



Global economy

The global economy is showing signs of stabilisation and is slowly pulling out of recession. Recovery is expected to be uneven and sluggish in the economies around the globe.

- After a disappointing first quarter 2009, the global economy is expected to have contracted by a much smaller amount in the June quarter. Global recovery is expected to be slow, reflecting subdued consumption demand in advanced economies and the effects of weakness in the global financial system.
- The International Monetary Fund (IMF) in its revised forecast expects the global economy to contract by 1.4% in 2009 (with notable differences among countries), a slight improvement over what was projected in April 2009. The global economic activity is forecast to expand by 2.5% in 2010, 0.6 percentage point higher than envisaged in the April 2009 IMF world economic outlook. The actual and forecast economic growth for selected countries is shown in **Table 1**.
- The gross domestic product (GDP) in advanced economies is forecast to contract by 3.8% in 2009 and grow by 0.6% in 2010. Emerging and developing economies are projected to grow by 1.5% in 2009 and by 4.7% in 2010.

Table 1: Economic growth and projections for selected countries

Selected countries	2007	2008	2009 projections	2010 projections
	%	%	%	%
World output	5.1	3.1	-1.4	2.5
Advanced economies	2.7	0.8	-3.8	0.6
Emerging and developing economies	8.3	6.0	1.5	4.7
Euro area	2.7	0.8	-4.8	-0.3
USA	2.0	1.1	-2.6	0.8
Japan	2.3	-0.7	-6.0	1.7
Germany	2.5	1.3	-6.2	-0.6
UK	2.6	0.7	-4.2	0.2
China	13.0	9.0	7.5	8.5
India	9.4	7.3	5.4	6.5
Brazil	5.7	5.1	-1.3	2.5

Source: World Economic Outlook Update July 09, IMF.

- The improving economic conditions relate to: increasing stability of the financial markets; improving business and consumer confidence; reduction in inventories and a rise in industrial production; aggressive fiscal and monetary policies including public guarantees; and some easing of the credit shortage. However, the situation in many countries remains vulnerable as businesses and households continue to repair their balance sheets and financial situation.
- International trade remains subdued, with the value of trade about 30% below its peak in mid 2008. A number of countries have recorded increased exports to China but not to advanced economies.
- As the economic growth is below its potential (i.e. rise in spare capacity) in countries across the world, it implies that continuing increases in unemployment will prevail at least until the end of 2010.
- The G-8 Leaders Summit in July 2009 (L'Aquila, Italy), while noting signs of economic stabilisation, reaffirmed the commitment to implementing the decisions made at the Washington and London Summits to support the global economy and repair the financial system.

Australian economy

Economic activity has been stronger than expected and the worst phase of the downturn may be behind us now. The economy however, is not out of woods yet.

- The gross domestic product (GDP), seasonally adjusted, grew by 0.4% in the March quarter 2009, against all expectations and after a fall of 0.6% in the December quarter of 2008.
- The better than expected economic growth was due to an increase in net exports and a rise in consumer spending. The stimulus packages seem to be instrumental in the increase in consumer spending. The exports benefited from demand from some of our key trading partners, particularly China, and from having a different export mix (more commodities than manufactures) which is less vulnerable to the global slump in consumption and consumer confidence.
- The latest Access Economics (June quarter 2009) estimate predicts economic growth in 2008-9 to be 0.8% and 0.4% in 2009-10, with stronger recovery from 2010-11 onwards.
- The Westpac-Melbourne Institute Leading Index (which indicates the likely pace of economic activity three to nine months into the future) revised data show that the Index was at its lowest (-6.1%) in February 2009 and has been steadily improving since. The index was -3.6% (annualised growth rate) in May 2009, compared to -4.1% (revised estimate) in April 2009. It remains uncertain when the Index will move back into positive territory.
- There has been a surge in consumer sentiment in the last two months and this has come without any significant boost from the traditional drivers of consumer confidence. The experts assume that the stimulus package, particularly the second stimulus package, and 'unexpected resilience of the employment figures' are other forces acting upon consumer confidence. Consumer sentiment (the Westpac Melbourne Institute Index of Consumer Sentiment) rose by 9.3% in July 2009 from 100.1 in June 2009 to 109.4 in July (consumers are optimistic if the index is greater than 100 and pessimistic if the index is less than 100).

The optimists now outnumber the pessimists. The Index has risen 23.2% over the last two months and now stands at its highest level since December 2007.

- Business confidence among small to medium enterprises has rebounded strongly in the May quarter 2009, according to data released by Sensis®. Business confidence was up 18 percentage points to 30%. This has been the largest increase since the inception of the quarterly Sensis® Business Index. Similarly the National Australia Bank's Monthly Business Survey shows further improvement in business confidence and business conditions in June 2009. The Commonwealth Bank-ACCI Business Expectations Survey also shows some improvement in business conditions in the June quarter 2009 and business conditions are expected to improve further over the next three months, while still remaining negative.
- The conditions in the credit markets have been gradually improving but were mixed for June 2009. Total credit provided to the private sector by financial intermediaries fell by 0.1% over May 2009. Over the year to May, total credit rose by 3.9%. Housing credit increased again in May and over the year to May it rose by 7.0%, largely due to growth in lending to owner-occupiers. Business credit fell by 0.7% in May but over the year to May 2009 it rose by 2.1%.
- The RBA at its Board meeting in the first week of August 2009 decided to leave the cash rate unchanged at a 49-year low of 3.0%. The Westpac Bank has increased its fixed interest rates and other banks may do the same.
- The unemployment rate, against all expectations, remained steady in July 2009 at 5.8%, the same level as in June 2009. The number of full-time jobs declined by 16,000 while 42,800 part-time positions were created, implying that employers are continuing to cut back on working hours rather than laying off workers. The number of hours worked declined by 0.4% in July 2009 and has fallen 2.9% since July last year. Employment fell by 0.3% (seasonally adjusted) in July 2009.
- ANZ job advertisements declined by 1.7% in July 2009, taking the annual fall to 51.9%. Newspaper job advertisements fell by 0.4% and internet job ads dropped by 1.8%. Overall, the job advertisements levels are showing some signs of stabilisation. Access Economics forecasts unemployment to peak at 7.5% in late 2010.
- Australia's construction sector remained weak and volatile during June 2009. The AIG-HIA Performance of Construction Index fell by 4.3 percentage points to 42.6, after a moderation in the pace of contraction over the past few months. The Index remains below the key 50-point level that separates expansion from contraction. There is, however, some recovery in housing construction.
- The National Tourism Forecasting Council (TFC) has released new national tourism forecasts that are substantially gloomier than those from December 2008, particularly for most of Australia's inbound markets. The forecasts are for a 4% decline in international visitors to Australia this year, which implies the worst calendar year performance since 1989 when inbound travel fell 7.5% due to the strike by Australian pilots. The TFC believes the full effect of the global economic recession is yet to be felt on Australia's inbound tourism segment. Domestic tourism is now forecast to record the worst year in its history, with the segment forecast this year 13% below the record level set in 2002. The latest overseas arrival information from the ABS shows overseas arrivals to Australia decreased by 5.1% (seasonally adjusted) in the month of June 2009.
- The Australian share markets are gradually trending up and have gained some ground in July 2009 (see graph in the appendix).

Northern Territory economy

Economic growth is forecast to moderate but the longer outlook is brighter.

- Access Economics in its latest forecast has revised up the Northern Territory's economic growth to 4.8% in 2008-09. The economic growth forecast for 2009-10 is 1.8%. The economy is expected to further moderate in 2010-11 and 2011-12 before surging up in 2012-13.
- Merchandise exports from the Northern Territory decreased by 8.1% in June 2009 compared with May 2009 and in year-on-year terms, the export of merchandise goods increased by 38.7% (original data). Merchandise imports however, increased by 91% in June 2009, and in year-on-year terms increased by 68.6%. In year-on-year terms the Territory's merchandise trade surplus decreased by 0.6%.
- In June 2009 Northern Territory retail sales declined by 2.8% compared to sales in the previous month. Comparing June 2009 with June 2008, retail sales, seasonally adjusted, increased by 9.7%. In year-on-year terms, retail sales increased by 13.5% in June 2009. Nationally retail sales declined by 1.4% in June 2009.
- New motor vehicle sales decreased 2.1% in June 2009 (seasonally adjusted), to 739 compared to sales in April. Nationally, car sales increased by 5.7%.
- Business confidence in the Territory is improving. The latest Sensis[®] Business Index data show that seven out of 10 businesses are confident about their business prospects in the coming year. The Sensis[®] data reported a rise of 5 percentage points during the May quarter 2009 to 48%, the highest level of confidence among small to medium enterprises of any state or territory. The three key reasons for increased confidence were: global financial crisis hasn't hit our area (13%); positive conditions in local area (9%); and plenty of work coming up (9%). The overall small to medium enterprise business confidence was higher in Darwin (60%) than other areas of the Territory (33%). Prime areas of concern for small business were cash flow, a lack of work/sales, finding/keeping staff, and economic climate.
- Construction work done in the March quarter 2009 decreased by 19.8% to \$722 million (seasonally adjusted) compared to the December quarter 2008 (completion of Bonaparte gas pipeline in December 2008). However, on an annual basis the total construction work increased by 46.4%. In the year to March 2009, total construction work done increased by 52.8% to \$2.9 billion (original terms). In the March quarter 2009, engineering, residential and non-residential construction declined (seasonally adjusted). The roll-out of the second stimulus package has commenced and will support construction activities.
- Labour market remains steady:
 - Unemployment rate in June 2009 was 4.2%, unchanged from last month's revised figure. The Territory's unemployment is second lowest among all Australian jurisdictions, behind the ACT (3.8%).
 - The labour force participation rate in the Northern Territory is 75.1%, the best among all Australian jurisdictions.
 - Employment declined by 0.2% (trend) in July 2009, compared to a rise of 0.3% nationally (seasonally adjusted). On an annual basis Northern Territory employment grew by 5.1%. The number of people employed in the Territory in July 2009 was 119,535 - a decrease of 187 over the June employment numbers.
- In the housing sector :

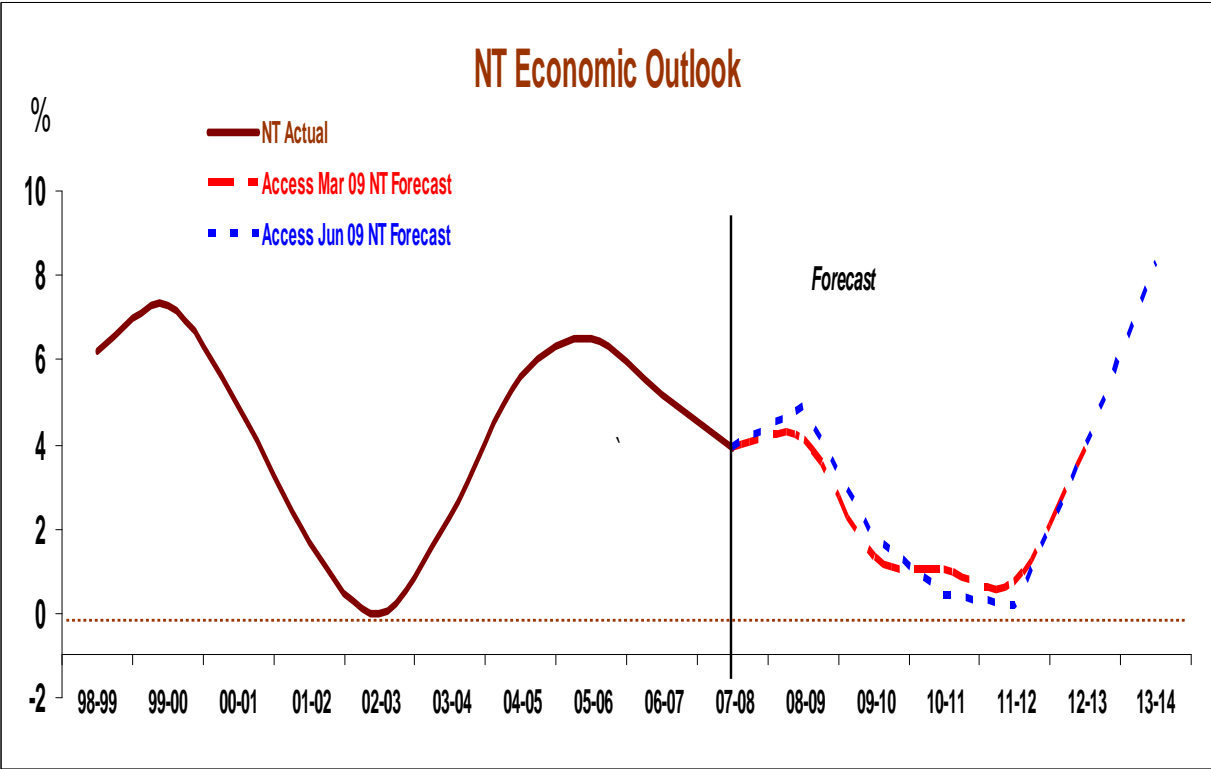
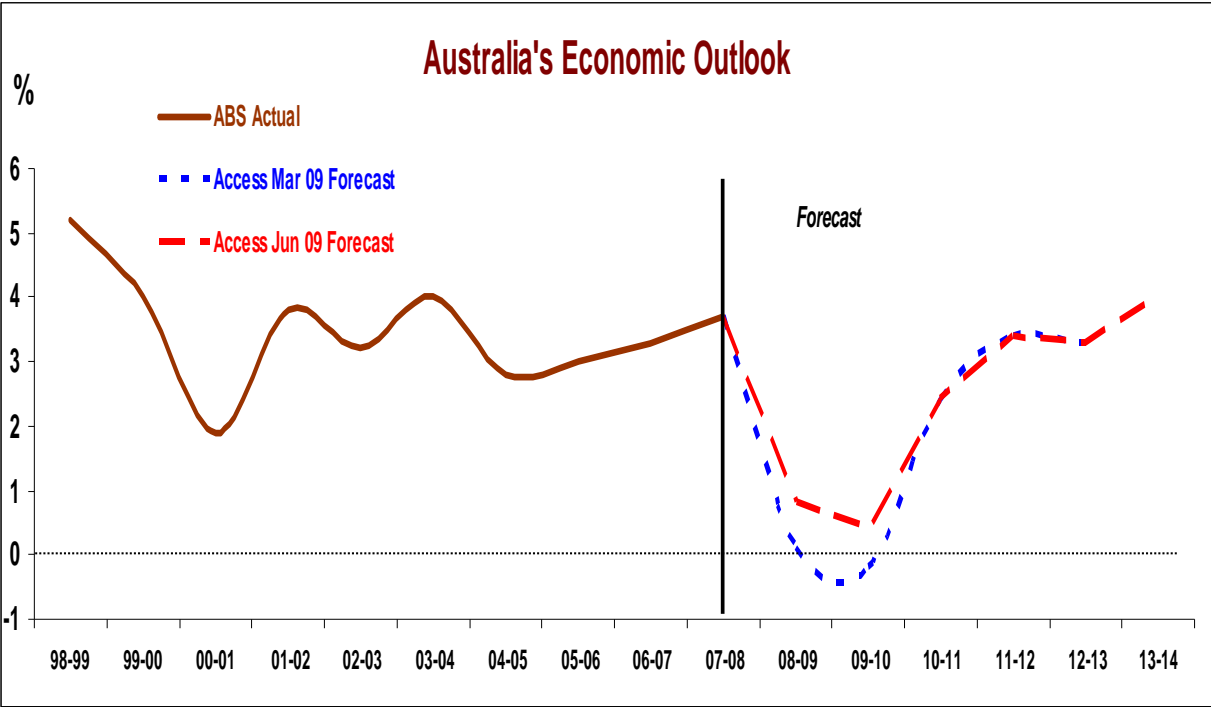
- Residential building approvals increased by 5.7% (trend) in June 2009. The growth was largely due to private sector house approvals. On an annual basis residential approvals increased by 83.6%. Year-on-year approvals declined by 16% (original terms). The housing sector is supported by government assistance, low interest rates and increasing confidence in the Territory's economic prospects. The approvals are, however, constrained by a tight credit market, the cost of building and the availability of land. Nationally residential building approvals increased by 1.3%.
 - Dwelling commencements decreased by 46.2% (seasonally adjusted) in the March quarter 2009 and decreased by 14.0% on an annual basis. In trend terms, dwelling commencements increased by 0.6%. The large fall in dwelling commencements was largely due to a considerable fall in the number of 'other residential' category which includes units, apartments and townhouses. Residential construction is expected to be supported by the Government's home ownership schemes, increased expenditure on SIHIP and an accelerated land release program.
 - Housing finance commitments (seasonally adjusted) increased by 0.6% in June 2009 compared to May 2009 and on an annual basis increased by 34.7% and declined by 1.6% in year-on-year terms (original). However, housing finance commitments has trended upward since mid-2008 and is currently 34.7% higher than June 2008.
 - Housing affordability is still low but improving. The Home Loan Affordability Indicator increased by 13.0% to 46 in the March quarter 2009 compared to the December quarter. Affordability increased by 5.7% on an annual basis and declined by 8.1% in year-on-year terms.
 - Darwin house prices increased by 2.4% in the June quarter 2009 and by 11.0% on an annual basis (ABS House Price Index). Darwin had the highest annual growth among all eight capital cities in Australia. Australian Property Monitors, on the other hand, report an increase in (median) Darwin house price of 17.3% in annual terms.
- Leading indicators signify a soft Northern Territory labour market:
 - Newspaper job ads remain volatile. They decreased by 3.3% (seasonally adjusted) in July 2009 compared to an increase of 2.2% in June 2009. Job ads also fell 29.8% over the year (ANZ Job Ad Survey, August 2009). The manpower Employment Outlook Survey (quarter 3 2009) however, indicates an increase in the hiring intentions of employers in the NT. Access Economics forecasts Northern Territory unemployment to peak at 6.8 % in 2010-11.
 - Recent figures are showing a slowdown in tourism visitation. Total visitors¹ to the Northern Territory declined by 1.4% in the year ended March 2009, to 1.4 million. The Territory fared better than the Australian average: international holiday visitors to the Territory fell by 4.9% compared to the previous year, whereas overall the nation saw a 6.3% drop. Every state and territory in Australia experienced a decline in international holiday visitors in the year ended March 2009. In terms of domestic visitation, while interstate visitors fell by 5%, travel by Territorians within the Territory actually increased. Overall the NT saw a 0.4% decline in domestic visitors. This compares very favourably with the national average 9.0% decline. What this demonstrates is that the trend for domestic visitation to the NT continues to be strong. The Northern Territory forecasts (NT Tourism Forecasting Panel) are for a 3.7% decline in international holiday visitors and a 2.3% decline in interstate holiday visitors in 2009-10.

Release dates for key economic data for Australia and the Northern Territory

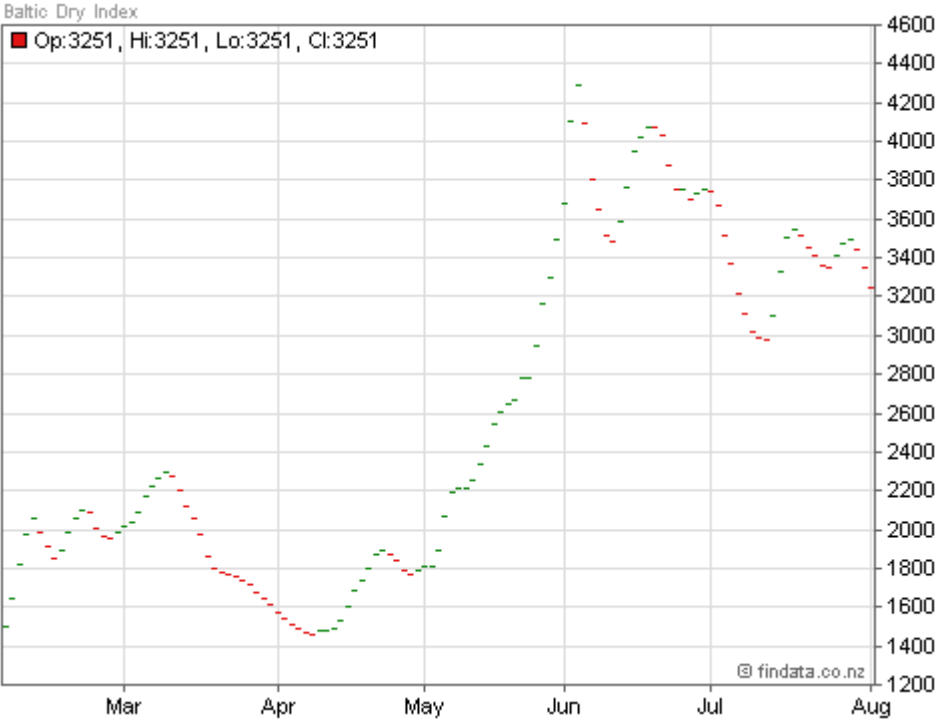
- Access Economics Business Outlook September quarter 2009 – Mid September 2009
- ABS Australian National Accounts June quarter 2009 – 2 September 2009
- ABS State Accounts 2008-09 – 14 November 2009
- ABS Construction Work Done (Preliminary) June quarter 2009 – 27 August 2009
- ABS Dwelling Commencements, June quarter 2009 – 15 September 2009
- ABS Labour force, Australia (monthly) August 2009 – 10 September 2009
- ABS Retail Trade Trends, Australia (monthly) July 2009 – 9 September 2009

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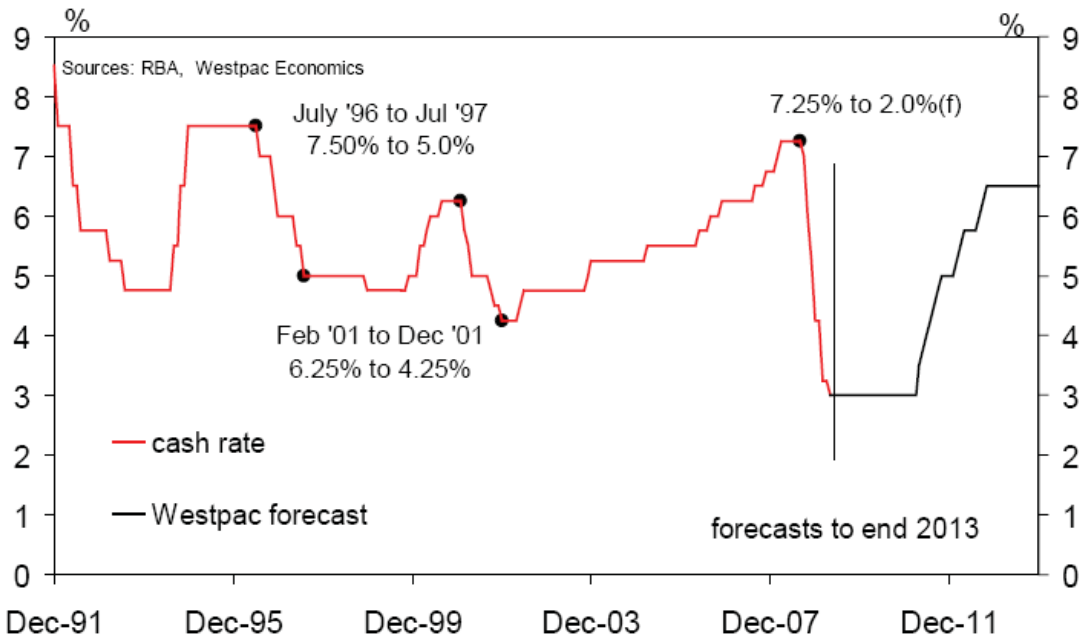
Appendix A



Baltic Dry



RBA Cash Rate – a long term profile



ALL ORDS



RBA Index of Commodity Prices

SDR, 2001/02 = 100

