

## GENERAL ECONOMIC CONDITIONS

### Current Key Indicators:

#### 1. Economic Growth

The Australian economy grew by 1.6 percent in the September quarter and an annual increase of 2.6 percent (seasonally adjusted). This represents an increase of 1.5 percentage points from the previous quarter.

The increase in GDP has been driven by growth in both household expenditure and private capital investment.

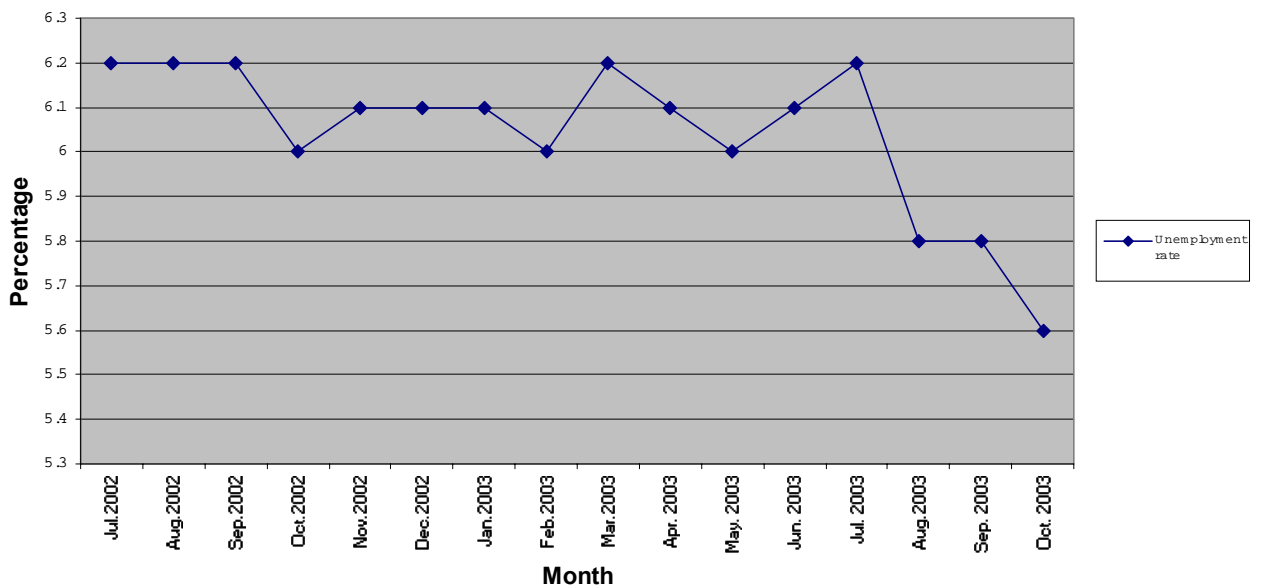
Australia has now enjoyed 48 consecutive quarters (12 years) of economic growth. The last recorded quarter of negative growth was in September 1991 and since that time the economy has grown at an average rate of 0.9 percent per quarter or 3.7 percent annually.

#### 2. Labour Force

The October unemployment rate fell from 5.8 percent to 5.6 percent. This represents an increase of 69,100 new jobs for the month. This corresponds to an increase of 19,900 new full-time jobs and 49,300 new part-time jobs.

Not only did the unemployment rate decrease but the participation rate increased to 63.8 percent for the month. This represents an increase of 0.3 percentage point increase for the month. Therefore, there are enough jobs in the market to absorb the increase in people actively seeking work.

### Unemployment rate



Source: ABS Cat 6202.0

### 3. Inflation

The Consumer Price Index (CPI) recorded 0.6 percent increase in price levels during the September quarter 2003 and increased 2.6 percent over the past twelve months (September 2002 to September 2003). This is well within the Reserve Bank of Australia's (RBA) target range of 2.0 to 3.0 percent.

|                      |               |            |           |                |
|----------------------|---------------|------------|-----------|----------------|
| Consumer Price Index | December 2002 | March 2003 | June 2003 | September 2003 |
|----------------------|---------------|------------|-----------|----------------|

|  |     |     |     |     |
|--|-----|-----|-----|-----|
| % Change from previous Quarter                       | 0.7 | 1.3 | 0.0 | 0.6 |
| % Change from Corresponding Quarter of Previous Year | 3.0 | 3.4 | 2.7 | 2.6 |

Source: ABS Cat. 1350.0

#### 4. Wages<sup>1</sup>

##### AVERAGE WEEKLY EARNINGS<sup>2</sup>

Average Weekly Earnings (AWE) for full time adults grew by 1.2 percent during the August quarter which equates to an annual increase of 6.0 percent.

The Average Weekly Ordinary Time Earnings (AWOTE) increased by 0.6 percent for the August quarter which represents an increase of 5.7 percent for the year to August 2003.

Employee Earnings for all employees grew by 1.3 percent for the quarter and 5.4 percent increase over the past twelve months.

##### WAGE COST INDEX<sup>3</sup>

The Wage Cost Index (WCI) of total hourly rates of pay excluding bonuses for All Sectors increased by 1.0 percent for the September quarter 2003, and an annual increase of 3.7 percent.

Wage costs for the Private Sector increased by 0.8 percent and for the Public Sector there was a 1.4 percent increase for the September quarter 2003, this equates to an annual increase of 3.2 percent and 4.7 percent respectively<sup>4</sup>.

##### TRENDS IN FEDERAL ENTERPRISE BARGAINING

For new wage agreements registered in the June quarter 2003 the average annualised wage increases (AAWI) per employee for All Sectors rose by 4.4 percent. This represented a 0.9 percentage point increase over the previous quarter. The AAWI increased by 4.0 percent for the Private Sector and 4.6 percent for the Public Sector. For non union (Section 170LK) the AAWI rose by 3.3 percent and for union certified wage agreements (Section 170LJ) the AAWI rose by 4.5 percent.

#### 5. Interest Rates

<sup>1</sup> All figures are in Seasonally Adjusted terms

<sup>2</sup> When using the AWE and AWOTE figures one needs to be mindful of the effects of compositional changes. These figures are derived by dividing the estimates of weekly total earnings by estimates of employees. Therefore, changes in the averages may be affected not only by changes in the level of earnings of employees, also by the changes in the overall composition of the wage and salary earner segment of the labour force (see explanatory notes in ABS, Average Weekly Earnings, Cat. No. 6302.0 and appendix A in ACTU Written Submission, Minimum Wage Case 2003 for further details).

<sup>3</sup> The WCI provides a measure of change in the price of employee labour. It measures quarterly changes in the average wage and salary cost of a representative mix of employee jobs in the Australian labour market, unaffected by changes in quality and quantity of work performed. (ABS, Labour Statistics: Concepts, Sources and Methods, 2001, Cat. No. 6102.0).

<sup>4</sup> The September quarter is the first time trend and seasonally adjusted figures have been available as headline figures in the WCI publication.

The RBA increased official interest rates in November by 25 basis points to 5.00 percent; this was the first rate move since June 2002. Official interest rates were increased again in December by a further 25 basis points to 5.25 percent.

## **6. Company Profits**

Company profits before income tax rose by 4.6 percent in the September quarter. Property and business services recorded the biggest increase in before income tax profits with a 452.3 percent increase over the previous quarter.

## **7. Labour Productivity**

GDP per hour worked measure recorded an increase of 1.3 percent for the September quarter 2003; this represents an increase of 1.2 percent for the year.

GDP per hour worked market sector increased by 2.0 percent for the September quarter which represents an annual increase of 2.0 percent to September 2003.