

Welcome to QETA Newsletter 17 2018.

QETA 2018 CALENDAR OF EVENTS

Oct 1 Econopak 3 due to be published
Oct 17 QETA Annual General Meeting

QETA NEWS

1. BUSINESS EDUCATORS AUSTRALASIA 2018 BIENNIAL CONFERENCE

The 2018 Business Educators Australasia Biennial Conference will be held in Canberra from Wednesday 3 October to Friday 5 October 2018 and is for Accounting, Business, Economics, Legal, and Civics and Citizenship educators.

With over 30 presentations and workshops, there will be many opportunities to learn new classroom strategies, hear from expert speakers, update your knowledge and skills in business education, visit unique Canberra institutions, and network with colleagues.

Conference theme and focus

The theme of this year's conference is *'The Capital Connection: a journey of discovery'*.

An extensive range of sessions will be offered to inform the teaching and learning of business education including a focus on:

- Accounting
- Business Management
- Financial Literacy
- Economics
- Law-related education
- Civics and Citizenship education
- Digital teaching and learning
- Best practice pedagogy.

Conference speakers

Hear from inspirational educational, business and government leaders. The keynote speakers this year are:

- *Emeritus Professor Rosalind Croucher AM*
President, Australian Human Rights Commission
'The Role of the Human Rights Commission as Australia's national human rights' institution'
- *Alex Heath*
Head of Economics Analysis Department, Reserve Bank of Australia
'Who does What and Why? Trends in the Australian Labour Market'

Other highlights of the program include a masterclass conducted by ANU on Wednesday 3 October 2018 and tailored curriculum visits to Parliament House, High Court of Australia, Museum of Australian Democracy, National Film and Sound Archive and the National Museum of Australia.

There will also be opportunities for family and friends to attend the networking events and visits with an *Accompanying Person Registration*, available for a limited time. Canberra is a great place to bring the whole family for a holiday break in October with award-winning restaurants, iconic national attractions and scenic outdoor adventures.

To view the conference program and to register, visit the [conference website](#).

2. 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!

3. 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.

If you are planning to attend, please register at www.qeta.com.au so that we know numbers for catering purposes.

4. QETA 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/>

5. 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!**

6. UQ COMPETITION PRESENTATION OF PRIZES

The Presentations for the prize Winners for the UQ Student Economics Competition was held last Monday at UQ. It was very well attended by parents, and members of UQ Staff. Approximately 45 people were in attendance to make the event very worthwhile for the students. Thanks to UQ Economics for supporting this event.

7. QETA WEBSITE ADDITION

QETA has made an addition to our website – we have established resource listings for the 2019 syllabus – one listing for each Syllabus Unit and Topic. These listings include a comprehensive index to past Econopaks for the last 5 years or so, and some articles/activities/worksheets etc. for most topics. **Definitely worth a look when constructing teaching plans, and units of work for the new syllabus!**

PROFESSIONAL LEARNING

2018 Ted Evans Public Policy Lecture, Thursday 4 October, 5.30 for 6pm until 7pm followed by refreshments, Room Three Sixty, Y Block, QUT Gardens Point, Brisbane

Dr Vince FitzGerald, AO: The rise of economists in public policy ... and looming challenges

Vince FitzGerald has had a long and distinguished career as a senior public servant within the federal government as well as a senior economic consultant advising on key policy areas of national saving, superannuation and economic regulation.

Drawing on this extensive experience, his address will focus on the increased role of economics and economists in public policy formulation, on how economic reform was successfully achieved in the past and how the prospects for achieving reform can be improved in today's environment. Finally he will analyse the growing challenges of inequality and fiscal sustainability after the global financial crisis.

There is no charge for this event but bookings are essential.

About the lecture series

The Economic Society of Australia (Qld) in conjunction with the University of Queensland, Queensland University of Technology and Griffith University has established an annual Ted Evans Public Policy lecture, with the inaugural lecture delivered by Ted Evans, AC, former Secretary to the Treasury from 1993 to 2001 and Chair of Westpac from 2007 to 2011.

Ted is one of Australia's greatest public servants, and this named lecture is a recognition of his significant contributions to the development and implementation of effective economic policy.

About the presenter

Dr Vince FitzGerald, AO, held very senior positions in the federal government in Canberra in the Departments of the Treasury, Prime Minister and Cabinet, Finance (Deputy Secretary), Trade (Secretary) and Employment, Education and Training (Secretary). After leaving the public sector, Vince became a Director of the Allen Consulting Group, one of the two predecessor firms of ACIL Allen Consulting.

He has prepared a number of reports on key aspects of public policy, including reports on national saving and on superannuation. Other projects have included a review of Commonwealth-state funding; the Queensland Commission of Audit; reform of the regulation of consumer electronic payment systems and economic expert reports in trade practices and other areas of economic regulation.

Vince holds a Bachelor of Economics, UQ (Honours, University Medal), a PhD (Harvard) in Economics, an LLD (Honoris causa, Monash) and a DEcon (Honoris causa), UQ.

The annual Ted Evans Public Policy Lecture is a partnership between ESA Qld, UQ, QUT and Griffith University.

RESOURCES

1. FROM DFAT

Australia and Indonesia moving closer in IA-CEPA negotiations

Prime Minister Scott Morrison and Indonesian President Joko Widodo will meet in Indonesia on 31 August, including to discuss the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA). Once concluded, IA-CEPA will take the trade and investment relationship with Indonesia to the next level, heralding a new chapter of economic cooperation and commercial activity with our close neighbour.

[DFAT IA-CEPA](#)

Ministerial visit to Singapore for ASEAN-related meetings

Minister for Trade, Tourism and Investment Senator Simon Birmingham and Assistant Minister Mark Coulton are travelling to Singapore to attend the Regional Comprehensive Economic Partnership (RCEP) Ministerial Meeting. Assistant Minister Coulton will attend the East Asia Summit Economic Ministers' meeting and discuss upgrading the ASEAN-Australia-New Zealand FTA to make sure it continues to deliver benefits for businesses.

[Media Release](#)

Parliamentary review recommends ratification of TPP-11

The Joint Standing Committee on Treaties completed its inquiry into the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, known as the TPP-11, and recommended that binding treaty action be taken. The Committee noted the TPP-11's tariff reduction measures were highly likely to benefit Australian business and the Agreement would provide an important, positive example of international cooperation promoting rules-based trade and investment liberalisation. The Government will now move ahead with legislation necessary to implement TPP-11.

[JSCOT Report](#)

Investment Statement and latest international investment report

Last Monday, 20 August, the Government delivered its fifth annual investment statement to the Australian Parliament. The statement highlighted the benefits Australia received from foreign investment over the last five years, including the important role that foreign-owned businesses in Australia play in contributing to our economic growth story. The statement referred to newly released Australian Bureau of Statistics data on the Economic Activity of Foreign-Owned Businesses in Australia 2014-15 and DFAT's publication International Investment Australia 2017.

[Statement](#) [International Investment Australia 2017](#)

Economic activity of foreign-owned businesses in Australia

Foreign direct investment in Australia supported the employment of nearly 1.2 million people, or 1 in 10 jobs in 2014-15, an Australian Bureau of Statistics study commissioned by DFAT and Austrade reveals. The study, which gathered the most up-to-date data available on the impact of foreign investment in Australia also showed that foreign-owned businesses pay higher wages on average than Australian-owned businesses. Analysis of the detailed study includes breakdowns of investment by economy and industry.

[DFAT Analysis](#)

[Austrade Analysis](#)

Latest overseas arrivals data

Last week's release of June Overseas Arrivals and Departures data by the Australian Bureau of Statistics shows 9.07 million visitors came to Australia in 2017-18, up 6 per cent on 2016-17. Over the year, China strengthened its position as Australia's largest source of visitors, up 12.9 per cent to 1.42 million, or 50,000 more arrivals than from New Zealand over the same period.

[ABS](#)

Exporter Sentiment Index

Efic's August 2018 Index shows that business sentiment among Australian exporters remains positive, however the indexes reflecting confidence in future economic conditions, growth in employee numbers and increasing overseas sales revenue were lower than the last Index in February. Although overall sentiment declined slightly, the index showed exporters' confidence in their future financial situation had improved.

[Efic](#)

RBA Statement on global economy

RBA Governor Philip Lowe said the Australian economy appeared to have grown strongly over the first half of 2018, and the global outlook remained positive, in his statement to the House of Representatives Standing Committee on Economics. The possibility of an escalation in global trade tensions was adding a layer of uncertainty to this outlook, although existing measures were unlikely to derail the current global expansion. He warned that this could change if more businesses were to delay investment as a result of uncertainty.

[Statement](#)

OECD GDP growth picks up marginally in second quarter of 2018

Real GDP growth in the OECD area has picked up marginally over the year, from 0.5 per cent in the first quarter to 0.6 per cent in quarter two, according to provisional estimates issued by the OECD this week. Among the OECD's 'major seven' economies: Canada, France, Germany, Italy, Japan, the United Kingdom and the United States, the US recorded the highest annual growth (2.8 per cent), while Japan recorded the lowest growth (1 per cent), compared to the same period last year.

[OECD](#)

WTO dispute action against Canada

Australia has requested the establishment of a World Trade Organization panel to resolve a dispute with Canada on discriminatory measures affecting Australian wine exports. Canada is Australia's fourth largest export market for wine, currently valued at \$187 million.

[WTO](#)

China initiates second WTO dispute against US tariffs on Chinese imports

In a request circulated to WTO members earlier this week, China has requested WTO dispute consultations with the United States concerning additional duties applied by the United States on imports of Chinese goods. The request for consultations formally initiates a WTO dispute. A separate WTO dispute regarding earlier US tariffs on Chinese goods is currently at the consultations phase, in addition to a further dispute on imports of Chinese steel and aluminium.

[WTO](#)

The case for free trade restated

This article published by the Foundation for Economic Education provides a US perspective on the benefits of free trade. It argues that trade barriers increase costs for consumers, impede wealth creation, and heighten international tensions. It contends that trade does not occur between nations, but between individuals, and that barriers to individuals pursuing their own peaceful exchanges should be as low as possible.

[FEE](#)

2. FROM THE ABS

5625.0 **Private New Capital Expenditure and Expected Expenditure**, Australia, Jun 2018
<http://www.abs.gov.au/ausstats/abs@.nsf/mf/5625.0?OpenDocument>

5302.0 **Balance of Payments and International Investment Position**, Australia, Jun 2018
<http://www.abs.gov.au/ausstats/abs@.nsf/mf/5302.0?OpenDocument>

5519.0.55.001 **Government Finance Statistics**, Australia, Jun 2018
<http://www.abs.gov.au/ausstats/abs@.nsf/mf/5519.0.55.001?OpenDocument>

5676.0 **Business Indicators**, Australia, Jun 2018
<http://www.abs.gov.au/ausstats/abs@.nsf/mf/5676.0?OpenDocument>

5206.0 **Australian National Accounts: National Income, Expenditure and Product**, Jun 2018
<http://www.abs.gov.au/ausstats/abs@.nsf/mf/5206.0?OpenDocument>

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

5232.0.55.001 **Assets and Liabilities of Australian Securitizers**, Jun 2018
<http://www.abs.gov.au/ausstats/abs@.nsf/mf/5232.0.55.001?OpenDocument>

5368.0 **International Trade in Goods and Services**, Australia, Jul 2018
<http://www.abs.gov.au/ausstats/abs@.nsf/mf/5368.0?OpenDocument>

5655.0 **Managed Funds**, Australia, Jun 2018
<http://www.abs.gov.au/ausstats/abs@.nsf/mf/5655.0?OpenDocument>

6321.0.55.001 **Industrial Disputes**, Australia, Jun 2018
<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6321.0.55.001?OpenDocument>

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

3. FROM THE IMF

4. FROM BROOKINGS INSTITUTE

[The Lyft or Uber Ride Is the New Marketplace for Ideas](#)

by James Walpole

It would seem there is no more agora, no more of the marketplace where Socrates once confronted his fellow citizens about questions of justice and truth.

But what if I told you that the marketplace of ideas has found a home with Lyft and Uber?

[INSTEAD OF STARTING THE CONVERSATION FROM YOUR TWITTER APP, START WITH A RIDESHARING APP INSTEAD.](#)

[Words & Numbers: Capitalism Doesn't Mean What You Think It Means](#)

feat. Antony Davies and James Harrigan

The word "capitalism" has become incredibly loaded over the years. And since the term was actually popularized by Karl Marx to be the foil for his own ideology, that's fairly understandable. It brings to mind all of the very worst aspects embodied by the elite, greedy, rent-seeking Gordon Geckos of the world, hoarding their capital resources like dragons on a pile of gold and profiting from the hard work of laborers while doing nothing productive themselves. This characterization, while incredibly common, is simply incorrect.

[JOIN ANTONY DAVIES AND JAMES HARRIGAN AS THEY DISCUSS THE ACTUAL MEANING OF CAPITALISM AND MORE ON THIS WEEK'S EPISODE OF WORDS AND NUMBERS.](#)

[Exposure to air pollution increases the probability of developing dementia](#)

Kelly Bishop, Jonathan Ketcham, and Nicolai Kuminoff of Arizona State University combine 15 years of Medicare records with the Environmental Protection Agency's air quality monitors to determine whether exposure to air pollution increases the prevalence of dementia. They find that a [1 microgram per cubic meter increase in average exposure to fine particulate matter over a decade increases the probability of](#)

[being diagnosed with dementia by 1.3 percentage points](#). This is equivalent to the elevated risk of dementia associated with a female aging from 74 to 77 or around one-third of the elevated risk associated with having diabetes. The results suggest that the EPA's 1997 standard on the maximum allowable concentration of particulate matter saved 140,000 people from living with dementia, yielding \$163 billion in benefits under moderate assumptions about the value of the quantity and quality of life. The authors show that the effect of particulate matter on dementia persists even at levels below the EPA's current regulatory threshold, suggesting that further regulation would yield additional benefits.

[Three Movies You Should Watch to Understand the Economic Collapse of 2008](#)

by John Elliott

Since 2008, a stack of books has been written about the causes and consequences of the crisis. But if you want to get a quick survey, then three movies will do the trick.

[THESE FILMS ARE WORTH WATCHING TO BE REMINDED OF WHAT HAPPENED, WHY IT HAPPENED, AND WHY IT MAY NOT BE OVER.](#)

[Spending Restraint Is Key to Avoiding a Greek-Style Fiscal Meltdowns, IMF Study Shows](#)

by Daniel J. Mitchell

The key takeaway is that spending restraint is a very important tool for avoiding a fiscal crisis.

Yes, a few other factors also are important (central bankers should avoid irresponsible monetary policy, for instance), but some of these are outside the direct control of politicians.

[YOU CANNOT HAVE BOTH RUNAWAY GOVERNMENT SPENDING AND A STABLE ECONOMY.](#)

[Why Bitcoin Is Technically an Inflationary Currency—Even Though Its Purchasing Power Is Increasing](#)

by Demelza Hays, Andrés Coronado

Using the common definition of inflation, Bitcoin is deflationary because Bitcoin's purchasing power increases over time. However, under the traditional definition, Bitcoin is inflationary because the supply of Bitcoin increases over time.

[THE CREATORS OF BITCOIN DESIGNED ITS INFLATION RATE TO MIMIC GOLD'S STABLE INFLATION RATE.](#)

[Nudging: Should We Be Wary of the Latest Fad in Behavioral Economics?](#)

by Donovan Choy

Treating consumers as the same by stripping them of their unique circumstances and traditions, then proceeding to "nudge" them runs the risk of not only pushing consumers into making decisions that may not be optimal for them but also creating "lock-in" effects that persist into the future when macroeconomic circumstances have changed. Nudging policy—like all top-down policy—is construed as an aggregate applied to its targeted audience. The most reasonably diverse "choice architecture" still underappreciates people's use of local knowledge that is factored into their decision-making.

[BUT FOR ALL ITS POPULARITY, THE CONCEPT OF NUDGING HAS ITS FLAWS WHICH LARGELY GO UNMENTIONED.](#)

5. FROM THE RBA

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

<https://www.rba.gov.au/statistics/frequency/fin-agg/2018/fin-agg-0718.html>

Remarks delivered by **Philip Lowe, at Reserve Bank Board Dinner** in Perth, are available on the Reserve Bank website.

<https://www.rba.gov.au/speeches/2018/sp-gov-2018-09-04.html>

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

<https://www.rba.gov.au/statistics/frequency/commodity-prices/2018/icp-0818.html>

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

You can view the Chart Pack at:

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

A speech delivered by **Michele Bullock, to the Ai Group** in Albury, is available on the Reserve Bank website.

<https://www.rba.gov.au/speeches/2018/sp-ag-2018-09-10.html>

6. FROM THE ECONOMIST

Our cover this week considers **Silicon Valley, which has become a victim of its own success**. There is no credible rival for its position as the world's pre-eminent innovation hub, but there are signs that its influence is peaking. High costs, clogged roads and the dominance of the local tech giants are reducing the region's dynamism and prompting startups and investors to go elsewhere. If Silicon Valley's relative decline heralded the rise of a global web of thriving, rival tech hubs, that would be worth celebrating. Unfortunately, the Valley's peak looks more like a warning that [innovation everywhere is becoming harder](#)

7. FROM OXFAM

No one should be too poor to drink clean water

Lousie Medland

28/08/18

For World Water Week Louise Medland reflects on the stark global inequalities in access to water and sanitation, and outlines some of the Oxfam programmes which are improving services for ...

[Read More](#)

[Our key takeaways from Stockholm World Water Week](#)

Jola Miziniak

30/08/18

This year at World Water Week has always given lots of food for thought on how to manage water for productive and domestic use, as well as finding a balance ...

[Read More](#)

8. FROM PRODUCTIVITY COMMISSION

Productivity Commission News

Murray-Darling Basin Plan: Five-year assessment (draft report)

[View the Report](#)

[Watch! the video](#)

The Commission's [draft report](#) into the implementation of the Murray-Darling Basin Plan has found that significant progress has been made, with about 20% of the water that was used for agriculture now dedicated to the environment with evidence of environmental improvement. But there is still a lot of hard work ahead. In the report, the Commission has proposed draft recommendations designed to give the Plan every chance of success.

9. FROM FEDERAL TREASURY

Bateman Lecture, UWA Public Policy Institute

Date: 4 September 2018

Presenter: Mr Philip Gaetjens, Secretary to the Treasury

Location: Perth, Western Australia

A transcript of the speech is now available on the [Treasury website](#).

10. FROM TED TALKS

China is the world's biggest polluter -- *and* one of its largest producers of clean energy. Which way will China go in the future, and how will it change our planet's environment? Data scientist Angel Hsu describes how the most populous country on earth is creating a future based on alternative energy -- and facing up to the environmental catastrophe it created as it rapidly industrialized. [Watch »](#)

11. FROM FOUNDATION FOR ECONOMICS EDUCATION

[How Richard Branson's Adventure Capitalism Disrupted the Music and Airline Industries](#)

by Brittany Hunter

Virgin Group founder Richard Branson has never been one to keep his head down and go with the flow. He was known for pushing boundaries even in his youth. His high school headmaster once took him aside and predicted that he would either become a millionaire or wind up in prison. The joke was on the headmaster, however, as both scenarios actually came true.

[BRANSON WROTE, "LIFE IS MUCH MORE FUN WHEN IT IS FILLED WITH ADVENTURE AND SAYING YES TO NEW EXPERIENCES," AND NOTHING COULD MORE APPROPRIATELY SUM UP HIS LIFE.](#)

[VIDEO: Voluntary Trade Is Win-Win](#)

When people trade voluntarily with each other, everybody gets what they want. Here's why...

[WATCH THE 2-MINUTE VIDEO NOW](#)

[EA's Failed In-Game Moneymaking Strategy Proves that Consumers Remain the Most Effective Regulators of Markets](#)

by Matthew McCaffrey

EA lost as much as \$3.1 billion in shareholder value (close to 10% of its market cap) after uproar following the release of *Battlefront II*, which placed major emphasis on loot boxes, rewards players could use to win digital content that provides in-game advantages.

[WHAT CAN WE LEARN FROM EA'S EXPERIENCE? ULTIMATELY, THERE'S NO SUCH THING AS AN "UNREGULATED" MARKET.](#)

[Amazon and Other Tech Giants Deserve Our Gratitude, Not Our Outrage](#)

by Bryan Caplan

Hundreds of millions of customers around the world use Google whenever they crave knowledge and Facebook to socialize, and most have never had to pay a dime.

[THEY HAVEN'T JUST TRANSFORMED THEIR OWN INDUSTRIES; THEY'VE TRANSFORMED LIFE ITSELF.](#)

12. FROM FEDERAL RESERVE OF ST. LOUIS

How Do Imports Affect GDP?

GDP is a useful measure of the health of the economy, and it's among the most important and widely reported economic data. However, the current "textbook treatment" of how international trade is measured as part of GDP can lead people to misunderstand the role trade plays in the economy. The September 2018 issue of *Page One Economics* intends to correct misconceptions and provide clear instruction on how imports affect GDP.

[READ MORE](#)

13. FROM WORLD ECONOMIC FORUM

[Europe, Asia Lead the Way to the Factories of the Future](#)

- The World Economic Forum identifies the nine best factories in the world
- These "lighthouses" are selected from a survey of over 1,000 manufacturing sites based on a successful track record of implementing technologies of the Fourth Industrial Revolution
- Three of the nine "lighthouse" sites are in China, five are in Europe and one is in the United States

Tianjin, People's Republic of China, 4 September 2018 – Concluding a year-long study, the World Economic Forum today announces nine of the most advanced factories in the world, recognizing the strides that the world's best manufacturers are making towards embedding the technologies of the Fourth Industrial Revolution into modern production.

The geographic distribution of the nine "lighthouses" demonstrates that while Europe has struggled to produce its own home-grown internet giant, the region remains a powerhouse when it comes to applying advanced technology to manufacturing. Five of the "lighthouses" are located in Europe, three in China and one in the United States. They were selected from an initial list of some 1,000 manufacturing companies based on their successful implementation of Fourth Industrial Revolution technologies in ways that have driven financial and operational impact.

The aim of this effort is to build a network of "manufacturing lighthouses" to address problems confronting industries in both advanced and emerging economies when it comes to investing in advanced technologies. Earlier work by the Forum identified that over 70% of businesses investing in technologies such as big data analytics, artificial intelligence or 3D printing do not take the projects beyond pilot phase due to unsuccessful implementation strategies. To aid the learning and adoption of technologies by other companies, all nine lighthouses in the network have agreed to open their doors and share their knowledge with other manufacturing businesses.

"Identifying the best manufacturing sites in the world is not only necessary, but responds to the stated need from the Future of Production community to accelerate the adoption and diffusion of Fourth Industrial Revolution technology," said Helena Leurent, Head of the Shaping the Future of Production System Initiative and Member of the Executive Committee at the World Economic Forum. "The next step is to enable the lighthouses to take a leadership role in developing the overall production ecosystem to truly

reap the benefits we expect.”

“The Fourth Industrial Revolution is real. Workers and management equally get augmented with technology. These pioneers have created factories that have 20-50% higher performance and create a competitive edge,” said Enno de Boer, Partner and Global Head of Manufacturing at McKinsey & Company, which collaborated with the Forum on the project. “They have agile teams with domain, analytics, IoT and software development expertise that are rapidly innovating on the shop floor. They have deployed a common data/IoT platform and have up to 15 use cases in action. They are thinking “scale”, acting “agile” and resetting the benchmark.”

The nine “lighthouses” have comprehensively deployed a wide range of Fourth Industrial Revolution technologies and use cases at scale while keeping humans at the heart of innovation. One exciting example from each of the sites is highlighted below:

- **Bayer Biopharmaceutical (Garbagnate, Italy):** ‘Using data as an asset’- While most companies use less than 1% of the data they generate, Bayer’s massive data lake has led to a 25% reduction in maintenance costs and 30-40% gains in operational efficiency
- **Bosch Automotive (Wuxi, China):** ‘Optimizing competitiveness’ - By implementing an “order-to-make” product customization platform and using remote AI to predict maintenance needs before they occur
- **Haier (Qingdao, China):** ‘Customer-centric technologies’ – Artificial Intelligence led transformations include an ‘order-to-make’ product customization platform and the use of remote AI to predict maintenance needs before they happen
- **Johnson & Johnson Depuy Synthes (Cork, Ireland):** ‘Process-driven digital twinning’ - This factory used the internet of things to make old machines talk to one other, resulting in 10% lower operating costs and a 5% reduction in machine downtime
- **Phoenix Contact (Bad Pyrmont and Blomberg, Germany):** ‘Customer-driven digital twinning’ - By creating digital copies of each customer’s specifications, production time for repairs or replacements has been cut by 30%
- **Procter & Gamble (Rakona, Czech Republic):** ‘Production agility’ - A click of a button is all it takes production lines in this factory to instantly change the product being manufactured, which has reduced costs by 20% and increased output by 160%
- **Schneider Electric (Vaudreuil, France):** ‘Factory integration’ - Sharing knowledge and best practices across sites has helped this company make sure all its factory sites enjoy the highest energy and operational efficiencies, reducing energy costs by 10% and maintenance costs by 30%
- **Siemens Industrial Automation Products (Chengdu, China):** ‘3D simulated production line optimization’ - Using 3D simulation, augmented reality and other techniques to perfect the design and operations of its factory, employees helped increase output by 300% and reduced cycle time
- **UPS Fast Radius (Chicago, USA):** ‘Balancing capacity with customer demand’ - Meeting increasing consumer demand for fast-turnaround customized products has been made possible through a combination of globally distributed 3D printing centres with real-time manufacturing analytics

14. GROUNDSWELL: PREPARING FOR INTERNAL CLIMATE MIGRATION

Internal climate migrants are rapidly becoming the human face of climate change. According to the new World Bank report "Groundswell - Preparing for Internal Climate Migration", without urgent global and national climate action, Sub-Saharan Africa, South Asia and Latin America could see more than 140 million people move within their countries’ borders by 2050

http://www.worldbank.org/en/news/infographic/2018/03/19/groundswell---preparing-for-internal-climate-migration?cid=ECR_E_NewsletterWeekly_EN_EXT&deliveryName=DM4819

15. FROM AUSTRALIAN INDUSTRY GROUP

3 September 2018

Manufacturing rebounds in August despite drought impacts

[Find out more >](#)

ABC Radio: 3 September

Interview: Drought to bite into economic growth

[Listen to clip now >](#)

31 August 2018

Trade Agreement turns export attention to Indonesia

[Find out more >](#)

5 September 2018

Australian PSI®: Slower growth for services in August

[Find out more >](#)

16. FROM POPULATION MATTERS

China's two-child policy: end in sight?

China has hinted this week that it may be scrapping its coercive two-child policy.

All family planning content has been dropped from the draft civil code, leading to the widespread assumption that the government may be moving away from birth restrictions altogether.

Despite the abandonment of the one-child policy in 2016, the number of children born per woman in China has not risen significantly.

[Read more](#)

17. FROM AIG

31 August 2018

AUSTRALIAN ECONOMIC DEVELOPMENTS

This week the distribution of Australia's income – as opposed to its growth – came under the spotlight, with the release of a landmark report on inequality trends in Australia by the Productivity Commission. The Commission's key finding is that Australia's "unprecedented 27-year period of uninterrupted economic growth" since 1991 has been accompanied by relatively stable income, consumption and wealth equality. Australia is close to the OECD average for income equality and relatively more equal (eighth best) for wealth equality. Australia's progressive tax and transfer systems have worked well to equalise after-tax incomes and consumption. Importantly, living standards have improved for households in all income deciles and for each generation (relative to previous generations at the same age). Income and wealth mobility are also relatively good in Australia over a lifetime, although around 9% live in relative poverty and 3% live in 'entrenched' (long-lasting) poverty at any given time. These poverty figures have not improved in 30 years and require better responses. How best to improve Australia's poverty and equality rates from here? The Commission says "policies, institutions and political environments" can all help, but "among the various forces acting on inequality and poverty, the one constant that matters is having a job."

Income is one of eleven indicators of national well-being that the OECD compiles in its annual Better Life Index. Research published by the OECD last week indicated that of these 11 indicators, the most important factors for well-being globally are (in order of importance) health, life satisfaction, education, work-life balance and safety. Employment comes in at 8th and income at 9th for their importance to well-being (behind environment and housing). Differences in rankings were observed across demographic groups and locations. Australians ranked their most important factors for well-being as (in order of importance) work-life balance, health and life satisfaction. This indicates that on average, work-life balance is considered to be more important to personal well-being in Australia than income. And it is more important to well-being in Australia than it is in other countries. In 2017 (latest year available), Australia ranked third overall in the OECD Better Life Index, behind Norway and Denmark but ahead of Sweden and Canada.

Looking ahead at local business conditions, the outlook for private sector capital expenditure (CAPEX) was the most significant piece of new information released this week. This indicated that Australian business invested \$118.9bn in 2017-18 and plan to invest \$103.2bn in 2018-19. Early estimates of future CAPEX have significantly undershot actual CAPEX in recent years, so these estimates for 2018-19 are likely to lift over the coming quarters. Meanwhile the number of monthly building approvals fell in July, mostly offsetting an end-of-financial-year spike in June.

Australian inequality is 'average' and has been stable for the past 30 years

This week the Productivity Commission released a landmark report on inequality in Australia. The Commission noted that globally, economic growth in developing countries has contributed to "an evident reduction in global income inequality and poverty since the late 1980s, At the same time, however, there has been rising inequality within many developed countries." Focussing on the period since Australia's last recession in 1991, the PC found that Australia's experience has been better – and rather unique – among developed economies.

Since 1991 in Australia:

- Pre-tax disposable income inequality has risen very slightly on some but not all measures. It is around the average for all OECD countries (as measured by income Gini coefficients);
- After-tax income and consumption are more equal than pre-tax income because "Australia's progressive tax system and highly targeted transfer system substantially reduce income inequality. Income tax and government transfers have typically lowered the measure of overall income inequality (the Gini coefficient) by 30%, an equalising effect that far outweighs the overall increase in the measure since the late 1980s. This equalising effect has fluctuated over time, but overall there has been no material change in the past thirty years";
- "wealth distribution in Australia ... is more unequal than income or consumption, [but] Australia's wealth distribution remains less skewed than in other countries. Among 28 OECD countries, Australia ranks eighth most equal, as measured by the Gini coefficient of wealth";
- living standards have significantly improved for the average Australian household in every income decile over the past 27 years, but with varying rates of growth in particular years. In the most recent decade, "the mining boom was a period that favoured high income earners and capital income, lifting measures of inequality. In contrast, the post Global Financial Crisis period has benefited lower income groups, despite weak overall growth in labour income";
- "on average, ... each new generation has earned more income than the last at a given age, and reaches the same level of income earlier in life";
- economic mobility is high in Australia. "Almost everyone moves across the income distribution over the course of their lives. Over a 16 year period, the average Australian was classified in five different income deciles; A lower, but still significant level of mobility was also apparent across the wealth distribution. This highlights the fluid nature of income and wealth";
- About 9% of people experienced relative income poverty in any given period, but most moved on. Only "3% of households were stuck in one of the bottom two deciles throughout the period. Stickiness at the ends of the distribution is indicative of some entrenched inequality."; and
- "policies, institutions and political environments" can help alleviate poverty and inequality, but "the one constant that matters is having a job."

The PC's report is available online here: www.pc.gov.au/research/completed/rising-inequality.

CAPEX fell in Q2 2018

The latest ABS estimate of private sector investment (CAPEX) indicates total CAPEX fell by 2.5% q/q in Q2 2018 and was broadly stable over the year (+0.4% p.a., inflation-adjusted and seasonally-adjusted). CAPEX was driven lower in Q2 by lower spending on both 'building & structures' (-3.9% q/q but +6.9% p.a.) and 'equipment, plant & machinery' (-0.9% q/q and 4.7% p.a.). Expenditure on equipment, plant and machinery is expected to detract slightly from GDP, which will be released next week.

The CAPEX survey captures around 60% of total business investment. It excludes spending from industries such as agriculture, health and education. Among the industries that are included, mining CAPEX fell by the most - 7.2% q/q to \$8.3bn - which was the lowest quarterly mining CAPEX since Q4 2007. This reflected a large fall in LNG-related construction that outweighed a slight rise in iron ore and other mining CAPEX. Mining CAPEX currently accounts for less than one third of total CAPEX (around its long-run average), down from its peak of 59% in 2013.

In the non-mining sectors, 'other selected industries' (including retail, wholesale, transport, utilities and construction industries) fell by 1.0% q/q but rose 6.1% p.a. in Q2. It accounted for 63% of total CAPEX in Q2. Manufacturing capex increased by 2.7% q/q to \$2.4bn in Q2 of 2018.

Manufacturers' CAPEX on machinery, plant and equipment rose by 3.9% q/q in Q2 while spending on buildings and structures rose by 0.9% q/q. Capacity constraints have been evident in the Australian PMI® for most of 2018. It appears that manufacturing firms seem to be more confident in investing for expansion, reflecting recently buoyant business conditions.

Across the states, the distribution of CAPEX continues to revert to its pre-mining-boom pattern. NSW accounts for more than a quarter of all CAPEX captured in this survey, with the state's CAPEX rising by 2.0% q/q and 11.3% p.a. in Q2. CAPEX also rose in Queensland (+3.7% q/q and 2.7% p.a.) and South Australia (+29.7% q/q and 32.7% p.a., from a smaller and more volatile level).

CAPEX was weaker in Q2 in Victoria (-5.4% q/q and -1.4% p.a.) and WA (-7.5% q/q and -10.8% p.a.). Tasmanian CAPEX fell 7.0% q/q but was up 31.4% over the year, from a typically low level.

Non-mining business investment outlook remains positive for 2018-19

The latest ABS CAPEX data release included the seventh (and final) estimate of annual CAPEX in 2017-18 and the third estimate of plans for annual CAPEX in 2018-19. The seventh (and final) estimate of business CAPEX for 2017-18 indicate that Australian businesses invested a total of \$118.9bn, up 4.0% from 2016-17 (in nominal terms). Non-mining CAPEX rose by 9.5% p.a. to \$82.9bn in 2017-18. This represented a significant step up in investment activity, after relatively weak nominal growth of just 1.8% p.a. in 2016-17. It included higher CAPEX spending in both manufacturing (+6.5% p.a.) and businesses outside mining and manufacturing (+9.9% p.a.). In contrast, mining investment fell by a further 7.0% to \$36bn in 2017-18.

After applying a suitable realisation ratio (based on businesses' average 'realisation ratio' of the past five years), the latest (third) estimate of business CAPEX plans for 2018-19 indicate that Australian businesses plan to invest \$103.2bn, in nominal raw dollars. This is an increase of \$6.5bn from the second estimate for 2018-19 but is \$15.7bn lower than the actual amount spent in 2017-18 (see above and table 2). It is also \$1.1bn lower than the equivalent (third) estimate for 2017-18. These early estimates of annual CAPEX tend to be lower than the actual spending levels that eventuate. There is often a greater degree of underestimation when the economy is improving, as it has been over the past two years. This suggests CAPEX is likely to turn out stronger in 2018-19 than this third estimate implies, providing a further boost to activity and productivity across the economy.

Across industries, this third estimate of CAPEX intentions for 2018-19 suggests another fall in spending by the mining and manufacturing sectors (in nominal dollars and based on realisation ratios for this third estimate over the past five years). Mining CAPEX is estimated to fall a further 21.0% to \$28.4bn and manufacturing CAPEX is estimated to fall by 6.7% to \$8.8bn in 2018-19.

CAPEX by 'other selected businesses' is expected to fall a relatively modest 0.2% p.a. to \$73.3bn, slightly lower than the record \$73.4bn in 2017-18, in nominal terms. This confirms the RBA's recent expectations for non-mining business investment to "continue to grow over the forecast period, but at a more moderate pace than over the previous year". The third estimate for 2018-19 suggests that non-mining capex will be 1.0% lower than in 2017-18. As noted above however, the early estimates of annual CAPEX tend to be lower than actual spending.

Residential building approvals fall in July 2018

Monthly residential building approval numbers fell by 5.4% m/m and 5.6% p.a. in July (seasonally adjusted). Private sector 'other dwellings' approvals (apartments, flats and townhouses) fell by 6.6% m/m, while private sector 'house' approvals fell by 3.0% m/m. 'Other dwellings' approval numbers are extremely volatile month to month due to large one-off developments, so the ABS 'trend estimates' provide a better guide to underlying behaviour in these data. Looking beyond this heightened monthly volatility, the total number of approvals has fallen to around 18,000 approvals per month but it is still elevated by historical standards (trend). Under this headline figure, housing approvals fell by 0.9% m/m and 0.3% p.a. (trend). Approvals for "other dwellings" fell by 1.8% m/m and 4.8% p.a. in July (trend).

The trend in slowing residential building approvals reflects local regulatory constraints on investor finance, (modest) falls in house prices and building industry cycles. Building approvals typically 'lead' building activity by 6 to 12 months, so these recent trends suggest that, although the residential construction cycle may have peaked, residential construction activity will remain at a high level in 2018-19, supported by record low interest rates (notwithstanding recent increases by some major banks) and strong population growth.

7 September 2018

AUSTRALIAN ECONOMIC DEVELOPMENTS

This week the Reserve Bank of Australia (RBA) left the cash rate on hold at a record low of 1.50%, where it has been since August 2016. The RBA's accompanying statement was little changed from previous statements and remained generally upbeat about Australia's outlook. The RBA expects positive business conditions, business investment and public infrastructure spending to support further growth in activity and jobs through the remainder of 2018 and into 2019.

Confirming the positive, albeit slowing, trends in local business conditions, Ai Group's monthly business surveys (the Australian PMI®, PSI® and PCI®) showed a strong end to winter, with all three indices indicating expansion in August (released this week). The manufacturing sector in particular has confounded doubters in recent years by lifting employment and production but significant headwinds from energy costs and more recently, drought conditions flowing along supply chains, continue to see input

costs rise for manufacturers. The pace of growth across the services and construction sectors eased in August but remained broadly positive. To view Ai Group's Performance Indices please [click here](#).

Also confirming Australia's solid growth path in 2018, Australia's real output volumes (real GDP) grew by 0.9% q/q and 3.4% p.a. in the June quarter (Q2) of 2018, according to the ABS National Accounts data released this week. Growth in Q2 was supported by government spending and investment, net exports, housing investment and household consumption, all of which were underpinned by ongoing population growth. This was the strongest annual growth rate in GDP since September 2012 and it marked a record 27th consecutive year without a recession.

GDP growth lifts to 3.4% p.a. in Q2 2018, the fastest annual rate since 2012

The ABS National Accounts (released this week) indicate that Australia's real GDP grew by 0.9% q/q in the June quarter (Q2) of 2018 and 3.4% p.a., up from a revised 3.2% p.a. in Q1 of 2018. This was the fastest annual growth rate since Q3 2012 and was largely because of upward revisions to the three previous quarters which added 0.5 percentage points.

On the expenditure (real demand) side of the National Accounts, growth in Q2 was mainly driven by household and government consumption. Household consumption rose 0.7% q/q and 3.0% p.a. in Q2 2018 and accounted for just under half of the growth in Q2. This has a large effect on headline GDP because household consumption accounts for about 60% of GDP (on the expenditure side). Consumption grew across 12 of the 17 consumption categories including: food; recreation & culture; and furnishings and household equipment but fell in the purchase of vehicles, cigarettes and hotels & cafes. It appears that at least some of this consumption was financed by households reducing the amount they are saving with the household saving ratio (the proportion of income saved) falling to 1%, which is the lowest rate since December 2007. Government consumption increased by 1.0% q/q and 5.1% p.a., mainly driven by Commonwealth Government spending in health, aged care and disability services attached to the roll-out of the NDIS. State and local government consumption rose 0.4% q/q, while Commonwealth government consumption increased by 2.3% q/q.

Dwelling (residential) investment also contributed to GDP in Q2 but its benefits were largely offset by weaker private business investment. Dwelling investment rose by 1.7% q/q and 3.8% p.a. driven by rising investment in new dwellings, particularly in Victoria and South Australia. The recent rise in dwelling investment reflects strong approvals in late 2017 and early 2018 which are now flowing through to commencements. The number of dwellings under construction in Australia reached a record high in early 2018, at about 225,000 new dwellings. Solid rates of population growth are helping to support aggregate growth in household and government consumption as well as housing. On a per capita basis, GDP grew by just 0.5% q/q and 1.8% p.a.

In contrast, private business investment detracted from growth in Q2, falling by 0.7% q/q but remaining 9.9% higher over the year. A decrease in spending on engineering construction projects (-0.8% q/q) and machinery and equipment (-1.7% q/q) dragged private business investment down in Q2, partially offset by increases on spending on new buildings (+1.0%) and intellectual property assets (+2.7% q/q). Most positively for future productivity and innovation, intellectual property investment by Australian business is rising again after falling between 2012 and 2016. Net exports (exports minus imports) made a small contribution to GDP (smaller than in other recent quarters and years) as exports rose faster than imports in Q2.

Output growth spreads across all non-farm industries in first half of 2018

On the production (real output) side of the National Accounts, industry output¹ grew in 17 of the 19 major industries in the quarter and in 18 of the 19 major industries over the year to June. In Q2, industry output fell in manufacturing (-1.5% q/q), unwinding some but not all the strong growth in Q1, and in wholesale trade (-0.2% q/q). Over the year to June, the only industry in which real output contracted was agriculture, which fell by 8.8% p.a. despite a small rise in the June quarter (driven by stronger export volumes and high slaughter rates as farmers destocked in response to the drought).

Stripping out these contractionary effects from the drought-affected agricultural sector, output from the non-farm economy grew by 3.7% p.a. Across the non-farm industries, construction output rose by a very strong 1.9% q/q and 5.5% p.a. because of new buildings and roads construction, as well as strong investment in public infrastructure. In healthcare and social assistance (Australia's largest employing industry), output rose by 1.3% q/q and 7.2% p.a. reflecting new hospitals opening across a number of states and the roll-out of the NDIS. Professional services and public administration also grew strongly in

Q2, reflecting the growth in state and Commonwealth Government spending that was apparent on the expenditure side of the National Accounts (see above). Finance and insurance (including superannuation) has been Australia's single largest sector since 2014. It added a further \$39.0bn in Q2, up 2.7% p.a. Construction added \$33.5bn and healthcare added \$32.6bn in real value-added output.

Manufacturing output and sales recovery in first half of 2018

In the manufacturing sector, output fell by 1.5% q/q in Q2 2018, partially unwinding a very strong quarter of growth in Q1 (+2.3% q/q). Over the year to Q2, manufacturing output grew by 1.9% p.a. to \$25.5bn. It now accounts for 5.8% of total industry output. This recovery over the past year has taken manufacturing output volumes back to the same level as in 2014 (just under \$26bn in real terms), but it remains well below the all-time peak of \$30bn prior to the GFC in 2008.

Both the ABS value-added output data and the Ai Group Australian PMI® confirm that this recent recovery in manufacturing output has been especially strong in the food and beverages sector, which now accounts for 28.0% of manufacturing output volumes. Food and beverages output grew by 7.9% p.a. in Q2 2018. This sector is benefiting from excellent export growth (supported by the lower dollar and growing appetites in key Asian markets) as well as solid sales within Australia.

In other manufacturing sectors, weaker growth rates were evident for real output volumes in chemicals, metals and machinery and equipment over the year to Q2 2018. These sectors have been more directly affected by the end of automotive assembly in Australia during 2017 and by rising energy costs. They are now focussed on other types of transport, engineering equipment, advanced manufacturing and specialist equipment, all of which are growing.

This nascent recovery in manufacturing was also evident in the ABS' industry sales data (in the ABS Business Indicators publication released this week), which showed that manufacturing nominal sales grew by 0.7% q/q and 6.2% p.a. in Q2 2018. Most positively, this represented a real sales volume increase over the year and not just a price rise. In inflationadjusted terms, manufacturing sale volumes were down by 1.6% q/q in Q2 but are up by 1.7% over the year. This included slightly weaker real sales growth in Q1 but resulted in four consecutive quarters of annual real sales growth, for the first time since the GFC.

National incomes rises in Q2 2018

In per capita terms, real net national disposable income (RNNDI, the ABS' preferred measure of national living standards) increased by 0.3% q/q to be up 3.7% p.a. over the year to Q2.

At a national aggregate level, Australian income is heavily exposed to the terms of trade. Before the mining boom, RNNDI per capita closely followed real GDP per capita but since the start of the mining boom this relationship has broken down.

RNNDI per capita is now closely linked to the terms of trade – that is, the prices Australia receives for its exports relative to the prices Australia pays for its imports. This relationship tends to make movements in RNNDI more volatile. Although the terms of trade fell in Q2 (-1.3% q/q), it is still up 2.1% over the year, mainly reflecting stronger export earnings in Q1 2018 (+3.5% q/q).

Looking at the distribution of national income in Q2, aggregate incomes growth was distributed reasonably evenly across the various 'sources' of nominal income in the National Accounts (table 1). In nominal terms, national aggregate compensation of employees (that is, total wages and salaries paid to all employees) increased by 0.7% q/q and 4.8% p.a., consistent with strong employment growth over the preceding year. On a per capita basis however, average compensation per employee was up by just 0.1% q/q for all employees in Q2, reflecting relatively weak wages growth over this period.

Wages as a share of total factor income fell slightly to 52.2% in Q2, but it remains higher than the recent low of 51.9% in Q1 2017 (which was associated with a spike in mining industry profits due to resurgent commodity prices).

Nominal profits for private non-financial corporations (private sector corporations that are not in the financial sector), lifted 0.7% q/q and 9.7% p.a. in Q2. As a share of total factor income however, nominal profits for private non-financial corporations fell slightly to 20.1% in Q2 from 20.2% in Q1, reflecting the larger growth in other types of income. Growth in nominal profits is extremely volatile from quarter to quarter, largely due to big swings in commodity prices and exports that affect nominal gross profits in

mining. Improvements in nominal profits were evident in most but not all non-mining industries included in these data.

Gross operating surplus (pre-tax gross profits) for financial corporations (including banks, insurance and all superannuation funds) rose by 1.4% q/q and 6.2% p.a. in Q2, accounting for 6.6% of total factor income in Q2 2018. The share of nominal national income derived from this category has been rising over a very long period, in line with industry and demographic changes (and particularly the growth of superannuation funds and our ageing population).

More detail on the timing and source of company profits is provided by the ABS Business Indicators publication. Based on a subset of the industries covered in the National Accounts, these data indicated that total nominal company profits for this group of industries rose by 2.0% q/q and 11.4% p.a. in Q2 2018 (nominal and seasonally adjusted).

As has been the case in many quarters over recent years, the bulk of this increase in nominal profits in Q2 occurred in the mining sector, which saw its profits rise by 4.4% q/q and 21.9% p.a. This increase in mining profits accounted for 80% of the increase in company profits in Q2 and 64% of the increase in company profits over the year to Q2.

Nominal aggregate profits in the non-mining sectors grew by a far more modest 1.5% q/q and 5.1% p.a. in Q2. Results across the non-mining sectors were mixed, with nominal profits falling in information media and telecommunications, finance and insurance services, professional services and other services over the year.

Recovery was evident in the manufacturing sector with nominal profits increasing by 1.8% q/q and 8.3% p.a., to \$8.0bn. Even in nominal terms however, aggregate manufacturing profits are still well below the high point reached just before the GFC in June 2008, of \$10.1bn.

Broad-based growth across the states

State final demand (SFD, the state equivalent of national 'domestic final demand' or total expenditure net of exports) increased in all states and territories except the NT in Q2, both in quarterly and annual terms. Over the year, growth ranged from a low of -8.2 % p.a. in the NT to a high of 5.8% p.a. in the ACT. The NT was negatively affected by a 12.7% q/q decrease in private investment in Q2, which was down by 35% p.a. Private investment in the resource-based states can be especially volatile due to the timing and nature of large 'lumpy' mining and related projects.

Across the states in Q2:

- NSW SFD grew by 0.3% q/q and 3.5%p.a., with growth in household consumption partially offset by a fall in government consumption and government and business investment.
- Victoria's SFD grew by 1.2% q/q and 5.2% p.a. in Q2. All components of demand were up in Q2, with government investment rising by a very strong 5.9% q/q, as large public transport infrastructure projects continue to contribute to growth.
- Queensland's SFD growth slowed to 0.1% q/q and 3.4% p.a. in Q2 from 1.0% q/q in Q1. Household consumption contributed to growth, but public capital investment fell, while government consumption was flat.
- SA fell rose by 1.3% q/q in Q2 due to the private sector. Household consumption rose 0.4% q/q while private sector investment jumped 9.4% q/q driven by a strong increase in nondwelling construction. Government investment and consumption partially offset the rise from the private sector.
- WA rose 0.2% q/q in Q1, following a 1.2% q/q fall in Q1. The rise in Q2 was driven mainly by government consumption and public investment.
- Tasmania's growth slowed to 0.6% q/q after rising 2.0% q/q in Q1. Household consumption and government consumption drove growth in Q2 and was partially offset by falls in government and private investment.

WEBSITES

1. FROM ANZ BANK

[Tap and whoah](#)

Payments systems are the plumbing of the economy, a maze of pipes, reservoirs, taps and drains. We asked ANZ's own Super Mario to explain it all.

Jemma Wight | Production Editor, bluenotes

[The 25 million person problem](#)

Australia's population just hit a number it wasn't supposed to for another quarter of a century. That is good for economic growth, good for vitality. But how will the housing market cope?

Daniel Gradwell | Senior Economist, ANZ

[A hazy shade of winter](#)

Australia's economic momentum eased in the cooler months, according to the ANZ Stateometer report.

Cherelle Murphy & Jack Chambers | Senior Economist & Market Economist, ANZ

[Two decades of growth in Vietnam](#)

Vietnam has experienced a prolonged period of growth – and the signs are positive for the coming years, says ANZ economist.

Khoon Goh | Head of Asia Research, ANZ

[A more sustainable business: Elliott](#)

ANZ CEO explains environmental, social and governance goals; notes growth in gender diversity at leadership level but calls status quo “nowhere near good enough”.

Andrew Cornell | Managing Editor, bluenotes

[Emerging Asia, a region of relative stability](#)

Two decades ago emerging Asia paid the price for too much foreign debt. As Donald Trump's trade war roils globalisation, emerging Asia shows lessons learned.

Andrew Cornell | Managing Editor, bluenotes

[A digital dividend for SMEs](#)

Businesses which use digital tools and data effectively benefit from around 10 hours in productivity per week, ANZ research finds.

Guy Mendelson | GM Small Business Banking, ANZ

[The green finance Bledisloe](#)

Forget the game they play in heaven, who's got the heaviest pack when it comes to sustainable infrastructure investment?

Sharon Klyne | Contributor, bluenotes

2. FROM CBA

Manufacturing growth remains relatively soft in August.

Australia's goods-producing economy continued to expand in August, but the pace of improvement was weak by historical standards. Although growth rates for both output and new orders quickened, they were softer than their respective long-run averages. Employment similarly rose at a relatively slow pace. Weakness in the domestic currency contributed to marked export growth, but also pushed up prices for imported materials.

<https://www.commbank.com.au/content/dam/commbank/assets/corporate/research/pmi/pmi-manufacturing-sep-2018.pdf>

Services

Activity growth eases further in August to hit new low.

Growth momentum in the Australian service sector continued to abate in August, with the rate of business activity expansion slowing for a third straight month. The weak rise in activity was reflected by a slowdown in new order growth, which eased to a survey low. Nonetheless, firms recruited extra staff, albeit at the softest pace in seven months. Higher wage bills contributed to strong input price inflation, motivating firms to raise selling prices.

<https://www.commbank.com.au/content/dam/commbank/assets/corporate/research/pmi/pmi-services-sept-2018.pdf>

3. FROM NAB

29 Aug 2018

[State Economic Handbook: August 2018](#)

by [NAB Group Economics](#)

Our expectation for the Australian economy is that GDP will increase by just under 3.0% in 2018 and 2019.

30 Aug 2018

[NAB Customer Spending Behaviours: Q2 2018](#)

by [NAB Group Economics](#)

Total NAB customer spending grew 5.6% y/y in Q2 2018, down from 6.8% in the previous quarter and 3.9% in the same quarter a year ago. It grew faster in metropolitan (6.5%) than regional (5.1%) areas.

31 Aug 2018

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

by [NAB Group Economics](#)

Online sales growth on par with June, faster over the year

31 Aug 2018

[Australian GDP Preview: Q2 2018](#)

by [NAB Group Economics](#)

Reasonable growth.

3 Sep 2018

[US Economic Update – September 2018](#)

by [NAB Group Economics](#)

US economy still strong, but trade concerns won't go away.

6 Sep 2018

[Australian Economic Update: Q2 GDP 2018](#)

by [NAB Group Economics](#)

Another decent outcome.

11 Sep 2018

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

by [NAB Group Economics](#)

The business conditions index rose by 2pts to +15 index points in August, recovering some of the ground lost in recent months. Business confidence fell 3pts to +4 index points and is now below average.

4. FROM BUSINESS COUNCIL OF AUSTRALIA

TPP-11 can boost growth if political leaders act

New modelling shows why the parliament must double down and fast track legislation implementing the TPP-11 to lock in higher incomes and lift living standards, Business Council chief executive Jennifer Westacott said today.

<http://www.bca.com.au/media/tpp-11-can-boost-growth-if-political-leaders-act>

5. FROM ROSS GITTINS

MONDAY, AUGUST 27, 2018

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

Oh dear. While the polities 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 >>](#)

SATURDAY, SEPTEMBER 1, 2018

[Inequality not as great as claimed, worse than others admit](#)

This week the Productivity Commission issued a “stocktake of the evidence” on inequality in Australia. Its findings will surprise you. But it wasn’t as even-handed as it should have been. Its report forcefully dispels the myths of the Left – that inequality is great and rapidly worsening – but is much more sotto voce in telling the Right there’s still a problem and that the reason it’s not as bad as some think is that governments...

[Read more >>](#)

SATURDAY, SEPTEMBER 8, 2018

[A beautiful set of numbers gets you only so far](#)

This week’s national accounts don’t leave any doubt that the economy grew strongly in the first half of this year. But whether it can sustain that growth rate is doubtful. According to figures issued by the Australian Bureau of Statistics, real gross domestic product grew by 0.9 per cent in the June quarter and an upwardly revised 1.1 per cent in the March quarter, yielding growth of 3.4 per cent over the year to June. For...

[Read more >>](#)

MONDAY, SEPTEMBER 10, 2018

[The social sciences: so essential we neglect them](#)

As I’m sure you’re only too well aware, today is the first day of the inaugural Social Sciences Week. Just as I’m sure you knew that someone somewhere in America declared a day last week to be Read a Book Day. Why do people name days, weeks, months and even whole years after worthy causes? Perhaps because there are so many worthy causes, and they’re hoping to gain theirs a little more attention amid the tumult. We just want...

[Read more >>](#)

6. FROM AMP ECONOMICS

Five things you need to know about the Australian economy

Economy and markets|Author Shane Oliver

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