



## Australian Jobs

Welcome to the latest edition of my economic note. Last week saw more good news for Australian families on the jobs front, with Thursday's [labour force figures](#) showing that the unemployment rate fell by 0.2 per cent in January, from 5.5 per cent to 5.3 per cent. When you consider that unemployment is still around 10 per cent in the US and Europe, this is a great result for the country and a tribute to the resilience of Australian employers and employees who have really got behind the Government's stimulus measures. The number of employed persons rose by 52,700 in January, with an additional 36,900 Australians in part-time employment and 15,900 Australians in full-time employment. As I said in the Parliament last week, these are much more than just numbers – they mean that 52,700 more Australians could go home and tell their families they'd got a job in January.

Thursday's result means that Australia has created 180,700 additional jobs over the past year. This is a remarkable result given the global headwinds Australia has faced over this period and what's occurred elsewhere in the world. Since the start of the global recession, 6.8 million jobs have been lost in the US, more than 1 million jobs have been lost in Japan, almost half a million jobs have been lost in the UK, and 270,000 jobs have been lost in Canada.

While Australia has clearly outperformed other developed economies when it comes to jobs, it's important to keep in mind that 124,500 Australians have lost their job since the global financial crisis intensified in September 2008, and a total of 612,000 Australians are still unemployed. Many Australians are also working fewer hours than they'd like. Analysis by the Treasury shows that the fall in hours worked over the past 18 months is equivalent to the loss of around 260,000 full-time jobs. Speaking at Senate Estimates last week, the Secretary to the Treasury, Dr Ken Henry said that "if you wanted to translate our unemployment rate into what it would be if we had cyclically high average hours worked at the moment, you could probably add a couple of percentage points to it. That is, instead of talking about 5.3 per cent, you might be talking about a 7.3 per cent unemployment rate". What this shows is that despite Australia's economic successes, our economy is still operating below its capacity.

## Australian Data

Other data released last week confirmed that while we can be confident in Australia's economic recovery, we have no cause for complacency. The latest [Westpac – Melbourne Institute Survey of Consumer Sentiment](#) found consumer confidence fell by 2.6 per cent in February, but still remains 42.6 per cent higher than its level in October 2008, prior to the announcement of our first fiscal stimulus package. [Westpac Chief Economist Bill Evans](#) said that consumer sentiment "remains very high. It is still 2.9 per cent above the December 2009 reading; 3.2 per cent above the reading of six months ago and 15.2 per cent above its long-term average."

The ABS also put out [housing finance figures](#) last week which showed the value of housing finance commitments fell by 2.8 per cent in December, driven by a 5.5 per cent decrease in home loans to owner-occupiers. The number of commitments for the construction of new dwellings also fell in December, down 6.4 per cent, but still remain 58.4 per cent higher than a year ago. The Government's [First Home Owners Boost](#) was a standout success in boosting activity in the housing sector to very high levels during the global recession, so its phase-down from 1 October 2009 was bound to see a slight drop-off. TD Securities Economist Annette Beacher explained that "while this report appears weak, this decline in housing finance is merely the washing out of well-targeted extraordinary fiscal stimulus delivered at the right time. ... The effectiveness of past policy decisions means that a strong housing construction cycle is on the cards for this year, addressing long overdue supply concerns".

## Housing Supply and Affordability

On Tuesday I joined with the [Minister for Housing, Tanya Plibersek](#), to open a Housing Supply and Affordability Workshop in Canberra. The workshop brought together officials from all levels of government and experts from the housing and construction sectors. Tuesday's forum was all about drawing on the expertise of this

broad group of experts to grapple with the important issues of housing supply and affordability. This is a major issue that impacts all Australians. It goes to one of the very basic ingredients of the quality of life in our country – access to a decent and affordable roof over our heads, and like Tanya, I'm determined to get on with the tough job of tackling these issues.

## **Global Recovery**

Late Friday night we received news that Euro area GDP rose by just 0.1 per cent in the December quarter of 2009. Over the whole of 2009, the Euro area economy contracted by a record 4 per cent. Several Euro countries contracted during the last quarter, including Greece, Italy and Spain, while Germany's economy was at a standstill. These figures highlight the still fragile and uncertain nature of the recovery in major advanced economies.

Financial markets were also impacted last week by concerns around the sustainability of government finances in Greece and some of the other European countries. Reflecting this European stock markets have fallen by around 10 per cent in the past month. Government net debt in Greece is 86 per cent of GDP – more than 20 times higher than Australia's level of net debt.

Australia has outperformed virtually every advanced economy throughout the global recession, with stronger growth, lower debt and lower deficits than every major advanced economy. Just last week, former ANZ Chief Economist and now Director of the Grattan Institute, Saul Eslake said "the level of public debt which we've incurred as a result of the deficits we've run over the last couple of years is almost miniscule compared with the levels of public debt being confronted not only by countries like Greece and Portugal, but by major international economies such as Japan, the United States and the United Kingdom."

## **Climate Change**

At the end of Parliamentary sittings for 2009, the Government committed to re-introduce the legislation for our Carbon Pollution Reduction Scheme into the Parliament on the first sitting day of 2010. Greg Combet, the Minister Assisting the Minister for Climate Change, did just that on the Tuesday before last and that legislation was voted on and passed by the House of Representatives on Thursday.

The day before, the Minister for Climate Change and Water, Penny Wong addressed the National Press Club and reiterated the core principles underpinning our Carbon Pollution Reduction Scheme. First, it caps and reduces Australia's carbon pollution for the first time ever. Second, it tackles the root of the problem by making polluters pay for their carbon pollution. And third, it takes the money raised from the polluters and provides cash assistance to 8.1 million working families - \$660 a year on average.

Analysis by Bloomberg New Energy Finance, also released last week, confirmed that our Carbon Pollution Reduction Scheme – as a market-based mechanism – "force[s] participants to find the least-cost abatement option." It also "increases the pool of low-cost abatement options available to Australia by linking to the international market".

## **Coming Up**

After spending most of the last fortnight in Canberra for Parliamentary sittings, I'm looking forward to getting back on the road this week and visiting some great parts of the country. On Wednesday I'm travelling to Hobart to meet up with local MP Julie Collins and talk to locals about our agenda to boost productivity and strengthen our economy through nation-building infrastructure projects like the National Broadband Network, currently being rolled-out throughout Tasmania. Then on Thursday I'll join the PM and other senior Ministers in Ballarat for one of our regular Community Cabinets. I look forward to updating you on these events and the latest data outcomes in next week's note.

## **Wayne Swan**

Treasurer of Australia

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