



## Jobless tipped to peak below 7%



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Independent forecaster Access Economics expects the jobless rate to peak at 6.8 per cent by June next year as the economy returns to "trend growth" in early 2011.

But Access economist Chris Richardson says this doesn't mean Australia has got off "scot-free", predicting the Reserve Bank of Australia (RBA) will have lifted the cash rate to five per cent by then.

Releasing Access Economics' latest Business Outlook on Monday, Mr Richardson said Australia's growth performance has been world beating, admittedly against a "bad bunch of global peers".

"We didn't dodge a bullet, we outran it," he said.

"We sailed through the worst of the global crisis on a sea of stimulus - both our own and China's."

He said as Australia's jobs market has been more flexible than in previous recessions, people lost working hours rather than jobs - resulting in unemployment peaking at 6.8 per cent by mid-2010 in the forecaster's projection.

This would be substantially less than the 8.5 per cent predicted by the government in the May budget by mid-2011, and just below seven per cent recently estimated by the International Monetary Fund.

Mr Richardson expects price pressures to remain in hibernation in the coming year, aided by a resurgent Australian dollar and a slowing pace in wage claims.

But the recovery will see underlying inflation back at or above three per cent by early 2011, the top end of the RBA's inflation target.

By this time he expects the economy to be back at three per cent trend growth.

However, there are risks to this outlook stemming from a global "double dip" recession led by China.

"China's recovery is remarkably good. However, the better that China does in 2010, the greater the risk that it weakens in 2011, bringing down commodity prices with it and hence a hit to Australian national income," Mr Richardson said.

He said China's imports of coking coal quadrupled in the first half of 2009 compared with the first half of 2008, imports of copper and thermal coal more than doubled and iron ore imports were up 32 per cent.

"Those numbers should tell you that what is happening in China is not a return to sustainable growth," he said.

For now, conditions appear to be stabilising in most business sectors, or can at least "see hope on the horizon", but construction has further to slow with bad news on the commercial side, outweighing good news on housing.

The green light on Gorgon, Australia's largest ever investment project, is a reminder that mining's long-term future is "remarkably good".

But retail's "easy ride" through 2008/09 is coming to an end with the government's "cash splash" drying up and the RBA on the rate rise "war path through 2010".

As mild as it was, Australia's economic downturn has acted as a "leveller" across the states and territories.

He said the likes of NSW, Victoria and the ACT were already "travelling" slowly, although the pain has been eased by lower interest rates.

"At the other end of the state growth ladder, and despite the great growth news out of China, weakening construction pipelines are slowly pegging back growth in the 'sunbelt states' of Western Australia, Queensland and the Northern Territory."

The downturn has been less marked in South Australia and Tasmania.

