

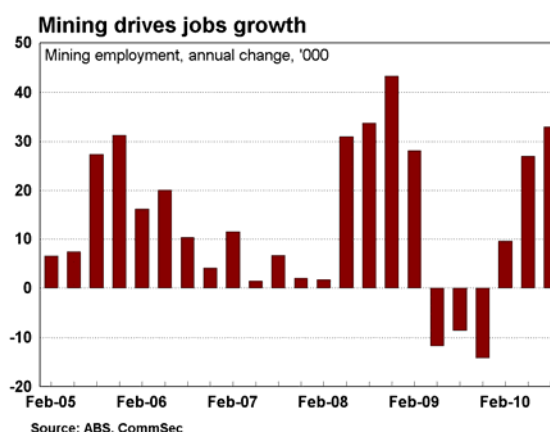
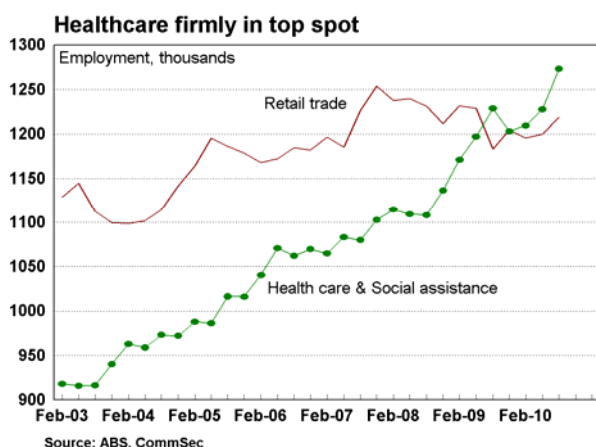
Powerhouse mining sector

Quarterly Labour force data; RBA Speech; Imports

- In percentage terms, employment in the mining sector expanded rapidly over the past year. In the year to August, mining sector employment grew by 33,000 workers or 20 per cent, significantly outperforming other sectors.
- Over the three months to August, employment across Australia grew by 78,500 or 0.7 per cent – well above the 10-year average job growth of 56,000.
- The biggest industry in terms of employment remains health care and social assistance. And the health care sector led the job gains, with employment lifting by 45,200.
- Across the states NSW (+28,100) led the job gains in the three months to August, followed by Victoria (+13,800), and Western Australia (+12,600). Virtually all the job losses occurred in Queensland (-22,200).
- The Reserve Bank Assistant Governor Philip Lowe has highlighted the concerns about the “relatively limited amount of spare capacity in the economy” and the resulting threat of inflation.
- In seasonally adjusted terms imports fell by 6 per cent in August. The slide in imports suggests that the recent spell of trade surpluses should continue.

What does it all mean?

- The Australian unemployment rate is holding at a 19-month low of 5.12 per cent and the latest round of industry labour data provides some interesting insights on where the growth in employment is taking place.
- The health care sector still holds onto the title of Australia's number one employer, edging further away from the retail sector. And the construction sector has won the battle for third place over the manufacturing sector. Amazingly just a decade ago manufacturing had more than 400,000 workers than the construction sector, but strong population growth and China-driven projects have contributed to a sharp lift in building activity and demand for construction trades.
- Interestingly when the focus is on the growth in employment, the mining sector shines through. Over the past year mining has expanded strongly with phenomenal job growth of 20 per cent. With the GFC clearly in the rear-view



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mirror, mining, and construction have returned to their key roles as drivers of the Australian economy. In fact since the beginning of the resources boom in 2003, mining sector employment has grown at an average annual rate of over 11 per cent, far ahead of the next placed utilities sector with just over 7 per cent average annual job growth.

- It was encouraging to see that after about six months in the wilderness the retail sector is again hiring. Over 18,000 jobs were created in the sector in the past three months, and the annual rate of job growth is now once again positive after consistently falling in annual terms for almost two years. It is unlikely that the retail sector will blossom in the short-term, with conservatism of consumers serving to keep downward pressure on spending. However the strength of the Aussie dollar should help alleviate pressures on profitability and in turn support turnover until consumers feel more confident to spend.
- In the past the Reserve Bank has highlighted concerns about tight labour capacity, and once again the Assistant Governor Philip Lowe has used the opportunity of a speech in Sydney to highlight the lack of spare capacity in the economy.
- As the global economic recovery gains traction it is likely that labour shortages – particularly in mining and construction - will become more prominent. Simply if the jobs can't be filled here in Australia business should be allowed to hire workers from abroad. Corporate Australia needs acknowledgement from the government that they would be allowed to tap foreign workers as needed. And while wage inflation has not been an issue in recent times, CommSec expects wages growth to be an indicator closely watched by the Reserve Bank over the coming year.
- Interestingly the Assistant Governor also warned that despite an expected boom in investment, not all sectors of the economy are likely to benefit. The higher Australian dollar has already hurt the tourism sector and certainly made exports a lot less competitive.

JOB GROWTH

Three months to August 2010, '000

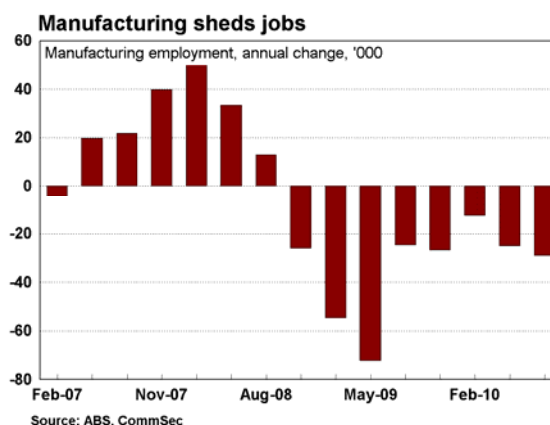
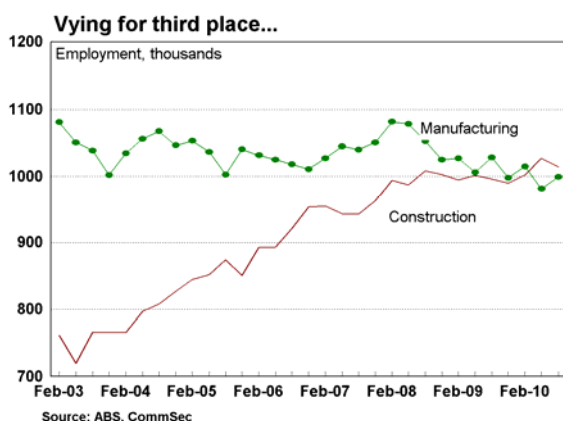
Health Care and Social Assistance	45.2
Education and Training	34.7
Retail Trade	18.6
Manufacturing	18.1
Mining	16.3
Administrative and Support Services	12.8
Electricity, Gas, Water and Waste Services	12.1
Professional, Scientific and Technical Service	10.8
Financial and Insurance Services	6.9
Wholesale Trade	6
Rental, Hiring and Real Estate Services	5.8
Public Administration and Safety	-1.6
Information Media and Telecommunications	-2.2
Agriculture, Forestry and Fishing	-6.8
Other Services	-10.2
Arts and Recreation Services	-10.8
Construction	-12.8
Transport, Postal and Warehousing	-27.7
Accommodation and Food Services	-36.7

Source: ABS, CommSec

What do the figures show?

Labour Industry Data

- Over the three months to August, employment across Australia grew by 78,500 or 0.7 per cent – well above the 10-year average job growth of 56,000.
- Health care and social assistance led the the job gains, with employment lifting by 45,200. Next strongest was Education and training, up 34,700, with Retail trade up 18,600.
- At the other end of the scale, Accommodation and food services fell by 36,700 in the past three months with transport, postal and warehousing down 27,700
- Over the past year employment has grown by 345,100 jobs or 3.2 per cent – the fastest annual increase in more than two years.
- Over the year to August, Professional, scientific and technical services (up 66,500) led the job gains, followed by



Education and training (up 55,800).

- The biggest industry sector – health care and social assistance – has been a consistent job creator over the past two years with employment only dropping once in the period. Employment in the sector rose by 44,400 or 3.6 per cent over the past year.
- Employment in the mining sector has grown sharply over the past year. Total mining employment rose by 9 per cent over the three months to August and a staggering 20 per cent over the year.
- Across the states NSW (+28,100) led the job gains in the three months to August, followed by Victoria (+13,800), Western Australia (+12,600), Northern Territory (+4,500), South Australia (+2,300), and the ACT (+700). Job losses occurred in only two states Queensland (-22,200) and Tasmania (-1,900).
- **Other data out today** shows that **imports** fell by 6 per cent in August, in seasonally adjusted terms

Assistant Governor's Speech

- *"Australia has come through the global downturn in good shape. Not only has the business cycle here been relatively muted compared with elsewhere, but our medium-term prospects look to be brighter than those of most other advanced economies. They also look brighter than they did a decade ago."*
- *"But as we think about the future, the story is broader than China. Over the years ahead, the Indian economy, which also contains more than 20 per cent of the world's population within its borders, is likely to become increasingly important to Australia."*
- *"... given that there is currently a relatively limited amount of spare capacity in the economy, the risk of upwards pressure on inflation would be increased if investment and consumption were both to increase very strongly over the next few years."*

What is the importance of the economic data?

- Detailed **Labour Force** estimates are released the Bureau of Statistics each month with quarterly industry estimates published each quarter. The data assists in highlighting the industries which are expanding and contracting, thus providing additional insights into the current performance of the economy.

What are the implications for interest rates and investors?

- The strength of the job market has potential to boost wage growth and therefore inflation. Fortunately at present, wage pressures are restrained, allowing the Reserve Bank to remain on the interest rate sidelines. The importance of mining and construction sectors has been highlighted by latest employment data.

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