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## NSW Parliamentary Research Service

### NSW Economic Update Autumn 2016

Statistical Indicators 2/16  
By Chris Angus

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# NSW Economic Update Autumn 2016

by

Chris Angus

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## SUMMARY

According to the Commonwealth Bank, since the beginning of 2016 NSW has been Australia's top performing economy, slightly ahead of Victoria and maintaining a healthy lead over other States and Territories. The April 2016 [State of the States](#) report found that NSW holds top ranking on five indicators: population growth, retail trade, dwelling starts, and unemployment.<sup>1</sup>

NSW does not hold top position on all economic indicators: it remains fourth ranked on construction work done and second ranked on economic growth, both led by the Northern Territory. Nevertheless, the State of the States report concluded that NSW retains a solid grip on the top ranking of economic performance.

One reason for this ongoing economic strength, as noted by St George Bank last year, is the Australian economy's ongoing transition away from mining to the non-resources sectors:

While NSW may have felt like it was standing on the sidelines in the mining investment boom, the ongoing transition in Australian economic growth to other sectors is a boon for NSW. We expect solid economic growth in coming years.<sup>2</sup>

As discussed in past Economic Updates, the housing market continues to play a pivotal role in the NSW economy's recent resurgence, driving dwelling investment, generating wealth and catalysing household consumption growth. However, as reported by the [Australian Financial Review](#), house price growth is now at its slowest pace in 31 months, with no capital city recording an annual growth rate at 10% or more over the past year.

RBA Governor Glenn Stevens has [argued](#) that the slowdown indicates that the mid-2015 strengthening of bank lending standards for housing has worked to reduce the risk of a major housing market downturn. Nevertheless, as noted by [Merrill Lynch](#), the slowdown may result in "a period of weaker price growth or outright modest declines [that] is likely to become entrenched over coming years". Whether this slowdown risks instigating a household debt crisis in the long term remains the topic of debate by many observers.<sup>3</sup>

Based on the latest quarterly movements,<sup>4</sup> the strengthened and weakened areas of the NSW economy are summarised in the table on the following page. It is clear that NSW is performing relatively well in key areas, although business investment remains weak.

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<sup>1</sup> CommSec, [State of the States](#), April 2016. It should be noted that CommSec compares the performance of each State across indicators by measuring the quarterly deviation from decade long averages.

<sup>2</sup> St George Bank, [NSW Economic Outlook](#), 28 October 2015, p 1.

<sup>3</sup> For example, see: S Cauchi, [House prices will slow but no debt crisis: HSBC](#), Sydney Morning Herald, 22 April 2016; D Hughes, [Mortgage rate rises a wake-up call for property buyers](#), Australian Financial Review, 16 April 2016.

<sup>4</sup> That is, for the most recent quarter in which data is available.

It should be noted that these indicators are subject to cyclical variations and may not be completely illustrative of a fundamental shift in growth.

Stronger		Weaker	
Gross state product	Job vacancies	Business investment	House prices
State final demand	Bankruptcies	Trade balance	Dwelling approvals
Household consumption	Mining investment	Employment	
Retail trade	Housing finance	Unemployment	
Motor vehicle sales		Participation rate	

## Economic outlook

The Reserve Bank of Australia (RBA) **national economic growth** forecasts have remained largely unchanged since November 2015. In its February [Statement on Monetary Policy](#), the RBA commented that GDP growth, although remaining below trend over the course of 2015, has been revised up slightly to 2.5-3.5% by December 2016.<sup>5</sup>

The major banks, including the [Commonwealth Bank](#) and [NAB](#), have also continued to forecast below trend economic growth for 2016 (2.6% and 2.7% respectively). Key factors restricting national growth over the forecast period, as outlined by the RBA, include:<sup>6</sup>

- the decline in mining investment;
- a subdued outlook for non-mining investment in the near-term;
- low levels of non-residential building approvals; and
- continued weakness in the terms of trade.

Nevertheless, there is positive news for the Australian economy. In the RBA Board's April 2016 [Minutes on Monetary Policy](#), Board members noted that GDP had grown by 0.6% in the December 2015 quarter, with the Australian economy continuing to rebalance towards the non-mining sectors of the economy. Household consumption increased over the second half of 2015, supported by low interest rates and strong employment growth. Additionally, labour market conditions were noticeably stronger than a year earlier, with the unemployment rate remaining on a downward trend and the participation rate trending upwards.

With respect to **New South Wales**, the Treasury—in its 2015-16 [Half-Yearly Review](#)—revised down its Gross State Product (GSP) forecast from 3% to 2.5% for 2015-16, with the economy forecast to grow above the long-run trend at 3% in 2016-17. In developing these forecasts, the Treasury noted that:

The NSW economy is well placed to build on this momentum over the coming years. Low interest rates, a lower exchange rate, less reliance on mining and above-trend population growth are all expected to see NSW SFD growth continue to outperform the rest of Australia.<sup>7</sup>

<sup>5</sup> RBA, [Statement on Monetary Policy](#), February 2016, pp 60-1.

<sup>6</sup> Ibid.

<sup>7</sup> NSW Treasury, [Half-Yearly Review, 2015-16](#), p 5.

The downward revision to GSP growth for 2015-16 was the result of a “slightly more protracted recovery in non-mining business investment” than was anticipated at the 2015-16 Budget.

However, the major banks remain optimistic about NSW’s economic performance in coming years. NAB, in its [State Economic Handbook](#), forecast GSP to increase by 2.6% in 2015-16 and 2.8% in 2016-17, although noting that the “challenge for NSW will be maintaining robust growth as momentum from the housing sector begins to fade through 2016.”

ANZ’s March 2016 [Stateometer](#) publication reported that NSW and other east coast economies have driven recent improvement in the national economy, despite losing some momentum in January. ANZ further predicted that NSW (along with Victoria) will continue to drive the national economy, with economic activity well above trend, but that this momentum will likely ease in 2016 following the rapid expansion that occurred during the second half of 2015.

### **About the paper**

This paper updates statistical information on key economic indicators, thereby presenting a current snapshot of the NSW economy and providing relevant points of comparison with other Australian States and Territories.

Statistics are updated to the end of the most recent quarter available. Most indicators have thus been updated to include the December 2015 or March 2016 quarters.

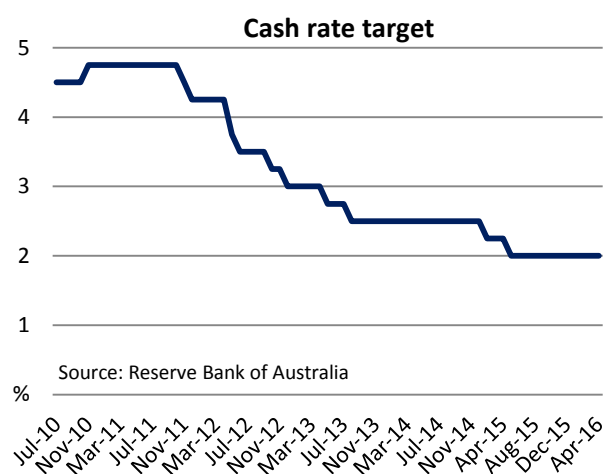
### **Sources used**

Data presented in this paper is sourced from the Australian Bureau of Statistics (ABS). The figures used are the original numbers, unless otherwise indicated. Sources other than the ABS have been used where relevant and are identified in the paper itself. Analysis and forecasts from the RBA and major private banks (including Westpac, NAB, the Commonwealth Bank and St George Bank) are also presented in the paper.



## INTEREST RATES

The RBA Board has left the cash rate on hold at 2.0% since May 2015, when it reduced the cash rate target by 25 basis points. In assessing whether to adjust the cash rate, the RBA Board considers strengths and weaknesses in the domestic economy, as well as international economic factors.



A number of key strengths in the Australian economy were identified by the RBA Board in the latest meeting in April 2016. These included strong household consumption and dwelling investment during the December 2015 quarter, supported by low interest rates and strong employment growth.

The Board reported that the economy grew at a moderate pace both in the December quarter and into early 2016. The Board made the following comments:

Given these conditions, members assessed that it was appropriate for monetary policy to be very accommodative. Low interest rates had played an important role in promoting the gradual increase in consumption growth and activity in the housing market. Conditions in the established housing market appeared to have moderated over the past year, in part reflecting the effect of supervisory measures designed to emphasise prudent lending standards and contain risks in the housing market. Housing credit growth had moderated a little over recent months and there had been a change in the composition of lending between investors and owner-occupiers.<sup>8</sup>

The Board judged that there were reasonable prospects for continuing growth in the economy, with inflation close to target, and as such the current setting of monetary policy remained appropriate.

Many of the major banks anticipate the cash rate to remain unchanged for the remainder of the year, with [Westpac](#) and the [Commonwealth Bank](#) forecasting the cash rate to remain at 2.0% to the end of 2016. However, in light of unexpectedly low inflation rates (see the *Consumer Price Index* chapter), [NAB](#) and [JPMorgan](#) now believe that the RBA may reduce the cash rate. The Commonwealth Bank has also stated that it will [review](#) its RBA rate call in light of these results, although it still believes that the cash rate will remain at 2.0% after the next Board meeting.

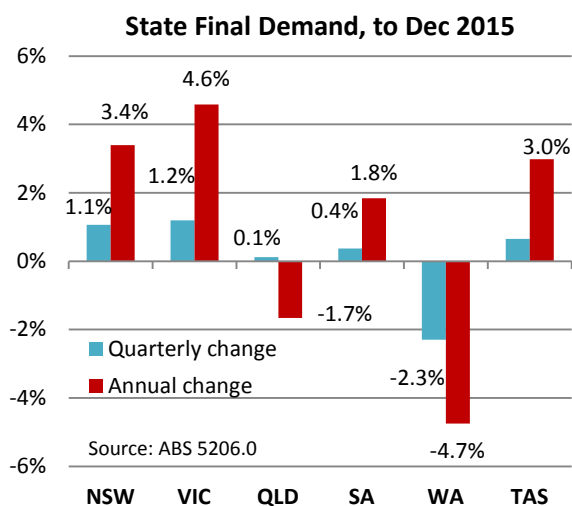
<sup>8</sup> RBA, [Minutes of the Monetary Policy Meeting of the Reserve Bank Board](#), 5 April 2016.

## STATE DEMAND AND GROSS STATE PRODUCT

National final demand, which is the best quarterly proxy for economic growth, was 0.6% higher for the December 2015 quarter, down from 0.9% in the June quarter. According to the [Australian Bureau of Statistics](#):

The major contribution to economic growth this quarter came from Household final consumption expenditure, which contributed 0.4 percentage points, and Public gross fixed capital formation, which contributed 0.2 percentage points to GDP growth.

Demand in NSW was 1.1% higher for the quarter, an increase on the 0.1% growth in the September quarter and the 2-year quarterly average of 0.87%. Quarterly final demand growth was generally weak across other States and territories, with the biggest quarterly decline being realised by Western Australia at 2.3%

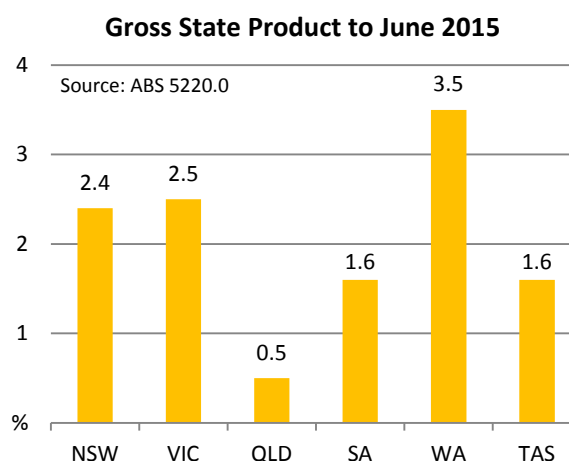


Annual demand growth in NSW to December 2015 was the second highest of all the States at 3.4%: an increase on the last quarter (2.6%) and behind only Victoria (4.6%).

State final demand, chain volume measures, seasonally adjusted, \$m								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Mar-2015	122,210	93,446	78,385	25,444	53,105	7,110	7,997	14,786
Jun-2015	123,560	94,705	77,521	25,441	53,268	7,205	7,712	15,044
Sep-2015	123,659	95,084	77,379	25,571	52,546	7,243	7,118	14,868
Dec-2015	124,974	96,224	77,474	25,667	51,338	7,290	6,673	15,019

Source: ABS, Australian National Accounts, Cat. No. 5206.0, December 2015

State final demand figures do not include net exports and therefore do not account for the positive impact of higher resource exports on economic growth. The impact of exports can be seen in the Gross State Product data released by the ABS. This shows that Western Australia had the strongest Gross State Product growth of all jurisdictions in 2014/15. Gross State Product for NSW grew by 2.4% between June 2014 and 2015.



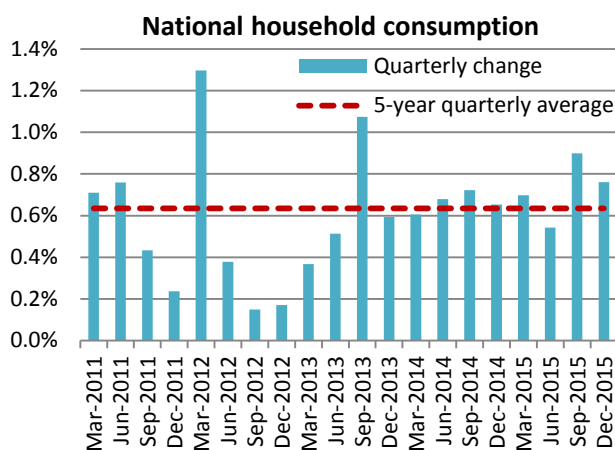
Gross State Product, chain volume measures, \$m								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Jun-2011	466,095	333,519	268,055	94,050	219,893	24,992	17,935	32,693
Jun-2012	474,721	339,871	283,596	94,600	239,801	25,005	18,512	33,197
Jun-2013	484,154	343,319	290,535	96,218	253,006	24,696	19,739	34,161
Jun-2014	495,235	346,881	298,680	96,994	267,052	25,015	20,323	34,398
Jun-2015	506,918	355,580	300,270	98,539	276,312	25,419	22,450	34,866

Source: ABS, Australian National Accounts, Cat. No. 5220.0, June 2015

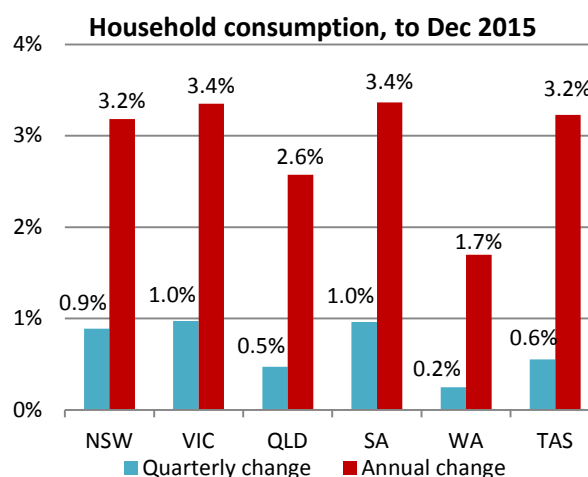
## HOUSEHOLD CONSUMPTION

Nationally, household consumption grew by 0.76% over the December quarter, slightly above the five year average of 0.6%. The RBA noted in its [February 2016 Statement on Monetary Policy](#) that “consumption growth has been supported by low interest rates, increasing employment and, to some extent, increased household wealth.”<sup>9</sup> The RBA also commented that motor vehicle sales to households were strong during 2015, while households' perceptions of their own finances remain a little above average

Household spending increased in NSW by 0.9% over the December quarter. This was the third highest quarterly growth of all States, just behind Victoria and South Australia (both 1.0%). Year on year, consumption rose by 3.2% in NSW: the equal third highest annual growth of other States.



Source: ABS 5206.0



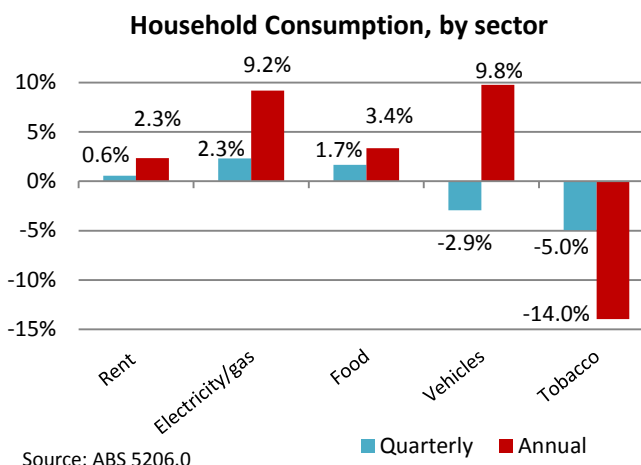
Source: ABS 5206.0

Household final consumption, chain volume, seasonally adjusted, \$m								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Mar-2015	75,932	55,996	44,171	14,861	24,682	4,248	2,450	3,967
Jun-2015	76,433	56,156	44,394	15,005	24,789	4,291	2,460	4,008
Sep-2015	77,296	56,817	44,616	15,085	24,936	4,358	2,437	4,035
Dec-2015	77,983	57,370	44,826	15,230	24,998	4,382	2,442	4,095

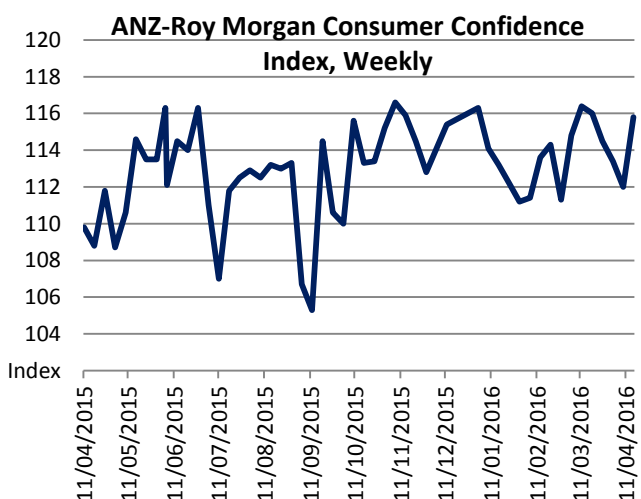
Source: ABS, Australian National Accounts, Cat. No. 5206.0, December 2015

<sup>9</sup> RBA, [Statement on Monetary Policy](#), February 2016, p 33.

NSW household expenditure on food increased by \$113 million (or 1.7%) over the December 2015 quarter – a similar increase to the preceding December quarter. On an annual basis, motor vehicle purchases and electricity and gas expenditure accounted for the largest proportionate increase of all the categories at 9.8% and 9.2% respectively. Expenditure on cigarettes and tobacco incurred the largest decline, falling by 14.0% for the year.



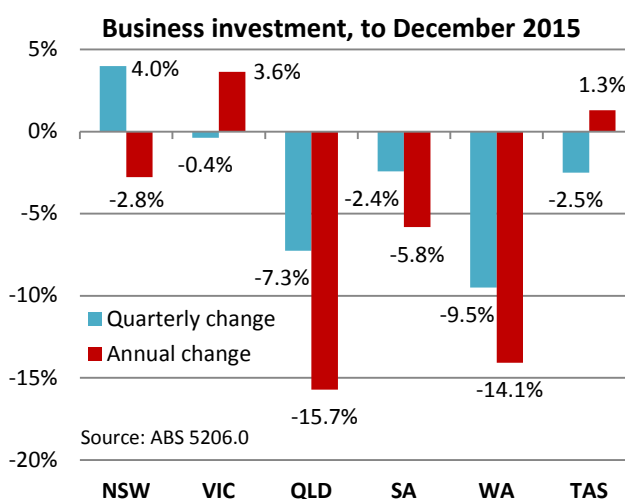
Although it is subject to sharp fluctuations, consumer confidence has remained relatively stable since October 2015. However, as Roy Morgan Research points out, the relatively subdued economic growth prospects in Australia are likely to weigh on consumer confidence.



### BUSINESS INVESTMENT

Nationally, business investment fell by 4.0% in the December quarter, having fallen by 3.8% in the September quarter. According to St George Bank, this was the ninth contraction in the past ten quarters, and the weakest annual result since the December quarter 2000.<sup>10</sup>

Over the 2015 calendar year, national business investment was down by 9.3%, which primarily reflects weakness in mining investment.



In contrast to the decline in the national average, as well as all other States and Territories, NSW business investment increased by 4.0% over the December quarter. However, on an annual basis, NSW business investment remains down by 2.8%. Western

<sup>10</sup> St George Bank, [National Accounts – GDP](#), Data Snapshot, 2 March 2016, p 2.

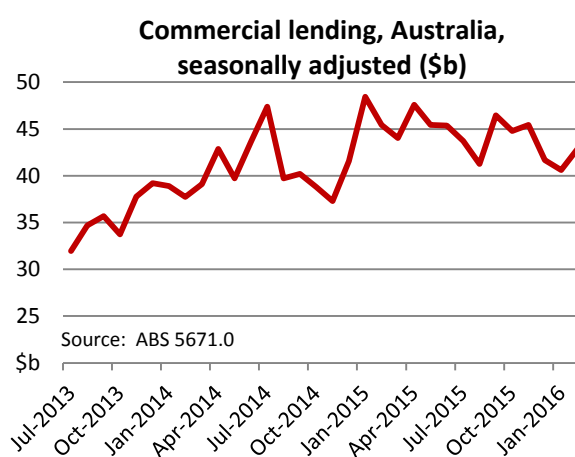
Australia and Queensland incurred the greatest falls in business investment growth during the quarter, falling by 9.5% and 7.3% respectively.

Nevertheless, there has been an increase in business confidence over the March 2016 quarter: business confidence rose 2.4 points in March to 115.7, and 5.1 points over the last two months of February and March. This increase in business confidence is positive for the economy overall, and just below the five year average (116.9).<sup>11</sup>

Business investment, chain volume measures, seasonally adjusted, \$m								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Mar-2015	13,835	11,058	12,123	3,204	15,108	617	3,257	540
Jun-2015	13,683	11,561	11,216	3,015	14,946	660	2,977	599
Sep-2015	12,937	11,503	11,018	3,093	14,343	641	2,262	602
Dec-2015	13,452	11,460	10,219	3,018	12,982	625	1,854	557

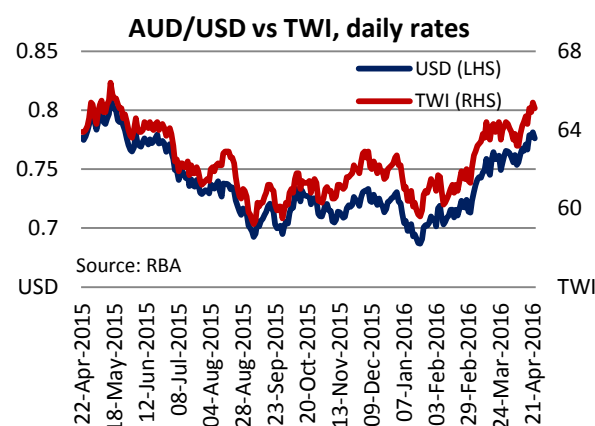
Source: ABS, Australian National Accounts, Cat. No. 5206.0, December 2015

Commercial lending data is another proxy for business investment and related activity. While this data is susceptible to volatility, the seasonally adjusted lending data in the graph adjacent indicates that commercial lending has largely plateaued in the year to January 2016.



## EXCHANGE RATE

After a sharp slide over the first couple of weeks of 2016, briefly hitting a seven year low, the Australian dollar (AUD) rebounded nearly 8 cents over a two month period ([0.776 USD](#) at 22 April 2016). However, St George Bank has contended that the AUD is vulnerable to a sell-off over the next few months. This is because, although some of the concerns regarding the Australian economy and the outlook for China were overdone at the turn of the year, sentiment has now shifted too far and too quickly the other way.<sup>12</sup>



Nevertheless, St George Bank noted that a number of downside risks for the AUD have eased:

<sup>11</sup> Roy Morgan Research, [Business Confidence rises again in March – up 2.4pts to 115.7](#), 31 March 2016.

<sup>12</sup> St George Bank, [Australian dollar outlook](#), 17 March 2016.

We are more assured that the bottom in commodity prices has likely passed. Further, the high growth target set by Chinese authorities along with their intention to prioritise short-term stimulus over extensive reform, should continue to support global demand and therefore the AUD, at least in the near to medium-term.<sup>13</sup>

Accordingly, St George predicted that “the AUD should trade close to the low-to-mid 70 US cent range for the remainder of the year”.

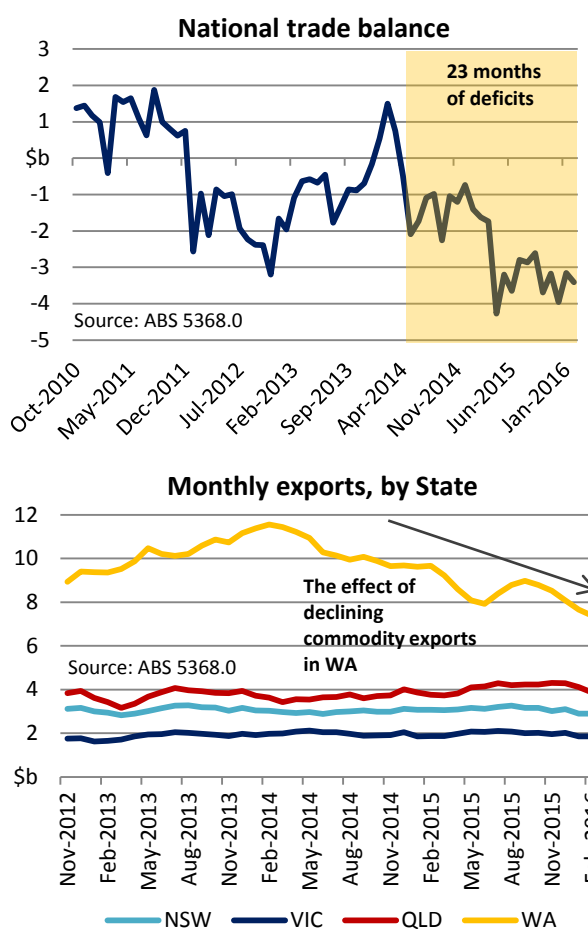
The consensus among the leading banks is that the AUD will fluctuate around current levels in 2016. Westpac and the Commonwealth Bank forecast the AUD to be USD 0.71 and 0.78 cents respectively by the end of 2016; while NAB forecast the AUD to fall to 0.69 cents by late 2016.<sup>14</sup>

## INTERNATIONAL TRADE

Australia recorded a seasonally-adjusted trade deficit (which includes both goods and services) of \$3.4 billion for the month of February 2016. This was the 23rd consecutive deficit recorded since March 2014. Trade deficits since early 2015 have been the result of falling commodity prices (i.e. iron ore and coal) and thus a decline in Australia's terms of trade.

Further compounding this trade deficit has been a fall in export volumes of 8.5% over the past year, with rural exports down 12% and non-rural exports down 13%. The Commonwealth Bank has stated that the fall in export revenues for iron ore and coal is the major reason for poor exports performance.<sup>15</sup>

Looking ahead, the Commonwealth Bank reported that the February 2016 trade deficit results indicate little possibility of an improvement in monthly trade deficits unless bulk commodity prices rise. However, in positive news, tourism exports have continued to benefit the local economy both in terms of accommodation-related spending and anecdotal evidence of strong spending by Asian tourists in CBD retail segments.<sup>16</sup>



<sup>13</sup> Ibid.

<sup>14</sup> Westpac, [Australia and NZ weekly](#), 11 April 2016; Commonwealth Bank, [Economic & Financial Forecasts](#), 18 April 2016; NAB, [Global and Australian Forecasts](#), April 2016.

<sup>15</sup> Commonwealth Bank, Balance on Goods and Services – February 2016, 5 April 2016.

<sup>16</sup> Ibid.

The **average monthly free on board value of merchandise exports** from NSW fell by 2.2% in the December 2015 quarter to \$3.1 billion. While Western Australia continued to dominate the States and Territories in terms of the value exported (an average of \$8.1 billion per month), its quarterly exports have fallen by 21% since June 2014.

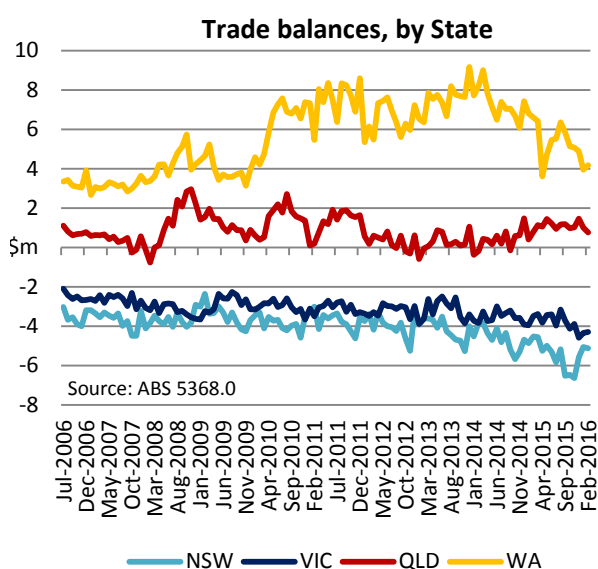
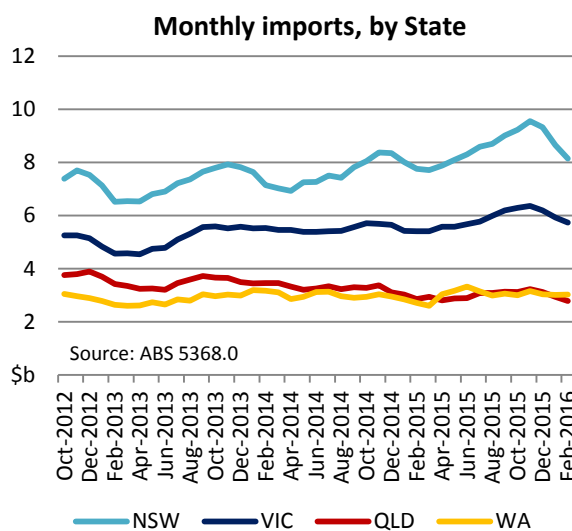
The **top five destinations for merchandise exports** from NSW for the month of February 2016 were: Japan (\$644m); China (\$407m); Korea (\$225m); the United States (\$213m); and Taiwan (\$203m). 36.5% of all NSW merchandise was sent to Japan or China.

The **average monthly customs value of merchandise imports** for NSW rose by 3.5% in the December 2015 quarter to \$9.3 billion. The State's imports have been trending up in recent years; in contrast, national imports remained flat over the month of February 2016.

The **top five import sources** for NSW during the month of February 2016 were: China (\$2,221m); the United States (\$947m); Japan (\$470m); Germany (\$453m); and Thailand (\$390m).

The end result of the upward trend in merchandise imports and mostly stagnant growth in merchandise exports has been a steady deterioration in the NSW merchandise trade balance since the mid-2000s. In January 2005, the State's trade deficit was recorded at \$2.6 billion. As at February 2016, the State's trade deficit was recorded at \$5.1 billion.

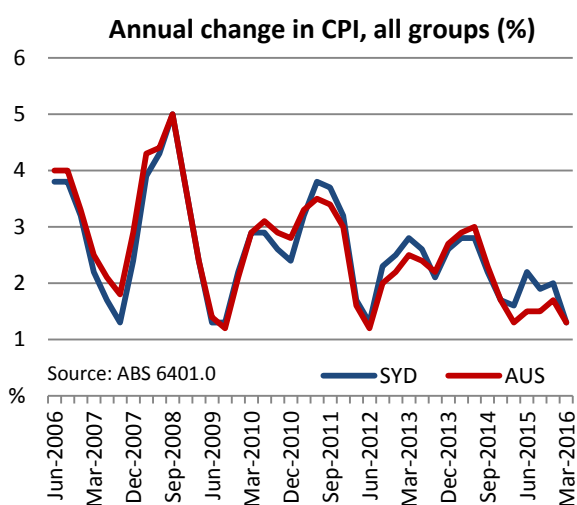
While Western Australia still has the highest trade balance compared to the other major States, it has been deteriorating over the past couple of years off the back of declining resources exports.



## CONSUMER PRICE INDEX

Nationally, annual CPI growth for the March 2016 quarter contracted by 0.2%. This is the [first time](#) Australia has seen deflation since December 2008, and has taken the annual rate to 1.3% compared to 1.7% at the end of December 2015.

The [Commonwealth Bank](#) reported that the fall in CPI this quarter reflects not only lower petrol prices but widespread price discounting by retailers. The Commonwealth Bank also noted that six out of eleven CPI categories had price falls during the quarter, with several price falls unexpected by observers:



The 10% fall in petrol prices was largely expected. But the big expenditure categories also surprised with low results. Food prices (fruit, dairy, cakes and cereals) fell by 0.2% in the March quarter to be unchanged over the past year. It most probably reflects the competitive pressures between the big supermarkets and the new entrants. Housing costs, the largest expenditure category, rose by only 0.3% to be just 1.7% higher over the year. Even the highly regulated sectors, health and education, had relatively low QI [quarterly index] rises (for them) of 1.9% and 3.1%.

In Sydney, the CPI increased by 1.3% in the 12 months to March 2016, but contracted by 0.2% during the quarter to March 2016. The largest price increases over the last 12 months in Sydney occurred in: alcohol and tobacco (up by 5.8%); health (up by 5.0%); education (up by 3.1%); and housing (2.0%).

In their [April 2016 Minutes](#), the RBA Board anticipated that because “wage growth remained at quite low levels and domestic cost pressures, more generally, remained subdued ... inflation in Australia was likely to remain low over the next year or two.”

Reserve Bank of Australia inflation forecasts (%)				
	Dec-16	Jun-17	Dec-17	Jun-18
<b>CPI inflation</b>	2-3	2-3	2-3	2-3
<b>Underlying inflation</b>	2-3	2-3	2-3	2-3

Source: RBA, [Statement on Monetary Policy](#), February 2016

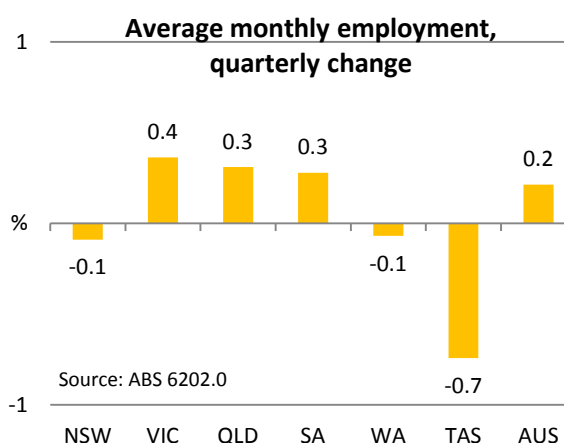


## EMPLOYMENT

Nationally, employment grew by 0.2% for the March 2016 quarter, increasing by 25,000 on average between the December 2015 and March 2016 quarters. According to the Commonwealth Bank, the most recent quarterly data “helps bolster the argument that Australia’s economic growth transition from the mining to the non-mining sectors of the economy (and particularly the services sector) is proceeding pretty much on track”.<sup>17</sup>

Much of this jobs growth has been realised in service sectors such as tourism, education, health, property and business services, with losses mainly in the manufacturing and mining sectors. ANZ commented that business services employment growth was strong over the year, with household services employment very strong until the first quarter of 2016.<sup>18</sup>

The average number of people employed in NSW was down 0.1% for the quarter at 3.78 million. Nevertheless, employment growth in NSW has been trending up over the past 18 months and has increased by 4% since the March 2015 quarter.



Number of persons employed, quarterly average, seasonally adjusted ('000)									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
<b>Mar-15</b>	3,636	2,937	2,320	802	1,352	240	133	209	11,636
<b>Jun-15</b>	3,684	2,943	2,335	805	1,354	239	135	210	11,697
<b>Sep-15</b>	3,733	2,947	2,344	802	1,349	241	134	209	11,762
<b>Dec-15</b>	3,785	2,977	2,368	807	1,352	240	132	210	11,867
<b>Mar-16</b>	3,781	2,988	2,375	810	1,351	238	131	211	11,892

Source: ABS, Labour Force, Australia, Cat. No. 6202.0, March 2016

Looking ahead, the RBA Board found that employment growth indicators were mixed of late; while job vacancies reported by businesses had continued to increase, job advertisements had levelled out in recent months after a period of relatively consistent increases. Nevertheless, the Board stated that “some slowing was to be expected following the strong gains recorded in the December quarter and the unemployment rate was lower than it was around the middle of 2015”.<sup>19</sup> In their latest labour market [report](#), St George Bank found that, despite the labour market losing some of its 2015 momentum, jobs growth remains reasonable.

<sup>17</sup> Commonwealth Bank, [Labour force, March 2016: Jobs market still motoring along!](#), 14 April 2016.

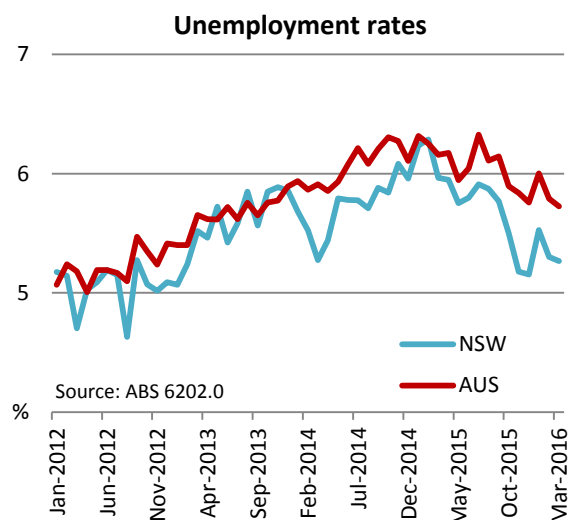
<sup>18</sup> ANZ Research, [Australia: job loss expectations bounce back](#), 29 March 2016, Economic Insight – Australia.

<sup>19</sup> RBA, [Minutes of the Monetary Policy Meeting of the Reserve Bank Board](#), 5 April 2016.

## UNEMPLOYMENT

Over the March 2016 quarter the average unemployment rate for NSW increased by 0.1% to 5.4%. For the month of March unemployment was at 5.4%, down 0.8% from the peak in February 2015 of 6.3%. It remains 0.4% below the average Australian unemployment rate.

NSW continues to have the lowest unemployment rate of all Australian States, bettered only by the two Territories. South Australia had the highest unemployment rate at 7.2%, followed by Tasmania at 6.7%.



Unemployment rate, quarterly average, seasonally adjusted (%)									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
<b>Mar-15</b>	6.2	6.3	6.6	7.0	5.6	6.6	4.2	4.4	6.2
<b>Jun-15</b>	5.8	6.1	6.3	7.6	5.6	6.9	4.4	4.4	6.1
<b>Sep-15</b>	5.9	6.2	6.3	7.7	6.2	6.3	4.5	4.8	6.2
<b>Dec-15</b>	5.3	5.9	6.0	7.3	6.4	6.6	4.3	5.0	5.8
<b>Mar-16</b>	5.4	6.0	6.1	7.2	5.8	6.7	4.4	4.5	5.8

Source: ABS, Labour Force, Australia, Cat No. 6202.0, March 2016

As observed by St George Bank:

With the unemployment rate remaining below 6.0% for the past six months and population growth down on the pace of earlier years, the current pace of economic activity could see the unemployment rate edge lower or at worst remain close to present levels. Much will depend on the participation rate which has edged lower in recent months.<sup>20</sup>

The Commonwealth Bank also predicted that, as a result of solid jobs growth, the unemployment rate is likely to continue to reduce slowly over the rest of 2016.<sup>21</sup>

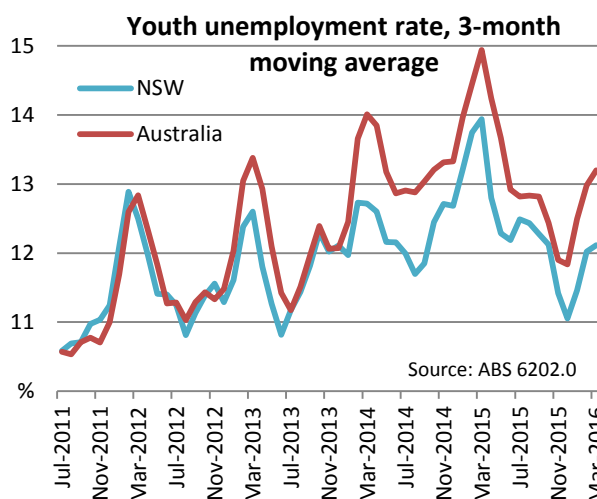
<sup>20</sup> St George Bank, [Labour Force: Part Time Popularity](#), 14 April 2016.

<sup>21</sup> Commonwealth Bank, [Labour force, March 2016: Jobs market still motoring along!](#), 14 April 2016.

## YOUTH UNEMPLOYMENT<sup>22</sup>

The three month rolling average youth unemployment rate for NSW increased by 1.0% to 12.1% over the March 2016 quarter. Nevertheless, for the month of March youth unemployment was at 11.4%, 1.5% below the Australian average (12.9%).

Of the other States and Territories, Tasmania had the highest average youth unemployment rate at 16.4%. As can be seen in the figure adjacent, the data is highly cyclical because of the casual and part-time nature of youth employment. However, the immediate outlook appears to be positive given the current strength in the national labour market and the downward trajectory of youth unemployment since early 2015.



Source: ABS 6202.0

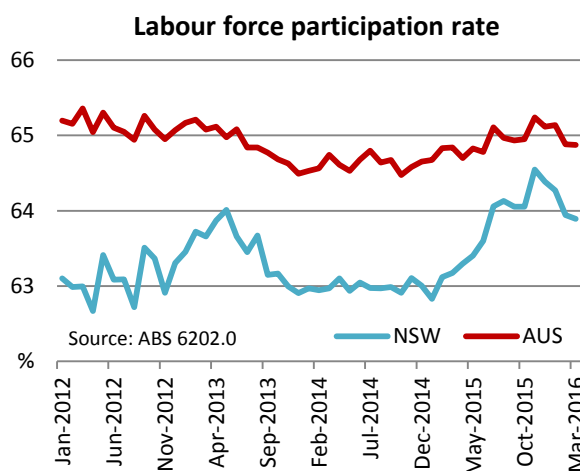
Youth unemployment rate, quarterly average, original (%)									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Jun-15	12.2	14.3	13.8	15.1	8.9	15.7	11.6	9.1	12.9
Sep-15	12.3	14.1	12.4	15.4	10.5	14.4	8.6	14.7	12.8
Dec-15	11.1	12.8	11.1	15.1	11.0	14.5	7.4	12.9	11.8
Mar-16	12.1	13.5	14.0	16.1	12.7	16.4	8.8	10.1	13.2

Source: ABS, Labour Force, Australia, Cat No. 6202.0, March 2016

## LABOUR FORCE PARTICIPATION

The average labour force participation rate in NSW fell by 0.3% over the March 2016 quarter to 64.0% (1.0% below the Australian average). Only South Australia and Tasmania have lower participation rates than NSW. The highest labour force participation rate of the States was in Western Australia at 68.0%.

Nationally, the labour force participation rate is 64.9%, just below the five year average of 65.0%. As is illustrated in the figure on the following page, longer term increases in national labour force participation



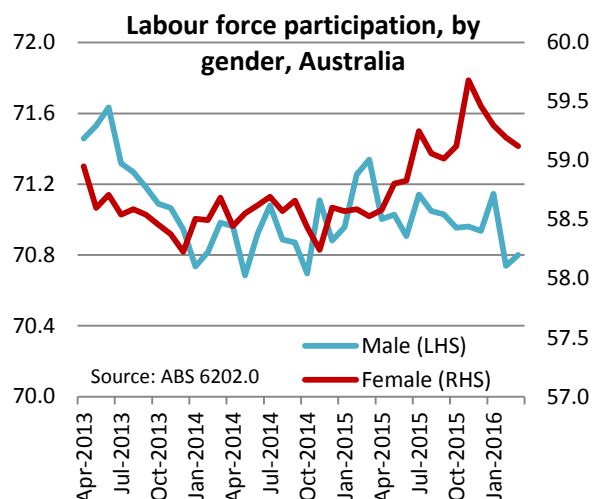
Source: ABS 6202.0

<sup>22</sup> For more information around the methodologies used by the ABS to estimate the youth unemployment rate, see [NSW regional labour force trends by labour force indicator](#).

figures have been primarily driven by a surge in female participation (59.1% in March 2016), having reached a record high of 59.7% in November 2015. In contrast, male participation rates reduced to 70.8% in March 2016, down from 71.6% in April 2013.

It should be noted that in August 2015 the Federal Government made changes to the way in which it administers the Newstart Allowance which is purported to encourage more people into the official workforce. As observed by the [Commonwealth Bank](#):

...the Newstart changes have the effect of lifting the participation rate for any given monthly jobs outcome, or retarding any potential fall in the participation rate on a strong jobs growth number. Newstart recipients are now required to more actively seek out work opportunities compared to the previous system. All up, these changes do not alter the underlying jobs growth picture, but tends to push up the participation rate and thus the unemployment rate for any given jobs growth outcome. The bulk of the effect should now be in place.



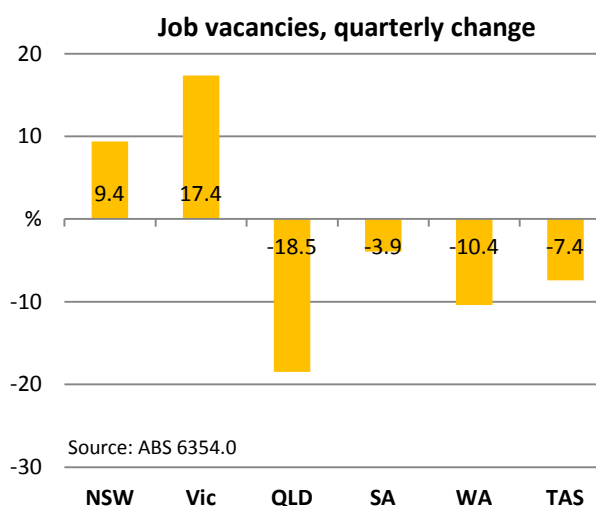
Labour force participation rate, quarterly average, seasonally adjusted (%)									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Mar-15	63.0	65.0	65.3	61.9	68.8	61.0	75.1	70.2	64.8
Jun-15	63.4	64.7	65.4	62.4	68.7	60.9	76.0	70.3	64.8
Sep-15	64.1	64.6	65.4	62.2	68.7	61.0	75.6	70.4	65.0
Dec-15	64.3	64.7	65.6	62.2	68.8	60.7	74.6	70.6	65.1
Mar-16	64.0	64.7	65.6	62.1	68.0	60.2	73.9	70.2	65.0

Source: ABS, Labour Force, Australia, Cat No. 6202.0, March 2016

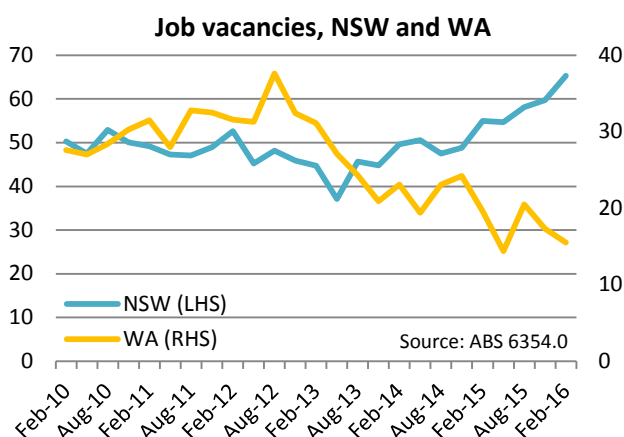
## JOB VACANCIES

The number of job vacancies in NSW rose by 9.4% to 65,300 in the February 2016 quarter, and remains 28% higher than the three year average of 50,900. Job vacancies across Australia also rose by 2.0% for the quarter to 173,800.

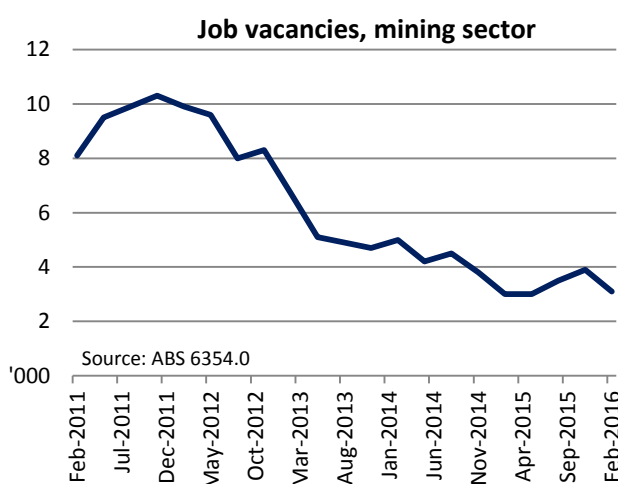
However, the national increase is driven by significant increases in job vacancies in NSW (9.4%), Victoria (17.4%) and the Northern Territory (13.4%). The number of job vacancies fell in other jurisdictions, with Queensland seeing the strongest quarterly fall of 18.5% after an increase of 19% the previous quarter.



A fall of 10.4% in WA job vacancies continues a run of poor results for the State and comes in response to the downturn in mining investment. Contrast that to the trend in NSW where job vacancies have risen by over 20,000 since mid-2013. This trend is representative of the broader growth shift away from the ‘west to the east’ as the mining sector shifts from the investment to production phase of its life cycle.



As further evidence, job vacancy figures showed there were 3,100 vacancies nationally in the mining sector in February 2016. This compares with a five year peak of 10,300 in November 2011. This is starting to affect the average earnings growth for miners. Between November 2009 and November 2012 an average miner’s weekly earnings jumped by 22%. In the two years that followed, average increases were less than 6%.

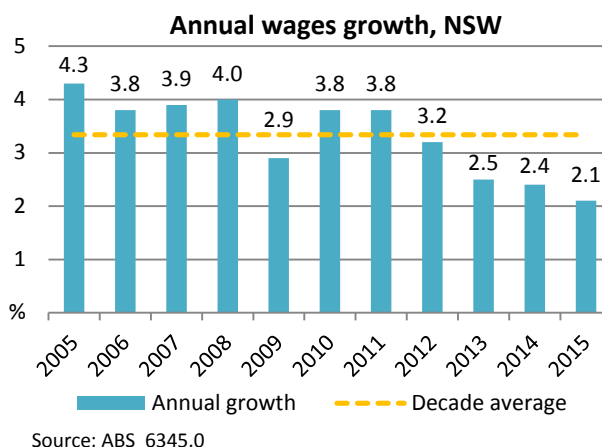


Number of job vacancies, original figures ('000)									
	NSW	Vic	QLD	SA	WA	TAS	NT	ACT	AUS
May-15	54.7	38.0	27.5	8.8	14.4	2.0	3.0	3.6	152.0
Aug-15	58.1	38.9	26.8	9.2	20.5	2.4	2.5	5.1	163.5
Nov-15	59.7	40.3	31.9	10.2	17.3	2.7	2.3	6.0	170.4
Feb-16	65.3	47.3	26.0	9.8	15.5	2.5	2.6	4.8	173.8

Source: ABS, Job Vacancies, Australia, Cat No. 6354.0, February 2016

### WAGES

Wages growth continued to remain relatively subdued over the December quarter, increasing by 0.3% in NSW and 0.4% at the national level. On an annual basis, wages growth has slowed in NSW and in the 12 months to December 2015 was recorded at 2.1% – 1.2% below the decade average of 3.3%.



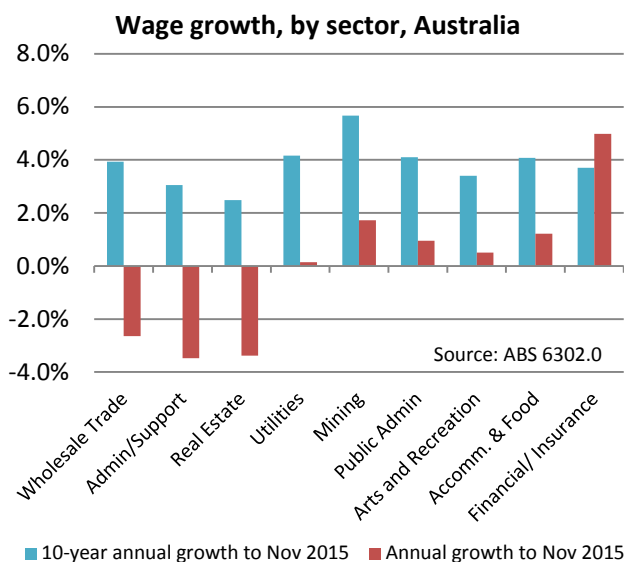
The latest set of wage data may add

further evidence to the proposition that there is spare capacity in the labour market at present.<sup>23</sup>

The average adult weekly full-time earnings (ordinary time) in NSW rose by 1% in the November 2015 half year to \$1,528 – down from 2.3% in the half year to November 2014. NSW had the fourth highest average weekly earnings behind the ACT (\$1,713), Western Australia (\$1,709) and the Northern Territory (\$1,555).

The ABS [reported](#) that national wages growth is now the lowest on record since the series began in September 1998. Over the six months to November 2015, average weekly earnings rose by only 1.2% – well below the level of growth realised in the mid to late 2000s.

The weak national wages growth has by and large not discriminated by sector. As can be seen in the figure adjacent, wages growth for the past year across most sectors has been well below their respective ten year averages.



The wholesale trade sector has incurred the largest deviation over the past 12 months from the sector's longer run wage growth, with wages declining by 2.6%. Administrative and support services, real estate services and the mining sector have also realised significant deviations in wages growth away from each sector's respective longer run average.

Only the financial services and retail trade sectors have experienced growth above their longer run average over the past 12 months.

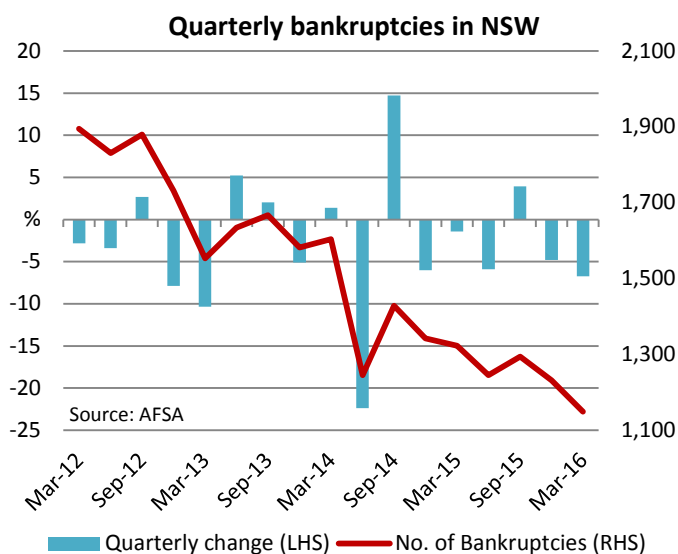
Average adult weekly fulltime earnings, ordinary time, trend estimates (\$)								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
<b>Nov-13</b>	1424.00	1380.10	1425.70	1318.50	1627.40	1265.10	1444.20	1674.40
<b>May-14</b>	1458.10	1385.30	1439.40	1353.80	1641.50	1253.00	1425.50	1670.50
<b>Nov-14</b>	1491.00	1393.10	1452.20	1347.50	1671.20	1265.00	1455.20	1695.50
<b>May-15</b>	1511.70	1401.30	1444.90	1353.40	1691.40	1290.80	1510.00	1709.40
<b>Nov-15</b>	1527.60	1422.00	1444.60	1370.40	1708.60	1316.40	1554.50	1713.20
Source: ABS, Average weekly earnings, Australia, Cat No. 6302.0, November 2015								

<sup>23</sup> For a complete discussion around this, see: Ballantyne et. al (2014) [Unemployment and Spare Capacity in the Labour Market](#), September Quarter RBA Bulletin.

## BANKRUPTCIES

The number of bankruptcies in NSW fell by 6.7% in the March 2016 quarter to 1,149. In a positive sign for the State's economy, bankruptcies have been trending down in NSW over the last few years and are 26% lower in March 2016 than three years earlier.

The ACT (24.2%) and Western Australia (6.8%) had the largest increases in bankruptcies of all the jurisdictions. The Northern Territory and Tasmania had the largest quarterly declines in bankruptcies of the Australian jurisdictions at 33.3% and 18.7% respectively.



**Bankruptcies per quarter (Parts IV and XI of the *Bankruptcy Act 1966* (Cth))**

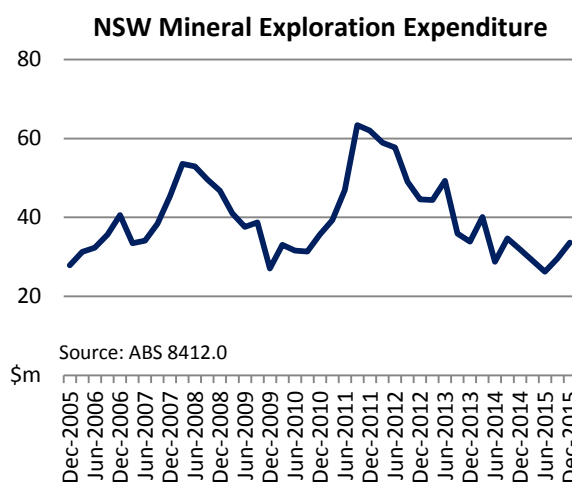
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
<b>Mar-15</b>	1,323	937	1,283	294	342	122	29	49
<b>Jun-15</b>	1,245	841	1,284	294	366	108	21	56
<b>Sep-15</b>	1,294	929	1,295	280	408	105	27	48
<b>Dec-15</b>	1,232	845	1,235	300	383	123	30	33
<b>Mar-16</b>	1,149	840	1,278	286	409	100	20	41

Source: Australian Financial Security Authority, March 2016

## MINERAL EXPLORATION EXPENDITURE

There is no comprehensive quarterly or annual dataset available for the gross value of mining production for the States and Territories in Australia. Mineral exploration expenditure is the only comprehensive quarterly dataset available through the ABS and is the best proxy for the level of mining activity taking place in NSW and elsewhere in Australia.

NSW mineral exploration expenditure increased over the December quarter by 13.5%. However, it remains 47% below the high for the reporting period realised in September 2011. Investment in the mining sector in Australia has been slowing down over the last couple of years, with mineral exploration expenditure down by 65% (or \$641 million) since March 2012.



A significant share of this decline is accounted for by Western Australia, where exploration expenditure has declined by 62% (\$357 million) since March 2012.

Mineral exploration expenditure, \$m								
	NSW	VIC	QLD	SA	WA	TAS	NT	AUS
Dec-2014	31.9	5.1	95.2	24.4	253.4	4.4	23.9	438.2
Mar-2015	29.1	5.8	64.6	25.6	214.3	4.5	26.8	370.7
Jun-2015	26.3	6.4	65.4	11.0	195.2	4.0	23.9	332.2
Sep-2015	29.6	6.4	72.4	11.7	219.6	3.4	27.3	370.3
Dec-2015	33.6	8.2	68.0	11.5	215.0	2.4	26.7	365.3

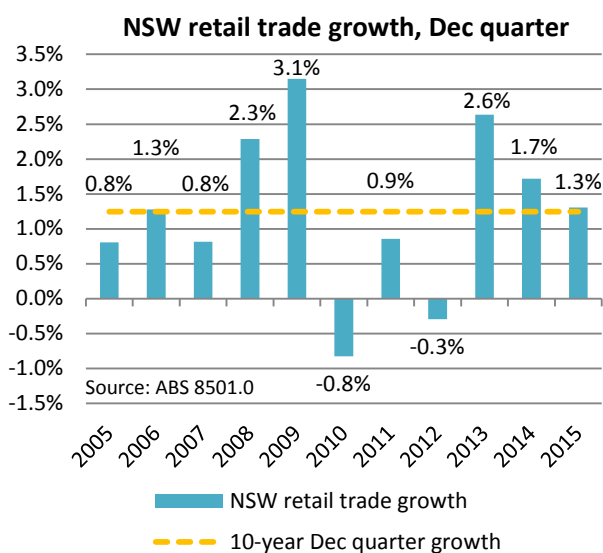
Source: ABS, Mineral and Petroleum Exploration, Australia, Cat No. 8412.0, December 2015

In their April 2016 minutes, the RBA Board noted that, nationally, mining investment had fallen to around 4 per cent of nominal GDP from a peak of 8 per cent in 2012. The RBA added that although there had been a recent rebound in commodity prices, this was unlikely to lead to any material change in mining investment over the next couple of years.<sup>24</sup>

## TURNOVER OF RETAIL TRADE

Average monthly turnover of retail trade in NSW rose by 1.3% in the December 2015 quarter to \$7.9 billion. This was slightly above the 10 year December quarter average growth (1.2%), but lower than in the previous two December quarters.

Along with South Australia, NSW had the equal fourth highest average quarterly retail growth of all the States, with the ACT (2.2%), Victoria (1.7%) and Tasmania (1.6%) having higher levels of growth.



Turnover of retail trade (\$m), quarterly average, seasonally adjusted									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Dec-14	7,569	5,879	4,830	1,550	2,761	464	256	428	23,738
Mar-15	7,617	5,957	4,929	1,561	2,785	473	254	424	24,000
Jun-15	7,731	6,022	4,932	1,577	2,786	474	256	433	24,212
Sep-15	7,818	6,107	4,943	1,578	2,807	479	257	433	24,423
Dec-15	7,920	6,213	4,984	1,598	2,813	487	259	443	24,718

Source: ABS, Retail Trade, Australia, Cat. No. 8501.0, February 2016

<sup>24</sup> RBA, [Minutes of the Monetary Policy Meeting of the Reserve Bank Board](#), 5 April 2016.

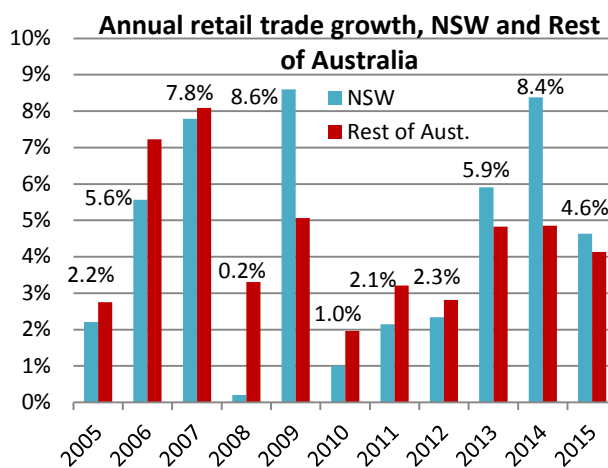


More significant is the longer run trend in growth, with retail trade in the State up 4.6% from the year previous – the third highest of all Australian jurisdictions.

So in spite of the subdued wages growth, this illustrates that the growth elsewhere in the State economy — particularly the housing market — induced in part by historically low interest rates, is continuing to have flow through effects to retail trade.

## VEHICLE SALES

Motor vehicle sales in NSW and Australia have been relatively resilient in spite of weak wages growth and a depreciating Australian dollar.



Source: ABS 8501.0

The average number of new vehicles sold per month in NSW increased by 3.2% in the March 2016 quarter to 33,415. Annual growth for NSW was at 9.2% to the March 2016 quarter – the highest annual growth of all jurisdictions.

Nationally, sales of new motor vehicles rose by 1.7% for the March quarter and were up 3.9% for the year. St George Bank [commented](#) on recent vehicle sales results, suggesting that:

Solid sales of new motor vehicles suggest that the Australian economy continues to expand. Ongoing low interest rates, combined with the lower Australian dollar will support economic activity and continue to create jobs. These will, in turn, continue to support sales of new motor vehicles.

Sales of new vehicles, quarterly average									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
<b>Mar-15</b>	30,598	25,846	19,692	5,862	9,089	1,625	920	1,491	95,123
<b>Jun-15</b>	31,334	26,001	19,490	5,679	8,769	1,591	926	1,464	95,254
<b>Sep-15</b>	32,475	26,688	19,665	5,570	8,791	1,752	831	1,556	97,327
<b>Dec-15</b>	32,386	26,585	19,701	5,908	8,766	1,605	824	1,498	97,273
<b>Mar-16</b>	33,415	26,736	19,984	6,025	8,753	1,548	900	1,514	98,873

Source: ABS, Sales of new motor vehicles, Australia, Cat. No. 9314.0, March 2016

## HOUSE PRICES

Since the last Economic Update, when Sydney's median house price surpassed the \$1 million mark, the [Domain Group](#) has reported a 4.7% drop in the median price over the last six months to \$995,804. Nevertheless, this still represents a [6.9% increase](#) in Sydney house prices since March 2015.

However, other sources have made lower median house price estimates; for example, [CoreLogic](#) reported

that, over the March 2016 quarter, Sydney's house prices rose by 2.3% to a median price of \$805,000. However, CoreLogic also found that the annual rate of capital growth across the capital cities has reached its lowest point in 31 months.

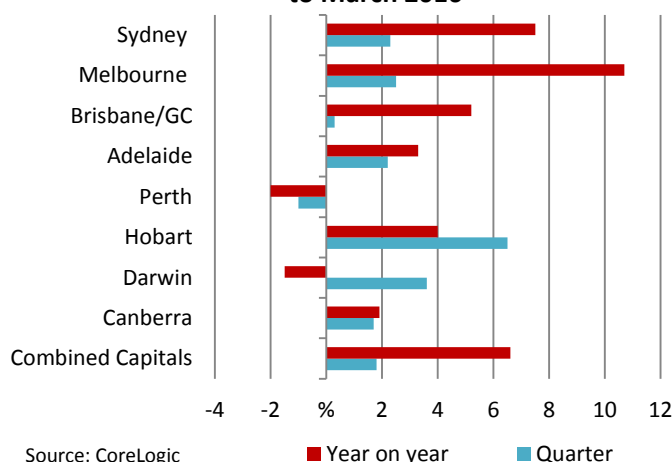
The causes for this slowdown in housing activity and prices are varied. Property Council of Australia chief of policy and housing Glenn Byres has [attributed](#) this to record levels of new housing construction and a reduction in the number of property investors in the market.

Deputy Governor of the Reserve Bank Phillip Lowe has also suggested that Sydney home prices may be declining because of increasing supply coming onto the market,<sup>25</sup> while the latest housing finance data points to a drop in property investor demand in the past few months (see the *Housing Finance* chapter).

Given the variability in the market over the past year, forecasts for house prices for 2016 are mixed. As reported in the [Australian Financial Review](#), a report by Knight Frank has forecast Sydney house prices to rise by 10% in 2016, which is at the higher end of the spectrum of expectations. In contrast, the Domain Group has forecast that “[c]apital city house price growth rates are likely to converge through 2016 constrained by a generally stagnant, low growth, low yield economy.”<sup>26</sup>

Despite this slowdown, an imminent price collapse in Sydney is highly unlikely because it would require a large number of ‘forced sellers’ (i.e. those who cannot pay off their mortgage) and an oversupplied housing market. As pointed out in a Sydney Morning Herald [editorial](#):

Median house price growth, by capital city, to March 2016



Source: CoreLogic

■ Year on year ■ Quarter

<sup>25</sup> ABC News, [Sydney housing prices falling because of greater supply, RBA deputy governor Philip Lowe says](#), 13 October 2015.

<sup>26</sup> Domain Group, [House Price Report: December Quarter](#), 2015.

Those things combined to drive down property prices in the United States, and several other nations, during the Global Financial Crisis in 2008. But neither factor seems likely to emerge in Sydney at present.

Very low interest rates and a relatively stable jobs market means there is little evidence of the mortgage distress that would cause a large number of forced sales. And despite a surge in new housing building there are no signs yet of widespread oversupply.

Even if prices were to plateau or decline slightly, it is unlikely to significantly change current affordability in Sydney, which was recently categorised as “severely unaffordable” [compared with metropolitan markets around the world](#). Sydney is the second least affordable city for housing behind Hong Kong.

## DWELLING APPROVALS

The average monthly number of dwellings approved in NSW declined by 3.1% in the December quarter to 5,693. Although the previous Economic Update reported an 11.8% increase in the quarterly average between June and September 2015, revised ABS data now shows no increase occurring between these two quarters.

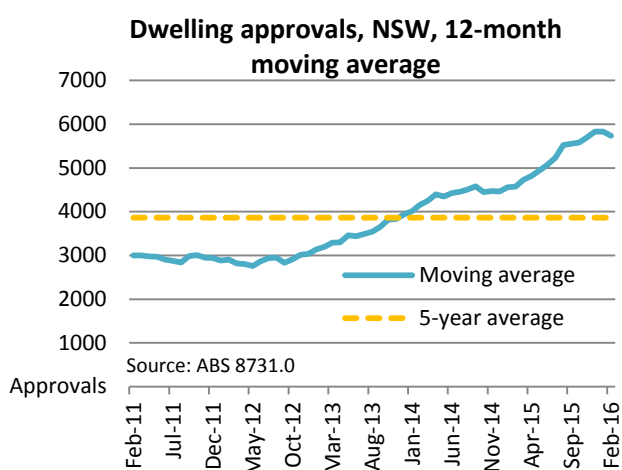
National dwelling approvals were, on average, down by 2.3% for the December quarter, with NSW approvals below the national average. However, growth has been inconsistent across different jurisdictions: strong growth in South Australia (8.6%) and Victoria (7.2%) was offset by sharp declines in approvals in Tasmania (down by 14.7%) and Western Australia (down by 14.6%).

Number of dwellings approved, quarterly average							
	NSW	VIC	QLD	SA	WA	TAS	AUS
Dec-14	4,696	6,001	3,553	936	2,850	243	18,763
Mar-15	5,892	6,038	4,526	976	2,536	253	20,510
Jun-15	5,857	5,786	4,097	848	2,625	255	20,175
Sep-15	5,875	5,359	4,114	903	2,338	229	19,378
Dec-15	5,693	5,743	3,921	981	1,996	195	18,935

Source: ABS, Building Approvals, Australia, Cat. No. 8731.0, February 2016

Building approvals data is volatile on a month to month basis, mostly due to the ‘lumpy’ nature of unit and town house developments. On a trend basis, which looks through the monthly volatility, building approvals are at near record levels.

Approvals in NSW are now 49% higher than the 5 year average. This is clear evidence that the supply side of the market is



responding to the higher housing prices.

While there are concerns about the oversupply of apartments, the Commonwealth Bank commented that dwelling construction remains part of the longer term adjustment to non-mining investment growth drivers:

While there are clearly some issues of apartment over-supply emerging in some parts of some of the capital cities, there are greater benefits to the economy from higher construction and greater supply. More supply will help address the housing affordability issue over the next few years.<sup>27</sup>

A continuation of housing supply along its current trajectory, in the short term, is likely to restrain the extent of house price growth in Sydney. Although it is still unlikely that there will be an aggregate oversupply of housing in the short to medium term – particularly given that BIS Shrapnel forecast a shortfall of 40,000 dwellings in NSW by June 2018.<sup>28</sup>

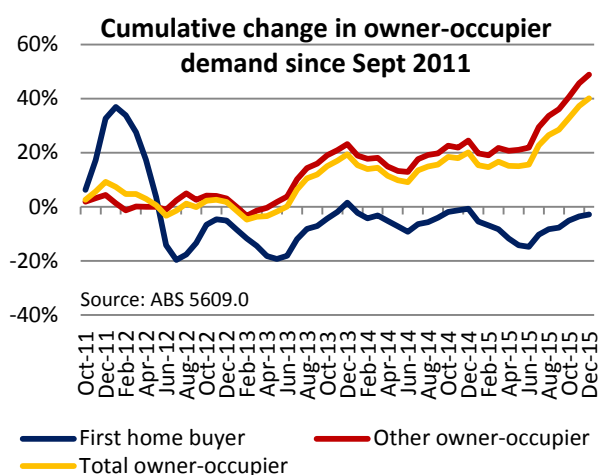
The RBA, however, remains concerned that the significant and geographically concentrated growth in new apartments in Sydney and other capital cities represents an ongoing risk to the economy.<sup>29</sup> Others have suggested that a wider housing bust is already beginning, with factors such as lacklustre wages and soft employment growth, firmly entrenched and likely to persist for several years.<sup>30</sup> Some banks have responded to these concerns by tightening lending and credit flow to developers.<sup>31</sup>

Macquarie Group forecast a slowing in housing starts in 2016 and 2017, particularly in the high density apartments segment.<sup>32</sup>

## HOUSING FINANCE

The average number of owner-occupier (including first home owner) dwellings financed in NSW rose by 7.6% during the December quarter to 19,183: slightly above the average national growth for the quarter (6.8%).

*Owner-occupier* finance has been trending up since early 2010, off the back of non-first home buyer



<sup>27</sup> Commonwealth Bank, [Building Approvals – February 2016](#), 4 April 2016.

<sup>28</sup> Australian Financial Review, [Housing glut by 2018, BIS Shrapnel warns](#), July 2015.

<sup>29</sup> RBA, [Financial Stability Review – April 2016](#), p 21.

<sup>30</sup> The New Daily, [Bad news home owners – the bust may have begun](#), 14 April 2016.

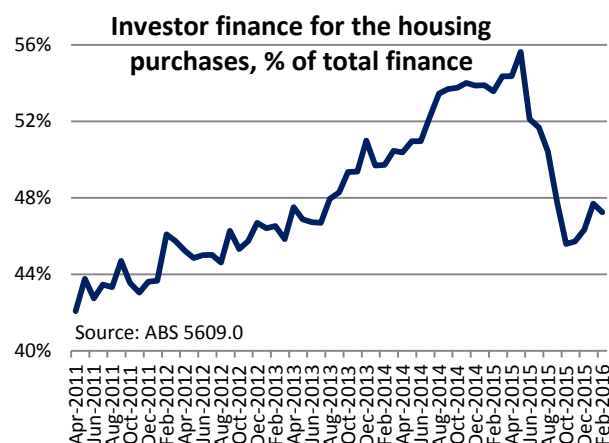
<sup>31</sup> The Australian, [ANZ wary of lending property developers over supply fears](#), 12 October 2015.

<sup>32</sup> Sydney Morning Herald, [Housing bust now the greatest recession risk, say investment banks](#), 13 October 2015.

commitments. As can be seen in the figure on the previous page, aside from the spike in demand induced by the expiration of first home buyer incentives, *first home buyer* demand has remained relatively low since mid-2012.

As discussed in the previous Economic Update, the 2015 winter quarter saw a record level of *investor participation* in the purchase of new and established homes, reaching 55.4% of total housing finance nationally in May 2015. To put this into perspective, as recently as March 2009, this figure was recorded at 35.9%.

However, investor housing demand dropped in the second half of 2015 after the banking regulator Australian Prudential Regulation Authority required banks to cap their investor lending to an annual growth rate of 10% to lean against the stimulatory effects of record low interest rates.

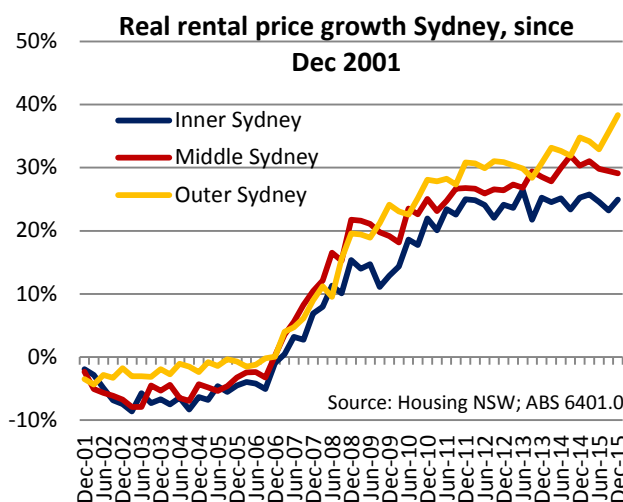


Housing finance, as a proportion of total dwelling finance, fell by 10.5% between May and November 2015. There has since been a 1.5% increase between November 2015 and February 2016, but the proportion of total dwelling finance is still 8.6% lower than it was in May 2015. According to website Macrobusiness, “the total value of housing finance (excluding refinancings) remains the best indicator of price growth ... [and] it is pointing down for each major market.”<sup>33</sup>

## RENT

There are two aspects to rental affordability. The first is the burden imposed on a household’s cost of living. The second and perhaps less straightforward aspect is the effect rising rents have on home ownership affordability.

As discussed in the NSW Parliamentary Research Service paper [Affordable rental housing: the problem and its causes](#), rental costs may prevent prospective home buyers (particularly in inner urban areas) from saving a large enough deposit; or at the very least, it will take a longer period of time than it would have previously.

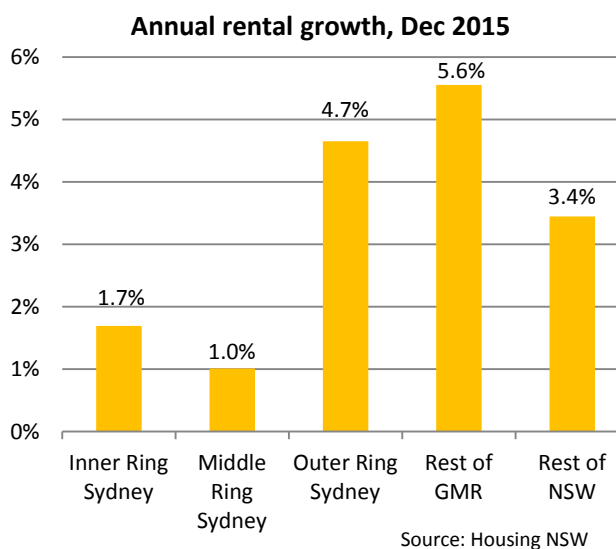


<sup>33</sup> L van Onselen, [Housing finance points to lower price growth](#), Macrobusiness, 14 April 2016.

For these buyers, there is a significant opportunity cost in waiting to buy a first home which materialises in two ways. Firstly, as real house prices rise (usually disproportionately to income) the deposit required to buy a home will rise with time. This cost is then compounded because prospective home buyers are not absorbing any of the capital growth.

As evident in the figure on the previous page, real rental prices (i.e. having accounted for inflation) have risen consistently across Sydney over the past decade.

Growth is most pronounced in the outer urban areas of Sydney. In absolute terms, rental prices are still highest in the inner urban areas. While these results need to be considered in the context of income growth, they do represent a consistent and perhaps concerning upward trend.



In the 12 months to December, rental growth has been most pronounced in the *Rest of the Greater Metropolitan Region* (GMR) at 5.6% and the *Outer Ring* at 4.7%. For the complete list of median rents by local government area and region of Sydney, see the Housing NSW [website](#).

## GLOSSARY

The following definitions are those used by the Australian Bureau of Statistics, unless otherwise stated.

**Average weekly earnings:** Average gross (before tax) earnings of employees. Estimates of average weekly earnings are derived by dividing estimates of weekly total earnings by estimates of number of employees.

**Cash target rate:** Monetary policy decisions are expressed in terms of a target for the cash rate, which is the overnight money market interest rate. (Source: Reserve Bank of Australia, [www.rba.gov.au](http://www.rba.gov.au))

**Chain volume measures:** Estimates that exclude the direct effects of changes in prices. Unlike current measure estimates, they take account of changes to price relativities that occur from one year to the next. Annually re-weighted chain volume indexes are referenced to the current price values in a chosen reference year.

**Consumer price index:** The Consumer Price Index (CPI) measures quarterly changes in the price of a 'basket' of goods and services which account for a high proportion of expenditure by the CPI population group (i.e. metropolitan households). This 'basket' covers a wide range of goods and services, arranged in the following eleven groups: food; alcohol and tobacco; clothing and footwear; housing; household contents and services; health; transportation; communication; recreation; education; and financial and insurance services.

**Employed:** All persons aged 15 years and over who, during the reference week: worked for one hour or more for pay, profit, commission or payment in kind in a job or business, or on a farm (comprising employees, employers and own account workers); or worked for one hour or more without pay in a family business or on a farm (i.e. contributing family workers); or were employees who had a job but were not at work and were: away from work for less than four weeks up to the end of the reference week; or away from work for more than four weeks up to the end of the reference week and received pay for some or all of the four week period to the end of the reference week; or away from work as a standard work or shift arrangement; or on strike or locked out; or on workers' compensation and expected to return to their job; or were employers or own account workers, who had a job, business or farm, but were not at work.

**Free on board (FOB):** The value of goods measured on a free on board (f.o.b.) basis includes all production and other costs incurred up until the goods are placed on board the international carrier for export. Free on board values exclude international insurance and transport costs. They include the value of the outside packaging in which the product is wrapped, but do not include the value of the international freight containers used for transporting the goods.

**Gross domestic product:** Is the total market value of goods and services produced in Australia within a given period after deducting the cost of goods and services used up in the process of production but before deducting

allowances for the consumption of fixed capital. It is equivalent to gross national expenditure plus exports of goods and services less imports of goods and services.

**Gross State Product (GSP):** GSP is defined equivalently to gross domestic product (GDP) but refers to production within a State or Territory rather than to the nation as a whole.

**Labour force:** For any group, persons who were employed or unemployed, as defined.

**Participation rate:** For any group, the labour force expressed as a percentage of the civilian population aged 15 years and over in the same group.

**Private business investment:** Investment in non-dwelling construction, plus machinery and equipment, plus cultivated biological resources, plus intellectual property products.

**Seasonally adjusted estimates:** Seasonally adjusted estimates are derived by estimating and removing from the original series systematic calendar related effects, such as seasonal (e.g. Christmas), trading day and moving holiday (e.g. Easter) influences. Seasonal adjustment does not aim to remove the irregular or non-seasonal influences which may be present in any particular month. These irregular influences may reflect both random economic events and difficulties of statistical recording.

**State Final Demand:** is a proxy for economic growth, measures the total value of goods and services that are sold in a State to buyers who wish to either consume them or retain them in the form of capital assets. It excludes sales made to buyers who use them as inputs to a production activity, export sales and sales that lead to accumulation of inventories.

**Trend series:** A smoothed seasonally adjusted series of estimates.

**Unemployed:** Persons aged 15 years and over who were not employed during the reference week, and: had actively looked for full time or part time work at any time in the four weeks up to the end of the reference week and were available for work in the reference week; or were waiting to start a new job within four weeks from the end of the reference week and could have started in the reference week if the job had been available then.

**Unemployment rate:** For any group, the number of unemployed persons expressed as a percentage of the labour force in the same group.

**Weekly ordinary time earnings:** Weekly ordinary time earnings refers to one week's earnings of employees for the reference period, attributable to award, standard or agreed hours of work. It is calculated before taxation and any other deductions (e.g. superannuation, board and lodging) have been made.