Australia upbeat on China's New Year data

SYDNEY, Jan. 21 (Xinhua) -- Australia has reason to begin the Year of the Snake in an optimistic mood thanks to a raft of encouraging China data and a fresh breeze of economic confidence coming out of Canberra.

"The Australian economy has withstood the deepest global recession since the Great Depression," Australia's Minister for Trade and Competitiveness, Dr Craig Emerson opined last week, referring to the resource-rich nation's impressive ride through the worst of the global financial crisis.

And despite an Opposition Coalition determined to exploit uncertainty over Prime Minister Julia Gillard's launch of the groundbreaking carbon price, Dr Emerson has noted that the wheels have not fallen off Australia's robust economy.

"The main risks confronting the Australian economy are the gloomsters seeking political gain from talking it down... There have been no unimaginable price increases in the carbon price, no wrecking ball, and entire communities have not been wiped out," Dr Emerson told News editors last week.

A slew of positive data this week has left Australians optimistic ahead of the national Australia Day holiday on the 26th of this month.

Data from the Housing Industry of Australia (HIA) suggests the local property market is gaining traction. Sales of new houses in Australia rose by almost 5 percent in November after a 3.7 percent rise in October.

"It was the strongest back-to-back lift in home sales in almost three years," Commsec chief economist Craig James noted.

With Europe finally steadying itself and some positive signs of political, if not economic stability out of North America, economists here are beginning to suspect there may be no more interest rate cuts from the Reserve Bank of Australia (RBA) and that the buoyant Australian dollar whose fortunes remain tightly connected to the Chinese economy could move beyond 1.10 U.S. dollars in the very near future.

In fact, if China's latest figures continue their upward arc, Australia looks like beginning the Year of the Snake with one of the developed world's lowest inflation rates giving the RBA all the room it needs to keep interest rates intact or contemplate reducing them further.

According to Dr Emerson the cut in the RBA's interest rate from 6.75 percent at the end of Australia's former coalition government to just 3 percent is saving the standard Aussie mortgage-holder more than 5,000 U.S. dollars a year.

In an opinion piece published by The Australian, Dr Emerson said that Australia's national savings have returned to sustainable levels.

"The period of the mid-2000s -- when households spent more than they earned -- was abnormal. Now the household savings ratio has returned to its normal average of about 10 percent," He said.

Investment in Australia is at 50-year highs, despite grumblings from Asia regarding the machinations and complexities of the Foreign Investment Review Board (FIRB).

Central to Australia's 2013 will be the price of iron ore and coking coal which have both recovered some of the ravages of 2012' s plummetting from historical highs.

As China's economy expands Australia's resurgent resources sector will continue to benefit.

China's manufacturing sector posted a third consecutive month of expansion after the New Year, according to an HSBC survey, which focuses more on smaller businesses, revealing a purchasing managers' index of 51.5 for December -- the highest since May 2011.

Lu Ting, chief economist of Greater China at Bank of America, Merrill Lynch, said the industrial output speaks for itself.

"Most data, especially the industrial earnings, have been pointing to an impressive recovery," Ting said.

With indications that Australia's mining boom is past its peak and mining investment moving closer to its apex, China's manufacturing and industrial sectors play an important role in its growth.

Certainly, the good news for 2013 is that Australia's largest and most important trading partner has all but turned around its economy under the guidance of a new and experienced leadership.

China's trade surplus surged an impressive 48 percent to over 230 billion U.S. dollars in 2012, while imports continued to grow at a moderate 4.3 percent according to China's Bureau of Statistics, in standing with policymakers' expectations.

The latest China figures will encourage both the federal government and Australian investors.

Noted economist and commentator Stephen Koukoulas, writing in the Business Spectator added that the favorable news out of China rolls on with GDP growth recovering in the fourth quarter alongside retail spending and industrial production.

"What makes 2013 look positive for the Chinese economy is the continued rollout of infrastructure stimulus spending, which is likely to underpin growth for some time to come. A still under- valued yuan is helping the export sector to growth strongly," He said.

With Australian unemployment sitting pretty near 5 percent and net debt expected to peak at 10 percent of GDP (compared with 95 percent for the major advanced economies) Dr Emerson says that Australia is rarely placed to take advantage of a recovering global economy.

However, as Australia's trade deficit widens (more than 2.5 billion Australian dollars in November), falling commodity prices have punished exports, dollar-sensitive sectors and ultimately government revenue.

Despite these occasional tremors, Dr Emerson insists there are many reasons to be confident of doing business Down Under.

"Australians are optimistic by nature and their increasing optimism about the economy is soundly based," He said.

Emerson could be right. In a key survey released this week by Galaxy, a question about the single most important policy issue revealed much about Australian sensibilities compared to the first such poll taken in 1978.

A stable economy topped the list, whereas 1978's top concern -- a high rate of economic growth -- dropped to the sixth place on the list.

In the same survey, 54 percent of Australians said they were optimistic or hopeful about the future, also a big change from 1978 when the number was just 44 percent.