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Australia's Growth Industries

IBISWorld Newsletter

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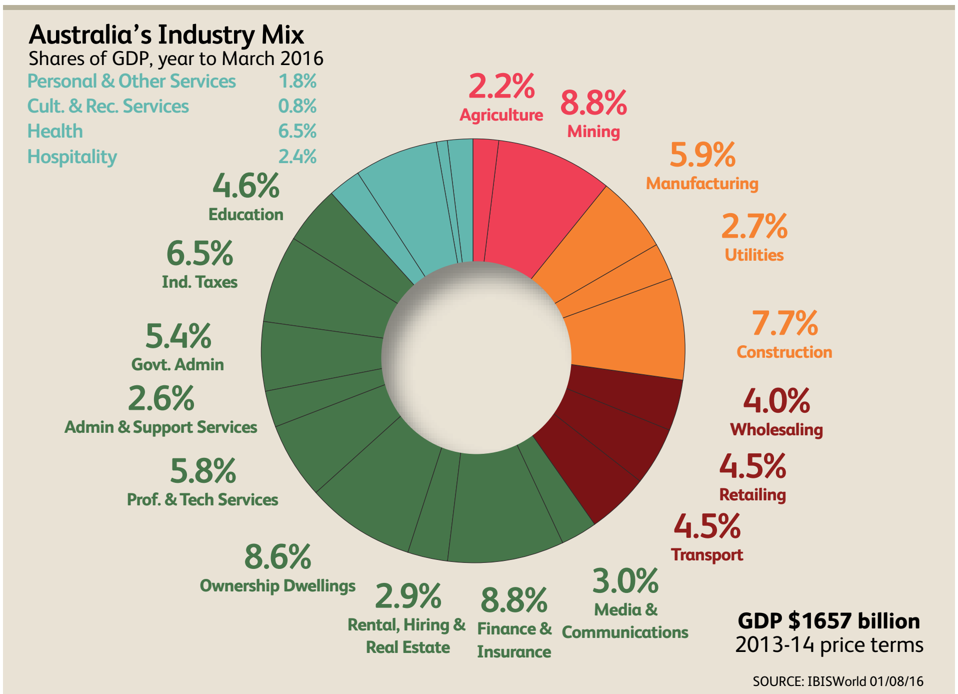
Phil Ruthven AM, Founder & Chairman

We are told that Australia is the fastest growing economy in the developed world. True, but at 2.7% in the year to March 2016 and the same growth per annum over the past five years, we are not growing as fast as Australia's average over the past 50 years (3.2% per annum) or the 20th century (3.5% per annum). Everyone seems to know the slower growth is due to a lack of reform in our labour market, taxation and parliament, and having the worst broadband speed and capacity in the developed world; a disgrace in an age of digital disruption.

It is small comfort to know that the rest of the developed world is growing slower than we are and has different problems, such as national debt levels, larger government deficits, high taxation, and excessive legislation. And this is less relevant when we realise we are not part of the old rich world of the EU and North America, but are part of Asia. Asia is bigger in GDP as well as population than both the EU and North America and is growing three times as fast as they are. And at more than double our speed. Asia is our new economic and demographic arena. That is where we are competing and need to be compared.

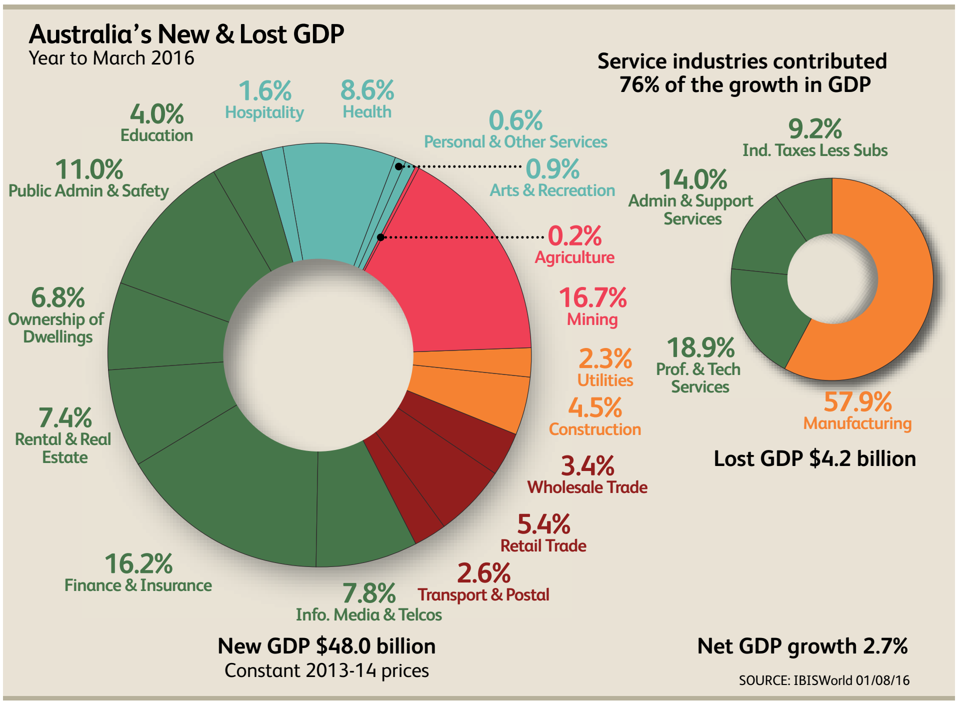
But we do have a modern economy in terms of our mix of industries, and we do have growth in enough of them in terms of value added and employment to keep the show on the road.

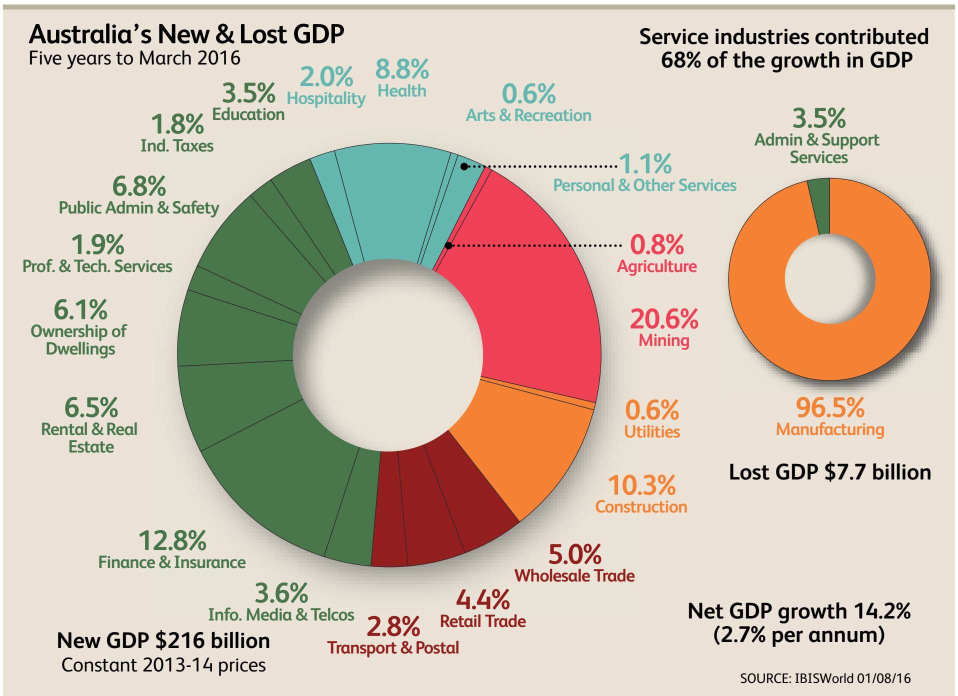
The first chart shows the mix of industries as recorded by the ABS in the most recent National Accounts release.



It is a mix dominated by service industries, as are all the developed economies of the world. Manufacturing is poised to fall to 5% of our GDP soon, having been almost six times that share at 29% in the early 1960s. However, our standard of living (real GDP/capita) is three times higher than in 1960, so clearly manufacturing has been replaced by more wealth-creating industries.

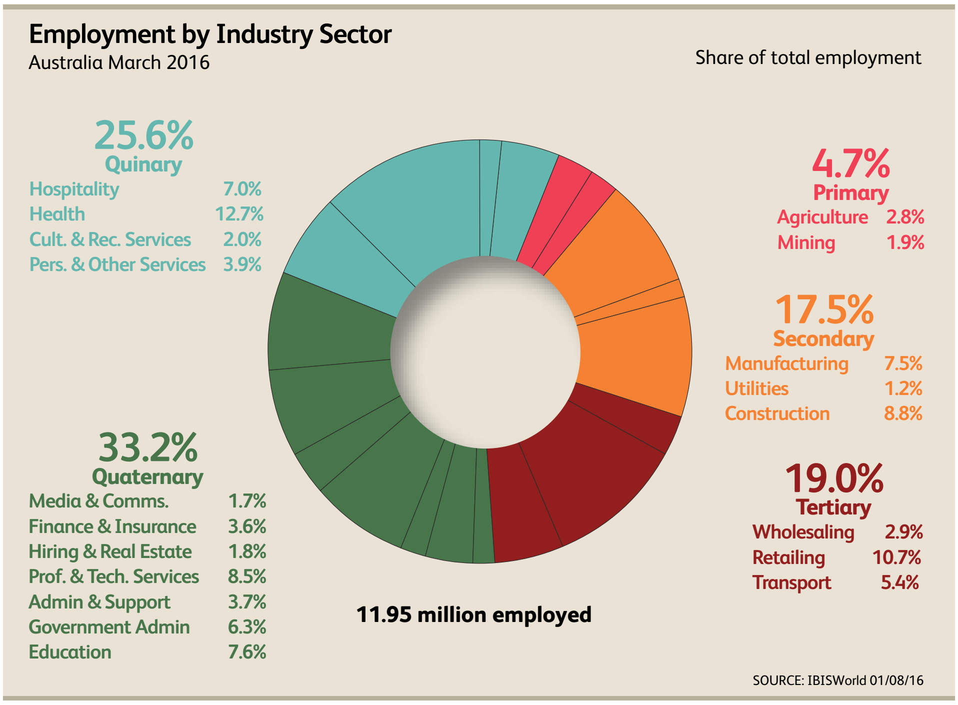
The next two charts show where the growth has come from over the most recent year and five years, respectively.

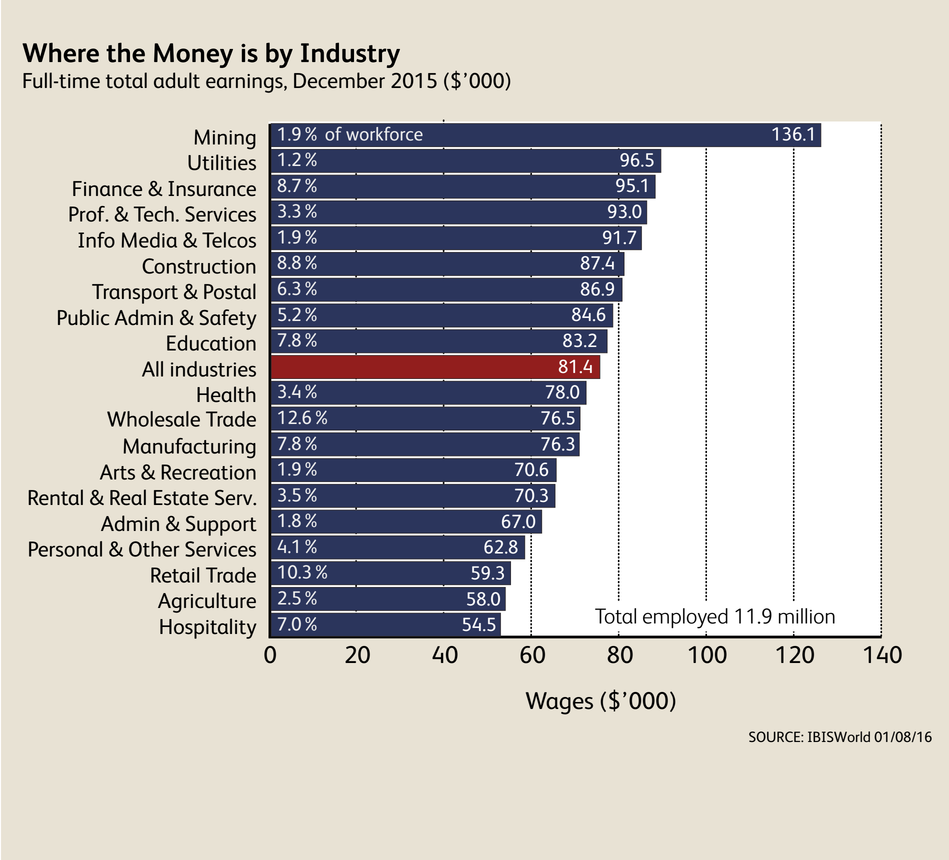




It is clear that the only goods-based industries contributing to our growth are mining and, to a lesser extent, construction. Most of our losses are in manufacturing. Mining, of course, has had a horrific fall in prices over the past few years, but volumes (from which real GDP is measured) continue to grow. However, nearly 70% of all growth over the past five years has come from our service industries.

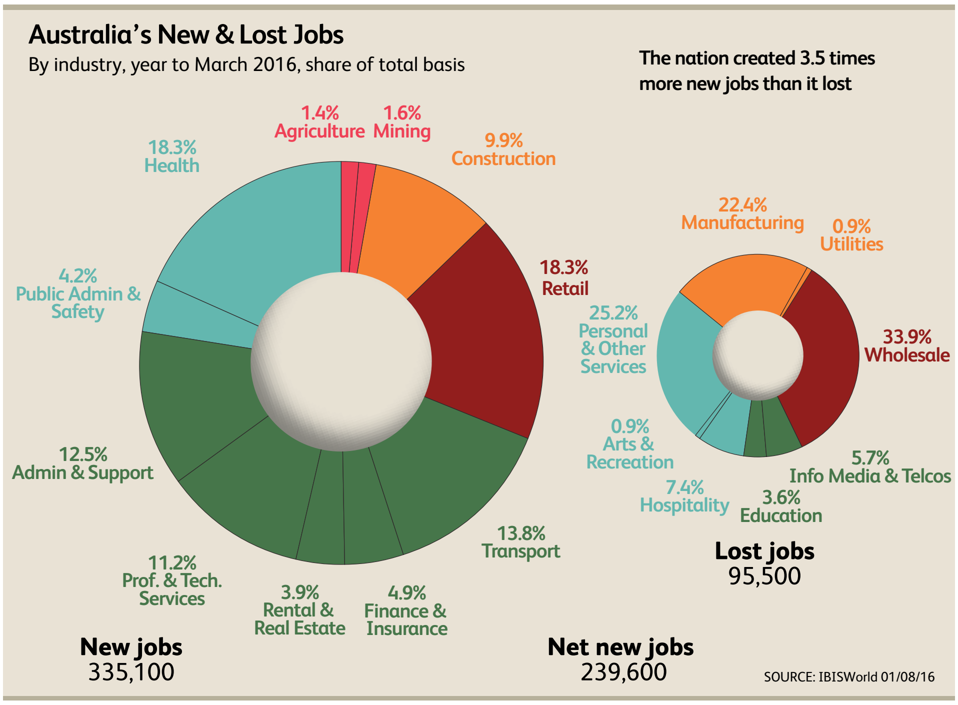
A not-dissimilar picture emerges when we examine the structure and growth of our industries in employment terms. The first chart below shows where our 12 million employees were in March this year, and the second chart reveals what sort of total earnings were being enjoyed in each of the nation's 19 industry divisions as of the 2015 calendar year.

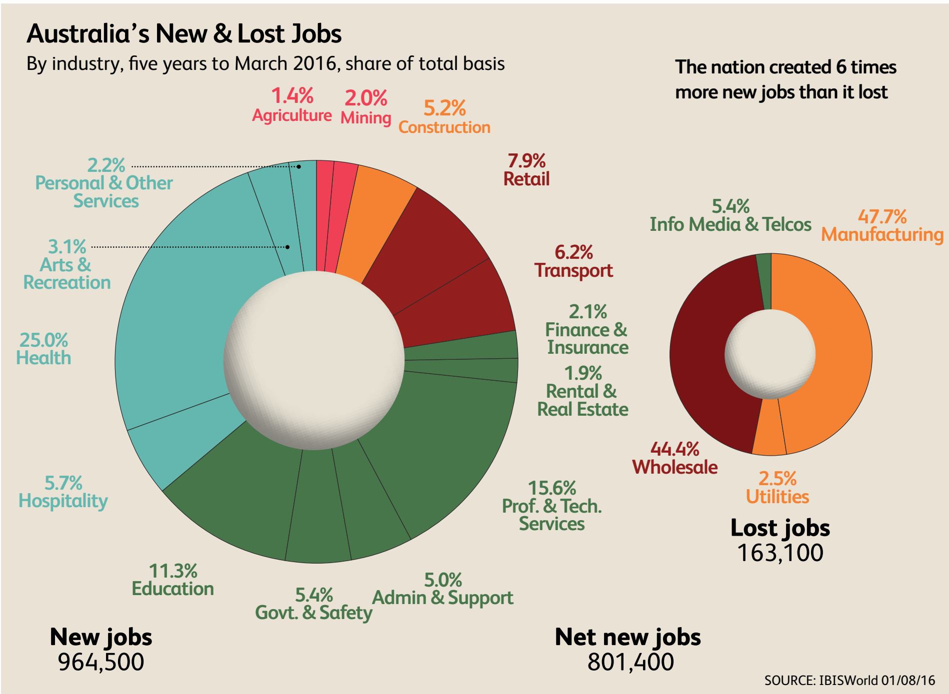




Again, it is a nation where service industry jobs dominate the workforce. And contrary to common belief, there are more above-average earnings in the service industries than in the goods-based industries. Manufacturing is well below the national average nowadays; so why do we still have some politicians suggesting we should go back there? Regressive economics.

The good news, which is not publicised enough to a society nervous about jobs for themselves and their children, is that we are creating far more jobs than we are losing. This trend is abundantly clear in the two charts that cover the year to March 2016 and the five years to the same time.





In the latest year, we created three and a half times more jobs than we lost; and in the past five years we created six times more than we lost. So why on earth do we make big song-and-dance and hand-wringing routines about job losses, but practically no celebration about our new jobs?

We have a lot to cheer about, without being complacent about urgent and overdue reforms.

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