

ACT Economic Notes

2023b

ACT economy surges in 2022/23-the tiger is back

Over 2023/24 the ACT's growth in gross state product was the highest of any State or Territory. At 4.3 per cent it exceeded the National outcome of 3.0 per cent. The next highest was South Australia at 3.8 per cent. On a per capita basis the ACT enjoyed a real increase of 2.4 per cent over 2022/23, far higher than the national outcome of 1.0 per cent.



Table 1: Percentage changes in gross state product and gross state product per capita (constant prices) 2023/22 States and Territories

State/Territory	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aus
Gross State Product	3.7	2.6	2.3	3.5	3.8	1.1	4.3	-5.3	3.0
Gross State Product per capita	1.9	0.4	0.0	1.0	2.2	0.5	2.4	-6.2	1.0

Source: ABS State Accounts 5020.0

The surge in ACT Economic Activity over 2022/23 was reflected in the labour market over the same period. Financial year 2022/23 saw total numbers employed **surge by 5.0 per cent or 12,500 persons**. The increase was shared almost equally by full-time male and female employed; however, part-time employment declined slightly.

Table 2: Labour force numbers - ACT(000s)

	2021/22	2022/23	Change	Percentage change
Male full time	103.4	110.6	7.2	7.0
Female full time	82.1	87.6	5.5	6.7
Total full time	185.5	198.2	12.7	6.8
Total Part time	63.0	62.8	-0.2	-0.3
Total Numbers Employed	248.5	261.0	12.5	5.0
Unemployed	9.8	8.2	-1.6	-16.3
Labour force	258.3	269.1	10.8	4.2
Not in labour force	107.0	102.7	-4.3	-4.0
Civilian population 15+	365.3	371.8	6.5	1.8

Source: ABS Labour force Survey 6202.0

Unemployed numbers fell by 1,600 and those not in the labour force by 4,300. a total of 5,900. But that only accounts for about half the increase in numbers employed. Therefore, the rest of the increase must have come from population increase, and civilian population did increase by 6,500, or 1.8 per cent.

Household consumption pushes ACT GSP growth

Over 2023/2022 household consumption rose by 7.26 per cent much higher than the average over the last 10 years (2.40 per cent), see table 3 below. Public investment was also robust growing at 8.45 per cent over 2023/2022. However, **private investment growth was negative over this period (6.9 per cent)** and has been relatively weak over the last 10 years (1.76 per cent).

Table 3: Components of final demand and gross state product ACT constant prices

Year ending June	2013	2022	2023	Percentage change 2023/2022	Average annual percentage change 2013 to 2023
Consumption-General Government	23,157	31,887	32,760	2.74	3.53
Consumption-Households	17,817	21,053	22,583	7.26	2.40
Public Investment	3,078	3,466	3,759	8.45	2.02
Private Investment	5,347	6,838	6,366	-6.90	1.76
State Final demand	49,029	63,244	65,467	3.51	2.93
Imports	1,825	1,354	1,890	39.59	0.35
Exports	3,480	2,290	2,669	16.55	-2.62
Balancing item and statistical discrepancy*	-12,806	-15,552	15,921		
Gross State Product	34,647	46,757	48,767	4.27	3.48

Source: State accounts 5020.0 ABS

*The published balancing item in the State Accounts is the residual of Gross State Product (GSP) less state final demand less net international trade in goods and services. It implicitly comprises change in inventories at a State level, plus net interstate trade.

While imports and exports are included in Table 3 there proportion of gross state product is fairly small and in the ACT are comprised mainly of services rather the goods. But it is **reassuring that the ACT's balance of trade is positive.** The large balancing item and statistical discrepancy reported in Table 3 is concerning and needs to be investigated further.

Mixed results in ACT industry growth

Two boom industries in the ACT both over the last year and the last ten years appear to be: Professional, scientific and technical services and administrative and support services. Both of these have recorded consistently high growth both in value added and employment (see Table 4 below). Accommodation and food services Have also grown at above average levels. Manufacturing has also grown strongly but this is a small industry and the results may be impacted by sampling error in the ABS employment survey. All the above average growth industries over the last 10 years are highlighted by orange in Table 4.

Table 4: ACT economic activity by industry 2013, 2023. Changes in value added and employment.

Industry	Value added current prices		Employment ⁽¹⁾	
	Annual average percentage growth 2013-2023	Percentage change 2022/2023	Annual average percentage growth 2013-2023	percentage change 2023/2022
Manufacturing	2.83	10.97	3.42	23.98
Electricity, gas, water and waste services	2.41	2.14	--3.84	-1.47
Construction	6.00	10.10	2.14	3.61
Wholesale trade	4.22	11.09	-4.36	20.00
Retail trade	4.32	17.73	1.89	2.79
Accommodation and food services	4.31	35.29	2.53	4.19
Transport, postal and warehousing	5.56	28.46	0.13	-15.08
Information media and telecommunications	2.94	7.12	--0.84	-5.08
Financial and insurance services	5.45	9.30	-0.19	2.11
Rental, hiring and real estate services	4.40	2.55	-0.62	25.98
Professional, scientific and technical services	7.59	10.83	5.56	9.79
Administrative and support services	7.72	8.30	4.09	36.10
Public administration and safety (public service)	4.91	9.44	0.75	0.12
Education and training	5.33	8.37	1.77	7.16
Health care and social assistance	5.76	8.30	4.99	-3.95
Arts and recreation services	3.36	15.14	0.89	2.00
Other services	2.78	16.00	1.03	-10.05
Total	5.26	10.17	2.16	2.92

Source ABS State Accounts 5220.0 and ABS Labour Force 6291.0.55.003

1 Data on employment by industry is derived from sample survey, given the small size of many ACT industries there can be large sample error. The data is processed to avoid some of it by using a four period moving average.

Public service employment numbers as displayed in Public administration and safety

have grown at lower rates than average both over the last year and the last ten years, the high growth in Professional, scientific and technical services¹ and administrative and support services may be due to the practice of outsourcing what were public service activities. Health care and social assistance an industry that grew at a high rate over the last ten years saw a slump in numbers over the last year which may be the result of fewer persons being employed to combat the covid crisis.

Financial and insurance services where growth of value added was not reflected in employment numbers. Education and training, an important export industry for the ACT, did see a big boost to employment numbers over 2022/2022, some 7.16 per cent, a result of the resumption of overseas student intakes.

Canberra still a public service town

Since ACT self government in 1989 successive ACT Governments have attempted to enlarge private sector activity and diversify the ACT economy away from the public sector. However, this does not appear to have succeeded. Public Administration and Safety (the public service) has actually increased its employment proportion from 25.59 per cent in 1989 in 1989 to 27.88 per cent in 2023.

Table 5: Employment by Industry ACT (000s) 1989 and 2023

	August 1989	Percentage of total	August 2023	Percentage of total
Manufacturing	5.18	3.70	4.85	1.82
Electricity, Gas, Water and Waste Services	1.83	1.31	2.03	0.76
Construction	8.35	5.98	16.83	6.32
Wholesale Trade	4.83	3.45	3.03	1.14
Retail Trade	13.08	9.36	18.23	6.85
Accommodation and Food Services	8.85	6.34	16.76	6.30
Transport, Postal and Warehousing	4.60	3.29	5.62	2.11
Information Media and telecommunications	4.18	2.99	4.26	1.60
Financial and Insurance Services	5.65	4.04	4.49	1.69
Rental, Hiring and Real Estate Services	1.83	1.31	3.26	1.22
Professional, Scientific and Technical	8.15	5.83	37.03	13.91
Administrative and Support Services	3.33	2.38	6.82	2.56
Public Administration and Safety	35.75	25.59	74.21	27.88
Education and Training	12.78	9.14	23.78	8.9
Health Care and Social Assistance	10.80	7.73	30.08	11.30
Arts and Recreation Services	3.78	2.70	5.65	2.12
Other Services	5.88	4.21	8.62	3.24
Total	139.70	100.00	266.17	100.00

Numbers employed in Professional, scientific and technical services grew from 8,150 to 37,030 over the period 1989 to 2023 causing their percentage of total to rise from 5.83 per cent to 13.91 per cent. While employment in major private sector industries such as Retail, Accommodation and food services, and Rental, hiring and real estate services grew their growth was not sufficient to increase their proportion of total employed. Financial and insurance services actually experienced a decline in numbers employed. Health Care and Social Assistance was another industry to enjoy high employment growth.

Wages lagging price increases in the ACT

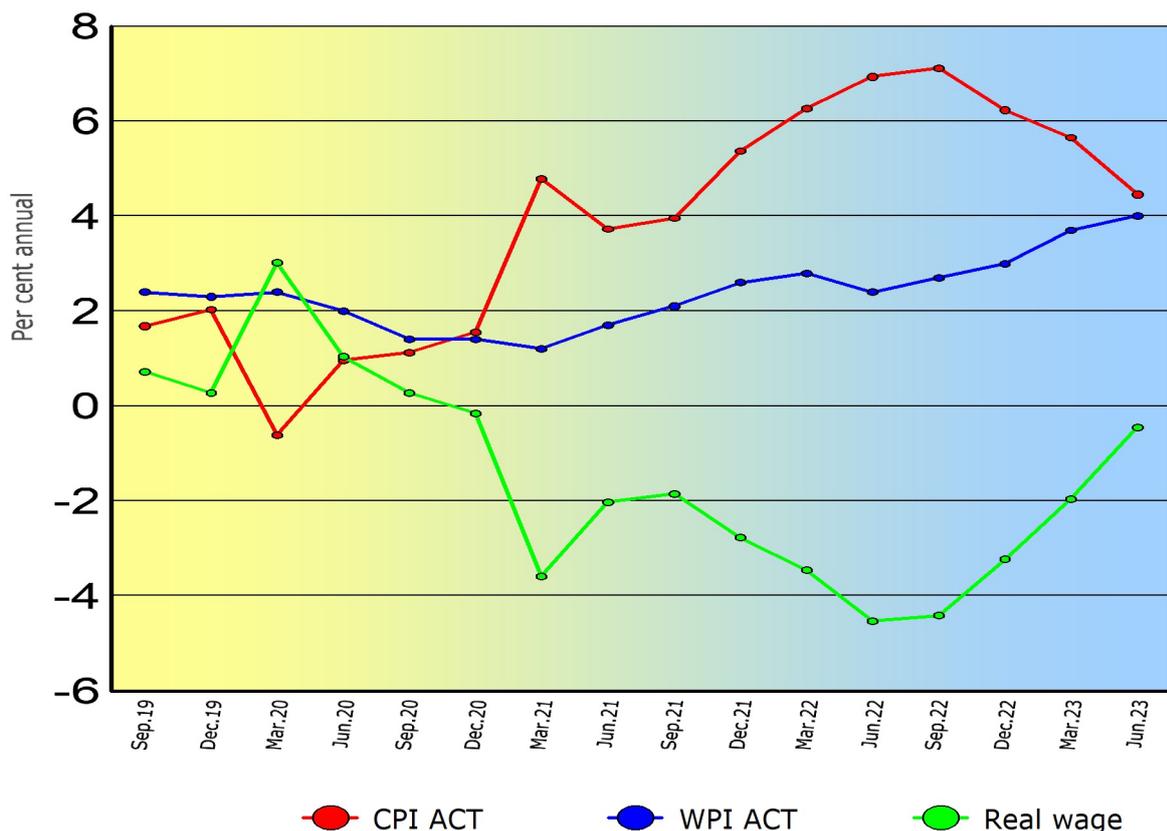
Although Table 1 (above) suggest that the ACT has not experienced a per capita recession as real Gross state product per capita increased by 2.4 per cent this has not

translated into wage growth. In Table 6 increases in the CPI have outstripped wage growth in every quarter since December 2020.

Table 6: Consumer price index (ACT) wage price index (ACT) and real wage changes over 12 months

	CPI ACT Annual percentage change	WPI ACT Annual percentage change	Real wage Annual percentage change
Sep.19	1.68	2.4	0.72
Dec.19	2.03	2.3	0.27
Mar.20	-0.62	2.4	3.02
Jun.20	0.96	2.0	1.04
Sep.20	1.13	1.4	0.27
Dec.20	1.56	1.4	-0.16
Mar.21	4.79	1.2	-3.59
Jun.21	3.73	1.7	-2.03
Sep.21	3.96	2.1	-1.86
Dec.21	5.37	2.6	-2.77
Mar.22	6.26	2.8	-3.46
Jun.22	6.93	2.4	-4.53
Sep.22	7.11	2.7	-4.41
Dec.22	6.23	3.0	-3.23
Mar.23	5.65	3.7	-1.95
Jun.23	4.45	4.0	-0.45

The gap has narrowed but still remains large. In Table 4 above the value added for all industries increased 10.17 per cent over 2022/23 after adjustment for inflation the real increase was 5.72 per cent. As numbers employed over the same period grew by 2.92 per cent there must have been an increase in labour productivity that suggests

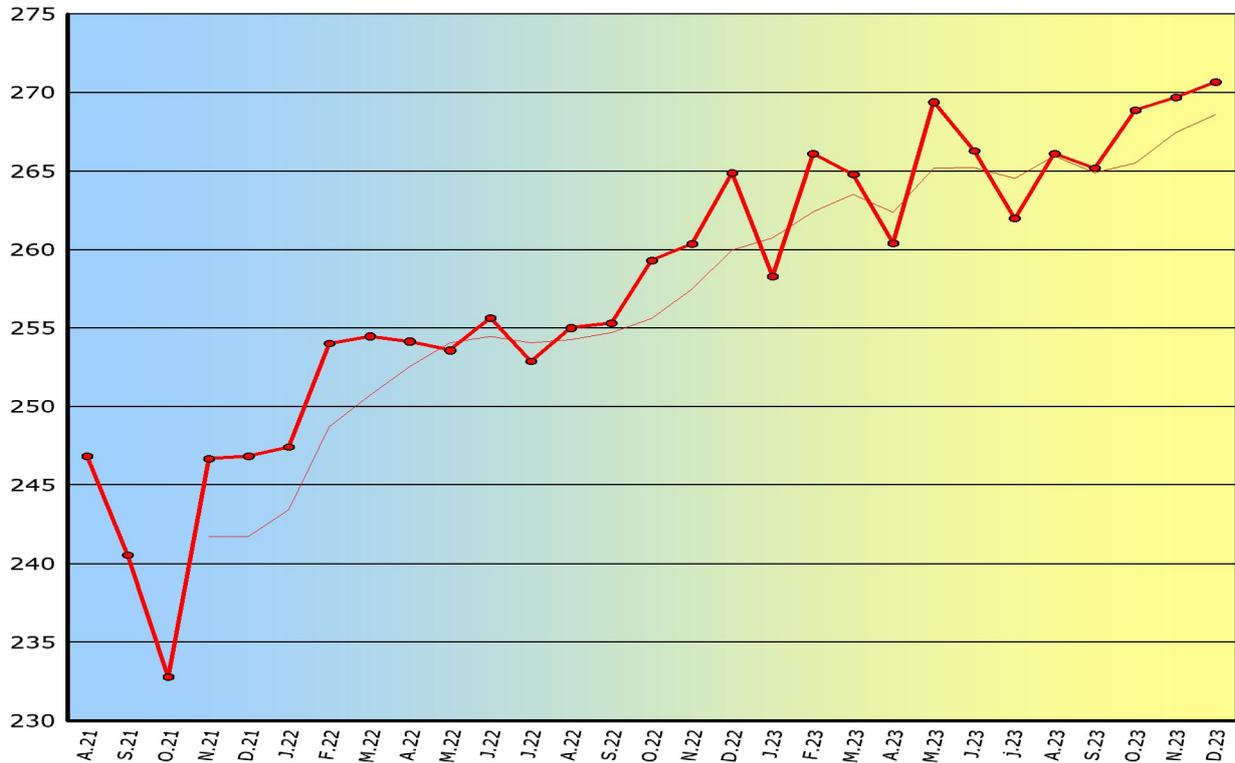


capacity for real wage increases. The graph above plots changes as reported in Table 6, not levels.

ACT Employment grows steadily since covid era

Number employed in the ACT have grown since the covid induced slump in October 2021. Although growth was flat in the first half of 2022 it has since resumed and was at record levels in December 2023 (270.7 thousand). The trend data in the graph

ACT Numbers Employed



above is a four period moving average.

Beyond the ACT

All ordinaries share prices in holding pattern since 2021

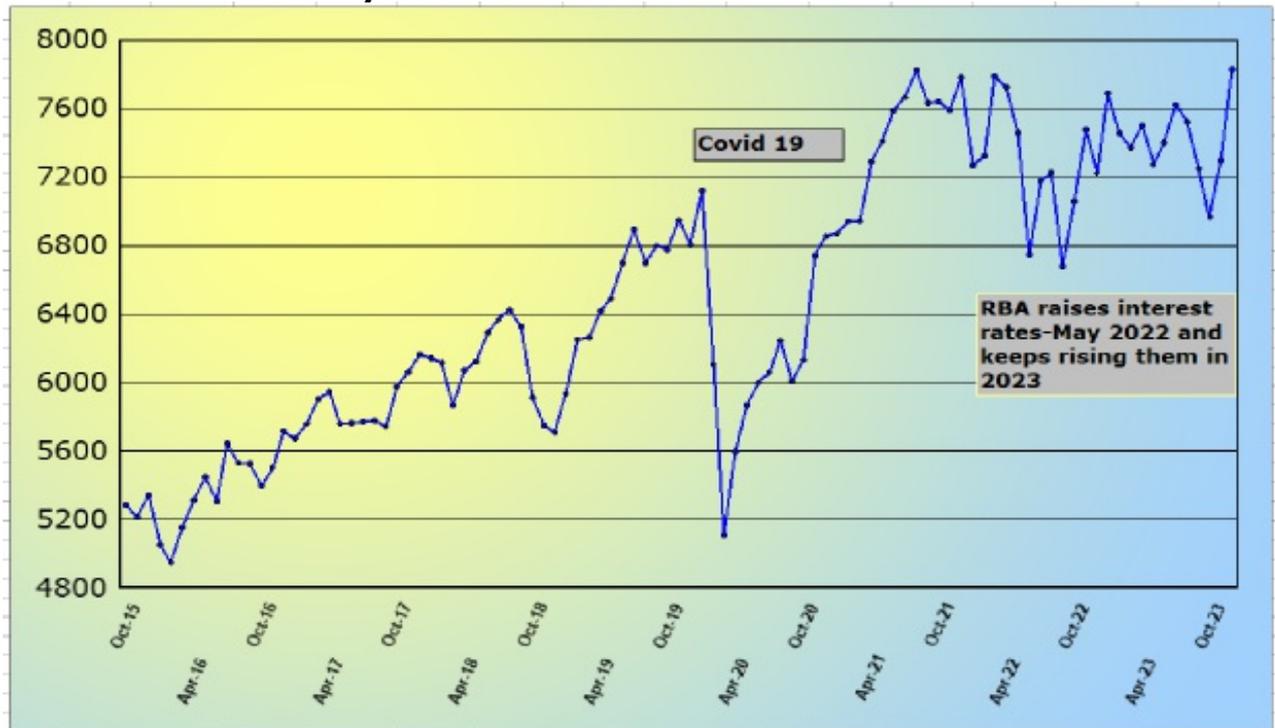
Share prices in Australia took a big hit during the covid crisis but recovered strongly to reach levels higher than achieved pre covid (see graph below), but from then on have fluctuated without rising since April 2021. The big surge in 2020 may have due to expansionary monetary policy adopted by the Reserve Bank of Australia and most other central banks around the world. Monetary policy has been tightened since May 2022 resulting in higher interest rates. Investors now have other options in respect of rates of return which may have reduced the attractiveness of shares.

Cost of living issues-not everyone is impacted to the same degree

Cost of living is a hot topic at present but not everyone is effected to the same extent. Pensioners and many superannuation recipients benefit from indexation. Also persons with savings are obtaining more income through higher interest earnings. The worst impact is on holders of newer mortgages but only about 34 per cent of dwellings have mortgages. Despite all the media reporting of hardship new car sales were at record levels in 2023. Sports stadiums for the women’s soccer, AFL, NRL and the cricket big bash have had healthy crowds. The chart below for the EU may be similar to that of

Australia.

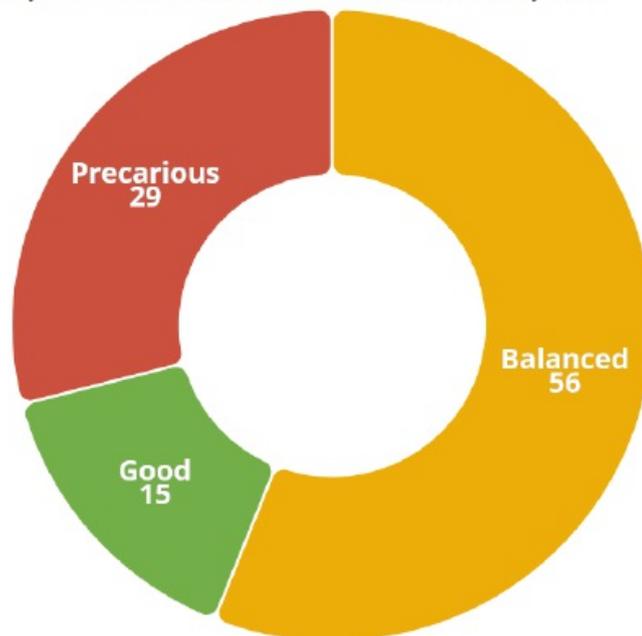
All ords over last nine years



Source: ASX Web site

One in four Europeans describe their financial situation as 'precarious'

When asked "When you think about your current financial and material situation, would say it is...."



Source: IPSOS



Packed out stadiums in 2023, it's not cheap to go there. Some people must have money

Terry Giesecke
January 2024

1. These services include scientific research, architecture, engineering, computer systems design, law, accountancy, advertising, market research, management and other consultancy, veterinary science and professional photography.