

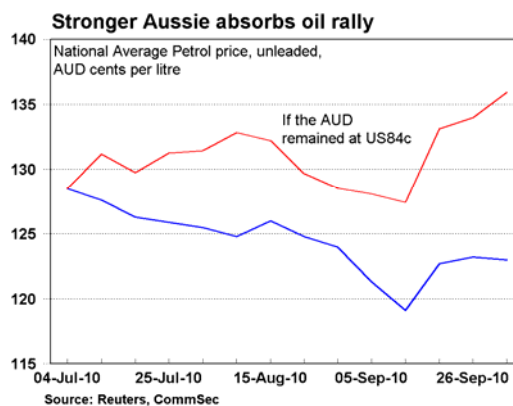
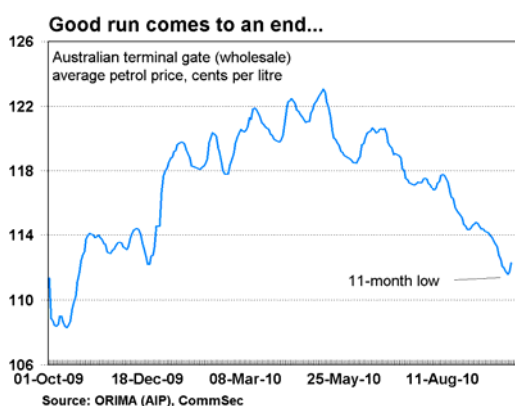
# Healthy trade; petrol prices to creep higher

## International trade; Job advertisements; Petrol price

- **The trade surplus widened in August.** The trade surplus rose by \$603 million to \$2,346 million. Exports fell by 2.4 per cent while imports fell by 5.1 per cent.
- **Petrol prices are set to rise – but modestly.** Terminal gate or wholesale petrol prices hit fresh 11-month lows last Friday. But prices have since edged up by just under a cent a litre and regional gasoline prices are also rising. According to the Australian Institute of Petroleum the national average retail pump price fell just 0.2 cents a litre last week to \$1.23 a litre.
- **The job market is strengthening.** The Advantage internet job index rose by 3.3 per cent in September, led by gains in health care, accounting and IT. But the ANZ index of job ads rose by 0.7 per cent – the weakest increase in five months.

### What does it all mean?

- The bad news is that regional gasoline prices are rising. The good news is that the Australian dollar is also rising, minimising the pain at the petrol pump for motorists. While pump prices are likely to lift unless there is significant discounting by oil companies, they should only increase modestly. On balance the national average petrol prices will continue to hold to around \$1.20-1.25 a litre.
- Had it not been for the higher Australian dollar over the past three months, motorists would be paying 13 cents more per litre, adding almost \$20 to the monthly fuel bill.
- The price of petrol hasn't been an influence on retail spending over the past six months, but with world oil prices starting to lift, it needs to be kept under close watch. Filling up the car with petrol is the single biggest weekly purchase for most households.
- The one area of the economy that hasn't succumbed to weakness of late is the job market. However having said that, the lift in the ANZ job index was the smallest in five months. Still, employers are actively looking for workers – in part due to economic conditions but also in large part due to demographic influences and a reduction in migrants to fill vacancies. While the Reserve Bank may fret about the tight job market, one of the best solutions is to increase migration, and thus labour supply, rather than to choke off demand with higher interest rates.
- The job market will continue to tighten in coming months and years and the Federal government must ensure that



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it is properly planning for the situation by devising comprehensive migration and training policies.

- It is a rare event, but Australia is paying its way in the world with trade accounts in surplus for the fifth straight month. With tongue firmly planted in cheek, if the run of trade surpluses continues, Australia may be at risk of branded a currency manipulator!

## What do the figures show?

### International trade

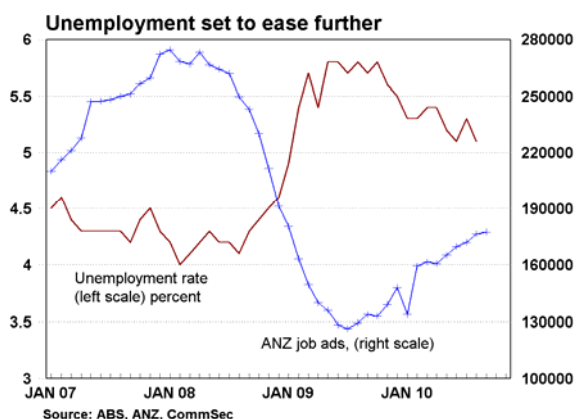
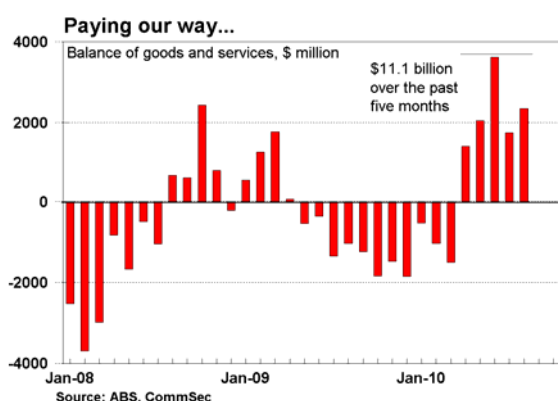
- Australia's trade surplus widened by \$603 million in August to \$2,346 million. Economists had tipped a \$2.5 billion trade surplus. Exports fell by 2.4 per cent in the month while imports fell by 5.1 per cent. It was the fifth consecutive trade surplus.
- Rural exports fell by 3.3 per cent in August while non-rural exports fell by 0.8 per cent and non-monetary gold fell by \$401 million or 32.3 per cent.
- Within non-rural exports, metal ores and minerals fell by 10 per cent but coal, coke and briquettes rose by 10 per cent with other mineral fuels up 2 per cent and other non-rural up 5 per cent. Within rural exports cereal grains fell by \$81 million or 15 per cent.
- Within imports, consumer imports fell by 0.8 per cent in August, capital goods imports fell by 3.0 per cent while intermediate goods imports fell by 12 per cent after rising by 9.5 per cent in July. The Department of Defence had imported six super hornets in July, inflating the figure on intermediate imports.

### Job advertisements:

- The Advantage internet job index rose by 3.3 per cent in September and job ads have now risen for an unprecedented 13 consecutive weeks. In September, gains were recorded in health care (7.3 per cent), accounting (6.6 per cent) and information technology (5.6 per cent) but losses were recorded by education (-8.4 per cent), advertising and media (-5.4 per cent) and human resources (-3.0 per cent).
- The combined number of internet and newspaper job advertisements, as tracked by ANZ, rose by 0.7 per cent in September, the smallest gain in five months. Internet job ads rose by 0.8 per cent in the month, while newspaper job ads fell by 1.9 per cent. In annual terms job ads are up 32.9 per cent off a low base.

### Petrol prices:

- According to the Australian Institute of Petroleum, the national average Australian price of unleaded petrol fell by 0.2 cents per litre to 123.0 cents a litre in the week to October 3.
- The metropolitan price fell by 0.1 c/l to 122.2 c/l, while the regional average price fell by 0.5 c/l to 124.7 c/l.
- Petrol prices across states in the past week were: Sydney (up 0.3 cents to 121.0 c/l), Melbourne (unchanged at 122.7 c/l), Brisbane (down 0.1 cents to 123.1 c/l), Adelaide (down 1.6 cents to 120.6 c/l), Perth (up 0.3 cents to 122.1 c/l), Darwin (down 3.0 cents to 128.5 c/l), Canberra (down 0.4 cents to 124.7 c/l) and Hobart (down 0.5 cents to 130.6 c/l).
- The national average wholesale (terminal gate) hit an 11-month low of 111.6 cents a litre last Friday but has lifted to 112.3 cents today.
- The key Singapore unleaded petrol price rose by US\$5.07 (6.2 per cent) to a five-month high of US\$87.07 last week. And in Australian dollar terms Singapore gasoline rose by \$3.88 (4.5 per cent) over the week to a 4-week high of \$90.16 a barrel.



## What is the importance of the economic data?

- The monthly **International Trade in Goods and Services** release from the Bureau of Statistics provides estimates on exports and imports of physical goods (such as coal, beef and computers) and services (such as travel receipts). The balance of goods and services (BOGS) is a narrower description of Australia's external position than the current account estimates. The import data is a useful gauge of consumer and business spending while exports reflect global demand as well as domestic influences such as drought.
- The monthly **Job Advertisements** release is a leading employment indicator. Employers only seek additional staff if business activity is strong, and more importantly, if they expect that conditions will remain favourable in coming months. It takes around 5-6 months for the new staff to be added to the payrolls. But a fall in job advertisements would have a more immediate impact on monthly employment estimates.
- **Weekly figures on petrol prices** are compiled by ORIMA Research on behalf of the Australian Institute of Petroleum. National average retail prices are calculated as the weighted average of each State/Territory's metropolitan and non-metropolitan retail petrol prices, with the weights based on the number of registered petrol vehicles in each of these regions

## What are the implications for interest rates and investors?

- At present the impact of higher world oil prices is being absorbed via a strong currency, but the recent spike in prices must be carefully monitored. A sharp lift in the petrol price would add to pressure on household budgets and make life even more difficult for retailers.
- The job market will be central to interest rate deliberations over the next year.
- The Reserve Bank will point to our trade surpluses as evidence of the mining boom's impact on the economy. As more dollars flow into the country, policy has to tighten to soak up the extra money and thus prevent inflationary pressures from building.

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