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## NSW Parliamentary Research Service

### NSW Economic Update Winter 2016

Statistical Indicators 03/16  
By Chris Angus

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# NSW Economic Update

## Winter 2016

by

Chris Angus

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## SUMMARY

NSW continued to be one of the best performing States in Australia over the last quarter. Commsec's July 2016 [State of the States Report](#) found that NSW has retained top spot as the best performing economy, retaining top rankings on population growth, equipment investment, retail trade, and dwelling starts and added economic growth.<sup>1</sup> NAB also reported that the NSW economy has performed well, with the construction and the service sectors being major growth sources. Although NAB slightly downgraded the State's growth forecast, it concluded nonetheless that NSW is one of Australia's standout jurisdictions.<sup>2</sup>

Based on the latest quarterly movements,<sup>3</sup> the strengthened and weakened areas of the NSW economy are summarised in the table below. It is clear that NSW is performing well in most areas, although mining investment and housing finance have weakened. 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
State final demand (up 1.1%)	Retail trade (up 1.4%)	Trade balance (\$5bn deficit)
Household consumption (up 0.9%)	Motor vehicle sales (up 9.0%)	Participation rate (down 0.1%)
Business investment (up 1.8%)	House prices (up 6.8%)	Bankruptcies (up 12.8%)
Employment (up 0.8%)		Mining investment (down 13.3%)
Unemployment (down 0.2%)		Dwelling approvals (down 7.2%)
Job vacancies (up 4.3%)		Housing finance (down 17.7%)

While the economic outlook for NSW remains positive, recent labour force figures suggest that increasing employment growth across Australia is due to growth in part-time work, as opposed to full-time jobs.<sup>4</sup> A shift to part-time work is not necessarily a bad thing. For example, increased part-time employment may be indicative of people's preference for such work;<sup>5</sup> or, as discussed in a March 2016 RBA Bulletin article, were an economic downturn to occur, many costs associated with unemployment (e.g. skill atrophy or reliance on government assistance) could be mitigated if workers accepted reduced hours in order to retain employment.<sup>6</sup>

Nevertheless, other commentators note that part-time employment means that workers have less disposable income, making it more difficult for them to enter

<sup>1</sup> Commsec, [State of the States](#), July 2016.

<sup>2</sup> NAB, [State Update: New South Wales](#), July 2016, p 2.

<sup>3</sup> That is, for the most recent quarter in which data is available.

<sup>4</sup> RBA, [Minutes of the Monetary Policy Meeting of the Reserve Bank Board](#), 5 July 2016; ABS, [Trend employment growth in Australia continues to ease](#), Media Release, 16 June 2016.

<sup>5</sup> J Irvine, [Forget 'and growth' – it's the 'jobs' that do the work](#), Sydney Morning Herald, 18 June 2016.

<sup>6</sup> J Bishop, M Plumb, [Cyclical Labour Market Adjustment in Australia](#), RBA Bulletin – March Quarter, 2016.

the housing market,<sup>7</sup> while other studies warn that increasing levels of part-time work risks exacerbating issues of underemployment, income inequality and job insecurity.<sup>8</sup>

While NSW appears to have been less affected than other States by the proportionate decline in full-time employment (see chapter on Employment), issues relating to part time work are still evident. For example, [research](#) by the University of Sydney Business School indicates that the poor quality of part-time work in Sydney's outer suburbs has "pushed" many working mothers into self-employment in order to make their mortgage payments.<sup>9</sup>

### Economic outlook

The Reserve Bank of Australia's (RBA) **national economic growth** forecasts have changed little from those presented at the start of the year. In its May [Statement on Monetary Policy](#), the RBA commented that GDP growth is forecast to be 2.5-3.5% by December 2016 and increasing to 3-4% by June 2018.<sup>10</sup> The major banks, including the [Commonwealth Bank](#) and [NAB](#), have forecast economic growth of 3% for 2016.

Key factors influencing national growth over the forecast period, as outlined by the RBA, include:<sup>11</sup>

- Continuing falls in mining investment as large resource-related projects are completed and few new projects are expected to commence;
- A subdued outlook for non-mining business investment, although very low interest rates and the depreciation of the Australian dollar have supported an improvement in business conditions; and
- Lower forecast employment growth than in 2015, although conditions in the labour market are slowly improving nonetheless.

In the RBA Board's July 2016 [Minutes on Monetary Policy](#), Board members noted that available data was consistent with a moderation in GDP growth following a stronger-than-expected outcome in the March quarter. Over the March quarter, consumption had grown at around its decade-average rate, while survey measures of business conditions and capacity utilisation had remained noticeably above their long-run averages in May. Both unemployment levels and the participation rate had remained steady over several months, although as noted earlier, employment growth during 2016 was driven largely by part-time, rather than full-time, employment.

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<sup>7</sup> R Burgess, [The trend towards 'part-time Australia' demands action](#), The New Daily, 16 June 2016.

<sup>8</sup> C Angus, [Future workforce trends in NSW: Emerging technologies and their potential impact](#), NSW Parliamentary Research Service, Briefing Paper No 13/2015, ch 4.2.

<sup>9</sup> J Duke, [Housing affordability pushing working mums to go it alone in the suburbs](#), Domain Group, 14 May 2016; M Foley, [The sad truth about 'mumpreneurs'](#), 6 May 2016.

<sup>10</sup> RBA, [Statement on Monetary Policy](#), May 2016, p 61.

<sup>11</sup> Ibid p 62.

With respect to **New South Wales**, the Treasury [Budget Papers](#) forecast NSW Gross State Product (GSP) to continue to grow at an above-trend pace to 2017-18, despite downward revisions to the outlook for both the global and national economies following the 2015-16 Half-Yearly Review (HYR):

GSP growth is forecast to pick up to 3 per cent in 2016-17, unchanged from the HYR forecast. Household consumption, dwelling construction and public investment are expected to continue to make strong contributions to growth. Business investment is expected to contribute to GSP growth as the drag from mining investment eases and the recovery in non-mining business investment gathers pace. Net overseas service exports are forecast to make an ongoing and noticeable contribution to GSP growth. Interstate trade, however, is expected to remain a drag on GSP growth due to ongoing weakness in the rest of Australia.<sup>12</sup>

In its May 2016 [NSW Economic Outlook](#), St George Bank stated that “economic growth in 2014-15 was the fastest in four years, and close to the 20-year average”, and forecast “a solid outcome of 3.0% in 2015-16, which could result in a further slight reduction in the unemployment rate.”<sup>13</sup> NAB was also positive about NSW’s future prospects, giving the following summary for the State in its July 2016 [State Economic Handbook](#):

The New South Wales economy will remain one of the standouts, as the rebalancing back towards the non-mining sectors continues. Growth in state final demand has been supported by household consumption, a high level of dwelling investment and improved business investment, while services exports have been particularly robust. Infrastructure investment will also support NSW, although growth will ease somewhat as momentum from the housing sector and AUD depreciation begins to fade.

## 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 March or June 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.

<sup>12</sup> NSW Treasury, [Budget Paper No. 1](#), 2016-17, Ch 3: The Economy, p 3-1.

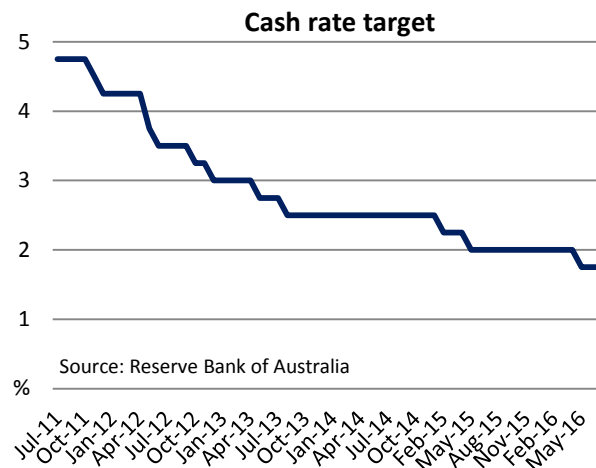
<sup>13</sup> St George Bank, [NSW Economic Outlook](#), 26 May 2016, p 2.



## INTEREST RATES

In May 2016 the RBA Board reduced the cash rate from 2% to 1.75%, [citing](#) a lower than expected outlook for inflation. As of July 2016, the cash rate remains at 1.75%.

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 factors influencing the Australian economy were identified by the RBA Board in the [latest meeting](#) in July 2016. These included the ongoing transition of economic activity to the non-resources sector, while lower interest rates were continuing to support household spending and the lower exchange rate. However, the Board noted that GDP growth in Australia's major trading partners was slightly below average, while conditions in both labour and housing markets were mixed.

The Board reached the following conclusion regarding the cash rate:

Taking account of the available information, the Board judged that holding monetary policy steady would be the most prudent course of action at this meeting. The Board noted that further information on inflationary pressures, the labour market and housing market activity would be available over the following month and that the staff would provide an update of their forecasts ahead of the August *Statement on Monetary Policy*. This information would allow the Board to refine its assessment of the outlook for growth and inflation and to make any adjustment to the stance of policy that may be appropriate.<sup>14</sup>

Following weak inflation growth (see the Consumer Price Index chapter), the Commonwealth Bank forecast that “the RBA will probably cut in August, taking the cash rate to a new record low of 1½%”, although it also noted that is unclear whether the domestic economy needs any additional stimulus at this point.<sup>15</sup>

Several major banks have forecast ongoing and sustained reductions in the cash rate in the coming 18 months. The [Commonwealth Bank](#) forecasts the cash rate to remain at 1.25% throughout 2017, while [Westpac](#) predicts the cash rate to reduce to 1.5% by September 2016 and remain there until September 2017. [NAB](#) also expects the cash rate to remain at 1.75% throughout 2016-17, increasing to 2.25% by the end of 2018.

<sup>14</sup> RBA, [Minutes of the Monetary Policy Meeting of the Reserve Bank Board](#), 5 July 2016.

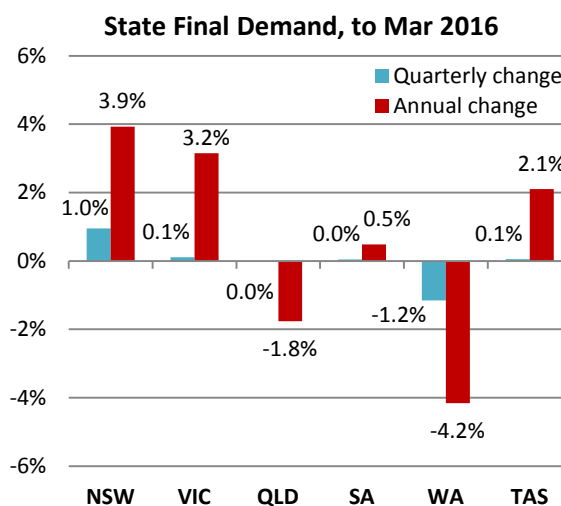
<sup>15</sup> Commonwealth Bank, [CPI – QII 2016](#), 27 July 2016, p 1.

## STATE DEMAND AND GROSS STATE PRODUCT

National final demand, which is the best quarterly proxy for economic growth, was 1.1% higher over the March 2016 quarter, an increase from 0.7% in the December 2015 quarter. According to the [Australian Bureau of Statistics](#):

The major driver of economic growth this quarter came from Exports which contributed 1.0 percentage point and Household final consumption expenditure contributing 0.4 percentage points.

Demand in NSW was 1.0% higher for the quarter, a decrease on the 1.4% growth in the December 2015 quarter, but higher than the two year quarterly average of 0.74%. Quarterly final demand growth remained weak across other States and Territories, with the biggest quarterly decline being realised by Western Australia at 1.2%.

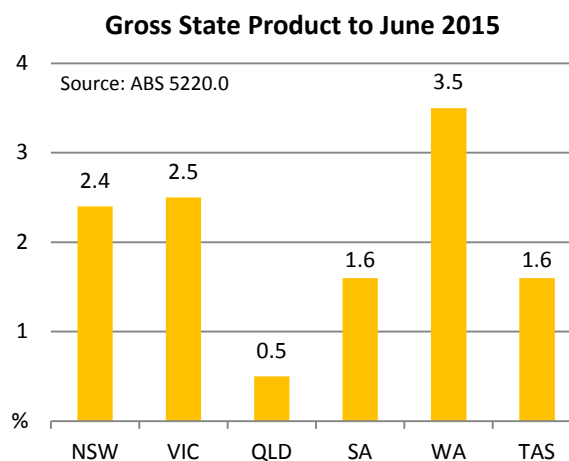


Annual demand growth in NSW to March 2016 was the highest of all the States at 3.9%: an increase on the last quarter (3.5%).

State final demand, chain volume measures, seasonally adjusted, \$m								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
<b>Jun-2015</b>	123,717	94,596	77,762	25,396	53,340	7,218	7,716	15,035
<b>Sep-2015</b>	123,667	94,921	77,432	25,540	52,523	7,262	7,110	14,867
<b>Dec-2015</b>	125,435	96,285	77,214	25,623	51,607	7,269	6,671	15,029
<b>Mar-2016</b>	126,631	96,391	77,204	25,635	51,012	7,273	6,649	15,217

Source: ABS, Australian National Accounts, Cat. No. 5206.0, March 2016

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

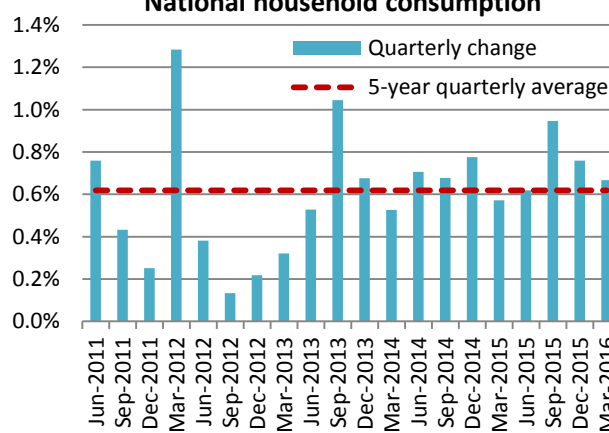
Source: ABS, Australian National Accounts, Cat. No. 5220.0, June 2015

## HOUSEHOLD CONSUMPTION

Nationally, household consumption grew by 0.7% over the March quarter, above the five year average of 0.6%. The RBA noted in its [May 2016 Statement on Monetary Policy](#) that factors supporting consumption growth included “solid employment growth and low interest rates, as well as the ongoing effects of lower petrol prices and a further increase in household wealth”.<sup>16</sup> However, motor vehicle sales continued to decline in early 2016, while households’ perceptions of their own finances have also declined despite being around their long-run average.

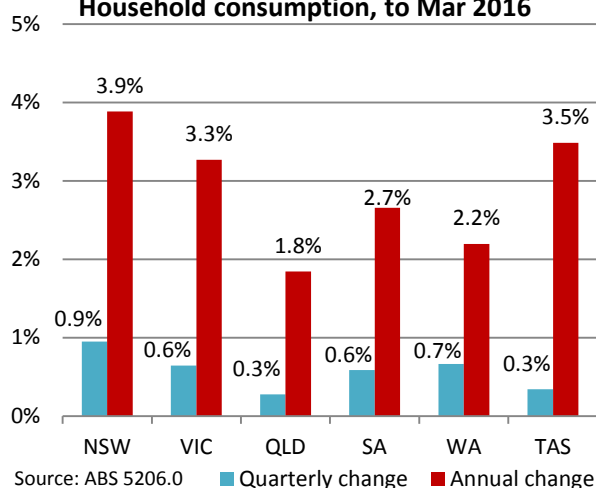
Household spending increased in NSW by 0.9% over the March quarter. This was the highest quarterly growth of all States, ahead of WA (0.7%), and Victoria and SA (0.6%). Year on year, consumption rose by 3.9% in NSW: the highest annual growth of all States and Territories.

### National household consumption



Source: ABS 5206.0

### Household consumption, to Mar 2016



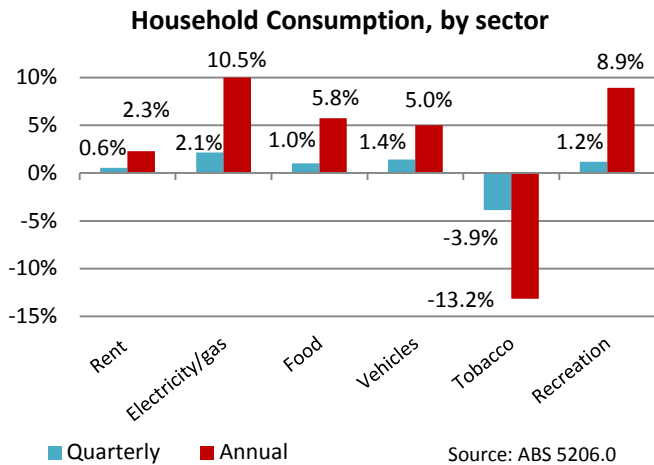
Source: ABS 5206.0

Household final consumption, chain volume, seasonally adjusted, \$m								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Jun-2015	76,455	56,165	44,414	14,965	24,840	4288	2462	4011
Sep-2015	77,332	56,866	44,683	15,034	25,007	4353	2441	4037
Dec-2015	78,077	57,439	44,854	15,164	25,045	4380	2452	4086
Mar-2016	78,818	57,810	44,978	15,253	25,212	4395	2470	4105

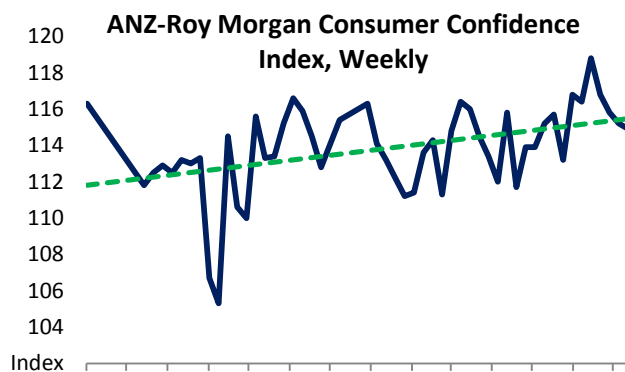
Source: ABS, Australian National Accounts, Cat. No. 5206.0, March 2016

<sup>16</sup> RBA, [Statement on Monetary Policy](#), February 2016, pp 28-9.

NSW household expenditure on food increased by \$71 million (or 1%) over the March 2016 quarter, and 5.8% over the previous 12 months. On an annual basis, electricity and gas and recreation and culture expenditure accounted for the largest proportionate increase of all the categories at 10.5% and 8.9% respectively. Expenditure on cigarettes and tobacco incurred the largest decline, falling by 13.2% for the year.

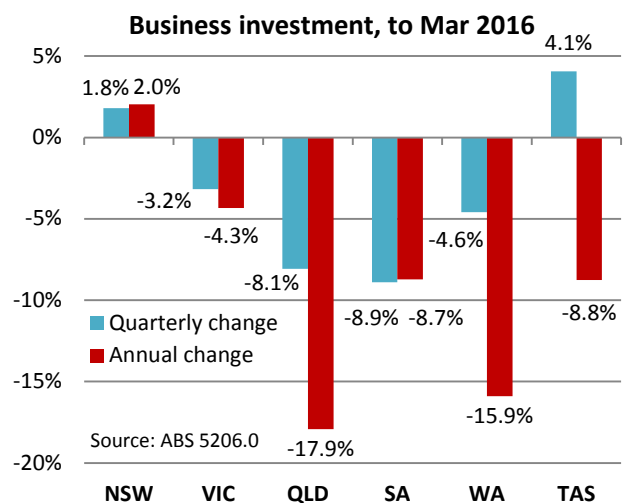


Although it is subject to sharp fluctuations, consumer confidence has trended upwards over the past year. However, Roy Morgan Research [noted](#) that confidence had declined in recent weeks, while most forward looking indicators also fell.



**BUSINESS INVESTMENT**

Nationally, business investment fell by 3.5% in the March 2016 quarter, having fallen by 3.1% in the December 2015 quarter. According to St George Bank, this was the eighth consecutive quarterly decline, with the weakness in business investment weighing on domestic demand.<sup>17</sup>



Over the 2015-16 financial year, national business investment was down by 10.7%, which reflects the ongoing drop 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 1.8% over the March quarter and 2.0% over the previous year. Queensland and Western Australia incurred the greatest falls in business investment growth during the quarter, falling by 17.9% and 15.9% respectively.

<sup>17</sup> St George Bank, [National Accounts – GDP](#), Data Snapshot, 1 June 2016, p 2.

Nevertheless, there has been an increase in business confidence over the quarter. In June, business confidence increased by 7.6 points to 119.5 despite a downward trend on the Australian share market, and is now above the five year average of 116.7.<sup>18</sup>

Business investment, chain volume measures, seasonally adjusted, \$m								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Jun-2015	13,628	11,409	11,217	3016	14,926	674	2978	596
Sep-2015	12,911	11,334	10,863	3084	14,162	642	2272	599
Dec-2015	13,660	11,271	10,015	3022	13,157	591	1830	563
Mar-2016	13,906	10,914	9207	2753	12,554	615	1767	502

Source: ABS, Australian National Accounts, Cat. No. 5206.0, March 2016

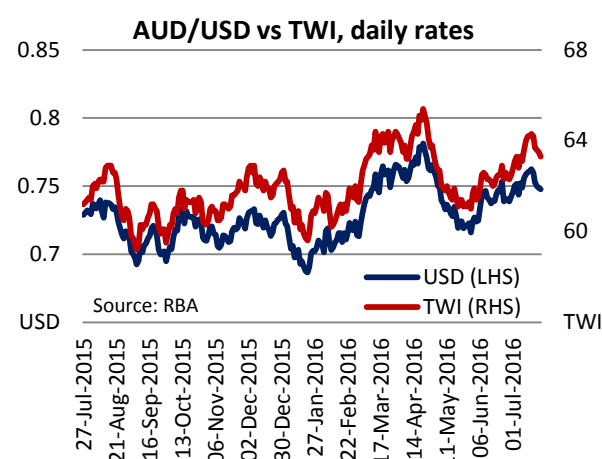
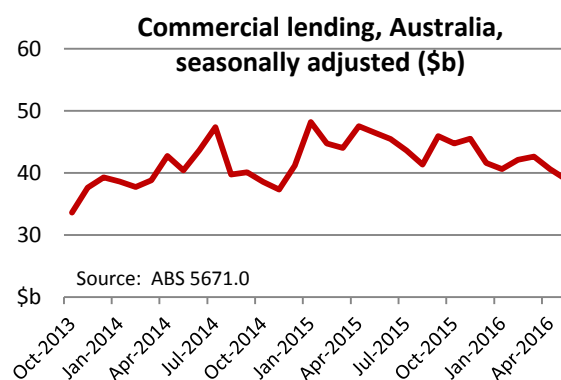
Commercial lending data is another proxy for business investment and related activity. While this data is susceptible to volatility, seasonally adjusted lending data indicates that commercial lending has slowly decreased since April 2015.

## EXCHANGE RATE

After reaching a 2016 high of 0.781 USD on 22 April, the Australian dollar (AUD) dropped to approximately 0.72 USD in May before increasing once again to [0.748 USD](#) as at 22 July 2016. Morgan Stanley commented that in the near term, the main trigger driver of the AUD will be the inflation outlook:

A better inflation outlook would reduce the need for immediate easing, but as long as housing and China's growth decelerate in the coming quarters, easing (and a weaker AUD) are all but inevitable, in our view.<sup>19</sup>

The consensus among 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 0.73 cents respectively by the end of 2016, while NAB forecasts the AUD to ease to 0.70 cents by year's end.<sup>20</sup>



<sup>18</sup> Roy Morgan Research, [Business Confidence surges in June – up 6.8% to 119.5 prior to Federal Election](#), 12 July 2016.

<sup>19</sup> Morgan Stanley, [FX Pulse – Dog Days of Dollar](#), 21 July 2016.

<sup>20</sup> Westpac, [Australia and NZ weekly](#), 25 July 2016; Commonwealth Bank, [Economic & Financial Forecasts](#), 25 July 2016; NAB, [Global and Australian Forecasts](#), 12 July 2016.

## INTERNATIONAL TRADE

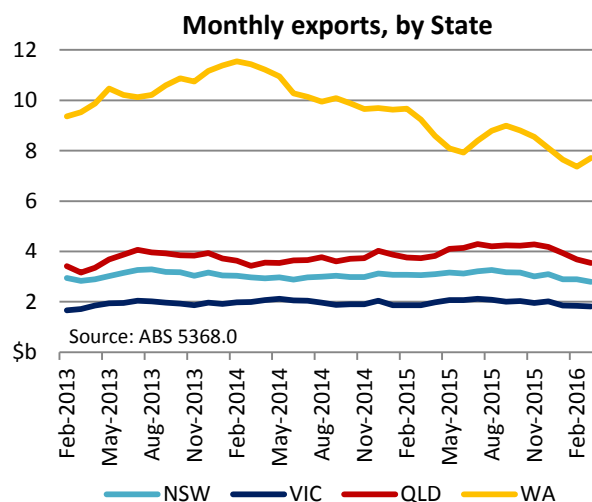
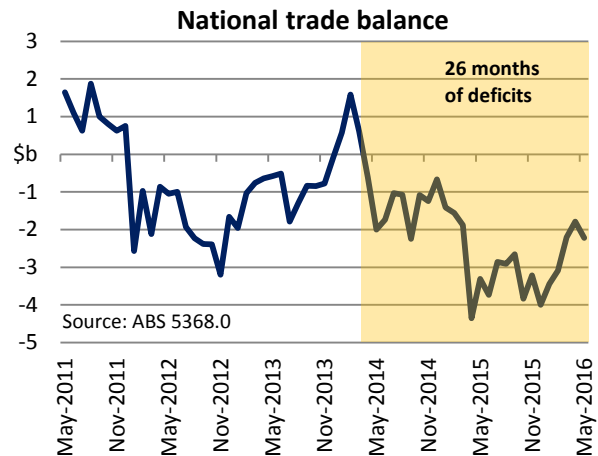
Australia recorded a seasonally-adjusted trade deficit (which includes both goods and services) of \$2.2 billion for May 2016: the 26<sup>th</sup> consecutive deficit recorded since March 2014. Trade deficits since early 2015 have been the result of falling commodity prices (i.e. iron ore and coal) and thus a decline in Australia's terms of trade.

At the national level, the Commonwealth Bank has reported that the May 2016 trade deficit widened by 24% to \$2.22 billion: non-rural goods exports rose by 3% in May, but rural goods exports shrank by 2%, with wheat exports down by 8%.<sup>21</sup>

While the May result showed a 1% increase in the value of exports, this was eclipsed by a 2% rise in the value of imports. Nevertheless, the Commonwealth Bank predicted that increased LNG volumes out of WA, Queensland and the NT will bolster the net export positive contribution to upcoming quarterly GDP numbers.<sup>22</sup>

The **average monthly free on board value of merchandise exports** from NSW fell by 9.7% in the March 2016 quarter to \$2.8 billion. Western Australia continues to dominate the States and Territories in terms of the value exported (\$7.7 billion during the March 2016 quarter). However, since March 2014 its quarterly exports have fallen by 33%, compared to a 5.9% decline in NSW over the same period.

The **top five destinations for merchandise exports** from NSW for the month of May 2016 were: Japan (\$686m); China (\$512m); Korea (\$261m); the United States (\$209m); and Taiwan (\$175m). 38.9% of all NSW merchandise was sent to Japan or China.



<sup>21</sup> Commonwealth Bank, [Balance on Goods & Services: Trade deficit gaps wider in May 2016](#), 5 July 2016.

<sup>22</sup> Ibid.

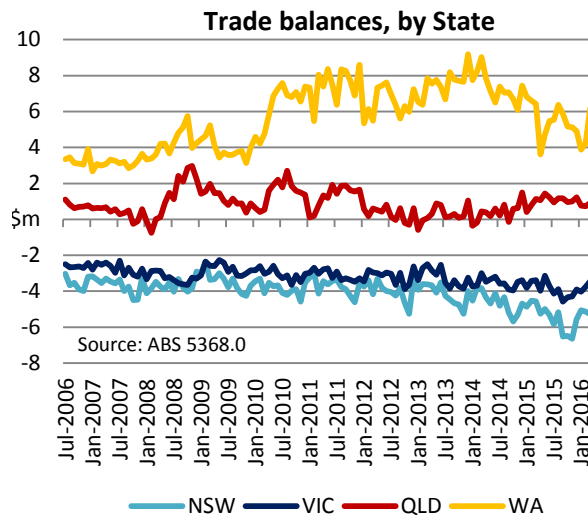
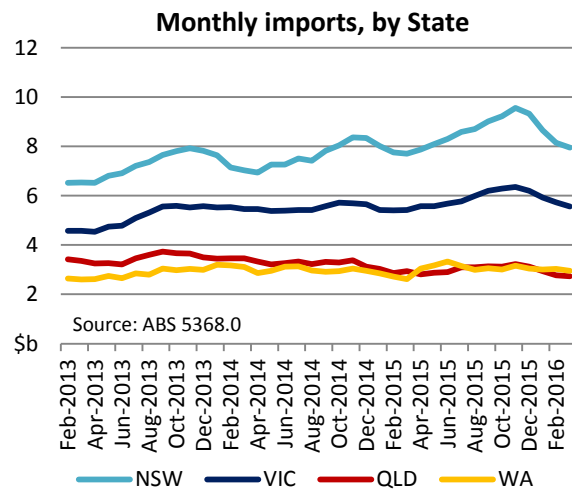


The **average monthly customs value of merchandise imports** for NSW declined by 14.8% in the March 2016 quarter to \$7.9 billion. While the State's imports have been trending up in recent years, this quarter's results are the second largest decline in Australia after the Northern Territory (down 29.4%).

The **top five import sources** for NSW during the month of May 2016 were: China (\$2,115m); the United States (\$1,084m); Germany (\$454m); Japan (\$441m); and Korea (\$412m).

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 May 2016, the State's trade deficit was recorded at \$5.0 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

After the previous quarter's deflation, annual CPI growth for the June 2016 quarter increased by 0.4%, and takes annual inflation to 1%. While the rise appears to be in line with the expectations of major banks such as the [Commonwealth Bank](#) and [Westpac](#) (both forecast a 0.5% increase), the [Sydney Morning Herald](#) nevertheless noted that this is the weakest annual inflation in 17 years

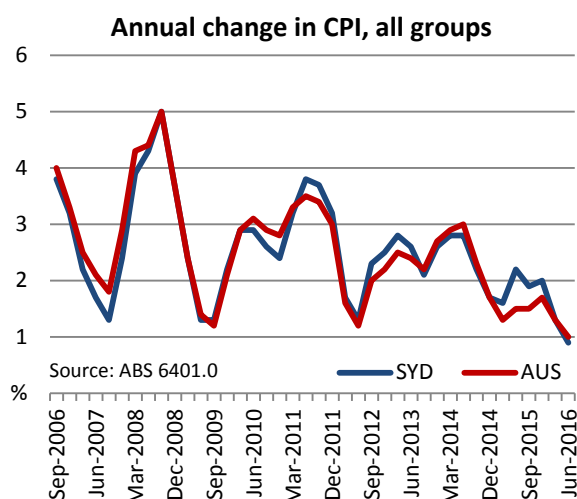
According to the Commonwealth Bank, inflation rates are probably low enough to justify an interest rate cut in August 2016:

Inflation is low whichever way you cut the numbers. Headline inflation is running at the slowest pace since mid 1999. Underlying inflation is running at a record low. Inflation in the first half of 2016 ran at 1¼% (annualised) or well below the RBA's 2-3% target band.<sup>23</sup>

In Sydney, the CPI increased by 0.9% in the 12 months to June 2016. The largest price increases over the last 12 months in Sydney occurred in: alcohol and tobacco (up by 5.8%); health (up by 4.7%); education (up by 3%); and housing (2.3%).

In their [July 2016 Minutes](#), the RBA Board anticipated that inflation “was still expected to remain quite low for some time given very subdued growth in labour costs and very low cost pressures elsewhere in the world.”

Reserve Bank of Australia inflation forecasts (%)				
	Dec-16	Jun-17	Dec-17	Jun-18
<b>CPI inflation</b>	1-2	1.5–2.5	1.5–2.5	1.5–2.5
<b>Underlying inflation</b>	1-2	1.5–2.5	1.5–2.5	1.5–2.5
Source: RBA, <a href="#">Statement on Monetary Policy</a> , May 2016				

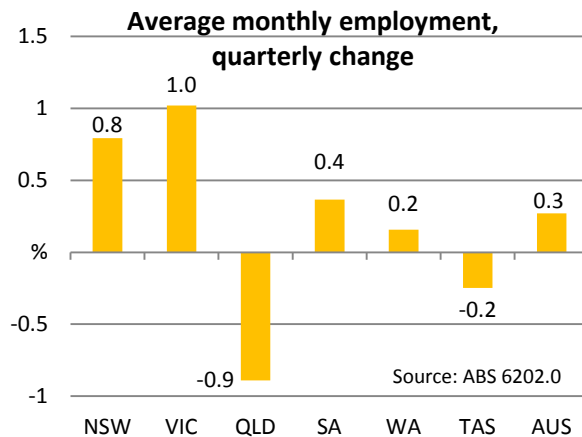


<sup>23</sup> Commonwealth Bank, [CPI – QII 2016](#), 27 July 2016, p 1.



## EMPLOYMENT

Nationally, employment grew by 0.3% for the June 2016 quarter, increasing by 32,000 on average between the March and June 2016 quarters. According to the Commonwealth Bank, although the most recent quarterly data was lower than market expectations, in the month of June the overall level of employment lifted and the number of full-time workers rose, suggesting “a stronger underlying pulse of job creation than today’s headline numbers imply”.<sup>24</sup>



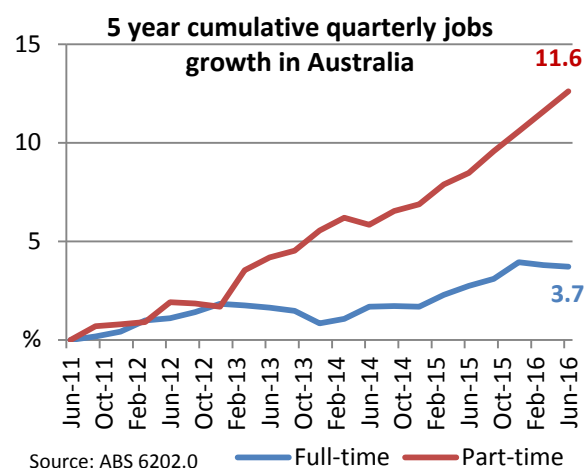
The average number of people employed in NSW was up 0.8% for the quarter at 3.81 million; this continues an ongoing trend which has seen NSW employment levels increase by 3.5% since the June 2015 quarter.

Number of persons employed, quarterly average, seasonally adjusted ('000)									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Jun-15	3,684	2,946	2,337	805	1,349	239	135	210	11,697
Sep-15	3,734	2,948	2,346	802	1,349	242	134	210	11,766
Dec-15	3,785	2,979	2,369	807	1,351	240	132	211	11,871
Mar-16	3,782	2,993	2,374	809	1,349	238	132	211	11,896
Jun-16	3,812	3,023	2,353	812	1,351	237	134	212	11,928

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

However, this growth is characterised primarily by part-time employment; ABS figures indicate that, nationally, part-time employment grew by 11.6% between June 2011 and June 2016, with full-time employment growing by 3.7% over the same period.

Some observers have expressed concern that these jobs have come at the expense of full-time employment,<sup>25</sup> although others remain uncertain as to whether individuals are embracing part-time employment or are being forced into these positions.<sup>26</sup>



Nevertheless, St George Bank noted that the trend towards part-time work

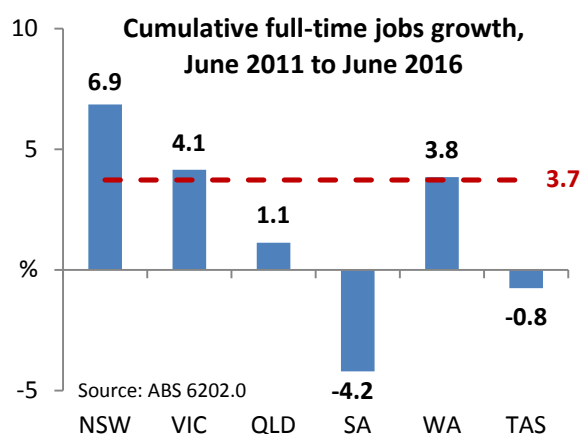
<sup>24</sup> Commonwealth Bank, [Labour force – June 2016](#), 14 July 2016, p 2.

<sup>25</sup> R Burgess, [The trend towards 'part-time Australia' demands action](#), The New Daily, 16 June 2016.

<sup>26</sup> J Irvine, [Forget 'and growth' – it's the 'jobs' that do the work](#), Sydney Morning Herald, 18 June 2016.

reversed in June 2016, with full-time work lifting by 38,400 positions and part-time work falling by 30,600.<sup>27</sup>

Furthermore, while seasonally adjusted data is not available for State part-time employment, when it comes to full-time employment growth NSW has performed well above the Australian average. Between June 2011 and June 2016, NSW has seen a 6.9% cumulative increase in full time jobs, followed by Victoria (4.1%) and WA (3.8%).

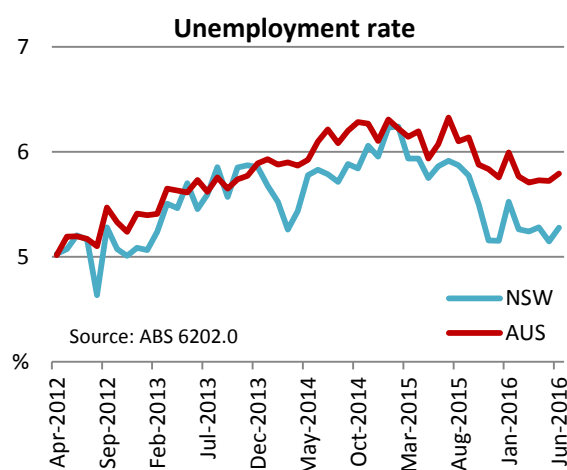


In its July Minutes, the RBA Board found that, following strong outcomes in late 2015, employment growth had moderated to be around its long-run average in year-ended terms. However, like the observers above, the Board noted that during 2016 “employment growth had been driven by part-time jobs, while full-time employment had retraced some of its earlier strong gains”.<sup>28</sup>

## UNEMPLOYMENT

Over the June 2016 quarter the average unemployment rate for NSW decreased by 0.2% to 5.3%: down 0.8% from the February 2015 peak of 6.2%. It remains 0.5% 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 6.9%, with Tasmania and Queensland both at 6.5%.



Unemployment rate, quarterly average, seasonally adjusted (%)									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
<b>Jun-15</b>	5.8	6.1	6.3	7.7	5.6	6.9	4.4	4.5	6.1
<b>Sep-15</b>	5.9	6.2	6.3	7.7	6.2	6.3	4.5	4.9	6.2
<b>Dec-15</b>	5.3	5.9	6.0	7.3	6.4	6.6	4.3	4.9	5.8
<b>Mar-16</b>	5.3	5.9	6.1	7.2	5.8	6.7	4.2	4.4	5.8
<b>Jun-16</b>	5.2	5.7	6.5	6.9	5.7	6.5	3.9	3.8	5.7
Source: ABS, Labour Force, Australia, Cat No. 6202.0, June 2016									

<sup>27</sup> St George Bank, [Labour Force: Still on Course](#), 14 July 2016.

<sup>28</sup> RBA, [Minutes of the Monetary Policy Meeting of the Reserve Bank Board](#), 5 July 2016.

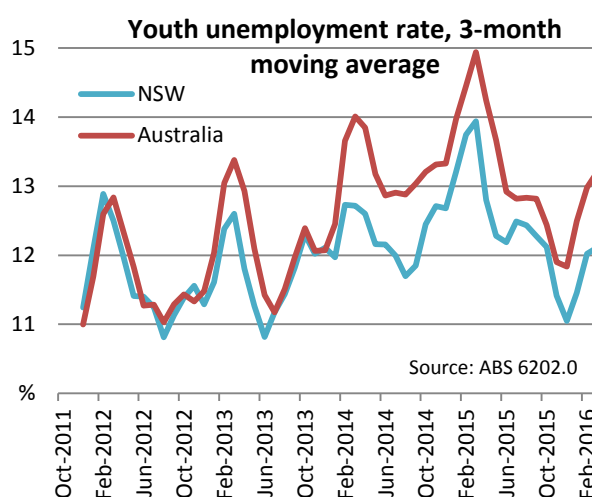
As observed by St George Bank:

Our expectation for the unemployment rate to remain broadly steady for the remainder of the year implies monthly employment gains of between 10 and 15k per month, slightly higher than the current pace of below 10k per month. Steady growth in job ads and ongoing reports of above-average business conditions suggests that such an improvement is in prospect ... Nonetheless, the unemployment rate is still above levels which would be considered as “full-employment” and wage growth remains soft. This suggests that there is still a fair amount of spare capacity within the labour market, and will keep alive concerns of a weak inflation outlook.<sup>29</sup>

The Commonwealth Bank also [predicted](#) that the unemployment rate is likely to remain steady over the rest of 2016.

### YOUTH UNEMPLOYMENT<sup>30</sup>

The three month rolling average youth unemployment rate for NSW decreased by 0.7% to 11.4% over the June 2016 quarter. Youth unemployment in the State remains 0.8% below the Australian average (12.2%).



Of the other States and Territories, Tasmania had the highest average youth unemployment rate at 15.9%. 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.

Youth unemployment rate, quarterly average, original (%)									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
<b>Sep-15</b>	12.3	14.1	12.5	15.4	10.5	14.4	8.6	14.7	12.8
<b>Dec-15</b>	11.1	12.8	11.1	15.1	11.0	14.5	7.4	12.9	11.8
<b>Mar-16</b>	12.1	13.5	14.0	16.1	12.7	16.4	8.8	10.1	13.2
<b>Jun-16</b>	11.4	12.3	14.0	14.0	10.3	15.9	7.3	8.1	12.2

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

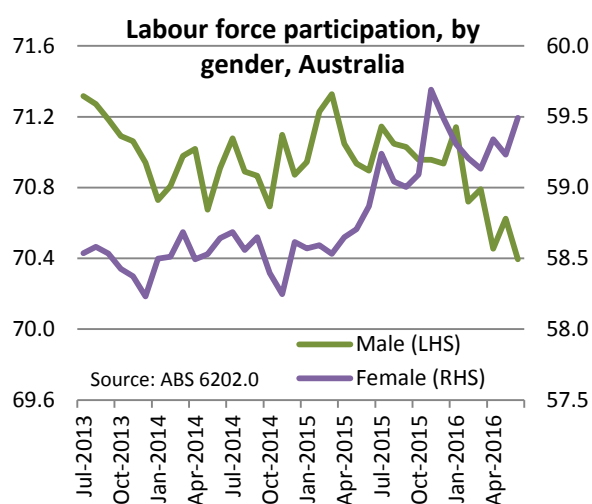
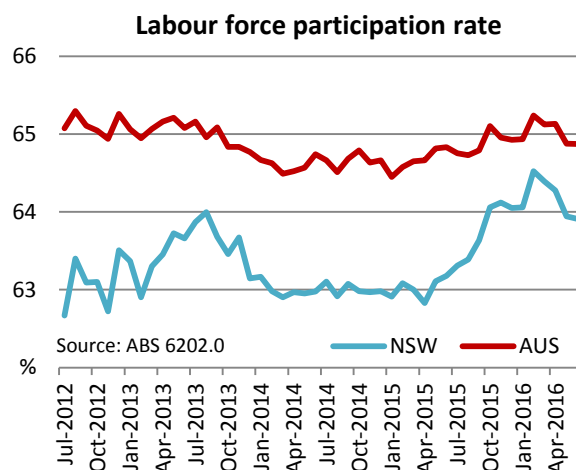
<sup>29</sup> St George Bank, [Labour Force: Still on Course](#), 14 July 2016, p 3.

<sup>30</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](#).

## LABOUR FORCE PARTICIPATION

The average labour force participation rate in NSW fell by 0.1% over the June 2016 quarter to 64.3% (0.6% below the Australian average). Only Tasmania and South Australia had lower participation rates than NSW (59.6% and 62% respectively). The highest labour force participation rate was in the Northern Territory at 74.8%.

Nationally, the labour force participation rate is 64.9%, the same as the five year average. As is illustrated in the figure on the right, longer term increases in national labour force participation figures have been primarily driven by a surge in female participation, with the latest participation rate (59.5% in June 2016) almost reaching the record level of 59.7% seen in November 2015. In contrast, male participation rates reduced to 70.4% in June 2016, down from 71.6% in April 2013.



Labour force participation rate, quarterly average, seasonally adjusted (%)

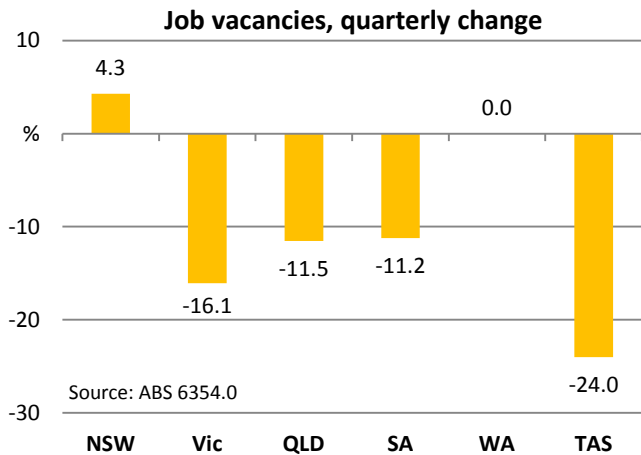
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
<b>Jun-15</b>	63.4	64.8	65.4	62.4	68.4	60.9	76.0	70.3	64.8
<b>Sep-15</b>	64.1	64.6	65.4	62.2	68.7	61.0	75.5	70.4	65.0
<b>Dec-15</b>	64.3	64.7	65.6	62.2	68.7	60.6	74.6	70.6	65.1
<b>Mar-16</b>	64.0	64.7	65.6	62.1	68.0	60.1	74.2	70.2	65.0
<b>Jun-16</b>	64.2	64.9	65.0	62.0	67.8	59.7	74.6	69.9	64.8

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

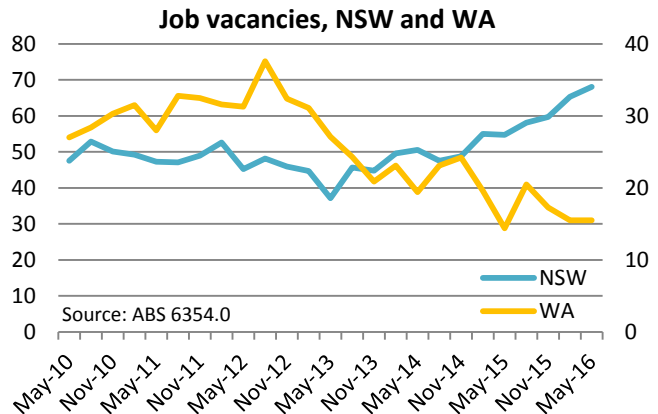
### JOB VACANCIES

The number of job vacancies in NSW rose by 4.3% to 68,100 in the February 2016 quarter, and remains 29% higher than the three year average of 52,700. In contrast, job vacancies across Australia declined by 5.6% for the quarter to 164,100.

The national reduction in vacancies has been driven by significant decreases in all States and Territories bar NSW, the ACT and WA. The greatest decreases have occurred in Tasmania (24%), Victoria (16.1%), the Northern Territory (11.5%) and South Australia (11.2%).



Unchanged job vacancies figures in WA nevertheless do not reverse a run of poor results for the State, which comes in response to the downturn in mining investment. Contrast that to the trend in NSW where job vacancies have risen by 31,000 since May 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 2,500 vacancies nationally in the mining sector in May 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 21%. In the three years that followed, average increases were less than 7%.<sup>31</sup>



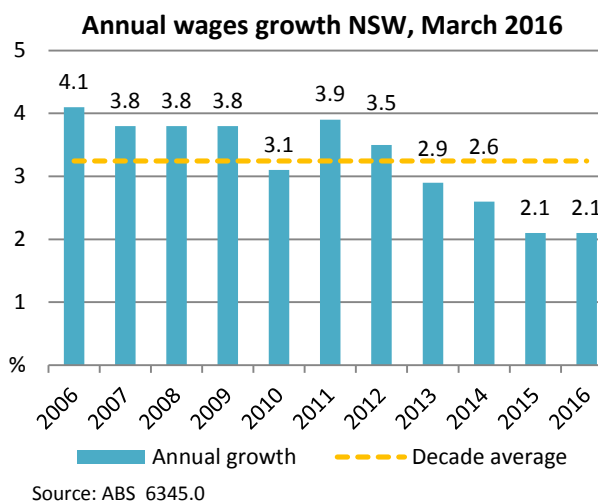
<sup>31</sup> ABS, [Average Weekly Earnings, Australia](#), Cat No. 6302.0, November 2015, Table 10g.

Number of job vacancies, original figures ('000)									
	NSW	Vic	QLD	SA	WA	TAS	NT	ACT	AUS
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
May-16	68.1	39.7	23.0	8.7	15.5	1.9	2.3	4.9	164.1

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

## WAGES

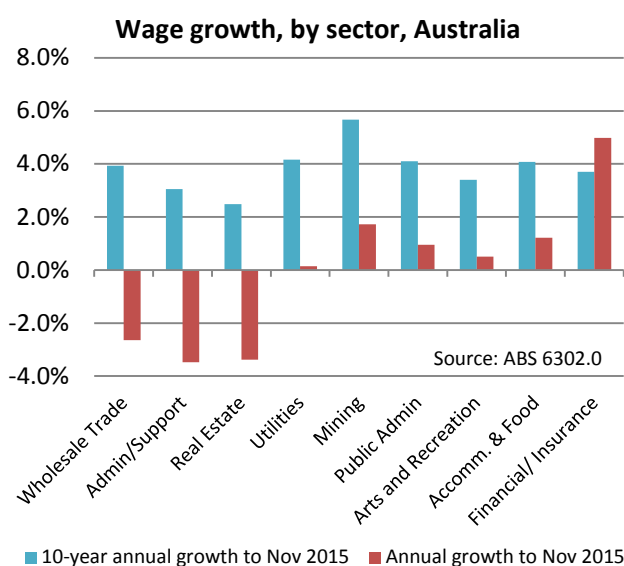
Wages growth continued to remain subdued over the March quarter, remaining at 0.4% in NSW and 0.5% at the national level. On an annual basis, wages growth has slowed in NSW and in the 12 months to March 2016 was recorded at 2.1%: 1.2% below the decade average of 3.2%. As per previous Updates, the latest set of wage data may add further evidence to the proposition that there is spare capacity in the labour market at present.<sup>32</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.



<sup>32</sup> For a complete discussion around this, see: Ballantyne et. Al, [Unemployment and Spare Capacity in the Labour Market](#), RBA Bulletin – September Quarter, 2014.

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.

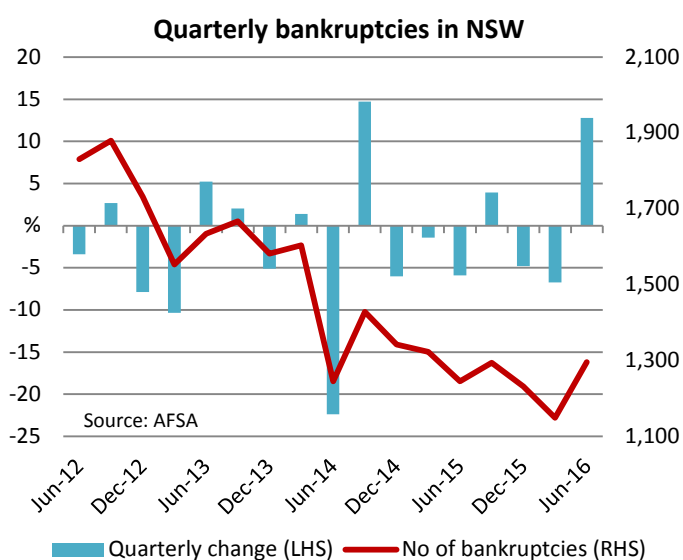
Average adult weekly fulltime earnings, ordinary time, trend estimates (\$)								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Nov-13	1424.00	1380.10	1425.70	1318.50	1627.40	1265.10	1444.20	1674.40
May-14	1458.10	1385.30	1439.40	1353.80	1641.50	1253.00	1425.50	1670.50
Nov-14	1491.00	1393.10	1452.20	1347.50	1671.20	1265.00	1455.20	1695.50
May-15	1511.70	1401.30	1444.90	1353.40	1691.40	1290.80	1510.00	1709.40
Nov-15	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

## BANKRUPTCIES

The number of bankruptcies in NSW rose by 12.8% in the June 2016 quarter to 1,296. However, State bankruptcies have been trending down in NSW over the last few years and are 20.7% lower in June 2016 than three years earlier.

Western Australia (17.8%) and the Northern Territory (15%) had the largest increases in bankruptcies of all the jurisdictions, while Victoria and South Australia saw the lowest increase over the June quarter (2.9% and 4.2% respectively).



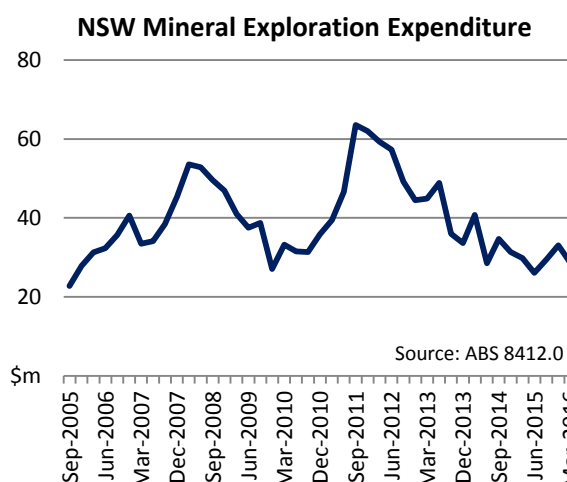
Bankruptcies per quarter (Parts IV and XI of the <i>Bankruptcy Act 1966</i> (Cth))								
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Jun-15	1,245	841	1,284	294	366	108	21	56
Sep-15	1,294	929	1,295	280	408	105	27	48
Dec-15	1,232	845	1,235	300	383	123	30	33
Mar-16	1,149	840	1,278	286	409	100	20	41
Jun-16	1,296	864	1,392	298	482	113	23	44

Source: Australian Financial Security Authority, June 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 decreased over the March quarter by 13.3% and remains 54.8% 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 67% (or \$699.6 million) since March 2012.

A significant share of this decline is accounted for by Western Australia, where exploration expenditure has declined by 61% (\$351 million) since March 2012.

	Mineral exploration expenditure, \$m							
	NSW	VIC	QLD	SA	WA	TAS	NT	AUS
<b>Mar-2015</b>	29.8	5.8	68.9	26.2	215.2	4.3	26.6	376.9
<b>Jun-2015</b>	26.1	6.4	65.7	11.1	196.1	4.0	23.9	333.3
<b>Sep-2015</b>	29.5	6.4	71.7	11.7	217.9	3.4	27.3	368.0
<b>Dec-2015</b>	33.1	8.2	64.8	11.2	214.6	2.6	26.7	361.1
<b>Mar-2016</b>	28.7	6.2	49.0	9.1	221.1	3.7	26.3	344.1

Source: ABS, Mineral and Petroleum Exploration, Australia, Cat No. 8412.0, March 2016

In their July 2016 minutes, the RBA Board noted that the transition of economic activity to the non-resources sector was well advanced, “with divergent outcomes across sectors reflecting the continued rebalancing of the economy following the mining investment boom”. The mining sector remained “subdued”.<sup>33</sup>

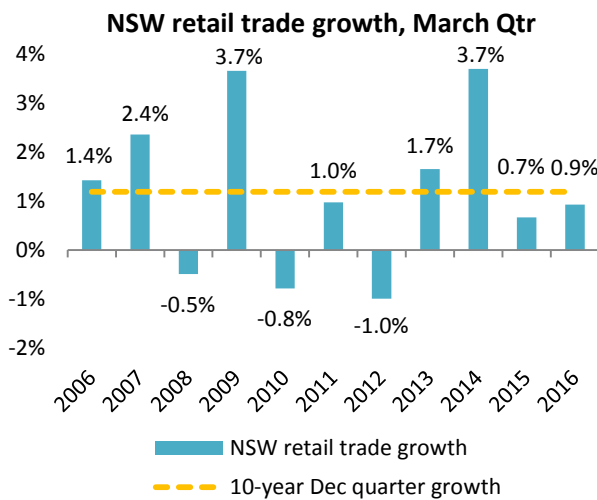
<sup>33</sup> RBA, [Minutes of the Monetary Policy Meeting of the Reserve Bank Board](#), 5 July 2016.



### TURNOVER OF RETAIL TRADE

Average monthly turnover of retail trade in NSW rose by 1.4% in the March 2016 quarter to almost \$8 billion. This was lower than the 10 year March quarter average growth (1.2%), but higher than the previous December quarter (0.7%).

NSW had the fourth highest average quarterly retail growth of all the States and Territories, with the ACT (3.0%), Tasmania (1.2%) and South Australia (1.0%) having higher levels of growth.



Source: ABS 8501.0

Turnover of retail trade (\$m), quarterly average, seasonally adjusted									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Mar-15	7,618	5,954	4,924	1,562	2,784	474	254	424	23,993
Jun-15	7,732	6,025	4,936	1,578	2,786	474	256	434	24,221
Sep-15	7,818	6,108	4,944	1,578	2,808	479	257	434	24,426
Dec-15	7,917	6,211	4,983	1,598	2,814	487	259	443	24,712
Mar-16	7,991	6,256	4,994	1,614	2,807	493	260	456	24,870

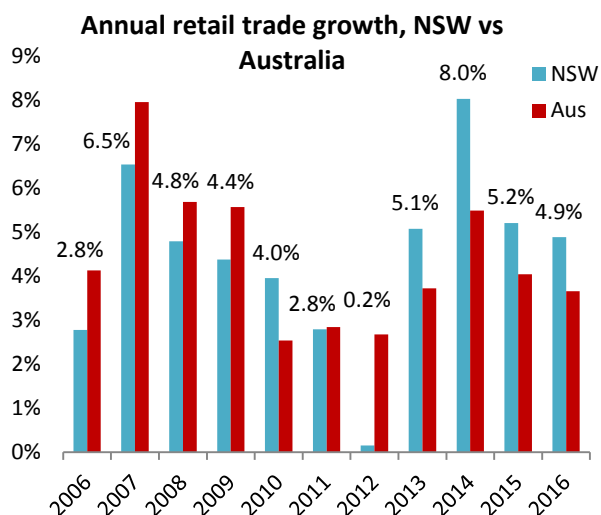
Source: ABS, Retail Trade, Australia, Cat. No. 8501.0, May 2016

More significant is the longer run trend in growth, with retail trade in the State up 4.9% 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 9% in the June 2016 quarter to 35,236. Annual growth for NSW was at 6.4% to the June 2016 quarter – the third highest annual growth of all jurisdictions, with the ACT (12.3%) and South Australia (6.7%) higher.

Nationally, sales of new motor vehicles rose by 9.6% for the June quarter and were up 4% for the year. St George Bank [commented](#) on recent vehicle sales results, suggesting that, although varying from region to region, “[w]ith the election now behind us and consumer sentiment not noticeably damaged, the scene appears set for sales to be maintained at current high levels and potentially lifted.”

Sales of new vehicles, quarterly average									
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Jun-15	33,122	26,669	21,306	5,853	9,155	1,570	1,094	1,511	100,278
Sep-15	31,615	26,062	19,090	5,401	8,574	1,748	796	1,516	94,802
Dec-15	32,371	27,236	19,069	6,053	8,742	1,799	751	1,505	97,525
Mar-16	32,329	25,641	19,125	5,761	8,547	1,377	833	1,496	95,109
Jun-16	35,236	28,117	21,529	6,245	8,762	1,556	1,130	1,696	104,271

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

## HOUSE PRICES

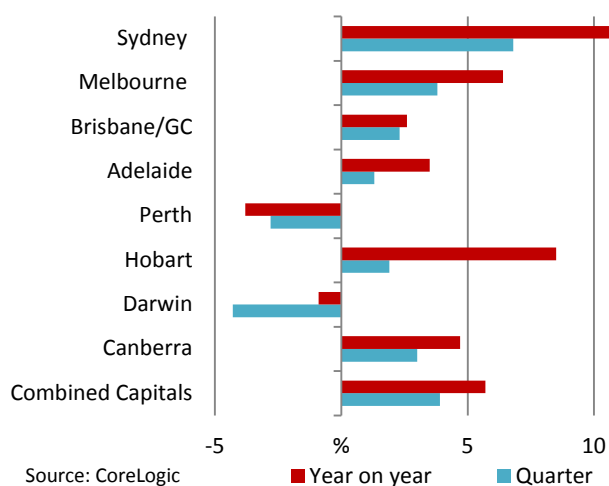
Following a [slowdown](#) in the first quarter of 2016, which saw Sydney’s house prices fall by 0.7% in March, the city’s housing market picked up strongly in April and May. According to [CoreLogic](#), Sydney house prices rose by 6.8% over the June quarter to \$881,800 – the highest quarterly increase in the nation, and a year-on-year increase of 11.0%.

The Domain Group gave an even higher median price estimate, [finding](#) that, although Sydney house prices only rose by 1.2% between June 2015 and June 2016, the median house price was \$1,021,968. According to a report by property advisory group Herron Todd White, Sydney’s house and apartment prices have not yet reached their peak, further pricing prospective buyers out of the market:

The report pointed to price growth in 2016 being “slower than previous years” but noted there had been consistent solid price growth in the ‘value band’ – around \$500,000 – across the metropolitan area due to investor and entry-level owner occupier demand. But across Sydney, opportunities at this level – about half Sydney’s median price – are limited. ... Should prices growth continue as expected, these budget buys will also soon be priced out of reach.<sup>34</sup>

It is unclear whether house prices will continue to surge in coming quarters, although observers believe the market will slow once again in coming quarters.

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



<sup>34</sup> J Duke, [Sydney’s house price growth hasn’t peaked yet: Herron Todd White](#), Domain, 5 July 2016; Herron Todd White, [Month in Review](#), July 2016.

HSBC has forecast national housing price growth to slow from 9% in 2015 to around 4-5% in 2016 and 0-5% in 2017. This is due to three factors that will help slow price growth:

First, prudential settings remain tight, after the authorities 'turned up the dial' on lending standards through 2015. Second, there is a significant boost to housing supply, mainly of apartments, expected in coming quarters, given the amount of new construction already underway. Third, although foreign demand for local housing has been strong, at around 20% of total housing turnover in 2014-15, state governments have recently introduced additional taxes on foreigners, which may weigh on demand. Domestic banks have also been limiting lending to foreign purchasers.<sup>35</sup>

Similarly, St George Bank noted in its May 2016 NSW economic outlook [report](#) that further moderation in house price growth is expected to continue for several reasons, including falls in rental yields making housing increasingly less attractive for investors. However, in its April 2016 Financial Stability Review the RBA expressed concern over the significant and geographically concentrated growth in supply of new apartments in Sydney and other capital cities:

This new supply may weigh on prices and rents in these areas. If that occurs, investors will need to service their mortgages while earning lower rental income and any households facing difficulties making repayments may not be able to resolve their situation easily by selling the property.<sup>36</sup>

However, even if price growth slows as forecast, Sydney remains the second least affordable city for housing in the world behind Hong Kong. According to the [Demographia International Housing Affordability Survey](#), Sydney's median house prices are 12.2 times higher than gross annual median household income: the survey classifies "affordable" housing as having a median multiple of 3.0 or below.

## DWELLING APPROVALS

The average monthly number of dwellings approved in NSW declined by 7.2% in the March 2016 quarter to 5,412 approvals. However, this figure was only 0.1% lower than the March 2015 quarterly average number of approvals.

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, NSW building approvals remain at near record levels (see figure overleaf).

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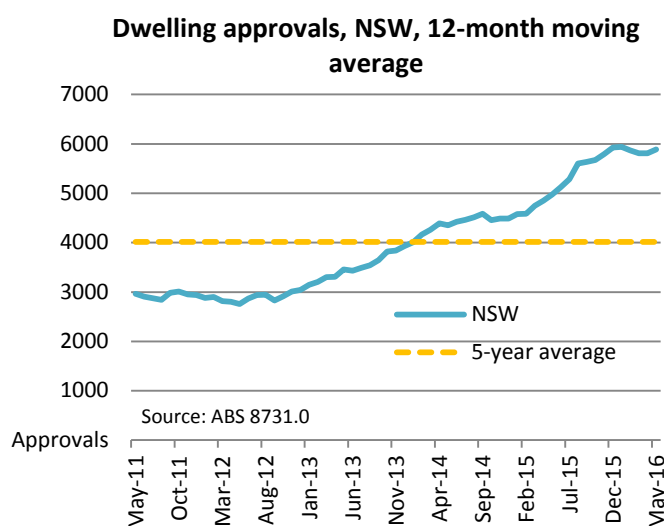
<sup>35</sup> P Bloxham, D Smith, [Downunder Digest: Australian housing is still set to cool](#), HSBC, 21 June 2016, p 1.

<sup>36</sup> RBA, [Financial Stability Review – April 2016](#), Ch 2.

Although there has been a slowing of approvals in NSW since March 2015, approval numbers are still 47% higher than the five year average.

National dwelling approvals were, on average, up by 1.5% for the March quarter, with NSW approvals levels the lowest of all States and Territories. However, approvals growth has been slow or unchanged in all jurisdictions except

Queensland, which recorded an 11.5% increase over the March quarter.



Number of dwellings approved, quarterly average							
	NSW	VIC	QLD	SA	WA	TAS	AUS
<b>Mar-15</b>	5,947	6,049	4,502	984	2,535	258	20,566
<b>Jun-15</b>	5,926	5,816	4,142	848	2,646	255	20,338
<b>Sep-15</b>	6,057	5,342	4,098	912	2,341	229	19,551
<b>Dec-15</b>	5,833	5,755	4,006	991	2,007	197	19,185
<b>Mar-16</b>	5,412	5,765	4,446	991	2,021	197	19,470

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

The last couple of months have seen falls in residential building approvals greater than market expectations. According to the Commonwealth Bank, the number of residential building approvals fell by 5.2% in May, and non-residential approvals fell by 18.5% during the same period.<sup>37</sup>

The Commonwealth Bank raised the possibility of oversupply issues developing in 2016 in the high-rise apartment sector for inner city Sydney suburbs,<sup>38</sup> which was also raised by the RBA in April (see the House Prices chapter). Nevertheless, the Commonwealth Bank remained optimistic that approval figures would stay high throughout the rest of the year:

In our view, the recent May RBA rate cut, and the prospect of more cuts in coming months, should keep residential approvals at relatively high levels through the rest of 2016. It means that the contribution to the quarterly GDP numbers could remain a small positive through to the end of the year.<sup>39</sup>

<sup>37</sup> Commonwealth Bank, [Building Approvals – May 2016](#), 4 July 2016.

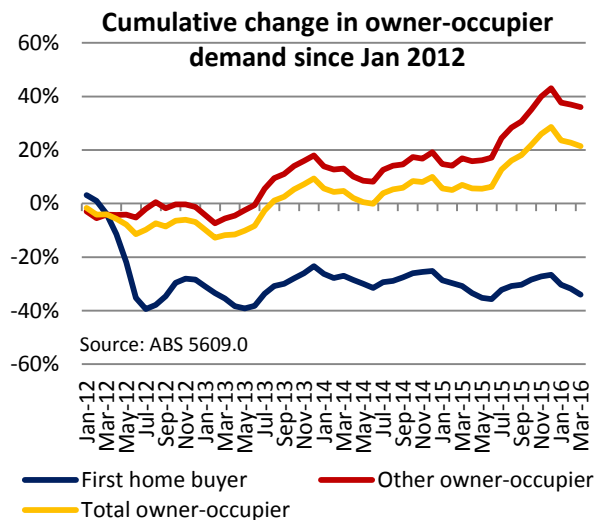
<sup>38</sup> Commonwealth Bank, [Building Approvals – May 2016](#), 4 July 2016.

<sup>39</sup> Commonwealth Bank, [Building Approvals – May 2016](#), 4 July 2016.

## HOUSING FINANCE

The average number of owner-occupier (including first home owner) dwellings financed in NSW fell by 17.7% during the March quarter to 15,837: a steeper drop than the national quarterly average (-13.5%).

However, *owner-occupier* finance has trended up since early 2010, mainly off the back of non-first home buyer commitments. As can be seen in the figure to the right, aside from the spike in demand induced by the expiration of first home buyer incentives, *first home buyer* demand has remained low since mid-2012.

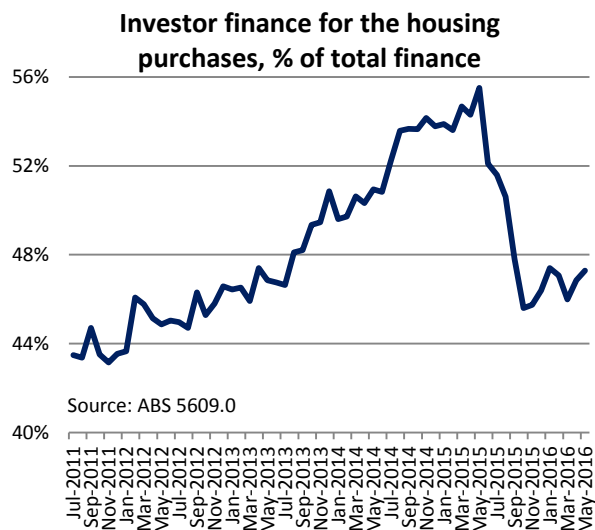


This issue of low first home buyer levels is illustrated by findings in the 2016 Household, Income and Labour Dynamics in Australia (HILDA) [survey](#). The HILDA survey has revealed a rapidly growing divide between younger persons<sup>40</sup> and older home owners:

Using the information on the identities of the legal home owners available in wealth years, the figure shows that the decline in home ownership has been concentrated on those aged under 55. Home ownership among persons aged 25–34 declined from 38.7% in 2002 to 29.2% in 2014, with much of the decline occurring between 2010 and 2014. ... There was essentially no change in home ownership among those aged 65 and over.<sup>41</sup>

As discussed in previous Economic Updates, 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



<sup>40</sup> The ABS reported that the average age of first home buyers is between 31 and 33 years old. See ABS, [4130.0 - Housing Occupancy and Costs, 2009-10](#), 16 November 2011.

<sup>41</sup> HILDA, [The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 14](#), 2016, p 68.

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.

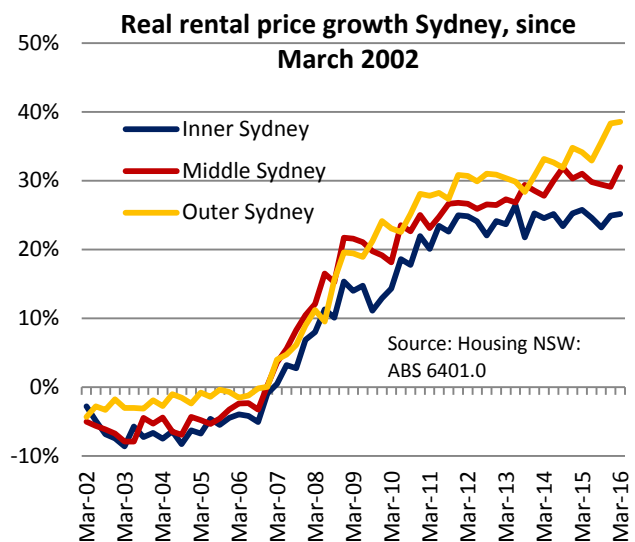
This demand may lower further as more lenders toughen borrowing conditions “amid growing concerns about over-supply, falling demand and off-the-plan buyers capacity to complete purchases”.<sup>42</sup>

Housing finance, as a proportion of total dwelling finance, fell by 0.2% over the three months to May 2016, and 1.5% between November 2015 and May 2016. As of May 2016, the proportion of total dwelling finance is 8.2% lower than it was 12 months earlier. According to The Guardian, “Sydney housing prices [are] definitely coming off the boil, and the value of housing finance [is] falling sharply as investors cut back their house buying.”<sup>43</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 2015 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.



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.

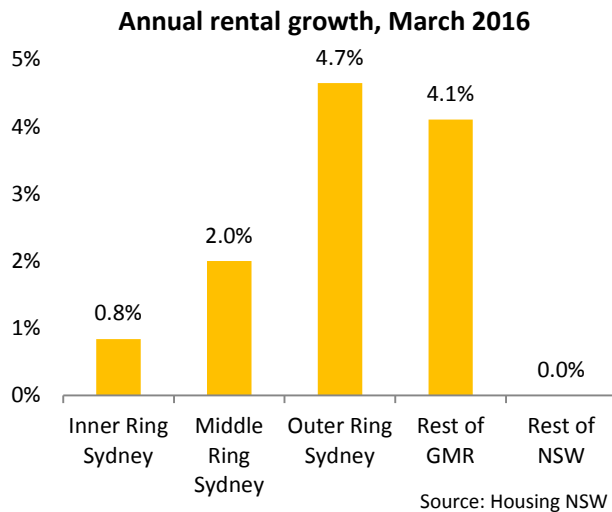
<sup>42</sup> D Hughes, [More lenders hit the brakes on housing](#), AFR, 20 July 2016.

<sup>43</sup> G Jericho, [House prices have fallen but don't expect a housing affordability bonanza](#), the Guardian, 24 June 2016.

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 March, rental growth has been most pronounced in the *Outer Ring* at 4.7% and the *Rest of the Greater Metropolitan Region* (GMR) at 4.1%. 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.