

# Ai GROUP ECONOMICS WEEKLY

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## Week in Review: 10 – 14 October 2011

- The **ANZ Job Advertisements Index** declined by a seasonally adjusted 2.1% in September 2011 to be just 3.1% above the level of a year ago, the slowest pace of growth since February 2010. Online job advertisements decreased by 2.2% in September. While this was 4.0% higher than a year ago, the number of internet job advertisements is now 6.2% lower than the recent peak in March this year. Newspaper advertisements remained steady in September and are now 12.8% lower than a year ago, in part reflecting the continuing move to internet advertising.
- The **National Australia Bank Monthly Business Survey** showed that business conditions improved in September, after edging down over the previous two months. The improvement in conditions during the month reflected broad-based increases in trading conditions, profitability and employment. The overall business conditions index increased by 5.0 points to +2.0 index points. The survey also revealed a recovery in business confidence in September (up by 7.0 points to -2.0 index points), although this reading was well below the long term average (+6 points) for the series. Despite the overall improvement in business conditions, forward orders (which give an indication of future demand for goods and services) remained subdued at negative 4.0 index points in September, and capital expenditure was lower, falling by 4.0 points to +1.0 index points led by weaker investment in transport & utilities and construction.
- ABS **Housing Finance** data showed that finance for occupied housing rose by a seasonally adjusted 1.2% in August 2011, the fifth consecutive monthly increase. This resulted in an annual increase of 6.2%. Growth in August was driven by a 6.0% rise in finance commitments for the purchase of new dwellings. It also partly reflected home loan re-financing which rose by 1.7% in August. Excluding re-financing, growth in finance for owner occupied housing was slower at 1.0% in the month to be just 0.1% higher over the year. The breakdown of the data for August also showed that finance for the construction of new dwellings (a lead indicator of dwelling approvals) was still subdued, rising by 0.8% in the month to be 0.7% down over the year.
- The **Westpac-Melbourne Institute Consumer Sentiment Index** remained relatively weak in October, rising only slightly by 0.4% to 97.2. At this level, it is 16.9% lower than a year ago and 6.8% below the average for the first half of 2011. The “time to buy” sub-indexes both declined with views on “time to buy a dwelling” down by 10.4% and on “time to buy a vehicle” by 1.6%. All other components of the Index showed modest gains with the sub-indexes measuring the “outlook for economic conditions over the next 12 months” up by 0.9%; the “outlook for the economy over the next five years” up by 4.1%; “the state of family finances relative to a year ago” up by 2.3%; and “the state of family finances over the next 12 months” up by 3.0%. Most of these responses are likely to have benefitted from the improved outlook for interest rates.
- ABS **Labour Force** data revealed that national employment increased by 20,400 (0.2%) to 11,451,200 (seasonally adjusted) in September. The increase in employment was driven by a rise in full-time employment (up 10,800 people to 8,044,200) and a rise in part-time employment (up 9,600 people to 3,407,100). The annual growth rate in employment reached 1.1% in September, a level not seen since November 2009. The rise in employment saw Australia’s unemployment rate fall slightly from 5.3% in August to 5.2%.

## How this affects you

Recent economic developments continue to highlight a noticeable geographical split to Australia's economic growth. Job advertisements, for instance, are rising solidly in Western Australia and the Northern Territory, while the declining trend is moderating in Queensland (together the states with the greatest exposure to mining). In contrast, advertising is continuing to slow in New South Wales and Victoria. Similarly, job gains in September were strongest in Western Australia and Queensland (the largest mining states), rising by 7,300 and 3,400 respectively. The latest National Australia Bank Monthly Business Survey provided further evidence of this state divide. The survey found that despite conditions improving across all states in September, Western Australia is the only state experiencing strong conditions with the business conditions index (trend) in the west registering +13 points. New South Wales recorded a slightly positive read (+1.0 points) while Victoria, the other major non-mining state, experienced a significant weakening in business conditions with an index reading of -9 in September. Trend confidence levels were also strongest in WA and Queensland and weakest in Tasmania and South Australia. By industry, the divide in conditions also persists. The findings from the NAB survey indicate that the gap between the (currently) strongest performing sectors (mining, transport & utilities, recreation & personal services and finance/business/property services) and the weakest performing sectors (retail, manufacturing, construction and wholesale) has become increasingly pronounced since late 2009. Overall, last week's data confirmed that business confidence and trading conditions outside of mining remain subdued. The Reserve Bank Board next meets on the 1<sup>st</sup> November. These developments, together with volatility in financial markets and uncertainty about the global outlook will weigh on the RBA's decision making on interest rates.

## Latest data

<b>Official cash rate</b>	<b>4.75 per cent -</b>
<b>AUD/USD exchange rate</b>	<b>\$1.0342 ▲</b>
<b>Oil price</b>	<b>USD 86.92 per bbl ▲</b>
<b>Annual growth in GDP</b>	<b>1.4 per cent -</b>
<b>Unemployment rate (%)</b>	<b>5.2 per cent -</b>
<b>Annual growth in headline CPI</b>	<b>3.3 per cent -</b>
<b>Copper price</b>	<b>AUD 7,252.46 ▲</b>
<b>Australian PMI (September)</b>	<b>42.3 -</b>
<b>Australian PSI (September)</b>	<b>50.3 -</b>
<b>Australian PCI (September)</b>	<b>30.0 -</b>

## Week in Preview: 17 – 21 October 2011

- On Monday, the ABS will release **Sales of New Motor Vehicles** data for September 2011 in each state/territory sourced from the Federal Chamber of Automotive Industries.
- **Lending Finance** data for August 2011 will also be released by the ABS on Monday. This will provide statistics on finance commitments for secured housing finance for owner occupation, other personal finance, commercial finance and lease finance.
- The minutes of the **Reserve Bank of Australia Monetary Policy Briefing**, October 2011, Tuesday 11.30 am.
- The **Department of Education, Employment and Workplace Relations Vacancy Report** assessing skilled job vacancies in September 2011 will be released on Wednesday.
- On Wednesday, the ABS will release its latest **International Merchandise Imports** data for September 2011.
- Also on Wednesday, the ABS will release data on the value of non-residential **Building Activity** for the June quarter 2011, including detailed estimates of work done, commencements and work yet to be done.
- Speech by **RBA, Assistant Governor, Guy Debelle** (Financial Markets), to the 24th Annual Finance & Treasury Association Congress, Sofitel Wentworth, Sydney, Wednesday, 8.45 am.
- The **Westpac – Melbourne Institute Leading Index** for August 2011 (which indicates the likely pace of economic activity three to nine months into the future) will also be released on Wednesday.
- Speech by **RBA Assistant Governor, Malcolm Edey**, (Financial System), to the ISDA Annual Australia Conference, InterContinental Hotel, Sydney, Thursday, 9.30 am.
- On Friday, the ABS will release its **International Trade Price Indexes** publication for September 2011.