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**NSW Parliamentary
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**NSW Economic Update
Spring 2018
Statistical Indicators 06/2018
by Lenny Roth**

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NSW Economic Update Spring 2018

by

Lenny Roth

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SUMMARY

The state of the NSW economy

The October 2018 [Report on State Finances 2017-18](#) noted that the NSW economy had “performed strongly over the last three years, with per capita Gross State Product (GSP) growth averaging 1.7 per cent a year since 2014-15, by far the strongest among the states”. It also commented that the economic outlook:

...remains favourable despite some emerging headwinds from a softening housing market. External demand conditions are likely to improve as the national and global economies strengthen. Growing Asian demand for commodities and services, low interest rates, a lower Australian dollar, above-trend population growth, and a historically large infrastructure and residential construction pipeline continue to provide support.

Consequently, the economy is forecast to maintain above-trend growth for the next two years. The pace is expected to ease and the composition of growth shift towards exports and business investment and away from household consumption and dwelling investment.¹

Commsec’s October 2018 [State of the States Report](#), which assesses each of the state and territory economies on eight key indicators, reported that:

Victoria remains in top spot on the economic performance rankings ahead of NSW. However there is little to separate the two economies.

Based on the latest quarterly movements,² the strengthened and weakened areas of the NSW economy (as outlined in this statistical indicators paper) are summarised in the following table. It should be noted that these indicators are subject to cyclical variations and may not be completely illustrative of a fundamental shift in economic growth.

Stronger/Unchanged		Weaker	
State final demand (up 0.7%)	Youth unemployment (down 0.3%)	Mining investment (up 7.4%)	Business investment (down 0.6%)
Household consumption (up 0.8%)	Participation rate (up 0.1%)	Retail trade (up 1.4%)	Sydney median house price (down 1.7%)
NSW trade deficit (down to -\$5.1bn)	Job vacancies (up 6.6%)	Housing finance (up 10.1%)	Dwelling approvals (down 1.9%)
Employment (up 0.8%)	Wages (up 0.4%)	Rent (unchanged)	
Unemployment rate (down 0.3%)	Bankruptcies (down 14.0%)		

¹ NSW Treasury, [Report on State Finances 2017-18](#), October 2018, p3-1.

² For the most recent quarter in which data is available. Note that rolling averages are excluded from this table.

The state of the Australian economy

The Reserve Bank of Australia's (RBA) latest [Statement on Monetary Policy](#) (August 2018) forecast Gross Domestic Product (GDP) growth to lift from 3% in June 2018 to 3.25% by December 2018. The RBA forecast that GDP will remain at 3.25% during 2019.³

Key factors that the RBA argues may influence national growth over this period are broadly similar to those presented in the Bank's May Statement (see [Winter Update](#)). These factors include:⁴

- Accommodative monetary policy and tighter labour market conditions are expected to provide ongoing support for growth in household income and consumption;
- Growth in non-mining investment is expected to remain solid;
- The implementation of the National Disability Insurance Scheme (NDIS) and public infrastructure investment are expected to continue to boost public demand; and
- Dwelling investment is expected to remain at high levels over the next year or so, supported by a significant pipeline of work still to be done, and then gradually decline towards the end of the forecast period.

The financial sector has made diverging forecasts about future economic growth. [NAB](#) has forecast a GDP growth rate of 3.25% for 2018, slowing to 2.7% in 2019, and then falling to 2.5% in 2020. Meanwhile, [Westpac](#) anticipates GDP growth of 3.3% and 2.7% respectively for the 2018 and 2019 calendar years, while [St George Bank](#) predicts a growth rate of 3.0% for 2018 and 2.9% for 2019.

³ Reserve Bank of Australia, [Statement on Monetary Policy](#), August 2018, p 59-60.

⁴ Ibid p 59.

About the paper

This paper presents statistical information on key economic indicators, providing an updated snapshot of the NSW economy and 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 been updated to include the June or September 2018 quarters.

Data sources used

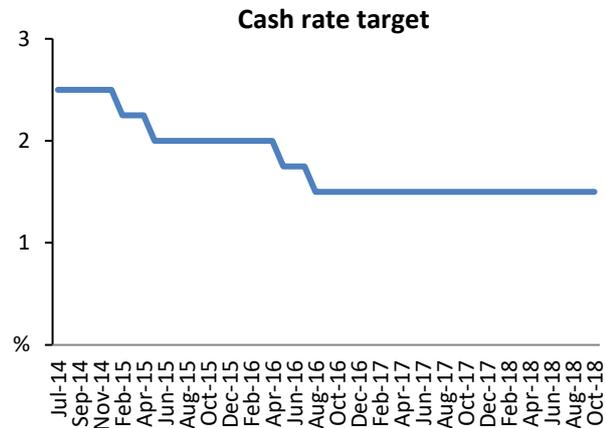
Data presented in this paper is primarily sourced from the Australian Bureau of Statistics (ABS). Sources other than the ABS have been used where relevant and are identified in the paper. Analysis and forecasts from the RBA and major private banks (including Westpac, NAB and the Commonwealth Bank) are also presented.

The Economic Update presents ABS **trend estimates** where available; trend data is [preferred](#) by the ABS for the analysis of monthly or quarterly changes, as they remove potentially misleading seasonal patterns, residual noise and irregular influences. All ABS data are trend estimates unless otherwise identified as original or seasonally adjusted data.

INTEREST RATES

As of October 2018, the RBA has held the cash rate at 1.5%: it has remained at this level since [August 2016](#) (see right). In assessing whether to adjust the cash rate, the RBA Board considers the state of the domestic economy, as well as international economic factors.

In their October 2018 [meeting](#) the RBA Board noted a range of factors influencing the Australian economy.



Source: RBA

The Board commented that GDP growth had been well above potential growth over the year to the June quarter. This growth was supported by strong public demand, resource exports, non-mining investment and steady consumption growth. Recent data pointed to further GDP growth in the September quarter.

Spare capacity in the labour market had declined over recent months. Despite ongoing improvement in labour market conditions, the national accounts measure of average earnings growth had only increased by 2% over the year to the June quarter.

Considerations for monetary policy included prospective GDP growth; employment growth; falls in house prices in Sydney and Melbourne as a result of tighter lending standards; and the gradual progress towards a lower unemployment rate and higher levels of inflation.

Accordingly, the Board concluded that it was appropriate to hold the cash rate steady, with the Bank acting as a source of stability and confidence while this progress unfolded.

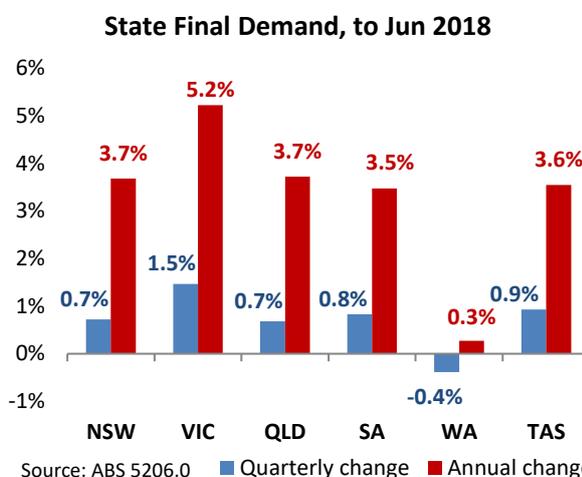
[NAB](#) expects the cash rate to remain at 1.5% until March 2019. By June 2019, it is predicted to rise to 1.75%. [Westpac](#) forecasts the cash rate to remain unchanged to December 2020. Greg Jericho from The Guardian, has previously [argued](#) that the RBA is unlikely to raise interest rates until Australia sees increases in wages growth (see [Wages](#) chapter) and inflation (see [Consumer Price Index](#) chapter).

STATE DEMAND AND GROSS STATE PRODUCT

Australia's Gross Domestic Product (GDP) [increased](#) by 0.9% over the June 2018 quarter, and 3.4% in the 12 months to June 2018.

In NSW, State final demand increased by 0.7% over the June 2018 quarter (see right).

Annual NSW growth to June 2018 was 3.7%: the equal second highest of the States. Victoria had the highest annual growth (5.2%).

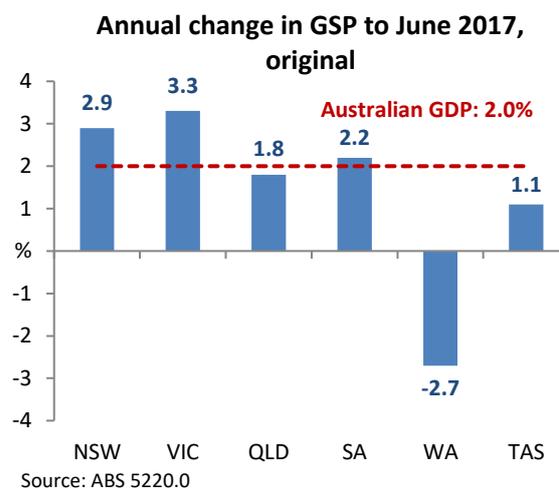


State final demand (\$m), chain volume measures								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Sep-2017	141,896	110,030	84,488	28,123	51,076	7,991	7,569	11,908
Dec-2017	143,407	111,361	85,409	28,342	51,204	8,058	7,349	12,045
Mar-2018	144,685	112,974	86,162	28,606	51,106	8,147	7,138	12,162
Jun-2018	145,728	114,635	86,748	28,844	50,909	8,223	6,951	12,238

Source: ABS, Australian National Accounts, Cat. No. 5206.0, June 2018

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 (GSP) data released by the ABS.

While NSW was the dominant State at the end of the 2015-16 financial year, Victoria took the lead in 2016-17, growing by 3.3% compared to NSW's 2.9% growth. The NSW result remained above the Australian average of 2.0% (see right).



Gross State Product (\$m), chain volume measures, original								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Jun-2013	498,183	355,317	285,936	97,402	217,985	27,195	23,049	33,437
Jun-2014	507,960	362,564	292,155	98,069	230,934	27,575	23,576	33,857
Jun-2015	522,164	373,055	295,602	99,298	237,105	27,890	24,003	34,561
Jun-2016	542,281	386,140	303,352	99,627	239,581	28,264	24,461	35,898
Jun-2017	557,861	399,009	308,709	101,791	233,152	28,577	25,427	37,566

Source: ABS, Australian National Accounts, Cat. No. 5220.0, June 2017

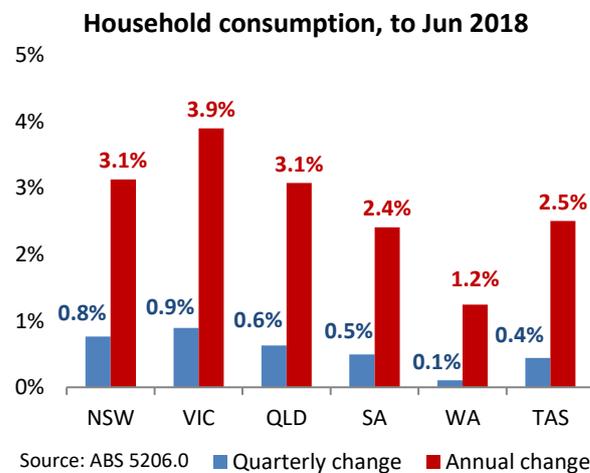
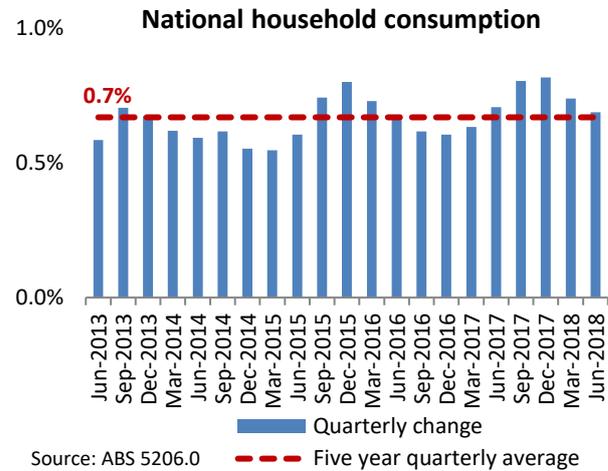
HOUSEHOLD CONSUMPTION

Nationally, household consumption grew by 0.7% over the June 2018 quarter: equal to the five year average (see right).

In NSW, household spending increased by 0.8% over the quarter: marginally above the national average and the second highest of all States after Victoria (see below right). On an annual basis, NSW consumption increased by 3.1%: also the equal second highest growth rate after Victoria (3.9%).

The Commonwealth Bank has previously [noted](#) that weak wages growth has seen households lower their savings in order to maintain spending growth: an unsustainable situation over the medium term.

In its August 2018 [Statement on Monetary Policy](#), the RBA stated that the prospect of ongoing low household income growth remained a key risk to household consumption, particularly given high levels of household debt.



Household final consumption (\$m), chain volume measures								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Sep-2017	84,861	65,115	47,492	16,386	26,989	4,719	2,796	4,517
Dec-2017	85,564	65,762	47,907	16,490	27,083	4,747	2,824	4,562
Mar-2018	86,255	66,378	48,247	16,581	27,130	4,767	2,855	4,608
Jun-2018	86,916	66,972	48,551	16,663	27,158	4,788	2,884	4,653

Source: ABS, Australian National Accounts, Cat. No. 5206.0, June 2018

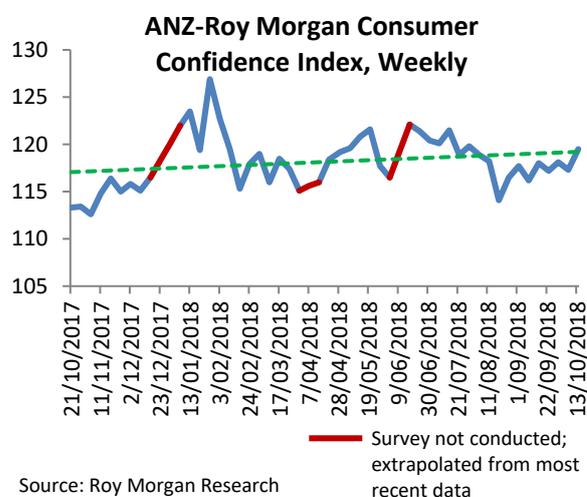
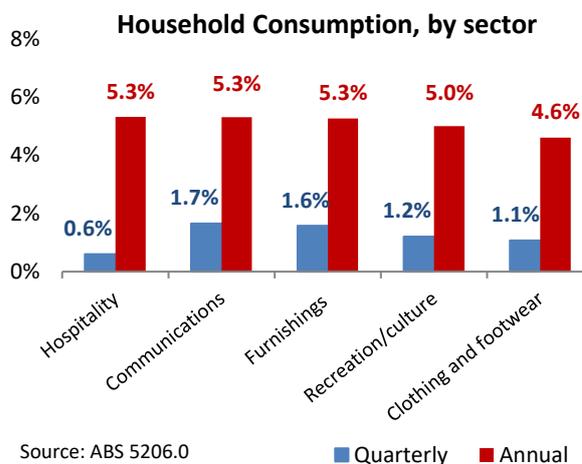
In NSW, the largest increase in household consumption over both the quarter and year to June 2018 was on communications (1.7% and 5.3% respectively). Other sectors experiencing significant increases are shown in the chart on the right. Meanwhile net expenditure interstate saw the largest quarterly and annual fall (-2.4% and -16.9% respectively).

Although subject to sharp fluctuations, the ANZ-Roy Morgan Consumer Confidence Index reached a low of 114.1 as of 18-19 August, before increasing to 119.5 on 13-14 October 2018 (see right). In response to the latest Index moves, [Roy Morgan](#) commented that consumer sentiment remains resilient despite a number of potentially negative influences.

The [Westpac-Melbourne Institute Survey of Consumer Sentiment](#) rose from 100.5 in September to 101.5 in October. Westpac commented:

This month's small gain follows a 5.2% fall through August and September. During that period the boost from the tax cuts announced in the May budget had faded while the leadership change; mortgage rate increases; declining house prices and rising petrol prices were weighing on confidence.

It is encouraging that these negatives seem to have, at least for the time being, run their course. Several positives have likely helped stabilise the Index, including strong economic growth, a solid labour market and ongoing recoveries in the previously weak mining states.⁵



⁵ Westpac, [Consumer sentiment stabilises above 100](#), 10 October 2018, p 1.

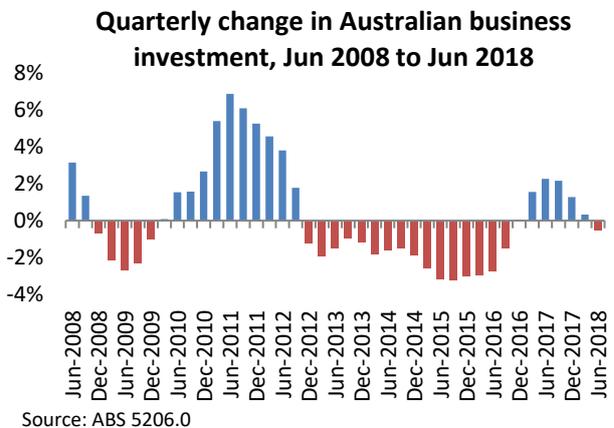
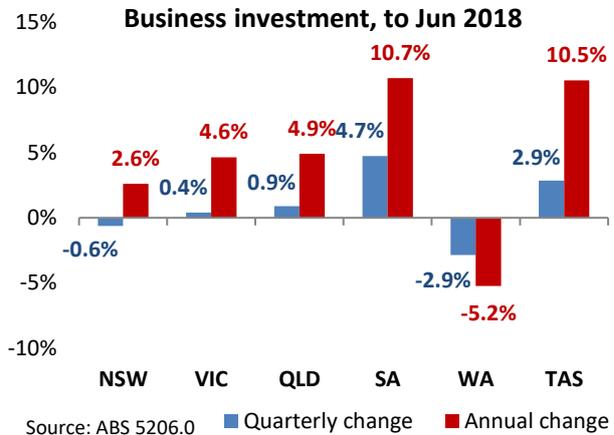
BUSINESS INVESTMENT

NSW business investment decreased by 0.6% over the June 2018 quarter: the second lowest result of all States.

The State's annual result to June 2018 (2.6% increase) was also the second lowest result.

Western Australia suffered the largest quarterly fall (-2.9%) and annual decline (-5.2%) (see right).

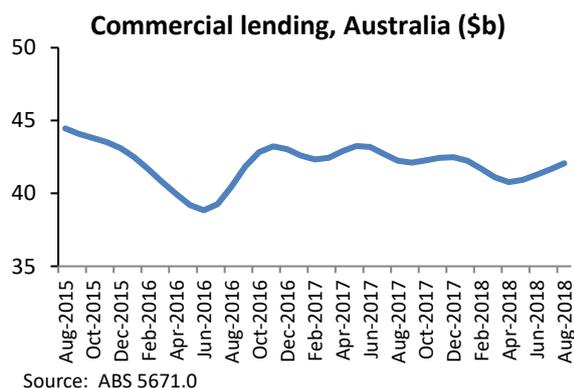
Nationally, business investment decreased by 0.5% over the June 2018 quarter, but increased 3.2% over the year to June (see below right). The June quarterly decrease followed six consecutive quarters of growth.



Business investment (\$m), chain volume measures								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Sep-2017	14,999	11,769	10,881	2,992	9,655	684	2,355	631
Dec-2017	15,395	12,063	11,146	3,014	9,611	708	2,058	663
Mar-2018	15,486	12,266	11,313	3,162	9,419	735	1,762	691
Jun-2018	15,388	12,315	11,414	3,312	9,150	756	1,504	704

Source: ABS, Australian National Accounts, Cat. No. 5206.0, June 2018

Commercial lending data is another indicator of business investment and related activity. While this data is susceptible to volatility, it nevertheless indicates that commercial lending has trended upwards since April 2018, rising from \$41 billion to \$42 billion (see right).



EXCHANGE RATE

The Australian dollar (AUD) has fallen from 0.73 USD at the end of August 2018 to 0.71 USD as at 30 October 2018. The trade-weighted index (TWI), used to measure the AUD's value relative to the currencies of Australia's trading partners,⁶ has largely tracked the currency's downward fluctuations over the past 12 months (see right).

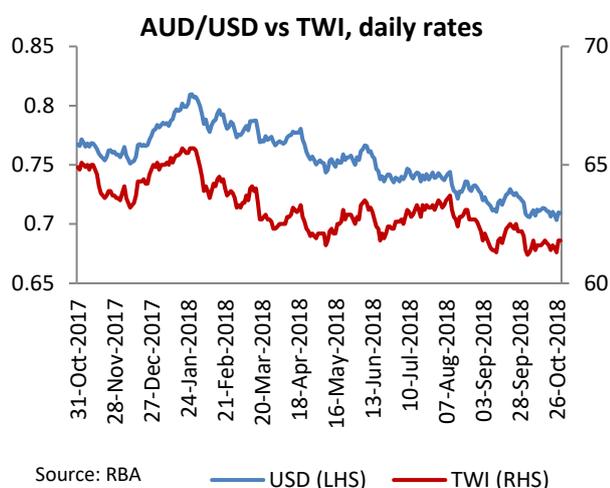
In its August 2018 [Statement on Monetary Policy](#), the RBA noted that growth in the United States may be higher than expected which would lead to a tightening of monetary policy. This would be associated with:

.. an appreciation of the US dollar. The Australian dollar would be expected to depreciate against the US dollar, but the effect on Australia's trade-weighted exchange rate would depend on how far the exchange rates of other trading partners depreciate against the US dollar. In this environment, stronger global demand and a broad-based depreciation of the Australian dollar would be likely to boost growth in domestic activity and tradables inflation.⁷

An [article](#) in the *Sydney Morning Herald* on 3 October 2018 commented:

Australia's currency is set to head even lower as local interest rates fall further behind US levels, delivering a dose of stimulus the central bank has long sought but been reluctant to provide itself.

The RBA's cash rate is now 75 basis points below the Federal Reserve target, the widest gap since 35 years ago when the Aussie dollar was first floated. The differential is only set to grow as the US keeps tightening and Australia stays on hold at a record low 1.5 per cent -- which markets and economists think will be the case for at least another year.⁸



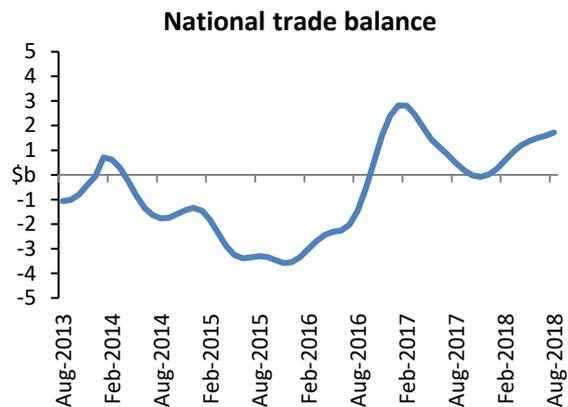
⁶ Austrade, [The dollar and competitiveness](#), February 2015; Reserve Bank of Australia, [Glossary](#), no date [website – accessed 11 July 2017]. Note that the base level was set at 100 in May 1970.

⁷ Reserve Bank of Australia, [Statement on Monetary Policy](#), October 2018, p 66.

⁸ Heath M and Carson R, [The Australian dollar is set to keep falling - and that's good news for the economy](#), *Sydney Morning Herald*, 3 October 2018.

INTERNATIONAL TRADE

After reaching a peak surplus of \$2.82 billion in January 2017, the national trade balance fell to an \$80 million deficit in November 2017 before recovering to a \$1.72 billion surplus as of August 2018.



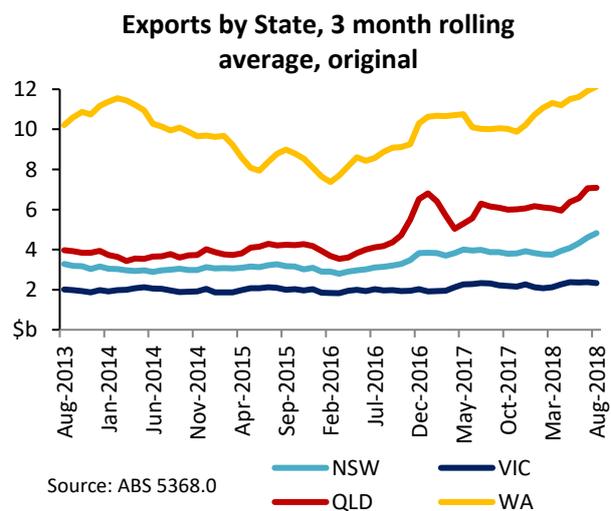
Source: ABS 5368.0

Following a 4.5% fall in the March 2018 quarter, the **average monthly value of NSW merchandise exports** rose by 15.4% in the June 2018 quarter to total \$4.3 billion. This was the second highest result by State and Territory, behind South Australia (16.4%).

NSW imports also increased over the quarter. Following an 8.8% decrease in the March 2018 quarter, the **average monthly value of NSW merchandise imports** was \$9.6 billion: a 5.6% increase in the June 2018 quarter. This was the second *lowest* result by State and Territory.

Turning to three month rolling averages, NSW exports have gradually increased since the beginning of the year. As of August 2018, the three month rolling average value of exports was approximately \$4.8 billion (see below).

The top five destinations for **NSW merchandise exports** in August 2018 were: Japan (\$1.3bn); China (\$798m); South Korea (\$473m); USA (\$318m); and Taiwan (\$267m). As a proportion of exports, 53.8% of all NSW merchandise was exported to Japan, China or South Korea in August.



Source: ABS 5368.0

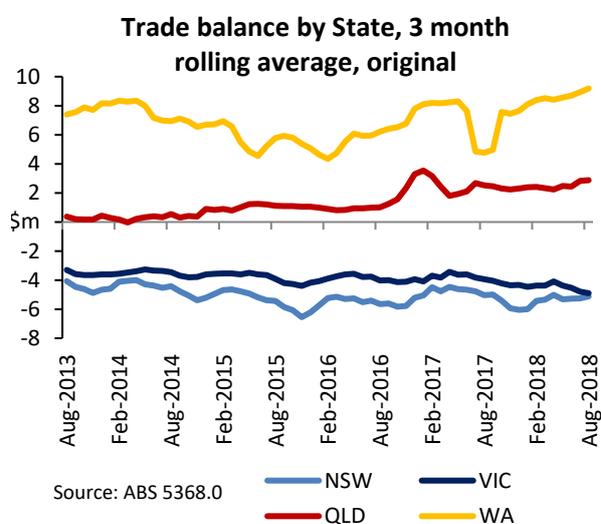
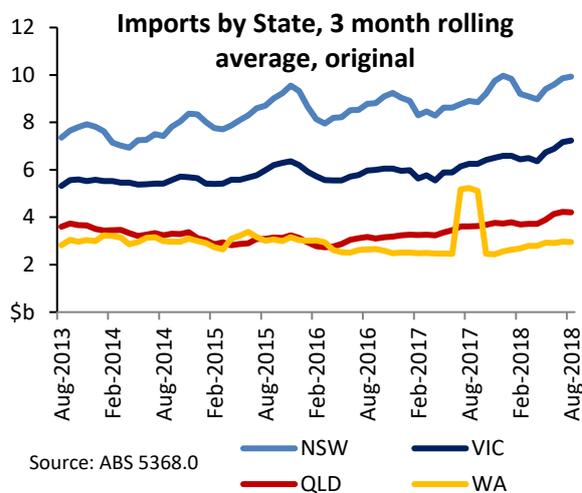
Meanwhile, the State's monthly import values remained significantly higher, with a trade deficit the consequence (see below). As a three month rolling average, NSW imports were worth \$9.9 billion in August 2018 (see next page).

The top five **import sources for NSW** in August 2018 were: China (\$2.9bn); the United States (\$1.2bn); Japan (\$718m); Germany (\$594m); and South Korea (\$550m). Over the course of the month, 28.6% of NSW imports came from China.

As noted above, the NSW trade balance is in deficit, and has remained in deficit since the ABS first reported international trade data in 1988.

After reaching a peak three month rolling average trade deficit of \$6.5 billion in November 2015, the deficit reduced to \$4.5 billion in February 2017 before increasing again to \$6.0bn in January 2018 (see right). This figure has since fallen to \$5.1 billion as of August, but remains nearly double the decade low reported in February 2009 (\$2.8bn).

Western Australia continues to report the highest trade balance in comparison to the other States, with a record surplus of \$9.2 billion reported in August 2018.

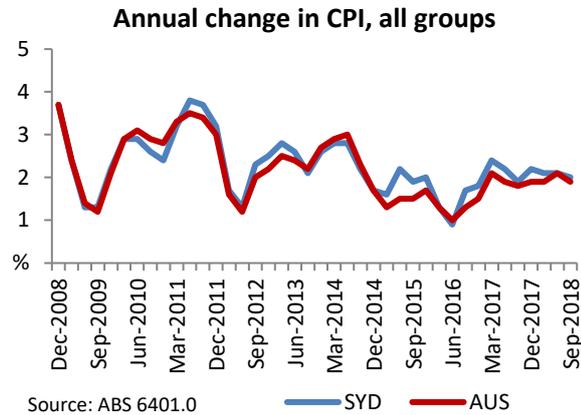


CONSUMER PRICE INDEX

The Australian Consumer Price Index (CPI) rose by 0.4% over the September 2018 quarter.

Sydney's CPI increased by 0.6% during the quarter. This was the equal highest increase of all capital cities.

Over the 12 months to September 2018, the Sydney CPI increased by 2.0%: marginally higher than the Australian result (1.9%). Sydney's annual CPI was the fourth highest of the capital cities, with the largest annual increases recorded by Hobart (2.7%), Canberra (2.5%), and Melbourne (2.2%). The lowest CPI increase over the 12 month period was recorded in Darwin (1.3%).



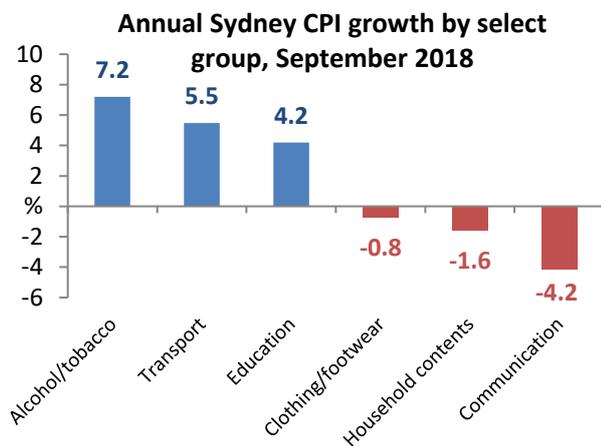
Reserve Bank of Australia inflation forecasts (%)				
	Dec-18	Jun-19	Dec-19	Jun-20
CPI inflation	1.75	2	2.25	2.25
Underlying inflation	1.75	2	2	2.25

Source: RBA, Statement on Monetary Policy, May 2018, Table 5.1

Over the last 12 months, the largest CPI group price increases in Sydney were alcohol and tobacco (7.2%); transportation (5.5%); and education (4.2%).

The lowest annual results were recorded for communications (-4.2%); household contents (-1.6%) and clothing and footwear (-0.8%)

Nationally (and in seasonally adjusted terms), the [main contributors](#) to CPI were alcohol and tobacco (6.0%); transport (5.2%); and health (3.2%).



EMPLOYMENT

Nationally, total employment (full time and part-time employment) grew by 0.6% over the September 2018 quarter (annual growth of 2.4%), with approximately 77,000 new jobs created since June 2018. In NSW, the average number of people employed monthly increased by 0.8% over the September quarter, from 3.99 million to 4.03 million employed. Over the 12 months to September 2018, NSW employment levels increased by 3.5%.

Number of persons employed ('000), quarterly average									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Dec-17	3,931	3,239	2,465	831	1,337	248	137	230	12,412
Mar-18	3,965	3,253	2,476	839	1,338	249	138	230	12,482
Jun-18	3,999	3,275	2,480	842	1,340	250	139	228	12,538
Sep-18	4,032	3,304	2,488	840	1,346	250	138	229	12,614

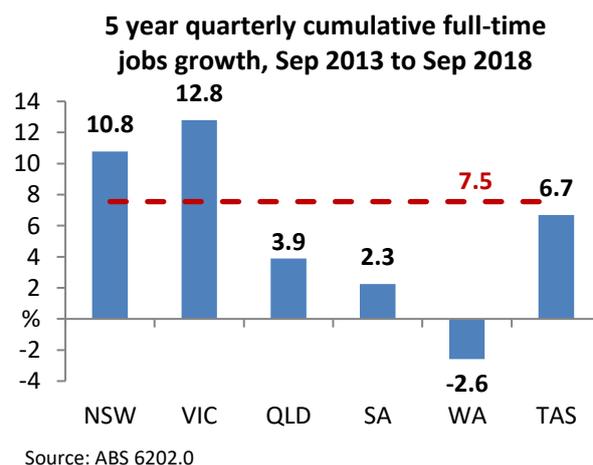
Source: ABS, Labour Force, Australia, Cat. No. 6202.0, September 2018

Australia experienced its 21st straight month of employment growth, which is further strengthened by a low unemployment rate (see next chapter).

Nationally, full-time employment grew by 0.8% over the September 2018 quarter, while part-time employment saw a 0.3% increase. This contrasts with a longer term trend in which part-time work has grown faster than full-time work. In the five years to September 2018 part-time employment grew by 13.8%, compared to 7.5% for full-time employment (see right).



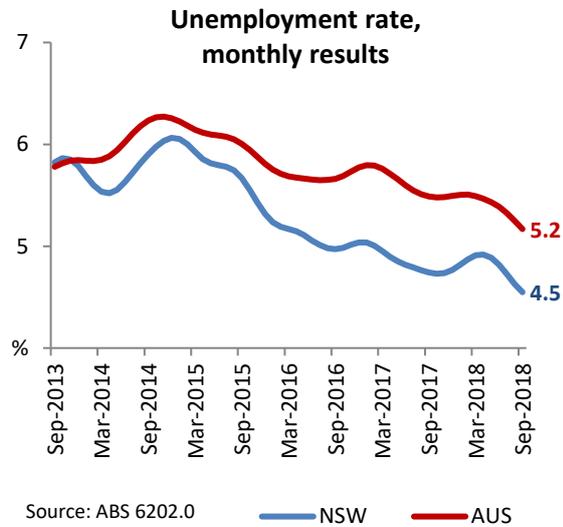
NSW has experienced an increase in full-time employment over the same five year period. Between September 2013 and September 2018, there was a 10.8% increase in full-time work in NSW: well above the national average of 7.5% and second only to Victoria's 12.8% increase (see right).



UNEMPLOYMENT

In NSW, the average quarterly unemployment rate decreased from 4.9% to 4.6% in the September 2018 quarter. The State's unemployment rate remains 1.4% lower than the 6.0% peak in the March 2015 quarter, and 0.6% below the national quarterly average unemployment rate of 5.2%.

As at September 2018, NSW has the third lowest quarterly average unemployment rate in Australia. Only the NT (4.0%) and the ACT (3.7%) have better unemployment rates. Western Australia and Queensland have the highest quarterly average unemployment rate (6.1%).



Source: ABS 6202.0

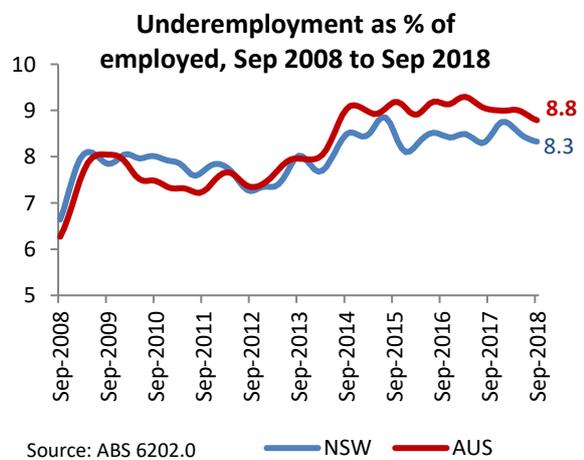
Unemployment rate (%), quarterly average									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Dec-17	4.7	5.8	6.0	5.9	5.9	5.9	4.5	4.0	5.5
Mar-18	4.9	5.5	6.1	5.9	6.1	6.0	4.3	3.9	5.5
Jun-18	4.9	5.1	6.2	5.7	6.3	6.0	4.1	3.7	5.4
Sep-18	4.6	4.8	6.1	5.6	6.1	5.9	4.0	3.7	5.2

Source: ABS, Labour Force, Australia, Cat No. 6202.0, September 2018

Underemployment

The underemployment rate represents the proportion of available employees aged over 15 who want more hours of work than they currently have.

Between September 2008 and September 2018, the NSW underemployment rate increased from 6.6% to 8.3%. As shown in the adjacent figure, the Australian underemployment rate also increased over the same period, rising from 6.3% to 8.8%.



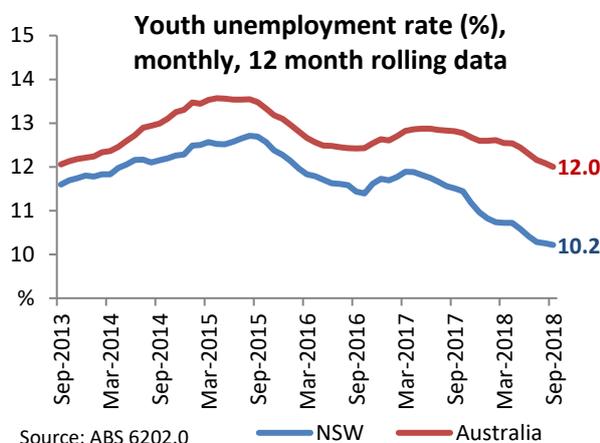
Source: ABS 6202.0

YOUTH UNEMPLOYMENT

The youth unemployment rate is highly cyclical because of the significance of casual and part-time employment in this age group (15-24).

Accordingly, both monthly and quarterly youth unemployment figures are presented as 12 month rolling averages. This follows the ABS' approach and is the same methodology used for the NSW Parliamentary Research Service's

[Regional labour force trends and NSW electorates](#) publication.⁹



Source: ABS 6202.0

— NSW — Australia

As of the September 2018 quarter, NSW had a 12 month rolling average youth unemployment rate of 10.2% (see chart above). This was 1.8% below the national average (12.0%), and is below both the rate 12 months earlier (11.5%) and the five year peak for NSW (12.7%) in September 2015.

Turning to the 12 month rolling *quarterly* average, the NSW result for September 2018 (10.6%) was below the national average (12.4) and the third lowest of all States and Territories (see table below). The Northern Territory had the lowest youth unemployment rate (9.8%)—followed by the ACT (10.3%). Tasmania has the nation's highest youth unemployment rate (14.5%).

Youth unemployment rate (%), 12 month rolling quarterly average									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Dec-17	11.6	13.2	13.3	16.2	13.1	14.4	7.7	10.8	12.8
Mar-18	11.2	13.1	13.1	16.2	13.6	13.6	8.1	10.5	12.7
Jun-18	10.8	13.1	13.3	15.7	13.6	14.0	8.9	10.8	12.6
Sep-18	10.6	12.8	13.2	14.4	14.3	14.5	9.8	10.3	12.4

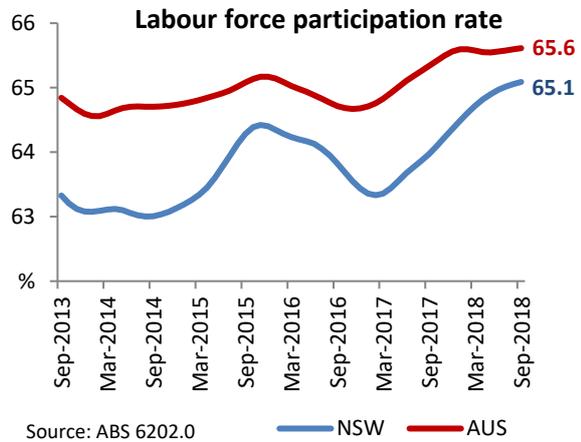
Source: ABS, Labour Force, Australia, Cat No. 6202.0, September 2018

⁹ Following the methodology used by the Commonwealth Department of Employment: see Department of Employment, [Labour Market Information Portal](#), 7 July 2017 [website – accessed 28 July 2017].

LABOUR FORCE PARTICIPATION

Over the September 2018 quarter, the NSW labour force participation rate rose by 0.1% to 65.1%. This was 0.5% below the Australian average of 65.6% (see right).

Tasmania and South Australia had lower participation rates than NSW (61.1% and 62.4% respectively), while the Northern Territory had the highest participation rate (75.6%).

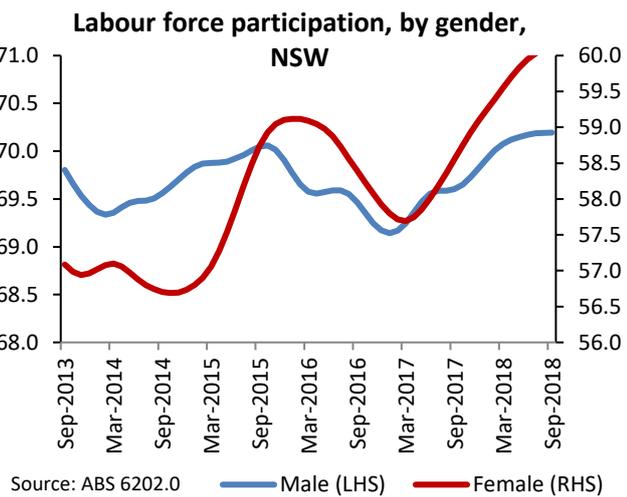


Labour force participation rate (%), quarterly average									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Dec-17	64.2	66.1	66.0	62.3	68.3	61.2	75.7	72.5	65.5
Mar-18	64.6	65.7	66.0	62.7	68.4	61.2	76.3	72.0	65.6
Jun-18	64.9	65.6	65.9	62.7	68.5	61.3	76.4	70.9	65.6
Sep-18	65.1	65.6	65.8	62.4	68.5	61.1	75.6	70.6	65.6

Source: ABS, Labour Force, Australia, Cat No. 6202.0, September 2018

In NSW, the male participation rate has gradually climbed from a low of 69.1% in January 2017, to 70.2% as at September 2018 (see right).

The female participation rate reduced to 57.7% between February and April 2017, but recently reached a five-year high of 60.1% (September 2018).

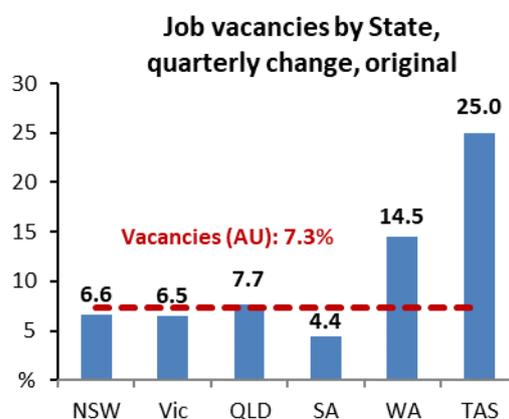


Although both NSW male and female participation rates are on the rise, both are slightly lower than the Australian average (71.0% and 60.4% respectively).

JOB VACANCIES

In the August 2018 quarter, NSW job vacancies rose by 6.6% to 82,400 (see right). This figure is 15.9% higher than the three year job vacancy average for NSW (71,100 vacancies).

The quarterly rise in job vacancies in NSW was lower than the national average of 7.3%, as shown on the right.



Source: ABS

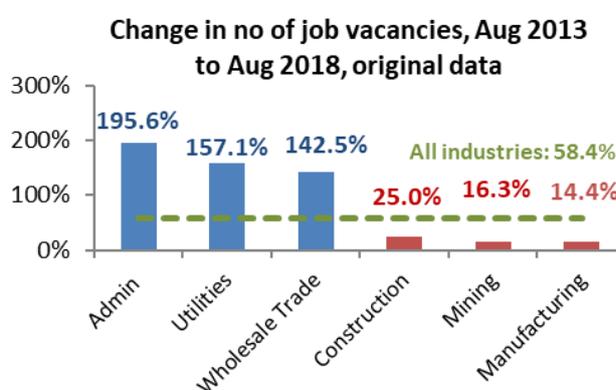
	Number of job vacancies ('000), original								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Nov-2017	81.5	57.5	35.0	9.1	19.8	2.5	3.3	7.2	216.0
Feb-2018	78.9	62.5	36.4	10.4	22.2	2.9	3.7	6.7	223.7
May 2018	77.3	67.6	32.6	11.4	24.1	2.4	3.9	7.1	226.4
Aug 2018	82.4	72.0	35.1	11.9	27.6	3.0	3.7	7.4	243.0

Source: ABS, Job Vacancies, Australia, Cat No. 6354.0, Aug 2018

Nationally, the number of job vacancies increased for the 20th consecutive quarter in August 2018 to reach 240,900 (trend estimate). This upward trend is continuing to surpass the previous record of 13 quarters set between November 1991 and November 1994.¹⁰

Since August 2013, vacancies in the Administrative and Support Services sector increased by 196% (see right). Other industries with significantly above average increases in vacancies over the past five years include Utilities (157%) and Wholesale Trade (143%).

Sectors that experienced lower than average increases in vacancies over the past five years include Construction (25%), Mining (16%), and Manufacturing (14%).



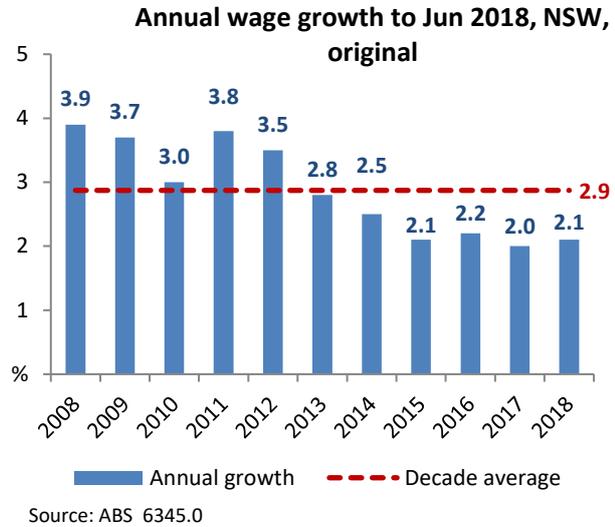
Source: ABS 6354.0

¹⁰ Jericho G, [The latest job vacancy figures should be good news, but consumers don't agree](#), *The Guardian*, 4 April 2017.

WAGES

The NSW Wage Price Index increased by 0.4% over the June 2018 quarter to 128.3: the second lowest Index position of all States and Territories.

Over the 12 months to June 2018, NSW wages grew by 2.1%. This is marginally above the lowest recorded growth rate of 2.0% (in June 2017), and is 0.8% below the decade average (2.9%) (see right).



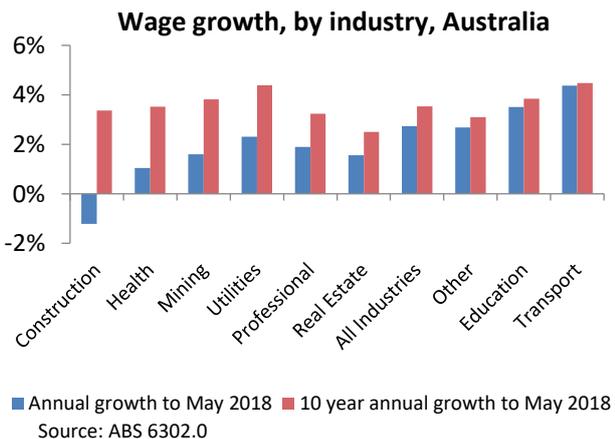
According to the [ABS](#), the national Wage Price Index also rose by 2.1% over the year to June 2018. This result is just above the record low annual wages growth of 1.9% recorded in March and June 2017.

ABS figures for average adult weekly full-time earnings (ordinary time) in NSW show a 1.6% increase in wages over the six months to May 2018. This period saw average wages increasing from \$1,582 to \$1,608. This was the equal highest increase of all jurisdictions, with Victoria. However, NSW continues to rank fourth of all States and Territories in terms of highest average weekly earnings (see below).

Average adult weekly fulltime earnings (\$), ordinary time, original								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Nov-2016	1537.30	1493.40	1479.80	1442.60	1703.10	1344.90	1624.70	1746.60
May-2017	1549.50	1511.20	1499.60	1447.40	1717.30	1351.90	1625.70	1775.40
Nov-2017	1582.30	1523.30	1524.00	1443.20	1737.70	1359.30	1645.20	1799.10
May-2018	1607.70	1547.70	1545.10	1447.80	1743.20	1377.30	1669.30	1813.40

Source: ABS, Average weekly earnings, Australia, Cat No. 6302.0, May 2018

Weak national wages growth has been present in the majority of Australian industry sectors (see right). Across many sectors annual wage growth to May 2018 has been well below their respective 10 year averages. For example, annual wage growth for the construction sector fell by 1.2% over the 12 months to May 2018 compared to a decade average annual growth rate of 3.4% (a 4.6% difference).



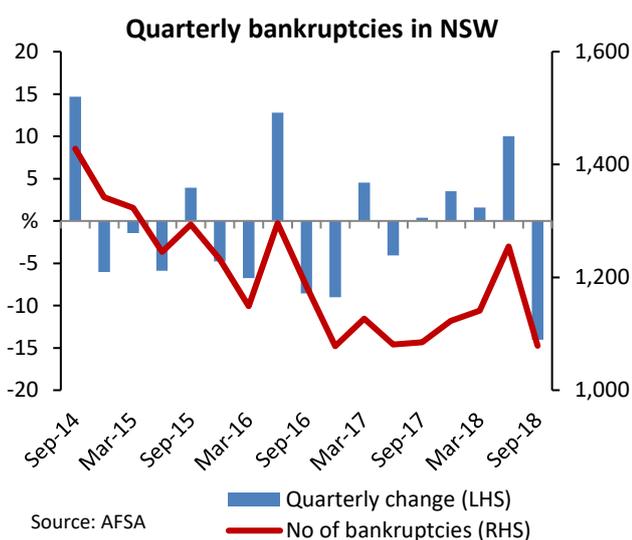
Other sectors also saw annual wage growth lower than their decade average,

including health (-2.5% below average), mining (-2.2%), and utilities (-2.1%). Nevertheless some areas have seen higher than average wage growth, such as administrative and support services (2.4% above average) and manufacturing (2.2%).

BANKRUPTCIES

Bankruptcies in NSW have trended down in recent years and are 16.6% lower than they were in September 2015. Following a 10% rise in the June 2018 quarter, the number of NSW bankruptcies fell by 14.0% in the September 2018 quarter from 1,255 to 1,079 (see right).

All jurisdictions experienced a decrease in bankruptcies over the September 2018 quarter, with NSW experiencing the fifth highest percentage decrease.



Bankruptcies per quarter (Parts IV and XI of the <i>Bankruptcy Act 1966</i> (Cth))								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Sep-17	1,123	776	1,155	271	471	116	28	55
Dec-17	1,141	707	1,262	272	545	120	40	36
Mar-18	1,255	746	1,299	297	568	106	49	48
Sep-18	1,079	676	1,178	245	541	79	27	37

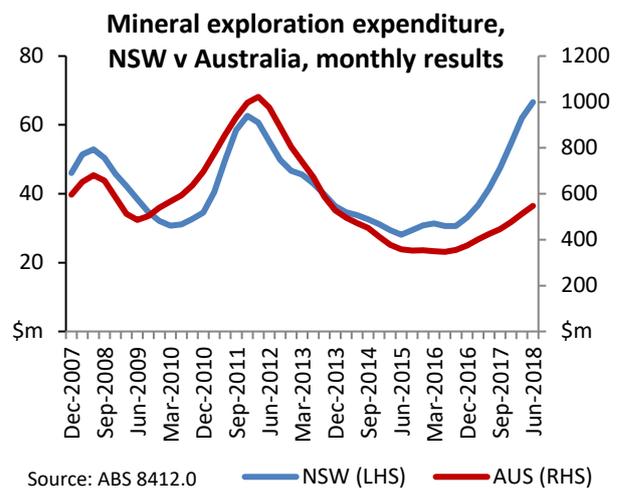
Source: Australian Financial Security Authority, September 2018

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 considered to be the best proxy measure for the level of mining activity in NSW and Australia.

NSW petroleum and mineral exploration expenditure increased by 7.4% over the June 2018 quarter, totalling \$66.6 million. This increase is lower than the previous six quarterly results. However, these consecutive increases mean that expenditure is now higher than the previous peak in the December 2011 quarter (\$62.6 million) (see right).

On a national level, the mining sector investment remains 47% below the March 2012 peak (\$1,022 million). A significant share of this decline is attributable to Western Australia: although WA has gradually increased its exploration expenditure since reaching a low in September 2015, current expenditure remains 41% (\$228 million) below the March 2012 peak.



Mineral exploration expenditure (\$m)								
	NSW	VIC	QLD	SA	WA	TAS	NT	AUS
Sep-2017	14.2	10.4	12.0	-3.4	1.3	23.9	16.1	5.2
Dec-2017	15.2	10.1	8.5	8.0	3.9	8.8	15.1	6.7
Mar-2018	13.6	15.9	4.6	17.2	6.4	3.2	8.4	7.6
Jun-2018	7.4	16.3	2.6	14.7	7.0	3.1	4.4	6.8

Source: ABS, Mineral and Petroleum Exploration, Australia, Cat No. 8412.0, June 2018

In its August 2018 [Statement on Monetary Policy](#), the RBA stated:

Mining investment is still expected to reach its trough in late 2018 or early 2019. Further out, it should increase moderately as companies invest to sustain production at current levels.¹¹

¹¹ Reserve Bank of Australia, [Statement on Monetary Policy](#), August 2018, p 2.

TURNOVER OF RETAIL TRADE

In the June 2018 quarter, NSW retail trade grew by 1.4% to approximately \$8.7 billion. This was an increase on the June 2017 quarter result (0.9%), and above the 10 year average of 0.9% (see right).

The NSW figures were the fourth highest of all States and Territories after ACT (2.0%), Tasmania (1.9%) and Northern Territory (1.5%).

Turning to annual growth, NSW saw a 3.2% increase in retail trade over the 12 months to June 2018: the lowest NSW result since 2013 (see right).

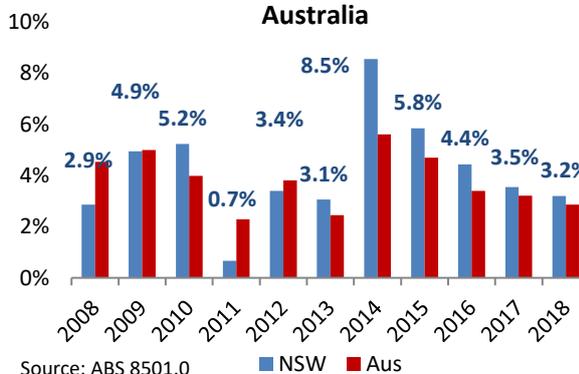
The NSW annual result was higher than the national annual growth rate (2.9%) and ranked third of all jurisdictions, after Victoria (5.0%), and Tasmania (3.8%).

NSW retail trade growth, Jun quarter



Source: ABS 8501.0

Annual retail trade growth, NSW vs Australia



Source: ABS 8501.0

Turnover of retail trade (\$m), quarterly average									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Sep-17	8,410	6,615	5,175	1,709	2,835	518	261	478	26,000
Dec-17	8,434	6,693	5,192	1,729	2,824	521	259	477	26,131
Mar-18	8,525	6,813	5,224	1,742	2,827	526	263	483	26,403
Jun-18	8,643	6,911	5,241	1,750	2,826	536	267	493	26,665

Source: ABS, Retail Trade, Australia, Cat. No. 8501.0, Aug 2018

St George Bank [commented](#) on the outlook for retail trade:

Consumer spending is facing some key conflicting influences. High household debt, weak wage growth and the slowdown in the housing market will likely continue to dampen spending. But, firm job gains and ongoing growth in the population are providing support.¹²

¹² St George, *Retail Sales: Consumers Splash Out on Books & Shoes*, Data Snapshot, 5 October 2018

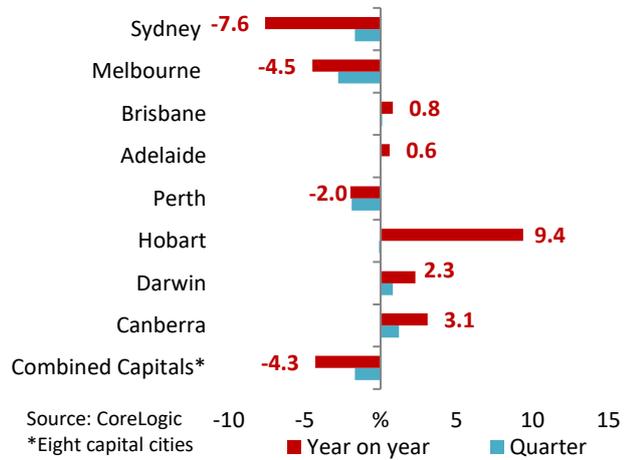
HOUSE PRICES

[CoreLogic](#) reported that Sydney's median house price was \$976,365 in September 2018: a 1.7% drop in value over the quarter, and a 7.6% fall over the previous 12 months.

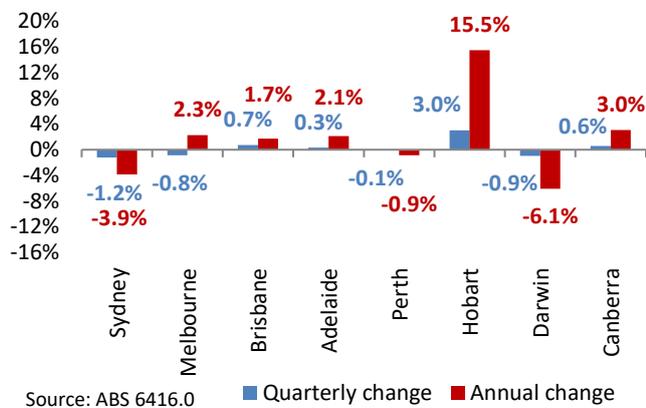
According to a [recent survey](#) of economists, Sydney's property price fall will last at least another two years as a result of tougher lending standards and buyer nerves. Despite this fall, Sydney's house prices remain the nation's most expensive by just under \$200,000 (Melbourne is second, with a median house price of \$799,657).

Turning to other Australian cities, Melbourne recorded the largest quarterly drop as of September 2018 (-2.8%), while Canberra saw the largest quarterly increase (1.2%). Sydney's 7.6% annual fall was the greatest of all cities, followed by Melbourne (-4.5%), while Hobart recorded a 9.4% increase over the 12 months.

Median house price growth, by capital city, to September 2018



Change in residential property prices, Jun 2018, original



The ABS's Residential Property Price Index for Sydney recorded a 1.2% fall over the June 2018 quarter (see above right). Between June 2017 and June 2018, the Sydney Index fell by 3.9%, the second lowest growth rate after Darwin (-6.1%). Over the year to June 2018, Sydney's [established houses index](#) fell by 4.1% (the second lowest growth rate), while the city's attached dwellings index decreased by 3.4% (the second lowest growth rate).

House price indexes: eight capital cities, original									
	SYD	MEL	BRIS	ADE	PER	HOB	DAR	CAN	Weighted Average
Sep-2017	174.2	150.4	122.9	118.7	103.7	129.0	97.5	121.3	146.2
Dec-2017	174.0	154.3	124.0	119.4	104.8	134.0	96.0	123.4	147.6
Mar-2018	171.9	153.4	123.3	120.0	103.9	139.8	94.9	124.5	146.6
Jun-2018	169.8	152.1	124.2	120.4	103.8	144.0	94.0	125.2	145.6

Source: ABS, Residential Property Price Indexes: Eight Capital Cities, Cat. No. 6416.0, June 2018

DWELLING APPROVALS

Over the June 2018 quarter, the average monthly number of dwellings approved in NSW fell by 1.9%. On average, 5,739 approvals were made during each month of the quarter, compared to 5,850 approvals during the March 2018 quarter. The June 2018 results are 14.7% lower than the quarterly average approvals peak recorded during the June 2016 quarter (an average of 6,727 approvals per month).

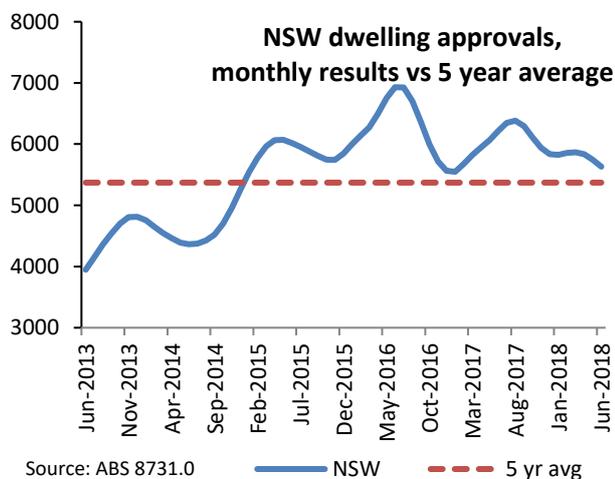
National dwelling approvals were, on average, down 2.0% for the June 2018 quarter. This result reflects falls in approvals in most jurisdictions, notably Victoria (-5.2%).

Number of dwellings approved, quarterly average							
	NSW	VIC	QLD	SA	WA	TAS	AUS
Sep-17	6,343	5,796	3,547	1,080	1,646	227	19,163
Dec-17	5,961	6,796	3,586	1,019	1,602	254	19,562
Mar-18	5,850	6,524	3,705	1,001	1,436	236	19,255
Jun-18	5,739	5,708	3,545	1,115	1,434	243	18,556

Source: ABS, Building Approvals, Australia, Cat. No. 8731.0, Aug 2018

Dwelling approvals data is volatile on a monthly basis, mostly due to the 'lumpy' nature of unit and town house developments. On a trend basis, which takes into account the monthly variation, NSW building approvals remain at elevated levels.

There has been a decline in monthly approvals since August 2017, and approvals are well below the record levels reported in June 2016 (6,931 approvals). However, as of June 2018, NSW approvals remained 4.9% higher than the five year average of 5,371 approvals per month (see right).



HOUSING FINANCE

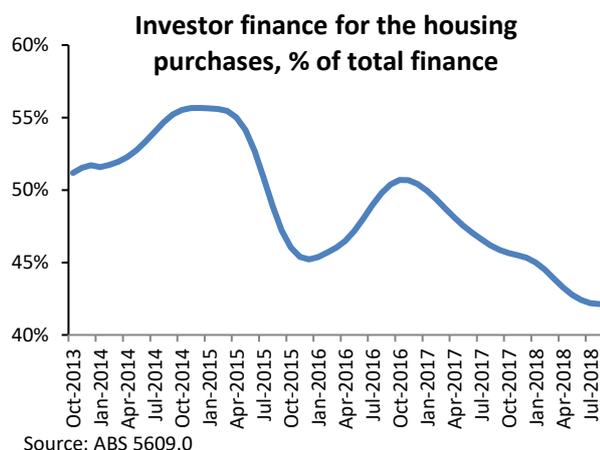
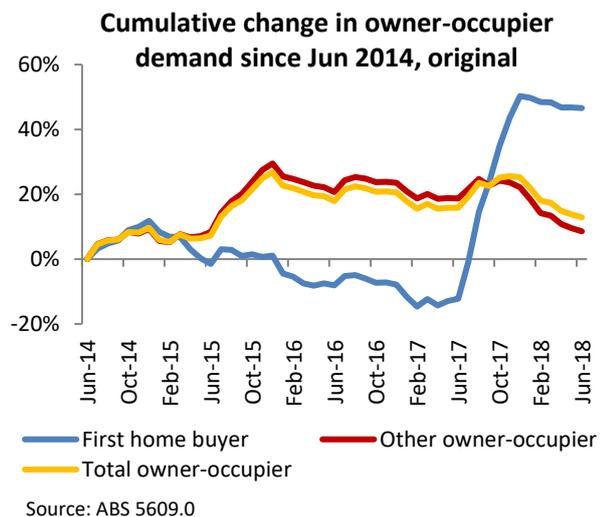
The average number of owner-occupier (including first home owner) dwellings financed in NSW increased by 10.1% during the June 2018 quarter to approximately 16,540 per month. Both first home buyers (FHB) and non-FHBs saw increases in the number of dwellings financed, with FHBs recording a 11.5% rise and non-FHBs seeing 9.9% growth.

Between June 2014 and June 2018, overall owner-occupier demand in NSW increased by 12.9% (see right). FHB housing finance declined between January 2014 and June 2017 but then increased sharply. This coincided with NSW Government housing affordability [reforms](#) introduced on 1 July 2017.

There remains the question of whether increased finance has had any impact on FHB housing affordability. As noted in the [2018 Summer Update](#), the RBA found that Sydney FHBs could only afford around 10 per cent of median priced homes sold in the city in 2016, compared to an average of one-third across Australia.

Following a renewed increase in investor housing finance in late 2016, investor finance as a share of total housing finance declined during 2017 and into 2018. Over the three months to August 2018, investor finance declined by 0.3% to total 42.1% of total housing finance. This represents a 3.7% fall compared to a year earlier, and is 13.5% below the December 2014 peak (see right).

The falls in investor finance came after the Australian Prudential Regulation Authority (APRA) introduced successive restrictions on bank lending: the first, in [December 2014](#), limited annual growth of investor lending by banks to a rate of 10 per cent, while the second, in [March 2017](#), limited the flow of new interest-only lending to 30 per cent of total new residential mortgage lending, alongside additional restrictions on loan-to-value ratios (LVRs).



In its October 2018 [Financial Stability Review](#), the RBA commented that various measures introduced by APRA and the Australian Securities and Investment Commission since the end of 2014:

...have meaningfully reduced vulnerabilities associated with riskier household lending and so increased the resilience of the economy to future shocks. However, the overall stock of household debt is high relative to income, suggesting that the associated risks remain.¹³

Concerns about foreign investors appear to have eased for now. In its [2016-17 Annual Report](#), the Foreign Investment Review Board (FIRB) stated that the value of NSW residential applications declined from approximately \$23.2 billion in 2015-16 to \$8.1 billion in 2016-17.¹⁴ The FIRB stated that the introduction of application fees in 2015 led to this reduction.¹⁵ However, the NSW Government's doubling of the foreign investor transfer duty surcharge (from 4% to 8%) in the [2017-18 NSW Budget](#) may also have contributed to this fall in foreign residential investment.

¹³ Reserve Bank of Australia, [Financial Stability Review](#), October 2018, p 88.

¹⁴ Calculated by author from national figures in the Foreign Investment Review Board's annual reports for 2015-16 (\$72.4bn) and 2016-17 (\$25.2bn).

¹⁵ Foreign Investment Review Board, [Annual Report 2016-17](#), 2018, p 33.

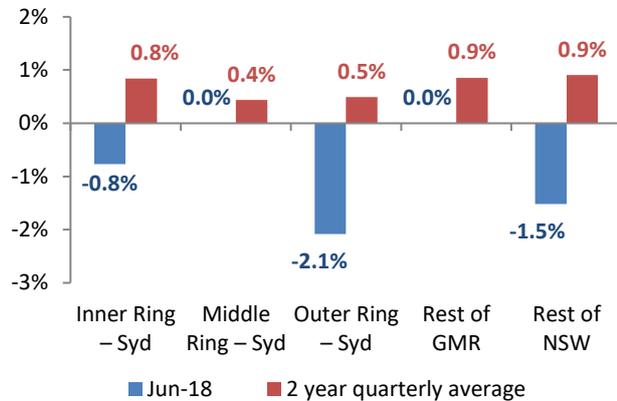
RENT

In the June 2018 quarter, median rents were either unchanged or decreased across NSW regions.¹⁶ Decreases were observed in Sydney's Inner Ring (-0.8%) and Outer Ring (-2.1%), and in the Rest of NSW (-1.5%).

On an annual basis, median rental growth was highest in the Rest of the Greater Metropolitan Region (2.5%), followed by Sydney's Outer Ring (2.2%), and the Rest of NSW (1.6%). Rents in Sydney's Inner Ring and Middle Ring decreased in the year to June 2018 (by -0.8% and -1.9% respectively).

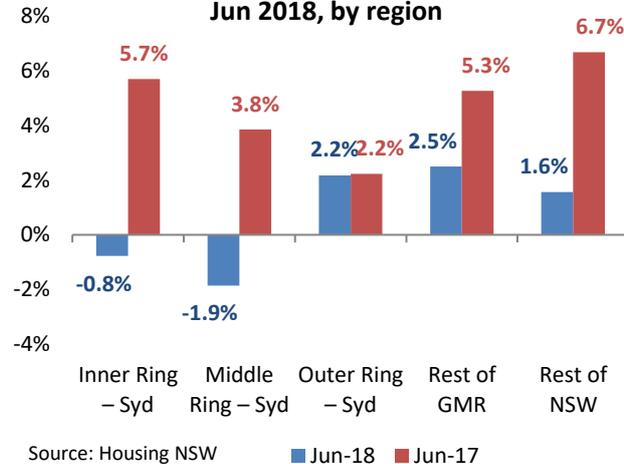
The available research shows that current rent levels remain beyond the financial capacity of disadvantaged residents. Anglicare Australia's [2018 Rental Affordability Snapshot](#) reported that Sydney in particular offered no affordable and suitable properties for any household type, apart from couples who both earned the minimum wage (who could only afford to rent 4.0% of available properties).

Quarterly rent price growth, Jun 2018, by region



Source: Housing NSW

Annual rent price growth, Jun 2018, by region



Source: Housing NSW

Median weekly rents by NSW region (\$), all dwellings & all bedroom numbers							
	Greater Sydney	Sydney – Inner Ring	Sydney – Middle Ring	Sydney – Outer Ring	Rest of GMR*	Rest of NSW	NSW total
Sep-17	535	630	530	470	400	320	470
Dec-17	530	640	530	470	400	320	475
Mar-18	550	650	530	480	410	330	480
Jun-18	530	645	530	470	410	325	480

Source: Housing NSW, Rent and Sales Reports, June Quarter 2018

*Greater Metropolitan Region

¹⁶ For a definition of regions used by Housing NSW, see: Angus C, [Demand, deposits, debt: Housing affordability in Sydney](#), NSW Parliamentary Research Service, Briefing Paper 1/2017, March 2017, p 15.

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.

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 (GDP): 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.

Original estimates: Original collected data containing seasonal patterns, residual noise and irregular influences.

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.

Rolling average: An average figure calculated by adding recent figures and then dividing that by the number of time periods in the calculation average. For example, a 12 month rolling average for January 2018 would be an average of the original data for the 12 months from January 2017 to January 2018 inclusive.

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.

Spare capacity: The balance of demand for goods and services relative to the economy's potential to produce them. In the labour market, a key indicator of spare capacity is the unemployment rate, but a range of other factors also play a significant role.

State Final Demand: A proxy for economic growth that 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.

Trade weighted index: The weighted average value of the Australian dollar in relation to the currencies of Australia's trading partners.

Trend estimates: A smoothed seasonally adjusted series of estimates.

Underutilisation rate: The sum of the number of persons unemployed and the number of persons in underemployment, expressed as a proportion of the labour force.

Underemployment rate: The number of underemployed workers expressed as a percentage of total employed persons.

Underemployed workers: Employed persons aged 15 years and over who want, and are available for, more hours of work than they currently have.

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: 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.