

Welcome to QETA Newsletter 20 2018.

QETA 2018 CALENDAR OF EVENTS

No further events are scheduled for 2018

QETA NEWS

1. 2019 CALENDAR OF EVENTS

The 2019 Calendar of events is not yet finalized. On the QETA website there are some preliminary dates for the RBA Seminars and the University Student Days. When the Calendar is finalized, it will be sent to all members via email.

2. QETA AGM

The QETA AGM was held on 17th October. The usual President's Report and Audited Financial report were presented to the meeting, and both were adopted. These will be included in the first Econopak for 2019.

The following were elected to the Management Committee:

President	Tim Merrett	St. Patrick's College Shorncliffe
Secretary/Treasurer	Douglas Cave	QETA Life member
Committee member	Christine Dowd	QCAA
	Greg Dabelstein	Brisbane Grammar School
	Tim Fulton	Brisbane Grammar School
	Mary Helbig	Rivermount College
	Kim Hodges	Cleveland District State High School
	Elizabeth Walsh	Marist College Ashgrove

Anthony Florido and Tony De Luca stood down from the Committee and we thank them both for their contributions to QETA over the last 8-10 year period. Their contributions helped to make QETA a successful Association.

3. 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!

If you want to pay in advance for your 2019 Membership, please email info@qeta.com.au and we will ensure that an invoice is sent to you promptly!

RESOURCES

1. FROM DFAT

New market opportunities driving Australian business optimism

According to the results of the latest Australian International Business Survey released last week, 45 per cent of businesses surveyed expected to move into at least four new international markets, 66 per cent expected to have a better financial outlook, and 75 per cent planned to employ more staff in the next two years. Minister for Trade, Tourism and Investment Simon Birmingham said the results reflected greater

certainty and positive reactions to the more open trading environment. Out of the top 20 countries where businesses were looking to expand, Australia has in force, or is negotiating, a bilateral or multilateral free trade agreement with 18 of them, including six within the TPP-11.

[Media Release](#)

Release of the IMF's October 2018 World Economic Outlook

The latest World Economic Outlook report published this week projects global growth will remain steady over 2018 and 2019, at last year's rate of 3.7 percent. Although this growth would exceed that achieved each year between 2012 and 2016, these figures represent a downgrade since the last report in April 2018, from a forecast of 3.9 per cent in both 2018 and 2019. Growth projections for Australia are stronger for 2018 (revised up by 0.2 percentage points to 3.2 per cent), but slightly weaker in 2019 (revised down by 0.3 percentage points to 2.8 per cent) in part due to the effects of trade tensions. World trade volume growth is also forecast to weaken to 4.2 per cent in 2018 and 4.0 per cent in 2019, down 0.6 and 0.5 percentage points respectively.

[IMF](#)

Mining industry forecast to earn Australia a record quarter-trillion dollars in exports

Australia's mining industry is set to deliver a record \$250 billion in exports this year, according to forecasts in the September 2018 'Resources and Energy Quarterly' compiled by the Department of Industry, Innovation and Science. Announcing the findings last week, Minister for Resources and Northern Australia Matt Canavan said the results highlight the hard work of Australian exporters in supplying the growing Asian market and provide evidence that the mining production boom is far from over.

[DIIS](#)

Assistant Minister's speech to Fiji Business Forum

Assistant Minister for Trade, Tourism and Investment Mark Coulton attended the 24th annual Fiji-Australia Business Forum gathering of senior business and government representatives to discuss new and emerging trade and investment opportunities last week. The Minister underscored Australia's support for a more resilient Pacific through enhanced cooperation and greater economic integration, and conveyed Australia's wish that Fiji join the development-focused free trade agreement 'PACER Plus'. Photo shows Trade Minister Koya sharing a light moment with Minister Coulton. Credit: Mark Tamsitt, DFAT

[Media Release](#) [Speech](#)

International Trade in Goods and Services, Australia, August 2018

In seasonally adjusted terms, the balance of Australia's exports and imports was a surplus of \$1.6 billion in August 2018, an increase of \$56 million on the surplus in July, according to figures released by the Australian Bureau of Statistics last week. Exports of 'other' mineral fuels reached \$4.5 billion, representing a 70 per cent increase over August 2017. LNG exports contributed strongly to this growth.

[ABS](#)

Australia's internationally-active businesses well-positioned for an integrated ASEAN

In this blog, Austrade's Divya Skene analyses the results of the Australian International Business Survey 2018 and Australia's trade with ASEAN. She highlights that nearly a third of respondents reported at least one country in the ASEAN region as among their top two sources of revenue, making the Southeast Asian bloc more important as a revenue-generator than the United States and China.

[Austrade](#)

WTO high-level panel calls for integration of fragile states into the global economy

At a working session on 'trade for peace' at the WTO's Public Forum 2018 last week, panelists stressed the need for fragile states to be integrated into the global economy so they can reap the benefits of trade. Discussion moderator WTO Deputy Director General Alan Wolff noted the WTO's two newest members were Liberia, which was suffering the consequences of war and disease, and Afghanistan.

[WTO](#)

On the cover – Dami Im

The Australian Music Industry has experienced its strongest growth since 1996 with the uptake of streaming music services. ARIA (Australian Recording Industry Association) reported a 10.5 per cent increase in the value of the Australian recorded music industry to \$391 million in its annual wholesale figures for 2017.

<https://dfat.gov.au/about-us/publications/trade-investment/business-envoy/Pages/october-2018/on-the-cover-dami-im.aspx>

[Korea and Australia - time to join forces for the Fourth Industrial Revolution by Amanda Hodges, Senior Trade and Investment Commissioner, Korea](#)

As Korea transitions its economy, Australia is well positioned to play a complementary role and move from a traditional supplier of raw materials and commodities, to a partner in innovation, services excellence and technological advancement.

[Australia in the Republic of Korea](#)

In 2017 Korea was Australia's 3rd largest merchandise export destination and Australia was Korea's 6th largest.

[Korea-Australia Free Trade Agreement update](#)

The Korea-Australia Free Trade Agreement is delivering real benefits for Australian businesses and consumers following its entry into force on 12 December 2014.

2. FROM THE ABS

5372.0.55.001 **International Merchandise Trade: Confidential Commodities List**, Sep 2018

<http://www.abs.gov.au/ausstats/abs@.nsf/mf/5372.0.55.001?OpenDocument>

5609.0 **Housing Finance**, Australia, August 2018

<http://www.abs.gov.au/ausstats/abs@.nsf/mf/5609.0?OpenDocument>

5671.0 **Lending Finance**, Australia, August 2018

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

6202.0 **Labour Force**, Australia, September 2018

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

3. FROM THE IMF

[How Global Trade Can Promote Growth for All](#)

[Regional Economic Outlook: Asia Pacific](#)

[Keeping Asia at the Forefront Amid Growing Risks](#)

[New Economic Landscape, New Multilateralism](#)

[Transcript of October 2018 Asia and Pacific Department Press Briefing](#)

Opening Remarks—Christine Lagarde, IMF Managing Director

How Global Trade Can Promote Growth for All

IMF-World Bank Annual Meetings Seminar, Bali, October 10, 2018

Director-General Azevedo, President Kim, Secretary-General Gurría, Ladies and Gentlemen: it is a pleasure for me to welcome you, on behalf of the IMF, to our joint conference on global trade.

Let me start by quoting Adam Smith, who once said: "*Commerce, which ought naturally to be among nations, as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity.*"

These lines from *The Wealth of Nations* could have been written today—for they remind us that building a better trade system has never been an easy task.

Today's generation of policymakers will be measured by their ability to help create a lasting bond of union and friendship, a trade system that works for *all*. How? I see **three priorities**:

First—we need to work together to de-escalate the current trade disputes and enter into a constructive discussion. Here I am hopeful because there is an appetite to improve and expand trade. Think of the flurry of welcome discussions and proposals to strengthen the WTO. [1] Or think of all the *new* trade deals, such as TPP-11 and the African agreement, and the progress made on the U.S.-Mexico-Canada deal. So, let us use that momentum to turn tension into *rapprochement*.

Second—we need to join hands to fix and modernize the global trade system, not destroy it .

This means looking at the distortionary effects of state subsidies, improving the enforcement of intellectual property rights, and taking steps to ensure effective competition—to avoid the excesses of market-dominant positions.

It also means unlocking the full potential of e-commerce and other tradeable services. In all these areas, we could use more flexible negotiating approaches within the WTO, including “plurilateral” agreements among subsets of the WTO membership that are ready to move ahead in certain areas.

Third—we need to implement domestic policies to ensure that global trade is more effective in delivering for people—all people.

We know that trade has helped transform our world—by boosting productivity, spreading new technologies, and making products more affordable.

Here in Asia, for example, trade has been instrumental in creating the world’s largest middle-classes. And around the globe, economic integration has boosted per capita incomes while creating millions of new jobs with higher wages.

And yet, we also know that *some* workers, and *some* communities, are heavily affected by the human cost of disruption—whether from technology, or trade, or a combination of both.

That is why we need *more effective* domestic policies, including scaled-up investment in training and social safety nets—so that workers can upgrade their skills, transition to higher-quality jobs, and earn more.

We can all do *more*—but we cannot do it alone. The IMF is supporting its members through analysis and policy advice.

This includes our most recent World Economic Outlook and a new study [2] on trade jointly produced by the IMF, WTO, and World Bank. It also includes our annual assessments of individual economies where we often advise on country-specific aspects of trade regimes.

And of course, we always provide a platform for sharing best practices and fresh ideas.

Today’s conference is a great example of how we can share ideas and work together to build a better global trade system. This is how we can help create lasting bonds of union and friendship among individuals and nations.

[Transcript of the Press Conference of the October 2018 Global Financial Stability Report](#)

4. FROM WORLD BANK

[Natural disasters cause significant financial risk and hit economic growth hard](#)

Can investing in risk financing to build resilience to disasters, protect lives and economies?

[Rapid Advances in financial technology are transforming the economic and financial landscape](#)

Fintech can support growth and poverty reduction but may also pose risk to financial stability and integrity, consumer and investor protection. Join us to learn why.

[Building Human Capital is a project for the world](#)

How can investing in children fuel their generation’s prosperity and that of the global economy?

[Press Release](#) | [Human Capital Project](#) | [Financial Times: Special Report](#)

What is the World Bank's Human Capital Index?

https://www.worldbank.org/en/publication/human-capital?cid=ECR_E_newsletterweekly_EN_EXT_HumanCapital&deliveryName=DM5748#Viz

[Investing in People: The Time Is Now](#)

At the close of the 2018 Annual Meetings, the Development Committee stressed on the critical importance of building human capital. To help countries make more effective investments in people, the World Bank Group launched a new Human Capital Index at the Meetings, as part of a broader global Human Capital Project that supports long-term, measurable progress toward better outcomes in education, health, nutrition, and social protection.

[Replay: Human Capital Summit](#) | [Human Capital Project](#) | [Watch: Invest in Me](#) | [#InvestInPeople](#)

[Human Capital Summit](#)

The third annual Human Capital Summit opened with a high-level conversation between Prime Minister Lee Hsien Loong of Singapore and Jim Yong Kim, President of the World Bank Group, on the changing nature of work and the resulting need to prioritize investments in people; the importance of shifting the focus away from supply toward outcomes and demand; and why every country in the index has work to do. Their conversation is followed by remarks from global influencers and government leaders, each with a story and strong case for investing in the world’s people—and doing so with urgency. [Watch Replay>>](#)

[Investing in health, investing in people](#)

The World Bank and Global Financing Facility (GFF) co-hosted a special event featuring youth, global development leaders, and representatives from GFF countries for a discussion on how investments in the health and nutrition of women, children and adolescents can save lives today and build human capital for the future. World Bank CEO Kristalina Georgieva kicked off the event by highlighting the urgency of investing in the health and nutrition of women and children, and how the GFF works to save lives. Norway's Minister of International Development, Nikolai Astrup, made the case for further investment in the GFF. [Watch Replay>>](#)

[Famine: 'Never again!'](#)

The World Bank and United Nations, joined by leaders from countries affected by chronic food insecurity, discussed plans for a new global partnership to help eradicate famine. [Watch Replay>>](#)

[How can we go above and beyond to end poverty?](#)

With nearly half the world living on less than \$5.50 a day, a new World Bank report introduces new tools to help countries better identify the poor and implement policies to improve living standards.

[Press Release](#) | [Website](#) | [Report](#) | [Blog](#) | [Video](#) | [Infographic](#) | [Take the Quiz](#)

5. FROM THE RBA

A speech delivered by **Merylin Coombs, at the Kimberley Economic Forum in Broome**, is available on the Reserve Bank website.

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

The Reserve Bank of Australia has released the following Research Discussion Paper:

* RDP 2018-11, '**Consumer Credit Card Choice: Costs, Benefits and Behavioural Biases**', by Mary-Alice Doyle

<https://www.rba.gov.au/publications/rdp/2018/2018-11.html>

A speech delivered by **Luci Ellis, to the Melbourne Institute Outlook** Conference in Melbourne, is available on the Reserve Bank website.

<https://www.rba.gov.au/speeches/2018/sp-ag-2018-10-11.html>

The Reserve Bank of Australia has released the October 2018 issue of the *Financial Stability Review*.

<https://www.rba.gov.au/publications/fsr/2018/oct/>

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

<https://www.rba.gov.au/monetary-policy/rba-board-minutes/2018/2018-10-02.html>

A speech delivered by **Guy Debelle, at the 2018 Citi Conference** in Sydney, is available on the Reserve Bank website.

<https://www.rba.gov.au/speeches/2018/sp-dg-2018-10-17.html>

Remarks delivered by **Guy Debelle, at the Walkley Business Journalism Award** in Sydney, are available on the Reserve Bank website.

<https://www.rba.gov.au/speeches/2018/sp-dg-2018-10-22.html>

6. FROM TUTOR2U

GDP vs Migration - "Chart Match Up" Activity

The countries displayed on this chart showing the relationship between GDP per head and Migration have been mixed up. Simply drag and drop to match the country with its correct position on the chart.\

<https://www.tutor2u.net/economics/reference/gdp-vs-migration-chart-match-up-activity>

Development Policies - Removing Government Subsidies

In many developing countries, a sizeable number of producers especially in farming and energy received subsidies or some other form of government financial support such as a guaranteed minimum price.

<https://www.tutor2u.net/economics/reference/development-policies-removing-government-subsidies>

Preparing for the next recession

The Economist speculates that whilst we're ten years away from the last recession, we shouldn't be complacent and we might be on the brink of another recession, perhaps triggered by emerging markets or Italy.

However, unlike the last recession, it's suggested that we might be less able to combat any slowdown, in part because of the political circumstances that make co-operation harder, but also because of low global monetary policy interest rates that give central banks less room to manoeuvre.

<https://www.tutor2u.net/economics/blog/preparing-for-the-next-recession>

Out of the frying pan and into the ship

[This story reveals the power of technology](#): new restrictions on sulphur dioxide emissions have forced global shipping to look for solutions to make their fuel less polluting. The solution? A biofuel made out of chip fat. I kid you not. Although quite what chips cooked in shipping fuel are going to taste like is another matter. The article reminds us that bio-fuels have two key challenges to overcome, namely sustainability and availability.

World Bank launches new human capital index

The World Bank has launched a new developmental index designed to measure the extent to which economies invest in health and education, so as to make the most of their human capital. It is hoped that this will shame certain countries into improving their provision in these sectors.

<https://www.tutor2u.net/economics/blog/world-bank-launches-new-human-capital-index>

How to Fuel the Future

This fantastic Economist clip looks at the state of the global energy sector, highlighting the importance of oil and the challenges facing the global economy in this regard.

<https://www.tutor2u.net/economics/blog/how-to-fuel-the-future>

7. FROM AUSTRALIAN TREASURY

Chinese Investment and Australia Forum

The Secretary to the Treasury Mr Philip Gaetjens today addressed the Chinese Investment and Australia Forum in Sydney, New South Wales.

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

Treasury Annual Report 2017-18

The Treasury Annual Report 2017-18 outlines performance against outcomes, program and performance information contained in the *Portfolio Budget Statements 2017-18*, *Portfolio Additional Estimates Statements 2017-18* and *Corporate Plan 2017-18*.

[Read more](#)

8. FROM THE ECONOMIST

As financial markets take fright, [our cover this week looks at the next recession](#). Last year growth was accelerating around the world. Today, America alone is booming. As interest rates diverge, emerging markets will find it harder to service dollar debts—which could blow back to the rich world. Although a re-run of the crisis of 2008 is unlikely, many economies are ill-prepared to deal with even a mild recession. Central banks do not have much room to cut interest rates and politicians may balk at unconventional monetary policy, deficit spending or co-ordinated international action. The time to prepare is now

9. FROM FOUNDATION FOR ECONOMICS EDUCATION

[NEW Words & Numbers: Why Do We Even Have Trade Agreements, Anyway?](#)

feat. Antony Davies & James R. Harrigan

When it comes to free trade agreements, ideally they should be very short. Four words would suffice: "Trade will be free."

[JOIN ANTONY AND JAMES AS THEY WEIGH IN ON TRADE AGREEMENTS AND MORE ON THIS WEEK'S EPISODE OF WORDS AND NUMBERS!](#)

[Venezuela's Inflation Rate Projected to Hit 10,000,000% in 2019](#)

by Sabrina Martín

Venezuela, the country with the lowest wages in the region and an unprecedented humanitarian crisis, has broken the record for the highest inflation in the Americas, to such an extent that by 2019 hyperinflation will reach the astounding figure of 10,000,000%. This is due, according to the Venezuelan economist José Toro Hardy, to "aberrant public policies" full of state controls.

[INFLATION IN VENEZUELA IS PROJECTED TO REACH 10,000,000% NEXT YEAR, AS THE ECONOMY COLLAPSES AND THE GOVERNMENT GROWS INCREASINGLY AUTHORITARIAN.](#)

[Multinational competition increases productivity](#)

Economic theory says the arrival of foreign competition should encourage domestic firms to increase innovation, but many researchers have failed to find evidence of productivity gains after the arrival of foreign firms. Cathy Ge Bao of Beijing's University of International Business and Economics and Maggie Xiaoyang Chen of George Washington University say researchers may have the timing wrong. Using information from news outlets, television, and social media in 200 countries, they find that [local firms respond to announcements about future multinational competition by boosting investment and becoming more innovative](#). In contrast, the actual arrival of competition has no effect on firm productivity or wages. Their analysis suggests news about multinational competition accounts for 5 percent of firm productivity growth between 2001 and 2007.

[UN Climate Change Report: A Choice between "Mad Max and Hunger Games"](#)

by Jon Miltimore

The report's glum findings were announced at a press conference by a United Nations panel in Incheon, South Korea. Panelists tried to sound optimistic, but there was no sugar-coating the report's key finding. [HUMANITY, WE'RE ESSENTIALLY TOLD, IS DOOMED LEST PEOPLE CONCEDE THEIR FREEDOM TO THE EXPERTS, LAWMAKERS, AND BUREAUCRATS WHO CAN SAVE US.](#)

10. FROM OXFAM

What more should supermarkets do to respect workers' rights in their supply chain?

Rachel Wilshaw

10/10/18

Recently Oxfam has been calling on supermarkets to end the human suffering in their supply chains for the Behind the Barcodes campaign. Here Rachel Wilshaw goes into more detail on ...

[Read More](#)

Why is Oxfam campaigning against Aldi?

16/10/18

When Oxfam scored major supermarkets according to their public policies and practices that prevent human suffering, Aldi came bottom. This World Food Day, as part of our #BehindtheBarcodes campaign, Rachel ...

[Read More](#)

[What more should supermarkets do to respect workers' rights in their supply chain?](#)

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[Read More](#)

[Some governments are stepping up on inequality](#)

Max Lawson

09/10/18

11. FROM AUSTRALIAN TREASURY

Australia's experience with economic reform

This paper discusses the factors and circumstances that influenced the course of the Australian economy over the past 40 years. It will discuss challenges Australia faced and events that motivated reform emphasising aspects unique to Australia as a commodity exporting country, geographically remote with a relatively small population.

[Read more](#)

12. FROM PRODUCTIVITY COMMISSION

The following publication has been released – 15 October 2018.

Productivity Commission Annual Report 2017-18

[View the Report](#)

The Annual Report 2017-18 forms part of the Commission's annual report series.

13. FROM THE ECONOMIST

Our cover this week looks at [the growing rivalry between China and America](#). For the past 25 years America has believed that economic integration would make China not just wealthier but also more liberal, pluralistic and democratic. Today, however, America has come to see China as a strategic rival—a malevolent actor and a rule-breaker. President Donald Trump is right to think that a strong America needs to challenge China’s behaviour. But to avoid a vicious cycle of belligerence he also needs to honour America’s values and work with its allies

In praise of the basics

Captain Sensible

Large economic gains can come from mundane policy improvements

<https://www.economist.com/leaders/2018/10/18/large-economic-gains-can-come-from-mundane-improvements-in-policy?cid1=cust/ednew/n/bl/n/2018/10/18n/owned/n/n/nwl/n/n/ap/159594/n>

14. FROM AUSTRALIAN INDUSTRY GROUP

17 October 2018

Australia's competitiveness improves marginally in 2018

[Find out more >](#)

15. FROM TED TALKS

What if we could [agree] that the richest 10 percent could not allow themselves to amass more than 40 percent, maximum, of national incomes -- a drastic redistribution of wealth, reforming the ability of equity across regions?"

[Johan Rockström](#)

[5 transformational policies for a prosperous and sustainable world](#)

16. FROM AUSTRALIAN INDUSTRY GROUP

12 October 2018

AUSTRALIAN ECONOMIC DEVELOPMENTS

This week the IMF downgraded its outlook for the global economy amid escalating trade tensions and growing financial strains in emerging economies. The IMF is now forecasting that global growth will plateau at 3.7% p.a. in 2019, down from its forecast of 3.9% p.a. for 2019 published in April. The IMF noted that over the past six months, protectionist rhetoric has increasingly turned into action and that higher trade barriers will “disrupt global supply chains and slow the spread of new technologies, ultimately lowering global productivity and welfare”.

For Australia, the IMF expects recently introduced trade measures to have a negative effect on economic growth in 2019. As a result, it downgraded its expectations for Australian GDP growth in 2019 to 2.8% p.a., from 2.9% p.a. previously (and significantly slower than GDP growth of 3.4% p.a. achieved in 2017-18).

Inside Australia, robust business conditions remained evident across most (but not quite all) industries in September, according to Ai Group’s Australian PMI®, PSI® and PCI® and NAB’s Business Survey. The NAB Business Survey (released this week) suggests business conditions remain above their long-run average but have deteriorated since the start of 2018.

In contrast, confidence amongst both businesses and consumers remain around their long-run average. The Westpac-MI Index of Consumer Sentiment rose by 1.0% m/m to 101.5 points in early October, indicating a slightly improving mood among Australian consumers (results over 100 points indicate ‘net optimism’ in this survey). This rise partially offset falls in August and September, following the change of Prime Minister and mortgage rate increases by some banks.

ABS building activity data show the number of new dwellings being built in Australia fell to 228,000 in the June quarter (Q2) 2018, down from a record high in the March quarter (Q1) 2018. Almost three quarters of new dwellings were being built in Victoria and New South Wales.

Looking ahead, the Bureau of Meteorology (BoM) had more bad news this week for rain dependent businesses in New South Wales and Queensland with the BoM declaring an "El Niño Alert" for 2018-19. This means the chances of an El Niño event forming during spring is now almost three times more likely than usual (at 70%). An El Niño event is typically associated with lower rainfall in Eastern Australia and higher day-time temperatures in Southern Australia.

IMF downgrades Australian and global outlook due to trade tensions

In its latest half-yearly outlook, the IMF downgraded its forecasts for Australian GDP growth to 2.8% p.a. in 2019 (previously 2.9% p.a.) but upgraded its forecast for 2018 to 3.2% p.a. (previously 3.0% p.a.). The upgrade in 2018 is largely because of stronger than expected GDP growth in the first half of 2018 (3.4% p.a. to June 2018) while the downgrade to expectations for 2019 partially reflects the negative effect of recently introduced global trade measures.

The IMF expects the steady global economic expansion evident since mid-2016 to continue in 2018 and 2019, but at a slower pace than previously forecast. The US is still growing strongly, supported by fiscal expansion, but other advanced economies are showing signs of slowing. The IMF expects the US economy to grow by 2.9% in 2018 - its fastest pace since 2005 - before slowing to 2.5% in 2019 as the benefits of recent tax cuts wear off and trade tensions with China start to bite. The IMF has marked down its growth projections for the euro area and the UK, following weaker than expected growth in early 2018. China may slow to 6.2% p.a. in 2019 (previously 6.4% p.a.), which would be the country's slowest growth since 1990.

Key risks to this outlook include: escalating trade tensions and the fragmentation of multilateral rules-based trade systems (based around the WTO); financial instability from tightening financial conditions (such as the US Federal Reserve lifting interest rates); and slow implementation of institutional reforms. Separate to these risks, the IMF notes that advanced economies are unlikely to regain their pre-GFC per capita growth rates because of ageing populations, lower labour force participation and slower productivity growth. In response, the IMF recommends that advanced economies rebuild their fiscal buffers and enact structural reforms to boost productivity, labour force participation and labour flexibility. Infrastructure investment, as well as reduced barriers to entry in services markets, could also help to boost growth in the medium term.

This latest IMF Outlook also simulated the economic impacts of tariffs that have recently been imposed between the United States and several of its trading partners as well as some trade measures that have been announced or considered, but not yet imposed. It considered five scenarios. Based on these, the IMF estimates that US tariffs on foreign cars and auto parts could disrupt established business supply chains around the world. Once market reactions are factored in, a trade dispute based on this scenario could cut global growth by nearly 0.8% by 2020. The impact of the tariffs that have been imposed to date (dark blue line) is small with the United States and China bearing the brunt of the costs.

These tariff actions to date have weakened the outlook for global trade. The IMF expects global trade to grow by 4.2% in 2018 (down from 4.8% it expected in July), slowing to 4.0% in 2019. In line with an improving global economy in 2017, global trade volumes increased by 5.2% in 2017, accelerating sharply from 2.3% p.a. in 2016. In response, the IMF recommends the finalisation of pluri-lateral agreements such as the eleven-country Comprehensive and Progressive Agreement for Trans-Pacific Partnership (the TPP-11) as a useful platform to more open trade and growth.

Business conditions past peak but remain high in September

NAB's monthly survey of business conditions edged up to +15 points in September from +14 points in August, signalling very positive conditions for Australian business (results above zero indicate positive conditions in this survey). Similar to recent results for Ai Group's Australian PMI®, PSI® and PCI® (released last week), NAB business conditions have eased from record highs in early 2018 but still remain above their long-term average in September. The NAB business survey showed a strong increase in the employment sub-index, which rose 3 points to +12 points in September. This is consistent with strong jobs growth in 2018, with over 20,000 jobs added per month and further declines in the unemployment rate. NAB's forward orders index eased slightly in September, profitability was unchanged and trading conditions edged lower.

Across industries, mining showed the strongest conditions and confidence in September. Retail was the only sector to record negative conditions in September. Conditions improved in recreation & personal services, manufacturing and wholesale trade. Across the states, conditions remain highest in Tasmania, Victoria and Queensland and weakest in South Australia. More positively, business conditions are now above average again in Western Australia, sustaining the improvements in business conditions experienced in late 2017.

In contrast to these elevated indicators of conditions, the NAB business confidence index was back around long-term average of +6 points in September. More dramatically, the ANZ-Property Council Survey (December quarter) shows that sentiment in Australia's property sector has fallen to its lowest level in two years. The decline in property industry sentiment was evident across all states and territories, although NSW and Victoria were weakest. This is consistent with recent results in the Ai Group-HIA Australian PCI® which have shown contracting conditions in both the apartment and house building sub-sectors in recent months, in line with lower approvals and sales.

Residential building activity at a record high in Q1 and Q2 2018

Building approvals, sales and now sentiment have already passed their peak, but actual building activity tends to lag behind these indicators by many months (due to lengthy planning and construction times). The ABS estimates the number of new residential dwellings under construction during Q2 of 2018 across Australia eased slightly to 227,000 new homes, from the record high in Q1 2018 (unadjusted data, Chart 3). This consisted of 70,000 'new houses' and 157,000 'new other residential buildings' (mostly units and flats). Almost three quarters of new apartments were being built in either Victoria and New South Wales; 50,085 new apartments in Victoria and 66,511 apartments in New South Wales.

Looking at non-residential as well as residential building activity, the volume of all building work done in Q2 across Australia fell slightly to \$29.3bn in Q2 2018 (-0.2% q/q) but remained 4.4% higher than a year earlier. The volume of non-residential building activity fell in Q2, but this was partially offset by a rise in residential building activity. The volume of residential construction lifted in Q2, while non-residential construction fell by 3.1% q/q, to be up 4.9% over the year (seasonally adjusted and inflation adjusted). In addition to this building activity, engineering construction work done in Q2 rose by 2.2% q/q to \$24.2bn (seasonally adjusted and inflation adjusted). This took the total volume of all construction work done in Q2 (residential and non-residential building plus engineering construction) to \$53.5bn, down 0.1% p.a..

Looking ahead, the ABS estimates that the total value of building work (excluding engineering construction) in the pipeline stood at \$96.2 billion at the Q2 2018, up 10.7% p.a. but down from a record \$98.5 billion in Q1 2018 (in nominal dollar values). This includes work yet to be completed on the 228,000 new homes being built across Australia and non-residential work yet to be completed (totalling \$74.3 billion, plus work that is planned but has not yet commenced - \$21.9 billion, +3.9% p.a.). Although somewhat dated (Q2 2018) and in nominal values rather than inflation-adjusted volumes, these data confirm the forward pipeline of building activity shrank in Q2 2018 but remains large across residential and non-residential sectors. As outlined in our Economics Weekly 28 September 2018, the pipeline of future work in engineering construction grew in Q2 to \$64.4 billion, with future work growing across key project areas including transport infrastructure, railways and utilities.

This is consistent with results in the Ai Group-HIA Australian PCI® which has shown a divergence amongst the sub-sectors in recent months. As of September, the residential sub-sectors (housing and apartments) in the Australian PCI® are reporting contracting conditions, the commercial subsector (equivalent to the non-residential building data from the ABS) is reporting stable conditions, while the engineering sub-sector is reporting record high conditions.

El Niño alert declared by Bureau of Meteorology

This week the Bureau of Meteorology (BoM) declared an "El Niño Alert" meaning the chances of an El Niño event forming during Spring is now at 70%. El Niño events occur on average every three to five years which puts the risk in any given year at around 20-25%. So at around 70%, the current probability is roughly three times the normal risk.

An El Niño event is typically associated with lower rainfall in eastern Australia and higher day-time temperatures across southern Australia. It can last anywhere from 6 months to 2 years. This does not bode well for the end of drought in NSW and Queensland. NSW has just recorded its fifth-driest July on record. About 99% of the state – which accounts for a quarter of Australia's agricultural output by value – is now officially in drought.

To date, stock feed and transport costs have already risen. The number of cattle and sheep slaughtered in August were up 10.6% and 46.1% respectively, from the same time last year. Food and beverage manufacturers are already reporting disrupted supply and higher prices for a range of agricultural inputs, while manufacturers operating in the metals and machinery & equipment sub-sectors who sell into the agricultural sector or its supply chain are reporting reduced sales.

The BoM reports there have been 27 El Niño events since 1900, with 18 of them bringing drought to many areas. Seven of Australia's 10 driest years on record were during El Niño events. Unusually, the last El Niño event in 2015-16 brought wetter than normal conditions to some drought-affected parts of NSW, but the 2002 El Niño event was dryer than normal for an extended period across most of Australia.

19 October 2018

AUSTRALIAN ECONOMIC DEVELOPMENTS This week the ABS estimated that Australia's unemployment rate fell to 5.0% in September, the lowest since 2012. This month the unemployment rate dropped mainly because of declines in labour force participation (those who are working or actively looking for work) from recent record peaks, rather than stronger employment growth; total employment increased by 5,600 people in September while the labour force shrank by 31,600 people. Looking beyond the volatile monthly figures, employment growth has averaged 20,000 per month in 2018 to date. Although weaker than in 2017 (34,400 per month), this is still relatively strong by historical standards (e.g. the longrun average of 13,600 per month). NSW and Victoria have the tightest labour markets amongst the states, with strong employment growth and unemployment at or near decade lows.

This improvement understates the remaining spare capacity in the labour market however, due to high rates of part-time work (over 31%), low average work hours per person (down to 32.1 hours per week) and relatively high underemployment (8.3% of the labour force are workers who would like to work more hours). Looking ahead, RBA Deputy Governor Guy Debelle said "the near-term indicators suggest demand for labour remains above average and the expected growth in the economy over the next few years should gradually reduce the spare capacity in the labour market." He expects this in turn will see wages growth strengthen gradually from here.

The latest data on arrivals and departures from Australia confirm that relatively large migration flows continue to support Australia's economic growth in 2018. In the year to September 2018, a record high of 821,660 people arrived in Australia for permanent or long-term (over 12 months) stays. Almost 70% of these permanent and long-term arrivals were visitors, including international tertiary students and working holidaymakers (backpackers). About 17% were Australians returning from overseas stays of more than 12 months and 14% were permanent settler arrivals.

In the global context, the competitiveness of Australia's business environment improved marginally in 2018, with Australia ranked the 14th best business location, according to the annual World Economic Forum (WEF) Global Competitiveness Report released this week. Australia ranked inside the top 10 in three of the 12 WEF 'pillars' of performance: macroeconomic stability, health and product markets. Australia shared top spot with 31 other countries for macroeconomic stability and obtained a near perfect score for health. Australia also obtained a high score for the breadth and depth of our financial system. Australia's weakest performance was against the WEF 'pillars' for the labour market and innovation capability. You can read the Australian WEF findings ([here](#)) and the full WEF Global Competitiveness Report ([here](#))

Unemployment rate falls to its lowest since 2012, but spare capacity remains

The national unemployment rate fell from 5.3% in August to 5.0% in September 2018 - its lowest level since April 2012 (seasonally adjusted). Total employment rose by 5,600 people, consisting of an additional 20,300 full-time employed persons, offset by 14,700 fewer part-time employed persons (those working 35 hours or less per week). The relatively large 0.3 percentage point drop in the unemployment in September was mainly due to a fall in the number of people in the labour force however, since the participation rate fell by 0.2 percentage points to 65.4% of the adult population (a relatively large fall in just one month).

These monthly labour market data are volatile and subject to revision. For these reasons, the ABS recommends the "trend estimates are considered the best indicators of the underlying behaviour in the labour market" ¹. In trend terms, the national unemployment rate remained steady at 5.2% in September 2018 and the August rate was revised down from 5.3% to 5.2%. Trend employment increased by 26,400 in September, with part-time employment increasing by 4,900 and full-time employment increasing by 21,500. So far in 2018, total employment has increased by 200,500 with full-time employment accounting for over two-thirds of that growth. This has led to a slight reduction in the part-time share of employment to 31.6% in September 2018, from a record high of 32.0% in November 2016.

Reflecting a rise in employment, aggregate hours worked across the economy has continued to grow in 2018. Headcount employment is growing more rapidly than aggregate hours worked however (2.4% p.a. vs 1.8% p.a.), and so the average hours worked per person continues to fall; average hours worked per

employed person fell to a record low of 32.1 hours per week in 2018 (or 138.9 hours per month, trend), which is two hours less per week than 20 years ago.

The underemployment rate (that is, the proportion of the labour force who are working but able to work more hours) is now moving lower but remains relatively elevated by historical standards (chart 3). It has declined by 0.2 percentage points from September 2017 to 8.3% in September 2018 (trend). The underutilisation rate, (unemployment plus underemployment), fell to 13.5% in September 2018. This indicates a greater degree of 'spare capacity' in the labour market than is evident from the unemployment rate alone, which continues to weigh on wage growth.

Across the states, employment increased in all states and territories in the year to September 2018. Employment growth was fastest in NSW (3.4% p.a.), Victoria (2.6% p.a.) and Queensland (1.6% p.a.). The unemployment rate is now at their lowest level in just over a decade in NSW at 4.5% and the unemployment rate in Victoria to its lowest level since November 2008 at 4.7%. Unemployment rates held steady in Queensland (6.1%), South Australia (5.6%), Western Australia (6.1%) and Tasmania (5.9%).

Australian net migration continues to support growth in 2018

The latest data on arrivals and departures from Australia (released this week by the ABS) indicate that Australia's relatively large migration flows continue to grow in the year to September 2018, a record high of 821,660 people arrived in Australia for permanent or long-term (over 12 months) stays. Almost 70% of long-term arrivals are from long-term (non-resident) visitors such as international tertiary students and working holiday makers (backpackers). 17% are Australians returning after being overseas for more than 12 months and 14% are permanent settler arrivals.

The number of Australian residents returning from long-term stays has been slowly growing, as our resident population increases. The number of permanent settler arrivals peaked in February 2009, following the GFC and at the height of the mining boom. However, the number of permanent settler arrivals is now around its lowest levels since August 2004. The number of long-term visitors (for stays of longer than 12 months) rose to a record high in the year to August 2018, with the great majority arriving as international tertiary students.

At the same time, a record high 538,220 Australian residents and long-term visitors left Australia permanently or for long-term stays (longer than 12 months), giving a 'net migration' estimate of 283,440 for the 12 months to August 2018, down from the recent peaks in in 2013 and 2009.

In addition to 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 August 2018, a record high of 9,138,600 short-term visitors arrived and a record high of 11,227,200 Australian residents returned from overseas stays of less than 12 months. This gives a 'net balance' of around two million short-term absences over any 12 months.

Among the visitor arrivals, the majority come for holidays or to visit friends and family (about 80%). The number of short-term visitors for friends and family, for business, education and conferences have all jumped in recent years. The number of short-term visitors arriving for holidays has held steady since 2017 at about 4.3 million per year, after rising in 2015 and 2016. The number of short-term visitors arriving for employment has dropped sharply since mid-2017.

WEBSITES

1. FROM ANZ BANK

[And the sky is grey](#)

The outlook for the housing market remains gloomy – and Sydney and Melbourne are still the dominant weather patterns.

Joanne Masters | Senior Economist, ANZ

[Also a worry](#)

Investment in Australian housing construction is likely to come under more pressure - with projects slated for the mid to long term a concern.

Daniel Gradwell and Joanne Masters | Senior Economists, ANZ

[Housing: supply, demand & affordability](#)

Two experts chat about the changing nature of housing affordability and the trends driving the shift.
Graham Hodges & Caryn Kakas | Former Deputy CEO & Housing Tribe Lead, ANZ

[Are we 10 years from true equality?](#)

Research into the economic progress of Australian women suggests equality could be achieved within a decade.

Jo Masters & Bianca Hartge-Hazelman | Senior Economist, ANZ & Founder, Financy Women's Index

[Trade wars: collateral agri damage](#)

Disruption to global trade flows as a result of escalating US- China tensions will not be good for agribusiness.

Tony Walker | Author & Former Editor

[The bottom has fallen out of housing confidence](#)

Sentiment in the residential property segment has fallen to the lowest level since 2012.

Daniel Gradwell | Senior Economist, ANZ

[Treasury's shifting sands](#)

The shift from operational treasury to strategic treasury is virtually complete.

Farhan Faruqi | Group Executive International, ANZ

2. FROM NAB

9 Oct 2018

[NAB Quarterly Australian Residential Property Survey Q3 2018](#)

by [NAB Group Economics](#)

The NAB Residential Property Index fell sharply for the second straight quarter in Q3 2018, down 15 to a 7-year low -9 points, and its first negative read since mid-2012.

9 Oct 2018

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

by [NAB Group Economics](#)

Business conditions seem to have stabilised at high levels in recent months following some sharp falls earlier and the dip in confidence last month appears to have been temporary.

10 Oct 2018

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

by [NAB Group Economics](#)

A strong first half and continuing near term momentum but slowing into the medium term.

11 Oct 2018

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

by [NAB Group Economics](#)

Solid headline growth masks divergent trends.

12 Oct 2018

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

by [NAB Group Economics](#)

The Australian housing market continued to weaken over the month, with national dwelling values falling 0.5% in September, marking twelve months of consistently falling values across CoreLogic's national hedonic home value index.

12 Oct 2018

[NAB's world on two pages: October 2018](#)

by [NAB Group Economics](#)

The bigger picture – a global and Australian economic perspective.

15 Oct 2018

[Minerals & Energy Outlook: October 2018](#)

by [NAB Group Economics](#)

In US dollar terms, the NAB non-rural commodity price index rose marginally in Q3 2018 – increasing by 0.4% qoq. The strong upturn in the first quarter of this year contributed to a much more significant increase in year-on-year terms – up by 8.2%.

15 Oct 2018

[NAB Consumer Insight Report: How and Why We Use Cash Today](#)

by [NAB Group Economics](#)

The lure of cash remains, even as younger Australians embrace cashless payments.

17 Oct 2018

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

by [NAB Group Economics](#)

The NAB Cashless Retail Sales Index gained 0.2% in September on a month-on-month basis, its weakest result since April this year. Five out of six major categories grew in the month; while other retailing contracted

18 Oct 2018

[NAB Quarterly Business Survey: Quarter 3 2018](#)

by [NAB Group Economics](#)

The business conditions index decreased 2pts to +13 in 2018 Q3, but remains well above its long-run average. Business confidence also fell, declining 4pts to +3 index points, a little below its historical average.

22 Oct 2018

[NAB Quarterly Australian Commercial Property Survey Q3 2018](#)

by [NAB Group Economics](#)

Overall sentiment in commercial property markets (measured by the NAB Commercial Property Index) fell 9 points to a 2-year low +8 in Q3, but is still well above long-term average levels (+3).

3. FROM BUSINESS COUNCIL OF AUSTRALIA

Speech to the 2018 Outlook Summit

11 October 2018

I wanted to reflect on why reform is so hard and then move to some risks, realities, and a focus on some propositions and priorities.

<http://www.bca.com.au/media/speech-to-the-2018-outlook-summit>

So what's fair in work and pay?

This opinion article by Business Council chief economist Adam Boyton was published in the Australian Financial Review on 18 October 2018.

Australians have a strong concept of fairness. It shapes much of our dialogue, from sport to policy. Few things cut to fairness in an economy as quickly as the labour market. Do people have jobs? Is pay fair?

<http://www.bca.com.au/media/so-whats-fair-in-work-and-pay>

4. FROM ROSS GITTINS

SATURDAY, OCTOBER 13, 2018

[Sorry, small business has no special sauce for jobs](#)

Scott Morrison is surely on a winner with his decision to step up pursuit of jobs and growth by bringing forward the time when small and medium businesses have their company tax rate cut to 25 per cent. Certainly, it's likely to be a popular decision, not just with the owners of the more than 3 million businesses who'll be paying a bit less tax, but also with a lot of ordinary voters. After all, as everyone knows, small business...

[Read more >>](#)

MONDAY, OCTOBER 15, 2018

[Not sure what the economy's up to? Nor are the experts](#)

There are times when the rich world's macro-economists think they've got everything figured, and times when they know they haven't. The latter is where we are now, with the entire profession scratching its head and wondering what's causing the economy to behave as it is. The last time economists thought they had it tabbed was between the mid-1980s and the mid-2000s. The world economy was growing so smoothly they decided we'd...

[Read more >>](#)

5. FROM AMP ECONOMICS

Boom turns to bust – falling Australian home prices

Economy and markets|Author Shane Oliver

19 October 2018

Key points

- Property prices in Sydney and Melbourne are likely to see top to bottom falls of around 20% as credit conditions tighten, supply rises and a negative feedback loop from falling prices risks developing.
- Other cities will perform better having not seen the boom of the last few years.
- Property investors should remain wary of Sydney and Melbourne for now & focus on higher yielding markets.

<https://corporate.amp.com.au/newsroom/2018/october/oliver-s-insights-falling-australian-home-prices-boom-to-bust>

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

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