

Key themes from Treasury's Business Liaison Program

As part of Treasury's Business Liaison Program, staff held teleconferences with 12 businesses and industry associations during November 2010.

The feedback from liaison continued the pattern of recent rounds, with strong growth in the resources sector and slower growth in other sectors.

Key themes from Treasury's business liaison program

Trading conditions

The key messages emerging from liaison continued the pattern of previous liaison rounds, with strong growth in the resources sector and a slower recovery in other sectors.

Australia is maintaining its dominance in the supply of metallurgical coal. While heavy rain is affecting supply out of Queensland ports (representing the bulk of the supply of the global seaborne trade), the medium-term outlook for exports remains robust, with ongoing strong demand expected from the Asian region.

Over the longer term, prospects for the LNG sector in Australia are strong.

Consumer spending continues to be restrained, dampening retail sales, in part due to unseasonably cool weather through spring. Retailers remain concerned about the potential for further interest rate increases.

The housing market outlook has cooled, with house price growth relatively flat, and a subdued outlook for building activity. Arrears rates were not expected to rise significantly.

Business credit and investment

Firms in the resources sector are looking to expand capacity through increasing capital expenditure in coming years, with a lumpy investment profile expected. This investment will be import-intensive, with a substantial amount of construction being undertaken overseas.

Planned investment in other sectors is continuing as scheduled following some delays during the global financial crisis, although some firms are waiting to see an improvement in activity before committing to further investment.

Capacity issues

Labour shortages are expected to emerge in the resources sector, as large projects come online. These projects will require highly skilled labour – labour shortages have previously led to technical staff being hired from overseas.

There has been some queuing at Australian ports, although port expansions are on schedule and capacity expansions are underway.

Employment and skills

In the retail sector, overall employment levels remain broadly unchanged since the global financial crisis, and employment turnover is lower. Where there are staffing increases in some locations, they are linked to the opening of new retail outlets.

Prices and wages

Some wage pressures are evident, with wages 'catching up' after wage 'freezes' during the global financial crisis. Concern remains about the level of infrastructure charges in the property sector. While there is the potential for the strong Australian dollar to increase retail competition, it was also noted that the dollar was supporting retailers. Discounting remains prevalent.

