

## 6.1 ECONOMIC CONDITIONS

### Introduction

This chapter reviews the ACT's current economic conditions, outlines the Government's economic strategy and provides forecasts of major economic parameters for the Budget period.

In examining the data in this chapter caution should be exercised when using data from the ABS for the ACT. This is mainly due to the small size of the ACT, where single transactions or small changes in the sample can create large variations. Data series can be subject to large revisions by the ABS subsequent to their initial release and some data series, which are available for other States, are not published for the ACT because of the ABS's own concerns about their accuracy.

### Overview

During 2000-01, the rate of economic growth in the ACT was substantially reduced after experiencing the strongest rate of growth of any State or Territory during 1999-2000. This reduction of growth was a reflection of broader factors which affected Australia as a whole. These included the effect of the introduction of the GST on the housing sector, the impact of rising interest rates on investment more generally, and a reduction in Commonwealth Government expenditure. The economic forecasts underpinning the 2001-02 Budget are summarised below.

**Table 6.1.1**  
**ACT Economic Forecasts**

|                                     | 1999-00                                               | 2000-01    | 2001-02    | 3 Year Planning Assumptions <sup>(b)</sup> |         |         |
|-------------------------------------|-------------------------------------------------------|------------|------------|--------------------------------------------|---------|---------|
|                                     | (Actual)                                              | (Forecast) | (Forecast) | 2002-03                                    | 2003-04 | 2004-05 |
|                                     | (Average annual growth)                               |            |            |                                            |         |         |
|                                     | Percentage change on the previous year <sup>(a)</sup> |            |            |                                            |         |         |
| Gross State Product                 | 4.9                                                   | 4.25       | 4.6        | 4.4                                        | 4.4     | 4.4     |
| Employment Growth                   | 4.9                                                   | 2.4        | 1.3        | 2.5                                        | 2.5     | 2.5     |
| Consumer Price Index <sup>(d)</sup> | 2.3                                                   | 6.0        | 2.25       | 2.25                                       | 2.25    | 2.25    |
| State Final Demand                  | 12.0                                                  | -1.0       | 3.0        | 2.7                                        | 2.7     | 2.7     |
| Population <sup>(c)</sup>           | 0.5                                                   | 0.7        | 0.7        | 0.8                                        | 0.9     | 0.9     |

(a) Based on original data currently available, with financial data expressed in real terms. Percentage changes are expressed in year average or year total terms unless otherwise indicated.

(b) The planning assumptions used in this table represent the estimated average annual change for the period 2002-03 to 2004-05. As such, they do not represent expectations of actual annual changes.

(c) As at June each year.

(d) Represents forecast 'headline' CPI inflation in 2000-01, including factors affected by the introduction of *The New Tax System*. The underlying increase in the CPI in 2000-01 is expected to be 3.25%.

## **ACT Current Economic Conditions**

### *Economic Growth*

During 1999-2000, there was an increase in real Gross State Product (GSP) of 4.9%. State Final Demand (SFD) also grew very strongly during 1999-2000, at an average of 12.0%. Indications are that growth during 2000-01 is reduced from these unsustainable rates.

### *Employment*

As a consequence of the strong economic growth during 1999-2000, the average employment level for 2000-01 is forecast to be 2.4% above the average level for 1999-2000. The average unemployment rate for the first eight months of 2000-01 was 4.7%, compared with an average of 5.6% during the same period in 1999-2000 and significantly better than the rate of 6.5% for Australia as a whole.

### *Population*

The level of net interstate migration out of Canberra will continue to diminish steadily over the next few years as an expanding and more diversified economy and labour market encourages more people to move to Canberra, and fewer to leave. In the medium term, this will return Canberra to higher rates of population growth, although still lower than the national average. After an increase of 0.5% in 1999-2000, the ACT population is expected to increase by 0.7% in 2000-01 and 2001-02, compared with national growth of 1.1% and 1.0% respectively.

### *Business Conditions*

Growth in the ACT economy is expected to slow considerably in 2000-01 and subsequently grow at a more sustainable rate thereafter compared to the buoyant conditions of 1999-2000 when SFD grew by 12%. This is in line with the anticipated slowdown in the national economy.

The latest available data for ACT reveals a moderation in employment growth. Nonetheless, the ACT continues to enjoy the lowest level of unemployment and the highest participation rate of any state or territory. The ANZ Job Advertisement Trend Series for the ACT has remained relatively steady during the first nine months of 2000-01, which indicates sound prospects for maintaining jobs growth in the ACT. In real terms, the number of job advertisements for the first nine months of 2000-01 grew by 10% compared with same period in 1999-2000.

The Yellow Pages Small Business Index of February 2001 found that 38% of ACT small business proprietors were confident about their business prospects over the coming twelve months. This was slightly above the level of the previous survey and higher than the net 36% for Australia as a whole.

The ACT and Region Chamber of Commerce and Industry business expectations survey for the February to April quarter 2001 found that there is still a high level of confidence in the performance of the ACT economy with 75% of businesses expecting the economy to

strengthen or remain the same over the next twelve months. However, this was a fall from the 93% recorded in the November 2000 survey, with most indicators showing lower expectations than those for the previous three months.

The latest ACT retail trade turnover and new motor vehicle registrations data indicate steady growth. Retail trade turnover was up by 12.4% in original terms on the first eight months of 1999-2000 and similarly new motor vehicle registrations were up by 6.0% in original terms on the first eight months of 1999-2000. The ACT performed better on these indicators than the national average.

## **Economic Strategy**

As the nation's capital, Canberra remains linked to the provision of government services to the rest of the country. Consequently, the ACT economy is still affected by movements in Commonwealth Government expenditure. Nonetheless, the delivery of those services is diversifying with the private sector becoming more important. The changing pattern of industry employment towards property and business services in particular, confirms the shift away from public sector employment. The Government is supporting this movement by creating an economic environment that encourages growth by the private sector. This is being achieved through a strategy of ensuring that the fiscal fundamentals are conducive to greater private sector investment by establishing a sound and stable economic climate and providing broad based incentives such as raising the thresholds for payroll tax and, where appropriate, providing targeted assistance to encourage the relocation and expansion of individual private sector firms.

The Government's economic strategy focuses on five key elements:

### *Diversification of the Economic Base*

The dependency of the ACT economy on Commonwealth Government policies was highlighted by the effects of the cutbacks within the Australian Public Service in 1996-97. The impact of these policies underlined the need to diversify the ACT economy and reduce the dependence on public sector employment. Key strategies have included actively working with major outsourcing companies to ensure outsourced jobs stay in Canberra and targeting industry sectors with strong growth potential, including information and advanced technology, environmental services and light manufacturing. Initiatives such as the ACT Business Incentive Scheme, the ACT Small Business Growth Program and the ACT Research and Development Grants Scheme are designed to encourage the location of new, and the growth of existing business activity in the ACT. This will help create new jobs in which Canberra's highly educated workforce can participate.

### *The ACT as a Regional Economic Centre*

The ACT's geographical location as the economic centre of the south eastern region of New South Wales provides opportunities to service a population of over half a million people. The development of Canberra International Airport and the location of Impulse Airlines at the airport demonstrate realisation of some of these opportunities. At the same time, Canberra's proximity to Sydney underlines the need to maintain a competitive taxation system that

creates incentives to invest and create jobs in the ACT. By keeping taxes in line with, or slightly below, those applying in surrounding New South Wales, the Government will help to maintain the competitiveness of ACT business.

### *Sound Financial Management and Effective Service Delivery*

The ACT Budget has moved to an operating surplus which has required the maintenance of revenue raising efforts and continuation of improvements in the efficiency and effectiveness of the delivery of government services. The establishment of Canberra Connect represents a continuation of the effort to achieve efficiencies in the operation and delivery of Government services.

The aim has been to move the focus away from the traditional approach of concentrating on inputs and resources consumed, towards the achievement of program objectives. The result is a clear separation within government of the purchaser role, the owner role and the provider role. These reforms enable the Government to specify the quantity, quality and timeliness of services and to identify the cost of those services and opportunities for improved efficiency.

The Government's financial management performance is reflected in its recently re-confirmed AAA credit rating, the highest achievable.

### *Creation of a Supportive Business Environment*

The Government remains committed to creating a business environment that encourages the development of existing businesses and is attractive to potential new businesses. The ACT Business Gateway site assists businesses in their transactions with Government by providing a comprehensive online Business Licence Information Service and facilities for the online payment of items like Payroll Tax and certain licence renewals. Government processes that adversely affect the performance of ACT businesses continue to be identified and either streamlined or removed. Proposals for new regulations are subject to Regulatory Needs Analyses, which seek to ensure that where regulations are adopted, they are necessary, there are no better alternatives and that the regulatory cost burden is minimised. The aim is to ensure that the level of red tape imposed upon Canberra businesses remains minimal. Proposals for new regulations are also examined to ensure that they would not constrain competition in markets and breach the Government's obligations under the National Competition Policy Agreement.

### *Microeconomic Reform and National Competition Policy*

The ACT Government is committed to the development and implementation of economic and employment policies to promote economic and social growth and development of the Territory. Consistent with this commitment is the recognition of the importance of the balanced development of the public and private sectors and the need to both facilitate the operation of existing firms as well as attract new enterprises to the ACT.

To continue to provide an environment conducive to the promotion of business activity and the reduction of government impact on business, the government maintains an ongoing commitment to microeconomic reform and the implementation of National Competition

Policy (NCP). Consistent with NCP, the Government will continue to have close regard to the public interest in pursuing developments and reform.

### *Microeconomic Reform*

The Government's microeconomic reform program is directed to addressing and, where appropriate, seeking out efficiencies in resource allocation within the Territory. This will assist in achieving strong growth in the ACT economy with improved overall employment outcomes.

Under the microeconomic reform program, all policy proposals will continue to be assessed through a process of Regulatory Impact Statements (RIS) against best practice benchmarks as well as cost benefit analysis. The devolution of responsibility for this assessment process to agencies is creating a new regulatory mindset of questioning the impact of regulatory proposals and seeking alternative means to realise targeted outcomes.

Under a process of continual review and improvement, updated RIS templates and information are placed on the Microeconomic Reform webpage ([www.competition.act.gov.au](http://www.competition.act.gov.au)) to allow for easy and timely access by agencies and the wider public. The Department of Treasury will continue a communication program to assist agencies understand why and how RIS are prepared and how they contribute to policy development, implementation and review process.

The Government has an ongoing commitment to the red tape reduction program to address business costs. The Government's initiative is directed at improving the ACT as a place to do business and invest in both in its own right and in comparison with other states. The Government will continue to obtain advice from the business sector through the Business Advisory and Regulatory Review Team (BARRT). Initiatives such as Canberra Connect provide the opportunity for process re-engineering to minimise direct and indirect regulatory costs. Expanded on line services provide an efficient way for business to access government information, obtain advice and undertake transactions with government agencies.

To remove some of the uncertainty surrounding regulatory activity and to facilitate community consultation, the Government has produced Agency Regulatory Plans for business and the community on an annual basis since 1997. The Plans will be produced again in 2001-02 and, in keeping with openness and accountability principles, are available to the public in electronic form at ([www.competition.act.gov.au](http://www.competition.act.gov.au)).

### *National Competition Policy*

The ACT, along with all other governments, signed a number of agreements in 1995 which give effect to National Competition Policy (NCP). NCP is designed to encourage competition on the basis that the freedom for people to operate as purchasers and sellers in markets promotes resource efficiency. This in turn enhances economic growth and the efficiencies in industries and businesses can then be sought out by consumers in the form of reduced prices, better products and services and greater choice.

The meeting of the Council of Australian Governments in November 2000 agreed to an extension of the deadline for implementation of NCP legislative reviews and associated implementation to July 2002. By this time, the ACT will have completed its scheduled

reviews of legislation that restrict competition and, where appropriate, introduced or foreshadowed reforms.

Reforms under NCP include:

- the introduction of competitive neutrality so that private businesses can compete with government businesses on an equal footing. This does not prevent the Government delivering policy objectives through subsidised government enterprises, but does require the method of delivery to be assessed for its impact on any competing businesses and for community service obligations to be clearly defined and costed;
- the review and reform of all laws that restrict competition unless the benefits of the restriction to the community as a whole outweigh the costs. The Government is in the final stages of reviewing all legislation against the policy objective of assessing any restrictions on competition being found to be in the public interest. The Government has approximately seventy pieces of legislation to be reviewed before 30 June 2002;
- the development of a national access regime to enable third parties to use nationally significant infrastructure (like airports, electricity distribution systems and gas pipelines and railway lines) irrespective of ownership. The Government will continue to focus on the electricity and gas markets because of the benefits that can be realised for ACT energy consumers from the development of a competitive national market in these closely related areas; and
- various specific reforms including increases in competition in specific parts of the economy on which businesses rely, such as the national markets for utilities as well as other service-based industries.

NCP recognises that there are circumstances where restrictions are justified. The test applied is to determine if it is in the public interest to retain or introduce a legislative restraint on competition. A range of factors is taken into account when seeking to determine the public interest merits of the proposal being examined.

In accordance with the 1995 agreements, the ACT is reporting to the National Competition Council (NCC) on its progress in implementing reforms relating to competitive neutrality and legislation review. A positive assessment by the NCC will result in the payment of an efficiency dividend known as a tranche payment to the Territory by the Commonwealth. For the period 2000-01, the payment is expected to be \$11.6 million.

Within the NCP framework, the ACT Government is continuing to complete or make progress during 2001-02 in the structural reform of public monopolies (including utilities) and service-based industries. The ACT Government continues its commitment to reform in the electricity, gas and water markets with retail contestability being extended to customers using between 160 and 100 MWh per annum from 1 July 2001. Contestability for residential and small business owners is planned for 1 January 2002, subject to electricity retailer's computer systems being operational. A Legislative Assembly Committee will be investigating issues regarding electricity retailing for the sub-100 MWh usage class in 2001.

In addition to Territory-based reforms, the ACT Government also continues to contribute to development of the national electricity market and related issues through its participation in the inter-governmental forum of the Energy Marketing Group. The *Utilities Act 2000*

commenced on 1 January 2001, bringing benefits to consumers including more transparent licensing arrangements, independent administration of licence conditions and more effective safety net provisions. Under the Act, the Independent Competition and Regulatory Commission will oversee licences, which will replace authorisations under the *Gas Supply Act 1998*.

The *Gas Pipelines Access Act 1998* deals with opening the natural gas market to full contestability. The Act calls up the *Gas Pipelines Access Law* and the National Third Party Access Code for Natural Gas Pipeline Systems. The Access Code establishes that pipeline operators must submit an access arrangement to the appropriate regulator for approval and pricing determinations.

Water reform is a significant ongoing issue under NCP. The ACT continues to be at the forefront of water reform including the levying of charges for water usage and the addressing of competitive equity issues with the waiving of some charges where it creates a competitive disadvantage with NSW. Water reform is an issue that clearly identifies the role of economic reform in improved environmental outcomes. The correct pricing of water is leading to more efficient land use and reduced water use. The positive outcomes include reduced environmental degradation and improved water quality for cities downstream of Canberra.

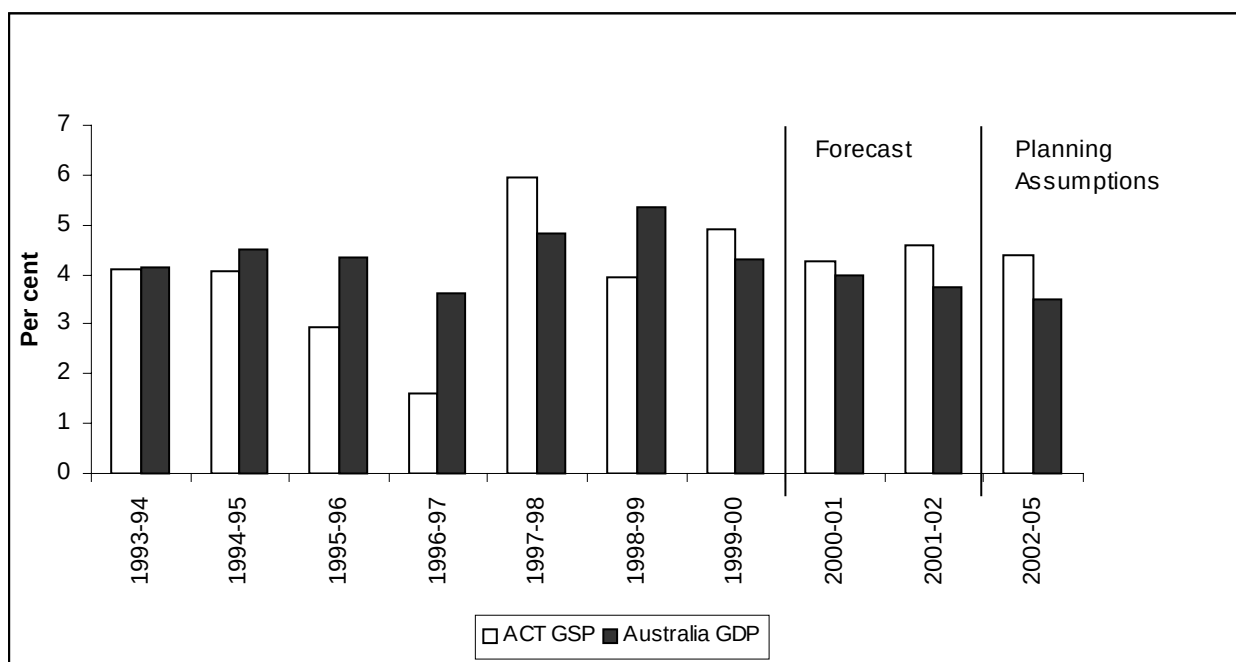
## Economic Forecasts

### Gross State Product (GSP)

Gross State Product is an income based measure of economic activity that is produced by summing household income, and profits from businesses. Growth in Gross State Product is forecast to moderate to around 4.25% in 2000-01 after growing by 4.9% in 1999-2000. The strong rate of growth of GSP results from the expected growth of income of wage and salary earners, which makes up over 60% of GSP. The factors that affect the growth of income of wage and salary earners, employment and wages growth, are both expected to continue to grow soundly in 2000-01.

The prospects for profits which make up the rest of GSP remain sound in the ACT. Business expectations as reported in the Yellow Pages Small Business Index in February and the ACT Region Chamber of Commerce and Industry Business Expectations survey reveal that a majority of businesses remain positive about the ACT economy, employment, sales and profits.

**Figure 6.1.1**  
**Change in GSP/GDP, ACT and Australia**



Sources: ABS Cat. Nos. 5220.0.40.001 and 5204.0, DT and Commonwealth Treasury forecasts.

The rate of economic growth is forecast to increase marginally next year to 4.6%, primarily as a result of the recent cuts in interest rates and subsequent increase in consumer demand as reflected in the housing sector. This is expected to stimulate employment in the construction industry as well as a broad range of industries in response to increased consumer demand. The introduction of the First Home Owners Grant scheme will continue to provide further stimulus to the housing sector. GSP in the ACT is expected to grow more quickly than national GDP over the forecast/planning period because the stronger growth in employment and earnings.

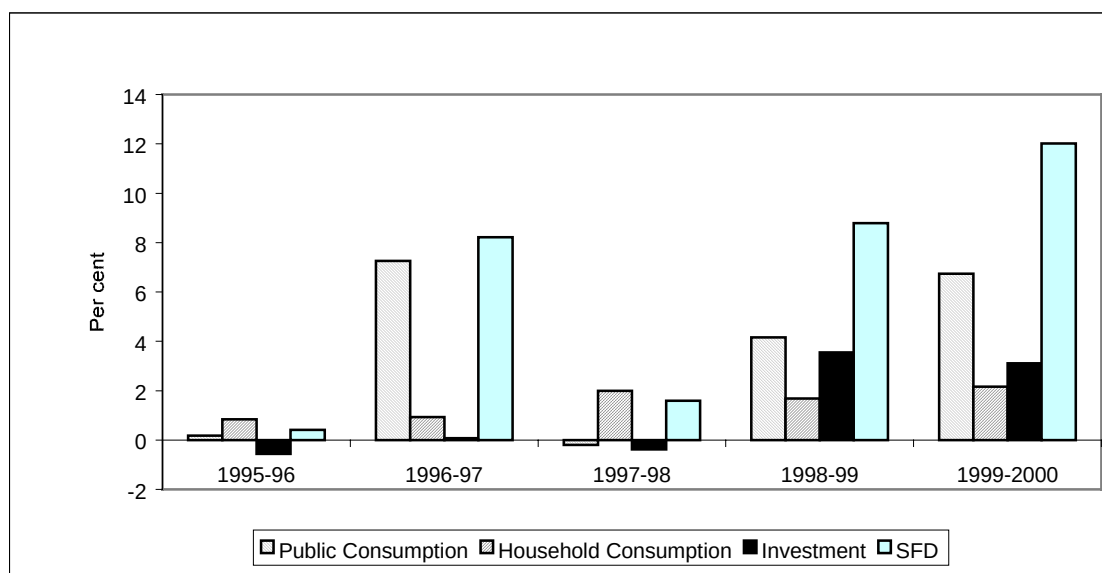


## State Final Demand

State Final Demand represents expenditure in the ACT economy although, as its name indicates, it is only a measure of demand and as such does not provide a complete picture of the growth of the ACT economy. SFD grew by 12% in 1999-2000, which was the highest growth in demand of all States or Territories.

In 1999-2000, growth in Public Final Consumption expenditure was 13.4%, and Household Final Consumption expenditure grew by 5.7%. Public Final Consumption was the major driver of SFD growth during 1999-2000, contributing 6.7% points to the 12% growth in SFD. This was followed by Household Final Consumption which contributed a further 2.2% points with public and private investment contributing the remaining 3.1% points.

**Figure 6.1.2**  
**Contributions to Changes in State Final Demand**



Source: ABS Cat No 6220.0 Table 3

The fastest growing area of Household Final Consumption was furnishings and other household equipment, which was supported by the strength of the ACT real estate market in 1999-2000. This strength of the real estate market was also seen in the growth figures for private investment where there were substantial increases in both dwellings investment (32.8%) and ownership transfer costs (27.6%). However, given that the housing sector only represents about 2.7% of SFD, even marked fluctuations in dwelling investment only have a muted effect on overall SFD.

This level of growth in demand is not sustainable over the long term and as Australia is experiencing an economic slowdown, it is expected that the level of demand in the ACT will contract slightly this financial year. This will be largely the consequence of a marked reduction in Public Final Consumption spending in the ACT. Household Final Consumption expenditure grew at a steady rate during the first half of 2000-01 and is expected to continue this trend during the remainder of the year.

SFD is forecast to resume its growth path in 2001-02 and grow by 3.0% in year average terms. It is anticipated that Household Final Consumption expenditure will continue to

support economic growth as it will be underpinned by forecast 1.3% employment growth and continuing wages growth of 3-4%. Growth in SFD will also be driven by the expansionary effects of the recent falls in interest rates on private investment in areas such as machinery and equipment and, by stronger demand conditions arising from the reduction in the Commonwealth Government's surplus during 2000-01. It is assumed that the ACT will share proportionately in the growth in Commonwealth Government expenditure.

### *Private Investment*

This section discusses recent and expected changes in private sector investment in the ACT, one of the major drivers of long term growth in the economy.

#### *Dwellings*

Investment in residential dwellings rose substantially during 1999-2000 (32.8%). A leading indicator of the level of investment in dwellings is the value of building approvals taken a number of months previously. In this regard the value of residential building approvals rose by 29.6% during 1999-2000 in line with the eventual increased expenditure on the construction of those dwellings. However, the growth in the value of residential building approvals was reversed significantly during the first eight months of 2000-01, falling by 43% compared to the first eight months of 1999-2000. This preceded the fall in investment on dwellings in the first half of 2000-01.

The introduction of the GST and the pull-forward effect of residential building approvals and construction in the previous financial year before the introduction of the GST contributed to the decrease in the value of building approvals. There are signs that the downturn in approvals during 2000-01 has halted. This can be explained by the weakening of the pull-forward effect of the GST. Also the interest rate cuts that have occurred in late 2000 and early 2001 in combination with the First Home Owners Grant (FHOG) scheme are likely to stimulate the real estate market with a positive effect on dwelling construction.

#### *Other Buildings and Structures*

Private capital expenditure on other buildings and structures declined (-35.2%) during 1999-2000 and continued to fall in the first half of 2000-01. This decline has been explained by the introduction of the GST on non-residential building investment. It is difficult to forecast non-residential construction activity in the ACT, given the significant impact that individual projects can have.

Proposed and continuing major capital projects include:

- TransACT fibre-optic network;
- Canberra Centre extensions, Civic;
- Redevelopment of the ABC's Canberra buildings and facilities;
- Section 56 redevelopment, Civic;
- Improvements to the Health Care Building, Garran;
- Lachlan Court redevelopment;
- Eden Townhouse Development, Garran;

- Kingston Foreshore Development Project; and
- Future development of sale of 3.5 ha of Commonwealth land at Barton.

### *Machinery and Equipment*

Investment in machinery and equipment increased during 1999-2000 by 62.7% and has continued to increase during the first half of 2000-01. High levels of business confidence and the continued development of export markets will see this level of investment sustained into the forward years.

### *Intangible Fixed Assets*

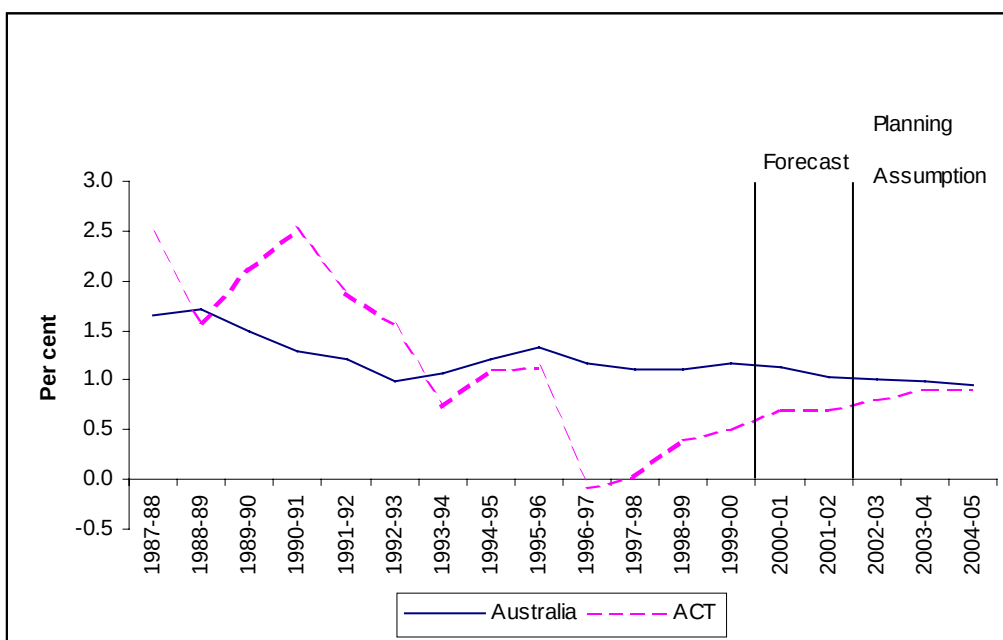
Investment in intangibles continued to grow strongly during 1999-2000 with a rise of 27.8% over the previous year. This growth was fuelled by both Y2K remediation work and the investment required to make business accounting systems GST compliant. Notwithstanding the end of these specific costs, the growth of investments on intangibles has been sustained during the first half of 2000-01. This growth is expected to be maintained over the medium term, reinforced by the growth of high technology business in the ACT.

### *Population*

In June 2000, ACT's population was 1.6% of the total national population. In the past decade the Territory's population has increased by 10.1%, from 282,200 in June 1990 to 310,839 in June 2000. This compares with a national increase of 12.3% over the same period. ACT's population is expected to increase to 313,000 by June 2001, and 323,400 by June 2005. The population growth rate is forecast to increase slightly in the forward years to an average of 0.9%, compared with the national growth of 1.0%.

The population is also ageing, with an increasing proportion of the population aged 50 years and over, while the number of persons aged 0-17 years is declining as a proportion of the population. This has implications for the nature and quantity of services such as health, education and housing provided by the government. Canberra's population growth is being maintained by natural increase, although this is gradually slowing because of the ageing population and decreasing fertility. Increasing employment opportunities in Canberra are expected to continue to reverse the flow of migration out of the Territory in the medium term. Diversification of the economy will assist population growth in the medium term to be boosted by a return to interstate migration flows to Canberra.

**Figure 6.1.3**  
**Annual Population Growth, ACT and Australia**



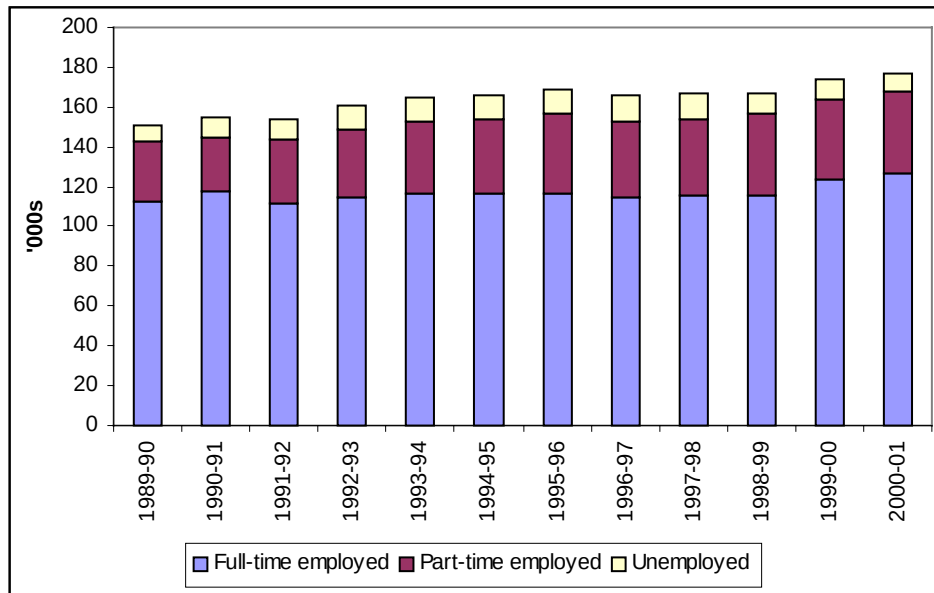
Source: ABS, Cat 3101.0, Cat 3222.0 (Series 2), Demographics ACT

## Labour Market

### *The Labour Force*

The ACT labour force is forecast to increase by 1.8% during 2000-01 compared to 1999-2000. Increases in both the working age population of 1.7% and the labour force participation rate of 0.1% will contribute to this outcome. This growth in the labour force follows a 4.1% increase in 1999-2000 arising from a 1.6% increase in the working age population and 2.5% increase in the participation rate. Increases in the labour force participation rate of this magnitude typically occur as formerly discouraged job seekers become more optimistic regarding job opportunities, given the improving labour market and choose to re-enter the workforce. The increases in the participation rate have taken the rate to 72.2% as at February 2001. This compares with national participation rates of 63.9% at the same time.

**Figure 6.1.4**  
**ACT Labour Force**

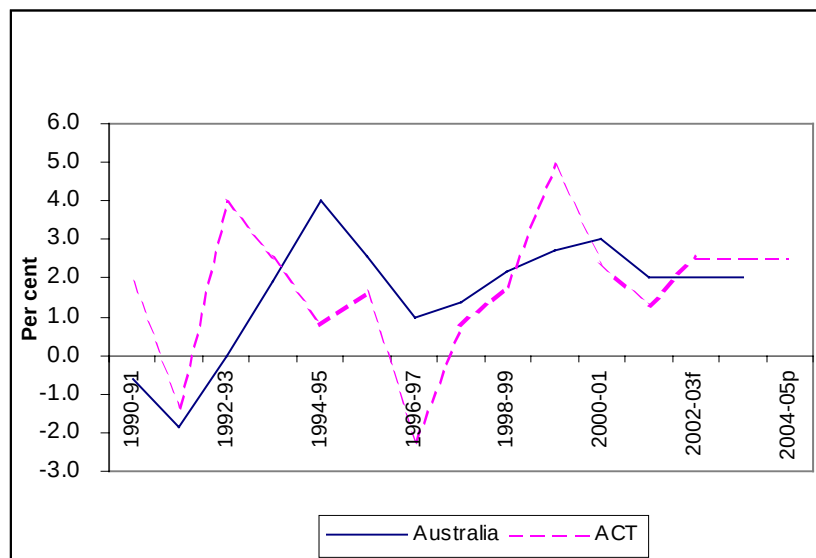


Source: ABS Cat No 6202.0 Table 8h

### Employment

Employment in the ACT is forecast to grow by 2.4% in 2000-01 in year average terms. This follows an increase in employment of 4.9% in 1999-2000. As noted above, as employment has grown previously discouraged job seekers have entered the workforce in increasing numbers consequently raising the labour force participation rate. Nonetheless, employment has grown more strongly than the increase in the supply of persons to the labour force and, as a consequence, the unemployment rate has fallen to an average of 4.7% for the first eight months of 2000-01 compared to 5.6% for the same period in 1999-2000. Employment is expected to continue to grow in 2001-02 but at a reduced rate of 1.3% in year average terms and at an average of 2.5% in the subsequent years.

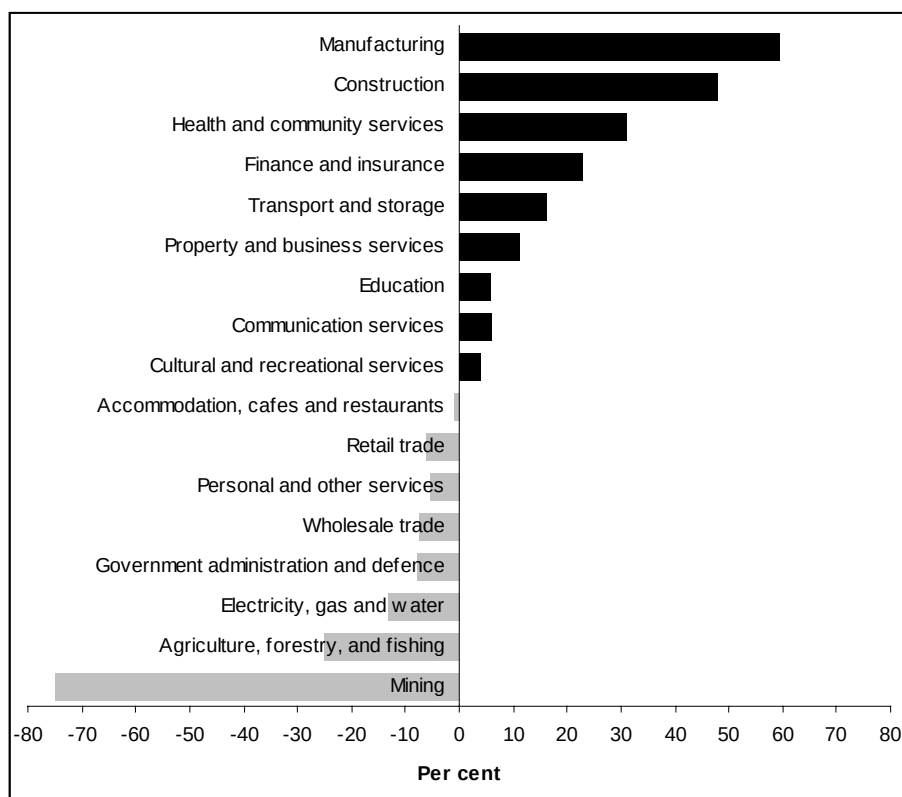
**Figure 6.1.5**  
**Annual Employment Growth Rates, ACT and Australia**



Source: ABS, Cat No 6202.0 Table 8h and 8i, Commonwealth Treasury MYEFO 2000-01.

Over the past year employment growth has been concentrated in a number of industries. The main contributors to the growth of employment, based on the number of jobs, were the health and community services, manufacturing, construction and finance and property industries. This employment growth was offset in part by falls in employment in government administration and accommodation and restaurants.

**Figure 6.1.6**  
**Annual Employment Growth by Industry, ACT**  
**(Year ending Nov 2000)**



Source: ABS Cat No 6202.0 Table 8I

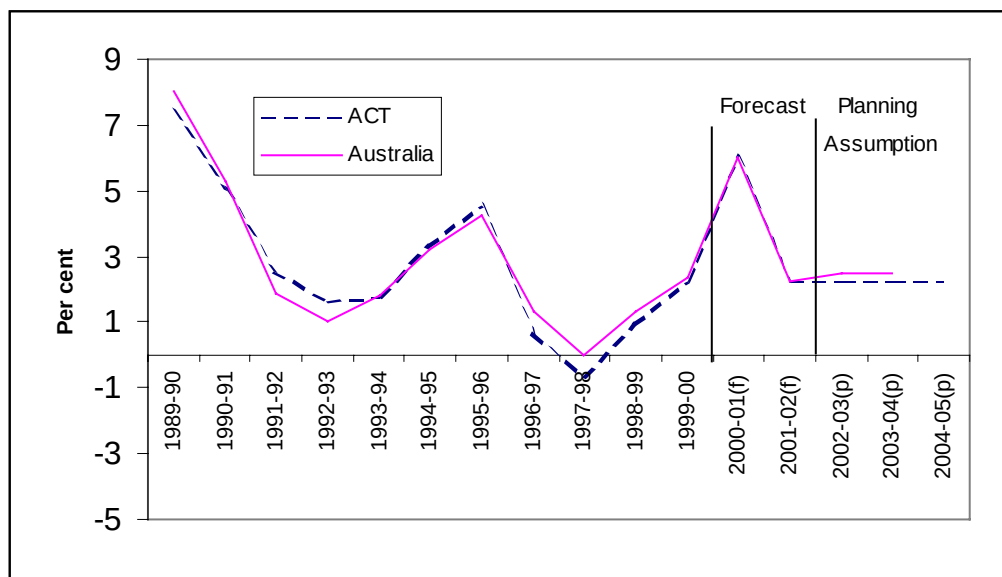
**Note:**

In industries with low levels of employees, small changes to the number of employees can have large changes in percentage terms. This is most notable in the manufacturing and mining industries. Furthermore, the data is derived from the Labour Force Survey and is subject to high variability as a consequence of small sample sizes.

## Prices

Price movements in Canberra closely follow national trends. After experiencing low rates of inflation during the later 1990s, the inflation rate spiked up to a forecast rate of 6% in 2000-01 as a consequence of the introduction of *The New Tax System* (i.e., the net effect of the introduction of the GST). It is estimated that the underlying rate of inflation (that is net of the GST impact) is 3.25% in 2000-01. While the falls in the Australian dollar will tend to push up the prices of imports, it is expected that this will be offset by a reduction in inflationary pressures in the labour market and product markets as the economy grows at more subdued rates compared to the recent past. The ACT forecast CPI for 2001-02 onwards is 2.25% per annum.

**Figure 6.1.7**  
**Consumer Price Index, ACT and Australia**



Source: ABS, Cat No 6401.0 Table 1a, DoT, and Commonwealth Treasury MYEFO 2000-01

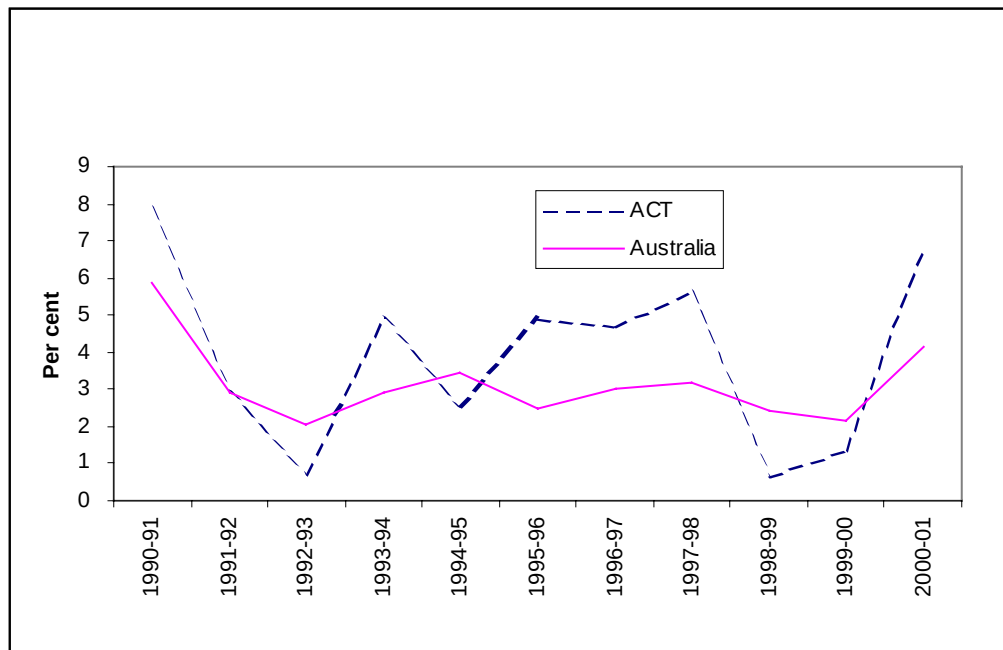
## Wages

Average weekly earnings in the ACT as at November 2000 were \$765 compared to \$645 for Australia. This difference results from the different pattern of occupational employment in the Territory which tends towards relatively high skilled occupations which are also more highly remunerated. The rate of change of average weekly earnings in the ACT displays more variation than national change as a result of the work force being more concentrated in a narrower range of industries.

Movements in average weekly earnings tends to broadly reflect changing labour market conditions in the Territory with a marked reduction in wages growth associated with the period of reduced employment growth during the later half of the 1990s. Recent wages growth above the national average was associated with corresponding strong employment growth and a reduction of the unemployment rate to historically low levels. Over the five months to November 2000, the level of wages in the ACT has increased by up to 6% compared to just over 4% nationally. The relatively large increase in average weekly earnings in the ACT appears to be primarily the consequence of a rise in the earnings of part-time

workers. This is consistent with a tightening of the labour market through last year as continued strong employment growth and reductions in unemployment were associated with part-time workers working longer hours.

**Figure 6.1.8**  
**Annual Change in Average Weekly Earnings, ACT and Australia**



Source: ABS, Cat No. 6302.0 Table 3 and 13h