcome underfunded and ineffective statistical agencies](#) in order to benefit SDG progress.

Multilateral Development Banks must mobilize private finance to achieve the SDGs. Globalization and country-driven development strategies have led to the general acceptance of [private sector finance as key to economic development](#), Mahmoud Mohieldin, Nriya Subramaniam, and Jos Verbeek explain.

[Do measures of productivity accurately capture a nation's economic well-being?](#)

[Karen Dynan](#) and [Louise Sheiner](#)

Karen Dynan and Louise Sheiner find that changes in real GDP do a reasonable job capturing changes in a nation's economic well-being with one important exception: the exclusion of non-market activities.

[Read the report](#)

2. FROM ANZ BANK

Every few years, often after a crisis, banks have pondered an existential crisis: [should they even exist?](#) It's again the big question of the day.

https://bluenotes.anz.com/posts/2018/08/you_re-too-young-for-the-golden-age--of-banks-

[The secrets in your search history](#)

A study of Google data casts an illuminating light on the future of house prices – positive despite discouraging recent news.

Jo Masters, Giulia Lavinia Specchia & David Plank | Senior Economist, FX Strategist & Head of Aus Economics, ANZ

[Tales from the Middle East](#)

For the Asia Pacific, tensions accompanying US attempts to strangle Iran's economy are not without wider trade risk.

Tony Walker | Author and Former Editor

[Another thing millennials have ruined](#)

Accenture research shows young people are driving demand for open banking services – and are far more likely to give third parties access to their banking data.

Alex Trott | Banking Lead, Accenture ANZ

[Japan's demographic dilemma](#)

How Japan handles its ageing demographic issues could set a precedent for many countries facing the same ever-greier future.

Richard Yetsenga | Chief Economist, ANZ

[All roads lead to prosperity \(washingtonpost\)](#)

Research from Europe suggests roadways built by the Romans two millennia ago are a key part of the current prosperity of modern cities.

[Working 9 to 5... still](#)

Working past the retirement age is good for businesses and very good for people, says Australia's Age Discrimination Commissioner.

Shayne Elliott | Chief Executive Officer, ANZ

[Viva Bris-Vegas](#)

There's so much more to Australia's housing market than Sydney and Melbourne, say ANZ economists.

Joanne Masters & Richard Yetsenga | Senior Economist & Chief Economist, ANZ

[Growing up in India](#)

The world's largest democracy and the world's largest island nation. Is there a link here? Yes, the trade and investment relationship between Australia and India should flourish in the years ahead.

Shashank Mendiratta & Khoon Goh | Economist & Head of Asia Research, ANZ

[China's payback time](#)

The rapid growth in debt has now slowed in China. For better or worse. What's next?

Mark Rider | Chief Investment Officer, ANZ Wealth

3. FROM NAB

14 Aug 2018

[NAB Monthly Business Survey: July 2018](#)

by [NAB Group Economics](#)

The business conditions index fell by 2pts to +12 index points in July, continuing its run of declines since April. Business confidence ticked up 1pt to +7 index points, an around average level.

16 Aug 2018

[The Forward View – Australia: August 2018](#)

by [NAB Group Economics](#)

An unchanged economic outlook, but downside risks building.

16 Aug 2018

[Australian Housing Market Update: August 2018](#)

by [NAB Group Economics](#)

Last month we saw our national index move through the tenth straight month of falling home values.

17 Aug 2018

[The Forward View – Global: August 2018](#)

by [NAB Group Economics](#)

Growth remains above trend, but risks a concern.

17 Aug 2018

[NAB's World on two pages: August 2018](#)

by [NAB Group Economics](#)

Global growth appears to have remained above average through the first half of 2018, but with our leading indicator pointing to a moderation in coming quarters, we think that this will represent the peak for this cycle.

23 Aug 2018

[NAB Monthly Cashless Retail Sales Index July 2018](#)

by [NAB Group Economics](#)

The NAB Cashless Retail Sales Index gained 0.9% in July on a month-on-month basis, following a gain of 0.5% in June.

23 Aug 2018

[NAB Consumer Behaviour Survey Q2 2018](#)

by [NAB Group Economics](#)

Consumer anxiety up steeply in Q2. Overall spending tightens as concerns about the economy and our household financial positions grow. Spending on utilities a key expense, and growing.

4. FROM BCA

Senate selling Australian workers short

22.08.18

The losers from the Senate's failure to give Australia a competitive company tax rate will be Australian workers, through lower investment, fewer jobs and slower wage growth, Business Council chief executive Jennifer Westacott said.

<http://www.bca.com.au/media/senate-selling-australian-workers-short>

5. FROM ROSS GITTINS

WEDNESDAY, AUGUST 22, 2018

[Our concern about the drought isn't fair dinkum](#)

It's taken him too long, but public concern and the looming election have finally obliged Malcolm Turnbull to do the right thing by our farmers struggling with severe drought. In Forbes on Sunday, Turnbull announced a further \$250 million in assistance to farmers and communities, including initial grants of \$1 million each to 60 drought-affected councils in NSW, Queensland and Victoria, bringing Canberra's direct handouts to...

[Read more >>](#)

SATURDAY, AUGUST 25, 2018

["Lags": one reason economists keep getting it wrong](#)

I'm compiling a short-list of the main things economics teaches us. One is: economic developments take longer to affect the economy than you'd expect. Economists call these delays "lags". That there are so many of them – and their lengths keep changing – does a lot to explain why economists' forecasts are so often wrong. Last week Dr Luci Ellis, an assistant governor of the Reserve Bank, gave a prestigious lecture at the Australian...

[Read more >>](#)

MONDAY, AUGUST 27, 2018

[Weakening dollar looks a lot worse than it is](#)

Oh dear. While the pollies have been playing their games, the dollar has been falling and there's even talk in the market of it going below US70¢. Is this a worry? Short answer: naah. At the local close on Friday the Aussie was at US72.8¢. That's down from a recent peak in January of almost US81¢. Is that a bad thing? Depends who you ask. You can find plenty of people who'll tell you a low dollar is bad and a high dollar is...

[Read more >>](#)

WEDNESDAY, AUGUST 29, 2018

[Digital disruption is stopping retail prices from rising](#)

I've heard of the gap between perception and reality, but this is ridiculous. According to the experts, increased competition among supermarkets, department stores and other retailers is holding down prices in a way we've rarely seen before. This fits with the consumer price index, which showed prices rising by just 2.1 per cent over the year to June. Over the past three years, the annual increase has averaged even less: 1.8...

[Read more >>](#)

Doug Cave
QETA Secretary/Treasurer

info@qeta.com.au

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

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